ABN 73 119 160 360

TARGET ENERGY LIMITED

Annual Report 2017

Corporate Philosophy

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

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

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

Since 2011, the Company has included unconventional and resource plays in its portfolio, such as those in the prolific Permian Basin in West Texas. The Company now has an established presence in this sector.

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

Contents

Corporate Directory

Directors
Christopher Rowe, M.A
Non Executive Chairman
(Resigned 22 Sep 2017)

Laurence Roe, B.Sc
Managing Director

Stephen Mann, CA
Non Executive Director

Matthew Battrick, B.Sc
Non Executive Director
(Appointed 26 September 2017)

Company Secretary
Rowan Caren

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PERTH WA 6000	USA

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	USA

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ASX Code:	**TEX**

Chairman's Report

Dear Shareholder,

I am pleased to advise that your Company continues to make progress towards the restoration of its balance sheet.

During the year we were able to upgrade our reserves following the completion of our 30 June 2017 independent reserves audit. The review indicates that the Company has a net 4.48 million barrels of oil equivalent in Proven and Probable Reserves – an 81% increase over last year's assessment. The primary cause for the uplift was the stabilisation of production in a number of our wells and the increasing confidence in the results of horizontal drilling in the Permian Basin.

The absence of suitable bids for our Fairway divestment was in part a product of the easing of merger and acquisition activity in the Permian Basin earlier in the year – in turn a consequence of retreating oil prices in the first quarter. Since then, commodity prices appear to be stabilising and slowly strengthening. This augurs well for the partners to re-enter the market in the near future.

Early in 2017, the Company embarked on a recapitalisation program with Perth-based InvestMet Limited. The funds raised provided working capital and allowed the company to clear outstanding debts associated with its West Texas assets. We are presently in discussions with InvestMet regarding a second stage of recapitalisation.

In challenging times such as these, the Company remains appreciative of the ongoing support it has received from shareholders. We are particularly grateful to noteholders who have worked with us to provide the Company with more flexibility in managing its obligations.

My thanks and appreciation also go to my fellow Board Members and officers for their commitment and effort over this period. In particular I wish to acknowledge the valuable contributions made to the company - over long periods - by Chris Rowe and Rowan Caren.

Finally, I would like to acknowledge, again, the support and loyalty of both noteholders and shareholders.

Laurence Roe

Acting Chairman

Corporate Overview

This year your Company was pleased to record an 11% year on year increase in its Proven reserves and a 53% increase in Probable reserves. The 30 June 2017 Reserves update assessed Target Energy's proven and probable reserves at 4.48 million barrels of oil equivalent (MMBOe), valued at $19.5 million (US$14.6 million), This is comprised of 3.19 MMBOe in proved reserves and 1.29 MMBOe in probable reserves, valued at $16.05 million (US$12.0 million) and $3.46 million (US$2.6 million) respectively. These have been calculated based on the present value of future net income discounted at 10%pa using an oil price of US$55.14/barrel and US$2.68 to $4.21/MCF for gas and an exchange rate of 0.75 USD: 1.00 AUD.

The twelve months to 30 June 2017 saw the continuation of lower oil prices, although there are some emerging signs of a longer term recovery, with West Texas Intermediate (WTI) spot prices finding support in the US$45 – US$50 per barrel range for most of the year and more recently trading above $50 per barrel.

Throughout the reporting period, your Company continued to maintain a steady course. All operational and administrative expenditure was kept to a minimum and the divestment program for its primary asset, the Fairway project in the Permian Basin, continued until late June 2017. No bids were received that were deemed suitable - Target and the Fairway partners are reviewing options for recommencing the divestment program. No new wells were drilled in the 12 months to 30 June 2017.

In Cameron Parish, Louisiana, Target is in negotiations with the Mineral Owners to take over the production unit that covers the East Chalkley Field (the leases have technically lapsed due to lack of production). The negotiations are supported by former operator Magnum Hunter Resources. Subject to the successful conclusion of the negotiations Target will operate the field with a 100% working interest. The company will then advance its plans to undertake a workover program to restore the field back to production and will also seek to bring in new partners to assist in ongoing field appraisal and development. The field is presently shut in.

In May 2017, the Company entered into a recapitalisation program with Perth-based InvestMet Limited. Approximately $1.6m was raised, providing working capital to the company and allowing it to retire all outstanding debt owed to Fairway Project operator Trilogy Operating, Inc. ("Trilogy") in July 2017. The Company is presently working with InvestMet to implement a second stage of recapitalisation.

The Company's legal action in Harris County, Texas against Aurora Energy Partners and Victory Energy - associated with the failure of Aurora Energy Partners to complete the Fairway transaction in September 2014 – was settled to Target's satisfaction in January 2017.

In July 2017, Target's wholly owned subsidiary TELA Garwood LP ("TELA Garwood") commenced legal action in Harris County Texas against Trilogy and one of its former officers and directors. The suit alleges Breach of Contract, Fraud and Violations of the Texas Deceptive Trade Practices–Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain lease-holdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood as a consequence. The action is ongoing.

In September 2017, the Company farewelled long-time Chairman Chris Rowe and was pleased to welcome Matthew Battrick to the board as a non-executive director. Mr Battrick brings a wealth of corporate and technical experience with over 35 years in international petroleum exploration and production. In particular, Mr Battrick has had substantial experience in petroleum projects within the United States.

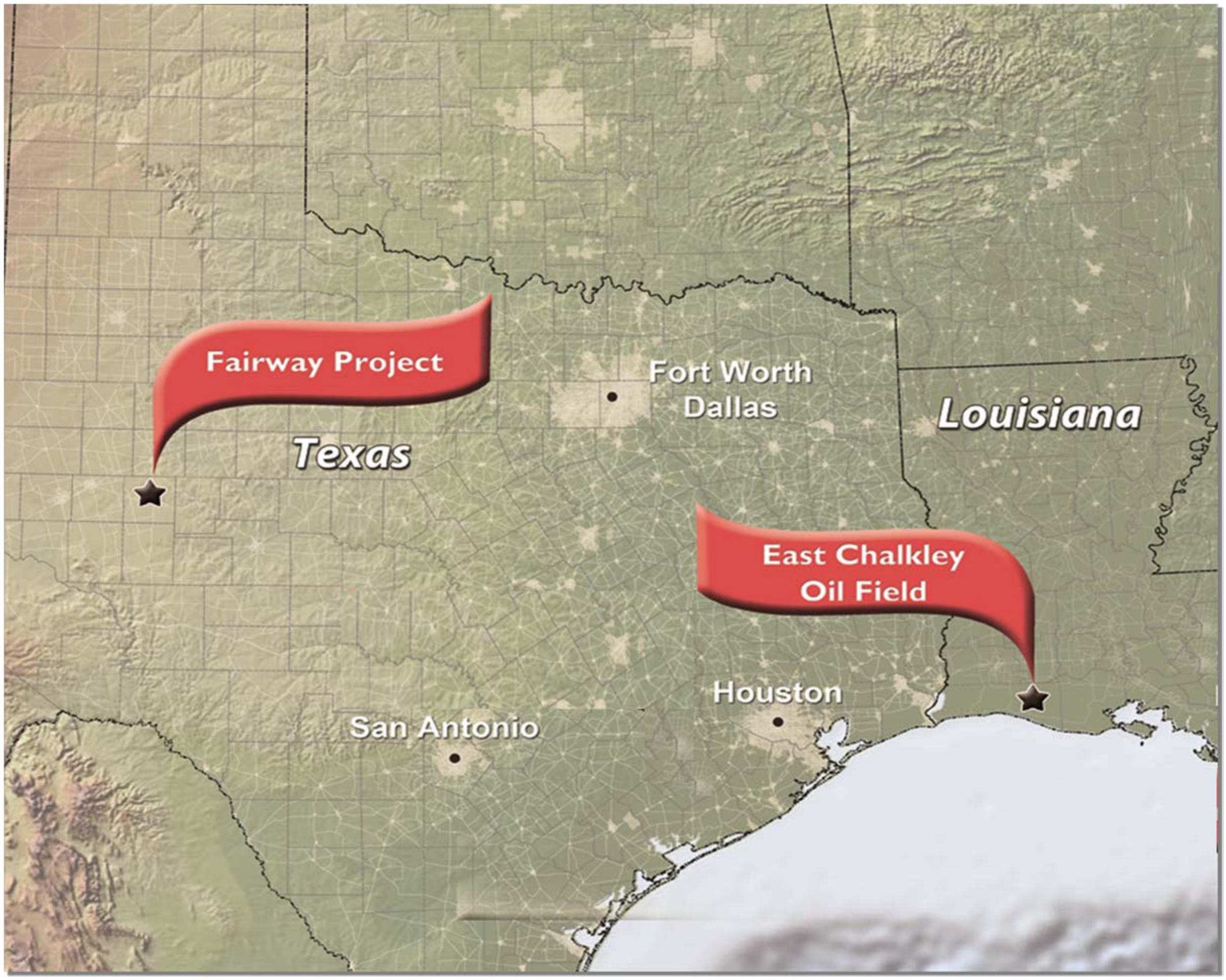
Throughout the year, as the Company has dealt with the numerous and ongoing challenges of this low-price environment, it has done so with the support of shareholders and noteholders. In particular, the Company acknowledges the noteholders support in allowing the Company to extend the term of the Notes and to continue to defer interest payments.

The Company also wishes to acknowledge the direct financial support provided to the Company by its directors and officers.

Laurence Roe

Managing Director

Project Review



Fairway Project - Howard & Glasscock Counties, Texas

Target Energy 33.75% - 60% Working Interest

The Fairway project comprises 2,080 gross acres held by production (net 1,011 acres to Target) and up to 884 acres (net 476 acres to Target) in undeveloped leases, with the Company holding working interests ranging from 33.75% to 60% (average 50.2%).

Production continued from all Fairway wells throughout the reporting period. The partners in the Fairway project continued to limit development activities to conserve cash in a continuing low oil-price environment and as such the only operations carried out were routine workovers of existing wells to maintain existing production. No new drilling was undertaken. While overall production rates eased during the year as a consequence of the natural decline in production from individual hydrocarbon producing zones, recently production has increased following some routine workovers and a pump change on one of the wells. Production averaged 110 BOEPD in the 12 months to June 2017. Current production (September 2017) is averaging 127 BOEPD.

Target's net production decreased by 18.8% from 23,562 BOE in the previous financial year to 19,143 BOE for the financial year ended 30 June 2017. This was due to both declining production - as noted above - and the full year impact of the reduction in Target's working interests in the Sydney #1 and #2 wells leases following Apache Energy's early 2016 exercise of its rights as a non-drilling co-tenant.

The proposed divestment of the Fairway properties continued with CanaccordGenuity advising on the process until 30 June 2017 (Canaccord closed their US oil and gas division earlier in the year). Despite strong initial interest, bids received during the process were deemed unsuitable. Overall divestment activity in the Permian Basin slowed after the first quarter of 2017 as commodity prices eased back below $50 per barrel.

At this time the Target and the Fairway partners are reviewing options for recommencing the divestment program.

In early 2017, the Company concluded the legal action undertaken by Target subsidiary TELA Garwood LP ("TELA Garwood") against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora"). TELA Garwood's suit charged that Aurora, acting by and through its general partner, Victory, breached its obligation to purchase certain of TELA Garwood's interests in the West Texas Fairway Project (Howard and Glasscock counties) pursuant to a Purchase and Sale Agreement between TELA Garwood and Aurora dated June 30, 2014. The legal action was resolved to Target's satisfaction. Terms of the settlement are confidential.

In July 2017, TELA Garwood commenced legal action against the Fairway Project operator Trilogy Operating Inc. ("Trilogy") and Chris Smith in the District Court of Harris County, Texas. Mr Smith is a former executive and director of Trilogy. The suit alleges Breach of Contract, Fraud and Violations of the Texas Deceptive Trade Practices–Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain lease-holdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood as a consequence. The action is ongoing.

East Chalkley Oil Field - Cameron Parish, Louisiana

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

The field remains shut-in. At this time Target is in negotiations with the Mineral Owners to take over the production unit that covers the East Chalkley Field (the leases have technically lapsed due to lack of production). The negotiations are supported by former operator Magnum Hunter Resources. Subject to the successful conclusion of the negotiations Target will operate the field with a 100% working interest. The company will then advance its plans to undertake a workover program to restore the field back to production and will also seek to bring in new partners to assist in ongoing field appraisal and development.

Production

Summary

Table 1 summarises Target's production for the 2016-2017 year and Figure 1 shows the monthly production in Barrels of Oil equivalent for the same period.

Project	TEX Working Interest	Production 01/07/16 to 30/06/17 (Gross)		Production 01/07/16 to 30/06/17 (Net to TEX WI)		
		Oil (Bbl)	Gas (mcf)	Oil (Bbl)	Gas (mcf)	Comment
East Chalkley	TBA	0	0	0	0	Shut-in
Fairway	35%-60%	27,553	74,865	12,910	37,396	Producing
Total		**27,553**	**74,865**	**12,910**	**37,396**	

Table 1: Target Energy 2016-2017 Production Summary

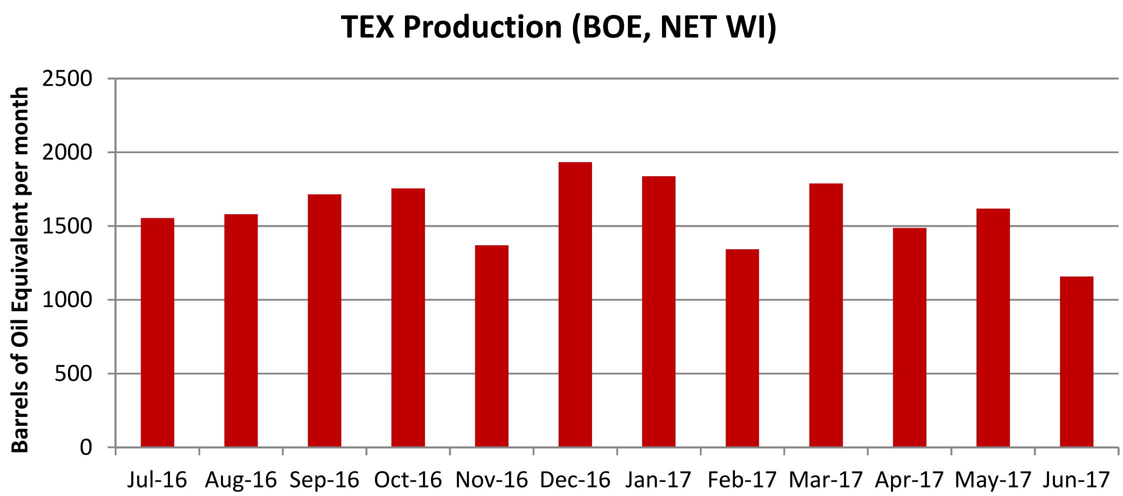


Figure 1: Target Energy Monthly Production (BOE)

Fairway Project - Howard & Glasscock Counties, Texas

Target Energy: 33.75% - 60% working interest

Fourteen wells were in production for all of the financial year.

Production was primarily combined from the Wolfcamp, Atoka, Strawn, Mississippian and Devonian sections, with a number of wells producing oil and gas just from the Fusselman Carbonate. As noted previously, a number of the wells have substantial pay sections that are presently behind pipe (i.e. yet to be completed).

At 30 June 2017, gross cumulative production at Fairway had totalled 239,492 barrels of oil plus 480.1 MMCFG plus, with gross daily production of approximately 79 BOEPD.

East Chalkley Oil Field - Cameron Parish, Louisiana

At 30 June 2017, the Pine Pasture #1 well had produced 32,713 barrels of oil (including 7,803 barrels of oil since Target purchased an interest in the well). The well remains shut-in following repairs to the production tubing in December 2014. Prior to being shut-in, the well was producing approximately 12-15 BOPD with 145 BWPD. Refer to Figure 5 for the field location.

At 30 June 2017, the Pine Pasture #2 well had produced 106,700 barrels of oil. The well was producing approximately 32 BOPD with 300 BWPD prior to being shut in in June 2014. The well requires repairs to casing or the insertion of a liner. The timing of this work is subject to an economic review.

At 30 June 2017, the Pine Pasture #3 well had produced 1,000 barrels of oil. The well is shut-in.

As noted elsewhere in this report, Target is in negotiations with the Mineral Owners to take over the production unit that covers the East Chalkley Field (the leases have technically lapsed due to lack of production). The negotiations are supported by former operator Magnum Hunter Resources. Subject to the successful conclusion of the negotiations Target will operate the field with a 100% working interest. The company will then advance its plans to undertake a workover program to restore the field back to production and will also seek to bring in new partners to assist in ongoing field appraisal and development.

Reserves

Summary

Target Energy's net Reserves and Resources are summarised below (Table 2). The net reserves at Fairway were independently audited by Lee Engineering. Reserves and Contingent Resources associated with East Chalkley have been omitted until such time as lease negotiations are completed.

The effective date of the audit was 30 June 2017.

Further details are shown in Table 3.

2017

Category	Net Reserves & Resources		BO equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	67.5	171.8	96.1
Proved Developed Not Producing (PDNP)	277.8	1742.0	568.1
Proved Undeveloped (PUD)	2163.8	2185.1	2528.0
Total Proved Reserves (1P)	**2509.1**	**4098.9**	**3192.3**
Probable	1104.7	1104.7	1288.8
Total Proved & Probable Reserves (2P)	**3613.8**	**5203.6**	**4481.1**
Possible	0.0	0.0	0.0
Total Proved, Probable & Possible Reserves (3P)	**3613.8**	**5203.6**	**4481.1**
Low Estimate Contingent Resources	-	-	-
Best Estimate Contingent Resources	0.0	0.0	0.0
High Estimate Contingent Resources	0.0	0.0	0.0
Total Contingent Resources (3C)	0.0	0.0	0.0
Total Reserves & Resources	**3,613.8**	**5,203.6**	**4,481.1**

Table 2: Target Energy total net Reserves and Resources effective 30 June 2017.

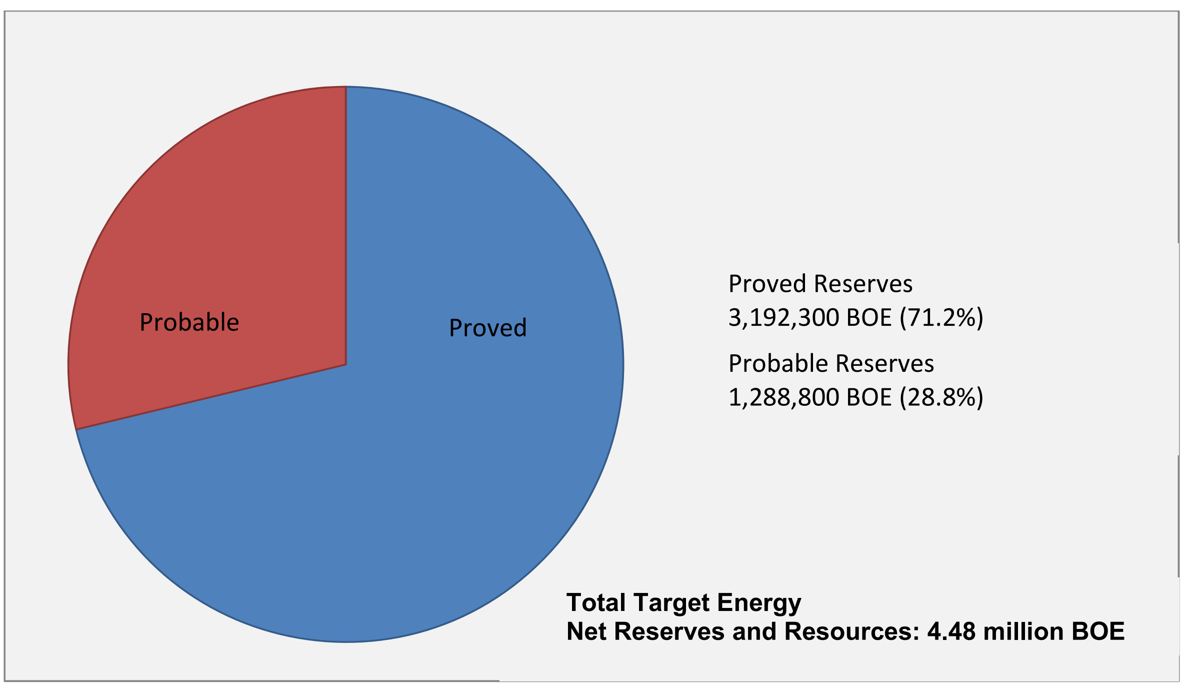


Figure 2: Target Energy net reserves as at 30 June 2017

Fairway Project

Fairway Project Net Reserves	Net Reserves		BO equivalent
	Oil (mbbls)	Gas (mmscf)	(mboe)
Proved Developed Producing	67.5	171.8	96.1
Proved Developed Not Producing	277.8	1742.0	568.1
Proved Undeveloped	2163.8	2185.1	2528.0
Total Proved (1P)	**2509.1**	**4098.9**	**3192.3**
Probable	1104.7	1104.7	1288.8
Proved & Probable (2P)	**3613.8**	**5203.6**	**4481.1**
Possible	0.0	0.0	0.0
Proved, Probable & Possible (3P)	**3613.8**	**5203.6**	**4481.1**

Table 3: Fairway audited reserves effective 30 June 2017 by Lee Engineering.

NOTES ON RESERVES & RESOURCES

- *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
- *All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.*
- *Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation. Similarly, the aggregate 2C + 3C resource estimate may be very optimistic due to the portfolio effects of arithmetic summation.*
- *Possible Reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.*
- *"bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively.*
- *"boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil.*
- *"M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet.*
- *Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.*

INTERNAL CONTROLS (ASX Listing Rule 5.21.5 Disclosures)

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

Lease-holdings

Target Energy	Leaseholdings Lease Name	County / Ph	Description	Depth Limits	TEX WI	Gross acres	Net acres
Fairway							
	BOA	Howard	S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.00%	320.0	160.0
	BOA North #4	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.00%	160.0	80.0
	BOA North #5	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	55.56%	160.0	88.9
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.00%	320.0	160.0
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.00%	160.0	96.0
	Ballarat	Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, W&NW Survey	None	55.56%	160.0	88.9
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, W&NW Survey	None	60.00%	*320.0	192.0
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	43.13%	160.0	69.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	33.75%	320.0	108.0
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.00%	440.0	264.0
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.00%	160.0	56.0
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	38.89%	160.0	62.2
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.00%	123.9	62.0
East Chalkley							
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35.00%	714.9	250.2
			**subject to completion of lease extensions*		Total	3678.8	1732.2

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

Glossary of Technical Terms

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

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

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

ABN 73 119 160 360 TARGET ENERGY LIMITED

Annual Financial Report For the year ended 30 June 2017

Your directors present their report together with the financial statements of the consolidated entity, comprising Target Energy Limited ("Target" or the "Company") and its controlled entities, for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Laurence Roe B.Sc (Managing Director)

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

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

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

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

Stephen Mann FCA (Non Executive Director)

Mr Mann is a Fellow of Chartered Accountants of Australia and New Zealand and has more than 30 years experience as a chartered accountant. He retired from public practice in 2003.

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

Matthew Battrick B.Sc (Non Executive Director) – appointed 26 September 2017

Mr Battrick is an experienced oil and gas executive with over 35 years in international exploration and production, both conventional and unconventional. This has included, more recently, 10 years in senior management and executive director roles within ASX-listed oil and gas companies. In particular, Mr Battrick has had substantial experience in petroleum projects within the United States.

In the past three years, Mr Battrick has also served as a director of the following listed company:
- MEC Resources (alternate director) appointed 5 September 2017 *
- Sun Resources NL – resigned 10 November 2016

* denotes current directorships

Christopher Rowe MA (Non Executive Chairman) – resigned 22 September 2017

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

During the last three years, Mr Rowe has also served as a director of the following listed company:
- Northern Star Resources Limited*

* denotes current directorships

Company Secretary

Rowan Caren, B.Com CA

Mr Caren graduated with a Bachelor of Commerce (Accounting) from the University of Western Australia and is a member of Chartered Accountants of Australia and New Zealand. He qualified with PricewaterhouseCoopers and worked for them in Australia and overseas for six years. He has since been directly involved in the exploration industry for a further 20 years, initially with a minerals explorer based in Perth but with operations in South America and Asia, for which he acted as an executive and company secretary. In 2004 he created a specialist company secretarial and advisory consultancy, Dabinett Corporate Pty Ltd. Dabinett Corporate provides financial and corporate services to several listed and unlisted companies involved in the resources sector.

Share Options

There are no options on issue as at the date of this report.

Nil (2016: Nil) ordinary shares were issued during the financial year as a result of the exercise of options. There are no unpaid amounts on the shares issued.

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

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

	Fully Paid Ordinary Shares	Share Options	Convertible Notes
Directors			
Laurence Roe	31,426,987	-	-
Matthew Battrick	-	-	-
Stephen Mann	79,596,062	-	-
	111,023,049	-	-

Dividends

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

Principal Activities

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

Review of operations

During the year, the Company continued to limit development activities to conserve cash in a continuing low oil-price environment. The only operations carried out were workovers of existing wells to maintain existing production. Production continued from the Fairway wells in Texas, however overall rates eased during the year as a consequence of the natural decline in production from individual hydrocarbon producing zones. Cash constraints prevented the Company from developing its asset at a more optimal rate. As a consequence, Target's share of overall production has decreased by 18.8% from 23,562 BOE in the previous financial year to 19,143 BOE during the financial year ended 30 June 2017. Target holds a share of up to 1,439 net acres in the Permian Basin, of which 1,011 acres are held by production. The Company continued a divestment process for its interests in its Fairway oil and gas properties, but did not receive any offers deemed suitable.

Production remained suspended at the East Chalkley project in Louisiana, due to technical problems with the Pine Pasture #3 well and pending completion of lease negotiations.

Operating results for the year

Net loss attributable to equity holders of the Company for the year ended 30 June 2017 was $2,252,936 (2016: $8,931,300). Basic loss per share was 0.2 cents (2016: 0.9 cents**).**

Significant changes in the state of affairs

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

Significant events after balance date

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

- the completion of a $1 million secured loan financing with Investmet Limited;
- repayment of amount owed to Trilogy Operating Inc of $1,039,590;
- the commencement of legal proceedings in the US against Trilogy Operating Inc and its officers and/or former officers;
- the resignation of the Chairman on 22 September 2017;
- the appointment of Matthew Battrick as a director on 26 September 2017; and
- the Company received a conditional Letter of Financial Support on 29 September 2017 from InvestMet Limited confirming its intention to participate in a proposed recapitalisation of the Company. The Letter further confirms, subject to the completion of binding documentation regarding the proposal, InvestMet will continue to advance working capital to Target until the agreed recapitalisation program is completed. Any recapitalisation would be subject to ASX Listing Rules, shareholder approval, noteholder approval and any relevant regulatory approvals.

Likely developments and expected results

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

Environmental legislation

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

Indemnification and insurance of Directors and Officers

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

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The total amount of premium paid was $30,000.

Directors' Meetings

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

Director	Directors' Meetings	
	A	**B**
Christopher Rowe	7	7
Laurence Roe	7	7
Matthew Battrick	-	-
Stephen Mann	7	7

A - meetings attended
B - meetings held whilst a director

Proceedings on behalf of the Company

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is located on page 9 of this report and forms part of this directors' report for the year ended 30 June 2017.

Non-Audit Services

No amounts were paid or payable to the auditor for non-audit services provided during the year.

Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Key Management Personnel

Directors

Christopher Rowe	Non Executive Chairman – resigned 22 September 2017
Laurence Roe	Managing Director
Stephen Mann	Non Executive Director

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration for the year ended 30 June 2017
C. Service agreements
D. Share-based compensation

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

Remuneration philosophy

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

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

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

Remuneration may consist of fixed remuneration and variable remuneration.

Fixed Remuneration

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

Variable Remuneration

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

Remuneration Reviews

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

Remuneration structure

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

Non-executive director remuneration

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

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 19 November 2009 when shareholders approved an aggregate remuneration of $300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company**.** The compensation of directors for the period ended 30 June 2017 is detailed below in Table B.

Senior manager and executive director remuneration

Objective

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

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

Compensation consists of the following key elements:

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

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

Fixed Compensation

Objective

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

Structure

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

Variable Pay — Long Term Incentive (LTI)

Objective

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

Structure

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

B. Details of remuneration for the year ended 30 June 2017

Directors		Primary benefits		Post employment	Equity	Total	%
		Salary & Fees	Non Monetary Benefits	Superannuation	Options		Performance related
		$	$	$	$		
Christopher Rowe [1]	**2017**	**70,000**	**-**	**-**	**-**	**70,000**	**-**
	2016	70,000	-	-	-	70,000	-
Laurence Roe	**2017**	**150,000**	**-**	**14,250**	**-**	**164,250**	**-**
	2016	150,000	-	14,250	-	164,250	-
Stephen Mann [1]	**2017**	**54,752**	**-**	**5,248**	**-**	**60,000**	**-**
	2016	54,752	-	5,248	-	60,000	-
Total Directors	**2017**	**274,752**	**-**	**19,498**	**-**	**294,250**	
	2016	274,752	-	19,498	-	294,250	

1. Salary and/or fees of the non-executive directors have been accrued and not paid during the last 12 months due to cash constraints.

C. Service agreements

Employment Contract
The Managing Director, Mr Laurence Roe, was employed under contract. The most recent employment contract expired on 31 December 2016.

D. Share-based compensation

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

E. Compensation options: Granted and vested during the year

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

F. Shares issued on Exercise of Compensation Options

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

G. Option holdings of Key Management Personnel - Unlisted

No unlisted options were held by key management personnel during the year.

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

	Balance at 1 July 2016	Granted as remuneration	Options Issued	Options Expired	Balance at 30 June 2017
Directors					
Christopher Rowe	29,915,769	-	-	(29,915,769)	-
Laurence Roe	10,808,110	-	-	(10,808,110)	-
Stephen Mann	26,387,395	-	-	(26,387,395)	-
	67,111,274	-	-	(67,111,274)	-

I. Shareholdings of Key Management Personnel

	Balance at 1 July 2016	Acquired off market	On exercise of Options	Acquired on market	Balance at 30 June 2017
Directors					
Christopher Rowe	78,409,274	-	-	-	78,409,274
Laurence Roe	31,426,987	-	-	-	31,426,987
Stephen Mann	79,596,062	-	-	-	79,596,062
	189,432,323	-	-	-	189,432,323

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

J. Convertible Notes held by Key Management Personnel

	Balance at 1 July 2016	Issued	Converted	Repaid	Balance at 30 June 2017
Directors					
Christopher Rowe	6,100,000	-	-	-	6,100,000
Laurence Roe	-	-	-	-	-
Stephen Mann	-	-	-	-	-
	6,100,000	-	-	-	6,100,000

Notes have a 5 cent face value, are each convertible into one ordinary share and have a maturity date of 31 March 2018.

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

	2017	2016
Directors	**$**	**$**
Christopher Rowe	**87,327**	49,182
Stephen Mann	**6,305**	-
Laurence Roe	**3,551**	-
	97,183	49,182

L. Loans with Key Management Personnel

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

An entity, of which Mr Rowe is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	40,000	60,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	70,000	70,000	Equal first ranking security over the Company's Fairway Project
Nil	Not specified	9,000	9,000	Nil

An entity, of which Mr Mann is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	20,000	50,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	25,000	25,000	Equal first ranking security over the Company's Fairway Project

An entity, of which Mr Roe is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	15,000	35,000	Equal third ranking security over the Company's Fairway Project

M. Other Transactions and balances with Key Management Personnel

There were no other transactions with key management personnel in 2017.

N. Amounts payable to Key Management Personnel at year end

An amount of $156,333 (2016: $86,333) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder in respect of director's fees.

Interest in respect of convertible notes of $76,860 (2016: $49,182) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder.

Interest in respect of secured loans of $10,467 (2016: $Nil) was payable to an entity of which Mr Rowe is a director and shareholder

Interest in respect of secured loans of $3,551 (2016: $Nil) was payable to an entity of which Mr Roe is a director and shareholder

Interest in respect of secured loans of $6,305 (2016: $Nil) was payable to an entity of which Mr Mann is a director and shareholder

Directors fees totalling $130,000 (2016: $70,000), inclusive of superannuation, were payable at year end to Mr. Mann.

Signed in accordance with a resolution of the directors

Laurence Roe
Managing Director

Perth, 30 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Target Energy Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia	**D I Buckley**
30 September 2017	**Partner**

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	Note	Consolidated 2017 $	2016 $
Continuing operations			
Revenue	2	**652,908**	732,174
Other income	2	**424,524**	1,276,205
		1,077,432	2,008,379
Oil and gas production expenses and taxes		**(699,236)**	(1,684,842)
Accounting expense		**(33,602)**	(54,456)
Audit fees		**(52,500)**	(129,002)
Consultants		**(193,241)**	(244,853)
Depreciation expense	7	**(6,842)**	(29,056)
Directors' fees		**(130,000)**	(130,000)
Employee benefits expense		**(181,290)**	(255,961)
Amortisation of convertible note costs		**(69,019)**	(90,785)
Amortisation of oil and gas properties	7	**(178,196)**	(316,569)
Impairment of oil and gas properties		**-**	(5,798,298)
Loss on disposal of property, plant and equipment		**-**	(14,338)
Foreign exchange gain/ (loss)		**-**	(70)
Interest expense		**(1,255,358)**	(1,582,575)
Legal expenses		**(224,477)**	(374,560)
Listing fees		**(15,667)**	(39,295)
Office expense		**(109,242)**	(73,453)
Promotional expenses		**(864)**	(522)
Other expenses		**(61,040)**	(71,170)
Share registry expense		**(10,317)**	(10,354)
Travel and accommodation		**(109,477)**	(39,520)
Loss from continuing operations before income tax expense		**(2,252,936)**	(8,931,300)
Income tax expense	3(a)	**-**	-
Loss from continuing operations after income tax expense		**(2,252,936)**	(8,931,300)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**16,357**	178,377
Total comprehensive loss		**(2,236,579)**	(8,752,923)
Basic loss per share (cents per share)	4	**(0.2)**	(0.9)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated 2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	**5**	**356,939**	87,691
Trade and other receivables	**6**	**347,014**	70,330
Total Current Assets		**703,953**	158,021
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	**877,637**	871,267
Total Non-Current Assets		**877,637**	871,267
TOTAL ASSETS		**1,581,590**	1,029,288
CURRENT LIABILITIES			
Trade and other payables	**8**	**3,832,346**	2,559,321
Borrowings	**9**	**459,000**	80,000
Provisions	**10**	**89,044**	83,629
Convertible notes	**11**	**8,324,904**	8,657,296
Total Current Liabilities		**12,705,294**	11,380,246
NON-CURRENT LIABILITIES			
Provisions	**10**	**281,310**	274,001
Total Non-Current Liabilities		**281,310**	274,001
TOTAL LIABILITIES		**12,986,604**	11,654,247
NET ASSETS		**(11,405,014)**	(10,624,959)
EQUITY			
Issued capital	**12**	**39,150,299**	38,541,914
Reserves	**13**	**7,523,724**	6,659,228
Accumulated losses		**(58,079,037)**	(55,826,101)
TOTAL EQUITY		**(11,405,014)**	(10,624,959)

The accompanying notes form part of these financial statements

	Note	2017 $	2016 $
		Consolidated	
		Inflows/(Outflows)	
Cash Flows from Operating Activities			
Receipts from customers		**442,763**	1,089,045
Payments to suppliers and employees		**(720,731)**	(3,042,718)
Interest received/(paid)		**(103,917)**	(308,938)
Receipts from legal settlements, net of legal costs		**166,438**	-
			-
Net cash used in operating activities	**5(ii)**	**(215,447)**	(2,262,611)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**-**	1,519,181
Purchase of property, plant and equipment		**(218,139)**	(345,973)
Net cash provided by / (used in) investing		**(218,139)**	1,173,208
Cash Flows from Financing Activities			
Proceeds from borrowings		**379,000**	80,000
Proceeds from issue of shares		**360,179**	194,153
Share issue expenses		**(36,115)**	(14,766)
Net cash provided by financing activities		**703,064**	259,387
Net increase/(decrease) in cash held		**269,478**	(830,016)
Cash at the beginning of the financial year		**87,691**	907,178
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(230)**	10,529
Cash at the end of the financial year	**5**	**356,939**	87,691

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated						
Consolidated Group	**Issued Capital**	**Accumulated Losses**	**Option Reserve**	**Share-Based Payment sReserve**	**Convertible Notes - Equity Component Reserve**	**Foreign Currency Translation Reserve**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2015	38,362,527	(46,894,801)	340,000	263,455	1,128,345	4,749,051	(2,051,423)
Shares issued during the year	194,153	-	-	-	-	-	194,153
Share issue costs	(14,766)	-	-	-	-	-	(14,766)
Loss for the year	-	(8,931,300)	-	-	-	-	(8,931,300)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	-	178,377	178,377
Balance at 30 June 2016	38,541,914	(55,826,101)	340,000	263,455	1,128,345	4,927,428	**(10,624,959)**
Balance at 1 July 2016	**38,541,914**	**(55,826,101)**	**340,000**	**263,455**	**1,128,345**	**4,927,428**	**(10,624,959)**
Shares issued during the year	**644,500**	**-**	**-**	**-**	**-**	**-**	**644,500**
Share issue costs	**(36,115)**	**-**	**-**	**-**	**-**	**-**	**(36,115)**
Equity component of convertible notes issued during the year	**-**	**-**	**-**	**-**	**848,139**	**-**	**848,139**
Loss for the year	**-**	**(2,252,936)**	**-**	**-**	**-**	**-**	**(2,252,936)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**16,357**	**16,357**
Balance at 30 June 2017	**39,150,299**	**(58,079,037)**	**340,000**	**263,455**	**1,976,484**	**4,943,785**	**(11,405,014)**

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report is presented in Australian dollars.

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

Accounting policies have been consistently applied to all years presented unless stated otherwise. For the purposes of preparing the financial statements of the consolidated entity, the company is a for-profit entity.

(b) Adoption of new and revised standards

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

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

Standards and interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Those which may have a significant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2014)

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model'). The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed. The Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 Leases

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases. AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15. This standard will primarily affect the accounting for the Group's operating lease. As at 30 June 2017, the Group has $26,483 of non-cancellable operating lease commitments, predominantly relating to property lease. The Group is considering the available options to account for this transition but the Group expects an increase in reported earnings before interest, tax, depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. This will however be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2017.
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Target Energy Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. Target Energy Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.
The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.
In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.
Business combinations have been accounted for using the acquisition method of accounting.
When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 ‘Financial Instruments: Recognition and Measurement’ or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Impairment of oil and gas producing assets

Management has considered the existence of any indicators of impairment in relation to its oil and gas producing assets. In making their impairment assessment, management compared the carrying amount of each cash-generating unit to its recoverable amount. Value-in-use was used to determine recoverable amount and this was based upon PV10 discounted cash flows of risked Proved (1P) reserves upon which no capital expenditure is required. Based upon this review, a total of $Nil (2016: $5,798,298) has been recorded as an impairment expense in the statement of comprehensive income in relation to Fairway, Section 28 and East Chalkley. There has been no change in the way cash-generating units have been identified since the prior period.

Reserve estimates

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

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

Share-based payment transactions

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

(f) Revenue Recognition

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

Interest income

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

Oil and Gas Production Revenue

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

Sale of Oil and Gas Properties

Revenue is recognised when the titles have passed at which time all the following conditions are satisfied:

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

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

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 30 to 90 days.
Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original contractual terms. Factors considered by the consolidated entity in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the consolidated entity. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.
The amount of the impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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

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

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

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

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Financial assets carried at cost

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

(k) Foreign currency translation

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

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

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

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.
Oil and Gas production revenues are recognised gross of the amount of production and severance taxes and a separate expense for production and severance taxes is recognised.

(n) Property, plant and equipment

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office Equipment	–	over 5 to 8 years
Motor Vehicles	–	over 4 years
Computer Equipment	–	over 2.5 years
Website	–	over 10 years

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

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

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

(i) Impairment

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

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.
Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For property, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the amortisation and impairment of oil & gas properties.

(ii) Derecognition and disposal

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(p) Impairment of assets

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets – (continued)

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

(q) Trade and other payables

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

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in equity.

(s) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.
When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Employee leave benefits

(i) Wages, salaries, annual leave and personal leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating personal leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.
(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

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

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

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

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

(v) Issued capital

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

(w) Earnings/(loss) per share

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Exploration, evaluation and development expenditure

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

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

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

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

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

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

(y) Segment Reporting

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

(z) Comparative Figures

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

(aa) Parent entity financial information

The financial information for the parent entity, Target Energy Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.
(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.
(ii) Share-based payments
The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Going Concern

For the year ended 30 June 2017, the Group had a net cash outflow from operating and investing activities of $433,586 and incurred a net loss for the year of $2,252,936. In addition, the Group has net liabilities of $11,405,014 and a working capital deficiency of $12,001,341 as at 30 June 2017.

In total the Company has notes with a face value of $8,971,100 that were due to mature on 31 March 2017. The maturity date of all convertible notes was extended to 31 March 2018 with the approval of convertible noteholders. The Company raised a total of $379,000 from director and shareholder loans during the year.

Reserve reports dated 30 June 2017 detailing the Company's share of Proved Reserves show a total of 3,171,200 Boe, valued at approximately $15.728 million (US$11.796 million)[1]. However, for the purposes of the financial statements, those proven reserves requiring further capital expenditure were not considered and therefore only a total of 75,000 Boe was included. The Company is seeking to divest its Fairway Project.

The Board considers that the Group is a going concern and recognises that additional funding of approximately $14 million is required to ensure that it can continue to fund its current operations and repay all existing liabilities during the twelve-month period from the date of approval of the financial reports.

Such additional funding may be derived from one or a combination of the following:

- the sale of assets;
- the settlement of legal actions;
- the placement of securities under ASX listing Rule 7.1 or otherwise;
- an excluded offer pursuant to the Corporation's Act 2001;
- further debt funding;
- other recapitalisation strategies; or
- revenue from oil and gas wells;

Furthermore, the Company received a conditional Letter of Financial Support on 29 September 2017 from InvestMet Limited confirming its intention to participate in a proposed recapitalisation of the Company. The Letter further confirms, subject to the completion of binding documentation regarding the proposal, InvestMet will continue to advance working capital to Target until the agreed recapitalisation program is completed. Any recapitalisation would be subject to ASX Listing Rules, shareholder approval, noteholder approval and any relevant regulatory approvals.

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

Accordingly, the Directors believe that the Group will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the Group be unable to obtain sufficient funding from the alternatives as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classifications of liabilities that might be necessary should it not continue as a going concern.

1. Based on net proven reserves reported in ASX release "Fairway Reserves Update" dated 12 September 2017 and calculated based on the present value of future net income discounted at 10%pa using an oil price of US$46.55/barrel and US$3.70/MCF for gas and an exchange rate of 0.75 USD: 1.00 AUD.

NOTE 2: REVENUE

	Consolidated	
	2017	2016
Revenue	**$**	$
Oil and gas income	**652,891**	730,436
Interest received - other	**17**	1,738
Total revenue	**652,908**	732,174
Gain on sale of oil and gas property	**-**	1,230,894
Gain on sale of property, plant and equipment	**-**	45,311
Legal Settlement [1]	**424,524**	-
Total other income	**424,524**	1,276,205
	1,077,432	2,008,379

1. A settlement was reached in regard the legal action undertaken by Target subsidiary TELA Garwood LP ("TELA Garwood") against Victory Energy Corporation and Aurora Energy Partners ("Victory","Aurora"). TELA Garwood's suit charged that Aurora, acting by and through its general partner, Victory, breached its obligation to purchase certain of TELA Garwood's interests in the West Texas Fairway Project (Howard and Glasscock counties) pursuant to a Purchase and Sale Agreement between TELA Garwood and Aurora dated June 30,2014.

NOTE 3: INCOME TAX

(a) Income tax recognised in profit/loss

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

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

	Consolidated	
	2017	2016
	$	**$**
Accounting loss before tax	**(2,252,936)**	(8,931,300)
Income tax benefit/(expense) at 30%	**675,881**	2,679,390
Non-deductible expenses:		
Foreign tax rate adjustment	**55,096**	415,258
Foreign exchange gain / (loss)	**-**	(21)
Impairment of oil and gas properties	**-**	(1,739,489)
Other non deductible expenses	**(70)**	(70)
Unrecognised tax losses	**(730,907)**	(1,355,068)
Income tax benefit attributable to loss from ordinary activities before tax	**-**	-

NOTE 3: INCOME TAX (continued)

	Consolidated	
	2017	2016
(c) Unrecognised deferred tax balances	**$**	**$**
Tax losses attributable to members of the consolidated group - revenue	**47,999,961**	58,611,953
Potential tax benefit at 30%	**14,399,988**	17,583,586
Deferred tax liability not booked		
Deferred exploration expenditure and oil & gas properties	**(262,328)**	(258,284)
Deferred tax asset not booked		
Amounts recognised in profit & loss		
-employee provisions	**37,708**	32,597
-other	**394,428**	262,465
Amounts recognised in equity		
- share issue costs	**34,696**	58,630
Net unrecognised deferred tax asset at 30%	**14,604,492**	17,678,994

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

NOTE 4: EARNINGS/(LOSS) PER SHARE

	Consolidated Group	
	2017	2016
	Cents	Cents
Basic loss per share (cents per share)	**(0.2)**	(0.9)

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Loss for the year	**(2,252,936)**	(8,931,300)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	**1,031,206,428**	1,029,344,686

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

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	$	$
Cash at bank	**356,916**	87,668
Cash on hand	**23**	23
	356,939	87,691

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

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

	Consolidated	
	2017	2016
	$	$
(i) Reconcilation to the Statement of Cash Flows		
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank, net of bank overdraft. Cash and cash equivalents as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents, net of bank overdraft	**356,939**	87,691
(ii) Reconciliation of loss after income tax to net cash flows from operating activities:		
Loss after income tax	**(2,252,936)**	(8,931,300)
Depreciation	**6,842**	29,056
Amortisation and impairment	**247,215**	6,205,652
Non-cash interest on convertible notes	**446,728**	585,563
Gain on sale of property, plant and equipment	**-**	(1,276,205)
Loss on sale of property, plant and equipment	**-**	14,338
Net foreign exchange (gain)/loss	**8,672**	10,599
	(1,543,479)	(3,362,297)
Changes in operating assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	**7,632**	89,210
(Decrease)/increase in trade and other payables	**1,307,676**	982,052
(Decrease)/increase in employee benefits	**12,724**	28,424
Net cash outflow from operating activities	**(215,447)**	(2,262,611)

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017	2016
	$	$
Current		
Trade receivables	**37,348**	54,331
Prepayments	**10,150**	7,095
GST recoverable	**9,705**	3,237
Capital raising receivables	**284,317**	-
Other receivables	**347,111**	358,073
Impairment of other receivables	**(341,617)**	(352,406)
	347,014	70,330

The average credit period on sales of goods and rendering of services is 30-90 days.
No interest is charged.
The capital raising receivables were received subsequent to year end.
Impairment of other receivables relates to the 2008/2009 financial reporting period.

Ageing of impaired other receivables		
120 + days	**341,617**	352,406
Total	**341,617**	352,406

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Office Equipment	Computer Equipment	Motor Vehicles	Website	Oil & Gas Properties	Total
	$	$	$	$	$	$
Year ended 30 June 2017						
At 1 July 2016, net of accumulated depreciation/amortisation	**2,873**	**994**	**-**	**6,454**	**860,946**	**871,267**
Effect of movements in foreign exchange	**(72)**	**-**	**-**	**(197)**	**(26,361)**	**(26,630)**
Additions	**-**	**-**	**-**	**-**	**218,038**	**218,038**
Depreciation/amortisation for the year	**(2,392)**	**(994)**	**-**	**(3,456)**	**(178,196)**	**(185,038)**
At 30 June 2017, net of accumulated depreciation and amortisation	**409**	**-**	**-**	**2,801**	**874,427**	**877,637**
At 30 June 2016						
Cost	119,498	58,621	-	17,826	43,139,799	43,335,744
Accumulated depreciation/amortisation	(116,625)	(57,627)	-	(11,372)	(42,278,853)	(42,464,477)
Net carrying amount	2,873	994	-	6,454	860,946	871,267
At 30 June 2017						
Cost	**117,009**	**58,269**	**-**	**17,281**	**49,342,672**	**49,535,231**
Accumulated depreciation/amortisation	**(116,600)**	**(58,269)**	**-**	**(14,480)**	**(48,468,245)**	**(48,657,594)**
Net carrying amount	**409**	**-**	**-**	**2,801**	**874,427**	**877,637**

The useful life of the assets was estimated as follows for 2017:

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

The carrying amount of Oil & Gas Properties pledged as security is $874,427 (2016: $860,946).

NOTE 8: TRADE AND OTHER PAYABLES

	Consolidated	
	2017	2016
	$	$
Current		
Trade payables	**2,448,590**	1,925,549
Accruals	**1,319,410**	600,881
Employee entitlements	**36,651**	25,027
Other payables	**27,695**	7,864
	3,832,346	2,559,321

Trade payables are non-interest bearing and are normally settled on 30-day terms. Currently arrangements are in place with creditors to defer payment of payables which has resulted in several payables not being settled on 30-day terms.

NOTE 9: BORROWINGS

	Consolidated 2017 $	Consolidated 2016 $
Current		
Unsecured director loans	**9,000**	-
Secured shareholder and directors' loans	**450,000**	80,000
	459,000	80,000

An entity, of which Mr Rowe is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	40,000	60,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	70,000	70,000	Equal first ranking security over the Company's Fairway Project
Nil	Not specified	9,000	9,000	Nil

An entity, of which Mr Roe is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	15,000	35,000	Equal third ranking security over the Company's Fairway Project

An entity, of which Mr Mann is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	20,000	50,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	25,000	25,000	Equal first ranking security over the Company's Fairway Project

Other shareholder loans totalling $210,000 were provided during the year. Interest is payable on the loans at 10% per annum. A total of $12,093 interest has been accrued on the loans. The loans are secured by an equal first ranking security over the Company's Fairway project and is repayable on or before 31 March 2018.

NOTE 10: PROVISIONS

	Consolidated	
	2017	**2016**
	$	**$**
Current		
Employee entitlements	**89,044**	83,629
	89,044	83,629
Non Current		
Provision for restoration	**281,310**	274,001
	281,310	274,001
Movement in employee entitlements		
Balance at the beginning of the year	**83,629**	60,465
Arising during the year	**5,415**	23,164
Balance at the end of the year	**89,044**	83,629
Movement in provision for restoration		
Balance at the beginning of the year	**274,001**	303,713
Arising	**15,986**	15,722
Unwinding and discount rate adjustment, divestments	**(8,677)**	(45,434)
Balance at the end of the year	**281,310**	274,001

The provision for restoration represents the best estimate of the present value of the expenditure required to settle the restoration obligations at balance date. Future costs are reviewed annually and any changes are reflected in the present value of the restoration provision each reporting date.

The provision for employee entitlement represents vested long service leave entitlements accrued.

NOTE 11: CONVERTIBLE NOTES

	Face Value Consolidated 2017 $	Face Value Consolidated 2016 $
Balance 1 July	**8,971,100**	8,971,100
Issued during the year	**-**	-
Converted to notes/equity/shares during the year	**-**	-
Balance at end of year	**8,971,100**	**8,971,100**

Movement during the year	Present Value Consolidated 2017 $	Present Value Consolidated 2016 $
Carrying value at start of year	**8,657,296**	7,980,948
Transaction costs amortised	**(69,019)**	(90,785)
Unwinding of discount rate	**382,823**	767,133
Face value of notes at extension date	**8,971,100**	
Equity component upon extension of notes transferred to reserves [1]	**(848,139)**	
Unwinding of discount rate	**201,943**	
Carrying value at end of year	**8,324,904**	8,657,296

	Consolidated 2017 No.	Consolidated 2016 No.
Balance 1 July	**179,422,000**	179,422,000
Issued during the year	**-**	-
Converted to notes/equity/shares during the year	**-**	-
Balance at end of year	**179,422,000**	179,422,000

1. The maturity date of all convertible notes was extended to 31 March 2018 with the approval of convertible noteholders. Noteholders approved an interest rate of Nil for the period of the extension from 31 March 2017 to 31 March 2018.

No convertible notes were issued in the year ended 30 June 2017.

Convertible notes with a face value of $5,971,100 are secured by a second ranking charge over the Company's interests in the Fairway Project.

Convertible notes with a face value of $3,000,000 are secured by a third ranking charge over the Company's interests in the Fairway Project.

NOTE 12: ISSUED CAPITAL

	Consolidated	
	2017	**2016**
	$	**$**
1,289,006,428 (2016: 1,031,206,428) fully paid ordinary shares	**39,150,299**	38,541,914

	Consolidated	
	2017	**2016**
(i) Ordinary shares - number	**No.**	**No.**
At start of year	**1,031,206,428**	998,847,585
Shares issued at $0.006	**-**	32,358,843
Placement at $0.0025	**257,800,000**	-
Balance at end of year	**1,289,006,428**	1,031,206,428

	Consolidated	
	2017	**2016**
(ii) Ordinary shares – value	**$**	$
At start of year	**38,541,914**	38,362,527
Shares issued at $0.006	**-**	194,153
Placement at $0.0025	**644,500**	-
Less share issue costs	**(36,115)**	(14,766)
Balance at end of year	**39,150,299**	38,541,914

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

NOTE 13: RESERVES

	Consolidated	
	2017	**2016**
	$	**$**
Reserves	**7,523,724**	6,659,228

Reserves comprise the following:

(i) Option Premium Reserve

	Consolidated	
	2017	**2016**
Number of options - options issued other than as share based payments	**No.**	**No.**
At start of year	**265,759,522**	249,580,100
Issue of options	**-**	16,179,422
Expiry of options	**(265,759,522)**	-
Balance at 30 June	**-**	265,759,522

	Consolidated	
	2017	**2016**
Value of options	**$**	$
At start of year	**340,000**	340,000
Balance at 30 June	**340,000**	340,000

NOTE 13: RESERVES (Continued)

(ii) Share-Based Payments Reserve

	Consolidated	
	2017	**2016**
Number of shares - shares issued as share based payments	**No.**	**No.**
At start of year	**1,666,666**	1,666,666
Balance at 30 June	**1,666,666**	1,666,666

	Consolidated	
	2017	**2016**
Value of shares	**$**	$
At start of year	**263,455**	263,455
Balance at 30 June	**263,455**	263,455

(iii) Foreign Currency Translation Reserve

At start of year	**4,927,428**	4,749,051
Currency translation differences	**16,357**	178,377
Balance at 30 June	**4,943,785**	4,927,428

(iv) Convertible Note - Equity Component Reserve

At start of year	**1,128,345**	1,128,345
Conversion of notes	**-**	-
Equity component of convertible notes (net of transaction costs)	**848,139**	-
Balance at 30 June	**1,976,484**	1,128,345

Nature and purpose of reserves

Option Premium Reserve

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

Share Based Payments Reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to third parties for services provided. The shares which were issued pursuant to an incentive plan are subject to performance conditions and a loan. They will remain subject to a voluntary restriction arrangement until the performance conditions are met or waived and the loan is repaid. Refer to Note 14 for further details of the loan terms.

Foreign Currency Translation Reserve

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

Convertible Note – Equity Component Reserve

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

NOTE 14: SHARE BASED PAYMENT PLANS

Employee Share Plan (ESP)

No shares were issued pursuant to the employee share plan during the year (2016: Nil).

The fair value of the equity settled shares granted is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the shares were issued. Included under share based payment expenses in the statement of comprehensive income is $Nil (2016: $Nil) in respect of the shares issued.

Employee Share Loan Plan (ESLP)

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

NOTE 15: FINANCIAL INSTRUMENTS

30 June 2017	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 Year	1 to 5 Yrs	Over 5 Yrs	Non-interest bearing and maturing within 1 Yr	Total
		$	$	$	$	$	$
Financial Assets:							
Cash & cash equivalents	**0.0%**	**356,939**	**-**	**-**	**-**	**-**	**356,939**
Trade and other receivables		**-**	**-**	**-**	**-**	**347,014**	**347,014**
Total Financial Assets		**356,939**	**-**	**-**	**-**	**347,014**	**703,953**
Financial Liabilities:							
Trade and other payables		**-**	**-**	**-**	**-**	**3,832,346**	**3,832,346**
Unsecured director loans	**0.0%**	**-**	**-**	**-**	**-**	**9,000**	**9,000**
Secured shareholder and director loans	**10.0%**	**-**	**450,000**	**-**	**-**	**-**	**450,000**
Convertible Notes	**0.0%**	**-**	**-**	**-**	**-**	**8,324,904**	**8,324,904**
Total financial liabilities		**-**	**450,000**	**-**	**-**	**12,166,250**	**12,616,250**

30 June 2016	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 Year	1 to 5 Years	Over 5 Years	Non-interest bearing and maturing within 1 Yr	Total
		$	$	$	$	$	$
Financial Assets:							
Cash & cash equivalents	0.5%	87,691	-	-	-	-	87,691
Trade and other receivables		-	-	-	-	70,330	70,330
Total financial assets		87,691	-	-	-	70,330	158,021
Financial Liabilities:							
Trade and other payables		-	-	-	-	2,833,322	2,833,322
Secured director loans		-	80,000	-	-	-	80,000
Convertible Notes	10.0%	-	8,657,296	-	-	-	8,657,296
Total financial liabilities		-	8,737,296	-	-	2,833,322	11,570,618

NOTE 16: EXPENDITURE COMMITMENTS

	Consolidated	
	2017	**2016**
	$	**$**
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	**26,483**	81,376
- between 12 months and 5 years	**-**	27,319
- greater than 5 years	**-**	-
	26,483	108,695

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

NOTE 17: RELATED PARTY DISCLOSURE

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

Name	Country of Incorporation	% Equity Interest 2017	% Equity Interest 2016	Investment $ 2017	Investment $ 2016
Target Energy Limited	Australia	100	100	-	-
TELA (USA) Inc	USA	100	100	-	-
TELA Louisiana Limited Inc	USA	100	100	-	-
TELA Texas Holdings Limited Inc	USA	100	100	-	-
its subsidiaries:					
TELA Texas General LLC	USA	100	100	-	-
TELA Texas Limited LLC	USA	100	100	-	-
its subsidiary					
TELA Garwood Limited LP[1]	USA	99	99	-	-

Note 1 - 1% owned by Tela Texas General

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

NOTE 17: RELATED PARTY DISCLOSURE (Continued)

Amounts owed by Related Parties	2017 $	2016 $
Subsidiaries		
TELA Louisiana Limited Inc	**16,602,115**	17,051,458
TELA Garwood Limited LP	**8,204,862**	7,939,043
TELA (USA) Inc	**25,892,821**	26,039,110
Total	**50,699,798**	51,029,611
Allowance for impairment	**(50,699,798)**	(51,029,611)
	-	-

Outstanding balances at year-end are unsecured and settlement occurs in cash.
An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the consolidated entity recognises an allowance for the impairment loss.
Loans to controlled entities bear interest at the rate of between 2.82% and 1.90% (2016: 2.2% to 2.7%). Interest received from controlled entities during the year was $1,210,870 (2016: $1,295,994).

NOTE 18: EVENTS AFTER THE REPORTING DATE

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

- the completion of a $1 million secure loan financing with Investmet Limited;
- repayment of amount owed to Trilogy Operating Inc of $1,039,590;
- the commencement of legal proceedings in the US against Trilogy Operating Inc and its officers and/or former officers;
- the resignation of the Chairman on 22 September 2017;
- the appointment of Matthew Battrick as a director on 26 September 2017; and
- the Company received a conditional Letter of Financial Support on 29 September 2017 from InvestMet Limited confirming its intention to participate in a proposed recapitalisation of the Company. The Letter further confirms, subject to the completion of binding documentation regarding the proposal, InvestMet will continue to advance working capital to Target until the agreed recapitalisation program is completed. Any recapitalisation would be subject to ASX Listing Rules, shareholder approval, noteholder approval and any relevant regulatory approvals.

NOTE 19: AUDITORS' REMUNERATION

	Consolidated	
	2017 $	**2016 $**
Amounts received or due and receivable by the auditors for:		
Audit or review of the financial reports of the consolidated entity - HLB Mann Judd	**52,500**	44,000
Audit or review of the financial reports of subsidaries - GBH	**-**	89,002

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel - *Directors*

Christopher Rowe	Chairman (non-executive) – resigned 22 September 2017
Laurence Roe	Managing Director
Stephen Mann	Director (non-executive)
Matthew Battrick	Director (non-executive) – appointed 26 September 2017

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

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(b) Compensation by category of Key Management Personnel

	2017	2016
	$	$
Short-term employee benefits	**274,752**	274,752
Post-employment benefits	**19,498**	19,498
Share-based payments	**-**	-
	294,250	294,250

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

(c) Interest Paid or Payable to Key Management Personnel

	2017	2016
Directors	$	$
Christopher Rowe	**87,327**	49,182
Stephen Mann	**6,305**	-
Laurence Roe	**3,551**	-
	97,183	49,182

(d) Loans with Key Management Personnel

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

An entity, of which Mr Rowe is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	40,000	60,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	70,000	70,000	Equal first ranking security over the Company's Fairway Project
Nil	Not specified	9,000	9,000	Nil

An entity, of which Mr Roe is a director and shareholder, has provided the following loan to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	15,000	35,000	Equal third ranking security over the Company's Fairway Project

An entity, of which Mr Mann is a director and shareholder, has provided the following loans to the Company:

Interest Rate	Maturity Date	Advanced during year ended 30 June 2017 ($)	Balance at 30 June 2017 ($)	Security
10% pa	31 March 2018	20,000	50,000	Equal third ranking security over the Company's Fairway Project
10% pa	31 March 2018	25,000	25,000	Equal first ranking security over the Company's Fairway Project

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

An amount of $156,333 (2016: $86,333) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder in respect of director's fees.

Interest in respect of convertible notes of $76,860 (2016: $49,182) was payable at year end to an entity, of which Mr. Rowe is a director and shareholder.

Interest in respect of secured loans of $10,467 (2016: $Nil) was payable to an entity of which Mr Rowe is a director and shareholder

Interest in respect of secured loans of $3,551 (2016: $Nil) was payable to an entity of which Mr Roe is a director and shareholder

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

Interest in respect of secured loans of $6,305 (2016: $Nil) was payable to an entity of which Mr Mann is a director and shareholder

Directors fees totalling $130,000 (2016: $70,000), inclusive of superannuation, were payable at year end to Mr. Mann.

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

An entity, of which Mr Rowe is a director and shareholder, holds convertible notes with a face value of $305,000 (2016: $305,000). The notes have a 5 cent face value, are each convertible into one ordinary share and have a maturity date of 31 March 2018.

(h) Other Transactions and balances with Key Management Personnel

There were no other transactions with key management personnel in 2017.

NOTE 21: FINANCIAL RISK MANAGEMENT

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

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

The consolidated entity holds the following financial instruments:

	Consolidated Group	
	2017	**2016**
	$	**$**
Financial assets		
Cash and cash equivalents	**356,939**	87,691
Trade and other receivables	**347,014**	70,330
	703,953	158,021
Financial liabilities		
Trade and other payables	**3,832,346**	2,833,322
Borrowings	**459,000**	80,000
Convertible Notes	**8,324,904**	8,657,296
	12,616,250	11,570,618

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

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

Cash flow and fair value interest rate risk

The consolidated entity's main interest rate risk arises from cash deposits to be applied to exploration and development of areas of interest. Deposits at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits at fixed rates expose the consolidated entity to fair value interest rate risk. During 2017 and 2016, the consolidated entity's deposits at variable rates were denominated in Australian Dollars and United States Dollars.

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

	2017		2016	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Deposit		**356,916**		87,668
Other cash available		**23**		23
Net exposure to cash flow interest rate risk	0.01%	**356,939**	0.5%	87,691

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

Sensitivity

During 2016/2017, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would be an immaterial change in post-tax loss for the year.

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

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

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

The consolidated entity does not have a policy to enter into forward contracts. At 30 June 2017, the consolidated entity had the following exposure to US$ foreign currency expressed in A$ equivalents:

	Consolidated Group subject to FX	
	2017	2016
	$	$
Financial assets		
Cash and cash equivalents	**(99)**	8,042
Trade and other receivables	**42,842**	59,998
	42,743	68,040
Financial liabilities		
Trade and other payables	**1,450,753**	1,547,688

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

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

At 30 June 2017, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	US$	A$	A$ +10%	Movement +10%	A$ -10%	Movement -10%
Cash	(75)	(98)	(89)	9	(108)	(10)
Debtors	32,885	42,842	38,947	(3,895)	47,602	4,760
Creditors	(1,329,532)	(1,732,064)	(1,574,603)	157,461	(1,924,515)	(192,452)
	(1,296,722)	(1,689,320)	(1,535,745)	153,575	(1,877,021)	(187,702)

(b) Credit risk

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

The Consolidated entity has the following significant concentration of credit risk:		**USD**
Trade receivables and other receivables:	Trilogy Operating Inc.	28,668

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

(c) Liquidity risk

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

The Consolidated entity and parent entity have no borrowing facilities.

A maturity analysis for the Group's financial instruments is disclosed in Note 14. The amounts presented are the discounted values. The contractual undiscounted amounts of financial instruments have not been disclosed on the basis of materiality.

(d) Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and reserves as disclosed in notes 10 and 11. The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

NOTE 22: SEGMENT REPORTING

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

Segment information
The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2017 and 30 June 2016.

	Continuing operations				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
30-Jun-17	$	$	$	$	$
Revenue					
Sales to external customers	652,891	-	652,891	-	652,891
Other income	424,524	-	424,524	-	424,524
Total segment revenue	1,077,415	-	1,077,415	-	1,077,415
Interest revenue	-	1,210,887	1,210,887	(1,210,870)	17
Foreign exchange gain/loss	1,588,326	(1,588,326)	-	-	-
Interest expense	(1,288,469)	(1,178,586)	(2,467,055)	1,211,697	(1,255,357)
Depreciation and amortisation	(183,883)	(70,174)	(254,057)	-	(254,057)
Impairment	-	-	-	-	-
Impairment of loans	-	329,813	329,813	(329,813)	-
Other expenses	(1,082,906)	(738,048)	(1,820,954)	-	(1,820,954)
Income tax expense	-	-	-	-	-
Profit/(loss) for the year	110,483	(2,034,434)	(1,923,953)	(328,986)	(2,252,936)
Segment assets					
Investments in associates	-	98	98	(98)	-
Capital expenditure	877,227	410	877,637	-	877,637
Other assets	42,742	661,211	703,953	-	703,953
Segment liabilities	1,732,059	11,254,545	12,986,604	-	12,986,604

NOTE 22: SEGMENT REPORTING (continued)

	Continuing operations				
	USA Subsidiaries	Australian operations	Total	Inter-segment transactions	Consolidated
30-Jun-16	$	$	$	$	$
Revenue					
Sales to external customers	730,436	-	730,436	-	730,436
Other revenues from external customers	1,276,205	-	1,276,205	-	1,276,205
Total segment revenue	2,006,641	-	2,006,641	-	2,006,641
Interest revenue	-	1,297,732	1,297,732	(1,295,994)	1,738
Foreign exchange gain/loss	(1,363,162)	1,363,092	(70)	-	(70)
Interest expense	(1,340,125)	(1,538,444)	(2,878,569)	1,295,994	(1,582,575)
Depreciation and amortisation	(342,476)	(93,934)	(436,410)	-	(436,410)
Impairment	(5,798,298)	-	(5,798,298)	-	(5,798,298)
Impairment of loans	-	(8,508,997)	(8,508,997)	8,508,997	-
Other expenses	(2,459,903)	(662,423)	(3,122,326)	-	(3,122,326)
Income tax expense	-	-	-	-	-
Profit/(loss) for the year	(9,297,323)	(8,142,974)	(17,440,297)	8,508,997	(8,931,300)
Segment assets					
Investments in associates	-	98	98	(98)	-
Capital expenditure	869,706	1,561	871,267	-	871,267
Other assets	68,038	89,982	158,020	-	158,020
Segment liabilities	1,547,688	10,106,559	11,654,247	-	11,654,247

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

Other segment information

The sales to external customers all arise from the Fairway Oil & Gas Project.

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

	$	$
Australia	17	1,738
United States	1,077,415	2,006,641
Total revenue	1,077,432	2,008,379

NOTE 23: PARENT ENTITY DISCLOSURES

(a) Financial Position	2017	2016
	$	$
Assets		
Current assets	**661,211**	89,983
Non-current assets	**508**	1,659
Total assets	**661,719**	91,642
Liabilities		
Current liabilities	**11,254,545**	10,106,559
Non Current Liabilities	**-**	-
Total liabilities	**11,254,545**	10,106,559
Equity		
Issued capital	**39,150,299**	38,541,914
Reserves	**2,579,939**	1,731,800
Accumulated losses	**(52,323,064)**	(50,288,631)
Total Equity	**(10,592,826)**	(10,014,917)
(b) Financial Performance		
Loss for the year	**(2,034,434)**	(8,142,983)
Other comprehensive income	**-**	-
Total comprehensive loss	**(2,034,434)**	(8,142,983)
(c) Contingent liabilities of the parent entity	**-**	-
(d) Commitments for the acquisition of property, plant and equipment by the parent entity	**-**	-
(e) Operating lease Commitments	**-**	-

NOTE 24: CONTINGENT ASSETS AND LIABILITIES

Target's wholly owned subsidiary TELA Garwood LP ("TELA Garwood") has commenced legal action against the Fairway Project operator Trilogy Operating Inc. ("Trilogy") and Chris Smith in the District Court of Harris County (Houston), Texas. Mr Smith is a former executive and director of Trilogy. The suit alleges Breach of Contract, Fraud and Violations of the Texas Deceptive Trade Practices–Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain lease-holdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood as a consequence. The action is ongoing.

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

DIRECTORS' DECLARATION

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

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

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year then ended; and

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 June 2017.

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

Laurence Roe
Director

30 September 2017

HLB Mann Judd

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of oil and gas properties Note 7 of the financial report	
The Group has oil and gas properties with a carrying value of $874,427 at balance date. The Group is required to assess whether there are any indicators of impairment in relation to this asset. Management has determined that an indicator of impairment existed at balance date. Accordingly, management has conducted an impairment assessment of the carrying amount of property, plant and equipment, and concluded that no impairment expense was required to be recognised in respect of oil and gas properties and equipment at balance date. The assessment of impairment of the carrying value of oil and gas properties is a key audit matter as there are a number of judgements required in determining the recoverable value of these assets due to the current economic conditions.	Our procedures included but were not limited to the following: • We obtained an understanding of the key controls associated with the assessment of impairment; • We evaluated management's assessment of the recoverable value of oil and gas properties (which included the use of an external independent valuation and reserves report obtained by the Group to support the carrying value of assets at reporting date); • We assessed the valuation methodology adopted by the external independent expert and the competence of the external independent expert; • We considered the pricing assumptions used to value the oil and gas reserves; • We considered the appropriateness of the discount rate used; • We considered the Group's ability to make any required capital expenditure to develop its assets and we ensured that any reserves were excluded that required the Group making capital expenditure that it was unable to make; and • We assessed the appropriateness of the disclosures included in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Target Energy Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
30 September 2017

DISTRIBUTION OF EQUITY SECURITIES

The distribution of members and their holdings of fully paid ordinary shares as at 18 October 2017.

Shares held	No. of Shareholders	Percentage
1 – 1,000	118	0.00%
1,001 – 5,000	75	0.02%
5,001 – 10,000	85	0.05%
10,001 – 100,000	459	1.49%
100,001 and over	421	98.44%
Total	**1,158**	**100.000%**

Less than Marketable Parcel at 0.1 cents	Min Parcel size	Holders	Units
Shares	499,999	963	73,561,968

RESTRICTED SECURITIES

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

VOTING RIGHTS

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

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2001, recorded the following information as at 18 October 2017:

Holder Name	Number of Shares	Class of Share	Percentage of Issued Capital
Wyllie Group Pty Limited	121,468,838	Ordinary	9.42%
InvestMet Limited	99,059,055	Ordinary	7.61%
Gunz Pty Limited <Gunz Superannuation Fund> and Stephen Mann	79,596,062	Ordinary	6.17%
Little Breton Nominees Pty Limited	78,409,274	Ordinary	6.08%

HOLDERS OF UNQUOTED EQUITY SECURITIES

	No. of holders	No. Issued
Series 1 Unquoted Convertible Notes, 5 cents, 31 March 2017 – first ranking security	83	119,422,000
Series 2 Unquoted Convertible Notes, 5 cents, 31 March 2017 – second ranking security	1	60,000,000

TWENTY LARGEST SHARE HOLDERS

The names of the 20 largest holders of fully paid ordinary shares as at 18 October 2017 are listed below:

	Name	Number of Shares	Percentage
1	Wyllie Group Pty Limited	121,468,838	9.42%
2	InvestMet Limited	98,059,055	7.61%
3	Little Breton Nominees Pty Ltd <The Little Breton S/F A/c>	78,409,274	6.08%
4	Gunz Pty Ltd <Gunz S/F A/c>	77,487,940	6.01%
5	Mr Andrew William Spencer <The AJ Family A/c>	54,243,884	4.21%
6	Michael Fotios <Michael Fotios Family A/c>	42,533,843	3.30%
7	Botsis Holdings Pty Ltd	40,000,000	3.10%
8	Oakmount Nominees Pty Ltd <Narromine Super Fund A/c>	33,440,457	2.59%
9	Petroe Exploration Services Pty Ltd	31,427,087	2.44%
10	Spring Eagles Farm Inc	28,969,501	2.25%
11	GDR Pty Ltd <The Riley Super Fund A/c>	27,413,875	2.13%
12	Perth Select Seafoods Pty Ltd	24,619,587	1.91%
13	Mr Damian Mario Cifonelli	24,000,000	1.86%
14	HSBC Custody Nominees (Australia) Limited	23,900,382	1.85%
15	Mr Philip Colin Hammond & Ms Betty Jeanette Moore	23,000,000	1.78%
16	Mr Steven Robert Steele McAlpine & Mrs Sandra Lynn McAlpine	22,069,779	1.71%
17	Ms Betty Jeanette Moore & Mr Philip Colin Hammond	22,000,000	1.71%
18	Black Swan Global Pty Ltd <Black Swan Investments A/c>	20,000,000	1.55%
19	Mr Gregory John Sharpless & Mrs Jennifer Lee Sharpless	19,735,491	1.53%
20	Mr Anthony Harold Fotios <Fotios Family A/c>	17,029,166	1.32%
		829,808,159	**64.38%**
		1,289,006,428	**100.00%**

LARGEST HOLDERS (>20%) OF UNQUOTED EQUITY SECURITIES

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

ASX WAIVERS

(i) Original Date of Waiver: 21 October 2014
Rescinded and Replaced: 1 May 2017

Wyllie Group New Convertible Notes.

Principal Amount	$3,000,000
Face Value	Each New Convertible Note has a face value of $0.05.
Maturity Date	The earlier of: (a) 31 March 2017; (b) the date that is 14 days after the settlement of the sale of all of the Issuer's interest in the Fairway Project; or (c) any earlier date on which the Principal Amount is required to be repaid in full.
Coupon Rate	10% p.a.
Maturity Fee	The higher of: 10% p.a. accrued interest on the Face Value of the New Convertible Notes held; and the amount that equals 0.5% of the pre-tax proceeds received by the Company in relation to the sale of all of the Company's interest in the Fairway Project. 0.5% is the portion payable in respect of 60,000,000 New Convertible Notes. For the avoidance of doubt, if Wyllie Group transfers some but not all of the New Convertible Notes to a new noteholder, the Maturity Fee payable to each noteholder will be adjusted accordingly. If Wyllie Group converts some or all of the New Convertible Notes, other than pursuant to an early redemption, the Maturity Fee payable will be adjusted accordingly.
Security	The Convertible Notes will be secured by an equal second-ranking security interest over the Company's interest in the Fairway Project, via a security interest over all of the general and limited partnership interests in the TELA Garwood, LP. The full security will be extinguished when the New Convertible Notes are converted or repaid in full.
Conversion Ratio	Each New Convertible Note converts into 1 fully paid ordinary share in the Company.
Early Redemption	In the event that the Company sells all of its interest in the Fairway Project, then the Company may redeem the Principal Amount of New Convertible Notes representing all or some of the New Convertible Notes held by the noteholder by giving the noteholder at least 20 business days prior notice. During the notice period, the noteholder may exercise the right to convert their New Convertible Notes into shares. On the redemption date, the Company must pay to the noteholder: (a) the Principal Amount on all unconverted New Convertible Notes held by the noteholder on that date; (b) all unpaid accrued interest and the Overdue Interest (if any); and (c) the Maturity Fee.

ii) Original Date of Waiver: 7 October 2016
Rescinded and Replaced: 1 May 2017

Secured Directors Loans

Loan	$145,000, comprising: (a) $60,000 from Little Breton Nominees Pty Ltd (ACN 008 813 956) as trustee for The CKG Rowe Family Trust A/C. Little Breton Nominees Pty Limited is controlled by Mr Christopher Rowe and he is a beneficiary of The CKG Rowe Family Trust; (b) $50,000 from Gunz Pty Limited (ACN 008 935 724) as trustee for the Gunz Superannuation Fund A/C. Gunz Pty Limited is controlled by Mr Stephen Mann and he is a beneficiary of the Gunz Superannuation Fund; and (c) $35,000 from Petroe Exploration Services Pty Limited (ACN 081 252 780) as trustee for the Haaleroe Trust. Petroe Exploration Services Pty Limited is controlled by Mr Laurence Roe and he is a beneficiary of the Haaleroe Trust.
Repayment Date	The earlier of: (a) 31 March 2017; or (b) 5 business days after the date on which the Company receives notice from the lender of the occurrence of an event of default and declaring the outstanding monies immediately due and payable.
Interest Rate	10% p.a.
Security	The Director Loans are secured by an equal third-ranking security interest over the Company's interest in the Fairway Project, via a security interest over all of the equity ownership interests in Garwood. The full security will be extinguished when the Director Loans are repaid in full. In the event that a credit facility of not less than US$5,000,000 is negotiated by Garwood with a US financial institution, the security will automatically become fourth ranking.

iii) Date of Waiver: 1 May 2017

New Secured Loans

Loan	$295,000, comprising: (a) $70,000 from Little Breton Nominees Pty Ltd (ACN 008 813 956) as trustee for The CKG Rowe Family Trust A/C. Little Breton Nominees Pty Limited is controlled by Mr Christopher Rowe and he is a beneficiary of The CKG Rowe Family Trust; (b) $25,000 from Gunz Pty Limited (ACN 008 935 724) as trustee for the Gunz Superannuation Fund A/C. Gunz Pty Limited is controlled by Mr Stephen Mann and he is a beneficiary of the Gunz Superannuation Fund; and (c) $200,000 from Wyllie Group (ACN 008 763 120).
Repayment Date	The earlier of: (a) 31 March 2018; or (b) 5 business days after the date on which the Company receives notice from the lender of the occurrence of an event of default and declaring the outstanding monies immediately due and payable.
Interest Rate	12% p.a.
Security	The New Secured Loans are secured by an equal first-ranking security interest over the Company's interest in the Fairway Project, via a security interest over all of the equity ownership interests in Garwood. The full security will be extinguished when the New Secured Loans are repaid in full. In the event that a credit facility of not less than US$5,000,000 is negotiated by Garwood with a US financial institution, the security will automatically become second ranking.

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

The Group's Corporate Governance Statement dated 16 October 2016 (which reports against these ASX Principles) may be accessed from the Company's website at:

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

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