



88 ENERGY LIMITED

(formerly Tangiers Petroleum Ltd)

ABN 80 072 964 179

ANNUAL REPORT
31 DECEMBER 2014

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CORPORATE INFORMATION

DIRECTORS

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

JOINT COMPANY SECRETARIES

Ms Sarah Smith
Ms Amy Just

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRY

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INTERNET ADDRESS

www.88energy.com

ASX CODES

Shares	88E
Options	88EO

LONDON STOCK EXCHANGE - AIM

Shares	88E
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COUNTRY OF INCORPORATION AND DOMICILE

Australia

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CHAIRMAN'S LETTER

Dear Shareholders

It has been a landmark year. The Moroccan project provided a significant challenge for our new MD who rose to the occasion and steered the Company through the ensuing turbulence.

Thanks to David's endeavours we have emerged with a new name, 88 Energy Limited; a new project in Alaska and a recapitalised entity complimented by a Board with in excess of 100 years of oil and gas experience. We look forward with enthusiasm to the future that lies ahead.

The newly acquired Project Icewine on the North Slope of Alaska is a highly leveraged opportunity into which 88 Energy has first mover advantage with ground floor entry and operatorship. It's the type of opportunity a small explorer should identify with if it desires to get on the front foot and make a difference.

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

Significantly, Project Icewine contains two play types that are considered highly prospective with considerable upside. The conventional oil play is ranked number 1 by the US Geological Survey for onshore exploration potential in North America and the unconventional play has an independently estimated gross unrisked mean prospective resource of 492 million barrels of recoverable oil (being up to ~431 million barrels net to the Company based on an 87.5% interest) from 8 billion barrels estimated oil in place¹. Project Icewine's location on the only year round access road, adjacent to the TransAlaska pipeline, means that any success we may have can be quickly monetised.

Frontier exploration by its very nature is characterised by high risk and high rewards. There are no guarantees of success, however your Board is committed to managing 88 Energy with competence and integrity in a way that maximises the opportunity for shareholders to participate in the economic benefits of prudent exploration and development.

On behalf of the Board, I welcome those new shareholders who participated in the recent successful capital raising and thank our existing shareholders for your continued support of the Company.

Yours faithfully,



Michael Evans
Non-Executive Chairman

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

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Overview of Icewine Project

Project Icewine consists of up to 99,360 contiguous acres located onshore on the North Slope of Alaska. The Company will have up to an initial 87.5% working interest in the project (which reduces on spud of the first well on the BEX Leases) and will be Operator. The unconventional potential of the project has an independently estimated gross mean unrisked prospective resource of 492 million barrels of recoverable oil (being up to ~431 million barrels net to the Company based on an 87.5% interest) from 8 billion barrels estimated oil in place².

The primary lease term is 10 years with a base royalty rate of 12.5% (16.5% after vendor ORRI royalty³). The State of Alaska is also offering an 85% cash rebate on exploration activity through calendar year 2015 (reducing to 75% from January 2016 to July 2016 and then 35% thereafter). Combined with the attractive lease term and royalty, the fiscal regime makes Project Icewine very competitive with similar projects in the lower 48 states.

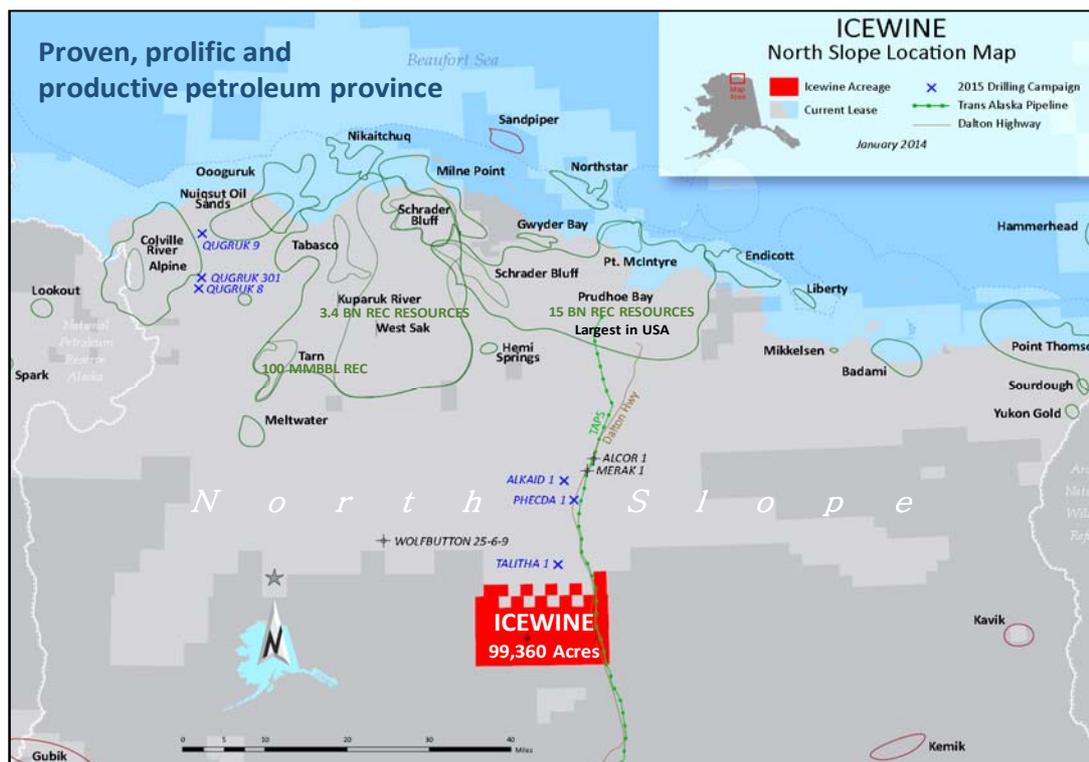


Fig.1 Icewine Project Location

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

Independent Resource Report by DeGolyer and MacNaughton

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

² Refer to the Independent Resource Report in the most recent Prospectus on the Company website for details. Adjusting for the risk of geological success, this equates to a gross mean prospective resource of 200 million barrels of recoverable oil for Project Icewine (~175 million barrels net to the Company based on an 87.5% working interest). The estimates of quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. Prospective resource assessments were estimated using probabilistic methods in accordance with SPE-PRMS standards.

³ Refer to the most recent prospectus on the Company website for details of this overriding royalty interest and associated net profits interest.

OPERATIONS REPORT

Significantly, resource concentration calculations, based on DeGolyer and MacNaughton's prospective resource estimates, as detailed in Table 2 below, outrank on a comparative basis other successful North American shale oil plays supporting a 'best in class' status and highlighting the excellent potential.

TABLE 1: INDEPENDENT ASSESSMENT OF UNCONVENTIONAL PROSPECTIVE RESOURCES⁴

Prospect Icewine: North Slope, Alaska	Gross and Net Estimated Unconventional Prospective Oil Resources: HRZ, Hue, Kingak & Shublik Shales <i>(Source: DeGolyer & MacNaughton as of December 31, 2014 – refer Section Error! Reference source not found.)</i>				
	Unrisked				Risked: (Chance of geologic success 41%)
Estimate (million bbl)	Low	Best	High	Mean	Risked Mean
Gross	244.3	446.4	813.2	492.5	200.3
Net to 88 Energy (WI post award 87.5%)	213.7	390.6	711.5	430.9	175.3

The complete Independent Resource Report can be found in the recent prospectus on the Company's website.

Project Icewine is prospective for two key play types, which are detailed below.

Unconventional (HRZ Primary Target)

The HRZ shale is the primary unconventional shale oil target at Project Icewine.

The HRZ is an already proven and prolific source rock on the North Slope having co-sourced the Prudhoe Bay Oil Field Complex; the largest oil field in North America. Characteristically rich in organic matter the HRZ shale was deposited in a restricted environment within the Cretaceous Seaway (that extended through central North America and subsequently generated many of its prolific onshore source rocks e.g. Eagle Ford).

Unique and significant characteristics of the HRZ shale which differentiate it from other successful shale oil plays include:

- the HRZ organic shale on the North Slope contains a significant airborne glass and ash component contributed by volcanic activity during the time of deposition. This critical volcanic component has the potential to favourably increase the HRZ shale's capacity to retain hydrocarbons as a result of differential compaction and subsequent dissolution;
- differential compaction of the organic shale material on a 30:1 ratio whilst the hard volcanic glass retains its form; and
- subsequent post burial diagenesis, (chemical alteration / dissolution), of the volcanic glass resulted in additional voids/pore space creating enhanced primary porosity in the HRZ shale.

Improved overall porosity will increase the capacity for the HRZ member to retain hydrocarbons, resulting in excellent resource concentration. This resource concentration, or oil in place per acre per foot, is highly correlative to well performance and ultimate recovery when combined with other requisite attributes for a successful shale play. Comparative resource concentration between the Company's primary target, the HRZ, and other successful shale plays is shown below.

Significant factors of note are the excellent porosity (estimated in the DeGolyer and MacNaughton report) and the oil in place per 640 acres. This results in a resource concentration per well that is multiples of the next best shale play in North America, based on likely well spacing. Whilst it stands to reason that the more resource that can be accessed by the well bore, the better the recovery factor, this can only be truly proven by drilling.

⁴ 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.

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TABLE 2: RESOURCE CONCENTRATION DRIVEN BY POROSITY AND NET PAY⁵

Liquids Shale Play	Net Pay (ft)	Porosity (%)	Gross Unrisked Oil In Place* (MMBOE / 640 Acres)	Well Drainage (Acres)	Resource Concentration (In Place MMBOE /Well)
HRZ	173	14	60.01	80	7.5
Bakken	65	5	10.6	160	2.65
Eagle Ford	135	10	46.9	40	2.95

*Based on 43,809 productive acres in Icewine leases for the HRZ shale with a gross unrisked mean prospective original oil in place (OOIP) of 4.1 MMBbls..

Shale oil plays exploit resources generated within the source rock that did not migrate and it is possible, by predictive modelling, to target the most productive part of a shale fairway – the sweetspot. Analysis of fluid composition and reservoir pressure are essential criteria in the assessment of shale, and therefore it is crucial to have a profound understanding of the source rock kinetic model coupled with the regional basin model.

The Company's partner and project generator, BEX, has analysed substantial data over several years to validate the predictive model which suggests that the full ~100,000 acre position at Project Icewine could be in the sweet spot of the play, where recovery factors of >10% have been forecast for other successful liquids rich shale plays in the USA. Additional unconventional potential exists in the overlying Hue shale formation as well as the deeper Kingak and Shublik Shales.

TABLE 3: HRZ MODELLING - ATTRIBUTES OF SUCCESSFUL SHALE OIL PLAYS

Attribute	Comment	Project Icewine Modelling
Burial History and Thermal Maturity	Needs to be volatile oil/wet gas to maximise value of hydrocarbons produced and balance optimal viscosity to increase well performance => Well data (TOC, rock-eval, vitrinite reflectance data) from wells located in and near the Project area confirm a burial history and heat flow model that indicate a depth and maximum bottom hole temperature that correlate to generating the desired ratio of high value liquids	✓
Phase	Liquids must be in gaseous phase in the reservoir to maximise flow rates => unique prospecting tool box developed by Eagle Ford early mover, and the Company's partner, BEX, provide high confidence	✓
Source Rock / Kerogen Type	Must be oil prone – Type I or II => Icewine is organic rich, deep water marine Type II kerogen. Organic matter type also can contribute organic porosity and potentially augments storage potential within the shale	✓

⁵ The estimates of quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. Prospective resource assessments were estimated using probabilistic methods in accordance with SPE-PRMS standards.

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Overpressure	Pressure gradient of >0.5psi/ft required to assist with lift of hydrocarbons and also increase the amount of fluid that can exist as a vapour in the reservoir => petrophysical analysis of bottom seal provided by Pebble Shale indicates >0.55psi/ft	✓
Rock Mechanics	Must be "frackable" i.e. brittle => highly brittle lithology reported in the HRZ/Hue by Great Bear wells on adjacent acreage	✓
Tectonic Setting	Continuity of reservoir => Icewine is outboard of the Brooks Range compressional complex in a structurally simple and tectonically relaxed foreland basin. The simple structuring means greater reservoir continuity and lends itself to horizontal drilling	✓
Total Organic Carbon (TOC)	Decent TOC is required but the amount of hydrogen associated with the carbon is also a critical piece of the puzzle => high TOC (up to 8%) reported in wells from the HRZ/Hue on adjacent acreage	✓

The location of the Icewine Project – on a major access road, adjacent to the TransAlaska pipeline and only 35 miles South of Pump Station 1 – provides both year-round operational access and a direct path to market through existing infrastructure, meaning that commercialisation can occur inexpensively and quickly, on a comparative basis.

Conventional (Brookian)

The Central North Slope is ranked number 1 (excluding reserve areas on the slope) by the USGS (2013) for undiscovered oil resource, with 3.98 billion barrels of estimated mean potential remaining. More than 50% of this is located within the Brookian plays targeted by 88 Energy (2.1 billion barrels).

The main Brookian play is associated with a series of clinoforms, readily observed on regional seismic data and supported by well data, which broadly prograde from West to East across the Central North Slope. Both source rock and potential reservoir rocks occur within the clinoforms. Several clinoforms extend through the Project Icewine acreage as can be seen in the schematic cross-section below. 1.6 billion barrels of remaining potential is estimated in this clinoform play alone, across the Central North Slope, which is ranked in isolation as number 2 against the Top 10 US provinces for remaining undiscovered oil potential (USGS, 2013).

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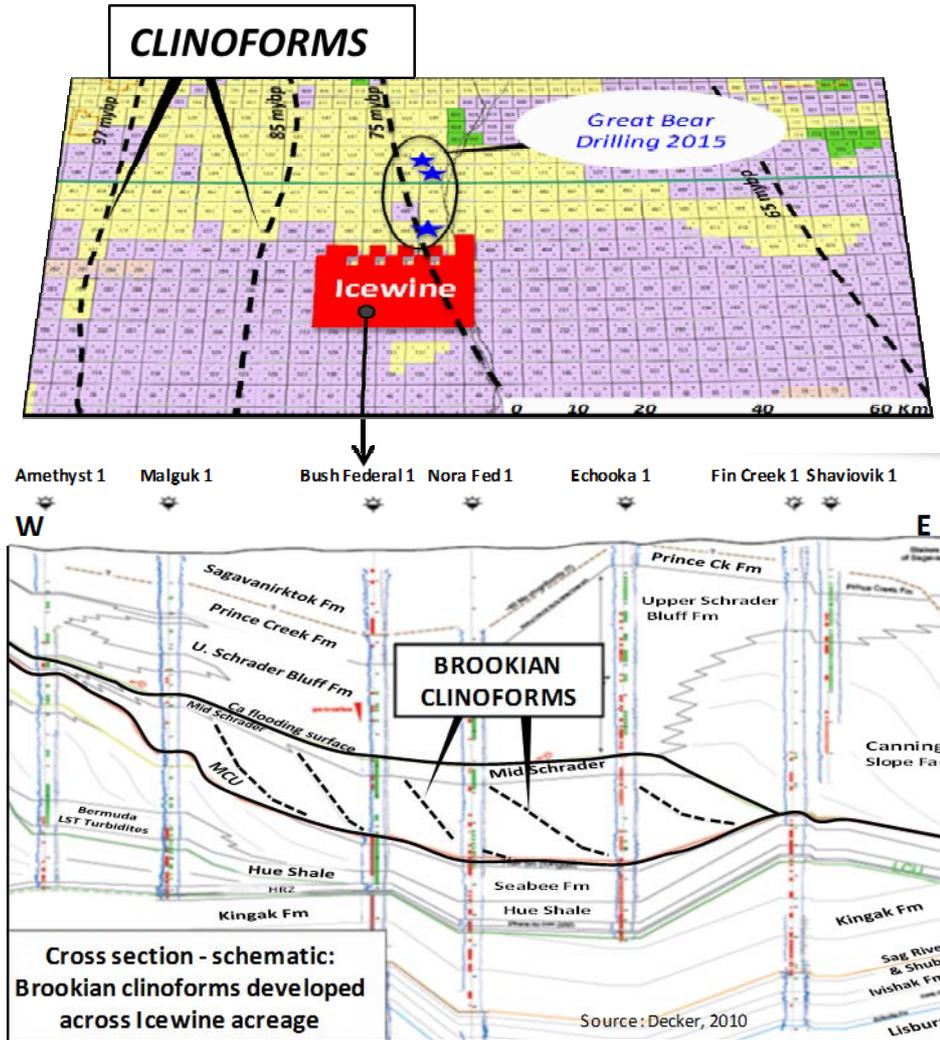


Fig.2 Project Icewine: Brookian Clinoform Locations

The conventional petroleum system within the Brookian sequence includes the HRZ source rock which produces a high quality, light sweet crude. The prolific Kingak and Shublik source rocks may also provide charge. The primary conventional target reservoir is deepwater turbidite sands deposited during the era of the Cretaceous Western Interior Seaway. Due to the highly prolific nature of the source rocks on the Slope, these reservoirs are generally filled to spill on discovery. The Brookian turbiditic sands have good reservoir characteristics with high porosity and permeability making them excellent producers.

Until recently, accurate mapping of these turbidite sands was hampered by poor seismic data quality due to noise resulting from the thick permafrost and gas hydrate layers on the Slope. The advent of improved seismic processing & technology has seen a renaissance in this particular play with a >60% success rate from exploration drilling when mapped using modern 3D seismic data.

Three wells testing the Brookian play on adjacent acreage are planned to commence in first half 2015, the closest of which is less than 3 miles from the northern boundary of Project Icewine (Talitha-2, refer Fig. 2 above).

Forward Plan

The initial work program is focused on moving the Project forward towards drilling of the first well and/or attracting a farm-in partner in the near to medium term. The estimated CY2015 budget of US\$2.1m comprises of mainly permitting and planning work associated with the drilling of at least one well and acquisition of new 3D seismic.

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DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2014.

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.

Names, qualifications, experience and special responsibilities

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

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

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

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

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

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

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

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

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

Sarah specialises in corporate advisory, company secretarial and financial management services. Sarah's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Sarah is a Chartered Accountant, and has acted as the Company Secretary of a number of ASX listed companies. Prior to joining Grange, Sarah started her career in the Perth office of RSM Bird Cameron where she spent several years in their accounting and business services division.

DIRECTORS' REPORT

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

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

Ms Eve Howell (Executive Chairman, resigned 4 February 2014)

Ms Howell is an experienced explorationist, executive and company director having worked over 40 years in the oil and gas industry. Ms Howell had previous senior roles with Woodside Energy Ltd and Apache Energy Ltd. With the former, she was Executive Vice President Northwest Shelf as well as CEO of the North West Shelf Project (Australia's largest resource project). She worked for 17 years for Apache Energy in senior roles in exploration and business development and as Managing Director. Ms Howell holds a B.Sc in Geology and Mathematics and an MBA. She is also a Non-executive Director of ASX listed Downer EDI Ltd and Mermaid Marine Australia Ltd.

Mr Max de Vietri (Non-Executive Director, resigned 4 February 2014)

Mr de Vietri is a graduate geologist with 38 years of international experience. He has been instrumental in finding and championing the evaluation of significant hydrocarbon and mineral discoveries. He is an Officer of the National Order of Merit for the Islamic Republic of Mauritania, awarded in recognition of his inaugural efforts in starting the petroleum industry in Mauritania. Mr de Vietri is the Honorary Consul of the Republic of Mali in Perth awarded in recognition for his successful efforts in establishing the country as a petroleum province. Mr de Vietri has a Graduate Diploma in Business and is a Master in International Relations. He is currently completing a research doctorate in Political Science.

Ms Iva Stejskal (Manager –Corporate & Legal, appointed 14 January 2013 / Joint Company Secretary, appointed 26 June 2013, resigned 13 June 2014)

Ms Stejskal has 10 years' experience as a lawyer and most recently worked for the Oyu Tolgoi copper and gold mine project in Mongolia. Prior to this, she worked as legal counsel for Roc Oil Company, based in Sydney. Her expertise includes resources, international and company law. Iva holds a law degree from Murdoch University, Western Australia. Iva also holds a PhD in marine biology from Queensland University and worked for Woodside and Apache Energy for 15 years in an environmental capacity.

Mr Robert Dalton (Chief Financial Officer / Joint Company Secretary, appointed 21 February 2013, resigned 1 September 2014)

Mr Dalton is a Chartered Accountant with over 13 years of experience in accounting and finance roles. He commenced his career at an international accounting firm and has since gained significant resources experience with Australian and International listed companies.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Number of Ordinary Shares	Number of Options over Ordinary Shares
David Wall	9,666,666	27,125,000
Michael Evans	8,416,667	11,125,000
Brent Villemarette	1,221,222	6,000,000
Stephen Staley	5,816,667	8,825,000

JOINT COMPANY SECRETARIES

Ms Sarah Smith (appointed 1 September 2014)
Ms Amy Just (appointed 1 September 2014)
Mr Robert Dalton (resigned 1 September 2014)
Ms Iva Stejskal (resigned 13 June 2014)

DIRECTORS' REPORT

DIVIDENDS

No dividends were paid or recommended during the year.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

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

Project Icewine

On 20 November 2014, the Company announced the acquisition of Project Icewine, comprising an initial 87.5% working interest in 99,360 contiguous acres located onshore on the prolific North Slope of Alaska, USA. Terms of the acquisition are as follows:

- The Company (through its US Partner, Burgundy Xploration) was announced high bidder on 90,720 acres in the November state lease sale for the North Slope of Alaska.
- Upon formal award (expected Q2 2015), the Company is to become operator with an initial 87.5% working interest over a total of 99,360 acres (86,940 acres net to the Company).

The primary term for the State leases is 10 years with no mandatory relinquishment and a 16.5% royalty. Generous exploration incentives are provided by the State of Alaska with up to 85% of exploration expenditure in 2015 cash refundable, dropping to 75% until mid 2016 and thereafter 40%.

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

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

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

A Prospective Resources Report by DeGolyer and MacNaughton was commissioned by the Company to evaluate the unconventional resource potential of Project Icewine in early December 2014 and was released to the market on 19 January 2015.

At 31 December 2014, the Company had paid approximately A\$605,000 as a refundable 20% deposit to secure Project Icewine. This A\$605k has been recorded as a deposit at 31 December 2014.

Tarfaya Offshore Block – Morocco

The exploration well, TAO-1, in the Tarfaya Offshore Block, Morocco commenced drilling on 26 June 2014 and was declared unsuccessful on 4 August 2014, having failed to encounter quality reservoir or significant hydrocarbon indications at either the secondary objective, Assaka, or the primary objective, Trident.

The Company finalised its financial obligations in relation to the drilling of the TAO-1 well, being a total of US\$18.56m, in Q3 2014 from existing cash reserves.

After an internal strategic review, and as part of the finalisation of its obligations, the Group through its wholly owned subsidiary DVM International SARL ("DVM") has undertaken to exit the Tarfaya Offshore Block either: by assigning its 25% interest to Galp Energia (Galp), the Group's partner and the Operator of the block or by withdrawal when the permit expires in February 2015.

DIRECTORS' REPORT

Under an agreement with Galp, if the exit has not been completed by the 19th September 2015 (or later as mutually agreed), DVM is liable to Galp for US\$3.4m. Given that the permit expired in February 2015, but was extended by Galp to November 2015, and DVM did not elect to participate in the extension, the Board is confident that the contingent liability in DVM has a low chance of realisation. Assignment or withdrawal is subject to the normal approvals process by the Moroccan Government and the Office National des Hydrocarbures et des Mines (ONHYM).

The Group has also agreed a payment to Galp of US\$3.4m, in shares or cash, if the market capitalisation of the Group exceeds US\$50m within seven years of the agreement. This payment will also be required if the Group delists for any reason, such as due to a change of control.

At the date of this report, the planned exit from the Tarfaya Offshore Block has moved forward considerably and the Group anticipates finalisation of the assignment of its working interest in the near term. All documents to effect the assignment have been executed by ONHYM, Galp, and DVM, with only Ministerial execution required. Pre-approval by the Minister has been granted and execution is expected prior to mid 2015.

All costs relating to the TAO-1 well have been written off to the Statement of Comprehensive Income at 31 December 2014.

Australia

On 13 January 2014, the Company announced that National Offshore Petroleum Titles Administrator ("NOPTA") had formally indicated that no further extensions of time would be granted for WA-442-P and NT/P81. On 24 March 2013, the Company announced that it had received notification from NOPTA that both WA-442-P and NT/P81 had been cancelled.

Financial

The loss for the year was \$27,713,105 (2013: \$6,891,580). This included exploration expenditure written off of \$20,229,361 (2013: \$2,112,508) in respect of TAO-1 well costs and share-based payment expense of \$1,716,426 (2013: \$604,843).

At the end of the financial year, the Group had cash on hand of \$805,210 (2013: \$6,089,313), net assets of \$1,348,572 (2013: \$16,653,363) and current liabilities of \$393,933 (2013: \$915,761).

During the year, the Company raised approximately \$10.7m net of costs through the issue of new Shares.

Future Strategy

Following the completion of the acquisition of Project Icewine expected in Q2 2015, the Company will commence Project Icewine exploration activities while continuing to review any other opportunities that may arise.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 12 February 2015, the Company received shareholder approval to:

- Dispose of its main undertaking;
- Significantly change its scale of activities; and
- Change its name from Tangiers Petroleum Ltd to 88 Energy Ltd (which was affected 26 February 2015.)

On 18 February 2015, the Company announced completion of a placement to raise \$6.91m before costs ("Placement"). The Placement of approximately 691 million shares was undertaken at 1 cent per share. Placement participants also received one free attaching listed option for every two Placement shares, with the options exercisable at 2 cents and expiring 1 March 2018. Funds raised pursuant to the Placement will be used by the Company to complete the acquisition of Project Icewine, progressing exploration at Project Icewine, and working capital.

On 6 March 2015, the Company announced the cancellation of the 5,500,000 Share Plan shares held by Mr Michael Evans and Mr David Wall.

On 17 March 2015, the Company announced the issue of 2,000,000 ordinary shares and 28,000,000 listed options exercisable at \$0.02 on or before 2 March 2018 as consideration for various services received. The Company also

DIRECTORS' REPORT

announced the issue of 3,000,000 unlisted options exercisable at \$0.015 on or before 18 February 2018 to employees under the Company's Option Plan.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Following the completion of the acquisition of Project Icewine expected in Q2 2015, the Company will commence Project Icewine exploration activities while continuing to review any other opportunities that may arise.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

SHARE OPTIONS

Unissued shares

As at 31 December 2014, the following Company options were on issue:

	Number	Exercise Price	Expiry Date
	500,000	\$0.50	2 April 2015
	3,274,124	\$0.60	2 April 2015
	3,500,000	\$0.70	2 April 2015
	300,000	\$0.50	10 April 2016
	213,733	£0.256 (A\$0.393)	19 November 2015
	487,230	£0.242 (A\$0.383)	19 November 2015
	2,000,000	\$0.28	26 November 2015
	3,000,000	\$0.28	26 November 2015
	1,500,000	\$0.28	26 November 2015
	2,500,000	\$0.45	31 March 2016
	2,500,000	\$0.45	31 October 2016
	1,000,000	\$0.42	12 June 2017
	2,000,000	\$0.28	12 June 2017
	1,000,000	\$0.30	22 April 2016
	250,000	\$0.16	12 June 2017
	12,000,000	\$0.01	22 October 2017
Total	36,025,087		

Between 31 December 2014 and the date of this report, the Company issued the following options:

	Number	Exercise Price	Expiry Date
	403,659,669	\$0.02	2 March 2018
	20,000,000	\$0.014	2 March 2018
	45,000,000	\$0.015	18 February 2018
	3,000,000	\$0.015	18 February 2018
Total	471,659,669		

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.

DIRECTORS' REPORT

Shares issued as a result of the exercise of options

The Company issued 6,540,909 shares on the exercise of options during the year as follows:

Terms of Exercised Options			
Exercise Price	Expiry Date	Exercise Date	Number of Shares Issued
\$0.22	19 July 2014	18 June 2014	227,273
\$0.16	12 June 2017	18 June 2014	620,000
\$0.16	12 June 2017	20 June 2014	1,880,000
\$0.16	12 June 2017	26 June 2014	620,000
\$0.16	12 June 2017	2 July 2014	1,000,000
\$0.16	12 June 2017	11 July 2014	1,400,000
\$0.22	19 July 2014	11 July 2014	363,636
\$0.16	12 June 2017	18 July 2014	430,000
			6,540,909

There were no options exercised between 31 December 2014 and the date of this report.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the year ended 31 December 2014, 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. Due to a confidentiality clause in the contract, the amount of the premium has not been disclosed.

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

DIRECTORS' MEETINGS

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

Number of meetings held and attended:	Directors' Meetings	
	Eligible	Attended
Michael Evans	6	6
Brent Villemarette	6	6
Stephen Staley	6	6
David Wall	5	5
Iva Stejskal	4	4
Max De Vietri	1	1
Rob Dalton	5	5
Eve Howell	1	1

COMMITTEE MEMBERSHIP

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

CORPORATE GOVERNANCE

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

DIRECTORS' 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.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

The Company's auditor received \$14,500 in relation to non-audit, due diligence services performed during the year (2013: nil).

REMUNERATION REPORT (Audited)

This remuneration report for the year ended 31 December 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* ("the Act") and its Regulations. This information has been audited as required by section 308(3C) of the Act.

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

Details of Key Management Personnel

Directors

Mr David Wall - Managing Director - *Appointed 15 April 2014*

Mr Michael Evans – Chairman - *Appointed 9 April 2014*

Mr Brent Villemarette – Director - *Appointed 27 October 2010*

Dr Stephen Staley - *Appointed 9 April 2014*

Ms Eve Howell – Chairman - *Resigned 4 February 2014*

Mr Max de Vietri - *Appointed 7 September 2012, Resigned 4 February 2014*

Other Key Management Personnel

Robert Dalton – Chief Financial Officer - *Appointed 12 November 2012/ Joint Company Secretary – Appointed 21 February 2013, resigned 1 September 2014*

Iva Stejskal – General Manager – Corporate and Legal - *Appointed 14 January 2013 / Joint Company Secretary – Appointed 26 June 2013, resigned 13 June 2014*

Remuneration Philosophy

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

Remuneration Policy

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

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

Company Performance, Shareholder Wealth and Director and Executive Remuneration

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

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

Company Performance

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

DIRECTORS' REPORT

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

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Loss before income tax	(27,713,105)	(6,891,580)	(4,771,796)	(5,281,713)	(1,731,782)
Loss per share (cents)	(9.65)	(3.85)*	(3.36)*	(5.18)*	(1.56)*
Last share price at Balance Date	\$0.01	\$0.23	\$0.29	\$0.60	\$0.25
Market capitalisation	\$4.5m	\$40.15m	\$37.82m	\$52.65m	\$20.48m

* The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.138 to reflect the bonus element of the 18 February 2015 share placement where placement participants received one free attaching listed option for every two placement shares.

Remuneration Committee

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

Non-Executive Director Remuneration

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

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

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

Executive Director & Other Key Management Personnel Remuneration

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

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

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

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

- Fixed Remuneration – base salary
- Variable Short Term Incentives
- Variable Long Term Incentives

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

i) **Fixed Remuneration – Base Salary**

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

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

DIRECTORS' REPORT

ii) **Variable Remuneration – Short Term Incentives (STI)**

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable.

iii) **Variable Remuneration – Long Term Incentives (LTI)**

In June 2014 the Company established the 88 Energy Ltd Share Plan, which applies to all directors and executives of the Company, to link rewards of key management personnel to Company performance.

During the year, long term incentives have been provided to directors and employees through the issue of deferred shares pursuant to the Share Plan and also through the issue of options, the details of which are set out in Tables 2 and 5 below, respectively.

The Company did not have a share option plan in place at 31 December 2014 or throughout the year. Accordingly, options issued during the year were not issued under a plan.

Service Agreements

Remuneration arrangements for KMP are formalised in employment agreements, the details of which are below.

Director service agreements:

Name	Term of agreement	Base salary including superannuation	Termination benefit
D Wall (Managing Director)	No set term	\$295,650	None
M Evans (Non-Executive Chairman)	No set term	\$76,650	None
B Villemarette (Non-Executive Director)	No set term	\$54,750	None
S Staley (Non-Executive Director)	No set term	\$54,750	None

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

- Mr Brent Villemarette has a consultancy agreement for a maximum term of 3 years commencing 24 September 2014. The agreement may be terminated at any time by either party giving a minimum 14 days' written notice. There are no termination benefits payable. In accordance with the agreement, Mr Villemarette is to receive \$2,000 per week (equivalent to \$8,000 per calendar month) based on a 20 hour work week, exclusive of GST. The Managing Director must pre-approve any time worked above the 20 hours per week.
- Dr Stephen Staley has a consultancy agreement for an indefinite term commencing 2 November 2012. The agreement may be terminated at any time by either party giving three months clear notice. There are no termination benefits payable. In accordance with the agreement, Dr Staley is to receive a minimum fee of £4,630.40 per calendar month, plus Value Added Tax or other sales tax if applicable, based on 5 working days per month. Any work that is carried out by the Consultant in excess of 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 per day.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Remuneration of key management personnel of the Company and the Group

Table 1: Remuneration for the years ended 31 December 2014 and 31 December 2013:

		Short-term benefits		Long-term benefits		Post-Employment	Share Based Payments		Total	% Performance Related	% Option Related	
		Salary & Fees	Cash Bonus	Non Monetary Benefits	LTI	Super-annuation	Retire-ment	Options				Rights to Deferred Shares ¹¹
Directors												
M Evans ¹	2014	73,396	-	-	-	34,308	-	60,342	105,842	273,888	61%	61%
	2013	-	-	-	-	-	-	-	-	-	-	-
B Villemarette	2014	223,328	-	-	-	1,187	-	-	-	224,515	-	-
	2013	240,000	-	-	-	-	-	-	-	240,000	-	-
S Staley ²	2014	40,921	-	-	-	-	-	275,600	-	316,521	87%	87%
	2013	-	-	-	-	-	-	-	-	-	-	-
D Wall ³	2014	283,395	-	-	-	17,760	-	-	385,138	686,293	56%	56%
	2013	-	-	-	-	-	-	-	-	-	-	-
E Howell ⁴	2014	110,431	-	-	-	-	-	-	-	110,431	-	-
	2013	250,000	-	19,514	-	-	-	206,229*	-	475,743	43%	43%
M de Vietri ⁵	2014	10,315	-	-	-	809	-	-	-	11,124	-	-
	2013	125,450	-	-	-	4,563	-	103,114*	-	233,127	44%	44%
Other key management personnel												
R Dalton ⁶	2014	162,388	10,000	-	-	11,785	-	-	-	184,173	5%	-
	2013	169,851	17,000	3,291	-	17,072	-	-	-	207,214	8%	-
I Stejskal ⁷	2014	247,944	34,000	-	-	24,718	-	-	-	306,662	11%	-
	2013	232,174	24,000	(165)	-	21,196	-	-	-	277,205	9%	-
M Hildick-Pytte ⁸	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	32,250	-	-	-	-	-	-	-	32,250	-	-
K Tan ⁹	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	54,920	-	-	-	2,880	-	-	-	57,800	-	-
Total	2014	1,152,118	44,000	-	-	90,567	-	335,942	490,980	2,113,607	41%	39%
	2013	1,104,645	41,000	22,640	-	45,711	-	309,343	-	1,523,339	23%	20%

DIRECTORS' REPORT

¹ Non-Executive Chairman, appointed 9 April 2014.

² Non-Executive Director, appointed 9 April 2014.

³ Managing Director, appointed 15 April 2014.

⁴ Resigned 4 February 2014.

⁵ Resigned 4 February 2014.

⁶ Resigned 1 September 2014.

⁷ Resigned 13 June 2014.

⁸ Resigned 22 February 2013.

⁹ Resigned 18 February 2013.

¹⁰ Bonuses paid were discretionary annual bonuses paid in relation to overall employee performance during the year.

¹¹ Rights to deferred shares arise in respect to shares issued under the Company's Share Plan ("SP"). The value of these rights is expensed pro-rata over the expected vesting period.

* These balances include 2,000,000 vested options and 2,333,333 options issued to EMR Resources, in which Ms Howell has a beneficial interest. 1,000,000 of these options vest when two material assets are acquired within the option period, these options have not legally vested as two material assets have not been acquired. The remainder vested immediately but are subject to escrow.

** These balances include 1,000,000 vested options and 1,166,667 options issued to EMR Resources, in which Mr de Vietri has a beneficial interest. 500,000 of these options vest when two material assets are acquired within the option period, these options have not legally vested as two material assets have not been acquired. The remainder vested immediately but are subject to escrow.

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

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DIRECTORS' REPORT

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

	Year awarded	No. Awarded	Award date	Fair value per share at award date ¹ (\$)	Total fair value at award date (\$)	Vested %	Vested no.	Forfeited ² %	Financial years in which shares are expected to vest	Pro-rata expense recorded at 31 Dec 2014	Remaining pro-rata expense
Directors											
M Evans	2014	1,000,000	12-Jun-2014	\$0.1954	\$195,400	-	-	-	2015	\$105,842	-
										-	\$89,558
D Wall	2014	1,500,000	12-Jun-2014	\$0.0870	\$130,500	-	-	-	2016	\$130,500	-
										-	-
	2014	1,500,000	12-Jun-2014	\$0.0780	\$117,000	-	-	-	2016	\$117,000	-
										-	\$48,414
										-	\$42,362
	2014	1,500,000	12-Jun-2014	\$0.1694	\$254,100	-	-	-	2015	\$137,638	-
											\$116,462
Other key management personnel											
R Dalton	2014	250,000	12-Jun-2014	\$0.1694	\$42,350	-	-	100%	-	-	-

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

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

	No. Awarded	Vesting conditions ³
Directors		
M Evans	1,000,000	The Shares will vest 1 year from the award date.
D Wall	1,500,000	The following occurring: <ul style="list-style-type: none"> Completion of at least 1 transaction (including a farm-in or farm-out or other similar dealing); and A price increase in the Shares of at least 50% during the 12 months after the date of the transaction (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	The following occurring: <ul style="list-style-type: none"> Continuous employment with the Company for at least 6 months from the award date; Completion of at least 1 transaction (including a farm-in or farm-out or other similar dealing); and A price increase in the Shares of at least 75% during the 12 months after the award date (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	The Shares will vest 1 year from the award date, subject to continuous employment during that time.
Other key management personnel		
R Dalton	250,000	The Shares will vest 1 year from the award date, subject to continuous employment during that time.

² 250,000 shares having a total value of \$42,350 were issued to Robert Dalton during the 2014 year. As Mr Dalton resigned prior to the vesting of these shares, no expense has been recorded at 31 December 2014. The value of the forfeited shares was \$42,350.

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

DIRECTORS' REPORT

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

	Year awarded	Options awarded (no.)	Award date	Fair value per option at award date (\$)	Total fair value at award date (\$)	Expected vesting ¹	Exercise price	Expiry date	No. vested during year	No. expired during year	No. forfeited during year
Directors											
M Evans	2014	1,000,000	12-Jun-2014	\$0.1114	\$111,400	12-Jun-2015	\$0.42	12-Jun-2017	-	-	-
S Staley	2014	2,000,000	12-Jun-2014	\$0.1378	\$275,600	12-Jun-2014	\$0.28	12-Jun-2017	2,000,000	-	-
B Villemarette	2011	1,500,000	2-Dec-2011	\$0.4900	\$735,000	- ²	\$0.60	16-Dec-2014	-	1,500,000	-
E Howell	2012	3,333,333	16-Nov-2012	\$0.2406	\$802,000	16-Nov-2012	\$0.28	26-Nov-2015	-	-	-
	2012	1,000,000	16-Nov-2012	\$0.2406	\$240,600	- ³	\$0.28	26-Nov-2015	-	-	-
M de Vietri	2012	1,666,667	16-Nov-2012	\$0.2406	\$401,000	16-Nov-2012	\$0.28	26-Nov-2015	-	-	-
	2012	500,000	16-Nov-2012	\$0.2406	\$120,300	- ³	\$0.28	26-Nov-2015	-	-	-

¹Vesting conditions of the above options are as follows:

	Options awarded (no.)	Nature of holding	Vesting conditions ⁴	Expense recorded during the year ⁵	Maximum value yet to vest
Directors					
M Evans	1,000,000	Direct	The Options will vest 1 year from the award date	\$60,342	\$51,058
S Staley	2,000,000	Direct	None	\$275,600	-
B Villemarette	1,500,000	Direct	Share price exceeds \$1.20 for 5 consecutive days.	-	-
E Howell	2,000,000	Direct	None	-	-
	1,333,333	Indirect – EMR Resources P/L	None	-	-
	1,000,000	Indirect – EMR Resources P/L	Subject to the Company acquiring two additional Material Assets in Africa during the term of the options.	-	-
M de Vietri	1,000,000	Direct	None	-	-
	666,667	Indirect – EMR Resources P/L	None	-	-
	500,000	Indirect – EMR Resources P/L	Subject to the Company acquiring two additional Material Assets in Africa during the term of the options.	-	-

² N/A, lapsed during the year.

³ These options vest when two material assets are acquired within the option period, these options have not legally vested as two material assets have not been acquired. They are not expected to vest prior to their expiry on 26 November 2015. ⁴ Issued as an incentive for future performance with no performance conditions, unless otherwise stated.

⁵ There were no options issued to directors/key management personnel in prior years which vested in the current year, and there is no pro-rata expense to be recorded in relation to options issued in previous years.

Shares issued on exercise of options

There were no remuneration options exercised during the financial year.

DIRECTORS' REPORT

Table 4: Shareholdings of key management personnel during the year ended 31 December 2014

Shares held in the Company (number)

	Balance at beginning of year	Balance at appointment/ (resignation) date	Placement participation	Balance at end of year
Directors				
M Evans	-	-	4,166,667	4,166,667
S Staley	-	-	4,166,667	4,166,667
B Villemarette	1,221,222	-	-	1,221,222
D Wall	-	-	5,416,666	5,416,666
E Howell	2,000,040	(2,000,040)	-	-
M de Vietri	250,000	(250,000)	-	-
Other key management personnel				
R Dalton	19,268	(19,268)	-	-
I Stejskal	-	-	-	-
M Hildick-Pytte	-	-	-	-
K Tan	-	-	-	-
Total	3,490,530	(2,269,308)	13,750,000	20,471,222

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DIRECTORS' REPORT

Table 5: Option and rights holdings of key management personnel during the year ended 31 December 2014

	Balance at beginning of year	Balance at appointment/ (resignation) Date	Rights to deferred shares Granted as remuneration	Options Granted as remuneration	Expired	Balance at end of year	Vested at 31 December 2014		
							Exercisable	Not Exercisable	Total
Directors									
M Evans	-	-	1,000,000	1,000,000	-	2,000,000	-	2,000,000	2,000,000
S Staley	-	-	-	2,000,000	-	2,000,000	2,000,000	-	2,000,000
B Villemarette	1,500,000	-	-	-	(1,500,000)	-	-	-	-
D Wall	-	-	4,500,000	-	-	4,500,000	-	4,500,000	4,500,000
E Howell	4,333,333	(4,333,333)	-	-	-	-	-	-	-
M de Vietri	2,166,667	(2,166,667)	-	-	-	-	-	-	-
Other key management personnel									
R Dalton	-	-	-	-	-	-	-	-	-
I Stejskal	-	-	-	-	-	-	-	-	-
M Hildick-Pytte	-	-	-	-	-	-	-	-	-
K Tan	-	-	-	-	-	-	-	-	-
Total	8,000,000	(6,500,000)	5,500,000	3,000,000	(1,500,000)	8,500,000	2,000,000	1,000,000	8,500,000

Loans to Key Management Personnel

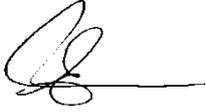
There are no loans between the entity and key management personnel.

Other transactions with Key Management Personnel and their related parties

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

DIRECTORS' REPORT

Signed in accordance with a resolution of the directors.



Mr Michael Evans
Non-Executive Chairman
30 March 2015

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Auditor's Independence Declaration to the Directors of 88 Energy Limited (formerly Tangiers Petroleum Limited)

In relation to our audit of the financial report of 88 Energy Limited (formerly Tangiers Petroleum Limited) for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
30 March 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$	2013 \$
Income	3(a)	175,848	505,937
Administrative expenses	3(b)	(2,858,366)	(2,549,059)
Occupancy expenses		(1,028,345)	(616,565)
Employee benefit expenses	3 (c)	(1,179,662)	(1,022,062)
Share-based payment expense	17	(1,716,426)	(604,843)
Depreciation and amortisation expense		(25,654)	(24,933)
Exploration expenditure expensed as incurred		(400,717)	(172,818)
Exploration expenditure written off	10	(20,229,361)	(2,112,508)
Impairment of available-for-sale investments		-	(230,782)
Loss on sale of available-for-sale investments		(14,216)	(63,120)
Interest expense		(89)	(827)
Foreign exchange losses		(436,117)	-
Loss before income tax		(27,713,105)	(6,891,580)
Income tax expense	4	-	-
Net loss attributable to members of the parent		(27,713,105)	(6,891,580)
Other comprehensive income for the year			
Other comprehensive income to be recycled to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments (net of tax)		(60,061)	60,061
Total comprehensive loss for the year		(27,773,166)	(6,831,519)
Basic and diluted loss per share (cents)	5	(9.65)	(3.85)*

* The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.138 to reflect the bonus element of the 18 February 2015 share placement where placement participants received one free attaching listed option for every two placement shares.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	805,210	6,089,313
Other receivables	7	266,284	121,212
Total Current Assets		1,071,494	6,210,525
Non-Current Assets			
Plant and equipment	8	23,590	49,243
Other financial assets	9	42,726	3,566,500
Exploration and evaluation expenditure	10	-	7,742,856
Other assets	11	604,695	-
Total Non-Current Assets		671,011	11,358,599
TOTAL ASSETS		1,742,505	17,569,124
LIABILITIES			
Current Liabilities			
Trade and other payables	12	393,933	915,761
Total Current Liabilities		393,933	915,761
TOTAL LIABILITIES		393,933	915,761
NET ASSETS		1,348,572	16,653,363
EQUITY			
Contributed equity	13(a)	67,985,300	55,889,563
Shares reserved for share plans	13(a)	(1,667,500)	-
Reserves	13(b)	12,741,333	10,761,256
Accumulated losses		(77,710,561)	(49,997,456)
TOTAL EQUITY		1,348,572	16,653,363

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued capital \$	Shares reserved for share plan \$	Share based payment reserve \$	Available-for- sale investments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2013	49,196,225	-	10,096,102	-	(43,105,876)	16,186,451
Loss for the year	-	-	-	-	(6,891,580)	(6,891,580)
Other comprehensive income	-	-	-	60,061	-	60,061
Total comprehensive loss for the year, net of tax	-	-	-	60,061	(6,891,580)	(6,831,519)
Shares issued during the year	7,063,943	-	-	-	-	7,063,943
Share-based payments	-	-	605,093	-	-	605,093
Equity raising costs	(370,605)	-	-	-	-	(370,605)
Balance at 31 December 2013	55,889,563	-	10,701,195	60,061	(49,997,456)	16,653,363
Balance at 1 January 2014	55,889,563	-	10,701,195	60,061	(49,997,456)	16,653,363
Loss for the year	-	-	-	-	(27,713,105)	(27,713,105)
Other comprehensive loss	-	-	-	(60,061)	-	(60,061)
Total comprehensive loss for the year, net of tax	-	-	-	(60,061)	(27,713,105)	(27,773,166)
Shares issued during the year	14,412,255	(1,751,600)	-	-	-	12,660,655
Shares cancelled	(84,100)	84,100	-	-	-	-
Share-based payments	-	-	2,040,138	-	-	2,040,138
Equity raising costs	(2,232,418)	-	-	-	-	(2,232,418)
Balance at 31 December 2014	67,985,300	(1,667,500)	12,741,333	-	(77,710,561)	1,348,572

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Interest received		175,848	69,331
Payments to suppliers and employees		(6,386,643)	(3,686,428)
Net cash flows used in operating activities	6	(6,210,795)	(3,617,097)
Cash flows from investing activities			
Payments for exploration and evaluation activities		(9,300,344)	(707,045)
Project Icewine deposit		(604,695)	-
Payments for plant and equipment		-	(30,467)
Loans to other entities		(300,000)	-
Loans repaid by other entities		300,000	-
Purchase of available-for-sale investments		-	(609,402)
Proceeds from sale of available-for-sale investments		79,248	221,495
Net cash flows used in investing activities		(9,825,791)	(1,125,419)
Cash flows from financing activities			
Proceeds from issue of shares		11,100,374	7,063,943
Share issue costs		(347,891)	(370,605)
Net cash flows from financing activities		10,752,483	6,693,338
Net increase/(decrease) in cash and cash equivalents		(5,284,103)	1,950,822
Effects of exchange rate changes on cash and cash equivalents		-	(36,419)
Cash and cash equivalents at beginning of year		6,089,313	4,174,910
Cash and cash equivalents at end of year	6	805,210	6,089,313

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

The financial report of 88 Energy Limited (formerly Tangiers Petroleum Ltd) for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 30 March 2015.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

- (i) Changes in accounting policy and disclosure

Except as disclosed below, accounting policies are consistent with the prior year. From 1 January 2014, the Group has adopted the Standards and Interpretations effective from 1 January 2014, including:

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

Adoption of all Standards and Interpretations that are effective from 1 January 2014 did not have any effect on the financial position or performance of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	<i>Financial Instruments</i>	<p>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 single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised</p>	The Company has not yet determined the likely impact on the Company's financial statements.	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 2014-1 PART A	Annual Improvements to IFRS 2010–2012 Cycle	<p>This standard sets out amendments to Accounting Standards made during the International Accounting Standards Board's Annual Improvements process. The following items are addressed by this standard:</p> <ul style="list-style-type: none"> ▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ▶ IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ▶ IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. 	The Company has determined the likely impact on the Company's financial statements will be not material.	1 January 2015
AASB 2014 PART A	Annual Improvements to IFRS 2011–2013 Cycle	<p>This standard sets out amendments to Accounting Standards made during the International Accounting Standards Board's Annual Improvements process. The following items are addressed by this standard:</p> <ul style="list-style-type: none"> ▶ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of IAS 39 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ▶ IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3. 	The Company has determined the likely impact on the Company's financial statements will be not material.	1 January 2015
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	<p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. These amendments have not yet been adopted by the AASB.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption</p>	The Company has not yet determined the likely impact on the Company's financial statements.	1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 15	Revenue Contracts with Customers	<p>from with</p> <p>In Dec 2014, the AASB issued AASB 15 <i>Revenue from Contracts with Customers</i>, which replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (INT 13 Customer Loyalty Programmes, INT 15 Agreements for the Construction of Real Estate, INT 18 Transfers of Assets from Customers and Int-31 Revenue—Barter Transactions Involving Advertising Services).</p> <p>The core principle of AASB 15 is that an entity recognises 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 exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Early application of this standard is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	The Company has not yet determined the likely impact on the Company's financial statements.	1 January 2017

(d) Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

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

(iii) Group companies

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

(f) Exploration and 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 intangible assets.

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

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with geological and geophysical and with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

If no potential commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through profit or loss.

When proved reserves of oil are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and if required, any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortisation is charged during the exploration and evaluation phase.

(iv) Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditures made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Exploration and evaluation expenditure (continued)

the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as gain on disposal.

(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:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Other taxes

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

- a. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- b. receivables and payables are stated with the amount of GST included.

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

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

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

(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

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

(ii) Dividends

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

(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.

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.

(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 comprehensive income during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(l) Plant and equipment (continued)

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
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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 comprehensive income.

(l) Impairment of non-financial assets

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

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

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

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

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

(m) 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.

(n) Provisions

General

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(o) Provisions (continued)

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

Employee leave benefits

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

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

(o) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the leased term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(p) 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.

(q) Contributed equity and Shares reserved for share plans

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Contributed equity and Shares reserved for share plans (continued)

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

(r) Share-based payment transactions

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

Equity-settled transactions

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

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

(s) Financial instruments

(i) Financial assets

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's positive intention and ability to hold these investments to maturity. They 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 integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

The losses arising from impairment are recognised in profit or loss. The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are neither classified as any of the three preceding categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(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 income statement; 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

(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.

(t) Significant accounting judgements, estimates and assumptions

(i) Impairment of capitalised exploration and evaluation expenditure

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

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

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

(ii) Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

(iii) Recovery of deferred tax assets

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations and judgement about application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax available at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(u) Comparative figures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(v) Going Concern

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors have had regard to the fact that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

The Group has recorded a loss of \$27,713,105 for the year ended 31 December 2014 and had a net cash outflow of \$16,036,586 in connection with its operating and investing activities during the year. The Group had cash and cash equivalents at 31 December 2014 of \$805,210.

The Group's forecast cashflow requirements for the 15 months ending 31 March 2016 reflects outflows from operating and investing activities in excess of its available cash resources at 31 December 2014. These requirements reflect a combination of committed and uncommitted but current planned expenditure in relation to Project Icewine as announced 20 November 2014. To complete the acquisition the Group will require approximately USD \$3m, with further amounts required to advance exploration activities upon acquisition completion.

After an internal strategic review, and as part of the finalisation of its obligations, the Group through its wholly owned subsidiary DVM International SARL ("DVM") has undertaken to exit the Tarfaya Offshore Block either: by assigning its 25% interest to Galp Energia (Galp), the Group's partner and the Operator of the block or by withdrawal when the permit expires in February 2015.

Under an agreement with Galp, if the exit has not been completed by the 19th September 2015 (or later as mutually agreed), DVM is liable to Galp for US\$3.4m. Given that the permit expired in February 2015, but was extended by Galp to November 2015, and DVM did not elect to participate in the extension, the Board is confident that the contingent liability in DVM has a low chance of realisation. Assignment or withdrawal is subject to the normal approvals process by the Moroccan Government and the Office National des Hydrocarbures et des Mines (ONHYM).

The Group has also agreed a payment to Galp of US\$3.4m, in shares or cash, if the market capitalisation of the Group exceeds US\$50m within seven years of the agreement. This payment will also be required if the Group delists for any reason, such as due to a change of control.

At the date of this report, the planned exit from the Tarfaya Offshore Block has moved forward considerably and the Group anticipates finalisation of the assignment of its working interest in the near term. All documents to effect the assignment have been executed by ONHYM, Galp, and DVM, with only Ministerial execution required. Pre-approval by the Minister has been granted and execution is expected prior to mid 2015.

Following completion of an oversubscribed placement raising \$6.91m before costs as announced on 18 February 2015, the Directors are confident that the Group will be able to raise capital to fund its current and future operations. The Directors are also confident that the Group will receive the required government and ONHYM approvals to withdraw from the Tarfaya Offshore Block.

Should the Group not achieve the matters set out above, there is significant uncertainty as to whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	2014	2013
	\$	\$
3. REVENUES AND EXPENSES		
(a) Income		
Interest revenue	175,848	69,331
Gain on foreign exchange	-	436,606
	175,848	505,937
(b) Administrative expenses		
Consultancy and professional fees	922,431	1,430,101
Legal fees	614,427	406,873
Travel costs	274,419	244,637
General and administration expenses	1,047,089	467,448
	2,858,366	2,549,059
(c) Employee benefit expenses		
Wages and salaries	1,020,909	894,554
Superannuation	109,570	72,249
Annual leave accrued	(3,457)	7,597
Other employee expenses	52,640	47,662
	1,179,662	1,022,062
4. INCOME TAX		
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
Income tax expense reported in the statement of comprehensive income	-	-
	-	-
Loss before income tax expense	(27,713,105)	(6,891,580)
	(27,713,105)	(6,891,580)
Prima facie tax benefit on loss before income tax at 30% (2013: 30%)	(8,313,931)	(2,067,474)
	(8,313,931)	(2,067,474)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	2014	2013
	\$	\$
4. INCOME TAX (continued)		
Under provision in prior year	285,921	41,264
Tax effect of:		
Investments	-	(13,771)
Non assessable/deductible items:		
Non-deductible entertainment expenses	1,129	1,460
Share based payments	514,927	597,023
Other non-deductible expenses	917,988	-
	<u>(6,593,966)</u>	<u>(1,441,498)</u>
Deferred tax asset on temporary differences and tax losses not brought to account	6,593,966	1,441,498
Income tax expense for the year	<u>-</u>	<u>-</u>

(c) Deferred income tax

Deferred tax liabilities	(139,781)	(128,065)
Deferred tax assets	11,595,164	4,815,714
Deferred tax assets not recognised on temporary differences and tax losses	<u>(11,455,383)</u>	<u>(4,687,649)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

The Company has unutilised tax losses for which no deferred tax asset is recognised on the reporting date of \$38,436,134 (2013: \$12,683,727) 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:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- the Company is able to meet the continuity of business tests and/ or continuity of ownership.

5. LOSS PER SHARE

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

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

	2014	2013
Net loss for the year	<u>(27,713,105)</u>	<u>(6,891,580)</u>

Weighted average number of ordinary shares for basic and diluted loss per share.

256,835,786	138,121,352
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Options on issue are not considered dilutive to the earnings per share as the Company is in a loss making position.

At the reporting date, 36,025,087 options and 5,750,000 Share Plan Shares representing potential ordinary shares that were not considered dilutive were on issue (2013: 27,775,087 options and nil Share Plan Shares).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5. LOSS PER SHARE (continued)

The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.138 to reflect the bonus element of the 18 February 2015 share placement where placement participants received one free attaching listed option for every two placement shares.

	Consolidated				
	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Loss per share as previously reported	(10.79)	(4.99)	(4.5)	(6.32)	(2.7)
Bonus element adjustment factor	1.138	1.138	1.138	1.138	1.138
Restated loss per share	(9.65)	(3.85)	(3.36)	(5.18)	(1.56)

6. CASH AND CASH EQUIVALENTS

(a) Cash details

	Consolidated	
	2014	2013
	\$	\$
Cash at bank and in hand	805,210	3,872,625
Short-term deposits	-	2,216,688
	805,210	6,089,313

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

(b) Reconciliation of net loss after tax to net cash flows from operations

Net loss	(27,713,105)	(6,891,580)
<i>Adjustments for:</i>		
Depreciation	25,654	24,933
Gain on foreign exchange	-	(436,606)
Share based payments	1,716,426	604,843
Loss on disposal of fixed assets	-	-
Impairment of available-for-sale investments	-	230,782
Loss on sale of available-for-sale investments	14,216	63,120
Impairment of exploration expenditure	20,229,361	2,112,508
Provisions	-	7,597
<i>Changes in assets and liabilities</i>		
Decrease in receivables	111,793	186,737
Increase in trade and other payables	(595,140)	480,569
Net cash used in operating activities	(6,210,795)	(3,617,097)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. OTHER RECEIVABLES	2014	2013
	\$	\$
Goods and Services Tax (GST) receivable	145,873	54,401
Prepayments	88,306	66,811
Other	32,105	-
	<u>266,284</u>	<u>121,212</u>

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

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2013: Nil).

8. PLANT AND EQUIPMENT		
Cost – opening	171,728	141,262
Additions	-	30,466
Cost – closing	<u>171,728</u>	<u>171,728</u>
Accumulated depreciation - opening	(122,485)	(97,552)
Depreciation	(25,654)	(24,933)
Accumulated depreciation - closing	<u>(148,138)</u>	<u>(122,485)</u>
Net book value – opening	<u>49,243</u>	<u>43,710</u>
Net book value – closing	<u>23,590</u>	<u>49,243</u>

9. OTHER FINANCIAL ASSETS		
Bank Deposit Guarantee – exploration (i)	-	3,370,249
Security deposit (ii)	42,726	42,726
Available-for-sale investments (iii)	-	153,525
	<u>42,726</u>	<u>3,566,500</u>

(i) Bank Deposit Guarantee – Exploration

The bank guarantee was provided to Office National Des Hydrocarbures et des Mines (ONHYM), a government body in the Kingdom of Morocco, in respect of the Tarfaya Offshore Block. This amount was applied to the Group's financial obligations in relation to the drilling of the TAO-1 well.

(ii) Security Deposit

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

(iii) Available-for-sale investments

The available-for-sale investments in the prior year represent shares held in a listed entity. These shares were sold during the current year. The market value of these securities at 31 December 2013 was \$153,525. These were measured using Level 1 inputs into the fair value hierarchy.

Fair Value

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	2014 \$	2013 \$
10. EXPLORATION ASSETS		
Opening balance	7,742,856	9,165,356
Additions	12,486,505	690,008
Exploration written off (i)	(20,229,361)	(2,112,508)
Closing balance	<u>-</u>	<u>7,742,856</u>

(i) Exploration expenditure written off at 31 December 2014 relates to the Tarfaya Offshore Block, Morocco. At the date of this report the Company is progressing its exit from the Block following the unsuccessful TAO-1 well drilled during June – August 2014.

Exploration expenditure written off at 31 December 2013 relates to Australian exploration permits WA-442-P, NT/P81, NT/P83 upon cancellation of the permits by the National Offshore Petroleum Titles Administrator.

11. OTHER ASSETS

Non-Current

Project Icewine deposit	604,695	-
	<u>604,695</u>	<u>-</u>

At 31 December 2014, the Company has paid \$604,695 as a refundable 20% deposit to secure Project Icewine.

12. TRADE AND OTHER PAYABLES

Current

Trade payables (i)	191,731	320,591
Other payables	202,202	595,170
	<u>393,933</u>	<u>915,761</u>

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

13. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares

Ordinary shares	67,985,300	55,889,563
Issued and fully paid	75,912,982	61,584,827
Less: equity raising costs	(7,927,682)	(5,695,264)
<i>Net total</i>	<u>67,985,300</u>	<u>55,889,563</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated

13. CONTRIBUTED EQUITY AND RESERVES (continued)

(a) Ordinary Shares

	<i>Number</i>	<i>\$</i>
At 1 January 2013	130,429,576	49,196,225
Exercise of listed options at \$0.16	44,149,644	7,063,943
Less: equity raising costs	-	(370,605)
At 31 December 2013	<u>174,579,220</u>	<u>55,889,563</u>
At 1 January 2014	174,579,220	55,889,563
Share placement at \$0.16 on 19 May 2014	23,686,882	3,789,901
Shares issued at \$0.16 as consideration for advisory services	8,330,880	1,332,941
Share placement at \$0.16 on 13 June 2014	32,848,832	5,255,813
Shares issued at \$0.29 pursuant to Share Plan on 13 June 2014	6,040,000	1,751,600
Exercise of unlisted options at \$0.22 on 18 June 2014	227,273	50,000
Exercise of unlisted options at \$0.16 on 20 June 2014	4,120,000	659,200
Exercise of unlisted options at \$0.16 on 8 July 2014	1,400,000	224,000
Exercise of unlisted options at \$0.22 on 8 July 2014	363,636	80,000
Exercise of unlisted options at \$0.16 on 18 July 2014	430,000	68,800
Share placement at \$0.006 on 22 October 2014	200,000,000	1,200,000
Share Plan shares of terminated employees	(290,000)	(84,100)
Less: equity raising costs	-	(2,232,418)
At 31 December 2014	<u>451,736,723</u>	<u>67,985,300</u>

Consolidated

(b) Shares reserved for share plans

	2014 \$	2013 \$
Shares reserved for share plans	1,667,500	-
	<u>1,667,500</u>	<u>-</u>
<i>Movement in shares reserved for share plans</i>		
At 1 January	-	-
Shares issued during the period	1,751,600	-
Shares cancelled during the period	(84,100)	-
Balance at 31 December	<u>1,667,500</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. CONTRIBUTED EQUITY AND RESERVES (continued)

	Consolidated	
(c) Reserves	2014 \$	2013 \$
Share based payments	12,741,333	10,701,165
Available-for-sale investments	-	60,061
	12,741,333	10,761,256
<i>Movement in share-based payment reserve</i>		
At 1 January	10,701,195	10,096,102
Share-based payments	2,040,138	605,093
Balance at 31 December	12,741,333	10,701,195
<i>Movement in available-for-sale investments reserve</i>		
At 1 January	60,061	-
Transferred to net loss on disposal of available-for-sale investments	(60,061)	-
Change in fair value of available-for-sale investments	-	60,061
Balance at 31 December	-	60,061

Shares reserved for share plans

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

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

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

Details of the expense recorded in relation to Share Plan shares issued during the year can be found at Note 17.

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 17 for further details.

Options on Issue

The Company did not have a share option plan in place at 31 December 2014 or throughout the year.

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

Details of expense recorded in relation to options issued during current and previous year are detailed in Note 17.

Available-for-sale investments reserve

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

(d) Capital management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. CONTRIBUTED EQUITY AND RESERVES (continued)

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

There were no dividends paid during 2014 (2013: nil).

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group has no externally imposed capital requirements.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

The Group holds the following financial instruments:

	2014 \$	2013 \$
Financial Assets		
Cash and cash equivalents	805,210	6,089,313
Other receivables	266,284	121,212
Other financial assets	42,726	3,566,500
	1,114,220	9,777,025
Financial Liabilities		
Trade and other payables	393,933	915,761
	393,933	915,761

(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:

	31 December 2014				31 December 2013			
	USD \$	GBP \$	EUR \$	MAD \$	USD \$	GBP \$	EUR \$	MAD \$
Cash and cash equivalents	16,430	45,725	-	-	-	96,965	-	10,306
Other financial assets	-	-	-	-	3,370,249	-	-	-
Trade and other payables	118,983	10,782	-	-	-	84,074	106,034	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity

Based on the financial instruments held at 31 December 2014, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$10,255 higher/\$10,255 lower (2013 - \$306,387 higher/\$337,025 lower), the effect on equity would have been \$10,255 lower/\$10,255 higher (2013 - \$306,387 lower/\$337,025 higher). This is mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. The loss is more sensitive to movements in the AUD/USD exchange rates in 2013 than 2014 because of the increased amount of USD denominated financial assets. The Group's exposure to other foreign exchange movements is not material.

(ii) *Interest rate risk*

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

	31 December 2014		31 December 2013	
	Weighted average interest rate %	\$	Weighted average interest rate %	\$
Cash and cash equivalents	2.26%	805,210	2.79%	6,089,313
Other financial assets	-	42,726	0.64%	3,370,249
		<u>847,936</u>		<u>9,459,562</u>

Sensitivity

As at 31 December 2014, had interest rates increased/decreased by 0.5% from the year end rates with all other variables held constant, the Group's post-tax loss for the year would have been \$17,236 lower/\$17,236 higher (2013 - \$46,742 lower/\$46,742 higher), the effect on equity would have been \$17,236 higher/\$17,236 lower (2013 - \$46,742 higher/\$46,742 lower).

(b) **Credit risk**

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

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

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

(c) **Liquidity risk**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following are the contractual maturities of financial liabilities:

	6 months	6-12 months	1-5 years	> 5 years	Total
2014					
Trade and other payables	393,933	-	-	-	393,933
2013					
Trade and other payables	915,761	-	-	-	915,761

(d) Fair values

The management assessed that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values largely due to the short-term maturities of these instruments. The carrying amounts are determined in accordance with accounting policies disclosed in Note 2.

15. RELATED PARTY DISCLOSURE

(a) Transactions with related parties

There were no transactions with related parties to be disclosed at 31 December 2014 (31 December 2013: nil). Consultancy fees paid to Non-Executive Directors are included in remuneration Table 1 and at note 16(b) below.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 16.

16. KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

Directors

Mr Michael Evans - Chairman - *Appointed 9 April 2014*

Mr Brent Villemarette – Non-Executive Director - *Appointed 27 October 2010*

Dr Stephen Staley - *Appointed 9 April 2014*

Mr Dave Wall – Managing Director – *Appointed 15 April 2014*

Ms Eve Howell - Chairman - *Appointed 7 September 2012/ Resigned 4 February 2014*

Mr Mark Ceglinski - Chairman - *Resigned 7 September 2012*

Mr Max de Vietri - *Appointed 7 September 2012/Resigned 4 February 2014*

Mr Graham Anderson - *Resigned 7 September 2012*

Other Key Management Personnel

Margaret Hildick-Pytte - Director of Exploration – *Resigned 22 February 2013*

Kelvin Tan – General Manager – Corporate and Legal/Joint Company Secretary - *Resigned 18 February 2013*

Robert Dalton – Chief Financial Officer - *Appointed 12 November 2012/ Joint Company Secretary – Appointed 21 February 2013*

Iva Stejskal – General Manager – Corporate and Legal - *Appointed 14 January 2013/ Joint Company Secretary – Appointed 26 June 2013*

(b) Compensation for Key Management Personnel

	2014 \$	2013 \$
Short-term benefits	1,196,118	1,168,285
Post-employment benefits	90,567	45,711
Other benefits	-	-
Share-based payments	826,922	309,343
	<u>2,113,607</u>	<u>1,523,339</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

17. SHARE-BASED PAYMENTS

	2014 \$	2013 \$
(a) Recognised share based payment transactions		
Share-based payment transaction recognised during the period were as follows:		
Share Plan shares (i)	486,269	-
Options issued to Directors (ii)	335,942	309,343
Options issued for consideration of services (iii)	1,218,460	250
Shares issued for consideration of services (iv)	1,332,941	-
Expense arising from equity-settled share-based payment transactions (v)	-	295,500
	3,373,612	605,093

(i) Share Plan shares

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

In accordance with the terms of the Share Plan, the directors, key management personnel, and employees were also offered interest free loans from the Company to assist in the subscription for the Share Plan Shares. The values of these non-recourse loans are treated as in substance options. Under the Share Plan, shares are subject to transfer restrictions.

In particular to certain exceptions, a participant may not sell, transfer, assign, mortgage, charge, or otherwise encumber any Share Plan shares to any party other than the Company until the later of: (i) the repayment of any loan provided by the Company for the purchase of the shares; (ii) the expiry of any service continuity period specified by the Company at the time the Share Plan shares were issued, and (iii) the satisfaction of any performance criteria specified by the Company at the time the Share Plan shares were issued.

Values of the loans provided by the Company and vesting conditions of the loan shares are as follows:

	No. Awarded	Category	Vesting conditions
Directors			
M Evans	1,000,000	1	The Shares will vest 1 year from the award date.
D Wall	1,500,000	2	The following occurring: (1) Completion of at least 1 transaction (including a farm-in or farm-out or other similar dealing); and (2) A price increase in the Shares of at least 50% during the 12 months after the date of the transaction (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	3	The following occurring: (1) Continuous employment with the Company for at least 6 months from the award date; (2) Completion of at least 1 transaction (including a farm-in or farm-out or other similar dealing); and (3) A price increase in the Shares of at least 75% during the 12 months after the award date (with the 10 day volume weighted average price of the Shares traded on ASX prior to the date of the transaction as the base price).
	1,500,000	4	The Shares will vest 1 year from the award date, subject to continuous employment during that time.
Other key management personnel			
R Dalton	250,000	4	The Shares will vest 1 year from the award date, subject to continuous employment during that time.
Employees			
	290,000	4	The Shares will vest 1 year from the award date, subject to continuous employment during that time.

The fair value of the Share Plan shares (in substance options) issued is estimated at the date of grant using the Black-Scholes model, where relevant, taking into account the terms and conditions upon which the Share Plan shares were granted. The contractual life of Share Plan shares issued is 5 years. The issue price per share is the five day volume weighted average price for the Company's shares trade on the Australian Securities Exchange up to but not including the date of grant. The fair value of Share Plan shares during the year ended 31 December 2014 was estimated based on the date of grant using the following assumptions:

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FOR THE YEAR ENDED 31 DECEMBER 2014

17. SHARE BASED PAYMENTS (continued)

Category	1	2	3	4
Expected volatility (%)	80	80	80	80
Risk-free interest rate (%)	2.97	2.97	2.97	2.97
Expected life (years)	5	5	5	5
Weighted average share price (\$)	0.265	0.265	0.265	0.265
Issue price (\$)	0.28	0.29	0.29	0.29
Vesting date(s) ¹	12-Jun-2015	12-Nov-2015 12-Nov-2016	12-Nov-2016	12-Jun-2015
Fair value per Share Plan share	\$0.1954	\$0.0870	\$0.0780	\$0.1694

¹Category 1 – 12 November 2015 is the estimated date for completion of a transaction and 12 November 2016 is the estimated date for the share price increase.

The fair value of these shares was treated as a share based payment expense in the consolidated statement of comprehensive income. The fair value was calculated at \$788,476 and has been amortised over the relevant vesting periods.

The Group has recognised \$1,667,500 as shares reserved for the Share Plan within contributed equity in the consolidated statement of financial position at 31 December 2014 (31 December 2013: nil).

(ii) Options issued to Directors

In June 2014, 2,000,000 share options were issued to Dr Stephen Staley (Tranche C in note 17(f)). The exercise price of the options was set at \$0.28 and the options vested immediately. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as \$0.1378.

In June 2014, 1,000,000 share options were issued to Mr Michael Evans (Tranche D in note 17(f)). The exercise price of the options was set at \$0.42 and the options vest 12 months from the date of issue. The contractual life of each option granted is 3 years. There is no cash settlement of the options. The fair value per option has been calculated as \$0.1114.

The fair value of these options was treated as a share based payment expense in the consolidated statement of comprehensive income. The fair value was calculated as \$387,000 and has been amortised over the relevant vesting periods. Details of Black-Scholes inputs for these options can be found in note 17(f) below.

The expense of \$309,343 recorded at 31 December 2013 relates to the vesting of options issued to directors in prior year.

(iii) Options issued for consideration of services

In June 2014, 7,200,000 share options (6,200,000 relate to Tranche A in note 17(f), 1,000,000 relate to Tranche B in note 17(f)) were granted to brokers in consideration for services in relation to equity capital raisings completed during the year. The exercise price of the options was set at \$0.16 and \$0.30 and the options vested immediately. The fair value of the options granted is based on the market rate valuation of the services rendered. The fair value of these options was treated as a cost of capital raising and offset against contributed equity in the statement of financial position. The fair value was calculated at \$1,172,860.

On 22 October 2014, 12,000,000 (Tranche E in note 17(f)) share options were granted to brokers in consideration for services in relation to equity capital raisings completed during the year. The exercise price of the options was set at \$0.01 and the options vested immediately. The fair value of the options granted is based on a black scholes option pricing model in the absence of any other more reliable indication of fair value. The fair value of these options was treated as a cost of capital raising and offset against contributed equity in the statement of financial position. The fair value was calculated at \$45,600. Details of Black-Scholes inputs for these options can be found in note 17(b) below.

On 4 November 2013, the Company issued 2,500,000 options with an exercise price of \$0.45 to brokers in consideration for services in relation to equity capital raisings completed during the year. There are no voting rights attached to the options and they may be exercised at any time on or before 31 October 2016.

The fair value of these options were treated as a cost of the capital raising and offset against issued capital in the statement of financial position. The fair value was calculated at \$250. The fair value was calculated based on the value of services received.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

17. SHARE BASED PAYMENTS (continued)

(iv) *Shares issued for consideration of services*

In June 2014, 8,330,880 shares were issued to brokers and other advisors in consideration for services in relation to equity capital raisings completed and other advisory services during the year. These shares were issued at \$0.16. The fair value of \$438,726 was treated as a cost of capital raising and offset against contributed equity in the statement of financial position and the fair value of \$894,215 was treated as an expense in the statement of comprehensive income. The fair value of the shares granted is based on the market rate valuation of the services rendered.

(v) *Expense arising from share based payment transactions*

On 26 March 2013, the Company issued 2,500,000 options with an exercise price of \$0.45 to brokers in consideration for services in relation to a corporate services mandate. There are no voting rights attached to the options and they may be exercised at any time on or before 31 October 2016.

The fair value of these options were treated as a cost of the capital raising and offset against issued capital in the statement of financial position. The fair value was calculated at \$295,500.

(vi) *Director participation in share placements*

As approved by Shareholders, Directors participated in share placements during the year ended 31 December 2014 as follows:

Director	Date	Number of shares	Placement price (fair value)	Total fair value
M Evans	22 October 2014	4,166,667	\$0.006	\$25,000
D Wall	13 June 2014	1,250,000	\$0.16	\$200,000
	22 October 2014	4,166,666	\$0.006	\$25,000
S Staley	22 October 2014	4,166,667	\$0.006	\$25,000

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

(b) Summary of options granted

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

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at the beginning of the year	27,775,087	\$0.47	26,775,087	\$0.43
Granted during the year	28,240,000	\$0.15	5,000,000	\$0.45
Forfeited during the year	(290,000)	\$0.29	-	-
Exercised during the year	(6,540,909)	\$0.17	(4,000,000)	\$0.16
Expired during the year	(7,409,091)	\$0.53	-	-
Outstanding at the end of the year	<u>41,775,087</u>	\$0.29	<u>27,775,087</u>	\$0.47
Exercisable at the end of the year	33,525,087	\$0.29	18,275,087	\$0.47

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FOR THE YEAR ENDED 31 DECEMBER 2014

17. SHARE BASED PAYMENTS (continued)

The outstanding balance as at 31 December 2014 is represented by:

Option Type	Number of options	Exercise Price	Expiry Date
Unlisted	3,274,124	\$0.60	2 April 2015
Unlisted	3,800,000	\$0.70	2 April 2015
Unlisted	500,000	\$0.50	2 April 2015
Unlisted	213,733	£0.256	19 November 2015
Unlisted	487,230	£0.242	19 November 2015
Unlisted	6,500,000	\$0.28	26 November 2015
Unlisted	2,500,000	\$0.45	31 March 2016
Unlisted	2,500,000	\$0.45	31 October 2016
Unlisted	250,000	\$0.16	12 June 2017
Unlisted	1,000,000	\$0.30	22 April 2016
Unlisted	2,000,000	\$0.28	12 June 2017
Unlisted	1,000,000	\$0.42	12 June 2017
Unlisted	12,000,000	\$0.01	22 October 2017
Share Plan shares (in substance options)	5,750,000	\$0.29	12 June 2019
	41,775,087		

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 31 December 2014 is 2.03 years (2013: 1.54 years).

(d) Weighted average fair values

The weighted average fair value of options granted during the year was \$0.08 (2013: \$0.02).

(e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was \$0.01 - \$0.70 (2013: \$0.22 - \$0.70).

(f) Option pricing model

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

The following table lists the inputs to the Black-Scholes model used for the year ended 31 December 2014.

	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Dividend yield (%)	0	0	0	0	0
Expected volatility (%)	80	80	80	80	80
Risk free interest rate (%)	2.97	2.97	2.97	2.97	2.97
Expected life of the option (years)	3	2.86	3	3	3
Option exercise price (\$)	\$0.16	\$0.30	\$0.28	\$0.42	\$0.01
Share price at grant date (\$)	\$0.265	\$0.265	\$0.265	\$0.265	\$0.008
Number of options	6,200,000	1,000,000	2,000,000	1,000,000	12,000,000
Value per option	\$0.1723	\$0.1046	\$0.1378	\$0.1114	\$0.0038
Value per tranche	\$1,068,260	\$104,600	\$275,600	\$111,400	\$45,600

Tranche A,B,C and E options vested immediately, Tranche D options vest 12 June 2015.

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FOR THE YEAR ENDED 31 DECEMBER 2014

17. SHARE BASED PAYMENTS (continued)

The following table lists the inputs to the Black-Scholes model used for the year ended 31 December 2013.

	Tranche A
Dividend yield (%)	0%
Expected volatility (%)	89%
Risk free interest rate (%)	3%
Expected life of the option (years)	3 years
Option exercise price (\$)	\$0.45
Share price barrier	n/a
Share price at grant date (\$)	\$0.26
Number of options	2,500,000
Value per option	\$0.1182
Value per tranche	\$295,500

Tranche A options vested immediately.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

18. SEGMENT INFORMATION

Identification of reportable segments

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

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

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board

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

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

	Australia	Morocco	USA	Consolidated
Year ended 31 December 2014				
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	-	-
Reportable segment (loss) after expenses before tax	(6,947,238)	(20,561,988)	(203,879)	(27,713,105)
Year ended 31 December 2013				
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	-	-
Reportable segment (loss) after expenses before tax	(7,280,340)	388,760	(6,891,580)	(6,891,580)
Reportable segments assets at 31 December 2014	1,137,810	-	604,695	1,742,505
Reportable segments assets at 31 December 2013	6,296,758	11,272,366	-	17,569,124

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. SEGMENT INFORMATION (continued)

	Consolidated	
	2014 \$	2013 \$
Reconciliation of reportable segment profit or loss		
Total profit/(loss) for reportable segments	(27,713,105)	(6,891,580)
Elimination of inter-segment profits	-	-
Profit/(loss) before tax from continuing operations	<u>(27,713,105)</u>	<u>(6,891,580)</u>
Reconciliation of reportable segment assets		
Reportable segment assets	1,742,505	17,569,124
Total assets	<u>1,742,505</u>	<u>17,569,124</u>

Types of products and services

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

Geographic split of non-current assets

\$604,695 of non-current assets relate to the USA segment (2013: \$nil), all other non-current assets relate to the Australian segment (2013: Australia - \$245,494, Morocco \$11,113,105).

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Exploration commitments

In order to secure Project Icewine, the Company is required to pay US \$2,980,000 (AUD \$3,652,810 at 31 December 2014 exchange rate) in relation to the final payment on lease acquisition. This includes the first year of rental costs on the newly acquired leases, being 90,720 acres at US\$10 per acre.

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

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

Corporate commitments

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

Commitments at 31 December 2014 are as follows:

	Exploration commitments \$	Corporate commitments \$	Total \$
Within one year	3,652,824	119,196	3,772,020
After one year but not more than five years	6,089,675	347,655	6,437,330
More than five years	-	-	-
	<u>9,742,499</u>	<u>466,851</u>	<u>10,209,350</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. COMMITMENTS AND CONTINGENCIES (continued)

CONTINGENCIES

Exploration contingencies

After an internal strategic review, and as part of the finalisation of its obligations, the Group through its wholly owned subsidiary DVM International SARL ("DVM") has undertaken to exit the Tarfaya Offshore Block either: by assigning its 25% interest to Galp Energia (Galp), the Group's partner and the Operator of the block, or by withdrawal when the permit expires in February 2015.

Under an agreement with Galp, if the exit has not been completed by the 19th September 2015 (or later as mutually agreed), DVM is liable to Galp for US\$3.4m. Given that the permit expired in February 2015, but was extended by Galp to November 2015, and DVM did not elect to participate in the extension, the Board is confident that the contingent liability in DVM has a low chance of realisation. Assignment or withdrawal is subject to the normal approvals process by the Moroccan Government and the Office National des Hydrocarbures et des Mines (ONHYM).

The Group has also agreed a payment to Galp of US\$3.4m, in shares or cash, if the market capitalisation of the Group exceeds US\$50m within seven years of the agreement. This payment will also be required if the Group delists for any reason, such as due to a change of control.

At the date of this report, the planned exit from the Tarfaya Offshore Block has moved forward considerably and the Group anticipates finalisation of the assignment of its working interest in the near term. All documents to effect the assignment have been executed by ONHYM, Galp, and DVM, with only Ministerial execution required. Pre-approval by the Minister has been granted and execution is expected prior to mid 2015.

20. EVENTS AFTER THE REPORTING DATE

On 12 February 2015, the Company received shareholder approval to:

- Dispose of its main undertaking;
- Significantly change its scale of activities; and
- Change its name from Tangiers Petroleum Ltd to 88 Energy Ltd (which was affected 26 February 2015.)

On 18 February 2015, the Company announced completion of a placement to raise \$6.91m before costs ("Placement"). The Placement of approximately 691 million shares was undertaken at 1 cent per share. Placement participants also received one free attaching listed option for every two Placement shares, with the options exercisable at 2 cents and expiring 1 March 2018. Funds raised pursuant to the Placement will be used by the Company to complete the acquisition of Project Icewine, progressing exploration at Project Icewine, and working capital.

On 6 March 2015, the Company announced the cancellation of the 5,500,000 Share Plan shares held by Mr Michael Evans and Mr David Wall.

On 17 March 2015, the Company announced the issue of 2,000,000 ordinary shares and 28,000,000 listed options exercisable at \$0.02 on or before 2 March 2018 as consideration for various services received. The Company also announced the issue of 3,000,000 unlisted options exercisable at \$0.015 on or before 18 February 2018 to employees under the Company's Option Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

21. AUDITORS' REMUNERATION

	Consolidated	
	2014	2013
	\$	\$
The auditor of the Group is Ernst & Young for the year ended 31 December 2014 and 31 December 2013. Amounts paid to Ernst & Young are as follows:		
Audit services:		
Audit and review of the annual and half year report	40,000	37,500
Total audit services	40,000	37,500
Non-audit services:		
Due diligence services	14,500	-
Total non-audit services	14,500	-
Grand total	54,500	37,500

22. INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2014	2013
			%	%
DVM International SARL	Oil exploration	Morocco	100	100
Fotis Nominees Pty Ltd (i)	Investment	Australia	100	100
Tangiers (Australia) No.1 Pty Ltd (ii)	Dormant Company	Australia	-	100

- (i) This subsidiary was incorporated during the year.
(ii) This subsidiary was deregistered on 19 January 2014.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

23. PARENT ENTITY DISCLOSURES

	Parent Entity	
	2014	2013
	\$	\$
<u>Financial Position</u>		
Assets		
Current assets	1,071,494	6,200,221
Non-current assets	671,011	11,213,983
Total assets	1,742,505	17,414,202
Liabilities		
Current liabilities	363,063	915,761
Total liabilities	363,063	915,761
Equity		
Contributed equity	67,985,300	55,889,563
Shares reserved for share plans	(1,667,500)	-
Reserves	12,741,333	10,701,195
Accumulated losses	(77,679,691)	(50,092,315)
Total equity	1,379,442	16,498,433
<u>Financial Performance</u>		
Loss for the year	(27,293,481)	(6,986,439)
Other comprehensive income	-	-
Total comprehensive income	(27,293,481)	(6,986,439)

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 19.

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DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2014

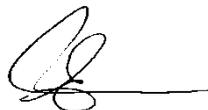
In accordance with a resolution of the directors, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of 88 Energy Limited for the financial year ended 31 December 2014 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and
- (c) Subject to the matters discussed in Note 2(w), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the chief executive officer and chief financial officer in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2014.

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



Mr Michael Evans
Non-Executive Chairman

Dated: 30 March 2015

Independent auditor's report to the members of 88 Energy Limited (formerly Tangiers Petroleum Limited)

Report on the financial report

We have audited the accompanying financial report of 88 Energy Limited (formerly Tangiers Petroleum Limited), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

- a. the financial report of 88 Energy Limited (formerly Tangiers Petroleum Limited) is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Emphasis of matter

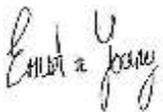
Without qualifying our opinion, we draw attention to Note 2(v) in the financial report (which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

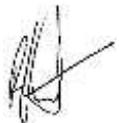
We have audited the Remuneration Report of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 88 Energy Limited (formerly Tangiers Petroleum Limited) for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin
Partner
Perth

30 March 2015

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CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement has been established by the Board of Directors (the **Board**) and is intended to provide the framework within which the Board will achieve a high standard of corporate governance within 88 Energy Limited (the **Company**) for the financial year ended 31 December 2014 ("reporting period").

BOARD OF DIRECTORS

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business of the Company and management of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

BOARD OBJECTIVES

The broad objectives of the Board are:

- creating and building sustainable value for the shareholders;
- setting strategic direction for the Company;
- approving corporate policies and guidelines for the Company to ensure compliance with the law and the highest business and ethical standards.

Consistent with these objectives, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise of at least three directors, the majority being independent directors; and
- the Board should comprise directors with an appropriate range of qualifications and expertise.

The Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

At every annual general meeting (**AGM**), one-third of the directors (except for any managing director) must retire from office. A director must retire from office at the conclusion of the third annual general meeting after which the director was elected or re-elected. A retiring director is eligible for re-election.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders or AGM.

REMUNERATION AND NOMINATION COMMITTEES

The Company does not have a formal Remuneration Committee or Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination Committee. Given the composition of the Board and the size of the Company, it is felt that individual committees are not yet warranted: however, it is expected that as the Company's operations expand that each of these committees will be established.

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced directors and senior executives.

AUDIT COMMITTEE

As at the date of this report, the Company does not have an Audit Committee of the Board of Directors. The Board attends to all matters attended to by an Audit Committee including reviewing the integrity of the Company's financial reports, reviewing compliance with relevant statutory requirements and considering continuous disclosure requirements. The requirement for an Audit Committee will be reviewed by the Board should the size and complexity of the Company's operations expand.

IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Key operational risks and their management are recurring items discussed during the meetings of the Board.

CORPORATE GOVERNANCE STATEMENT

ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices. To this end, the Board has developed and adopted a Board Code of Conduct.

MANAGEMENT OF THE BOARD

The full Board holds scheduled meetings on at least a quarterly and any additional meetings at such time as may be necessary to address a specific matter that may arise. In between meetings, decisions are adopted by way of written circular resolution.

CHAIRMAN

The Chairman is elected by the Board and is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and, if relevant, managing the Board's relationship with its committees.

ENVIRONMENT

The Company aims to ensure that the highest standard of environmental care is achieved and that it complies with all relevant environmental legislation.

BUSINESS RISK

The Board monitors areas of operational and financial risk and considers strategies for appropriate risk management arrangements. Where necessary the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating areas of risk which are identified. In addition, the Board has developed a Risk Management Policy identifying high level risks and management strategies.

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company develops policies that are designed to ensure that strategic, operational, legal, reputational and financial risks are identified, monitored, assessed and effectively and efficiently managed to enable achievement of the Company's business objectives.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Key operational risks and their management are recurring items discussed during the meetings of the Board.

SHAREHOLDERS

The Board aims to ensure that shareholders are at all times fully informed in accordance with the spirit and letter of the Australian Securities Exchange's continuous disclosure requirements. The Company has established a Continuous Disclosure Policy which summarizes the policies and processes to be followed by the Board to ensure compliance with the ASX disclosure requirements.

Publicly released documents are made available on the Company's internet web site at www.88energy.com

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Amongst other rights, the shareholders elect directors and vote on the appointment and remuneration of directors, the granting of options and shares to directors, and changes to the Company's Constitution. Copies of the Constitution are available to any shareholder who requests it.

APPROACH TO DIVERSITY

The Company has established a diversity policy which set out the beliefs, goals and strategies of the Company. The Company recognises the value of a diverse work force and believes that a diverse workforce facilitates attracting strong candidates, improving business decisions and business results, increasing stakeholder satisfaction and promoting the realisation of the Company's vision.

The policy sets out the positive steps taken to ensure that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference. A copy of the Company's diversity policy has been posted on the Company's website.

CORPORATE GOVERNANCE STATEMENT

GENDER DIVERSITY

The Company is committed to gender diversity at all levels of the organisation. The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation. The proportion of women within the whole organisation as at 31 December 2014 was as follows:

	Women	Men	Total	Female Representation
Board of directors	-	4	4	-
Other key management personnel	-	-	-	-
Other employees	2	-	2	100%
	2	4	6	33%

The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

COMPLIANCE TO ASX CORPORATE GOVERNANCE PRINCIPLES

The table given below sets out the Company's compliance with the 2nd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**) during the reporting period. Although the Principles and Recommendations are not mandatory, the Company is required to provide a statement in its annual report disclosing the extent to which the Company has followed the Principles and Recommendations and reasons for departure.

	RECOMMENDATION	COMMENT
1.	Lay solid foundations for management and oversight	
1.1	A listed company should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board Charter details the specific responsibilities of the Board. A copy of the Board Charter may be found on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	At the date of this report the Company does not employ senior executives. The Board as a whole are responsible for the evaluation of the Managing Director's performance.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	The Company will explain any departures (if any) from best practice recommendations 1.1 and 1.2 in its annual reports in the relevant sections.
2.	Structure the board to add value	
2.1	A majority of the board should be independent Directors.	At the date of this report, 3 of the Company's 4 directors are considered to be independent.
2.2	The chair should be an independent director.	The Chairman, Mr Michael Evans, is considered to be an independent director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of the Chair and Managing Director are held by Mr Michael Evans and Mr David Wall, respectively.
2.4	The board should establish a nomination committee.	No formal nomination committee has been adopted by the Company as yet. The Board, as a whole, currently serves as a nomination committee. The Board considers that the Company is not yet of a size that warrants the establishment of a nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	An informal process of Board review which may be used by the Board requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Responses to the questionnaires are confidential and provided directly to the Chair. The Board as a whole then hold a facilitated discussion during which each Board member has the opportunity

CORPORATE GOVERNANCE STATEMENT

		to raise any matter, suggestion for improvement or criticism with the Board as a whole. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair or the Managing Director.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and period of office of Directors are set out in the Company's Directors' Report and on its website.
3.	Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	The Company's Corporate Governance documents include a Board Code of Conduct which sets out the minimum standard of conduct and integrity to be observed by all Directors and Company employees. A copy of the Code of Conduct may be found on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Refer to section on Approach to Diversity in this report. The Company's Diversity Policy is published on its website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company aims to achieve an appropriate mix of diversity on its Board and throughout the organisation. The Board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Refer to section on Gender Diversity in this report which summaries the representation of female employees in the organisation.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	A copy of the Company's diversity policy has been posted on the Company's website.
4.	Safeguard integrity in financial reporting	
4.1	The board should establish an audit committee.	The Board is of the view that at the Company's present stage of development and in the context of its current operations and the constitution of the Board, it is premature for the Company to establish an audit committee. This will be reviewed as the Company and the Board expands. The full Board attends to the matters normally attended to by an audit committee.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members. 	The full Board attends to the matters normally attended to by an audit committee and operates under a formal written charter.

CORPORATE GOVERNANCE STATEMENT

4.3	The audit committee should have a formal charter.	The full Board attends to the matters normally attended to by an audit committee and operates under a formal written charter, a copy of which may be found on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	The Company has and will continue to explain departures (if any) from best practice recommendations 4.1, 4.2 and 4.3 in its annual reports in the relevant periods.
5.	Make timely and balanced disclosure	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position. A copy of the Company's Continuous Disclosure Policy has been posted on its website.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The Company will provide an explanation of any departures (if any) from best practice recommendation 5.1 in its annual reports in the relevant periods.
6.	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company currently does not have a shareholder communications policy, but intends on developing and implementing a relevant policy in the coming year.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company will provide an explanation of any departures (if any) from best practice recommendation 6.1 in its annual reports in the relevant periods.
7.	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company has developed a Risk Management Policy which aims to ensure that material business risks are identified and mitigated and this will be implemented in the coming year.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board is responsible for designing and implementing continuous risk management and internal control systems and providing reports at relevant times.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board will seek this relevant assurance from the individuals appointed to perform the role of Chief Executive Officer and the Chief Financial Officer.
7.4	Companies should provide the information indicated in the Guide to Reporting on Principle 7.	The Company will provide an explanation of any departures (if any) from best practice recommendations 7.1, 7.2 and 7.3 in its annual reports in the relevant periods.
8.	Remunerate fairly and responsibly	

CORPORATE GOVERNANCE STATEMENT

8.1	The board should establish a remuneration committee.	The Board is of the view that at the Company's present stage of development and in the context of its current operations and the constitution of the Board, it is premature for the Company to establish a separate remuneration committee. This will be reviewed as the Company and the Board expands. The full Board attends to the matters normally attended to by a remuneration committee.
8.2	<p>The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	The full Board acts in the capacity of the remuneration committee and operates under a formal written charter, a copy of which is posted on the Company's website.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The full Board acts in the capacity of the remuneration committee and operates under a formal written charter. The structure of executive & non-executive director remuneration is discussed in the Remuneration Report included within the 31 December 2014 Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Company will provide an explanation of any departures (if any) from best practice recommendations 8.1, 8.2 and 8.3 in its annual reports in the relevant periods.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 10 March 2015.

TWENTY LARGEST SHAREHOLDERS

	Number Held	Percentage
1. COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	174,654,413	15.35
2. MR DONALD JEFFREY SMITH + MRS PATTY SUSAN SMITH <GFC SUPERANNUATION FUND A/C>	70,000,000	6.15
3. ELOTEN GROUP LTD	40,000,000	3.52
4. CLAIRAULT INVESTMENTS PTY LIMITED	25,700,000	2.26
5. LYDIAN ENTERPRISES PTY LTD <LYDIAN A/C>	25,000,000	2.20
6. SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	20,000,000	1.76
7. J P MORGAN NOMINEES AUSTRALIA LIMITED	15,987,863	1.41
8. PENINSULA INVESTMENTS (WA) PTY LTD	13,500,000	1.19
9. METIS PTY LTD	13,000,000	1.14
10. MICHAEL REESE MCFARLANE	11,000,000	0.97
11. ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	10,400,000	0.88
12. ALEXANDER HOLDINGS <WA>	10,000,000	0.88
13. BANKSIA INVESTMENTS PTY LTD <BANKSIA INVEST CORP S/F A/C>	10,000,000	0.88
14. CRYING ROCK PTY LTD <CRYING ROCK A/C>	10,000,000	0.88
15. DIDCAL PTY LTD <SUPER FUND A/C>	10,000,000	0.88
16. J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	10,000,000	0.88
17. MRS TERRI WOLPERT	10,000,000	0.88
18. MARKET PROPERTIES PTY LTD	9,320,456	0.82
19. PENINSULA INVESTMENTS (WA) PTY LTD	9,000,000	0.79
20. YOVICH & CO LIMITED	8,500,000	0.75
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	506,062,732	44.48

TWENTY LARGEST LISTED OPTIONHOLDERS

	Number Held	Percentage
1. MR DONALD JEFFREY SMITH + MRS PATTY SUSAN SMITH <GFC SUPERANNUATION FUND A/C>	25,500,000	6.79
2. ELOTEN GROUP LTD	20,000,000	5.32
3. CLAIRAULT INVESTMENTS PTY LIMITED	12,850,000	3.42
4. LYDIAN ENTERPRISES PTY LTD <LYDIAN A/C>	12,500,000	3.33
5. GCP CAPITAL PTY LTD	10,000,000	2.66
6. GOLDEN DAWN LIMITED	10,000,000	2.66
7. SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	10,000,000	2.66
8. ENERGY CAPITAL PARTNER PTY LTD	7,000,000	1.86
9. PENINSULA INVESTMENTS (WA) PTY LTD	6,750,000	1.80
10. METIS PTY LTD	6,500,000	1.73
11. PERSHING AUSTRALIA NOMINEES PTY LTD <ACCUM A/C>	6,420,000	1.71
12. MICHAEL REESE MCFARLANE	5,500,000	1.46
13. ALEXANDER HOLDINGS <WA>	5,000,000	1.33
14. CRYING ROCK PTY LTD <CRYING ROCK A/C>	5,000,000	1.33
15. DIDCAL PTY LTD <SUPER FUND A/C>	5,000,000	1.33
16. J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	5,000,000	1.33
17. MRS TERRI WOLPERT	5,000,000	1.33
18. MARKET PROPERTIES PTY LTD	4,500,000	1.20
19. YOVICH & CO LIMITED	4,250,000	1.13
20. INVESCO NOMINEE PTY LTD	3,846,334	1.02
Totals: Top 20 holders of \$0.02, 2 March 2018 LISTED OPTIONS	170,616,334	45.42

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 1,137,846,023 fully paid shares held by 3,038 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	270	34,306	0.00
1,001 - 5,000	443	1,478,963	0.13
5,001 - 10,000	400	3,338,974	0.29
10,001 - 100,000	1,237	51,283,411	4.51
100,001 - 9,999,999,999	688	1,081,710,369	95.07
Total	3,038	1,137,846,023	100.00

ASX ADDITIONAL INFORMATION

DISTRIBUTION OF EQUITY SECURITIES (CONTINUED)

(ii) Listed Options

- 375,659,650 quoted options with an exercise price of \$0.02 and an expiry date of 2 March 2018 held by 241 individual holders.

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

Range	Total holders	Units	% of Issued Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	5	405,000	0.11
100,001 - 9,999,999,999	236	375,254,650	99.89
Total	241	375,659,650	100.00

(iii) Unlisted Options

- 500,000 unquoted options with an exercise price of \$0.50 and an expiry date of 2 April 2015 held by 1 option holder.
- 3,274,124 unquoted options with an exercise price of \$0.60 and an expiry date of 2 April 2015 held by 2 option holders.
- 3,500,000 unquoted options with an exercise price of \$0.70 and an expiry date of 2 April 2015 held by 2 option holders.
- 300,000 unquoted options with an exercise price of \$0.70 and an expiry date of 10 April 2016 held by 1 option holder.
- 213,733 unquoted options with an exercise price of £0.256 (A\$0.393) and an expiry date of 19 November 2015 held by 1 option holder.
- 487,230 unquoted options with an exercise price of £0.242 (A\$0.383) and an expiry date of 19 November 2015 held by 1 option holder.
- 5,000,000 unquoted options with an exercise price of \$0.28 and an expiry date of 26 November 2015 held by 3 option holders.
- 2,500,000 unquoted options with an exercise price of \$0.45 and an expiry of 31 March 2016 held by 1 option holder.
- 2,500,000 unquoted options with an exercise price of \$0.45 and an expiry of 31 October 2016 held by 1 option holder.
- 1,000,000 unquoted options with an exercise price of \$0.42 and an expiry of 12 June 2017 held by 1 option holder.
- 2,000,000 unquoted options with an exercise price of \$0.28 and an expiry of 12 June 2017 held by 1 option holder.
- 1,000,000 unquoted options with an exercise price of \$0.30 and an expiry of 22 April 2016 held by 1 option holder.
- 250,000 unquoted options with an exercise price of \$0.16 and an expiry of 12 June 2017 held by 1 option holder.
- 12,000,000 unquoted options with an exercise price of \$0.01 and an expiry of 22 October 2017 held by 4 option holders.
- 20,000,000 unquoted options with an exercise price of \$0.014 and an expiry of 2 March 2018 held by 4 option holders.
- 45,000,000 unquoted options with an exercise price of \$0.015 and an expiry of 18 February 2018 held by 4 option holders.

UNMARKETABLE PARCELS

(i) Ordinary share capital

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.01 per unit	50,000	1,918	24,283,020

(ii) Listed Options

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0030 per unit	166,667	10	1,105,000

RESTRICTED SECURITIES

The Company has no Restricted Securities on issue.

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

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

	Number of Shares
Donald Jeffrey & Patty Susan Smith	71,000,000

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
Tarfaya	Tarfaya Offshore Block	Morocco	25%*
Onshore Alaska, North Slope	Project Icewine	Alaska	87.5%**

* After an internal strategic review, and as part of the finalisation of its obligations, the Company has undertaken to exit the Tarfaya Offshore Block either: by assigning its 25% interest to Galp Energia (Galp), the Company's partner and the Operator of the block, for consideration of US\$3.4m; or by withdrawal when the permit expires in February 2015. Under an agreement with Galp, if the exit has not been completed by 19th September 2015 (or a later date as mutually agreed), the Company's Moroccan subsidiary, DVM International SARL (DVM), will be liable to Galp for a payment of US\$3.4m. Given that the permit expired in February 2015, and that DVM did not elect to enter into the next phase, the Board is confident that the contingent liability in DVM has a low chance of realisation. Assignment or withdrawal is subject to the normal approvals process by the Moroccan Government and the Office National des Hydrocarbures et des Mines (ONHYM). The Company has also agreed a payment to Galp of US\$3.4m, in stock or cash, if the market capitalisation of the Company exceeds US\$50m within seven years of the agreement. This payment will also be required if the Company delists for any reason, such as due to a change of control. At the date of this report, the planned exit from the Tarfaya Offshore Block has moved forward considerably and only awaits final signatures from the Minister of Energy and the Minister of Finance, having been signed off by ONHYM and been pre-approved by the Minister of Energy. The Company anticipates finalisation of the assignment of its working interest in the near term.

** Subject to final award by the State of Alaska - Tangiers, through their co-venture partner BEX, were announced high bidder in the November 2014 State of Alaska Bid Round which entitles the co-venture to secure the leases on award by State of Alaska (anticipated in Q2 2015).

COMPETENT PERSONS STATEMENT

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