

Quarterly Report for the quarter ending 31 March 2017

1. Operations

Texas

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

- **Divestment Program**

In 2016 Target Energy Limited engaged global investment bank CanaccordGenuity (“Canaccord”) as adviser to the divestment of the Fairway Project (“Fairway”) in the Permian Basin, Texas. The Fairway properties were later included in a larger combined package, improving the overall marketability of the aggregated properties.

A number of bids and indicative bids have been received, however no offer has been accepted by Target and its divesting partners at this stage.

- **Drilling / Workovers**

No new drilling operations were undertaken in the Quarter.

Louisiana

East Chalkley, Cameron Parish (Target 35% WI)

The Pine Pasture #3 well remained shut in during the reporting period. The Operator has secured an extension from the Louisiana Department of Natural Resources for the proposed timing of a work-over program to bring the well back on-line.

Target has secured an in-principle agreement with project operator Blue Ridge Mountain Resources (formerly Magnum Hunter Resources) to take over their interests in the properties at no cost. Discussions with the mineral owners regarding future appraisal and development of the field are underway.



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2. Production (1 January – 31 March 2017)

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)
E. Chalkley	35%	-	61	-	22	-	115,834	-	40,542
Fairway	33%-60%	19	462	10	255	7,149	233,704	3,341	126,416
Total		19	523	10	277	7,149	349,537	3,341	166,958

Net Production is scaled to Target's Working Interest, before royalties; mmcf = million cubic feet; mmcf/d = 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).

3. Lease Holdings

Target Energy	Leaseholdings	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, BI 28, A-815 and A-A483, W&NW Survey	None	55.56%	160.0	88.9
	Taree	Glasscock	W/2 S193, BI 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, BI 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

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4. Corporate

4.1. Re-Capitalisation

On 16 March 2017 the Company advised the market that it had reached agreement with a key investor to secure additional funding as part of the Company's planned recapitalisation program.

Target has executed a Terms Sheet with Perth-based InvestMet Ltd ("InvestMet"), whereby InvestMet will provide a debt facility of up to \$1,000,000, with an option to extend the facility by a further \$1,000,000. In addition, InvestMet will participate in and underwrite a proposed share placement at no less than \$0.0025 per share to raise a further \$645,000. This placement is to be completed under Target's placement capacity and does not require shareholder approval.

The InvestMet debt facility will carry a 10% per annum interest rate, payable quarterly in arrears. Payment of interest may be made in shares at the Company's election and as required, subject to shareholder approval. Target will also issue to InvestMet 25 million options at \$0.0025 (1-year term) and 25 million options at \$0.0035 (2-year term), subject to shareholder approval. The InvestMet debt facility will be secured.

The Company completed the first stage of the recapitalisation program following the passing of all resolutions at a meeting of Convertible Noteholders held in West Perth on 29 March 2017. Amongst other matters, the resolutions passed included approval to defer the Maturity Date of the notes for 12 months to 31 March 2018 and to allow the proposed InvestMet Ltd ("InvestMet") debt facility security to rank ahead of Noteholders.

Furthermore, existing secured lenders, including the Company's directors, have agreed to defer the Maturity Date of the secured loans with an aggregate balance owing of \$450,000 for 12 months to 31 March 2018.

Both the InvestMet debt facility and the placement are subject to documentation and final approvals and are expected to be drawn in early May 2017.

4.2. Financial Position

The Company has 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 for the time being and the other directors have agreed to defer any fees owed to them for the time being.

The Company had cash resources at 31 March 2017 of \$4,000. At this time, the most likely source of additional funding is the Recapitalisation Program which is underway and also the sale of the Company's remaining interests in Fairway. If the Recapitalisation Program does not complete successfully or 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

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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.

In the interests of providing a more complete summary of the Company's financial position than can be provided by the Appendix 5B cashflow statement, the Company provides the following summary of movements on the Joint Interest Billing statement by the Operator of the Fairway project.

Fairway Joint Interest Billing Statement Balance		
All in USD	Mar 2017 quarter	Dec 2016 quarter
Opening Balance of JIB	(772,264)	(770,041)
Revenues credited	158,750	129,269
Expenditure debited	(175,322)	(131,492)
Remittances to Target	-	-
Payments by Target	-	-
Closing Balance of JIB, owed to project operator	(788,836)	(772,264)

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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Target Energy Limited

ABN

73 119 160 360

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9..months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	56
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production	-	-
(d) staff costs		
(e) administration and corporate costs	(224)	(614)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-	(65)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)	-	-
Proceeds from settlement of legal action	422	422
Litigation fees deducted from legal settlement	(257)	(257)
1.9 Net cash from / (used in) operating activities	(59)	(458)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9..months) \$A'000
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings	45	374
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	45	374

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	18	88
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(59)	(458)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	45	374

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..9..months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4	4

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4	18
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4	18

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
41
Nil

Fees payable to non-executive directors continue to be deferred.
Salary payable to the managing director was deferred between July and September, but has been paid for October to March.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
Nil
Nil

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	450	450
8.2 Credit standby arrangements		
8.3 Other (please specify)	8,971	8,971
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan from Petroe Exploration Services Pty Limited <Haaleroe Trust>, \$35,000, 10%pa, 31 March 2018, Equal third ranking security* Amount drawn at quarter end \$35,000. Interest is currently being deferred.

Loan from Little Breton Nominees Pty Limited <CKG Rowe Family Trust A/c>, \$60,000, 10%pa, 31 March 2018, Equal third ranking security* Amount drawn at quarter end \$60,000. Interest is currently being deferred.

Loan from Gunz Pty Limited <Gunz Superannuation Fund A/C>, \$50,000, 10%pa, 31 March 2018, Equal third ranking security* Amount drawn at quarter end \$50,000. Interest is currently being deferred.

Loan from Little Breton Nominees Pty Limited <Little Breton Superannuation Fund>, \$70,000, 10%pa, 31 March 2018, Equal first ranking security* Amount drawn at quarter end \$70,000. Interest is currently being deferred.

Loan from Spring Eagles Farm Inc, \$10,000, 10%pa, 31 March 2018, Equal first ranking security* Amount drawn at quarter end \$10,000. Interest is currently being deferred.

Loan from Wyllie Group Pty Limited, \$200,000, 10%pa, 31 March 2018, Equal first ranking security* Amount drawn at quarter end \$200,000. Interest is currently being deferred.

Loan from Gunz Pty Limited <Gunz Superannuation Fund A/C>, \$25,000, 10%pa, 31 March 2018, Equal first ranking security* Amount drawn at quarter end \$25,000. Interest is currently being deferred.

Convertible Notes, Series 1, Various noteholders, \$5,971,000, 10%pa, 31 March 2018, second ranking security* Interest was being deferred to 31 March 2017 and nil interest rate applies for period to repayment date.

Convertible Notes, Series 2, Wyllie Group Pty Limited, \$3,000,000, 10%pa, 31 March 2018, Equal third ranking security* Interest was being deferred to 31 March 2017 and nil interest rate applies for period to repayment date.

Additional funding will be required to finance the Company's operations whilst a sale of the Fairway asset is secured and completed. Loans are one potential type of additional funding. The source, quantum and terms of any additional loans have not yet been determined.

* Security is over the Company's interest in the Fairway Project.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	40
9.5 Administration and corporate costs	410
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	450

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10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Nil		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		Nil		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director/Company secretary)

Date: ...28 April 2017.....

Print name: ...Rowan Caren....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.