

# Target Energy Limited

(ABN 73 119 160 360)

## Half Year Report

31 December 2007



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## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year to 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

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

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Didier Murcia	Chairman
Laurence Roe	Managing Director
Michael Martin	Non-Executive Director
Paul Lloyd	Non-Executive Director/Company Secretary

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### Review of Operations

During the reporting period the consolidated entity participated in drilling at the SML (Snapper) A-2 well . The well was completed as an oil and gas discovery and was brought onto production subsequent to the reporting period. The company also participated in the drilling at the Beyt #1 well (Bayout Berard prospect) and at the Riviana Foods #1 well (Teche prospect). Drilling operations at both wells were still underway at the end of the reporting period. Oil and Gas production commenced at the company's SML (Snapper) A-1 oil and gas discovery in early August and at the Garwood-1 gas discovery in September.

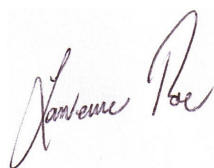
The consolidated entity incurred a net loss after tax of \$ 449,942 during the half-year to 31 December 2007.

The principal activities of the consolidated entity continue to be oil and gas exploration. The directors have focused the consolidated entity's operation on USA gulf states of Texas and Louisiana but will review all oil and gas opportunities.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the consolidated entity with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 2 and forms part of this directors' report for the half-year ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



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Laurence Roe  
Director

Dated this 14th day of March 2008.



Accountants | Business and Financial Advisers

## Auditor's Independence Declaration

As lead auditor for the review of the financial report of Target Energy Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review;  
and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Target Energy Limited.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**Perth, Western Australia  
14 March 2008**

**L DI GIALLONARDO  
Partner, HLB Mann Judd**

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**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Notes	Consolidated 31 December 2007 \$	Consolidated 31 December 2006 \$
Revenue		288,491	42,975
Other income		-	51
Employee benefits expense		(176,166)	(93,084)
Depreciation expense		(25,822)	(287)
Consultants		(4,215)	(134,700)
Finance costs		(1,968)	(535)
Foreign exchange loss		(132,947)	(19,358)
Legal costs		(4,325)	(74,359)
Gas production costs		(12,722)	-
Amortisation of development expenditure		(66,694)	-
Office expenses		(58,783)	(14,590)
Insurance		(17,655)	-
Travel and accommodation		(59,792)	(20,233)
Other expenses		(177,344)	(45,585)
<b>Loss before income tax expense</b>	2	(449,942)	(359,705)
Income tax expense		-	-
<b>Loss after tax for the period</b>		(449,942)	(359,705)
		0.66 cents	1.93 cents
Basic Loss per share (cents per share)			
		0.66 cents	1.93 cents
Diluted Loss per share (cents per share)			

The accompanying notes form part of these financial statements

**CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	Notes	31 December 2007 \$	30 June 2007 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		6,245,306	5,854,143
Trade and other receivables		78,904	36,039
Other financial assets		50,000	50,000
<b>Total Current Assets</b>		<u>6,374,210</u>	<u>5,940,182</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	1,983,165	70,570
Deferred exploration expenditure	4	2,011,021	2,521,438
<b>Total Non-Current Assets</b>		<u>3,994,186</u>	<u>2,592,008</u>
<b>Total Assets</b>		<u>10,368,396</u>	<u>8,532,190</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		85,957	89,519
<b>Total Current Liabilities</b>		<u>85,957</u>	<u>89,519</u>
<b>Total Liabilities</b>		<u>85,957</u>	<u>89,519</u>
<b>Net Assets</b>		<u>10,282,439</u>	<u>8,442,671</u>
<b>Equity</b>			
Issued capital	5	11,878,421	9,485,246
Reserves		92,846	196,311
Accumulated losses		(1,688,828)	(1,238,886)
<b>Total Equity</b>		<u>10,282,439</u>	<u>8,442,671</u>

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Issued Capital	Employee equity benefits reserve	Option Premium Reserve	Accumulated losses	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance at 6 April 2006</b>	-	-	-	-	-	-
Shares issued during the period	10,444,000	-	-	-	-	10,444,000
Share issue expense	(929,267)	-	-	-	-	(929,267)
Loss after tax for the period	-	-	-	(359,705)	-	(359,705)
Recognition of share based payments	-	12,690	-	-	-	12,690
<b>Balance at 31 December 2006</b>	9,514,733	12,690	-	(359,705)	-	9,167,718
<b>Balance at 1 July 2007</b>	9,485,246	12,690	340,000	(1,238,886)	(156,379)	8,442,671
Shares issued during the period	2,550,000	-	-	-	-	2,550,000
Share issue expense	(156,825)	-	-	-	-	(156,825)
Loss after tax for the half year	-	-	-	(449,942)	-	(449,942)
Recognition of share based payments	-	-	-	-	-	-
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	-	-	(103,465)	(103,465)
<b>31 December 2007</b>	11,878,421	12,690	340,000	(1,688,828)	(259,844)	10,282,439

The accompanying notes form part of these financial statements

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
	Inflows/(Outflows)	Inflows/(Outflows)
<b>Cash flows from operating activities</b>		
Receipts from customers	129,618	-
Payments to suppliers and employees	(537,033)	(401,207)
Interest received	111,910	42,975
Finance costs	-	(535)
Income tax paid	-	-
Net cash (used in) operating activities	<u>(295,505)</u>	<u>(358,767)</u>
<b>Cash flows from investing activities</b>		
Purchase of non-current assets	(278,004)	(47,330)
Payments for exploration expenditure	(1,216,691)	(488,936)
Net cash (used in) investing activities	<u>(1,494,695)</u>	<u>(536,266)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	2,550,000	10,444,000
Payment for share issue costs	(132,225)	(929,267)
Net cash provided by financing activities	<u>2,417,775</u>	<u>9,514,733</u>
Net increase in cash held	627,575	8,619,700
Cash and cash equivalents at 1 July 2007	5,854,143	-
Effect of exchange rate changes	(236,412)	(19,358)
<b>Cash at 31 December 2007</b>	<u><u>6,245,306</u></u>	<u><u>8,600,342</u></u>

The accompanying notes form part of these financial statements

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 30 June 2007, new accounting policies noted below and any public announcements made by Target Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

*Basis of preparation*

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

*Significant accounting judgements and key estimates*

In the half-year ended 31 December 2007, the company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

*Adoption of new and revised accounting standards*

It has been determined by the consolidated entity that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to consolidated entity's accounting policies.

**(a) Property, plant and equipment**

Capitalised development costs are amortised from the commencement of production on a unit of production basis over recoverable resources. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change. A significant change in estimate could give rise to a material adjustment to the carrying amount of assets and liabilities in the next reporting period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**(b) Deferred exploration expenditure**

Once an area of interest enters a development phase, all capitalised acquisition, exploration and evaluation expenditure is transferred to developments costs within property, plant and equipment.

**NOTE 2: LOSS BEFORE INCOME TAX EXPENSE**

	31 December 2007 \$	31 December 2006 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue:		
Gas Sales	176,581	-
Interest Received	111,910	42,975
Expenses:		
Employee option issue expense	-	12,690

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

	31 December 2007 \$	30 June 2007 \$
<b>Development expenditure</b>		
Balance at the beginning of the year	-	-
Transfer from exploration expenditure	2,004,617	-
Amortisation	(66,693)	-
Closing balance	<u>1,937,924</u>	<u>-</u>
<b>Office and computer equipment</b>		
Balance at the beginning of the year	70,570	-
Additions	493	83,344
Depreciation	(25,822)	(12,774)
Closing balance	<u>45,241</u>	<u>70,570</u>
Net property, plant and equipment	<u>1,983,165</u>	<u>70,570</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**NOTE 4: DEFERRED EXPLORATION EXPENDITURE**

Costs carried forward in respect of areas of interest in the following phase:	31 December 2007 \$	30 June 2007 \$
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of the half-year	2,521,438	-
Expenditure incurred	1,494,200	2,690,892
	<u>4,015,638</u>	<u>2,690,892</u>
Expenditure written off	-	(169,454)
Transfer to development expenditure	(2,004,617)	-
Total deferred exploration expenditure	<u>2,011,021</u>	<u>2,521,438</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

**NOTE 5: ISSUED SHARE CAPITAL**

	31 December 2007		30 June 2007	
	\$		\$	
Ordinary shares				
Issued and fully paid	<u>11,878,421</u>		<u>9,485,246</u>	
	No.	\$	No.	\$
Movements in ordinary shares on issue				
Opening balance	68,000,000	9,485,246		
Issue of shares	10,200,000	2,550,000	68,000,000	10,444,000
Share issue costs		(156,825)		(958,754)
At 31 December 2007	<u>78,200,000</u>	<u>11,878,421</u>	<u>68,000,000</u>	<u>9,485,246</u>

**NOTE 6: SEGMENT REPORTING**

The entity operates in one geographic segment for secondary reporting, being United States of America and in one business segment being exploration for oil and gas.

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

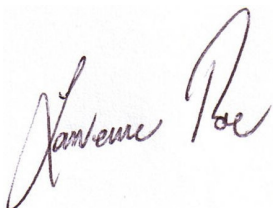
No material subsequent events have occurred between 31 December 2007 and the date of this report.

### DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes thereto, as set out on 3 to 9:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the period then ended.
2. In the directors' 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



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Laurence Roe  
Director

Dated this 14th day of March 2008



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of

**TARGET ENERGY LIMITED**

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2007, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Target Energy Limited and the entities it controlled during the half-year ended 31 December 2007 ("consolidated entity").

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 an Interim 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 the consolidated entity's financial position as at 31 December 2007 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 Target Energy Limited, 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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Target Energy Limited on 14 March 2008.

*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 Target Energy Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*HLB Mann Judd*

**HLB MANN JUDD**  
**Chartered Accountants**

*L Di Giallonardo*

**Perth, Western Australia**  
**14 March 2008**

**L DI GIALLONARDO**  
**Partner**