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88 ENERGY LIMITED

ABN 80 072 964 179

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

JOINT COMPANY SECRETARIES
Ms Sarah Smith
Mr Ashley Gilbert

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LONDON STOCK EXCHANGE - AIM
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Dear Shareholders

It is with great optimism that I present my Chairman's Report for the 2019 financial year.

As I write, Nordic Rig#3 is on location and preparing to spud the Charlie-1 well. The well is testing a conventional oil prospect, defined by 3D seismic, comprising a sequence of stacked Brookian sandstones, on the Alaskan north slope with a gross mean unrisked prospective resource of 1.6 billion barrels (480MMBO net to 88E). It is arguably one of the most significant wells to be drilled by an ASX listed entity in 2020 and offers substantial upside to 88E shareholders in the event of success.

Charlie-1 is effectively a step out of a discovery well drilled by BP some 3 decades ago. This nearology significantly lowers the prospect risk and was one of the factors that enabled 88E to procure a drilling partner to carry the well cost up to US$ 23 million, in what has been a challenging market for farmouts. That partner, UK based Premier Oil Plc, has a track record of successful exploration.

As we approach the drilling of the Charlie-1 well, it is worth reminding ourselves why 88E chose to explore in Alaska. At the outset, 88E cast the net far and wide in search of a project that could make a meaningful difference; one which would capture investor attention with transformational upside. The source rocks of Alaska have been described as unbelievably rich and prolific, having sourced the largest conventional oil pool in North America, the 15 billion barrel Prudhoe Bay field. Earlier this year, the USGS estimated there was almost 4 billion barrels of oil yet to be discovered, with most of that potential in the Brookian play that 88E is targeting. Almost all the remaining fields in Alaska are stratigraphic traps rather than anticlines and require a subtler exploration approach utilising modern seismic data, which 88E has spent the last three years acquiring and interpreting.

Our early initiative to target Alaska has been validated by recent exploration successes and the arrival of new entrants on the Alaskan exploration scene. Between 2014 and 2019 alone, some 4 billion barrels of new oil was discovered in the State. It is not surprising the December 2019 lease sale in Alaska by the Bureau of Land Management was hailed as the most successful in as many as 13 years. S&P Global Platts reported early in January 2020 that Oil companies could spend up to $24 billion on new production in the Alaska over the next ten years. Access to existing infrastructure; a very supportive and stable State Government and significant exploration upside have long been recognised by 88E.

During 2019, 88E continued to leverage its early mover advantage and is now Operator/Manager on several active Exploration Projects across 250,000 net acres. Unlike the lower 48 States, Alaskan leases have an attractive 10-year term with no mandatory relinquishment and a low base royalty. Our prospective land holding is now of a size one would normally associate with the big end of town and provides continued scope to attract partners.

The 2019 Alaskan program, which included the unsuccessful Winx-1 well and the Premier farm-out, has been competently executed by our Managing Director, David Wall, with the assistance of a small dedicated team including former senior geologist and Exploration Manager, Elizabeth Pattillo; petroleum engineer Hassan Fatahi; our Alaskan based Operations Manager, Erik Opstad and the full support of my fellow Directors.

88E has prudently raised additional capital in advance of the 2020 program. We all know the process of evaluation is not without risk; however, we look to the future with considerable optimism as we unlock both the conventional and unconventional potential of our Alaskan exploration acreage.

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

Our mission would not be possible without your support as shareholders in what has been a challenging yet exciting environment. Our dual listing on both ASX and AIM has garnered a wide investor base and we have been ably supported by our brokers and advisers Hartleys and Cenkos.

We look forward to a successful 2020 year.

Yours faithfully,

Michael Evans
Non-Executive Chairman

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The Directors of 88 Energy Limited ("88E" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of 88 Energy Limited and its controlled entities (the "Group") for the financial year ended 31 December 2019.

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DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

Mr Michael Evans | Non-Executive Chairman
(Appointed 9 April 2014)

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

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

Mr David Wall | Managing Director

(Appointed 15 April 2014)

Mr Wall brings extensive experience with junior oil and gas companies, as a leading oil and gas equity analyst for over six years as well as his previous four and a half years as Managing Director of 88 Energy Ltd. His skillset spans asset evaluation across many fiscal regimes / play types as well as corporate advisory / M&A and equity capital markets, having led >$300m in capital raisings. Prior to his career as an analyst, Mr Wall managed a small team at Woodside Petroleum Ltd that reported to the Executive Committee. This team was responsible for vetting reports from all departments within the business, prior to Board submission, including exploration, development, operations, commercial and M&A. The team was also responsible for generating the annual budget and providing significant input into the Five Year Plan and the Company Strategic Plan. By virtue of these experiences, Mr Wall brings strong commercial and strategic skills as well as generalist knowledge across all levels of the oil and gas industry. This is complemented by financial markets experience focussed on junior exploration companies. Mr Wall holds a Bachelor of Commerce from the University of Western Australia, majoring in Management and Finance.

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

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

Dr Staley has more than 35 years of wide-ranging management, technical and commercial experience in the international oil, gas and power sectors. He co-founded and brought to the AIM market both Fastnet Oil & Gas plc (where he was the founding CEO) and Independent Resources plc (where he was the founding Managing Director). He was also both a technical consultant to, and non-executive director of, Cove Energy plc – the highly successful East Africa focused explorer that went from having a market capitalisation of £2 million in mid-2009 to being sold to PTTP for £1.2 billion in less than three years. Dr Staley is owner and founder of Derwent Resources Limited, an upstream consultancy advising on oil and gas opportunities. Prior to this he has worked for Cinergy Corp., Conoco and BP. He holds a BSc(Hons.) in Geophysics from Edinburgh University, a PhD in Petroleum Geology from Sheffield University and an MBA from Warwick University. He is a Fellow of the Geological Society and a member of the EAGE, the PESGB and The Arctic Club.

Dr Staley was until October 2019 the CEO, director and co-founder of Upland Resources Limited, a London-listed oil & gas company currently with assets onshore UK. Dr Staley is also a non-executive director of Predator Oil & Gas Holdings PLC which is a London-listed oil & gas company. Otherwise Dr Staley does not hold, and has not over the last 3 years held, a directorship in any other public listed company.

Ms Sarah Smith | Joint Company Secretary, sole Company Secretary from 4 March 2016
(Appointed 1 September 2014)

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

Mr Ashley Gilbert | Joint Company Secretary
(Appointed 1 August 2019)

Ashley is also the Chief Financial Officer of 88 Energy Limited and has significant financial, compliance and corporate governance experience. Ashley is a Chartered Accountant, a member of the Governance Institute of Australia and the Australian Institute of Company Directors.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

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

Director	Ordinary Shares	Unlisted Options	Listed Options	Performance Rights
Mr Michael Evans	21,190,478	5,000,000	-	-
Mr David Wall	39,404,762	20,000,000	-	17,520,000
Mr Stephen Staley	11,141,667	5,000,000	-	-
Total	71,736,907	30,000,000	-	17,520,000

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PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

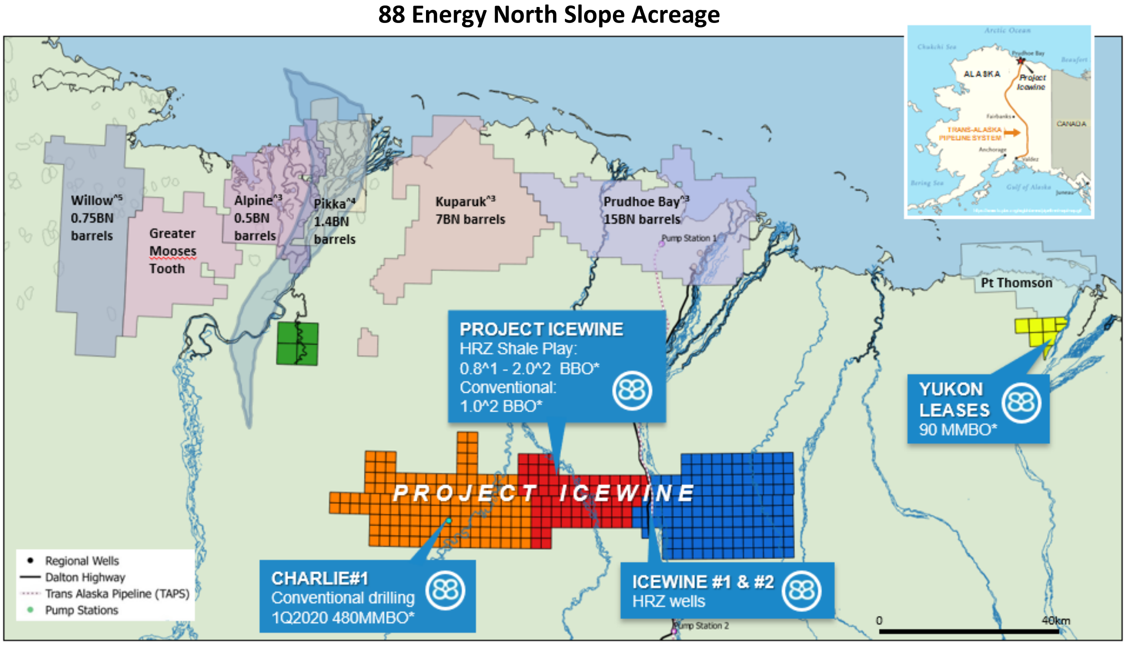
During the year, the Group continued its principal activities in Alaska, North America. An overview of the North Slope assets is provided below followed by a summary of significant activities.

88 ENERGY: ALASKAN NORTH SLOPE ACREAGE

The Company has been operating on the Central North Slope since 2015 having originally entered into a binding agreement in 2014 with Burgundy Xploration (BEX) to acquire a working interest in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. The Company has since substantially expanded its Project Icewine acreage to ~486,000 gross contiguous acres, (~225,000 Conventional / ~310,000 Unconventional acres net to the Company). In 2019 the Company signed a Sale and Purchase Agreement ("SPA") with Premier Oil Plc ("Premier") whereby Premier will farm-in for a 60 per cent interest in Area A (also referred to as the Western Play Fairway) of the conventional Project Icewine acreage in the proven Alaska North Slope basin, with 88 Energy retaining a 30% working interest in Area A and the remaining 10% working interest held by Burgundy Xploration LLC ("Burgundy"). Under the terms of the SPA, Premier will pay the full costs of an appraisal well, designated as Charlie-1, up to a total of US$23 million to test the reservoir deliverability of the Malguk-1 discovery, with the well to be drilled and tested in Q1 2020.

The Company diversified its North Slope portfolio by successfully bidding on the Yukon Leases in 2017 and 2018 which includes an historic oil discovery, Yukon Gold-1, on the acreage (15,235 gross contiguous acres; 100% net to 88 Energy). In 2018, the Company diversified further by entering into an agreement with Great Bear on the Western Blocks, earning 8,175 net acres, by drilling the Winx-1 exploration well.

88 Energy North Slope Acreage



* Net mean prospective resource
^1 Independent Est., ^2 Internal Est., ^3 Source USGS 2005, ^4 Armstrong 2016, ^5 Conoco 2018

88E – 141,859 net acres WI: 76%
88E – 27,496 net acres WI: 25%
88E – 57,024 net acres WI: 30%/75%
88E – Rights to 8,176 net acres WI: 36%
88E – 15,235 net acres WI: 100%

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

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2019 OPERATIONS SUMMARY

The Company had the following key operational highlights for 2019:

Project Icewine

- Project Icewine Conventional;
  - The Project Icewine Conventional farm-out process which commenced in August 2018 continued in early 2019, with a preferred bidder selected by the Company in March 2019. Third-party due diligence and negotiation of terms and conditions were completed in Q2 2019 with Farminee internal approvals received shortly after, ahead of execution of the Farm-out agreement on 23 August 2019 with Premier Oil Plc ("Premier");
  - Key terms under the Sale and Purchase Agreement ("SPA") with Premier include;
    - Premier to farm-in for a 60% interest in Area A and pay the full costs of the Charlie-1 appraisal well, up to a total of US$23 million, to test the reservoir deliverability of the Malguk-1 discovery;
    - 88 Energy will retain a 30% working interest in Area A with the remaining 10% working interest held by Burgundy Xploration LLC ("Burgundy");
    - Premier has an option to earn 50% working interest in Area B or C by spending US$15m, if the Charlie-1 (Malguk-1 appraisal) well in Area A is successful; and
    - 88 Energy to operate the Charlie-1 well via its wholly owned Alaskan subsidiary, Accumulate Energy Alaska Inc, with the well to be drilled and tested in Q1 2020.
  - The farm-out with Premier was finalised and completion documents were executed in November 2019;
  - A rig contract was executed with Nordic-Callista Services to utilise Rig-3 for the drilling of the Charlie-1 appraisal well in Q3 2019 and the Alaska Department of Natural Resources approved the Plan of Operations for the Charlie-1 appraisal well in Q4 2019; and
  - The Permit to Drill was submitted prior to the end of 2019, with approval received subsequent to year-end in early February 2020. At year-end all other contracting and logistical work was proceeding as planned.
- Project Icewine Unconventional;
  - Advanced FIB-SEM and HAWK analysis was undertaken in 2019 which significantly advanced the understanding of the HRZ shale play, with the following noted;
    - The majority of acreage is estimated to remain within revised prospectivity fairway;
    - Additional application of FIB-SEM underway to validate fairway revision; and
    - Franklin Bluffs (Icewine#2 location) considered to be marginally outside revised fairway.
  - Additional analysis to be complimented by results from the Charlie-1 well, with the well designed to penetrate HRZ and gather additional data which will complement the ongoing additional analysis being conducted; and
  - Icewine 2 well formally plugged and abandoned in Q3 2019.

Yukon Acreage

- Processing of the Yukon 3D interpretation and resource evaluation on the inversion product was completed in the Q2 2019;
- The Yukon lease bid on by the Company in the Dec'18 State of Alaska Licensing Round was formally awarded and taken up in Q3 2019; and
- Discussions continued with nearby resource owners to optimise the monetisation strategy for the acreage.

Western Blocks

- Winx-1 Exploration well;
  - The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) in January 2019, with the Winx-1 exploration well spudded on schedule on 15th February 2019;
  - Total Depth of 6,800' was reached on the 3rd March 2019, having intersected all targets;
  - Petrophysical analysis of the wireline logging program indicated low oil saturations in both the primary Nanushuk Topset objectives and the Torok objective, with testing and fluid sampling indicating that reservoir quality and fluid mobility at this location are considered insufficient to warrant production testing; and
  - The Winx-1 well was successfully plugged and abandoned on the 18th March 2019, with the Nordic Rig-3 and associated services fully demobilised prior to the end of Q1 2019. Drilling operations were completed on time and without incident, and under budget.
- In the second half of 2019 additional regional 3D was purchased and assessed for further prospectivity in acreage, and as at year-end an assessment of the strategy for the future of the leases was underway.

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PROJECT ICEWINE 2019 OPERATIONS

Project Icewine Conventional

The Conventional farm-out campaign commenced in August 2018, whilst processing of newly acquired 3D seismic (March 2018) was still underway. Processing was finalised in October 2018, including inversion, marking the first time that potential farminees could comprehensively assess the mapped conventional resource potential on the Western Play Fairway at Project Icewine. Consequently, requests were made at the end of 2018 by potential farminees for more time to evaluate the opportunity, which the Company granted.

The farm-out process progressed to the next stage at the end of Q1 2019 with a preferred bidder selected and indicative terms agreed. Due diligence completed in Q2 2019. The Company was advised by the preferred bidder in June 2019 that Board approval and other required internal approvals had been secured. The Company advised in July 2019 that it had executed an Exclusivity Agreement with the preferred bidder to facilitate near term operational activity whilst final terms were agreed on the proposed farmout agreement. The Company announced execution of the farm-out with Premier Oil Plc of the United Kingdom on 22 August 2019.

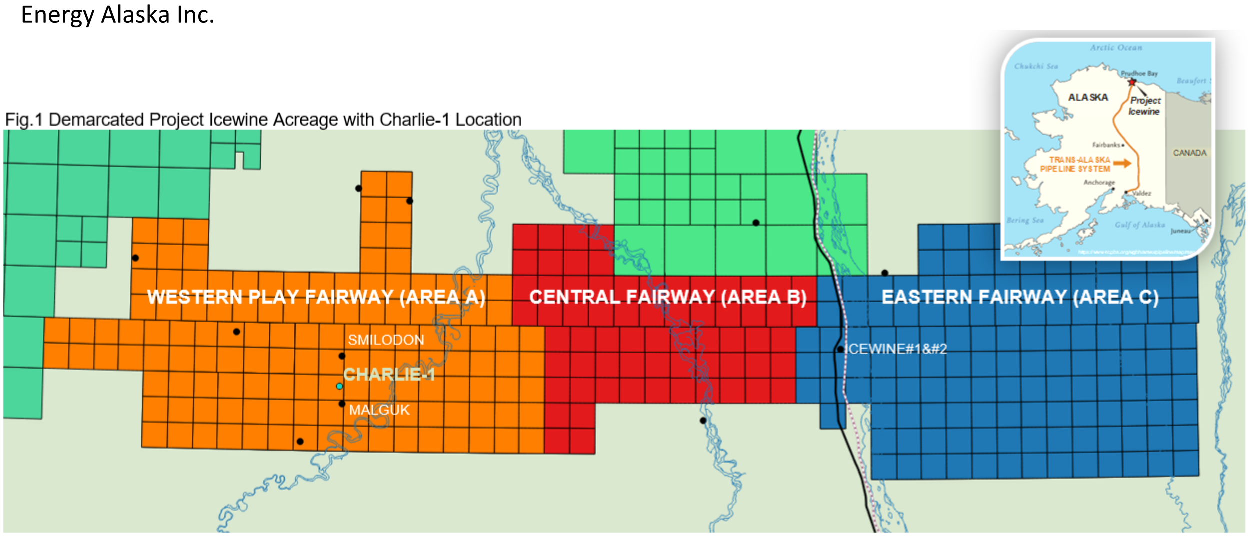
Under the Sale and Purchase Agreement ("SPA") with Premier Oil Plc ("Premier"), Premier will farm-in for a 60 per cent interest in Area A (also referred to as the Western Play Fairway) of the conventional Project Icewine acreage in the proven Alaska North Slope basin (see Fig. 1). 88 Energy will retain a 30% working interest in Area A with the remaining 10% working interest held by Burgundy Xploration LLC ("Burgundy").

Under the terms of the SPA Premier will pay the full costs of an appraisal well, designated as Charlie-1, up to a total of US$23 million to test the reservoir deliverability of the Malguk-1 discovery. The well will be drilled and tested in Q1 2020. On successful completion of the work programme Premier has the option to assume operatorship.

Additional details of the farm-out include;

- Premier has an option to earn 50% working interest in Area B or C by spending US$15m, if the Charlie-1 (Malguk-1 appraisal) well in Area A is successful; and
- 88 Energy to operate the Charlie-1 (Malguk-1 appraisal) well via its wholly owned Alaskan subsidiary, Accumulate Energy Alaska Inc.

Fig.1 Demarcated Project Icewine Acreage with Charlie-1 Location



All conditions precedent to the farm-out agreement between 88 Energy, Premier and Burgundy Xploration, signed in August 2019, were satisfied in November 2019 and consequently, execution of the final agreements took place on 26th November 2019.

In Q3 2019, the Company via its 100% owned subsidiary Accumulate Energy Alaska, Inc ("Accumulate"), executed a rig contract with Nordic-Callista Services to utilise Rig-3 for the upcoming drilling of the Charlie-1 appraisal well. 88 Energy utilised Rig-3 for the drilling of the Winx-1 well in March 2019 and was extremely pleased with its safe and efficient performance throughout the course of operations.

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In addition, the Alaska Department of Natural Resources approved the Plan of Operations for the Charlie-1 appraisal well on 22nd November 2019. The Plan of Operations is one of the key major permits required for drilling. The final major permit, the Permit to Drill, is scheduled for submission in December, with approval expected in January 2020 ahead of the scheduled February spud date.

The Permit to Drill was submitted prior to the end of 2019, as planned, and approval is expected in early February. This is the last major permit required prior to spud of the Charlie-1 well. As at year end, all other contracting and logistical work is proceeding as planned, ahead of the scheduled February 2020 spud date.

Project Icewine Unconventional

Baker Hughes and the United States Geological Society (USGS) continue to apply advanced evaluation techniques to the HRZ shale play, including additional tests on both core and cuttings obtained from the drilling of the Icewine-1 and Icewine-2 wells.

Finalisation of advanced analysis using state-of-the-art technology has significantly advanced the Joint Venture understanding of the nature of the HRZ play. This analysis has confirmed that the HRZ is an excellent source rock with good potential as an economic shale play.

The nature of the dominant kerogen in the HRZ has been demonstrated to be prone to more rapid transformation into hydrocarbons than other shales initially used for comparison. This means that the thermal maturity window for volatile oil in the HRZ is at lower temperature than that typically seen in other plays. As a result, the Franklin Bluffs location (where both Icewine wells were drilled) is considered to be just outside the fairway. The kerogen in the HRZ at Franklin Bluffs has been converted largely to solid bitumen, with sub optimal intraparticle porosity and connectivity. The total porosity of the formation remains excellent – the effective kerogen porosity (pathways between the particles that contain the hydrocarbon); however, is lower than ideal. At slightly lower thermal maturity, it is prognosed that porosity/connectivity will be significantly improved.

The expansive leasing strategy employed by the Joint Venture means that the majority of the revised fairway for the play remains captured within the Project Icewine leasehold, with greater than 50% of the acres under lease considered prospective.

In the second half of 2019, material from regional wells were accessed to conduct additional FIB-SEM analysis to confirm improved effective porosity and connectivity, which was ongoing at year-end.

Additional analysis to be complimented by results from the Charlie-1 well, with the well designed to penetrate HRZ and gather additional data which will complement the ongoing additional analysis being conducted.

The Joint Venture plans to conduct a formal farm-out in process in 2020, to fund further appraisal.

Purchase of Outstanding Tax Credits and an Additional Tax Credit Certificate Granted

On the 9th of January 2019 the Alaskan Department of Revenue ("DoR") informed the Company of the purchase of US$1.57m (A$2.2m) in tax credits, with the funds received directly applied against the Brevet debt facility. Further, on the 26 March 2019, the Company was informed by the Alaska DoR that it had issued a Credit Certificate to Accumulate Energy Alaska Inc., (100% owned subsidiary of 88 Energy Ltd), for US$2.35m (A$3.4m) related to CY2016 2D seismic expenditure. The total expected cashable credits owed by the State to 88E at year end was US$19.1 m (A$27.3m), which is far in excess of debt outstanding of US$15.9m (A$22.7m).

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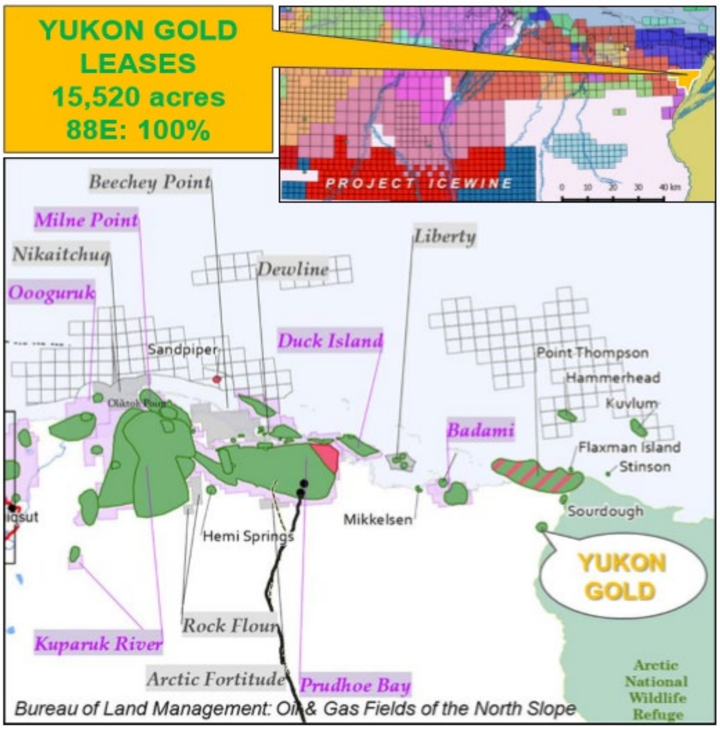
YUKON ACREAGE 2019 OPERATIONS

The Yukon 3D interpretation and resource evaluation was completed in the first half of 2019 on the inversion product.

Discussions were initiated by the Company with nearby lease owners to optimise the monetisation strategy for existing discovered resources located in the vicinity of the Yukon Leases. The Yukon Leases contain the 86 million barrel Cascade Prospect#, which was intersected peripherally by Yukon Gold 1, drilled in 1994, and classified as an historic oil discovery. 88 Energy recently acquired 3D seismic (2018) over Cascade and, on final processing and interpretation, high-graded it from a lead to a drillable prospect. The Yukon Leases are located adjacent to ANWR and in close proximity to recently commissioned infrastructure.



 # Refer announcement 7th November 2018

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

Additional Yukon Lease Formally Awarded

88 Energy, via its subsidiary Regenerate Alaska, Inc, was formally awarded acreage it successfully bid on in the State of Alaska North Slope Licensing round December 2018. Lease documents were executed and the balance of funds transferred to the Alaska Department of Natural Resources in Q3 2019.

WESTERN BLOCKS 2019 OPERATIONS

Winx-1 Exploration Well

The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 16th January 2019, and with the completion of the construction of the ~11 mile ice road in late January the Nordic#3 rig was mobilised and arrived at the drill site location as planned on the 7th February 2019. Spud of the Winx-1 exploration well occurred on schedule on 15th February 2019, with the well intersecting all the of the pre-drill targets safely and efficiently. Total Depth of 6,800' was reached on the 3rd March 2019, with multiple potential pay zones identified in the Nanushuk Formation Topset Play (primary targets) and Torok Formation (secondary targets).

The Winx-1 well was plugged and abandoned on the 18th March 2019, with the rig and associated services fully demobilised prior to the end of the quarter. Drilling operations were completed on time and without incident, and under budget.

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Petrophysical interpretation of the LWD data at Winx-1 indicated elevated resistivities associated with increased mud gas ratios (C1 – C5) in the distinctive Nanushuk Topset sequence, comparable with other successful neighbouring wells in the Nanushuk play fairway. Early indications were encouraging and, on this basis, a comprehensive wireline program was undertaken to further evaluate the interval of interest.

The wireline program was designed to fully evaluate and quantify the reservoir potential and associated shows in the Nanushuk Topsets. The suite comprised specialist logging tools capable of quantifying laminated pay zones, including nuclear magnetic resonance; a triaxial induction tool that measures both horizontal and vertical resistivity, and an MDT program to determine pressure gradients and sample fluids from the zones of interest.

Wireline results indicate low oil saturations in the Nanushuk Topsets not conducive to successfully flowing the formation, as borne out by the MDT sampling results, which did not retrieve hydrocarbon samples. Reservoir properties appear to be compromised by dispersed clay in the matrix at Winx-1. This clay is often present in other successful Nanushuk wells but in discrete laminations with decent quality, high resistivity, oil saturated sandstones in between. The dispersed clay in the Nanushuk at Winx-1 impacts both fluid mobility and oil saturations. The clay serves to bind much of the fluid present in place so that it cannot flow. It also occupies pore space within the formation, resulting in a lower relative hydrocarbon saturation. This means that, whilst oil is present in the reservoir, there is less of it and it is not mobile. Further evaluation was undertaken post drill to fully understand the implications of the petrophysical results.

The reservoir performance in the Torok Channel Sequence was better than the Nanushuk in the Winx-1 well, as evidenced by relatively faster influx of fluid during MDT sampling. On completion of the wireline logging program it is apparent that the oil saturations in the Torok zone of interest are also low and not conducive to hydrocarbon flow. The oil saturations are evidence of an active petroleum system / charge and further work is required to determine whether there is an effective trapping mechanism at this location or elsewhere on the leases.

Performance Bond

In consideration for acquiring a working interest from Great Bear Petroleum in the Western Blocks the Company, and Consortium partners, provided a US$3.0 million (A$4.2 million) Performance Bond to the State of Alaska in July 2018 as part of the commitment to drilling an exploration well by 31 May 2019.

On satisfying the requirement of drilling an exploration well on the acreage 88 Energy have earnt the rights to a 36% working interest on the acreage. Well data was submitted to the Department of Natural Resources, Division of Oil and Gas in March 2019 to initiate the release of the US$3.0 million (A$4.2 million) performance bond, (US$1.2 million (A$1.7 million) net to 88E), which was refunded in full in May 2019.

Post Well Activity & Forward Plan

Additional regional 3D was purchased during the 3rd quarter to aid in the evaluation process for the Western Blocks, with the Joint Venture at year-end assessing the strategy for future of leases underway, ahead of lease expiry in May 2021.

NEW VENTURES

The Company continued to review and evaluate a number of new ventures opportunities during 2019.

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CORPORATE SUMMARY

The Corporate highlights for the company during the year included:

Q3 2019 Placement Raised A$6.75 million

On the 13th September, the Company announced that it had successfully completed a capital raise of A$6.75 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 540 million ordinary shares at A$0.0125 (equivalent to £0.007) per New Ordinary Share.

Funds raised pursuant to the Placement, together with the Company's existing cash reserves, will be used to fund the ongoing evaluation of the conventional and unconventional prospectivity of the Company's existing assets, including any potential costs in respect of the Charlie-1 well which is due to be drilled in Q1 CY2020, and to enable it to identify and exploit new opportunities on the North Slope of Alaska.

FINANCIAL PERFORMANCE

The financial results of the Group for the year ended 31 December 2019 are:

	31-Dec-19 **$**	31-Dec-18 $	Change %
Cash and cash equivalents	**15,903,117**	21,722,211	(27%)
Net Assets	**64,598,510**	94,114,195	(31%)
Revenue and other income	**35,931**	1,362,745	(97%)
Net loss after tax	**(36,780,457)**	(5,993,593)	513%

The loss for the year was $36,780,457 (2018: $5,993,593). The loss was largely attributable to administrative expenditure and finance costs associated with the debt facility as well as impairment of the Icewine-2 and Winx-1 exploration wells.

At the end of the financial year, the Group had cash on hand of $15,903,117 (2018: $21,722,211), net assets of $64,598,510 (2018: $94,114,195) and current liabilities of $6,309,010 (2018: $6,257,302). The significant reduction in net assets is largely due to the impairment of the Winx-1 and Icewine 2 exploration wells in the year.

During the year, the Company raised approximately $6.75 million (before costs) through the issue of new shares.

DIVIDENDS

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from 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.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

- On the 24 January 2020, the Company announced that it had successfully completed a capital raise of A$5 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 238 million ordinary shares at A$0.021 (equivalent to £0.011) per New Ordinary Share; and
- The Company announced the Permit to Drill was awarded on the 11th of February 2020 by the Department of Natural Resources, State of Alaska.

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

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LIKELY DEVELOPMENTS AND FUTURE STRATEGY

Project Icewine;

The Charlie-1 well will be drilled and tested in Q1 2020, with Premier under the terms of the SPA paying the full costs of an appraisal well up to a total of US$23 million to test the reservoir deliverability of the Malguk-1 discovery.

Further evaluation is being completed on the Project Icewine HRZ liquids-rich unconventional resource play, prior to launching a formal farm-out process to fund the future work program.

Yukon Acreage;

The Yukon Gold leases are located on the eastern border of the Central North Slope of Alaska and were acquired in 2018 and 2019. 88 Energy via its subsidiary Regenerate Energy Alaska Inc. has a 100% working interest in these leases, totalling 15,235 acres. The leases contain an historic discovery well, Yukon Gold #1, which will continue to be evaluated internally. Discussions are ongoing with nearby lease owners to optimise the monetisation strategy for existing discovered resources located in the vicinity of the Yukon Leases.

Western Blocks;

88 Energy has earned rights to a 36% working interest in four leases (totalling 22,711 acres) immediately adjacent to the Horseshoe#1/1A oil discovery well, drilling the Winx-1 prospect in Q1 2019. The Joint Venture at year-end was in the process of assessing the strategy for future of the leases, ahead of lease expiry in May 2021.

The Company continues to review any other opportunities that may arise.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares

As at 31 December 2019, the following Company options and performance rights were on issue:

Type	Number	Exercise Price	Expiry Date
Placement options	131,500,000	$0.055	27-10-21
Placement fee options	22,000,000	$0.05	27-10-21
Unlisted Options	90,000,000	$0.06	14-03-20
Unlisted Options	10,000,000	$0.03	31-7-20
Performance Rights	42,519,288	$0.00	24-10-22
TOTAL	**296,019,288**		

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

Shares issued as a result of the exercise of options

At the date of this report, no shares were issued as a result of the exercise of options for 2019 year.

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DIRECTORS' MEETINGS

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

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

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

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

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REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

Key Management Personnel Disclosed in this Report

Key Management Personnel of the Group during or since the end of the financial year were:

Mr David Wall	Managing Director
Mr Michael Evans	Non-Executive Chairman
Dr Stephen Staley	Non-Executive Director
Mr Ashley Gilbert	Chief Financial Officer & Joint Company Secretary

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

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

A	Remuneration Philosophy
B	Remuneration Governance, Structure and Approvals
C	Remuneration and Performance
D	Details of Remuneration
E	Service Agreements
F	Share-based Compensation
G	Equity Instruments Issued on Exercise of Remuneration Options
H	Voting and comments made at the Company's 2018 Annual General Meeting
I	Loans with KMP
J	Other Transactions with KMP

A Remuneration Philosophy

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

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

No remuneration consultants were employed during the financial year.

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B Remuneration Governance, Structure and Approvals

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

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

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

❖ **Non-Executive Remuneration Structure**

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

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

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

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

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

❖ **Executive Remuneration Structure**

The nature and amount of remuneration of executives are assessed on an annual basis or as otherwise determined by the Board, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performance Directors.

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

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

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

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❖ **Executive Remuneration Approvals**

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

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

C Remuneration and Performance

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

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

	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Loss after income tax ($)	**(36,780,457)**	(5,993,593)	(8,408,915)	(9,401,264)	(6,304,712)
EPS (cents per share)	**(0.005)**	(0.001)	(0.002)	(0.003)	(0.002)
Share price	**$0.022**	$0.019	$0.026	$0.045	$0.008
Market capitalisation	**$151.2 million**	$120.2 million	$120.9 million	$187.6 million	$24.7 million

Relationship between Remuneration and Company Performance

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

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

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

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

a) Fixed Remuneration – Base Salary

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

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

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b) Variable Remuneration – Short Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable. Bonus payments were made in the 2018 and 2019 financial years as detailed in this remuneration report. In determining the extent of cash bonuses paid in 2018 and 2019, the Board took into consideration performance of each individual in the period and the Company performance.

c) Variable Remuneration – Long Term Incentives (LTI)

The Company adopted a Performance Rights Scheme during the year ended 31 December 2018. The Performance Rights Scheme allows eligible participants to be granted Performance Rights to acquire Shares in the Company subject to certain vesting conditions. The Board may grant Performance Rights to any Director, full or part time employee, or casual employee or contractor who falls within the definition of an Eligible Participant as defined in ASIC Class Order 14/1000 and the Scheme rules. Each Performance granted under the Scheme will be granted for nil consideration and each Performance Right is exercisable into one Share in the Company with an exercise price and expiry date for the Performance Rights granted under the Scheme determined by the Board prior to the grant of the Performance Rights.

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

The Options granted may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Options. The Options will not be quoted on ASX. No options or performance rights were granted in 2019.

D Details of Remuneration

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

Table 1(a) – Remuneration of KMP – Directors of the Group for the years ended 31 December 2019 and 31 December 2018 is set out below:

Directors		Short-term Employee Benefits				Post-Employment Benefits	Share Based Payments	Total
	Year	Salary & fees	Non-monetary benefits	Annual & Long Service Leave	Other [iv]	Superannuation	Performance Rights & Options [iii]	
		$	$	$	$	$	$	$
Michael Evans	2019	140,000	-	-	-	13,300	-	153,300
	2018	140,000	-	-	-	13,300	-	153,300
David Wall	2019	429,975	-	39,978[ii]	115,000[i]	29,925	44,251[iii]	659,129
	2018	400,000	-	32,762	79,500	28,500	8,962	549,724
Brett Villemarette[V]	2019	-	-	-	-	-	-	-
	2018	54,167	-	-	-	5,146	-	59,313
Stephen Staley	2019	65,000	-	-	-	-	-	65,000
	2018	65,000	-	-	-	-	-	65,000
Total	**2019**	**634,975**	**-**	**39,978**	**115,000**	**43,225**	**44,251**	**877,429**
Remuneration	2018	659,167	-	32,762	79,500	46,946	8,962	827,337

(i) Mr Wall was paid a cash bonus of $105,023 in September 2019 and elected to cash out super of $9,977.
(ii) Includes annual leave - $32,265 and long service leave - $7,713.
(iii) Share based payments are the options and performance rights expensed over the vesting period.
(iv) Cash bonuses paid in 2018 and 2019 are based on individual and the Company performance, in particular the completion of the farm-out.
(v) Mr Villemarette ceased as a director on 29 October 2018.

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Table 1(b) – Remuneration of KMP – Executives of the Group for the years ended 31 December 2019 and 31 December 2018 is set out below:

Executives	Year	Short-term Employee Benefits				Post-Employment Benefits	Share Based Payments	Total
		Salary & fees	Non-monetary benefits	Annual & Long Service Leave	Other [iv]	Superannuation	Performance Rights & Options [iii]	
		$	$		$	$	$	$
Ashley Gilbert	2019	302,131	-	2,300[ii]	100,000[i]	25,000	24,339[ii]	453,770
	2018	275,000	-	8,544	51,125	25,000	4,929	364,598
Total	**2019**	**302,131**	-	**2,300**	**100,000**	**25,000**	**24,339**	**453,770**
Remuneration	2018	275,000	-	8,544	51,125	25,000	4,929	364,598

(i) Mr Gilbert was paid a cash bonus of $91,324 in September 2019 and elected to cash out superannuation of $8,676.
(ii) Includes annual leave - $0 and long service leave - $2,300.
(iii) Share based payments are the options and performance rights expensed over the vesting period.
(iv) Cash bonuses paid in 2018 and 2019 are based on individual and the Company performance in particular the completion of the farm-out.

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

Table 2 – Relative proportion of fixed vs variable remuneration expense

	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
Name	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Directors						
Michael Evans	**100%**	100%	**-**	-	**-**	-
David Wall	**76%**	84%	**17%**	14%	**7%**	2%
Stephen Staley	**100%**	100%	**-**	-	**-**	-
Executives						
Ashley Gilbert	**73%**	85%	**22%**	14%	**5%**	1%

The proportion of STI and LTI of performance based remuneration forfeited in 2019 was nil.

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

31 December 2019	Balance at 01/01/2019	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 31/12/2019
Directors					
Michael Evans	21,190,478	-	-	-	21,190,478
David Wall	39,404,762	-	-	-	39,404,762
Stephen Staley	11,141,667	-	-	-	11,141,667
Total	**71,736,907**	**-**	**-**	**-**	**71,736,907**

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

31 December 2019	Balance at 01/01/2019	Granted as Remuneration	Exercised	Expired / Other Change	Balance at 31/12/2019	Vested & Exercisable
Directors						
Michael Evans	5,000,000	-	-	-	5,000,000	5,000,000
David Wall	20,000,000	-	-	-	20,000,000	20,000,000
Stephen Staley	5,000,000	-	-	-	5,000,000	5,000,000
Executives						
Ashley Gilbert	20,000,000	-	-	-	20,000,000	20,000,000
Total	**50,000,000**	**-**	**-**	**-**	**50,000,000**	**50,000,000**

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Table 5 – Performance Rights Issued to KMP as at 31 December 2019 (direct and indirect holdings)

31 December 2019	Balance at 01/01/2019	Granted as Remuneration	Exercised	Expired	Balance at 31/12/2019	Vested & Exercisable
Directors						
David Wall	21,900,000	-	-	(4,380,000)	17,520,000	-
Executives						
Ashley Gilbert	12,045,000	-	-	(2,409,000)	9,636,000	-
Total	**33,945,000**	**-**	**-**	**(6,789,000)**	**27,156,000**	**-**

E Service Agreements

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

❖ **Mr David Wall – Managing Director**
- Contract: Commenced on 15 April 2014.
- Salary & Director's Fee: $420,000 per annum plus superannuation.
- Performance Based Bonuses: The Company may at any time pay Mr Wall a performance based bonus over and above his salary. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Wall and the Company.
- Termination by Company is with 6 months' notice or payment in lieu thereof. Termination by Mr Wall is with 3 months' notice.
- Termination Benefit: Termination benefits to the extent permitted under the ASX Listing Rules and Corporations Act are included in the contract in the event of certain termination events.

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

❖ **Mr Ashley Gilbert – Chief Financial Officer & Joint Company Secretary**
- Contract: Engaged as an employee with employment commencing 28 January 2017.
- Employee Salary: $312,500 per annum plus superannuation.
- Performance Based Bonuses: The Company may at any time pay Mr Gilbert a performance-based bonus over and above his salary. In determining the extent of any performance-based bonus, the Company shall take into consideration the performance of Mr Gilbert and the Company.
- Termination by Company is with 3 months' notice or payment in lieu thereof. Termination by Mr Gilbert is with 3 months' notice.
- Termination Benefit: Termination benefits to the extent permitted under the ASX Listing Rules and Corporations Act are included in the contract in the event of certain termination events.

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

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F Share-based Compensation

The Company rewards Directors and Key Management Personnel for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and/or performance rights. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

Unlisted Options:

Reconciliation of options held by each Key Management Personnel;

Directors & Executives	Options	Issue Date	Fair Value per Option ($)	Total Fair Value ($)	Exercise Price ($)	Expiry Date	Employee Benefits Expense (i)		Number of Options Vested	% Vested
							During the year	Not yet recognised		
M Evans	5,000,000	11-03-17	0.0224	112,000	0.06	14-03-20	-	-	5,000,000	100%
D Wall	20,000,000	11-03-17	0.0224	448,000	0.06	14-03-20	-	-	20,000,000	100%
S Staley	5,000,000	11-03-17	0.0224	112,000	0.06	14-03-20	-	-	5,000,000	100%
A Gilbert	20,000,000	11-03-17	0.0224	448,000	0.06	14-03-20	-	-	20,000,000	100%
Total	**50,000,000**			**1,120,000**			-	-	**50,000,000**	

** Options issued in connection with the Company's share placement as approved by shareholders meeting on 12 February 2015.*

(i) The value of expense recognised is the fair value of the options recognised over the expected vesting period.

Unlisted Performance Rights:

Performance Rights were issued to KMP in the 2018 financial year per the table below.

Directors and Executives	Tranche A (iv)	Tranche B	Tranche C	Tranche D	Tranche E	Tranche F	Tranche G	Total
	Share Price			Resources	Reserves	Production	Tenure	
Grant Date*	15/10/2018	15/10/2018	15/10/2018	15/10/2018	15/10/2018	15/10/2018	15/10/2018	
Expiry Date	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022	
Fair Value per Performance Right $	0.00020	0.00010	-	0.01900	0.01900	0.01900	0.01900	
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Performance Rights (ii)								
- D Wall	4,380,000	4,380,000	4,380,000	4,380,000	2,190,000	1,095,000	1,095,000	**21,900,000**
- A Gilbert	2,409,000	2,409,000	2,409,000	2,409,000	1,204,500	602,250	602,250	**12,045,000**
Number of Performance Rights Vested	-	-	-	-	-	-	-	**-**
% Vested	-	-	-	-	-	-	-	**-**
Fair Value $;								
- D Wall	876	438	-	83,220	41,610	20,805	20,805	**167,754**
- A Gilbert	482	241	-	45,771	22,886	11,443	11,443	**92,266**
Total Fair Value $	1,358	679	-	128,991	64,496	32,248	32,248	**260,020**
Employee Benefits Expense $ (i);								
- During the Year: D Wall	688	219	-	20,805	10,403	5,201	6,935	**44,251**
- During the Year: A Gilbert	379	120	-	11,443	5,721	2,861	3,815	**24,339**
Total $	1,067	339	-	32,248	16,124	8,062	10,750	**68,590**
Employee Benefits Expense $ (i);								
- Not Yet Recognised: D Wall	-	172	-	57,969	28,985	14,492	12,388	**114,006**
- Not Yet Recognised: A Gilbert	-	95	-	31,883	15,941	7,971	6,813	**62,703**
Total $	-	267	-	89,852	44,926	22,463	19,201	**176,709**

** Performance Rights issued in connection with the Company's share placement as approved by shareholders meeting on 15 October 2018.*

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(i) The value of expense recognised is the fair value of the Performance Rights recognised over the expected vesting period.

(ii) Refer to ASX release dated 13 and 28 September 2018 for specific terms and conditions of Performance Rights issued.

(iii) Performance Rights were issued under five tranches with the following performance conditions;
- Tranche A, B and C (Share Price tranche): tranches have a performance period of 12 months for tranche A, 24 months for tranche B and 36 months for trance C, at which point the vesting conditions relating to absolute share price growth will be tested with total number of rights to vest dependant on outcome of testing;
- Tranche D (Resources tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Resources;
- Tranche E (Reserves tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Resources;
- Tranche F (Production tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Resources; and
- Tranche G (Tenure tranche): tranche has non-market based vesting conditions attached that require the employee to remain employed with the Company up to including 3 years from date of issue.;

(iv) Tranche A performance rights lapsed in the year.

No Performance Rights were issued in 2019.

G Equity Instruments Issued on Exercise of Remuneration Options

No new shares were issued on exercise of Options during the 2019 financial year.

No remuneration options were exercised during the 2019 financial year.

H Voting and comments made at the Company's 2018 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 31 December 2018 was put to the shareholders of the Company at the AGM held 15 April 2019. The resolution was passed without amendment, on a poll. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices however did receive its first strike in 2019 relating to the 2018 Remuneration Report with only 67% of shareholders voting in favour of the adoption of the remuneration report. The Company is required to include a contingent Spill Resolution in the 2020 AGM, which will be withdrawn should votes against the 2019 Remuneration Report be less than 25%. No strike occurred in 2018 against the 2017 Remuneration Report.

I Other Transactions with KMP - Loans

There were no loans made to any KMP during the year ended 31 December 2019 (2018: nil).

There were no loans from any KMP during the year ended 31 December 2019 (2018: nil).

J Other Transactions with KMP

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

- Dr Stephen Staley has a consultancy agreement for an indefinite term commencing 2 November 2012. The agreement may be terminated at any time by either party giving three months clear notice. There are no termination benefits payable. In accordance with the agreement, Dr Staley is to receive a minimum fee of £2,315.20 ($A4,522) per calendar month, plus Value Added Tax or other sales tax if applicable, based on 2.5 working days per month. Any work that is carried out by the Consultant in excess of 2.5 working days per calendar month must be pre-approved by the Managing Director. Approved days will be remunerated at a rate of £1,000 ($A 2,033) per day.

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The following transactions occurred with related parties:

	2019 $	2018 $
Derwent Resources Limited(i)	**65,010**	45,667
Villemarette Nominees Pty Ltd	**-**	31,049

(i) During the year, the Company paid £35,412 ; A$65,010 (2018: £25,583 : A$45,667) to Derwent Resources Limited for consultancy services. The amount has been translated to Australian Dollars at the average rate.

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

End of Audited Remuneration Report.

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PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the year ended 31 December 2019, the Company paid premiums in respect of a contract insuring the directors and officers of the Company against liabilities incurred as directors or officers to the extent permitted by the Corporations Act 2001.

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 27 and forms part of the Directors' Report for the financial year ended 31 December 2019.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.
Details of the amounts paid or payable to the auditors, BDO (WA) Pty Ltd, for non-audit services provided during the year are set out below.

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

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

	31-Dec-19	31-Dec-18
Non-Audit Services		
Remuneration for other services		
BDO Corporate Finance (WA) Pty Ltd	-	5,244
Total Non-Audit Services	-	5,244

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

Mr David Wall
Managing Director
26 February 2020

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

As lead auditor of 88 Energy Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of 88 Energy Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2020

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Note	2019	2018
		$	$
Revenue from continuing operations			
Other income	3(a)	**35,931**	1,362,745
Administrative expenses	3(b)	**(1,215,226)**	(1,524,870)
Occupancy expenses		**(34,596)**	(44,958)
Employee benefit expenses	3(c)	**(1,983,685)**	(1,879,007)
Share-based payment expense	18	**(95,276)**	(21,750)
Depreciation and amortisation expense		**(58,110)**	(50,609)
Finance cost		**(3,095,466)**	(4,224,698)
Other expenses	3(d)	**(30,277,141)**	(149,010)
Foreign exchange (loss) / gain		**(56,888)**	538,564
Loss before income tax		**(36,780,457)**	(5,993,593)
Income tax expense	4	**-**	-
Loss after income tax for the year		**(36,780,457)**	(5,993,593)
Other comprehensive income / (loss) for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**854,461**	6,961,354
Other comprehensive income / (loss) for the year, net of tax		**854,461**	6,961,354
Total comprehensive income / (loss) for the year attributable to members of 88 Energy Limited		**(35,925,996)**	967,761
Loss per share for the year attributable to the members of 88 Energy Limited:			
Basic and diluted loss per share	5	**(0.005)**	(0.001)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019	2018
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**15,903,117**	21,722,211
Trade and other receivables	7	**1,120,550**	2,101,501
Total Current Assets		**17,023,667**	23,823,712
Non-Current Assets			
Plant and equipment	8	**12,900**	11,172
Exploration and evaluation expenditure	9	**52,928,315**	76,983,981
Other Assets	10	**23,615,216**	22,977,103
Total Non-Current Assets		**76,556,431**	99,972,256
TOTAL ASSETS		**93,580,098**	123,795,968
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**6,026,811**	6,001,949
Provisions	12	**282,199**	255,353
Total Current Liabilities		**6,309,010**	6,257,302
Non-Current Liabilities			
Borrowings	13	**22,672,578**	23,424,471
Total Non-Current Liabilities		**22,672,578**	23,424,471
TOTAL LIABILITIES		**28,981,588**	29,681,773
NET ASSETS		**64,598,510**	94,114,195
EQUITY			
Contributed equity	14	**185,619,885**	179,304,850
Reserves	15	**23,578,127**	22,628,390
Accumulated losses		**(144,599,502)**	(107,819,045)
TOTAL EQUITY		**64,598,510**	94,114,195

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 January 2019	**179,304,850**	**22,628,390**	**(107,819,045)**	**94,114,195**
Loss for the year	**-**	**-**	**(36,780,457)**	**(36,780,457)**
Other comprehensive income	**-**	**854,461**	**-**	**854,461**
Total comprehensive income/(loss) for the year after tax	**-**	**854,461**	**(36,780,457)**	**(35,925,996)**
Transactions with owners in their capacity as owners:				
Issue of share capital	**6,750,000**	**-**	**-**	**6,750,000**
Share-based payments	**-**	**95,276**	**-**	**95,276**
Share issue costs	**(434,965)**	**-**	**-**	**(434,965)**
Balance at 31 December 2019	**185,619,885**	**23,578,127**	**(144,599,502)**	**64,598,510**
At 1 January 2018	141,711,466	15,645,286	(101,825,452)	55,531,300
Loss for the year	-	-	(5,993,593)	(5,993,593)
Other comprehensive loss	-	6,961,354	-	6,961,354
Total comprehensive income/(loss) for the year after tax	-	6,961,354	(5,993,593)	967,761
Transactions with owners in their capacity as owners:				
Issue of share capital	39,678,216	-	-	39,678,216
Share-based payments	-	21,750	-	21,750
Share issue costs	(2,084,832)	-	-	(2,084,832)
Balance at 31 December 2018	179,304,850	22,628,390	(107,819,045)	94,114,195

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANICAL YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **$**	2018 $
Cash flows from operating activities			
Payment to suppliers and employees		**(3,465,770)**	(4,333,868)
Interest received		**22,930**	16,896
Interest & finance costs		**(2,395,536)**	(2,267,612)
Net cash flows used in operating activities	6(b)	**(5,838,376)**	(6,584,584)
Cash flows from investing activities			
Payments for exploration and evaluation activities		**(29,725,227)**	(35,110,843)
Contribution from JV Partners in relation to Exploration		**23,860,234**	12,156,384
Net cash flows used in investing activities		**(5,864,993)**	(22,954,459)
Cash flows from financing activities			
Proceeds from issue of shares		**6,530,000**	39,677,293
Share issue costs		**(461,498)**	(2,124,000)
Payment of borrowing costs		**-**	(1,126,456)
Net cash flows from financing activities		**6,068,501**	36,426,837
Net increase/(decrease) in cash and cash equivalents		**(5,634,867)**	6,887,794
Cash and cash equivalents at the beginning of the year		**21,722,211**	14,014,422
Effect of exchange rate fluctuations on cash held		**(184,227)**	819,995
Cash and cash equivalents at end of year	6(a)	**15,903,117**	21,722,211

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

88 Energy Limited (referred to as "88 Energy" or the "Company") is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group"). The Group is primarily involved in oil and gas exploration in Alaska.

(b) Basis of Preparation

Statement of compliance

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

The annual report was authorised for issue by the Board of Directors on 26 February 2020.

Basis of measurement

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

Significant Judgements and Estimates

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

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of 88 Energy Limited ('Company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. 88 Energy and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

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

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

(d) Segment Reporting

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

(e) Foreign Currency Translation

i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars. 88 Energy Limited's functional currency is AUD and subsidiaries with operations in the US have a functional currency of USD.

ii) Transactions and balances

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

iii) Consolidated entity companies

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

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

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

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(f) Borrowings

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

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

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

(g) Exploration & Evaluation Expenditure

The accounting policy adopted by the Group is as follows:

(i) Pre-licence costs

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

(ii) Licence and property acquisition costs

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

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

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

(iii) Exploration and evaluation costs

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

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

Joint Venture contributions received and any back costs received on farm-in are offset against exploration and evaluation costs.

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Project Icewine, Yukon leases and Western Block leases: Exploration and evaluation expenditure associated with these projects are capitalised to the Statement of Financial Position in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

All geological and geophysical costs, dry hole costs and unproved leasehold costs are also expensed as incurred in accordance with the successful effort's method of accounting for oil and gas exploration and evaluation expenditure.

There are currently no other active projects.

(h) Income Tax

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.
Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

(ii) Deferred tax

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

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

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

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

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

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

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

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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.

(i) Goods and Services Tax

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

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

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

(j) Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

(i) Interest income

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

(ii) Dividends

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

(k) Cash and Cash Equivalents

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

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

(l) Trade and Other Receivables

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

For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

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(m) Plant and Equipment

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

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

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

Depreciation

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

Plant and Equipment	2 to 5 years

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

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

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

(n) Impairment of 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.

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(o) Trade and Other Payables

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

(p) Provisions

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

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

(q) Employee Benefits

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

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

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

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(s) 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.

(t) Share-based Payments

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

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

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

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

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

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

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

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

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

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

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

(u) Financial Instruments

(i) 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.

(ii) 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.

(v) Comparative figures

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

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NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

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

(i) Impairment of capitalised exploration and evaluation expenditure

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

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

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Refer to Note 9.

(ii) Share-based payments

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

Non-market based performance conditions are assessed by the Company for the best estimate of likelihood of conditions being met and vesting, and timing of recognition of expense. The Company has applied a 100% volatility assumption and an expected vesting period of 4 years for the non-market based tranches, which will be reassessed each reporting period.

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(iii) Income taxes

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

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

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

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

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

The ACES rebate is presented separately and deducted from exploration and evaluation assets. As at 31 December 2019, A$23,014,525 (2018; A$26,032,985) is available under the ACES rebate scheme. As at the reporting date, management have considered whether there is any objective evidence as to whether there are any indicators of impairment in accordance with AASB 9 *Financial Instruments* and believe this amount will be recoverable from the Alaskan DOR as a tax cash rebate in full based on the current legislative arrangements in Alaska. Management anticipate the rebates to be received in a period greater than 12 months, however the timing of payment is dependent on a statutory minimum formula and government approvals which could be for amounts greater than the minimum. Thus, the tax credit has been classified as a non-current receivable in the Statement of Financial Position.

(v) Going Concern

As at 31 December 2019, the Group had working capital of $10,714,657 (current assets less current liabilities) with cash on hand of $15,903,117 and with cash out flows from operating activities for the year of $(5,838,376).

Note, subsequent to year end the Company raised A$5.0 million from the issue of 238 million ordinary shares (refer to ASX release dated 24th January 2020).

The Directors are satisfied the Group is a going concern and therefore have prepared the financial statements on the basis the Group will continue to meet its commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of business.

NOTE 3 REVENUE AND EXPENSES

	2019 $	2018 $
(a) Income		
Interest revenue	**20,546**	16,971
Other income	**15,385**	1,345,774
	35,931	1,362,745

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NOTE 3 REVENUE AND EXPENSES (Continued)

(b) Administrative expenses	**2019**	2018
	$	$
Consultancy and professional fees	**209,052**	515,102
Legal fees	**18,704**	173,992
Travel costs	**98,010**	32,759
General and administration expenses, net of recoveries *	**889,460**	803,017
	1,215,226	1,524,870

** General and administrative expenses are shown net of recoveries of $680,139 from the Icewine Joint Venture and the Western Blocks JV. The recoveries represent costs, including time spent by the Consolidated Group's employees on exploration and appraisal interest of the Joint Venture Projects, which get capitalised to the applicable exploration and appraisal area of interest.*

(c) Employee benefit expenses		
Wages and salaries	**1,671,242**	1,629,320
Superannuation	**117,249**	113,675
Annual leave accrued	**102,800**	59,488
Other employee expenses	**92,394**	76,524
	1,983,685	1,879,007

(d) Other expenses		
Exploration impairment expense*	**29,473,257**	-
Other expenses	**93,593**	149,010
Fair value adjustment of tax credit receivable	**710,291**	-
	30,277,141	149,010

** Refer also to Note 9.*

NOTE 4 INCOME TAX

(a) The components of tax expense comprise:

Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the of profit or loss and other comprehensive income	-	-
Loss before income tax expense	**(36,780,457)**	(5,993,426)
Prima facie tax benefit on loss before income tax at 30% (2018: 30%)	**(11,034,137)**	(1,798,028)
Under provision in prior year	**(401,023)**	112,011
Tax effect of:		
Foreign expenditure not brought to account	**624,504**	-
Tax Rate differential on non-Australian income	**3,000,958**	-
Non-assessable/deductible items:		
Non-deductible entertainment expenses	**928**	1,027
Share based payments	**28,583**	6,525
Deferred tax asset on temporary differences and tax losses not brought to account	**7,780,187**	1,678,465
Income tax expense for the year	**-**	-

(b) Deferred income tax

Deferred tax liabilities	**(136,146)**	(136,146)
Deferred tax assets	**27,187,480**	20,162,317
Deferred tax assets not recognised on temporary differences and tax losses	**(27,051,334)**	(20,026,171)
Net deferred tax assets	**-**	**-**

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NOTE 4 INCOME TAX (Continued)

The Group has unutilised tax losses for which no deferred tax asset is recognised on the reporting date of $40,917,807 (2018: $38,222,368) which are available indefinitely for offset against future tax gains subject to continuing to meet relevant statutory tests.

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

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

NOTE 5 LOSS PER SHARE

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

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

	2019 **$**	2018 $
Net (loss) for the year	**(36,780,457)**	(5,993,593)
Weighted average number of ordinary shares for basic and diluted loss per share.	**6,331,540,324**	6,186,428,480

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

Continuing operations		
- Basic and diluted loss per share ($)	**(0.005)**	(0.001)

NOTE 6 CASH AND CASH EQUIVALENTS

(a) Cash details

Cash at bank and in hand(i)	**15,903,117**	21,722,211
	15,903,117	21,722,211

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.

(i) Includes $10.7m (31 December 2018: $4.7M) of cash restricted for JV Operations.

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NOTE 6 CASH AND CASH EQUIVALENTS (Continued)

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

	2019	2018
	$	$
Loss for the financial year	**(36,780,457)**	(5,993,593)
Adjustments for:		
Other Expenses	**710,291**	(1,345,774)
Depreciation	**58,110**	50,609
(Loss)/Gain on foreign exchange	**56,888**	(538,564)
Share based payments	**95,276**	21,750
Finance costs	**562,560**	1,434,921
Impairment write-off	**29,473,257**	-
Changes in assets and liabilities		
Decrease / (increase) in receivables	**(76,499)**	(1,743,777)
Increase / (decrease) in trade and other payables	**35,352**	1,470,356
Increase / (decrease) in provisions	**26,846**	59,488
Net cash used in operating activities	**(5,838,376)**	(6,584,584)

NOTE 7 TRADE AND OTHER RECEIVABLES	**2019**	2018
	$	$
Goods and Services Tax (GST) receivable	**49,743**	**116,249**
Other deposits and receivables	**1,070,807**	**1,985,252**
	1,120,550	**2,101,501**

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

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

Due to the short-term nature of other receivables, the expected fair value approximates their carrying values as at 31 December 2019 and 2018.

(a) Allowance for impairment loss

Expected credit losses in accordance with the Group's accounting policy (refer Note 1) are nil (2018: Nil).

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NOTE 8 PLANT AND EQUIPMENT

	2019	2018
Year ended 31 December 2019	**$**	$
Opening net book amount	**11,172**	4,575
Additions	**7,746**	9,456
Depreciation charge	**(6,018)**	(2,858)
Closing net book amount	**12,900**	11,172
At 31 December 2019		
Cost	**197,135**	189,389
Accumulated depreciation	**(184,235)**	(178,217)
Net book amount	**12,900**	11,172

NOTE 9 EXPLORATION AND EVALUATION EXPENDITURE

Carrying amount of exploration and evaluation expenditure	**52,928,315**	76,983,981
Movement reconciliation		
Balance at the beginning of the financial year	**76,983,981**	46,934,162
Additions	**18,013,488**	24,093,718
Tax credit receivable net of present value adjustment (i)	**(3,354,817)**	899,716
JV Contributions (ii)	**(9,749,745)**	-
Less Impairment (iii)	**(29,473,257)**	-
Foreign currency translation	**508,664**	5,056,385
Closing balance	**52,928,315**	76,983,981

(i) Tax credit certificates issued in 2019 and 2018, net of present value adjustment. This amount has been offset against capitalised Exploration and Evaluation Expenditure and recognised within Other Assets. The amount when paid by the Alaskan Government will be applied directly against the Brevet loan outstanding.

(ii) JV Contributions received from Premier Oil for expenditure to be incurred in relation to the Charlie-1 well in 2020.

(iii) Impairment of the Icewine-2 and Winx-1 exploration wells which were plugged and abandoned in 2019.

NOTE 10 OTHER ASSETS

North Slope Bid Round Deposit	**96,038**	29,743
Investments	**428,205**	425,411
ROU Asset – Lease 5 Ord St	**76,448**	56,434
Tax credit receivable (i)	**23,014,525**	22,465,515
	23,615,216	22,977,103

(i) The Alaskan Government has approved a tax credit of A$27.3 million as at 31 December 2019 (US$19.1 million). This amount has been fair valued as at 31 December 2019 and recognised as an offset against Exploration & Evaluation capitalised and recognised above within Other Non-Current Assets. The amount paid will be directly applied against the outstanding loan with Brevet.

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NOTE 11 TRADE AND OTHER PAYABLES

	2019	2018
Current	**$**	$
Trade payables (i)	**1,025,662**	403,935
Other payables (ii)	**5,001,149**	5,598,014
	6,026,811	6,001,949

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

(ii) On 29 May 2015, the Company received notification that the Moroccan Minister for Energy and Minister for Finance had executed the assignment document, finalising the divestment of the interests of DVM International SARL ("DVM", 88 Energy's subsidiary in Morocco) in the Tarfaya Offshore Block. A liability of the Company remains subject to the market capitalisation of 88 Energy reaching a determined level before September 2021 which would trigger a potential liability of the Company of US$3.4m (A$ 5.0m) in cash or 88 Energy stock.

NOTE 12 PROVISIONS

Current		
Annual Leave	**231,305**	226,584
Long Service Leave	**50,894**	28,769
	282,199	255,353

NOTE 13 BORROWINGS

Non-Current		
Bank facility (i)	**22,672,578**	23,424,471
	22,672,578	23,424,471

(i) On 23 March 2018, 88 Energy Limited refinanced the Facility and entered into a credit agreement with FCS Advisors, LLC (d/b/a Brevet Capital Advisors). The Facility expires Dec 2022. The Facility contains financial covenants which have been met. As at 31 December 2019, US$15.88 million (AUD $22.67 million) has been drawn down under the Facility. Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage (refer Note 26).

Refer to Note 16 for further information on financial instruments.

NOTE 14 CONTRIBUTED EQUITY

(a) Issued and fully paid	**2019**		2018	
	No.	**$**	No.	$.
Ordinary shares	**6,871,540,324**	**185,619,885**	6,331,540,324	179,304,850

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NOTE 14 CONTRIBUTED EQUITY (Continued)

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

(b) Movement reconciliation

	Number	$
At 1 January 2018	**4,649,763,932**	**141,711,466**
Options exercised with expiry 2nd March 0.02 cents	**402,389,651**	**8,047,793**
Options exercised with expiry 2nd March 0.015 cents	**44,999,999**	**675,000**
Placement of 460,811,112 ordinary shares at $0.037	**460,811,112**	**17,050,011**
Options exercised with expiry 31 August 18 at $0.016	**13,224,952**	**211,599**
Unlisted Options exercised with expiry 1 November 18	**2,500,000**	**52,500**
Rights Offer 1 for 7 at $0.018	**202,295,078**	**3,641,313**
Shortfall Shares Issued at $0.018	**555,555,600**	**10,000,000**
Less equity raising costs	**-**	**(2,084,832)**
At 31 December 2018	**6,331,540,324**	**179,304,850**
At 1 January 2019	**6,331,540,324**	**179,304,850**
Placement of 540,000,000 ordinary shares at $0.0125 [(i)]	**540,000,000**	**6,750,000**
Less equity raising costs	**-**	**(434,964)**
At 31 December 2019	**6,871,540,324**	**185,619,886**

[(i)] $220,000 received in lieu of services provided to the Company.

NOTE 15 RESERVES

	2019 **$**	2018 $
Share-based payments	**17,582,665**	17,487,389
Foreign currency translation reserve	**5,995,462**	5,141,001
	23,578,127	22,628,390

<u>Movement reconciliation</u>

Share-based payments reserve;		
Balance at the beginning of the year	**17,487,389**	17,465,639
Equity settled share-based payment transactions (Note 18)	**95,276**	21,750
Balance at the end of the year	**17,582,665**	17,487,389
Foreign currency translation reserve;		
Balance at the beginning of the year	**5,141,001**	(1,820,353)
Effect of translation of foreign currency operations to group presentation	**854,461**	6,961,354
Balance at the end of the year	**5,995,462**	5,141,001

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NOTE 15 RESERVES (Continued)

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors. Refer to Note 18 for further details.

Foreign currency translation reserve

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

NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

	2019	2018
	$	$
Financial Assets		
Cash and cash equivalents	**15,903,117**	21,722,211
Other receivables	**1,120,550**	25,078,604
	17,023,667	46,800,815
Financial Liabilities		
Borrowings	**22,672,578**	23,424,471
Trade and other payables	**6,026,810**	6,001,949
	28,699,388	29,426,420

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NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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 and Great British Pounds.

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:

	2019		2018	
	USD	**GBP**	USD	GBP
	$	**£**	$	£
Cash and cash equivalents	**12,110,713**	**43,677**	6,841,141	341,051
Other receivables	**19,133,550**	**-**	18,358,641	-
Trade and other payables	**1,024,993**	**-**	-	14,443
Borrowings	**15,884,408**	**-**	16,518,937	-

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. The Group has a debt facility with a variable interest rate.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2019		2018	
	Weighted average interest rate	**Balance $**	Weighted average interest rate	Balance $
Cash and cash equivalents	**0.92%**	**15,903,117**	1.02%	21,722,211
Borrowings	**10.45%**	**22,672,578**	13.07%	23,424,471

Sensitivity

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

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NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 31 December 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post-tax profit higher/(lower)** **2019** **$**	2018 $	**Other comprehensive higher/(lower)** **2019** **$**	2018 $
Cash and cash equivalents:				
+ 1.0% (100 basis points)	**111,322**	152,055	**-**	-
- 1.0% (100 basis points)	**(111,322)**	(152,055)	**-**	-
Borrowings:				
+ 1.0% (100 basis points)	**(230,086)**	(236,081)	**-**	-
- 1.0% (100 basis points)	**230,086**	236,081	**-**	-

(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 held in reputable major banks in Australia and Alaska (AA ratings), and other financial assets relating to the Group's tax credit receivable which is recoverable from the State of Alaska under the ACES rebate scheme. The State of Alaska has a credit rating of AA.

(c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

	6 months	**6-12 months**	**1-5 years**	**> 5 years**	**Total**
2019					
Trade and other payables	**6,026,811**	**-**	**-**	**-**	**6,026,811**
Borrowings	**-**	**-**	**22,672,578**	**-**	**22,672,578**
2018					
Trade and other payables	6,001,949	-	-	-	6,001,949
Borrowings	-	-	23,424,472	-	23,424,472

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NOTE 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Capital risk management

The Group's objectives when managing capital are to:

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

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

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

- In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of gearing ratio on the ability of the consolidated entity to service loan interest and repayment schedules, credit facility covenants and to generate adequate free cash available for corporate and oil and gas exploration. The debt to equity ratio is 35% at 31 December 2019 (25% at 31 December 2018).

(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 1. The fair value of the groups borrowings approximates it's carrying value at 31 December 2019.

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

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

As at 31 December 2019 and 31 December 2018, the Group did not have financial liabilities measured and recognised at fair value. Due to their short-term nature, the carrying amount of the current receivables and payables is assumed to approximate their fair value.

The Alaskan Government has approved a tax credit of A$27.3 million as at 31 December 2019 (US$19.1 million). This amount has been fair valued as a level 1 instrument as at 31 December 2019 (refer note 10).

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

NOTE 17 RELATED PARTY DISCLOSURE

(a) Transactions with related parties

Mr Brent Villemarette* and Dr Stephen Staley were engaged to provide consultancy services to the Company. Derwent Resources Limited is a company in which Stephen Staley is a Director and Villemarette Nominees Pty Ltd was a company in which Brent Villemarette* was a Director. Transactions with related parties were arm's length and on normal commercial terms.

** Brent Villemarette passed away and ceased being a Director of 88 Energy on 29 October 2018.*

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NOTE 17 RELATED PARTY DISCLOSURE (Continued)

The following transactions occurred with related parties:

	2019	2018
	$	$
Derwent Resources Limited	**65,010**[i]	45,667
Villemarette Nominees Pty Ltd	**-**	31,049

(ii) During the year, the Company paid £35,412 ; A$65,010 (2018: £25,583 : A$45,667) to Derwent Resources Limited for consultancy services. The amount has been translated to Australian Dollars at the average rate.

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

(b) Key Management Personnel Compensation

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

	2019	2018
	$	$
Short-term benefits	**1,194,384**	1,106,098
Post-employment benefits	**68,225**	71,946
Share-based payments	**68,590**	13,891
	1,331,199	1,191,935

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

(c) Loans to Key Management Personnel

None.

NOTE 18 SHARE-BASED PAYMENTS

	2019	2018
	$	$
(a) Recognised share-based payment transactions		
Performance Rights issued to Directors [ii]	**44,251**	8,962
Performance Rights issued to employees [ii]	**51,024**	12,788
	95,276	21,750

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NOTE 18 SHARE-BASED PAYMENTS (Continued)

(i) Options issued to employees and Directors

During the 2017 year the Company granted 90 million options to Directors and employees (as agreed by shareholders in the Annual General Meeting on 9 March 2017), which have vested and have an exercise price of $0.06, with expiry on 14 March 2020. The fair value of these shares was treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair value per option was calculated using the market price of listed shares at grant date ($0.038). The total value of options issued was $2,020,772. The following inputs were used in the Black Scholes valuation model; Expected Volatility 110%, Risk-free interest rate 2.14%, Time to expiry 3 years, underlying security spot price at issue $0.038.

(ii) Performance Rights issued to Director and employees

During the 2018 year the Company granted 53.1 million Performance Rights to Directors and employees (as agreed by shareholders in the Annual General Meeting on 15 October 2018). The total value of Performance Rights issued was $407,122. The Performance Rights are subject to certain vesting conditions noted below. The fair value of these Performance Rights was treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair value per Performance Right and the following inputs were used in the Black Scholes valuation model;

Performance Rights Issued 2018	Tranche A[iii]	Tranche B	Tranche C	Tranche D	Tranche E	Tranche F	Tranche G
	Share Price			Resources	Reserves	Production	Tenure
Grant Date	15/10/2018	16/10/2018	17/10/2018	18/10/2018	19/10/2018	20/10/2018	21/10/2018
Expiry Date	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022	24/10/2022
Fair Value per Performance Right ($)	0.0002	0.0001	-	0.0190	0.0190	0.0190	0.0190
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	25%	25%	25%	25%	25%	25%	25%
Risk-free rate	2.03%	2.03%	2.08%	2.30%	2.30%	2.30%	2.08%
Life of rights	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Underlying security price at issue ($)	0.019	0.019	0.019	0.019	0.019	0.019	0.019
Vesting period[i]	1	2	3	4	4	4	3

(i) Refer note 2(ii) for significant estimates and judgements with regards to expected vesting periods. (iii) Nil vested with lapsing during the year.

Performance Rights were issued under five tranches with the following vesting conditions;

- Tranche A, B and C (Share Price tranche): tranches have a performance period of 12 months for tranche A, 24 months for tranche B and 36 months for tranche C, at which point the vesting conditions relating to absolute share price growth will be tested with total number of rights to vest dependent on outcome of testing;
- Tranche D (Resources tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Resources;
- Tranche E (Reserves tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Reserves;
- Tranche F (Production tranche): tranche has non-market based vesting conditions attached that relate to the growth in the Company's Production; and
- Tranche G (Tenure tranche): tranche has non-market based vesting conditions attached that require the employee to remain employed with the Company up to including 3 years from date of issue.

Management have applied a 100% probability of achievement of all non-market based tranches.

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NOTE 18 SHARE-BASED PAYMENTS (Continued)

(b) Summary of Options and Performance Rights granted during the year

	Date of Expiry	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired and Other[(iii)]	Balance at the end of the year
Placement options [(i)]	27-10-21	$0.06	131,500,000	-	-	-	131,500,000
Placement fee options [(ii)]	27-10-21	$0.05	22,000,000	-	-	-	22,000,000
Unlisted	14-3-2020	$0.06	90,000,000	-	-	17,000,000	73,000,000
Performance Rights	24-10-2022	-	53,149,110	-	-	20,265,822	32,833,288
			296,649,110	**-**	**-**	**37,265,822**	**259,383,288**

Weighted average exercise price $0.03

(i) Placement options; On 27 October 2016, the Company issued 137.5 million unlisted options at an exercise price of A$0.055 expiring on the five-year anniversary of completion to investors.
(ii) Refer to Note 18(a).
(iii) Other - Options movement relates to KMP and Directors no longer under contract with the Company, and Performance Rights movement relates to expired Performance Rights and also relates to KMP no longer under contract with the Company.

	2019	
	Value recognised during the year	**Value to be recognised in future years**
	$	**$**
Unlisted Performance Rights issued to employees & Directors[(i)]	95,276	276,681
	95,276	276,681

(i) Refer to Note 18(a).

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NOTE 19 SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Group is organised into the following strategic unit:

- Oil and Gas exploration in the United States of America.

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

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

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

Year ended 31 December 2019	**USA $**	**Unallocated $**	**Total $**
Other revenue	**7,192**	**28,739**	**35,931**
Inter-segment revenue	**-**	**680,139**	**680,139**
Total segment revenue	**7,192**	**708,878**	**716,070**
Inter-segment eliminations			**(680,139)**
Total revenue			**35,931**
Loss before income tax expense	**(33,343,977)**	**(3,436,480)**	**(36,780,457)**
Total Segment assets	**88,770,965**	**4,809,133**	**93,580,098**
Total Segment liabilities	**1,024,774**	**27,956,813**	**28,981,588**

Year ended 31 December 2018	**USA $**	**Unallocated $**	**Total $**
Other revenue	1,346,043	16,702	1,362,745
Inter-segment revenue	-	808,705	808,705
Total segment revenue	1,346,043	825,407	2,171,450
Inter-segment eliminations			(808,705)
Total revenue			1,362,745
Loss before income tax expense	(3,126,642)	(2,866,951)	(5,993,593)
Total Segment assets	103,845,629	19,950,339	123,795,968
Total Segment liabilities	23,985,109	5,696,665	29,681,774

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NOTE 20 COMMITMENTS AND CONTINGENCIES

Exploration commitments

Exploration Commitments as at year end 2019 are as follows:

Leases:
Holding costs for the acreage currently held by 88 Energy's subsidiaries is US$10 per acre for the first six years and increase up to a maximum holding costs per acre of US$250 in the final year of the leases. The anticipated lease payment for 2020 totals US$2.5 million net to the Company, however the payment is discretionary and the Company may choose to relinquish the acreage or a portion of acreage at any time, and therefore the Company has commitments for the remaining portion of the tenement life only.

All additional payments for exploration will be at the discretion of the Company, other than what is noted below, as the Company. The Company can exit the leases at any time with no penalty.

Project Icewine Area A Charlie-1 well:
88 Energy has a 30% working interest in Area A, and will funding its share of the costs of the Charlie-1 exploration well above the US$23 million Premier Oil is paying to earn their 60% interest in Area A, with anticipated expenditure in 2020 of USD$0.9 million net to 88 Energy.

Exploration Commitments as at year end 2018 are as follows:

Leases:
Holding costs for the acreage currently held by 88 Energy's subsidiaries is US$10 per acre for the first six years and increase up to a maximum holding costs per acre of US$250 in the final year of the leases. The anticipated lease payment for 2018 totals US$3.2 million, however the payment is discretionary and the Company may choose to relinquish the acreage or a portion of acreage at any time, and therefore the Company has commitments for the remaining portion of the tenement life only.

All additional payments for exploration will be at the discretion of the Company, other than what is noted below, as the Company. The Company can exit the leases at any time with no penalty.

Western Blocks leases Winx-1 well:
88 Energy is earning a 36% working interest (paying 40%) in four leases (totalling 22,711 acres), and will funding the costs of the Winx-1 exploration well together with its consortium partners, Otto Energy Ltd and Red Emperor Resources NL, with anticipated expenditure in 2019 of USD$4.6 million net to 88 Energy and net of the refund of the bond posted with the State of Alaska of USD$3 million gross (USD$1.2 million net to 88 Energy).

Corporate commitments

Commitments at 31 December 2019 are as follows:

	2019	2018
	$	$
Within one year	**75,720**	111,060
After one year but not more than five years	**6,322**	116,332
	82,042	227,392

Exploration contingencies
<u>Exploration Contingencies as at year end 2019 are as follows:</u>
None.

<u>Exploration Contingencies as at year end 2018 are as follows:</u>
None.

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NOTE 21 CONTINGENT ASSETS

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

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

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

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

The ACES rebate is to be presented separately and deducted from exploration and evaluation assets. As at 31 December 2019, the approved rebate is US$19,133,550 as noted in Other Non-current Assets and no contingent rebate as at year end. Note the contingent rebate as at 31 December 2018 that was applied for of US$2,375,765 was approved by the Alaska Department of Revenue in 2019. The Group believes these amounts will be recoverable from the Alaskan Government as a tax rebate in full.

The Group has no contingent assets as at 31 December 2019.

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NOTE 22 EVENTS AFTER THE REPORTING DATE

The following events were noted subsequent to the reporting date;

- On the 24 January 2020, the Company announced that it had successfully completed a capital raise of A$5 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 238 million ordinary shares at A$0.021 (equivalent to £0.011) per New Ordinary Share;
- The Company announced the Permit to Drill was awarded on the 11th of February 2020 by the Department of Natural Resources, State of Alaska.

NOTE 23 AUDITOR'S REMUNERATION

	2019	2018
	$	$
Amounts received or due and receivable to BDO Audit (WA) Pty Ltd for:		
Audit and review of the annual and half-year financial report	**43,629**	42,468
Total audit services	**43,629**	42,468
Non-audit services:		
Due diligence & other services	**-**	5,244
Total non-audit services	**-**	5,244
Total auditor remuneration	**43,629**	47,712

NOTE 24 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2019	2018
			%	%
Fotis Nominees Pty Ltd (i)	Investment	Australia	**100**	100
Accumulate Energy USA, Inc	Oil exploration	USA	**100**	100
Accumulate Energy Alaska, Inc	Oil exploration	USA	**100**	100
Regenerate Energy USA, Inc	Oil Exploration	USA	**100**	100
Regenerate Alaska, Inc	Oil exploration	USA	**100**	100
Captivate Energy Alaska, Inc	Oil Exploration	USA	**100**	100

(i) This subsidiary is dormant.

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NOTE 25 PARENT ENTITY

	2019 $	2018 $
Assets		
Current assets	**68,854,004**	94,153,614
Non-current assets	**1,516,696**	6,444,878
Total assets	**70,370,700**	100,598,492
Liabilities		
Current liabilities	**5,772,190**	6,484,297
Total liabilities	**5,772,190**	6,484,297
Equity		
Contributed equity	**185,619,886**	179,304,850
Reserves	**23,926,536**	23,166,467
Accumulated losses	**(144,947,911)**	(108,357,122)
Total equity	**64,598,510**	94,114,195
Loss for the year	**(46,847,210)**	(13,123,274)
Total comprehensive loss	**(46,847,210)**	(13,123,274)

Comparative Figures

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

Other Commitments and Contingencies

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

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NOTE 26 ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as a security interest in and a lien over for non-current borrowings are;

	2019 $	2018 $
Non-current assets		
Exploration and evaluation expenditure	**52,928,315**	68,736,112
Investments in subsidiaries	**128,461**	127,624
Other assets	**23,615,216**	22,465,515
Total non-current assets pledged as security	**76,671,992**	91,329,251
Total assets pledged as security	**76,671,992**	91,329,251

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In the Directors' opinion:

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

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

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date

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

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

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

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

Mr Michael Evans
Non-Executive Chairman

26 February 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of 88 Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 88 Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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Recoverability of exploration and evaluation expenditure

Key audit matter	***How the matter was addressed in our audit***
As disclosed in Note 9 to the Financial Report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group. Refer to Notes 1(g) and 2 (i) of the Financial Report for a description of the accounting policy and significant judgements applied to capitalised exploration and evaluation expenditure. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. During the year, the Group undertook an impairment assessment and recognised an impairment charge as disclosed in Note 9. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Evaluating and assessing the accuracy of the Group's calculation of the impairment recognised; and • Assessing the adequacy of the related disclosures in Notes 1 (g), 2 (i) and 9 to the Financial Report.

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Carrying Value of Alaska's Clear and Equitable Share ("ACES") Tax Credits

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 10 to the financial report, the carrying value of ACES Tax Credits represents a significant asset of the Group. Refer to Note 2 (iv) to the Financial Report for a description of the accounting policy and significant judgements applied to ACES Tax Credits. Due to the quantum of the asset and the subjectivity involved in determining whether there has been a significant increase in the credit risk of the ACES Tax Credits, we have determined that the carrying value of ACES Tax Credits is a key audit matter.	Our procedures included, but were not limited to: • Verifying the existence and entitlement to the ACES Tax Credits to signed certificates of approval from the Department of Revenue of the State of Alaska; • Evaluating the Group's assessment in relation to the credit risk assessment of the expected credit loss model in accordance with AASB 9; • Holding discussions with management to understand the credit risk and financial outlook of the State of Alaska and corroborating the Group's position to external data; • Considering whether there was any other data that exists which constitutes a significant increase in credit risk of the ACES Tax Credits since initial recognition; and • Assessing the adequacy of the related disclosures in Notes 2 (iv) and 10 to the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 24 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of 88 Energy Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 26 February 2020

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

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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 14 February 2020.

TWENTY LARGEST SHAREHOLDERS

		Number Held	Percentage
1.	HARGREAVES LANSDOWN (NOMINEES) LIMITED <15942>	784,695,268	11.04
2.	INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTISAS>	396,378,500	5.58
3.	HARGREAVES LANSDOWN (NOMINEES) LIMITED <VRA>	393,867,776	5.54
4.	HARGREAVES LANSDOWN (NOMINEES) LIMITED <HLNOM>	378,127,474	5.32
5.	INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <SMKTNOMS>	342,320,334	4.82
6.	BARCLAYS DIRECT INVESTING NOMINEES LIMITED <CLIENT1>	300,083,177	4.22
7.	HSDL NOMINEES LIMITED <MAXI>	253,027,763	3.56
8.	HSDL NOMINEES LIMITED	224,902,904	3.16
9.	HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED <731504>	163,498,734	2.30
10.	SHARE NOMINEES LTD	124,545,977	1.75
11.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	106,953,091	1.50
12.	LAWSHARE NOMINEES LIMITED <SIPP>	101,137,282	1.42
13.	VIDACOS NOMINEES LIMITED <IGUKCLT>	92,290,143	1.30
14.	WEALTH NOMINEES LIMITED <WRAP>	90,714,783	1.28
15.	JAMES CAPEL (NOMINEES) LIMITED <PC>	88,084,009	1.24
16.	LAWSHARE NOMINEES LIMITED <ISA>	72,563,564	1.02
17.	WEALTH NOMINEES LIMITED <NOMINEE>	53,831,222	0.76
18.	INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED <TDWHSIPP>	50,061,649	0.70
19.	HARGREAVES LANSDOWN (NOMINEES) LIMITED <VRADDOWN>	49,702,878	0.70
20.	MR ANESTIS LAZARIDIS	45,866,317	0.65
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**4,112,652,845**	**57.85**

DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

- 7,109,635,564 fully paid shares held by 6,654
- 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	426	49,125	0.00
1,001 - 5,000	281	908,295	0.01
5,001 - 10,000	348	2,918,652	0.04
10,001 - 100,000	3,007	140,654,981	1.98
100,001 - 9,999,999,999	2,592	6,965,104,511	97.97
Total	**6,887**	**7,109,635,564**	100.00

(ii) Unlisted Options

- 90,000,000 Unlisted Options with an exercise price of $0.06 and an expiry of 14 March 2020
- 22,000,000 Unlisted Options with an exercise price of $0.05 and an expiry of 27 October 2021
- 131,500,000 Unlisted Options with an exercise price of $0.055 and an expiry of 27 October 2021
- 10,000,000 Unlisted Options with an exercise price of $0.03 and an expiry of 31 July 2020

(iii) Performance Rights

There are 50,214,913 Performance Rights on issue. The Performance Rights are subject to vesting conditions.

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UNMARKETABLE PARCELS

(i) Ordinary share capital

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.022 per unit	22,727	1,830	16,733,351

RESTRICTED SECURITES
The Company has no Restricted Securities on issue.

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SUBSTANTIAL SHAREHOLDERS

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

	Number of Shares
N/A	

ON-MARKET BUY-BACK

There is no current on-market buy-back.

ACQUISITION OF VOTING SHARES

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

TAX STATUS

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

FRANKING CREDITS

The Company has no franking credits.

TENEMENT SCHEDULE

Reference	Project Name	Location	Company Interest
Onshore Alaska, North Slope[1]	Project Icewine	Alaska	64%
Onshore Alaska, North Slope[2]	Yukon Gold	Alaska	100%
Onshore Alaska, North Slope[3]	Western Blocks	Alaska	-

[1]~486,000 gross contiguous acres, (~225,000 Conventional / ~310,000 Unconventional acres net to the Company)

[2] 15,235 acres

[3] Rights to a 36% interest in four leases (totalling 22,711 acres)

COMPETENT PERSONS STATEMENT

Pursuant to the requirements of the ASX Listing Rules Chapter 5 and the AIM Rules for Companies, the technical information and resource reporting contained in this announcement was prepared by, or under the supervision of, Dr Stephen Staley, who is a Non-Executive Director of the Company. Dr Staley has more than 35 years' experience in the petroleum industry, is a Fellow of the Geological Society of London, and a qualified Geologist / Geophysicist 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. Dr Staley has reviewed the information and supporting documentation referred to in this announcement and considers the prospective resource estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clause 3.1 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.