88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2016

CONTENTS

CORPORATE INFORMATION

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

COMPANY SECRETARY
Ms Sarah Smith

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Level 1, 83 Havelock Street
West Perth WA 6005
Telephone: +61(8) 9485 0990
Facsimile: +61(8) 9321 8990

POSTAL ADDRESS
PO Box 1674
West Perth WA 6872

AUDITORS
BDO Audit (WA) Pty Ltd
38 Station St
Subiaco WA 6008

SHARE REGISTRIES
Computershare
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61(8) 9323 2000
Facsimile: +61(8) 9323 2033

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

INTERNET ADDRESS
www.88energy.com

ASX CODES
Shares 88E
Options 88EO

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 2016 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:

Overview of Project Icewine – Alaska

In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 78% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. In November 2015, the gross acreage position was expanded by 172,937 acres (formal award finalised in June 2016) to 271,119 contiguous acres (210,250 acres net to the Company). The Project is located on an all year operational access road with both conventional and unconventional oil potential. The primary term for the State leases is 10 years with no mandatory relinquishment and a low 16.5% royalty.

The HRZ liquids-rich resource play has been successfully evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well, marking the completion of Phase I of Project Icewine. Phase II has now commenced, with planning for a horizontal multi-stage stimulated well that will be flow tested, Icewine#2H, currently underway.

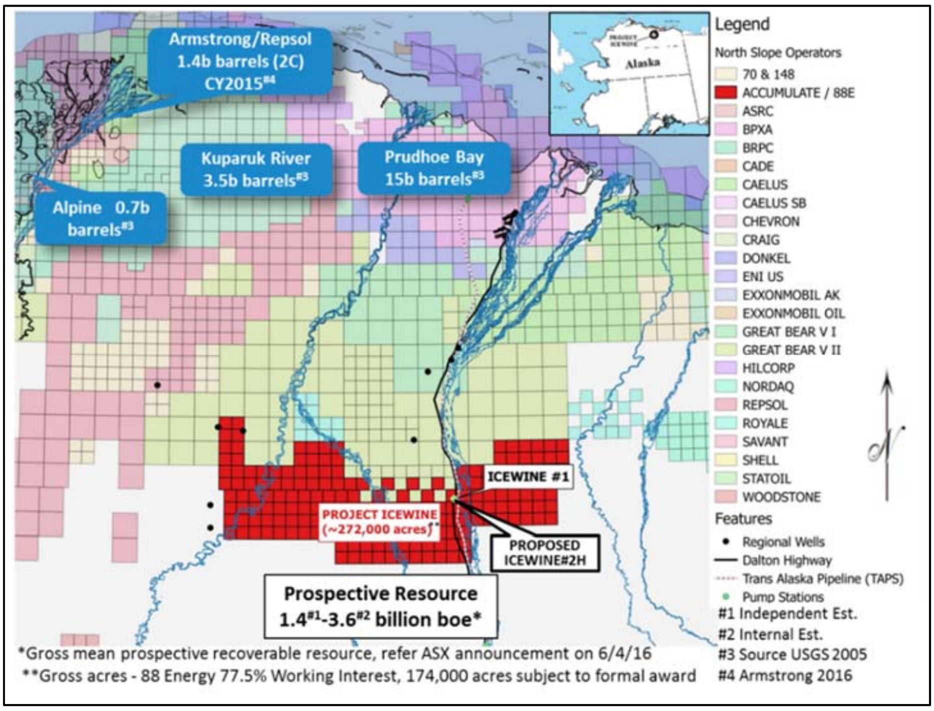

Figure 1: Project Icewine Location

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.

Generous exploration incentives are provided by the State of Alaska with up to 35% of exploration expenditure refundable in cash for 2H2016 and CY2017 activity on the North Slope.

The primary objective is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale (Brookian Sequence), that co-sourced the largest oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal modelling and analysis indicates that Project Icewine is located in a high liquids vapour phase sweetspot analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.

Conventional play potential can be found at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity channel and deep water turbiditic sands. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimate the remaining oil potential to be 2.1 billion barrels just within the Brookian sequence. Additional conventional potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling in 2012, on the adjacent acreage to the north, confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were all within the oil window which is extremely encouraging for the unconventional potential at Project Icewine. In addition, a conventional oil discovery was reported in the Kuparuk sandstones.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in February 2016 and was released to the market on 6th April 2016.

Recent Developments during the Financial Period

Phase 1: Evaluation of Core and Log Data - Complete

During the half year, the Company announced that analysis of core and log data from the Icewine#1 well had resulted in mitigation of the main "Achilles' Heels" of the project. In summary, the following was demonstrated:

- Brittleness was shown to be analogous to existing successful Marcellus and Haynesville shale plays;
- Thermal maturity in the volatile window;
- Elevated pore pressure materially above hydrostatic gradient;
- Excellent matrix permeability - substantially higher than the Eagle Ford; and
- Outstanding porosity by comparison to other successful shale plays, including Eagle Ford.

Post these highly positive results, the Joint Venture initiated planning and permitting for a follow up well, Icewine#2H, which is scheduled for spud in 1Q2017 and will include a flow test.

Acquisition of Additional 172,000 Acres Finalised

The Award documentation for the 63 tracts of land bid on in the North Slope licensing round (November, 2014) was submitted by 88 Energy's Joint Venture partner Burgundy Xploration LLC ('Burgundy') for processing by the State of Alaska. During processing of the Award survey work undertaken by the State led to an amendment in the acres to be awarded from 90,720 acres (originally bid on) to 89,542 acres.

Icewine#2H Design and Permitting On Track for 1Q2017 Drilling

Design for the follow up well Icewine#2H is nearing its final stages with fine tuning of stimulation parameters and landing zone selection. Permitting of the well, proposed to be drilled from the same location as Icewine#1, is also proceeding as per the planned schedule. The well remains on track for commencement of drilling in 1Q2017, with production testing to occur post drilling and stimulation operations.

Upgrade to Independent and Internal Prospective Resource Assessment

On the 6th April, 2016, the Company announced a 293% increase in the prospective recoverable resource ascribed to the HRZ shale horizon. The independent estimate, compiled by DeGolyer and MacNaughton, attributed 1.4 billion barrels of oil equivalent to the HRZ on a mean recoverable prospective basis, assuming that 42% of the acreage would be productive in a success case scenario. The estimated change of geologic success was increased from 40% to 60%. An internal assessment of the resource potential resulted in an estimate of 2.6 billion barrels of recoverable liquids, on a mean prospective recoverable basis. The variance in resource estimates is based on different assumptions, which are detailed in the announcement.

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.

Internal Modelling Suggests Compelling Success Case Break Even Oil Price

While substantial de-risking of the subsurface has occurred through finalisation of the Phase I Evaluation, the decision to proceed with further exploration and development in the current oil price environment required a more detailed analysis of the economic potential of the project, under various scenarios.

Encouragingly, internal modelling of various well performance and cost scenarios, set against the backdrop of the Alaskan fiscal regime, indicated that the breakeven oil price for the P50 well performance and Mid Case Cost scenario is US$39 per barrel. The range of outcomes from the best to worst case was US$27 to US$68 per barrel break even oil price. It should be noted that this is an internal estimate and there is no guarantee that a successful flow test will occur with the drilling of Icewine#2H. For more detail, refer to the Investor Presentation released to ASX on 17th June 2016.

2D Seismic Acquisition Complete

Acquisition of 662 line kilometres of 2D seismic, using a vibroseis source, was completed on 6th May 2016. This data was complemented by the purchase of a further 108 line kilometres of 2D seismic, extracted from a 3D seismic shoot completed in 2015, using a dynamite source. The objective of the 2D seismic is twofold: to reduce risk associated with presence of localised faults in the vicinity of Icewine#2H; and to quantify conventional potential on the acreage. Results from processing and interpretation of this data are expected to be released in 3Q2016.

Financial

For the period ended 30 June 2016 the Company recorded a loss of $8.06 million (30 June 2015: $2.80 million loss).

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

The cash balance as at 30 June 2016 was $20.05 million (31 December 2015: $9.60 million).

In May 2016, the Company completed an oversubscribed placement to raise $25 million (before costs) through the issue of 715 million shares at $0.031 & $0.043 per share (average 3.5c). Funds raised have been used to fund continued exploration of Project Icewine.

During the previous period, the Company entered into a conditional agreement and executed a non-binding Letter of Intent with Bank of America to provide a US$50m funding facility pursuant to which Bank of America could approve, in its sole discretion, funding for specific projects. Bank of America's lending commitment was subject to a number of conditions including those related to due diligence which were completed in the previous financial year. During the current financial period drawdowns of this facility have continued, ensuring the Company is fully funded for the drilling of its Icewine exploration well #1 and recently acquired 2D seismic.

Future Strategy

Project Icewine continues to be the primary exploration focus for the Company and near term endeavours are currently geared towards achieving the following objectives:

- Finalise design of the planned Icewine#2H well, scheduled for spud in 1Q2017;
- Finalise permitting for Icewine#2H;

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2016 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, 22 August 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2016, 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, 22 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2016

	Note	30 June 2016 $	30 June 2015 $
Income	3(a)	65,742	29,674
Administration expenses	3(b)	(1,269,010)	(841,164)
Occupancy expenses		(88,805)	(84,658)
Employee benefit expenses	3(c)	(682,012)	(310,410)
Share based payment expense	11	(100,000)	(831,536)
Depreciation and amortisation expense		(5,163)	(17,102)
Exploration expenditure expensed as incurred		-	(1,022,444)
Finance cost		(966,162)	-
Realised/unrealised loss on foreign exchange		(222,154)	-
Reversal of impairment provision		-	30,870
Other expenses		(4,659,461)	-
Loss before income tax		(7,927,025)	(3,046,770)
Income tax benefit/(expense)		-	-
Net loss attributable to members of the parent		(7,927,025)	(3,046,770)
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		(129,642)	247,801
Total comprehensive loss for the period		(8,056,667)	(2,798,969)
Basic and diluted loss per share (cents)		(0.01)	(0.336)

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 2016

	Note	30 June 2016 $	31 December 2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	20,047,641	9,604,249
Other receivables	6	321,381	463,601
Total Current Assets		20,369,022	10,067,850
Non-Current Assets			
Plant and equipment		9,201	10,960
Exploration and evaluation expenditure	7	45,139,248	25,403,611
Other assets		-	994,687
Total Non-Current Assets		45,148,449	26,409,258
TOTAL ASSETS		65,517,471	36,477,108
LIABILITIES			
Current Liabilities			
Provisions		63,929	55,388
Trade and other payables	8	5,311,490	4,003,386
Total Current Liabilities		5,375,419	4,058,774
Non-Current Liabilities			
Borrowings	9	21,281,568	10,930,281
Total Non-Current Liabilities		21,281,568	10,930,281
TOTAL LIABILITIES		26,656,987	14,989,055
NET ASSETS		38,860,484	21,488,053
EQUITY			
Issued and fully paid shares	10	115,983,658	90,654,560
Shares reserved for share plans	10	-	-
Reserves	10	14,819,124	14,848,766
Accumulated losses		(91,942,298)	(84,015,273)
TOTAL EQUITY		38,860,484	21,488,053

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 2016

	Issued and fully paid shares $	Shares reserved for share plans $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2015	**67,985,300**	**(1,667,500)**	**12,741,333**	**(77,710,561)**	**1,348,572**
Loss for the period	-	-	-	(3,046,770)	(3,046,770)
Other comprehensive income	-	-	247,801	-	247,801
Total comprehensive loss for the period, net of tax	-	-	247,801	(3,046,770)	(2,798,969)
Shares issued during the period	6,933,193	-	-	-	6,933,193
Shares cancelled	(1,667,500)	1,667,500	-	-	-
Share based payments	-	-	831,535	-	831,535
Equity raising costs	(582,535)	-	-	-	(582,535)
Balance at 30 June 2015	**72,668,458**	**-**	**13,572,868**	**(80,757,331)**	**5,731,796**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2016

	Note	30 June 2016 $	30 June 2015 $
Cash flows from operating activities			
Interest		47,345	6,135
Other Income		18,397	23,267
Interest Paid		(1,420,568)	
Payments to suppliers and employees		(1,019,638)	(1,188,333)
Net cash outflows used in operating activities		(2,374,464)	(1,158,931)
Cash flows from investing activities			
Payment for property plant & equipment		(3,404)	-
R&D refund		249,295	-
Payments for exploration and evaluation activities		(23,817,141)	-
Net cash outflows used in investing activities		(23,571,250)	(4,832,818)
Cash flows from financing activities			
Proceeds from issue of shares		26,480,660	6,913,181
Share issue costs		(1,151,562)	(562,535)
Proceeds from drawdown of facility		11,281,381	-
Net cash inflows from financing activities		36,610,479	6,350,646
Net increase in cash and cash equivalents		10,664,765	358,897
Net foreign exchange differences		(221,373)	90,976
Cash and cash equivalents at beginning of period		9,604,249	805,210
Cash and cash equivalents at end of period	5	20,047,641	1,255,083

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 2016 were authorised for issue in accordance with a resolution of the Directors on 19 August 2016.

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 2016 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 2015.

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 2015, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the half year ended 30 June 2016, 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 2016.

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) Exploration and evaluation expenditure and the recognition of assets

The accounting policy adopted by the Group is as follows:

(i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised in exploration and evaluation expenditure.

(d) Exploration and evaluation expenditure and the recognition of assets (continued)

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is underway to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

(iii) Exploration and evaluation costs

The Company previously accounted for acquisition, exploration and evaluation expenditure relating to an area of interest by carrying forward that expenditure where rights to tenure of the area of interest are current.

During the financial year ended 31 December 2015 the Company assessed its choice of accounting policy for exploration and evaluation activities and determined that a change in accounting policy was appropriate for new projects going forward, which included its projects in Alaska.

The Company now accounts for exploration and evaluation activities as follows:
Acquisition costs - Exploration and evaluation costs arising from acquisitions are carried forward where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment of economically recoverable reserves.

Exploration and evaluation expenditure - Costs arising from on-going exploration and evaluation activities are assessed on a project basis.

Project Icewine: Exploration and evaluation expenditure associated with this project is capitalised to the Statement of Financial Position in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. This accounting policy choice differs from that presented in the comparative half year financial statements as the directors have re-assessed this accounting policy and determined this current accounting policy to reflect a more meaningful position of the project.

There are currently no other active projects.

	30 June 2016 $	30 June 2015 $
3. INCOME AND EXPENSES		
(a) Other Income		
Interest Income	47,345	6,408
Other income	18,397	23,266
	65,742	29,674
(b) Corporate & Administrative expenses		
Consultancy and professional fees	233,620	277,114
Legal fees	39,263	77,994
Marketing and administration expenses	730,267	416,624
Other costs	265,860	69,432
	1,269,010	841,164
(c) Employee benefit expenses		
Wages and salaries	510,846	179,942
Superannuation	35,057	31,081
Annual leave expense	8,541	3,137
Other employee expenses	127,568	96,250
	682,012	310,410

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2016 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.

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.

4. SEGMENT INFORMATION (continued)

	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)
Reportable segments assets at 30 June 2016	18,882,152	46,635,319	65,517,471
Reportable segments assets at 31 December 2015	8,769,997	27,707,111	36,477,108

	Australia $	USA $	Consolidated $
Half year ended 30 June 2015			
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss)/profit after expenses before tax	(2,024,325)	(1,022,445)	(3,046,770)

	30 June 2016 $	30 June 2015 $
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	(7,927,025)	(3,046,770)
Elimination of inter-segment profits	-	-
Profit before tax from continuing operations	(7,927,025)	(3,046,770)

	30 June 2016 $	31 December 2015 $
Reconciliation of reportable segment assets		
Reportable segment assets	65,517,471	36,477,108
Total assets	65,517,471	36,477,108

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.

Geographical areas
The consolidated entity non-current assets are located in Australia and USA.

	30 June 2015 $	31 December 2015 $
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	19,990,648	7,650,446
Restricted cash (i)	56,993	1,953,803
	20,047,641	9,604,249

(i) Restricted cash is held in trust for validated drilling expenditures as identified in an audited disbursement request.

	30 June 2016 $	31 December 2015 $
6. OTHER RECEIVABLES		
Goods and Services Tax (GST) receivable	39,266	46,593
Other receivables	282,115	417,008
	321,381	463,601

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2014: Nil).

7. EXPLORATION EXPENDITURE	30 June 2016 $	31 December 2015 $
Capitalised expenditure at the beginning of the period	25,403,611	-
Additions (i)	19,984,932	24,798,916
Research and development tax refund	(249,295)	-
Reclassification of deposit	-	604,695
	45,139,248	25,403,611

(i) Capitalised expenditure during the period relates to the purchase of acreage & continued exploration for Project Icewine costs in Alaska. In May 2016, official notice of award documents was received for 172,937 gross acres successfully bid on in November 2015. The net payment required by the Company was US$4.25m (AUD$5.52m).

8. TRADE AND OTHER PAYABLES	30 June 2016 $	31 December 2015 $
Trade payables (i)	(157,218)	(226,404)
Other payables	(5,154,272)	(3,776,982)
	(5,311,490)	(4,003,386)

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

9. BORROWINGS

Non-Current	30 June 2016 $	31 December 2015 $
Bank facility (i)	(23,753,610)	(12,472,229)
Prepaid interest	2,472,042	1,541,948
	(21,281,568)	(10,930,281)

(i) On 20 August 2015, 88 Energy Limited entered into a credit agreement with the Bank of America for a facility of up to US$50 million. Interest on the drawdown is paid up front being Eurodollar rate (1% pa) plus the applicable rate (6.5% pa). During the period ended 30 June 2016, the Company drew down A$10,351,287 on this facility, ensuring the Company is fully funded for the drilling of its Icewine exploration well #1 & #2H.

10. CONTRIBUTED EQUITY AND RESERVES

	30 June 2016 $	31 December 2015 $
(a) Ordinary shares fully paid		
Ordinary shares	115,983,658	90,654,560

	Number of shares	30 June 2016 $
Balance at 1 January 2016	**3,082,140,823**	**90,654,560**
Options exercised on 16th February at 0.014, 0.016 & 0.01 cents	52,128,585	755,957
Options exercised on 17th February at $0.01 $ $0.016	24,758,964	387,743
Options exercised on 19th February at $0.01	2,500,000	25,000
Options exercised on 22nd February at $0.016	1,900,000	30,400
Options exercised on 2nd March at $0.021	3,000,000	63,000
Options exercised on 4th March at $0.021 & $0.016	6,400,000	117,400
Options exercised on 10th March at $0.016	119,618	1,914
Options exercised on 11th March at $0.01 & $0.016	1,916,666	22,167
Options exercised on 17th March at $0.015	3,000,000	45,000
Options exercised on 19th April at $0.02	200,000	4,000
Placement of 476,709,698 ordinary shares at $0.031	476,709,698	14,778,001
Placement of 238,354,849 ordinary shares at $0.043	238,354,849	10,249,259
Options exercised on 19th May at $0.016	51,215	819
Less: equity raising costs	-	(1,151,562)
Issued and fully paid shares at 30 June 2016	**3,893,180,418**	**115,983,658**

(b) Reserves

	Consolidated	
	30 June 2015 $	31 December 2015 $
Foreign currency translation reserve	254,258	383,900
Share based payments	14,564,866	14,464,866
	14,819,124	**14,848,766**

	$
Movement in share-based payment reserve	
At 1 January	14,464,866
Share based payments granted during the period	100,000
Balance at 30 June	**14,564,866**

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 11 for further details.

Movement in foreign currency reserve	$
At 1 January	383,900
Foreign currency translation	(129,642)
Balance at 30 June	**254,258**

11. SHARE BASED PAYMENTS

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

	30 June 2016 $	30 June 2015 $
Share Plan shares	-	225,431
Options issued to Directors	-	323,128
Options issued to employees (i)	100,000	11,556
Options issued for consideration of services	-	271,420
	100,000	831,535

30 June 2016

(i) Options issued to employees

During the period 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.

12. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the period, there were no events of a material nature that are required to be disclosed.

13. COMMITMENTS AND CONTINGENCIES

As at 30 June 2016 there have been no material changes to commitments since 31 December 2015. There were no contingent liabilities as at 30 June 2016.

14. 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 2015 Annual Report continued during the period.

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 2016 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 2016 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, 22 August 2016

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2016, 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 2016 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:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 22 August 2016