



ASX Announcement

2 July 2014

Completion of Victory Sale and Operations Update

US focused oil and gas producer Target Energy Limited ("Target") is pleased to provide the following corporate and operations update.

Sale of 10% Interest in Fairway Project to Victory Energy

- Following on from the announcements dated 9 May and 16 June 2014, Target Energy, through its wholly owned subsidiary TELA Garwood LP ("TELA Garwood"), confirms the sale of a 10% working interest in its Fairway Project to Aurora Energy Partners ("Aurora"), a company associated with Victory Energy Corporation (OTCQX: VYEV).
- A Purchase and Sale Agreement ("PSA") was signed by TELA Garwood and Aurora on 30 June 2014, with an effective date of 1 May 2014. In response to external delays in completing conveyancing of titles, the PSA splits the closing of the sale into two parts.
 - The first part ("First Closing") was completed on 30 June 2014, with Aurora making an immediate payment of A\$2.7m (US\$2.5m) to TELA Garwood and in return TELA Garwood assigning to Aurora a 10% working interest in its Darwin, BOA and Wagga Wagga production leases and in various other leases.
 - Subject to the completion of the outstanding conveyancing items, the Second Closing is scheduled for 31 July 2014, at which time Aurora will pay the outstanding balance of A\$3.5m (US\$3.3m) to TELA Garwood and in return TELA Garwood will complete the balance of the assignments.
 - The total purchase price is A\$6.2m (US\$5.8m) after a reduction of US\$0.2m in accordance with conditions of the sale.

Operations

- Drilling is now complete at **Ballarat 185 #1**, approximately 5 km east of the Sydney lease in Glasscock County, in which Target now has a 50% Working Interest following the First Closing. The well was drilled to a depth of 3,030m (9,942 ft), production casing run and the rig released on 1 July. Good oil shows were encountered while drilling and preliminary log analysis indicates the presence of potentially productive zones in the Ellenburger, Fusselman and Wolfberry sections.

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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- A minimum three well back-to-back program at Fairway will take place in August and September, starting with BOA North #5, as the Company and its partners continue their strategy to complete a 10 well drilling campaign at Fairway in 2014.
- An increase in demand for fracture stimulation crews and equipment in the Permian Basin has resulted in delays to the planned fracture stimulation programs for our BOA North #4, Wagga Wagga #2 and Homar #1 wells. Discussions are underway with a number of crews to address this, but it is expected that while Wagga Wagga #2 will be fracture stimulated within the week, it will be at least one month before we are able to complete the other wells.

Managing Director, Laurence Roe commented: "We are very pleased to have closed the sale of a 10% Working Interest in our Fairway project. We worked closely with Aurora on the transaction and when it appeared that not all conveyancing could be completed in a timely manner, the parties agreed to split the closing into two stages which allows us to complete the legal work without holding up the full transaction."

"Drilling has now concluded at Ballarat 185 #1, with the well cased for production and the rig released. Wireline logs were encouraging and we expect to test the Ellenburger and Fusselman zones prior to making a decision about fracture stimulating the well.

"We are having a short break in drilling after Ballarat, but will recommence in early August with BOA North #5 followed by wells at our Bunbury and Taree leases."

ENDS

For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in blue ink, appearing to read "Laurence Roe".

Managing Director

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 1BOE = 6 mcf.



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Well Reporting Summary – Ballarat 185 #1

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|------------------------------|--|
| Name and Type of Well | Ballarat 185 #1, Oil Exploration Well |
| Well Location | Glasscock County, Texas |
| Lease Description | S185, B1 28, A-815 and A-A483, Waco & Northwestern Survey |
| TEX Working Interest | 50% |
| Report Date | 7:00 pm 1/07/14 (Western Aust Standard Time) / 6:00 am 1/07/14 (USA Central Daylight Time) |
| Current Depth: | 3,030m. (Total Depth) All reported depths are measured below the Rotary Table (RT) on the rig floor. |
| Progress | Drill ahead to 1,114m (3,655 ft); run and cement intermediate casing. Drill ahead to Total Depth at 3,030m (9,244 ft). Run wireline logs. Run 5 ½ inch production casing. Rig released 1 July 2014. |