88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2015

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CORPORATE INFORMATION

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

COMPANY SECRETARIES
Ms Sarah Smith
Ms Amy Just

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COUNTRY OF INCORPORATION AND DOMICILE
Australia

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 2015 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

Project Icewine comprises 98,182 gross contiguous acres located onshore on the North Slope of Alaska, USA. The Company holds an initial 87.5% working interest, (85,900 net acres), in the project which reduces to 78%, (76,582 net acres), on spud of the first well, and will be Operator. Potential across the Project Icewine acreage includes highly prospective unconventional and conventional play types. The unconventional potential of the project has an independently estimated gross mean unrisked prospective resource of 492 million barrels of recoverable oil (being up to ~431 million barrels net to the Company based on an 87.5% interest) from 8 billion barrels estimated oil in place[1]. 3D seismic acquisition is planned to mature the conventional play potential at Project Icewine.

The primary lease term is 10 years with a base royalty rate of 12.5% (16.5% after vendor ORRI royalty[2]) and no mandatory relinquishment. The State of Alaska is also offering an 85% cash rebate on exploration activity through calendar year 2015 (reducing to 75% from January 2016 to July 2016 and then 35% thereafter). Combined with the attractive lease term and royalty, the fiscal regime makes Project Icewine very competitive with similar projects in the lower 48 states.

The North Slope of Alaska is a mature oil producing region hosting the largest conventional onshore field in North America. Consequently, significant infrastructure is in place including an all year round access road, the Dalton Highway, and the TransAlaska Pipeline System (TAPS), both of which run through Project Icewine.

Recent Developments during the Financial Period

Cost reductions were achieved during the period by restructuring existing contracts, including employment contracts, as well as downsizing / relocating the Head Office in West Perth.

On 12 February 2015, a General Meeting was held to approve both the acquisition of Project Icewine and a Placement required to fund and complete the acquisition.

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.

[1]Refer to the Independent Resource Report in the most recent Prospectus on the Company website for details. Adjusting for the risk of geological success, this equates to a gross mean prospective resource of 200 million barrels of recoverable oil for Project Icewine (~175 million barrels net to the Company based on an 87.5% working interest). The estimates of quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. Prospective resource assessments were estimated using probabilistic methods in accordance with SPE-PRMS standards.

[2] Refer to the most recent prospectus on the Company website for details of this overriding royalty interest and associated net profits interest.

The transfer of title from Burgundy to the Company's 100% owned subsidiary, Accumulate Energy Alaska Inc ('AEA'), progressed significantly during the period. The transfer will result in the assignment of 87.5% working interest to AEA across 69 contiguous tracts, (gross acreage position 98,182 acres), which includes 6 tracts previously leased by Burgundy. Burgundy will retain a 4% Overriding Royalty Interest over all the 69 tracts. 88 Energy remitted US$2.98m including acreage acquisition costs and first year rentals to the State of Alaska (award was finalised subsequent to the period – see Subsequent Events).

An existing gravel pad was identified on Project Icewine acreage, from which the Icewine #1 exploration well is proposed to be drilled. This gravel pad provides significant benefits in relation to permitting, logistics, cost control and timing of drilling for the Joint Venture.

The Company commenced permitting for the drilling of the exploration well Icewine #1, located on the North Slope Alaska, and scheduled for spud mid-October, 2015. Service agreements were executed with Fairweather Science and Cardno to fast track permitting of the drilling operation prior to year end. This timing enables the Company to access the 85% cash rebate offered by the State of Alaska for expenditure related to the drilling of the well. Considerable progress was achieved with the permitting during the period which is on track to meet the operational schedule.

Representatives of the Company visited Anchorage in late April with a follow-up visit in late June to meet with several State of Alaska Government agencies and the North Slope Borough to facilitate and progress the near term drilling of Icewine #1. During the visits, the Company met with numerous Contractors, service companies and consultants to assist with the proposed near term drilling and future exploration activity. Significantly, an availability and selection process was undertaken to identify and secure a suitable rig. A site visit to the Franklin Bluffs gravel pad on the North Slope confirmed it's suitability as the location for the proposed well.

During the reporting period, Mr Erik Opstad was appointed as General Manager of Alaskan Operations which was a key step for the Company. Mr Opstad has managed successful drilling campaigns on the North Slope, has extensive drilling engineering experience, a geological background, and has a demonstrated track record on both project execution and cost control.

Tarfaya Offshore Block - Morocco

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.

This completed the assignment process and removed a potential liability from 88 Energy's subsidiary, DVM, to Galp Energia ("Galp") of US$3.4m, if the assignment had not been completed under its agreement with Galp.

Previous agreements executed by DVM, Galp and Office Nationale des Hydrocarbures et des Mines (ONHYM) meant that the potential liability was considered a very low risk proposition; however, with the formal completion of the assignment, this potential liability has now been removed.

The contingent liability between the Company and Galp remains if the market capitalisation of 88 Energy reaches or exceeds US$50m (~A$72m, conversion 3.09.15) before September 2021 whereby Galp is entitled to a payment of US$3.4m in cash or 88 Energy stock.

Financial

For the period ended 30 June 2015 the Company recorded a loss of $2.799 million (30 June 2014: $4.997 million loss).

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

The cash balance as at 30 June 2015 was $1.255 million (31 December 2014: $805,210).

In March 2015, the Company completed an oversubscribed placement to raise $6.9 million (before costs) through the issue of 691 million shares at $0.01 per share with a 1 for 2 free attaching listed option exercisable at $0.02 on or before 2 March 2015. Funds raised have been used to finalise the acquisition of Project Icewine and progress permitting and planning of the Icewine #1 exploration well, as well as for working capital. The Prospectus associated with the placement was released to the market on 16 February 2015.

During the 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. Subsequent to the end of financial period, the due diligence process was completed and definitive, binding documentation was executed, ensuring the Company is fully funded for the drilling of its Icewine exploration well #1.

On 16 June 2015, the Company appointed Cenkos Securities plc as its nominated advisor and broker, replacing RFC Ambrian Limited.

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:

- Successful execution of the drilling and coring of the Icewine # 1 exploration well by year-end
- Post drill evaluation of the unconventional liquids rich HRZ shale objective
- Post drill evaluation of conventional reservoir potential
- Planning of a proposed 3D seismic survey to mature up conventional play prospectivity

In addition the Company will continue to pursue, review and consider Corporate and New Ventures opportunities which offer value growth for our shareholders and prudent deployment of capital.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2015 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, 11 September 2015

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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 2015, 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, 11 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 $	30 June 2014 $
Income	3(a)	29,674	108,050
Administration expenses	3(b)	(841,164)	(2,787,916)
Occupancy expenses		(84,658)	(355,094)
Employee benefit expenses	3(c)	(310,410)	(741,704)
Share based payment expense	10	(831,536)	(303,238)
Depreciation and amortisation expense		(17,102)	(12,827)
Exploration expenditure expensed as incurred		(1,022,444)	-
Exploration expenditure written off		-	(537,531)
Unrealised Gain/(Loss) on foreign exchange		-	(298,903)
Reversal of Impairment Provision		30,870	-
Loss before income tax		(3,046,770)	(4,929,163)
Income tax expense		-	-
Net loss attributable to members of the parent		(3,046,770)	(4,929,163)
Other comprehensive income for the period			
Other comprehensive income that may be recycled to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments (net of tax)		-	(68,234)
Exchange differences on translation of foreign operations		247,801	-
Total comprehensive loss for the period		(2,798,969)	(4,997,397)
Basic and diluted loss per share (cents)		(0.336)	(2.68)

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 2015

	Note	30 June 2015 $	31 December 2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,255,083	805,210
Other receivables	6	156,596	266,284
Total Current Assets		1,411,679	1,071,494
Non-Current Assets			
Plant and equipment		8,306	23,590
Other financial assets	7	56,993	42,726
Exploration and evaluation expenditure	8	4,497,361	-
Other assets		-	604,695
Total Non-Current Assets		4,562,660	671,011
TOTAL ASSETS		5,974,339	1,742,505
LIABILITIES			
Current Liabilities			
Trade and other payables		242,543	393,933
Total Current Liabilities		242,543	393,933
TOTAL LIABILITIES		242,543	393,933
NET ASSETS		5,731,796	1,348,572
EQUITY			
Issued and fully paid shares	9	72,668,458	67,985,300
Shares reserved for share plans	9	-	(1,667,500)
Reserves	9	13,820,669	12,741,333
Accumulated losses		(80,757,331)	(77,710,561)
TOTAL EQUITY		5,731,796	1,348,572

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 2015

	Issued and fully paid shares $	Shares reserved for share plans $	Share based payment reserve $	Foreign Currency Translation Reserve $	Available-for-sale investments reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2014	**55,889,563**	**-**	**10,701,195**	-	**60,061**	**(49,997,456)**	**16,653,363**
Loss for the period	-	**-**	-	-	-	(4,929,163)	(4,929,163)
Other comprehensive income	-	**-**	-	-	(68,234)	-	(68,234)
Total comprehensive loss for the period, net of tax	-	**-**	-	-	(68,234)	(4,929,163)	(4,997,397)
Shares issued during the period	12,839,455	(1,751,600)	-		-	-	11,087,855
Share based payments	-	-	1,479,909	-	-	-	1,479,909
Equity raising costs	(2,024,454)	-	-	-	-	-	(2,024,454)
Balance at 30 June 2014	**66,704,564**	**(1,751,600)**	**12,181,104**	-	**(8,173)**	**(54,926,619)**	**22,199,276**
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**	**247,801**	**-**	**(80,757,331)**	**5,731,796**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 $	30 June 2014 $
Cash flows from operating activities			
Interest		6,135	-
Other Income		29,634	74,216
Payments to suppliers and employees		(1,188,333)	(3,729,207)
Net cash flows used in operating activities		(1,158,931)	(3,654,991)
Cash flows from investing activities			
Payments for exploration and evaluation activities		(4,832,818)	(53,629)
Payments for plant and equipment		-	-
Reimbursement of bonds and guarantees		-	3,209,251
Purchase of available-for-sale investments		-	-
Proceeds from available-for-sale investments		-	-
Loans to other entities		-	(300,000)
Net cash flows from/(used in) investing activities		(4,832,818)	2,855,622
Cash flows from financing activities			
Proceeds from issue of shares		6,913,181	9,602,557
Share issue costs		(562,535)	(260,511)
Net cash flows from financing activities		6,350,646	9,342,046
Net increase/(decrease) in cash and cash equivalents		358,897	8,542,677
Net foreign exchange differences		90,976	(5,581)
Cash and cash equivalents at beginning of period		805,210	6,089,313
Cash and cash equivalents at end of period	5	1,255,083	14,626,409

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 2015 were authorised for issue in accordance with a resolution of the Directors on 10 September 2015.

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 2015 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 2014.

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 2014, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the half year ended 30 June 2015, 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 2015.

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

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors have had regard to the below factors and based on these factors consider there is a reasonable basis that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report. The Group has recorded a loss of $3,046,770 for the period ended 30 June 2015 and had a net cash outflow of $5,991,749 in connection with its operating and investing activities during the period. The Group had cash and cash equivalents at 30 June 2015 of $1,255,083.

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

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

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.

The Company has assessed its choice of accounting policy for exploration and evaluation activities and has determined that a change in accounting policy is appropriate for new projects moving forward, which includes 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.

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

Exploration and evaluation costs - Costs arising from on-going exploration and evaluation activities are expensed as incurred. It is considered that the new accounting policy is more reflective of the Company's exploration and evaluation activities and allows better comparison with peer mining companies, while still complying with the requirements of AASB6 Exploration for and Evaluation of Mineral Resources.

	30 June 2015 $	30 June 2014 $
3. INCOME AND EXPENSES		
(a) Other Income		
Interest Income	6,408	-
Rental income	23,266	-
	29,674	-
(b) Corporate & Administrative expenses		
Consultancy and professional fees	277,114	1,454,399
Legal fees	77,994	653,204
Marketing and administration expenses	416,624	570,588
Other costs	69,432	109,725
	841,164	2,787,916
(c) Employee benefit expenses		
Wages and salaries	179,942	501,553
Superannuation	31,081	72,150
Annual leave expense	3,137	(8,679)
Other employee expenses	96,250	176,680
	310,410	741,704

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2015 the Company was organised into the following two units:

- The head office in Australia; and
- Oil and Gas exploration in Alaska, USA.

For management purposes during the period ended 30 June 2014 the Company was organised into the following two units:

- Oil and Gas exploration and corporate head office in Australia
- Oil and Gas exploration in the Kingdom of Morocco.

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 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)
Reportable segments assets at 30 June 2015	1,476,978	4,497,361	5,974,339
Reportable segments assets at 31 December 2014	1,137,810	604,695	1,742,505

Half year ended 30 June 2014	Australia $	Morocco $	Consolidated $
Revenue from external customers	-	-	-
Inter-segment revenue	-	-	-
Reportable segment (loss)/profit after expenses before tax	(4,079,432)	(849,713)	(4,929,145)

	30 June 2015 $	30 June 2014 $
<u>Reconciliation of reportable segment profit or loss</u>		
Total profit or loss for reportable segments	(3,046,770)	(4,929,145)
Elimination of inter-segment profits	-	-
Profit before tax from continuing operations	(3,046,770)	(4,929,145)

	30 June 2015 $	31 December 2014 $
<u>Reconciliation of reportable segment assets</u>		
Reportable segment assets	5,974,339	1,742,505
Total assets	5,974,339	1,742,505

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.

5. RECONCILIATION OF CASH

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

	30 June 2015 $	31 December 2014 $
Cash at bank and in hand	1,255,083	805,210
	1,255,083	805,210

6. OTHER RECEIVABLES

	30 June 2015 $	31 December 2014 $
Goods and Services Tax (GST) receivable	150,167	145,873
Prepayments	-	88,306
Other receivables	6,429	32,105
	156,596	266,284

(a) Allowance for impairment loss

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

7. OTHER FINANCIAL ASSETS

	30 June 2015 $	31 December 2014 $
Security deposit	56,993	42,726
Total	56,993	42,726

The security deposit represents cash deposits made in the course of renting office space. The funds are not classified as cash and cash equivalents as they do not currently meet the definition per the accounting standards.

Fair Value

The fair value of financial assets and liabilities not measured at their fair value approximates their carrying amount.

8. EXPLORATION EXPENDITURE

	30 June 2015 $	31 December 2014 $
Capitalised expenditure at the beginning of the period	-	7,742,856
Additions (i)	4,378,395	12,486,505
Exploration written off (ii)	-	(20,229,361)
Foreign exchange movements	118,966	-
	4,497,361	-

8. EXPLORATION EXPENDITURE (continued)

Additions

Capitalised expenditure during the period relates to the purchase of acreage for Project Icewine costs in Alaska.

Exploration expenditure written off

Exploration expenditure written off at 31 December 2014 relates to the Tarfaya Offshore Block, Morocco. At the date of this report the Company has finalised its exit from the Block

9. CONTRIBUTED EQUITY AND RESERVES

	30 June 2015 $	30 June 2014 $
(a) Ordinary shares fully paid		
Ordinary shares	1,139,306,023	67,985,300

	Number of shares	$
Balance at 1 January 2015	**451,736,723**	**67,985,300**
Share placement at $0.01 on 3 March 2015	691,319,300	6,913,193
Cancellation of director Share Plan Shares on 6 March 2015	(5,500,000)	(1,595,000)
Shares issued at $0.01 on 17 March 2015 as consideration for advsiory services	2,000,000	20,000
Cancellation of employee Share Plan Shares on 27 March 2015	(250,000)	(72,500)
Less: equity raising costs	-	(582,535)
Issued and fully paid shares at 30 June 2015	**1,139,306,023**	**72,668,458**

(b) Shares reserved for share plans

	30 June 2015 $	31 December 2014 $
Share based payments	-	1,667,500

	Number of shares	$
Movement in shares reserved for share plans		
At 1 January	**5,750,000**	**1,667,500**
Shares cancelled during the period	(5,750,000)	(1,667,500)
Balance at 30 June	**-**	**-**

9. CONTRIBUTED EQUITY AND RESERVES (continued)

Shares reserved for share plans

The Company implemented a Share Plan in June 2014 following shareholder approval at the Company's Annual General Meeting. In June 2014, 6,040,000 shares were issued to Directors, key management personnel, and other employee under the Company's Share Plan. 290,000 of these shares were cancelled during the year ended 31 December 2014 upon termination of the employment of key management personnel and employees, with the remaining 5,750,000 Share Plan shares cancelled between 1 January 2015 and 30 June 2015.

In accordance with the terms of the Share Plan, the directors, key management personnel, and employees were also offered interest free loans from the Company to assist in the subscription for the Share Plan Shares. Under the Share Plan, shares are subject to transfer restrictions. In particular to certain exceptions, a participant may not sell, transfer, assign, mortgage, charge, or otherwise encumber any Share Plan shares to any party other than the Company until the later of: (i) the repayment of any loan provided by the Company for the purchase of the shares; (ii) the expiry of any service continuity period specified by the Company at the time the Share Plan shares were issued, and (iii) the satisfaction of any performance criteria specified by the Company at the time the Share Plan shares were issued.

Shares reserved for share plans records the value of loans outstanding in relation to Share Plan shares.

(c) Reserves

	Consolidated	
	30 June 2015	31 December 2014
	$	$
Foreign currency translation reserve	247,801	-
Share based payments	13,572,868	12,741,333
	13,820,669	**12,741,333**

	Number of options	$
Movement in share-based payment reserve		
At 1 January	**41,775,087**	**12,741,333**
Share based payments granted during the period	126,000,000	555,046
Pro-rata expense of share based payments granted in prior periods	-	51,058
Cancellation of Share Plan shares	(5,750,000)	225,431
Balance at 30 June	**162,025,087**	**13,572,868**

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 10 for further details.

10. SHARE BASED PAYMENTS

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

	30 June 2015 $	31 December 2014 $
Share Plan shares (i)	225,431	486,269
Options issued to Directors (ii)	323,128	335,942
Options issued to employees (iii)	11,556	-
Options issued for consideration of services (iv)	271,420	1,218,460
Shares issued for consideration of services (v)	-	1,332,941
	831,535	3,373,612

(i) Share Plan shares

The Company implemented a Share Plan in June 2014 following shareholder approval at the Company's Annual General Meeting. In June 2014, 6,040,000 shares were issued to Directors, key management personnel, and other employee under the Company's Share Plan. 290,000 of these shares were cancelled during the year ended 31 December 2014 upon termination of the employment of key management personnel and employees, with the remaining 5,750,000 Share Plan shares cancelled between 1 January 2015 and 30 June 2015.

The fair value of the TSP shares issued was estimated at the date of grant using the Black-Scholes model combined with a Monte Carlo simulation methodology, where relevant, taking into account the terms and conditions upon which the Share Plan shares were granted. The contractual life of the Share Plan shares is 5 years. The issue price is per share is the five day volume-weighted average price for the Company's shares traded on Australian Securities Exchange up to be not including the date of grant. The fair value of TSP shares issued during the period ended 30 June 2015 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	80
Risk-free interest rate (%)	2.97
Expected life (years)	5
Weighted average share price ($)	0.265
Issue Price ($)	0.29

The fair value of these shares is treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The total fair value of the 6,040,000 Share Plan shares granted was calculated at $788,746 and has been amortised over the relevant vesting periods, with the remaining expense accelerated and recognised upon the cancellation of the Share Plan shares during the period.

The Group has recognised nil (refer to note 9) as shares reserved for the Company's Share Plan within contributed equity in the Consolidated Statement of Financial Position (31 December 2014: $1,667,500).

(ii) Options issued to directors

In March 2015, 45,000,000 share options were issued to directors of the Company. The exercise price of the options was set at $0.015 and there were no vesting conditions. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of options granted during the period ended 30 June 2015 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	85
Risk-free interest rate (%)	2.25
Expected life (years)	3
Share price ($)	0.012

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 was calculated at $272,070.

10. SHARE BASED PAYMENTS (continued)

The additional expense of $51,058 recorded at 30 June 2015 relates to the vesting of options issued to directors in the prior year.

(iii) Options issued to employees

In March 2015, 3,000,000 share options were issued to an employee of the Company. The exercise price of the options was set at $0.015 and there were no vesting conditions. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of options granted during the period ended 30 June 2015 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	85
Risk-free interest rate (%)	2.25
Expected life (years)	3
Share price ($)	0.009

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 was calculated at $11,556.

(iv) Options issued for consideration of services

In March 2015, 30,000,000 listed share options were issued as consideration for assisting the Company with its acquisition of Project Icewine. The exercise price of the options was set at $0.02 and there were no vesting conditions. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of options granted during the period ended 30 June 2015 was estimated on the date of grant based upon the Day 1 quotation value of the options in the absence of any other more reliable evidence of the market value of services received.

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 was calculated at $90,000.

In March 2015, 20,000,000 unlisted share options were issued to brokers and other advisors in consideration for services in relation to equity capital raisings completed and other advisory services during the period. The exercise price of the options was set at $0.014 and there were no vesting conditions. The contractual life of each option granted is 3 years. There is no cash settlement of the options. In the absence of any other more reliable evidence of the market value of services received, the fair value of options granted during the period ended 30 June 2015 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	85
Risk-free interest rate (%)	2.25
Expected life (years)	3
Share price ($)	0.012

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 was calculated at $125,420.

In March 2015, 28,000,000 listed share options were issued to brokers and other advisors in consideration for services in relation to equity capital raisings completed and other advisory services during the period. The exercise price of the options was set at $0.02 and there were no vesting conditions. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of options granted during the period ended 30 June 2015 was estimated on the date of grant based upon the market value of services received.

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 was calculated at $56,000.

10. SHARE BASED PAYMENTS (continued)

(v) Shares issued for consideration of services

In March 2015, 2,000,000 shares were issued to brokers and other advisors in consideration for services in relation to equity capital raisings completed and other advisory services during the period. These shares were issued at $0.01. The fair value of $20,000 was treated as a cost of capital raising and offset against contributed equity in the Consolidated Statement of Financial Position. The fair value of the shares granted is based on the market value of services received.

11. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the period, and as announced on 22 July 2015, the Company completed a Placement to domestic and international institutional and sophisticated investors to raise A$12 million through the issue of 1,200 million shares at 1 cent per ordinary share (Placement). The Placement was settled in two tranches of 170 million ordinary shares (the "Tranche One Shares") and 1,030 million shares (the "Tranche Two Shares") respectively.

Funds raised pursuant to the Placement will be applied to progress exploration at 88 Energy's Project Icewine, to fund the equity component of its planned drilling program1 and for working capital purposes. 88 Energy expects drilling at Project Icewine to commence in October 2015.

Issue of the Tranche One Shares occurred on 29 July 2015 and were issued within the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1.

Tranche Two of the Placement was subject to shareholder approval which was obtained at a General Meeting held 21 August 2015. Issue of the Tranche Two Shares occurred on 28 August 2015. Shareholder approval for the issue of up to 70,000,000 Unlisted Options exercisable at $0.016 on or before 31 August 2015 was also obtained at the General Meeting. The Options were issued on 1 September 2015 as consideration for capital raising and other advisory services provided in relation to the Placement.

On 25 August 2015, the Company announced that definitive binding documentation has been executed with Bank of America in respect of funding for Project Icewine of up to US$50 million. This followed completion of a detailed due diligence process by Bank of America on the Company's Icewine Project.

Under the terms of the agreement with Bank of America, the Company will contribute circa US$5.7m, which includes its equity contribution towards the AFE for the well (including 20% contingency), interest on the equity contribution and structuring fees.

On 26 August 2015, the formal transfer of title from Burgundy Xploration LLC to its 100% owned subsidiary, Accumulate Energy Alaska, Inc ("AEA"), was completed, giving AEA an undivided 87.5% working interest over 69 leases, totalling 98,182 acres (85,909 acres net to AEA).

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future.

12. COMMITMENTS AND CONTINGENCIES

Exploration commitments and contingencies

The exit from activities in Morocco was finalised on 29 May 2015, upon receipt of notification that the Moroccan Minister for Energy and Minister for Finance had signed the assignment document, in relation to the Tarfaya Offshore Block.

This completes the assignment process and removes a potential liability from 88 Energy's subsidiary, DVM, to Galp Energia ("Galp") of US$3.4m, if the assignment had not been completed under its agreement with Galp.

12. COMMITMENTS AND CONTINGENCIES (continued)

Previous agreements executed by DVM, Galp and Office Nationale des Hydrocarbures et des Mines (ONHYM) meant that the potential liability was considered a very low risk proposition; however, with the formal completion of the assignment, this potential liability has now been removed.

It should be noted that the contingent liability (separate to that referenced above) between 88 Energy and Galp remains, which stipulates that Galp is entitled to a payment of US$3.4m in cash or 88 Energy stock if the market capitalisation of 88 Energy reaches or exceeds US$50m (~A$65m) before September 2021. This payment will also be required if the Group delists for any reason, such as due to a change of control.

13. 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 2014 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 2015 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 2015 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, 11 September 2015

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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 2015, 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 2015 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:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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, 11 September 2015