



Annual Report 2013

CORPORATE DIRECTORY

DIRECTORS:	Darren Levy (Chairman) Paul Garner Colin Sandell-Hay
COMPANY SECRETARY:	Jack Hugh Toby FCA MACS
ABN:	53 109 213 470
REGISTERED OFFICE:	31 Ord St West Perth, Western Australia 6005 Tel: +61 (8) 9322 6955 Fax: +61 (8) 9322 6722
AUDITORS:	Somes Cooke 1304 Hay St, West Perth WA 6005 PO Box 709, West Perth WA 6872 Tel: +61 (8) 9426 4500 Fax: +61 (8) 9481 5645
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

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

DIRECTORS' REPORT

The directors of Titan Energy Ltd A.C.N. 109 213 470 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30th June 2013. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Darren Stephen Levy
Paul Charles Garner
Colin Sandell-Hay (appointed 26 July 2013)
Stephen Leslie Thomas (resigned 22 July 2012)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were exploration, development and production for oil and gas (including coal seam methane gas) and investment in the resources industry.

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$7,835,219 (2012: \$2,732,087).

DIVIDENDS

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

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30th June 2013.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

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

On 2 July 2012, the Company issued 35,000,000 Ordinary Shares, 8,280,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012, 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 and 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014. These securities were issued for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition; to provide Allen Dome Exploration LLC with an additional incentive and reward for their future services; and for Allen Dome Exploration LLC facilitating the Salt Dome Option and assisting in the due diligence process, and to incentivise Allen Dome Exploration LLC to assist the Company to secure additional acquisitions in the United States in the future. Also included in the securities issued above was 3,600,000 Options in satisfaction of management services provided by Pursuit Capital Pty Ltd and 4,680,000 Options in satisfaction of management services provided by Pendulum Capital Pty Limited. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012.

DIRECTORS' REPORT

On 23 July 2012, the Company issued 126,800,000 Ordinary Shares for \$0.0125 per share, 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 20,000,000 Options exercisable at 1.25 cents each and expiring on 30 September 2012 at an issue price of \$0.0005 each. The issue of 110,000,000 of the ordinary shares was approved at the shareholder meeting held on 29-Jun-12 comprising 20,000,000 shares pursuant to Resolution 7, 20,000,000 shares pursuant to Resolution 8 and 70,000,000 shares pursuant to Resolution 6. The issue of 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was also approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12.

On 2 August 2012, the Company announced the acquisition of a 50% interest in the approximately 110 acre Greathouse Prospect within the South Lake Charles oil and gas field in Louisiana, USA - with an option over a further 173 acres. The Company had paid US\$48,759 in lease costs for 50% interest in Greathouse and will pay its proportionate share of the cost of the drilling of a well into the prospect on a ground floor basis. The proposed well has an estimated dry hole cost of US\$1,200,000. The Company is in discussions to bring another partner into the permit area with the Company potentially farming out a 20% interest whilst retaining a 35% Working Interest (WI).

On 3 August 2012, the Company announced that it had concluded a Purchase Agreement to acquire 276 acres of producing interests on the northern flank of the Allen Salt Dome in Brazoria County, including the related production equipment.

On 6 August 2012, the Company announced that it had engaged Peterson Energy Operating Inc. to drill the Hettinger #1-15 exploration well at its Sodbuster II Project area in Colorado.

On 14 August 2012, the Company issued 10,000,000 Ordinary Shares for \$0.0125 per share, 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012. The issue of 10,000,000 Ordinary shares was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 6. The issue of 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12. The issue of 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012 was issued in satisfaction of management services provided by Pursuit Capital Pty Ltd and was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 10.

On 21 September 2012, the Company issued 4,027,250 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012, and issued 25,000,000 fully paid ordinary shares for \$0.01 (1 cent) each pursuant to the exercise of options expiring on 31 March 2013.

On 28 September 2012, the Company issued 20,000,000 fully paid ordinary shares for \$0.0125 (1.25 cents) each pursuant to the exercise of options expiring on 30 September 2012.

On 24 October 2012, the Company announced that it had achieved successful oil flows from the first two wells in a multi-well recompletion and exploration programme in the Allen Dome salt dome oil field in Texas. A re-entry of the Reese #5 well on the northern flank of Allen Dome, where the Company is Operator, produced initial oil to surface. It also successfully re-entered the Reese #2a well where it initially uncovered mechanical problems with existing equipment. This was quickly rectified allowing the well to flow at a sustained higher rate from the current zone.

On 31 October 2012, the Company announced that increased its area of interest in the Greathouse Prospect in Louisiana from 110 acres to 148 acres. The Company currently has operatorship and a 50% interest on a ground floor basis in the 148 acre project area, also has an option over a further 209 acres.

DIRECTORS' REPORT

On 5 November 2012, the Company issued 83,334 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012.

On 26 November 2012, the Company announced that that EP455 Joint Venture Operator and the Joint Venture partner AWE Limited ("AWE"), had elected to proceed with the JV agreement covering the onshore Perth Basin permit. AWE holds Operatorship and an 81.5% interest in EP455, while the Company's interest in the licence is 18.5%.

On 6 December 2012, the Company issued 1,906,381 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012, issued 6,500,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012 and issued 12,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 13 December 2012, the Company announced that it had established a currently restricted, initial flow of oil from co-mingled zones in the Reese #2a well following recent workover and re-completion operations.

On 13 December 2012, the Company issued 20,000,000 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012.

On 19 December 2012, the Company announced underwriting for the exercise of options at 1.5 cents each and expiring on 31 December 2012 ("Listed Options") of \$1.8 million ("Underwritten Amount") of the option exercise proceeds for a fee of \$10,000 plus 6% of the Underwritten Amount and 7.2 million options exercisable at 3 cents each and expiring 31 October 2015. The underwriting will be an issue of shares to clients of Pendulum at 1.5 cents each for the shortfall (if any) between the Underwritten Amount and the amount raised subsequent to 19 December 2012 from the issue of shares pursuant to the exercise of Listed Options.

On 27 December 2012, the Company announced that it was preparing to spud its first oil exploration well, the J T Reese #10 well, at the Allen Dome Salt Dome field in Texas.

On 31 December 2012, the Company announced increased underwriting for the exercise of options at 1.5 cents each and expiring on 31 December 2012 ("Listed Options"). The underwritten amount was increased to \$2,487,939 comprising 165,862,633 Listed Options. The underwriting fees were increased proportionately.

On 7 January 2013, the Company announced that on the 4th of January, 2013 it received notification from the Department of Mines and Petroleum that "a five month suspension of Year 3 and a corresponding extension of term for Drilling Reservation DR 11 has been approved". The Company is awaiting final Environmental approval before being granted a Drilling Permit to drill two petroleum exploration commitment wells in DR11.

On 9 January 2013, the Company issued 58,676,242 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012 and exercised prior to 31 December 2012. Also on 9 January 2013, the Company issued 250,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012, issued 51,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 17,700,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

DIRECTORS' REPORT

On 11 January 2013, the Company issued 107,186,391 fully paid ordinary shares for \$0.015 each pursuant to the underwriting of the option exercise proceeds for the options which expired on 31 December 2012 and also issued 12,600,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 17 January 2013, the Company issued 24,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 30,000,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 21 January 2013, the Company issued 9,951,758 free options exercisable at 3 cents each and expiring on 31 October 2015 to nominees of the underwriter of the option exercise proceeds for the exercise of options at 1.5 cents each and expiring on 31 December 2012. The issue of these options was ratified at the general meeting of shareholders held on 14 June 2013.

On 22 January 2013, the Company announced that it had elected to suspend drilling activities at the J T Reese #10 well at the Allen Dome oil field in Texas due to mechanical problems. The drill string had become stuck after drilling to a depth of approximately 1,800 feet, and despite a number of "jarring" attempts, the rig operator has been unable to free the bottom hole tools.

On 21 February 2013, the Company announced that the JT Reese #S1 exploration well had spudded, to target a proven oil-producing zone at 1,400 feet.

On 25 February 2013, the Company announced that the JT Reese #S2 exploration well had spudded and was to target five separate horizons at a location on the Northern flank of the Allen Dome salt dome to a Total Depth of 5,200 feet.

On 26 February 2013, the Company announced that it had elected to plug and abandon the JT Reese #S1 well as no hydrocarbons were encountered in the targeted "zone of interest". The well was successfully drilled to its planned Total Depth (TD) of 1400 feet, and logging and coring activities were then conducted over the "zone of interest". The 1,400 foot sand still had potential for commercial hydrocarbons in other parts of the Dome area.

On 28 February 2013, the Company announced that it had reached agreement to increase its Working Interest in the Allen Dome North oil field from approximately 84% to approximately 94%.

On 11 March 2013, the Company announced it had been granted approval for the drilling of the Warradarge-1 exploration well on its DR11 permit in Western Australia.

On 15 March 2013, the Company issued 42,360,000 fully paid ordinary shares for \$0.0125 each with 14,120,000 free options on the basis of 1 free attaching option for every 3 shares issued, and a further 1,000,000 options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 21 March 2013, the Company announced that it had intersected four separate zones with hydrocarbon indications at its JT Reese #S2 well in Texas, USA, including one significant section from 3045' to 3114'. Initial indications are that the top section of this interval contains gas, with logs suggesting a lower section between 3066' to 3102' contains high gravity light oil and a section from 3102' to 3114' contains black oil. Production casing was set to 3150'.

DIRECTORS' REPORT

On 22 March 2013, the Company issued 81,333,333 fully paid ordinary shares with 1 free attaching option for every 3 shares purchased comprising 8,333,333 shares issued for \$0.015 each with 2,777,778 free attaching options and 73,000,000 shares issued for \$0.0125 each with 24,333,332 free attaching options. The Company also issued 5,000,000 Options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 27 March 2013, the Company announced that drilling of the Warradarge-1 exploration Well had commenced on its DR11 permit with a planned Total Depth of 1,500 metres.

On 28 March 2013, the Company issued 10,000,000 fully paid ordinary shares for \$0.01 each pursuant to the exercise of options expiring on 31st March 2013.

On 8 April 2013, the Company announced that test samples of high-grade light oil were obtained from the 3050 foot zone of the JT Reese #S2 well and a gravel packer was to be installed in the 17 foot perforated section of casing to prepare the well for production. The company also reported that a flow line was being installed and the tank farm was being upgraded to facilitate oil production. Also a negotiated sale price for the company's oil production had been agreed to at US\$7.00 below the Brent crude oil price.

On 9 April 2013, the Company announced that it had reached agreement to increase its Working Interest in the 344 acre licence it holds on Southern flank of the Allen Dome to 98%.

On 12 April 2013, the Company announced it had appointed Pendulum Capital Pty Ltd to raise the \$2 million. An agreement was reached to raise \$2,160,000 by the issue of 160,000,000 fully paid ordinary shares at \$0.0126 each and 80,000,000 free attaching options exercisable at 3 cents each and expiring on 31 October 2015 on the basis of 1 option for every 2 fully paid ordinary shares issued.

On 18 April 2013, the Company announced that it has increased its acreage holdings at the Allen Dome oil field in Texas. Titan Energy has acquired a 100% Working Interest (WI) in a 302 acre parcel of land on the eastern side of this oil field. Titan Energy now holds approximately 903 acres across the north, south and eastern sides of the Salt Dome.

On 18 April 2013, the Company issued 127,500,000 fully paid ordinary shares as part of a funding agreement with Pendulum Capital Pty Ltd. The funding agreement was for the issue of a total of 160,000,000 fully paid ordinary shares at \$0.0126 each with a total of 80,000,000 free attaching options exercisable at 3 cents each and expiring on 31 October 2015 on the basis of one option for every two fully paid ordinary shares issued. The options attaching to these shares were not issued as yet as they would be issued subsequent to shareholder approval. The issue of these shares was ratified at the general meeting of shareholders held on 14 June 2013.

On 22 April 2013, the Company announced that maximum oil flow of approximately 331 barrels of oil per day (bopd) had been achieved on a 18/64 choke during flow testing at its JT Reese #S2 discovery at Allen Dome in Texas. The choke was further adjusted to restrict the flow rate to 250 bopd as part of the well sustainability management program. Options were being reviewed for increased storage at Allen Dome North. Natural gas was flowing at an average rate of approximately 196 Mcfd and was being flared off until opportunities to commercialise the gas had been considered. Titan also reported it had re-negotiated the oil price it receives from production to \$5.90 off the Brent crude oil price.

On 26 April 2013, the Company announced that it had Plugged and Abandoned the Warradarge-1 exploration well after no hydrocarbons were encountered. The well was drilled to a Total Depth (TD) of 1,560 metres (approx. 5,118 feet) in the DR11 permit in the onshore North Perth Basin.

DIRECTORS' REPORT

On 24 May 2013, the Company announced that oil production from Allen Dome continues to earn strong positive cash flow. The JT Reese #S2 discovery well continues to produce oil under its own pressure, it produced 3567 barrels of premium quality oil over a 30 day period, with a combined 4818 barrels of oil from all three Allen Dome wells in the 30 day period from 21st April 2013. Preparations were underway to drill two "Caprock" wells on the Southern flank of the Allen Dome. Designated Poole C1 and C2, the two wells, each to be drilled to a Total Depth (TD) of 850 feet, at an estimated cost of \$85,000 a well. The Company considered these two wells as "test" wells which would provide important geological information.

On 24 May 2013, the Company announced that the Company had significantly increased its landholding at the Greathouse prospect in Louisiana. The Company now holds a 50% Working Interest in over 252 acres under lease, with a further 92 acres under option.

On 28 May 2013, the Company announced that it had applied to the Western Australian Department of Mines and Petroleum for an 18 month extension to the current licence terms for DR11.

On 6 June 2013, the company announced it had completed acquisition of 100% a Working Interest in a 337 acre project area of the Sargent Ranch oil and gas field in Brazoria County, Texas, for a one off cash payment of \$98,366.00. The project area is located approximately three miles (4.8 km) west of the Company's Allen Dome oil field and contains two shut-in wells. Titan's plans a workover to return these to commercial production.

On 14 June 2013, the company announced that the Western Australian Department of Mines and Petroleum (DMP) had granted a 12 month extension on the North Perth Basin EP455 permit. The Company owns an 18.5% interest in the permit with operator ARC Energy Limited, a subsidiary of AWE Limited, holding the other 81.5%. Planning is well developed by the Joint Venture to drill and evaluate the permit.

On 17 June 2013, the company issued 110,000,000 Ordinary Shares, 30,000,000 options expiring on 30 August 2014 and 170,841,600 options expiring on 31 October 2015. Options expiring on 30 August 2014 are exercisable at 1.5 cents each. On exercise of each option the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014. 63,750,000 free options expiring on 31 October 2015 were issued as free attaching options to 127,500,000 shares issued on 18 April 2013 on the basis of one option for every two fully paid ordinary shares issued, as approved by resolution 10 at the shareholder meeting held on 14 June 2013. 14,091,600 free options expiring on 31 October 2015 were issued to nominees of Pendulum Capital Pty Limited ("Pendulum") as approved by resolutions 11 and 12 at the shareholder meeting held on 14 June 2013. 3,000,000 free options expiring on 31 October 2015 were issued to employees and contractors of the Company or its subsidiaries as approved by resolution 13 at the shareholder meeting held on 14 June 2013. 80,000,000 free options expiring on 31 October 2015 were issued as free attaching options to 80,000,000 shares issued on 14 June 2013. 30,000,000 free options expiring on 30 August 2014 were issued as free attaching options to 30,000,000 shares issued on 14 June 2013.

On 25 June 2013, the company announced that a drilling company has been contracted to drill the Poole C-1 "cap rock" well on the southern portion of the Allen Dome salt dome. The proposed well is to be drilled to 850 feet for a turnkey price of US\$95,000. The company also announced that it is farming in for a 50% interest in 595 acres of production rights in the historic Krotz Springs oil and gas field in Louisiana.

DIRECTORS' REPORT

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 5 July 2013, the Company announced that a rig is expected to spud the Poole #C-1 "cap rock" well at its Allen Dome oil field in Texas on 5 July 2013, US time. The Poole #C-1 well, located on the southern portion of the Allen Dome salt dome where the Company holds an approximately 85% working interest, will be drilled at a turnkey cost of US\$95,000.

On 9 August 2013, the Company announced that it had entered into \$1 million unsecured loan agreement with a private company controlled by Director of the Company, Mr Paul Garner, on arms-length commercial terms. The loan will be available for draw-down to allow the Company to fast-track its exploration drilling activities in the United States. The loan is a 12 month facility set at a commercial interest rate of 8%. The Company has the option of early repayment in part or entirety.

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

The Company's operations have not been subject to any environmental regulation.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

DARREN STEPHEN LEVY
CHAIRMAN (EXECUTIVE)

Qualifications and Experience:

Mr Levy holds a Bachelor of Commerce degree from Melbourne University, Post Graduate Diploma from the Securities Institute of Australia and has been admitted as a Fellow of the financial services institute of Australia (F.Fin.). He has had 27 years experience in the finance and stockbroking industry.

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

Director of PHW Consolidated Limited since 29 January 2013.

Special Responsibilities:

Chairman of Directors.

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

45,000,000 Ordinary Shares and 6,000,000 options expiring 31 October 2015 exercisable at 3 cents each in Titan Energy Ltd.

DIRECTORS' REPORT

Directors meetings attended during the financial year: 24

PAUL CHARLES GARNER

DIRECTOR (EXECUTIVE)

Qualifications and Experience:

Mr Garner has extensive experience in international business and over 37 years experience in the property and equities market. He has extensive experience with public company capital raising and restructuring. He has served on the Boards of various listed oil and gas companies at various stages of their development.

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

Director of PHW Consolidated Limited since 29 January 2013.

Special Responsibilities:

Chief Executive Officer.

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

53,000,000 Ordinary Shares and 13,750,000 options expiring 31 October 2015 exercisable at 3 cents each in Titan Energy Ltd.

Directors meetings attended during the financial year: 24

COLIN JOHN SANDELL-HAY

DIRECTOR (NON-EXECUTIVE)

APPOINTED: 26 JULY 2013

Qualifications and Experience:

Mr Hay is a highly experienced media and investor relations specialist. He has more than 39 years of experience within the Australian media and as an Investor Relations consultant. His career includes 11 years as a reporter with News Ltd in Sydney and 19 years as the Managing Editor of Oil & Gas Australia magazine. In 2010 he was awarded the coveted APPEA JN Pierce Award for media excellence. For the past 3 years he has been employed as a media and IR specialist with leading Australian firm, Professional Public Relations (PPR) in its Perth office.

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

None.

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

None.

Directors meetings attended during the financial year:

Appointed subsequent to the end of the financial year.

JACK TOBY

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Qualifications

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

DIRECTORS' REPORT

Experience

Mr Toby has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations over the last 29 years.

DIRECTORS MEETINGS

During the year ended 30th June 2013, 24 meetings of directors were held.

Mr Stephen Thomas, who resigned as a director subsequent to the end of the financial year attended 22 of the 24 meetings held during the financial year while he was a director.

REMUNERATION REPORT (AUDITED)

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

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

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

Remuneration for Mr Darren Levy has been set at \$150,000 per year from 1 July 2013. Remuneration for Mr Paul Garner has been set at \$250,000 per year from 1 July 2013. Remuneration for Mr Colin Sandell-Hay has been set at \$40,000 per year. Directors are also awarded additional fees for extra services or special exertions.

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

DIRECTORS

Darren Stephen Levy	Executive Chairman
Stephen Leslie Thomas	Managing Director
Paul Charles Garner	Executive Director

EXECUTIVES

John McKnight	Director and Chairman of Titan Energy Inc
Jack Toby	Company Secretary and Chief Financial Officer

DIRECTORS' REPORT

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

DIRECTORS' REPORT

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

	Salary and Fees \$	Bonus \$	Primary Remuneration 2012 Super- annuation \$	Total \$
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Darren Levy	143,000	—	—	143,000
Paul Garner	215,000	—	—	215,000
Stephen Leslie Thomas	167,000	—	50,000	217,000
Peter Briggs	13,500	—	—	13,500
Chong Kwee Ch'ng	2,863	—	—	2,863
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	541,363	—	50,000	591,363
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Jack Toby	129,000	—	—	129,000
TOTAL PRIMARY REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	129,000	—	—	129,000

	Primary Remuneration \$	Equity Remuneration \$	Total \$	Equity Remuneration % of Total
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Darren Levy	143,000	—	143,000	—
Paul Garner	215,000	—	215,000	—
Stephen Leslie Thomas	217,000	—	217,000	—
Peter Briggs	13,500	—	13,500	—
Chong Kwee Ch'ng	2,863	—	2,863	—
TOTAL REMUNERATION FOR DIRECTORS	591,363	—	591,363	—

DIRECTORS' REPORT

	Primary Remuneration \$	Total Remuneration 2012 Equity Remuneration \$	Total \$	Equity Remuneration % of Total
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Jack Toby	129,000	—	129,000	—
TOTAL REMUNERATION FOR OTHER KEY MANAGEMENT PERSONNEL	129,000	—	129,000	—

End of Audited Section

SHARE OPTIONS ISSUED

On 2 July 2012, the Company issued 35,000,000 Ordinary Shares, 8,280,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012, 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 and 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014. These securities were issued for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition; to provide Allen Dome Exploration LLC with an additional incentive and reward for their future services; and for Allen Dome Exploration LLC facilitating the Salt Dome Option and assisting in the due diligence process, and to incentivise Allen Dome Exploration LLC to assist the Company to secure additional acquisitions in the United States in the future. Also included in the securities issued above was 3,600,000 Options in satisfaction of management services provided by Pursuit Capital Pty Ltd and 4,680,000 Options in satisfaction of management services provided by Pendulum Capital Pty Limited. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012.

On 23 July 2012, the Company issued 126,800,000 Ordinary Shares for \$0.0125 per share, 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 20,000,000 Options exercisable at 1.25 cents each and expiring on 30 September 2012 at an issue price of \$0.0005 each. The issue of 110,000,000 of the ordinary shares was approved at the shareholder meeting held on 29-Jun-12 comprising 20,000,000 shares pursuant to Resolution 7, 20,000,000 shares pursuant to Resolution 8 and 70,000,000 shares pursuant to Resolution 6. The issue of 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was also approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12.

On 14 August 2012, the Company issued 10,000,000 Ordinary Shares for \$0.0125 per share, 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012. The issue of 10,000,000 Ordinary shares was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 6. The issue of 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12. The issue of 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012 was issued in satisfaction of management services provided by Pursuit Capital Pty Ltd and was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 10.

On 6 December 2012, the Company issued 6,500,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012 and issued 12,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

DIRECTORS' REPORT

On 9 January 2013, the Company issued 250,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012, issued 51,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 17,700,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 11 January 2013, the Company issued 12,600,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 17 January 2013, the Company issued 24,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 30,000,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 21 January 2013, the Company issued 9,951,758 free options exercisable at 3 cents each and expiring on 31 October 2015 to nominees of the underwriter of the option exercise proceeds for the exercise of options at 1.5 cents each and expiring on 31 December 2012. The issue of these options was ratified at the general meeting of shareholders held on 14 June 2013.

On 15 March 2013, the Company issued 42,360,000 fully paid ordinary shares for \$0.0125 each with 14,120,000 free options on the basis of 1 free attaching option for every 3 shares issued, and a further 1,000,000 options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 22 March 2013, the Company issued 81,333,333 fully paid ordinary shares with 1 free attaching option for every 3 shares purchased comprising 8,333,333 shares issued for \$0.015 each with 2,777,778 free attaching options and 73,000,000 shares issued for \$0.0125 each with 24,333,332 free attaching options. The Company also issued 5,000,000 Options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 17 June 2013, the company issued 110,000,000 Ordinary Shares, 30,000,000 options expiring on 30 August 2014 and 170,841,600 options expiring on 31 October 2015. Options expiring on 30 August 2014 are exercisable at 1.5 cents each. On exercise of each option the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014. 63,750,000 free options expiring on 31 October 2015 were issued as free attaching options to 127,500,000 shares issued on 18 April 2013 on the basis of one option for every two fully paid ordinary shares issued, as approved by resolution 10 at the shareholder meeting held on 14 June 2013. 14,091,600 free options expiring on 31 October 2015 were issued to nominees of Pendulum Capital Pty Limited ("Pendulum") as approved by resolutions 11 and 12 at the shareholder meeting held on 14 June 2013. 3,000,000 free options expiring on 31 October 2015 were issued to employees and contractors of the Company or its subsidiaries as approved by resolution 13 at the shareholder meeting held on 14 June 2013. 80,000,000 free options expiring on 31 October 2015 were issued as free attaching options to 80,000,000 shares issued on 14 June 2013. 30,000,000 free options expiring on 30 August 2014 were issued as free attaching options to 30,000,000 shares issued on 14 June 2013.

SHARE OPTIONS EXPIRED

During the year ended 30th June 2013, 3,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 1 cent per share expired unexercised on 31 March 2013.

DIRECTORS' REPORT

SHARE OPTIONS EXERCISED

During the year ended 30th June 2013, 246,879,598 ordinary shares were issued by virtue of the exercise of options, comprising the exercise of 191,879,598 options exercisable at \$0.015 on or before 31 December 2012 20,000,000 options exercisable at \$0.0125 on or before 30 September 2012 and 35,000,000 options exercisable at \$0.01 (1 cent) on or before 31 March 2013.

Subsequent to the year ended 30th June 2013, no ordinary shares were issued by virtue of the exercise of options.

SHARE OPTIONS OUTSTANDING

There are 30,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 2.75 cents per share expiring 31 October 2013 outstanding at the date of this report.

There are 35,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 2 cents per share expiring 31 July 2014 outstanding at the date of this report.

There are 30,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 1.5 cents per share expiring 30 August 2014 outstanding at the date of this report. On exercise of each option the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014.

There are 5,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 5 cents per share expiring 31 July 2015 outstanding at the date of this report.

There are 496,887,459 options to subscribe for unissued fully paid ordinary shares in the Company for 3 cents per share expiring 31 October 2015 outstanding at the date of this report.

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

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$33,700. Except as disclosed above, the Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2013 has been provided to the Company. This declaration has been included in this document.

Other fees charged by the auditors to the Company or related entities were tax return preparation costs of \$5,900. The directors are satisfied that the services disclosed did not compromise the auditor's independence.

Signed in accordance with a resolution of the directors.



Paul Garner
Director

23 September 2013
Perth, Western Australia

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- 1) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001 including:
 - a) complying with International Financial Reporting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Consolidated Entity; and
 - c) the remuneration report disclosures set out on pages 9 to 12 of the directors' report (as part of the Remuneration Report), for the year ended 30 June 2013, comply with section 300A of the Corporations Act 2001.
- 2) As required by section 295A of the Corporations Act 2001, the Chief Executive Officer, Mr Paul Garner, and Chief Finance Officer, Mr Jack Toby, have each declared in writing that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the International Financial Reporting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3) in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.



Paul Garner
Director

23 September 2013
Perth, Western Australia

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013**

		Consolidated Entity	
	Note	2013	2012
		\$	\$
Oil and gas sales	2	1,463,378	12,770
Cost of sales	2	(1,234,387)	—
GROSS PROFIT		228,991	12,770
Revenue from non-operating activities	2	737,555	78,812
Exploration expenses	2	(5,013,210)	(594,102)
Share based payments	18	(1,149,709)	—
Other expenses	2	(2,638,846)	(2,229,567)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(7,835,219)	(2,732,087)
Income tax expense	3	—	—
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE		(7,835,219)	(2,732,087)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		—	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(7,835,219)	(2,732,087)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	4	(0.68)	(0.44)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	4	(0.68)	(0.44)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Note	Consolidated Entity 2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	14	1,052,470	2,338,818
Trade and other receivables	5	656,996	29,971
TOTAL CURRENT ASSETS		1,709,466	2,368,789
NON-CURRENT ASSETS			
Plant and equipment	6	105,383	24,533
Receivables	7	33,563	12,000
Capitalised oil and gas expenditure	8	5,279,096	573,846
TOTAL NON-CURRENT ASSETS		5,418,042	610,379
TOTAL ASSETS		7,127,508	2,979,168
CURRENT LIABILITIES			
Trade and other payables	9	1,254,798	244,010
Provisions	10	8,343	—
TOTAL CURRENT LIABILITIES		1,263,141	244,010
TOTAL LIABILITIES		1,263,141	244,010
NET ASSETS		5,864,367	2,735,158
EQUITY			
Issued capital	11	28,155,829	18,041,710
Reserves	12	1,071,295	220,986
Accumulated losses		(23,362,757)	(15,527,538)
TOTAL EQUITY		5,864,367	2,735,158

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2013

		Consolidated Entity	
	Note	2013	2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,168,462	12,770
Payments to suppliers and employees		(2,785,184)	(2,133,447)
Production costs		(85,000)	—
Interest received		37,855	78,702
Oil sales proceeds held in suspense pending resolution of entitlements		323,474	—
Oil sales proceeds held for other joint venture participants		123,114	—
Other income		161,827	—
NET CASH OUTFLOW USED IN OPERATING ACTIVITIES	14	(1,055,452)	(2,041,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		(1,722,357)	(573,846)
Exploration expenditure		(7,354,204)	(543,604)
Development expenditure		(776,934)	(29,976)
Purchase of plant and equipment		(95,053)	(21,556)
Loans to other entities		(160,000)	—
Loans repaid by other entities		60,000	—
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		(10,048,548)	(1,168,982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		10,332,795	4,495,766
Proceeds from capital raising received in previous year		(143,750)	—
Capital raising expenses		(518,076)	(263,469)
Borrowings		350,000	143,750
Repayment of borrowings		(350,000)	—
NET CASH INFLOW FROM FINANCING ACTIVITIES		9,670,969	4,376,047
NET INCREASE/(DECREASE) IN CASH HELD		(1,433,031)	1,165,090
Net foreign exchange differences		146,683	283
Cash and cash equivalents at beginning of year		2,338,818	1,173,445
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,052,470	2,338,818

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013**

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	CONSOLIDATED ENTITY			
	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
At 1 JULY 2011	12,542,332	1,488,067	(12,795,451)	1,234,948
Loss for year	—	—	(2,732,087)	(2,732,087)
TOTAL LOSS FOR THE YEAR	—	—	(2,732,087)	(2,732,087)
Option premium for expired options transferred to Issued Capital	1,378,942	(1,378,942)	—	—
Securities issued	4,444,378	111,861	—	4,556,239
Equity raising costs	(323,942)	—	—	(323,942)
At 30 JUNE 2012	18,041,710	220,986	(15,527,538)	2,735,158
Loss for year	—	—	(7,835,219)	(7,835,219)
TOTAL LOSS FOR THE YEAR	—	—	(7,835,219)	(7,835,219)
Securities issued	10,632,195	850,309	—	11,482,504
Equity raising costs	(518,076)	—	—	(518,076)
At 30 JUNE 2013	28,155,829	1,071,295	(23,362,757)	5,864,367

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation of Accounts

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

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

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

Adoption of new and revised Accounting Standards

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

At the date of authorisation of the financial report, the following Standards and Interpretations were issued but not yet effective:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's accounting for financial assets as it does not have any available for sale assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9.

Other Standards that have been issued but not yet effective are considered to have no significant effect on the financial statements.

Summary of Significant Accounting Policies

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

a) Basis of consolidation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

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

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

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

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

b) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale as applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

c) Taxes**Income Tax**

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

except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

d) Employee Benefits

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

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

e) Cash and cash equivalents

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

f) Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

h) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i) Leases

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

j) Issued capital

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

k) Property, Plant and Equipment

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

Plant and equipment – over 1 to 15 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

l) Trade and other receivables

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

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

m) Trade and other payables

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

n) Investments**Investments and other financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Impairment of financial assets**Impairment of available-for-sale investments**

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

o) Inventories

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

p) Significant accounting judgements, estimates and assumptions**Significant accounting judgements**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Exploration and evaluation assets

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

Significant accounting estimates and assumptions

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

Key Estimates - Taxation

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

Recovery of deferred tax assets

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

Share-based payment transactions

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

q) Exploration and Development Expenditure

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

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires that the cost of wells that have initially been capitalised pending the results of the well, are reviewed at the completion of the well when well results are known and are then expensed if appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

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

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

r) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes or a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

s) Earnings/(loss) per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Consolidated Entity
2013 **2012**
\$ **\$**

NOTE 2. REVENUE AND EXPENSES

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

REVENUE FROM CONTINUING OPERATIONS

Operating activities

Oil and gas sales	1,463,378	12,770
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TOTAL REVENUE FROM OPERATING ACTIVITIES

1,463,378	12,770
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Non-Operating activities

Interest received from other persons	37,855	78,702
Research and development tax concession rebate	161,087	—
Unrealised exchange gains	537,873	—
Other revenue	740	110

TOTAL REVENUE FROM NON-OPERATING ACTIVITIES

737,555	78,812
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TOTAL REVENUE FROM CONTINUING OPERATIONS

2,200,933	91,582
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CHARGING AS EXPENSES

Cost of sales

Production costs	85,000	—
Depletion of production leases	1,149,387	—
	1,234,387	—

Exploration expenses

Exploration expenditure written off	2,224,998	564,126
Workover Intangibles	2,167,921	—
Lease operating expenses	553,041	—
Other exploration expenses	67,250	29,976
	5,013,210	594,102

Other expenses

Employee benefits and consultants expenses	1,397,901	1,132,514
Depreciation and amortisation expense	16,976	20,801
Administrative expenses	1,101,421	886,262
Unrealised exchange loss	—	44,762
Rental expense on operating lease	122,548	76,597
Loss on sale of plant and equipment	—	68,521
Other expenses	—	110
	2,638,846	2,229,567

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
NOTE 3. INCOME TAX		
INCOME TAX BENEFIT	—	—
Numerical reconciliation between tax expense and pre-tax net loss:		
LOSS BEFORE INCOME TAX BENEFIT	(7,835,219)	(2,732,087)
Income tax using the Company's domestic tax rate of 30%	(2,350,566)	(819,626)
Share based payments	344,913	—
Capital raising costs	31,085	1,114
Research and development tax offset received	160,762	—
Movement in provisions	2,502	—
Other non-deductible expenses/(deductible tax adjustments)	2,113	1,664
Unrealised exchange losses/(gains)	—	13,402
Assessable premium on expired options	—	123,260
Current year losses for which no deferred tax asset was recognised	1,809,191	680,186
INCOME TAX BENEFIT (EXPENSE) ATTRIBUTABLE TO ENTITY	—	—
Estimated unused tax losses of \$15,763,283 (2012: \$9,732,147) have not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the relevant regulatory authorities in each of the jurisdictions in which the Company operates. The benefit of deferred tax assets not brought to account will only be brought to account if future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised and the conditions for deductibility imposed by the relevant tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.		
UNRECOGNISED TEMPORARY DIFFERENCES		
Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
<i>Deferred tax assets (at 30%)</i>		
Capital raising costs recognised directly in equity	124,338	87,066
Accrued expenses	16,262	3,540
Provisions	2,502	—
Plant and equipment	15,674	15,408
UNRECOGNISED NET DEFERRED TAX ASSETS RELATING TO THE ABOVE TEMPORARY DIFFERENCES	158,776	106,014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
NOTE 4. EARNINGS PER SHARE		
Basic loss per share (cents per share)	(0.68)	(0.44)
Diluted loss per share (cents per share)	(0.68)	(0.44)
Profit/(loss) used in the calculation of basic EPS	(7,835,219)	(2,732,087)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,147,913,679	618,978,881
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	1,147,913,679	618,978,881

During the year ended 30 June 2013, 495,054,468 options to subscribe for ordinary shares were issued, 246,879,598 options were exercised and 3,000,000 options expired unexercised, leaving 596,887,459 options outstanding at 30 June 2013 (note 11). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

During the year ended 30 June 2012, 204,692,924 options to subscribe for ordinary shares were issued, 3,105,335 options were exercised and 190,186,639 options expired unexercised, leaving 351,712,589 options outstanding at 30 June 2012 (note 11). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 5. RECEIVABLES (CURRENT)

Trade debtors	294,916	—
Other debtors and prepayments	362,080	29,971
	<u>656,996</u>	<u>29,971</u>

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

NOTE 6. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT		
At cost	236,813	138,125
Accumulated depreciation	(131,430)	(113,592)
TOTAL PLANT AND EQUIPMENT	<u>105,383</u>	<u>24,533</u>

MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT

PLANT AND EQUIPMENT		
At the beginning of the financial year	24,533	84,146
Additions	98,686	21,556
Depreciation expense	(16,976)	(14,952)
Disposals	—	(68,521)
Currency exchange adjustment	(860)	2,304
TOTAL PLANT AND EQUIPMENT	<u>105,383</u>	<u>24,533</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
NOTE 7. RECEIVABLES (NON-CURRENT)		
Deposits	33,563	12,000
	<u>33,563</u>	<u>12,000</u>
NOTE 8. CAPITALISED OIL AND GAS EXPENDITURE		
MOVEMENTS IN THE CARRYING AMOUNT OF LEASE ACQUISITION EXPENDITURE FOR PRODUCING PROPERTIES		
At the beginning of the financial year	19,625	—
Expenditure incurred during the year	1,130,527	19,625
Depletion	(288,884)	—
AT THE END OF THE FINANCIAL YEAR	<u>861,268</u>	<u>19,625</u>
MOVEMENTS IN THE CARRYING AMOUNT OF LEASE ACQUISITION EXPENDITURE FOR UNDEVELOPED PROPERTIES		
At the beginning of the financial year	554,221	17,853
Expenditure incurred during the year	657,653	1,092,259
Amortised during the year	—	(558,560)
Exchange rate adjustment	100,632	2,669
AT THE END OF THE FINANCIAL YEAR	<u>1,312,506</u>	<u>554,221</u>
MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION EXPENDITURE ON PRODUCING PROPERTIES		
At the beginning of the financial year	—	5,644
Expenditure incurred during the year	6,379,718	—
Exchange rate adjustment	(188,895)	205
Depletion	(979,966)	—
Written off during the year	(2,105,535)	(5,849)
Loss on disposal	—	—
AT THE END OF THE FINANCIAL YEAR	<u>3,105,322</u>	<u>—</u>
TOTAL CAPITALISED OIL AND GAS EXPENDITURE	<u>5,279,096</u>	<u>573,846</u>
Amortisation for producing properties is based on total production compared with the estimated life of production assets. Recoverability of the carrying amount of the capitalised oil and gas expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.		
NOTE 9. TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors	704,939	—
Sundry creditors and accrued expenses	549,859	244,010
	<u>1,254,798</u>	<u>244,010</u>
NOTE 10. PROVISIONS (CURRENT)		
Employee benefits	8,343	—
	<u>8,343</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
NOTE 11. ISSUED CAPITAL		
1,595,217,910 (2012: 767,644,979) fully paid ordinary shares	28,155,829	18,041,710
	<u>28,155,829</u>	<u>18,041,710</u>

MOVEMENTS IN ORDINARY SHARES

At the beginning of the financial year	18,041,710
35,000,000 shares issued on 2 July 2012	455,000
126,800,000 shares issued on 23 July 2012	1,585,000
10,000,000 shares issued on 14 August 2012	125,000
29,027,250 shares issued on 21 September 2012	310,409
20,000,000 shares issued on 28 September 2012	250,000
83,334 shares issued on 5 November 2012	1,250
1,906,381 shares issued on 6 December 2012	28,596
20,000,000 shares issued on 13 December 2012	300,000
76,376,242 shares issued on 9 January 2013	1,145,644
107,186,391 shares issued on 11 January 2013	1,607,796
30,000,000 shares issued on 17 January 2013	450,000
42,360,000 shares issued on 15 March 2013	529,500
81,333,333 shares issued on 22 March 2013	1,037,500
10,000,000 shares issued on 28 March 2013	100,000
127,500,000 shares issued on 18 April 2013	1,606,500
110,000,000 shares issued on 17 June 2013	1,100,000
Share issue expenses	(518,076)

AT THE END OF THE FINANCIAL YEAR

28,155,829

On 2 July 2012, the Company issued 35,000,000 Ordinary Shares, 8,280,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012, 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 and 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014. These securities were issued for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition; to provide Allen Dome Exploration LLC with an additional incentive and reward for their future services; and for Allen Dome Exploration LLC facilitating the Salt Dome Option and assisting in the due diligence process, and to incentivise Allen Dome Exploration LLC to assist the Company to secure additional acquisitions in the United States in the future. Also included in the securities issued above was 3,600,000 Options in satisfaction of management services provided by Pursuit Capital Pty Ltd and 4,680,000 Options in satisfaction of management services provided by Pendulum Capital Pty Limited. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012.

On 23 July 2012, the Company issued 126,800,000 Ordinary Shares for \$0.0125 per share, 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 20,000,000 Options exercisable at 1.25 cents each and expiring on 30 September 2012 at an issue price of \$0.0005 each. The issue of 110,000,000 of the ordinary shares was approved at the shareholder meeting held on 29-Jun-12 comprising 20,000,000 shares pursuant to Resolution 7, 20,000,000 shares pursuant to Resolution 8 and 70,000,000 shares pursuant to Resolution 6. The issue of 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was also approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12.

On 14 August 2012, the Company issued 10,000,000 Ordinary Shares for \$0.0125 per share, 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012. The issue of 10,000,000 Ordinary shares was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 6. The issue of 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12. The issue of 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012 was issued in satisfaction of management services provided by Pursuit Capital Pty Ltd and was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

On 21 September 2012, the Company issued 4,027,250 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012, and issued 25,000,000 fully paid ordinary shares for \$0.01 (1 cent) each pursuant to the exercise of options expiring on 31 March 2013.

On 28 September 2012, the Company issued 20,000,000 fully paid ordinary shares for \$0.0125 (1.25 cents) each pursuant to the exercise of options expiring on 30 September 2012.

On 5 November 2012, the Company issued 83,334 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012.

On 6 December 2012, the Company issued 1,906,381 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012, issued 6,500,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012 and issued 12,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 13 December 2012, the Company issued 20,000,000 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012.

On 9 January 2013, the Company issued 58,676,242 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012 and exercised prior to 31 December 2012. Also on 9 January 2013, the Company issued 250,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012, issued 51,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 17,700,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 11 January 2013, the Company issued 107,186,391 fully paid ordinary shares for \$0.015 each pursuant to the underwriting of the option exercise proceeds for the options which expired on 31 December 2012 and also issued 12,600,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 17 January 2013, the Company issued 24,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 30,000,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 15 March 2013, the Company issued 42,360,000 fully paid ordinary shares for \$0.0125 each with 14,120,000 free options on the basis of 1 free attaching option for every 3 shares issued, and a further 1,000,000 options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 22 March 2013, the Company issued 81,333,333 fully paid ordinary shares with 1 free attaching option for every 3 shares purchased comprising 8,333,333 shares issued for \$0.015 each with 2,777,778 free attaching options and 73,000,000 shares issued for \$0.0125 each with 24,333,332 free attaching options. The Company also issued 5,000,000 Options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 28 March 2013, the Company issued 10,000,000 fully paid ordinary shares for \$0.01 each pursuant to the exercise of options expiring on 31st March 2013.

On 18 April 2013, the Company issued 127,500,000 fully paid ordinary shares as part of a funding agreement with Pendulum Capital Pty Ltd. The funding agreement was for the issue of a total of 160,000,000 fully paid ordinary shares at \$0.0126 each with a total of 80,000,000 free attaching options exercisable at 3 cents each and expiring on 31 October 2015 on the basis of one option for every two fully paid ordinary shares issued. The options attaching to these shares were not issued as yet as they would be issued subsequent to shareholder approval. The issue of these shares was ratified at the general meeting of shareholders held on 14 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

On 17 June 2013, the company issued 110,000,000 Ordinary Shares, 30,000,000 options expiring on 30 August 2014 and 170,841,600 options expiring on 31 October 2015. Options expiring on 30 August 2014 are exercisable at 1.5 cents each. On exercise of each option the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014. 63,750,000 free options expiring on 31 October 2015 were issued as free attaching options to 127,500,000 shares issued on 18 April 2013 on the basis of one option for every two fully paid ordinary shares issued, as approved by resolution 10 at the shareholder meeting held on 14 June 2013. 14,091,600 free options expiring on 31 October 2015 were issued to nominees of Pendulum Capital Pty Limited ("Pendulum") as approved by resolutions 11 and 12 at the shareholder meeting held on 14 June 2013. 3,000,000 free options expiring on 31 October 2015 were issued to employees and contractors of the Company or its subsidiaries as approved by resolution 13 at the shareholder meeting held on 14 June 2013. 80,000,000 free options expiring on 31 October 2015 were issued as free attaching options to 80,000,000 shares issued on 14 June 2013. 30,000,000 free options expiring on 30 August 2014 were issued as free attaching options to 30,000,000 shares issued on 14 June 2013.

At 30 June 2013 there were 596,887,459 unissued ordinary shares for which options were outstanding. These comprise 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 2.75 cents per share and expire on 31 October 2013, 35,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 2 cents per share and expire on 31 July 2014, 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 1.5 cents per share and expire on 30 August 2014, 5,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 5 cents per share and expire on 31 July 2015 and 496,887,459 options which entitle the holder to subscribe for one ordinary share in the Company for 3 cents per share and expire on 31 October 2015.

On exercise of each option expiring on 30 August 2014, the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014.

At 30 June 2012 there were 351,712,589 unissued ordinary shares for which options were outstanding. These comprise 151,199,598 options which entitle the holder to subscribe for one ordinary share in the Company for 1.5 cents per share and expire on 31 December 2012, 3,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 1 cent per share and expire on 31 March 2013, 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 2.75 cents per share and expire on 31 October 2013, 5,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 5 cents per share and expire on 31 July 2015 and 162,512,991 options which entitle the holder to subscribe for one ordinary share in the Company for 3 cents per share and expire on 31 October 2015.

CAPITAL MANAGEMENT

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

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
NOTE 12. RESERVES		
Option premium reserve	1,071,295	220,986
	<u>1,071,295</u>	<u>220,986</u>
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the financial year	220,986	
78,280,000 options issued on 2 July 2012	508,180	
40,000,000 options issued on 23 July 2012	30,000	
12,400,000 options issued on 14 August 2012	22,000	
18,500,000 options issued on 6 December 2012	68,381	
51,250,000 options issued on 9 January 2013	52,917	
12,600,000 options issued on 11 January 2013	12,600	
24,000,000 options issued on 17 January 2013	24,000	
9,951,758 options issued on 21 January 2013	64,956	
15,120,000 options issued on 15 March 2013	1,000	
32,111,110 options issued on 22 March 2013	5,000	
200,841,600 options issued on 17 June 2013	61,275	
AT THE END OF THE FINANCIAL YEAR	<u>1,071,295</u>	

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

On 2 July 2012, the Company issued 35,000,000 Ordinary Shares, 8,280,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012, 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 and 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014. These securities were issued for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition; to provide Allen Dome Exploration LLC with an additional incentive and reward for their future services; and for Allen Dome Exploration LLC facilitating the Salt Dome Option and assisting in the due diligence process, and to incentivise Allen Dome Exploration LLC to assist the Company to secure additional acquisitions in the United States in the future. Also included in the securities issued above was 3,600,000 Options in satisfaction of management services provided by Pursuit Capital Pty Ltd and 4,680,000 Options in satisfaction of management services provided by Pendulum Capital Pty Limited. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012.

On 23 July 2012, the Company issued 126,800,000 Ordinary Shares for \$0.0125 per share, 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 20,000,000 Options exercisable at 1.25 cents each and expiring on 30 September 2012 at an issue price of \$0.0005 each. The issue of 110,000,000 of the ordinary shares was approved at the shareholder meeting held on 29-Jun-12 comprising 20,000,000 shares pursuant to Resolution 7, 20,000,000 shares pursuant to Resolution 8 and 70,000,000 shares pursuant to Resolution 6. The issue of 20,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was also approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12.

On 14 August 2012, the Company issued 10,000,000 Ordinary Shares for \$0.0125 per share, 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 at an issue price of \$0.001 each and 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012. The issue of 10,000,000 Ordinary shares was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 6. The issue of 10,000,000 Options exercisable at 1.5 cents each and expiring on 31 December 2012 was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 12. The issue of 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012 was issued in satisfaction of management services provided by Pursuit Capital Pty Ltd and was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

On 6 December 2012, the Company issued 1,906,381 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012, issued 6,500,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012 and issued 12,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 9 January 2013, the Company issued 58,676,242 fully paid ordinary shares for \$0.015 each pursuant to the exercise of options expiring on 31 December 2012 and exercised prior to 31 December 2012. Also on 9 January 2013, the Company issued 250,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012, issued 51,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 17,700,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 11 January 2013, the Company issued 107,186,391 fully paid ordinary shares for \$0.015 each pursuant to the underwriting of the option exercise proceeds for the options which expired on 31 December 2012 and also issued 12,600,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012.

On 17 January 2013, the Company issued 24,000,000 options exercisable at 3 cents each and expiring on 31 October 2015 at an issue price of \$0.001 each as approved in Resolution 7 at the shareholder meeting held on 8 November 2012 and issued 30,000,000 fully paid ordinary shares for \$0.015 each as approved in Resolution 6 at the shareholder meeting held on 8 November 2012.

On 21 January 2013, the Company issued 9,951,758 free options exercisable at 3 cents each and expiring on 31 October 2015 to nominees of the underwriter of the option exercise proceeds for the exercise of options at 1.5 cents each and expiring on 31 December 2012. The issue of these options was ratified at the general meeting of shareholders held on 14 June 2013.

On 15 March 2013, the Company issued 42,360,000 fully paid ordinary shares for \$0.0125 each with 14,120,000 free options on the basis of 1 free attaching option for every 3 shares issued, and a further 1,000,000 options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 22 March 2013, the Company issued 81,333,333 fully paid ordinary shares with 1 free attaching option for every 3 shares purchased comprising 8,333,333 shares issued for \$0.015 each with 2,777,778 free attaching options and 73,000,000 shares issued for \$0.0125 each with 24,333,332 free attaching options. The Company also issued 5,000,000 Options at an issue price of \$0.001 each. All Options are exercisable at 3 cents each and expire on 31 October 2015. The issue of these shares and options was ratified at the general meeting of shareholders held on 14 June 2013.

On 17 June 2013, the company issued 110,000,000 Ordinary Shares, 30,000,000 options expiring on 30 August 2014 and 170,841,600 options expiring on 31 October 2015. Options expiring on 30 August 2014 are exercisable at 1.5 cents each. On exercise of each option the holder is entitled to an additional free option exercisable at 3 cents each and expiring on 31 October 2015 (New Option) on the basis on one New Option for each Share issued pursuant to the exercise of an option expiring on 30 August 2014. 63,750,000 free options expiring on 31 October 2015 were issued as free attaching options to 127,500,000 shares issued on 18 April 2013 on the basis of one option for every two fully paid ordinary shares issued, as approved by resolution 10 at the shareholder meeting held on 14 June 2013. 14,091,600 free options expiring on 31 October 2015 were issued to nominees of Pendulum Capital Pty Limited ("Pendulum") as approved by resolutions 11 and 12 at the shareholder meeting held on 14 June 2013. 3,000,000 free options expiring on 31 October 2015 were issued to employees and contractors of the Company or its subsidiaries as approved by resolution 13 at the shareholder meeting held on 14 June 2013. 80,000,000 free options expiring on 31 October 2015 were issued as free attaching options to 80,000,000 shares issued on 14 June 2013. 30,000,000 free options expiring on 30 August 2014 were issued as free attaching options to 30,000,000 shares issued on 14 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Company	
	2013	2012
	\$	\$
NOTE 13. PARENT ENTITY		
FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL YEAR:		
CURRENT ASSETS		
Cash and cash equivalents	155,798	853,571
Trade and other receivables	251,202	29,971
TOTAL CURRENT ASSETS	407,000	883,542
NON-CURRENT ASSETS		
Plant and equipment	77,347	24,533
Receivables	10,623,313	2,473,147
Other financial assets	10	10
TOTAL NON-CURRENT ASSETS	10,700,670	2,497,690
TOTAL ASSETS	11,107,670	3,381,232
CURRENT LIABILITIES		
Trade and other payables	130,766	174,250
Provisions	4,593	—
TOTAL CURRENT LIABILITIES	135,359	174,250
TOTAL LIABILITIES	135,359	174,250
NET ASSETS/(LIABILITIES)	10,972,311	3,206,982
EQUITY		
Issued capital	28,155,829	18,041,710
Reserves	1,071,295	220,986
Accumulated losses	(18,254,813)	(15,055,714)
TOTAL EQUITY	10,972,311	3,206,982
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL YEAR:		
Profit/(loss) after related income tax expense	(3,199,099)	(2,179,762)
Other comprehensive income	—	—
TOTAL COMPREHENSIVE INCOME	(3,199,099)	(2,179,762)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Consolidated Entity
2013 **2012**
\$ **\$**

NOTE 14. CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX

Profit/(loss) after tax	(7,835,219)	(2,732,087)
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Cash flows in profit/(loss) attributable to non-operating activities

Exploration expenditure	2,788,212	35,542
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Non-cash flows in profit/(loss)

Amortisation	3,374,385	5,849
Depreciation of plant and equipment	16,976	14,952
Exploration expenditure written off	—	558,560
Cost of share based payment	1,149,709	—
Loss/(Profit) on disposal of oil and gas properties		
Loss/(Profit) on disposal of plant & equipment	—	68,521
Foreign exchange (profit)/loss	(537,873)	44,762
Charges to provisions	8,343	(2,244)

Changes in assets and liabilities

Decrease/(increase) in debtors and receivables	(548,588)	(14,681)
Decrease/(increase) in inventories	—	5,623
Increase/(decrease) in creditors and accruals	528,603	(26,772)

NET CASH FROM/(USED IN) OPERATING ACTIVITIES

	(1,055,452)	(2,041,975)
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RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

Cash	1,052,470	2,338,818
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CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR

	1,052,470	2,338,818
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At 30 June 2012 cash balances comprised A\$155,798 denominated in Australian Dollars and A\$896,672 denominated in United States Dollars.

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year, the Company issued securities valued at \$1,149,709 as share based payments..

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

There were no financing facilities in place for the Company at 30 June 2013.

NOTE 15. AUDITOR'S REMUNERATION

Remuneration of the auditor for:

Auditing or reviewing the financial report	31,500	25,500
Tax compliance services	5,900	7,650

	37,400	33,150
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Consolidated Entity
2013 **2012**
\$ **\$**

NOTE 16. EXPENDITURE COMMITMENTS

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

Payable

not later than one year	21,750	83,754
later than 1 year but not later than 5 years	—	21,750

AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE

	21,750	105,504
	21,750	105,504

The property lease is a non-cancellable lease which expires on 30 September 2013 with rent payable monthly in advance.

CAPITAL EXPENDITURE COMMITMENTS

Onshore Western Australia

The Company has an Exploration Permit (EP455) in the North Perth Basin in the Eneabba region, which AWE Limited (AWE) has farmed into for an 81.5% equity share. Pursuant to the farm-in agreement, AWE will carry TTE through to a gross permit expenditure up to \$7,500,000 after which AWE will pay 81.5% and TTE will pay 18.5% of approved work programs and budget expenditure. It is proposed to drill a gas exploration well (Drover 1) on the permit during the year with a proposed work program expenditure of \$17,182,000 to 14th June 2014, of which AWE will contribute \$15,391,000 and TTE will contribute \$1,791,000.

Red Mountain Energy Pty Ltd (on behalf of The Company) has applied for a new SPA for the areas previously known as Vasse (DR 10) and Treeton (DR 8) as these drilling reservation permits have expired. The area is now referred to as Vasse - Treeton. The SPA application has not yet been granted and there will be no expenditure commitment until the SPA application has been approved. Red Mountain Energy Pty Ltd is a company controlled by Mr Stephen Thomas, a director of the Company until his resignation on 22 July 2013.

Onshore USA

The Group has a petroleum lease in Colorado in the USA where it has committed to drill an oil exploration Well known as Sodbuster II, in January 2014, with an agreed for expenditure (AFE) budget of \$371,968 (US\$345,000).

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

Consolidated Entity
2013 **2012**
\$ **\$**

Payable

not later than one year	2,162,968	4,650,000
later than 1 year but not later than 5 years	—	—

AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE

	2,162,968	4,650,000
	2,162,968	4,650,000

Should the Company fail to meet these expenditure commitments, they could forfeit the permit concerned. In the directors' opinion, the Company will be able to meet these commitments as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

NOTE 17. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity	
	2013	2012
	\$	\$
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Short term employee benefits	996,528	670,363
Post employment benefits	25,000	50,000
Share based payment benefits	—	—
	1,021,528	720,363

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

SHARES HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2013

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

Year Ended 30 June 2012

	1 July 2011 or Appointment	Number of Ordinary Shares		30 June 2012 or Resignation
		Issued as Remuneration	Net Change Other	
Darren Levy (appointed 08-Jul-2011)	—	—	20,000,000	20,000,000
Paul Garner (appointed 19-Jul-2011)	—	—	22,055,716	22,055,716
Stephen Leslie Thomas	9,744,843	—	—	9,744,843
Peter Briggs (resigned 07-Jul-2011)	10,647,535	—	—	10,647,535
Chong Kwee Ch'ng (resigned 19-Jul-2011)	2,500,000	—	—	2,500,000
Jack Toby	—	—	5,000,000	5,000,000
	22,892,378	—	47,055,716	69,948,094

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2013

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

Year Ended 30 June 2012

	1 July 2011 or Appointment	Number of Options Granted as Remuneration	Net Change Other	30 June 2012 or Resignation
Darren Levy (appointed 08-Jul-2011)	1,000,000	—	10,000,000	11,000,000
Paul Garner (appointed 19-Jul-2011)	7,750,000	—	10,000,000	17,750,000
Stephen Leslie Thomas	10,000,000	—	(10,000,000)	—
Peter Briggs (resigned 07-Jul-2011)	15,000,000	—	—	15,000,000
Chong Kwee Ch'ng (resigned 19-Jul-2011)	—	—	—	—
Jack Toby	9,000,000	—	6,000,000	15,000,000
	42,750,000	—	16,000,000	58,750,000

All options are vested and exercisable.

NOTE 18. SHARE BASED PAYMENTS

OPTIONS ISSUED AS SHARE BASED PAYMENTS	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	18,996,951	\$0.0142
Granted	114,473,358	\$0.0194
Forfeited	—	—
Exercised	(64,676,951)	\$0.0121
Expired	—	—
OUTSTANDING AND EXERCISABLE AT YEAR END	68,793,358	\$0.0249

The weighted average remaining contractual life subsequent to 30 June 2013 of these options is 620 days.

The cost of share based payments for the year ended 30 June 2013 was \$1,149,709 (2012: \$60,473).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

On 2 July 2012, the Company issued 35,000,000 Ordinary Shares, 8,280,000 listed Options exercisable at 1.5 cents each and expiring on 31 December 2012, 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 and 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014. These securities were issued for no consideration in satisfaction of facilitation services provided by Cities Energy LLC to the Company in relation to the Allen Dome Acquisition; to provide Allen Dome Exploration LLC with an additional incentive and reward for their future services; and for Allen Dome Exploration LLC facilitating the Salt Dome Option and assisting in the due diligence process, and to incentivise Allen Dome Exploration LLC to assist the Company to secure additional acquisitions in the United States in the future. Also included in the securities issued above was 3,600,000 Options in satisfaction of management services provided by Pursuit Capital Pty Ltd and 4,680,000 Options in satisfaction of management services provided by Pendulum Capital Pty Limited. The issue of these securities was approved at the General Meeting of shareholders of the Company held on 29 June 2012. The 35,000,000 ordinary shares were valued at \$0.013 each based on the market price of the shares on the day of issue. The 8,280,000 listed Options exercisable at 1.5 cents each and expiring on 31 December 2012 were valued at \$0.006 each based on the market price of the listed options on the day of issue. The 35,000,000 Options exercisable at 1 cent each and expiring on 31 March 2013 were valued using a binomial option pricing model based on a risk free rate 2.87%, an underlying security spot price \$0.013 and a volatility factor of 113%. The 35,000,000 Options exercisable at 2 cents each and expiring on 31 July 2014 were valued using a binomial option pricing model based on a risk free rate 2.53%, an underlying security spot price \$0.013 and a volatility factor of 123%.

On 14 August 2012, the Company issued 2,400,000 free listed Options exercisable at 1.5 cents each and expiring on 31 December 2012. The issue of 2,400,000 free Options exercisable at 1.5 cents each and expiring on 31 December 2012 was issued in satisfaction of management services provided by Pursuit Capital Pty Ltd and was approved at the shareholder meeting held on 29-Jun-12 pursuant to Resolution 10. These options were valued at \$0.005 each based on the market price of the listed options on the day of issue.

On 6 December 2012, the Company issued 6,500,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012. These options were valued on the date of issue at \$0.00867399448914894 each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price \$0.017 and an average of calculations using volatility factors of 107.8%, 84.2%, 72.4%, 88.5%, 131.4%, 97.7% and 114.6% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 9 January 2013, the Company issued 250,000 free options exercisable at 3 cents each and expiring on 31 October 2015 to employees and/or consultants of the Company as approved in Resolution 8 at the shareholder meeting held on 8 November 2012. These options were valued on the date of issue at \$0.00766660837272201 each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price \$0.016 and an average of calculations using volatility factors of 100.6%, 83%, 74.4%, 88.1%, 118.2%, 98.1% and 121.3% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 21 January 2013, the Company issued 9,951,758 free options exercisable at 3 cents each and expiring on 31 October 2015 to nominees of the underwriter of the option exercise proceeds for the exercise of options at 1.5 cents each and expiring on 31 December 2012. The issue of these options was ratified at the general meeting of shareholders held on 14 June 2013. These options were valued on the date of issue at \$0.0065270480028677 each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price \$0.015 and an average of calculations using volatility factors of 98.8%, 84.3%, 78.2%, 89.6%, 107.4%, 98.9% and 91.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 17 June 2013, the company issued 14,091,600 free listed options expiring on 31 October 2015 to nominees of Pendulum Capital Pty Limited ("Pendulum") as approved by resolutions 11 and 12 at the shareholder meeting held on 14 June 2013. 3,000,000 free listed options expiring on 31 October 2015 were issued to employees and contractors of the Company or its subsidiaries as approved by resolution 13 at the shareholder meeting held on 14 June 2013. These options were valued at \$0.003 each based on the market price of the listed options on the day of issue.

On 18 October 2011, the Company issued 15,996,951 free options exercisable at \$0.015 on or before 31 December 2012 and 6,000,000 free options exercisable at \$0.01 (1 cent) on or before 31 March 2013 to nominees of the underwriter of the Rights Issue as part of the underwriting fee. The issue of these options was approved at the Annual General Meeting of the Company held on 12 October 2011. The 15,996,951 free options exercisable at \$0.015 on or before 31 December 2012 were valued on the date of issue at 0.231 cents each using the Black & Scholes methodology and based on a risk free rate 4.75%, an underlying security spot price \$0.01 and a volatility factor of 80%. The 6,000,000 free options exercisable at \$0.01 (1 cent) on or before 31 March 2013 were valued on the date of issue at 0.392 cents each using the Black & Scholes methodology and based on a risk free rate 4.75%, an underlying security spot price \$0.01 and a volatility factor of 80%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

NOTE 19. SEGMENT INFORMATION**IDENTIFICATION OF REPORTABLE SEGMENTS**

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

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

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

BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	YEAR TO 30 JUNE 2013			YEAR TO 30 JUNE 2012		
	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$
SEGMENT PERFORMANCE						
External revenue	—	1,463,378	1,463,378	—	12,770	12,770
TOTAL SEGMENT REVENUE	—	1,463,378	1,463,378	—	12,770	12,770
Segment net profit/(loss) before tax	<u>(2,294,430)</u>	<u>(3,953,671)</u>	(6,248,101)	<u>(233,919)</u>	<u>(691,030)</u>	(924,949)
RECONCILIATION OF SEGMENT RESULT TO NET PROFIT/(LOSS) BEFORE TAX						
<i>Amounts not included in segment results but reviewed by the Board:</i>						
Interest received			37,855			78,702
Other income			740			110
Research and development tax concession rebate			161,087			—
Unrealised exchange gain/(loss)			537,873			(44,762)
Other expenses			(2,324,673)			(1,841,188)
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			<u>(7,835,219)</u>			<u>(2,732,087)</u>

	30 JUNE 2013			30 JUNE 2012		
	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$
SEGMENT ASSETS						
Segment assets	<u>—</u>	<u>5,279,096</u>	5,279,096	<u>—</u>	<u>2,059,093</u>	2,059,093
RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS						
<i>Unallocated assets:</i>						
Cash and cash equivalents			1,052,470			853,571
Receivables			690,559			41,971
Plant and equipment			105,383			24,533
TOTAL ASSETS FROM CONTINUING OPERATIONS			<u>7,127,508</u>			<u>2,979,168</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	30 JUNE 2013			30 JUNE 2012		
	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$	Oil and Gas Exploration Australia \$	Oil and Gas Exploration USA \$	Total \$
SEGMENT LIABILITIES						
Segment liabilities	—	1,127,781	1,127,781	—	69,759	69,759
RECONCILIATION OF SEGMENT LIABILITIES TO TOTAL LIABILITIES						
<i>Unallocated liabilities:</i>						
Other liabilities			135,360			174,251
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			1,263,141			244,010

REVENUE BY GEOGRAPHICAL REGION

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

	Year to 30 June 2013 \$	Year to 30 June 2012 \$
Australia	—	—
USA	1,463,378	12,770
	1,463,378	12,770

ASSETS BY GEOGRAPHICAL REGION

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

	30 June 2013 \$	30 June 2012 \$
Australia	496,357	920,075
USA	6,631,151	2,059,093
	7,127,508	2,979,168

MAJOR CUSTOMERS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

NOTE 20. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2013	2012	2013 \$	2012 \$	2013 \$	2012 \$
<i>Parent Entity</i>						
Titan Energy Ltd					(3,881,548)	(2,051,737)
<i>Entities controlled by Titan Energy Ltd</i>						
Titan Energy Inc	100%	100%	10	10	(1,270,762)	(469,886)
Sunset Energy LLC	100%	100%	—	—	(8,412)	(221,144)
North Perth Basin Pty Ltd	100%	100%	—	—	—	—
Westralian Petroleum Pty Ltd	Nil	Nil	—	—	—	10,010
Sunset Energy Pty Ltd	Nil	Nil	—	—	—	670
<i>Entities controlled by Titan Energy Inc</i>						
Titan Energy LLC	100%	100%	—	—	(188,218)	—
Titan Allen Dome LLC	100%	100%	—	—	(2,483,958)	—
Titan Energy Nevada LLC	100%	100%	—	—	(2,321)	—
			10	10	(7,835,219)	(2,732,087)

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

NOTE 21. SUPERANNUATION COMMITMENTS

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

NOTE 22. CONTINGENT LIABILITIES

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

NOTE 23. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

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

TREASURY RISK MANAGEMENT

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

FINANCIAL RISK EXPOSURES AND MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

INTEREST RATE RISK

The Company has a policy of minimising its exposure to interest payable on debt. The Group has no debt that requires the payment of interest.

FINANCIAL INSTRUMENTS	TERMS AND CONDITIONS AND INTEREST RATE RISK
--------------------------	---

Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk.
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.

FOREIGN CURRENCY RISK

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

LIQUIDITY RISK

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

CREDIT RISK

At 30 June 2013, no cash deposits were committed as security for credit cards (2012: \$Nil)

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no other material amounts of collateral held as security at 30 June 2013 or at 30 June 2012. Credit risk is managed on a Group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 30 June 2013 and at 30 June 2012 are not rated, however given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group.

PRICE RISK

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

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	1,254,798	244,010
6 months to 1 year	—	—
later than 1 year but not later than 5 years	—	—
over 5 years	—	—
	<u>1,254,798</u>	<u>244,010</u>

FAIR VALUES

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

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2013 \$	AGGREGATE NET FAIR VALUE 2013 \$	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2012 \$	AGGREGATE NET FAIR VALUE 2012 \$
<i>Financial Assets</i>				
Cash assets	1,052,470	1,052,470	2,338,818	2,338,818
Receivables	690,559	690,559	41,971	41,971
<i>Financial Liabilities</i>				
Payables	1,254,798	1,254,798	244,010	244,010

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

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value. The Group does not carry financial instruments at fair value at 30 June 2013.

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

SENSITIVITY ANALYSIS

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

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity	
	2013	2012
	\$	\$
CHANGE IN PROFIT DUE TO::		
Increase in interest rate by 2%	51,935	47,211
Decrease in interest rate by 2%	(37,855)	(47,211)
CHANGE IN EQUITY DUE TO::		
Increase in interest rate by 2%	51,935	47,211
Decrease in interest rate by 2%	(37,855)	(47,211)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2013	2012
	\$	\$
CHANGE IN PROFIT DUE TO::		
Improvement in AUD to USD by 5%	289,652	104,702
Decline in AUD to USD by 5%	(262,066)	(94,730)
CHANGE IN EQUITY DUE TO::		
Improvement in AUD to USD by 5%	289,652	104,702
Decline in AUD to USD by 5%	(262,066)	(94,730)

NOTE 24. RELATED PARTY TRANSACTIONS

The Company is not controlled by any other entity.

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

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

During the financial year, the Company provided unsecured loan funds of \$160,000 to PHW Consolidated Limited, a public company in which Mr Darren Levy and Mr Paul Garner are directors and shareholders on normal commercial terms. Mr Darren Levy and Mr Paul Garner are also directors of the Company. The loan attracts interest at the rate of 10% per year. The Company received a \$60,000 partial repayment of the loan during the financial year together with interest on the loan. The Company also received repayment of the remaining \$100,000 of the loan subsequent to the end of the financial year.

During the financial year the company borrowed \$350,000 from Ohio Holdings Pty Ltd, a company associated with Mr Paul Garner who is a director of the Company. The loan was interest free and unsecured. The loan was repaid in full during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

At 30 June 2013, directors and their related entities held directly, indirectly or beneficially 105,744,843 ordinary shares in the Company and 19,750,000 options over ordinary shares in the Company.

At 30 June 2012, directors and their related entities held directly, indirectly or beneficially 51,800,559 ordinary shares in the Company and 28,750,000 options over ordinary shares in the Company.

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

CONTRACTUAL ARRANGEMENTS WITH DIRECTOR RELATED ENTITIES

RME FARM IN AGREEMENT

The RME Farm-in Agreement is between Red Mountain Energy Pty Ltd (RME), an entity controlled by director Stephen Thomas and the Company. Under it the Company may earn a 100% interest in the following Titles when granted:

- DR 10 has now expired and has been replaced with an application for an SPA (stp-spa-0006) over the ground formerly known as DR 10

While it is performing its farm-in obligations the Company is appointed the operator to carry out all activities in respect of those titles and accordingly, has Operator Rights.

The Company has not yet completed its minimum work commitments on the titles.

RMEI ROYALTY

Under the RMEI Royalty, the Company must pay Red Mountain Energy Inc. (RMEI) a 2.25% royalty in respect of the royalty value (as defined in the Petroleum Act 1967) of petroleum recovered from each Royalty Title. Royalty Titles are those transferred to the Company pursuant to the RME Farm-In Agreement.

The royalty will be payable at the same time as that payable to the Minister under the Act. If no royalty is payable to the Minister under the Act, then no royalty is payable under the RMEI Royalty. If the Company is able to negotiate a reduced royalty arrangement with the Minister in respect of a Royalty Title, then the amount of royalty payable by the Company under the RMEI Royalty in respect of that Royalty Title will be reduced for the same period and in the same proportion.

EXPLORATION JVA

The Exploration JVA is binding on the parties, but upon request by a party is to be replaced by a more formal joint operating agreement. The Exploration JVA is preliminary in nature and does not contain the detailed provisions contained in a formal joint venture agreement to deal with matters like the manager's powers and default. The Exploration JVA does make provision for programmes and budgets and a management committee. Decisions of the management committee are by majority vote and accordingly unanimous approval will be required for programmes and budgets.

NOTE 25. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 26. EVENTS SUBSEQUENT TO BALANCE DATE

On 5 July 2013, the Company announced that a rig is expected to spud the Poole #C-1 "cap rock" well at its Allen Dome oil field in Texas on 5 July 2013, US time. The Poole #C-1 well, located on the southern portion of the Allen Dome salt dome where the Company holds an approximately 85% working interest, will be drilled at a turnkey cost of US\$95,000.

On 9 August 2013, the Company announced that it had entered into \$1 million unsecured loan agreement with a private company controlled by Director of the Company, Mr Paul Garner, on arms-length commercial terms. The loan will be available for draw-down to allow the Company to fast-track its exploration drilling activities in the United States. The loan is a 12 month facility set at a commercial interest rate of 8%. The Company has the option of early repayment in part or entirety.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

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

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

**Independent Auditor's Report
To the members of Titan Energy Ltd****REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of Titan Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

INDEPENDENCE

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

OPINION

In our opinion:

- a) the financial report of Titan Energy Ltd is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Titan Energy Ltd for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

**Somes Cooke****Kevin Somes**

23 September 2013
Perth

Auditor's Independence Declaration

To those charged with governance of Titan Energy Ltd

As auditor for the audit of Titan Energy Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**Somes Cooke****Kevin Somes**

Perth
23 September 2013

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

ANALYSIS OF HOLDINGS OF SHARES AND OPTIONS IN THE COMPANY

	Listed Ordinary Shares	Listed Options expiring 31 Oct 2015 3 cents	Unlisted Options expiring 31 Jul 2015 5 cents
1 — 1,000	167	0	0
1,001 — 5,000	78	0	0
5,001 — 10,000	110	0	0
10,001 — 100,000	908	7	0
100,001 — and over	1,344	206	2
Total number of holders	2,607	213	2
Holdings of less than a marketable parcel	972		

ANALYSIS OF HOLDINGS OF UNLISTED OPTIONS IN THE COMPANY

	Options expiring 31 Oct 2013 2.75 cents	Options expiring 31 Jul 2014 2 cents	Options expiring 30 Aug 2014 1.5 cents
1 — 1,000	0	0	0
1,001 — 5,000	0	0	0
5,001 — 10,000	0	0	0
10,001 — 100,000	0	0	0
100,001 — and over	1	5	1
Total number of holders	1	5	1

REGISTERED OFFICE OF THE COMPANY

31 Ord St
West Perth
Western Australia 6005

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

STOCK EXCHANGE LISTING

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

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

A Level One American Depositary Receipt (ADR) program has been declared eligible by the US Securities and Exchange Commission. The Bank of New York Mellon had been appointed as the depositary bank for the ADR program. A Level One ADR program facilitates the purchase of Titan Energy Ltd shares by US investors. Under the program, one ADR is equivalent to 200 ordinary shares of Titan Energy Ltd. The ADRs trade in the US over-the-counter (OTC) market under the ADR trading symbol WGPY and the CUSIP number is 961436102.

SHARE REGISTRY

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

COMPANY SECRETARY

The name of the Company Secretary is Jack Hugh Toby.

TAXATION STATUS

Titan Energy Ltd is taxed as a public company.

VOTING RIGHTS

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

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Mr Andrew Trott Hopkins + Mrs Adrienne Janet Hopkins	53,000,000	3.32%
Marven Pty Ltd <Staff Super Fund No 1 A/C>	40,000,000	2.50%
Ohio Enterprises Pty Ltd <Ohio Super Fund A/C>	37,650,000	2.36%
Sunvest Corporation Limited	30,000,000	1.88%
Worldwide Energy Co Ltd	28,000,000	1.76%
Mr Daniel Kerle	27,047,647	1.70%
The Trust Company (Superannuation) Limited <Korn Personal Super Fund A/C>	19,317,460	1.21%
Dr Michael Ian Nissen	17,000,000	1.07%
Mr John Prokupets	16,964,674	1.06%
Mr Simon Peter Wardman <Unwin Investment A/C>	14,000,000	0.88%
Kembla No 20 Pty Ltd <Caa A/C>	13,936,508	0.87%
Cities Energy Llc	13,260,000	0.83%
Jannah Enterprises Pty Ltd <Jannah Enterprises Pl Sf A/C>	13,226,912	0.83%
HSBC Custody Nominees (Australia) Limited	12,329,999	0.77%
JP Morgan Nominees Australia Limited <Cash Income A/C>	12,130,000	0.76%
Jakor Pty Ltd	10,800,000	0.68%
Crestwell Investments Pty Ltd <Bruce Watt Super Fund A/C>	10,000,000	0.63%
Mr John Colin Todman	10,000,000	0.63%
Mr Cristian Merli	9,827,000	0.62%
Molate Pty Limited <Allan Hain Retire Fund A/C>	9,800,000	0.61%
	398,290,200	24.97%

TWENTY LARGEST HOLDERS OF 2.75 CENT OPTIONS EXPIRING 31 OCTOBER 2013

	Number of Options	Percentage of Total
Sunvest Corporation Limited	30,000,000	100.00%
	30,000,000	100.00%

TWENTY LARGEST HOLDERS OF 2 CENT OPTIONS EXPIRING 31 JULY 2014

	Number of Options	Percentage of Total
Worldwide Energy Co Ltd	18,000,000	51.43%
Mr John Mcknight	10,000,000	28.58%
Mr Stephen David Burgess	2,500,000	7.14%
Seacoast Oil & Gas Inc	2,500,000	7.14%
Mr Alfred Mcknight	2,000,000	5.71%
	35,000,000	100.00%

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

TWENTY LARGEST HOLDERS OF 1.5 CENT OPTIONS EXPIRING 30 AUGUST 2014

	Number of Options	Percentage of Total
Worldwide Energy Co Ltd	30,000,000	100.00%
	30,000,000	100.00%

TWENTY LARGEST HOLDERS OF 5 CENT OPTIONS EXPIRING 31 JULY 2015

	Number of Options	Percentage of Total
Andwendrod Services Pty Ltd	3,000,000	60.00%
Northgold Pty Ltd <Northgold Super Fund A/C>	2,000,000	40.00%
	5,000,000	100.00%

TWENTY LARGEST HOLDERS OF 3 CENT OPTIONS EXPIRING 31 OCTOBER 2015

	Number of Options	Percentage of Total
Northgold Pty Ltd <Northgold Super Fund A/C>	22,468,254	4.52%
Malby Investments Pty Ltd	21,000,000	4.22%
Worldwide Energy Co Ltd	20,000,000	4.02%
Jakor Pty Ltd	15,000,000	3.01%
Mr Matthew James Torenus	14,296,000	2.88%
Ohio Holdings Pty Ltd	13,000,000	2.62%
Mr Ernest James Mcdonald + Mrs Margaret Heather Mcdonald <Tamer S/F A/C>	12,000,000	2.42%
Mrs Jirachaya Charnchayasuk	11,090,980	2.23%
Mr Nallanathan Prabhodharan	9,474,127	1.91%
Mr Ivan Murray Handasyde	9,036,461	1.82%
Mr Egan Harvey Johnson	9,000,000	1.81%
KB Projects Pty Ltd <The Bedford Unit A/C>	8,100,000	1.63%
Bouta Pty Limited <Jb Martel Practice S/F A/C>	7,800,000	1.57%
Mr Neil Dinning	7,486,500	1.51%
Mr Myles Patrick Cooper	7,211,000	1.45%
Mr Andrew Trott Hopkins + Mrs Adrienne Janet Hopkins	7,000,000	1.41%
The Trust Company (Superannuation) Limited <Korn Personal Super Fund A/C>	6,858,730	1.38%
Mr Mark John Cohen	6,350,316	1.28%
Mr John Prokupets	6,244,688	1.26%
Ms Jane Patel	6,000,000	1.21%
	219,417,056	44.16%

INTERESTS IN OIL & GAS TENEMENTS

<u>LEASE</u>	<u>INTEREST</u>
AUSTRALIA	
EP 455	18.50%
DR 11	100.00%

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND RECOMMENDATIONS

INTRODUCTION

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

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

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

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

BOARD CHARTER

The Board has adopted the following Board Charter:

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

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

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

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

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

The Directors must elect one of their number as Chairman.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

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

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer, managing director, or equivalent;
- ratifying the appointment and the removal of senior executives;
- providing input into and final approval of management's development of corporate strategy;
- reviewing, ratifying and monitoring risk management, internal control, codes of conduct and legal compliance;

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

- monitoring senior executives performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Role and Responsibilities of Senior Executives

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

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

Evaluation of the performance of Senior Executives

A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2013 as the Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate.

Availability to public

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the Company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2013.

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

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

- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- has not within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with such a service provided;

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

- is not a material supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Mr Colin Sandell-Hay is the only Board member to meet these criteria. Consequently, the Board does not have a majority of independent directors. Mr Darren Levy is the chairman of the Board. The Chairman is not an independent director.

Mr Darren Levy was appointed a director on 8 July 2011. Mr Paul Garner was appointed a director on 19 July 2011. Mr Colin Sandell-Hay was appointed a director on 26 July 2013.

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

A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2013 as the performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole.

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

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

Gender Diversity

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

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

Nomination of Other Board Members

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

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

Independent Advice

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

Availability to public

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

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

The terms of the code of conduct are:

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

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

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

Availability to public

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

POLICY FOR TRADING IN THE SECURITIES OF THE COMPANY**DEFINITIONS***Insider Trading:*

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

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

Company Securities:

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

Closed Periods:

Closed Periods means the following periods of time:

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

Key Management Personnel:

Key Management Personnel are defined in the ASX Listing Rules.

Declaration:

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

Excluded Trading:

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

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

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

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

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

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

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

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

- a) the restricted person did not enter into the plan or amend the plan during a closed period;
- b) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
- c) there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading in Exceptional Circumstances:

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

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

TRADING RESTRICTIONS

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

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

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

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

Availability to public

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

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

Availability to public

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

Availability to public

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

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

Availability to public

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

PRINCIPLE 7: RECOGNISE AND MANAGING RISK

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

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

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

Availability to public

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

Availability to public

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

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

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

ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2013

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