

Quarterly Report for the quarter ending 31 March 2016

1. Operations

Texas

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

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

Further to the previously announced Homar sale, the Company received an additional US\$234,000 from the sale of leases in the “Robb” tract. This concluded the sale process; all funds were applied to amounts outstanding to the operator.

- **Divestment Program**

In February 2016, Target Energy Limited engaged global investment bank Canaccord Genuity (“Canaccord”) as adviser to the divestment of the Fairway Project (“Fairway”) in the Permian Basin, Texas.

Canaccord is working with Target and its partners to market Fairway and negotiate with counterparties. Over 24 companies have signed Confidentiality Agreements to gain access to the data room. Bids are expected shortly.

- **Drilling / Workovers**

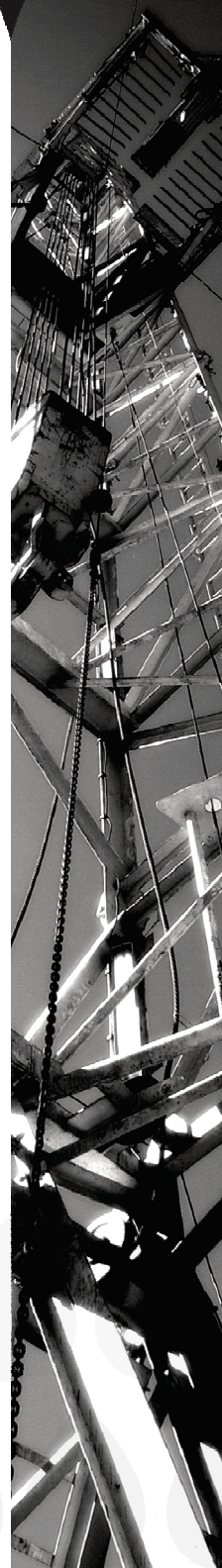
No new drilling operations were undertaken in the Quarter. Workovers were undertaken at wells in the Darwin and BOA leases.

- **Leasing**

The Company’s working interests in the BOA North #5, Ballarat 185 #1 and Wagga Wagga #2 wells increased by approximately 10% following the reallocation of interests in those wells.

Following payout, Apache Energy has exercised its rights as a non-drilling co-tenant to back-in to the Sydney #1 and #2 wells. Target now has a 43.125% working interest (WI) in Sydney #1 and a 33.75% WI in Sydney #2. The Company’s working interest in the balance of the Sydney leases remains unchanged, but future drilling in those leases will be subject to Apache’s rights to back-in after the wells pay out.

The operator has also advised that the undeveloped leases at the Bunbury prospect have not been renewed and as a second well was not drilled at the Ballarat prospect (due to the depressed oil prices), those leases have expired.



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Louisiana

East Chalkley, Cameron Parish (Target 35% WI)

The Pine Pasture #3 well remained shut in during the reporting period.

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

As previously advised, the partners received and accepted a proposal to sell the interests in all three wells in return for the purchaser accepting the plugging and abandonment liabilities for the wells. The sale of the assets, effective 1 January 2016, closed in February.

2. Production (1 Jan – 31 Mar 2016)

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%	-	2,510	-	628	-	92,128	-	23,032
E. Chalkley	35%	-	61	-	22	-	115,833	-	40,542
Fairway	33%-60%	19	388	10	217	7,901	205,375	3,933	112,944
Total		19	2,960	10	867	7,901	413,337	3,933	176,518

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	Lease Name	County / Ph	Description	Depth Limits	TEX WI	Gross acres	Net acres
Fairway							
	BOA	Howard	S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.00%	320.0	160.0
	BOA North #4	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.00%	160.0	80.0
	BOA North #5	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	55.56%	160.0	88.9
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.00%	320.0	160.0
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.00%	160.0	96.0
	Ballarat	Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, W&NW Survey	None	55.56%	160.0	88.9
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, W&NW Survey	None	60.00%	*320.0	192.0
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	43.13%	160.0	69.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	33.75%	320.0	108.0
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.00%	440.0	264.0
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.00%	160.0	56.0
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	38.89%	160.0	62.2
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.00%	123.9	62.0
East Chalkley							
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35.00%	714.9	250.2
*subject to completion of lease extensions					Total	3678.8	1732.2

4. Lease Holdings Divested in Reporting Period

Target Energy Divested Leaseholdings	Lease Name	County / Ph	Description	Depth Limits	TEX WI	Gross acres	Net acres
Fairway							
	Bunbury	Howard	S102, S103 A-1405; S104 A-1495; Block 29 W&NW Survey	None	60.00%	918.0	550.8
	Ballarat	Glasscock	S184,S185, Bl 28, A-815 and A-A483, W&NW Survey	None	60.00%	195.7	117.4
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	16.87%	0.0	27.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	17.45%	0.0	27.9
Section 28							
	SML #A-1, #A-3	Prod. Unit	St Martin Ph	None	25.00%	40.0	10.0
	SML #A-2	Prod. Unit	St Martin Ph	None	25.00%	40.0	10.0
					Total	1193.7	743.1

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5. Corporate

5.1. 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's Motion for Summary Judgement was heard in Harris County on 14 April 2016. The Judge denied the motion (along with a competing motion by Aurora and Victory) and the suit will now proceed to trial, presently scheduled for August 2016.

The Judge also ruled that the Victory's individual officers and directors should be dismissed from the lawsuit. TELA Garwood is filing a motion for reconsideration on this limited issue, as the Company believes the law strongly favours its position.

5.2. Cash Position

The Company has convertible notes on issue totalling approximately \$8.971 million which mature on 31 March 2017. Noteholders representing approximately 72% of these notes have agreed to assist the Company by deferring the requirement to pay interest on the notes thereby alleviating the Company's expenditure requirements.

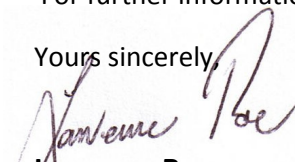
The Company has also reduced corporate overheads to a minimum level whilst the sale process is underway. Amongst other cost reductions, the Managing Director has agreed to a 60% reduction in his fees and the other directors have agreed to defer any fees owed to them for the time being.

In December 2015, the Company sold the Homar #1 well and 100 acres of production leases at Fairway along with 160 acres of undeveloped leases ("Robb Tract"). The sale netted US\$981,000 to Target, before costs. In February 2016, the Company 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 recent improvement in the oil price from a low in February 2016 of around US\$27/bbl to a trading range in the last 10 days of US\$40 - \$44/bbl has provided encouragement. Over 24 companies have signed Confidentiality Agreements to gain access to the data room. Bids are expected shortly.

The Company had cash resources at 31 March 2016 of \$217,000. At this time the most likely source of additional funding is from the sale of the Company's remaining interests in Fairway. If a favourable outcome from the 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.

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.