

## ASX Announcement

5 September 2014

### Target Energy 30 June 2014 Reserves Update

- **Target's Proven Reserves estimates increase by 20% to 0.74 million barrels of oil equivalent (MMBOe)**
- **Proven and Probable reserves of 1.0 MMBOe**
- **Total Reserves and Resources of 2.15 MMBOe**

Target Energy Limited's ("Target") 30 June 2014 proven oil reserves have increased by 20 per cent over the equivalent 2013 reserves to 0.73 million barrels of oil equivalent (MMBOe), with total Proved, Possible and Probable Reserves assessed at 1.3 MMBOe, according to recent independent Reserves Estimates.

The Reserves Estimates, effective 30 June 2014, encompass the Company's interests in its Texas and Louisiana oil and gas producing properties.

Commenting on the results, Target Energy's Managing Director Laurence Roe said: "The Company is satisfied with the 2014 results – in particular as we note the figures incorporate the reduction in reserves associated with our recent partial divestment of our Fairway asset and also as a number of Fairway wells that were drilled in the first half of the year came online too late to be included the audit.

"The majority of the reserves increases are the result of the ongoing drilling programs at our Fairway Project in West Texas. As Target continues to develop its producing assets, we expect further growth in our production and cash flow, as well as material increases in our overall reserves."

The Reserves Reports were commissioned by Target and conducted by Texas-based independent consultants T.J. Smith & Company, Inc. ("TJSCO": Fairway and East Chalkley Projects) and Harper & Associates, Inc. ("Harper": Section 28 and Merta Projects) in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. A summary of the results is shown as Table 1 (below) with further details included in the Appendices.

### Corporate information

ASX Code: TEX  
OTCQX Code: TEXQY

#### Board of Directors

Chris Rowe, Chairman  
Laurence Roe, Managing Director  
Stephen Mann, Director  
Ralph Kehle, Chairman TELA (USA)

Rowan Caren, Company Secretary

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# ASX Announcement

5 September 2014

Category	Net Reserves & Resources		BO equiv.
	Oil (Mbbbls)	Gas (MMscf)	(Mboe)
<b>Proved Developed Producing (PDP)</b>	101.9	322.3	155.6
<b>Proved Developed Not Producing (PDNP)</b>	29.1	192.2	61.2
<b>Proved Undeveloped (PUD)</b>	356.2	964.5	517.0
Total Proved Reserves (1P)	<b>487.2</b>	<b>1479.0</b>	<b>733.7</b>
<b>Probable</b>	173.8	534.7	262.9
Total Proved & Probable Reserves (2P)	<b>661.0</b>	<b>2013.7</b>	<b>996.6</b>
<b>Possible</b>	188.1	604.4	288.8
Total Proved, Probable & Possible Reserves (3P)	<b>849.1</b>	<b>2618.0</b>	<b>1285.4</b>
<b>Low Estimate Contingent Resources</b>	-	-	-
<b>Best Estimate Contingent Resources</b>	334.3	0.0	334.3
<b>High Estimate Contingent Resources</b>	527.5	0.0	527.5
Total Contingent Resources (3C)	861.8	0.0	861.8
Total Reserves & Resources	<b>1,710.8</b>	<b>2,618.0</b>	<b>2,147.2</b>

Table 1: Target Energy Net Reserves & Resources – 30 June 2014

Notes:

- Reserves are stated net to Target's working interest and after deductions for royalty payments.
- All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.
- Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation. Similarly, the aggregate 2C + 3C resource estimate may be very optimistic due to the portfolio effects of arithmetic summation.
- TJSCO only audited the Reserves for the East Chalkley Field. The Contingent Resources are derived from the Independent Technical Specialist's Report on Target Energy Limited's interests in the East Chalkley Field, (August 2012) by Risc Operations Pty Ltd.
- Contingent resources are defined as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
- "bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively
- "boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil
- "M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet
- Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.

For and on behalf of TARGET ENERGY LIMITED



**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, who is a member of the Society of Exploration Geophysicists and has over 30 years' experience in the sector. He consents to that information in the form and context in which it appears.

# ASX Announcement

5 September 2014

## APPENDIX 1

### 1. Fairway Project

The following table provides TJSCO's reserve estimates for Target's net interest in the Fairway Project. Methodology is described below. TJSCO was not asked to assess the contingent or prospective resource potential of the Fairway Project. The Operator of the project is Trilogy Operating, Inc. Leases are described in Table 3. Ongoing drilling is scheduled to develop the leases.

Fairway Project Net Reserves <sup>1</sup>	Net Reserves		BO equiv.
	Oil (Mbbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing	80.7	219.0	117.20
Proved Developed Not Producing	19.1	28.7	23.88
Proved Undeveloped	356.2	964.5	516.95
<b>Total Proved (1P)</b>	<b>456.0</b>	<b>1,212.2</b>	<b>658.03</b>
Probable	152.4	395.4	218.30
<b>Proved &amp; Probable (2P)</b>	<b>608.4</b>	<b>1,607.6</b>	<b>876.33</b>
Possible <sup>2</sup>	159.8	390.2	224.83
<b>Proved, Probable &amp; Possible (3P)</b>	<b>768.2</b>	<b>1,997.8</b>	<b>1,101.17</b>

Table 2: Fairway Project Net Reserves 30 June 2014

Notes:

- Reserves are stated net to Target's working interest and after deductions for royalty payments.
- Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal to or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.

Project	Lease / Unit	Basin	Description	Depth Limits	TEX WI At 31 Mar 14	TEX WI At 30 Jun 14	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; BI 29 W&NW RR Co, Howard Co	None	60%	60%	25%	918.0	550.8
*	Ballarat	Permian	S 184 & 185, BI 28, A-815 & A-A483; W&NW RR Survey, Glasscock Co	None	60%	50%	25%	355.7	177.8
	Taree	Permian	S193, BI 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, BI 35 A-1640; S26 BI 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

\* Changes effective 1 May 2014

Table 3: Fairway Lease-holding 30 June 2014

## ASX Announcement

5 September 2014

### 2. East Chalkley

TJSCO's reserve estimates for Target's net interest in the East Chalkley Project in Cameron Parish, Louisiana are shown in Table 4. Methodology is described below. TJSCO was not asked to assess the contingent or prospective resource potential of the East Chalkley Project, however in 2012 RISC Operations Pty Ltd (RISC) completed an independent assessment of the East Chalkley resource potential and the results (adjusted for subsequent production) are included in the table. The RISC report was released on 29 Oct 2012 as part of an Independent Experts Report on Target Energy.

The Operator of East Chalkley is Magnum Hunter Resources Corporation. The Unit description is shown in Table 5.

East Chalkley Net Reserves & Resources <sup>1</sup>	Net Reserves		Boe equiv.
	Oil (Mbbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	20.6	61.3	30.8
Proved Developed Not Producing (PDNP)	-	-	-
Proved Undeveloped (PUD)	-	-	-
<b>Total Proved (1P)</b>	<b>20.6</b>	<b>61.3</b>	<b>30.8</b>
Probable	21.1	84.4	35.2
<b>Proved &amp; Probable (2P)</b>	<b>41.7</b>	<b>145.7</b>	<b>66.0</b>
Possible <sup>2</sup>	26.8	107.0	44.6
<b>Proved, Probable &amp; Possible (3P)</b>	<b>68.5</b>	<b>252.7</b>	<b>110.6</b>
Low Estimate Resource <sup>3</sup>	-	-	-
Best Estimate Resource <sup>3</sup>	334.3	-	334.3
High Estimate Resource <sup>3</sup>	527.5	-	527.5
<b>Low, Best and High Estimate Resources (3C)<sup>3</sup></b>	<b>861.8</b>	<b>-</b>	<b>861.8</b>
<b>Total 3P Reserves and Resources</b>	<b>930.3</b>	<b>252.7</b>	<b>972.4</b>

Table 4: East Chalkley Net Reserves & Resources

Notes:

1. Reserves are stated net to Target's working interest and after deductions for royalty payments.
2. Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.
3. Contingent Resources have been derived deterministically and are summed arithmetically. Contingent resources are quantities of hydrocarbons not considered to be currently commercially recoverable due to one or more contingencies.

Project	Lease / Unit	Description	Depth Limits	TEX WI	Royalty	Gross Acres	Net Acres
E Chalkley	Unit Agreement: CK W RA SU	S11, 13, 14 &15, T12S-R6W, Cameron Ph	8,000 ft - 10,000 ft	35%	30.5%	714.9	250.2

Table 5: East Chalkley Unit

## ASX Announcement

5 September 2014

### Reserves Evaluators

Estimates of the Petroleum Reserves for the Fairway and East Chalkley projects in this report were prepared by Mr T. J. Smith (PE) for T.J. Smith & Company, Inc ("TJSCO"). The effective date of the estimates is 30 June 2014. Mr Smith is a licensed Professional Engineer in the State of Texas and in the State of Louisiana and is a member of the Society of Petroleum Engineers (SPE). He has over 40 years experience in the sector and consents to the information in the form and context in which it appears. Mr Smith is not employed by Target Energy.

Neither T. J. Smith & Company, Inc. nor any of its employees has any interest in Target, its related entities, or in the subject properties. TJSCO is independent with respect to Target as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither the employment to make this review nor the compensation was contingent on TJSCO's estimates of reserves and future income for the subject properties.

### Methodology

Oil and gas reserves were estimated in accordance with standards of the Society of Petroleum Engineers except that instructed prices were used for cash flow and economic limit determinations. Gas reserves were reported at the official temperature and pressure bases for the states of Texas and Louisiana, as appropriate. Examination and estimation of contingent resources and prospective resources were beyond the scope of the review.

Probable and Possible Reserves are less certain to be recovered than Proved Reserves. The Probable and Possible Reserves stated in the Report were not adjusted for uncertainty and neither the reserves nor the future net revenue therefrom should be combined with the Proved Reserves or with each other without appropriate risk adjustment. In general, estimates for the PDP reserves were estimated for each producing property based on extrapolation of the historical producing trend, or analogy with comparable properties. Performance methods were preferred unless the data demonstrated that their use as the basis for the reserve estimate was inappropriate. The wells in the Fairway Trend area have relatively short producing histories. Consequently, the forecasts were made utilizing the available daily production data as provided by Target and augmented with an area "type" curve generated from the production histories of other wells in the area that are producing from the same formations.

PDNP, PUD, Probable and Possible reserves were estimated primarily by analogy with future producing rates and decline trends based upon analogy to offset production experienced in each field. PDNP and Probable reserves for the Pine Pasture No. 3 well are based on analogy to the historical producing Pine Pasture No. 2 well taking into consideration the thicker net pay section and slightly better reservoir properties observed on the log in Pine Pasture No. 3. Production was attempted for the well in November 2013 but the well failed to produce at anticipated rates. Proved reserves were based on the maximum test rate observed of 50 barrels of oil per day and the remainder was classified as Probable. A workover is currently proposed to attempt to restore the well to rates analogous with the Pine Pasture No. 2 completion.

TJSCO did not review the volumes previously interpreted for the East Chalkley field as "Contingent Resources" and offer no opinions regarding these volumes as such a review was beyond the scope of the investigations.

The estimated spud and production start dates for the wells in the Fairway Trend were provided by Target or estimated based on the "pace of drilling" of one well per month. The order for drilling the wells was generally

## ASX Announcement

5 September 2014

assumed to be PUD first, followed by Probable, and then Possible. Based on recent drilling experience by Target, the drilling and completions costs are estimated at US\$1.65 million per well and were utilized as instructed.

Oil and gas prices used herein were requested by Target and are US\$100.11 per barrel of oil and US\$4.10 per MMBtu of gas. As requested these prices are equivalent to the prices utilized for SEC reporting purposes for a fiscal year ending June 30, 2014. Appropriate differentials were applied to these prices for each property based upon its respective historical product pricing experience to adjust the base prices to reflect the prices actually received by the respective wells. Where the Btu content for the gas was not known, it is accounted for in the gas price differential.

Lease operating expenses were based on the available historical costs as provided by Target and reflect anticipated recurring expenses for each property. Because many of these are newly drilled properties, the historical cost data available are often of limited duration. As described elsewhere in this report, capital cost estimates were provided by Target. Operating expenses and future capital costs were applied without escalation.

Recovery of oil and gas reserves, including Proved Reserves, Probable Reserves and Possible Reserves, is not without risk and it should be recognized that any reserve estimate or forecast of production is a function of engineering and geological interpretation and judgment. The evaluations presented in the report, with the exceptions of those parameters specified by others, reflect TJSCO's informed judgments based on accepted standards of professional investigation but are subject to those generally recognized uncertainties associated with interpretation of geological, geophysical, and engineering information. Government policies and market conditions different from those employed in this study may cause the total quantity of oil or gas to be recovered, actual production rates or prices received to vary from those presented in this report. Reserve estimates made utilizing analogies are less certain than reserve estimates based on well performance obtained over a period of time during which a substantial portion of the reserves were produced.

TJSCO have not made any field examinations of the properties nor have they considered potential environmental liabilities which may exist as such analyses were beyond the scope of the review. Surface and well equipment salvage values and well plugging and field abandonment costs have not been considered in the revenue projections. No consideration of state or federal income tax consequences to the owners has been made, nor have indirect costs such as general and administrative overhead been included. TJSCO were not been provided information concerning production imbalances, if any, and have made no attempt to evaluate or account for any present or potential future imbalances.

# ASX Announcement

5 September 2014

## APPENDIX 2

### Section 28 & Merta Production

The following table provides Harper and Associates (“Harper”) reserve estimates for Target’s net interests in various oil and gas properties on the Texas and Louisiana Gulf Coast. Relevant assumptions are set out in Appendix 1. Harper was not asked to assess the contingent or prospective resource potential of the Gulf Coast properties. Harper’s credentials and methodology have previously been disclosed by Target, most recently on 29 Oct 2012 as part of an Independent Experts Report on Target Energy. The Operator of the Section 28 project is Cypress Production, Inc. The operator of the Merta project is the Hollimon Oil Corporation. The Unit descriptions are shown in Table 8.

Other Gulf Coast Net Reserves <sup>1</sup>	Net Reserves		BO equiv.
	Oil (Mbbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	0.6	42.0	7.6
Proved Developed Not Producing (PDNP)	10.0	163.5	37.3
Proved Undeveloped (PUD)	-	-	-
<b>Total Proved (1P)</b>	<b>10.6</b>	<b>205.5</b>	<b>44.9</b>
Probable	0.3	54.9	9.4
<b>Proved &amp; Probable (2P)</b>	<b>10.9</b>	<b>260.4</b>	<b>54.3</b>
Possible <sup>2</sup>	1.5	107.2	19.4
<b>Proved, Probable &amp; Possible (3P)</b>	<b>12.4</b>	<b>367.6</b>	<b>73.7</b>

Table 7: Other Gulf Coast Net Reserves

Notes:

1. Reserves are stated net to Target’s working interest and after deductions for royalty payments.
2. Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.

Project	Lease / Unit	Basin	Description	Depth Limits	TEX WI At 31 March 2014	TEX WI At 30 June 2014	Royalty	Gross Acres	Net Acres
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

Table 8: Merta & Section 28 Production Units