

This announcement contains inside information

HALF YEAR FINANCIALS RELEASE

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (**88 Energy** or the **Company**) is pleased to advise of the release of its financial results for the half-year ending 30 June 2021.

Highlights

- Successful drilling of Merlin-1 well at Project Peregrine in March 2021.
- Encouraging results from the Merlin-1 post well testing program received during half year.
- Acquisition of the Umiat oil field in January 2021, which is located adjacent to Project Peregrine.
- Acquisition of residual 50% working interest in Project Peregrine in June 2021.
- Sale of Alaskan Tax Credits for US\$18.7M cash in June 2021, enabling full repayment of debt.
- Adoption of World Economic Forum (WEF) principles, the global standard for ESG reporting.
- At balance date, 88 Energy held A\$14.8M cash and zero debt (excluding typical trade creditors).
- Subsequent to half end, received final cash call receipt on Merlin-1 of US\$5.0M.
- Strengthened Board and management team in early August.
- Comprehensive Merlin-1 well results and interpretation to be released imminently.

Please find appended the financial report for the half year ended 30 June 2021.

This announcement has been authorised by the Board.

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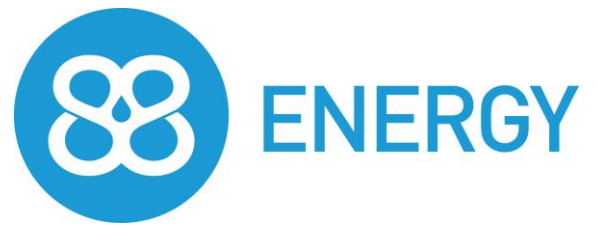
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88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2021

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DIRECTORS

Mr Philip Byrne
Mr Ashley Gilbert
Dr Stephen Staley
Ms Joanne Kendrick

COMPANY SECRETARY

Ms Sarah Smith

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ASX CODES

Shares 88E

LONDON STOCK EXCHANGE - AIM

Shares 88E

COUNTRY OF INCORPORATION AND DOMICILE

Australia

DIRECTORS' REPORT

Your Directors present their report together with the interim financial report of 88 Energy Limited (the Company or 88 Energy) for the six months ended 30 June 2021 and the independent auditor's review report thereon.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Michael Evans (Non-executive Chairman, appointed 9 April 2014, resigned 30 July 2021)

Ms Philip Byrne (Non-executive Chairman, appointed 2 August 2021)

Dr Stephen Staley (Non-executive Director, appointed 9 April 2014)

Ms Joanne Kendrick (non-executive Director, appointed 2 August 2021)

Mr Ashley Gilbert (Managing Director, appointed 10 May 2021)

Mr David Wall (Managing Director, appointed 15 April 2014, resigned 10 May 2021)

OPERATING AND FINANCIAL REVIEW

During the period, the Group has continued its principal activities in Alaska. A summary of significant activities is below:

Highlights for the first half of 2021:

Project Peregrine

- Rig commissioning and mobilisation of snow road construction equipment to the Merlin-1 drill site commenced in early January 2021;
- The Merlin-1 exploration well spudded on 10 March 2021 and drilled to a Total Depth of 5,267';
- In April 2021 the Project Peregrine Joint Venture announced the completion of the Merlin-1 drilling program, as it was too late in the season to initiate flow testing operations;
- Initial petrophysical interpretation of wireline logs indicated several potential pay zones in the Merlin-1 well and side wall cores obtained from the well confirmed presence of oil;
- Following completion of the drilling program, the post well testing program commenced on sidewall cores, cuttings, mud gas and fluid samples from Merlin-1;
- Geochemical analysis of fluid extracts from selected core samples definitively demonstrated presence of hydrocarbons;
- Initial mapping of additional prospective zones encountered in Merlin-1 delivers upside potential; and
- On 7th June 2021, the company announced that it had entered into an agreement with Alaska Peregrine Development Company, LLC ("APDC") to acquire a 50% working interest from APDC in Project Peregrine in exchange for a US\$14 million in shares plus 1.5% ORRI and additional bonus payments (as disclosed in Note 15). As at 30 June 235,454,781 shares had been issued to APDC, with the remaining shares issued post June as per Note 14.

Umiat Oil Field

- In Q1 2021, 88 Energy, via its wholly owned subsidiary Emerald House LLC, entered into a Sale and Purchase Agreement with Malamute Energy, Inc and Renaissance Umiat LLC to acquire the Umiat Oil Field ("Umiat");
- In March 2021 the Company completed the abandonment of two historic wells, which was a condition of the acquisition;
- Further studies conducted in conjunction with the Merlin-1 post well testing and analysis have identified additional upside at the Umiat oil field; and
- Subsequent to Half Year period end, approval from the Bureau of Land Management was received to defer Umiat Year 2 Unit well commitment by 24 months to 31 August 2023.

Project Icwine

- The nearby Talitha-A well drilled by Patheon Resources showed encouraging results with the potential for the Theta West and the prospective sands of the Kuparuk formation extending onto the Icwine acreage. The internal geoscience team are to reassess the potential across the acreage following these results.

Yukon Acreage

- Tract 29 was awarded during the half-year as part of the 2021 Coastal Lease Sale;
- Discussions continue to advance with nearby lease owners for a joint development area; and
- Planning for potential future exploration drilling ongoing subject to farm-out and other discussions.

Corporate

- David Wall resigned as managing director during the half-year, Ashley Gilbert appointed Managing Director and Sarah Smith appointed Company Secretary;
- Sale of Alaskan Oil and Gas Tax Credits for US\$18.7M; proceeds applied towards full repayment of outstanding 88E debt (US\$16.1M); and
- Cash as at 30 June 2021 of A\$14.8M and zero debt.

PROJECT PEREGRINE

Merlin – 1 Exploration Well

The Merlin-1 well was spudded in March 2021 and was drilled to a Total Depth of 5,267', with drilling operations completed in April 2021. The post well testing program on the samples and data obtained during the drilling of the Merlin-1 well commencing shortly thereafter, with key results up to half year as follows;

- Initial petrophysical interpretation of wireline logs indicated several potential pay zones in the Merlin-1 well and side wall cores obtained from the well confirmed the presence of oil;
- The sidewall cores taken in the Merlin-1 well were analysed at surface prior to being sent to the laboratory for further testing with fluorescence and cut observed over several key horizons;
- Phase one geochemical results were received for the original 18 specifically selected trims from the Merlin-1 side wall cores with 7 of these 18 trims confirming the presence of hydrocarbons which were at depths that were among the most prospective zones noted during drilling and also correspond with depths where good oil shows were noted during drilling, including petroliferous odour, fluorescence and cut. A further 10 trims were sent for analysis subsequent to half-year end also;
- High resolution gas chromatography analysis from a selection of the trims also showed evidence of hydrocarbons.
- Phase two of the geochemical analysis program on the sidewall core trims had commenced prior to half year, which included quantitative extraction, SARA, isotopes and biomarkers analysis;
- Geochemical analysis of fluid extracts from selected core samples has definitively demonstrated presence of hydrocarbons; and
- Initial mapping of additional prospective zones encountered in Merlin-1 delivers upside potential.

Costs associated with the Merlin-1 well have been finalized, with 88 Energy's net share of well costs approximately US\$9 million, inclusive of wireline costs and additional costs associated with operational issues during the wireline program.

Acquisition of APDC 50% interest in Project Peregrine

On 7 June 2021, 88 Energy announced that it had entered into an agreement to acquire the 50% working interest in Project Peregrine held by Alaska Peregrine Development Company, LLC (APDC) in exchange for consideration of:

- US\$14 million, payable in new 88 Energy shares, to be issued in several tranches and subject to a final reconciliation mechanism;
- 1.5% overriding royalty interest on future production from the Project Peregrine licences;
- US\$10m cash payment on the achievement of gross 2P reserves of 100 million barrels within 36 months;
- Cash payments of US\$2.5m per 50 million barrels on the achievement of gross 2P reserves added over 100 million barrels within 36 months (capped at 5 additional cash payments); and
- 10% of the gross sale proceeds in respect of an assignment of greater than 49% of Project Peregrine within 24 months, excluding a bona fide farm-out.

Final settlement in relation to the acquisition occurred post period end with all consideration shares being received by APDC. 88 Energy now holds a 100% working interest in Project Peregrine.

PROJECT ICEWINE

During the half-year, 88 Energy closely monitored activity nearby to the northern border of its Project Icewine acreage, where a flow of light oil from the Kuparuk has been reported from the Talitha-A well. (See Pantheon Resources AIM: PANR press release dated 19th April 2021).

Additional insights into the wettability of the Kuparuk formation have also been highlighted as part of the results from Talitha-A, which may have positive ramifications for 88 Energy's previous interpretation of this horizon.

All three wells drilled by 88 Energy at Project Icewine have encountered good quality reservoir in the Kuparuk formation, with indications of hydrocarbons. These had previously been interpreted as likely gas condensate or residual oil with no mapped targets being identified, as this was not a pursuing play by 88 Energy.

The results at Talitha-A are highly encouraging for the Kuparuk Formation, including across Project Icewine. In light of these results, the 88 Energy internal geoscience team will reassess the potential across the acreage in the second half of 2021 ahead of a planned farm-out.

DIRECTORS' REPORT

YUKON LEASES

The Yukon Leases contain the 86-million-barrel Cascade Prospect, which was intersected peripherally by Yukon Gold-1, drilled in 1994, and classified as an historic oil discovery.

In the half year Regenerate Alaska, a wholly owned subsidiary of 88 Energy, was awarded Tract 29 as part of the 2021 Coastal Lease Sale. In addition, the Company advanced discussions and negotiations with nearby lease owners to aggregate discovered resources located in the vicinity of the Yukon Leases as part of a joint development of the area.

** Refer announcement 7 November 2018*

Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.

UMIAT OIL FIELD

In January 2021, 88 Energy, via its wholly owned subsidiary Emerald House LLC, entered into a Sale and Purchase Agreement with Malamute Energy, Inc and Renaissance Umiat LLC to acquire the Umiat Oil Field ("Umiat"), and in late March 2021 the Company completed the abandonment of two historic wells, which was a condition of the acquisition.

During the half-year, studies commenced to review the historical Umiat oil field development plans prepared by Linc Energy, which formed the basis of the Ryder Scott 2015 reserves report. Initial results of the internal review and studies have identified potential cost savings on planned development CAPEX, as well as alternative potential routes to market for the crude. This could include a potential tie-in to the Willow oil field development to the north of the acreage.

Subsequent to half year end, 88 Energy received notification from the Bureau of Land Management for approval of its request to a 24-month extension to the Year 2 Unit Obligations, and corresponding extensions for the Unit obligations in Years 3, 4 and 5.

The 24-month extension to the Year 2 Unit Obligations allows 88 Energy to optimise a full field development plan, which will include evaluating potential synergies with plans associated with the Project Peregrine acreage. It will also enable 88 Energy to use the knowledge gained from drilling the Merlin-1 well to plan an efficient operational program to optimize the potential for success at Umiat. Any discovery at Project Peregrine would contribute significant value to any development of the Umiat oil field.

CORPORATE

Following the resignation of Mr David Wall during the half year, the Company announced on 10 May 2021 that Mr Ashley Gilbert was appointed to the role of Managing Director and Ms. Sarah Smith to the role of Company Secretary.

Following the retirement of Chairman Michael Evans, the Company announced on the 2nd August the appointment Philip Byrne as Non-Executive Chairman. Joanne Kendrick was also appointed as a Non – Executive Director.

On 21st June 2021 the Company announced that it had entered into an agreement that would facilitate the sale of all the Alaskan Oil and Gas Tax Credits which were held by Accumulate Energy Alaska, Inc. ("Accumulate"), a 100% owned subsidiary of 88 Energy. The sale price of the Tax Credits was US\$18.7 million cash, payable upon completion of the sale and transfer of the outstanding tax certificates. The deal accelerates the timeframe of Accumulate Energy Alaska's value realisation from the Tax Credits, which under current estimates would not have been fully paid out by the Alaskan state until 2026. The majority of the proceeds from the sale of the tax credits have been applied towards full repayment of 88 Energy's current outstanding debt of US\$16.1 million with FCS Advisors, LLC (d/b/a Brevet Capital Advisors) ("FCS"), which was due to mature on 30 December 2022. The residual sale consideration of US\$2.6m is to be received by Accumulate Energy Alaska, which will then be applied towards working capital requirements.

On 30th June 2021, 88 Energy Limited and its subsidiaries advised its shareholders and stakeholders that it will adopt the Environmental, Social and Governance (ESG) framework developed by the World Economic Forum (WEF). This framework is regarded as the global standard for ESG reporting and encompasses 21 core metrics and disclosures. The Company has engaged independent impact monitoring technology provider, Socialsuite, to assist with measuring, monitoring and reporting of these core ESG metrics.

FINANCIAL

For the period ended 30 June 2021 the Company recorded a profit of \$445,446 (30 June 2020: \$4.020 million loss). The profit was largely attributable to the sale of tax credits above their Fair Value.

No dividends were paid or declared by the Company during the period.

DIRECTORS' REPORT

As at 30 June 2021, the Group had cash on hand of \$14.762 million (31 December 2020: \$14,845 million). Net assets totalled A\$94.465 million (31 December 2020: \$58.911 million), with the significant increase in net assets being largely due to the repayment of debt (31 Dec 2020 A\$20.782 million) and shares to be issued in relation to the APDC transaction which were classified as liability (30 June 2021 A\$13.441 million).

EVENTS AFTER THE PERIOD END

The following events occurred subsequent to the period end;

- The Company issued the following shares:
 - 1.7.2021 - 235,454,781 @ \$0.022 to APDC as part of the Peregrine purchase agreement;
 - 6.7.2021 – 152,137,532 @ \$0.035 to APDC as part of the Peregrine purchase agreement; and
 - 12.7.2021 – 42,230,000 @ \$0.032 to APDC as part of the Peregrine purchase agreement.
- On 2 August 2021, the Company announced the retirement of Michael Evans from the Board, and the appointment of Philip Byrne as Non-Executive Chairman and Joanne Kendrick as a Non-Executive Director.
- On 4 August the Company announced the approval from the BLM to defer Umiat Year 2 Unit well commitment by 24 months to 31 August 2023. Refer to ASX Announcement for further details.

There were no other subsequent events.

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2021 has been received by the Directors and can be found on the following page. This declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.



Mr Phil Byrne
Non-executive Chairman

Perth, 11 August 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF 88 ENERGY LIMITED

As lead auditor for the review of 88 Energy Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 88 Energy Limited and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 11 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	30 June 2021 \$	30 June 2020 \$
Income	3(a)	4,331,646	75,860
Administration expenses	3(b)	(1,794,435)	(522,909)
Occupancy expenses		(37,408)	(22,101)
Employee benefit expenses	3(c)	(704,958)	(742,005)
Share based payment expense	13	(153,747)	(52,861)
Depreciation and amortisation expense		(55,606)	(41,765)
Finance cost		(1,160,411)	(1,483,612)
Realised/unrealised gain on foreign exchange		(11,295)	43,428
Other income /(expenses)	3(d)	31,660	(1,274,345)
Profit/(loss) before income tax		445,446	(4,020,311)
Income tax benefit/(expense)		-	-
Net profit/(loss) attributable to members of the parent		445,446	(4,020,311)
Other comprehensive income for the period			
Other comprehensive income that may be recycled to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2,061,695	1,155,379
Total comprehensive profit/(loss) for the period		2,507,141	(2,864,932)
Basic and diluted profit/(loss) per share		0.00003	(0.0004)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 \$	31 December 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	14,762,499	14,845,347
Other receivables	6	7,833,085	5,079,630
Total Current Assets		22,595,584	19,924,977
Non-Current Assets			
Plant and equipment		2,134	4,641
Exploration and evaluation expenditure	7	93,688,369	48,213,290
Other assets	8	935,128	17,216,644
Total Non-Current Assets		94,625,631	65,434,576
TOTAL ASSETS		117,221,215	85,359,552
LIABILITIES			
Current Liabilities			
Provisions		105,412	339,199
Trade and other payables	9	22,650,749	5,326,634
Total Current Liabilities		22,756,161	6,309,010
Non-Current Liabilities			
Borrowings	10	-	20,782,366
Total Non-Current Liabilities		-	20,782,366
TOTAL LIABILITIES		22,756,161	26,448,199
NET ASSETS		94,465,054	58,911,353
EQUITY			
Issued and fully paid shares	11(a)	241,856,327	208,963,513
Reserves	11(b)	18,796,417	16,580,975
Accumulated losses		(166,187,690)	(166,633,135)
TOTAL EQUITY		94,465,054	58,911,353

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2021

	Issued and fully paid shares \$	Reserves \$	Accumulated losses \$	Non- Controlling Interest \$	Total equity \$
Balance at 1 January 2020	185,619,885	23,578,127	(144,599,502)	-	64,598,510
Loss for the period	-	-	(4,020,311)	-	(4,020,311)
Other comprehensive income	-	1,155,379	-	-	1,155,379
Total comprehensive loss for the period, net of tax	-	1,155,379	(4,020,311)	-	(2,864,932)
Shares issued during the period	13,024,297	-	-	-	13,024,297
Non-controlling interests on acquisition of subsidiary	-	-	-	1,342,715	1,342,715
Shares committed and unissued	140,000	-	-	-	140,000
Equity raising costs	(352,136)	-	-	-	(352,136)
Share based payments	-	52,861	-	-	53,924
Balance at 30 June 2020	198,432,045	24,786,367	(148,619,813)	1,342,715	75,941,315
Balance at 1 January 2021	208,963,513	16,580,975	(166,633,135)	-	58,911,353
Profit for the period	-	-	445,446	-	445,446
Other comprehensive income	-	2,061,695	-	-	2,061,695
Total comprehensive profit for the period, net of tax	-	2,061,695	445,446	-	2,507,141
Shares issued during the period	33,683,839	-	-	-	33,683,839
Equity raising costs	(791,025)	-	-	-	(791,025)
Share based payments	-	153,747	-	-	153,747
Balance at 30 June 2021	241,856,327	18,796,417	(166,187,690)	-	94,465,054

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2021

	30 June 2021	30 June 2020
Cash flows from operating activities		
Interest	-	2,634
Interest Paid	(1,052,616)	(1,187,657)
Payments to suppliers and employees	(2,364,182)	(1,224,781)
Other Income	-	24,000
Exploration Expenditure Expensed	-	(87,749)
Net cash outflows used in operating activities	(3,416,798)	(2,473,552)
Cash flows from investing activities		
Cash acquired from acquisition of XCD Energy	-	434,091
Payments for exploration and evaluation activities	(31,218,286)	(35,467,951)
Contributions from JV Partners in relation to Exploration	13,675,903	23,506,461
Payments for bonds	(387,270)	-
Proceeds sale of tax credits	24,233,263	-
Net cash outflows used in investing activities	6,303,610	(11,527,399)
Cash flows from financing activities		
Proceeds from issue of shares	18,557,500	5,000,000
Share issue costs	(884,143)	(362,000)
Payment of borrowings	(20,909,692)	-
Net cash inflows from financing activities	(3,236,335)	4,638,000
Net increase/(decrease) in cash and cash equivalents	(349,523)	(9,362,951)
Net foreign exchange differences	266,675	734,481
Cash and cash equivalents at beginning of period	14,845,347	15,903,113
Cash and cash equivalents at end of period	14,762,499	7,274,643

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 11 August 2021.

88 Energy Limited is a for-profit, limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Company) are oil and gas exploration with a portfolio of exploration interests in Alaska.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial report for the six months ended 30 June 2021 is a general-purpose financial report prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial report has been prepared on a historical cost basis, except for available for sale assets, which have been measured at fair value. Unless otherwise noted, the carrying value of financial assets and liabilities as disclosed in the half year financial report approximates their fair value. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 December 2020.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2020, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

The half yearly reports have not adopted any new or revised accounting standards which have a material impact on the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

3. INCOME AND EXPENSES

(a) Other Income

	30 June 2021 \$	30 June 2020 \$
Interest Income	795	1,860
Other finance income*	4,330,851	-
Other Income	-	74,000
	4,331,646	75,860

*Sale of tax credit receivable

(b) Corporate & Administrative expenses

Consultancy and professional fees	587,045	98,966
Legal fees	55,702	16,115
General and administration expenses	1,123,633	371,186
Travel	28,055	36,642
	1,794,435	522,909

(c) Employee benefit expenses

Wages and salaries	584,751	622,286
Superannuation	50,477	40,914
Annual leave expense	51,424	61,031
Other employee expenses	18,306	17,774
	704,958	742,005

(d) Other (income)/expenses

Impairment expense – Icewine (2019) & Western Blocks (2020)	-	1,266,729
Other (income)/expenses	(31,660)	7,616
	(31,660)	1,274,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2021 the Company was organised into the following strategic unit:

- Oil and Gas exploration in Alaska, USA.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Board of Directors review internal management reports on a periodic basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

Management has determined, based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group has one reportable segment being Oil & Gas Exploration in Alaska, USA. Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system.

30 June 2021 \$	31 December 2020 \$
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5. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at bank and in hand

14,762,499	14,845,347
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14,762,499	14,845,347
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6. OTHER RECEIVABLES

Other deposits and receivables ⁽ⁱ⁾

7,833,085	5,079,630
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7,833,085	5,079,630
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- (i) A\$6,650,705 (US\$5,000,000) relates to cash calls receivable from APDC as per the acquisition of APDC agreement. The full US\$5,000,000 was received in July 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

	30 June 2021 \$	31 December 2020 \$
7. EXPLORATION EXPENDITURE		
Capitalised expenditure at the beginning of the period	48,213,290	52,928,315
Additions	42,017,705	45,560,030
Acquisition of 50% interest in APDC ⁽ⁱ⁾	18,621,974	-
Acquisition of XCD Energy Limited Exploration Assets	-	(34,063,751)
JV Contributions ⁽ⁱⁱ⁾	(16,188,417)	-
Less Impairment ⁽ⁱⁱⁱ⁾	-	(11,384,288)
Foreign Currency translation	1,023,817	(4,827,016)
Closing balance	93,688,369	48,213,290

- (i) 88 Energy entered into an agreement with Alaska Peregrine Development Company, LLC (APDC) to acquire 50% working interest from APDC in Project Peregrine in exchange for US\$14 million in shares plus 1.5% ORRI and additional bonus payments. Refer Note 15 for details regarding the Contingent Liabilities associated with the transaction.
- (ii) JV Contributions received in 2020/21 from APDC for expenditure to be incurred in relation to the Merlin - 1 well in 2021.
- (iii) Impairment of the Icewine-2, Winx-1 exploration wells which were plugged and abandoned in 2019, and Western blocks exploration expenditure impaired following relinquishment of the leases. No impairment or impairment indicators were identified for the period ended 30 June 2021.

8. OTHER NON-CURRENT ASSETS

ROU Asset – Lease 5 Ord St	137,043	170,461
Emerald House Bond	399,042	389,509
Tax credit receivable ⁽ⁱ⁾	-	16,226,055
XCD Acquisition Other Non-Current Assets	-	41,110
Investments in Jade	399,042	389,509
	935,128	17,216,644

- (i) The company announced on 21st June 2021 that it had entered into an agreement that would facilitate the sale of all the Alaskan Oil and Gas Tax Credits totalling US\$18.7M which were held by Accumulate Energy Alaska, Inc. ("Accumulate"), a 100% owned subsidiary of 88 Energy.

9. TRADE AND OTHER PAYABLES

Trade payables	4,589,486	590,397
Other payables	4,619,294	4,736,237
Shares to be Issued ⁽ⁱ⁾	13,441,969	-
	22,650,749	5,326,634

- (i) Outstanding shares to be issued in relation to the APDC transaction as at 30 June 2021 (refer Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

	30 June 2021 \$	31 December 2020 \$
10. BORROWINGS		
Non-Current		
Bank Facility ⁽ⁱ⁾	-	20,782,366
	-	20,782,366

- (i) On 21st June the company entered into an agreement that would facilitate the sale of all the Alaskan Oil and Gas Tax Credits totalling US\$18.7M which were held by Accumulate Energy Alaska, Inc. ("Accumulate"), a 100% owned subsidiary of 88 Energy. With proceeds of the sale of tax credits applied towards full repayment of Accumulate Energy Alaska's outstanding debt of US\$16.1 million. The 88 Energy group is now debt free.

11. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares fully paid

Ordinary shares	13,146,545,212	241,856,327
	Number of shares	30 June 2021 \$
Balance at 1 January 2021	10,602,304,716	208,963,513
Issue of shares for Capital Raising and Option Conversion	1,500,500,000	12,027,500
Issue of shares to APDC Tranche 1	235,454,781	5,180,005
Issue of shares to Contractors and Vendors ⁽ⁱ⁾	796,619,048	16,406,334
Issue of shares to Directors	11,666,667	70,000
Costs associated with share issues		(791,025)
Issued and fully paid shares at 30 June 2021	13,146,545,212	241,856,327

⁽ⁱ⁾ Relates predominantly to Merlin – 1 operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

11. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Reserves	30 June 2021 \$	31 December 2020 \$
Share-based payments	17,859,282	17,705,535
Foreign currency translation reserve	937,135	(1,124,560)
	18,796,417	16,580,975
<u>Movement reconciliation</u>		
Share-based payments reserve		
Balance at the beginning of the half year	17,705,535	17,582,665
Equity settled share-based payment transactions	153,747	122,870
Balance at the end of the half year	17,859,282	17,705,535
Foreign currency translation reserve		
Balance at the beginning of the half year	(1,124,560)	5,995,462
Effect of translation of foreign currency operations to group presentation	2,061,695	(7,120,022)
Balance at the end of the half year	937,135	(1,124,560)

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors. Refer to Note 12 for further details.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

12. SHARE BASED PAYMENTS

Share-based payment transactions recognised during the reporting period were as follows:

	30 June 2021	30 June 2020
	\$	\$
Options issued to Directors	52,073	21,781
Options issued to employees	101,674	31,080
	153,747	52,861

Options issued to Directors during 2021 – 48,700,000.

Options granted to Employees/Contractors during 2021 – 91,068,000.

During the period Energy entered into an agreement with Alaska Peregrine Development Company, LLC (APDC) to acquire 50% working interest from APDC in Project Peregrine in exchange for US\$14 million in shares plus 1.5% ORRI and additional bonus payments. Refer Note 7 and Note 9.

13. ACQUISITION OF XCD ENERGY LTD

The net effect of the adjustments made to the values of assets and liabilities, as included at 30 June 2020, on the acquisition of XCD Energy Ltd are as follows:

XCD assets and liabilities values	30 June 2020 \$
Amounts settled in cash	
Amounts settled in equity – 1,604,859,200 shares at \$0.005	8,024,296
Total	8,024,296
Recognised amounts of Net assets	
Cash and cash equivalents	434,091
Trade and other receivables	93,881
Total Current assets	527,972
Plant and Equipment	12,438
Exploration and evaluation expenditure	5,666,716
Other Assets & Receivables	477,404
Total Non-Current Assets	6,156,558
Trade and Other Payables	(188,496)
Provisions	(24,969)
Total Current Liability	(213,465)
Lease Liability	(22,857)
Total Non – current liability	(22,857)
Total Net Assets	6,448,208
Non – Controlling Interest	(1,342,715)
Exploration & Evaluation on acquisition	2,918,803
Net Assets Acquired	8,024,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

14. EVENTS AFTER THE PERIOD END

The following events occurred subsequent to the period end;

- The Company issued the following shares:
 - 1.7.2021 - 235,454,781 @ \$0.022 to APDC as part of the Peregrine purchase agreement;
 - 6.7.2021 – 152,137,532 @ \$0.035 to APDC as part of the Peregrine purchase agreement; and
 - 12.7.2021 – 42,230,000 @ \$0.032 to APDC as part of the Peregrine purchase agreement.
- On 2 August 2021, the Company announced the retirement of Michael Evans from the Board, and the appointment of Philip Byrne as Non-Executive Chairman and Joanne Kendrick as a Non-Executive Director.
- On 4 August the Company announced the approval from the BLM to defer Umiat Year 2 Unit well commitment by 24 months to 31 August 2023. Refer to ASX Announcement for further details.

There were no other subsequent events.

15. COMMITMENTS AND CONTINGENCIES

On 7 June 2021, 88 Energy announced that it had entered into an agreement to acquire the 50% working interest in Project Peregrine held by Alaska Peregrine Development Company, LLC (APDC) in exchange for consideration of US\$14 million, payable in new 88 Energy shares, to be issued in several tranches and subject to a final reconciliation mechanism, together with the following commitments;

1. 1.5% overriding royalty interest on future production from the Project Peregrine licences;
2. US\$10m cash payment on the achievement of gross 2P reserves of 100 million barrels within 36 months;
3. Cash payments of US\$2.5m per 50 million barrels on the achievement of gross 2P reserves added over 100 million barrels within 36 months (capped at 5 additional cash payments); and
4. 10% of the gross sale proceeds in respect of an assignment of greater than 49% of Project Peregrine within 24 months, excluding a bona fide farm-out.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

16. RELATED PARTY TRANSACTIONS

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

Approval by shareholders at the AGM held on 21 May 2021 was given for 11,200,000 Performance Rights (as per table below) to be issued to the Managing Director as part of the remuneration package as outlined below.

Directors and Executives	Tranche A	Tranche B	Tranche C	Tranche D	Total
	Share Price			Tenure	
Grant Date*	21/05/2021	21/05/2021	21/05/2021	21/05/2021	
Expiry Date	21/05/2022	21/05/2023	21/05/2024	21/05/2025	
Fair Value per Performance Right \$	0.0110	0.015	0.019	0.027	
Exercise Price	Nil	Nil	Nil	Nil	
Performance Rights (ii)					
- A Gilbert	3,360,000	3,360,000	3,360,000	1,120,000	11,200,000
Number of Performance Rights Vested	-	-	-	-	-
% Vested	-	-	-	-	-
Fair Value \$;					
- A Gilbert	36,960	50,400	63,840	30,240	181,440
Total Fair Value \$	36,960	50,400	63,840	30,240	181,440
Employee Benefits Expense \$ (i);					
- During the period: A Gilbert	530	6,300	7,980	3,780	18,590
Total \$	530	6,300	7,980	3,780	18,590

Vesting Conditions (Tranche A, B and C)

Tranche A, B and C will be tested on each 12-month anniversary of the Performances Rights issue, with Tranche A available for testing on the first anniversary, Tranche B available for testing on the second anniversary, and Tranche C available for testing on the third anniversary. These tranches will vest on the test date as follows:

Absolute share price growth	Performance rights vesting
<50%	Nil
50%	25%
>50% and <100%	Between 25% and 50%, on a straight line basis
100%	50%
>100% and <150%	Between 50% and 75%, on a straight line basis
150%	75%
>150% and <200%	Between 75% and 100%, on a straight line basis
200%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2021

Vesting Conditions (Tranche D)

Tranche D performance rights will be tested against the tenure with the Company, where the participant is employed by the Company as at issue date up to and including the date that is three years after that date, 100% of the performance rights will vest.

❖ **Mr Ashley Gilbert – Managing Director**

- Contract: Commenced on 10 May 2021.
- Salary & Director's Fee: \$395,000 per annum plus superannuation.
- Performance Based Bonuses: The Company may at any time pay Mr Gilbert a performance based bonus over and above his salary. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Gilbert and the Company.
- Termination by Company is with 6 months' notice or payment in lieu thereof. Termination by Mr Gilbert is with 3 months' notice.

Termination Benefit: Termination benefits to the extent permitted under the ASX Listing Rules and Corporations Act are included in the contract in the event of certain termination events

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 88 Energy Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of 88 Energy Limited for the half year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Phil Byrne
Non-executive Chairman

Perth, 11 August 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 88 Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of 88 Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.



Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Peth, 11 August 2021