88 ENERGY LIMITED

ABN 80 072 964 179

ANNUAL REPORT
31 DECEMBER 2015

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CORPORATE INFORMATION

DIRECTORS
Mr David Wall (Managing Director)
Mr Michael Evans (Non-Executive Chairman)
Mr Brent Villemarette (Non-Executive Director)
Dr Stephen Staley (Non-Executive Director)

JOINT COMPANY SECRETARIES
Ms Sarah Smith
Mrs Amy Just

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ASX CODES

Shares	88E
Options	88EO

LONDON STOCK EXCHANGE - AIM

Shares	88E

COUNTRY OF INCORPORATION AND DOMICILE
Australia

DIRECTORS' REPORT

Dear Shareholders

It is a pleasure to present my Chairman's Report for the 2015 year.

Against a backdrop of uncertain capital markets and commodity prices, 88 Energy (88E) has put in a stellar performance during 2015 with significant share price appreciation on the back of an astutely managed exploration program on the Alaskan North Slope.

The turnaround in the Company's fortunes has been nothing short of astounding. Little over one year ago 88E was faced with the difficult task of re-inventing itself following an unsuccessful program offshore Morocco.

The net was cast far and wide in search of a project that could make a meaningful difference; one which would capture investor attention with significant upside. Several projects were reviewed; some with existing production both in Australia and internationally.

Up stepped a project originator in the form of Houston based geoscientist Paul Basinski, with an enviable track record in unconventional oil exploration. His proposition was that Alaska could host vast undiscovered potential in an unconventional play known as the HRZ shale play. 88E was quick to capitalise on this opportunity which ironically became available due to the poor investment climate that prevailed. 88E have since forged a strong and successful joint venture partnership with Basinski's company Burgundy Xploration.

Project Icewine, as it became known, was an ambitious step towards rebuilding the Company. Project Icewine ticks three of our key boxes for a start-up project: funding flexibility, ground floor entry and huge upside potential.

Alaska is a regime that encouraged exploration offering rebates up to 85 percent for every dollar spent; an incentive that was not only attractive to 88 Energy but one that could be taken all the way to the Bank of America (BOA). BOA were willing to effectively advance the value of the rebate thereby enabling 88E to maintain leverage without the larger equity dilution normally associated with funding a well.

Being a first mover in a new shale play, 88E was able to assemble a meaningful acreage position, now aggregating some 272,422 gross acres (212,489 net) targeting the HRZ Shale which shares a common source rock with the Giant Prudhoe Bay oil field, the largest conventional field ever discovered in North America. The Project is located in a prolific oil producing region.

Clearly the Americans were astute when they went out on a limb and purchased Alaska (the largest state by area in the United States) from the Russian Empire in 1867 for the princely sum of US$7.2 million or 2 cents per acre. Our purchase price must also be seen as opportunistic with 88E gaining a significant first mover advantage and assembling a land bank that would befit an oil major, many of whom are already engaged in conventional oil exploration in Alaska.

The leverage from this acreage position is further enhanced due to the proximity of the all-weather Dalton Highway and the ability to connect into the trans-Alaska pipeline that can handle up to 2.1 million barrels per day and has considerable spare capacity.

The funding and drilling of our first well, Icewine #1, was executed by our Managing Director, David Wall, with the assistance of a small dedicated team including our Exploration Manager Elizabeth Pattillo, our Alaskan based Operations Manager, Erik Opstad and the full support of my fellow

Directors To date the results speak for themselves and back up the early prognosis that formed the basis of the investment decision. Full details are set out in David's Operations Review.

The process of evaluation is ongoing and not without risk; however we look to the future with considerable optimism as we unlock both the conventional and unconventional potential of our Alaskan exploration acreage. One only needs to compare this program with better known shale plays in Texas, like the Eagle Ford and Barnett, to gain an appreciation of the impact successful exploration can have on 88E as oil prices recover.

Before closing I would like to thank the Department of Natural Resources, the Alaska Oil and Gas Conservation Commission; the North Slope Borough and other regulatory agencies that have facilitated our exploration effort in the State.

My fellow Directors and I acknowledge David and his staff for their sterling efforts in managing 88E's exciting Alaskan program on a tight budget and timeframe. Their efforts have resulted in 88E turning in possibly the best performance of a junior oil explorer on the ASX in 2015.

In turn this result would not be possible without your support as shareholders in what has been a challenging environment. Our dual listing on both ASX and AIM has garnered a wide investor base and we have been ably supported by our brokers advisers including Hartleys, Cenkos, Patersons and APP Securities.

Icewine, like crude itself, can be sweet and may this prove to be the case as we embark upon our exciting 2016 program.

Yours faithfully,

Michael Evans
Non-Executive Chairman

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2015.

DIRECTORS AND KEY MANAGEMENT PERSONNEL

The names and details of the Company's directors and key management personnel in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

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

As a leading oil and gas equity analyst for the past six and a half years, Mr Wall brings extensive experience with junior oil and gas companies, with a particular focus on Africa. His skillset spans asset evaluation across many fiscal regimes / play types as well as corporate advisory / M&A and equity capital markets, having led >$300m in capital raisings. Prior to his career as an analyst, Mr Wall managed a small team at Woodside Petroleum Ltd that reported to the Executive Committee. This team was responsible for vetting reports from all departments within the business, prior to Board submission, including exploration, development, operations, commercial and M&A. The team was also responsible for generating the annual budget and providing significant input into the Five Year Plan and the Company Strategic Plan. By virtue of these experiences, Mr Wall brings strong commercial and strategic skills as well as generalist knowledge across all levels of the oil and gas industry. This is complemented by financial markets experience focussed on junior exploration companies. Mr Wall holds a Bachelor of Commerce from the University of Western Australia, majoring in Management and Finance.

Mr Michael Evans *(Non-Executive Chairman, appointed 9 April 2014)*

Mr Michael Evans is a highly experienced mining and resource industry executive based in Perth who has extensive executive and board level experience with publicly listed companies in the natural resources sector. Michael was until April 2012 the founding Executive Chairman of oil explorer and producer FAR Limited, a position he held from 1995. Under Mr Evan's stewardship, FAR established and built up an extensive international oil and gas portfolio spanning Africa, North America and Australia – with industry partners including Amoco, Shell, BHP, BP, Exxon, CNOOC and Woodside. He was responsible for acquiring FAR's entire West African portfolio including the Senegal acreage where significant oil discoveries were made in 2014 by Cairn Energy. Michael has a Bachelor of Business Degree from Curtin, is a Chartered Accountant, and holds the following additional qualifications: ACA, AGIA, ACIS.

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

Mr Brent Villemarette is a reservoir engineer with more than 30 years experience in the oil and gas industry, both domestic and international. His experience spans a wide range of disciplines including exploration, development, operations, marketing, acquisitions and new ventures. He is presently Chief Operations Officer for Transerv Energy, which has assets in the onshore Perth Basin in Western Australia and in Alberta Canada. He has previously been Operations Director for Latent Petroleum, a private oil and gas exploration company co-founded with a small team of industry professionals engaged in commercialising the Warro tight gas field in the northern Perth Basin. He has also held the roles of International Reservoir Engineering Manager for New Ventures with Apache Corporation based in Houston, Texas, Reservoir Engineering Manager for Apache Energy Limited based in Perth, and several senior engineering positions in the US with Apache Corporation and Oryx Energy (formerly Sun E&P).

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

Dr Stephen Staley is a Fellow of the Geological Society, holds a BSc (Hons.) in Geophysics from Edinburgh University, a PhD in Petroleum Geology from Sheffield University and an MBA from Warwick University. Stephen was founder and former Managing Director of Independent Resources plc and is founder and Managing Director of Derwent Resources Limited. Stephen has 27 years' experience in the energy sector, including Conoco and BP, with considerable experience in the European, African and Asian oil, gas and power sectors.

Ms Sarah Smith *(Joint Company Secretary, appointed 1 September 2014)*

Sarah specialises in corporate advisory, company secretarial and financial management services. Sarah's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Sarah is a Chartered Accountant, and has acted as the Company Secretary of a number of ASX listed companies.

Mrs Amy Just ***(Joint Company Secretary, appointed 1 September 2014)***

Amy specialises in the provision of corporate advisory, company secretarial and financial management services. She has ten years of experience as a Chartered Accountant and is member of the Governance Institute of Australia, and has significant ASX compliance, statutory reporting, and corporate governance experience. Amy has acted as Financial Controller and Company Secretary of numerous domestic and international oil & gas and mineral exploration companies and was an audit manager with BDO Perth.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
David Wall	9,666,666	67,125,000
Michael Evans	8,416,667	19,125,000
Brent Villemarette	1,221,222	12,000,000
Stephen Staley	5,816,667	14,825,000

JOINT COMPANY SECRETARIES

Ms Sarah Smith (appointed 1 September 2014)
Mrs Amy Just (appointed 1 September 2014)

DIVIDENDS

No dividends were paid or recommended during the year.

PRINCIPAL ACTIVITIES

The principal activity during the year of the Company was oil and gas exploration and the continued review of opportunities available to the Company.

OPERATING AND FINANCIAL REVIEW

During the year, the Group continued its principal activities in Alaska and Australia. A summary of significant activities is below.

Project Icewine Highlights

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 when an additional 174,240 acres were secured in the North Slope licensing round to be awarded in due process by the State of Alaska.

Subject to final payment on the additionalacreage, 88 Energy will have a 272,422 gross contiguous acre position with 212,489 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 unconventional oil play will be evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well.

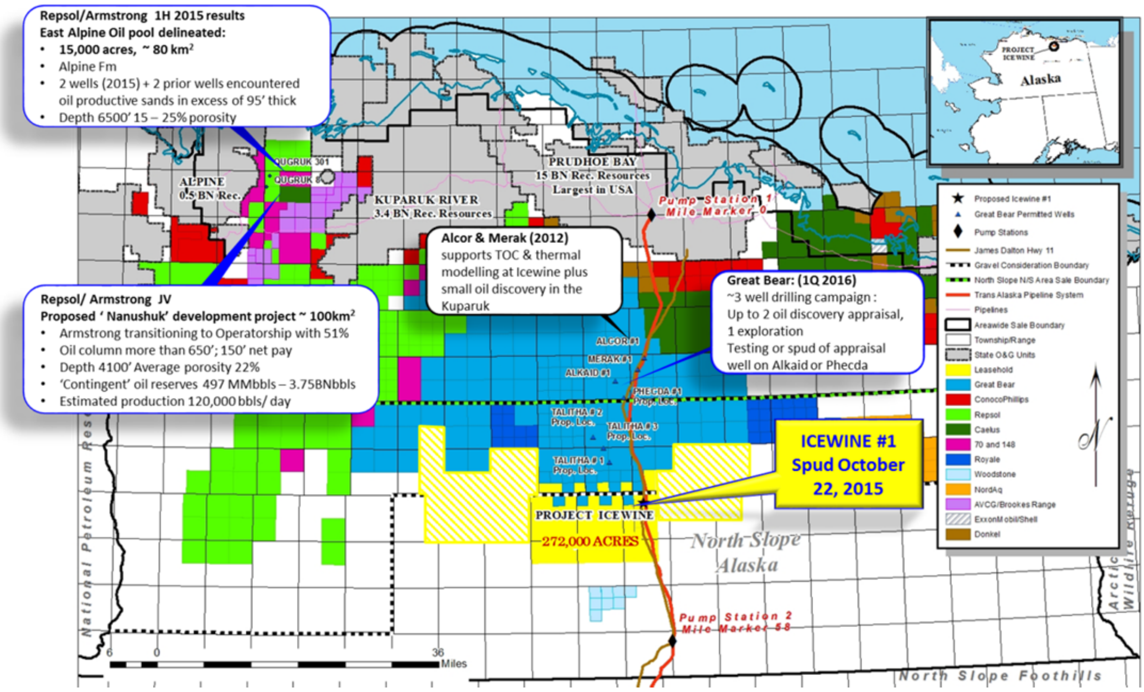

Figure 1: Project Icewine Location

Generous exploration incentives are provided by the State of Alaska with up to 85% of exploration expenditure in 2015 cash refundable, dropping to 75% until mid-2016 and thereafter 35%.

The primary objective at Project Icewine 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 indicated pre-drill that Project Icewine was 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 at Project Icewine exists within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity topset, 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 play potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling on adjacent acreage to the north, (2012) , confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were considered to be 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 early December 2014 and was released to the market on 19 January 2015.

Independent Resource Report by DeGolyer and MacNaughton

The Independent Resource Report by DeGolyer and MacNaughton for Project Icewine, on the prolific North Slope of Alaska, estimateda potential oil in place of 8 billion barrels (gross mean unrisked). The estimated recoverable oil potential is 492 million barrels (gross mean unrisked prospective resource) with a probability of geologic success estimated at 41%.

TABLE 1: INDEPENDENT ASSESSMENT OF UNCONVENTIONAL PROSPECTIVE RESOURCES[1]

Prospect Icewine: North Slope, Alaska	Gross and Net Estimated Unconventional Prospective Oil Resources: HRZ, Hue, Kingak & Shublik Shales *(Source: DeGolyer & MacNaughton as of December 31, 2014)*				
	Unrisked				Risked: (Chance of geologic success 41%)
Estimate (million bbl)	Low	Best	High	Mean	Risked Mean
Gross	244.3	446.4	813.2	492.5	200.3
Net to 88 Energy WI post award 87.5%	213.7	390.6	711.5	430.9	175.3
Net to 88 Energy WI post spud of Icewine#1 78%	190.5	348.2	634.3	384.1	156.2

An updated Independent Resource Report is currently underway incorporating results from the Icewine#1 exploration well, drilled in Q4 2015 to test the unconventional potential of the HRZ shale.

2015 Operations Summary

During 2015, 88 Energy successfully permitted and operated the drilling of the Icewine#1 exploration well, the Company's maiden well at Project Icewine. Icewine#1 reached its planned Total Depth of 11,600 feet on 24 December at 00:08 (AK time), having successfully achieved all of the primary ***unconventional*** objectives of the well:

- Early analysis suggests that a large portion of the HRZ shale on the Project Icewine acreage is within the thermal maturity sweetspot
- Oil shows were recorded with cut and fluorescence observed in cuttings returned to surface during the drilling of the HRZ shale
- A pronounced increase in heavy gas fractions was exhibited in both the gas chromatograph and mass spectrometer whilst drilling through the HRZ shale
- Two cores were cut in the HRZ primary shale oil objective and the underlying Pebble Shale Unit (bottom seal) with excellent recoveries (97%)
- The cores were despatched offsite to the laboratory for Stage 1 of the programmed analysis to confirm the thermal maturity and permeability of the HRZ as well as to determine its geomechanical properties
- The core acquired in the Pebble Shale will provide valuable information on the bottom sealing potential for the HRZ shale play.

[1] There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

In addition to the unconventional HRZ play, a number of ***conventional*** reservoir targets were tested by the drilling of the Icewine#1 well with the following key highlights:

- Excellent reservoir was encountered over the Kuparuk sands interval from 11,262 – 11,320 with elevated gas readings over a 58 foot gross interval – a detailed petrophysical log interpretation was initiated
- Preliminary log interpretation of the Kuparuk sand interval indicated porosities of up to 15% and good permeability
- The reservoir quality in the Kuparuk sand interval was substantially higher than anticipated, which is extremely positive for deeper conventional prospectivity on the Project Icewine acreage
- Additionally, the shallow Brookian sequence intersected had excellent reservoir quality and hydrocarbon shows throughout the section.

Forward Plan

The Icewine #1 post drill evaluation is ongoing with final integrated results expected early Q2 2016. The Company is currently finalising planning and funding for a seismic shoot, scheduled for commencement in March 2016. Additionally, planning has commenced for the drilling of a follow up well to Icewine#1, which is likely to be a horizontal well with a multi-stage fracture stimulation. Based on the results from Icewine#1, an updated Independent Resource Report has been commissioned, scheduled for completion in April 2016. The Company, on behalf of the Joint Venture, has also commenced a farm-out process for Project Icewine #1.

Financial

The loss for the year was $6,304,712 (2014: $27,713,105). The loss was largely attributable to administrative expenditure and share based payments throughout the course of the year.

At the end of the financial year, the Group had cash on hand of $9,604,249 (2014: $805,210), net assets of $21,488,053 (2014: $1,348,572) and current liabilities of $4,058,774 (2014: $393,933). The major movement in assets related to exploration expenditure written off as at 31 December 2014 in relation to the Tarfaya Offshore Block, Morocco project.

During the year, the Company raised approximately $24.4m net of costs through the issue of new Shares.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart as stated above, no other matters or circumstances have arisen during the financial year which significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in the financial period.

SUBSEQUENT EVENTS – Evaluation of Icewine#1

Subsequent to the end of the 2015 calendar year, results from geochemical, petrophysical and petrological analysis have de-risked the HRZ play substantially with the following highlights:

- Matrix permeability within the cored HRZ shale exceeds expectations in all 18 core samples measured; several times greater than the effective cutoff in comparable North American shale plays
    - Two samples displayed permeability too high to be measured using standard techniques indicating the possible presence of "permeability super highways"
- Porosity was confirmed at upper end of expectations as per Icewine#1 prognosis
- Final thermal maturity analysis indicates Icewine#1 in crossover between volatile oil and condensate window
- Majority of 272,000 acres mapped to be within the HRZ thermal maturity sweetspot
    - Resultant low viscosity vapour phase hydrocarbons modelled to flow at material rate given porosity and permeability results
- Early observations on rock mechanics and fraccability are encouraging and considered analogous to matrix of conditions found in Haynesville and Marcellus shale plays
- Data confirm that Icewine #1 cored a new resource play type in Alaska.

On 28 January 2016, the company announced the issue of 10,000,000 listed options exercisable at $0.02 on or before 2 March 2018 to the General Manager of Operations in Alaska.

On the 16 February 2016, the company issued 52,128,585 shares on the conversion of options raising a total of $755,957.

On the 17 February 2016, the company issued 24,758,964 shares on the conversion of options raising a total of $387,743.

On the 19 February 2016, the company issued 2,500,000 shares on the conversion of options raising a total of $25,000.

On the 22 February 2016, the company issued 1,900,000 shares on the conversion of options raising a total of $30,400.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Company will continue its exploration activities on Project Icewine while continuing to review any other opportunities that may arise.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations and proposed activities of the Company are subject to state and federal laws and regulations concerning the environment. As with most exploration projects, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company's current activities are not subject to any particular and significant environmental regulation under the laws of any country in which it operates.

SHARE OPTIONS

Unissued shares

As at 31 December 2015, the following Company options were on issue:

	Number	Exercise Price	Expiry Date
	2,500,000	$0.45	31 March 2016
	2,500,000	$0.45	31 March 2016
	1,000,000	$0.30	22 April 2016
	1,000,000	$0.42	12 June 2017
	2,000,000	$0.28	12 June 2017
	250,000	$0.16	12 June 2017
	12,000,000	$0.01	22 October 2017
	30,000,000	$0.02	2 March 2018
	20,000,000	$0.014	2 March 2018
	45,000,000	$0.015	18 February 2018
	28,000,000	$0.02	17 March 2018
	3,000,000	$0.015	18 February 2018
	70,000,000	$0.016	31 August 2018
	68,965,301	$0.021	1 November 2018
Total	**286,215,301**		

Between 31 December 2015 and the date of this report, the Company issued the following options:

	Number	Exercise Price	Expiry Date
	10,000,000	$0.02	2 March 2018
Total	**10,000,000**		

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

At the date of this report, 81,287,549 shares were issued as a result of the exercise of options, raising a total of $1,199,100.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the year ended 31 December 2015, the Company paid premiums in respect of a contract insuring the directors and officers of the Company against liabilities incurred as directors or officers to the extent permitted by the Corporations Act 2001.

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO Audit (WA) Pty Ltd during or since the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	
Number of meetings held and attended:	**Eligible**	**Attended**
Michael Evans	3	3
Brent Villemarette	3	2
Stephen Staley	3	3
David Wall	3	3

COMMITTEE MEMBERSHIP

As at the date of this report the Company does not have a Remuneration, Nomination or Audit Committee and the role is completed by the full Board.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of 88 Energy Limited support the ASX Principles and Recommendations of Corporate Governance.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporation Act 2001* ("the Act") for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Act.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration from the auditor of the Company. This declaration forms part of the directors' report.

The Company's auditor received $nil in relation to non-audit, due diligence services performed during the year (2014: $14,500).

REMUNERATION REPORT (Audited)

This remuneration report for the year ended 31 December 2015 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001*("the Act") and its Regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, key management personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

Details of Key Management Personnel

Directors

Mr David Wall - Managing Director
Mr Michael Evans – Chairman
Mr Brent Villemarette – Director
Dr Stephen Staley - Director

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

Remuneration Policy

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The achievement of this aim has been through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

The recipients of options are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the options granted will also increase. The options, therefore, provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Company Performance

Due to the current early stage of the Company's growth it is not appropriate at this time to evaluate the Company's financial performance using generally accepted measures such as EBITDA and profitability; this assessment will be developed over the next few years.

The following information provides a summary of the Company's financial performance for the last two years:

	2015	**2014**
	$	***$***
Loss before income tax	(6,304,712)	(27,713,105)
Loss per share (cents)	(0.002)	(9.65)

Last share price at 31 December 2015	$0.008	$0.01
Market capitalisation	$24.7M	$4.5m

* The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.138 to reflect the bonus element of the 18 February 2015 share placement where placement participants received one free attaching listed option for every two placement shares. No adjustment factor has been used in 2015 financial year.

Remuneration Committee

The Company does not have a formal Remuneration Committee. The full Board attends to the matters normally attended to by a Remuneration Committee.

Non-Executive Director Remuneration

Shareholder approval is obtained in relation to the overall limit set for directors' fees. The directors must set individual Board fees within the limit approved by shareholders. The maximum aggregate remuneration approved for non-executive directors is currently $300,000, set at the Annual General Meeting of the Company held on 31 May 2011.

The level of fees is not directly linked to the Company's performance.

Further, shareholders must approve the framework for any equity schemes and if a director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

Executive Director & Other Key Management Personnel Remuneration

The Company's pay and reward framework is designed to ensure reward structures are aligned with shareholders' interest by:

- being market competitive to attract and retain high calibre individuals;
- rewarding high individual performance;
- recognising the contribution of each key management personnel to the contributed growth and success of the Company; and
- ensuring that long term incentives are linked to shareholder value.

To achieve these objectives, the remuneration of key management personnel may comprise a fixed salary component and an 'at risk' variable component linked to performance of the individual and the Company as a whole. Fixed remuneration comprises base salary, superannuation contributions and other defined benefits. 'At risk' variable remuneration comprises both short term and long term incentives.

The pay and reward framework for key management personnel may consist of the following areas:

i) Fixed Remuneration – base salary
ii) Variable Short Term Incentives
iii) Variable Long Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

i) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

ii) Variable Remuneration – Short Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable. No bonus payments were made during the financial year.

iii) Variable Remuneration – Long Term Incentives (LTI)

The Company adopted an Incentive Option Scheme during the year ended 31 December 2015. The Scheme allows eligible participants to be granted Options to acquire Shares in the Company. The Board may grant Options to any Director, full or part time employee, or casual employee or contractor who falls within the definition of an Eligible Participant as defined in ASIC Class Order 14/1000. Each Option granted under the Scheme will be granted for nil or nominal consideration. Each Option is exercisable into one Share in the Company and the exercise price and expiry date for Options granted under the Scheme will be determined by the Board prior to the grant of the Options.

The Options granted may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Options. The Options will not be quoted on ASX.

Service Agreements

Remuneration arrangements for KMP are formalised in employment agreements.

In addition to the director service agreements, the Company's Non-Executive Directors are engaged to provide consultancy services to the Company as follows:

- Mr Brent Villemarette has a consultancy agreement for a maximum term of 3 years commencing 24 September 2014. The agreement may be terminated at any time by either party giving a minimum 14 days' written notice. There are no termination benefits payable. In accordance with the agreement, Mr Villemarette is to receive $2,000 per week (equivalent to $8,000 per calendar month) based on a 20 hour work week, exclusive of GST. The Managing Director must pre-approve any time worked above the 20 hours per week.

- Dr Stephen Staley has a consultancy agreement for an indefinite term commencing 2 November 2012. The agreement may be terminated at any time by either party giving three months clear notice. There are no termination benefits payable. In accordance with the agreement, Dr Staley is to receive a minimum fee of £2,315.20 ($A 4,522) per calendar month, plus Value Added Tax or other sales tax if applicable, based on 2 working days per month. Any work that is carried out by the Consultant in excess of 2 working days per calendar month must be pre-approved by the Managing Director. Approved days will be remunerated at a rate of £1,000 ($A 2,033) per day.

REMUNERATION REPORT (continued)

Remuneration of key management personnel of the Company and the Group

Table 1: Remuneration for the years ended 31 December 2015 and 31 December 2014:

		Short-term benefits			Long-term benefits	Post-Employment	Share Based Payments				
		Salary & Fees	Cash Bonus	Non Monetary Benefits	LTI	Super-annuation	Options	Rights to Deferred Shares	Total	% Performance Related	% Option Related
Directors											
M Evans[1]	2015	86,250	-	-	-	8,193	106,368	-	200,811	-	53%
	2014	73,396	-	-	-	34,308	60,342	105,842	273,888	61%	61%
B Villemarette	2015	157,058	-	-	-	5,818	79,776	-	242,652	-	33%
	2014	223,328	-	-	-	1,187	-	-	224,515	-	-
S Staley[2]	2015	55,833	-	-	-	-	79,776	-	135,609	-	59%
	2014	40,921	-	-	-	-	275,600	-	316,521	87%	87%
D Wall[3]	2015	286,250	-	-	-	27,193	441,450	-	754,893	-	58%
	2014	283,395	-	-	-	17,760	-	385,138	686,293	56%	56%
E Howell[4]	2015	-	-	-	-	-	-	-	-	-	-
	2014	110,431	-	-	-	-	-	-	110,431	-	-
M de Vietri[5]	2015	-	-	-	-	-	-	-	-	-	-
	2014	10,315	-	-	-	809	-	-	11,124	-	-
Other key management personnel											
R Dalton[6]	2015	-	-	-	-	-	-	-	-	-	-
	2014	162,388	10,000	-	-	11,785	-	-	184,173	5%	-
I Stejskal[7]	2015	-	-	-	-	-	-	-	-	-	-
	2014	247,944	34,000	-	-	24,718	-	-	306,662	11%	-
Total	**2015**	**585,391**	**-**	**-**	**-**	**41,204**	**707,370**	**-**	**1,333,965**	-	51%
	2014	**1,152,118**	**44,000**	**-**	**-**	**90,567**	**335,942**	**490,980**	**2,113,607**	41%	39%

[1] Non-Executive Chairman, appointed 9 April 2014.

[2] Non-Executive Director, appointed 9 April 2014.

[3] Managing Director, appointed 15 April 2014.

[4] Resigned 4 February 2014.

[5] Resigned 4 February 2014.

[6] Resigned 1 September 2014.

[7] Resigned 13 June 2014.

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

Table 2: Rights to deferred shares during the year ended 31 December 2015 and 31 December 2014:

	Year awarded	No. Awarded	Award date	Fair value per share at award date[1] ($)	Total fair value at award date ($)	Vested %	Vested no.	Forfeited[2] %	Financial years in which shares are expected to vest	Pro-rata expense recorded at 31 Dec 2015	Remaining pro-rata expense
Directors											
M Evans	2014	1,000,000	12-Jun-2014	$0.1954	$195,400	-	-	100%	N/A		-
D Wall	2014	1,500,000	12-Jun-2014	$0.0870	$130,500	-	-	100%	N/A		-
	2014	1,500,000	12-Jun-2014	$0.0780	$117,000	-	-	100%	N/A		-
	2014	1,500,000	12-Jun-2014	$0.1694	$254,100	-	-	100%	N/A		-
Other key management personnel											
R Dalton	2014	250,000	12-Jun-2014	$0.1694	$42,350	-	-	100%	-	-	-

[1] On 15 April 2014, the Company offered 5,750,000 Share Plan Shares to directors and key management personnel which were granted in June following approval at the Company's Annual General Meeting on 12 June 2014.

Pursuant to the offer letter and in accordance with the terms of the Share Plan, the directors and key management personnel were also offered interest free loans from the Company to assist in the subscription for the Share Plan Shares. The values of these loans are treated as in substance options. 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. Vesting conditions of the loan shares are as follows:

	No. Awarded	Vesting conditions[3]
Directors		
M Evans	1,000,000	The Shares will vest 1 year from the award date.
D Wall	1,500,000	The following occurring: • Completion of at least 1 transaction (including a farm-in or farm—out or other similar dealing); and • A price increase in the Shares of at least 50% during the 12 months after the date of the transaction (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	The following occurring: • Continuous employment with the Company for at least 6 months from the award date; Completion of at least 1 transaction (including a farm-in or farm-out or other similar dealing); and • A price increase in the Shares of at least 75% during the 12 months after the award date (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	The Shares will vest 1 year from the award date, subject to continuous employment during that time.
Other key management personnel		
R Dalton	250,000	The Shares will vest 1 year from the award date, subject to continuous employment during that time.

[2] 250,000 shares having a total value of $42,350 were issued to Robert Dalton during the 2014 year. As Mr Dalton resigned prior to the vesting of these shares, no expense has been recorded at 31 December 2014. The value of the forfeited shares was $42,350. The remaining 5,750,000 shares were cancelled between 1 January 2015 and 30 June 2015.

[3] Issued as an incentive for future performance with no performance conditions, unless otherwise stated.

Table 3: Options granted, vested and lapsed during the year ended 31 December 2015 and 31 December 2014:

	Year awarded	Options awarded (no.)	Award date	Fair value per option at award date ($)	Total fair value at award date ($)	Date vested[1]	Exercise price	Expiry date	No. vested during year	No. expired during year	No. forfeited during year
Directors											
M Evans	2015	8,000,000	12-Feb-2015	$0.0060	$48,368	-	$0.015	12-Feb-2018	-	-	-
	2015	8,000,000	01-Nov-2015	$0.0073	$58,000	-	$0.021	01-Nov-2018	-	-	-
	2014	1,000,000	12-Jun-2014	$0.1114	$111,400	12-Jun-15	$0.42	12-Jun-2017	1,000,000	-	-
S Staley	2015	6,000,000	12-Feb-2015	$0.0060	$36,276	-	$0.015	18-Feb-2018	-	-	-
	2015	6,000,000	01-Nov-2015	$0.0073	$43,500	-	$0.021	01-Nov-2018	-	-	-
David Wall	2015	25,000,000	12-Feb-2015	$0.0060	$151,150	-	$0.015	18-Feb-2018	-	-	-
	2015	40,000,000	01-Nov-2015	$0.0073	$290,000		$0.021	01-Nov-2018	-	-	-
B Villemarette	2015	6,000,000	12-Feb-2015	$0.0060	$36,276	-	$0.015	18-Feb-2018	-	-	-
	2015	6,000,000	01-Nov-2015	$0.0073	$43,500	-	$0.021	01-Nov-2018	-	-	-

[1]There are no vesting conditions

[2]Options are valued used Black Scholes model

Shares issued on exercise of options

There were no remuneration options exercised during the financial year.

Table 4: Shareholdings of key management personnel during the year ended 31 December 2015

Shares held in the Company (number)

	Balance at beginning of year	Balance at appointment/ (resignation) date	Cancelled	Placement participation	Balance at end of year
Directors					
M Evans	5,166,667	-	(1,000,000)	4,250,000	8,416,667
S Staley	4,166,667	-	-	1,650,000	5,816,667
B Villemarette	1,221,222	-	-	-	1,221,222
D Wall	9,916,666	-	(4,500,000)	4,250,000	9,666,666
Total	**20,471,222**	**-**	**(5,500,000)**	**10,150,000**	**25,121,222**

Shares cancelled relate to deferred shares forfeited during the financial year.

Table 5: Option and rights holdings of key management personnel during the year ended 31 December 2015

							Vested at 31 December 2015		
	Balance at beginning of year	Balance at appointment/ (resignation) Date	Rights to deferred shares Granted as remuneration	Options Granted as remuneration	Vested	Balance at end of year	Exercisable	Not Exercisable	Total
Directors									
M Evans	1,000,000	-	-	16,000,000	(1,000,000)	16,000,000	16,000,000	-	16,000,000
S Staley	2,000,000	-	-	12,000,000	-	14,000,000	14,000,000	-	14,000,000
B Villemarette	-	-	-	12,000,000	-	12,000,000	12,000,000	-	12,000,000
D Wall	-	-	-	65,000,000	-	65,000,000	65,000,000	-	65,000,000
Total	3,000,000	-	-	105,000,000	(1,000,000)	107,000,000	107,000,000	-	107,000,000

Loans to Key Management Personnel

There are no loans between the entity and key management personnel.

Other transactions with Key Management Personnel and their related parties

There are no other transactions between the entity and KMP and their related parties. Consultancy payments made to Non-Executive Directors are included in Table 1.

This is the end of audited Remuneration Report

Signed in accordance with a resolution of the directors.

Mr David Wall
Managing Director
1 March 2016

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

As lead auditor of 88 Energy Limited for the year ended 31 December 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 audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 1 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 $	2014 $
Revenue from continuing operations			
Other income	3(a)	108,852	175,848
Administrative expenses	3(b)	(2,921,653)	(2,858,366)
Occupancy expenses		(164,629)	(1,028,345)
Employee benefit expenses	3(c)	(491,828)	(1,179,662)
Share-based payment expense	18	(1,723,534)	(1,716,426)
Depreciation and amortisation expense		(15,038)	(25,654)
Exploration expenditure expensed as incurred	10	-	(400,717)
Exploration expenditure written off	10	-	(20,229,361)
Loss on sale of available-for-sale investments		-	(14,216)
Interest expense		(2)	(89)
Finance cost		(689,501)	-
Other expenses		(407,379)	-
Foreign exchange losses		-	(436,117)
Loss before income tax		**(6,304,712)**	**(27,713,105)**
Income tax expense	4	-	-
Loss after income tax for the year		**(6,304,712)**	**(27,713,105)**
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		383,900	-
Change in fair value of available-for-sale investments (net of tax)		-	(60,061)
Total comprehensive income/(loss) for the year (net of tax)		**383,900**	**(60,061)**
Total comprehensive loss for the year attributable to owners of 88 Energy Limited		**(5,920,812)**	**(27,773,166)**
Loss per share for the year attributable to the members of 88 Energy Limited			
Basic and diluted loss per share (cents)	5	(0.002)	(9.65)

The above 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 31 DECEMBER 2015

	Note	**2015** $	**2014** $
ASSETS			
Current Assets			
Cash and cash equivalents	6	9,604,249	805,210
Other receivables	7	463,601	266,284
Total Current Assets		10,067,850	1,071,494
Non-Current Assets			
Plant and equipment	8	10,960	23,590
Other financial assets	9	-	42,726
Exploration and evaluation expenditure	10	25,403,611	-
Other assets	11	994,687	604,695
Total Non-Current Assets		26,409,258	671,011
TOTAL ASSETS		36,477,108	**1,742,505**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,003,386	393,933
Provisions	13	55,388	-
Total Current Liabilities		4,058,774	393,933
Non-Current Liabilities			
Borrowings	14	10,930,281	-
Total Non-Current Liabilities		10,930,281	-
TOTAL LIABILITIES		14,989,055	393,933
NET ASSETS		**21,488,053**	**1,348,572**
EQUITY			
Contributed equity	15(a)	90,654,560	67,985,300
Shares reserved for share plans	15(b)	-	(1,667,500)
Reserves	15(c)	14,848,766	12,741,333
Accumulated losses		(84,015,273)	(77,710,561)
TOTAL EQUITY		**21,488,053**	**1,348,572**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Issued capital $	Shares reserved for share plan $	Reserves $	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 year	-	-	-	-	(27,713,105)	(27,713,105)
Other comprehensive loss	-	-	-	(60,061)	-	(60,061)
Total comprehensive loss for the year, net of tax	-	-	-	**(60,061)**	**(27,713,105)**	**(27,773,166)**
Transactions with owners in their capacity as equity holders:						
Shares issued during the year	14,412,255	(1,751,600)	-	-	-	12,660,655
Shares cancelled	(84,100)	84,100	-	-	-	-
Share-based payments	-	-	2,040,138	-	-	2,040,138
Equity raising costs	(2,232,418)	-	-	-	-	(2,232,418)
	12,095,737	**(1,667,500)**	**2,040,138**	-	-	**12,468,375**
Balance at 31 December 2014	**67,985,300**	**(1,667,500)**	**12,741,333**	**-**	**(77,710,561)**	**1,348,572**
Balance at 1 January 2015	**67,985,300**	**(1,667,500)**	**12,741,333**	**-**	**(77,710,561)**	**1,348,572**
Loss for the year	-	-	-	-	(6,304,712)	**(6,304,712)**
Foreign currency translation	-	-	383,900	-	-	383,900
Total comprehensive loss for the year, net of tax	-	-	**383,900**	-	**(6,304,712)**	**(5,920,812)**
Transactions with owners in their capacity as equity holders:						
Shares issued during the year	24,538,797	-	-	-	-	24,538,797
Shares cancelled	-	1,667,500	-	-	-	1,667,500
Share-based payments	-	-	1,723,534	-	-	1,723,533
Equity raising costs	(1,869,537)	-	-	-	-	(1,869,537)
	22,669,260	**1,667,500**	**1,723,534**	**-**	**-**	**26,060,293**
Balance at 31 December 2015	**90,654,560**	**-**	**14,848,766**	**-**	**(84,015,273)**	**21,488,053**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Interest received		24,995	175,848
Payments to suppliers and employees		(4,082,521)	(6,386,643)
Finance costs		(599,501)	-
Net cash flows used in operating activities	6(b)	**(4,657,027)**	**(6,210,795)**
Cash flows from investing activities			
Payments for exploration and evaluation activities		(21,941,810)	(9,300,344)
Project Icewine deposit		-	(604,695)
Purchase of property plant & equipment		(2,408)	-
Loans to other entities		-	(300,000)
Loans repaid by other entities		-	300,000
Proceeds from sale of available-for-sale investments		-	79,248
Net cash flows used in investing activities		**(21,944,218)**	**(9,825,791)**
Cash flows from financing activities			
Proceeds from drawdown of facility		10,930,280	-
Proceeds from issue of shares		26,339,541	11,100,374
Share issue costs		(1,869,537)	(387,891)
Net cash flows from financing activities		**35,400,284**	**10,752,483**
Net increase/(decrease) in cash and cash equivalents		8,799,039	(5,284,103)
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		805,210	6,089,313
Cash and cash equivalents at end of year	6	**9,604,249**	**805,210**

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

1. CORPORATE INFORMATION

The financial report of 88 Energy Limited for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 1 March 2016.

88 Energy Limited ("the parent entity") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Alternative Investment Market in London.

The nature of the operations and principal activities of the Group are described in the Operations and Directors' Report

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value.

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest whole dollar.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New amended standards adopted by the group

(i) Changes in accounting policy and disclosure

Except as disclosed below, accounting policies are consistent with the prior year. No new amended standard have any significant impact on the financial performance or position of the consolidated entity.

(ii) Accounting Standards and Interpretations issued by not yet effective

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of 88 Energy Limited and its controlled entities as at and for the period ended 31 December each year ('the Consolidated Entity' or 'Group').

Controlled entities are all those entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

(d) Basis of consolidation (continued)

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the parent company are accounted for at cost in the separate financial statements of the Parent less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill in a business combination is from the acquisition date, allocated to each of the Group's

cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profits after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without the loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, derecognises the carrying amount of any non-controlling interest, derecognises the cumulative translation differences recorded in equity, recognises the fair value of the consideration received, recognises the fair value of any investment retained, recognises any surplus or deficit in profit or loss, reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of 88 Energy Limited is Australian dollars ($). For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

(e) Foreign currency translation (continued)

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statement of profit and loss or other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income in relation to that particular foreign operation is recognised in profit or loss.

(f) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer

settlement of the liability for at least 12 months after the reporting period.

(g) Exploration & evaluation expenditure

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.

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 is 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.

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

(g) Exploration and evaluation expenditure (continued)

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 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.

(h) Income tax

(i) Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

(ii) Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

a. when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

b. when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

a. when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

c. when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

a. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

b. receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale (AFS), interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

(ii) Dividends

Revenue is recognised from dividends when the Group’s right to receive the dividend payment is established, which is generally when shareholders approve the dividend.

(iii) Government Grants

Grants from the government are offset against the area where the costs were initially incurred at their fair value, when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

For grants relating to exploration and evaluation expenditure, any claim will be offset against this balance.

(k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(m) Plant and equipment

Each class of plant and equipment is carried at cost or recoverable amount less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is recognised at fair value on initial recognition and subsequently on the cost basis.

(m) Plant and equipment (continued)

Subsequent directly attributable costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a straight-line basis so as to write off the net costs of each asset over the expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Plant and Equipment	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the statement of profit or loss and other comprehensive income.

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset’s value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(p) Provisions

General

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(p) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology.

The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Liabilities arising in respect of wages and salaries and any other short term employee benefits expected to be settled within twelve months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

All other long-term employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to the members of the parent, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Contributed equity and Shares reserved for share plans

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of new ordinary shares or options are recognised directly in equity as a deduction, net of tax, from the proceeds.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve. Share options exercised during the reporting period are satisfied with treasury shares.

(s) Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

(s) Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(t) Financial instruments

(i) Financial assets

Recognition and initial measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Classification and subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise. The Group has not designated any financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The losses arising from impairment are recognised in profit or loss.

(ii) Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets has been impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably measured. In the case of available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is evaluated against the original cost of the investment and “Prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) Financial liabilities

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

(t) Financial instruments (continued)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

De-recognition

A financial liability is derecognised when the obligation under a liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

(u) Significant accounting judgements, estimates and assumptions

(i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale or whether activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of production, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Refer to Note 10.

(ii) Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

(v) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(w) 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 fact 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. During calendar year 2015, the Company was able to raise approximately A$25m in a difficult external environment. Subsequently, a significant increase in market capitalisation, based on initial success at its Project Icewine, means that access to capital has improved.

The Group has recorded a loss of $6,304,712 for the year ended 31 December 2015 and had a net operating cash outflow of $26,601,245 in connection with its operating and investing activities during the year. The Group had cash and cash equivalents at 31 December 2015 of $9,604,249.

The Group's forecast cashflow requirements for the 15 months ending 31 March 2017 reflects outflows from operating and investing activities in excess of its available cash resources at 31 December 2015. These requirements reflect uncommitted but current planned expenditure in relation to the Project. As outlined in Note 20, should the company not obtain final approval for its seismic program by the Bank of America, it would seek to revise its planned expenditure back to a level to enable it to continue as a going concern.

3. REVENUES AND EXPENSES	2015 $	2014 $
(a) Income		
Interest revenue	14,496	175,848
Rental income	83,859	-
Gain on foreign exchange	10,497	-
	108,852	175,848
(b) Administrative expenses		
Consultancy and professional fees	890,694	922,431
Legal fees	611,552	614,427
Travel costs	315,872	274,419
General and administration expenses	1,103,535	1,047,089
	2,921,653	2,858,366
(c) Employee benefit expenses		
Wages and salaries	403,055	1,020,909
Superannuation	64,547	109,570
Annual leave accrued	24,226	(3,457)
Other employee expenses	-	52,640
	491,828	1,179,662

4. INCOME TAX

(a) The components of tax expense comprise:

Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the of profit or loss and other comprehensive income	-	-
Loss before income tax expense	(6,304,712)	(27,713,105)
Prima facie tax benefit on loss before income tax at 30% (2014: 30%)	(1,891,414)	(8,313,931)

	2015 $	2014 $
4. INCOME TAX (continued)		
Under provision in prior year	-	285,921
Tax effect of:		
Investments	-	-
Non assessable/deductible items:		
Non-deductible entertainment expenses	-	1,129
Share based payments	517,060	514,927
Other non-deductible expenses	-	917,988
	517,060	(6,593,966)
Deferred tax asset on temporary differences and tax losses not brought to account	1,374,354	6,593,966
Income tax expense for the year	-	-

(c) Deferred income tax

	2015	2014
Deferred tax liabilities	(127,991)	(139,781)
Deferred tax assets	6,503,650	11,595,164
Deferred tax assets not recognised on temporary differences and tax losses	(6,375,659)	(11,455,383)
Net deferred tax assets	-	-

The Group has unutilised tax losses for which no deferred tax asset is recognised on the reporting date of $41,532,170 (2014: $38,436,134) which are available indefinitely for offset against future tax gains subject to continuing to meet relevant statutory tests.

The deferred tax asset not brought to account will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) the Company is able to meet the continuity of business tests and/ or continuity of ownership.

5. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2015 $	2014 $
Net loss for the year	(6,304,712)	(27,713,105)
Weighted average number of ordinary shares for basic and diluted loss per share.	2,974,980,627	256,835,786

Options on issue are not considered dilutive to the earnings per share as the Company is in a loss making position.

At the reporting date, 286,245,301 options representing potential ordinary shares that were not considered dilutive were on issue (2014: 36,025,087 options and 5,750,000 Share Plan Shares).

5. LOSS PER SHARE (continued)

The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.138 to reflect the bonus element of the 18 February 2014 share placement where placement participants received one free attaching listed option for every two placement shares. No adjustment was required for the year ended 31 December 2015.

	2015 $	2014 $
Loss per share as previously reported	(0.002)	(10.79)
Bonus element adjustment factor	-	1.138
Restated loss per share	(0.002)	(9.65)

6. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
(a) Cash details		
Cash at bank and in hand	7,650,446	805,210
Restricted cash (i)	1,953,803	-
	9,604,249	805,210

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

Cash at banks earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

(b) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(6,304,712)	(27,713,105)
Adjustments for:		
Depreciation	15,038	25,654
(Loss)/Gain on foreign exchange	(88,503)	(436,117)
Share based payments	1,723,534	1,716,426
Loss on sale of available-for-sale investments	-	14,216
Impairment of exploration expenditure	-	20,229,361
Changes in assets and liabilities		
Decrease in receivables	137,578	111,793
Decrease in trade and other payables	(139,962)	(159,023)
Net cash used in operating activities	(4,657,027)	(6,210,795)

7. OTHER RECEIVABLES

	2015 $	2014 $
Goods and Services Tax (GST) receivable	46,593	145,873
Prepayments	56,993	88,306
Other deposits and receivables	360,015	32,105
	463,601	266,284

Other receivables are non-interesting bearing and are generally on terms of 30 days.

Other deposits relate largely to refundable deposit on acquisition of acreage for Project Icewine.

Due to the short term nature of other receivables, the expected fair value approximates their carrying values as at 31 December 2015.

(b) Allowance for impairment loss

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

8. PLANT AND EQUIPMENT

	2015	2014
Cost – opening	171,728	171,728
Additions	2,408	-
Cost – closing	174,136	171,728
Accumulated depreciation - opening	(148,138)	(122,485)
Depreciation	(15,038)	(25,653)
Accumulated depreciation - closing	(163,176)	(148,138)
Net book value – opening	23,590	49,243
Net book value – closing	10,960	23,590

9. OTHER RECEIVABLES

	2015	2014
Security deposit (i)	-	42,726
	-	42,726

(i) Represent cash deposits in course of renting office space.

10. EXPLORATION ASSETS

	2015	2014
Opening balance	-	7,742,856
Additions, net of tax credit (ii)	24,798,916	12,486,505
Reclassification of deposit (Note 11)	604,695	-
Exploration written off (iii)	-	(20,229,361)
Closing balance	25,403,611	-

(ii) During the financial year, 88E changed accounting policy to capitalize all exploration incurred in accordance with AASB 6. These costs relate to the Icewine project in Alaska.

(iii) Exploration expenditure written off at 31 December 2014 relates to the Tarfaya Offshore Block, Morocco.

11. OTHER ASSETS

	2015	2014
Non-Current	$	$
Project Icewine deposit	994,687	604,695
	994,687	604,695

At 31 December 2014, the Company has paid $604,695 as a refundable 20% deposit to secure Project Icewine. During the 31 December 2015 year, the Company completed the acquisition of Project Icewine, and accordingly costs associated with the deposit paid during the 2014 financial year were reclassified to Exploration Assets (Note 10). As at 31 December 2015 the Company has paid $994,687 as a non-refundable 20% down payment to secure the rights to a North Slope acreage (Note 20).

12. TRADE PAYABLES

	2015	2014
Current	$	$
Trade payables (i)	(226,404)	(191,731)
Other payables	(3,776,982)	(202,202)
	(4,003,386)	(393,933)

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

13. PROVISIONS

	2015	2014
Current	$	$
Annual leave	(55,388)	-
	(55,388)	-

14. BORROWINGS

Non-Current		
Bank facility (i)	(12,472,229)	-
Prepaid interest	1,541,948	-
	(10,930,281)	-

Refer to note 16 for further information on financial instruments.

(i) On 20 August 2015, 88 Energy Limited entered into a credit agreement with 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).

Borrowings are secured by available Production Tax Credits.

15. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares

Ordinary shares	90,654,560	67,985,300
Issued and fully paid	100,451,779	75,912,982
Less: equity raising costs	(9,797,219)	(7,927,682)
Net total	90,654,560	67,985,300

15. CONTRIBUTED EQUITY AND RESERVES CONTINUED

(a) Ordinary Shares

	Number	$
At 1 January 2014	174,579,220	55,889,563
Share placement at $0.16 on 19 May 2014	23,686,882	3,789,901
Shares issued at $0.16 as consideration for advisory services	8,330,880	1,332,941
Share placement at $0.16 on 13 June 2014	32,848,832	5,255,813
Shares issued at $0.29 pursuant to Share Plan on 13 June 2014	6,040,000	1,751,600
Exercise of unlisted options at $0.22 on 18 June 2014	227,273	50,000
Exercise of unlisted options at $0.16 on 20 June 2014	4,120,000	659,200
Exercise of unlisted options at $0.16 on 8 July 2014	1,400,000	224,000
Exercise of unlisted options at $0.22 on 8 July 2014	363,636	80,000
Exercise of unlisted options at $0.16 on 18 July 2014	430,000	68,800
Share placement at $0.006 on 22 October 2014	200,000,000	1,200,000
Share Plan shares of terminated employees	(290,000)	(84,100)
Less equity raising costs	-	(2,232,418)
At 31 December 2014	451,736,723	67,985,300
At 1 January 2015	451,736,723	67,985,300
Share placement at $0.01 on 3 March 2015	691,319,300	6,911,193
Cancellation of director share plan shares on 6 March 2015	(5,500,000)	(1,748,244)
Shares issued at $0.01 on 17 March as consideration for advisory services	2,000,000	20,000
Cancellation of employee share plan shares on 27 March 2015	(250,000)	(72,500)
Share placement at $0.01 on 30 July 2015	170,000,000	1,700,000
Share placement at $0.01 on 28 August 2015	1,030,000,000	10,300,000
Share placement at $0.01 on 27 November 2015	300,000,000	3,000,000
Share placement at $0.01 on 18 December 2015	442,834,800	4,428,348
Less equity raising costs	-	(1,869,537)
At 31 December 2015	3,082,140,283	90,654,560

(b) Shares reserved for share plans	2015 $	2014 $
Shares reserved for share plans	-	1,667,500
	-	1,667,500
Movement in shares reserved for share plans		
At 1 January	1,667,500	-
Shares issued during the period	-	1,751,600
Shares cancelled during the period	(1,667,500)	(84,100)
Balance at 31 December	-	1,667,500

15. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Reserves	2015 $	2014 $
Share based payments	14,481,381	12,741,333
Available-for-sale investments	-	-
	14,481,381	12,741,333
Movement in share-based payment and foreign currency reserve		
At 1 January	12,741,333	10,701,195
Foreign currency translation	383,900	
Share-based payments	1,723,534	2,040,138
Balance at 31 December	14,848,766	12,741,333
Movement in available-for-sale investments reserve		
At 1 January	-	60,061
Transferred to net loss on disposal of available-for-sale investments	-	(60,061)
Change in fair value of available-for-sale investments	-	-
Balance at 31 December	-	-

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 subsequently cancelled during the prior year with the remaining balance of 5,750,000 Share Plan shares being called during the financial year leaving no outstanding at 31 December 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.

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 18 for further details.

Options on Issue

The Company did not have a share option plan in place at 31 December 2015 or throughout the year.

The fair value of the equity-settled share options granted is estimated as at the date of grant using an appropriate valuation model taking into account the terms and conditions upon which the options were granted.

Details of expense recorded in relation to options issued during current and previous year are detailed in Note 18

Available-for-sale investments reserve

Changes in the fair value of investments, classified as available-for-sale investments are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated investments are sold or impaired.

(d) Capital management

Capital includes equity attributable to the equity holders of the Parent. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

15. CONTRIBUTED EQUITY AND RESERVES (continued)

Management manages and makes adjustments to the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may consider it appropriate to return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no dividends paid during 2015 (2014: nil).

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group has no externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and short-term deposits and trade and other payables.

The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the Group's financial instruments are market risk (including currency risk and interest rate risk), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group holds the following financial instruments:

	2015 $	2014 $
Financial Assets		
Cash and cash equivalents	9,604,249	805,210
Other receivables	463,601	266,284
Other financial assets	-	42,726
	10,067,850	1,114,220
Financial Liabilities		
Borrowings	10,930,281	-
Trade and other payables	4,003,386	393,933
	14,933,667	393,933

(a) Market risk

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	31 December 2015				31 December 2014			
	USD	GBP	EUR	MAD	USD	GBP	EUR	MAD
	$	$	$	$	$	$	$	$
Cash and cash equivalents	4,437,095	2,330,090	-	-	16,430	45,725	-	-
Other financial assets	-	-	-	-	-	-	-	-
Trade and other payables	3,716,537	3,551	-	-	118,983	10,782	-	-
Borrowings	10,930,281	-	-	-	-	-	-	-

Sensitivity
Based on the financial instruments held at 31 December 2015, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been $1.02m higher/$1.02m lower (2014 - $10,255 higher/$10,255 lower), the effect on equity would have been $1.02m lower/$1.02m higher (2014 - $10,255 lower/$10,255 higher). This is mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. The loss is more sensitive to movements in the AUD/USD exchange rates in 2015 than 2014 because of the increased amount of USD denominated financial assets and liabilities. The Group's exposure to other foreign exchange movements is not material.

(ii) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group's exposure to this risk relates primarily to the Group's cash and any cash on deposit. The Group does not use derivatives to mitigate these exposures. The Group manages its exposure to interest rate risk by holding certain amounts of cash in fixed and floating interest rate facilities. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2015		31 December 2014	
	Weighted average interest rate %	$	Weighted average interest rate %	$
Cash and cash equivalents	2.10%	9,604,249	2.26%	805,210
Other financial assets	-	-	-	42,726
		9,604,249		847,936

Sensitivity
As at 31 December 2015, had interest rates increased/decreased by 0.5% from the year end rates with all other variables held constant, the Group's post-tax profit for the year would have been $47,833 lower/$47,833 higher (2014 - $17,236 lower/$17,236 higher), the effect on equity would have been $47,833 higher/$47,833 lower (2014 - $17,236 higher/$17,236 lower).

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets.

The Group's policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group except for cash and cash equivalents and other financial assets held in reputable major banks in Australia and Alaska.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

	6 months	6-12 months	1-5 years	> 5 years	Total
2015					
Trade and other payables	4,003,386	-	-	-	4,003,386
Borrowings	-	-	10,930,281	-	10,930,281

	6 months	6-12 months	1-5 years	> 5 years	Total
2014					
Trade and other payables	393,933	-	-	-	393,933

(d) Fair values

The management assessed that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values largely due to the short-term maturities of these instruments. The carrying amounts are determined in accordance with accounting policies disclosed in Note 2. As the borrowings have been entered into during the period it is expected the fair value of the groups borrowings approximates it's carrying value at 31 December 2015 .

17. RELATED PARTY DISCLOSURE

(a) Transactions with related parties

There were no transactions with related parties to be disclosed at 31 December 2015 (31 December 2014: nil). Consultancy fees paid to Non-Executive Directors are included in remuneration Table 1.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are below.

Directors

Mr Michael Evans – Non-Executive Chairman
Mr Brent Villemarette – Non-Executive Director
Dr Stephen Staley - Non-Executive Director
Mr Dave Wall – Managing Director

(c) **Compensation for Key Management Personnel**	2015 $	2014 $
Short-term benefits	585,391	1,196,118
Post-employment benefits	41,204	90,567
Other benefits	-	-
Share-based payments	707,370	826,922
	1,333,965	2,113,607

These numbers do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

18. SHARE-BASED PAYMENTS

	2015 $	2014 $
(a) Recognised share based payment transactions		
Share-based payment transaction recognised during the period were as follows:		
Share Plan shares (i)	225,431	486,269
Options issued to Directors (ii)	707,070	335,942
Options issued to Employees (iv)	76,554	-
Options issued for consideration of services (iii)	714,479	1,218,460
Shares issued for consideration of services (v)	-	1,332,941
	1,723,534	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 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

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 $711,700 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 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 February 2015, 6,000,000 share options were issued to Dr Stephen Staley. The exercise price of the options was set at $0.015 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as $0.006. Furthermore, in November 2015 a further 6,000,000 options were issued. The exercise price was set at $0.021 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of this option has been calculated at $0.0073 using Black Scholes modelling.

In February 2015, 8,000,000 share options were issued to Mr Michael Evans. The exercise price of the options was set at $0.015 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as $0.006. Furthermore, in November 2015 a further 8,000,000 options were issued. The exercise price was set at $0.021 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of this option has been calculated at $0.0073 using Black Scholes modelling. In addition an expense of $51,059 recorded at 31 December 2015 relates to the vesting of options issued in the prior year.

In February 2015, 25,000,000 share options were issued to David Wall .The exercise price of the options was set at $0.015 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as $0.006. Furthermore, in November 2015 a further 40,000,000 options were issued. The exercise price was set at $0.021 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of this option has been calculated at $0.0073 using Black Scholes modelling.

18. SHARE-BASED PAYMENTS (continued)

In February 2015, 6,000,000 share options were issued to Brent Villemarette .The exercise price of the options was set at $0.015 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as $0.006. Furthermore, in November 2015 a further 6,000,000 options were issued. The exercise price was set at $0.021 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value of this option has been calculated at $0.0073 using Black Scholes modelling. The following inputs were used for all options issued to Directors during the period:

	01/11/2015	12/02/2015
Expected volatility (%)	105	85
Risk-free interest rate (%)	2.03	2.25
Expected life (years)	3	3
Share price ($)	0.013	0.012

The fair value of these options was treated as a share based payment expense in the consolidated statement of profit or loss and other comprehensive income ($707,070). Refer to note 20 for breakdown of this expense.

(iii) 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 half year 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 options vested immediately.

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 year ended 31 December 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 options 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 half year ended 30 June 2015 was estimated on the date of grant based upon the market value of services received. The options vested immediately.

The fair value of these options 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.

18. SHARE-BASED PAYMENTS (continued)

(iii) Options issued for consideration of services (continued)

In November 2015, a further 70,000,000 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 $0.016 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 year ended 31 December 2015 was estimated on the date of grant as $0.00404 using assumptions similar to the above. The options vested immediately.

The fair value of these options 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 $392,000.

(iv) 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 year ended 31 December 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.

In November 2015, 8,965,301 share options were issued to an employee of the Company. The exercise price of the options was set at $0.021 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 was estimated at $0.00725 using the assumptions below.

Expected volatility (%)	105
Risk-free interest rate (%)	2.03
Expected life (years)	3
Share price ($)	0.013

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 $64,998.

(v) Director participation in share placements

As approved by Shareholders, Directors participated in share placements during the year ended 31 December 2015 as follows:

Director	Date	Number of shares	Placement price (fair value)	Total fair value
M Evans	3 March 2015	4,250,000	$0.01	$42,500
D Wall	3 March 2015	4,250,000	$0.01	$42,500
S Staley	3 March 2015	1,650,000	$0.01	$16,500

The Company has determined that fair values are equivalent to placement prices, and therefore that no expense is required to be recognised in respect of director participation in share placements.

18. SHARE-BASED PAYMENTS (continued)

(b) Summary of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued as share based payments during the year:

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
Outstanding at the beginning of the year	41,775,087	$0.29	27,775,087	$0.47
Granted during the year	264,965,301	-	28,240,000	$0.15
Cancelled during the year	(5,750,000)	-	(290,000)	$0.29
Exercised during the year	-	-	(6,540,909)	$0.17
Expired during the year	(14,775,087)	-	(7,409,091)	$0.53
Outstanding at the end of the year	286,215,301	-	41,775,087	$0.29
Exercisable at the end of the year	286,215,301	-	33,525,087	$0.29

The outstanding balance as at 31 December 2015 is represented by:

Option Type	Number of options	Exercise Price	Expiry Date
Unlisted	2,500,000	$0.45	31 March 2016
Unlisted	2,500,000	$0.45	31 October 2016
Unlisted	250,000	$0.16	12 June 2017
Unlisted	1,000,000	$0.30	22 April 2016
Unlisted	2,000,000	$0.28	12 June 2017
Unlisted	1,000,000	$0.42	12 June 2017
Unlisted	12,000,000	$0.01	22 October 2017
Listed	78,000,000	$0.02	2 March 2018
Unlisted	48,000,000	$0.015	18 February 2018
Unlisted	70,000,000	$0.016	31 August 2018
Unlisted	68,965,301	$0.021	1 November 2018
	286,215,301		

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 31 December 2015 is 2.66 years (2014: 2.03 years).

(d) Weighted average fair values

The weighted average fair value of options granted during the year was $0.02 (2014: $0.08).

(e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.01- $0.45 (2014: $0.01 - $0.70).

19. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the group is organised into two strategic units:

- Corporate head office in Australia
- Oil and Gas exploration in the United States of America.

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 group reports its primary segment information to the Board.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the group is managed and provides a meaningful insight into the business activities of the group.

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.

Year ended 31 December 2015	**Australia**	**USA**	**Morocco**	**Consolidated**
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	-	-
Reportable segment (loss) after expenses before tax	(4,348,598)	(1,956,114)	-	(6,304,712)
Year ended 31 December 2014				
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	-	-
Reportable segment (loss) after expenses before tax	(6,947,238)	(203,879)	(20,561,988)	(27,713,105)
Reportable segments assets at 31 December 2015	8,769,997	27,707,111		36,477,108
Reportable segments assets at 31 December 2014	1,137,810	604,695		1,742,505

	2015 $	2014 $
Reconciliation of reportable segment profit or loss		
Total profit/(loss) for reportable segments	(6,304,712)	(27,713,105)
Elimination of inter-segment profits	-	-
Profit/(loss) before tax from continuing operations	(6,304,712)	(27,713,105)
Reconciliation of reportable segment assets		
Reportable segment assets	36,477,108	1,742,505
Total assets	36,477,108	1,742,505

Types of products and services

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

20. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Exploration commitments

In November 2015, 100% owned subsidiary of 88 Energy Limited, Accumulate Energy Alaska Inc, in conjunction with Joint Venture Partner, Burgundy Xploration LLC (88 Energy 78%, Burgundy 22%), was confirmed as the high bidder on 174,240 acres on November 18 (Alaskan time) at the North Slope Areawide Bid Sale. The Joint Venture has contributed a non-refundable 20% downpayment of US$947,000 to secure the rights to the acreage. As per the previous bid round in 2014, finalisation of the acquisition is subject to formal award and payment of the remainder of the bid (80%) plus US$10 per acre rentals (~US$5.5m in total).

Holding costs of Project Icewine are US $10 per acre for the first six years. In year seven, holding costs per acre increase to US $200. Included in the commitments note below are the holding costs for the first six years of the project at the AUD equivalent of US $10 per acre. Given the Company can relinquish acreage or a portion of acreage at any time, only commitments for the first six years of the tenement life have been included in the commitments note below.

All additional payments for exploration will be at the discretion of the Company as the Company will be the operator of the project. The Company can exit the leases at any time with no penalty.

Seismic:
As at the end of CY2015, the Company had announced an intention to acquire seismic over its Project Icewine acreage. As at the time of this report, no commitment had been entered into by the Company in respect to this acquisition. Final approval of the seismic program is subject to review and extension of the Bank of America credit facility, which had not been completed as at the time of this report.

Corporate commitments

The Company has an office lease in respect of its West Perth premises which expires 1 November 2018.

Commitments at 31 December 2015 are as follows:

	Corporate commitments $	Total $
Within one year	119,196	119,196
After one year but not more than five years	228,595	347,655
More than five years	-	-
	347,791	466,851

CONTINGENCIES

Exploration contingencies

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. As at 31 December 2015, the entity had not exceeded these conditions. Subsequent to the year ended the entity exceeded its market capitalised as per agreed and disclosed previously with GALP. It is at the company's discretion to choose whether the payment is made in shares or cash.

21. CONTINGENT ASSETS

Alaska's Clear and Equitable Shares ("ACES") Production tax and Available Credits

The Alaskan Legislator in 2007 enacted Alaska's Clear and Equitable Share ("ACES"), in 2013 ACES was amended under Alaskan Statute 43/55. The ACES program was designed to encourage investment in Alaska's untapped resources by providing tax credits to companies that have qualifying capital expenditure.

The ACES program provides 85% tax credit for eligible capital expenditure. All expenditure is audited and must be approved by the Alaskan Department of Revenue. The tax credit is available as either:

- A tax refund received in cash;
- A tax credit against the future production tax, thereby reducing the total production tax in any given year; or
- A transferrable certificate, subject to certain conditions being met.

The ACES rebate is to be presented separately and deducted from exploration and evaluation assets. At 31 December 2015, the rebate is estimated at US$13,528,644. The group believes this amount will be recoverable from the Alaskan Department of Revenue as a tax rebate in full and will be recognised once it has been received.

The consolidated entity has no other contingent assets as at 31 December 2015.

22. EVENTS AFTER THE REPORTING DATE

On 28 January 2016, the Company announced the issue of 10,000,000 listed options exercisable at $0.02 on or before 2 March 2018 to the General Manager of Operations in Alaska.

On the 16 February 2016, the company issued 52,128,585 shares on the conversion of options raising a total of $755,957.

On the 17 February 2016, the company issued 24,758,964 shares on the conversion of options raising a total of $387,743.

On the 19 February 2016, the company issued 2,500,000 shares on the conversion of options raising a total of $25,000.

On the 22 February 2016, the company issued 1,900,000 shares on the conversion of options raising a total of $30,400.

Finally, subsequent to the year ended the entity exceeded its market capitalised as per agreed and disclosed previously with GALP.

23. AUDITORS' REMUNERATION

	2015 $	2014 $
The auditor of the Group is BDO Audit (WA) Pty Ltd for the year ended 31 December 2015 and Ernst & Young for the year ended 31 December 2014. Amounts paid to auditors are as follows:		
Audit services:		
Audit and review of the annual and half year report	29,000	40,000
Total audit services	29,000	40,000
Non-audit services:		
Due diligence services	-	14,500
Total non-audit services	-	14,500
Grand total	29,000	54,500

24. INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest 2015 %	Ownership interest 2014 %
DVM International SARL	Oil exploration	Morocco	100	100
Fotis Nominees Pty Ltd (i)	Investment	Australia	100	100
88 Energy Limited USA	Oil exploration	USA	100	-
88 Energy Limited Alaska	Oil exploration	USA	100	-

(i) This subsidiary is dormant.

25. PARENT ENTITY DISCLOSURES

	Parent Entity 2015 $	Parent Entity 2014 $
Financial Position		
Assets		
Current assets	23,559,859	1,071,494
Non-current assets	-	671,011
Total assets	23,559,859	1,742,505
Liabilities		
Current liabilities	359,758	363,063
Total liabilities	359,758	363,063
Equity		
Contributed equity	90,654,560	67,985,300
Shares reserved for share plans	-	(1,667,500)
Reserves	14,498,135	12,741,333
Accumulated losses	(82,029,087)	(77,679,691)
Total equity	(23,123,608)	1,379,442
Financial Performance		
Loss for the year	(4,349,396)	(27,293,481)
Other comprehensive income	-	-
Total comprehensive loss	(4,349,396)	(27,293,481)

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Other Commitments and Contingencies

The Parent has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 20.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2015

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

1. In the opinion of the directors:

   (a) the financial statements and notes of 88 Energy Limited for the financial year ended 31 December 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 31 December 2015 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and

   (c) Subject to the matters discussed in Note 2(y), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the chief executive officer and chief financial officer in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2015.

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

Mr Michael Evans
Non-Executive Chairman

Dated: 1 March 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of 88 Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of 88 Energy Limited, which comprises the consolidated statement of financial position as at 31 December 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of 88 Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 88 Energy Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 1 March 2016

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found at the following URL http://88energy.com/about-us/corporate-governance/.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 26 February 2016.

TWENTY LARGEST SHAREHOLDERS

		Number Held	Percentage
1.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	2,014,850,683	63.69
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	62,648,922	1.98
3.	ELOTEN GROUP LTD	40,000,000	1.26
4.	COMSEC NOMINEES PTY LIMITED	27,721,660	0.88
5.	MR ROSS CHARLES THOMAS	16,000,000	0.51
6.	MR BRIAN EDWARD FENTON	12,000,000	0.38
7.	MR GRAEME DARYL HOLLOWAY	11,000,000	0.35
8.	MR MICHAEL MCFARLANE	11,000,000	0.35
9.	ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	10,796,955	0.34
10.	MR RHETT GLADSTONE MONRO	10,000,000	0.32
11.	BOW LANE NOMINEES PTY LTD	9,950,000	0.31
12.	MR DAVID JAMES WALL	9,666,666	0.31
13.	TEVLO PTY LTD <MJ EVANS SUPER ACCOUNT>	8,416,667	0.27
14.	MR GREGORY JOHN LOUGHRIDGE + MRS KATHRYN LINDA LOUGHRIDGE <TALISMAN S/F A/C>	7,500,000	0.24
15.	MR ANESTIS LAZARIDIS	7,218,445	0.23
16.	CADOGAN GROVE PTY LTD <THE WOOD FAMILY S/F A/C>	5,910,100	0.19
17.	MR THOMAS IAN ROSS	5,496,955	0.17
18.	MONEX BOOM SECURITIES (HK) LTD <CLIENTS A/C>	5,445,970	0.17
19.	PENINSULA INVESTMENTS (WA) PTY LTD	5,350,000	0.17
20.	ETRADE AUSTRALIA NOMINEES PTY LIMITED	5,234,473	0.17
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**2,286,207,496**	**72.27**

TWENTY LARGEST LISTED OPTIONHOLDERS

		Number Held	Percentage
1.	ELOTEN GROUP LTD	20,000,000	4.83
2.	MR DONALD JEFFREY SMITH + MRS PAT SMITH <GFC SUPERANNUATION FUND A/	19,980,574	4.83
3.	MOK PTY LTD	18,000,000	4.35
4.	MR BRIAN EDWARD FENTON	17,000,020	4.11
5.	MEDI HOLDINGS PTY LTD	14,300,000	3.46
6.	GOLDEN DAWN LIMITED	10,000,000	2.42
7.	MR ERIK OPSTAD	10,000,000	2.42
8.	MR MICHAEL MCFARLANE	9,500,000	2.30
9.	HANDCRAFTED SOFTWARE PTY LTD <STEVEN OVENS A/C>	9,000,000	2.18
10.	MILANTO PTY LTD <MILANTO S/F A/C>	9,000,000	2.18
11.	INVESCO NOMINEE PTY LTD	7,874,344	1.90
12.	MR MARK RAYMOND FOREMAN	7,200,000	1.74
13.	PENINSULA INVESTMENTS (WA) PTY LTD	6,750,000	1.63
14.	AJS PREMIUM INVESTMENTS PTY LTD <A J S A/C>	6,571,000	1.59
15	MR THOMAS IAN ROSS	6,000,000	1.45
16.	MONEX BOOM SECURITIES (HK) LTD <CLIENTS A/C	5,170,000	1.25
17.	METIS PTY LTD	5,145,082	1.24
18.	MR DUNCAN GERARD GOWANS	5,000,000	1.21
19.	MR GRAEME DARYL HOLLOWAY	5,000,000	1.21
20.	MRS MARCELLE ANNE RODGERS	5,000,000	1.21
Totals: Top 20 holders of $0.02, 2 March 2018 LISTED OPTIONS		**196,491,020**	**47.50**

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 3,163,428,372 fully paid shares held by 4,029 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding, is:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	289	42,208	0.00
1,001 - 5,000	384	1,269,038	0.04
5,001 - 10,000	323	2,695,632	0.09
10,001 - 100,000	1,687	82,824,205	2.62
100,001 - 9,999,999,999	1,346	3,076,597,289	97.25
Total	**4,029**	**3,163,428,372**	100.00

DISTRIBUTION OF EQUITY SECURITIES (CONTINUED)

(ii) Listed Options

- 413,659,650 quoted options with an exercise price of $0.02 and an expiry date of 2 March 2018 held by 275 individual holders.

The number of optionholders, by size of holding, is:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	49	3,403,679	0.82
100,001 - 9,999,999,999	226	410,255,971	99.18
Total	275	413,659,650	100.00

(iii) Unlisted Options

- 300,000 unquoted options with an exercise price of $0.70 and an expiry date of 10 April 2016.
- 2,500,000 unquoted options with an exercise price of $0.45 and an expiry of 31 March 2016
- 2,500,000 unquoted options with an exercise price of $0.45 and an expiry of 31 October 2016.
- 1,000,000 unquoted options with an exercise price of $0.42 and an expiry of 12 June 2017.
- 2,000,000 unquoted options with an exercise price of $0.28 and an expiry of 12 June 2017.
- 1,000,000 unquoted options with an exercise price of $0.30 and an expiry of 22 April 2016.
- 250,000 unquoted options with an exercise price of $0.016 and an expiry of 12 June 2017.
- 1,416,666 unquoted options with an exercise price of $0.01 and an expiry of 22 October 2017
- 1,000,000 unquoted options with an exercise price of $0.014 and an expiry of 2 March 2018
- 18,295,785 unquoted options with an exercise price of $0.016 and an expiry of 31 August 2018
- 48,000,000 unquoted options with an exercise price of $0.015 and an expiry of 18 February 2018
- 68,965,301 unquoted options with an exercise price of $0.021 and an expiry of 1 November 2018

UNMARKETABLE PARCELS

(i) Ordinary share capital

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.035 per unit	14,286	1,114	5,457,893

(ii) Listed Options

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.022 per unit	22,728	3	57,698

RESTRICTED SECURITES

The Company has no Restricted Securities on issue.

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
N/A	

ON-MARKET BUY-BACK
There is no current on-market buy-back.

ACQUISITION OF VOTING SHARES
No issues of securities have been approved for the purposes of Item 7 of Section 611 of the Corporations Act 2001.

TAX STATUS
The Company is treated as a public company for taxation purposes.

FRANKING CREDITS
The Company has no franking credits.

TENEMENT SCHEDULE

Reference	Project Name	Location	Company Interest
Onshore Alaska, North Slope[1]	Project Icewine	Alaska	78%

[1]~272,000 acres (~174,000 acres subject to formal award)

COMPETENT PERSONS STATEMENT
Pursuant to the requirements of the ASX Listing Rules Chapter 5 the technical information and resource reporting contained in this Annual Report was prepared by, or under the supervision of, Mr Brent Villemarette, who is a Non-Executive Director of the Company. It has been produced for the Company, and at its request, for adoption by the Directors. Mr Villemarette has more than 30 years experience in the petroleum industry and is a qualified Reservoir Engineer who has sufficient experience that is relevant to the style and nature of the oil prospects under consideration and to the activities discussed in this document. He has consented to the inclusion of the petroleum prospective resource estimates prepared by DeGolyer & MacNaughton (as of 31 December 2014) and supporting information being included in this announcement in the form and context in which they are presented. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clauses 18-21 of the Valmin Code 2005. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.