

Quarterly Report for the quarter ending 31 December 2015

1. Operations

Texas

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

- **Partial Sale of Interest in Fairway Project**

On 31 December 2015, the Company, through TELA Garwood Limited LP (a wholly-owned subsidiary of Target Energy Limited) completed a sale of its interests in the Homar well and associated leases in its West Texas Fairway project.

TELA Garwood Limited LP held a 55.555556% Working Interest (WI) in the Homar #1 well and associated 100 acre tract and a 60% WI in the 160 acre Homar (Robb) Tract (the "Robb Tract").

A cash offer was received for these interests along with a provision to pay additional consideration for those leases in the Robb Tract which the Operator can, prior to 1 April 2016, obtain an 18 month extension to the primary term of the lease. The final consideration received will be subject to the number of lease extensions actually obtained in the Robb Tract prior to 1 April 2016.

Approval was secured for the sale from the Company's Convertible Noteholders on 29 December 2015. The sale closed on 31 December 2015. The net total received by Target was US\$747,555. Of that amount US\$497,555 was immediately applied to amounts outstanding to the operator and the balance of proceeds applied to the Company's general working capital. The funds applied to working capital were not received by Target until 5 January 2016 and are not reflected in the closing cash balance at 31 December 2015.

Up to a further US\$288,000 (before costs) will be paid to the Company, subject to additional lease extensions being received prior to 1 April 2016. These funds will be applied in the first instance to remaining amounts outstanding to the operator.

- **Drilling / Workovers**

No new drilling operations were undertaken in the Quarter. Workovers were undertaken at wells in the Darwin, Taree and BOA leases

- **Leasing**

Discussions continue for the extensions of leases in Bunbury, Sydney (part) and Ballarat (part).



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Merta Project – Wharton County (Target 25% WI)

- **Sale of Interest**

As previously advised, the Company sold its interests in the Merta #1 well on 1st October 2015.

Louisiana

East Chalkley, Cameron Parish (Target 35% WI)

The Pine Pasture #3 well remained shut in for most of the reporting period to address pump problems.

Section 28 Project, St Martin Parish (Target 25% WI)

The SML A-2 and SML A-3 wells have been shut-in following declining production.

The partners have received and have accepted, in principle, a proposal to sell the interests in the wells in return for the purchaser accepting the plugging and abandonment liabilities for the wells. It is expected that the sale of the assets will close in February 2016.

2. Production (1 Oct – 31 Dec 2015)

Project	TEX WI	Gross Gas Prod in Period (mmcf)	Cumulative Gross Gas Prod in (mmcf)	Net Gas Prod in Period (mmcf)	Cumulative Net Gas Prod in (mmcf)	Gross Oil Prod in period (BO)	Cumulative Gross Oil Prod in (BO)	Net Oil Prod in Period (BO)	Cumulative Net Oil Prod in (BO)
Section 28	25%	13	2,510	3	628	221	92,128	55	23,032
E. Chalkley*	35%	0	61	0	22	12	115,833	4	40,542
Merta	25%	-	473	-	118	-	5,596	-	1,399
Fairway	35%-60%	17	369	9	208	7,755	197,474	3,901	109,011
Total		30	3,413	12	975	7,988	411,032	3,961	173,984

*estimated

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).

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3. Lease Holdings

Target Energy	Leaseholdings			Depth		Gross	Net
	Lease Name	County / Ph	Description	Limits	TEX WI	acres	acres
Fairway	BOA	Howard	S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0
	BOA North	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.0%	160.0	96.0
	Bunbury	Howard	S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey	None	60.0%	*918.0	550.8
	Ballarat	Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	50.0%	160.0	80.0
		Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*195.7	117.4
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*320.0	192.0
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	60.0%	160.0	96.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	51.2%	*320.0	163.9
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.0%	440.0	264.0
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.0%	123.9	62.0
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
*subject to completion of lease extensions					Total	4872.5	2484.3

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4. Lease Holdings Divested in Reporting Period

Target Energy Divested Leaseholdings							
	Lease Name	County / Ph	Description	Depth Limitations	TEX WI	Gross acres	Net acres
Fairway	Homar	Howard	SE/4 S24 Bl 35 A-1640; T&P RR Co Survey	None	55.555556%	100.0	55.6
	Homar (Robb)	Howard	SW/4 S26 Bl 35 A-1415; T&P RR Co Survey	None	60.000000%	160.0	96.0
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
Total						563.0	227.3

5. Corporate

5.1. Convertible Notes

On 29 December 2015 a meeting of Noteholders approved the sale of the Homar well and associated leases from the Company's Fairway project in West Texas.

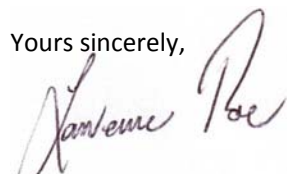
5.2. Legal

Legal action by Target subsidiary TELA Garwood LP ("TELA Garwood") continues against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora"). TELA Garwood's 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.

TELA Garwood has amended and refiled its Motion for Summary Judgement, which is now scheduled to be heard on 5th February 2016.

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.