



ASX Announcement

20 January 2015

Operations and Trading Update

US focused oil and gas producer Target Energy Limited ("Target") hereby provides an Operations and Trading Update.

The operations referred to in this release were committed to prior to the recent decline in the oil price and represent completion of the 2014 drilling program. The Company has meanwhile instituted a program to reduce its costs and to put its 2015 capital expenditure program on hold pending an improvement in commodity prices.

As previously advised, the Company commenced the process of divesting its Permian Basin assets in December. We are presently reviewing the valuation of the asset in the light of the current oil price and with our partners will decide whether to continue the divestiture or to defer it until such time as prices recover.

Fairway Project, Texas

- Drilling operations at **Darwin #4** concluded on 18 December 2014 (Table 1). Wireline logs indicated potential pay in the Fusselman and Wolfberry sections in the well. Completion operations have commenced with oil recovered from the Fusselman section. Darwin #4 is situated approximately 1,800 ft south of the Company's 2012 Darwin #1 discovery well. Target has a 60% Working Interest ("WI").
- Following a fracture stimulation program on 21 November 2014, the **Taree 193 #1** well in Glasscock County was put on pump on 27 December 2014. Average flow in the first 10 producing days was 71 BOPD with 189 BWPD. Approximately 62% of the load water from the stimulation program has been recovered. Target has a 50% WI in Taree 193 #1 which is situated approximately 2 km south east of the Ballarat 185 #1 well.
- Completion operations remain underway at **BOA North #5** in Howard County (Target 50% WI).

East Chalkley

- Work-over operations are underway at the company's East Chalkley field (Target 35% WI) in Cameron Parish, Louisiana. The Pine Pasture #3 well was found to have a damaged pump as a likely result of a downhole filter screen failure which permitted sand from the formation and the completion program to pack around the pump, ultimately disabling the

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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impeller. The screen and pump are to be replaced.

- An inspection of casing in the Pine Pasture #2 well revealed a number of holes due to corrosion. Remedial work is also underway on the Pine Pasture #1 well. The wells are expected to be back online in February.

Section 28

- A work-over on the SML #A3 well (Target 25% WI) in St Martin Parish Louisiana was successfully completed in December 2014. The well was recompleted for production from the 1st Marg Tex sand and is presently flowing approximately 500 mcf/d with 5 BOPD.

Managing Director Laurence Roe commented, "The Taree 193 #1 is performing well with good initial production after it went on pump and despite a 5 day interruption by ice storms in the region.

"Drilling at Darwin #4 was concluded in December and we have just started work on completing the well in the Fusselman section. At this time we are dealing with some blocked perforations in the borehole which are inhibiting the recovery of the load fluid and the flow from the formation. Despite this we have already seen good oil shows in the zone.

"At BOA North #5 we still appear to be preferentially flowing water from the Fusselman zone. We are contemplating an additional treatment to block off more of the water and increase the volume of oil.

"In Louisiana, we have also successfully worked-over the SML A#3 well and are continuing work-over operations in the East Chalkley field.

"The Company - as with all petroleum producers - is feeling the effects of the steep and rapid fall in global oil prices. We are presently reviewing the valuation of the Permian Basin assets and with our partners will decide whether to defer our planned divestiture until such time as prices recover. In the event the sale is postponed Target will continue to focus on maintaining production and looking for growth opportunities.

"I note the recent comments by the International Energy Agency, 'A price recovery—barring any major disruption—may not be imminent, but signs are mounting that the tide will turn.'¹ We share that view. As supply and demand are expected to rebalance by Q4 2015 (Figure 1), it is our view that it should be accompanied by a recovery in prices and may present a better environment in which to sell an asset."

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 1 BOE = 6 mcf.

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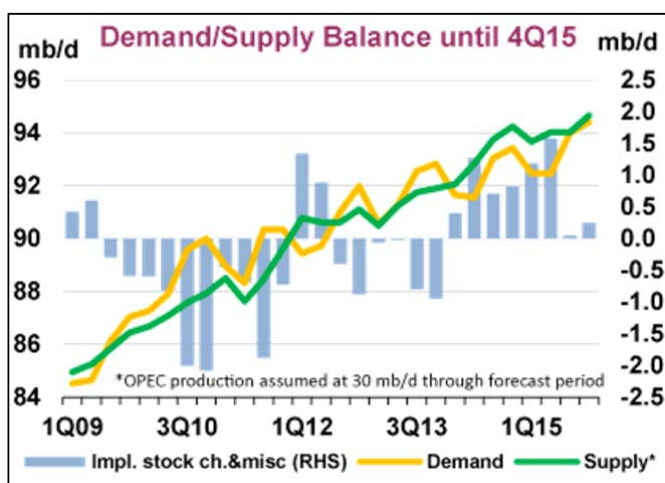
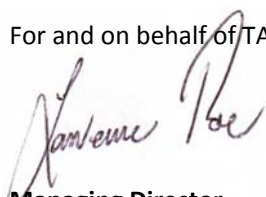


Figure 1: IEA Demand/Supply balance projection¹

ENDS

For and on behalf of TARGET ENERGY LIMITED



Managing Director

¹ IEA Oil Market Report January 2014; www.iea.org/oilmarketreport/omrpublic/

Well Reporting Summary – Darwin #4	
Name and Type of Well	Darwin #4, Oil Development Well
Well Location	Howard County, Texas
Lease Description	S44 S/2, Block 33, T-1S, A-1292, T&P RR Survey
TEX Working Interest	60%
Report Date	8:00 pm 19/12/14 (Western Aust Standard Time) / 6:00 am 19/12/14 (USA Central Daylight Time)
Current Depth:	3,105.3m. All reported depths are measured below the Rotary Table (RT) on the rig floor.
Progress	Drill ahead to 1,307m (4,290 ft). Run and cement 8 5/8" casing. Drill ahead to 3,105m (10,188 ft). Run wireline logs. Run and cement production casing. Rig Released 18 Dec 2014.

Table 1