ABN 80 072 964 179

88 ENERGY

HALF-YEAR FINANCIAL REPORT

30 JUNE 2022

CONTENTS

CORPORATE INFORMATION

DIRECTORS
Mr Philip Byrne (Non-Executive Chairman)
Mr Ashley Gilbert (Managing Director)
Dr Stephen Staley (Non-Executive Director)
Ms Joanne Kendrick (Non-Executive Director)

COMPANY SECRETARY
Ms Sarah Smith

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SHARE LISTINGS
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AIM – 88E
OTC - EEENF

COUNTRY OF INCORPORATION AND DOMICILE
Australia

DIRECTORS' REPORT

Your Directors present their report together with the interim financial report of 88 Energy Limited (the Company or 88 Energy) for the six months ended 30 June 2022 and the independent auditor's review report thereon.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Ms Philip Byrne (Non-executive Chairman, appointed 2 August 2021)
Mr Ashley Gilbert (Managing Director, appointed 10 May 2021)
Dr Stephen Staley (Non-executive Director, appointed 9 April 2014)
Ms Joanne Kendrick (Non-executive Director, appointed 2 August 2021)

OPERATING AND FINANCIAL REVIEW

During the period, the Group has continued its principal exploration activities in Alaska and in February 2022 acquired a ~73% non – operated working interest in production assets located in the Texas Permian Basin through the 75% investment in Bighorn Energy LLC.

Highlights for the first half of 2022

A summary of significant activities that occurred during the first half of 2022 is below:

Project Icewine

88 Energy progressed further studies and analysis across the Icewine East acreage, which included completing the mapping of the Shelf Margin Delta (SMD), Slope Fan Set (SFS) and Basin Floor Fan (BFF) play fairways onto the Project Icewine East acreage. In May 2022, the Company announced that Jordan & Pay completed an independent evaluation of the play fairways, utilising available well information from presentations publicly released by neighbouring project proponent, Pantheon Resources plc (AIM:PANR) (**Pantheon**). This was coupled with internal Company data (including Icewine-1 and Icewine-2 well logs and existing 2D seismic) and concluded that all Pantheon reservoir units (SMD, SFS, BFF) extended onto the Project Icewine acreage.

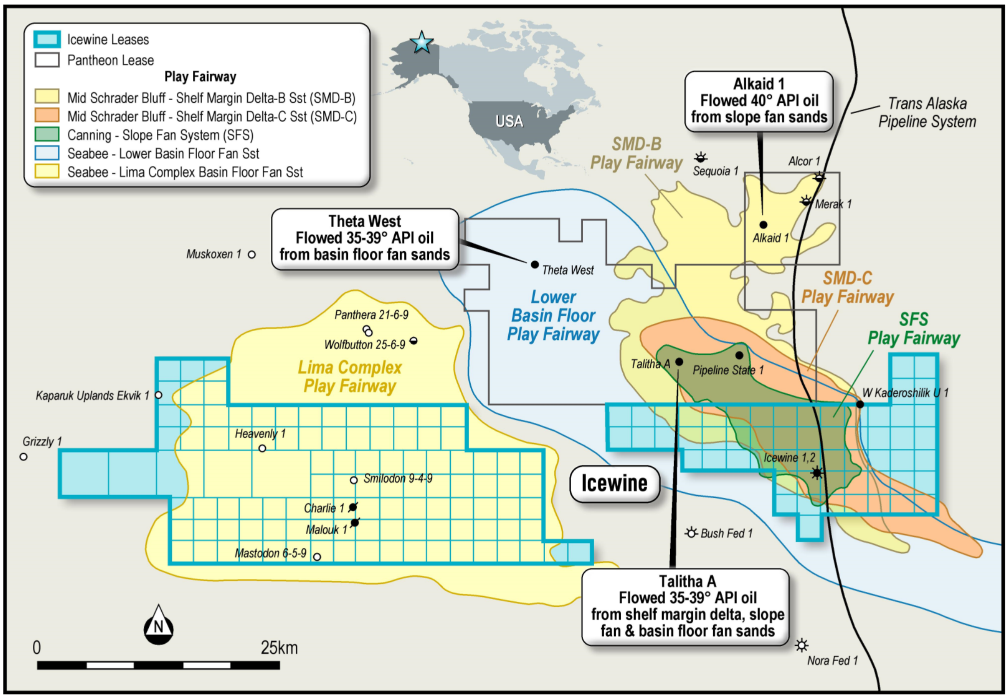


Figure 1: Third-party mapping indicates extension of all PANR prospect play fairways into Project Icewine

The Company also commissioned an in-depth petrophysical re-evaluation of Icewine-1 and the broader Icewine East area by independent petrophysical consultants (Stimulation Petrophysics Consulting, LLC and Snowfall Energy LLC). The consultants focussed on assessing Icewine-1 logs against intervals that flowed oil in Pantheon's acreage to the north. Pleasingly, a comparison of the tested interval in Alkaid-1 against a similar interval in Icewine-1 indicated favourable potential for a flow test of the same zone in the Icewine East acreage.

Pantheon's wells – Alkaid-1, Talitha-A and Theta West-1 – all flowed 35 to 40° API oil from multiple Brookian reservoirs. Pantheon's testing has confirmed reservoir deliverability of light, sweet oil (see Pantheon releases of 7 February and 21 February 2022), which 88 Energy believes is positive for the prospectivity of the adjacent Project Icewine acreage. Data from the Talitha-A and Theta West-1 wells are not yet publicly available and as a result, only a qualitative comparison of these logs against Icewine-1 logs have been carried out to date.

Given the favourable petrophysical comparison between Icewine-1 and Alkaid-1, the Company is optimistic that a production test in the Icewine East acreage could potentially yield a similar or better result than seen during the testing of Alkaid-1. The Company also notes Pantheon's announcement of 7 July 2022 that it has spudded a horizontal production well in Alkaid, named Alkaid#2, to prove up the development concept (see also Pantheon release of 24 January 2022 and Figure 2 below).

At the end of June, the Company signed a licensing agreement with SAE for the use of SAE's Franklin Bluffs 3D seismic survey data (FB3D). The FB3D seismic data was acquired in 2015 by SAE and covers approximately 86 square miles, predominantly over the Icewine East acreage. More importantly, the FB3D extends across an area where the SMD, SFS and BFF play fairways have been independently mapped on the Icewine East acreage.

The FB3D data will assist the Company with carrying out its forthcoming analysis, including Amplitude-variation-with-offset analysis (AVO analysis) and simultaneous seismic inversion. These studies will aid the Company in defining 'sweet spots' for each play and determining optimal drilling locations for future exploration and appraisal wells.

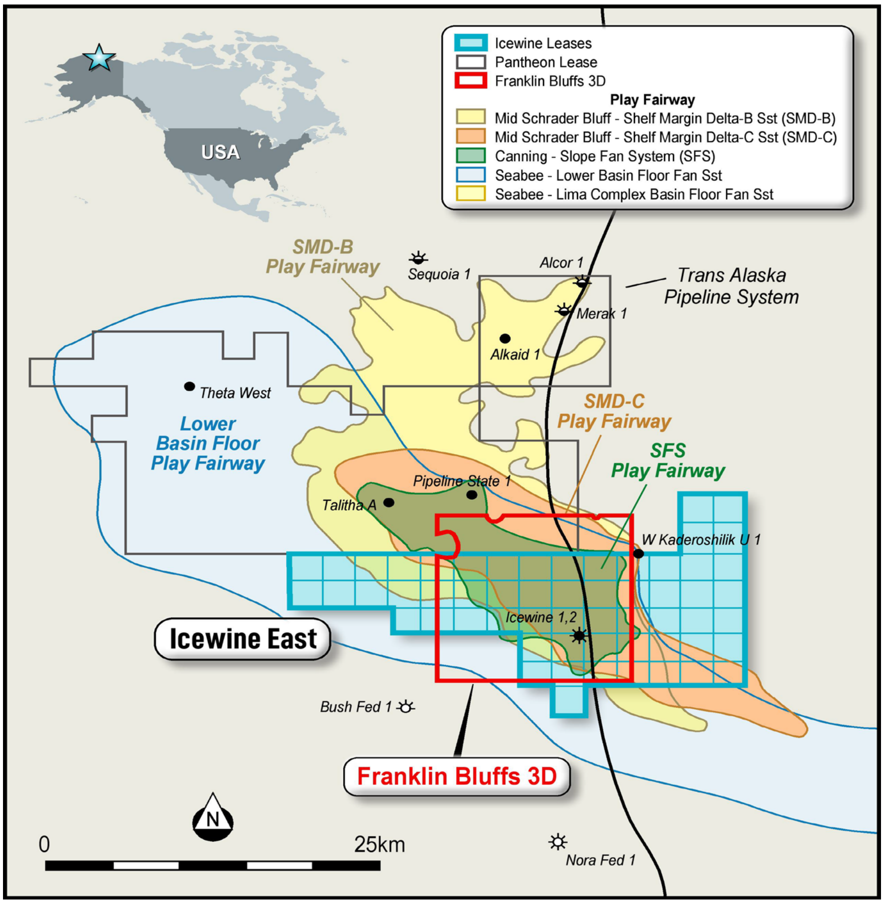


Figure 2: The FB3D seismic data covers an area over the third-party mapped SMD, SFS and BFF play fairways, which 88 Energy believes is an extension of all Pantheon's prospect play fairways onto Icewine East

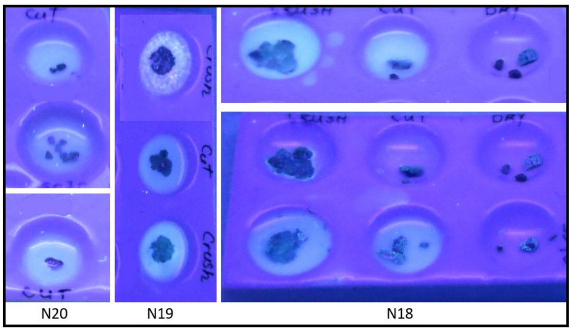
88 Energy's initial license fee included US$2.0 in cash and US$1.0 million in fully paid new ordinary shares in 88 Energy (approximately 181 million shares at an issue price of A$0.008 per share, being the closing price of 88 Energy shares on the ASX on 24 June 2022).

Other activities that the Company undertook in 2022 include:

- Finalised the maiden Project Icewine East prospective resource estimate in August 2022.
- Planning operations for 2023, which are targeted to include an exploration well to be drilled in the Icewine East acreage, and at least one flow test from the multiple Brookian reservoirs that have been mapped on the Icewine East acreage. These are the same reservoirs that nearby Pantheon wells – Alkaid-1, Talitha-A and Theta West-1 – have flowed 35^{o} to 40^{o} API oil.

Project Peregrine

The Merlin-2 well was designed to appraise the N20, N19 and N18 horizons which were encountered in the Merlin-1 well drilled in 2021. The well was spudded on 7th Match 2022 and reached Total Depth (TD) of 7,334 feet on 22nd March 2022. All three Nanushuk targets (N20, N19 and N18) were penetrated during drilling, with Logging While Drilling (LWD) data and physical cuttings collected throughout the Merlin-2 program. Observations of LWD logs and drill cuttings collected during drilling revealed target intervals were thicker than those encountered in Merlin-1. Plugging, abandonment and demobilisation of the Merlin-2 well was completed in April 2022.



The results of Merlin-2 were largely consistent with the Merlin-1 exploration well drilled in 2021. Strong fluorescence, oil sheen, petroliferous odour and cut noted in the drilling cuttings, elevated C2-C5 mud gas readings over the target zones with total gas significantly above background gas readings and also evidence from the reservoir sampling tool of moveable hydrocarbons.

Both Merlin wells were drilled on sparse, vintage 2D seismic data, which provides a narrow field of view of the reservoir and limited optionality on drilling locations. 88 Energy will assess the merits of a future 3D seismic acquisition program or an in-fill 2D program in order to define optimal play fairways and determine the potential commerciality of the Project Peregrine acreage. The Company has commenced detailed analysis of all data obtained from the Merlin-2 drilling program and will evaluate potential future appraisal activities within the Project Peregrine acreage, which include independent drilling locations such as the Harrier-1 prospect to test the N14 and N15 horizons.

The Company also commenced an independent NPRA basin modelling study to further improve 88 Energy's understanding of the geological history and how it pertains to the Nanushuk reservoir quality across Project Peregrine. Coupled with petrographic studies of Merlin side-wall cores, the modelling will utilise available maximum Brookian uplift / erosion and burial depth data to produce qualitative reservoir risk maps of the Nanushuk Formation which, will help inform how the Project Peregrine reservoir quality varies Northward, away from the Merlin-1 and 2 locations. This study is anticipated to be completed by Q3, 2022.

Yukon Leases

The Yukon Leases contain the 82 million barrel[1] Cascade Prospect, which was intersected peripherally by Yukon Gold-1 and classified as a historic oil discovery.

The Company continues to complete due diligence and commercial assessment of a joint development with near-by resource owners.

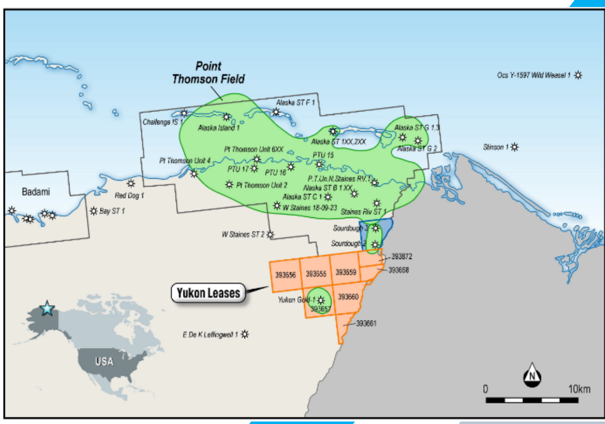
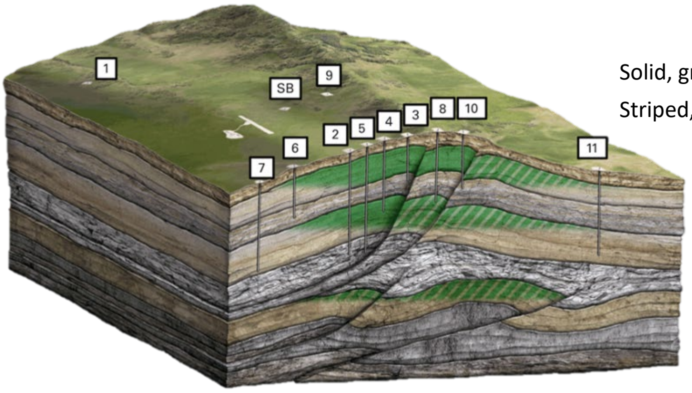


***Figure 3: remaining Yukon acreage retained on State lands after relinquishment of Tract 29 in ANWR.** Tract 29 relinquished in Q2 2022 given ongoing restrictions and inability to explore in lease / uncertainty when drilling could occur – all fees were refunded to 88 Energy.*

1. *Refer to 88 Energy release dated 7th November 2018. Note cautionary statement on page 6.*

Umiat Oil Field (100% WI)

In Q1 2021, 88 Energy acquired the Umiat Oil Field. As part of the acquisition, the Company received the Umiat data pack which includes Umiat 3D seismic data. The Umiat 3D survey abuts the southern edge of the Project Peregrine lease blocks. Integrating the Linc/Malamute seismic interpretation has provided a better understanding of the Peregrine reservoir geometries to the north as well as enriching the Company's petrophysical database with additional well control (Umiat-8 and Umiat-23H).



Solid, green – proved oil accumulation
Striped, green – undrilled potential

Figure 4: Conceptual 3D model of Umiat Structure

Internal reinterpretation of modern 3D seismic is suggestive of untested reservoirs at Umiat. Prospects have been mapped in the footwall of the Umiat structure as well as downdip from the proven oil zone in the hanging wall. Initial internal volumetric calculations suggest there may be multi-million barrels of potentially recoverable oil combined in the hanging wall and footwall. Both prospects are deeper than the current reserves at Umiat which the Company expects will have a positive impact on producibility.

Initial development studies, focusing on the potential integration of Ultra Low Sulphur Diesel (ULSD) production, suggests that this development option adds further value to a future Umiat development, considering the high cost of diesel (~US$6-7/gal) on the North Slope of Alaska.

A separate Umiat-23H well performance review concluded that this well significantly underperformed due to poor drilling and completion techniques. This well was drilled in 2014 by a previous owner and flowed at a sustained rate of 200 BOPD with no water, and a maximum rate of 800 BOPD. Further review of the historical data includes a more conventional trajectory and completion design for a 5,000ft horizontal section that was modelled to produce at stabilised rates of between 800 and 1,600 BOPD. The Company believes an opportunity exists for the optimisation of historic subsurface development plans.

During the period, the Company commenced discussions with an Alaskan drilling operator regarding use of a new light weight rig and optimised operations to drill a cost-effective exploration well designed to unlock further upside in Umiat.

Project Longhorn (~73% WI)

On 21 February 2022, 88 Energy executed a binding Securities Purchase Agreement (SPA) for the acquisition of a ~73% average net working interest in established conventional oil and gas production assets in the proven Permian Basin, onshore Texas, U.S. The oil and gas assets, collectively known as Project Longhorn contain certified net 2P reserves of 2.05MMBOE[1]. The purchase price for the acquisition was US$9.7M, consisting of US$7.2M cash and US$2.5M in 88 Energy shares (~98.1 million shares at an issue price of A$0.035 per share).

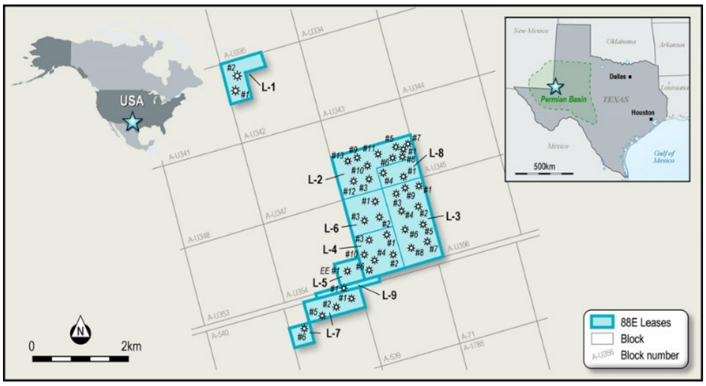


Figure 5: Project Longhorn acreage

The acquisition represents the Company's first move into producing oil and gas assets and is in line with Company's strategy to build a successful oil and gas exploration and production Company. The Project Longhorn assets are in the attractive Permian Basin, with ~1,300 net acres and well understood geology with low technical risk. The assets purchase consisted of 9 leases with 32 producing wells and associated infrastructure. Most of the existing production wells have been in operation for several years. Lonestar I, LLC retained a ~24% net working interest in the assets and, through an affiliate, remained as Operator, with the remaining working interests retained by existing Joint Venture partners.

The Company has been pleased with the progress at Project Longhorn as Lonestar has successfully completed the first three of seven planned capital-efficient work-overs scheduled in 2022. These were completed on time and on budget and have delivered a significant increase to the total oil and gas production rates of Project Longhorn. Following the three completed workovers, daily production from the Longhorn wells is anticipated to settle at around ~500 BOE per day gross (over ~365 BOE per day net, of which approximately 70% is oil) in Q3 2022, which represents an overall output increase of ~70% since the completion of the acquisition in mid-February 2022. The production increase provides additional direct exposure to the higher WTI oil and gas price environment and accelerates payback on both the acquisition of the assets and the capital investment in the work-overs. During the period to date, the Company has received A$1.9M of cash flow distributions from Project Longhorn.

Given the success of the initial three work-overs this year, as well as the continued high oil and gas price environment, in June 2022, the joint venture participants agreed to accelerate the capital development program and the completion of the remaining four planned work-overs this year. As part of this agreement, 88 Energy has agreed to part fund its share of the anticipated US$3.5 million (net) in development capital through the issuance of US$3.0 million in 88 Energy shares (approximately 544 million shares at an issue price of A$0.008 per share, being the closing price of 88 Energy shares on the ASX on 24 June 2022) to Lonestar, to fund Longhorn's working capital contributions.

Project Longhorn is now scheduled to complete the targeted seven capital development activities earlier than planned during Q4 2022.

Table 1: Project Longhorn Reserves (barrels of oil equivalent; millions)

GROSS RESERVES			NET 88 ENERGY REVENUE ENTITLEMENT		
1P	2P	3P	1P	2P	3P
2.78	**3.46**	**4.00**	**1.64**	**2.05**	**2.33**

1. *Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these Reserves is provided in Appendix 1 of the announcement dated 21 February 2022 as released on ASX, AIM and OTCQB markets.*
   Reserves Cautionary Statement: Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience, and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward-looking statements.

Corporate

On 19 January 2022, the Company advised that its application to join the OTCQB Market in the United States had been accepted and the Company's shares were listed for trading under the code EEENF. The OTCQB Venture Market is for entrepreneurial and development stage US and international companies and 88 Energy sought OTCQB quotation to provide North American investors with enhanced accessibility and liquidity in trading the Company's shares. The quotation delivered 88 Energy access to one of the largest investment markets in the world at relatively nominal cost (compared to traditional major exchanges) and with practically no additional compliance requirements. The OTCQB Market has robust financial reporting and corporate governance regulations which are effectively satisfied by the Company, through its ongoing compliance with ASX Listing rules and AIM rules.

On 14 February 2022, the Company advised that it had successfully completed an oversubscribed bookbuild to domestic and international institutional investors to raise A$32.1M before costs (the Placement). This was achieved through the issue of 918,650,793 fully paid ordinary shares in the Company at an issue price of A$0.035 (equivalent to £0.018) per New Ordinary Share. The funds raised under the Placement, together with the Company's existing cash reserves were used to fund the Merlin-2 well drilling and appraisal activities including cost overruns, as well as new venture portfolio expansion opportunities, and working capital. Merlin-2, like many other global projects, experienced cost pressures including COVID-19 supply chain issues, labour constraints and global commodity price increases (diesel, steel etc.) that placed pressure on original budgeted costs. Euroz Hartleys Limited acted as Sole Lead Manager and Sole Bookrunner to the Placement. Cenkos Securities Plc acted as 88 Energy's Nominated Adviser and Sole Broker to the Placement in the United Kingdom. Inyati Capital Pty Ltd (Inyati) acted as Co-Manager to the Placement. Commission for the Placement was 6% (plus GST) of total funds raised across Euroz Harleys Limited, Inyati Capital Pty Ltd and Cenkos Securities Plc. In addition, the Company issued 36,000,000 Unlisted Options (exercisable at $0.06 on or before the date which is 3 years from the date of issue) to the managers of the Placement.

Financial

For the period ended 30 June 2022 the Company recorded a loss of $67.3 million (30 June 2021: $445,446 profit). The loss was largely attributable to the impairment of the Merlin 1 and Merlin 2 wells of $67.62 million.

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

As at 30 June 2022, the Group had cash on hand of $10.5 million (31 December 2021: $32.31 million) and no debt. Net assets totalled A$119 million (31 December 2021: $139.84 million). The decline in net assets is largely due to impairment of exploration & evaluation assets and also the decrease in cash on hand with cash being used primarily to fund the Merlin 2 activities. The investment in Bighorn Energy increased Net Assets to the amount of A$22.1 million.

Events after the period

Other than as disclosed below, there were no significant events occurring after balance date requiring disclosure.

The Company announced its maiden, independently certified prospective resource estimate for Project Icewine East. The total prospective resource was estimated at 1.03 billion barrels of oil[1] by Lee Keeling & Associates, Inc (LAK) with substantial oil volumes noted across all mapped play fairways, in particular the Seabee – Lower Basin Floor (BFF) and the Shelf Margin Delta (SMB reservoirs). LKA are an independent US based expert petroleum and engineering consulting firm who have significant and recent experience in providing resource estimates globally as well as more specifically in Alaska. The initial total prospective resource follows a period of review of an extensive data set that included seismic data, well logs from Icewine-1 and nearby wells adjacent to the Icewine East acreage, recent petrophysical analysis and mapping.

1. *Gross mean unrisked prospective resource. Refer ASX announcement on 10 August 2022 as released on ASX, AIM and OTCQB markets. 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.*

DIRECTORS' REPORT

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2022 has been received by the Directors and can be found on the following page. This declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Mr Phil Byrne
Non-executive Chairman

9 August 2022

AUDITORS' INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF 88 ENERGY LIMITED

As lead auditor for the review of 88 Energy Limited for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 9 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR HALF YEAR ENDED 30 JUNE 2022

	Note	**30 June 2022 $**	30 June 2021 $
Revenue and other income	3(a)	**3,921**	4,331,646
Share of profit/(loss) from equity accounted investment	8(b)	**3,437,184**	-
Administration expenses	3(b)	**(1,779,839)**	(1,794,435)
Occupancy expenses		**(26,073)**	(37,408)
Employee benefit expenses	3(c)	**(1,177,132)**	(704,958)
Share based payment expense	3(d)	**(487,739)**	(153,747)
Depreciation and amortisation expense		**(29,416)**	(55,606)
Finance cost		**(4,308)**	(1,160,411)
Realised/unrealised gain/(loss) on foreign exchange		**394,343**	(11,295)
Other income /(expenses)		**(7,608)**	31,660
Exploration & Evaluation Impairment	3(e)	**(67,623,823)**	
Profit/(loss) before income tax		**(67,300,490)**	445,446
Income tax benefit/(expense)		**-**	-
Net profit/(loss) attributable to members of the parent		**(67,300,490)**	445,446
Other comprehensive income for the period			
Other comprehensive income that may be recycled to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**4,816,795**	2,061,695
Total comprehensive profit/(loss) for the period		**(62,483,695)**	2,507,141
Basic and diluted profit/(loss) per share		**(0.004)**	0.00003

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	**30 June 2022 $**	31 December 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**10,469,843**	32,317,887
Other receivables	6	**1,009,487**	935,930
Other Current Asset		**-**	10,224,959
Total Current Assets		**11,479,330**	43,478,776
Non-Current Assets			
Plant and equipment		**11,664**	9,675
Exploration and evaluation expenditure	7	**90,081,683**	101,357,767
Other assets		**953,179**	936,536
Equity accounted investments	8 (a)	**22,151,413**	-
Total Non-Current Assets		**113,197,939**	102,303,978
TOTAL ASSETS		**124,677,269**	145,782,754
LIABILITIES			
Current Liabilities			
Provisions		**188,518**	146,270
Trade and other payables	9	**5,061,518**	5,796,350
Total Current Liabilities		**5,250,036**	5,942,620
TOTAL LIABILITIES		**5,250,036**	5,942,620
NET ASSETS		**119,427,233**	139,840,134
EQUITY			
Issued and fully paid shares	10(a)	**327,142,111**	285,809,214
Reserves	10(b)	**28,628,936**	23,074,244
Accumulated losses		**(236,343,814)**	(169,043,324)
TOTAL EQUITY		**119,427,233**	139,840,134

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2022

	Issued and fully paid shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2021	208,963,513	16,580,975	(166,633,135)	58,911,353
Profit for the period	-	-	445,446	445,446
Other comprehensive income	-	2,061,695	-	2,061,695
Total comprehensive profit for the period, net of tax	-	2,061,695	445,446	2,507,141
Shares issued during the period	33,683,839	-	-	33,683,839
Equity raising costs	(791,025)	-	-	(791,025)
Share based payments	-	153,747	-	153,747
Balance at 30 June 2021	241,856,327	18,796,417	(166,187,690)	94,465,054
Balance at 1 January 2022	**285,809,214**	**23,074,244**	**(169,043,324)**	**139,840,134**
Loss for the period	-	-	**(67,300,490)**	**(67,300,490)**
Other comprehensive income	-	**4,816,795**	**-**	**4,816,795**
Total comprehensive loss for the period, net of tax	-	**4,816,795**	**(67,300,490)**	**(62,483,695)**
Shares issued during the period	**43,624,106**	**-**	**-**	**43,624,106**
Equity raising costs	**(2,041,051)**	**-**	**-**	**(2,041,015)**
Share based payments and options valuation	**(250,158)**	**737,897**	**-**	**487,739**
Balance at 30 June 2022	**327,142,111**	**28,628,936**	**(236,343,814)**	**119,427,233**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2022

	30 June 2022 $	30 June 2021 $
Cash flows from operating activities		
Interest	**2,481**	-
Interest Paid	**-**	(1,052,616)
Payments to suppliers and employees	**(3,081,727)**	(2,364,182)
Net cash outflows used in operating activities	**(3,079,246)**	(3,416,798)
Cash flows from investing activities		
Payments for equity accounted investments	**(10,693,565)**	-
Payments for exploration and evaluation activities	**(41,556,424)**	(31,218,286)
Contributions from JV Partners in relation to Exploration	**831,275**	13,675,903
Payments for bonds	**-**	(387,270)
Proceeds sale of tax credits	**-**	24,233,263
Distribution from Equity Accounted Investments	**1,920,935**	-
Net cash inflows / (outflows) used in investing activities	**(49,497,779)**	6,303,610
Cash flows from financing activities		
Proceeds from issue of shares	**32,152,778**	18,557,500
Share issue costs	**(2,151,520)**	(884,143)
Payment of borrowings	**-**	(20,909,692)
Net cash inflows/(outflows) from financing activities	**30,001,258**	(3,236,335)
Net increase/(decrease) in cash and cash equivalents	**(22,575,768)**	(349,523)
Net foreign exchange differences	**727,724**	266,675
Cash and cash equivalents at beginning of period	**32,317,887**	14,845,347
Cash and cash equivalents at end of period	**10,469,843**	14,762,499

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

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 10 August 2022.

88 Energy Limited is a for-profit, limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Company) are oil and gas exploration with a portfolio of exploration interests in Alaska and a ~73% non-operated working interest in production assets located in the Texas Permian Basin.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial report for the six months ended 30 June 2022 is a general-purpose financial report prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial report has been prepared on a historical cost basis, except for available for sale assets, which have been measured at fair value. Unless otherwise noted, the carrying value of financial assets and liabilities as disclosed in the half year financial report approximates their fair value. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 December 2021 with the adoption of any additional accounting standards and interpretations issued by the AASB that are relevant to the operations of the Group and effective for periods beginning on and after 1 January 2022. Refer to Note 2(b) below.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2021, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

The following accounting standards and interpretations have been adopted by the Group in relation to the Equity Accounted Investment:

- AASB 10 Consolidated Financial Statements (refer note 8)
- AASB 11 Joint Arrangements (refer note 8)

3. INCOME AND EXPENSES

	30 June 2022 $	30 June 2021 $
(a) Income		
Interest Income	**1,421**	795
Other finance income*	**-**	4,330,851
Other Income	**2,500**	-
**Sale of tax credit receivable in 2021*	**3,921**	4,331,646
(b) Administrative expenses		
Consultancy and professional fees	**274,990**	587,045
Legal fees	**141,335**	55,702
General and administration expenses	**1,297,217**	1,123,633
Travel	**66,297**	28,055
	1,779,839	1,794,435
(c) Employee benefit expenses		
Wages and salaries	**927,167**	584,751
Superannuation	**77,330**	50,477
Annual leave expense	**76,393**	51,424
Other employee expenses	**96,242**	18,306
	1,177,132	704,958
(d) Share based payment expense		
Performance Rights issued to Directors	**276,152**	52,073
Performance Rights issued to Employees	**211,587**	101,674
	487,739	153,747
(e) Exploration & Evaluation Impairment		
Impairment expense – Merlin 1 and Merlin 2 projects (refer note 7)	**67,623,823**	-
	67,623,823	-

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2022 the Company was organised into the following strategic unit:

- Oil and Gas exploration in Alaska, USA.
- Oil & Gas production in Texas, USA.

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 of Directors.

The Board of Directors review internal management reports on a periodic basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

Management has determined, based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group has two reportable segments being Oil & Gas Exploration in Alaska, USA and Oil and Gas Production in Texas, USA. 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.

Half-year ended 30 June 2022	**Texas Production (A$)**	**Alaska Exploration (A$)**	**Other (A$)**	**Total (A$)**
Other income	-	-	**3,921**	**3,921**
Total Segment Revenue	-	-	**3,921**	**3,921**
Segment Expenditure	-	**(67,623,823)**	**(3,117,772)**	**(70,741,595)**
Segment Net Profit (loss) before tax	**3,437,184**	**(67,623,823)**	**(3,113,851)**	**(67,300,490)**
Half-year ended 30 June 2021				
Other	-	-	4,331,646	4,331,646
Total Segment Revenue	-	-	4,331,646	4,331,646
Segment Expenditure	-	-	(3,886,200)	(3,886,200)
Segment Net Profit (loss) before tax	-	-	445,446	445,446
Total Segment Assets				
30 June 2022	**22,151,413**	**94,902,246**	**7,623,610**	**124,677,269**
31 December 2021	-	118,551,602	27,231,152	145,782,754
Total Segment Liabilities				
30 June 2022	-	**4,952,784**	**297,252**	**5,250,036**
31 December 2021	-	584,052	5,358,568	5,942,620

	30 June 2022 $	31 December 2021 $
5. RECONCILIATION OF CASH		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	**10,469,843**	32,317,887
	10,469,843	32,317,887
6. OTHER RECEIVABLES		
Other deposits and receivables	**1,009,487**	935,930
	1,009,487	935,930

	30 June 2022 $	31 December 2021 $
7. EXPLORATION EXPENDITURE		
Capitalised expenditure at the beginning of the period	**101,357,767**	48,213,290
Additions	**55,165,975**	49,919,632
Acquisition of 50% interest in APDC (i)	**-**	17,543,946
JV Contributions (ii)	**(873,265)**	(16,890,351)
Less Impairment (iii)	**(67,623,823)**	-
Foreign Currency translation	**2,055,029**	2,571,250
Closing balance	**90,081,683**	101,357,767

(i) 88 Energy entered into an agreement with Alaska Peregrine Development Company, LLC (APDC) to acquire 50% working interest from APDC in Project Peregrine in exchange for US14 million in shares plus 1.5% ORRI and additional bonus payments.

(ii) JV Contributions received in 2020/21 from APDC for expenditure to be incurred in relation to the Merlin – 1 well in 2021.

(iii) Impairment of Merlin 1 and Merlin 2 exploration wells which were plugged and abandoned (P&A) with Merlin-2 P&A in April 2022.

8. EQUITY ACCOUNTED INVESTMENT

The Group's interest in equity accounted investment with the most significant contribution the Group's net profit/(loss) or net assets, are as follows:

Significant joint venture	Country of incorporation	Principal activity	Reporting date	Acquisition date	Ownership interest % FY22
Bighorn Energy LLC (i)	USA	Production of Oil & Gas	30 Jun 2022	18 Feb 2022(ii)	75

(i) While the Group holds a greater than 50 per cent interest in the joint ventures, joint control is contractually achieved as joint venture parties unanimously consent on decisions over the joint venture's relevant activities.

(ii) Effective date 1 January 2022

A reconciliation of the carrying amount of the equity accounted investment is set out below:

	30 June 2022
Investment in equity accounted investment	**$**
At the beginning of the financial period	-
Acquisition – 75% interest in Bighorn Energy LLC	**14,127,130**
Contribution of capital	**6,312,807**
Share of profit/(loss) of equity accounted investments (from effective date)	**3,437,184**
Foreign Exchange gain/(loss)	**195,227**
Distribution received from equity accounted investments	**(1,920,935)**
Carrying amount of equity accounted investments	**22,151,413**
(a) Carrying amount of equity accounted investment	
Bighorn Energy LLC	**22,151,413**
(b) Share of profit/(loss) of equity accounted investment	
Bighorn Energy LLC	**3,437,184**

The following table summarises the financial information relating to the significant equity accounted Investment:

Reconciliation of carrying amount of equity accounted investment	
Current Assets	**3,755,361**
Non – Current Assets	**22,465,876**
Current Liabilities	**(1,703,607)**
Non – Current Liabilities	**(1,005,367)**
Net Assets – 100%	**23,512,263**
Net assets – the Group's share	**17,634,197**
Pre-paid contributed capital (held in escrow)	**4,517,216**
Carrying amount of equity accounted investments	**22,151,413**

Reconciliation of share of profit/(loss) of equity accounted investment	**30 June 2022**
	$
Revenue – 100%	**6,709,814**
Profit/(loss) after tax – 100%	**4,582,912**
Profit/(loss) after tax – the Group's share (75%)	**3,437,184**
Consolidated adjustments	**-**
Share of profit/(loss) of equity accounted investments	**3,437,184**

The Group's share of contingent liabilities and capital expenditure commitments of the significant equity accounted investment as at 30 June 2022 was U$0 and U$3 million respectively through to 31 December 2022. The capital expenditure relates to committed well workover costs.

The Group uses the term 'equity accounted investments' to refer to joint ventures.

Policies and judgements

Joint ventures are joint arrangements in which the parties with joint control of the arrangement have rights to the net assets of the arrangement. Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A separate vehicle, not the parties, will have the rights to the assets and obligations to the liabilities, relating to the arrangement. If more than an insignificant share of output from a joint venture is sold to third parties, this indicates that the joint venture is not dependent on the parties to the arrangement for funding and that the parties to the arrangement have no obligation for the liabilities of the arrangement. Joint ventures are accounted for using equity method.

Equity accounted investments are initially recorded at cost, including the value of any goodwill on acquisition. In subsequent periods, the carrying amount of the investment is adjusted to reflect the share of past-acquisition profit or loss and other comprehensive income. After application of the equity method, including recognising the Group's share of the joint venture's results, the value of the investment will be assessed for impairment if there is objective evidence that an impairment of the investment may have occurred. Where the carrying value of an equity accounted investment is reduced to nil after having applied equity accounting principles (and the Group has no legal or constructive obligation to make further payments, not has made payments on behalf of the associate or joint venture), dividends received from the associate or joint venture will be recognised as a 'Share of profit/(loss) of equity accounted investment'.

9. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
	$	$
Trade payables	**5,061,518**	1,110,573
Other payables	**-**	4,685,777
	5,061,518	5,796,350

10. CONTRIBUTED EQUITY AND RESERVES

	Number of shares	30 June 2022 $
(a) Ordinary shares fully paid		
Ordinary shares	**16,610,207,406**	**327,142,111**
Balance at 1 January 2021	**14,811,076,196**	**285,809,214**
Issue of Capital capital raise – 22 February 2022 at $0.035	**918,650,793**	**32,152,778**
Issue of shares for Bighorn Acquisition – 22 February 2022 at $0.035	**98,101,898**	**3,433,565**
Issue of shares for Bighorn working capital – 22 February 2022 at $0.039	**57,378,519**	**2,237,762**
Issue of shares for Seismic Acquisition – 27 June 2022 at $0.008	**181,250,000**	**1,450,000**
Issue of shares for Bighorn working capital – 27 June 2022 at $0.008	**543,750,000**	**4,350,000**
Costs associated with share issues	**-**	**(2,291,208)**
Issued and fully paid shares at 30 June 2022	**16,610,207,406**	**327,142,111**

(b) Reserves

	30 June 2022 $	31 December 2021 $
Share-based payments	**20,081,466**	19,343,568
Foreign currency translation reserve	**8,547,471**	3,730,676
	28,628,936	23,074,244

<u>Movement reconciliation</u>

	30 June 2022 $	31 December 2021 $
Share-based payments reserve		
Balance at the beginning of the half year	**19,343,569**	17,705,535
Equity settled share-based payment transactions	**487,739**	738,965
Issue of Options as part of Capital Raise	**250,158**	1,072,790
Settlement of vested Performance Rights	**-**	(173,722)
Balance at the end of the half year	**20,081,466**	19,343,568
Foreign currency translation reserve		
Balance at the beginning of the half year	**3,730,676**	(1,124,560)
Effect of translation of foreign currency operations to group presentation	**4,816,795**	4,855,236
Balance at the end of the half year	**8,547,471**	3,730,676

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.

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.

11. EVENTS AFTER THE PERIOD END

Other than as disclosed below, there were no significant events occurring after balance date requiring disclosure.

The Company announced its maiden, independently certified prospective resource estimate for Project Icewine East. The total prospective resource was estimated at 1.03 billion barrels of oil[1] by Lee Keeling & Associates, Inc (LAK) with substantial oil volumes noted across all mapped play fairways, in particular the Seabee – Lower Basin Floor (BFF) and the Shelf Margin Delta (SMB reservoirs). LKA are an independent US based expert petroleum and engineering consulting firm who have significant and recent experience in providing resource estimates globally as well as more specifically in Alaska. The initial total prospective resource follows a period of review of an extensive data set that included seismic data, well logs from Icewine-1 and nearby wells adjacent to the Icewine East acreage, recent petrophysical analysis and mapping.

12. COMMITMENTS AND CONTINGENCIES

(i) Exploration Commitments as at 30 June 2022 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, however the company can apply to the state for a rental reduction. The anticipated lease payment for 2022 totals US$2.7 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.

The Group's share of contingent liabilities and capital expenditure commitments of significant equity accounted investments as at 30 June 2022 was U$0 and U$3 million respectively through to 31 December 2022. The capital expenditure relates to committed well workover costs (refer note 8).

Refer Note 8 for commitments pertaining to Equity Accounted Investments.

13. RELATED PARTY TRANSACTIONS

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

Related party transactions similar to those described in the 31 December 2021 Annual Report continued during the period.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 88 Energy Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of 88 Energy Limited for the half year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half year ended on that date; and

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Mr Philip Byrne
Non-executive Chairman

9 August 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 88 Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of 88 Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

BDO

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 9 August 2022