



ASX Announcement

12 September 2014

Proposed 2015 exit to realise value of Fairway Project

- **Target to address Fairway Project divestment in early 2015.**
- **Timing aimed to take advantage of a strong demand for Permian Basin assets and to maximize shareholder returns**

Target Energy Limited (“Target”) is pleased to provide the following corporate update.

Target to address divestment in early 2015 to capture value of the Fairway Project

As Target reaches its first major milestone in the Fairway Project in early 2015, the Company intends to “test the market” by offering a full divestiture of its interests in the Project.

At that time, Target and its partners will have drilled 18 to 20 wells in the project, with wells drilled in virtually all leases and two thirds of those leases expected to be fully held by production (“HBP”).

Based on recent transactions in the Permian Basin (the “Basin”) a sale would provide Target with the potential to realise a substantial value from the Fairway Project. Divestment has always been a part of the Company’s ultimate strategy in the Basin and the proposed timing is driven in part by a strong demand for producing assets in the Basin and also by a large and persistent valuation gap between Target’s current market valuation and the realised value of similar assets in completed transactions in the Midland Basin.

Strong demand for Permian Basin assets

The Permian Basin is the most prolific and coveted hydrocarbon basin in the United States. Distinguishing features of the Basin include:

- Multiple, thick oil-bearing horizons. The combination of favourable geology with modern drilling and completion technologies is yielding highly productive wells, enhanced oil and gas recoveries and strong economic returns.
- More rigs running in the basin than any other basin in the world. Excellent access to infrastructure and contractors expedite the process to commercialise oil and gas resources.

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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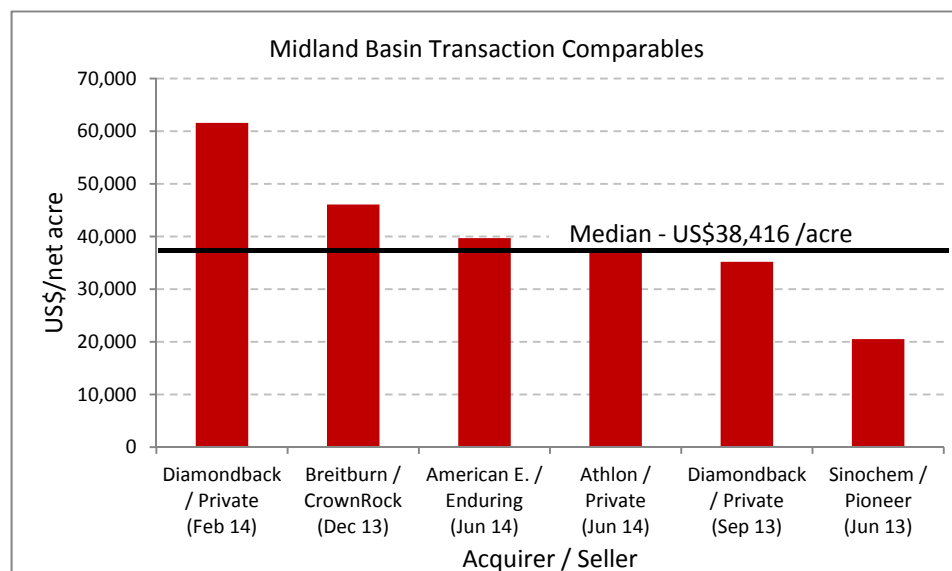
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- In 2012 and 2013 the Basin was the largest US onshore merger and acquisition market for deals over US\$100m. Continued high levels of activity and success in the Basin have seen the mergers and acquisitions market remain very active in 2014. Below are recent completed transactions in the Midland Basin, a sub-basin of the Permian Basin, in which Target holds its assets.



Seeking to maximise value for shareholders

Target's Board considers that realising the value of the Fairway Project in early 2015, while demand for Permian Basin assets is strong, would be in the best interests of the Company and its shareholders.

Target has made many noteworthy achievements in the Fairway Project:

- Built a lease position of 4,653 gross acres (2,513 net acres).
- Drilled 14 wells to date with 3 more wells to be drilled in 2014 and ongoing drilling in early 2015.
- Increased gross production by 224% in 18 months from an average 153 BOPD (Mar 2013 quarter) to 344 boepd (June 2014 quarter).
- Increased Proven reserves by 31% over the same period (and net of sale to Victory).
- Secured funding for the development of the project while minimising dilution for shareholders.

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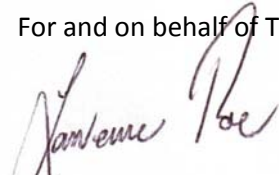
- By early 2015, Target will have achieved HPB status across most of the Fairway Project. The Company expects to drill on all undeveloped tracts by the planned point of sale.

Target's Managing Director, Laurence Roe, commented: "While we are very pleased with the substantial progress we have made at Fairway over the past 18 months we remain acutely aware of the gap between our market valuation and the valuations realised by our peers in recent Permian Basin transactions and indeed our own recent transaction.

"The Board will continue to focus on maximising returns to our shareholders. We will complete the drilling program planned for the rest of 2014 and into early 2015 and then test the market with an offer to sell our Fairway interests. If the sale process is successful a return of capital to shareholders and re-investment in new projects will be considered. We will keep shareholders informed of any material developments as we progress."

ENDS

For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in black ink, appearing to read "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, 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.