TITAN ENERGY LTD

ABN: 53 109 213 470

Annual Report 2014

TITAN ENERGY LTD

CORPORATE DIRECTORY

DIRECTORS:	Darren Levy (Chairman) Bradley J Simmons Paul Garner Andrew Van Der Zwan
COMPANY SECRETARY:	Jack Hugh Toby FCA MACS
ABN:	53 109 213 470
REGISTERED OFFICE:	31 Ord St West Perth, Western Australia 6005 Tel: +61 (8) 9322 6955 Fax: +61 (8) 9322 6722
AUDITORS:	Somes Cooke Level 2, 35 Outram St, West Perth WA 6005 PO Box 709, West Perth WA 6872 Tel: +61 (8) 9426 4500 Fax: +61 (8) 9481 5645
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

This annual report covers both Titan Energy Ltd as an individual entity and the consolidated entity comprising Titan Energy Ltd and its subsidiaries. The Group's presentation currency is Australian Dollars ($). The functional currency of Titan Energy Ltd is Australian Dollars ($) and the functional currency of all subsidiaries of Titan Energy Ltd is United States Dollars (US$), except for North Perth Basin Pty Ltd whose functional currency is Australian Dollars ($). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the financial report.

The directors of Titan Energy Ltd A.C.N. 109 213 470 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30th June 2014. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

Darren Stephen Levy
Paul Charles Garner
Andrew Van Der Zwan (appointed 2 April 2014)
Bradley Jay Simmons (appointed 30 August 2014)
Colin Sandell-Hay (appointed 26 July 2013, resigned 2 April 2014)
Stephen Leslie Thomas (resigned 22 July 2013)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were exploration, development and production for oil and gas and investment in the resources industry.

There were no significant changes in the nature of the principal activities during the financial year.

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $4,930,425 (2013: $7,835,219).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30th June 2014.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

On 5 July 2013, the Company announced that a rig is expected to spud the Poole #C-1 "cap rock" well at its Allen Dome oil field in Texas on 5 July 2013, US time. The Poole #C-1 well, located on the southern portion of the Allen Dome salt dome where the Company holds an approximately 85% working interest.

On 9 August 2013, the Company announced that it had entered into $1 million unsecured loan facility agreement with a private company controlled by Director of the Company, Mr Paul Garner, on arms-length commercial terms. The loan facility would be available for draw-down to allow the Company to fast-track its exploration drilling activities in the United States. The loan facility would be a 12 month facility set at a commercial interest rate of 8%. The Company had the option of early repayment in part or entirety. On 29 November 2013, the Company agreed to reduce amount of the loan facility to $500,000 consequent on entities associated with Mr Paul Garner subscribing $380,000 for convertible notes issued by the Company.

On 22 October 2013, the Company announced that it would plug and abandon the Poole #C-1 cap rock "wild cat" exploration well in the Allen Dome field in Texas. Swabbing and flow testing of a number of potential oil bearing sands identified in logging was unsuccessful in finding any commercial oil.

On 28 October 2013, the Company announced that it had received an independent report on the potential oil reserves contained within its 100% owned Perry Ranch Prospect at Allen Dome, Texas. This was clarified in an announcement by the Company on 23 January 2014 which announced that the Perry Ranch prospect consists of 302 gross mineral acres, of which Titan Energy holds a 100% Working Interest. The prospect has independently assessed Net Prospective Resources of 1.225 MMBO (Best). The probabilistic method was used for determination of Prospective Resources. Energy Recovery Concepts, LLC reviewed processed 3-D seismic, contour structure maps, and log data on surrounding wells for the assessment. The prospect is drill ready and will target four zones between 2,200, and 5,200 feet. The Company is seeking a partner to acquire between 25% to 50% of its 100% Working Interest before progressing with the Perry #1 well. The estimated quantities of petroleum that may potentially be recovered from Perry Ranch by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

On 1 November 2013, the Company announced that the re-entry of Patricia Ann Ferguson #1 well, within Krotz Spring project area onshore Louisiana, USA, was successfully tested to a TD of 9,700 ft, however, no hydrocarbons were encountered in the targeted sand and the well was plugged and abandoned. The Company had reduced its interest in the well to 25% for a cost of US$70,000.

On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 28 November 2013, the Company issued 12,202,334 ordinary shares pursuant to an offer to eligible optionholders of one fully paid ordinary share for every four options cancelled. A total of 48,809,257 options were cancelled comprising 43,009,257 options exercisable at $0.30 each and expiring on 31 October 2015, 3,000,000 options exercisable at $0.15 each and expiring on 30 August 2014, 2,300,000 options exercisable at $0.20 each and expiring on 31 July 2014 and 500,000 options exercisable at $0.50 each and expiring on 31 July 2015. The issue of these shares was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 29 November 2013, the Company issued 165,000 ordinary shares and announced the issue of 1,520,000 convertible notes. The Convertible Notes were issued effective from 30 November 2013 for $1.00 each for a term of one year from the date of issue and interest is payable on an 8% per annum basis. The noteholder may elect to convert to fully paid ordinary shares at an issue price of $0.10 per Share or at the noteholder's election, 80% of the 5 day volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made, such election may be made at any time that is 60 days or more after the commencement date and prior to maturity. Convertible Notes that are not converted are repayable at maturity. The 165,000 ordinary shares were issued in consideration for corporate services provided, as approved in resolution 7 of the Annual General Meeting of shareholders held on 06 November 2013 ("AGM"). The issue of the Convertible Notes was approved in resolutions 10 and 11 at the AGM.

On 11 December 2013, the Company announced that it would acquire a 10% Working Interest in the Holcomb Mississippian Oil Development Project in Texas through an initial payment of US$278,999.04 for geological and land expenses and a second payment of US$503,785.03, being 13.33% of the total cost of drilling and completing the initial test well through to the tanks. On 23 January 2014, the Company clarified that the Holcomb Ranch asset totals 4350 gross mineral acres, of which Titan holds a 11.6% non-operating Working Interest in the prospect which has an independently assessed Net Prospective Resources of 1.33 MMBO (Best), and 0.92 MMBOE. The Deterministic Method was used to calculate Prospective Resources. Energy Recovery Concepts, LLC reviewed geological data, and historical log data on proximate wells to produce the report. The Operator is currently engaging with contractors to secure a suitable horizontal drilling rig. A successful case for a multi well program has been established if the initial confirmation well is a success. The estimated quantities of petroleum that may potentially be recovered from Holcomb Ranch by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

On 24 December 2013, the Company lodged a prospectus with ASIC for an underwritten non renounceable pro rata offer of fully paid ordinary shares to existing shareholders ("Rights Issue"). The offer was on the basis of one fully paid ordinary shares in the Company ("Shares") for every five Shares held by shareholders on the record date of 7 January 2014 at an issue price of $0.025 per Share, with one free option exercisable at $0.04 on or before 31 May 2015 ("Attaching Option") for every two new Shares issued. Accordingly the Company issued 20,229,997 Shares and 10,115,043 Attaching Options on 31 January 2014, a further 2,180,000 Shares and 1,090,000 Attaching Options on 5 February 2014 and a further 6,967,889 Shares and 3,483,945 Attaching Options on 21 February 2014.

On 31 January 2014, the Company issued 3,648,000 free options exercisable at $0.04 each and expiring on 31 May 2015 and issued 19,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 31 January 2014.

On 5 February 2014, the Company issued 4,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each as approved at the shareholder meeting held on 31 January 2014.

On 5 February 2014, the Company issued 130,000 convertible notes for $1.00 each. The Convertible Notes were issued effective from 5 February 2014 for a term of one year from the date of issue and interest is payable on an 8% per annum basis. The noteholder may elect to convert to fully paid ordinary shares at an issue price of $0.10 per Share or at the noteholder's election, 80% of the 5 day volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made, such election may be made at any time that is 60 days or more after the commencement date and prior to maturity. Convertible Notes that are not converted are repayable at maturity. The issue of the Convertible Notes was approved in resolutions 10 and 11 at the AGM.

On 6 February 2014, AWE Limited ("AWE") released an ASX announcement titled "Perth Basin independent resource estimate"" in which AWE announced "Gross Prospective Gas Resources for EP455 of 2,393 billion scf". AWE noted that "further exploration and appraisal success would be required to demonstrate the commerciality of these resources and the viability of any future development".

On 7 February 2014, the Company issued 19,102,907 ordinary shares pursuant to the conversion of 385,000 convertible notes. The Shares were issued for $0.020154 each being 80% of the volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the date of issue of the Shares, as required by the Convertible Note agreements.

On 21 February 2014, the Company issued:

a) 2,301 ordinary shares for $0.04 each pursuant to the exercise of 2,301 options exercisable at $0.04 on or before 31 May 2015;

b) 2,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each as approved at the shareholder meeting held on 31 January 2014;

c) 14,046,404 ordinary shares for $0.019222 each pursuant to the conversion of 270,000 convertible notes; and

d) 1,813,200 free options exercisable at $0.04 each and expiring on 31 May 2015. The issue of these securities was approved at the shareholder meeting held on 31 January 2014.

On 3 March 2014, the Company issued 4,000 ordinary shares for $0.04 each pursuant to the exercise of 4,000 options exercisable at $0.04 on or before 31 May 2015 and 1,390,666 ordinary shares for $0.017977 each pursuant to the conversion of 25,000 convertible notes.

On 10 March 2014, the Company issued 1,101 ordinary shares for $0.04 each pursuant to the exercise of 1,101 options exercisable at $0.04 on or before 31 May 2015 and 18,557,317 ordinary shares for $0.016705 each pursuant to the conversion of 310,000 convertible notes.

On 25 March 2014, the Company issued 10,968,111 ordinary shares for $0.015773 each pursuant to the conversion of 173,000 convertible notes.

On 25 March 2014, the Company announced (and clarified by an announcement on 9 April 2014) that an independent study had estimated the 3000' sand in the Allen Dome North Flank contains an estimated 389,000 barrels of remaining Proved oil reserves, with net Proved reserves to Titan Energy of 366,000 barrels of oil. Based on historical information from other producing zones at the Allen Dome North Flank, the study also estimated 120,400 barrels of remaining Probable oil reserves, 113,000 net to Titan in the producing area. The 389,000 barrels and 120,400 barrels estimates above refer to P1 and P2 Reserves respectively i.e. "quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward". These estimates do not refer to Petroleum Initially in Place (PIP), or contingent resources.

On 7 April 2014, the Company issued 11,162,025 ordinary shares for $0.017022 each pursuant to the conversion of 190,000 convertible notes, comprising 60,000 convertible notes expiring on 29 November 2014 and 130,000 convertible notes expiring on 4 February 2015.

On 7 April 2014, the Company issued 7,500,000 options exercisable at $0.03 each and expiring on 15 October 2014 at an issue price of $0.001 each. The issue of these securities was ratified at the shareholder meeting held on 27 June 2014.

On 14 April 2014, the Company issued 1,944,769 ordinary shares for $0.020568 each pursuant to the conversion of 40,000 convertible notes.

On 29 April 2014, the Company issued 7,839,354 ordinary shares for $0.016583 each pursuant to the conversion of 130,000 convertible notes.

On 30 April 2014, the Company announced that it had reduced its Working Interest in the Sargent Ranch project following agreement with Magnolia Resources LLC to exchange a 50% Working Interest to acquire a 50% interest in the Poole #2 and #3 infrastructure.

On 21 May 2014, the Company issued 425,000 Convertible Notes ("Fixed Price Convertible Notes"). The Fixed Price Convertible Notes were issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Fixed Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Fixed Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity. The issue of these securities was ratified at the shareholder meeting held on 27 June 2014.

On 27 May 2014, the Company issued 5,627,422 ordinary shares for $0.013683 each pursuant to the conversion of 77,000 convertible notes expiring on 29 November 2014.

On 27 May 2014, the Company announced that it had sold a portion of its Working Interest (WI) in the Holcomb project area. The Company received US$306,500 and has reduced its Working Interest to 7.33%. Proceeds of the sale have been allocated towards the Holcomb #1H cash call.

On 5 June 2014, the Company announced that Holcomb well 1-H had been spudded.

On 27 June 2014, the Company issued 800,000 Convertible Notes ("Variable Price Convertible Notes") and 505,000 Fixed Price Convertible Notes. The Convertible Notes were issued for $1.00 each. The Variable Price Convertible Notes were issued for a term expiring on 20 May 2015 with interest payable on a 9.25% per annum basis. Each Variable Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.05 per Share or 80% of the 5 day VWAP, whichever is lower at the election of the noteholder. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Variable Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 10,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 28,339,513 ordinary shares for $0.014291 each and 12,420,407 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 355,000 Variable Price Convertible Notes and 50,000 convertible notes expiring on 29 November 2014.

On 30 June 2014, AWE Limited announced that the Drover-1 exploration well on Exploration Permit 455 in the Perth Basin, had commenced drilling on 29 June 2014.

On 30 June 2014, the Company decided to terminate its Participation Agreement with Downey Resources LLC in its Sodbuster II acreage in Colorado. It was agreed the project did not conform with the Company's business model, and tenure was returned to Downey Resources LLC.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 6 July 2014, the Company issued 290,000 Variable Price Convertible Notes and 270,000 Fixed Price Convertible Notes. The Convertible Notes were issued for $1.00 each. Also on 6 July 2014, the Company issued 7,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company announced that it had sold a 12.5% working interest in its Sargent Ranch project in Texas for US$125,000.

On 7 July 2014, the Company issued 160,000 Variable Price Convertible Notes and 270,000 Fixed Price Convertible Notes. The Convertible Notes were issued for $1.00 each. Also on 7 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 July 2014, the Company issued 972,220 ordinary shares and 6,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company issued 8,333,333 ordinary shares for $0.018 each and 4,166,667 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 150,000 Fixed Price Convertible Notes.

On 18 July 2014, the Company announced that on 28 May 2013, it had submitted an Application to Suspend and Extend the terms of tenure pertaining to DR 11. The Company had requested 18-months in order to complete its work obligation for the area. On the 27th September 2013 the Company received an approval for a 12-month Suspension and Extension of terms expiring 4th June 2014. The Company found this to be insufficient time to complete the Warradarge #2 Deep Exploration Well in line with best industry practice. The Company nominated this time to complete rehabilitation and reporting for the area. Consequently, a decision had been made to submit an application to surrender the permit area in good standing.

On 23 July 2014, the Company issued 375,000 Fixed Price Convertible Notes for $1.00 each. Also on 23 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 23 July 2014, the Company issued 1,500,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. Also on 23 July 2014, the Company issued 1,027,780 ordinary shares and 3,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 23 July 2014, the Company issued 70,000 Variable Price Convertible Notes for $1.00 each.

On 23 July 2014, the Company issued 58,220,692 ordinary shares for $0.011319 each and 29,110,352 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 659,000 Variable Price Convertible Notes.

On 30 July 2014, the Company announced that operations on re-entry of the Poole-3 well in Sargent Ranch, Texas had commenced on 29 July 2014.

On 30 July 2014, AWE Limited announced their June Quarterly Activities Report which included the following appraisal of the Drover-1 well "In exploration permit EP455 (AWE 81.5%, Operator), the Drover–1 vertical exploration well reached its planned total depth of 2,356m and 5 1/2 inch production casing was set before the well was suspended in July. The target formations intersected were the Kockatea Shale, 787m, the Carynginia Shale, 257m, the Irwin River Coal Measures, 289m, and the High Cliff Sandstone, 14.5m. Two cores were cut providing 21.5m of sample from the Kockatea Shale and sidewall cores were taken in the most prospective intervals. Significant gas readings were observed during drilling of the Kockatea Shale and Carynginia Shale and log and core data from these intervals will be fully analysed and evaluated before deciding on the next phase of exploration activity. Gross drilling costs are estimated at $8 million.".

On 7 August 2014, the Company issued 100,000 Fixed Price Convertible Notes for $1.00 each. Also on 7 August 2014, the Company issued 6,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 August 2014, the Company issued 3,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 August 2014, the Company issued 11,154,490 ordinary shares for $0.010758 each and 5,577,246 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 120,000 Variable Price Convertible Notes.

On 18 August 2014, the Company announced the successful farm out of the Perry Ranch project area. Under the terms of the agreement Southern Resource Company, et al will pay Titan a prospect fee and will drill the Perry-1 well, carrying Titan for a 20% Working Interest (WI) through the tanks. Titan has elected to participate for an additional 20% and will now hold a 40% WI in Perry Ranch with Southern Resource et al holding the remaining 60%.

On 9 September 2014, the Company issued 7,086,963 ordinary shares for $0.013546 each and 3,543,482 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 96,000 Variable Price Convertible Notes.

On 10 September 2014, the Company issued 5,576,554 ordinary shares for $0.016139 each and 2,788,278 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 90,000 Variable Price Convertible Notes.

No other matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

LIKELY DEVELOPMENTS

The directors intend to actively pursue the exploration and development of the oil and gas leases and shale gas interests in Australia and the USA in which it has an interest.

ENVIRONMENTAL ISSUES

The Company's operations in Western Australia are subject to environmental regulation under Australian Commonwealth and Western Australia State legislation. The Company has fully complied with all of its environmental obligations in Australia. The Group's operations in the United States of America are subject to federal, state and local environmental regulation. The board has adequate systems in place for the management of its environmental obligations and is not aware of any significant breach of these requirements.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

DARREN STEPHEN LEVY
CHAIRMAN (EXECUTIVE)

Qualifications and Experience:

Mr Levy holds a Bachelor of Commerce degree from Melbourne University, Post Graduate Diploma from the Securities Institute of Australia and has been admitted as a Fellow of the financial services institute of Australia (F.Fin.). He has had 28 years experience in the finance and stockbroking industry.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Director of PHW Consolidated Limited from 29 January 2013 to 3 July 2014.

Special Responsibilities:

Chairman of Directors.

Interest in shares and options of the Company as at the date of signing this report:

22,109,816 Ordinary Shares, 5,104,909 options exercisable at 4 cents each and expiring on 31 May 2015 and 25,000 Convertible Notes expiring 21-May-15 in Titan Energy Ltd.

Directors meetings attended during the financial year: 27

BRADLEY JAY SIMMONS
DIRECTOR (NON-EXECUTIVE)
APPOINTED: 30 AUGUST 2014

Qualifications and Experience:

Mr Simmons is a seasoned veteran of the oil patch with over 30 years of Gulf Coast drilling and production operations experience. He has been involved with the founding and building of several oil, gas and drilling companies over the course of his career. Most recently, he retired in October 2013 from his position as Executive Director of Maverick Drilling & Exploration Limited (ASX: MAD). Mr. Simmons holds a Bachelor of Science degree from Yale University.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Director of Maverick Drilling & Exploration Limited from 12 November 2007 to 14 October 2013

Interest in shares and options of the Company as at the date of signing this report:

5,000,000 Ordinary Shares in Titan Energy Ltd.

Directors meetings attended during the financial year:

Appointed subsequent to the end of the financial year.

PAUL CHARLES GARNER
DIRECTOR (EXECUTIVE)

Qualifications and Experience:

Mr Garner has extensive experience in international business and over 38 years experience in the property and equities market. He has extensive experience with public company capital raising and restructuring. He has served on the Boards of various listed oil and gas companies at various stages of their development.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Director of PHW Consolidated Limited since 29 January 2013.

Special Responsibilities:

Chief Executive Officer.

Interest in shares and options of the Company as at the date of signing this report:

49,586,059 Ordinary Shares, 2,809,822 options exercisable at 4 cents each and expiring on 31 May 2015 and 270,000 Convertible Notes expiring 21-May-15 in Titan Energy Ltd.

Directors meetings attended during the financial year: 24

ANDREW VAN DER ZWAN
DIRECTOR (NON-EXECUTIVE)
APPOINTED: 2 APRIL 2014

Qualifications and Experience:

Mr Van Der Zwan has 27 years' engineering and commercial experience, both locally and internationally. He was employed in various senior positions within the worldwide operations of ExxonMobil for 18 years. Subsequent to his career at ExxonMobil, he was a Non-Executive Director of Gulfx Ltd for 2 years, Managing Director of MRG Metals Limited for 2 years and remains on the Board of MRG today. Mr Van Der Zwan has held the position of Chief Executive of United Petroleum, one of Australia's largest independent fuel marketers with turnover in excess of $2 billion. He left United Petroleum in 2013 to take on the role of Executive Director at Argo Exploration Limited. He has a BA Chemical Engineering (with Honours).

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Director of Argo Exploration Limited since 19 March 2013
Director of MRG Metals Limited since 14 February 2011

Interest in shares and options of the Company as at the date of signing this report:

10,771,939 Ordinary Shares, 4,971,279 options exercisable at 4 cents each and expiring on 31 May 2015 in Titan Energy Ltd.

Directors meetings attended during the financial year:

Attended 7 of the 7 meetings held during the financial year while he was a director.

JACK TOBY
COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Qualifications

Mr Toby is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate member of the Australian Computer Society.

Experience

Mr Toby has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations over the last 30 years.

DIRECTORS MEETINGS

During the year ended 30th June 2014, 27 meetings of directors were held.

Mr Colin Sandell-Hay, who resigned as a director during the financial year attended 9 of the 18 meetings held during the financial year while he was a director.

Mr Stephen Thomas, who resigned as a director during the financial year did not attend the 1 meeting held during the financial year while he was a director.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by Section 308(3c) of the Corporations Act 2001.

Remuneration is based on fees approved by the Board of directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. There was an agreement with Mr John McKnight which sets his remuneration at US$180,000 per year and includes normal leave and termination provisions. Mr John McKnight resigned on 12 September 2014. There are no other service contracts with directors or executives.

Remuneration for Mr Darren Levy has been set at $150,000 per year from 1 July 2013. Remuneration for Mr Paul Garner has been set at $250,000 per year from 1 July 2013. Remuneration for Mr Andrew Van Der Zwan has been set at $85,000 per year. Mr Bradley Simmons was appointed a director on 30 August 2014 and receive remuneration of US$250,000 per annum. In addition, Mr Simmons will receive additional remuneration of up to US$100,000 for his special exertions in conducting a project-by-project evaluation of the Company. Directors are also awarded additional fees for extra services or special exertions.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS

Darren Stephen Levy	Executive Chairman
Paul Charles Garner	Executive Director and CEO
Andrew Van Der Zwan	Non-Executive Director (appointed 2 April 2014)
Colin Sandell-Hay	Non-Executive Director (appointed 26 July 2013, resigned 2 April 2014)
Stephen Leslie Thomas	Managing Director (resigned 22 July 2013)

EXECUTIVES

John McKnight	Director and Chairman of Titan Energy Inc (resigned 12 September 2014)
Jack Toby	Company Secretary and Chief Financial Officer

	Primary Remuneration 2014			
	Salary and Fees $	Bonus $	Super-annuation $	Total $
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Darren Levy	150,000	—	—	150,000
Paul Garner	259,996	—	—	259,996
Andrew Van Der Zwan	38,730	—	1,270	40,000
Colin Sandell-Hay	36,672	—	3,392	40,064
Stephen Leslie Thomas	38,085	—	5,037	43,122
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	523,483	—	9,699	533,182

	Primary Remuneration 2014			
	Salary and Fees $	Bonus $	Super-annuation $	Total $
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
John McKnight	194,797	—	—	194,797
Jack Toby	127,187	—	—	127,187
TOTAL PRIMARY REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	321,984	—	—	321,984

	Total Remuneration 2014			
	Primary Remuneration $	Equity Remuneration $	Total $	Equity Remuneration % of Total
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Darren Levy	150,000	—	150,000	—
Paul Garner	259,996	—	259,996	—
Andrew Van Der Zwan	40,000	—	40,000	—
Colin Sandell-Hay	40,064	—	40,064	—
Stephen Leslie Thomas	43,122	—	43,122	—
TOTAL REMUNERATION FOR DIRECTORS	533,182	—	533,182	—
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
John McKnight	194,797	—	194,797	—
Jack Toby	127,187	—	127,187	—
TOTAL REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	321,984	—	321,984	—

	Primary Remuneration 2013			
	Salary and Fees $	Bonus $	Super-annuation $	Total $
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Darren Levy	150,000	100,000	—	250,000
Paul Garner	202,992	49,000	—	251,992
Stephen Leslie Thomas	192,000	26,500	25,000	243,500
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	544,992	175,500	25,000	745,492
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
John McKnight	149,136	—	—	149,136
Jack Toby	120,000	6,900	—	126,900
TOTAL PRIMARY REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	269,136	6,900	—	276,036

	Primary Remuneration $	Total Remuneration 2013 Equity Remuneration $	Total $	Equity Remuneration % of Total
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Darren Levy	250,000	—	250,000	—
Paul Garner	251,992	—	251,992	—
Stephen Leslie Thomas	243,500	—	243,500	—
TOTAL REMUNERATION FOR DIRECTORS	745,492	—	745,492	—
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
John McKnight	149,136	—	149,136	—
Jack Toby	126,900	—	126,900	—
TOTAL REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	276,036	—	276,036	—

On 2 July 2012, the Company issued 25,000,000 Ordinary Shares valued at $325,000 and 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 valued at $213,500 to nominees of Cities Energy LLC, a company associated with Mr John McKnight, for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition. Of the 25,000,000 ordinary shares and 35,000,000 options issued, 10,000,000 ordinary shares valued at $130,000 and 10,000,000 options valued at $61,000 were issued to Cities Energy LLC and the remainder of the shares and options were issued to other nominees of Cities Energy LLC. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012. The ordinary shares were valued at $0.013 each based on the market price of the shares on the day of issue. The options exercisable at 1 cent each and expiring on 31 March 2013 were valued using a binomial option pricing model based on a risk free rate 2.87%, an underlying security spot price $0.013 and a volatility factor of 113%. The issue of these shares and options has not been included in the remuneration of Mr John McKnight for the year ended 30 June 2013 as they relate to services received prior to the appointment of Mr John McKnight as one of the key management personnel.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2014	1 July 2013 or Appointment	Number of Ordinary Shares Issued as Remuneration	Net Change Other	30 June 2014 or Resignation
Darren Levy	4,500,000	—	5,400,000	9,900,000
Paul Garner	5,100,000	—	29,663,828	34,763,828
Andrew Van Der Zwan	4,029,382	—	—	4,029,382
Colin Sandell-Hay	—	—	—	—
Stephen Leslie Thomas	974,485	—	—	974,485
John McKnight	1,626,000	—	496,000	2,122,000
Jack Toby	959,051	—	3,461,838	4,420,889
	17,188,918	—	39,021,666	56,210,584

Shares held at 1 July 2013 have been amended to reflect the 1 for 10 capital consolidation which occurred on 8 November 2013.

Year Ended 30 June 2013

	Number of Ordinary Shares			
	1 July 2012 or Appointment	**Issued as Remuneration**	**Net Change Other**	**30 June 2013 or Resignation**
Darren Levy	20,000,000	—	25,000,000	45,000,000
Paul Garner	22,055,716	—	28,944,284	51,000,000
Stephen Leslie Thomas	9,744,843	—	—	9,744,843
John McKnight	—	—	16,260,000	16,260,000
Jack Toby	5,000,000	—	4,590,508	9,590,508
	56,800,559	—	74,794,792	131,595,351

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2014

	Number of Options			
	1 July 2013 or Appointment	**Granted as Remuneration**	**Net Change Other**	**30 June 2014 or Resignation**
Darren Levy	600,000	—	(100,000)	500,000
Paul Garner	1,375,000	—	1,024,353	2,399,353
Andrew Van Der Zwan	100,000	—	2,000,000	2,100,000
Colin Sandell-Hay	—	—	—	—
Stephen Leslie Thomas	—	—	—	—
John McKnight	1,426,000	—	(170,000)	1,256,000
Jack Toby	2,446,826	—	1,710,250	4,157,076
	5,947,826	—	4,464,603	10,412,429

Options held at 1 July 2013 have been amended to reflect the 1 for 10 capital consolidation which occurred on 8 November 2013.

Year Ended 30 June 2013

	Number of Options			
	1 July 2012 or Appointment	**Granted as Remuneration**	**Net Change Other**	**30 June 2013 or Resignation**
Darren Levy	11,000,000	—	(5,000,000)	6,000,000
Paul Garner	17,750,000	—	(4,000,000)	13,750,000
Stephen Leslie Thomas	—	—	—	—
John McKnight	—	—	14,260,000	14,260,000
Jack Toby	15,000,000	—	9,468,254	24,468,254
	43,750,000	—	14,728,254	58,478,254

All options are vested and exercisable.

CONVERTIBLE NOTES HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2014

	Number of Convertible Notess			
	1 July 2013 or Appointment	Granted as Remuneration	Net Change Other	30 June 2014 or Resignation
Darren Levy	—	—	100,000	100,000
Paul Garner	—	—	330,000	330,000
Andrew Van Der Zwan	—	—	65,000	65,000
Colin Sandell-Hay	—	—	—	—
Stephen Leslie Thomas	—	—	—	—
John McKnight	—	—	—	—
Jack Toby	—	—	100,000	100,000
	—	—	595,000	595,000

End of Audited Section

SHARE OPTIONS ISSUED

On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 28 November 2013, the Company issued 12,202,334 ordinary shares pursuant to an offer to eligible optionholders of one fully paid ordinary share for every four options cancelled. A total of 48,809,257 options were cancelled comprising 43,009,257 options exercisable at $0.30 each and expiring on 31 October 2015, 3,000,000 options exercisable at $0.15 each and expiring on 30 August 2014, 2,300,000 options exercisable at $0.20 each and expiring on 31 July 2014 and 500,000 options exercisable at $0.50 each and expiring on 31 July 2015. The issue of these shares was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 24 December 2013, the Company lodged a prospectus with ASIC for an underwritten non renounceable pro rata offer of fully paid ordinary shares to existing shareholders ("Rights Issue"). The offer was on the basis of one fully paid ordinary shares in the Company ("Shares") for every five Shares held by shareholders on the record date of 7 January 2014 at an issue price of $0.025 per Share, with one free option exercisable at $0.04 on or before 31 May 2015 ("Attaching Option") for every two new Shares issued. Accordingly the Company issued 20,229,997 Shares and 10,115,043 Attaching Options on 31 January 2014, a further 2,180,000 Shares and 1,090,000 Attaching Options on 5 February 2014 and a further 6,967,889 Shares and 3,483,945 Attaching Options on 21 February 2014.

On 31 January 2014, the Company issued 3,648,000 free options exercisable at $0.04 each and expiring on 31 May 2015 and issued 19,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 31 January 2014.

On 5 February 2014, the Company issued 4,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each as approved at the shareholder meeting held on 31 January 2014.

On 21 February 2014, the Company issued 2,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each and 1,813,200 free options exercisable at $0.04 each and expiring on 31 May 2015.

On 7 April 2014, the Company issued 7,500,000 options exercisable at $0.03 each and expiring on 15 October 2014 at an issue price of $0.001 each. The issue of these securities was ratified at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 10,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 28,339,513 ordinary shares for $0.014291 each and 12,420,407 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 355,000 Variable Price Convertible Notes and 50,000 convertible notes expiring on 29 November 2014.

On 6 July 2014, the Company issued 7,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 July 2014, the Company issued 972,220 ordinary shares and 6,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company issued 8,333,333 ordinary shares for $0.018 each and 4,166,667 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 150,000 Fixed Price Convertible Notes.

On 23 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 23 July 2014, the Company issued 1,500,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. Also on 23 July 2014, the Company issued 1,027,780 ordinary shares and 3,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 23 July 2014, the Company issued 58,220,692 ordinary shares for $0.011319 each and 29,110,352 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 659,000 Variable Price Convertible Notes.

On 7 August 2014, the Company issued 6,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 August 2014, the Company issued 3,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 August 2014, the Company issued 11,154,490 ordinary shares for $0.010758 each and 5,577,246 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 120,000 Variable Price Convertible Notes.

On 9 September 2014, the Company issued 7,086,963 ordinary shares for $0.013546 each and 3,543,482 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 96,000 Variable Price Convertible Notes.

On 10 September 2014, the Company issued 5,576,554 ordinary shares for $0.016139 each and 2,788,278 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 90,000 Variable Price Convertible Notes.

SHARE OPTIONS EXPIRED

During the year ended 30th June 2014, 30,000,000 (pre-consolidation) options to subscribe for unissued fully paid ordinary shares in the Company for 2.75 cents per share expired unexercised on 31 October 2013.

Subsequent to the year ended 30th June 2014, 1,200,000 options to subscribe for unissued fully paid ordinary shares in the Company for 20 cents per share expired unexercised on 31 July 2014.

SHARE OPTIONS EXERCISED

During the year ended 30th June 2014, 7,402 ordinary shares were issued by virtue of the exercise of options exercisable at $0.04 on or before 31 May 2015.

Subsequent to the year ended 30th June 2014, no ordinary shares were issued by virtue of the exercise of options.

SHARE OPTIONS OUTSTANDING

There are 142,749,218 options to subscribe for unissued fully paid ordinary shares in the Company for 4 cents per share expiring 31 May 2015 outstanding at the date of this report.

There are 6,679,509 options to subscribe for unissued fully paid ordinary shares in the Company for 30 cents per share expiring 31 October 2015 outstanding at the date of this report.

There are 7,500,000 options to subscribe for unissued fully paid ordinary shares in the Company for 3 cents per share expiring 15 October 2014 outstanding at the date of this report.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

In addition, there are 1,525,000 Fixed Price Convertible Notes outstanding at the date of this report. The Fixed Price Convertible Notes were issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Fixed Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Fixed Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of $33,520. Except as disclosed above, the Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or

b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF 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. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2014 has been provided to the Company. This declaration has been included in this document.

No other fees were charged by the auditors to the Company or related entities.

Signed in accordance with a resolution of the directors.

Paul Garner
Director

18 September 2014
Perth, Western Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Titan Energy Ltd A.C.N. 109 213 470 ("Company"), I state that:

In the opinion of the directors:

1) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001 including:

   a) complying with International Financial Reporting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b) giving a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Consolidated Entity; and

   c) the remuneration report disclosures set out on pages 10 to 14 of the directors' report (as part of the Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.

2) As required by section 295A of the Corporations Act 2001, the Chief Executive Officer, Mr Paul Garner, and Chief Finance Officer, Mr Jack Toby, have each declared in writing that:

   a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b) the financial statements and notes for the financial year comply with the International Financial Reporting Standards; and

   c) the financial statements and notes for the financial year give a true and fair view.

3) in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.

Paul Garner
Director

18 September 2014
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

	Note	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Oil and gas sales	2	1,469,569	1,463,378
Cost of sales	2	(1,309,446)	(1,234,387)
GROSS PROFIT		160,123	228,991
Revenue from non-operating activities	2	972,184	737,555
Exploration expenses	2	(4,495,234)	(5,013,210)
Share based payments	19	(66,675)	(1,149,709)
Other expenses	2	(1,500,823)	(2,638,846)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(4,930,425)	(7,835,219)
Income tax expense	3	—	—
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE		(4,930,425)	(7,835,219)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		236,417	—
Income tax relating to components of other comprehensive income		—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		236,417	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(4,964,008)	(7,835,219)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	4	(2.40)	(6.80)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	4	(2.40)	(6.80)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

	Note	Consolidated Entity 2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	15	908,986	1,052,470
Trade and other receivables	5	1,032,410	656,996
TOTAL CURRENT ASSETS		1,941,396	1,709,466
NON-CURRENT ASSETS			
Plant and equipment	6	49,174	105,383
Receivables	7	39,348	33,563
Capitalised oil and gas expenditure	8	3,829,073	5,279,096
TOTAL NON-CURRENT ASSETS		3,917,595	5,418,042
TOTAL ASSETS		5,858,991	7,127,508
CURRENT LIABILITIES			
Trade and other payables	9	609,341	1,254,798
Borrowings	10	1,470,000	—
Provisions	11	9,535	8,343
TOTAL CURRENT LIABILITIES		2,088,876	1,263,141
TOTAL LIABILITIES		2,088,876	1,263,141
NET ASSETS		3,770,115	5,864,367
EQUITY			
Issued capital	12	30,669,355	28,155,829
Reserves	13	1,393,942	1,071,295
Accumulated losses		(28,293,182)	(23,362,757)
TOTAL EQUITY		3,770,115	5,864,367

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	Note	Consolidated Entity 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,700,842	1,168,462
Payments to suppliers and employees		(792,987)	(2,785,184)
Production costs		(270,427)	(85,000)
Interest received		3,298	37,855
Interest and finance costs paid		(109,063)	—
Oil sales proceeds received/(paid) and held in suspense pending resolution of entitlements		(203,885)	323,474
Oil sales proceeds received/(paid) and held for other joint venture participants		(122,280)	123,114
Other income		29,835	161,827
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	235,333	(1,055,452)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		(705,254)	(1,722,357)
Proceeds from disposal of oil and gas interests		259,439	—
Exploration expenditure		(3,305,228)	(7,354,204)
Development expenditure		(826,500)	(776,934)
Purchase of plant and equipment		(9,308)	(95,053)
Proceeds from disposal of plant and equipment		40,455	—
Loans to other entities		—	(160,000)
Loans repaid by other entities		100,000	60,000
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		(4,446,396)	(10,048,548)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		759,742	10,332,795
Proceeds from issue of convertible notes		3,380,000	—
Proceeds from capital raising received in previous year		—	(143,750)
Capital raising costs		(153,361)	(518,076)
Borrowings		175,000	350,000
Repayment of borrowings		(80,000)	(350,000)
NET CASH INFLOW FROM FINANCING ACTIVITIES		4,081,381	9,670,969
NET INCREASE/(DECREASE) IN CASH HELD		(129,682)	(1,433,031)
Net foreign exchange differences		(13,802)	146,683
Cash and cash equivalents at beginning of year		1,052,470	2,338,818
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	908,986	1,052,470

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2014

	CONSOLIDATED ENTITY				
ATTRIBUTABLE TO MEMBERS OF THE COMPANY	**Issued Capital $**	**Option Premium Reserve $**	**Currency Translation Reserve $**	**Accumulated Losses $**	**Total Equity $**
AT 1 JULY 2012	18,041,710	220,986	—	(15,527,538)	2,735,158
Loss for year	—	—	—	(7,835,219)	(7,835,219)
TOTAL LOSS FOR THE YEAR	—	—	—	(7,835,219)	(7,835,219)
Securities issued	10,632,195	850,309	—	—	11,482,504
Equity raising costs	(518,076)	—	—	—	(518,076)
AT 30 JUNE 2013	28,155,829	1,071,295	—	(23,362,757)	5,864,367
Currency translation	—	—	236,417	—	236,417
Loss for year	—	—	—	(4,930,425)	(4,930,425)
TOTAL LOSS FOR THE YEAR	—	—	236,417	(4,930,425)	(4,694,008)
Securities issued	2,745,187	86,230		—	2,831,417
Equity raising costs	(231,661)	—	—	—	(231,661)
AT 30 JUNE 2014	30,669,355	1,157,525	236,417	(28,293,182)	3,770,115

The accompanying notes form part of these financial statements

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by Titan Energy Ltd A.C.N. 109 213 470 (“Parent Entity” or "Company") and by the Parent Entity and its controlled entities (“Consolidated Entity” or “Group”) in the preparation of these financial statements.

Basis of Preparation of Accounts

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for any available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is Australian Dollars.

This financial report is issued in accordance with a resolution of the directors of the Company on the same date as the Directors’ Declaration above.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group’s accounting policies.

At the date of authorisation of the financial report, Standards and Interpretations that have been issued but are not yet effective do not have a material impact on these financial statements.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by Titan Energy Ltd A.C.N. 109 213 470 ("Company") in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary; derecognises the carrying amount of any non-controlling interest; derecognises the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

b) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at 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 sheet date. All differences in the consolidated financial report are taken to the income statement 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 the income statement. 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 overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation 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 the income statement as part of the gain or loss on sale as applicable.

c) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 where the deferred income tax liability 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; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:

except where 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; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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. 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 sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

d) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

f) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Oil sales are recognised when an invoice for the sale is issued. Management fees are recognised on a proportional basis.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where 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 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 Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

h) Impairment of assets

The Group 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 Group 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.

i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

j) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 1 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater 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.

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 derecognition 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.

l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivable) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default and delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate. Cashflows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statements within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable 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 income statement.

m) Trade and other payables

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.

n) Investments

Investments and other 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 transactions costs. The Group 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 Group 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

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 sheet 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 making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Impairment of financial assets

Impairment of available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group 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 Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group 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 Group'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 Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mineral stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

p) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and development assets

The Group's accounting policy for exploration and development expenditure is set out below. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key Estimates - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the taxation authorities in the jurisdictions in which the Group operates.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or a binomial model, using the assumptions detailed. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

q) Exploration and Development Expenditure

Oil and gas properties include capitalised project expenditure and development expenditure. The Group uses the units of production method to amortise costs carried forward in relation to its oil and gas properties. For this approach , the calculations are based on proved and probable reserves as determined by the Group's estimates. Impairment of the carrying value of oil and gas expenditure is calculated on a field by field basis.

An area of interest refers to an individual geographical area where the presence of oil or a natural gas field is considered favourable or has been proved to exist.

Acquisition costs of rights to explore are accumulated in respect of each identifiable area of interest. These costs are only carried forward while the right to tenure of the area of interest remains current and only to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Other exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward where the right to tenure of the area of interest remains current and only to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

r) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, 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 at the date at which they are granted. The fair value is determined by using the Black-Scholes or a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (‘market conditions’). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). 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 number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where 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 increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where 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.

s) Earnings/(loss) per share

Basic earnings per share is calculated as net profit attributable to members of the parent, 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 per share is calculated as net profit attributable to members of the parent, 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.

NOTE 2. REVENUE AND EXPENSES

The profit/(loss) before income tax has been determined after:

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
REVENUE FROM CONTINUING OPERATIONS		
Operating activities		
Oil and gas sales	1,469,569	1,463,378
TOTAL REVENUE FROM OPERATING ACTIVITIES	1,469,569	1,463,378
Non-Operating activities		
Interest received from other persons	7,648	37,855
Research and development tax concession rebate	798,180	161,087
Profit on disposal of oil and gas interests	59,141	—
Unrealised exchange gains	—	537,873
Other revenue	107,215	740
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	972,184	737,555
TOTAL REVENUE FROM CONTINUING OPERATIONS	2,441,753	2,200,933
CHARGING AS EXPENSES		
Cost of sales		
Production costs	270,427	85,000
Depletion of production leases	1,039,019	1,149,387
	1,309,446	1,234,387
Exploration expenses		
Exploration expenditure written off	1,848,783	2,224,998
Workover Intangibles	533,742	2,167,921
Lease operating expenses	331,384	553,041
Other exploration expenses	1,781,325	67,250
	4,495,234	5,013,210
Other expenses		
Employee benefits and consultants expenses	462,280	1,397,901
Depreciation	7,647	16,976
Administrative expenses	529,622	1,101,421
Unrealised exchange loss	284,822	—
Rental expense on operating lease	96,394	122,548
Loss on sale of plant and equipment	10,995	—
Interest expense	109,063	—
	1,500,823	2,638,846

	Consolidated Entity 2014 $	2013 $
NOTE 3. INCOME TAX		
INCOME TAX BENEFIT		—
Numerical reconciliation between tax expense and pre-tax net loss:		
LOSS BEFORE INCOME TAX BENEFIT	(4,930,425)	(7,835,219)
Income tax using the Company's domestic tax rate of 30%	(1,479,127)	(2,350,566)
Share based payments	20,002	344,913
Capital raising costs	23,110	31,085
Research and development tax offset received	(239,453)	160,762
Movement in provisions	(1,378)	2,502
Other non-deductible expenses/(deductible tax adjustments)	(114,035)	2,113
Unrealised exchange losses/(gains)	85,447	—
Current year losses for which no deferred tax asset was recognised	1,705,434	1,809,191
INCOME TAX BENEFIT (EXPENSE) ATTRIBUTABLE TO ENTITY	—	—

Estimated unused tax losses of $25,010,141 (2013: $15,763,283) have not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the relevant regulatory authorities in each of the jurisdictions in which the Company operates. The benefit of deferred tax assets not brought to account will only be brought to account if future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised and the conditions for deductibility imposed by the relevant tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

NOTE 4. EARNINGS PER SHARE

	2014	2013
Basic loss per share (cents per share)	(2.40)	(6.80)
Diluted loss per share (cents per share)	(2.40)	(6.80)
Profit/(loss) used in the calculation of basic EPS	(4,930,425)	(7,835,219)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share (i)	205,436,597	114,791,368
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share (i)	205,436,597	114,791,368

(i) On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The weighted average of ordinary shares in 2013 has been amended to reflect the 1 for 10 capital consolidation that occurred on 8 November 2013. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013. This reduced the number of options on issue from 566,887,459 options to 56,688,766 options.

On 28 November 2013, the Company issued 12,202,334 ordinary shares pursuant to an offer to eligible optionholders of one fully paid ordinary share for every four options cancelled. A total of 48,809,257 options were cancelled comprising 43,009,257 options exercisable at $0.30 each and expiring on 31 October 2015, 3,000,000 options exercisable at $0.15 each and expiring on 30 August 2014, 2,300,000 options exercisable at $0.20 each and expiring on 31 July 2014 and 500,000 options exercisable at $0.50 each and expiring on 31 July 2015.

During the year ended 30 June 2014, 75,070,595 options to subscribe for ordinary shares were issued, 7,402 options were exercised and 30,000,000 (pre-consolidation) options expired unexercised, leaving 82,942,702 options outstanding at 30 June 2013 (note 12). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

During the year ended 30 June 2013, 495,054,468 options to subscribe for ordinary shares were issued, 246,879,598 options were exercised and 3,000,000 options expired unexercised, leaving 596,887,459 options outstanding at 30 June 2013 (note 12). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

	Consolidated Entity	
	2014	2013
	$	$

NOTE 5. TRADE AND OTHER RECEIVABLES (CURRENT)

	2014 $	2013 $
Trade debtors	149,922	294,916
Research and development tax concession rebate	802,530	—
Other debtors and prepayments	79,958	362,080
	1,032,410	656,996

Other debtors are non-interest bearing and generally on 30 day terms.

NOTE 6. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

	2014 $	2013 $
At cost	190,287	236,813
Accumulated depreciation	(141,113)	(131,430)
TOTAL PLANT AND EQUIPMENT	49,174	105,383

MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

	2014 $	2013 $
At the beginning of the financial year	105,383	24,533
Additions	9,308	98,686
Depreciation expense	(7,647)	(16,976)
Disposals	(40,455)	—
Loss on disposals	(10,995)	—
Currency exchange adjustment	(6,420)	(860)
TOTAL PLANT AND EQUIPMENT	49,174	105,383

NOTE 7. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	2014 $	2013 $
Deposits	39,348	33,563
	39,348	33,563

NOTE 8. CAPITALISED OIL AND GAS EXPENDITURE

MOVEMENTS IN THE CARRYING AMOUNT OF LEASE ACQUISITION COSTS FOR PRODUCING PROPERTIES

	2014 $	2013 $
At the beginning of the financial year	861,268	19,625
Expenditure incurred during the year	31,275	1,130,527
Depletion	(238,999)	(288,884)
Written off during the year	(31,275)	—
Exchange rate adjustment	(6,357)	—
AT THE END OF THE FINANCIAL YEAR	615,912	861,268

	Consolidated Entity 2014 $	2013 $
MOVEMENTS IN THE CARRYING AMOUNT OF LEASE ACQUISITION COSTS FOR UNDEVELOPED PROPERTIES		
At the beginning of the financial year	1,312,506	554,221
Expenditure incurred during the year	670,703	657,653
Written off during the year	(282,886)	—
Disposals	(259,439)	—
Profit on disposals	59,141	—
Exchange rate adjustment	(6,139)	100,632
AT THE END OF THE FINANCIAL YEAR	1,493,886	1,312,506
MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION AND DEVELOPMENT COSTS ON PRODUCING PROPERTIES		
At the beginning of the financial year	2,916,904	—
Expenditure incurred during the year	51,075	3,896,870
Exchange rate adjustment	(21,799)	(119,463)
Depletion	(800,020)	(860,503)
Written off during the year	(1,318,134)	—
AT THE END OF THE FINANCIAL YEAR	828,026	2,916,904
MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION AND DEVELOPMENT COSTS ON UNDEVELOPED PROPERTIES		
At the beginning of the financial year	188,418	—
Expenditure incurred during the year	888,976	2,482,848
Exchange rate adjustment	37,244	(69,432)
Depletion	—	—
Written off during the year	(223,389)	(2,224,998)
AT THE END OF THE FINANCIAL YEAR	891,249	188,418
TOTAL CAPITALISED OIL AND GAS EXPENDITURE	3,829,073	5,279,096

Amortisation for producing properties is based on total production compared with the estimated life of production assets. Recoverability of the carrying amount of the capitalised oil and gas expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTE 9. TRADE AND OTHER PAYABLES (CURRENT)

Trade creditors	72,038	704,939
Sundry creditors and accrued expenses	537,303	549,859
	609,341	1,254,798

NOTE 10. BORROWINGS (CURRENT)

Variable Price Convertible Notes	445,000	—
Fixed Price Convertible Notes	930,000	—
Loans	95,000	—
	1,470,000	—

Variable Price Convertible Notes have been issued for $1.00 each for a term expiring on 20 May 2015 with interest payable on a 9.25% per annum basis. Each Variable Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.05 per Share or 80% of the 5 day VWAP, whichever is lower at the election of the noteholder. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Variable Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

Fixed Price Convertible Notes have been issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Fixed Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Fixed Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

	Consolidated Entity	
	2014 $	2013 $
NOTE 11. PROVISIONS (CURRENT)		
Employee benefits	9,535	8,343
	9,535	8,343

	Consolidated Entity 2014 $	2013 $
NOTE 12. ISSUED CAPITAL		
320,253,202 (2013: 1,595,217,910) fully paid ordinary shares	30,669,355	28,155,829
	30,669,355	28,155,829

MOVEMENTS IN ORDINARY SHARES		
At the beginning of the financial year	28,155,829	18,041,710
165,000 shares issued on 29 November 2013	5,445	—
20,229,997 shares issued on 31 January 2014	505,749	—
2,180,000 shares issued on 5 February 2014	54,500	—
19,102,907 shares issued on 7 February 2014	385,000	—
2,301 shares issued on 21 February 2014	92	—
14,046,404 shares issued on 21 February 2014	269,999	—
6,967,889 shares issued on 21 February 2014	174,197	—
4,000 shares issued on 3 March 2014	160	—
1,390,666 shares issued on 3 March 2014	25,001	—
18,557,317 shares issued on 10 March 2014	310,000	—
1,101 shares issued on 10 March 2014	44	—
10,968,111 shares issued on 25 March 2014	173,000	—
11,162,025 shares issued on 7 April 2014	190,000	—
1,944,769 shares issued on 14 April 2014	40,000	—
7,839,354 shares issued on 29 April 2014	130,000	—
5,627,422 shares issued on 27 May 2014	77,000	—
28,339,513 shares issued on 27 June 2014	405,000	—
35,000,000 shares issued on 2 July 2012	—	455,000
126,800,000 shares issued on 23 July 2012	—	1,585,000
10,000,000 shares issued on 14 August 2012	—	125,000
29,027,250 shares issued on 21 September 2012	—	310,409
20,000,000 shares issued on 28 September 2012	—	250,000
83,334 shares issued on 5 November 2012	—	1,250
1,906,381 shares issued on 6 December 2012	—	28,596
20,000,000 shares issued on 13 December 2012	—	300,000
76,376,242 shares issued on 9 January 2013	—	1,145,644
107,186,391 shares issued on 11 January 2013	—	1,607,796
30,000,000 shares issued on 17 January 2013	—	450,000
42,360,000 shares issued on 15 March 2013	—	529,500
81,333,333 shares issued on 22 March 2013	—	1,037,500
10,000,000 shares issued on 28 March 2013	—	100,000
127,500,000 shares issued on 18 April 2013	—	1,606,500
110,000,000 shares issued on 17 June 2013	—	1,100,000
Share issue expenses	(231,661)	(518,076)
AT THE END OF THE FINANCIAL YEAR	30,669,355	28,155,829

On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 28 November 2013, the Company issued 12,202,334 ordinary shares pursuant to an offer to eligible optionholders of one fully paid ordinary share for every four options cancelled. A total of 48,809,257 options were cancelled comprising 43,009,257 options exercisable at $0.30 each and expiring on 31 October 2015, 3,000,000 options exercisable at $0.15 each and expiring on 30 August 2014, 2,300,000 options exercisable at $0.20 each and expiring on 31 July 2014 and 500,000 options exercisable at $0.50 each and expiring on 31 July 2015. The issue of these shares was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 29 November 2013, the Company issued 165,000 ordinary shares in consideration for corporate services provided, as approved in resolution 7 of the Annual General Meeting of shareholders held on 06 November 2013 (“AGM”). The issue of the Convertible Notes was approved in resolutions 10 and 11 at the AGM.

On 24 December 2013, the Company lodged a prospectus with ASIC for an underwritten non renounceable pro rata offer of fully paid ordinary shares to existing shareholders (“Rights Issue”). The offer was on the basis of one fully paid ordinary shares in the Company ("Shares") for every five Shares held by shareholders on the record date of 7 January 2014 at an issue price of $0.025 per Share, with one free option exercisable at $0.04 on or before 31 May 2015 (“Attaching Option“) for every two new Shares issued. Accordingly the Company issued 20,229,997 Shares and 10,115,043 Attaching Options on 31 January 2014, a further 2,180,000 Shares and 1,090,000 Attaching Options on 5 February 2014 and a further 6,967,889 Shares and 3,483,945 Attaching Options on 21 February 2014.

On 7 February 2014, the Company issued 19,102,907 ordinary shares pursuant to the conversion of 385,000 convertible notes. The Shares were issued for $0.020154 each being 80% of the volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the date of issue of the Shares, as required by the Convertible Note agreements.

On 21 February 2014, the Company issued 2,301 ordinary shares for $0.04 each pursuant to the exercise of 2,301 options exercisable at $0.04 on or before 31 May 2015 and 14,046,404 ordinary shares for $0.019222 each pursuant to the conversion of 270,000 convertible notes.

On 3 March 2014, the Company issued 4,000 ordinary shares for $0.04 each pursuant to the exercise of 4,000 options exercisable at $0.04 on or before 31 May 2015 and 1,390,666 ordinary shares for $0.017977 each pursuant to the conversion of 25,000 convertible notes.

On 10 March 2014, the Company issued 1,101 ordinary shares for $0.04 each pursuant to the exercise of 1,101 options exercisable at $0.04 on or before 31 May 2015 and 18,557,317 ordinary shares for $0.016705 each pursuant to the conversion of 310,000 convertible notes.

On 25 March 2014, the Company issued 10,968,111 ordinary shares for $0.015773 each pursuant to the conversion of 173,000 convertible notes.

On 7 April 2014, the Company issued 11,162,025 ordinary shares for $0.017022 each pursuant to the conversion of 190,000 convertible notes, comprising 60,000 convertible notes expiring on 29 November 2014 and 130,000 convertible notes expiring on 4 February 2015.

On 14 April 2014, the Company issued 1,944,769 ordinary shares for $0.020568 each pursuant to the conversion of 40,000 convertible notes.

On 29 April 2014, the Company issued 7,839,354 ordinary shares for $0.016583 each pursuant to the conversion of 130,000 convertible notes.

On 27 May 2014, the Company issued 5,627,422 ordinary shares for $0.013683 each pursuant to the conversion of 77,000 convertible notes expiring on 29 November 2014.

On 27 June 2014, the Company issued 28,339,513 ordinary shares for $0.014291 each and 12,420,407 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 355,000 Variable Price Convertible Notes and 50,000 convertible notes expiring on 29 November 2014.

At 30 June 2014 there were 82,942,702 unissued ordinary shares for which options were outstanding. These comprise 67,563,193 options which entitle the holder to subscribe for one ordinary share in the Company for 4 cents per share and expire on 31 May 2015, 1,200,000 options which entitle the holder to subscribe for one ordinary share in the Company for 20 cents per share and expire on 31 July 2014, 7,500,000 options which entitle the holder to subscribe for one ordinary share in the Company for 3 cents per share and expire on 15 October 2014 and 6,679,509 options which entitle the holder to subscribe for one ordinary share in the Company for 30 cents per share and expire on 31 October 2015.

At 30 June 2014, there were 445,000 Variable Price Convertible Notes and 930,000 Fixed Price Convertible Notes outstanding. The Convertible Notes were issued for $1.00 each. The Variable Price Convertible Notes were issued for a term expiring on 20 May 2015 with interest payable on a 9.25% per annum basis. Each Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.05 per Share or 80% of the 5 day VWAP, whichever is lower at the election of the noteholder. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Convertible Notes. The Fixed Price Convertible Notes were issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

At 30 June 2013 there were 596,887,459 unissued ordinary shares for which options were outstanding. These comprise 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 2.75 cents per share and expire on 31 October 2013, 35,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 2 cents per share and expire on 31 July 2014, 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 1.5 cents per share and expire on 30 August 2014, 5,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 5 cents per share and expire on 31 July 2015 and 496,887,459 options which entitle the holder to subscribe for one ordinary share in the Company for 3 cents per share and expire on 31 October 2015. On exercise of each option expiring on 30 August 2014, the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014.

CAPITAL MANAGEMENT

Management controls the capital of the Group comprising the liquid assets held by the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

NOTE 13. RESERVES

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Option premium reserve	1,157,525	1,071,295
Currency translation reserve	236,417	—
	1,393,942	1,071,295

MOVEMENTS IN OPTION PREMIUM RESERVE

	2014 $	2013 $
At the beginning of the financial year	1,071,295	220,986
3,648,000 options issued on 31 January 2014	40,750	—
19,000,000 options issued on 31 January 2014	9,500	—
4,000,000 options issued on 5 February 2014	2,000	—
2,000,000 options issued on 21 February 2014	1,000	—
1,813,200 options issued on 21 February 2014	20,480	—
7,500,000 options issued on 7 April 2014	7,500	—
10,000,000 options issued on 27 June 2014	5,000	—
78,280,000 options issued on 2 July 2012	—	508,180
40,000,000 options issued on 23 July 2012	—	30,000
12,400,000 options issued on 14 August 2012	—	22,000
18,500,000 options issued on 6 December 2012	—	68,381
51,250,000 options issued on 9 January 2013	—	52,917
12,600,000 options issued on 11 January 2013	—	12,600
24,000,000 options issued on 17 January 2013	—	24,000
9,951,758 options issued on 21 January 2013	—	64,956
15,120,000 options issued on 15 March 2013	—	1,000
32,111,110 options issued on 22 March 2013	—	5,000
200,841,600 options issued on 17 June 2013	—	61,275
AT THE END OF THE FINANCIAL YEAR	1,157,525	1,071,295

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

	2014 $
At the beginning of the financial year	—
Consolidation adjustment for the year	236,417
AT THE END OF THE FINANCIAL YEAR	236,417

The option premium reserve is used to accumulate the fair value of options issued and premiums received on the issue of options.

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

On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 28 November 2013, the Company issued 12,202,334 ordinary shares pursuant to an offer to eligible optionholders of one fully paid ordinary share for every four options cancelled. A total of 48,809,257 options were cancelled comprising 43,009,257 options exercisable at $0.30 each and expiring on 31 October 2015, 3,000,000 options exercisable at $0.15 each and expiring on 30 August 2014, 2,300,000 options exercisable at $0.20 each and expiring on 31 July 2014 and 500,000 options exercisable at $0.50 each and expiring on 31 July 2015. The issue of these shares was approved at the Annual General Meeting of shareholders held on 6 November 2013.

On 24 December 2013, the Company lodged a prospectus with ASIC for an underwritten non renounceable pro rata offer of fully paid ordinary shares to existing shareholders (“Rights Issue”). The offer was on the basis of one fully paid ordinary shares in the Company ("Shares") for every five Shares held by shareholders on the record date of 7 January 2014 at an issue price of $0.025 per Share, with one free option exercisable at $0.04 on or before 31 May 2015 (“Attaching Option“) for every two new Shares issued. Accordingly the Company issued 20,229,997 Shares and 10,115,043 Attaching Options on 31 January 2014, a further 2,180,000 Shares and 1,090,000 Attaching Options on 5 February 2014 and a further 6,967,889 Shares and 3,483,945 Attaching Options on 21 February 2014.

On 31 January 2014, the Company issued 3,648,000 free options exercisable at $0.04 each and expiring on 31 May 2015 and issued 19,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 31 January 2014.

On 5 February 2014, the Company issued 4,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each as approved at the shareholder meeting held on 31 January 2014.

On 21 February 2014, the Company issued 2,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each and 1,813,200 free options exercisable at $0.04 each and expiring on 31 May 2015.

On 7 April 2014, the Company issued 7,500,000 options exercisable at $0.03 each and expiring on 15 October 2014 at an issue price of $0.001 each. The issue of these securities was ratified at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 10,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 27 June 2014, the Company issued 28,339,513 ordinary shares for $0.014291 each and 12,420,407 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 355,000 Variable Price Convertible Notes and 50,000 convertible notes expiring on 29 November 2014.

	Company 2014 $	Company 2013 $
NOTE 14. PARENT ENTITY		
FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL YEAR:		
CURRENT ASSETS		
Cash and cash equivalents	598,733	155,798
Trade and other receivables	860,127	251,202
TOTAL CURRENT ASSETS	1,458,860	407,000
NON-CURRENT ASSETS		
Plant and equipment	27,558	77,347
Receivables	13,180,882	10,623,313
Other financial assets	10	10
TOTAL NON-CURRENT ASSETS	13,208,450	10,700,670
TOTAL ASSETS	14,667,310	11,107,670
CURRENT LIABILITIES		
Trade and other payables	305,086	130,766
Borrowings	1,470,000	—
Provisions	—	4,593
TOTAL CURRENT LIABILITIES	1,775,086	135,359
TOTAL LIABILITIES	1,775,086	135,359
NET ASSETS/(LIABILITIES)	12,892,224	10,972,311
EQUITY		
Issued capital	30,669,355	28,155,829
Reserves	1,157,525	1,071,295
Accumulated losses	(18,934,656)	(18,254,813)
TOTAL EQUITY	12,892,224	10,972,311
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL YEAR:		
Profit/(loss) after related income tax expense	(679,843)	(3,199,099)
Other comprehensive income	—	—
TOTAL COMPREHENSIVE INCOME	(679,843)	(3,199,099)

There are no contingent liabilities of the Parent Entity as at the reporting date.

NOTE 15. CASH FLOW INFORMATION

	Consolidated Entity 2014 $	2013 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX		
Profit/(loss) after tax	(4,930,425)	(7,835,219)
Cash flows in profit/(loss) attributable to non-operating activities		
Exploration expenditure	2,646,451	2,788,212
Non-cash flows in profit/(loss)		
Depletion	1,039,019	3,374,385
Depreciation of plant and equipment	7,647	16,976
Exploration expenditure written off	1,541,523	—
Lease acquisition expenditure written off	307,260	—
Cost of share based payment	66,675	1,149,709
Loss/(Profit) on disposal of oil and gas properties	(59,141)	
Loss/(Profit) on disposal of plant & equipment	10,995	—
Foreign exchange (profit)/loss	284,822	(537,873)
Charges to provisions	1,192	8,343
Changes in assets and liabilities		
Decrease/(increase) in debtors and receivables relating to operating activities	(472,300)	(548,588)
Increase/(decrease) in creditors and accruals relating to operating activities	(208,385)	528,603
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	235,333	(1,055,452)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year is shown in the accounts as:

	2014 $	2013 $
Cash	908,986	1,052,470
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	908,986	1,052,470

At 30 June 2014 cash balances comprised A$598,733 denominated in Australian Dollars and A$310,253 denominated in United States Dollars.

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year, the Company issued securities valued at $66,675 as share based payments and 2,005,000 convertible notes of $1.00 each were converted to ordinary shares.

There were no other non-cash financing and investing activities during the year.

There were no financing facilities in place for the Company at 30 June 2014.

	Consolidated Entity	
	2014	2013
	$	$

NOTE 16. AUDITOR'S REMUNERATION

	2014 $	2013 $
Remuneration of the auditor for:		
Auditing or reviewing the financial report	29,191	31,500
Tax compliance services	—	5,900
	29,191	37,400

NOTE 17. EXPENDITURE COMMITMENTS

Non-Cancellable operating leases contracted for but not capitalised in the accounts:

Payable	2014 $	2013 $
not later than one year	41,750	21,750
later than 1 year but not later than 5 years	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	41,750	21,750

The property lease is a non-cancellable lease which expires on 1 March 2015 with rent payable monthly in advance.

CAPITAL EXPENDITURE COMMITMENTS

Onshore Western Australia

The Company has an Exploration Permit (EP455) in the North Perth Basin in the Eneabba region, which AWE Limited (AWE) has farmed into for an 81.5% equity share. Pursuant to the farmin agreement, AWE will carry TTE through to a gross permit expenditure up to $7,500,000 after which AWE will pay 81.5% and TTE will pay 18.5% of approved work programs and budget expenditure. During the year ended 30 June 2014, a gas exploration well (Drover 1) was drilled on the permit which has complied with work program obligations on the tenement.

The Company's expenditure commitments for these EL's, SPA's, DR's and EP's is estimated as follows:

	Consolidated Entity	
	2014 $	2013 $
Payable		
not later than one year	—	2,162,968
later than 1 year but not later than 5 years	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	—	2,162,968

NOTE 18. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity	
	2014 $	2013 $
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Short term employee benefits	523,483	996,528
Post employment benefits	9,699	25,000
Share based payment benefits	—	—
	533,182	1,021,528

On 2 July 2012, the Company issued 25,000,000 Ordinary Shares valued at $325,000 and 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 valued at $213,500 to nominees of Cities Energy LLC, a company associated with Mr John McKnight, for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition. Of the 25,000,000 ordinary shares and 35,000,000 options issued, 10,000,000 ordinary shares valued at $130,000 and 10,000,000 options valued at $61,000 were issued to Cities Energy LLC and the remainder of the shares and options were issued to other nominees of Cities Energy LLC. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012. The ordinary shares were valued at $0.013 each based on the market price of the shares on the day of issue. The options exercisable at 1 cent each and expiring on 31 March 2013 were valued using a binomial option pricing model based on a risk free rate 2.87%, an underlying security spot price $0.013 and a volatility factor of 113%. The issue of these shares and options has not been included in the remuneration of Mr John McKnight for the year ended 30 June 2013 as they relate to services received prior to the appointment of Mr John McKnight as one of the key management personnel.

NOTE 19. SHARE BASED PAYMENTS

OPTIONS ISSUED AS SHARE BASED PAYMENTS	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at beginning of year	6,879,336	$0.2491
Converted to Shares on 28-Nov-13 pursuant to Options Offer	(5,329,336)	$0.2568
Granted	5,461,200	$0.04
Forfeited	—	—
Exercised	—	—
Expired	—	—
OUTSTANDING AND EXERCISABLE AT YEAR END	7,011,200	$0.0804

Options outstanding at the beginning of the year have been amended to reflect the 1 for 10 capital consolidation which occurred on 8 November 2013.

The weighted average remaining contractual life subsequent to 30 June 2013 of these options is 296 days.

On 29 November 2013, the Company issued 165,000 ordinary shares valued at $5,445 as a share based payment in consideration for corporate services provided.

The cost of share based payments for the year ended 30 June 2014 was $66,675 (2013: $1,149,709).

NOTE 20. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group's principal activities are exploration, development and production for oil and gas (including coal seam methane gas) and investment in the resources industry. These activities are managed on a project by project basis. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payable and certain direct borrowings.

Items of revenue, expense, assets and liabilities are not allocated to operating segments if they are not considered part of the core operations of any segment.

	YEAR TO 30 JUNE 2014			YEAR TO 30 JUNE 2013		
	Oil and Gas Australia $	**Oil and Gas USA $**	**Total $**	**Oil and Gas Australia $**	**Oil and Gas USA $**	**Total $**
SEGMENT PERFORMANCE						
External revenue	—	1,469,569	1,469,569	—	1,463,378	1,463,378
TOTAL SEGMENT REVENUE	—	1,469,569	1,469,569	—	1,463,378	1,463,378
Segment net profit/(loss) before tax	(850,635)	(4,250,582)	(5,101,217)	(2,294,430)	(3,953,671)	(6,248,101)
RECONCILIATION OF SEGMENT RESULT TO NET PROFIT/(LOSS) BEFORE TAX						
Amounts not included in segment results but reviewed by the Board:						
Interest received			7,648			37,855
Interest expense			(107,836)			—
Other income			—			740
Research and development tax concession rebate			798,180			161,087
Unrealised exchange gain/(loss)			(284,822)			537,873
Other expenses			(242,378)			(2,324,673)
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			(4,930,425)			(7,835,219)

	30 June 2014			30 June 2013		
	Oil and Gas Australia $	**Oil and Gas USA $**	**Total $**	**Oil and Gas Australia $**	**Oil and Gas USA $**	**Total $**
SEGMENT ASSETS						
Segment assets	—	3,829,073	3,829,073	—	5,279,096	5,279,096
RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS						
Unallocated assets:						
Cash and cash equivalents			908,986			1,052,470
Receivables			1,071,758			690,559
Plant and equipment			49,174			105,383
TOTAL ASSETS FROM CONTINUING OPERATIONS			5,858,991			7,127,508

	30 June 2014			30 June 2013		
	Oil and Gas Australia $	**Oil and Gas USA $**	**Total $**	**Oil and Gas Australia $**	**Oil and Gas USA $**	**Total $**
SEGMENT LIABILITIES						
Segment liabilities	—	313,790	313,790	—	1,127,781	1,127,781
RECONCILIATION OF SEGMENT LIABILITIES TO TOTAL LIABILITIES						
Unallocated liabilities:						
Other liabilities			1,775,086			135,360
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			2,088,876			1,263,141

REVENUE BY GEOGRAPHICAL REGION

Revenue attributed to external customers is disclosed below based on the location of the external customers.

	Year to 30 June 2014 $	Year to 30 June 2013 $
Australia	—	—
USA	1,469,569	1,463,378
	1,469,569	1,463,378

ASSETS BY GEOGRAPHICAL REGION

The location of assets is disclosed below by the geographical location of the assets.

	30 June 2014 $	30 June 2013 $
Australia	1,498,418	496,357
USA	4,360,573	6,631,151
	5,858,991	7,127,508

MAJOR CUSTOMERS

Due to the nature of its current operations, the Group does not provide products and services.

NOTE 21. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2014	2013	2014 $	2013 $	2014 $	2013 $
Parent Entity						
Titan Energy Ltd					(679,843)	(3,881,548)
Entities controlled by Titan Energy Ltd						
Titan Energy Inc	100%	100%	10	10	(1,457,067)	(1,270,762)
Sunset Energy LLC	100%	100%	—	—	(146,037)	(8,412)
North Perth Basin Pty Ltd	100%	100%	—	—	—	—
Entities controlled by Titan Energy Inc						
Titan Energy LLC	100%	100%	—	—	(907,258)	(188,218)
Titan Allen Dome LLC	100%	100%	—	—	(1,739,197)	(2,483,958)
Titan Energy Nevada LLC	100%	100%	—	—	(1,023)	(2,321)
			10	10	(4,930,425)	(7,835,219)

Titan Energy Inc, Titan Energy LLC, Titan Allen Dome LLC and Sunset Energy LLC are registered in the State of Delaware in the United States of America. Titan Energy Nevada LLC is registered in the State of Nevada in the United States of America.

NOTE 22. SUPERANNUATION COMMITMENTS

The Company makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

NOTE 23. CONTINGENT LIABILITIES

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

NOTE 24. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, convertible notes and loans to and from subsidiaries, which arise directly from its operations. The Group’s policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance Group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

Treasury Risk Management

The Board considers the Group’s financial risk exposure and treasury management strategies in the context of the Group’s operations. The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

Interest rate risk

The Company has a policy of minimising its exposure to interest payable on debt. The Group pays interest on loans and convertible notes. It has no other debt that requires the payment of interest.

Financial Instruments	Terms and Conditions and Interest Rate Risk
Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk.
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Variable Price Convertible Notes	Variable Price Convertible Notes have been issued for $1.00 each for a term expiring on 20 May 2015 with interest payable on a 9.25% per annum basis. Each Variable Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.05 per Share or 80% of the 5 day VWAP, whichever is lower at the election of the noteholder. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Variable Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity. The Company expects that the majority of Variable Price Convertible Notes will be converted to ordinary shares prior to maturity. This is consistent with past experience.

FINANCIAL INSTRUMENTS	TERMS AND CONDITIONS AND INTEREST RATE RISK
Fixed Price Convertible Notes	Fixed Price Convertible Notes have been issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Fixed Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Fixed Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity. The Company expects that the majority of Variable Price Convertible Notes will be converted to ordinary shares prior to maturity. This is consistent with past experience.
Other Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group does not seek to hedge this exposure.

LIQUIDITY RISK

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available through on-going business activity, the sale of assets, joint venture arrangements and capital raising.

CREDIT RISK

At 30 June 2014, cash deposits of US$14,965 were committed as security for a credit card (2013: US$40,000)

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no other material amounts of collateral held as security at 30 June 2014 or at 30 June 2013. Credit risk is managed on a Group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 30 June 2014 and at 30 June 2013 are not rated, however given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group.

PRICE RISK

The Group is exposed to commodity price risk through its own activities and its joint venture interests. Oil and gas prices have remained approximately consistent over the last 12 months and the Group does not currently hedge the price at which it sells oil and gas.

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	609,341	1,254,798
6 months to 1 year	—	—
later than 1 year but not later than 5 years	—	—
over 5 years	—	—
	609,341	1,254,798

FAIR VALUES

The aggregate net fair values of the Consolidated Entity's financial assets and financial liabilities, both recognised and unrecognised are as follows:

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2014 $	AGGREGATE NET FAIR VALUE 2014 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2013 $	AGGREGATE NET FAIR VALUE 2013 $
Financial Assets				
Cash assets	908,986	908,986	1,052,470	1,052,470
Receivables	1,071,758	1,071,758	690,559	690,559
Financial Liabilities				
Payables and borrowings	2,079,341	2,079,341	1,254,798	1,254,798

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value. The Group does not carry financial instruments at fair value at 30 June 2014.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity 2014 $	2013 $
CHANGE IN PROFIT DUE TO:		
Increase in interest rate by 2%	(11,430)	51,935
Decrease in interest rate by 2%	23,380	(37,855)
CHANGE IN EQUITY DUE TO:		
Increase in interest rate by 2%	(11,430)	51,935
Decrease in interest rate by 2%	23,380	(37,855)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2014, the effect on profit and equity as a result of changes in the foreign currency exchange rate, with all other variables remaining constant would be as follows:

	Consolidated Entity 2014 $	2013 $
CHANGE IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	589,252	289,652
Decline in AUD to USD by 5%	(533,133)	(262,066)
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	212,989	289,652
Decline in AUD to USD by 5%	(192,704)	(262,066)

NOTE 25. RELATED PARTY TRANSACTIONS

The Company is not controlled by any other entity.

Marven Pty Ltd received benefits from the Company for services performed by Mr Darren Levy, while he was a director of the Company. This remuneration received by Marven Pty Ltd for the services of Mr Darren Levy as a director of the Company is included in the remuneration of Mr Darren Levy in the Remuneration Report which is within the Directors' Report.

Ohio Holdings Pty Ltd received benefits from the Company for services performed by Mr Paul Garner, while he was a director of the Company. This remuneration received by Ohio Holdings Pty Ltd for the services of Mr Paul Garner as a director of the Company is included in the remuneration of Mr Paul Garner in the Remuneration Report which is within the Directors' Report.

During the previous financial year, the Company provided unsecured loan funds of $100,000 to PHW Consolidated Limited, a public company in which Mr Darren Levy and Mr Paul Garner are directors and shareholders on normal commercial terms. Mr Darren Levy and Mr Paul Garner were also directors of the Company. The loan attracted interest at the rate of 10% per year. The loan was repaid on 19 July 2013 together with interest on the loan.

On 9 August 2013, the Company announced that it had entered into $1 million unsecured loan facility agreement with a private company controlled by Director of the Company, Mr Paul Garner, on arms-length commercial terms. The loan facility would be available for draw-down to allow the Company to fast-track its exploration drilling activities in the United States. The loan facility would be a 12 month facility set at a commercial interest rate of 8%. The Company had the option of early repayment in part or entirety. On 29 November 2013, the Company agreed to reduce amount of the loan facility to $500,000 consequent on entities associated with Mr Paul Garner subscribing $380,000 for convertible notes issued by the Company.

During the financial year the company borrowed $100,000 from Marven Pty Ltd, a company associated with Mr Darren Levy who is a director of the Company. The loan was interest free and unsecured. The loan was repaid in full during the financial year.

During the financial year the company borrowed varying amounts to a maximum of $825,000 from entities associated with Mr Paul Garner who is a director of the Company. The loans were unsecured and prior to 9 August 2013 were interest free. From 9 August 2013, the loans attracted interest of 8% per year. At 30 June 2014, $45,000 remained owing to Ohio Holdings Pty Ltd, a company associated with Mr Paul Garner. The loan was repaid in full subsequent to the end of the financial year.

At 30 June 2014, directors and their related entities held directly, indirectly or beneficially 48,693,210 ordinary shares in the Company, 4,999,353 options over ordinary shares in the Company and 495,000 convertible notes of $1.00 each.

At 30 June 2013, directors and their related entities held directly, indirectly or beneficially 105,744,843 ordinary shares (on a pre-consolidation basis) in the Company and 19,750,000 options (on a pre-consolidation basis) over ordinary shares in the Company.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 26. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 27. EVENTS SUBSEQUENT TO BALANCE DATE

On 6 July 2014, the Company issued 290,000 Variable Price Convertible Notes and 270,000 Fixed Price Convertible Notes. The Convertible Notes were issued for $1.00 each. Also on 6 July 2014, the Company issued 7,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company announced that it had sold a 12.5% working interest in its Sargent Ranch project in Texas for US$125,000.

On 7 July 2014, the Company issued 160,000 Variable Price Convertible Notes and 270,000 Fixed Price Convertible Notes. The Convertible Notes were issued for $1.00 each. Also on 7 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 July 2014, the Company issued 972,220 ordinary shares and 6,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 July 2014, the Company issued 8,333,333 ordinary shares for $0.018 each and 4,166,667 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 150,000 Fixed Price Convertible Notes.

On 18 July 2014, the Company announced that on 28 May 2013, it had submitted an Application to Suspend and Extend the terms of tenure pertaining to DR 11. The Company had requested 18-months in order to complete its work obligation for the area. On the 27th September 2013 the Company received an approval for a 12-month Suspension and Extension of terms expiring 4th June 2014. The Company found this to be insufficient time to complete the Warradarge #2 Deep Exploration Well in line with best industry practice. The Company nominated this time to complete rehabilitation and reporting for the area. Consequently, a decision had been made to submit an application to surrender the permit area in good standing.

On 23 July 2014, the Company issued 375,000 Fixed Price Convertible Notes for $1.00 each. Also on 23 July 2014, the Company issued 1,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 23 July 2014, the Company issued 1,500,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. Also on 23 July 2014, the Company issued 1,027,780 ordinary shares and 3,000,000 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 23 July 2014, the Company issued 70,000 Variable Price Convertible Notes for $1.00 each.

On 23 July 2014, the Company issued 58,220,692 ordinary shares for $0.011319 each and 29,110,352 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 659,000 Variable Price Convertible Notes.

On 30 July 2014, the Company announced that operations on re-entry of the Poole-3 well in Sargent Ranch, Texas had commenced on 29 July 2014.

On 30 July 2014, AWE Limited announced their June Quarterly Activities Report which included the following appraisal of the Drover-1 well “In exploration permit EP455 (AWE 81.5%, Operator), the Drover–1 vertical exploration well reached its planned total depth of 2,356m and 5 1/2 inch production casing was set before the well was suspended in July. The target formations intersected were the Kockatea Shale, 787m, the Carynginia Shale, 257m, the Irwin River Coal Measures, 289m, and the High Cliff Sandstone, 14.5m. Two cores were cut providing 21.5m of sample from the Kockatea Shale and sidewall cores were taken in the most prospective intervals. Significant gas readings were observed during drilling of the Kockatea Shale and Carynginia Shale and log and core data from these intervals will be fully analysed and evaluated before deciding on the next phase of exploration activity. Gross drilling costs are estimated at $8 million.”.

On 7 August 2014, the Company issued 100,000 Fixed Price Convertible Notes for $1.00 each. Also on 7 August 2014, the Company issued 6,500,000 free options exercisable at $0.04 each and expiring on 31 May 2015 to employees and contractors of the Company or its subsidiaries. Also on 7 August 2014, the Company issued 3,000,000 options exercisable at $0.04 each and expiring on 31 May 2015 at an issue price of $0.0005 each. The issue of these securities was approved at the shareholder meeting held on 27 June 2014.

On 7 August 2014, the Company issued 11,154,490 ordinary shares for $0.010758 each and 5,577,246 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 120,000 Variable Price Convertible Notes.

On 18 August 2014, the Company announced the successful farm out of the Perry Ranch project area. Under the terms of the agreement Southern Resource Company, et al will pay Titan a prospect fee and will drill the Perry-1 well, carrying Titan for a 20% Working Interest (WI) through the tanks. Titan has elected to participate for an additional 20% and will now hold a 40% WI in Perry Ranch with Southern Resource et al holding the remaining 60%.

On 9 September 2014, the Company issued 7,086,963 ordinary shares for $0.013546 each and 3,543,482 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 96,000 Variable Price Convertible Notes.

On 10 September 2014, the Company issued 5,576,554 ordinary shares for $0.016139 each and 2,788,278 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 90,000 Variable Price Convertible Notes.

There have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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Profit from our Resources

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Independent Auditor's Report
To the members of Titan Energy Ltd

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Titan Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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 of the consolidated entity comprising 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, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 about 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 entity's preparation of the financial report that gives a true and fair view 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 the entity's 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.

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*.

OPINION

In our opinion:

a) the financial report of Titan Energy Ltd is 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 2014 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.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2014. 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 in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Titan Energy Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

18 September 2014
Perth

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with governance of Titan Energy Ltd

As auditor for the audit of Titan Energy Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

Perth
18 September 2014

ANALYSIS OF HOLDINGS OF SHARES, OPTIONS AND CONVERTIBLE NOTES IN THE COMPANY

	Listed Ordinary Shares	Listed Options expiring 31 May 2015 4 cents	Unlisted Options expiring 31 Oct 2015 30 cents
1 — 1,000	347	103	1
1,001 — 5,000	458	121	0
5,001 — 10,000	316	26	3
10,001 — 100,000	907	85	21
100,001 — and over	443	74	17
Total number of holders	2,471	409	42
Holdings of less than a marketable parcel	1,603		

	Options expiring 15 Oct 2014 3 cents	Convertible Notes expiring 21 May 2015
1 — 1,000	0	0
1,001 — 5,000	0	1
5,001 — 10,000	0	5
10,001 — 100,000	0	18
100,001 — and over	1	3
Total number of holders	1	27

REGISTERED OFFICE OF THE COMPANY

31 Ord St
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Western Australia 6005

Tel: +61 (8) 9322 6955
Fax: +61 (8) 9322 6722

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares and all options expiring 31 May 2015 on the Australian Securities Exchange. The State Office of Australian Securities Exchange in Perth, Western Australia has been designated the Home Branch of Titan Energy Ltd.

There are no current on-market buy-back arrangements for the Company.

A Level One American Depositary Receipt (ADR) program has been declared eligible by the US Securities and Exchange Commission. The Bank of New York Mellon had been appointed as the depositary bank for the ADR program. A Level One ADR program facilitates the purchase of Titan Energy Ltd shares by US investors. Under the program, one ADR is equivalent to 200 ordinary shares of Titan Energy Ltd. The ADRs trade in the US over-the-counter (OTC) market under the ADR trading symbol TTENY and the CUSIP number is 88828W104.

SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

ADDITIONAL INFORMATION AS AT 15 SEPTEMBER 2014

COMPANY SECRETARY

The name of the Company Secretary is Jack Hugh Toby.

TAXATION STATUS

Titan Energy Ltd is taxed as a public company.

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Ohio Holdings Pty Ltd	19,774,303	4.79%
Ohio Enterprises Pty Ltd <Ohio Super Fund A/C>	19,319,397	4.68%
Marven Pty Ltd	15,709,816	3.81%
Mrs Kathryn Valerie Van Der Zwan <Harleston Family A/C>	10,771,939	2.61%
Rojul Nominees Pty Ltd <R R Martin Super Fund A/C>	9,305,556	2.26%
Mr Andrew Trott Hopkins + Mrs Adrienne Janet Hopkins	8,850,000	2.14%
Spring Ridge Pty Ltd <Spring Ridge S/F A/C>	8,325,777	2.02%
Marven Pty Ltd <Staff Super Fund No 1 A/C>	6,400,000	1.55%
Northgold Pty Ltd <Northgold Super Fund A/C>	6,187,830	1.50%
Andwendrod Services Proprietary Limited	6,185,110	1.50%
Mocter Pty Ltd <Noel Carter Family A/C>	6,000,000	1.45%
Comsec Nominees Pty Limited	5,629,974	1.36%
Mrs Silvija Palmer	5,016,229	1.22%
Ohio Enterprises Pty Ltd <Ohio Super Fund A/C>	5,000,000	1.21%
Ohio Holdings Pty Ltd	5,000,000	1.21%
Mr David Segal	5,000,000	1.21%
Mr John Stergiou + Mrs Kathy Stergiou <Argyri Family A/C>	5,000,000	1.21%
Worldwide Energy Co Ltd	5,000,000	1.21%
Mr Larry James Gibson	4,900,000	1.19%
Reliant Resources Pty Ltd <Goodwin Family S/F A/C>	4,085,294	0.99%
	161,461,225	39.12%

TWENTY LARGEST HOLDERS OF 4 CENT OPTIONS EXPIRING 31 MAY 2015

	Number of Shares	Percentage of Total
Worldwide Energy Co Ltd	24,000,000	16.81%
Mr Sufian Ahmad	8,691,237	6.09%
Col Tongjai Charnchayasuk	5,750,000	4.03%
Northgold Pty Ltd <Northgold Super Fund A/C>	5,040,547	3.53%
Callisto Maritime Pty Ltd <Callisto Maritime S/Fund A/C>	5,000,000	3.50%
Mrs Kathryn Valerie Van Der Zwan <Harleston Family A/C>	4,971,279	3.48%
Comsec Nominees Pty Limited	4,672,604	3.27%
Marven Pty Ltd	4,654,909	3.26%
Mr David Zaitschek	4,103,483	2.87%
Ms Lauren Levy	4,000,000	2.80%
Mr John F Mcknight Jr	4,000,000	2.80%
Mrs Silvija Palmer	3,903,814	2.73%
Mr Bilal Ahmad	3,740,000	2.62%
Mainpass Holdings Pty Ltd	3,184,981	2.23%
Mr Wafa Muhammad Iqbal	3,125,000	2.19%
Ohio Holdings Pty Ltd	2,556,131	1.79%
Mr Noraset Charnchayasuk	2,500,000	1.75%
Mocter Pty Ltd <Noel Carter Family A/C>	2,356,095	1.65%
Worldwide Energy Co Ltd	2,250,000	1.58%
Mr Timothy Newick	2,000,000	1.40%
	100,500,080	70.38%

TWENTY LARGEST HOLDERS OF 30 CENT OPTIONS EXPIRING 31 OCTOBER 2015

	Number of Options	Percentage of Total
Mr Ernest James Mcdonald + Mrs Margaret Heather Mcdonald <Tamer S/F A/C>	1,200,000	17.97%
Bouta Pty Limited <JB Martel Practice S/F A/C>	780,000	11.68%
Mr Brian Thomas Ryan	510,000	7.64%
Manatee Pty Ltd <Longwave Super Fund A/C>	500,000	7.49%
Mr Gregory Steven Jakab + Mrs Julie-Anne Jakab	330,000	4.94%
Mrs Eileen King	250,000	3.74%
Mrs Vivian Pizer	250,000	3.74%
Cities Energy Llc	226,000	3.38%
Mr John Todaro	204,364	3.06%
Dr James Greenbury + Mrs Catherine Ann Greenbury <Greenbury Ret Fund A/C>	200,000	2.99%
Mr David John Herbert + Mrs Julie Anne Herbert <The Herbert Superfund A/C>	200,000	2.99%
Mrs Hayley Von Giese	200,000	2.99%
Mr John F Mcknight Jr	150,000	2.25%
Kangsav Pty Limited	140,000	2.10%
Mr Richard Scott Thomson	130,000	1.95%
Miss Rebecca Thyer	106,300	1.59%
Generation Holdings Pty Limited	103,175	1.54%
Dr Brendan Dekauwe	100,000	1.50%
Verle K Downey	100,000	1.50%
Mr Edward Herbert Frost <E Frost Family A/C>	100,000	1.50%
	5,779,839	86.54%

TWENTY LARGEST HOLDERS OF 3 CENT OPTIONS EXPIRING 15 OCTOBER 2014

	Number of Options	Percentage of Total
Worldwide Energy Co Ltd	7,500,000	100.00%
	7,500,000	100.00%

TWENTY LARGEST HOLDERS OF FIXED PRICE CONVERTIBLE NOTES EXPIRING ON 21 MAY 2015

	Number of Options	Percentage of Total
Ohio Holdings Pty Ltd	270,000	17.70%
Mocter Pty Ltd <Gunns Plains Superannuation Fund>	200,000	13.11%
Worldwide Energy Co Ltd	104,000	6.82%
Andwendrod Services Pty Ltd	100,000	6.56%
WJ & EA Biggs <Biggs Superannuation Fund>	100,000	6.56%
Northgold Pty Ltd <Northgold Super Fund A/C>	80,000	5.25%
Jennifer Anne Carter	75,000	4.92%
Callisto Maritime Pty Ltd <Callisto Maritime Super Fund A/C>	65,000	4.26%
Simon Peter Wardman <Unwin Investment A/C>	50,000	3.28%
Mocter Pty Ltd <Noel Carter Family A/C>	50,000	3.28%
Pearl Nissen	50,000	3.28%
ALR Investments Pty Ltd <ALR Superannuation Fund>	50,000	3.28%
Spring Ridge Pty Ltd ATF Spring Ridge Superannuation Fund	50,000	3.28%
John Fisher and Janette Fisher <Zenith Superannuation Fund>	50,000	3.28%
Michael Stephen Pty Ltd <Michael Stephen Superannuation Fund>	50,000	3.28%
SMBA Investments Pty Ltd	25,000	1.64%
Marven Pty Ltd	25,000	1.64%
Cabtech Pty Ltd	20,000	1.31%
Mr Atta Tadthiemrom	20,000	1.31%
Silvija Palmer	20,000	1.31%
	1,454,000	95.35%

Variable Price Convertible Notes have been issued for $1.00 each for a term expiring on 20 May 2015 with interest payable on a 9.25% per annum basis. Each Variable Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.05 per Share or 80% of the 5 day VWAP, whichever is lower at the election of the noteholder. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Variable Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

Fixed Price Convertible Notes have been issued for $1.00 each for a term expiring on 21 May 2015 with interest payable on a 9.25% per annum basis. Each Fixed Price Convertible Note may be converted to fully paid ordinary shares in Titan Energy Ltd prior to maturity at an issue price of $0.018 per Share at the election of either the noteholder or Titan Energy Ltd. On conversion the Company will issue the Noteholder one free option exercisable at $0.04 each and expiring on 31 May 2015 for every two Shares issued pursuant to the conversion of these Fixed Price Convertible Notes. Convertible Notes that are not converted are repayable at maturity.

INTERESTS IN OIL & GAS TENEMENTS

LEASE	INTEREST
AUSTRALIA	
EP 455	18.50%

USA

Allen Dome North	94%
Allen Dome South	85%
Perry Ranch	40%
Sargent Ranch	37.5%
Holcomb Ranch	7.33%
Greathouse	50%
Railroad Valley	100%
Lake Valley	100%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
11/09/2014	Paul Charles Garner and Ohio Holdings Pty Ltd and Ohio Enterprises Pty Ltd and Ravikan Garner and Scarlet Investments (WA) Pty Ltd	49,586,059
12/09/2014	Darren Levy and Marven Pty Ltd	22,109,816

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND RECOMMENDATIONS

INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 2nd Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

BOARD CHARTER

The Board has adopted the following Board Charter:

The business of the Company is managed under the direction of the Board of Directors. The Board is accountable to shareholders of the Company for the performance of the Company.

Each Director of the Company will act in good faith in the best interests of the Company and collectively oversee and appraise the strategies, major policies, processes and performance of the company using care and diligence to ensure that Company's long term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as Board members to advance personal interests or agendas.

Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Company's Constitution and Australian corporations law specifies the minimum and maximum number of directors of the Company.

The Directors must elect one of their number as Chairman.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Company has established the functions reserved to the Board. The Board has primary responsibility to shareholders for the sustainability and relevance of the Company by guiding and monitoring its business and affairs. The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer, managing director, or equivalent;
- ratifying the appointment and the removal of senior executives;
- providing input into and final approval of management's development of corporate strategy;
- reviewing, ratifying and monitoring risk management, internal control, codes of conduct and legal compliance;
- monitoring senior executives performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Role and Responsibilities of Senior Executives

The Company has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- managing and administer the day-to-day operations of the Company;
- making recommendations to the Board on corporate strategy, risk management, internal control, codes of conduct and legal compliance;
- supervising other staff and represent them to the Board; and
- exercising such specific and express powers as are delegated to them by the Board from time to time.

Evaluation of the performance of Senior Executives

A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2014 as the Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate.

Availability to public

The matters reserved for the Board, the matters delegated to senior executives and the Board Charter is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the Company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2014.

The mix of skills and diversity for which the Board of directors is looking to achieve in membership of the Board is that required so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The recommendations are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- has not within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with such a service provided;
- is not a material supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Mr Andrew Van Der Zwan and Mr Bradley Simmons are the only Board members to meet these criteria. Consequently, the Board does not have a majority of independent directors. Mr Darren Levy is the chairman of the Board. The Chairman is not an independent director.

Mr Darren Levy was appointed a director on 8 July 2011, Mr Paul Garner was appointed a director on 19 July 2011, Mr Andrew Van Der Zwan was appointed a director on 2 April 2014 and Mr Bradley Simmons was appointed a director on 30 August 2014.

The Chief Executive Officer of the Company is Mr Paul Garner.

A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2014 as the performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole.

The Board has agreed on the following guidelines for assessing the materiality of matters:

Balance sheet items are material if they have a value of more than 7% of pro-forma net asset. Profit and loss items are material if they will have an impact on the current year operating result of 7% or more. Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Gender Diversity

The Group does not discriminate on the basis of gender and has no measurable objectives for achieving gender diversity.

There are no women on the Board. There are no women in senior executive positions in the Group. The proportion of women employees in the whole organisation is 25%.

Nomination of Other Board Members

The Board has adopted the following Policy and Procedure for the Selection and (Re) Appointment of Directors.

In determining candidates for the Board, the Board follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Board considers the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if appropriate, are offered appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company’s businesses and its objectives. The Board does not believe that at this point in the Company’s development it is necessary to appoint additional directors. Consequently, the Board has not established a nomination committee. The Board has not adopted a Nomination Committee Charter.

Independent Advice

Each of the directors is entitled to seek independent advice at the Company’s expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.

Availability to public

The Board’s policy for nomination and appointment of directors is included in the Company’s annual report which is announced to the ASX and is also available from the Company’s website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company has established a code of conduct as to the:

- Practices necessary to maintain confidence in the Company’s integrity;
- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The terms of the code of conduct are:

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Each director and senior executive is required to advise the Chairman of the Board of any reports of unethical practices by any director, executive or employee of the Company. The Chairman of the Board will investigate the matter and report back to the Board as a whole.

Availability to public

The code of conduct is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Directors are required to make disclosure of any trading in securities of the Company.

The Company has a policy for trading in the securities of the Company. The policy is:

POLICY FOR TRADING IN THE SECURITIES OF THE COMPANY

DEFINITIONS

Insider Trading:

'Insider trading' includes the trading of securities or some wider set of financial products (including derivatives and financial products able to be traded on a financial market) while in possession of information that is not generally available and would be likely to have a material effect on their price or value if it were generally available. The prohibition against insider trading extends to applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or dispose of relevant financial products, or procuring another person to so trade, or communicating that information where trading in the relevant financial products is likely to take place.

The insider trading provisions are found in Part 7.10, Division 3 of the Corporations Act 2001 ("Corporations Act"). Section 677 of the Corporations Act defines material effect on price or value. A reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the first mentioned securities.

Company Securities:

Company Securities means shares, options or performance rights over those shares and other securities convertible into shares, and any financial products of the Company traded on ASX.

Closed Periods:

Closed Periods means the following periods of time:

a) From 7 January of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and

b) From 7 July of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and

Key Management Personnel:

Key Management Personnel are defined in the ASX Listing Rules.

Declaration:

A declaration may be validly issued in either written or electronic form. Electronic declarations may take the form of an email, fax or any other electronic recordable communication.

Excluded Trading:

Excluded trading means trading consistent with any of the following categories:

Transfers of Company's Securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;

An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;

Where a restricted person is a trustee, trading in the Company's Securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a closed period is taken by the other trustees or by the investment managers independently of the restricted person;

Undertakings to accept, or the acceptance of, a takeover offer;

Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

A disposal of the Company's Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, provided that the restricted person obtained the consent of the Chairman or Chief Executive Officer of the Company to enter into agreements that provide lenders with rights over their interests in the entity's securities;

Acquisition of the Company's Securities through an issue of securities by the Company;

The exercise (but not the sale of securities following exercise) of an option or a right, or the conversion of a convertible security; or

Trading under a non-discretionary trading plan for which prior clearance by the Chairman or Chief Executive Officer of the Company has been provided and where:

a) the restricted person did not enter into the plan or amend the plan during a closed period;

b) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and

c) there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading in Exceptional Circumstances:

Trading in Exceptional Circumstances means trading consistent with any of the following categories:

Trading in accordance with a declaration by the Chairman or Chief Executive Officer of permitted trading. In exceptional circumstances, a member of the Key Management Personnel may apply, together with a description of the circumstances, to the Chairman or Chief Executive Officer for a declaration to permit trading as Trading in Exceptional Circumstances which may be given in circumstances that the Chairman considers appropriate such as severe financial hardship, or a person is required by a court order, or there are court enforceable undertakings or there is some other legal or regulatory requirement to do so. The declaration will specify the duration of permitted trading.

TRADING RESTRICTIONS

All Key Management Personnel and all employees of the Company are required to comply with the prohibition against Insider Trading at all times with respect to the Company's Securities. Contravention of the insider trading prohibition may result in significant penalties.

With the introduction of the continuous disclosure regime, public listed companies and other disclosing entities are now required to disclose Price Sensitive Information on an on-going basis (subject to limited exceptions) so that at all times in the year the market can be fully informed and trading can be lawful. As a result the Company has decided not to specify safe periods but rather to designate periods when Trading by Key Management Personnel should not occur.

All Key Management Personnel are required to refrain from trading in the Company's Securities on the ASX during a Closed Period except for Excluded Trading or Trading in Exceptional Circumstances.

All directors of the Company are required to comply with the Corporations Act and the ASX Listing Rules with regard to disclosure of their interests in the Company's Securities on their appointment as a director, on any change in their interests in the Company's Securities and on resignation as a director.

Availability to public

The policy for trading in the securities of the Company is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

No audit committee has been established. The Board has not adopted an Audit Committee Charter. The two executive directors play an active role in monitoring the daily affairs of the Company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditors and the auditor has access to each Board member.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Company and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Availability to public

The above policies and procedures are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has established a policy to ensure compliance with ASX Listing Rule disclosure and accountability at senior executive level for that compliance. The terms of the policy are:

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at its Annual General Meetings. The terms of the communications policy are:

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly cash flow reports and reports as to activities and announcing these reports to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting. The Annual General Meeting is held each year at a convenient time and place.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGING RISK

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company. The Company has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole;
- define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process;
- identify the risks to be managed;
- identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur;
- compare estimated levels of risk against pre-established criteria (see risk matrix in Risk Management Guide) and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action;
- the Chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives;
- the Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures; and
- managers at all levels are to create an environment where managing risk forms the basis of all activities.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and has required management to report to it on whether those risks are being managed effectively. The Chief Executive has reported to the board as to effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration under section 295A of the Corporations Act is founded on an appropriate system of risk management and internal control suitable for a small company, which is operating effectively in all material respects in relation to financial reporting risks.

Availability to public

The above policies are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee. The Board has not adopted a Remuneration Committee Charter. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors and senior executives is determined by the Board as a whole.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.
- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company. One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

There are no schemes for retirement benefits other than superannuation for non-executive directors. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under an equity based remuneration scheme. The Company does not currently have an unvested equity based remuneration scheme.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.1 and 2.2	The Board does not have a majority of independent directors. The Chairman is not an independent director.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.
2.4	A separate Nomination Committee has not been formed.	The Board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.

“Recommendation” Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
3.2 and 3.3	No formal diversity policy has been established.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that a diversity policy is not in the best interests of the Company at this time.
4.1, 4.2 and 4.3	No formal audit committee has been established or formal charter drawn	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
8.1 and 8.2	No formal remuneration committee has been established.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a remuneration committee.