

Quarterly Report for the quarter ending 31 March 2015

- Partially Underwritten Entitlement Issue underway

1. Operations

Permian Basin, Texas

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

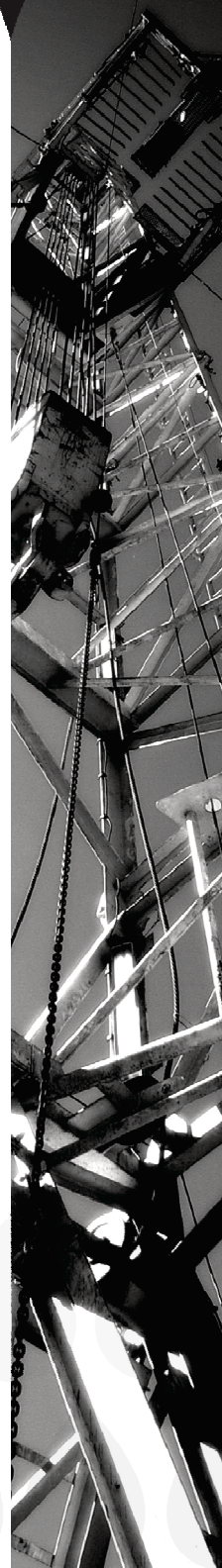
1.1.1. Completions

Darwin #4 (Target 60% WI)

Darwin #4 was completed for production in the Fusselman Carbonate. The well was perforated and acidised, then swabbed into production. Initial fluid entry was equivalent to 77 BPD, with a low oil cut (app 5%). The well was put on pump on 21 February 2015, recovering low volumes of fluid.

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%
Geological Rock Type	Fusselman carbonates
Depth of Zones Tested	3,040 m
Type of Tests Undertaken	Swab well after completion
Duration of Tests Undertaken	24 hrs
Hydrocarbon Phases Recovered	Oil
Other recovery	Water
Choke Size Used	Open
Flow Rates	Average 3.2 BPH (77 BFPD) with 5% oil cut
Number of Fracture Stimulations	None
Material Volumes of Non-Hydrocarbon Gases	Nil

Table 1



Quarterly Report for the quarter ending 31 March 2015

1.1.2. Forward Program

2015 Drilling Program

In the light of the current commodity prices, the planned 2015 work program remains on hold.

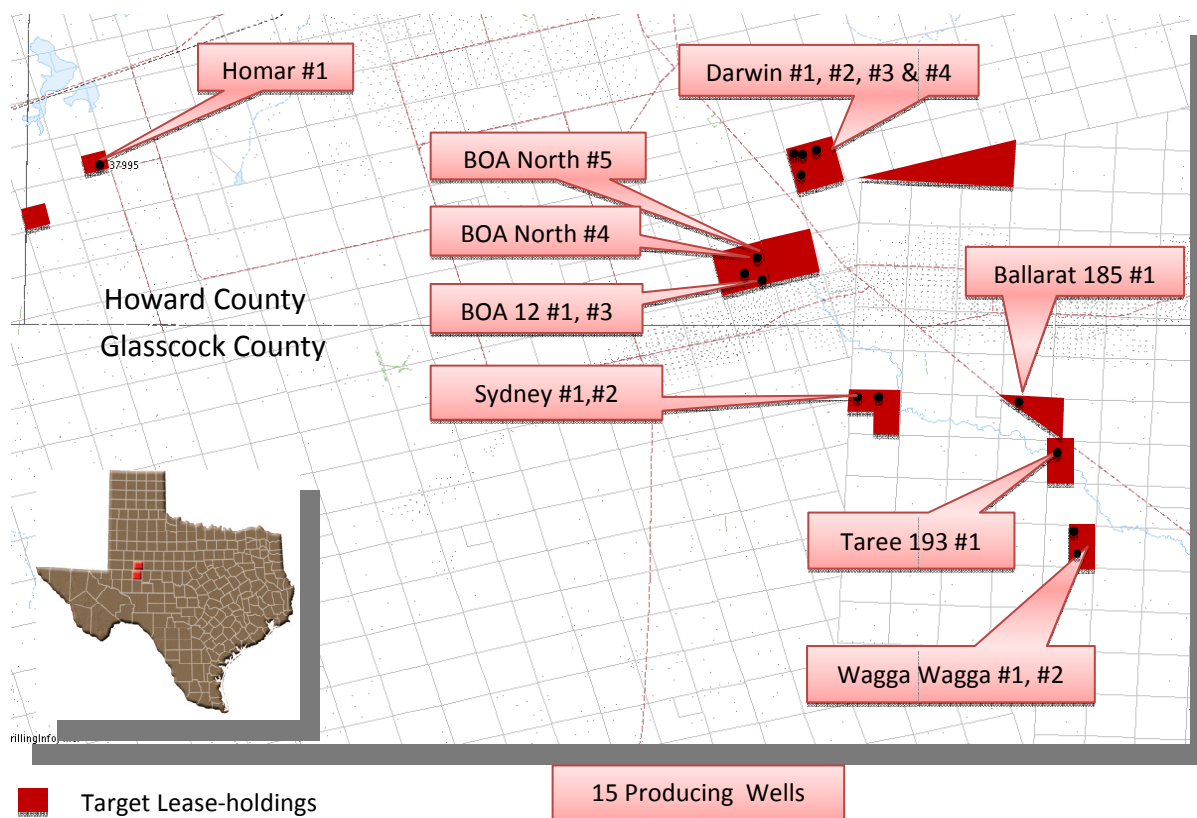


Figure 1: Target Energy Fairway Project lease-holdings.

1.1.3. Leases

Sydney Leases

As announced on 30 January 2015, the Company's interest in its Sydney #2 lease in Glasscock County (E/2 S188 Block 29 A-170; W&NW Survey) was reduced by 9% from 60% to 51%. The reduction came following an investigation in respect of CrownRock, LP and AED Group LLC interests in the Sydney #2 lease which confirmed that together they hold a 15% working interest in that lease. The Company and the Fairway Project operator, Trilogy Operating, Inc, have agreed that a transfer of a 6.43% interest in the Sydney #2 lease to the Company will provide full settlement of any re-allocation that may arise in relation to the Sydney leases. As a result, the Company expects its working interest in the Sydney #2 lease to increase to 57.43% and to remain at 60% in the Sydney #1 lease.

Quarterly Report for the quarter ending 31 March 2015

The Company has been also been advised that, in lieu of securing a lease from Apache Energy Corporation (Apache) in the Sydney tracts (investigations revealed that Apache has an approximate 26% interest in the tracts - including the adjoining 160 acre Sydney #1 tract (NW/4 S 188 Block 29 A-170 W&NW Survey)), the operator is opting to treat Apache as a non-participating co-tenant in the Sydney #1 and #2 wells (i.e. a mineral owner that elects to not to participate in the execution of a lease but instead elects to be carried). Effectively, Apache is not obliged to participate in any operations, but will share in the profits after the other partners have recouped all drilling, completion and operating costs associated with the well ("after payout"). This will not affect the Company's working interest in the leases, but will reduce revenue after payout from any well in those leases by approximately 26%.

Louisiana

1.2. East Chalkley, Cameron Parish

1.2.1. Workovers

Workover operations have been completed at the company's East Chalkley field.

At Pine Pasture #3 the damaged pump and failed downhole filter screen were replaced - approximately 110 barrels of oil were recovered from the borehole during the workover process. The original electrical submersible pump was then replaced with a downhole jet pump and the well put back in production in early March 2015. The well initially recovered water (a large volume of water had been lost to the formation during the workover process), but is now producing oil (up to a 9.7% cut).

Remedial work was undertaken on the Pine Pasture #1 well, replacing damaged tubing.

2. *Production (1 Jan – 31 Mar 2015)*

Project	TEX WI	Gross Gas Prodn in Period (mmcf)	Cumulative Gross Gas Prodn (mmcf)	Net Gas Prodn in Period (mmcf)	Cumulative Net Gas Prodn (mmcf)	Gross Oil Prodn in period (BO)	Cumulative Gross Oil Prodn (BO)	Net Oil Prodn in Period (BO)	Cumulative Net Oil Prodn (BO)
Section 28	25%	61.8	2,472.2	15.4	618.1	302	91,816	76	22,954
E. Chalkley*	35%	2.0	60.0	0	21.0	195	115,706	68	40,497
Merta	25%	13.0	446.2	3.2	111.6	104	5,545	26	1,386
Fairway	35%-60%	28.5	299.5	14.6	171.5	15,064	168,844	7,474	94,675
Total		105.2	3,277.9	33.3	922.1	15,665	381,911	7,644	159,512

**Wells were shut-in at East Chalkley for most of reporting period due to a work-over program.*

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).

Quarterly Report for the quarter ending 31 March 2015

2. Lease Holdings

Target Energy	Lease Name	County / Ph	Description	Depth Limits	TEX WI	Gross Acres	Net Acres
Fairway	BOA	Howard	S12 , Block 33 T-2S, A-1353, T&P RR Survey	None	50%	640.0	320.0
	Darwin	Howard	S 44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50%	320.0	160.0
			S44 S/2, Block 33, T-1S, A-1292, T&P RR Survey	None	60%	320.0	192.0
	Bunbury	Howard	S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey	None	60%	918.0	550.8
	Ballarat	Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, Waco & Northwestern Survey	None	50%	160.0	80.0
			S 184 and 185, Bl 28, A-815 and A-A483, Waco & NW Survey	None	60%	195.7	117.4
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco & NW Survey	None	60%	320.0	192.0
	Sydney	Glasscock	NW/4 & E/2 S 188 Block 29 A-170 W&NW Survey	None	51%*	480.0	224.4
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60%	440.0	264.0
	Homar	Howard	SE/4 S24 Bl 35 A-1538; T&P RR Co Survey	None	50%	100.0	50.0
	Homar (Robb)	Howard	SW/4 S26 Bl 35 A-1415; T&P RR Co Survey	None	60%	160.0	96.0
	Wagga Wagga	Glasscock	E/2 S221, Block 29, A-496; W&NW RR Co Survey	None	35%	305.0	106.8
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50%	123.9	62.0
Merta							
	Merta No. 1 Well Gas Unit No. 2	Wharton	S3 A-219 International and Great Northern RR Co Survey	7,650 ft - 7,880 ft	25%	303.0	75.7
Section 28							
SML #A-1, #A-3	Production Unit	St Martin Ph		None	25%	40.0	10.0
SML #A-2	Production Unit	St Martin Ph		None	25%	40.0	10.0
East Chalkley							
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35%	714.9	250.2
*Interim adjustment					Total	5580	2785

3. Corporate

3.1. Legal

On 12 February 2015, the Company announced that Target subsidiary TELA Garwood LP ("TELA Garwood") had filed a lawsuit in the District Court of Harris County (Houston), Texas against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora").

The suit charges that Aurora, acting by and through its general partner, Victory, breached its obligation to purchase certain of TELA Garwood's interests in the West Texas Fairway Project (Howard and Glasscock counties) pursuant to a Purchase and Sale Agreement between TELA Garwood and Aurora dated June 30, 2014 ("PSA"). Aurora and TELA Garwood completed a first closing on June 30, 2014, but failed to complete a second closing originally scheduled for July 31, 2014 as a result of Aurora's breaches of its obligations under the PSA.

Quarterly Report for the quarter ending 31 March 2015

In addition to TELA Garwood's suit, in January 2015 the operator of the Fairway project also filed a law suit against Aurora, alleging Aurora's failure to pay invoices associated with a number of wells in the Fairway Project. While the suit remains underway, in February 2015 the operator has sought to recover Aurora's outstanding costs, pro-rata, from the other partners. The Company's share of these costs was approximately \$720,000 (US\$545,000). Target is contemplating amending its current suit to recover these funds from Aurora.

3.2. Capital Raising

3.2.1. Partially Underwritten Entitlement Issue

On 24 April 2015, Target Energy advised that it is undertaking a renounceable pro-rata entitlement issue (**Entitlement Issue**) to raise up to approximately A\$5m.

Eligible shareholders will be able to subscribe for 5 new fully paid ordinary shares in Target (**Shares**) for every 3 existing Shares they hold at the Record Date (as set out in the timetable below) at an issue price of A\$0.006 per share, together with one free attaching option to acquire a Share for every two Shares issued (**New Option**). The New Options will have an exercise price of \$0.012 and an expiry date of 28 February 2017.

Patersons Securities Limited (**Patersons**) has agreed to underwrite the first \$2.9m raised under the Entitlement Issue. Directors have agreed to convert their existing loans into Shares and New Options as part of the Entitlement Issue, thereby retiring over \$640,000 in company debt.

Funds raised from the Entitlement Issue will be used to address payables, provide working capital and to potentially allow the Company to undertake an asset optimisation program.

A copy of the prospectus can be viewed or downloaded from www.targetenergy.com.au

Key Dates for Entitlement Issue

Event	Date
Lodgement of Prospectus with the ASIC	24 April 2015
Lodgement of Prospectus & Appendix 3B with ASX	24 April 2015
Notice sent to Shareholders	28 April 2015
Ex date	29 April 2015
Rights start trading	29 April 2015
Record Date for determining Entitlements	1 May 2015

Quarterly Report for the quarter ending 31 March 2015

Prospectus sent out to Shareholders & Company announces this has been completed	6 May 2015
Rights stop trading	8 May 2015
Shares and New Options quoted on a deferred settlement basis	11 May 2015
Last day to extend the Offer*	12 May 2015
Closing Date	15 May 2015
ASX notified of under subscriptions	19 May 2015
Issue date/Shares and New Options entered into Shareholders' security holdings	21 May 2015
Quotation of Shares and New Options issued under the Offer*	22 May 2015

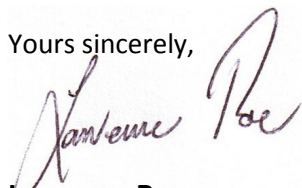
3.2.2. Secured Loans

During the quarter, entities associated with the Company's directors collectively advanced A\$0.5m in the form of secured loans to the Company. The loans are secured by a third ranking security charge over the Company's interest in the Fairway project. The loans will incur interest at the rate of 10%pa payable in arrears and are repayable on 31 March 2017.

The Company has entered into settlement and offset deeds to directly offset these loans via the subscription of shares and options under the Entitlement Issue.

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 contained in this report is based on and fairly represents information and supporting documentation prepared by or under the supervision of Mr Laurence Roe, B Sc, Managing Director and an employee 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.