

Target Energy Limited

(ABN 73 119 160 360)

Half Year Report

31 December 2014

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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 2014. 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 \$5,619,184 during the half-year ended 31 December 2014 (2013: \$1,099,204).

During the half year, the Company continued to develop its oil and gas prospects in Texas and Louisiana.

Revenues from sales of oil and gas decreased by 41% to \$1,179,549 in the half year compared to \$2,012,115 for the same period in 2013. The decrease was attributable to lower oil quantities sold on Fairway project in Texas and lower produced oil and gas quantities sold in Louisiana. This decrease was further impacted by a significant decline in oil prices of approximately 30% between the periods.

The Company and its partners drilled and completed three wells on the Fairway project during the half year; Darwin #4, Taree 193#1 and BOA North #5. A further three wells on the Fairway project were completed during the half year; Homar #1, BOA North #4 and Ballarat 185 #1.

Target's proven oil reserves have increased by 20 per cent over the equivalent 2013 reserves to 0.73 million barrels of oil equivalent (MMBOe), with total Proved, Possible and Probable Reserves assessed at 1.3 MMBOe, according to recent independent Reserves Estimates. The Reserves Estimates, effective 30 June 2014, encompass the Company's interests in its Texas and Louisiana oil and gas producing properties. Refer to ASX release dated 5 September 2014 for further details.

A total of \$3,379,799 was recorded as an impairment expense in the statement of comprehensive income for the period. This was comprised of \$4,602,754 impairment in relation to Fairway, Section 28 and Merta, which has been largely driven by the decline in oil prices offset by an amount of \$1,222,955 reversed against a previous impairment of East Chalkley reserves.

Significant funding of \$3,000,000 was raised during the period via a secured convertible note and of \$2,041,330 from a partially under-written rights issue.

Events after the Balance Date

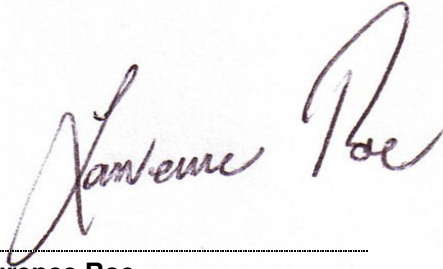
Subsequent to year end, the Company obtained funding of \$500,000 from the issuance of secured loans to directors. The loans are secured by a third ranking interest over the Company's interest in the Fairway project. The loans accrue interest at the rate of 10% per annum and are repayable on 31 March 2017.

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 appears after the Independent Auditor's Review Report on page 18 and forms part of this directors' report for the half-year ended 31 December 2014.

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

A handwritten signature in dark ink, appearing to read "Laurence Roe", written in a cursive style. The signature is positioned above a horizontal dotted line.

Laurence Roe

Director

Dated this 16th day of March 2015

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	Consolidated	
		31 December	31 December
		2014	2013
		\$	\$
Continuing operations			
Revenue	2	1,181,428	2,016,481
Other income		438	-
		<u>1,181,866</u>	<u>2,016,481</u>
Oil and gas production expenses and taxes		(648,199)	(534,541)
Accounting expense		(8,858)	(17,696)
Audit fees		(52,874)	(50,239)
Consultants		(117,457)	(109,268)
Depreciation expense		(25,709)	(22,943)
Directors' fees		(68,685)	(67,544)
Employee benefits expense		(334,389)	(393,985)
Amortisation of oil and gas properties	3	(923,617)	(948,295)
Impairment of oil and gas properties	3	(3,379,799)	(395,718)
Impairment of exploration and development expenditure		-	(721)
Amortisation of convertible note costs		(44,920)	-
Foreign exchange gain		4,213	2,036
Interest expense		(483,015)	(65,555)
Legal expenses		(121,112)	(35,173)
Listing fees		(48,880)	(56,311)
Office expense		(120,507)	(117,089)
Other expenses		(213,221)	(99,914)
Promotional expenses		(98,256)	(88,485)
Share registry expense		(15,620)	(4,123)
Travel and accommodation		(100,145)	(110,121)
		<u>(5,619,184)</u>	<u>(1,099,204)</u>
Loss before income tax expense			
Income tax expense		-	-
Net loss after tax		<u>(5,619,184)</u>	<u>(1,099,204)</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		3,158,792	607,646
		<u>(2,460,392)</u>	<u>(491,558)</u>
Total comprehensive loss for the period			
Basic loss per share (cents per share)		(1.22)	(0.24)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		Consolidated	
		31 December	30 June
Note		2014	2014
		\$	\$
CURRENT ASSETS			
		445,828	3,719,166
		253,365	1,315,784
		50,000	50,000
		<u>749,193</u>	<u>5,084,950</u>
NON-CURRENT ASSETS			
	3	<u>22,812,182</u>	17,049,176
		<u>22,812,182</u>	<u>17,049,176</u>
TOTAL ASSETS		<u>23,561,375</u>	<u>22,134,127</u>
CURRENT LIABILITIES			
		<u>2,056,516</u>	3,289,766
		<u>2,056,516</u>	<u>3,289,766</u>
NON CURRENT LIABILITIES			
	4	<u>7,764,684</u>	4,970,472
		<u>7,764,684</u>	<u>4,970,472</u>
TOTAL LIABILITIES		<u>9,821,200</u>	<u>8,260,238</u>
NET ASSETS		<u>13,740,175</u>	<u>13,873,888</u>
EQUITY			
	5	35,482,172	33,492,432
		4,796,256	1,300,525
		(26,538,253)	(20,919,069)
TOTAL EQUITY		<u>13,740,175</u>	<u>13,873,888</u>

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Consolidated Group	Issued	Accumulated	Option	Share-	Convertible	Foreign	Total
	Capital	Losses	Reserve	Based Payments Reserve	Notes - Equity Component Reserve	Currency Translation Reserve	
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	33,492,432	(17,990,850)	340,000	263,455	-	552,940	16,657,977
Shares issued during the half-year	-	-	-	-	-	-	-
Share issue costs	(2,800)	-	-	-	-	-	(2,800)
Loss for the half-year	-	(1,099,205)	-	-	-	-	(1,099,205)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	-	607,646	607,646
Balance at 31 December 2013	33,489,632	(19,090,055)	340,000	263,455	-	1,160,586	16,163,618
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	-	-	-	-	(4,079)	-	(4,079)
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	1,128,346	3,064,455	13,740,175

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
	Inflows/(Outflows)	
Cash Flows from Operating Activities		
Receipts from customers	2,044,920	2,553,378
Payments to suppliers and employees	(1,691,586)	(1,550,996)
Interest paid	(296,843)	(1,217)
Net cash provided by operating activities	56,491	1,001,165
Cash Flows from Investing Activities		
Exploration and development expenditure	-	(34,106)
Purchase of property, plant and equipment	(8,809,347)	(3,233,902)
Net cash used in investing activities	(8,809,347)	(3,268,008)
Cash Flows from Financing Activities		
Proceeds from issue of shares	2,041,330	-
Share issue expenses	(80,490)	(2,800)
Proceeds from borrowings, net of transaction costs	2,994,426	1,800,000
Net cash provided by financing activities	4,955,266	1,797,200
Net decrease in cash held	(3,797,590)	(469,643)
Cash at the beginning of the half year	3,719,166	1,537,700
Effect of exchange rate changes on the balance of cash held in foreign currencies	524,252	2,037
Cash at the end of the half year	445,828	1,070,094

The accompanying notes form part of these financial statements

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

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 2014 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 2014, 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 2014.

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 2014.

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 2014, 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 \$4,602,754 was recorded as an impairment expense in the statement of comprehensive income in relation to Fairway, Section 28 and Merta. 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 2014****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

During the previous accounting period some reserves at East Chalkley were re-classified to the probable category due to production being restricted by mechanical issues. These mechanical issues have been resolved following the completion of workovers. As a result, some of these reserves have been internally re-classified to the proven category which has resulted in an increase in the PV10 discounted cash flows. Accordingly, during the period, an amount of \$1,222,955 has been offset as a reversal against a previous impairment.

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 2014, the Consolidated Entity had a net cash outflow from operating and investing activities of \$8,752,856 and incurred a net loss for the half year of \$5,619,184. The Consolidated Entity had a working capital deficiency at balance date of \$1,307,323.

The Company raised \$3,000,000 of debt funding during the period via a convertible note which has a maturity date of 31 March 2017. Subsequent to year end the Company raised a further \$500,000 via secured loans subscribed by directors of the Company.

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

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.

In reaching their assessment, the Directors also considered the following:

- The directors anticipate, but cannot guarantee, an increase in revenue attributable to a number of Fairway wells which were drilled in 2014 and either have commenced production or are in the process of being completed for production.

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 2014****NOTE 2: LOSS BEFORE INCOME TAX EXPENSE**

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

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Revenue		
Oil and Gas income	1,179,549	2,012,115
Interest received - other	1,879	4,366
Total revenue	<u>1,181,428</u>	<u>2,016,481</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

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 2014							
At 1 July 2014, net of accumulated depreciation	54,515	12,546	10,613	6,913	10,732	16,953,857	17,049,176
Effect of movements in foreign exchange	8,843	1,141	1,029	820	1,525	2,625,395	2,638,753
Additions	-	-	-	-	-	7,453,378	7,453,378
Depreciation, amortisation and impairment for the half year	(11,205)	(3,628)	(6,683)	(2,704)	(1,489)	(4,303,416)	(4,329,125)
At 31 December 2014, net of accumulated depreciation and amortisation	52,153	10,059	4,959	5,029	10,768	22,729,214	22,812,182
At 1 July 2014							
Cost	130,223	58,077	50,575	20,448	14,083	27,438,946	27,712,352
Accumulated depreciation	(75,708)	(45,531)	(39,962)	(13,535)	(3,351)	(10,485,089)	(10,663,176)
Net carrying amount	54,515	12,546	10,613	6,913	10,732	16,953,857	17,049,176
At 31 December 2014							
Cost	144,562	59,481	58,407	23,613	16,264	39,141,391	39,443,718
Accumulated depreciation, amortisation and impairment	(92,409)	(49,422)	(53,448)	(18,584)	(5,496)	(16,412,177)	(16,631,536)
Net carrying amount	52,153	10,059	4,959	5,029	10,768	22,729,214	22,812,182

The useful life of the assets was estimated as follows for 2014:

Office Equipment	5 to 8 years
Computer Equipment	2.5 years
Oil & Gas Software	4 years
Motor Vehicles	4 years
TEX Website	10 years
Oil & Gas Properties	Units of production

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

NOTE 4: CONVERTIBLE NOTES

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Convertible notes	<u>7,764,684</u>	<u>4,970,472</u>
	<u>7,764,684</u>	<u>4,970,472</u>

	Face Value Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Balance 1 July	6,000,000	-
Issued during the period ⁽ⁱ⁾	3,000,000	7,800,000
Redeemed for cash during the period ⁽ⁱⁱ⁾	-	(1,200,000)
Redeemed for notes during the period ⁽ⁱⁱⁱ⁾	-	(600,000)
Converted to shares during the period ^(iv)	(28,900)	-
Balance at end of year	<u>8,971,100</u>	<u>6,000,000</u>

	Present Value Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Face Value of Notes	8,971,100	6,000,000
Transaction costs on liability component	(318,158)	(312,584)
Equity component transferred to reserves	(1,171,961)	(835,022)
Transaction costs on equity component	43,615	43,615
Unwinding of discount rate	240,088	74,463
Balance at end of year	<u>7,764,684</u>	<u>4,970,472</u>

	Consolidated	
	31 December No.	30 June No.
Balance 1 July	120,000,000	-
Issued during the period ⁽ⁱ⁾	60,000,000	145,714,286
Redeemed for cash during the period ⁽ⁱⁱ⁾	-	(17,142,857)
Redeemed for notes during the period ⁽ⁱⁱⁱ⁾	-	(8,571,429)
Converted to shares during the period ^(iv)	(578,000)	-
Balance at end of year	<u>179,422,000</u>	<u>120,000,000</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014****NOTE 4: CONVERTIBLE NOTES (continued)****(i) Details of the convertible notes issued.**

66,000,000 convertible notes (February 2014 Convertible Notes) with a combined face value of \$3,300,000 were issued to sophisticated investors in March 2014. This included 12,000,000 2014 Convertible Notes with a combined face value of \$600,000 issued to the holders of 2013 Convertible Notes upon redemption. A further 54,000,000 2014 Convertible Notes with a combined face value of \$2,700,000 were issued to sophisticated investors in April 2014 following shareholder approval of the issue. The present value of the liability component less transaction costs was \$5,208,593. The balance of \$791,407 was recognised in equity.

The terms of the February 2014 Convertible Notes are as follows:

- Interest Rate of 10% pa
- Secured over Target's interest in the Fairway project – first ranking
- Face Value of 5 cents each
- Convertible into one share each
- Maturity date of 31 March 2017

60,000,000 convertible notes (October 2014 Convertible Notes) with a combined face value of \$3,000,000 were issued to sophisticated investors in October 2014. The present value of the liability component less transaction costs was \$2,653,409. The balance of \$341,017 was recognised in equity.

The terms of the October 2014 Convertible Notes are as follows:

- Interest Rate of 10% pa
- Secured over Target's interest in the Fairway project – second ranking
- Face Value of 5 cents each
- Convertible into one share each
- Maturity date of 31 March 2017

(ii) Details of the convertible notes redeemed for cash

17,142,858 of the 2013 Convertible Notes with a face value of \$1,200,000 were redeemed for cash in April 2014.

(iii) Details of the convertible notes redeemed for notes

8,571,428 of the 2013 Convertible Notes with a face value of \$600,000 were redeemed via conversion into 2014 Convertible Notes in March 2014.

(iv) Details of the convertible notes converted to shares

578,000 of the February 2014 Convertible Notes with a face value of \$28,900 were converted into shares in October 2014.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

NOTE 5: ISSUED CAPITAL

	Consolidated	
	Six Months To 31 December 2014 \$	Year To 30 June 2014 \$
499,687,480 (30 June 2014: 453,746,588) fully paid ordinary shares	35,482,172	33,492,432
	Consolidated	
	31 December 2014 No.	30 June 2014 No.
(i) Ordinary shares - number		
At start of period	453,746,588	453,746,588
Shares issued on conversion of notes at \$0.05	578,000	-
Shares issued pursuant to rights issue at \$0.045	45,362,892	-
Balance at end of period	499,687,480	453,746,588
	Consolidated	
	31 December 2014 \$	30 June 2014 \$
(ii) Ordinary shares – value		
At start of period	33,492,432	33,492,432
Shares issued on conversion of notes at \$0.05	28,900	-
Shares issued pursuant to rights issue at \$0.045	2,041,330	-
Less share issue costs	(80,490)	-
Balance at end of period	35,482,172	33,492,432

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**
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 2014 and 31 December 2013.

	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 associates	-	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					4,955,266

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**
NOTE 6: SEGMENT REPORTING (CONTINUED)

	Continuing operations				Consolidated
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	
	\$	\$	\$	\$	\$
31-Dec-13					
Revenue					
Sales to external customers	453,371	-	453,371	-	453,371
Total segment revenue	453,371	-	453,371	-	453,371
Oil & gas production costs and taxes	(363,417)	-	(363,417)	-	(363,417)
Segment net operating profit	89,954	-	89,954	-	89,954
Interest revenue	-	251,596	251,596	(244,863)	6,733
Foreign exchange gain/loss	368,199	(377,870)	(9,671)	-	(9,671)
Interest expense	(247,349)	(134,122)	(381,471)	244,863	(136,608)
Depreciation and amortisation	236,733	6,041	242,774	-	242,774
Impairment	54,869	-	54,869	-	54,869
Other expenses	(682,610)	(707,870)	(1,390,480)	-	(1,390,480)
Income tax expense	-	-	-	-	-
Loss for the half year	(180,204)	(962,225)	(1,142,429)	-	(1,142,429)
Segment assets					
Investments in associates	-	98	98	(98)	-
Property, plant and equipment	10,961,607	10,812	10,972,419	-	10,972,419
Other assets	4,309,566	16,076,171	20,385,737	(15,206,784)	5,178,953
Segment liabilities	25,075,740	156,297	25,232,037	(24,649,499)	582,538
Cash flow information					
Net cash flow from operating activities					(1,331,689)
Net cash flow from investing activities					(2,009,892)
Net cash flow from financing activities					7,591,973

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

NOTE 7: EVENTS AFTER THE BALANCE DATE

Subsequent to year end, the Company obtained funding of \$500,000 from the issuance of secured loans to directors. The loans are secured by a third ranking interest over the Company's interest in the Fairway project. The loans accrue interest at the rate of 10% per annum and are repayable on 31 March 2017.

NOTE 8: CONTINGENT LIABILITIES

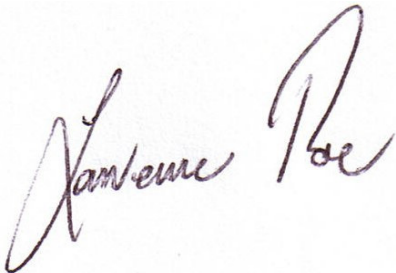
There has been no change in contingent liabilities since the last annual reporting date.

DIRECTORS' DECLARATION

In the opinion of the directors:

1. The financial statements and notes thereto, as set out on pages 3 to 16 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 2014 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.



.....
Laurence Roe

Director

Dated this 16th day of March 2015



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Target Energy Limited

Report on the Condensed 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 2014, 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.

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 2014 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*.



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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 2014 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 opinion, we draw attention to Note 1 in the interim financial report which indicates that for the half-year ended 31 December 2014, the Group had a net cash outflow from operating and investing activities of \$8,752,856 and incurred a net loss for the half-year of \$5,619,184. 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 company's ability to continue as a going concern and therefore, the company 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

Perth, Western Australia
16 March 2014

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Target Energy Limited for the half-year ended 31 December 2014, 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.

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

**Perth, Western Australia
16 March 2015**

**M R W Ohm
Partner**