88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2017

CONTENTS

CORPORATE INFORMATION

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Mr Michael Evans
Mr David Wall
Mr Brent Villemarette
Dr Stephen Staley

COMPANY SECRETARY
Ms Sarah Smith

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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 2017 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)

Mr David Wall (Managing Director, appointed 15 April 2014)

Mr Brent Villemarette (Non-executive Director, appointed 27 October 2010)

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

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 2017:

- Conventional prospectivity review completed in the half year identifying resource potential in conventional leads, based on internal estimates totalling;
  - 1.5 billion barrels of gross mean Prospective Resources (unrisked)
  - 1.1 billion barrels of net mean Prospective Resources to 88 Energy (unrisked)
- Spud of Icewine#2 Production Test well to evaluate the HRZ shale play occurred on 24th April 2017, with the following key project milestones;
  - Rig contract with Doyon Drilling Inc. for the Artic Fox rig executed in February 2017, with the rig mobilising to site in March 2017;
  - Icewine#2 Permit to Drill approved in April 2017, with spud occurring shortly thereafter;
  - The Arctic Fox drilling rig reached a Total Depth of 11,450' MD on 15th May 2017, on schedule and without incident;
  - Wireline logging successfully completed throughout the production interval;
  - Stage 1 and Stage 2 stimulation operations completed successfully, with over 98% of the intended proppant volume placed in the HRZ reservoir;
  - Flowback commenced on 19th June 2017 from Stage 2 (upper zone) with 8% of total stimulation fluid recovered,
  - Rate and pressure observations indicated that the upper zone was likely in communication with Stage 1 (lower zone) consequently the plug separating the two zones was drilled out
  - ~16% of the stimulation fluid was recovered from the combined zones prior to shut in on 10th July 2017, with trace hydrocarbons encountered during flowback; and
  - Drilling and production testing expenditure at Icewine#2 is anticipated to be within budget.
- Oversubscribed placement to domestic and international institutional and sophisticated investors raised A$ 17 million in the half year.

Conventional Prospectivity Review Complete

Additional resource potential was identified for conventional leads across Project Icewine acreage, based on internal estimates and was announced in Q12017:

- 710 million barrels of gross mean Prospective Resources (unrisked)
- 550 million barrels of net mean Prospective Resources to 88 Energy (unrisked)

The overall Conventional Resource Potential for Project Icewine, including previously reported leads, now totals:

- 1.47 billion barrels gross mean Prospective Resources (unrisked)
- 1.14 billion barrels net mean Prospective Resources to 88 Energy (unrisked)

88 Energy completed the interpretation of the 2D seismic data acquired by the Company early in 2016 across Project Icewine and is encouraged by the results of the technical evaluation. The principal objective of the seismic acquisition program, to evaluate the conventional prospectivity across Project Icewine, has been achieved. A conventional Prospect and Lead Portfolio has been developed to complement the unconventional Prospective Resource potential already recognised in the HRZ liquids rich resource play. Stacking of Leads mapped in the Central region and on the Western margin of Project Icewine may, on maturation, offer the opportunity to test multiple stacked objectives with one exploration well.

On completion of the conventional prospectivity portfolio review, the Alpha and Bravo Leads remain the most significant given their seismic relief and geometries. Of note, the Alpha Lead is located close to the transportation corridor and mature infrastructure so could be developed relatively quickly, in the event of exploration success. The Bravo Lead is the most significant Lead in the Western Play Fairway, with closure delineated on the Company's new 2016 seismic database.

The conventional leads mapped are predominantly stratigraphic and the majority are considered to be associated with slope apron, turbidites and basin floor fan development. The Tarn Oil Pool, Kuparuk River Unit to the norwest of Project Icewine is considered a proven and productive analogue. The Tarn Oil Pool comprises multiple stacked sands within the Seabee Formation.

Project Icewine Conventional Prospectivity Summary
Prospective Oil Resources – Unrisked Recoverable - MMBO

PROJECT ICEWINE CONVENTIONAL LEAD SUMMARY Prospective Oil Resources - Unrisked Recoverable - MMBO					
Lead	Low	Best	High	Gross Mean	Net Mean to 88E (WI: 77.5%)
Eastern Play Fairway					
Alpha	19	71	263	118	91
Romeo	2.1	3.4	5.3	3.6	2.8
Sierra	1.1	2.0	3.4	2.2	1.7
Central Play Fairway					
Golf	60	115	210	128	99
Hotel	10	18	31	19.8	15.3
India	61	116	212	129	100
Juliet	52	99	181	110	85
Western Play Fairway					
Bravo	129	245	449	273	212
Oscar	14.5	26.6	47	29.2	22.6
Papa	7.6	13.9	24.6	15.3	11.9
Charlie*	147	257	432	277	215
Delta*	74.7	131	219	141	109
Foxtrot*	40.9	71.5	120	77	60
Mike*	50	87.5	147	94	73
November*	24.8	45.6	80.4	50.1	39
FINAL TOTAL				*1,468*	*1,137*

*Prospective resources classified in accordance with SPE-PRMS as at 13th January 2017 using probabilistic and deterministic methods on an unrisked basis. Leads identified from interpretation of modern 2D seismic acquired in 2015/2016 across Project Icewine, which comprises 271,119** gross acres on the Central North Slope of Alaska. 88 Energy is Operator of record at Project Icewine (through its wholly owned subsidiary Accumulate Energy Alaska, Inc) with a 77.5% working interest.*

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.

**Conceptual leads extend into previously open acreage to the west of Icewine Project, which was successfully bid on by 88 Energy in the recent State of Alaska Licensing round, December 2016. Currently delineated on Icewine 2D seismic data and extending onto sparse vintage 2D. Further technical work is required to define the full potential of the Western Play Fairway conceptual leads.*

*** An additional ~420,000 gross acres (~190,000 net to 88E) is subject to formal award, which is expected in 2017.*

Icewine#2 Operations

On 16th February 2017, Accumulate Energy Alaska Inc. entered into a contract with Doyon Drilling Inc to utilise the Arctic Fox rig to drill the Icewine#2 appraisal well, with the rig mobilised to site in late March 2017.

On 6th April 2017, approval of the Permit to Drill was granted by the Alaskan Oil and Gas Conservation Commission ('AOGCC') and shortly thereafter on 24th April the Icewine#2 well was spudded with the Arctic Fox rig.

The well reached a Total Depth ('TD') of 11,450' on the 15th of May, on schedule and without incident. Wireline logging, cementing the 4.5" production liner and demobilisation of the Artic Fox rig was completed by the end of May.

Log interpretation to finalise the stimulation design was completed in early June, and the two stage artificial stimulation of the HRZ reservoir was successfully completed on 19th June, with over 98% of the intended proppant volume placed into the HRZ reservoir.

Flow back from the upper zone commenced on 19th June, with approximately 8% of the total stimulation fluid recovered before it became apparent that the upper and lower zones were in communication, which consequently resulted in the drill out of the plug between the upper and lower zones.

Subsequent to period end the well was shut in on 10th July 2017 for an anticipated period of 6 weeks, with ~16% of stimulation fluid recovered prior to shut in.

Oversubscribed Placement to Raise A$17 million

On the 6th of March, the Company announced that it had successfully completed a capital raise of A$17 million, with the placement made to domestic and international institutional and sophisticated investors through the issue of 463,513,514 ordinary shares of no par value at A$0.037 (equivalent to £0.023) per New Ordinary Share.

Funds raised under the Placement strengthen the Company's balance sheet ahead of the drilling of the Icewine#2 well. Specifically, the proceeds will provide the Company with the financial flexibility to cover any unexpected costs arising from the drilling of Icewine#2, lease payments due in respect of the significant new acreage awarded and ongoing exploration activities.

Financial

For the period ended 30 June 2017 the Company recorded a loss of $7.84 million (30 June 2016: $8.06 million loss). The loss was largely attributable to general and administrative costs, share based payments expense and foreign exchange movements.

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

As at 30 June 2017, the Group had cash on hand of $31.55 million (31 December 2016: $27.30 million) which includes A$13.3 million in cash held which is restricted for JV operations, net assets of $58.7 million (31 December 2016: $48.01 million). The significant increase in net assets is largely due to the capital raising in March 2017 and the subsequent investment in expenditure on the Icewine Project.

During the year, the Company raised approximately A$17.6 million before costs through the issue of new shares and exercise of options.

Note, the Bank of America debt will be maturing on 30 June 2018 and as a result the Group will be required in the next 12 months to restructure or raise alternative debt, or funding, ahead of this maturity date.

AUDITOR’S INDEPENDENCE DECLARATION

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the lead auditor’s independence declaration for the half-year ended 30 June 2017 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 Michael Evans
Non-executive Chairman

Perth, 4 August 2017

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF 88 ENERGY LIMITED

As lead auditor for the review of 88 Energy Limited for the half-year ended 30 June 2017, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 4 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 $	30 June 2016 $
Income	3(a)	61,679	65,742
Administration expenses	3(b)	(675,337)	(1,269,010)
Occupancy expenses		(82,100)	(88,805)
Employee benefit expenses	3(c)	(815,679)	(682,012)
Share based payment expense	12	(2,020,772)	(100,000)
Depreciation and amortisation expense		(3,473)	(5,163)
Finance cost		(1,727,795)	(966,162)
Realised/unrealised loss on foreign exchange		(619,539)	(222,154)
Other expenses		(88,271)	(4,659,461)
Loss before income tax		(5,971,287)	(7,927,025)
Income tax benefit/(expense)		-	-
Net loss attributable to members of the parent		(5,971,287)	(7,927,025)
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		(1,864,050)	(129,642)
Total comprehensive loss for the period		(7,835,337)	(8,056,667)
Basic and diluted loss per share (cents)		(0.001)	(0.001)

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 2017

	Note	30 June 2017 $	31 December 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	31,554,192	27,303,178
Other receivables	6	765,181	312,644
Total Current Assets		32,319,373	27,615,822
Non-Current Assets			
Plant and equipment		5,054	6,131
Exploration and evaluation expenditure	7	49,635,828	38,227,059
Other assets	10	10,463,695	11,158,742
Total Non-Current Assets		60,104,577	49,391,932
TOTAL ASSETS		92,423,950	77,007,754
LIABILITIES			
Current Liabilities			
Provisions		135,515	90,085
Trade and other payables	8	10,711,942	6,127,943
Borrowings	9	22,853,144	-
Total Current Liabilities		33,700,601	6,218,028
Non-Current Liabilities			
Borrowings		-	22,779,313
Total Non-Current Liabilities		-	22,779,313
TOTAL LIABILITIES		33,700,601	28,997,341
NET ASSETS		58,723,349	48,010,413
EQUITY			
Issued and fully paid shares	11	141,685,466	125,157,965
Reserves	11	16,425,707	16,268,985
Accumulated losses		(99,387,824)	(93,416,537)
TOTAL EQUITY		58,723,349	48,010,413

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 2017

	Issued and fully paid shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2016	**90,654,560**	**14,848,766**	**(84,015,273)**	**21,488,053**
Loss for the period	-	-	(7,927,025)	(7,927,025)
Other comprehensive income	-	(129,642)	-	(129,642)
Total comprehensive loss for the period, net of tax	-	(129,642)	(7,927,025)	(8,056,667)
Shares issued during the period	26,480,660	-	-	26,480,660
Shares cancelled	-	-	-	-
Share based payments	-	100,000	-	100,000
Equity raising costs	(1,151,562)	-	-	(1,151,562)
Balance at 30 June 2016	**115,983,658**	**14,819,124**	**(91,942,298)**	**38,860,484**
Balance at 1 January 2017	**125,157,965**	**16,268,985**	**(93,416,537)**	**48,010,413**
Loss for the period	-	-	(5,971,287)	(5,971,287)
Other comprehensive income	-	(1,864,050)	-	(1,864,050)
Total comprehensive loss for the period, net of tax	-	(1,864,050)	(5,971,287)	(7,835,337)
Shares issued during the period	17,766,774	-	-	17,766,774
Shares cancelled	-	-	-	-
Share based payments	-	2,020,772	-	2,020,772
Equity raising costs	(1,239,273)	-	-	(1,239,273)
Balance at 30 June 2017	**141,685,466**	**16,425,707**	**(99,387,824)**	**58,723,349**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 $	30 June 2016 $
Cash flows from operating activities			
Interest		4,976	47,345
Other Income		101,792	18,397
Interest Paid		-	(1,420,568)
Payments to suppliers and employees		(1,941,695)	(1,019,638)
Net cash outflows used in operating activities		(1,834,927)	(2,374,464)
Cash flows from investing activities			
Payment for property plant & equipment		-	(3,404)
R&D refund		-	249,295
Payments for exploration and evaluation activities		(15,004,914)	(23,817,141)
Contributions from JV Partners in relation to Exploration		6,626,363	-
Net cash outflows used in investing activities		(8,378,551)	(23,571,250)
Cash flows from financing activities			
Proceeds from issue of shares		17,636,774	26,480,660
Share issue costs		(1,250,296)	(1,151,562)
Proceeds from drawdown of facility		-	11,281,381
Payment of borrowing costs		(665,868)	-
Net cash inflows from financing activities		15,720,610	36,610,479
Net increase in cash and cash equivalents		5,507,133	10,664,765
Net foreign exchange differences		(1,256,119)	(221,373)
Cash and cash equivalents at beginning of period		27,303,178	9,604,249
Cash and cash equivalents at end of period	5	31,554,192	20,047,641

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

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 4 August 2017.

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 2017 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 2016.

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 2016, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the half year ended 30 June 2017, the directors have adopted all new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective from 1 January 2017.

It has been determined by the directors that there is no material impact of the new and revised Standards and Interpretations on the company and, therefore, no change is necessary to Group accounting policies.

(c) Going concern

As at 30 June 2017, the Group had working capital of $(1,381,228) (current assets less current liabilities) with cash on hand of $31,554,192 and a net loss of $(5,971,287) with cash outflows from operating activities for the half-year of $(1,834,927).

The Group also has of note exploration expenditure commitments in relation to Project Icewine in Alaska as well as commitments due in relation to the Bank of America debt. The Group will be required in the next twelve months to restructure or raise alternative debt or funding as a result of the delayed payment from the Alaskan Government in relation to the Alaska's Clear and Equitable Shares ("ACES") Production tax credits rebates, which as at the date of the report the Group had US$10,801,426 in certificates issued. A further US$8,660,227 in credits have been applied for which are anticipated to be certificated before the end of 2017. An additional amount of approximately US$4 million, based on expenditure in the first half of 2017, is anticipated to be certificated prior to 31st July 2018. The total anticipated credit balance due from the State of Alaska is over US$23 million (before any anticipated payments from the State of Alaska). These credits are to be applied directly against the Bank of America debt outstanding of US$17,709,673 million which is due to mature on 30 June 2018, with any tax credit rebate amounts in excess of the debt balance to be receipted by the Group. The Group believes these amounts will be recovered from the Alaskan Government in full however the timing of the receipt of these credits remain uncertain as at the date of this report. The Alaskan Government will pay out US$77 million in relation to the certificates prior to the end of the financial year, of which it is anticipated over US$1 million will be receivable to the Group and is expected to be applied to reduce the Groups Bank of America outstanding debt balance.

The ability of the Group to continue as a going concern is principally dependent upon its ability to restructure the debt manage the Company's working capital requirements and, if required, raise alternative funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis the Group will continue to meet their commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of business.

BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

In arriving at this position, the Directors are confident of the ability of the Group to restructure or secure alternative debt, or raise funding through various other alternatives including;

- Raising funds through issue of new shares;
- Farm out or divestment of working interest in the Icewine project; and
- Managing the Company's working capital requirements.

The Directors have reasonable grounds to believe that they will be able to complete any other the required future funding alternatives.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. INCOME AND EXPENSES

	30 June 2017 $	30 June 2016 $
(a) Other Income		
Interest Income	4,509	47,345
Other income	57,170	18,397
	61,679	65,742
(b) Corporate & Administrative expenses		
Consultancy and professional fees	434,707	233,620
Legal fees	25,018	39,263
Marketing and administration expenses	201,771	730,267
Other costs	13,841	265,860
	675,337	1,269,010
(c) Employee benefit expenses		
Wages and salaries	693,907	510,846
Superannuation	57,304	35,057
Annual leave expense	45,431	8,541
Other employee expenses	19,037	127,568
	815,679	682,012

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2017 the Company was organised into the following two units:

- The head office in Australia; and
- Oil and 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. It represents the basis on which the Company reports information to the Board.

4. SEGMENT INFORMATION (continued)

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements.

The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

	Australia $	USA $	Consolidated $
Half year ended 30 June 2017			
Revenue from external customers	4,509	57,170	61,679
Inter-segment revenue	212,413	-	212,413
Reportable segment (loss)/profit after expenses before tax	(4,271,103)	(1,700,184)	(5,971,287)
Reportable segments assets at 30 June 2017	19,647,887	72,776,060	92,423,950
Reportable segments assets at 31 December 2016	26,570,700	50,437,054	77,007,754

	Australia $	USA $	Consolidated $
Half year ended 30 June 2016			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss)/profit after expenses before tax	(6,757,062)	(1,169,963)	(7,927,025)

	30 June 2017 $	30 June 2016 $
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	(5,971,287)	(7,927,025)
Elimination of inter-segment profits	-	-
Profit before tax from continuing operations	(5,971,287)	(7,927,025)

	30 June 2017 $	31 December 2016 $
Reconciliation of reportable segment assets		
Reportable segment assets	92,423,950	77,007,754
Total assets	92,423,950	77,007,754

Types of products and services
The consolidated entity currently has no revenue from products or services.

Major customers
The consolidated entity has no reliance on major customers.

5. RECONCILIATION OF CASH

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

	30 June 2017 $	31 December 2016 $
Cash at bank and in hand	18,183,861	27,246,185
Restricted cash	46,110	56,993
Cash held for Joint Venture Operations (i)	13,324,221	-
	31,554,192	27,303,178

(i) Cash at bank includes Joint Venture cash balances that includes contributions received in advance from Joint Venture partners. Cash held in Joint venture bank accounts is restricted to Joint Venture operations.

6. OTHER RECEIVABLES

	30 June 2017 $	31 December 2016 $
Goods and Services Tax (GST) receivable	48,079	35,128
Other deposits and receivables	717,102	277,516
	765,181	312,644

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2016: Nil).

7. EXPLORATION EXPENDITURE

	30 June 2017 $	31 December 2016 $
Capitalised expenditure at the beginning of the period	38,227,059	25,403,611
Additions	12,836,475	22,969,061
Tax credit receivable (i)	-	(10,326,194)
Foreign currency translation	(1,427,706)	180,581
Closing balance	49,635,828	38,227,059

(i) Tax credit certificate issued on 29 July 2016. This amount has been offset against capitalised Exploration and Evaluation Expenditure and recognised within Trade and Other Receivables. The amount when paid by the Alaskan Government will be applied directly against the Bank of America loan outstanding.

8. TRADE AND OTHER PAYABLES

	30 June 2017 $	31 December 2016 $
Trade payables (i)	6,003,096	736,894
Other payables (ii)	4,708,846	5,391,049
	10,711,942	6,127,943

8. TRADE AND OTHER PAYABLES (continued)

(i) Trade payables are non-interest bearing and are normally settled on 60 day terms.

(ii) On 29 May 2015, the Company received notification that the Moroccan Minister for Energy and Minister for Finance had executed the assignment document, finalising the divestment of the interests of DVM International SARL ("DVM", 88 Energy's subsidiary in Morocco) in the Tarfaya Offshore Block. A liability of the Company remains subject to the market capitalisation of 88 Energy reaching a determined level before September 2021 which would trigger a potential liability of the Company of US$3.4m in cash or 88 Energy stock. In the prior year, this amount was recognised as a contingent liability.

9. BORROWINGS

	30 June 2017 $	31 December 2016 $
Current		
Bank facility (i)	23,042,921	-
Prepaid interest	(189,777)	-
	22,853,144	-

(i) On 20 August 2015, 88 Energy Limited entered into a credit agreement ("the Facility") with Bank of America. The Facility expires 29 June 2018. The Facility contains financial covenants which have been met. As at 30 June, US$17.71 million has been drawn down under the Facility. Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage.

10. OTHER ASSETS

	30 June 2017 $	31 December 2016 $
Non-Current		
Project Icewine deposit	780,691	832,548
Tax credit receivable	9,683,004	10,326,194
	10,463,695	11,158,742

11. CONTRIBUTED EQUITY AND RESERVES

	30 June 2017 $	31 December 2016 $
(a) Ordinary shares fully paid		
Ordinary shares	141,685,466	125,157,965

	Number of shares	30 June 2017 $
Balance at 1 January 2017	4,169,180,418	125,157,965
Options exercised on 15th March at 0.02 cents	2,350,000	47,000
Options exercised on 15th March at $0.055 cents	1,000,000	55,000
Options exercised on 19th March at $0.02 cents	6,350,000	127,000
Options exercised on 21st March at $0.055 cents	5,000,000	275,000
Options exercised on 30th June at $0.02 cents	1,070,000	21,400
Placement of 463,513,514 ordinary shares at $0.037	463,513,514	17,241,374
Less: equity raising costs		(1,239,273)
Issued and fully paid shares at 30 June 2017	4,648,463,932	141,685,466

11. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Reserves

	Consolidated 30 June 2017 $	Consolidated 31 December 2016 $
Foreign currency translation reserve	(1,039,932)	824,118
Share based payments	17,465,639	15,444,867
	16,425,707	16,268,985

	$
Movement in share-based payment reserve	
At 1 January 2017	15,444,867
Share based payments granted during the period	2,020,772
Balance at 30 June 2017	17,465,639

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.

Movement in foreign currency reserve	$
At 1 January 2017	824,118
Foreign currency translation	(1,864,050)
Balance at 30 June 2017	(1,039,932)

12. SHARE BASED PAYMENTS

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

	30 June 2017 $	30 June 2016 $
Share Plan shares	-	-
Options issued to Directors (i)	673,591	-
Options issued to employees (i)	1,347,181	100,000
Options issued for consideration of services	-	-
	2,020,772	100,000

(i) Options issued to Directors and employees

During the period the Company granted 90 million options to Directors and employees (as agreed by shareholders in the Annual General Meeting on 9 March 2017), which have vested and have an exercise price of $0.06, with expiry on 14 March 2020. The fair value of these shares was treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair value per option was calculated using the market price of listed shares at grant date ($0.038). The total value of options issued was $2,020,772. The following inputs were use in the Black Scholes valuation model; Expected Volatility 110%, Risk-free interest rate 2.14% Time to expiry 3 years, underlying security spot price at issue $0.038.

During the half year ended 30 June 2016 a consultant to the Company was granted 20 million options (as agreed by shareholders in the General Meeting) of which in January 2016, 10,000,000 share options were issued to the consultant having vested. The exercise price of the options was set at $0.02, with expiry on 2nd March 2018. The fair value of these shares was treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair value per option was calculated using the market price of listed options at grant date ($0.005). The total value of options issued was $100,000.

13. EVENTS AFTER THE REPORTING DATE

The following events occurred subsequent to the period end;

- The Icewine #2 well was shut in on 10th July 2017 for an anticipated period of 6 weeks to allow for pressure build up and imbibition to occur; and
- A further tax credit certificate was issued on 27 July 2017 for US$3,359,553. This amount when paid by the Alaskan Government will be applied directly against the Bank of America loan outstanding.

There were no other subsequent events.

14. COMMITMENTS AND CONTINGENCIES

As at 30 June 2017 there have been no material changes to commitments since 31 December 2016. There were no contingent liabilities as at 30 June 2017.

15. 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.

Related party transactions similar to those described in the 31 December 2016 Annual Report continued during the period. During the half year the company paid performance based payments of $65,000.

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 2017 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 2017 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) Subject to note 2(c), 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 Michael Evans
Non-executive Chairman

Perth, 4 August 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 88 Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 88 Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2017, 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, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 88 Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 88 Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 88 Energy Limited is not 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 2017 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 4 August 2017