Target Energy Limited

(ABN 73 119 160 360)

Half Year Report

31 December 2016

TARGET ENERGY LIMITED

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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 2016. 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	*Non-Executive Chairman*
Laurence Roe	*Managing Director*
Stephen Mann	*Non-Executive Director*

Review of Operations

The Consolidated Entity incurred a net loss after tax of $1,182,389 during the half-year ended 31 December 2016 (2015: $7,794,315).

During the half-year, the Company continued to produce oil and gas from its wells at Fairway project, but at a less than optimal rate due to cash constraints. The only capital works carried out was the workover of one existing well.

The Company's operations during the period were funded by secured loans provided by directors and shareholders.

A settlement was reached prior to the balance date in regard to the legal action undertaken by Target subsidiary TELA Garwood LP ("TELA Garwood") against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora"). The settlement proceeds, after deduction of litigation fees, were received in February 2017.

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;

- Proceeds from secured loans totalling $45,000 were received;
- A terms sheet has been entered into with InvestMet Ltd. This terms sheet contemplates InvestMet providing a debt facility of up to A$1,000,000 (with an option to extend by a further $1,000,000) subject to noteholders approving the resolutions to extend the maturity date of the convertible notes to 31 March 2018, subordinate the noteholder debt to the proposed InvestMet debt facility and deferment of additional accrued interest until such time the InvestMet debt facility has been repaid, at a noteholder meeting. InvestMet will also subscribe to a share placement to raise up to approximately $645,000, to be undertaken in conjunction with the debt facility.

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 15 and forms part of this directors' report for the half-year ended 31 December 2016.

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

Laurence Roe - Director
16th March 2017

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated	
		31 December	31 December
	Note	2016	2015
		$	$
Continuing operations			
Revenue	2	**360,491**	1,349,171
Other income		**424,640**	-
		785,131	1,349,171
Oil and gas production expenses and taxes		**(349,025)**	(765,096)
Accounting expense		**(15,815)**	(38,503)
Audit fees		**(15,000)**	(14,000)
Consultants		**(64,903)**	(119,819)
Depreciation expense	3	**(4,801)**	(15,927)
Directors' fees		**(35,000)**	(29,167)
Employee benefits expense		**(126,457)**	(167,029)
Amortisation of oil and gas properties	3	**(163,975)**	(815,408)
Impairment of oil and gas properties	3	**-**	(6,000,955)
Amortisation of convertible note costs	5	**(45,640)**	(45,640)
Foreign exchange (loss)/gain		**-**	(71)
Interest expense		**(817,946)**	(696,793)
Legal expenses		**(122,995)**	(181,559)
Listing fees		**(14,892)**	(33,167)
Office expense		**(49,711)**	(73,021)
Other expenses		**(83,979)**	(120,175)
Promotional expenses		**(360)**	(9,712)
Share registry expense		**(7,029)**	(5,256)
Travel and accommodation		**(49,992)**	(12,188)
Loss before income tax expense		**(1,182,389)**	(7,794,315)
Income tax expense		**-**	-
Net loss after tax		**(1,182,389)**	(7,794,315)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(9,354)**	287,339
Total comprehensive loss for the period		**(1,191,743)**	(7,506,976)
Basic and diluted loss per share (cents per share)		**(0.11)**	(0.76)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		**18,358**	87,691
Trade and other receivables		**346,159**	70,330
Total Current Assets		**364,517**	158,021
NON-CURRENT ASSETS			
Property, plant and equipment	**3**	**865,759**	871,267
Total Non-Current Assets		**865,759**	871,267
TOTAL ASSETS		**1,230,276**	1,029,288
CURRENT LIABILITIES			
Trade and other payables	**4**	**3,258,666**	2,559,321
Borrowings		**409,000**	80,000
Provisions		**122,986**	83,629
Convertible Notes	**5**	**8,964,724**	8,657,296
Total Current Liabilities		**12,755,376**	11,380,246
NON CURRENT LIABILITIES			
Provisions		**291,602**	274,001
Total Non Current Liabilities		**291,602**	274,001
TOTAL LIABILITIES		**13,046,978**	11,654,247
NET LIABILITIES		**(11,816,702)**	(10,624,959)
EQUITY			
Issued capital	**6**	**38,541,914**	38,541,914
Reserves		**6,649,874**	6,659,228
Accumulated losses		**(57,008,490)**	(55,826,101)
NET DEFICIENCY		**(11,816,702)**	(10,624,959)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Consolidated	Issued Capital	Accumulated Losses	Option Reserve	Share-Based Payments Reserve	Convertible Notes - Equity Component Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$	$	$
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)
Balance at 1 July 2016	**38,541,914**	**(55,826,101)**	**340,000**	**263,455**	**1,128,345**	**4,927,428**	**(10,624,959)**
Shares issued during the half-year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the half-year	**-**	**(1,182,389)**	**-**	**-**	**-**	**-**	**(1,182,389)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**(9,354)**	**(9,354)**
Balance at 31 December 2016	**38,541,914**	**(57,008,490)**	**340,000**	**263,455**	**1,128,345**	**4,918,074**	**(11,816,702)**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 December 2016 $	31 December 2015 $
	Inflows/(Outflows)	
Cash Flows from Operating Activities		
Receipts from customers	**56,876**	456,882
Payments to suppliers and employees	**(388,711)**	(1,193,017)
Interest paid	**(66,498)**	(191,531)
Net cash used in operating activities	**(398,333)**	(927,666)
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)
Net cash used in investing activities	**-**	117,474
Cash Flows from Financing Activities		
Proceeds from issue of shares	**-**	194,153
Proceeds from borrowings	**329,000**	-
Net cash provided by financing activities	**329,000**	194,153
Net decrease in cash held	**(69,333)**	(616,039)
Cash at the beginning of the half year	**87,691**	907,178
Effect of exchange rate changes on the balance of cash held in foreign currencies	**-**	18,139
Cash at the end of the half year	**18,358**	309,278

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016, 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 2016.

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 2016.

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 2016, 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 $Nil was recorded as an impairment expense in the statement of comprehensive income in relation to Fairway. 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 2016

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 2016, the Consolidated Entity had a net cash outflow from operating and investing activities of $398,333 and incurred a net loss for the half year of $1,182,389. The Consolidated Entity had a working capital deficiency at balance date of $12,390,859. Furthermore, the Consolidated Entity has net liabilities of $11,816,702 as at 31 December 2016.

A settlement was reached prior to the balance date in regard to the legal action undertaken by Target subsidiary TELA Garwood LP ("TELA Garwood") against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora"). The settlement proceeds of $424,640 (US$320,000), net of litigation fees, were received in February 2017.

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 repay its existing liabilities 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;
- an excluded offer pursuant to the Corporations Act 2001;
- revenue from oil and gas wells;
- continued deferral of convertible notes and other payables;
- the placement of securities under ASX listing Rule 7.1 or otherwise; or
- further debt funding.

The Company intends to seek an extension of its Convertible Notes before 31 March 2017, the maturity date of the Convertible Notes. The resolutions to be put to noteholders are an extension of the maturity date of the convertible notes to 31 March 2018, noteholder debt will be subordinate to the proposed InvestMet debt facility (below) and deferment of additional accrued interest until such time the InvestMet debt facility has been repaid;

A terms sheet has been entered into with InvestMet Ltd. This terms sheet contemplates InvestMet providing a debt facility of up to A$1,000,000 (with an option to extend by a further $1,000,000) subject to noteholders approving the resolutions to extend the maturity date of the convertible notes to 31 March 2018, subordinate the noteholder debt to the proposed InvestMet debt facility and deferment of additional accrued interest until such time the InvestMet debt facility has been repaid, at a noteholder meeting. InvestMet will also subscribe to a share placement to raise up to approximately $645,000, to be undertaken in conjunction with the debt facility.

Additionally, whilst not desirable, certain planned capital expenditures can be deferred to the extent considered necessary to match the availability of the funding.

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 or noteholders not agree to extend the maturity date of the convertible notes, there is a material uncertainty that will 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 2016

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

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

	Consolidated	
Revenue	**31 December 2016 $**	**31 December 2015 $**
Oil and Gas income	**360,474**	379,403
Gain on disposal of oil & gas interests	**-**	936,924
Gain on disposal of non current assets	**-**	31,460
Interest received - other	**17**	1,384
Total revenue	**360,491**	1,349,171

NOTE 3: PROPERTY PLANT AND EQUIPMENT

	Consolidated						
	Office Equipment $	**Computer Equipment $**	**Motor Vehicles $**	**Oil & Gas Software $**	**TEX Website $**	**Oil & Gas Properties $**	**Total $**
Half year ended 31 December 2016							
At 1 July 2016, net of accumulated depreciation	**2,873**	**994**	**-**	**-**	**6,454**	**860,946**	**871,267**
Effect of movements in foreign exchange	**75**	**-**	**-**	**-**	**220**	**29,172**	**29,467**
Additions	**-**	**-**	**-**	**-**	**-**	**133,801**	**133,801**
Depreciation	**(2,460)**	**(498)**	**-**	**-**	**(1,843)**	**-**	**(4,801)**
Amortisation	**-**	**-**	**-**	**-**	**-**	**(163,975)**	**(163,975)**
At 31 December 2016, net of accumulated depreciation and amortisation	**488**	**496**	**-**	**-**	**4,831**	**859,944**	**865,759**
At 1 July 2016							
Cost	119,498	58,621	62,229	25,883	17,826	43,139,799	43,423,856
Accumulated depreciation, amortisation and impairment	(116,625)	(57,627)	(62,229)	(25,883)	(11,372)	(42,278,853)	(42,552,589)
Net carrying amount	2,873	994	-	-	6,454	860,946	871,267
At 31 December 2016							
Cost	**122,250**	**59,010**	**-**	**26,761**	**18,431**	**37,060,523**	**37,286,975**
Accumulated depreciation, amortisation and impairment	**(121,762)**	**(58,514)**	**-**	**(26,761)**	**(13,600)**	**(36,200,579)**	**(36,421,216)**
Net carrying amount	**488**	**496**	**-**	**-**	**4,831**	**859,944**	**865,759**

The useful life of the assets was estimated as follows for 2016:

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

In accordance with the relevant Operating Agreement, Trilogy Operating, Inc, the operator of the Fairway project, maintains a first and prior lien over Target Energy's interests in the Fairway properties to the extent of debt owed to Trilogy by Target Energy. At 31 December 2016 that debt totalled $1,057,675 (US$761,219).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 4: PAYABLES

	Consolidated	
	31 December 2016 $	**30 June 2016 $**
Current		
Trade payables	**2,089,464**	1,925,549
Accruals	**1,142,216**	600,881
Other payables	**26,986**	7,864
	3,258,666	2,534,294

NOTE 5: CONVERTIBLE NOTES

	Consolidated	
	31 December 2016 $	**30 June 2016 $**
Convertible notes - 31 March 2017	**8,964,724**	8,657,296
	8,964,724	8,657,296

	Face Value Consolidated	
	31 December 2016 $	**30 June 2016** $
Balance 1 July	**8,971,100**	8,971,100
Balance at end of period	**8,971,100**	8,971,100

	Present Value Consolidated	
	31 December 2016 $	**30 June 2016** $
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	**1,440,127**	1,132,699
Balance at end of period	**8,964,724**	8,657,296

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 5: CONVERTIBLE NOTES - CONTINUED

	Consolidated 31 December No.	30 June No.
Balance 1 July	**179,422,000**	179,422,000
Issued during the period (i)	**-**	-
Converted to shares during the period (ii)	**-**	-
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 2016: Nil).

(ii) Details of the convertible notes converted to shares

Nil convertible notes were converted to shares during the period (Year ended 30 June 2016: Nil).

NOTE 6: ISSUED CAPITAL

	Consolidated Six Months To 31 December 2016 $	Year To 30 June 2016 $
1,031,206,428 (30 June 2016: 1,031,206,428) fully paid ordinary shares	**38,541,914**	38,541,914

(i) Ordinary shares - number	Consolidated 31 December 2016 No.	30 June 2016 No.
At start of period	**1,031,206,428**	998,847,585
Shares issued at $0.006	**-**	32,358,843
Balance at end of period	**1,031,206,428**	1,031,206,428

(ii) Ordinary shares – value	Consolidated 31 December 2016 $	30 June 2016 $
At start of period	**38,541,914**	38,362,527
Shares issued at $0.006	**-**	194,153
Less share issue costs	**-**	(14,766)
Balance at end of period	**38,541,914**	38,541,914

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 7: RELATED PARTY TRANSACTIONS

During the six-month period the directors advanced loans to the Company totalling $149,000. Loans owed to directors as at 31 December 2016 total $229,000 (30 June 2016: $80,000). Interest accrued on the loans owed to directors as at 31 December 2016 totals $4,730 (30 June 2016: $Nil).

The terms of the loans advanced during the period were as follows;

(i) An entity of which Mr Rowe is a director and shareholder, provided a loan to the Company of $30,000. Interest was payable on the loan at 10% per annum. The loan is secured by an equal third ranking security over the Company's Fairway project and is repayable on or before 31 March 2017;

(ii) An entity of which Mr Mann is a director and shareholder, provided a loan to the Company of $20,000. Interest was payable on the loan at 10% per annum. The loan is secured by an equal third ranking security over the Company's Fairway project and is repayable on or before 31 March 2017;

(iii) An entity of which Mr Roe is a director and shareholder, provided a loan to the Company of $15,000. Interest was payable on the loan at 10% per annum. The loan is secured by an equal third ranking security over the Company's Fairway project and is repayable on or before 31 March 2017;

(iv) An entity of which Mr Rowe is a director and shareholder, provided a loan to the Company of $60,000. Interest was payable on the loan at 10% per annum. The loan is secured by an equal first ranking security over the Company's Fairway project and is repayable on or before 31 March 2017;

(v) An entity of which Mr Mann is a director and shareholder, provided a loan to the Company of $20,000. Interest was payable on the loan at 10% per annum. The loan is secured by an equal first ranking security over the Company's Fairway project and is repayable on or before 31 March 2017;

(vi) An entity of which Mr Mann is a director and shareholder, provided a loan to the Company of $4,000.

NOTE 8: FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities at balance date approximates their carrying amount.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 9: 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				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
31-Dec-16	$	$	$	$	$
Revenue					
Sales to external customers	360,474	-	360,474	-	360,474
Total segment revenue	360,474	-	360,474	-	360,474
Oil & gas production costs and taxes	(349,025)	-	(349,025)	-	(349,025)
Segment gross operating profit	11,449	-	11,449	-	11,449
Interest revenue	-	17	17	-	17
Other revenues	424,640	-	424,640	-	424,640
Interest expense	(37,012)	(780,934)	(817,946)	-	(817,946)
Depreciation and amortisation	(168,197)	(578)	(168,775)	-	(168,775)
Impairment	-	-	-	-	-
Other expenses	(238,883)	(392,891)	(631,774)	-	(631,774)
Income tax expense	-	-	-	-	-
Loss for the half year	(8,003)	(1,174,386)	(1,182,389)	-	(1,182,389)
Segment assets					
Investments in subsidiaries	-	98	98	(98)	-
Property, plant and equipment	864,774	985	865,759	-	865,759
Other assets	321,394	158,559	479,953	(115,436)	364,517
Segment liabilities	54,576,187	11,348,944	65,925,131	(52,878,153)	13,046,978
Cash flow information					
Net cash flow from operating activities					(398,333)
Net cash flow from investing activities					-
Net cash flow from financing activities					329,000

(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 2016

NOTE 9: SEGMENT REPORTING (CONTINUED)

	Continuing operations				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
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 gross operating loss	(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

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

NOTE 10: 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;

- Proceeds from secured loans totalling $45,000 were received;
- A terms sheet has been entered into with InvestMet Ltd. This terms sheet contemplates InvestMet providing a debt facility of up to A$1,000,000 (with an option to extend by a further $1,000,000) subject to noteholders approving the resolutions to extend the maturity date of the convertible notes to 31 March 2018, subordinate the noteholder debt to the proposed InvestMet debt facility and deferment of additional accrued interest until such time the InvestMet debt facility has been repaid, at a noteholder meeting. InvestMet will also subscribe to a share placement to raise up to approximately $645,000, to be undertaken in conjunction with the debt facility.

NOTE 11: 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 13 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 2016 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 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2016, 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	**D I Buckley**
16 March 2017	**Partner**

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HLB Mann Judd

Accountants | Business and Financial Advisers

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 consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, for 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 gives a true and fair view and 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 2016 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 2016 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 qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates 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

D Buckley

D I Buckley
Partner

Perth, Western Australia
16 March 2017