TITAN ENERGY LTD

ABN: 53 109 213 470

Consolidated Financial Report for the Half-Year ended 31 December 2013

This document should be read in conjunction with the Annual Financial Report of Titan Energy Limited for the year ended 30 June 2013

CORPORATE DIRECTORY

DIRECTORS:	Darren Levy (Chairman) Paul Garner (Chief Executive) Colin Sandell-Hay
COMPANY SECRETARY:	Jack Hugh Toby FCA MACS
ABN:	53 109 213 470
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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 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 who held office during or since the end of the half-year are:-

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

OPERATING RESULTS

The comprehensive operating loss for the Consolidated Entity, after income tax amounted to $1,948,180.

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 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.

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

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

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

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

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

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

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

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

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

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

On 6 February 2014, AWE Limited ("AWE") released an ASX announcement titled "Perth Basin independent resource estimate"" in which AWE announced "Gross Prospective Gas Resources for EP455 of 2,393 billion scf". AWE noted that "further exploration and appraisal success would be required to demonstrate the commerciality of these resources and the viability of any future development". In its announcement, AWE said that "the estimate was provided in an independent technical assessment of exploration permits EP413, EP455, L4 and L5 undertaken by Deloitte LLP's Calgary-based Resource Evaluation and Advisory practice (REA)" and "The REA assessment considered four unconventional targets: the Kockatea Shale; the Carynginia Shale; the Irwin River Coal Measures and the High Cliff Sandstone, to provide Best Estimate gross, un-risked, recoverable, prospective resource estimates for the four permits. Proof of concept has been demonstrated by successful production testing of gas from each of these intervals".

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

On 21 February 2014, the Company issued:

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

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

c) 14,046,404 ordinary shares pursuant to the conversion of 270,000 convertible notes. The Shares were issued for $0.019222 each being 80% of the volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the date of issue of the Shares, as required by the Convertible Note agreements; and

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

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 Company, the results of those operations, or the state of affairs of the Company 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 2013. 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

7 March 2014
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 2013 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

7 March 2014
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Half-Year to 31 December 2013 $	Half-Year to 31 December 2012 $
Oil and gas sales	2	997,446	146,147
Cost of sales	2	(883,352)	—
GROSS PROFIT		114,094	146,147
Revenue from non-operating activities	2	294,691	19,800
Exploration expenses	2	(1,243,655)	(242,726)
Other expenses	2	(1,113,310)	(2,339,924)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(1,948,180)	(2,416,703)
Income tax		—	—
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(1,948,180)	(2,416,703)
NET PROFIT/(LOSS) FOR THE PERIOD		(1,948,180)	(2,416,703)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(1,948,180)	(2,416,703)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.17)	(0.25)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.17)	(0.25)

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	31 December 2013 $	30 June 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	635,779	1,052,470
Trade and other receivables		192,216	656,996
TOTAL CURRENT ASSETS		827,995	1,709,466
NON-CURRENT ASSETS			
Plant and equipment		54,643	105,383
Receivables		35,629	33,563
Capitalised oil and gas expenditure	3	5,667,850	5,279,096
TOTAL NON-CURRENT ASSETS		5,758,122	5,418,042
TOTAL ASSETS		6,586,117	7,127,508
CURRENT LIABILITIES			
Trade and other payables		527,196	1,254,798
Convertible notes	4	1,520,000	—
Other borrowings		705,663	—
Provisions		2,826	8,343
TOTAL CURRENT LIABILITIES		2,755,685	1,263,141
TOTAL LIABILITIES		2,755,685	1,263,141
NET ASSETS		3,830,432	5,864,367
EQUITY			
Issued capital	5	28,070,074	28,155,829
Reserves	6	1,071,295	1,071,295
Accumulated losses		(25,310,937)	(23,362,757)
TOTAL EQUITY		3,830,432	5,864,367

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Half-Year to 31 December 2013 $	Half-Year to 31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,168,399	146,147
Payments to suppliers & employees		(745,533)	(1,101,035)
Production costs		(173,799)	—
Interest received		1,911	19,800
Interest and finance costs paid		(60,786)	—
Payment of oil sales held in suspense pending resolution of entitlements		(196,742)	—
Payment of oil sales held for other joint venture participants		(115,582)	—
Other income		13,135	—
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(108,997)	(935,088)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		(644,450)	—
Exploration expenditure		(1,428,520)	(1,792,590)
Development expenditure		(536,132)	—
Purchase of plant and equipment		(6,278)	(66,898)
Proceeds from sale of plant and equipment		40,455	—
Loans repaid by other entities		100,000	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(2,474,925)	(1,859,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings		2,225,663	—
Proceeds from equity issues		—	2,652,255
Share issue costs		(91,200)	(72,600)
Capital raising funds received in previous year		—	(143,750)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		2,134,463	2,435,905
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(449,459)	(358,671)
Net foreign exchange differences		32,768	(27,605)
Cash and cash equivalents at beginning of period		1,052,470	2,338,818
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	635,779	1,952,542

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Attributable to Members of Titan Energy Limited	**Issued Capital $**	**Option Premium Reserve $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2012	18,041,710	220,986	(15,527,538)	2,735,158
Total comprehensive loss for the period	—	—	(2,416,703)	(2,416,703)
SUBTOTAL	—	—	(2,416,703)	(2,416,703)
Transactions with owners in their capacity as owners				
Securities issued	3,055,255	628,561	—	3,683,816
Capital raising costs	(72,600)	—	—	(72,600)
AT 31 DECEMBER 2012	21,024,365	849,547	(17,944,241)	3,929,671

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

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 2013 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 2013, 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.

Going Concern

The financial statements have been prepared on the going concern basis. The Group incurred a loss of $1,948,180 during the half-year ended 31 December 2013 and, as of that date, the Group’s current liabilities exceeded its current assets by $1,927,690. As at the date of these financial statements the Group has cash and cash equivalents of $635,779. The going concern basis is dependent upon the Group raising sufficient capital required to pay its debts as and when they fall due. In the directors’ opinion, at the date of signing the financial report, there are reasonable grounds to believe that this will be achieved, and have therefore prepared the financial statements on the going concern basis. Should this not be achieved, there would be significant uncertainty whether the Group will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability or classification of recorded assets or the amounts or reclassification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

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 2013 $	Half-Year to 31 December 2012 $
REVENUE FROM CONTINUING OPERATIONS		
Operating activities		
Oil sales	997,446	146,147
TOTAL REVENUE FROM OPERATING ACTIVITIES	997,446	146,147
Non-Operating activities		
Interest received	1,911	19,800
Other	66,092	—
Unrealised exchange gains	226,688	—
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	294,691	19,800
TOTAL REVENUE FROM CONTINUING OPERATIONS	1,292,137	165,947
CHARGING AS EXPENSES		
Cost of sales		
Production costs	173,799	—
Depletion of production leases	709,553	—
	883,352	—
Exploration expenses		
Exploration expenditure written off	114,823	(16,665)
Workover Intangibles	476,264	2,689
Lease operating expenses	242,555	173,642
Other exploration expenses	410,013	83,060
	1,243,655	242,726
Other expenses		
Employee benefits and consultants expenses	473,014	611,911
Depreciation and depletion expense	6,796	14,400
Administrative expenses	556,274	637,633
Interest expense	60,786	—
Value of share based payments	5,445	1,031,561
Loss on sale of plant and equipment	10,995	—
Unrealised exchange loss	—	44,419
	1,113,310	2,339,924

NOTE 3. 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 2013 $	30 June 2013 $
NOTE 4. CONVERTIBLE NOTES		
Convertible Notes	1,520,000	—
	1,520,000	—

The Convertible Notes were issued effective from 30 November 2013 for $1.00 each for a term of one year from the date of issue and interest is payable on an 8% per annum basis. The noteholder may elect to convert to fully paid ordinary shares at an issue price of $0.10 per Share or at the noteholder's election, 80% of the 5 day volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made, such election may be made at any time that is 60 days or more after the commencement date and prior to maturity. Convertible Notes that are not converted are repayable at maturity.

NOTE 5. ISSUED CAPITAL

	31 December 2013 $	30 June 2013 $
ORDINARY SHARES		
171,889,426 (30 June 2013: 1,595,217,910) fully paid ordinary shares	28,070,074	28,155,829
	28,070,074	28,155,829

MOVEMENTS IN ORDINARY SHARES	
At the beginning of the period	28,155,829
165,000 shares issued on 29 November 2013	5,445
Share issue expenses	(91,200)
AT THE END OF THE FINANCIAL PERIOD	28,070,074

On 8 November 2013, the Company's share capital was consolidated on a 1 for 10 basis. The capital consolidation was approved at the Annual General Meeting of shareholders held on 6 November 2013. The number of fully paid ordinary shares issued on 30 June 2013 is expressed above on a pre-consolidation basis.

NOTE 6. RESERVES

	31 December 2013 $	30 June 2013 $
Option premium reserve	1,071,295	1,071,295
	1,071,295	1,071,295

NOTE 7. RECONCILIATION OF 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 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 2013			HALF-YEAR TO 31 DECEMBER 2012		
	Oil and Gas Exploration Australia $	**Oil Production USA $**	**Total $**	**Oil and Gas Exploration Australia $**	**Oil Production USA $**	**Total $**
SEGMENT PERFORMANCE						
External revenue	—	997,446	997,446	—	146,147	146,147
TOTAL SEGMENT REVENUE	—	997,446	997,446	—	146,147	146,147
Segment net profit/(loss) before tax	(291,777)	(1,062,998)	(1,354,775)	(50,168)	(435,268)	(485,436)
RECONCILIATION OF SEGMENT RESULT TO NET PROFIT/(LOSS) BEFORE TAX						
Amounts not included in segment results but reviewed by the Board:						
Interest received			1,911			19,800
Other income			66,092			—
Currency exchange gain			226,688			—
Other expenses			(888,096)			(1,951,067)
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			(1,948,180)			(2,416,703)

	31 December 2013			30 June 2013		
	Oil and Gas Exploration Australia $	**Oil Production USA $**	**Total $**	**Oil and Gas Exploration Australia $**	**Oil Production USA $**	**Total $**
SEGMENT ASSETS						
Segment assets	—	5,667,850	5,667,850	—	5,279,096	5,279,096
RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS						
Unallocated assets:						
Cash and cash equivalents			635,779			1,052,470
Receivables			227,845			690,559
Plant and equipment			54,643			105,383
TOTAL ASSETS FROM CONTINUING OPERATIONS			6,586,117			7,127,508

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

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

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

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

On 6 February 2014, AWE Limited ("AWE") released an ASX announcement titled "Perth Basin independent resource estimate"" in which AWE announced "Gross Prospective Gas Resources for EP455 of 2,393 billion scf". AWE noted that "further exploration and appraisal success would be required to demonstrate the commerciality of these resources and the viability of any future development". In its announcement, AWE said that "the estimate was provided in an independent technical assessment of exploration permits EP413, EP455, L4 and L5 undertaken by Deloitte LLP's Calgary-based Resource Evaluation and Advisory practice (REA)" and "The REA assessment considered four unconventional targets: the Kockatea Shale; the Carynginia Shale; the Irwin River Coal Measures and the High Cliff Sandstone, to provide Best Estimate gross, un-risked, recoverable, prospective resource estimates for the four permits. Proof of concept has been demonstrated by successful production testing of gas from each of these intervals".

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

On 21 February 2014, the Company issued:

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

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

c) 14,046,404 ordinary shares pursuant to the conversion of 270,000 convertible notes. The Shares were issued for $0.019222 each being 80% of the volume weighted average price per Share calculated over the 5 days on which sales in the Shares are recorded before the date of issue of the Shares, as required by the Convertible Note agreements; and

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

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 Company, the results of those operations, or the state of affairs of the Company 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 2013, 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 2013 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 2013 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*.

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which indicates that Titan Energy Ltd incurred a consolidated loss of $1,948,180 during the half-year ended 31 December 2013 and, as of that date, Titan Energy Ltd's consolidated current liabilities exceeded its consolidated current assets by $1,927,690. The going concern basis is dependent upon Titan Energy Ltd raising further capital.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on Titan Energy Ltd's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

7 March 2014

Perth
Western Australia

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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 2013, 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, 7 March 2014