

Quarterly Report for the quarter ending 30 June 2014

- Fairway oil production up 11% on prior quarter
- Company maintains high level of activity in Permian Basin
- 5 wells drilled back-to-back at Fairway in Q1/Q2 2014
- Production set to rise as new wells are stimulated
- Drilling of further 5 Fairway wells to commence in August 2014
- Company divests 10% Working Interest in Fairway for A\$6.2m

1. Operations

Permian Basin, Texas

1.1. Fairway Project – Howard & Glasscock Counties (Target 35%-60% WI)

On 30 June 2014, Target Energy executed a transaction in which the Company sold a 10% working interest in its Fairway leases.

Further details regarding the transaction are included in Section 5.1 below.

1.2. Drilling

1.2.1. Wagga Wagga #2 (Target 35% WI)

The Wagga Wagga #2 well is situated approximately 706 metres (2,316 ft) south of Wagga Wagga #1 in Glasscock County. Drilling commenced on 16 April 2014 and concluded with the well reaching its Total Depth at 2,984m (9,790 ft) on 30 April 2014 (Table 1). Analysis of wireline log data indicated that the well had encountered potential pay in the Wolfberry section and Fusselman Carbonate. The well was completed as an oil producer.



Quarterly Report for the quarter ending 30 June 2014

Well Reporting Summary – Wagga Wagga #2	
Name and Type of Well	Wagga Wagga #2, Step Out/Appraisal (Oil)
Well Location	Glasscock Co, Texas
Lease Description	E/2 S221, Block 29, A-496; W&NW RR Co Survey
TEX Working Interest	35%
Report Date	7:00 pm 1/05/14 (Western Aust Standard Time) / 6:00 am 1/05/14 (USA Central Daylight Time)
Current Depth:	2,984.0m (Total Depth). All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Well spudded 04:00 on 15 April 2014. Drill to Total Depth at 2,984.0m (9,790 ft). Run wireline logs; run and cement 5 ½" production casing to 2,984.0m.

Table 1

1.2.2. Homar #1 (Target 50% WI)

Drilling commenced at Homar #1 well on 5 May 2014, with the well reaching a Total Depth of 3,292m (10,800 ft) on 29 May 2014 (Table 2). Homar #1 experienced strong oil and gas shows throughout the Wolfberry section as well as a strong show in the Fusselman Carbonate. The well was completed as an oil and gas producer.

Well Reporting Summary – Homar #1	
Name and Type of Well	Homar #1, Oil Exploration Well
Well Location	Howard Co, Texas
Lease Description	S24, Bl 35 A-1538; T&P RR Co Survey, Howard Co
TEX Working Interest	50%
Report Date	7:00 pm 5/06/14 (Western Aust Standard Time) / 6:00 am 5/06/14 (USA Central Daylight Time)
Current Depth:	3,292 m (Total Depth). All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Drill ahead to 3,292m (10,800 ft); run and cement production casing. Rig released on 4 June 2014.

Table 2

1.2.3. Ballarat 185 #1 (Target 50% WI)

Drilling commenced at Ballarat 185 #1, approximately 5 kms east of the Sydney lease in Glasscock County, on 7 June 2014 with the well reaching its Total Depth of 3,030m (9,942 ft) on 28 June 2014 (Table 3). Wireline logs indicate potential pay in the Ellenburger, Fusselman and Wolfberry sections. The well will be tested in the Ellenburger and Fusselman zones prior to a decision regarding timing of a fracture stimulation program.

Quarterly Report for the quarter ending 30 June 2014

Well Reporting Summary – Ballarat 185 #1	
Name and Type of Well	Ballarat 185 #1, Oil Exploration Well
Well Location	Glasscock County, Texas
Lease Description	S185, Bl 28, A-815 and A-A483, Waco & Northwestern Survey
TEX Working Interest	50%
Report Date	7:00 pm 1/07/14 (Western Aust Standard Time) / 6:00 am 1/07/14 (USA Central Daylight Time)
Current Depth:	3,030 m. (Total Depth) All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Drill ahead to 1,114m (3,655 ft); run and cement intermediate casing. Drill ahead to 3,030m (9,942 ft); run wireline logs. Run and cement production casing. Rig released on 1 July 2014.

Table 3.

1.3. Completions

1.3.1. Wagga Wagga #2 (Target 35% WI)

A 7-stage fracture stimulation of the Wolfberry section was performed on Wagga Wagga #2 on 7 July 2014 after testing in the Fusselman Carbonate and the Devonian yielded only minor oil. The stimulation covered an interval of 440 metres, using approximately 23,000 barrels of load water. To date approximately 37% of the load water has been recovered, with oil flowing with the load water. At last report the well was flowing 31 BOPD with 178 BW (Table 4).

Well Reporting Summary – Wagga Wagga #2	
Name and Type of Well	Wagga Wagga #2, Oil & Gas producer
Well Location	Glasscock Co, Texas
Lease	S221, Block 29, A-496; W&NW RR Co Survey, Glasscock Co
TEX Working Interest	35%
Geological Rock Type	Wolfberry – carbonates, shales and minor sandstone
Depth of Zones Tested	2,453m – 2,893m
Type of Tests Undertaken	Ongoing flow-back after fracture stimulation
Duration of Tests Undertaken	Flowback commenced 9 July 2014
Hydrocarbon Phases Recovered	Oil, Gas
Other recovery	8,830 Barrels of Load Water (total load now recovered: 38%)
Choke Size Used	Various
Flow Rates	31 BOPD + 178 BWPD (24 July 2014)
Number of Fracture Stimulations	7 zones stimulated
Material Volumes of Non-Hydrocarbon Gases	Nil

Table 4

Quarterly Report for the quarter ending 30 June 2014

1.3.2. BOA 12 #3 (Target 50% WI)

A 4-stage fracture stimulation of the Wolfberry section was performed at BOA 12 #3 on 2 May 2014. The program covered a 225 m interval, using approximately 15,700 barrels of load water. The well was put on pump on 15 May 2014 and averaged 65 BOPD with 139 BWPD Water and 43 mcf of gas until 31 May 2014 (Table 5), at which time the well production was combined with that of BOA 12 #1.

Well Reporting Summary – BOA 12 #3	
Name and Type of Well	BOA 12 #3, Step Out/Appraisal (Oil)
Well Location	Howard Co, Texas
Permit	S12, Block 33 T-2S, A-1353, T&P RR Survey
TEX Working Interest	50%
Geological Rock Type	Permian to Mississippian Shales & Carbonates
Depth of Zones Tested	app 2,800m – 3,000m
Type of Tests Undertaken	Flowback, post-fracture stimulation
Duration of Tests Undertaken	17 days
Hydrocarbon Phases Recovered	1,144 Barrels of Oil (34%) + 427mcf gas from 22 May
Other recovery	2,370 Barrels of Water (66%); app 6,800 barrels of load still water to recover
Choke Size Used	On Pump
Flow Rates	Average: 65 BOPD + 139 BWPD + 43 mcf (15-31 May 2014)
Number of Fracture Stimulations	Four stages
Material Volumes of Non-Hydrocarbon Gases	Nil

Table 5

1.3.3. Homar #1 (Target 50% WI)

A 5-stage fracture stimulation of the lower Wolfberry section was performed at Homar #1 on 8 July 2014. The program covered a 328 m interval, using approximately 17,300 barrels of load water. Flowback commenced on 9 July - the well has so far recovered approximately 52% of the load water (9,000 BW) with oil flow having commenced on 15 July 2014. Flow rates will be reported once levels have sufficiently stabilised.

1.3.4. BOA North #4 (Target 50% WI)

BOA North #4 is presently awaiting fracture-stimulation.

Quarterly Report for the quarter ending 30 June 2014

1.4. Forward Program

2014 Drilling Program

A further five wells are planned to be drilled in the Fairway Project including new wells on the Company's BOA, Darwin, Ballarat, Bunbury and Taree lease-holdings (Fig 1).

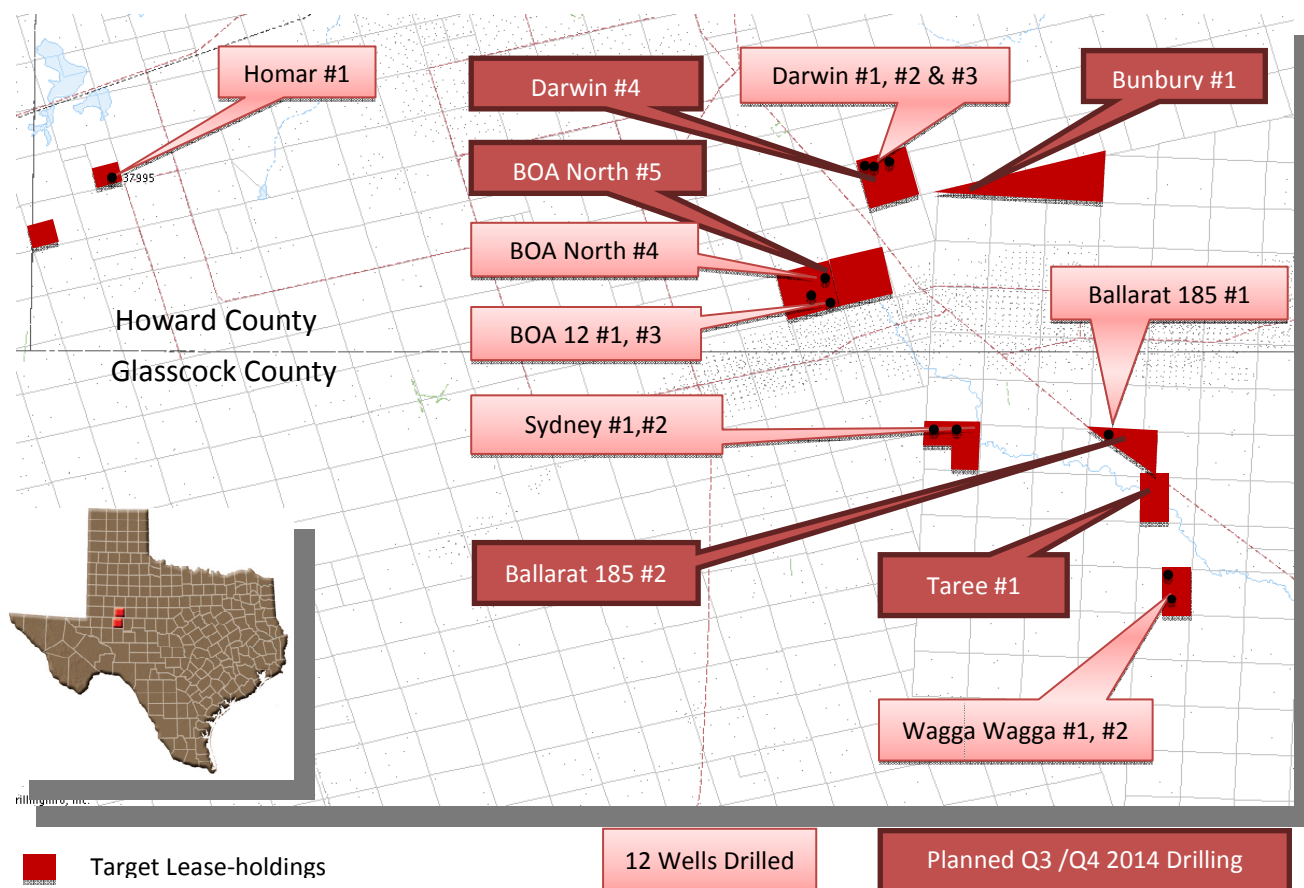


Figure 1: Target Energy Fairway Project lease-holdings.

2. Current Indicative 2014 Drilling Schedule

Estimated Timing*	Prospect	Location	Target Working Interest (WI)
August 2014	BOA North #5	Howard Co, Tx	50%
Aug/Sep 2014	Bunbury #1	Howard Co, Tx	60%#
September 2014	Taree #1	Glasscock Co, Tx	60%#
Q4 2014	Ballarat #2	Glasscock Co, Tx	50%
Q4 2014	Darwin #4	Howard Co, Tx	50%

*Timing indicative only – actual order, timing and well selection will vary.

#Bunbury, Taree WI will reduce to 50% following Second Closing of sale to Aurora Energy Partners.

Quarterly Report for the quarter ending 30 June 2014

3. Production (1 Apr – 30 Jun)

Project	TEX WI	Gross Gas Prod'n in Period (mmcf)	Cumulative Gross Gas Prod'n (mmcf)	Net Gas Prod'n in Period (mmcf)	Cumulative Net Gas Prod'n (mmcf)	Gross Oil Prod'n in period (BO)	Cumulative Gross Oil Prod'n (BO)	Net Oil Prod'n in Period (BO)	Cumulative Net Oil Prod'n (BO)
Section 28	25%	16.5	2,380.6	4.1	595.1	480	91,385	120	22,846
E. Chalkley	35%	2.4	59.3	0.8	20.8	1,459	115,705	511	40,497
Merta	25%	10.8	407.1	2.7	101.8	144	5,250	36	1,312
Fairway+	35%-60%	45.5	204.7	26.0	121.6	23,703	116,297	13,011	68,567
Total		75.2	3,051.7	33.7	839.2	25,785	328,636	13,677	133,223

Net Production is scaled to Target's Working Interest, before royalties; mmcf = million cubic feet; mmcfgd = million cubic feet of gas per day; BO = barrels of oil, BOPD = barrels of oil per day, BOEPD = barrels of oil equivalent per day (Target reports a thermal equivalent when combining gas and oil production, where 1BOE = 6 mcf).

+ Net Oil and Gas Production reduced on 1 May 2014 to reflect 10% WI sale in relevant producing interests.

4. Lease Holdings

Project	Lease / Unit	Basin	Description	Depth Limits	TEX WI At 31 March 2014	TEX WI At 30 June 2014	Royalty	Gross Acres	Net Acres	
Fairway	*	BOA	Permian	S12, Block 33, T-2S, A-1353; T&P RR Co Survey, Howard Co	None	60%	50%	25%	640.0	320.0
	*	Darwin	Permian	S44, Block 33, T-1S, A-1292; T&P RR Co Survey, Howard Co	None	60%	50%	25%	640.0	320.0
		Bunbury	Permian	S102 A-1405; S103 A-1405; S104 A-1495; Bl 29 W&NW RR Co, Howard Co	None	60%	60%	25%	918.0	550.8
	*	Ballarat	Permian	S 184 & 185, Bl 28, A-815 & A-A483; W&NW RR Survey, Glasscock Co	None	60%	50%	25%	355.7	177.8
		Taree	Permian	S193, Bl 28, A-815 and A-A483; W&NW RR Co Survey, Glasscock Co	None	60%	60%	25%	320.0	192.0
		Sydney	Permian	S188 Block 29 A-170; W&NW RR Co Survey, Glasscock Co	None	60%	60%	25%	480.0	288.0
		Unnamed	Permian	S4, Block 32, T-2-S, A-1354; T & P RR Co Survey, Howard Co	None	60%	60%	25%	610.0	366.0
	*	Homar	Permian	S24, Bl 35 A-1640; S26 Bl 35 A-1415; T&P RR Co Survey, Howard Co	None	60%	50%	25%	260.0	130.0
	*	Wagga Wagga	Permian	S221, Block 29, A-496; W&NW RR Co Survey, Glasscock Co	None	45%	35%	25%	305.0	106.8
Merta	Merta No. 1 Well Gas Unit No. 2	Gulf Coast	S3 A-219 International and Great Northern RR Co Survey, Wharton Co	7,650 ft - 7,880 ft	25%	25%	25.7%	303.0	75.7	
Section 28	SML #A-1, A-3 Unit	Gulf Coast	St Martin Ph	None	25%	25%	28%	40.0	10.0	
	SML #A-2 Unit	Gulf Coast	St Martin Ph	None	25%	25%	28%	40.0	10.0	
E Chalkley	Unit Agreement: CK W RA SU	Gulf Coast	S11, 13, 14 &15, T12S-R6W, Cameron Ph	8,000 ft - 10,000 ft	35%	35%	30.5%	714.9	250.2	
* Changes effective 1 May 2014						Total		5626	2797.3	

Quarterly Report for the quarter ending 30 June 2014

5. Corporate

5.1. Sale of 10% Interest in Fairway Project to Victory Energy

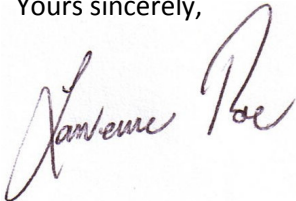
On 2 July 2014, Target Energy, through its wholly owned subsidiary TELA Garwood LP (“TELA Garwood”), confirmed the sale of a 10% working interest in its Fairway Project to Aurora Energy Partners (“Aurora”), a company associated with Victory Energy Corporation (OTCQX: VYFY).

A Purchase and Sale Agreement (“PSA”) was signed by TELA Garwood and Aurora on 30 June 2014, with an effective date of 1 May 2014. In response to external delays in completing conveyancing of titles, the PSA split the closing of the sale into two parts.

- The first part (“First Closing”) was completed on 30 June 2014, with Aurora making an immediate payment of A\$2.7m (US\$2.5m) to TELA Garwood and in return TELA Garwood assigning to Aurora a 10% working interest in its Darwin, BOA and Wagga Wagga production leases and in various other leases.
- Subject to the completion of the outstanding conveyancing items, the Second Closing is scheduled for 31 July 2014, at which time Aurora will pay the outstanding balance of A\$3.5m (US\$3.3m) to TELA Garwood and in return TELA Garwood will complete the balance of the assignments.
- The total purchase price is A\$6.2m (US\$5.8m) after a reduction of US\$0.2m in accordance with conditions of the sale.

For further information, please contact the company at admin@targetenergy.com.au.

Yours sincerely,



Laurence Roe
Managing Director

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