

Target Energy Limited

(ABN 73 119 160 360)

Half Year Report

31 December 2015



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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity comprising Target Energy Limited and its controlled entities (Consolidated Entity) for the half-year to 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as set out below. Directors were in office for this entire period unless otherwise stated.

Christopher Rowe	<i>Non-Executive Chairman</i>
Laurence Roe	<i>Managing Director</i>
Stephen Mann	<i>Non-Executive Director</i>

Review of Operations

The Consolidated Entity incurred a net loss after tax of \$7,794,315 during the half-year ended 31 December 2015 (2014: \$5,619,184).

During the half year, the Company contracted its development activities to conserve cash as the oil price dropped significantly. The only works carried out were workovers of existing wells to maintain existing production. The Company sought to sell its interests in various properties and was successful in securing sales of the Homar/Robb property at Fairway and the Merta property.

A total of \$6,000,955 was recorded as an impairment expense in the statement of comprehensive income for the period. This was comprised of impairment charges in relation to Fairway and East Chalkley, which were largely driven by the decline in oil prices and in Easy Chalkley's case by the fact that the project operator has filed voluntary Chapter 11 petitions to facilitate balance sheet restructuring.

Events after the Balance Date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than;

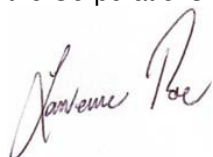
- As part of the sale of the Homar well and associated leases, a provision was included whereby the buyer agreed to pay additional consideration for those leases in the Robb Tract which the operator could obtain an 18 month extension to the primary term of the lease (prior to 1 April 2016). Lease extensions for 95% of the Robb Tract leases have now been obtained, generating a further US\$268,800 (before costs) for the consolidated entity. These will be applied in the first instance to remaining amounts outstanding to the operator.
- The consolidated entity has engaged global investment bank Canaccord Genuity ("Canaccord") as adviser to the divestment of the Fairway Project in the Permian Basin, Texas.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report.

This Independence Declaration is included at page 14 and forms part of this directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306 (3) of the Corporations Act 2001.



Laurence Roe - Director
15th March 2016

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	Consolidated	
		31 December	31 December
		2015	2014
		\$	\$
Continuing operations			
Revenue	2	1,349,171	1,181,428
Other income		-	438
		<u>1,349,171</u>	<u>1,181,866</u>
Oil and gas production expenses and taxes		(765,096)	(648,199)
Accounting expense		(38,503)	(8,858)
Audit fees		(14,000)	(52,874)
Consultants		(119,819)	(117,457)
Depreciation expense	3	(15,927)	(25,709)
Directors' fees		(29,167)	(68,685)
Employee benefits expense		(167,029)	(334,389)
Amortisation of oil and gas properties	3	(815,408)	(923,617)
Impairment of oil and gas properties	3	(6,000,955)	(3,379,799)
Amortisation of convertible note costs	4	(45,640)	(44,920)
Foreign exchange (loss)/gain		(71)	4,213
Interest expense		(696,793)	(483,015)
Legal expenses		(181,559)	(121,112)
Listing fees		(33,167)	(48,880)
Office expense		(73,021)	(120,507)
Other expenses		(120,175)	(213,221)
Promotional expenses		(9,712)	(98,256)
Share registry expense		(5,256)	(15,620)
Travel and accommodation		(12,188)	(100,145)
		<u>(7,794,315)</u>	<u>(5,619,184)</u>
Loss before income tax expense			
Income tax expense		-	-
Net loss after tax		<u>(7,794,315)</u>	<u>(5,619,184)</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		287,339	3,158,792
		<u>(7,506,976)</u>	<u>(2,460,392)</u>
Total comprehensive loss for the period			
Basic loss per share (cents per share)		(0.76)	(1.22)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

			Consolidated	
			31 December	30 June
Note	2015	2015		
			\$	\$
CURRENT ASSETS				
Cash and cash equivalents	309,278	907,178		
Trade and other receivables	426,033	159,540		
Total Current Assets	735,311	1,066,718		
NON-CURRENT ASSETS				
Property, plant and equipment	301,360	7,016,500	3	
Total Non-Current Assets	301,360	7,016,500		
TOTAL ASSETS	1,036,671	8,083,218		
CURRENT LIABILITIES				
Trade and other payables	2,173,787	2,153,693		
Total Current Liabilities	2,173,787	2,153,693		
NON CURRENT LIABILITIES				
Convertible notes	8,227,130	7,980,948	4	
Total Non Current Liabilities	8,227,130	7,980,948		
TOTAL LIABILITIES	10,400,917	10,134,641		
NET LIABILITIES	(9,364,246)	(2,051,423)		
EQUITY				
Issued capital	38,556,680	38,362,527	5	
Reserves	6,768,190	6,480,851		
Accumulated losses	(54,689,116)	(46,894,801)		
NET DEFICIENCY	(9,364,246)	(2,051,423)		

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

Consolidated Group	Issued Capital	Accumulated Losses	Option Reserve	Share- Based Payments Reserve	Convertible Notes - Equity Component Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	33,492,432	(20,919,069)	340,000	263,455	791,407	(94,337)	13,873,888
Shares issued during the half-year	2,070,230	-	-	-	-	-	2,070,230
Share issue costs	(80,490)	-	-	-	-	-	(80,490)
Equity component of convertible notes issued during the year	-	-	-	-	341,018	-	341,018
Loss for the half-year	-	(5,619,184)	-	-	-	-	(5,619,184)
Conversion of convertible notes	-	-	-	-	(4,080)	-	(4,080)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	-	3,158,792	3,158,792
Balance at 31 December 2014	35,482,172	(26,538,253)	340,000	263,455	1,128,345	3,064,455	13,740,174
Balance at 1 July 2015	38,362,527	(46,894,801)	340,000	263,455	1,128,345	4,749,051	(2,051,423)
Shares issued during the half-year	194,153	-	-	-	-	-	194,153
Loss for the half-year	-	(7,794,315)	-	-	-	-	(7,794,315)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	-	287,339	287,339
Balance at 31 December 2015	38,556,680	(54,689,116)	340,000	263,455	1,128,345	5,036,390	(9,364,246)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	31 December 2015 \$	31 December 2014 \$
	Inflows/(Outflows)	
Cash Flows from Operating Activities		
Receipts from customers	456,882	2,044,920
Payments to suppliers and employees	(1,193,017)	(1,691,586)
Interest paid	(191,531)	(296,843)
Net cash (used in)/provided by operating activities	(927,666)	56,491
Cash Flows from Investing Activities		
Proceeds from sale of oil and gas properties	59,960	-
Proceeds from sale of other property, plant and equipment	58,106	-
Purchase of property, plant and equipment	(592)	(8,809,347)
Net cash provided by/(used in) investing activities	117,474	(8,809,347)
Cash Flows from Financing Activities		
Proceeds from issue of shares	194,153	2,041,330
Share issue expenses	-	(80,490)
Proceeds from borrowings, net of transaction costs	-	2,994,426
Net cash provided by financing activities	194,153	4,955,266
Net decrease in cash held	(616,039)	(3,797,590)
Cash at the beginning of the half year	907,178	3,719,166
Effect of exchange rate changes on the balance of cash held in foreign currencies	18,139	524,252
Cash at the end of the half year	309,278	445,828

The accompanying notes form part of these financial statements

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Target Energy Limited (Consolidated Entity) during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with these of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Consolidated Entity's operations and effective for annual reporting periods beginning on or after 1 July 2015.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015.

As a result of these reviews the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Consolidated Entity's business and, therefore, no change is necessary to the accounting policies.

Significant Accounting Judgment and Key Estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015, other than as noted below:

Impairment of Oil & Gas Properties

Management has considered the existence of any indicators of impairment in relation to its capitalised oil & gas properties. In making their impairment assessment, management compared the carrying amount of each cash-generating unit to its recoverable amount. Value-in-use was used to determine recoverable amount and this was based upon PV10 discounted cash flows of proven reserves. Based upon this review, a total of \$6,000,955 was recorded as an impairment expense in the statement of comprehensive income in relation to Fairway and East Chalkley. There has been no change in the way cash-generating units have been identified since the prior period.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

For the purposes of the cash flow calculations, pricing assumptions are as defined by SEC regulations currently in effect, being the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period.

Going Concern

For the half year ended 31 December 2015, the Consolidated Entity had a net cash outflow from operating and investing activities of \$810,192 and incurred a net loss for the half year of \$7,794,315. The Consolidated Entity had a working capital deficiency at balance date of \$1,438,476. In addition, the Consolidated Entity has convertible notes with a face value of \$8,971,100 which mature in March 2017. Furthermore the Consolidated Entity has net liabilities of \$9,364,246 as at 31 December 2015.

The Company divested part of its Fairway Project for total proceeds of \$1,024,330 of which \$681,770 was offset against the amount payable to the project operator and \$342,560 was receivable at year end. This receivable was received by the Company on 5 January 2016.

The Board considers that the Consolidated Entity is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations and further develop its oil and gas assets in the USA during the twelve month period from the date of approval of the financial reports. Such additional funding may be derived from one or a combination of the following:

- the sale of assets;
- settlement of legal action;
- an excluded offer pursuant to the Corporation's Act 2001;
- revenue from oil and gas wells; or
- the placement of securities under ASX listing Rule 7.1 or otherwise.

Additionally, whilst not desirable, certain planned capital expenditures can be deferred to the extent considered necessary to match the availability of the funding or the Directors may seek to farm-out a portion of its working interest in a number of the planned wells. The Company and its partners at the Fairway Project intend to approach landholders to secure extensions to the timetable for certain drilling commitments. The Directors anticipate, but cannot guarantee, that such extensions will be obtained.

Accordingly, the Directors believe that the Consolidated Entity will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the Consolidated Entity be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amount and classifications of liabilities that might be necessary should it not continue as a going concern.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**
NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

The following revenue items are relevant in explaining the financial performance for the half-year:

	31 December	31 December
	2015	2014
	\$	\$
Revenue		
Oil and Gas income	379,403	1,179,549
Gain on disposal of oil & gas interests	936,924	-
Gain on disposal of non current assets	31,460	-
Interest received - other	1,384	1,879
Total revenue	<u>1,349,171</u>	<u>1,181,428</u>

NOTE 3: PROPERTY PLANT AND EQUIPMENT

	Office Equipment	Computer Equipment	Motor Vehicles	Consolidated Oil & Gas Software	TEX Website	Oil & Gas Properties	Total
	\$	\$	\$	\$	\$	\$	\$
Half year ended 31 December 2015							
At 1 July 2015, net of accumulated depreciation	44,217	7,042	-	2,215	9,740	6,953,286	7,016,500
Effect of movements in foreign exchange	2,497	(236)	-	131	493	340,137	343,022
Additions	-	-	-	-	-	202,870	202,870
Costs recovered	-	-	-	-	-	(220,986)	(220,986)
Divestments	(26,646)	-	-	-	-	(181,110)	(207,756)
Depreciation	(8,902)	(2,844)	-	(2,346)	(1,835)	-	(15,927)
Amortisation	-	-	-	-	-	(815,408)	(815,408)
Impairment	-	-	-	-	-	(6,000,955)	(6,000,955)
At 31 December 2015, net of accumulated depreciation and amortisation	<u>11,166</u>	<u>3,962</u>	<u>-</u>	<u>-</u>	<u>8,398</u>	<u>277,834</u>	<u>301,360</u>
At 1 July 2015							
Cost	151,560	60,167	62,229	25,159	17,329	46,519,233	46,835,677
Accumulated depreciation	(107,343)	(53,125)	(62,229)	(22,944)	(7,589)	(39,565,947)	(39,819,177)
Net carrying amount	<u>44,217</u>	<u>7,042</u>	<u>-</u>	<u>2,215</u>	<u>9,740</u>	<u>6,953,286</u>	<u>7,016,500</u>
At 31 December 2015							
Cost	120,489	58,846	-	26,391	18,176	42,644,971	42,868,873
Accumulated depreciation, amortisation and impairment	(109,323)	(54,884)	-	(26,391)	(9,778)	(42,367,137)	(42,567,513)
Net carrying amount	<u>11,166</u>	<u>3,962</u>	<u>-</u>	<u>-</u>	<u>8,398</u>	<u>277,834</u>	<u>301,360</u>

The useful life of the assets was estimated as follows for 2015:

Office Equipment	5 to 8 years
Computer Equipment	2.5 years
Oil & Gas Software	4 years
Motor Vehicles	4 years

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**
NOTE 4: CONVERTIBLE NOTES

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Convertible notes - March 2017	8,227,130	7,980,948
	8,227,130	7,980,948

	Face Value Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Balance 1 July	8,971,100	6,000,000
Issued during the period ⁽ⁱ⁾	-	3,000,000
Converted to shares during the period ⁽ⁱⁱ⁾	-	(28,900)
Balance at end of period	8,971,100	8,971,100

	Present Value Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Face Value of Notes	8,971,100	8,971,100
Transaction costs on liability component	(318,158)	(318,158)
Equity component transferred to reserves	(1,171,960)	(1,171,960)
Transaction costs on equity component	43,615	43,615
Unwinding of discount rate	702,533	456,351
Balance at end of period	8,227,130	7,980,948

	Consolidated	
	31 December No.	30 June No.
Balance 1 July	179,422,000	120,000,000
Issued during the period ⁽ⁱ⁾	-	60,000,000
Converted to shares during the period ⁽ⁱⁱ⁾	-	(578,000)
Balance at end of period	179,422,000	179,422,000

(i) Details of the convertible notes issued.

Nil convertible notes were issued during the period (Year ended 30 June 2015: 60,000,000 convertible notes with a face value of \$3,000,000 were issued).

(ii) Details of the convertible notes converted to shares

Nil convertible notes were converted to shares during the period (Year ended 30 June 2015: 578,000 convertible notes with a face value of \$28,900 were converted to shares).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 5: ISSUED CAPITAL

	Consolidated	
	Six Months To 31 December 2015 \$	Year To 30 June 2015 \$
1,031,206,428 (30 June 2015: 998,847,585) fully paid ordinary shares	38,556,680	38,362,527
	Consolidated	
	31 December 2015 No.	30 June 2015 No.
(i) Ordinary shares - number		
At start of period	998,847,585	453,746,588
Shares issued at \$0.045	-	45,362,892
Shares issued at \$0.006	32,358,843	499,160,105
Conversion of convertible notes at \$0.050	-	578,000
Balance at end of period	1,031,206,428	998,847,585
	Consolidated	
	31 December 2015 \$	30 June 2015 \$
(ii) Ordinary shares – value		
At start of period	38,362,527	33,492,432
Shares issued at \$0.045	-	2,041,330
Shares issued at \$0.006	194,153	2,994,961
Conversion of convertible notes at \$0.050	-	28,900
Less share issue costs	-	(195,096)
Balance at end of period	38,556,680	38,362,527

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**
NOTE 6: SEGMENT REPORTING
Description of segments

The Company's principal activities are the development and production of and exploration for oil and gas in the United States of America. It operates through its USA subsidiaries TELA Garwood Limited LP, TELA Louisiana Limited Inc and TELA USA Inc. Australian operations include the Company's Head Office which includes all corporate expenses that cannot be directly attributed to the operation of the consolidated entity's operating segment.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2015 and 31 December 2014.

	Continuing operations				Consolidated
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	
	\$	\$	\$	\$	\$
31-Dec-15					
Revenue					
Sales to external customers	379,403	-	379,403	-	379,403
Total segment revenue	379,403	-	379,403	-	379,403
Oil & gas production costs and taxes	(765,096)	-	(765,096)	-	(765,096)
Segment net operating profit	(385,693)	-	(385,693)	-	(385,693)
Interest revenue	-	1,384	1,384	-	1,384
Gain on disposal of other property, plant and equipment	31,460	-	31,460	-	31,460
Gain on disposal of oil and gas properties	936,924	-	936,924	-	936,924
Foreign exchange gain/loss	-	(71)	(71)	-	(71)
Interest expense	(28,845)	(667,948)	(696,793)	-	(696,793)
Depreciation and amortisation	(829,777)	(1,558)	(831,335)	-	(831,335)
Impairment	(6,000,955)	-	(6,000,955)	-	(6,000,955)
Other expenses	(445,815)	(403,421)	(849,236)	-	(849,236)
Income tax expense	-	-	-	-	-
Loss for the half year	(6,722,701)	(1,071,614)	(7,794,315)	-	(7,794,315)
Segment assets					
Investments in subsidiaries	-	98	98	(98)	-
Property, plant and equipment	298,806	2,554	301,360	-	301,360
Other assets	430,276	6,200,180	6,630,456	(5,895,145)	735,311
Segment liabilities	52,053,439	9,131,618	61,185,057	(50,784,140)	10,400,917
Cash flow information					
Net cash flow from operating activities					(927,666)
Net cash flow from investing activities					117,474
Net cash flow from financing activities					194,153

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**
NOTE 6: SEGMENT REPORTING (CONTINUED)

	Continuing operations				Consolidated
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	
	\$	\$	\$	\$	\$
31-Dec-14					
Revenue					
Sales to external customers	1,179,549	-	1,179,549	-	1,179,549
Total segment revenue	1,179,549	-	1,179,549	-	1,179,549
Oil & gas production costs and taxes	(648,199)	-	(648,199)	-	(648,199)
Segment net operating profit	531,350	-	531,350	-	531,350
Interest revenue	-	1,879	1,879	-	1,879
Other revenue	-	438	438	-	438
Foreign exchange gain/loss	-	4,213	4,213	-	4,213
Interest expense	(6,305)	(476,710)	(483,015)	-	(483,015)
Depreciation and amortisation	(946,985)	(2,340)	(949,325)	-	(949,325)
Impairment	(3,379,799)	-	(3,379,799)	-	(3,379,799)
Other expenses	(579,564)	(765,361)	(1,344,925)	-	(1,344,925)
Income tax expense	-	-	-	-	-
Loss for the half year	(4,381,303)	(1,237,881)	(5,619,184)	-	(5,619,184)
Segment assets					
Investments in subsidiaries	-	98	98	(98)	-
Property, plant and equipment	22,805,481	6,701	22,812,182	-	22,812,182
Other assets	359,639	23,137,090	23,496,729	(22,747,537)	749,192
Segment liabilities	44,167,804	8,180,618	52,348,422	(42,527,222)	9,821,200
Cash flow information					
Net cash flow from operating activities					56,492
Net cash flow from investing activities					(8,809,347)
Net cash flow from financing activities					3,188,579

NOTE 7: EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than;

- As part of the sale of the Homar well and associated leases, a provision was included whereby the buyer agreed to pay additional consideration for those leases in the Robb Tract which the operator could obtain an 18 month extension to the primary term of the lease (prior to 1 April 2016). Lease extensions for 95% of the Robb Tract leases have now been obtained, generating a further US\$268,800 (before costs) for the consolidated entity. These will be applied in the first instance to remaining amounts outstanding to the operator.
- The consolidated entity has engaged global investment bank Canaccord Genuity ("Canaccord") as adviser to the divestment of the Fairway Project in the Permian Basin, Texas.

NOTE 8: CONTINGENT LIABILITIES

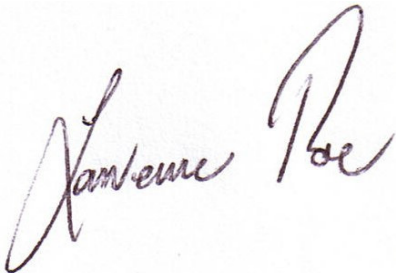
There has been no change in contingent liabilities since the last annual reporting date.

DIRECTORS' DECLARATION

In the opinion of the directors:

1. The financial statements and notes thereto, as set out on pages 2 to 12 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the period then ended.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s303 (5) of the Corporations Act 2001.

A handwritten signature in dark ink, appearing to read 'Laurence Roe', is written over a light grey rectangular background.

.....
Laurence Roe

Director

Dated this 15th day of March 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Target Energy Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
15 March 2016**

**M R W Ohm
Partner**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Target Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Target Energy Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Target Energy Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half year financial report, which indicates that for the half-year ended 31 December 2015, the consolidated entity had a net cash outflow from operating and investing activities of \$810,192 and incurred a net loss of \$7,794,315. The consolidated entity had a working capital deficiency of \$1,438,476 at balance date. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**



**M R W Ohm
Partner**

**Perth, Western Australia
15 March 2016**