



ASX Announcement

12 September 2014

Fairway Project Operations and Corporate Update

US focused oil and gas producer Target Energy Limited ("Target") provides the following updates for its Fairway Project in West Texas.

Corporate

The sale of a 10% Working Interest in the Fairway Project to Aurora Energy Partners ("Aurora"), a Texas general partnership in which Victory Energy Corporation (OTCQX: VYEV) owns a 50% interest and serves as managing partner, was to have been completed this week. Aurora has advised Target that it will not provide the funds to complete the transaction at this time.

As previously advised, in response to external delays in completing conveyancing of titles, the Purchase and Sale Agreement ("PSA") signed by Target's wholly owned subsidiary TELA Garwood LP ("TELA Garwood") and Aurora on 30 June 2014 split the closing of the sale into two parts.

The first part ("First Closing") was completed on 30 June 2014, with Aurora making a 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 other leases.

The parties had agreed to extend the Second Closing to 10 September 2014, with Aurora due to make a payment of A\$2.1m (US\$1.91m) to TELA Garwood for the balance of the assignments in all other leases in the Fairway Project (excepting the "Sydney" leases).

As the interests in the Sydney leases remain subject to further documentation from the operator, Target and Aurora agreed to exclude the sale of those interests from the transaction with a consequent reduction in the Second Closing proceeds of US\$1.1m (A\$1.15m).

Aurora failed to make the requisite payment for the Second Closing by the agreed 10 September 2014 date. Target is in ongoing discussions with Aurora to resolve the matter.

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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Operations

- Drilling at **BOA North #5** in Howard County has successfully concluded with production casing being run in the well (Table 1). Target has a 50% Working Interest ("WI").
- Drilling at the **Taree 193 #1** well in Glasscock County has commenced with the well presently drilling ahead at 1,921m (Table 2). Target has a 50% WI in Taree #1 which is situated approximately 2 km south east of the Ballarat 185 #1 well. The well will be drilled to a planned depth of 3,048m (10,000 ft) and will test both Fusselman and Wolfberry targets.
- Fracture stimulation at **BOA North #4** was undertaken on 12 August 2014. The well was put on pump on 23 August 2014 and is now flowing back. Target has a 50% WI in the BOA North #4 well.

Managing Director, Laurence Roe commented: "We are disappointed that Aurora failed to meet its obligations regarding the Second Closing in a timely manner. We are now consulting with our advisers as to the most effective way forward.

"While we address the position surrounding the timing of the Second Closing, we have also considered it prudent to defer the 1/6th redemption offer to noteholders.

"In respect to the Sydney leases, recent title work has raised some issues regarding the exact working interests held by the individual partners, including Target. Whilst Target does not expect these title issues to have a material impact, and expects to be compensated in the event of any adverse adjustment, we are working to clarify the position as quickly as possible and will update the market as soon as practicable. Until our position is clarified Target will not divest any interest in the Sydney tract.

"Drilling at BOA North #5 was finished in late August after which the rig was moved to Taree 193 #1 which spudded on 28 August. After Taree the rig will move off to drill one well in an adjacent area.

"The Company remains committed to completing its planned 2014 drilling program at Fairway."

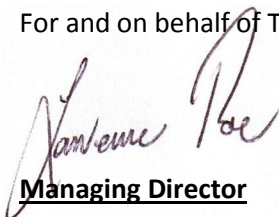
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For and on behalf of TARGET ENERGY LIMITED



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. Note also that Target reports a thermal equivalent when combining gas and oil production, where 1BOE = 6 mcf.

Well Reporting Summary – BOA North #5	
Name and Type of Well	BOA North #5, Oil Development Well
Well Location	Howard County, Texas
Lease Description	S12 , Block 33 T-2S, A-1353, T&P RR Survey
TEX Working Interest	50%
Report Date	7:00 pm 2/09/14 (Western Aust Standard Time) / 6:00 am 2/09/14 (USA Central Daylight Time)
Current Depth:	3,102m. (Total Depth) All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Run intermediate casing. Drill ahead to 3,102m (10,177 ft). Run wireline logs. Run and cement production casing. Rig released 7am 1 Sep 2014.

Table 1

Well Reporting Summary – Taree #1	
Name and Type of Well	Taree 193 #1, Oil Exploration Well
Well Location	Glasscock County, Texas
Lease Description	S193, Bl 28, A-815 and A-A483; W&NW RR Co Survey
TEX Working Interest	50%
Report Date	7:00 pm 11/09/14 (Western Aust Standard Time) / 6:00 am 11/09/14 (USA Central Daylight Time)
Current Depth:	1,921.2m. All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Spud well at 1600hrs on 28 August 2014. Drill ahead to 436.2m (1,431 ft), run surface casing. Drill ahead to 1,313.3m (4,309 ft), run intermediate casing. Drill ahead to 1,921.2m (6,330 ft).

Table 2