TARGET ENERGY LIMITED ABN 73 119 160 360

Annual Report 2015

Corporate Philosophy

Target Energy Limited was established in 2006 with the simple objective of creating a successful publicly listed petroleum exploration and production company.

We chose the United States as our principal area of operations due to the attractive operating environment in that country. In particular we focused on regions with high levels of activity, success and infrastructure. We then selected reputable operators who had demonstrated track records of success and selected the best available prospects from their inventories to comprise our portfolio.

This strategy paid off almost immediately with Target Energy becoming an oil and gas producer in the United States within 6 months of listing on the ASX.

More recently, the Company has expanded its focus to include unconventional and resource plays, such as those in the prolific Permian Basin in West Texas. The Company now has an established presence in this sector.

Target will continue to actively source and drill a range of prospect types and will seek to expand its areas of operations as opportunities become available.

Contents

Corporate Directory

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Non Executive Chairman

Laurence Roe, B.Sc
Managing Director

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OTCQX International: **TEXQY**

Chairman's Report

Dear Shareholder,

In an international industry such as oil and gas, geopolitical shifts can dramatically impact the sector's operational and financial outcomes.

Our industry is currently in the throes of such a shift and, as all oil and gas corporations and their investors are acutely aware, in late 2014 and continuing throughout 2015, global events have had a significant negative effect on oil and gas prices.

While similar downturns have occurred previously – and the nature of the industry is indeed cyclical – at this point in time, it is difficult to predict at what rate the weakened oil price will recover.

The collapse of the oil price was untimely for Target, as our strategy was to complete the West Texas Fairway well program and, in the first half of 2015, to undertake a profitable divestment of the Fairway Project.

Against this background of increased OPEC production, the present over-supply of oil and the consequent reduction in oil prices, your Company has taken a prudent path. Given the current disparity between buyers and sellers perception of asset values, your Directors have deferred the formal Fairway divestment process. Further, operational and administrative costs have undergone substantial reductions.

However, your Company will continue to look for suitable future opportunities, both in exploration and production and in asset divestment.

In times of belt-tightening such as these, the Company particularly appreciates the ongoing support it has received from shareholders and noteholders, specifically those who participated in three fundraisings over the past year.

As always, my thanks and appreciation go to Managing Director, Laurence Roe, my fellow Board Members and Target staff for their commitment and effort over the difficult past 12 months. I also wish to acknowledge the support and loyalty of both noteholders and shareholders.

Christopher Rowe

Chairman

Corporate Overview

It has been a very challenging year for the oil and gas industry and for Target Energy Limited.

Falling oil prices have had a marked effect on global activity, with many companies deferring or abandoning expansion plans. In the United States, oil production is expected to decline in 2016 for the first time since 2008 with rig activity in Target Energy's primary operational sector, the Permian Basin, plummeting in the twelve months to October 2015 from 562 rigs to 235 rigs – a 58% reduction.

Against this backdrop and in the face of sharply reduced revenues, Target has maintained a steady course, reducing operational and administrative expenditure where possible. The Company recently sold its interests in the Merta #1 well in Wharton Co (as of 1 October 2015) and while the Company and the partners formally withdrew from the Fairway divestment process in January 2015, the Company will continue to assess suitable opportunities to sell all or part of the project. In the view of the directors, there remains a large valuation gap between Target's current market valuation and the realised value of similar assets in completed transactions in the Midland Basin.

As addressed elsewhere in this report, the failure of Aurora Energy Partners to complete the Fairway transaction in September 2014 also required Target to review its needs to raise capital to complete the planned 2014 drilling program at Fairway. The drop in revenue associated with the lower oil prices also accelerated the requirement for additional capital.

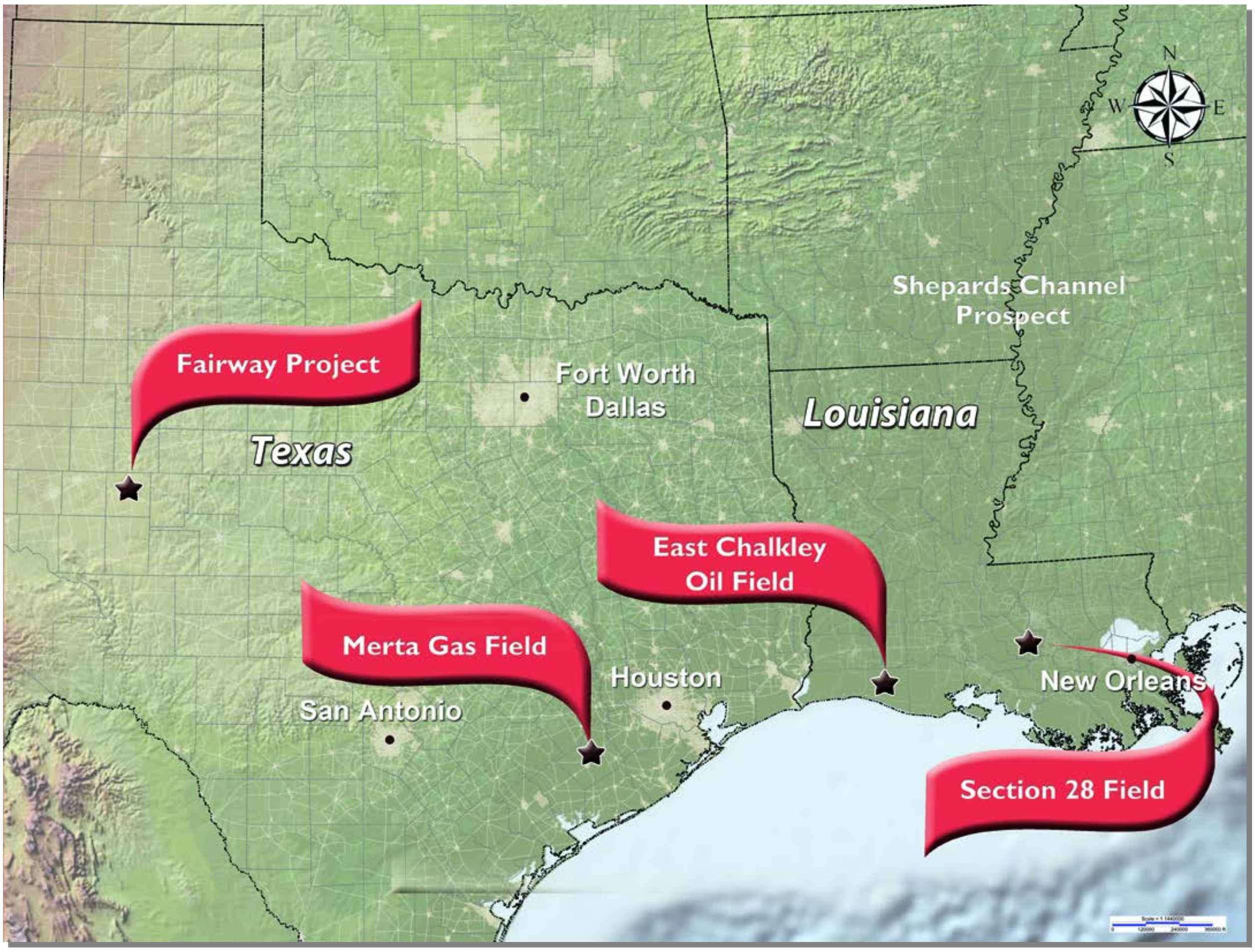
- On 21 October 2014, Target advised that it had agreed terms with its largest shareholder, Wyllie Group Pty Ltd, to raise A$3.0m by issuance of secured Convertible Notes.
- On 17 November 2014, Target completed a non-renounceable pro-rata entitlement issue raising a total amount of $2,041,310.
- On 25 May 2015, the company advised the market of the completion of a partially underwritten renounceable pro-rata entitlement issue raising total proceeds of $2,994,960.

The Company appreciates the support it has received from all shareholders and noteholders over the last 12 months and will continue to work to unlock more value from its assets and to see that reflected in our market valuation.

Laurence Roe

Managing Director

Project Review



Fairway Project - Howard & Glasscock Counties, Texas

Target Energy 35% - 60% Working Interest

During the reporting period, the Company completed four wells for production and drilled and completed a further three new wells. In total there are now 15 producing wells at Fairway and one salt-water disposal well.

Plans to divest the entire property had been announced to the market in 2014 and a divestment advisor was appointed in late 2014, however following the sharp reduction in oil prices at the end of that year, the partners agreed to suspend the formal divestment process pending a recovery in oil prices and also agreed to defer any other drilling and to seek, where required, extensions of existing leases. Accordingly, while during the latter part of 2014 Target and its partners drilled a further three wells in the Fairway Project – BOA North #5, Taree 193 #1 and Darwin #4, no new drilling has been undertaken in 2015. As a consequence, production has eased from 261 BOEPD in July 2014 to 181 BOEPD in June 2015.

Ongoing maintenance of the wells has continued during the year as have plans for potential workover operations on the wells to increase production and revenue. The workover program is subject to funding availability.

The Fairway project comprises 4,338 gross acres (net 2,360 acres for Target), with the Company holding an average 55% Working Interest (ranging from 35% to 60%) in the tracts. A 160 acre portion of the Darwin lease lapsed during the reporting period. The total also includes leases for which extensions are being negotiated.

As announced on 30 January 2015, the Company's interest in its Sydney #2 lease in Glasscock County (E/2 S188 Block 29 A-170; W&NW Survey) was reduced by 9% from 60% to 51%. The reduction came following an investigation in respect of CrownRock, LP and AED Group LLC interests in the Sydney #2 lease which confirmed that together they hold an approximate 15% working interest in that lease. The Company and the Fairway Project operator, Trilogy Operating, Inc, have agreed that a transfer of a 6.43% interest in the Sydney #2 lease to the Company will provide full settlement of any re-allocation that may arise in relation to the Sydney leases. As a result, the Company expects its working interest in the Sydney #2 lease to increase to 57.43% and to remain at 60% in the Sydney #1 lease.

The Company has been also been advised that, in lieu of securing a lease from Apache Energy Corporation (Apache) in the Sydney tracts (investigations revealed that Apache has an approximate 26% interest in the tracts - including the adjoining 160 acre Sydney #1 tract (NW/4 S 188 Block 29 A-170 W&NW Survey)), the operator is opting to treat Apache as a non-participating co-tenant in the Sydney #1 and #2 wells (i.e. a mineral owner that elects to not to participate in the execution of a lease but instead elects to be carried). Effectively, Apache is not obliged to participate in any operations, but will share in the profits after the other partners have recouped all drilling, completion and operating costs associated with the well ("after payout"). This will not affect the Company's working interest in the leases, but will reduce revenue after payout from any well in those leases by approximately 26%.

On June 30, 2014, the Company completed a purchase and sale agreement ("Agreement") to sell an undivided 10% working interest in its Fairway Project to Aurora Energy Partners. The transaction was structured in two closings, the first of which occurred on June 30, 2014. The Second Closing for the balance was originally scheduled for July 31, 2014. Aurora has failed to make the requisite payment for the Second Closing to date. Efforts to address the matter have not yielded a successful resolution. In the event the Company receives the payment for the second tranche of the Agreement under the same terms of the original Agreement, the Company would recognize an additional gain on the sale of up to $2,600,849 (US$1,990,950); but management believes it is doubtful whether the Company will be paid by Aurora for the Second Closing properties. The Company is currently pursuing legal remedies available for Aurora's failure to fund the Second Closing properties pursuant to the Agreement.

BOA

BOA North #4

BOA North #4 is located approximately 550m (1,800ft) north-east of the Company's 2011 BOA 12 #1 well in Howard County. The well was drilled in April 2014, with a four-stage Wolfberry fracture stimulation performed on 12 August 2014, covering a 341m interval, using approximately 14,800 barrels of water. The well was put on pump on 23 August 2014 and averaged app 32 BOPD with 34 mcfgd and 242 BWPD through September 2014.

BOA North #5

Drilling commenced at BOA North #5 in Howard County on 8 August 2014, with the well drilled to a Total Depth of 3,102m (10,177ft) on 1 September 2014. The well was completed for production from the Fusselman Carbonate in December 2014 and was producing approximately 14 BOPD with 21 mcfgd and 442 BWPD at the time production was turned to the lease battery.

TAREE

Taree 193 #1

Drilling at the Taree 193 #1 well in Glasscock County commenced on 29 August 2015 and finished on 18 September 2014 after the well had been drilled to a Total Depth of 2,988m (9,803 ft). The well was completed for production from the Wolfcamp to Devonian zones.

A fracture stimulation was performed on 21 November 2014. The seven stage program covered a gross interval of 780m using approximately 23,700 barrels of load water. The well was put on pump on 27 December 2014. Average flow in the first 10 producing days was 71 BOPD with 189 BWPD.

WAGGA WAGGA

Wagga Wagga #2

The Wagga Wagga #2 well is situated approximately 706 metres (2,316 ft) south of Wagga Wagga #1 in Glasscock County and was drilled in April 2014. A seven stage fracture stimulation of the Wolfberry section was performed on 7 July 2014 after testing in the Fusselman Carbonate and the Devonian section yielded only minor oil. The stimulation covered an interval of 440m, using approximately 23,000 barrels of load water. The well was put on pump on 1 August 2014, initally producing approximately 42 BOPD plus 61 BWPD (22 – 28 August 2014).

HOMAR

Homar #1

Homar #1 is situated in southwest Howard County, approximately 22 km (14 miles) west of the Darwin lease. The well was drilled in May 2014, with a five stage fracture stimulation of the lower Wolfberry section performed on 8 July 2014. The program covered a 329m interval, using approximately 17,300 barrels of load water. The well was put on pump on 1 August 2014, producing an average 44 BOPD plus 209 BWPD in the first 10 days.

BALLARAT

Ballarat 185 #1

Ballarat 185 #1 was drilled in June 2014, approximately 5kms east of the Sydney lease in Glasscock County. The well was completed for production and fracture-stimulated on 11 October 2014. The program covered an interval of 741m from the Wolfcamp to Devonian section, using approximately 28,600 barrels of load water. The well was put on pump on 5 November 2014, producing an average of 84 BOPD with 216 BWPD over the first 10 days.

DARWIN

Darwin #4

Drilling commenced at Darwin #4 in Howard County on 21 November 2014, with the well drilled to a Total Depth of 3,105m (10,188ft) and rig released on 18 December 2014. The well was completed for production in the Fusselman Carbonate. The well was perforated and acidised, then swabbed into production. Initial fluid entry was equivalent to 77 BPD, with a low oil cut (approximately 5%). The well was put on pump on 21 February 2015, recovering low volumes of fluid.

East Chalkley Oil Field - Cameron Parish, Louisiana

Target Energy 35% Working Interest

The East Chalkley project is an oil field appraisal and development program, approximately 33kms south-east of the town of Lake Charles in Cameron Parish, Louisiana. The oil accumulation, on the east flank of the Chalkley Field, is a previously unidentified down-dip oil leg associated with the gas field. Target participated in the successful drilling of the Pine Pasture #2 well in 2008 and the Pine Pasture #3 well in 2013.

At 30 June 2015, the field was shut-in pending workovers at Pine Pasture #1 and #2 and a pump replacement at Pine Pasture #3. Prior to the shut-in, field production was around 32 BOPD from the Pine Pasture #2 well along with approximately 300 BWPD. The water is disposed on-site using a salt-water disposal well drilled by the partners in late 2009.

The Pine Pasture #1 was shut-in in 2011 due to a suspected hole in the production tubing. A workover program was undertaken in late 2014 and early 2015. Pine Pasture #1 was repaired and brought back on line, but later shut-in due to low production volumes. Pine Pasture #2 was found to have a hole in the casing and will require a liner to be run in the well. The well remains shut in. Pump replacement at Pine Pasture #3 revealed a hole in the screen that had allowed reservoir sand to pack around the pump impeller, both damaging the pump and stopping production. The pump was replaced with a down-hole jet pump and brought back online in March 2015. Production from the well has not stabilised and is under review by the partners.

Production

Summary

Table 1 summarises Target's production for the 2014-2015 year and Figure 1 shows the monthly production in Barrels of Oil equivalent for the same period.

Actual sales from production in the period to 30 June 2015 (net of royalties and state taxes) were A$2.3 million.

Project	TEX Working Interest	Production 01/07/14 to 30/06/15 (Gross)		Production 01/07/14 to 30/06/15 (Net to TEX WI)		
		Oil (Bbl)	Gas (mcf)	Oil (Bbl)	Gas (mcf)	Comment
Section 28	25%	495	112,595	124	28,149	Producing
East Chalkley	35%	299	2,737	105	958	Producing
Merta	25%	339	52,242	85	13,061	Sold Oct 2015
Fairway	35%-60%	64,391	123,156	32,022	64,503	Producing
Total		**65,524**	**290,730**	**32,335**	**106,670**	

Table 1: Target Energy 2014-2015 Production Summary

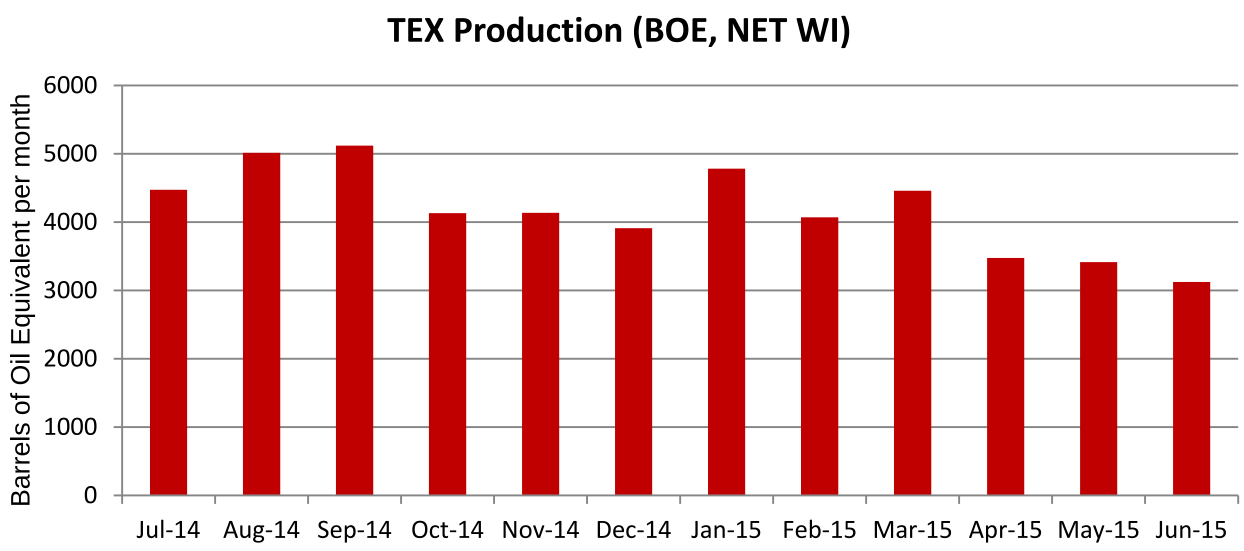


Figure 1: Target Energy Monthly Production (BOE)

Fairway Project - Howard & Glasscock Counties, Texas

Target Energy: 35% - 60% working interest

Fifteen wells were in production for all or part of the financial year. Production was primarily combined from the Wolfcamp, Atoka, Strawn, Mississippian and Devonian sections, with a number of wells producing oil just from the Fusselman Carbonate. As noted previously, a number of the wells have substantial pay sections that are presently behind pipe (i.e. yet to be completed) and the partners are exploring the feasibility of a workover program to access this additional potential.

At 30 June 2015, production at Fairway had totalled 329.1 MMCFG plus 180,741 barrels of oil, with aggregate gross daily production of approximately 181 BOEPD.

Merta Gas Field - Wharton County, Texas

Target Energy: 25% working interest

Production continued at Merta #1 from the Cook Mountain Sands.

At 30 June 2015 the well had produced 459 MMCFG plus 5,589 barrels of condensate and was flowing at a rate of approximately 0.14 MMCFGD with 1-3 BOPD. The Merta #1 well was sold on 1 October 2015.

Section 28 Project - St Martin Parish, Louisiana

Target Energy: 25% working interest

SML #A-1

At 30 June 2015, the well remained temporarily abandoned.

SML #A-2

At 30 June 2015, the well had produced 700 MMCFG plus 39,236 barrels of oil and condensate. Snapper #A-2 is currently completed for oil production from the 1st Camerina sand. The well is presently producing approx. 90 MCFGD.

SML #A-3

At 30 June 2015, the well had produced 730 MMCFG plus 48,856 barrels of oil and condensate and was producing approx. 0.5 BOPD plus 65 MCFGD The well was recompleted in the 1st Marg Tex in December 2014.

The producing wells are considered to be at their effective economic limits. Discussions are underway regarding the plugging and abandonment of all three wells.

East Chalkley Oil Field - Cameron Parish, Louisiana

Target Energy: 35% working interest

At 30 June 2015, the Pine Pasture #1 well had produced 32,713 barrels of oil (including 7,803 barrels of oil since Target purchased an interest in the well). The well remains shut-in following repairs to the production tubing in December 2014. Prior to being shut-in, the well was producing approximately 12-15 BOPD with 145 BWPD.

At 30 June 2015, the Pine Pasture #2 well had produced 106,700 barrels of oil. The well was producing approximately 32 BOPD with 300 BWPD prior to being shut in in June 2014. The well requires repairs to casing or the insertion of a liner. The timing of this work is subject to an economic review.

At 30 June 2015, the Pine Pasture #3 well had produced 977 barrels of oil. Further work will be undertaken to optimise the production from this well.

Reserves

Summary

Target Energy's net Reserves and Resources are summarised below (Table 2) and were previously disclosed to the market (ASX release 30 September 2015). The net reserves were independently audited by T.J.Smith and Company (East Chalkley and Fairway) and Michael Harper and Associates (Section 28 and Merta). The effective date of the audits was 30 June 2015. Further details are shown in Tables 3, 4 and 5.

2015

Category	Net Reserves & Resources		BO equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	42.1	143.0	65.9
Proved Developed Not Producing (PDNP)	34.1	264.7	78.2
Proved Undeveloped (PUD)	95.4	190.9	127.2
Total Proved Reserves (1P)	**171.6**	**598.6**	**271.4**
Probable	166.7	407.7	234.6
Total Proved & Probable Reserves (2P)	**338.3**	**1006.2**	**506.0**
Possible	128.7	353.7	187.6
Total Proved, Probable & Possible Reserves (3P)	**467.0**	**1359.9**	**693.6**
Low Estimate Contingent Resources	-	-	-
Best Estimate Contingent Resources	342.4	0.0	342.4
High Estimate Contingent Resources	525.3	0.0	525.3
Total Contingent Resources (3C)	**867.7**	**0.0**	**867.7**
Total Reserves & Resources	**1,334.7**	**1,359.9**	**1,561.3**

Table 2: Target Energy total net Reserves and Resources effective 30/6/2015.

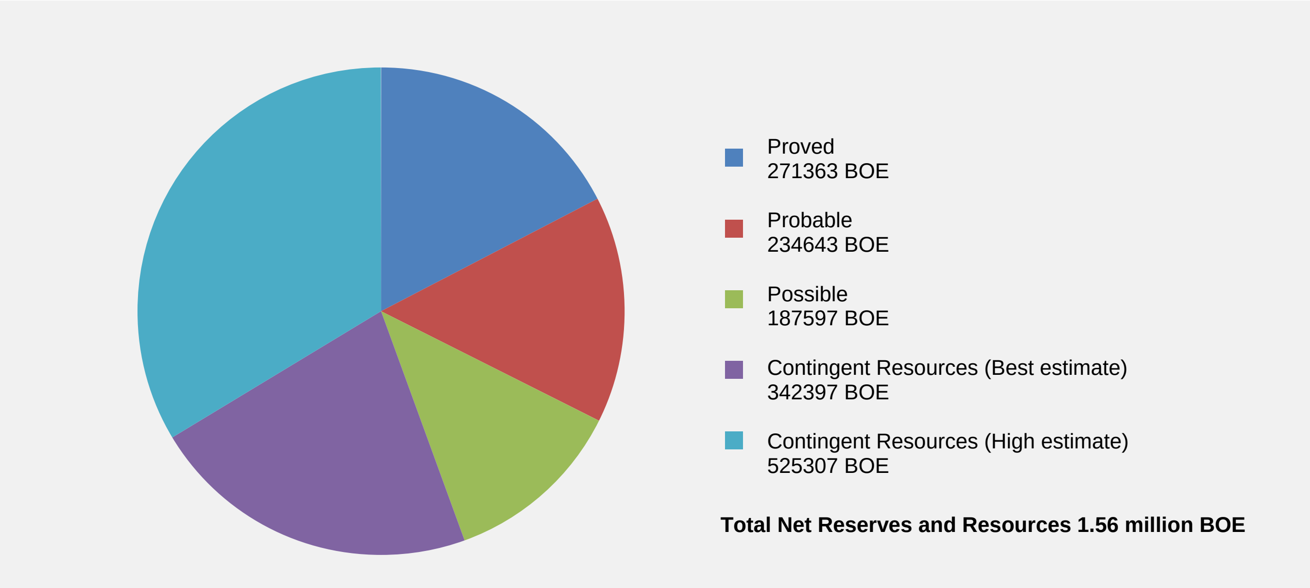


Figure 2: Target Energy net reserves and resources as at 30 June 2015

Fairway Project

Fairway Project Net Reserves	Net Reserves Oil (Mbbls)	Gas (mmscf)	BO equivalent (Mboe)
Proved Developed Producing	41.9	103.3	59.1
Proved Developed Not Producing	33.1	83.7	47.1
Proved Undeveloped	95.4	190.9	127.2
Total Proved (1P)	170.4	377.9	233.4
Probable	91.6	168.5	119.7
Proved & Probable (2P)	262.0	546.4	353.1
Possible	82.7	165.3	110.3
Proved, Probable & Possible (3P)	344.7	711.7	463.3

Table 3: Fairway audited reserves effective 30 June 2015 by T.J. Smith and Company.

East Chalkley

East Chalkley Net Reserves & Resources	Net Reserves Oil (Mbbls)	Gas (mmscf)	BO equivalent (Mboe)
Proved Developed Producing (PDP)	0.0	0.0	0.0
Proved Developed Not Producing (PDNP)	0.0	0.0	0.0
Proved Undeveloped (PUD)	0.0	0.0	0.0
Total Proved (1P)	0.0	0.0	0.0
Probable	33.5	134.1	55.9
Proved & Probable (2P)	33.5	134.1	55.9
Possible[2]	29.0	115.9	48.3
Proved, Probable & Possible (3P)	62.5	250.0	104.2
Low Estimate Resource	0.0	0.0	0.0
Best Estimate Resource	342.4	0.0	342.4
High Estimate Resource	525.3	0.0	525.3
Low, Best and High Estimate Resources (3C)	867.7	0.0	867.7
Total 3P Reserves and Resources	930.2	250.0	971.9

Table 4: East Chalkley audited reserves effective 30 June 2015 by T.J. Smith and Company; Contingent Resources derived from Independent Technical Specialist's Report on Target Energy Limited's interests in the East Chalkley Field, (August 2012) by Risc Operations Pty Ltd from Risc 2012.

Merta & Section 28

Other Gulf Coast Net Reserves	Net Reserves Oil (Mbbls)	Gas (mmscf)	BO equivalent (Mboe)
Proved Developed Producing (PDP)	0.2	39.7	6.8
Proved Developed Not Producing (PDNP)	1.0	181.0	31.2
Proved Undeveloped (PUD)	0.0	0.0	0.0
Total Proved (1P)	1.2	220.7	38.0
Probable	41.6	105.1	59.1
Proved & Probable (2P)	42.8	325.7	97.1
Possible	17.0	72.5	29.0
Proved, Probable & Possible (3P)	59.8	398.2	126.1

Table 5: Section 28 and Merta Audited Reserves effective 30 June 2015 by Mike Harper and Associates.

NOTES ON RESERVES & RESOURCES

- *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
- *All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.*
- *Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation. Similarly, the aggregate 2C + 3C resource estimate may be very optimistic due to the portfolio effects of arithmetic summation.*
- *Possible Reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.*
- *TJSCO did not review the Contingent Resources for the East Chalkley Field. The Contingent Resources are derived from the Independent Technical Specialist's Report on Target Energy Limited's interests in the East Chalkley Field, (August 2012) by Risc Operations Pty Ltd.*
- *Contingent resources are defined as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.*
- *"bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively.*
- *"boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil.*
- *"M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet.*
- *Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.*

INTERNAL CONTROLS (ASX Listing Rule 5.21.5 Disclosures)

- *The reserves estimates undergo an assurance process to ensure they are technically reasonable given the available data and have been prepared according to our reserves and resources process, which includes adherence to the PRMS guidelines. The annual reserves report is reviewed by management with the appropriate technical expertise, including the Managing Director.*
- *The material presented in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, the listed qualified reserves and resources evaluators.*

Lease-holdings

Target Energy	Leaseholdings Lease Name	County / Ph	Description	Depth Limits	TEX WI	Gross acres	Net acres
Fairway							
	BOA	Howard	S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0
	BOA North	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.0%	160.0	96.0
	Bunbury	Howard	S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey	None	60.0%	*918.0	550.8
	Ballarat	Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	50.0%	160.0	80.0
		Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*195.7	117.4
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*320.0	192.0
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	60.0%	160.0	96.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	51.2%	*320.0	163.9
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.0%	440.0	264.0
	Homar	Howard	SE/4 S24 Bl 35 A-1640; T&P RR Co Survey	None	50.0%	100.0	50.0
	Homar (Robb)	Howard	SW/4 S26 Bl 35 A-1415; T&P RR Co Survey	None	60.0%	160.0	96.0
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.0%	123.9	62.0
Merta+							
	Merta No. 1 Well Gas Unit No. 2	Wharton	S3 A-219 International and Great Northern RR Co Survey	7,650 ft - 7,880 ft	25%	303.0	75.7
Section 28							
SML #A-1, #A-3	Production Unit	St Martin Ph		None	25%	40.0	10.0
SML #A-2	Production Unit	St Martin Ph		None	25%	40.0	10.0
East Chalkley							
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35%	714.9	250.2
			+Merta interests sold after reporting period **subject to completion of lease extensions*		Total	5435.4	2706.0

NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr Laurence Roe, B Sc, Managing Director of Target Energy Limited, who is a member of the Society of Exploration Geophysicists and has over 30 years' experience in the sector. He consents to the inclusion of that information in the form and context in which it appears.

Glossary of Technical Terms

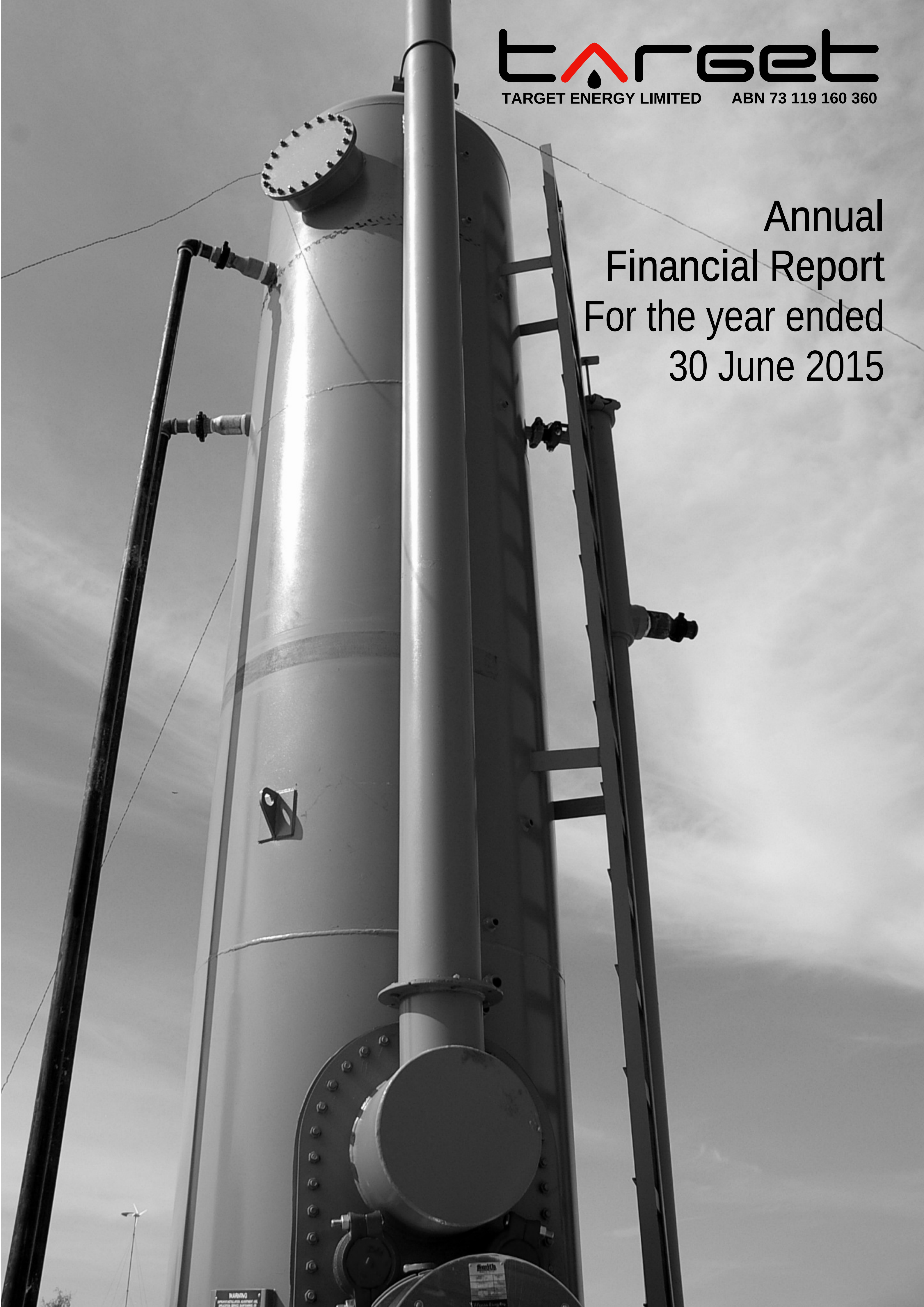
Ac.ft , acre/feet	A measure of rock volume equivalent to 7,758 barrels or 1233.49 cubic metres.
APO	After Payout; Payout being the point at which all costs of leasing, exploring, drilling and operating have been recovered from production of a well or wells as defined by contractual agreement.
AVO	Amplitude versus Offset, or the measure of the amplitude of a seismic reflection event for varying angles of incidence from a reflector, i.e., usually a rock interface. This is a seismic evaluation tool that can be diagnostic for lithology and the presence of hydrocarbons. In a Class 3 anomaly, the amplitude can flip from a positive reflection to a negative one as the distance between the seismic source and receivers increase. This is often a good indicator of gas in the Gulf Coast.
Basin	A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.
BC	Barrels of Condensate.
Bcf, BCF	Billion cubic feet or 28.317 million cubic metres. A unit commonly used in quoting volumes of natural gas.
Bcfe, BCFe	Billions of cubic feet equivalent. A measure of a combined volume of gas and liquids, which is determined using the ratio of one barrel of oil, condensate, or natural gas liquids to 6 MCF of natural gas.
BO	Barrels of oil, a unit of measure commonly used in quoting liquid hydrocarbon volumes. 1 barrel = 42 U.S. gallons, 35 imperial gallons (approx), 159 litres (approx).
BOE	Barrels of oil equivalent. A measure of a combined volume of gas and liquids, which is determined using the ratio of one barrel of oil, condensate, or natural gas liquids to 6 MCF of natural gas.
BOPD	Barrels of Oil per day. A measure of the rate of flow of oil.
BPO	Before Payout; Payout being the point at which all costs of leasing, exploring, drilling and operating have been recovered from production of a well or wells as defined by contractual agreement.
BTU	British Thermal Unit. The energy required to raise one pound of water by 1° Farenheit. A measure of the richness of natural gas.
BWPD	Barrels of water per day.
Casing	Large-diameter steel pipe lowered into an open borehole and cemented in place.
Completion	The process in which a well is enabled to produce hydrocarbons.
Condensate	A hydrocarbon phase, which separates out from natural gas and condenses into liquids when the hydrocarbons are produced.
DHC	Dry hole cost. The cost of drilling a well in the failure case, i.e. where no additional investment in casing, testing or well completion is incurred.
Dry Hole	A well in which no commercial hydrocarbons were discovered.
Exploration well	A well drilled into a previously undrilled or non-commercial trap to test for the presence of a new hydrocarbon accumulation.
Fault	Any brittle failure of rock layers along which rocks are displaced on one side relative to the other.
Field	A subsurface accumulation of hydrocarbons.
Fold	A bend in the rock strata.
Formation	A formal term used to reference a genetically related rock unit (e.g. the Hackberry Formation).
G & G	Geology and geophysics.
Gas kick	A significant increase in gas detector (Hot Wire) response from an increasing concentration of natural gas in the mud system.
Geology	The study of the earth and the processes affecting its crust.
Geophysics	The study of rock properties and statigraphy through the use of analytical methods involving various types of data collection and interpretation.
GIP	Gas in place. The volume of natural gas stored in a subsurface accumulation. Differs from recoverable reserves in that some of this gas will not be able to be produced.
GOR	Gas oil ratio, the ratio of produced gas to produced oil.
Henry Hub	Located in Louisiana, the Henry Hub is a major natural gas distribution centre, and is the key focal point of natural gas spot and future trading in the U.S. Henry Hub is a widely quoted index of natural gas prices.
Hydrocarbons	A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.

Horizon	A term describing a layer of rock, most typically associated with a seismic reflection.
IP	Initial production (rate).
Lead	An undrilled, and therefore hypothetical, hydrocarbon trap, which requires additional technical or commercial analysis before drilling can be justified.
Lithology	The physical, sedimentary, or mineralogical characteristics of a rock.
MBC	Thousands of barrels of condensate. A measure of condensate flow rates from a producing well.
MBO	Thousands of barrels of oil. A measure of oil flow rates from a producing well.
MCF, mcf	Thousand cubic feet. A widely quoted unit used for natural gas measurement.
MCFD, mcfd	Thousands of cubic feet per day. A measure of a volume of gas.
md	A millidarcy. A unit of measure permeability, ie the ability of liquids to flow through a porous solid.
Measured Depth (MD)	The length of the wellbore, as if determined by a measuring stick. This measurement can differ from the true vertical depth in deviated or angled wellbores.
MMbls, mmbls	Million barrels. A measure of a volume of liquid.
MMBC, mmbc	Millions of barrels of Condensate.
MMBO, mmbo	Millions of barrels of oil.
MMCF, mmcf	Million cubic feet. A widely quoted unit used for natural gas measurement.
MMCFD, mmcfd	Million cubic feet per day. A measure of gas flow rates from a producing well.
MMCFG, mmcfg	Million cubic feet of gas. A measure of a volume of gas.
MMCFGD, mmcfgd	Millions of cubic feet of gas per day. A measure of the rate of flow of gas.
Perforate	To pierce holes through well casing within an oil or gas-bearing formation by means of a perforating gun lowered down the hole and fired electrically from the surface. The perforations permit production from a formation which has been cased off.
Permeability	A measure of the ability of liquids to flow through a porous solid.
Petroleum	(See Hydrocarbons)
Pipeline	A pipe through which any hydrocarbon or its products is delivered to an end user.
Porosity	The percentage of open pore space in a rock.
Possible Reserves	Those Unproved Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable Reserves.
Probable Reserves	Those Unproved Reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.
Prospect	An undrilled, and therefore hypothetical trap whose technical and commercial uncertainties are sufficiently well understood and is of sufficient size and probability of success to justify drilling.
Proved or Proven Reserves	Those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.
Recoverable Reserves	That portion of the oil and/or gas in a reservoir that can be removed using currently available techniques.
Reserves	The volume of oil and gas that can be recovered at the surface. Generally used in the context of commerciality.
Reservoir	A porous rock unit in which hydrocarbons occur in an oil field.
Risk	A measure of uncertainty relating to the likelihood of finding hydrocarbons, or, the likelihood that any or all of the individual geological elements required for the accumulation of hydrocarbons is met.
Sandstone	A sedimentary rock composed primarily of sand size grains, usually quartz. A common hydrocarbon reservoir rock.
Seal	An impermeable rock unit that prevents hydrocarbons from escaping from the reservoir.
Seismic reflection	An event observed on seismic data that corresponds to a given rock layer in the subsurface
Sediment	Generally, water borne debris that settles out of suspension.
Sedimentary rock	A type of rock formed by aggregation of sediments.

Shale	A very fine-grained rock often thinly layered. An important seal rock.
Show	An indication while drilling that hydrocarbons are present in the well bore.
Source/source rock	An organic rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.
Spud	To commence drilling operations.
Stratigraphy	The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence and environmental deposition.
Structural trap	Generally, a hydrocarbon trap formed by dipping rock layers and/or faults.
Structure	A geological feature usually higher in elevation than the surrounding rock, formed by local deformation of the rock layers.
TCF	Trillion cubic feet or 28.317 billion cubic metres. A unit commonly used in quoting volumes of natural gas.
TD	Total Depth. The final depth reached in drilling the well.
Trap	A structure capable of retaining hydrocarbons.
Trend	A particular direction in which similar geological features are repeated.
TVD	True vertical depth. The vertical distance from a point in the well (usually the current or final depth) to a point at the surface, usually the elevation of the rotary kelly bushing (RKB). The TVD is independent of the actual wellbore path.
Unproved Reserves	Unproved Reserves are based on geological and/or engineering data similar to that used for Proven Reserves but technical, contractual, economic or regulatory uncertainties preclude such reserves being classified as Proven – Unproved Reserves can be classified as Probable Reserves and Possible Reserves.
Working Interest (WI)	Target's percentage interest in a project before royalties and state taxes.

TARGET ENERGY LIMITED ABN 73 119 160 360

Annual Financial Report For the year ended 30 June 2015



Your directors present their report together with the financial statements of the consolidated entity, comprising Target Energy Limited ("Target" or the "Company") and its controlled entities, for the financial year ended 30 June 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 year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Christopher Rowe MA (Non Executive Chairman)

Mr Rowe graduated from Cambridge University in Economics and Law. Mr Rowe practised in the UK and Perth where he consulted to both the oil and gas and hard rock sectors of the resource industry, before becoming the Executive Chairman of Cultus Petroleum N.L. in 1979 where he served until 1990. During his tenure, the company participated in a number of commercial discoveries in Australia, New Zealand and the USA.

Mr Rowe is currently Chairman of ASX listed Northern Star Resources Ltd. He is also the Chairman of fund manager Hawkesbridge Capital Pty Ltd and Blue Ocean Monitoring Pty Ltd.

In addition to his resource-related activities Mr Rowe acted as one of the Counsel Assisting the Royal Commission into "W.A. Inc" and has served on the E.P.A of Western Australia as both a member and as Deputy Chairman.

During the last three years, Mr Rowe has also served as a director of the following listed company:

- Northern Star Resources Limited*

** denotes current directorships*

Laurence Roe B.Sc (Managing Director)

Mr Roe is a petroleum professional with over 35 years experience gained on the industry both in Australian and international projects. He commenced his career with Santos Limited, later taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. While with Magellan, he had substantial involvement with US and other international projects.

In 1997, Mr Roe left Magellan to start a consulting practice. He has since consulted for numerous Australian explorers, including Santos Limited, Strike Oil Limited, Icon Energy Limited and Hardman Resources Limited. Mr Roe was appointed Exploration Manager for Bounty Oil & Gas NL in 2001, responsible for its portfolio of Australian and international acreage. He was later appointed as Managing Director.

His experience encompasses most Australian sedimentary basins, as well as the USA, New Zealand, Mauritania,Tanzania, Canada, Indonesia, Belize and Argentina.

Mr Roe has no other listed company directorships and has not held any other listed company directorships in the last three years.

Stephen Mann FCA (Non Executive Director)

Stephen is a Fellow of Chartered Accountants of Australia and New Zealand and has more than 30 years experience as a chartered accountant prior to his retirement from private practice in 2003.

During the last three years, Mr Mann has also served as a director of the following listed company:

- Pegasus Metals Limited (resigned 22 August 2014)

Company Secretary

Rowan Caren, B.Com CA

Mr Caren graduated with a Bachelor of Commerce (Accounting) from the University of Western Australia and is a member of Chartered Accountants of Australia and New Zealand. He qualified with PricewaterhouseCoopers and worked for them in Australia and overseas for six years. He has since been directly involved in the exploration industry for a further 18 years, initially with a minerals explorer based in Perth but with operations in South America and Asia, for which he acted as an executive and company secretary. In 2004 he created a specialist company secretarial and advisory consultancy, Dabinett Corporate Pty Ltd. Dabinett Corporate provides financial and corporate services to several listed and unlisted companies involved in the resources sector.

Share Options

Details of unissued ordinary shares under option are as follows:

	Number of options	Exercise price	Expiry date
Listed options	**265,759,522**	**1.2 cents**	**28 February 2017**
Unlisted options	**Nil**		

Nil (2014: Nil) ordinary shares were issued during the financial year as a result of the exercise of options. There are no unpaid amounts on the shares issued.

Interests in the Shares, Options and Convertible Notes of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report:

	Fully paid Ordinary Shares	Share Options	Convertible Notes
Directors			
Christopher Rowe	78,409,274	29,915,769	6,100,000
Laurence Roe	31,426,987	10,808,110	-
Stephen Mann	79,596,062	26,387,395	-
	189,432,323	67,111,274	6,100,000

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the entities within the consolidated entity during the year were the development and production of and exploration for oil and gas in the United States of America. There have been no significant changes in the nature of those activities during the year other than those described below.

Review of operations

During the year, the Company continued to develop its oil and gas prospects in Texas. Production continued from the Fairway wells in Texas however production rates declined as individual productive hydrocarbon horizons were depleted. Cash constraints prevented the Company from developing its asset at a more optimal rate.

Production continued for part of the period at the East Chalkley project in Louisiana, with production suspended for some time due to technical problems with the Pine Pasture #3 well.

The Company's prospects were significantly affected by the slide in the international oil price which dropped 54% from US$104 per barrel in July 2014 to US$48 per barrel in March 2015, recovering to US$59 per barrel in June 2015.

Target's share of overall production has decreased by 31% from 72,100 BOE in the previous financial year to 50,000 BOE at the financial year end. Target holds a total of 2,360 net acres in the Permian Basin.

The Company financed its operations this year through the issue of convertible notes and two rights issues. A total of $3 million was raised from the issue of convertible notes during the year. A total of $2,041,330 was raised from a rights issue at 4.5 cents per share in November 2014 and a further $2,994,960 from a second rights issue at 0.6 cents per share in May 2015.

Operating results for the year

Net loss attributable to equity holders of the Company for the year ended 30 June 2015 was $25,975,732 (2014: $2,928,219). Basic loss per share was 4.9 cents (2014: 0.6 cents). The net loss for the current year has been significantly impacted by the loss recorded in impairment of oil and gas properties of $20,191,786 (2014: $2,256,453).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report, not otherwise disclosed in this report.

Significant events after 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;

- 32,358,843 shares and 16,179,422 listed options were issued in respect of shortfall pursuant to the rights issue, raising proceeds of $194,125.

Likely developments and expected results

The consolidated entity will continue to explore, develop and produce from its projects in Texas and Louisiana. Disclosure of any further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Therefore, this information has not been presented in this report.

Environmental legislation

The consolidated entity as non-operator is not subject to any significant environmental legislation. In all projects the operator is responsible for ensuring compliance with environmental regulations.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify the following current officers of the Group, Mr Rowe, Mr Roe, Mr Mann and Mr Caren, against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The total amount of premium paid was $24,225.

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

Director	**Directors' Meetings**	
	A	**B**
Christopher Rowe	33	33
Laurence Roe	33	33
Stephen Mann	32	33

A - meetings attended
B - meetings held whilst a director

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor Independence and Non-Audit Services

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 audit of the financial report. This Independence Declaration is located on page 10 of this report and forms part of this directors' report for the year ended 30 June 2015.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 19 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Key Management Personnel
<u>Directors</u>

Christopher Rowe	Non Executive Chairman
Laurence Roe	Managing Director
Stephen Mann	Non Executive Director

The Remuneration Report is set out under the following main headings:
A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration for the year ended 30 June 2015
C. Service agreements
D. Share-based compensation

A. Principles used to determine the nature and amount of remuneration
Remuneration philosophy

The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

To this end, the consolidated entity embodies the following principles in its compensation framework:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation;
- significant portion of executive compensation 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration may consist of fixed remuneration and variable remuneration.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Variable Remuneration

Each of the directors holds a significant number of shares. The board does not consider it necessary at the present time to take additional steps to link the remuneration of Directors with the creation of shareholder wealth. Given the current structure, there exists a direct link between the creation of shareholder wealth performance and the financial rewards for the directors.

Remuneration Reviews

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and all other key management personnel. The Board of Directors assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct. No remuneration consultants were used.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 19 November 2009 when shareholders approved an aggregate remuneration of $300,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. The compensation of directors for the period ended 30 June 2015 is detailed below in Table B.

Senior manager and executive director remuneration

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

Compensation consists of the following key elements:

- fixed compensation;
- variable compensation; and
- long term incentive (LTI).

The proportion of fixed compensation and variable compensation (potential short term and long term incentives) is established for each key management person by the Directors.

Fixed Compensation

Objective

Fixed compensation is reviewed annually by the Directors. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

Variable Pay — Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner that aligns this element of compensation with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Structure

LTI grants to key management personnel are delivered in the form of shares. No LTI grants have been made in the year.

B. Details of remuneration for the year ended 30 June 2015

Directors		Primary benefits		Post employment	Equity	Total	%
		Salary & Fees	Non Monetary Benefits	Superannuation	Options		Performance related
		$	$	$	$		
Christopher Rowe	**2015**	**70,000**	**-**	**-**	**-**	**70,000**	**-**
	2014	70,000	-	-	-	70,000	-
Laurence Roe	**2015**	**303,471**	**-**	**28,830**	**-**	**332,301**	**-**
	2014	334,165	-	30,910	-	365,075	-
Stephen Mann	**2015**	**55,046**	**-**	**5,227**	**-**	**60,273**	**-**
	2014	55,046	-	5,092	-	60,138	-
Total Directors	**2015**	**428,517**	**-**	**34,057**	**-**	**462,574**	
	2014	459,211	-	36,002	-	495,213	

C. Service agreements

No service agreements were in place at the end of the year.

D. Share-based compensation

During the financial year there were no options granted as equity compensation benefits under a long-term incentive plan to key management personnel.

E. Compensation options: Granted and vested during the year

No compensation options were granted to key management personnel during the year.

F. Shares issued on Exercise of Compensation Options

No compensation options were exercised by key management personnel during the year.

G. Option holdings of Key Management Personnel - Unlisted

	Balance at 1 July 2014	Options Expired	Options Issued	Balance at 30 June 2015	Vested and exercisable at 30 June 2015
Directors					
Christopher Rowe	-	-	-	-	-
Laurence Roe	-	-	-	-	-
Stephen Mann	-	-	-	-	-
	-	-	-	-	-

	Balance at 1 July 2013	Options Expired	Options Issued	Balance at 30 June 2014	Vested and exercisable at 30 June 2014
Directors					
Christopher Rowe	1,679,836	(1,679,836)	-	-	-
Laurence Roe	371,211	(371,211)	-	-	-
Stephen Mann	631,250	(631,250)	-	-	-
	2,682,297	(2,682,297)	-	-	-

H. Option holdings of Key Management Personnel – Listed (expiring 28 February 2017)

	Balance at 1 July 2014	Granted as remuneration	Options Issued	Options Excercised	Balance at 30 June 2015
Directors					
Christopher Rowe	-	-	29,915,769	-	29,915,769
Laurence Roe	-	-	10,808,110	-	10,808,110
Stephen Mann	-	-	26,387,395	-	26,387,395
	-	-	67,111,274	-	67,111,274

	Balance at 1 July 2013	Granted as remuneration	Options Issued	Options Excercised	Balance at 30 June 2014
Directors					
Christopher Rowe	-	-	-	-	-
Laurence Roe	-	-	-	-	-
Stephen Mann	-	-	-	-	-
	-	-	-	-	-

I. Shareholdings of Key Management Personnel

	Balance at 1 July 2014	Acquired off market	On exercise of Options	Acquired on market	Note conversion	Balance at 30 June 2015
Directors						
Christopher Rowe	13,022,180	65,387,094	-	-	-	78,409,274
Laurence Roe	8,584,509	22,842,478	-	-	-	31,426,987
Stephen Mann	21,265,716	58,330,346	-	-	-	79,596,062
	42,872,405	146,559,918	-	-	-	189,432,323

	Balance at 1 July 2013	Acquired off market	On exercise of Options	Acquired on market	Note conversion	Balance at 30 June 2014
Directors						
Christopher Rowe	12,022,180	-	-	1,000,000	-	13,022,180
Laurence Roe	8,584,509	-	-	-	-	8,584,509
Stephen Mann [1]	6,306,250	14,959,466	-	-	-	21,265,716
	26,912,939	14,959,466	-	1,000,000	-	42,872,405

1. Shares acquired as a result of the transfer of Target securities to Investmet shareholders whose Investmet shares were bought back pursuant to the Investmet Limited selective share buy-back.

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the consolidated entity would have adopted if dealing at arm's length.

J. Convertible Notes held by Key Management Personnel

	Balance at 1 July 2014	Issued	Converted	Repaid	Balance at 30 June 2015
Directors					
Christopher Rowe	6,100,000	-	-	-	6,100,000
Laurence Roe	-	-	-	-	-
Stephen Mann	-	-	-	-	-
	6,100,000	-	-	-	6,100,000

	Balance at 1 July 2013	Issued	Converted	Repaid	Balance at 30 June 2014
Directors					
Christopher Rowe	-	6,100,000	-	-	6,100,000
Laurence Roe	-	-	-	-	-
Stephen Mann	-	-	-	-	-
	-	6,100,000	-	-	6,100,000

Notes have a 5 cent face value, are each convertible into one ordinary share and have a maturity date of 31 March 2017.

K. Interest Paid or Payable to Key Management Personnel on Convertible Notes and Other Loans

	2015	2014
Directors	**$**	**$**
Christopher Rowe	**49,750**	6,768
Stephen Mann	**4,000**	-
Laurence Roe	**2,000**	-

L. Loans with Key Management Personnel

No loans have been provided to key management personnel during the year.

An entity of which Mr Rowe is a director and shareholder, provided a loan to the Company of $200,000 during the year. Interest was payable on the loan at 10% per annum. A total of $4,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The same entity provided a further interest-free loan of $70,000 to the Company. All loans and accrued interest incurred were later offset against the entity's subscription for shares in the Company's May rights issue.

An entity of which Mr Mann is a director and shareholder, provided a loan to the Company of $200,000 during the year. Interest was payable on the loan at 10% per annum. A total of $4,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The same entity provided a further interest-free loan of $100,000 to the Company. All loans and accrued interest incurred were later offset against the entity's subscription for shares in the Company's May rights issue.

An entity of which Mr Roe is a director and shareholder, provided a loan to the Company of $100,000 during the year. Interest was payable on the loan at 10% per annum. A total of $2,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The loan and accrued interest were later offset against the entity's subscription for shares in the Company's May rights issue.

M. Other Transactions and balances with Key Management Personnel

An entity, of which Mr. Rowe is a director and shareholder, provided petrophysical consulting services to the Company. The services were provided on arms length terms for a total of $19,150 (2014: $8,715).

The Company paid living expenses in relation to the relocation of Mr Roe to the USA including the cost of an apartment in Houston. These expenses totalled $60,475 (2014: $69,971).

An entity, of which Mr. Roe's spouse is the sole director and shareholder, provided administrative services to the Company. The services were provided on arms length terms for a total of $14,003 (2014: $35,606).

N. Amounts payable to Key Management Personnel at year end

An amount of $11,666 (2014: $5,833) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder in respect of directors fees. Interest in respect of convertible notes of $15,479 (2014: $6,768) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder.

Directors fees totalling $10,045 (2014: $Nil), inclusive of superannuation, were payable at year end to Mr. Mann.

Signed in accordance with a resolution of the directors

Laurence Roe
Managing Director

Perth, 30 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Target Energy Limited for the year ended 30 June 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2015

M R W Ohm
Partner

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	Note	Consolidated 2015 $	Consolidated 2014 $
Continuing operations			
Revenue	2	**2,287,188**	4,389,649
Other income	2	**649**	657,376
		2,287,837	5,047,025
Oil and gas production expenses and taxes		**(1,627,686)**	(1,112,081)
Accounting expense		**(63,218)**	(53,825)
Audit fees		**(146,168)**	(102,778)
Consultants		**(417,427)**	(256,234)
Depreciation expense	8	**(51,985)**	(44,979)
Directors' fees		**(189,982)**	(195,505)
Employee benefits expense		**(446,259)**	(627,264)
Amortisation of convertible note costs		**(89,817)**	-
Amortisation of oil and gas properties	8	**(2,818,398)**	(1,974,737)
Impairment of oil and gas properties	8	**(20,191,768)**	(2,256,453)
Impairment of exploration and development expenditure	9	**-**	(46,942)
Foreign exchange gain/ (loss)		**7,412**	6,296
Interest expense		**(1,136,818)**	(337,123)
Legal expenses		**(393,650)**	(74,786)
Listing fees		**(90,205)**	(107,734)
Office expense		**(164,123)**	(201,617)
Promotional expenses		**(104,368)**	(201,631)
Other expenses		**(192,843)**	(202,565)
Share registry expense		**(36,844)**	(11,336)
Travel and accommodation		**(109,422)**	(173,950)
Loss from continuing operations before income tax expense		**(25,975,732)**	(2,928,219)
Income tax expense	3(a)	**-**	-
Loss from continuing operations after income tax expense		**(25,975,732)**	(2,928,219)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**4,843,388**	(647,277)
Total comprehensive loss		**(21,132,344)**	(3,575,496)
Basic loss per share (cents per share)	4	**(4.9)**	(0.6)

The accompanying notes form part of these financial statements

	Note	Consolidated 2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	**5**	**907,178**	3,719,166
Trade and other receivables	**6**	**159,540**	1,315,784
Other financial assets	**7**	**-**	50,000
Total Current Assets		**1,066,718**	5,084,950
NON-CURRENT ASSETS			
Property, plant and equipment	**8**	**7,016,500**	17,049,176
Deferred exploration, evaluation and development expenditure	**9**	**-**	-
Total Non-Current Assets		**7,016,500**	17,049,176
TOTAL ASSETS		**8,083,218**	22,134,126
CURRENT LIABILITIES			
Trade and other payables	**11**	**2,153,693**	3,289,766
Total Current Liabilities		**2,153,693**	3,289,766
NON CURRENT LIABILITIES			
Convertible notes	**12**	**7,980,948**	4,970,472
Total Non Current Liabilities		**7,980,948**	4,970,472
TOTAL LIABILITIES		**10,134,641**	8,260,238
NET ASSETS		**(2,051,423)**	13,873,888
EQUITY			
Issued capital	**13**	**38,362,527**	33,492,432
Reserves	**14**	**6,480,851**	1,300,525
Accumulated losses		**(46,894,801)**	(20,919,069)
TOTAL EQUITY		**(2,051,423)**	13,873,888

The accompanying notes form part of these financial statements

	Note	Consolidated 2015 $	Consolidated 2014 $
		Inflows/(Outflows)	
Cash Flows from Operating Activities			
Receipts from customers		**3,230,586**	4,335,837
Payments to suppliers and employees		**(3,471,362)**	(3,263,545)
Interest received/(paid)		**(618,389)**	(114,822)
Net cash provided by / (used in) operating activities	**5(ii)**	**(859,165)**	957,470
Cash Flows from Investing Activities			
Exploration and development expenditure		**-**	(37,188)
Refund of security deposit		**50,000**	-
Proceeds from sale of property, plant and equipment		**645,885**	2,541,812
Purchase of property, plant and equipment		**(11,266,499)**	(6,694,512)
Net cash (used in) investing activities		**(10,570,614)**	(4,189,888)
Cash Flows from Financing Activities			
Proceeds from borrowings		**3,000,000**	7,200,000
Repayment of borrowings		**-**	(1,200,000)
Proceeds from issue of shares		**5,036,291**	-
Borrowing expenses		**(5,574)**	(312,584)
Share issue expenses		**(195,096)**	(42,736)
Net cash provided by financing activities		**7,835,621**	5,644,680
Net increase (decrease) in cash held		**(3,594,158)**	2,412,262
Cash at the beginning of the financial year		**3,719,166**	1,537,700
Effect of exchange rate changes on the balance of cash held in foreign currencies		**782,170**	(230,796)
Cash at the end of the financial year	**5**	**907,178**	3,719,166

The accompanying notes form part of these financial statements

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 2013	33,492,432	(17,990,850)	340,000	263,455	-	552,940	16,657,977
Equity Component of Convertible Notes issued during the year	-	-	-	-	791,407	-	791,407
Loss for the year	-	(2,928,219)	-	-	-	-	(2,928,219)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	-	(647,277)	(647,277)
Balance at 30 June 2014	33,492,432	(20,919,069)	340,000	263,455	791,407	(94,337)	13,873,888
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 year	**5,065,191**	**-**	**-**	**-**	**-**	**-**	**5,065,191**
Share issue costs	**(195,096)**	**-**	**-**	**-**	**-**	**-**	**(195,096)**
Equity Component of Convertible Notes issued during the year	**-**	**-**	**-**	**-**	**341,017**	**-**	**341,017**
Conversion of convertible notes	**-**	**-**	**-**	**-**	**(4,079)**	**-**	**(4,079)**
Loss for the year	**-**	**(25,975,732)**	**-**	**-**	**-**	**-**	**(25,975,732)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**4,843,388**	**4,843,388**
Balance at 30 June 2015	**38,362,527**	**(46,894,801)**	**340,000**	**263,455**	**1,128,345**	**4,749,051**	**(2,051,423)**

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

The company is an ASX listed public company, incorporated in Australia and operating in Australia and the United States of America. The principal activities were the exploration for and production of oil and gas in the United States of America.

(b) Adoption of new and revised standards

In the year ended 30 June 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations and, therefore, no material change is necessary to the Group's accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to the Group's accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2015.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Target Energy Limited as at 30 June 2015 and the results of all subsidiaries for the year then ended. Target Energy Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Treatment of exploration and development expenditures

The consolidated entity is currently capitalising exploration and development expenditures on various tenements until such time as production has commenced or the area of interest is deemed unlikely to yield benefits either through successful exploitation or sale, at which stage the costs will be recognised in profit and loss.

Management has considered the existence of any indicators of impairment in relation to its capitalised exploration and development 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. Based upon this review, a total of $20,935,124 has been recorded as an impairment expense in the statement of comprehensive income in relation to Fairway, Section 28 and Merta. A reversal of a previous impairment of $743,356 has been recorded in relation to East Chalkley. There has been no change in the way cash-generating units have been identified since the prior period.

The accounting estimate for amortisation and impairment of oil and gas producing assets has been changed from 1 July 2014 to use the PV10 of risked proved and probable (2P) reserves as a denominator for amortisation purposes under the units of production methodology and as a comparison for impairment purposes. The Group has used the estimate of PV10 of proved (1P) reserves in prior years. During the year, the Board and management decided to change the reserves base for amortisation and impairment of oil and gas production assets to 2P to reflect management's expected pattern of consumption of future economic benefits embodied in the assets and also to better align Target Energy's accounting policy to that of its peers. Management believes the use of 2P reserves for estimates of minimum oil and gas reserves economically recoverable is a more reliable estimation technique for oil and gas producing investment that have additional reserve development opportunities. The impact of change in accounting policy is to reduce the amortisation charge and decrease the loss after tax for the financial year by an amount of US$1,358,000 and to reduce the impairment charge and decrease the loss after income tax for the financial year by an amount of US$979,400. As a result the carrying value of oil and gas production assets at 30 June 2015 is US$2.34 million higher than it would have been if the change in estimate had not been made.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a large range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operation, estimates of reserves may change from period to period. Changes in reported reserves may affect the consolidated entity's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charged in the statement of comprehensive income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled share-based payments at fair value at the grant date using an option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Sale of Interest in Fairway Project

On June 30, 2014, the Company completed a purchase and sale agreement ("Agreement") to sell an undivided 10% working interest in its Fairway Project to Aurora Energy Partners.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The transaction was structured in two closings, the first of which occurred on June 30, 2014 for which the Company recorded a gain on the sale of the Fairway interests up to the amount of the proceeds received at June 30, 2014.

The Second Closing for the balance was originally scheduled for July 31, 2014. Aurora has failed to make the requisite payment for the Second Closing to date. Efforts to address the matter have not yielded a successful resolution.

In the event the Company receives the payment for the second tranche of the Agreement under the same terms of the original Agreement, the Company would recognize an additional gain on the sale of up to $2,600,849 (US$1,990,950); but management believes it is doubtful whether the Company will be paid by Aurora for the Second Closing properties. The Company is currently pursuing legal remedies available for Aurora's failure to fund the Second Closing properties pursuant to the Agreement.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Interest income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Oil and Gas Production Revenue
Oil and gas production revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the product to the buyer.

Sale of Oil and Gas Properties
Revenue is recognised when the titles have passed at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- The amount of revenue can be estimated reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 30 to 90 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original contractual terms. Factors considered by the consolidated entity in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the consolidated entity. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) De-recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the consolidated entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the consolidated entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the consolidated entity could be required to repay

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(j) Impairment of financial assets

The consolidated entity assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The consolidated entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currency translation

Both the functional and presentation currency of Target Energy Limited is Australian dollars. Each entity in the consolidated entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, TELA USA Inc, TELA Garwood Limited LP and TELA Louisiana Limited Inc, is United States dollars (US$). As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Target Energy Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(l) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Oil and Gas production revenues are recognised gross of the amount of production and severance taxes and a separate expense for production and severance taxes is recognised.

(n) Property, plant and equipment

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office Equipment	–	over 5 to 8 years
Motor Vehicles	–	over 4 years
Computer Equipment	–	over 2.5 years
Oil and Gas Software	–	over 4 years
Website	–	over 10 years

Amortisation is calculated on a unit of production basis as follows:

Oil and Gas Properties – over the life of proved and probable reserves

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For property, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the amortisation and impairment of oil & gas properties.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The consolidated entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets

The consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the consolidated entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(s) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Employee leave benefits

(i) Wages, salaries, annual leave and personal leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating personal leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Share-based payment transactions

(i) Equity settled transactions:

The consolidated entity has provided benefits to employees (including senior executives) of the consolidated entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using an option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price and liquidity of the shares of Target Energy Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

(v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest are carried forward as an asset in the Statement of Financial Position so long as the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made.

Once an area of interest enters a production phase all capitalised expenditure in relation to that area of interest is transferred to Development Expenditure. Capitalised Development Expenditure is not amortised. Capitalised Development Expenditure is assessed for impairment when the facts and circumstances suggest their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Once a proven and probable reserve is determined, all capitalised expenditure is transferred to Oil and Gas Properties.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Parent entity financial information

The financial information for the parent entity, Target Energy Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ab) Going Concern

For the year ended 30 June 2015, the Group had a net cash outflow from operating and investing activities of $11,429,779 and incurred a net loss for the year of $25,975,732. In addition the Group has net liabilities of $2,051,423 and a working capital deficiency of $1,086,975 as at 30 June 2015.

The Company raised $3,000,000 of debt funding in November 2014 via a convertible note. The notes have a maturity date of 31 March 2017. These notes are in addition to an earlier series of convertible notes with the same maturity date upon which $5,971,100 is owed. The Company completed two rights issues during the year raising a total of $5,065,191 before costs.

Based on reserve reports, a total of $7.2 million (using exchange rates prevailing at year end) in capital expenditure is required to be expended by the end of 2016 in order to develop the Company's Proven and Probable Reserves at optimal rates.

The Board considers that the Group is a going concern and recognises that additional funding of approximately $6 million 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;
- the settlement of legal actions;
- continued deferral of interest by Convertible Note holders (Note: Interest is currently being deferred on Convertible Notes with a face value of $5,690,000 which represents approximately $569,000 per annum);
- the placement of securities under ASX listing Rule 7.1 or otherwise;
- an excluded offer pursuant to the Corporation's Act 2001;
- further debt funding; or
- revenue from oil and gas wells.

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 Group 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 Group 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, in particular its Oil & Gas Properties (which have a carrying value at 30 June 2015 of $6,953,286), 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 amounts nor to the amounts and classifications of liabilities that might be necessary should it not continue as a going concern.

NOTE 2: REVENUE

	Consolidated	
	2015	**2014**
Revenue	**$**	**$**
Oil and Gas income	**2,282,501**	4,383,096
Interest received - other	**4,687**	6,553
Total revenue	**2,287,188**	4,389,649
Profit on Sale of Oil and Gas Property [1]	**-**	642,376
Other income	**649**	15,000
Total other income	**649**	657,376
	2,287,837	5,047,025

1. The Company entered into a contract for sale of a 10% interest in the Fairway Project to Aurora Energy Partners ("Aurora"), a company associated with Victory Energy Corporation (OTCQX: VYEY), on 30 June 2014. Target receiving proceeds of $2.54 million, with a further $0.16 million of consideration received in July 2014. The cost of the assets disposed was $2.05 million. Refer to Note 1(e) for further details.

NOTE 3: INCOME TAX

(a) Income tax recognised in profit/loss

No income tax is payable by the company or consolidated entities as they have recorded losses for income tax purposes for the year.

(b) Numerical reconciliation between income tax expense and the loss before income tax.

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	Consolidated	
	2015	**2014**
	$	**$**
Accounting loss before tax	**(25,975,732)**	(2,928,219)
Income tax benefit/(expense) at 30%	**7,792,720**	878,466
Non-deductible expenses:		
Foreign tax rate adjustment	**1,563,448**	481,381
Foreign exchange gain / (loss)	**2,510**	292,138
Impairment of oil and gas properties	**(6,057,530)**	(676,934)
Other non deductible expenses	**(410)**	(1,650)
Unrecognised tax losses	**(3,300,738)**	(973,401)
Income tax benefit attributable to loss from ordinary activities before tax	-	-

NOTE 3: INCOME TAX (continued)

	Consolidated	
(c) Unrecognised deferred tax balances	**2015 $**	**2014 $**
Tax losses attributable to members of the consolidated group - revenue	**47,974,724**	41,264,178
Potential tax benefit at 30%	**14,392,417**	12,379,253
Deferred tax liability not booked		
Deferred exploration expenditure and oil & gas properties	**(2,085,986)**	(5,086,157)
Deferred tax asset not booked		
Amounts recognised in profit & loss		
-employee provisions	**24,070**	5,817
-other	**144,269**	120,096
Amounts recognised in equity		
- share issue costs	**87,574**	93,280
Net unrecognised deferred tax asset at 30%	**12,562,344**	7,512,289

A deferred tax asset attributable to income tax losses has not been recognised at balance date as the probability criteria disclosed in Note 1(l) is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in Note 1(l) are satisfied.

NOTE 4: EARNINGS/(LOSS) PER SHARE

	2015 Cents	**2014 Cents**
Basic loss per share (cents per share)	**(4.9)**	(0.6)
The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Loss for the year	**(25,975,732)**	(2,928,219)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	**532,490,387**	453,746,588

Diluted loss per share
There is no dilution of shares due to options as the potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 $	**2014 $**
Cash at bank	**907,128**	3,719,061
Cash on hand	**50**	105
	907,178	3,719,166

Cash at bank earns interest at floating rates based on daily bank deposit rates

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

	Consolidated	
	2015	2014
	$	$
(i) Reconcilation to the Statement of Cash Flows		
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank.		
Cash and cash equivalents as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**907,178**	3,719,166
(ii) Reconciliation of loss after income tax to net cash flows from operating activities:		
Loss after income tax	**(25,975,732)**	(2,928,219)
Depreciation	**51,985**	44,979
Amortisation and impairment	**23,099,983**	4,278,132
Gain on sale of property, plant and equipment	**-**	(642,376)
Net foreign exchange (gain)/loss	**(7,412)**	(6,296)
	(2,831,176)	746,220
Changes in operating assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	**981,342**	(67,588)
(Decrease)/increase in trade and other payables	**995,729**	203,785
(Decrease)/increase in employee benefits	**(5,060)**	75,053
Net cash outflow from operating activities	**(859,165)**	957,470

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015	2014
	$	$
Current		
Trade receivables	**126,508**	1,073,944
Prepayments	**11,430**	11,548
GST recoverable	**16,093**	17,271
Amount due on sale of oil and gas properties	**-**	174,900
Other receivables	**348,063**	316,521
Impairment of other receivables	**(342,554)**	(278,400)
	159,540	1,315,784

The average credit period on sales of goods and rendering of services is 30-90 days.
No interest is charged.

<u>Ageing of impaired other receivables</u>		
60 – 90 days	**-**	-
90 – 120 days	**-**	-
120 + days	**342,554**	278,400
Total	**342,554**	278,400

NOTE 7: OTHER FINANCIAL ASSETS

	Consolidated 2015 $	2014 $
Current		
Term deposit	-	50,000
	-	50,000

The term deposit was held as security by a bank, on behalf of the Company, in respect of a credit card facility for a total of $50,000. The credit card facility was cancelled during the year and the financial assets released.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Consolidated

	Office Equipment $	Computer Equipment $	Motor Vehicles $	Oil & Gas Software $	Website $	Oil & Gas Properties $	Total $
Year ended 30 June 2014							
At 1 July 2014, net of accumulated depreciation/amortisation	**54,515**	**12,546**	**10,613**	**6,913**	**10,732**	**16,953,857**	**17,049,176**
Effect of movements in foreign exchange	**10,507**	**4,774**	**1,351**	**1,065**	**2,183**	**3,906,806**	**3,926,686**
Additions	**-**	**-**	**-**	**-**	**-**	**9,294,758**	**9,294,758**
Capital Reimbursement	**-**	**-**	**-**	**-**	**-**	**(191,969)**	**(191,969)**
Impairment for the year [1]	**-**	**-**	**-**	**-**	**-**	**(20,191,768)**	**(20,191,768)**
Depreciation/amortisation for the year	**(20,805)**	**(10,278)**	**(11,964)**	**(5,763)**	**(3,175)**	**(2,818,398)**	**(2,870,383)**
At 30 June 2015, net of accumulated depreciation and amortisation	**44,217**	**7,042**	**-**	**2,215**	**9,740**	**6,953,286**	**7,016,500**
At 30 June 2014							
Cost	130,223	58,077	50,575	20,448	14,083	27,438,946	27,712,352
Accumulated depreciation/amortisation	(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 30 June 2015							
Cost	**151,560**	**60,167**	**62,229**	**25,159**	**17,329**	**46,519,233**	**46,835,677**
Accumulated depreciation/amortisation	**(107,343)**	**(53,125)**	**(62,229)**	**(22,944)**	**(7,589)**	**(39,565,947)**	**(39,819,177)**
Net carrying amount	**44,217**	**7,042**	**-**	**2,215**	**9,740**	**6,953,286**	**7,016,500**

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
TEX Website	10 years
Oil & Gas Properties	Units of production

1. Impairment of oil and gas properties was attributable to the reduction in oil and gas reserves as calculated by independent evaluators. Production continued from the Fairway wells in Texas however production rates declined as individual productive hydrocarbon horizons were depleted. Cash constraints prevented the Company from developing its asset at a more optimal rate. The reserve calculations were significantly affected by the 54% drop in the international oil price from July 2014 to June 2015.

NOTE 9: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2015	**2014**
	$	**$**
Costs carried forward in respect of:		
Exploration and evaluation phases - at cost		
Balance 1 July	-	10,046
Effects of movements in foreign exchange	-	(292)
Expenditure incurred	-	37,188
	-	46,942
Impairment for the year	-	(46,942)
Transferred to oil & gas properties	-	-
Transferred to development phase	-	-
Balance at 30 June	-	-
Development phase - at cost		
Balance 1 July	-	-
Effects of movements in foreign exchange	-	-
Expenditure incurred	-	-
	-	-
Transferred from exploration and evaluation phase	-	-
Impairment for the year	-	-
Transferred to oil & gas properties	-	-
Balance at 30 June	-	-
Total deferred exploration and development expenditure	-	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on successful development and commercial exploitation or sale of the respective areas.

NOTE 10: SHARE BASED PAYMENT PLANS

Employee Share Plan (ESP)

No shares were issued pursuant to the employee share plan during the year (2014: Nil).

The fair value of the equity settled shares granted is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the shares were issued. Included under share based payment expenses in the statement of comprehensive income is $Nil (2014: $Nil) in respect of the shares issued.

Employee Share Loan Plan (ESLP)

An employee share loan is provided to purchase the plan shares. The loan is interest free with recourse limited to the underlying shares. The loan is made based on the market price of the underlying shares on the grant date and is repayable in full by 8 May 2018.

Employee Share Option Plan

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Employee share option	750,000	24 October 2011	24 October 2014	12 cents	35,264

A summary of the movements of employee share options issued is as follows:

	2015 No.	2015 Weighted average exercise price	2014 No.	2014 Weighted average exercise price
Outstanding at the beginning of the period	750,000	12 cents	750,000	12 cents
Granted during the period	-	-	-	-
Expired during the period	(750,000)	12 cents	-	-
Outstanding at the end of the period	-	-	750,000	12 cents
Exercisable at the end of the period	-	-	750,000	12 cents

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated 2015 $	 2014 $
Current		
Trade payables	**1,583,141**	2,794,344
Employee entitlements	**80,232**	85,292
Accruals	**480,896**	400,321
Other payables	**9,424**	9,809
	2,153,693	3,289,766

Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTE 12: CONVERTIBLE NOTES

	Face Value Consolidated 2015 $	Face Value Consolidated 2014 $
Balance 1 July	**6,000,000**	-
Issued during the year (i)	**3,000,000**	7,800,000
Redeemed for cash during the year(ii)	**-**	(1,200,000)
Redeemed for notes during the year(iii)	**-**	(600,000)
Converted to notes/equity/shares during the year	**(28,900)**	-
Balance at end of year	**8,971,100**	**6,000,000**

	Present Value Consolidated 2015 $	Present Value Consolidated 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	**(1,171,960)**	(835,022)
Transaction costs on equity component	**43,615**	43,615
Unwinding of discount rate	**456,351**	74,463
Balance at end of year	**7,980,948**	**4,970,472**

	Consolidated 2015 No.	Consolidated 2014 No.
Balance 1 July	**120,000,000**	-
Issued during the year (i)	**60,000,000**	145,714,286
Redeemed for cash during the year(ii)	**-**	(17,142,857)
Redeemed for notes during the year(iii)	**-**	(8,571,429)
Converted to notes/equity/shares during the year	**(578,000)**	-
Balance at end of year	**179,422,000**	120,000,000

(i) Details of the convertible notes issued.

60,000,000 convertible notes (Series 2 2014 Convertible Notes) with a combined face value of $3,000,000 were issued to a sophisticated investor in November 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 Series 2 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 converted

578,000 of the 2014 convertible notes with a face value of $28,900 were converted into ordinary shares in the year ended 30 June 2015.

(iii) Details of the convertible notes redeemed for cash

No convertible notes were redeemed for cash in the year ended 30 June 2015.

NOTE 13: ISSUED CAPITAL

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated	
	2015	**2014**
	$	**$**
998,847,585 (2014: 453,746,588) fully paid ordinary shares	**38,362,527**	33,492,432

	Consolidated	
	2015	**2014**
(i) Ordinary shares - number	**No.**	**No.**
At start of year	**453,746,588**	453,746,588
Shares issued at $0.045	**45,362,892**	-
Shares issued at $0.006	**499,160,105**	-
Conversion of convertible notes at $0.050	**578,000**	-
Balance at end of year	**998,847,585**	453,746,588

	Consolidated	
	2015	**2014**
(ii) Ordinary shares – value	**$**	$
At start of year	**33,492,432**	33,492,432
Shares issued at $0.045	**2,041,330**	-
Shares issued at $0.006	**2,994,961**	-
Conversion of convertible notes at $0.050	**28,900**	-
Less share issue costs	**(195,096)**	-
Balance at end of year	**38,362,527**	33,492,432

NOTE 14: RESERVES

	Consolidated	
	2015	2014
	$	$
Reserves	**6,480,851**	1,300,525

Reserves comprise the following:

(i) Option Premium Reserve

	Consolidated	
	2015	2014
Number of options - options issued other than as share based payments	No.	No.
At start of year	**25,714,286**	40,451,824
Issue of options	**249,580,100**	25,714,286
Expiry of options	**(25,714,286)**	(40,451,824)
Balance at 30 June	**249,580,100**	25,714,286

	Consolidated	
	2015	2014
Value of options	$	$
At start of year	**340,000**	340,000
Balance at 30 June	**340,000**	340,000

(ii) Share-Based Payments Reserve

	Consolidated	
	2015	2014
Number of options - options issued as share based payments	No.	No.
At start of year	**2,416,666**	2,416,666
Issue of options	**-**	-
Expiry of options	**(750,000)**	-
Balance at 30 June	**1,666,666**	2,416,666

	Consolidated	
	2015	2014
Value of options	$	$
At start of year	**263,455**	263,455
Issue of shares	**-**	-
Balance at 30 June	**263,455**	263,455

(iii) Foreign Currency Translation Reserve

At start of year	**(94,337)**	552,940
Currency translation differences	**4,843,388**	(647,277)
Balance at 30 June	**4,749,051**	(94,337)

(iv) Convertible Note - Equity Component Reserve

At start of year	**791,407**	-
Conversion of notes	**(4,079)**	
Equity component of convertible notes (net of transaction costs)	**341,017**	791,407
Balance at 30 June	**1,128,345**	791,407

NOTE 14: RESERVES (Continued)

Nature and purpose of reserves

Share Based Payments Reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to third parties for services provided.

Option Premium Reserve

This reserve records the proceeds from the issue of options at 1 cent as per the prospectus dated 9 March 2007.

Foreign Currency Translation Reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Convertible Note – Equity Component Reserve

The reserve is used to record the equity component of convertible notes.

NOTE 15: FINANCIAL INSTRUMENTS

			Fixed Interest Rate Maturing				
30 June 2015	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within 1 Year**	**1 to 5 Yrs**	**Over 5 Yrs**	**Non-interest bearing**	**Total**
		$	$	$	$	$	**$**
Financial Assets:							
Cash & cash equivalents	**0.2%**	**907,178**	**-**	**-**	**-**	**-**	**907,178**
Trade and other receivables		**-**	**-**	**-**	**-**	**159,540**	**159,540**
Total Financial Assets		**907,178**	**-**	**-**	**-**	**159,540**	**1,066,718**
Financial Liabilities:							
Trade and other payables		**-**	**-**	**-**	**-**	**2,153,693**	**2,153,693**
Convertible Notes	**10.0%**	**-**	**-**	**7,980,948**	**-**	**-**	**7,980,948**
Total financial liabilities		**-**	**-**	**7,980,948**	**-**	**2,153,693**	**10,134,641**

			Fixed Interest Rate Maturing				
30 June 2014	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Non-interest bearing**	**Total**
		$	$	$	$	$	**$**
Financial Assets:							
Cash & cash equivalents	0.3%	3,719,166	-	-	-	-	3,719,166
Trade and other receivables		-	-	-	-	1,315,784	1,315,784
Other financial assets (current)	2.8%	-	50,000	-	-	-	50,000
Total financial assets		3,719,166	50,000	-	-	1,315,784	5,084,950
Financial Liabilities:							
Trade and other payables		-	-	-	-	3,289,766	3,289,766
Convertible Notes	10.0%	-	-	4,970,472	-	-	4,970,472
Total financial liabilities		-	-	4,970,472	-	3,289,766	8,260,238

NOTE 16: EXPENDITURE COMMITMENTS

	Consolidated 2015 $	Consolidated 2014 $
(i) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	**77,403**	70,122
- between 12 months and 5 years	**105,656**	148,763
- greater than 5 years	**-**	-
	183,059	218,885

The Company's existing lease for office space it occupies in Houston expires on 31 October 2017.

(ii) Expenditure commitments contracted for:

Exploration Tenements

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements and are payable:

	2015 $	2014 $
- not later than 12 months	**-**	-
- between 12 months and 5 years	**-**	**-**
- greater than 5 years	**-**	**-**
	-	-

NOTE 17: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Target Energy Limited and the subsidiaries listed in the following table.

Name	**Country of Incorporation**	**% Equity Interest 2015**	**% Equity Interest 2014**	**Investment $ 2015**	**Investment $ 2014**
Target Energy Limited	Australia	100	100	-	-
TELA (USA) Inc	USA	100	100	-	-
TELA Louisiana Limited Inc	USA	100	100	-	-
TELA Texas Holdings Limited Inc	USA	100	100	-	-
its subsidiaries:					
TELA Texas General LLC	USA	100	100	-	-
TELA Texas Limited LLC	USA	100	100	-	-
its subsidiary					
TELA Garwood Limited LP[1]	USA	99	99	-	-

Note 1 - 1% owned by Tela Texas General

Target Energy Limited is the ultimate Australian parent entity and ultimate parent of the Group.

NOTE 17: RELATED PARTY DISCLOSURE (Continued)

	2015	2014
Amounts owed by Related Parties	$	$
Subsidiaries		
TELA Louisiana Limited Inc	**15,855,972**	12,549,463
TELA Garwood Limited LP	**7,836,113**	6,202,018
TELA (USA) Inc	**24,723,677**	14,346,197
Total	**48,415,762**	33,097,678
Provision for impairment	**(42,520,613)**	(14,388,363)
	5,895,149	18,709,315

Outstanding balances at year-end are unsecured and settlement occurs in cash.

For the year ended 30 June 2015, the consolidated entity has recorded an impairment loss in respect of the loan to TELA Garwood Limited LP amounting to $7,836,113 (2014: Reversal of impairment of $1,988,989), and has made an allowance for the impairment of the loan to TELA Louisiana Limited Inc amounting to $3,581,437 (2014: $2,797,992) and TELA USA Inc amounting to $16,714,700 (2014: $1,212,539).

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the consolidated entity recognises an allowance for the impairment loss.

Loans to controlled entities bear interest at the rate of between 2% and 3.5% (2014: 3% to 4.5%). Interest received from controlled entities during the year was $1,075,452 (2014: $1,036,515).

NOTE 18: EVENTS AFTER THE REPORTING DATE

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods, other than;

- 32,358,843 shares and 16,179,422 listed options were issued in respect of shortfall pursuant to the rights issue, raising proceeds of $194,125.

NOTE 19: AUDITORS' REMUNERATION

	Consolidated	
	2015	2014
	$	$
Amounts received or due and receivable by the auditors for:		
Audit or review of the financial reports of the consolidated entity - HLB Mann Judd	**44,000**	45,995
Review services in connection with cleansing notice – HLB Mann Judd	**-**	600
Audit or review of the financial reports of subsidaries - GBH CPAs, PC	**89,168**	66,783

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Directors

Christopher Rowe	Chairman (non-executive)
Laurence Roe	Managing Director
Stephen Mann	Director (non-executive)

There were no changes in the Managing Director or key management personnel after reporting date and up to the date the financial report was authorised for issue.

(b) Compensation by category of Key Management Personnel for the year ended 30 June 2014

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	**428,517**	459,211
Post-employment benefits	**34,057**	36,002
Share-based payments	**-**	-
	462,574	495,213

For the calculation of compensation received by key management personnel, key management personnel includes Mr Rowe, Mr Roe and Mr Mann in accordance with the definition of key management personnel in the remuneration report within the directors' report.

(c) Interest Paid to Key Management Personnel

	2015	**2014**
Directors	**$**	**$**
Christopher Rowe	**49,750**	6,768
Stephen Mann	**4,000**	-
Laurence Roe	**2,000**	-
	55,750	6,768

(d) Loans with Key Management Personnel

No loans have been provided to key management personnel during the year.

An entity of which Mr Rowe is a director and shareholder, provided a loan to the Company of $200,000 during the year. Interest was payable on the loan at 10% per annum. A total of $4,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The same entity provided a further interest-free loan of $70,000 to the Company. All loans and accrued interest incurred were later offset against the entity's subscription for shares in the Company's May rights issue.

An entity of which Mr Mann is a director and shareholder, provided a loan to the Company of $200,000 during the year. Interest was payable on the loan at 10% per annum. A total of $4,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The same entity provided a further interest-free loan of $100,000 to the Company. All loans and accrued interest incurred were later offset against the entity's subscription for shares in the Company's May rights issue.

An entity of which Mr Roe is a director and shareholder, provided a loan to the Company of $100,000 during the year. Interest was payable on the loan at 10% per annum. A total of $2,000 interest was incurred on the loan. The loan was secured by an equal third ranking security over the Company's Fairway project. The loan and accrued interest were later offset against the entity's subscription for shares in the Company's May rights issue.

(e) Other Transactions and balances with Key Management Personnel

An entity, of which Mr. Rowe is a director and shareholder, provided petrophysical consulting services to the Company. The services were provided on arms length terms for a total of $19,150 (2014: $8,715).

(e) Other Transactions and balances with Key Management Personnel (continued)

The Company paid living expenses in relation to the relocation of Mr Roe to the USA including the cost of an apartment in Houston. These expenses totaled $60,475 (2014: $69,971).

An entity, of which Mr. Roe's spouse is the sole director and shareholder, provided administrative services to the Company. The services were provided on arms length terms for a total of $14,003 (2014: $35,606).

(f) Amounts payable to Key Management Personnel at year end

An amount of $11,666 (2014: $5,833) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder. Interest of $15,479 (2014: $6,768) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder.

Directors fees totalling $10,045 (2014: $Nil), inclusive of superannuation, were payable at year end to Mr. Mann.

(g) Convertible Notes issued to and held by Key Management Personnel

During the period, Nil (2014: 6,100,000) convertible notes were issued to an entity of which Mr. Rowe is a director and shareholder. All of these convertible notes were held at the balance date.

NOTE 21: FINANCIAL RISK MANAGEMENT

The consolidated entity's financial situation is not complex. Its activities may expose it to a variety of financial risks in the future: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. At that stage the consolidated entity's overall risk management program will focus on the unpredictability of the financial markets and seek to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out under an approved framework covering a risk management policy and internal compliance and control by management. The Board identifies, evaluates and approves measures to address financial risks.

The consolidated entity holds the following financial instruments:

	2015 $	2014 $
Financial assets		
Cash and cash equivalents	**907,178**	3,719,166
Trade and other receivables	**159,540**	1,315,784
Other financial assets	**-**	50,000
	1,066,718	5,084,950
Financial liabilities		
Trade and other payables	**2,153,693**	3,289,766
Convertible Notes	**7,980,948**	4,970,472
	10,134,641	8,260,238

The carrying amounts of financial assets and financial liabilities approximate their fair values.

(a) Market risk

Cash flow and fair value interest rate risk

The consolidated entity's main interest rate risk arises from cash deposits to be applied to exploration and development of areas of interest. Deposits at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits at fixed rates expose the consolidated entity to fair value interest rate risk. During 2015 and 2014, the consolidated entity's deposits at variable rates were denominated in Australian Dollars and United States Dollars.

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

As at the reporting date, the consolidated entity had the following variable rate deposits.

	2015		2014	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Deposit		**907,128**		3,769,061
Other cash available		**50**		105
Net exposure to cash flow interest rate risk	0.2%	**907,178**	0.3%	3,769,166

The consolidated entity analyses its interest rate exposure on a dynamic basis.

Sensitivity

During 2014/2015, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would be an immaterial change in post-tax loss for the year.

As a result of significant operations in the United States and large purchases denominated in United States Dollars, the consolidated entity's statement of financial position can be affected significantly by movements in the US$/A$ exchange rates. The consolidated entity seeks to mitigate the effect of its foreign currency exposure by holding US Dollars.

The consolidated entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Foreign currency risk

100% of the consolidated entity's sales are denominated in a currency (USD) other than the functional currency of the operating entity making the sale. All of the production costs are denominated in USD.

The consolidated entity does not have a policy to enter into forward contracts. At 30 June 2015, the consolidated entity had the following exposure to US$ foreign currency expressed in A$ equivalents:

	2015	2014
	$	$
Financial assets		
Cash and cash equivalents	**370,812**	3,394,281
Trade and other receivables	**132,017**	1,285,172
	502,829	4,679,453
Financial liabilities		
Trade and other payables	**1,619,958**	3,009,620
Convertible Notes	**-**	-

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance date:

At 30 June 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	2015 Weighted average interest rate %	2015 Balance $	2014 Weighted average interest rate %	2014 Balance $
Deposit		**907,128**		3,769,061
Other cash available		**50**		105
Net exposure to cash flow interest rate risk	0.2%	**907,178**	0.3%	3,769,166

	US$	A$	A$ +10%	Movement +10%	A$ -10%	Movement -10%
Cash	283,857	370,813	337,103	(33,710)	412,013	41,200
Debtors	101,059	132,017	120,015	(12,002)	146,686	14,668
Creditors	(1,240,079)	(1,619,960)	(1,472,689)	147,270	(1,799,954)	(179,995)
	(855,163)	(1,117,130)	(1,015,571)	101,558	(1,241,255)	(124,127)

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables and prepayments made in respect of programs to project operator. In relation to other credit risk areas management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Cash transactions are limited to high credit quality financial institutions.

The Consolidated entity has the following significant concentration of credit risk:		**USD**
Trade receivables and other receivables:	Trilogy Operating Inc.	89,135

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Consolidated entity will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

The Consolidated entity and parent entity have no borrowing facilities.

(d) Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and reserves as disclosed in notes 13 and 14. The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

NOTE 22: 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 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 years ended 30 June 2015 and 30 June 2014.

	Continuing operations				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
30-Jun-15	$	$	$	$	$
Revenue					
Sales to external customers	2,282,501	-	2,282,501	-	2,282,501
Other revenues from external customers	-	649	649	-	649
Total segment revenue	2,282,501	649	2,283,150	-	2,283,150
Interest revenue	-	1,080,139	1,080,139	(1,075,452)	4,687
Foreign exchange gain/loss	(8,307,337)	8,314,749	7,412	-	7,412
Interest expense	(1,103,425)	(1,109,798)	(2,213,223)	1,076,405	(1,136,818)
Depreciation and amortisation	(2,865,703)	(94,497)	(2,960,200)	-	(2,960,200)
Impairment	(20,191,768)	-	(20,191,768)	-	(20,191,768)
Impairment of loans	-	(28,132,249)	(28,132,249)	28,132,249	-
Other expenses	(2,790,963)	(1,191,232)	(3,982,195)	-	(3,982,195)
Income tax expense	-	-	-	-	-
Profit/(loss) for the year	(32,976,695)	(21,132,239)	(54,108,934)	28,133,202	(25,975,732)
Segment assets					
Investments in associates	-	98	98	(98)	-
Capital expenditure	7,012,139	4,361	7,016,500	-	7,016,500
Other assets	502,966	6,458,901	6,961,867	(5,895,149)	1,066,718
Segment liabilities	7,515,107	8,514,683	16,029,790	(5,895,149)	10,134,641
Cash flow information					
Net cash flow from operating activities					(859,165)
Net cash flow from investing activities					(10,570,614)
Net cash flow from financing activities					7,835,621

(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 22: SEGMENT REPORTING (continued)

	Continuing operations				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
30-Jun-14	$	$	$	$	$
Revenue					
Sales to external customers	4,383,096	-	4,383,096	-	4,383,096
Other revenues from external customers	642,376	15,000	657,376	-	657,376
Total segment revenue	5,025,472	15,000	5,040,472	-	5,040,472
Interest revenue	-	1,043,069	1,043,069	(1,036,516)	6,553
Foreign exchange gain/loss	973,792	(967,496)	6,296	-	6,296
Interest expense	(1,032,484)	(322,407)	(1,354,891)	1,017,768	(337,123)
Depreciation and amortisation	(2,014,718)	(4,998)	(2,019,716)	-	(2,019,716)
Impairment	(2,303,395)	-	(2,303,395)	-	(2,303,395)
Impairment of loans	-	(2,021,541)	(2,021,541)	2,021,541	-
Other expenses	(2,004,085)	(1,317,221)	(3,321,306)	-	(3,321,306)
Income tax expense	-	-	-	-	-
Profit/(loss) for the year	(1,355,418)	(3,575,594)	(4,931,012)	2,002,793	(2,928,219)
Segment assets					
Investments in associates	-	98	98	(98)	-
Capital expenditure	17,040,136	9,040	17,049,176	-	17,049,176
Other assets	4,678,897	19,115,368	23,794,265	(18,709,315)	5,084,950
Segment liabilities	21,718,934	5,250,619	26,969,553	(18,709,315)	8,260,238
Cash flow information					
Net cash flow from operating activities					(957,470)
Net cash flow from investing activities					(4,189,888)
Net cash flow from financing activities					5,644,680

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

Other segment information

Segment revenue reconciliation to the statement of comprehensive income

	Consolidated	
	2015	2014
	$	$
Total segment revenue	2,283,150	5,040,472
Inter-segment sales elimination	-	-
Other revenue from continuing operations	4,687	6,553
Total revenue	2,287,837	5,047,025

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than shown.

NOTE 22: SEGMENT REPORTING (continued)

	$	$
Australia	5,336	21,553
United States	2,282,501	5,025,472
Total revenue	2,287,837	5,047,025

NOTE 23: PARENT ENTITY DISCLOSURES

(a) Financial Position	**2015**	**2014**
	$	**$**
Assets		
Current assets	**563,851**	406,152
Non-current assets	**5,899,510**	18,718,355
Total assets	**6,463,361**	19,124,507
Liabilities		
Current liabilities	**533,734**	280,147
Non Current Liabilities	**7,980,948**	4,970,472
Total liabilities	**8,514,682**	5,250,619
Equity		
Issued capital	**38,362,527**	33,492,432
Reserves	**1,731,800**	1,394,862
Accumulated losses	**(42,145,648)**	(21,013,406)
Total Equity	**(2,051,321)**	13,873,888
(b) Financial Performance		
Loss for the year	**(21,132,242)**	(3,575,594)
Other comprehensive income	**-**	-
Total comprehensive loss	**(21,132,242)**	(3,575,594)
(c) Contingent liabilities of the parent entity	**-**	-
(d) Commitments for the acquisition of property, plant and equipment by the parent entity	**-**	-
(e) Operating lease Commitments	**-**	9,976

NOTE 24: CONTINGENT ASSETS AND LIABILITIES

Target subsidiary TELA Garwood LP ("TELA Garwood") has filed a lawsuit in the District Court of Harris County (Houston), Texas against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora"). TELA Garwood's suit charges that Aurora, acting by and through its general partner, Victory, breached its obligation to purchase certain of TELA Garwood's interests in the West Texas Fairway Project (Howard and Glasscock counties) pursuant to a Purchase and Sale Agreement between TELA Garwood and Aurora dated June 30, 2014 ("PSA"). TELA Garwood has also filed suit against the individual directors of Victory for their roles in Victory causing Aurora to breach its obligations under the PSA.

Victory and Aurora have filed counterclaims which TELA Garwood plans to vigorously oppose. In addition to TELA Garwood's suit, in January 2015 the operator of the Fairway project also filed a law suit against Aurora, alleging Aurora's failure to pay invoices associated with a number of wells in the Fairway Project. While the suit remains underway, in February 2015 the operator exercised its rights under the operating agreement to recover Aurora's outstanding costs, pro rata from the other partners. The Company's share of these costs was approximately $720,000 (US$545,000). The Company may amend its current suit to recover these funds from Aurora.

Other than the above, there has not been any material matter or circumstance that has arisen after the balance date that has significantly affected or may significantly affect the operations of the Group or the state of affairs of the group in future financial periods.

1. In the opinion of the directors of Target Energy Limited (the "Company"):

   a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year then ended; and

      (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and

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

   c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2015.

This declaration is signed in accordance with a resolution of the Board of Directors.

Laurence Roe
Director

30 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Target Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Target Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Target Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(ab) in the financial report which indicates that for the year ended 30 June 2015, the Group had a net cash outflow from operating and investing activities of $11,429,779 and incurred a net loss for the year of $25,975,732. In addition, the Group has net liabilities of $2,051,423 and a working capital deficiency of $1,086,975 as at 30 June 2015. These conditions, along with other matters as set forth in Note 1(ab) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets, in particular its oil and gas properties, and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Target Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
30 September 2015

In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles).

The Group's Corporate Governance Statement dated 15 October 2015 (which reports against these ASX Principles) may be accessed from the Company's website at:

http://www.targetenergy.com.au/viewStory/Corporate+Governance

DISTRIBUTION OF EQUITY SECURITIES

The distribution of members and their holdings of fully paid ordinary shares as at 9 October 2015.

Shares held	No. of Shareholders	Percentage
1 – 1,000	112	0.002%
1,001 – 5,000	76	0.026%
5,001 – 10,000	90	0.070%
10,001 – 100,000	514	2.125%
100,001 and over	470	97.776%
Total	**1,262**	**100.000%**

Less than Marketable Parcel at 0.2 cents	Min Parcel size	Holders	Units
Shares	249,999	955	49,585,510

The distribution of holders and their holdings of listed options to acquire fully paid ordinary shares as at 9 October 2015.

Shares held	No. of Optionholders	Percentage
1 – 1,000	10	0.000%
1,001 – 5,000	3	0.004%
5,001 – 10,000	11	0.031%
10,001 – 100,000	66	1.002%
100,001 and over	115	99.963%
Total	**205**	**100.000%**

RESTRICTED SECURITIES

In May 2013, 1,666,666 shares were issued to an employee pursuant to the Employee Share Plan. The Company provided an interest free loan to the employee to purchase the shares. The shares are also subject to performance conditions. The shares will remain subject to a voluntary restriction arrangement until the performance conditions are met or waived and the loan is repaid. As the employment arrangement has ceased, the Company intends to sell the shares on market in accordance with the terms of the Plan and the loan.

VOTING RIGHTS

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.

LARGEST HOLDERS OF UNLISTED OPTIONS

There are no unlisted options on issue.

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2001, recorded the following information as at 9 October 2015:

Holder Name	Number of Shares	Class of Share	Percentage of Issued Capital
Wyllie Group Pty Limited	121,468,838	Ordinary	11.78%
Gunz Pty Limited <Gunz Superannuation Fund> and Stephen Mann	79,596,062	Ordinary	7.97%
Little Breton Nominees Pty Limited	78,409,274	Ordinary	7.85%

HOLDERS OF UNQUOTED EQUITY SECURITIES

	No. of holders	No. Issued
Series 1 Unquoted Convertible Notes, 5 cents, 31 March 2017 – first ranking security	83	119,422,000
Series 1 Unquoted Convertible Notes, 5 cents, 31 March 2017 – first ranking security	1	60,000,000

LARGEST HOLDERS (>20%) OF UNQUOTED EQUITY SECURITIES

Holder Name	Number of Convertible Notes	Class of Convertible Notes	Percentage of Convertible Notes
Wyllie Group Pty Limited	60,000,000	Series 2	100%

TWENTY LARGEST SHARE HOLDERS

The names of the 20 largest holders of fully paid ordinary shares as at 9 October 2015 are listed below:

	Name	Number of Shares	Percentage
1	Wyllie Group Pty Limited	121,468,838	11.78%
2	Gunz Pty Ltd <Gunz Superannuation Fund>	77,487,940	7.51%
3	Little Breton Nominees Pty Ltd <The Little Breton S/F A/c>	74,520,386	7.23%
4	Michael Fotios <Michael Fotios Family A/c>	42,483,843	4.12%
5	Petroe Exploration Services Pty Ltd	31,427,087	3.05%
6	Mr Andrew Spencer	27,496,474	2.67%
7	GDR Pty Ltd <The Riley Super Fund A/c>	27,413,875	2.66%
8	UBS Wealth Management Australia Nominees Pty Ltd	21,545,549	2.09%
9	Oakmount Nominees Pty Limited <Narromine Super Fund A/c>	19,309,027	1.87%
10	Mr G Sharpless & Mrs J Sharpless <Sharpless Investment A/c>	16,992,632	1.65%
11	Mr Thomas Patterson	16,860,319	1.64%
12	Estate Late John Greenhalgh	12,962,962	1.26%
13	Minsk Pty Limited	12,800,000	1.24%
14	Mr Wayne McGrath	12,710,800	1.23%
15	Beirne Trading Pty Limited	12,515,073	1.21%
16	Sharic Superannuation Pty Ltd <Farris Super Fund A/c>	12,480,647	1.21%
17	J&M Binet Pty Ltd <J&M Binet Super Fund A/c>	10,854,483	1.05%
18	Tarney Holdings Pty Limited <DP &FL Waddell Family A/c>	10,727,238	1.04%
19	Mr Steven McAlpine	10,041,667	0.97%
20	AM Riley Pty Ltd <AM Riley Super Fund A/c>	9,620,176	0.93%
		581,719,016	**56.41%**
		1,031,206,428	**100.00%**

TWENTY LARGEST LISTED OPTION HOLDERS

The names of the 20 largest holders of listed options to acquire fully paid ordinary shares as at 9 October 2015 are listed below:

	Name	Number of Shares	Percentage
1	Wyllie Group Pty Limited	37,959,012	14.28%
2	Little Breton Nominees Pty Ltd <The Little Breton S/F A/c>	27,971,325	10.53%
3	Gunz Pty Ltd <Gunz Superannuation Fund>	25,333,334	9.53%
4	Michael Fotios <Michael Fotios Family A/c>	16,179,422	6.09%
5	Petroe Exploration Services Pty Ltd	10,808,110	4.07%
6	Mr Andrew William Spencer	10,536,268	3.97%
7	GDR Pty Ltd <The Riley Super Fund A/c>	8,566,836	3.22%
8	UBS Wealth Management Australia Nominees Pty Ltd	8,333,334	3.14%
9	Mr Thomas Allan Patterson	8,333,334	3.14%
10	Estate Late John Greenhalgh	6,481,481	2.44%
11	Oakmount Nominees Pty Limited <Narromine Super Fund A/c>	6,034,071	2.27%
12	Mr G Sharpless & Mrs J Sharpless <Sharpless Investment A/c>	5,310,198	2.00%
13	Beirne Trading Pty Limited	4,956,519	1.86%
14	Carling Capital Partners Pty Limited	4,166,667	1.57%
15	Jend Pty Limited <The Tilley Super A/c>	4,166,667	1.57%
16	Mr Wayne McGrath	3,972,125	1.50%
17	Tarney Holdings Pty Limited <DP &FL Waddell Family A/c>	3,352,262	1.26%
18	J&D Jansen <JJ Retirement Fund A/c>	3,273,506	1.23%
19	Mr Steven McAlpine	3,086,341	1.16%
20	J&M Binet Pty Ltd <J&M Binet Super Fund A/c>	3,000,000	1.13%
		201,820,812	**75.96%**
		265,759,522	**100.00%**

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