88 ENERGY LIMITED

ABN 80 072 964 179

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

CORPORATE INFORMATION

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

COMPANY SECRETARY
Ms Sarah Smith

REGISTERED OFFICE &
PRINCIPAL PLACE OF BUSINESS
Level 1, 83 Havelock Street
West Perth WA 6005

Telephone: +61 (8) 9485 0990
Facsimile: +61 (8) 9321 8990
Website: www.88energy.com

POSTAL ADDRESS
PO Box 1674
West Perth WA 6872

COUNTRY OF INCORPORATION AND DOMICILE
Australia

AUDITOR
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

BANKERS
Westpac Banking Corporation
Level 13, 109 St Georges Terrace
Perth WA 6000

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61 (8) 9323 2000
Facsimile: +61 (8) 9323 2033

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

ASX CODES

Shares	88E
Options	88EO

LONDON STOCK EXCHANGE - AIM

Shares	88E

Dear Shareholders

It is a pleasure to present my Chairman's Report for the 2016 financial year.

2016 marks only the second year in which your Company has traded under the 88 Energy ("88E") banner. I am pleased to report some significant milestones have been achieved as 88E progresses along the pathway leading to appraisal of Project Icewine on Alaska's North Slope. These milestones are detailed in the Operations Report.

Measuring success for a junior explorer is a complex process. Year on Year the market capitalisation of 88E has grown from around $25 million to $188 million and the Company has been cited as the best performing oil and gas stock based on share price appreciation on the ASX during this period.

As we move into the appraisal drilling phase we do so with a strong balance sheet and high level of project equity providing excellent leverage to our shareholders in the success case. This begs the question "what are the hallmarks of a successful junior explorer?" With over 3 decades in the industry I am well placed to address this question.

Geologists love to base their exploration models on successful analogues just as we have done in drawing comparisons to the Eagle Ford and the Haynesville shales Texas, USA. This makes good sense, however we can look beyond the geological modelling and seek to identify what constitutes a successful analogue at the entity level. I have always considered Hardman Resources (HDR) as the flagship analogue when measuring success in the junior oil space.

Some of you will be familiar with its history: this tiny oil explorer went from a market capitalisation of $10 million dollars around the turn of the century to $1.5 billion dollars in 2006 with accompanying share price appreciation from 4 cents to $2.36. Interestingly, the oil price at the time of its maiden offshore discovery was a mere US$28.80 per barrel.

Leaving aside the fundamental geology, the key attributes of this historical success story included; leadership with both vision and drive, first mover advantage, attractive regime, meaningful prospect volumes, high project equity over oil prone play type, operatorship, dual ASX and AIM listing, strong financial credentials and farm out capability.

It is my conviction that 88E has many, if not all of these same attributes; in particular the strong leadership capabilities that have been exhibited to date by our Managing Director, David Wall. We are clearly the first mover over this unconventional play type on Alaska's North Slope; our potential has been independently evaluated in excess of a billion barrels; we control the play; enjoy high project equity and acreage along with operatorship; and our balance sheet is strong.

The science behind Project Icewine was originated by Paul Basinski, a geoscientist with an enviable track record in unconventional oil exploration. 88E is backing his proposition that Alaska hosts vast undiscovered potential in an unconventional play 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 where 88E has assembled a land bank that would befit an oil major, many of whom are already engaged in successful conventional oil exploration in Alaska, as recent discoveries in the region attest.

Alaska is a supportive regime that encourages exploration, offering rebates up to 85 percent for every dollar spent prior to 2016; an incentive that was not only attractive to 88 Energy but one backed by Bank of America (BOA). This has enabled 88E to maintain leverage without the larger equity dilution normally associated with funding a program of this magnitude. Our strong 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 execution of Project Icewine is being overseen 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 our original investment decision. I would also like to welcome our new Chief Financial Officer, Ashley Gilbert, to the team, a Chartered Accountant with more than 20 years' experience in commerce and significant experience in the oil and gas sector.

The process of evaluation is ongoing and not without considerable risk; however, we look to the future with measured 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 Haynesville, to gain an appreciation of the impact that 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 the best performance of a junior oil explorer on the ASX in 2016. Indeed, there is little more 88E could have done in the lead up to the appraisal program than what has already been achieved. We should recognise this point as we move forward to the drilling of Icewine #2.

In turn, this progress 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 and advisers including Hartleys, Cenkos and Patersons.

We look forward to a successful 2017 appraisal program at Project Icewine.

Yours faithfully,

Michael Evans
Non-Executive Chairman

The Directors of 88 Energy Limited ("88E" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of 88 Energy Limited and its controlled entities (the "Group") for the financial year ended 31 December 2016.

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 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 Evans was a non-executive director of TNG Limited between 31 May 2013 and 4 December 2015. Otherwise Mr Evans does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Mr David Wall | Managing Director

(Appointed 15 April 2014)

Mr Wall brings extensive experience with junior oil and gas companies, as a leading oil and gas equity analyst for over six years as well as his previous two and a half years as Managing Director of 88 Energy Ltd. 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 Wall does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Mr Brent Villemarette | Non-Executive Director

(Appointed 27 October 2010)

Mr Brent Villemarette is a reservoir engineer with more than 35 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 served as Chief Operations Officer for Transerv Energy, and has also previously been the Operations Director for Latent Petroleum. 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).

Mr Villemarette does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Dr Stephen Staley | Non-Executive Director
(Appointed 9 April 2014)

Dr Staley has 33 years of wide-ranging management, technical and commercial experience in the international oil, gas and power sectors. He co-founded and brought to the AIM market both Fastnet Oil & Gas plc (where he was the founding CEO) and Independent Resources plc (where he was the founding Managing Director). He was also both a technical consultant to, and non-executive director of, Cove Energy plc – the highly successful East Africa focused explorer that went from having a market capitalisation of £2 million in mid-2009 to being sold to PTTP for £1.2 billion in less than three years. Dr Staley is owner and founder of Derwent Resources Limited, an upstream consultancy advising on oil and gas opportunities. Prior to this he has worked for Cinergy Corp., Conoco and BP. He holds a BSc(Hons.) in Geophysics from Edinburgh University, a PhD in Petroleum Geology from Sheffield University and an MBA from Warwick University. He is a Fellow of the Geological Society and a member of the EAGE, the PESGB and The Arctic Club.

Dr Staley is currently the CEO, and a director and co-founder, of Upland Resources Limited, a London-listed oil & gas company currently with assets onshore UK. Otherwise Dr Staley does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Ms Sarah Smith | Joint Company Secretary, sole Company Secretary from 4 March 2016
(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.

Ms Amy Just | Joint Company Secretary
(Appointed 1 September 2014, resigned 4 March 2016)

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

The following table sets out each current Director's relevant interest in shares, options and performance rights of the Company or a related body corporate as at the date of this report.

Director	Ordinary Shares	Unlisted Options	Listed Options
Mr Michael Evans	8,416,667	17,000,000	2,125,000
Mr David Wall	11,666,666	65,000,000	2,125,000
Mr Brent Villemarette	1,221,222	12,000,000	-
Mr Stephen Staley	5,816,667	14,000,000	825,000
Total	**27,121,222**	**108,000,000**	**5,075,000**

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.

REVIEW AND RESULTS OF OPERATIONS

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 (**Burgundy**) to acquire a significant working interest (87.5%, reducing to 77.5% 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. 88E operate the acreage through a 100% owned US based subsidiary, Accumulate Energy Alaska Inc. (**Accumulate**). In June 2016, the gross acreage position was expanded to 271,119 contiguous acres (210,250 acres net to the Company). In December 2016, the Company successfully bid on additional acres in the Alaska State Licensing Round. On award the Project Icewine gross acreage position will be further expanded to ~690,000 contiguous acres (~400,000 acres net to the Company assuming all rights are exercised). The primary term for the State leases is 10 years, with no mandatory relinquishment, and a low 16.5% royalty. Generous exploration incentives are provided by the State of Alaska with up to 35% of exploration expenditure refundable in cash for activity on the North Slope.

Project Icewine has both unconventional and conventional oil potential and is located on an all year-round operational access road. The exploration program at Project Icewine during 2016 was twofold; firstly, to de-risk and progress evaluation of the unconventional HRZ shale play and secondly to develop a conventional prospectivity portfolio across the acreage.

The primary objective at Project Icewine is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale, that co-sourced the largest conventional oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal data modelling and analysis during 1H 2016 indicates that Project Icewine is located in a liquids rich, vapour phase sweetspot, analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.

The HRZ shale play was successfully evaluated based on core obtained in the Icewine#1 pilot exploration well (2015), marking the completion of Phase I of the Project Icewine exploration program. Phase II commenced with the planning and permitting of an appraisal well, Icewine#2, which is scheduled to spud late 1Q2017. Icewine#2 has been designed as a vertical well with a stimulation and flow test of the HRZ shale to assess its production potential.

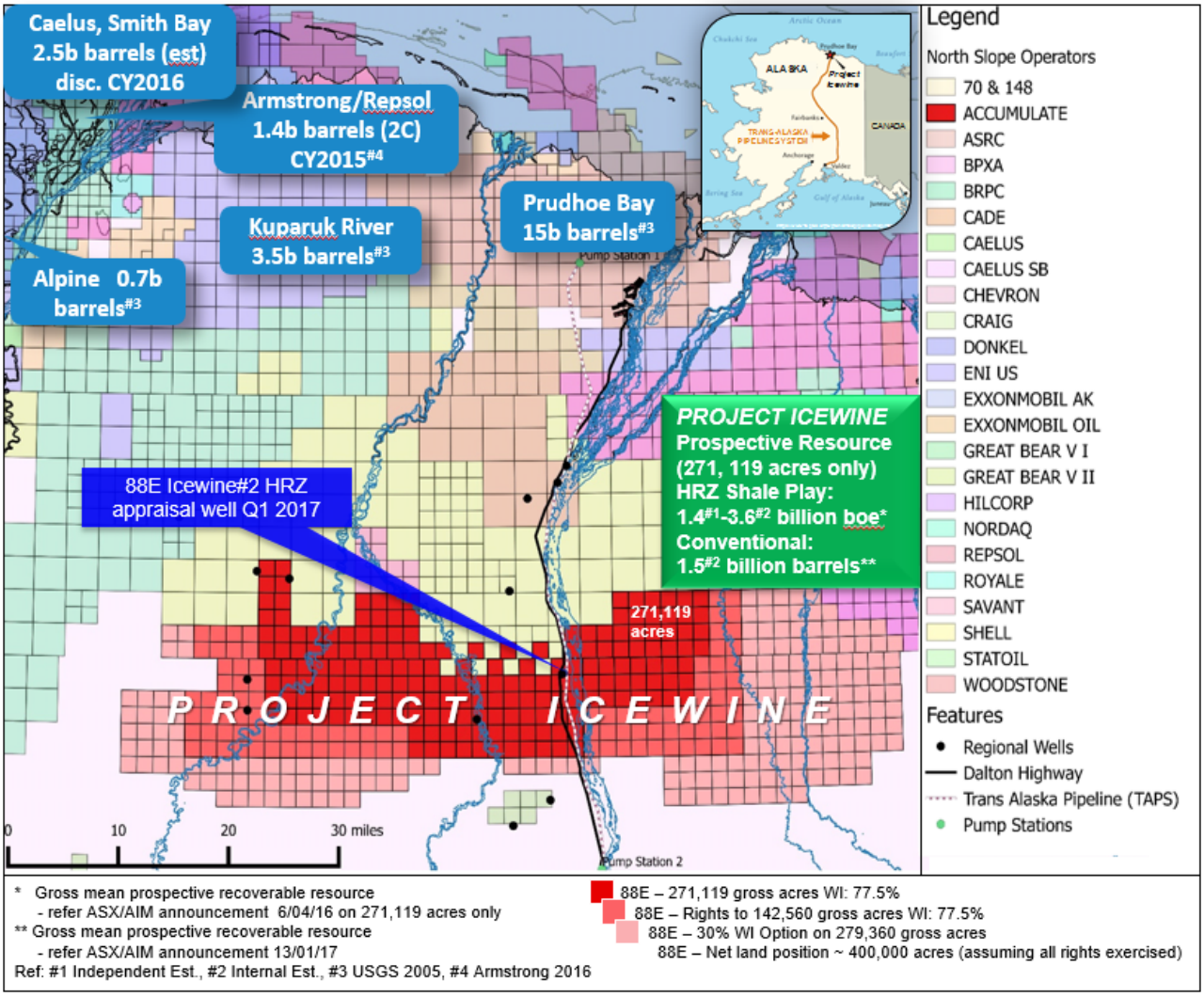


Figure 1: Project Icewine Location

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

A Prospective Resources Report (PRR) by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in February 2016. The report incorporated the results from the Icewine#1 pilot well and the additional acreage bid on in the November 2015 State of Alaska Licensing Round (Gross acreage position 271,119 acres with 210,250 acres net to the Company). The results of the Independent assessment by DeGolyer & MacNaughton were released to the market on April 6, 2016. A table of the estimated recoverable liquids is summarised below.

Independent Resource Report by DeGolyer and MacNaughton

TABLE 1: INDEPENDENT ASSESSMENT OF UNCONVENTIONAL PROSPECTIVE RESOURCES (271,119 GROSS ACRES)[1]

Project Icewine: HRZ Shale, North Slope Alaska	Independently Assessed Prospective Recoverable Resource: *Source: DeGolyer & MacNaughton, March 31, 2016*				
	MMbbl				%
Phase	**P90**	**P50**	**P10**	**Mean**	**Pg #**
Gross Wet Gas/ Condensate Window	210.5	623.2	1,524	787.4	60
Gross Volatile Oil Window	45.2	149.6	401.4	197.9	60
Total Liquids:					
Gross (Mean)				**985.3**	
Net (Mean) to 88 Energy (WI 77.5%)				**763.1**	

 # Estimated Probability of Geologic Success

2D seismic was commissioned and acquired by the Company across the Project Icewine acreage. As a result of seismic mapping and interpretation a significant conventional prospectivity portfolio has been developed across the leasehold.

Large conventional leads at Project Icewine have been mapped within the Brookian petroleum system and shallow to the HRZ shale, including potential high porosity channel and turbiditic sands associated with slope apron and deepwater fan plays. Additional conventional potential may be matured in the Brookian delta topset play, deeper Kuparuk sands and the Ivishak Formation.

The Brookian conventional play is proven on the North Slope; the USGS (2013) estimated the remaining oil potential to be 2.1 billion barrels within the Brookian sequence alone. Three recent discoveries in the Brookian have already exceeded these estimates, with Armstrong/Repsol discovering 1.4 billion barrels in 2015 (Pikka); Caelus announcing a 2.5-billion-barrel discovery in 2016 (Smith Bay) and ConocoPhillips, in January 2017, announcing an estimated 300 million barrel discovery (Willow).

2016 Operations Summary

The Company had a successful 2016, which included the following key operational highlights:

- The Icewine#1 pilot well was drilled to core and evaluate the HRZ unconventional shale play. The well was spudded on October 22, 2015 and achieved all primary unconventional objectives, de-risked the HRZ shale play, and came in on budget. The well was plugged and abandoned as planned on January 2, 2016;
- Icewine#1 was logged and core was cut within the primary HRZ objective and the Pebble Shale (98% recovery) for post drill laboratory analysis and evaluation. Post drill analysis supported the thermal maturity sweetspot predicted at Icewine#1 pre-drill
- A significant upgrade was announced to the Independent and Internal Prospective Resource estimates ascribed to the HRZ shale interval across Project Icewine acreage on April 6, 2016
- In May 2016, the Company's 2D seismic acquisition was finalised, with processing and interpretation completed at year end
- In October 2016, the Company announced Interim volumetrics for the Top 5 Conventional Leads indicating 758 million barrels of prospective gross mean recoverable resource (587 million barrels net to 88E)
- The Icewine#2 appraisal well design was completed in the second half of the year. Permitting was progressed in tandem and is on track for the scheduled spud of Icewine#2 in late Q1 2017; and
- 2016 has seen a substantial increase in the overall net land position for Accumulate, 100% subsidiary of 88 Energy, from 210,250 to ~400,000 net contiguous acres (gross 690,000 acres) as a result of participating in the 2015 and 2016 North Slope Licensing Rounds (assuming all rights are taken up).

[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.

Evaluation of Core and Log Data - Complete

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

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

Post these highly positive results, the Joint Venture initiated planning and permitting for the follow up Icewine#2 well.

Upgrade to Independent and Internal Prospective Resource Assessment

On the 6th April, 2016, the Company announced a 293% increase in the prospective recoverable resource ascribed to the HRZ shale interval. The independent estimate, compiled by DeGolyer and MacNaughton, attributed 1.4 billion barrels of oil equivalent to the HRZ on a mean recoverable prospective basis, assuming that 42% of the acreage, 271,119 gross acres, would be productive in a success case scenario. The estimated chance of geologic success was increased from 40% to 60%. An internal assessment of the resource potential resulted in an estimate of 2.6 billion barrels of recoverable liquids, on a mean prospective recoverable basis. The variance in resource estimates is based on different assumptions, which are detailed in the announcement.

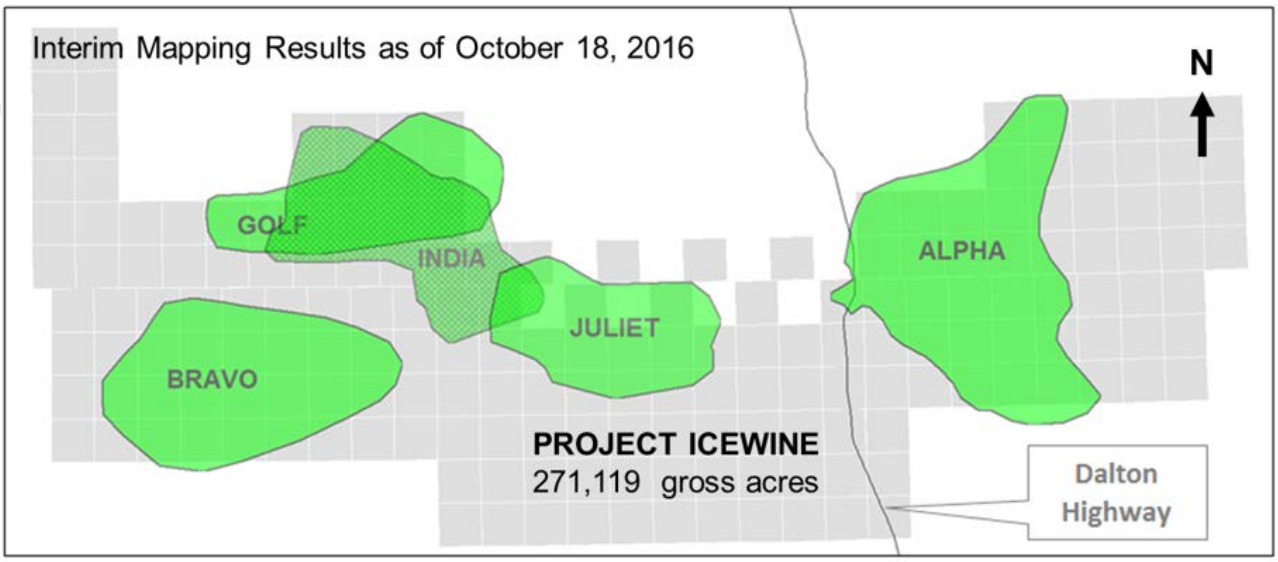
Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and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

2D Seismic Acquisition

Acquisition of 662 line kilometres of 2D seismic commissioned by the Company, using a vibroseis source, was completed on 6th May 2016. Our 2D seismic data was complemented by the licensing of a further 108 line kilometres of 2D seismic extracts from a 3D seismic speculative shoot in the vicinity of the Franklin Bluffs location acquired in 2015.The objective of the 2D seismic acquisition was to develop a conventional Prospect and Lead Portfolio and in addition reduce risk associated with presence of localised faults in the vicinity of the proposed Icewine#2 appraisal well.

Interim results from the seismic interpretation and mapping in mid-October 2016 identified a number of promising conventional leads within the Brookian sequence across the Project Icewine acreage. Volumetric estimates for the Top 5 Conventional Leads totalled 758 million barrels of prospective gross mean recoverable resource (587 million barrels net to 88E).

Figure 2 Conventional Prospectivity Mapping: Top 5 Leads from Interim Results



Prospective Oil Resources (Unrisked Recoverable)* for Current Top 5 Ranked Leads					
Lead	**Low**	**Best**	**High**	**Gross Mean**	**Net Mean to 88E (WI: 77.5%)**
Alpha	19	71	263	118	91
Bravo	129	245	449	273	212
Golf	60	115	210	128	99
India	61	116	212	129	100
Juliet	52	99	181	110	85
Total Prospective Resource				**758**	**587**

**Prospective resources classified in accordance with SPE-PRMS as at 18th October 2016 using probabilistic and deterministic methods on an unrisked basis. Leads identified from interpretation of modern 2D seismic acquired in 2015/2016 across Project Icewine, which comprises 271,119 gross acres on the Central North Slope of Alaska. 88 Energy is Operator of record at Project Icewine (through its wholly owned subsidiary Accumulate Energy Alaska, Inc) with a 77.5% working interest.*

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

Within the top 5 Leads, the Alpha and Bravo Leads were considered the most significant given their seismic relief and geometries. The Alpha Lead is located close to the transportation corridor and infrastructure so could be developed relatively quickly, in the event of exploration success. The Bravo Lead is the most significant Lead on the western margin of Project Icewine, with closure delineated on the Company's new 2016 seismic database.

Finalisation of Icewine#2 Appraisal Well Design & Permitting

During the second half of 2016, the Project Icewine Joint Venture revised the well design for Icewine#2 appraisal well of the unconventional HRZ shale play from a lateral to a vertical completion with a multi-stage stimulation and subsequent flow test.

The improved design optimised the ability to fulfil the primary objective of the well; to determine the production potential of the HRZ shale, whilst minimising operational risk and reducing cost. The vertical well design includes stimulation and flow testing the potential of the overlying HUE formation, which may result in increased resource potential.

Permitting was also progressed during the second half of 2016 with the Company announcing in December 2016 that the Lease Plan of Operations for Icewine#2 was approved by the Alaska Department of Natural Resources, Division of Oil and Gas. At year-end, the only remaining permit was the Permit to Drill, which is typically submitted post the approval of all other permits, in the lead up to final drilling preparations.

Completion of the Permitting process is considered on track for the scheduled spud of the Icewine#2 appraisal well in late Q1 2017.

Project Icewine – Large Increase in acreage position

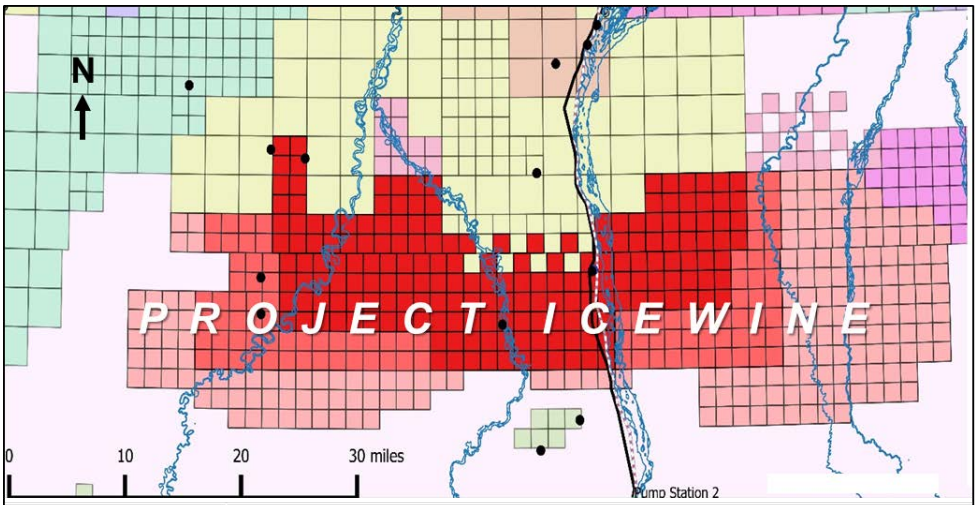
In June 2016, 172,000 acres bid on by the Joint Venture in the November 2015 Central North Slope Licensing round were awarded by the State of Alaska. As a result of the award, the gross Project Icewine acreage position increased to 271,119 contiguous acres.

In Q4 2016, a joint decision was made by 88 Energy and Burgundy to seek rights to a further increase in acreage in the December 2016 Central North Slope Alaska licensing round. This was based on analysis and integration of the Icewine#1 results, leading to a refinement of the potential location of the HRZ resource play sweetspot by the Company's JV partner Burgundy.

Subsequently, Accumulate Energy Alaska, Inc., ("Accumulate"), a 100% subsidiary of 88E, and JV Partner, Burgundy, were declared highest bidder on 142,560 acres on the Central North Slope (Accumulate 77.5% working interest). JV Partner, Burgundy, was declared highest bidder on an additional 279,360 acres on the Central North Slope for which Accumulate retains back in rights for 30% of these additional acres at cost.

The overall net land position for Accumulate, assuming all rights are taken up, is now over 400,000 contiguous acres on the Central North Slope (Joint Venture gross position over 690,000 acres).

The image below indicates the updated Project Icewine Lease Map:



Gross Acres	Status
271,119	Awarded 88E WI: 77.5%
~ 142,560	High Bidder 88E WI: 77.5%
~ 279,360	High Bidder Burgundy 88E WI: 30% back in option
88E - Net land position ~ 400,000 acres (assuming all rights exercised)	

Corporate Summary

The Corporate highlights for the Company during the year included:

- In the first half of 2016 the Company completed a $25 million placement (before fees and expenses) to institutional and sophisticated investors in the UK and Australia. Funds from the placement were applied against the purchase of additional acreage, a 2D seismic acquisition programme and to fund ongoing work associated with the Icewine#2 well; and
- In the second half of 2016 the Company completed a A$11 million placement (before fees and expenses) to two US based institutional investors, in order to strengthen the Company's balance sheet ahead of the Icewine#2 spud in late Q1 2017.

Financial Performance

The financial results of the Group for the year ended 31 December 2016 are:

	31-Dec-16	31-Dec-15	Change
	$	$	%
Cash and cash equivalents	**27,303,178**	9,604,249	184
Net Assets	**48,010,413**	21,488,053	123
Revenue and other income	**158,627**	108,852	46
Net loss after tax	**(9,401,264)**	(6,304,712)	49

The loss for the year was $9,401,264 (2015: $6,304,712). The loss was largely attributable to Administrative expenditure and the recognition in Other expenditure of the liability from 88 Energy's subsidiary, DVM, to Galp Energia ("Galp") of US$3.4 million.

At the end of the financial year, the Group had cash on hand of $27,303,178 (2015: $9,604,249), net assets of $48,010,413 (2015: $21,488,053) and current liabilities of $6,218,028 (2015: $4,058,774). The significant increase in assets is largely due to the Company spending approximately $23 million on exploration on the Icewine Project.

During the year, the Company raised approximately A$35.4 million net of costs through the issue of new shares and exercise of options.

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

In the previous financial year, the Company entered into a conditional agreement and executed a non-binding Letter of Intent with Bank of America to provide a US$50m funding facility pursuant to which Bank of America could approve, in its sole discretion, funding for specific projects. Bank of America's lending commitment was subject to a number of conditions including those related to due diligence which were completed in the previous financial year.

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

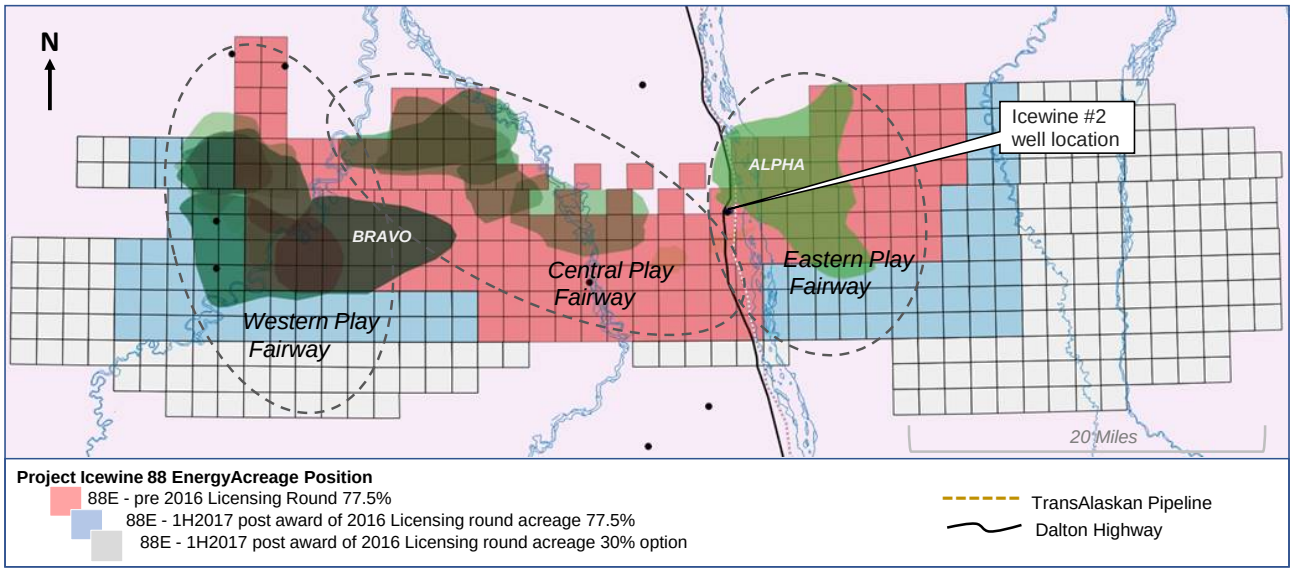
SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the 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.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

The Company announced that the conventional prospectivity review was completed on January 13, 2017, with additional resource potential identified across Project Icewine acreage. The range of preliminary leads identified in the Brookian and Beaufortian sequences, along with additional mapped leads were matured and now form the basis of a diverse conventional Prospect and Lead inventory.

The majority of leads identified are stratigraphic: typically comprising slope apron, basin floor fan systems and turbidites. These leads are within proven play fairways with successful analogues on the North Slope. A number of leads are associated with enhanced seismic amplitudes, which is considered promising as it can indicate the presence of hydrocarbons. To further evaluate the enhanced amplitudes, an amplitude versus offset (AVO) analysis was undertaken. AVO response associated with Leads and Prospects is a useful tool as it can be used to rank and de-risk exploration targets.



Conventional Prospective Resource potential based on internal estimates totals:

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

Total Resource Potential (conventional only), including previously reported leads:

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

The Directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the result of operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND FUTURE STRATEGY

Following the completion of permitting for Icewine#2 which is expected in early 2017, the well remains on schedule for a late Q1 spud and has been designed to test the production potential of the HRZ interval.

In addition, the Company continues 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 2016, the following Company options were on issue:

Type	Number	Exercise Price	Expiry Date
Unlisted	250,000	$0.16	12-06-17
Unlisted	2,000,000	$0.28	12-06-17
Unlisted	1,000,000	$0.42	12-06-17
Unlisted	1,000,000	$0.014	02-03-18
Listed	403,459,650	$0.02	02-03-18
Unlisted	45,000,000	$0.015	18-02-18
Unlisted	13,224,952	$0.016	31-08-18
Unlisted	62,965,301	$0.021	01-11-18
Employee options	10,000,000	$0.02	02-03-18
Placement options	137,500,000	$0.06	27-10-21
Placement fee options	22,000,000	$0.05	27-10-21
	698,399,903		

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, 96,923,833 shares were issued as a result of the exercise of options, raising a total of $1,468,581.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Number Eligible to Attend	Number Attended
Michael Evans	5	5
David Wall	5	5
Brent Villemarette	5	4
Stephen Staley	5	5

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, please refer to the Corporate Governance Statement.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2016 outlines the remuneration arrangements of 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.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who 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 company.

Key Management Personnel Disclosed in this Report

Key Management Personnel of the Group during the financial year:

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

The Remuneration Report is set out under the following main headings:

A Remuneration Philosophy
B Remuneration Governance, Structure and Approvals
C Remuneration and Performance
D Details of Remuneration
E Service Agreements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Voting and comments made at the Company's 2016 Annual General Meeting
I Loans with KMP
J Other Transactions with KMP

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of 88E comprise of the Board of Directors.

The Group'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.

No remuneration consultants were employed during the financial year.

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- Remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

❖ **Non-Executive Remuneration Structure**

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The total aggregate fixed sum per annum to be paid to Non-Executive Directors in accordance with the Company's Constitution shall initially be no more than A$300,000 and may be varied by ordinary resolution of the Shareholders in a General Meeting.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. In accordance with the Company's Constitution, the Directors may at any time, subject to the Listing Rules, adopt any scheme or plan which they consider to be in the interests of the Company and which is designed to provide superannuation benefits for both present and future Non-Executive Directors, and they may from time to time vary this scheme or plan.

The remuneration of Non-Executive Directors is detailed in Table 1 and their contractual arrangements are disclosed in "Section E – Service Agreements".

Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

❖ **Executive Remuneration Structure**

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high performance Directors.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Group, the performance of the Executives and the general pay environment.

The remuneration of Executives is detailed in Table 1 and their contractual arrangements are disclosed in "Section E – Service Agreements".

❖ **Executive Remuneration Approvals**

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Executive contracts are reviewed annually by the Board, in the absence of a Remuneration Committee, for their approval. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate management to pursue the Company's long-term growth and success and demonstrate a clear relationship between the Company's overall performance and performance of the executives.

C Remuneration and 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:

	31-Dec-16	31-Dec-15
Loss after income tax ($)	**(9,401,264)**	(6,304,712)
EPS (cents per share)	**(0.003)**	(0.002)
Share price	**$0.045**	$0.008
Market capitalisation	**$187.6 million**	$24.7 million

Relationship between Remuneration and Company Performance

Given the recent listing of the Company and the current phase of the Company's development, the Board does not consider earnings during the current and previous financial year when determining, and in relation to, the nature and amount of remuneration of KMP.

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

a) Fixed Remuneration – base salary
b) Variable Short Term Incentives
c) Variable Long Term Incentives

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

a) 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.

b) 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 2015 financial year. A $200,000 performance based bonus was paid to David Wall in the 2016 financial year. In determining the extent of his performance based bonus, the Company took into consideration the key performance indicators of Mr Wall and the Company.

c) 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.

D Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Group during the financial year are:

Table 1 – Remuneration of KMP of the Group for the years ended 31 December 2016 and 31 December 2015 is set out below:

		Short-term Employee Benefits			Post-Employment Benefits	Share Based Payments	Total
	Year	Salary & fees	Non-monetary benefits	Other	Superannuation	Options [i]	
		$	$	$	$	$	$
Directors							
Michael Evans	2016	123,333	-	-	11,717	-	135,050
	2015	86,250	-	-	8,193	106,368	200,811
David Wall	2016	366,667	-	200,000 [ii]	34,833	-	601,500
	2015	286,250	-	-	27,193	441,450	754,893
Brent Villemarette	2016	65,000	-	-	6,175	-	71,175
	2015	157,058	-	-	5,818	79,776	242,652
Stephen Staley	2016	65,000	-	-	-	-	65,000
	2015	55,833	-	-	-	79,776	135,609
Total	2016	**620,000**	**-**	**200,000**	**52,725**	-	**872,725**
Remuneration	2015	585,391	-	-	41,204	707,370	1,333,965

(i) Share-based payments are the options and performance rights expensed over the vesting period.
(ii) Mr Wall was paid a cash bonus of $200,000 in May 2016.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 2 – Relative proportion of fixed vs variable remuneration expense

	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
Name	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Directors						
Michael Evans	**100%**	47%	-	53%	-	-
David Wall	**67%**	42%	**33%**	58%	-	-
Brent Villemarette	**100%**	67%	-	33%	-	-
Stephen Staley	**100%**	41%	-	59%	-	-

Table 3 – Shareholdings of KMP (direct and indirect holdings)

31 December 2016	Balance at 01/01/2016	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 31/12/2016
Directors					
Michael Evans	8,416,667	-	-	-	8,416,667
David Wall	9,666,666	-	-	2,000,000 [i]	11,666,666
Brent Villemarette	1,221,222	-	-	-	1,221,222
Stephen Staley	5,816,667	-	-	-	5,816,667
Total	**25,121,222**	**-**	**-**	**2,000,000**	**27,121,222**

(i) Shares purchased on Market Trade.

Table 4 – Option holdings of KMP (direct and indirect holdings)

31 December 2016	Balance at 01/01/2016	Granted as Remuneration	Exercised	Balance at 31/12/2016	Vested & Exercisable
Directors					
Michael Evans	19,125,000	-	-	19,125,000	19,125,000
David Wall	67,125,000	-	-	67,125,000	67,125,000
Brent Villemarette	12,000,000	-	-	12,000,000	12,000,000
Stephen Staley	14,825,000	-	-	14,825,000	14,825,000
Total	**113,075,000**	**-**	**-**	**113,075,000**	**113,075,000**

E Service Agreements

❖ **Mr Michael Evans – Non-Executive Chairman**
- Contract: Commenced on 9 April 2014.
- Director's Fee: A$140,000 per annum plus superannuation.
- Refer to Note 1 below for details pertaining to re-appointment and termination.

❖ **Mr David Wall – Managing Director**
- Contract: Commenced on 15 April 2014.
- Director's Fee: Effective from 1 May 2016 A$400,000 per annum plus superannuation. Previously A$300,000 for the period 1 January 2016 to 30 April 2016.
- Performance Based Bonuses: The Company may at any time pay Mr Wall a performance based bonus over and above his salary. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Wall and the Company. Mr Wall received a A$200,000 performance based bonus during the financial year.
- Termination Benefit: Termination benefits to the extent permitted under the ASX Listing Rules and Corporations Act are included in the contract in the event of certain termination events.

❖ **Mr Brent Villemarette – Non-Executive Director**
- Contract: Commenced on 27 October 2010.
- Director's Fee: $65,000 per annum plus superannuation.
- Refer to Note 1 below for details pertaining to re-appointment and termination.

❖ **Mr Stephen Staley – Non-Executive Director**
- Contract: Commenced on 9 April 2014.
- Director's Fee: $65,000 per annum
- Refer to Note 1 below for details pertaining to re-appointment and termination.

Note 1: The term of each Non-Executive Director is open to the extent that they hold office subject to retirement by rotation, as per the Company's Constitution, at each AGM and are eligible for re-election as a Director at that meeting. Appointment shall cease automatically in the event that the Director gives written notice to the Board, or the Director is not re-elected as a Director by the shareholders of the Company. There are no entitlements to termination or notice periods.

F Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and/or performance rights. The Board has adopted an Incentive Option Scheme to allow eligible participants to be granted options to acquire shares in the Company. The issue of options is at the discretion of the Board.

There were no options issued to Key Management Personnel during the 2016 financial year.

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year.

H Voting and comments made at the Company's 2016 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 31 December 2015 was put to the shareholders of the Company at the AGM held 31 May 2016. The resolution was passed without amendment, on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

I Loans with KMP

There were no loans made to any KMP during the year ended 31 December 2016 (2015: nil).

There were no loans from any KMP during the year ended 31 December 2016 (2015: nil).

J Other Transactions with KMP

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 to provide exploration and evaluation services for a maximum term of 3 years commencing 24 September 2014. The agreement with Villemarette Nominees Pty Ltd is a company in which Brent Villemarette is a Director, 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 ($A 4,522) per calendar month, plus Value Added Tax or other sales tax if applicable, based on 2.5 working days per month. Any work that is carried out by the Consultant in excess of 2.5 working days per calendar month must be pre-approved by the Managing Director. Approved days will be remunerated at a rate of £1,000 ($A 2,033) per day.

The following transactions occurred with related parties:

	2016	2015
	$	$
Derwent Resources Limited	**116,484** [(i)]	130,280
Villemarette Nominees Pty Ltd	**51,385**	114,387

(i) During the year, the Company paid £63,848 (2015: £64,034) to Derwent Resources Limited for consultancy services. The amount has been translated to Australian Dollars at the average rate.

Consultant fees paid to associated entities were on normal commercial terms.

End of Audited Remuneration Report.

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.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the year ended 31 December 2016, 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.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 25 and forms part of the Directors' Report for the financial year ended 31 December 2016.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditors, BDO (WA) Pty Ltd, for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

	31-Dec-16	31-Dec-15
Non-Audit Services		
Remuneration for other services		
BDO (WA) Pty Ltd	-	-
Total Non-Audit Services	-	-

This report is signed in accordance with a resolution of Board of Directors.

Mr David Wall
Managing Director
16 February 2017

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

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

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

As lead auditor of 88 Energy Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 16 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		$	$
Revenue from continuing operations			
Other income	3(a)	**158,627**	108,852
Administrative expenses	3(b)	**(2,278,431)**	(2,921,653)
Occupancy expenses		**(169,301)**	(164,629)
Employee benefit expenses	3(c)	**(1,295,150)**	(491,828)
Share-based payment expense	18	**(100,000)**	(1,723,534)
Depreciation and amortisation expense		**(8,232)**	(15,038)
Finance cost		**(1,702,878)**	(689,503)
Other expenses		**(4,790,093)**	(407,379)
Foreign exchange gains / (losses)		**784,194**	-
Loss before income tax		**(9,401,264)**	(6,304,712)
Income tax expense	4	**-**	-
Loss after income tax for the year		**(9,401,264)**	(6,304,712)
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**440,218**	383,900
Other comprehensive income / (loss) for the year, net of tax		**440,218**	383,900
Total comprehensive loss for the year attributable to members of 88 Energy Limited		**(8,961,046)**	(5,920,812)
Loss per share for the year attributable to the members of 88 Energy Limited:			
Basic and diluted loss per share	5	**(0.003)**	(0.002)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**27,303,178**	9,604,249
Trade and other receivables	7	**312,644**	463,601
Total Current Assets		**27,615,822**	10,067,850
Non-Current Assets			
Plant and equipment	8	**6,131**	10,960
Exploration and evaluation expenditure	9	**38,227,059**	25,403,611
Other assets	10	**11,158,742**	994,687
Total Non-Current Assets		**49,391,932**	26,409,258
TOTAL ASSETS		**77,007,754**	36,477,108
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**6,127,943**	4,003,386
Provisions	12	**90,085**	55,388
Total Current Liabilities		**6,218,028**	4,058,774
Non-Current Liabilities			
Borrowings	13	**22,779,313**	10,930,281
Total Non-Current Liabilities		**22,779,313**	10,930,281
TOTAL LIABILITIES		**28,997,341**	14,989,055
NET ASSETS		**48,010,413**	21,488,053
EQUITY			
Contributed equity	14	**125,157,965**	90,654,560
Reserves	15	**16,268,985**	14,848,766
Accumulated losses		**(93,416,537)**	(84,015,273)
TOTAL EQUITY		**48,010,413**	21,488,053

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Shares Reserved for Share Plan	Reserves	Accumulated Losses	Total Equity
	$	$	$	$	$
At 1 January 2016	**90,654,560**	**-**	**14,848,766**	**(84,015,273)**	**21,488,053**
Loss for the year	**-**	**-**	**-**	**(9,401,264)**	**(9,401,264)**
Other comprehensive income	**-**	**-**	**440,218**	**-**	**440,218**
Total comprehensive income/(loss) for the year after tax	**-**	**-**	**440,218**	**(9,401,264)**	**(8,961,046)**
Transactions with owners in their capacity as owners:					
Issue of share capital	**37,496,660**	**-**	**-**	**-**	**37,496,660**
Shares cancelled	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**980,001**	**-**	**980,001**
Share issue costs	**(2,993,255)**	**-**	**-**	**-**	**(2,993,255)**
Balance at 31 December 2016	**125,157,965**	**-**	**16,268,985**	**(93,416,537)**	**48,010,413**
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)
Other comprehensive income	-	-	383,900	-	383,900
Total comprehensive income/(loss) for the year after tax	-	-	383,900	(6,304,712)	(5,920,812)
Transactions with owners in their capacity as owners:					
Issue of share capital	24,538,797	-	-	-	24,538,797
Shares cancelled	-	1,667,500	-	-	1,667,500
Share-based payments	-	-	1,723,534	-	1,723,534
Share issue costs	(1,869,537)	-	-	-	(1,869,537)
Balance at 31 December 2015	90,654,560	-	14,848,766	(84,015,273)	21,488,053

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANICAL YEAR ENDED 31 DECEMBER 2016

	Note	**2016**	2015
		$	$
Cash flows from operating activities			
Payment to suppliers and employees		**(3,676,801)**	(4,082,521)
Interest received		**54,248**	24,995
Finance costs		**(4,867)**	(599,501)
Other income		**129,812**	-
Net cash flows used in operating activities	6(b)	**(3,497,608)**	(4,657,027)
Cash flows from investing activities			
Payments for exploration and evaluation activities		**(25,588,985)**	(21,941,810)
Payment for plant and equipment		**(3,404)**	(2,408)
Net cash flows used in investing activities		**(25,592,389)**	(21,944,218)
Cash flows from financing activities			
Proceeds from drawdown of facility		**10,621,424**	10,930,280
Proceeds from issue of shares		**37,367,107**	26,339,541
Share issue costs		**(1,983,702)**	(1,869,537)
Net cash flows from financing activities		**46,004,829**	35,400,284
Net increase/(decrease) in cash and cash equivalents		**16,914,832**	8,799,039
Cash and cash equivalents at the beginning of the year		**9,604,249**	805,210
Effect of exchange rate fluctuations on cash held		**784,097**	-
Cash and cash equivalents at end of year	6(a)	**27,303,178**	9,604,249

The Consolidated Statement of Cash Flows should be
read in conjunction with the notes to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

88 Energy Limited (referred to as "88 Energy" or the "Company") is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group"). The Group is primarily involved oil and gas exploration in Alaska.

(b) Basis of Preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). 88 Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 16 February 2017.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

New, revised or amended standards and interpretations adopted by the group

The Group 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.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

New standards and interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2016. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

Reference and Title	Summary	Application Date of Standard	Impact on 88 Energy Limited Financial Statements
AASB 9 – Financial Instruments	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a simple, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effect for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application.	Annual reporting periods commencing on or after 1 January 2018.	When this standard is first adopted from 1 January 2018, there will be no impact on transactions and balances recognised in the financial statements.

AASB 15 – Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanged for those goods or services. This means that revenue will be recognised when control of foods or services is transferred, rather than on transfer of risks and rewards as is current the case under IAS 18 *Revenue.*	Annual reporting periods commencing on or after 1 January 2018.	When this standard is first adopted from 1 January 2018, this standard will not significantly impact transactions and balances recognised in the financial statements.
AASB 16 (issued February 2016) Leases	AASB 16 eliminates the operating and finance lease classifications for lessees current accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods commencing on or after 1 January 2019.	When this standard is first adopted from 1 January 2019, there will be minimal impact on transactions and balances recognised in the financial statements.

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of 88 Energy Limited ('Company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the year then ended. 88 Energy and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(c) Principles of Consolidation (Continued)

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Management has determined that based on the report reviewed by the Board and used to make strategic decisions, that the consolidated entity has one reportable segment.

(d) Foreign Currency Translation

i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is 88 Energy Limited's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

iii) Consolidated entity companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income account are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) 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. Any difference between the proceeds (net of transactions costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the considerations paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to the creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss which is measured as the differences between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(f) 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 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 reporting 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.

(f) Exploration & Evaluation Expenditure (Continued)

(iii) Exploration and evaluation costs (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.

There are currently no other active projects.

(g) 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.

(h) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables area stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(i) 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

Interest revenue is recognised as it accrues, using the effective interest method.

(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.

(j) 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.

(k) 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.

(k) Trade and Other Receivables (Continued)

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.

Recognition of ACES tax credits

Alaska's Clear and Equitable Share ("ACES") program provides tax credits scaling up to 85% for eligible capital expenditure. The Group recognises these tax credits as a non-current receivable when the Alaskan Department of Revenue issues a tax credit certificate to the Company. When the tax credit is paid by the Alaskan Government, the amount will be applied directly against the Bank of America loan outstanding.

(l) 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.

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.

(m) Impairment of 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.

(m) Impairment of Assets (Continued)

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.

(n) 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.

(o) Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Contributed equity

Ordinary shares are classified as equity.

(q) Contributed equity (Continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(r) 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.

(s) Share-based Payments

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

(s) Share-based Payments (Continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(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:

(t) Financial Instruments (Continued)

(i) Financial assets (Continued)

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.

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.

(t) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

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) Comparative figures

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

(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.

(i) Impairment of capitalised exploration and evaluation expenditure (Continued)

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 9.

(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.

(iii) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iv) Alaska's Clear and Equitable Share ("ACES") tax rebate program

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 up to 85% tax credit for eligible capital expenditure. All expenditure is audited and must be approved by the Alaskan Department of Revenue. Once approved, the benefit can be exercised in one of the following forms:

- Apply the credit against the production tax, hence reducing total production tax liability in a given year; or
- For unused tax credit, apply a transferrable certificate. This certificate does not have an expiry date and can be sold to a new third party; or
- For unused tax credit, apply to sell the tax credit to the Alaskan Department of Revenue.

The ACES rebate is presented separately and deducted from exploration and evaluation assets. As at 31 December 2016, A$10,326,194 is available under the ACES rebate scheme. Management believe this amount will be recoverable from the Alaskan DOR as a tax rebate in full and will be received in a period greater than 12 months. Thus, the tax credit has been classified as a non-current receivable in the Statement of Financial Position.

NOTE 3 REVENUE AND EXPENSES	2016 $	2015 $
(a) Income		
Interest revenue	**54,248**	14,496
Rental income	**94,154**	83,859
Other income	**10,225**	10,497
	158,627	108,852
(b) Administrative expenses		
Consultancy and professional fees	**781,134**	890,694
Legal fees	**41,765**	611,552
Travel costs	**39,198**	315,872
General and administration expenses	**1,416,334**	1,103,535
	2,278,431	2,921,653
(c) Employee benefit expenses		
Wages and salaries	**1,131,009**	403,055
Superannuation	**79,849**	64,547
Annual leave accrued	**34,697**	24,226
Other employee expenses	**49,595**	-
	1,295,150	491,828

NOTE 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	**(9,401,264)**	(6,304,712)
Prima facie tax benefit on loss before income tax at 30% (2015: 30%)	**(2,820,379)**	(1,891,414)

	2016 $	2015 $
NOTE 4 INCOME TAX (CONTINUED)		
Under provision in prior year	**271,274**	-
Tax effect of:		
Investments	**-**	-
Non-assessable/deductible items:		
Non-deductible expenditure: contingent liability	**1,415,331**	-
Non-deductible entertainment expenses	**2,714**	-
Share based payments	**30,300**	517,060
Other non-deductible expenses	**-**	-
Deferred tax asset on temporary differences and tax losses not brought to account	**1,230,052**	1,374,354
Income tax expense for the year	**-**	-
(c) Deferred income tax		
Deferred tax liabilities	**(127,991)**	(127,991)
Deferred tax assets	**6,618,819**	6,503,650
Deferred tax assets not recognised on temporary differences and tax losses	**(6,490,828)**	(6,375,659)
Net deferred tax assets	**-**	-

The Group has unutilised tax losses for which no deferred tax asset is recognised on the reporting date of $24,074,380 (2015: $20,279,973) 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.

NOTE 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.

NOTE 5 LOSS PER SHARE (CONTINUED)

	2016	2015
	$	$
Net loss for the year	**(9,401,264)**	(6,304,712)
Weighted average number of ordinary shares for basic and diluted loss per share.	**3,689,938,323**	2,974,980,627

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

Continuing operations		
- Basic loss per share ($)	**(0.003)**	(0.002)

NOTE 6 CASH AND CASH EQUIVALENTS

(a) Cash details

Cash at bank and in hand	**27,246,185**	7,650,446
Restricted cash (i)	**56,993**	1,953,803
	27,303,178	9,604,249

(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

Loss for the financial year	**(9,401,264)**	(6,304,712)
Adjustments for:		
Depreciation	**8,232**	15,038
(Loss)/Gain on foreign exchange	**(784,096)**	(88,503)
Share based payments	**100,000**	1,723,534
Changes in assets and liabilities		
Decrease / (increase) in receivables	**277,486**	137,578
Increase / (decrease) in trade and other payables	**6,267,337**	(139,962)
Increase / (decrease) in provisions	**34,697**	-
Net cash used in operating activities	**(3,497,608)**	(4,657,027)

NOTE 7 TRADE AND OTHER RECEIVABLES	2016	2015
	$	$
Goods and Services Tax (GST) receivable	**35,128**	46,593
Prepayments	**-**	56,993
Other deposits and receivables	**277,516**	360,015
	312,644	463,601

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 2016.

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2015: Nil).

NOTE 8 PLANT AND EQUIPMENT

Year ended 31 December 2016		
Opening net book amount	**10,960**	23,590
Additions	**3,403**	2,408
Disposals	**-**	-
Depreciation charge	**(8,232)**	(15,038)
Closing net book amount	**6,131**	10,960
At 31 December 2016		
Cost	**177,539**	174,136
Accumulated depreciation	**(171,408)**	(163,176)
Net book amount	**6,131**	10,960

NOTE 9 EXPLORATION AND EVALUATION EXPENDITURE

	2016	2015
	$	$
Carrying amount of exploration and evaluation expenditure	**38,227,059**	25,403,611
Movement reconciliation		
Balance at the beginning of the financial year	**25,403,611**	-
Additions	**22,969,061**	24,630,650
Reclassification of deposit	**-**	604,695
Tax credit receivable [(i)]	**(10,326,194)**	-
Foreign currency translation	**180,581**	168,266
Closing balance	**38,227,059**	25,403,611

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

NOTE 10 OTHER ASSETS

Non-Current		
Project Icewine deposit [(i)]	**832,548**	994,687
Tax credit receivable [(ii)]	**10,326,194**	-
	11,158,742	994,687

(i) 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 9). 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.

During the 31 December 2016 year, the Joint Venture participants each funded their share of a 20% deposit of the gross bid amount to acquire additional acreage of ~420,000 gross acres (~190,000 net to 88E) on the Central North Slope. 88E's share of the bid deposit was AUD$832,548 (US$600,000).

(ii) Under the ACES rebate, the Alaskan Government has approved a tax credit of A$10,326,194 under the scheme highlighted in Note 2(iv). The tax credit receivable is recognised as a non-current asset and offset against Exploration, Evaluation Expenditure.

NOTE 11 TRADE AND OTHER PAYABLES

Current		
Trade payables [(i)]	**736,894**	226,404
Other payables [(ii)]	**5,391,049**	3,776,982
	6,127,943	4,003,386

NOTE 11 TRADE AND OTHER PAYABLES (CONTINUED)

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

(ii) On 29 May 2015, the Company received notification that the Moroccan Minister for Energy and Minister for Finance had executed the assignment document, finalising the divestment of the interests of DVM International SARL ("DVM", 88 Energy's subsidiary in Morocco) in the Tarfaya Offshore Block.

The liability between the Company and Galp remained if the market capitalisation of 88 Energy reached or exceeded US$50m (~A$72m, conversion 3.09.15) before September 2021 whereby Galp's entitled to a payment of US$3.4m in cash or 88 Energy stock. In the prior year, this amount was recognised as a contingent liability. In the current financial year, the Company exceeded its market capitalisation of US$50m. As a result, the liability has been recognised.

NOTE 12 PROVISIONS

	2016	2015
	$	$
Current		
Annual leave	**90,085**	55,388
	90,085	55,388

NOTE 13 BORROWINGS

Non-Current		
Bank facility (i)	**24,573,538**	12,472,229
Prepaid interest	**(1,794,225)**	(1,541,948)
	22,779,313	10,930,281

Refer to Note 16 for further information on financial instruments.

(i) On 20 August 2015, 88 Energy Limited entered into a US$50 million credit agreement ("the Facility") with Bank of America.
(ii) Interest on the drawdown is paid up front being Eurodollar rate (1% p.a.) plus the applicable rate (6.5% p.a.).
(iii) The Facility expires 29 June 2018.
(iv) The Facility contains financial covenants which have been met.
(v) As at 31 December 2016, US$17.71 million has been drawn down under the Facility.
(vi) Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage (refer to Note 10).

NOTE 14 CONTRIBUTED EQUITY

(a) Issued and fully paid	**2016**		2015	
	$	**No.**	$	No.
Ordinary shares	**125,157,965**	**4,169,180,418**	90,654,560	3,082,140,283

NOTE 14 CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movement reconciliation

	Number	$
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	3,082,140,823	90,654,560
At 1 January 2016	**3,082,140,823**	**90,654,560**
Options exercised on 16 February at 0.014, 0.016 & 0.01 cents	**52,128,585**	**755,957**
Options exercised on 17 February at $0.01 $ $0.016	**24,758,964**	**387,743**
Options exercised on 19 February at $0.01	**2,500,000**	**25,000**
Options exercised on 22 February at $0.016	**1,900,000**	**30,400**
Options exercised on 2 March at $0.021	**3,000,000**	**63,000**
Options exercised on 4 March at $0.021 & $0.016	**6,400,000**	**117,400**
Options exercised on 10 March at $0.016	**119,618**	**1,914**
Options exercised on 11 March at $0.01 & $0.016	**1,916,666**	**22,167**
Options exercised on 17 March at $0.015	**3,000,000**	**45,000**
Options exercised on 19 April at $0.02	**200,000**	**4,000**
Placement of 476,709,698 ordinary shares at $0.031	**476,709,698**	**14,778,001**
Placement of 238,354,849 ordinary shares at $0.043	**238,354,849**	**10,249,259**
Options exercised on 19 May at $0.016	**51,215**	**819**
Exercise of options (expiry 31 August 2018)	**1,000,000**	**16,000**
Share placement at $0.04 on 27 October 2016	**275,000,000**	**11,000,000**
Less equity raising costs	**-**	**(2,993,255)**
At 31 December 2016	**4,169,180,418**	**125,157,965**

NOTE 15 RESERVES

	2016	2015
	$	$
Share-based payments	**15,444,867**	14,464,866
Foreign currency translation reserve	**824,118**	383,900
	16,268,985	14,848,766
Movement reconciliation		
Share-based payments reserve		
Balance at the beginning of the year	**14,464,866**	12,741,332
Equity settled share-based payment transactions (Note 18)	**980,001**	1,723,534
Balance at the end of the year	**15,444,867**	14,464,866
Foreign currency translation reserve		
Balance at the beginning of the year	**383,900**	-
Effect of translation of foreign currency operations to group presentation	**440,218**	383,900
Balance at the end of the year	**824,118**	383,900

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.

Foreign currency translation reserve

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

NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors with assistance from suitably qualified external advisors.

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The carrying values of the Group's financial instruments are as follows:

	2016	2015
	$	$
Financial Assets		
Cash and cash equivalents	**27,303,178**	9,604,249
Other receivables	**11,471,386**	463,601
	38,774,564	10,067,850
Financial Liabilities		
Borrowings	**22,779,313**	10,930,281
Trade and other payables	**6,127,943**	4,003,386
	28,907,256	14,933,667

(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:

	2016		2015	
	USD	**GBP**	USD	GBP
	$	**£**	$	£
Cash and cash equivalents	**17,375,911**	**1,157,678**	4,437,095	2,330,090
Trade and other payables	**4,039,757**	**272**	3,716,537	3,551
Borrowings	**17,709,637**	**-**	10,930,281	-

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:

NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	2016		2015	
	Weighted average interest rate	**Balance $**	Weighted average interest rate	Balance $
Cash and cash equivalents	**1.34%**	**27,303,178**	2.10%	9,604,249

Sensitivity

Within the analysis, consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five-year period.

At 31 December 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

	Post-tax profit higher/(lower)		**Other comprehensive higher/(lower)**	
Judgements of reasonably possible movements:	**2016 $**	2015 $	**2016 $**	2015 $
+ 1.0% (100 basis points)	**191,122**	67,230	**-**	-
- 1.0% (100 basis points)	**(191,122)**	(67,230)	**-**	-

(b) Credit risk

The Group trades only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. As at 31 December 2016, the Group has a tax credit receivable of $10,326,194 which is recoverable from the State of Alaska under the ACES rebate scheme. The State of Alaska has a credit rating of Aa1.

(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 following are the contractual maturities of financial liabilities:

	6 months	**6-12 months**	**1-5 years**	**> 5 years**	**Total**
2016					
Trade and other payables	**6,127,943**	**-**	**-**	**-**	**6,127,943**
Borrowings	**-**	**-**	**22,779,313**	**-**	**22,779,313**
2015					
Trade and other payables	4,003,386	-	-	-	4,003,386
Borrowings	-	-	10,930,281	-	10,930,281

NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of gearing ratio on the ability of the consolidated entity to service loan interest and repayment schedules, credit facility covenants and to generate adequate free cash available for corporate and oil and gas exploration. The debt to equity rate is 60% at 31 December 2016.

(d) Fair value measurement

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 1.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
(ii) Level 2 – a valuation technique using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. prices), or indirectly (i.e. derived from prices); or
(iii) Level 3 – a valuation technique using inputs that are not based on observable market data (unobservable inputs).

As at 31 December 2016 and 31 December 2015, the Group did not have financial liabilities measured and recognised at fair value. Due to their short-term nature, the carrying amount of the current receivables and payables is assumed to approximate their fair value. For non-current receivables, the discount factor has not been disclosed for the Group as the results are immaterial to the Statement of Profit or Loss and Other Comprehensive Income.

The Group does not have any level 2 or 3 assets or liabilities.

NOTE 17 RELATED PARTY DISCLOSURE

(a) Transactions with related parties

Mr Brent Villemarette and Dr Stephen Staley are engaged to provide consultancy services to the Company. Derwent Resources Limited is a company in which Stephen Staley is a Director and Villemarette Nominees Pty Ltd is a company in which Brent Villemarette is a Director.

The following transactions occurred with related parties:

	2016	2015
	$	$
Derwent Resources Limited	**116,484** [(i)]	130,280
Villemarette Nominees Pty Ltd	**51,385**	114,387

(ii) During the year, the Company paid £63,848 (2015: £64,034) to Derwent Resources Limited for consultancy services. The amount has been translated to Australian Dollars at the average rate.

Consultant fees paid to associated entities were on normal commercial terms.

(b) Key Management Personnel Compensation

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

	2016	2015
	$	$
Short-term benefits	**820,000**	585,391
Post-employment benefits	**52,725**	41,204
Share-based payments	**-**	707,370
	872,725	1,333,965

Information regarding individual Directors compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

(c) Loans to Key Management Personnel

There were no loans made to any KMP during the year ended 31 December 2016 (2015: nil).

There were no loans from any KMP during the year ended 31 December 2016 (2015: nil).

NOTE 18 SHARE-BASED PAYMENTS

	2016 $	2015 $
(a) Recognised share-based payment transactions		
Share Plan shares	-	225,431
Options issued to Directors	-	707,070
Options issued to employees [(i)]	**100,000**	76,554
Options issued for consideration of services	-	714,479
Shares issued for consideration of services	-	-
Placement fee options [(ii)]	**880,001**	-
	980,001	1,723,534

(i) Options issued to employees

During the year, a consultant to the Company was granted 20 million listed options (as agreed by shareholders in the General Meeting) of which in January 2016, 10,000,000 were issued to the consultant having vested. The exercise price of the options was set at $0.02, with on 2 March 2018.

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 per option was calculated using the market price of listed options at grant date ($0.005). The total value of the options issued was $100,000.

(ii) Placement fee options

In accordance with the mandate between 88E and Maxim Group LLC ("Maxim"), 88E issued unlisted options to Maxim equal to 8% of the total number of Securities being issued in the Placement. Maxim Group LLC were issued 22 million unlisted options at an exercise price of A$0.05 per share, expiring on the five-year anniversary of completion. Maxim acted as the US placement agent for the October 2016 Placement.

The value of these options have been measured at the value of services received in accordance with the mandate. The value per option is A$0.04. The total value of the Placement options issued was A$880,001 which was recognised as a share issue cost in the Statement of Changes in Equity.

NOTE 18 SHARE-BASED PAYMENTS (CONTINUED)

(d) Summary of options granted during the year

	Date of Expiry	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Unlisted	31-03-16	$0.45	2,500,000	-	-	(2,500,000)	-
Unlisted	31-10-16	$0.45	2,500,000	-	-	(2,500,000)	-
Unlisted	12-06-17	$0.16	250,000	-	-	-	250,000
Unlisted	22-04-16	$0.30	1,000,000	-	-	(1,000,000)	-
Unlisted	12-06-17	$0.28	2,000,000	-	-	-	2,000,000
Unlisted	12-06-17	$0.42	1,000,000	-	-	-	1,000,000
Unlisted	22-10-17	$0.01	12,000,000	-	(12,000,000)	-	-
Unlisted	02-03-18	$0.014	1,000,000		-	-	1,000,000
Listed	02-03-18	$0.02	403,659,650	-	(200,000)	-	403,459,650
Unlisted	18-02-18	$0.015	48,000,000	-	(3,000,000)	-	45,000,000
Unlisted	31-08-18	$0.016	70,000,000	-	(56,775,048)	-	13,224,952
Unlisted	01-11-18	$0.021	68,965,301	-	(6,000,000)	-	62,965,301
Employee options [ii]	02-03-18	$0.02	-	10,000,000	-	-	10,000,000
Placement options [i]	27-10-21	$0.06	-	137,500,000	-	-	137,500,000
Placement fee options [ii]	27-10-21	$0.05	-	22,000,000	-	-	22,000,000
			612,874,951	**169,500,000**	**(77,975,048)**	**(6,000,000)**	**698,399,903**
Weighted average exercise price		$0.03					

(i) *Placement options*
On 27 October 2016, the Company issued 137.5 million unlisted options at an exercise price of A$0.055 expiring on the five-year anniversary of completion to investors.

(ii) Refer to Note 18(a).

(c) Share-based payments expense

	2016	
	Value recognised during the year $	Value to be recognised in future years $
Listed options issued to employee [i]	**100,000**	-
Placement fee options [i]	**880,001**	-
	980,001	-

(i) Refer to Note 18(a)

NOTE 19 SEGMENT INFORMATION

Identification of reportable segments
For management purposes the Group is organised into the following strategic unit:

- 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.

NOTE 19 SEGMENT INFORMATION (CONTINUED)

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 2016	USA $	Unallocated $	Total $
Other revenue	**7,099**	**151,528**	**158,627**
Inter-segment revenue	**-**	**304,695**	**304,695**
Total segment revenue	**7,099**	**456,223**	**463,322**
Inter-segment eliminations			**(304,695)**
Total revenue			**158,627**
Loss before income tax expense	**(1,720,298)**	**(7,680,966)**	**(9,401,264)**
Total Segment assets	**50,437,054**	**26,570,700**	**77,007,754**
Total Segment liabilities	**24,003,961**	**4,993,380**	**28,997,341**

Year ended 31 December 2015	Unallocated $	Unallocated $	Total $
Other revenue	-	108,852	108,852
Inter-segment revenue	-	-	-
Total segment revenue	-	108,852	108,852
Inter-segment eliminations			-
Total revenue			108,852
Loss before income tax expense	(1,956,114)	(4,348,598)	(6,304,712)
Total Segment assets	27,707,111	8,769,997	36,477,108
Total Segment liabilities	14,632,848	356,207	14,989,055

NOTE 20 COMMITMENTS AND CONTINGENCIES

Exploration commitments

Exploration Commitments as at year end 2016 are as follows:

In December 2016, 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 ~142,560 acres on November 18 (Alaskan time) at the North Slope Areawide Bid Sale. The Joint Venture has contributed a non-refundable 20% down-payment of US$768,000 to secure the rights to the acreage. As per the previous bid rounds in 2014 and 2015, 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$4.5m 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. The Company can relinquish acreage or a portion of acreage at any time, and therefore the Company has commitments only for the first six years, or remaining portion, of the tenement life only.

NOTE 20 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

2016 Icewine#2 well:
As at the end of CY2016, the Company had announced an intention to drill the Icewine#2 well. As at the time of this report, no commitment had been entered into by the Company in respect to this drilling campaign. Final approval of the drilling of the well is subject to Company, Joint Venture and local government approvals, which had not been completed as at the time of this report.

Exploration Commitments as at year end 2015 are as follows:

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 at the North Slope Areawide Bid Sale. The Joint Venture has contributed a non-refundable 20% down-payment 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. The Company can relinquish acreage or a portion of acreage at any time, and therefore the Company has commitments only for the first six years, or remaining portion, of the tenement life only.

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.

2015 Seismic Campaign:
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 issuing the 2015 Annual 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 the issuing of the 2015 Annual 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 2016 are as follows:

	2016	2015
	$	$
Within one year	119,196	119,196
After one year but not more than five years	109,399	228,595
More than five years	-	-
	228,595	347,791

Exploration contingencies

Exploration Contingencies as at year end 2016 are as follows:

None.

NOTE 20 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Exploration contingencies (Continued)

Exploration Contingencies as at year end 2015 are as follows:

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.

NOTE 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 up to 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.

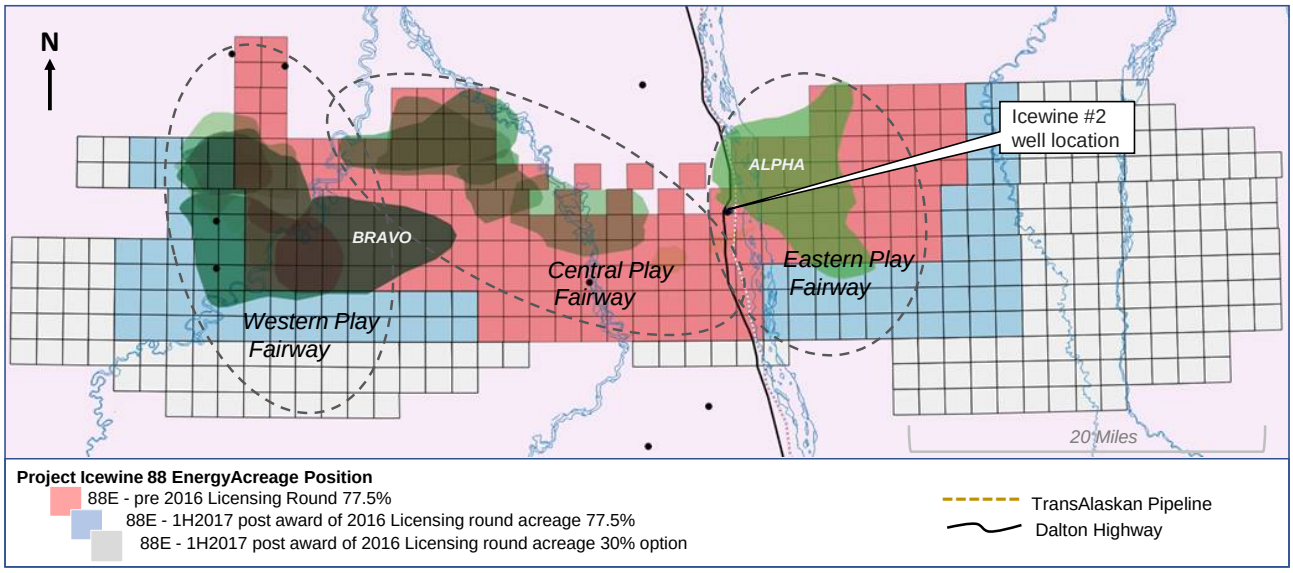
The ACES rebate is to be presented separately and deducted from exploration and evaluation assets. As at 31 December 2016, the rebate is estimated at US$8,660,227 and has been lodged with the Alaska Department of Revenue. The Group believes this amount will be recoverable from the Alaskan Government as a tax rebate in full and will be recognised as a receivable once approval has been received.

The Group has no other contingent assets as at 31 December 2016.

NOTE 22 EVENTS AFTER THE REPORTING DATE

The Company announced that the conventional prospectivity review was complete on January 13, 2017, with additional resource potential identified for conventional leads across Project Icewine acreage. The range of preliminary leads identified in the Brookian and Beaufortian sequences, along with additional mapped leads were matured and now form the basis of a diverse conventional Prospect and Lead inventory across the Project Icewine acreage.

The majority of leads identified are stratigraphic: typically comprising slope apron, basin floor fan systems and turbidites. These leads are within proven play fairways with successful analogues on the North Slope. A number of leads are associated with enhanced seismic amplitudes which is considered promising as it can indicate the presence of hydrocarbons. To further evaluate the enhanced amplitudes, an amplitude versus offset (AVO) analysis was undertaken. AVO response associated with Leads and Prospects is a useful tool as it can be used to rank and de-risk exploration targets.



Prospective Resource potential (conventional only) based on internal estimates totals:

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

Total Resource Potential (conventional only), including previously reported leads:

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

The Directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

NOTE 23 AUDITOR'S REMUNERATION

	2016	2015
	$	$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
Audit and review of the annual and half-year financial report	**45,187**	29,000
Total audit services	**45,187**	29,000
Non-audit services:		
Due diligence services	**-**	-
Total non-audit services	**-**	-
Total auditor remuneration	**45,187**	29,000

NOTE 24 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2016	2015
			%	%
DVM International SARL	Oil exploration	Morocco	**100**	**100**
Fotis Nominees Pty Ltd [(i)]	Investment	Australia	**100**	**100**
Accumulate Energy USA Inc.	Oil exploration	USA	**100**	**100**
Accumulate Energy Alaska Inc.	Oil exploration	USA	**100**	**100**

(i) This subsidiary is dormant.

NOTE 25 PARENT ENTITY

	2016	2015
	$	$
Assets		
Current assets	**25,794,767**	23,559,859
Non-current assets	**26,926,229**	-
Total assets	**52,720,996**	23,559,859
Liabilities		
Current liabilities	**4,882,904**	359,758
Total liabilities	**4,882,904**	359,758

NOTE 25 PARENT ENTITY (CONTINUED)

	2016	2015
	$	$
Equity		
Contributed equity	**125,334,304**	90,654,560
Reserves	**15,391,386**	14,498,135
Accumulated losses	**(92,887,598)**	(82,029,087)
Total equity	**47,838,092**	23,123,608
Loss for the year	**(10,915,089)**	(4,349,396)
Other comprehensive income	**-**	-
Total comprehensive loss	**(10,915,089)**	(4,349,396)

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.

In the Directors' opinion:

a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:

   i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date

b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.

c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Mr Michael Evans
Non-Executive Chairman

16 February 2017

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of 88 Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 88 Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Exploration and Evaluation Assets

Key audit matter	How the matter was addressed in our audit
At 31 December 2016 the carrying value of Exploration and Evaluation Assets was A$38.227 million (2015: A$25.403 million), as disclosed in Note 9. As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.	For exploration assets we have critically evaluated management's assessment of each impairment trigger per AASB 6 Exploration for and Evaluation of Mineral Resources, including but not limited to: • We assessed that the Group had the rights to explore in the relevant exploration area which included obtaining supporting documentation such as licence agreements. Our testing included a sample of leases held to determine that the Group had the rights to tenure and maintains the leases in good standing. • We enquired that management had the intention to carry out exploration and evaluation activity in the relevant exploration area. We also assessed management's cash-flow forecast models to assess the level of the budgeted expenditure on these areas. • We critically assessed whether any data exists to suggest that the carrying value of these exploration and evaluation assets is unlikely to be recovered through development or sale. We considered the accounting treatment and recognition of the A$10.326 million exploration tax credit offset against capitalised exploration and evaluation assets (as disclosed within Note 9) and agreed the balance to external documentation.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 22 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of 88 Energy Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 16 February 2017

The Company's Corporate Governance Statement can be found at the following URL http://88energy.com/wp-content/uploads/2016/06/88E-Corporate-Governance-Statement-1.pdf

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 8 February 2017.

TWENTY LARGEST SHAREHOLDERS

		Number Held	Percentage
1	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	2,734,213,737	65.58
2	ELOTEN GROUP LTD	40,000,000	0.96
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	18,634,164	0.45
4	MR ROSS CHARLES THOMAS	16,000,000	0.38
5	MR ANESTIS LAZARIDIS	15,042,486	0.36
6	ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	13,496,955	0.32
7	MR DAVID JAMES WALL	11,666,666	0.28
8	MR ANDREW PETER LASZCZYK	10,300,000	0.25
9	MR JAMES GRANT ROSS	10,030,000	0.24
10	LINDSAY HOCKING PTY LTD	10,000,000	0.24
11	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	9,556,252	0.23
12	TEVLO PTY LTD <MJ EVANS SUPER ACCOUNT>	8,416,667	0.2
13	CITICORP NOMINEES PTY LIMITED	7,402,587	0.18
14	CADOGAN GROVE PTY LTD <THE WOOD FAMILY S/F A/C>	7,000,000	0.17
15	REGATTA BAY PTY LTD <IAN PASCOE FAMILY A/C>	6,800,000	0.16
16	MR ANTHONY HALL	6,611,955	0.16
17	MR MICHAEL SHANE HUNT	6,300,000	0.15
18	MRS HUA WEI LIANG	6,199,235	0.15
19	MR RAWAND ALI	5,700,000	0.14
20	MONEX BOOM SECURITIES (HK) LTD <CLIENTS A/C>	5,370,675	0.13
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**2,948,741,379**	**70.73**

TWENTY LARGEST LISTED OPTIONHOLDERS

		Number Held	Percentage
1	MR BRIAN EDWARD FENTON	20,701,995	5.01
2	ELOTEN GROUP LTD	20,000,000	4.84
3	MILANTO PTY LTD <MILANTO S/F A/C>	16,000,000	3.87
4	HANDCRAFTED SOFTWARE PTY LTD <STEVEN OVENS A/C>	15,000,000	3.63
5	MEDI HOLDINGS PTY LTD	10,800,000	2.61
6	BKG FENTON PTY LTD <FENTON RETIREMENT FUND A/C>	10,000,000	2.42
7	MR RHETT GLADSTONE MONRO	9,900,000	2.39
8	AJS PREMIUM INVESTMENTS PTY LTD <A J S A/C>	6,751,000	1.63
9	MR THOMAS IAN ROSS	6,000,000	1.45
10	MR JOE AMALFI	5,857,026	1.42
11	MR JULIAN CHARLES RONALD VANCE	5,498,589	1.33
12	MOK PTY LTD	5,410,600	1.31
13	IGNITE INVESTMENTS PTY LTD <IGNITE SUPER FUND A/C>	5,237,640	1.27
14	MRS MARCELLE ANNE RODGERS	5,000,000	1.21
15	MOK PTY LTD	4,639,912	1.12
16	HILLSIDE REALTY PTY LTD	4,300,000	1.04
17	LOOPER GOODWINE P C	4,000,000	0.97
18	MR MICHAEL MCFARLANE	3,500,000	0.85
19	PENINSULA INVESTMENTS (WA) PTY LTD	3,500,000	0.85
20	MRS LENORE THERESA RADONJIC	3,500,000	0.85
Totals: Top 20 holders of LISTED OPTIONS EXPIRING 02/03/2018 @ $0.02 (TOTAL)		**165,596,762**	**40.07**

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 4,169,180,418 fully paid shares held by 5,868 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	384	50,576	0
1,001 - 5,000	350	1,163,544	0.03
5,001 - 10,000	433	3,637,843	0.09
10,001 - 100,000	2,738	126,020,085	3.02
100,001 - 9,999,999,999	1,963	4,038,308,370	96.86
Total	**5,868**	**4,169,180,418**	**100**

(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 541 individual holders.

The number of option holders, by size of holding, is:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	8	2,087	0
1,001 - 5,000	1	3,000	0
5,001 - 10,000	4	35,888	0.01
10,001 - 100,000	159	8,582,783	2.08
100,001 - 9,999,999,999	369	404,835,892	97.91
Total	**541**	**413,459,650**	**100**

(iii) Unlisted Options

- 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.
- 250,000 unquoted options with an exercise price of $0.016 and an expiry of 12 June 2017.
- 1,000,000 unquoted options with an exercise price of $0.014 and an expiry of 2 March 2018
- 13,224,952 unquoted options with an exercise price of $0.016 and an expiry of 31 August 2018
- 45,000,000 unquoted options with an exercise price of $0.015 and an expiry of 18 February 2018
- 62,965,301unquoted options with an exercise price of $0.021 and an expiry of 1 November 2018

RESTRICTED SECURITES

The Company has no Restricted Securities on issue.

SUBSTANTIAL SHAREHOLDERS

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

	Number Held	Percentage
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) 271,119 gross acres (210,250 net acres to 88E). An additional ~420,000 gross acres (~194,000 net acres to 88E) is subject to formal award, which is expected in 2017.

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 2015) 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.