TITAN ENERGY LTD

ABN: 53 109 213 470

Consolidated Financial Report for the Half-Year ended 31 December 2014

This document should be read in conjunction with the Annual Financial Report of Titan Energy Limited for the year ended 30 June 2014

CORPORATE DIRECTORY

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

The directors of Titan Energy Limited 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 half-year ended 31 December 2014. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:-
Darren Stephen Levy
Paul Charles Garner
Andrew Van Der Zwan
Bradley Jay Simmons (appointed 30 August 2014)

OPERATING RESULTS

The comprehensive operating loss for the Consolidated Entity, after income tax amounted to $1,452,014.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

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

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

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

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

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

On 18 July 2014, the Company announced that it had decided to terminate its involvement in the Sodbuster II project in Colorado.

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

On 23 July 2014, the Company issued 70,000 Variable Price Convertible Notes for $1.00 each. The issue of these securities was ratified at the annual general shareholder meeting held on 26 November 2014.

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

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

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

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

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

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

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

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

On 26 September 2014, the Company issued 9,944,447 ordinary shares for $0.018 each and 4,972,226 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 179,000 Fixed Price Convertible Notes.

On 26 September 2014, the Company issued 3,000,000 free ordinary shares valued at $63,000 based on the market price of the shares on the day of issue of $0.021 per share, as part of an employee severance package. The issue of these securities was ratified at the annual general shareholder meeting held on 26 November 2014.

On 27 October 2014, the Company announced that it had decided to terminate its involvement in the Kinmundy project in Illinois.

On 14 November 2014, the Company announced an unmarketable parcel sale facility for holders of unmarketable parcels of the Company's shares. The ASX Listing Rules define an unmarketable parcel to include a parcel of shares with a market value of less than A$500. The sale was completed on 2 January 2015. 1,034 unmarketable parcel shareholders, representing 6,379,914 did not elect to retain their shares. These shares were sold on 2 January 2015 at an average price of $0.02053 per share.

On 3 December 2014, The Company sold its 11.66663% interest in the Holcomb Ranch prospect for US$522,539.

On 10 December 2014, the Company issued 9,833,333 ordinary shares for $0.018 each and 4,916,668 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 177,000 Fixed Price Convertible Notes.

On 11 December 2014, the Company issued 10,000,000 free ordinary shares valued at $210,000 to nominees of Mr Paul Garner, a director of the Company. The Company also issued 10,000,000 free ordinary shares valued at $210,000, 10,000,000 options exercisable at $0.025 each and expiring on 31 March 2015, 20,000,000 options exercisable at $0.03 each and expiring on 30 November 2015 and 20,000,000 options exercisable at $0.05 each and expiring on 30 November 2016 to nominees of Mr Bradley Simmons, a director of the Company. The ordinary shares were valued at $0.021 each based on the market price of the shares on the day of issue. The options were valued at $219,979 using a binomial option pricing model based on a risk free rate 5.00%, an underlying security spot price $0.021 and an average volatility factor of 83.24%. The issue of these securities was approved at the annual general shareholder meeting held on 26 November 2014.

On 11 December 2014, the Company issued 4,571,293 ordinary shares valued at $95,997 based on the market price of the shares on the day of issue of $0.021 per share, in consideration for the acquisition of various Overriding Royalty Interests in Allen Dome.

On 11 December 2014, the Company issued 8,999,999 ordinary shares issued for US$0.018 in consideration for services from various suppliers to be provided to the Company's oil and gas interests in the US. The Company also issued 34,241,667 ordinary shares at an issue price of US$0.018 and 19,249,500 ordinary shares at an issue price of A$0.02. The issue of these securities was ratified at the annual general shareholder meeting held on 6 February 2015.

On 19 November 2014, the Company announced a workover program on the Allen Dome wells, commencing with the JT Reese #S2 well. A successful workover for the JT Reese #S2 well was announced on 9 December 2014, and a successful recompletion of the JT Reese #2A well was announced on 22 December 2014.

On 24 December 2014, the Company issued 555,556 ordinary shares for $0.018 each and 277,778 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 10,000 Fixed Price Convertible Notes.

On 24 December 2014, the Company issued 500,000 ordinary shares issued for US$0.018 in consideration for services from various suppliers to be provided to the Company's oil and gas interests in the US. The Company also issued 830,000 free ordinary shares valued at $17,430 based on the market price of the shares on the day of issue of $0.021 per share, to employees and contractors of the Company or its subsidiaries.

EVENTS SUBSEQUENT TO BALANCE DATE

On 19 January 2015, the Company announced planning for the Ward-1 well on the Perry Ranch prospect. The Ward-1 well replaces the Perry-1 well which was spudded on 1 January 2015 and which was plugged and abandoned shortly after due to lost circulation issues. The Perry 1 well was drilled pursuant to a turnkey agreement, so the loss of the well was at no cost to the Company.

On 23 January 2015, the Company announced that it had decided not to renew its leases in Railroad Valley and Lake Valley, both in Nevada.

On 2 February 2015, the Company announced that it had signed a Joint Development Agreement for funding of up to US$50 million with a leading United States-based oil and gas, energy funding partner and exploration and development company (the Fund). The Fund, has committed up to US$50,000,000 in joint development projects with Titan over the next three years, based upon the successful completion of a pilot project currently underway and meeting the Funds performance criteria. The funding of the current Allen Dome workover project and drilling of new wells generates a sharing relationship whereby Titan is to be paid US$1,650,000 comprising $1,500,000 in turnkey payments in return for the Fund participating in the ownership of 66.7% of the five workover wellbores and $150,000 upfront as a $30,000 per drillsite payment for the five new wells to be drilled. Titan will also receive a US$100,000 per well payment upon spud for operations supervision for each of the five new wells. In the drilling of the five new wells, the Fund shall pay 75% of the actual costs for a 50% Working Interest ownership of the wellbores while Titan shall pay 25% of actual costs for a 50% Working Interest.

On 20 February 2015, the Company issued 2,111,112 ordinary shares for $0.018 each and 1,055,556 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 38,000 Fixed Price Convertible Notes.

On 20 February 2015, the Company issued 8,000,000 ordinary shares as a contribution to defray marketing and due diligence costs incurred for the US$50M Joint Development Agreement announced on 2 February 2015. These 8,000,000 ordinary shares are subject to a voluntary escrow of 6 months from their date of issue. Also on 20 February 2015, the Company issued 2,829,258 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company.

On 23 February 2015, the Company announced that it had acquired 850 net acres (1724 gross acres) on the south-western flank of Boling Dome, southwest of Houston, Texas. It also announced that it is continuing to increase its acreage holdings on Allen Dome and currently holds 1085 net acres (1642 gross acres).

No other matters or circumstances have arisen since the end of the financial period 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 periods.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed auditors independence declaration to the directors in relation to the review for the half-year ended 31 December 2014. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

Paul Garner
Director

23 February 2015
Perth, Western Australia

DIRECTORS' DECLARATION

The directors of Titan Energy Limited A.C.N. 055 719 394 ("Company") declare that:

a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;

    i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Paul Garner
Director

23 February 2015
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-Year to 31 December 2014 $	Half-Year to 31 December 2013 $
Oil and gas sales	2	319,508	997,446
Cost of sales	2	(209,599)	(883,352)
GROSS PROFIT		109,909	114,094
Revenue from non-operating activities	2	2,401,021	294,691
Exploration expenses	2	(2,458,760)	(1,243,655)
Other expenses	2	(1,504,184)	(1,113,310)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(1,452,014)	(1,948,180)
Income tax		—	—
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(1,452,014)	(1,948,180)
NET PROFIT/(LOSS) FOR THE PERIOD		(1,452,014)	(1,948,180)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		(1,805,514)	—
Income tax relating to components of other comprehensive income		—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		(1,805,514)	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(3,257,528)	(1,948,180)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.35)	(1.20)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.35)	(1.20)

The accompanying notes form part of this financial report

TITAN ENERGY LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,623,416	908,986
Trade and other receivables		526,542	1,032,410
TOTAL CURRENT ASSETS		2,149,958	1,941,396
NON-CURRENT ASSETS			
Plant and equipment		63,199	49,174
Receivables		36,743	39,348
Capitalised oil and gas expenditure	4	3,730,561	3,829,073
TOTAL NON-CURRENT ASSETS		3,830,503	3,917,595
TOTAL ASSETS		5,980,461	5,858,991
CURRENT LIABILITIES			
Trade and other payables		400,794	609,341
Borrowings	5	1,439,000	1,470,000
Provisions		—	9,535
TOTAL CURRENT LIABILITIES		1,839,794	2,088,876
TOTAL LIABILITIES		1,839,794	2,088,876
NET ASSETS		4,140,667	3,770,115
EQUITY			
Issued capital	6	34,022,706	30,669,355
Reserves	7	(136,843)	1,393,942
Accumulated losses		(29,745,196)	(28,293,182)
TOTAL EQUITY		4,140,667	3,770,115

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-Year to 31 December 2014 $	Half-Year to 31 December 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		374,884	1,168,399
Payments to suppliers & employees		(602,650)	(745,533)
Production costs		(85,907)	(173,799)
Interest received		11,057	1,911
Interest and finance costs paid		(79,450)	(60,786)
Payment of oil sales held in suspense pending resolution of entitlements		8,268	(196,742)
Payment of oil sales held for other joint venture participants		2,007	(115,582)
Research and development tax concession rebate		798,180	—
Other income		—	13,135
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		426,389	(108,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		(345,636)	(644,450)
Exploration expenditure		(2,230,090)	(1,428,520)
Development expenditure		(271,985)	(536,132)
Proceeds from sale of oil and gas interests		637,087	40,455
Purchase of plant and equipment		—	(6,278)
Loans repaid by other entities		—	100,000
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(2,210,624)	(2,474,925)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		1,111,278	—
Proceeds from issue of convertible notes		1,145,000	—
Capital raising costs		(128,686)	(91,200)
Borrowings		355,000	2,225,663
Repayment of borrowings		(30,000)	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		2,452,592	2,134,463
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		668,357	(449,459)
Net foreign exchange differences		46,073	32,768
Cash and cash equivalents at beginning of period		908,986	1,052,470
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	1,623,416	635,779

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Attributable to Members of Titan Energy Limited	**Issued Capital $**	**Option Premium Reserve $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2013	28,155,829	1,071,295	(23,362,757)	5,864,367
Total comprehensive loss for the period	—	—	(1,948,180)	(1,948,180)
SUBTOTAL	—	—	(1,948,180)	(1,948,180)
Transactions with owners in their capacity as owners				
Securities issued	5,445	—	—	5,445
Capital raising costs	(91,200)	—	—	(91,200)
AT 31 DECEMBER 2013	28,070,074	1,071,295	(25,310,937)	3,830,432

Attributable to Members of Titan Energy Limited	**Issued Capital $**	**Option Premium Reserve $**	**Currency Translation Reserve $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2014	30,669,355	1,157,525	236,417	(28,293,182)	3,770,115
Currency translation	—	—	(1,805,514)	—	(1,805,514)
Loss for period	—	—	—	(1,452,014)	(1,452,014)
SUBTOTAL	—	—	(1,805,514)	(1,452,014)	(3,257,528)
Transactions with owners in their capacity as owners					
Securities issued	3,437,870	274,729	—	—	3,712,599
Capital raising costs	(84,519)	—	—	—	(84,519)
AT 31 DECEMBER 2014	34,022,706	1,432,254	(1,569,097)	(29,745,196)	4,140,667

The accompanying notes form part of this financial report

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Titan Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards of Interpretations that are not yet mandatory have not been adopted early.

Intra-Group Receivables

The Company has an inter-company receivable with its wholly owned subsidiary Sunset Energy LLC which has been written off in the parent company's financial accounts. The directors are of the opinion that the loan will not be repaid in full and consequently any differences in foreign exchange are recognised in the consolidated income or loss from continuing operations of the Group.

NOTE 2. REVENUE, INCOME AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:

	Half-Year to 31 December 2014 $	Half-Year to 31 December 2013 $
REVENUE FROM CONTINUING OPERATIONS		
Operating activities		
Oil sales	319,508	997,446
TOTAL REVENUE FROM OPERATING ACTIVITIES	319,508	997,446
Non-Operating activities		
Interest received	6,707	1,911
Unrealised exchange gains	2,371,454	226,688
Other revenue	22,860	66,092
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	2,401,021	294,691
TOTAL REVENUE FROM CONTINUING OPERATIONS	2,720,529	1,292,137

	Half-Year to 31 December 2014 $	Half-Year to 31 December 2013 $
CHARGING AS EXPENSES		
Cost of sales		
Production costs	85,907	173,799
Depletion of production leases	123,692	709,553
	209,599	883,352
Exploration expenses		
Exploration expenditure written off	662,859	114,823
Development and Workover expenses	367,897	476,264
General exploration expenses	564,941	349,404
Loss on disposal of oil and gas properties	110,706	—
Other exploration expenses	752,357	303,164
	2,458,760	1,243,655
Other expenses		
Employee benefits and consultants expenses	361,565	473,014
Depreciation expense	7,255	6,796
Administrative expenses	187,072	556,274
Interest expense	79,450	60,786
Value of share based payments	865,406	5,445
Loss on sale of plant and equipment	436	10,995
Other expenses	3,000	—
	1,504,184	1,113,310

NOTE 3. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement and the Statement of Financial Position, cash and cash equivalents comprise cash at bank.

NOTE 4. CAPITALISED OIL AND GAS EXPENDITURE

The ultimate recoupment of assets carried forward in relation to the Capitalised oil and gas expenditure is dependent on its successful development and commercial exploitation or alternative the sale of the respective tenements.

	31 December 2014 $	30 June 2014 $
NOTE 5. BORROWINGS (CURRENT)		
Variable Price Convertible Notes	—	445,000
Fixed Price Convertible Notes	1,159,000	930,000
Loans	280,000	95,000
	1,439,000	1,470,000

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

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

	31 December 2014 $	30 June 2014 $
NOTE 6. ISSUED CAPITAL		
ORDINARY SHARES		
524,351,029 (30 June 2014: 320,253,202) fully paid ordinary shares	34,022,706	30,669,355
	34,022,706	30,669,355
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	30,669,355	
972,220 shares issued on 7 July 2014	17,500	
8,333,333 shares issued on 7 July 2014	150,000	
1,027,780 shares issued on 23 July 2014	11,633	
58,220,692 shares issued on 23 July 2014	659,000	
11,154,490 shares issued on 7 August 2014	120,000	
7,086,963 shares issued on 9 September 2014	96,000	
5,576,554 shares issued on 10 September 2014	90,000	
9,944,447 shares issued on 26 September 2014	179,000	
3,000,000 shares issued on 26 September 2014	63,000	
9,833,333 shares issued on 10 December 2014	177,000	
20,000,000 shares issued on 11 December 2014	420,000	
34,241,667 shares issued on 11 December 2014	740,538	
8,999,999 shares issued on 11 December 2014	194,687	
19,249,500 shares issued on 11 December 2014	384,990	
4,571,293 shares issued on 11 December 2014	95,997	
555,556 shares issued on 24 December 2014	10,000	
500,000 shares issued on 24 December 2014	11,095	
830,000 shares issued on 24 December 2014	17,430	
Share issue expenses	(84,519)	
AT THE END OF THE FINANCIAL PERIOD	34,022,706	

NOTE 7. RESERVES

	31 December 2014 $	30 June 2014 $
Option premium reserve	1,432,254	1,157,525
Currency translation reserve	(1,569,097)	236,417
	(136,843)	1,393,942

MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the financial year	1,157,525
7,000,000 options issued on 6 July 2014	3,500
1,500,000 options issued on 7 July 2014	4,500
6,000,000 options issued on 7 July 2014	18,000
1,500,000 options issued on 23 July 2014	750
1,500,000 options issued on 23 July 2014	4,500
3,000,000 options issued on 23 July 2014	9,000
3,000,000 options issued on 7 August 2014	1,500
6,500,000 options issued on 7 August 2014	13,000
50,000,000 options issued on 11 December 2014	219,979
AT THE END OF THE FINANCIAL YEAR	1,432,254

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

At the beginning of the financial year	236,417
Consolidation adjustment for the year	(1,805,514)
AT THE END OF THE FINANCIAL YEAR	(1,569,097)

NOTE 8. 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 makers) 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.

	Half-Year to 31 December 2014			Half-Year to 31 December 2013		
	Oil and Gas Exploration Australia $	**Oil Production USA $**	**Total $**	**Oil and Gas Exploration Australia $**	**Oil Production USA $**	**Total $**
SEGMENT PERFORMANCE						
External revenue	—	319,508	319,508	—	997,446	997,446
TOTAL SEGMENT REVENUE	—	319,508	319,508	—	997,446	997,446
Segment net profit/(loss) before tax	(899,319)	(1,492,870)	(2,392,189)	(291,777)	(1,062,998)	(1,354,775)
RECONCILIATION OF SEGMENT RESULT TO NET PROFIT/(LOSS) BEFORE TAX						
Amounts not included in segment results but reviewed by the Board:						
Interest received			6,707			1,911
Interest expense			(79,450)			(59,577)
Currency exchange gain			2,371,454			226,688
Other income			22,860			66,092
Other expenses			(1,381,396)			(828,519)
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			(1,452,014)			(1,948,180)

	31 December 2014			30 June 2014		
	Oil and Gas Exploration Australia $	**Oil Production USA $**	**Total $**	**Oil and Gas Exploration Australia $**	**Oil Production USA $**	**Total $**
SEGMENT ASSETS						
Segment assets	—	3,730,561	3,730,561	—	3,829,073	3,829,073
RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS						
Unallocated assets:						
Cash and cash equivalents			1,623,416			908,986
Receivables			563,285			1,071,758
Plant and equipment			63,199			49,174
TOTAL ASSETS FROM CONTINUING OPERATIONS			5,980,461			5,858,991

NOTE 9. CONTINGENT LIABILITIES

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

NOTE 10. EVENTS SUBSEQUENT TO BALANCE DATE

On 19 January 2015, the Company announced planning for the Ward-1 well on the Perry Ranch prospect. The Ward-1 well replaces the Perry-1 well which was spudded on 1 January 2015 and which was plugged and abandoned shortly after due to lost circulation issues. The Perry 1 well was drilled pursuant to a turnkey agreement, so the loss of the well was at no cost to the Company.

On 23 January 2015, the Company announced that it had decided not to renew its leases in Railroad Valley and Lake Valley, both in Nevada.

On 2 February 2015, the Company announced that it had signed a Joint Development Agreement for funding of up to US$50 million with a leading United States-based oil and gas, energy funding partner and exploration and development company (the Fund). The Fund, has committed up to US$50,000,000 in joint development projects with Titan over the next three years, based upon the successful completion of a pilot project currently underway and meeting the Funds performance criteria. The funding of the current Allen Dome workover project and drilling of new wells generates a sharing relationship whereby Titan is to be paid US$1,650,000 comprising $1,500,000 in turnkey payments in return for the Fund participating in the ownership of 66.7% of the five workover wellbores and $150,000 upfront as a $30,000 per drillsite payment for the five new wells to be drilled. Titan will also receive a US$100,000 per well payment upon spud for operations supervision for each of the five new wells. In the drilling of the five new wells, the Fund shall pay 75% of the actual costs for a 50% Working Interest ownership of the wellbores while Titan shall pay 25% of actual costs for a 50% Working Interest.

On 20 February 2015, the Company issued 2,111,112 ordinary shares for $0.018 each and 1,055,556 free options exercisable at $0.04 each and expiring on 31 May 2015 pursuant to the conversion of 38,000 Fixed Price Convertible Notes.

On 20 February 2015, the Company issued 8,000,000 ordinary shares as a contribution to defray marketing and due diligence costs incurred for the US$50M Joint Development Agreement announced on 2 February 2015. These 8,000,000 ordinary shares are subject to a voluntary escrow of 6 months from their date of issue. Also on 20 February 2015, the Company issued 2,829,258 free options exercisable at $0.04 each and expiring on 31 May 2015 in consideration for corporate services provided to the Company.

On 23 February 2015, the Company announced that it had acquired 850 net acres (1724 gross acres) on the south-western flank of Boling Dome, southwest of Houston, Texas. It also announced that it is continuing to increase its acreage holdings on Allen Dome and currently holds 1085 net acres (1642 gross acres).

No other matters or circumstances have arisen since the end of the financial period 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 periods.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Titan Energy Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Titan Energy Ltd, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Titan Energy Ltd are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Titan Energy Ltd's financial position as at 31 December 2014 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Titan Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Titan Energy Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of Titan Energy Ltd's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

23 February 2015

Perth
Western Australia

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The Directors
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31 Ord Street
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Dear Sirs

Auditors Independence Declaration

As lead auditor for the review of Titan Energy Ltd for the half year ended 31 December 2014, I declare under Section 307C of the Corporations Act 2001 that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review, and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

Perth, 23 February 2015