



ENERGY

**HALF-YEAR  
FINANCIAL REPORT  
30 JUNE 2023**

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# CORPORATE INFORMATION

## **BOARD OF 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

## **NOMINATED ADVISER AND BROKER**

Cenkos Securities Plc

## **REGISTERED OFFICE**

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Website: [www.88energy.com](http://www.88energy.com)

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## **SHARE LISTINGS**

ASX	88E
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OTC	EEENF

## **AUDITORS**

BDO Audit (WA) Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000

# DIRECTORS' REPORT

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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 2023 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 continued its principal exploration activities in Alaska, complemented by a 75% owned, non-operated working interest in onshore Texas Permian Basin production assets.

## HIGHLIGHTS FOR THE FIRST HALF OF 2023

Significant activities that occurred during the first half of 2023 are summarised below:

# DIRECTORS' REPORT

## PROJECT PHOENIX

Project Phoenix is focused on oil-bearing conventional reservoirs identified during the drilling and logging of Icewine-1 and adjacent offset drilling and testing. Encompassing 82,846 gross acres, Project Phoenix is strategically located on the Dalton Highway with the Trans-Alaskan Pipeline System running through the acreage.

Project Phoenix holds an estimated unrisks conventional total of 647MMbbl of prospective oil resources (mean unrisked, net to 88E), independently assessed by Lee Keeling and Associates (LKA) in Q3 2022 (refer 88E ASX release dated 23 August 2022).

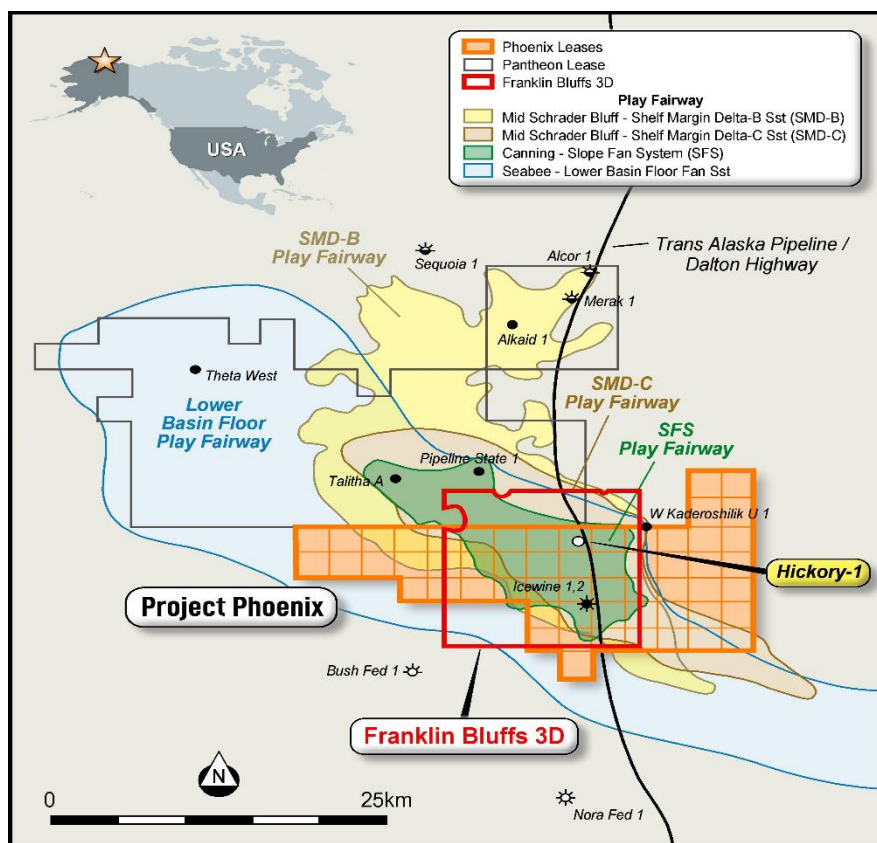


Figure 1: Project Phoenix lease area, mapped play fairways, 3D area and Hickory-1 location

Table 1: Project Phoenix net resources

Phoenix: Alaska North Slope	Unrisked Net Entitlement to 88E <sup>1,6</sup> Prospective Oil Resources (MMstb) <sup>4,5</sup>				
Prospects (Probabilistic Method)	Low (1U)	Best (2U)	High (3U)	Mean	COS <sup>3</sup>
Shelf Margin Delta (SMD A, B & C)	44	140	326	145	81%
Slope Fan System (SFS)	24	84	217	89	50%
Basin Floor Fan (BFF)	75	341	930	358	50%
Kuparuk (KUP)	24	56	98	56	72%
<b>Prospects Total</b>	<b>167</b>	<b>621</b>	<b>1,570</b>	<b>647 <sup>2</sup></b>	

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.

1. These pre-drilling resources estimates are net to 88 Energy and have been calculated using a 75.227% working interest and a 16.5% royalty.
2. The unrisked means, which have been arithmetically summed, are not representative of expected total from the prospects and implies a success case in all reservoir intervals. 88 Energy cautions that the arithmetically summed 1U estimate may be a conservative estimate and the arithmetically summed 3U estimate may be optimistic when compared to a statistical aggregation of probability distributions.
3. COS represents the geological chance of success as assessed by 88 Energy and reviewed and endorsed by LKA.
4. Prospects are subject to a phase risk (oil vs gas). The pre-drilling chance of oil has been assessed as 100% for all targets except for the Kuparuk Formation which has been assessed as 70%. Phase risk has not been applied to the unrisked numbers.
5. The Prospective Resources have not been adjusted for the chance of development. Quantifying the chance of development (COD) requires consideration of both economic and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are outside the knowledge of LKA they must be used with caution.
6. Please refer to ASX announcement dated 23 August 2022 for further details in relation to the prospective resources estimate and associated risking with Phoenix.

It should be noted that the prospective resources were calculated prior to the drilling of Hickory-1.

**HICKORY-1 EXPLORATION WELL**



Figure 2: Project Phoenix' Hickory-1 well adjacent to Dalton Highway

The Hickory-1 well spudded on 9 March 2023 and drilled to Total Depth of 10,650 feet with successful wireline and coring program completed. All pre-drill primary (SMD-A, B, C) and secondary (SFS, BFF) reservoir targets were intersected with a new Upper SFS reservoir also identified which had not previously been intersected by nearby wells (refer Figure 3).

Hickory-1 was cased and suspended in April 2023 ahead of the upcoming flow test program in the 2023/2024 Alaska winter season. Multiple zones are scheduled to be tested, all expected to flow based on reservoir characteristics. The flow test and well stimulation program is being developed in consultation with flow test design experts, who are utilising available regional information in combination with a detailed evaluation of the drilling and wireline logging data from Hickory-1. The Company is working with technical consultants to determine the optimal fluids to be used to stimulate the reservoir in conjunction with the overall flow test program to ensure the best possible outcomes.

Program planning is on schedule and will include rigorous technical and economic optimisation prior to finalisation. Rig selection and contract negotiation is expected to conclude imminently, and the key, long lead items are being ordered. Post well analysis is ongoing with results from the testing programs anticipated to be fully completed and received in early Q3 2023.

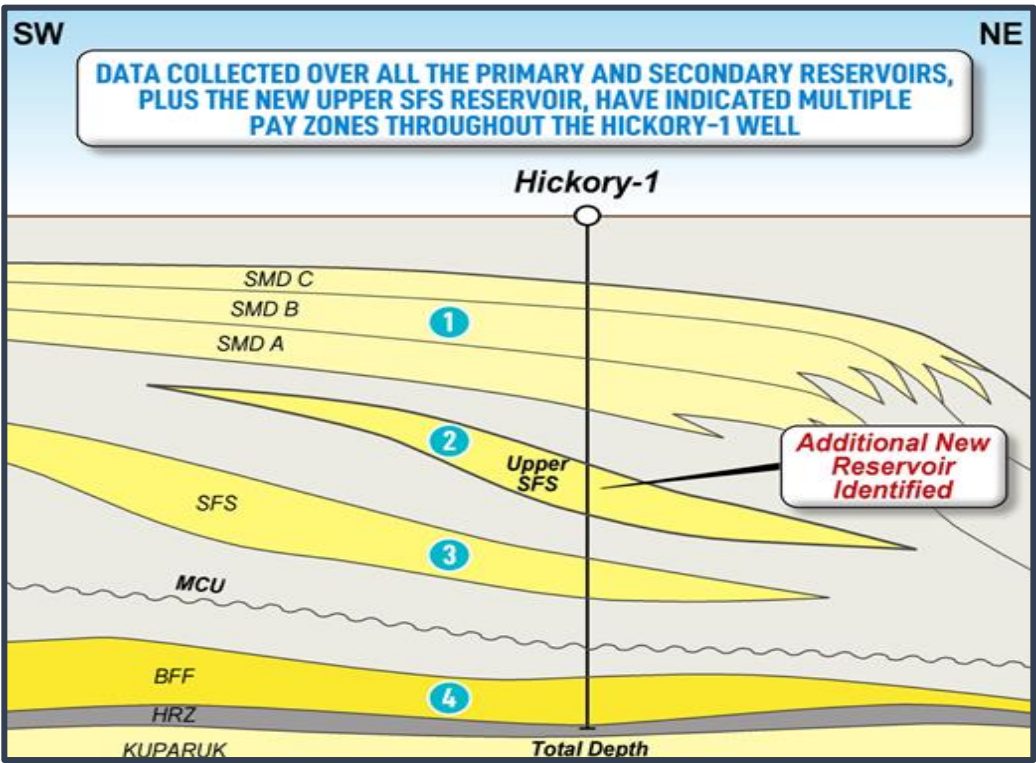


Figure 3: Hickory-1 intersected all primary and secondary targets and the newly identified Upper SFS reservoir. The flow test is planned to assess up to 4 zones noted 1-4.



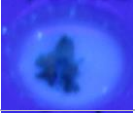



# DIRECTORS' REPORT

## HICKORY-1 DRILLING AND WIRELINE PROGRAM RESULTS

Hickory-1 intersected multiple hydrocarbon-bearing zones across all primary and secondary pre-drill targets and identified the new Upper SFS reservoir. The 2023 Hickory-1 drilling, and wireline program delivered the following key outcomes:

- Confirmed presence of multiple hydrocarbon-bearing pay zones across *all* pre-drill targets, in addition to the newly identified Upper SFS reservoir;
- Approximately 450 feet of estimated net pay calculated from wireline data over all pay zones, with gross pay estimated to be over 2,000 feet;
- Average total porosity of 9-12% across all zones, with key target zones in the Upper and Lower SFS exhibiting between 11-16% total porosity; and
- Reservoir quality and thickness met or exceeded pre-drill expectations, with higher-than-expected porosity in the SFS and BFF, as well as increased total gross reservoir, total net reservoir, and total net pay.

**Table 2: Hickory-1 exploration well initial post-drilling observations**

Hickory-1 exploration well				
Prospects (Probabilistic Method)	Shows	Estimated gross/net pay	Porosity range (average/high)	Sample cutting
Shelf Margin Delta (SMD A, B & C)	✓	~540ft / ~95ft	~10.5% / ~12%	
Upper Slope Fan System (Upper SFS)	✓	~360ft / ~80ft	~10.5% / ~16%	
Upper Slope Fan System (Lower SFS)	✓	~380ft / ~120ft	~10.5% / ~14%	
Basin Floor Fan (BFF)	✓	~325ft / ~160ft	~9.5% / ~12%	
Kuparuk (KUP)	To be drilled and tested at a future date			

Overview of the planned program of post well results analysis and pre-planning for flow testing:

- Geological Analysis: Including refining the depositional model and thin sections analysis
- Geophysical Analysis: Refining current interpretations, updating AVO analysis +/- seismic inversion to integrate Hickory-1 shear data
- Routine and Special Core Analysis: Including porosity and permeability testing to calibrate petrophysical models
- Geochemical Analysis: Including High Resolution Gas Chromatography and mud gas carbon isotope analysis
- Geomechanical Analysis: Azimuthal rock property analysis including strength testing for stimulation modelling
- Flow Testing Planning: Stimulation modelling and design

## TOOLIK RIVER UNIT

The Department of Natural Resources (DNR) Oil and Gas Division approved the formation of the Toolik River Unit covering leases in the western and central areas of Project Phoenix (refer to ASX announcement dated 28 February 2023). The Unit approval has extended those leases beyond their primary term, with the Unit Plan of Exploration through to February 2028. Unitisation provides an efficient, integrated approach to exploration, delineation, and development of the numerous identified and potential reservoirs.

# DIRECTORS' REPORT

## PROJECT ICEWINE WEST

Charlie-1 discovery well drilled in 2020 recovered hydrocarbons during wireline operations with an API gravity between high-40 to low-50 (Torok formation) and the Company is targeting a follow-up appraisal well in future years post any successful flow test in Project Phoenix. The Lima Complex Prospect, Seabee Formation, is the same play type (but slightly older) and expected oil type as the Basin Floor Fan in Project Phoenix.

## PROJECT LEONIS

Awarded in April 2023, Project Leonis is located adjacent to TAPS and the Dalton Highway, enhancing future potential commercialisation pathways. The acreage is covered by an existing data suite including Storms 3D seismic data and Hemi Springs Unit #3 (HS-3) exploration well drilled by ARCO in 1985 which did not target the shallower Upper Schrader Bluff (USB) reservoir. However the HS-3 well did log 200 feet of interpreted bypassed net pay in the USB reservoir with good porosity and oil shows including oil over shakers at multiple depths which underpinned the Company's investment rationale.

Activity at Project Leonis will target the producing USB reservoir that has been successfully developed at nearby Orion, Polaris, West Sak. Independent studies to identify pay in laminated or shaley sand systems have confirmed that the USB reservoir in HS-3 possesses similar characteristics to the producing fields to the north. These studies also confirmed a good seismic tie between HS-3 and the Storms 3D using sonic velocities.

An initial internal review and interpretation of the Storms 3D seismic data revealed a strong seismic-well tie

and a clear seismic amplitude at the USB prospect. To further assess the reservoir potential and improve imaging of local and regional faulting, an independent expert reprocessed the Storms 3D data successfully improving the quality and seismic resolution.

An initial interpretation of the reprocessed data has enabled the Company to assess the USB prospect boundary to enclose up to 60km<sup>2</sup> and to confirm the potential for a significant resource within Project Leonis.

The Company has engaged an independent expert utilising specialist fault and horizon interpretation software to better understand the petroleum system at Project Leonis. This includes identifying and capturing finer stratigraphic and structural features. Once completed in Q3, 88 Energy intends to commission an independent maiden prospective resource estimate over the acreage.

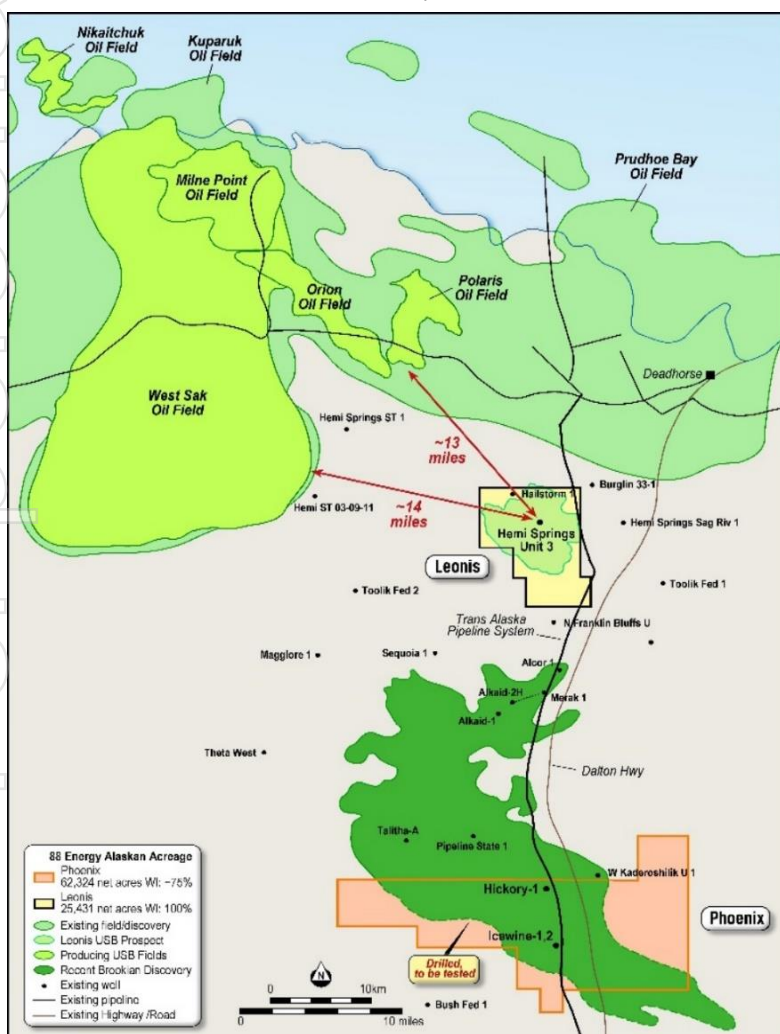


Figure 4: Project Leonis acreage position in relation to USB reservoir, infrastructure, and Project Phoenix



# DIRECTORS' REPORT

## PROJECT LONGHORN

Production from the Longhorn wells averaged ~400 BOE per day gross (~71% oil) during the first half of 2023, peaking at 620 BOE per day gross.

Project Longhorn received two quarterly cash distributions (March and June) totalling A\$1.4 million, which was net of CAPEX payments for the two workovers completed in Q4 2022.

In June 2023, Project Longhorn commenced two planned workovers scheduled to be completed in Q3. Four workovers and at least five new drill targets remain on the existing acreage, with the forward work program and timing for future capital investments to be determined by the Joint Venture.

## PROJECT PEREGRINE

In March 2023, the Company completed a strategic review of the Project Peregrine acreage and relinquished six blocks that were considered to have limited prospectivity, providing an annual saving of approximately A\$0.3 million.

The focus at Project Peregrine will be on the untested Harrier prospect (N14 and N15 targets) and the N14 south reservoir target. The N14 corresponds with ConocoPhillips' Harpoon prospect fifteen miles to the north of the Project Peregrine leases. The northernly Peregrine leases are modelled to have better porosity and permeability and are closer to infrastructure.

The updated Peregrine prospective resource report is ongoing with completion expected in Q3 2023. The Company is also currently assessing possible forward work-programs, subject to potential farmout.

## YUKON

The Company completed a strategic review of the prospectivity and commerciality of the Yukon leases as well as near-acreage synergies and relinquished all acreage to the State of Alaska. 88E deemed Yukon to be a non-core acreage position due to the lower resource potential, barriers to commercialisation and high exploration and development costs. The Company relinquished the acreage ahead of the annual rentals (~A\$0.2 million) providing immediate cost savings.

## CORPORATE

On 6 February 2023, the Company advised that it had successfully completed an oversubscribed bookbuild to domestic and international institutional investors to raise A\$17.5 million before costs (the **Placement**). This was achieved through the issue of 1,842,105,263 fully paid ordinary shares in the Company at an issue price of A\$0.0095 (equivalent to £0.0055) per new ordinary share. The funds raised under the Placement, together with existing cash reserves were directed towards the Hickory-1 well at Project Phoenix, payment for the new Project Leonis acreage, pursuing new portfolio expansion opportunities and additional working capital.

Euroz Hartleys Limited acted as Sole Lead Manager and Bookrunner to the Placement. Cenkos Securities Plc acted as 88 Energy's Nominated Adviser and Sole Broker to the Placement in the UK. Inyati Capital Pty Ltd 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 75,000,000 Unlisted Options (exercisable at \$0.02 on or before the date which is 3 years from the date of issue) to the managers of the Placement.

In June 2023, the Company through its subsidiary Accumulate Energy Alaska, Inc (Accumulate) entered into a standstill and option agreement with its Project Phoenix JV partner, Burgundy Xploration, LLC (Burgundy). The agreement provides Burgundy additional time to raise funds to pay its outstanding 2023 cash calls by 31 October 2023 (Standstill Period). As part of the agreement, Burgundy grants an exclusive option to Accumulate to acquire up to 10% additional working interest in the Toolik River Unit where Hickory-1 is located (which may only be exercised if Burgundy fails to pay its outstanding cash calls by the end of the Standstill Period) (Option). The exercise price for the Option will be US\$500,000 per 1% working interest acquired. The Option is exercisable at any time within 3 months following expiry of the Standstill Period (or

# DIRECTORS' REPORT

any further default of unpaid cash calls), so long as the cash calls remain outstanding. The Exercise Price to Burgundy is payable by Cash Consideration or issuing 88E Shares to the value of the Exercise Price and the Election method (cash or 88E Shares) resides with Accumulate. If Cash consideration is elected, then the receivable would be reduced by the cash required to execute the option. The agreement also requires Burgundy's support of the 2024 work program and budget that includes the flow testing of up to four zones at Hickory-1.

## FINANCIAL

For the period ended 30 June 2023 the Company recorded a loss of \$11.6 million (30 June 2022: \$67.3 million loss). The loss was largely attributable to the impairment of the Yukon Project and leases (Regenerate Energy Alaska) of \$8.8m.

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

As at 30 June 2023, the Group had cash on hand of \$7.3 million (31 December 2022: \$14.1 million) and no debt. Net assets totalled A\$139.6 million (31 December 2022: \$131.6 million). The increase in net assets is largely due to the additions in capitalised exploration and evaluation expenditure for the Hickory 1 project. The decrease in cash on hand has been used primarily to fund the Hickory 1 project.

## EVENTS AFTER THE PERIOD

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

## CORPORATE

On the 31st July 2023, the Company launched a Non-renounceable Rights Issue towards funding its operations and working capital. The Company announced on 29 August 2023 the results of the Rights Offering to existing shareholders which totalled A\$3.3 million (issuing 553,070,348 new shares to eligible shareholders) [**Rights Issue**], and subsequently announced the completion of the Shortfall Offer Placement on 31 August 2023. The Company received firm commitments to place in full all of the New Shares not taken up under the Rights Issue via the Shortfall Offer representing 1,457,716,470 New Shares to be issued [**Shortfall Offer Placement**]. The proceeds of the Rights Issue and Shortfall Offer Placement of A\$8.0 million (before costs), which together with the Company's existing cash reserves (A\$7.3 million as at 30 June 2023), strengthened the Company's balance sheet and provided the Company with further capital to fund 88 Energy's share of the Hickory-1 well flow test at Project Phoenix and permitting and planning for a potential new well at Project Leonis. The Company also agreed to part fund its share of the first two new wells at the recently acquired Bighorn Phase 2 acreage, anticipated to cost US\$3.0 million (net) in development capital, through the issuance of A\$4 million worth of 88 Energy Shares as part of the Shortfall Offer Placement (approximately 667 million shares at a deemed issue price equal to the offer price of A\$0.006 per share under the Rights Issue and Shortfall Offer Placement) to Lonestar I, LLC (**Capital Development Shares**). The Capital Development Share issue is expected to save the Company at least an equivalent amount in cash costs on development wells for Project Longhorn production growth, so that the value of the benefit to the Company from the Rights Issue and Shortfall Offer Placement totals A\$12.0 million (before costs).

## PROJECT PHOENIX

In early September, 88 Energy executed a rig contract with All American Oilfield for the use of Rig-111 to flow test the Hickory-1 well. Rig-111 is a highly mobile and versatile carrier mounted workover and shallow drilling rig, capable of depths up to 18,000 feet. With its recently updated mast, the rig's capabilities and mobility are well suited for the workover requirements of flow testing Hickory-1. Rig-111 was previously contracted by 88 Energy to successfully drill Merlin-1 in 2021. Planning and permitting for the Hickory-1 well flow test is on schedule with contract negotiations and ordering of long lead items proceeding as planned, with operations set to commence as early as possible in the upcoming Alaskan winter operational season.

# DIRECTORS' REPORT

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## UMIAT UNIT

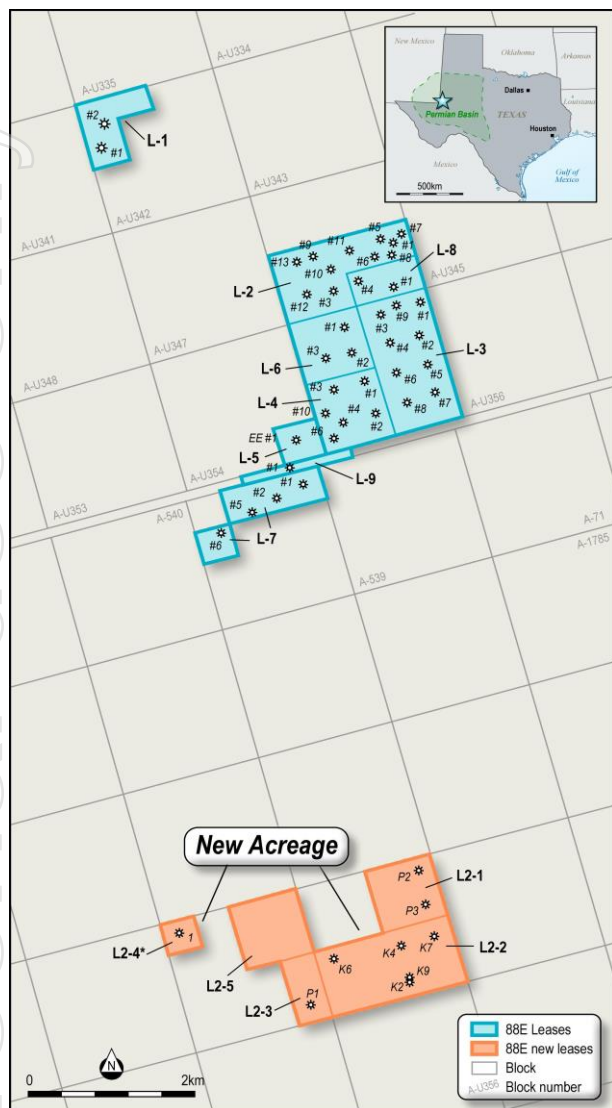
The Bureau of Land Management (BLM) Alaska State Office approved a 30-month extension of the initial development obligation from September 2024 to February 2027, allowing the Company additional time to plan and drill an exploration well by the 2025/2026 Alaska winter season.

## PROJECT PEREGRINE

In March 2023, the Company completed a strategic review of the Project Peregrine acreage and made the decision to relinquish six blocks that were considered to have limited prospectivity, providing an annual saving of approximately A\$0.3 million.

The Project Peregrine Prospective Resource Assessment has been updated by independent oil and gas reservoir evaluation consultancy, ERCE Australia Pty Ltd (ERCE). ERCE incorporated the Merlin-2 Appraisal Well results and assessed 2 new prospects that have been identified by the company following an assessment of the remaining prospectivity of the Project Peregrine acreage. Additionally, the Harrier and Harrier Deep prospects were re-assessed as part of the updated assessment. Refer to ASX announcement released on 31 July 2023.

## PROJECT LONGHORN



**Figure 5: Project Longhorn combined acreage**

The purchase price for the acquisition was US\$1.5 million (net to 88E US\$1.1 million) to be paid in cash by 88 Energy and the JV partner, Lonestar I, LLC, who also acquired a working interest in the new assets and will operate the new field through an affiliate, with the remaining interests retained by existing joint venture partners.

The acquisition provides 88 Energy with potential production upside through two new wells planned in 2H 2023 (on leases which Project Longhorn will have ~75% working interest), each anticipated to deliver IP30 of approximately 80-100 BOE per day gross (~75% oil), with each well anticipated to cost US\$1.5 million net to 88E (to be funded primarily through forecasted cash flow from existing Project Longhorn production assets).

The acquisition expands 88 Energy's move into producing oil and gas assets and is in line with the Company's strategy to build a successful exploration

and production company. This further step has again been undertaken in a measured fashion via the purchase of a non-operated working interest whilst retaining a single basin focus.

1. *Refer announcement released to ASX on 3 July 2023 including initial reserves estimates and assumptions and net revenue entitlement to 88 Energy.*
2. 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

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A copy of the lead auditor's independence declaration for the half-year ended 30 June 2023 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.

A handwritten signature in blue ink, appearing to read 'Phil Byrne', followed by a horizontal line.

**Mr Philip Byrne**  
**Non-executive Chairman**

8 September 2023

# 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 2023, 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.

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey circular watermark that contains the text 'For personal use only'.

**Jarrad Prue**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth,  
08 September 2023



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR HALF YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Other income	3(a)	38,285	3,921
Share of profit/(loss) from equity accounted investment	8	772,336	3,437,184
Administration expenses	3(b)	(1,435,182)	(1,779,839)
Occupancy expenses		(17,410)	(26,073)
Employee benefit expenses	3(c)	(1,644,139)	(1,177,132)
Share based payment expense	3(d)	(447,499)	(487,739)
Depreciation and amortisation expense		(31,629)	(29,416)
Finance cost		(4,274)	(4,308)
Realised/unrealised gain/(loss) on foreign exchange		386,445	394,343
Other income /(expenses)		(468,009)	(7,608)
Exploration & Evaluation Impairment	3(e)	(8,877,646)	(67,623,823)
<b>Profit/(loss) before income tax</b>		<b>(11,728,722)</b>	<b>(67,300,490)</b>
Income tax benefit/(expense)		-	-
<b>Net profit/(loss) attributable to members of the parent</b>		<b>(11,728,722)</b>	<b>(67,300,490)</b>
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		2,849,634	4,816,795
<b>Total comprehensive profit/(loss) for the period</b>		<b>(8,879,088)</b>	<b>(62,483,695)</b>
Basic and diluted profit/(loss) per share		(0.0006)	(0.004)

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 2023

	Note	30 June 2023 \$	31 December 2022 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	7,322,368	14,123,731
Other receivables	6	6,818,849	1,549,816
<b>Total Current Assets</b>		<b>14,141,217</b>	<b>15,673,547</b>
<b>Non-Current Assets</b>			
Plant and equipment		23,373	20,337
Exploration and evaluation expenditure	7	106,706,696	96,422,918
Other assets		479,895	940,424
Equity accounted investments	8	19,753,768	19,968,658
<b>Total Non-Current Assets</b>		<b>126,963,732</b>	<b>117,352,337</b>
<b>TOTAL ASSETS</b>		<b>141,104,949</b>	<b>133,025,884</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions		314,249	244,736
Trade and other payables	9	1,145,327	1,105,132
<b>Total Current Liabilities</b>		<b>1,459,576</b>	<b>1,349,868</b>
<b>TOTAL LIABILITIES</b>		<b>1,459,576</b>	<b>1,349,868</b>
<b>NET ASSETS</b>		<b>139,645,373</b>	<b>131,676,016</b>
<b>EQUITY</b>			
Issued and fully paid shares	10(a)	357,121,914	340,972,669
Reserves	10(b)	34,017,423	30,468,589
Accumulated losses		(251,493,964)	(239,765,242)
<b>TOTAL EQUITY</b>		<b>139,645,373</b>	<b>131,676,016</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2023

	Issued and fully paid shares \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 January 2022</b>	285,809,214	23,074,244	(169,043,324)	139,840,134
Profit for the period	-	-	(67,300,490)	(67,300,490)
Other comprehensive income	-	4,816,795	-	4,816,795
Total comprehensive profit 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)	-	-	(2,041,051)
Share based payments and options valuation	(250,158)	737,897	-	487,739
<b>Balance at 30 June 2022</b>	327,142,111	28,628,936	(236,343,814)	119,427,233
<b>Balance at 1 January 2023</b>	340,972,669	30,468,589	(239,765,242)	131,676,016
Loss for the period	-	-	(11,728,722)	(11,728,722)
Other comprehensive income	-	2,849,634	-	2,849,634
Total comprehensive loss for the period, net of tax	-	2,849,634	(11,728,722)	(8,879,088)
Shares issued during the period	17,500,000	-	-	17,500,000
Equity raising costs	(1,350,755)	-	-	(1,350,755)
Share based payments and options valuation	-	699,200	-	699,200
<b>Balance at 30 June 2023</b>	357,121,914	34,017,423	(251,493,964)	139,645,373

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 2023

	30 June 2023 \$	30 June 2022 \$
<b>Cash flows from operating activities</b>		
Interest	38,258	2,481
Payments to suppliers and employees	(2,978,645)	(3,081,727)
<b>Net cash outflows used in operating activities</b>	<b>(2,940,387)</b>	<b>(3,079,246)</b>
<b>Cash flows from investing activities</b>		
Payments for equity accounted investments	-	(10,693,565)
Payments for exploration and evaluation activities	(24,183,588)	(41,556,424)
Contributions from JV Partners in relation to Exploration	1,462,100	831,275
Proceeds from return of Bonds	584,840	-
Distribution from Equity Accounted Investments	1,405,142	1,920,935
<b>Net cash outflows used in investing activities</b>	<b>(20,731,506)</b>	<b>(49,497,779)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	17,500,000	32,152,778
Share issue costs	(1,179,937)	(2,151,520)
<b>Net cash inflows from financing activities</b>	<b>16,320,063</b>	<b>30,001,258</b>
Net increase/(decrease) in cash and cash equivalents	(7,351,830)	(22,575,768)
Net foreign exchange differences	550,467	727,724
Cash and cash equivalents at beginning of period	14,123,731	32,317,887
<b>Cash and cash equivalents at end of period</b>	<b>7,322,368</b>	<b>10,469,843</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## 1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 8 September 2023.

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 75% owned, 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

### **Basis of Preparation**

The half year financial report for the six months ended 30 June 2023 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 2022 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 2023.

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 2022, together with any public announcements made during the period.

There were no new accounting standards or policies adopted in the half year to June 2023.

### **Going concern**

For the half-year ended 30 June 2023, the Group recorded a loss of \$11.7 million (30 June 2022: loss of \$67.3 million). The loss was largely attributable to the impairment of the Yukon Project following relinquishment of the acreage to the State of Alaska. At 30 June 2023, the Group had a working capital balance \$12.7 million (31 December 2022: \$14.3 million) which included cash on hand of \$7.3 million (31 December 2022: \$14.1 million).

The ability of the Group to continue as a going concern is dependent upon its ability to manage the Company's working capital requirements and, if required to meet its objectives, the Company has the usual potential funding avenues including cash, debt, farmouts and equity markets. On <sup>the</sup> 31st July 2023, the Company launched a Non-renounceable Rights Issue towards funding its operations and working capital. The Company announced on 29 August 2023 the results of the Rights Offering to existing shareholders which totalled A\$3.3 million, and subsequently announced the completion of the Shortfall Offer Placement on 31 August 2023. The proceeds of the Rights Issue and Shortfall Offer Placement of A\$8.0 million (before costs), which together with the Company's existing cash reserves (A\$7.3 million as at 30 June 2023), strengthened the Company's balance sheet and provided the Company with further capital to fund 88 Energy's share of the Hickory-1 well flow test at Project Phoenix and permitting and planning for a potential new well at Project Leonis. The Company's JV partner, Burgundy Xploration is also in the process of completing funding towards its share of the Hickory-1 flow test.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

The Company also agreed to part fund its share of the first two new wells at the recently acquired Bighorn Phase 2 acreage, anticipated to cost US\$3.0 million (net) in development capital, through the issuance of A\$4 million worth of 88 Energy Shares as part of the Shortfall Offer Placement. The share issue is expected to save the Company at least an equivalent amount in cash costs on development wells for Project Longhorn production growth, so that the value of the benefit to the Company from the Rights Issue and Shortfall Offer Placement totals A\$12.0 million (before costs). This together with the ongoing potential cash flows from Project Longhorn indicate the Company is able to fund its share of key planned activities over the next 12 months, noting that Alaskan lease rentals remain a discretionary cost which will be retained subject to further technical results from operations and internal assessments as well as funding. The Company believes it has sufficient flexibility within its operational plans to manage expenditures and obligations. However, note these conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Directors believe there are sufficient funds to meet the Group's working capital requirements as at date of this report.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business as the Group's expects to fund its planning and permitting for Hickory - 1 flow test, planning and studies for Project Leonis and G&A from current cash reserves, Project Longhorn distributions and the finalisation of the shortfall placement.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Group is unable to continue as a going concern.

## 3. INCOME AND EXPENSES

### a) Income

	30 June 2023 \$	30 June 2022 \$
Interest Income	38,285	1,421
Other Income	-	2,500
	<b>38,285</b>	<b>3,921</b>

### b) Administrative expenses

Consultancy and professional fees	245,731	274,990
Legal fees	61,860	141,335
General and administration expenses	1,009,793	1,297,217
Travel	117,798	66,297
	<b>1,435,182</b>	<b>1,779,839</b>

### c) Employee benefit expenses

Wages and salaries	1,359,083	927,167
Superannuation	87,098	77,330
Annual leave expense	109,642	76,393
Other employee expenses	88,316	96,242
	<b>1,644,139</b>	<b>1,177,132</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## d) Share based payment expense

Performance Rights issued to Directors	212,576	276,152
Performance Rights issued to Employees	234,923	211,587
	<b>447,499</b>	<b>487,739</b>

## e) Exploration & Evaluation Impairment Expense

Impairment expense – Yukon Project and Leases (refer note 7)	8,882,710	67,623,823
Impairment expenses – Merlin 2	(5,064)	-
	<b>8,877,646</b>	<b>67,623,823</b>

## 4. SEGMENT INFORMATION

### Identification of reportable segments

For management purposes during the period ended 30 June 2023 the Company was organised into the following strategic unit:

- Oil and Gas exploration in Alaska, USA.
- Oil and 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 and 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.

	Texas Production (A\$)	Alaska Exploration (A\$)	Other (A\$)	Total (A\$)
<b>Half-year ended 30 June 2023</b>				
Total Segment Revenue	-	27	38,258	38,285
Segment Expenditure	(93,049)	(9,344,274)	(3,102,020)	(12,539,343)
Segment Net Profit (loss) before tax	679,287	(9,344,247)	(3,063,762)	(11,728,722)
<b>Half-year ended 30 June 2022</b>				
Other	-	-	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)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

<b>Total Segment Assets</b>				
30 June 2023	<b>19,753,768</b>	<b>108,509,979</b>	<b>12,841,202</b>	<b>141,104,949</b>
31 December 2022	19,968,658	101,755,854	11,301,372	133,025,884
<b>Total Segment Liabilities</b>				
30 June 2023	-	<b>1,111,345</b>	<b>348,230</b>	<b>1,459,575</b>
31 December 2022	-	753,700	596,168	1,349,868

## 5. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2023 \$	31 December 2022 \$
Cash at bank and in hand	<b>7,322,368</b>	14,123,731
	<b>7,322,368</b>	14,123,731

## 6. OTHER RECEIVABLES

Other deposits and receivables	<b>980,394</b>	1,549,816
JV Contribution Receivables <sup>(i)</sup>	<b>5,838,455</b>	-
	<b>6,818,849</b>	1,549,816

- (i) As at 30 June 2023, Management expect the JV Contribution to be recoverable and the expected credit loss is nil. the Company through its subsidiary Accumulate Energy Alaska, Inc (Accumulate) entered into a standstill and option agreement with its Project Phoenix JV partner, Burgundy Xploration, LLC (Burgundy). The agreement provides Burgundy additional time to raise funds to pay its outstanding 2023 cash calls by 31 October 2023 (Standstill Period). As part of the agreement, Burgundy grants an exclusive option to Accumulate to acquire up to 10% additional working interest in the Toolik River Unit where Hickory-1 is located (which may only be exercised if Burgundy fails to pay its outstanding cash calls by the end of the Standstill Period) (Option). The exercise price for the Option will be US\$500,000 per 1% working interest acquired. The Option is exercisable at any time within 3 months following expiry of the Standstill Period (or any further default of unpaid cash calls), so long as the cash calls remain outstanding. The Exercise Price to Burgundy is payable by Cash Consideration or issuing 88E Shares to the value of the Exercise Price and the Election method (cash or 88E Shares) resides with Accumulate. If Cash consideration is elected, then the receivable would be reduced by the cash required to execute the option. The agreement also requires Burgundy's support of the 2024 work program and budget that includes the flow testing of up to four zones at Hickory-1.

## 7. EXPLORATION EXPENDITURE

Capitalised expenditure at the beginning of the period	<b>96,422,918</b>	101,357,767
Additions	<b>24,575,497</b>	61,289,179
JV Contributions <sup>(ii)</sup>	<b>(7,346,751)</b>	(1,150,993)
Less Impairment <sup>(iii)</sup>	<b>(8,882,710)</b>	(67,623,823)
Foreign Currency translation	<b>1,937,742</b>	2,550,788
Closing balance	<b>106,706,696</b>	96,422,918

(ii) JV Contributions called in 2022/23 for expenditure incurred in relation to the Hickory 1 well.

(iii) Impairment of Yukon project and leases which was relinquished at the end of June 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## 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 % FY23
Bighorn Energy LLC <sup>(i)</sup>	USA	Production of Oil & Gas	30 Jun 2023	18 Feb 2022 <sup>(ii)</sup>	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:

<b>Investment in equity accounted investment</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
	\$	\$
At the beginning of the financial period	19,968,658	-
Acquisition – 75% interest in Bighorn Energy LLC	-	14,127,130
Contribution of capital	-	6,587,762
Share of profit/(loss) of equity accounted investments (from effective date)	772,336	3,317,877
Foreign Exchange gain/(loss)	417,916	217,799
Distribution received from equity accounted investments	(1,405,142)	(4,281,910)
Carrying amount of equity accounted investments	19,753,768	19,968,658
<b>Carrying amount of equity accounted investment</b>		
Bighorn Energy LLC	19,753,768	19,968,658
<b>Share of profit/(loss) of equity accounted investment</b>		
Bighorn Energy LLC	772,336	3,317,877

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## Reconciliation of carrying amount of equity accounted investment

Current Assets	2,019,624	2,457,296
Non – Current Assets	28,349,261	29,008,661
Current Liabilities	(1,515,380)	(2,844,252)
Non – Current Liabilities	(1,123,065)	(1,099,029)
<b>Net Assets – 100%</b>	<b>27,730,440</b>	<b>27,522,676</b>
Net assets – the Group's share	20,797,830	20,642,007
Equity and foreign exchange adjustments	(1,044,062)	(673,349)
<b>Carrying amount of equity accounted investments</b>	<b>19,753,768</b>	<b>19,968,658</b>

## Reconciliation of share of profit/(loss) of equity accounted investment

	30 June 2023	31 December 2022
	\$	\$
Revenue – 100%	5,353,214	13,071,832
Profit/(loss) after tax – 100%	1,029,781	4,423,836
Profit/(loss) after tax – the Group's share (75%)	772,336	3,317,877
<b>Share of profit/(loss) of equity accounted investments</b>	<b>772,336</b>	<b>3,317,877</b>

The Group's share of contingent liabilities and capital expenditure commitments of the significant equity accounted investment as at 30 June 2023 was U\$0 and U\$0.8 million respectively through to 31 December 2023. The capital expenditure relates to committed well workover costs.

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

## 9. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	\$	\$
Trade payables	1,113,061	993,924
Other payables	32,266	111,208
	<b>1,145,327</b>	<b>1,105,132</b>

## 10. CONTRIBUTED EQUITY AND RESERVES

### a) Ordinary shares fully paid

	Number of shares	\$
Ordinary shares – Balance as 1 January 2022	14,811,076,196	285,809,214
Issue of shares in February capital raise @ \$0.035	918,650,793	32,152,777
Issue of shares for Bighorn acquisition @ \$0.035	98,101,898	3,433,567
Issue of shares for Bighorn working capital @ \$0.039	57,378,519	2,237,762
Issue of shares for seismic acquisition @ \$0.008	181,250,000	1,450,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 30 JUNE 2023

Issue of shares for Bighorn working capital @ \$0.008	543,750,000	4,350,000
Issue of shares in August capital raise @ \$0.009	1,655,555,556	14,900,000
Less equity raising costs		(3,360,651)
Issued and fully paid shares at 31 December 2022	18,265,762,962	340,972,669
<b>Balance at 1 January 2023</b>	<b>18,265,762,962</b>	<b>340,972,669</b>
<b>Issue of capital raise – 9 February 2023 at \$0.0095</b>	<b>1,842,105,263</b>	<b>17,500,000</b>
<b>Costs associated with share issues</b>		<b>(1,350,755)</b>
<b>Issued and fully paid shares at 30 June 2023</b>	<b>20,107,868,225</b>	<b>357,121,914</b>

### b) Reserves

Share-based payments	21,058,141	20,358,941
Foreign currency translation reserve	12,959,282	10,109,648
	<b>34,017,423</b>	<b>30,468,589</b>

### Movement reconciliation

#### Share-based payments reserve

Balance at the beginning of the half year	20,358,942	19,343,568
Equity settled share-based payment expense	447,499	658,111
Issue of Options as part of Capital Raise	251,701	360,260
Settlement of vested Performance Rights	-	(2,998)
Balance at the end of the half year	<b>21,058,141</b>	<b>20,358,941</b>

#### Foreign currency translation reserve

Balance at the beginning of the half year	10,109,648	3,730,676
Effect of translation of foreign currency operations to group presentation	2,849,634	6,378,972
Balance at the end of the half year	<b>12,959,282</b>	<b>10,109,648</b>

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## 11. EVENTS AFTER THE PERIOD END

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

### Corporate

On the 31st July 2023, the Company launched a Non-renounceable Rights Issue towards funding its operations and working capital. The Company announced on 29 August 2023 the results of the Rights Offering to existing shareholders which totalled A\$3.3 million (issuing 553,070,348 new shares to eligible shareholders) [**Rights Issue**], and subsequently announced the completion of the Shortfall Offer Placement on 31 August 2023. The Company received firm commitments to place in full all of the New Shares not taken up under the Rights Issue via the Shortfall Offer representing 1,457,716,470 New Shares to be issued [**Shortfall Offer Placement**]. The proceeds of the Rights Issue and Shortfall Offer Placement of A\$8.0 million (before costs), which together with the Company's existing cash reserves (A\$7.3 million as at 30 June 2023), strengthened the Company's balance sheet and provided the Company with further capital to fund 88 Energy's share of the Hickory-1 well flow test at Project Phoenix and permitting and planning for a potential new well at Project Leonis. The Company also agreed to part fund its share of the first two new wells at the recently acquired Bighorn Phase 2 acreage, anticipated to cost US\$3.0 million (net) in development capital, through the issuance of A\$4 million worth of 88 Energy Shares as part of the Shortfall Offer Placement (approximately 667 million shares at a deemed issue price equal to the offer price of A\$0.006 per share under the Rights Issue and Shortfall Offer Placement) to Lonestar I, LLC (**Capital Development Shares**). The Capital Development Share issue is expected to save the Company at least an equivalent amount in cash costs on development wells for Project Longhorn production growth, so that the value of the benefit to the Company from the Rights Issue and Shortfall Offer Placement totals A\$12.0 million (before costs).

### Project Phoenix

In early September, 88 Energy executed a rig contract with All American Oilfield for the use of Rig-111 to flow test the Hickory-1 well. Rig-111 is a highly mobile and versatile carrier mounted workover and shallow drilling rig, capable of depths up to 18,000 feet. With its recently updated mast, the rig's capabilities and mobility are well suited for the workover requirements of flow testing Hickory-1. Rig-111 was previously contracted by 88 Energy to successfully drill Merlin-1 in 2021. Planning and permitting for the Hickory-1 well flow test is on schedule with contract negotiations and ordering of long lead items proceeding as planned, with operations set to commence as early as possible in the upcoming Alaskan winter operational season.

### Umiat Unit

The Bureau of Land Management (BLM) Alaska State Office approved a 30-month extension of the initial development obligation from September 2024 to February 2027, allowing the Company additional time to plan and drill an exploration well by the 2025/2026 Alaska winter season.

### Project Peregrine

In March 2023, the Company completed a strategic review of the Project Peregrine acreage and made the decision to relinquish six blocks that were considered to have limited prospectivity, providing an annual saving of approximately A\$0.3 million.

Project Peregrine Prospective Resource Assessment has been updated by independent oil and gas reservoir evaluation consultancy, ERCE Australia Pty Ltd (ERCE). ERCE incorporated the Merlin-2 Appraisal Well results and assessed 2 new prospects that have been identified by the company following an assessment of the remaining prospectivity of the Project Peregrine acreage. Additionally, the Harrier and Harrier Deep



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 30 JUNE 2023

prospects were re-assessed as part of the updated assessment. Refer to ASX announcement released on 31 July 2023.

### Project Longhorn

On 3 July 2023, the Company announced the execution of binding agreements for the acquisition of a new non-operated working interest (~45% net to 88 Energy and 435 net acres) in leases and wells with conventional onshore production and development assets within the Texas Permian Basin. The new assets will form an expansion of the existing Project Longhorn acreage and are located ~4 miles to the south. The newly acquired acreage is estimated to contain independently certified net 2P reserves of 1.1 MMBOE<sup>1,2</sup>.

The purchase price for the acquisition was US\$1.5 million (net to 88E US\$1.1 million) to be paid in cash by 88 Energy and the JV partner, Lonestar I, LLC, who also acquired a working interest in the new assets and will operate the new field through an affiliate, with the remaining interests retained by existing joint venture partners.

The acquisition provides 88 Energy with potential production upside through two new wells planned in 2H 2023 (on leases which Project Longhorn will have ~75% working interest), each anticipated to deliver IP30 of approximately 80-100 BOE per day gross (~75% oil), with each well anticipated to cost US\$1.5 million net to 88E (to be funded primarily through forecasted cash flow from existing Project Longhorn production assets).

The acquisition expands 88 Energy's move into producing oil and gas assets and is in line with the Company's strategy to build a successful exploration and production company. This further step has again been undertaken in a measured fashion via the purchase of a non-operated working interest whilst retaining a single basin focus.

<sup>1</sup> Refer announcement released to ASX on 3 July 2023 including initial reserves estimates and assumptions and net revenue entitlement to 88 Energy.

<sup>2</sup> 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

## 12. COMMITMENTS AND CONTINGENCIES

Exploration Commitments as at 30 June 2023 are as follows:

Leases:

Holding costs for the acreage currently held by 88 Energy's subsidiaries is US\$10 per acre. The anticipated lease payment for FY 2023 totals US\$3.1 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. As at 30 June 2023, the Company net lease payments made were US \$1.9 million.

The Group's share of contingent liabilities and capital expenditure commitments of significant equity accounted investments as at 30 June 2023 was U\$0 and U\$0.8 million respectively through to 31 December 2023. The capital expenditure relates to committed new well and workover development costs.

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 2022 Annual Report continued during the period.

During the half year to June 2023 the following Performance Rights were issued to Key Management Personnel.

Key Management Personnel	Share Price (ASPG)	Share Price (RTSR)	Total
Grant Date	27/01/2023	27/01/2023	
Expiry Date	31/12/2025	31/12/2025	
Fair Value Price \$	0.012	0.012	
Exercise Price	Nil	Nil	
Expected Life	2.93 years	2.93 years	
Risk Free Interest Rate	3.20%	3.20%	
Expected Volatility	159.66%	159.66%	
Performance Rights			
A. Gilbert	16,875,000	16,875,000	33,750,000
R. Benkovic	11,850,000	11,850,000	23,700,000
O. Mortensen	7,125,000	7,125,000	14,250,000
Vested Rights	-	-	-
% Vested	-	-	-
<b>Fair Value A. Gilbert \$</b>	202,500	202,500	405,000
<b>Fair Value R. Benkovic \$</b>	142,200	142,200	284,400
<b>Fair Value O. Mortensen \$</b>	85,500	85,500	171,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

Total Fair Value 2023 \$	430,200	430,200	860,400
Benefits Expensed during 2023 \$			
A. Gilbert	28,125	28,125	56,250
R. Benkovic	19,750	19,750	39,500
O. Mortensen	11,875	11,875	23,750
Total Benefits Expensed 2023 \$ (KMP only)	59,750	59,750	119,500
Benefits not yet recognised \$			
A. Gilbert	174,375	174,375	348,750
R. Benkovic	122,450	122,450	244,900
O. Mortensen	73,625	73,625	147,250
Total Benefits not yet recognised 2023 \$	370,450	370,450	740,900

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

Performance Rights were issued under two testing conditions.. The following reflect the performance conditions:

The Performance rights have a performance period of 3 years from the conclusion of the financial year being 31 December 2022 to 31 December 2025. At this point the Performance Rights relating to absolute share price growth (ie 50%) will be tested with total number of rights to vest dependant on outcome of testing and the Performance Rights relating to Relative Total Shareholder Return (ie 50%) will be tested with total number of rights to vest dependant on outcome of testing.

# DIRECTORS' DECLARATION

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

In the opinion of the directors:

- The financial statements and notes of 88 Energy Limited for the half year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the half year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
- 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.



**Mr Philip Byrne**  
**Non-executive Chairman**

8 September 2023

# INDEPENDENT AUDITORS REVIEW REPORT



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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 2023, 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 significant 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 2023 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.

#### Material uncertainty relating to going concern.

We draw attention to Note 2, in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### 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 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 2023 and its 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,  
08 September 2023