

23 August 2016

Ms Jill Hewitt  
Companies Announcement Office  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

**Via email: [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au)**

Dear Ms Hewitt,

#### **QUARTERLY CASHFLOW QUERY**

We refer to your letter dated 22 August 2016 in relation to Target Energy Limited's ("Target" or the "Company") Quarterly Cash Flow Report in the form of the Appendix 5B for the quarter ended 30 June 2016, released to ASX Limited ("ASX") on 29 July 2016.

In response to your queries we advise as follows:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

*The Entity expects that it will continue to have negative operating cash flows for the time being. The Company expects to generate revenue from oil and gas sales from its interest in the Fairway project, however it is unlikely that these will exceed operating cash outflows for the timebeing.*

2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

*As was stated in the quarterly activities report which was issued together with the quarterly cash flow report on 29 July 2016;*

- a. *The Company has appointed Canaccord Genuity as adviser to the divestment of the balance of Fairway. Canaccord is working with Target and its partners to market Fairway and negotiate with counterparties. The assets are now being jointly marketed with a larger parcel of properties.*
- b. *The Company had cash resources at 30 June 2016 of \$87,000. This balance included \$80,000 loaned to the Company by directors, with a further \$65,000 advanced subsequent to quarter end.*

*It is anticipated that Fairway bids will be received in coming weeks. Recent sales of properties in the Glasscock County and a broad firming of the oil price provide some confidence that a sale can be achieved.*

*In the short term, the most likely source of additional funding is the loans from directors. Various cost reduction measures have also been put in place. These include;*

- a. Noteholders representing approximately 72% of the convertible notes on issue having agreed to assist the Company by deferring the requirement to pay interest on the notes thereby alleviating the Company's expenditure requirements.*
  - b. The Company has also reduced corporate overheads to a minimum level whilst the sale process is underway. Amongst other cost reductions, the Managing Director has agreed to a 60% reduction in his fees and the other directors have agreed to defer any fees owed to them for the time being.*
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

*Yes.*

*However, if a favourable outcome from the Fairway sale process cannot be achieved in the short term, the Company will be required to seek additional financing and/or seek to restructure the existing convertible notes. There is no certainty that either an additional financing or a restructuring of the existing convertible notes would be successful, should they become necessary.*

4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?

*Yes*

Yours faithfully,

**LAURENCE ROE**  
**Managing Director**



22 August 2016

Mr R Cowen  
Company Secretary  
Target Energy Limited  
Level 2, Suite 5, 6 Richardson Street  
WEST PERTH WA 6005

Email: [rowan.caren@targetenergy.com.au](mailto:rowan.caren@targetenergy.com.au)

Dear Sir

**Target Energy Limited (the “Entity”)**

I refer to the Entity’s quarterly report in the form of Appendix 5B for the period ended 30 June 2016 lodged with ASX Market Announcements Platform on 29 July 2016 (the “Appendix 5B”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$198,000;
- cash at the end of the quarter of \$87,000; and
- estimated cash outflows for the next quarter of \$165,000.

It is possible to conclude on the basis of the information provided in the Appendix 5B that if the Entity were to continue to expend cash at the rate for the quarter (and at the rate estimated for the next quarter) indicated by the Appendix 5B, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?



Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 3pm WST on Thursday, 25 August 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [tradinghaltsperth@asx.com.au](mailto:tradinghaltsperth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;



- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Please feel free to contact me if you have any enquiries on the above.

Yours sincerely,

*[sent electronically without signature]*

Jill Hewitt

**Senior Adviser, Listings Compliance (Perth)**