



ASX Announcement

20 September 2017

Target Energy Fairway Reserves Update

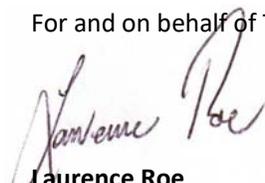
- **Fairway Proven Reserves (net to Target) of 3.19 million barrels of oil equivalent (MMBOe) as of 30 June 2017**
- **2017 update increases Fairway Proven Reserves by 11%**
- **Total Net Proved and Probable Reserves: 4.48 MMBOe**

Target Energy Limited's ("Target") 30 June 2017 share of proven oil reserves at Fairway have been assessed at 3.19 million barrels of oil equivalent (MMBOe), according to a recent independent Reserves Estimate.

The Fairway Reserves Report was commissioned by Target Energy Limited and conducted by Midland, Texas-based independent consultant Robert S. Lee of Lee Engineering ("Lee"), in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. A summary of the results and further details are included in the Appendix.

Commenting on the results, Target Energy's Managing Director Laurence Roe said: "The Company is pleased to note an 11% increase in proven reserves in comparison to our 2016 audit along with an additional 1.288 MMBOe in Probable Reserves. The increase in reserves reflects a stabilisation in existing production along with advances in horizontal drilling."

For and on behalf of TARGET ENERGY LIMITED



Laurence Roe
Managing Director

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APPENDIX 1

The following table provides Target's net interest in the Fairway Project based on Lee's reserve estimates. Methodology is described below. Lee was not asked to assess the contingent or prospective resource potential of the Fairway Project. The Operator of the project is Trilogy Operating, Inc. Leases are described in Table 2. Additional drilling is required to develop the leases.

Category	Fairway TEX Net Reserves		BOE
	Oil (bbls)	Gas (Mscf)	(BOe)
Proved Developed Producing (PDP)	67,500	171,800	96,133
Proved Developed Not Producing (PDNP)	277,800	568,133	568,133
Proved Undeveloped (PUD)	2,163,800	2,527,991	2,527,991
Total Proved Reserves (1P)	2,509,100	3,192,257	3,192,257
Probable	1,104,700	1,288,817	1,288,817
Total Proved & Probable Reserves (2P)	3,613,800	4,481,074	4,481,074
Possible	0	0	0
Total Proved, Probable & Possible Reserves (3P)	3,613,800	4,481,074	4,481,074

Table 1: Target Energy Net Fairway Reserves – 30 June 2017

Notes:

- Reserves are stated net to Target's working interest and after deductions for royalty payments.
- All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.
- Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation.
- "bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively
- "boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil
- "M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet
- Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.

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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

**subject to completion of lease extensions*

Table 2: Fairway Lease-holding 30 June 2017

Reserves Evaluator

Estimates of the Petroleum Reserves for the Fairway project in this report were prepared by Mr Robert. S. Lee (P.E.) for Lee Engineering ("Lee"). The effective date of the estimates is 30 June 2017. Mr Lee is a licensed Professional Engineer in the State of Texas and is a member of the Society of Petroleum Engineers (SPE). He has over 40 years' experience in the sector and consents to the information in the form and context in which it appears. Mr Lee is not employed by Target Energy.

Neither Lee Engineering, nor any of its employees has any interest in Target, in related entities, or in the subject properties. Lee is independent with respect to Target as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither the employment to make this review nor the compensation is contingent on Lee's estimates of reserves and future income for the subject properties.

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Methodology

The reserve categories analyzed for this report are Proved Developed Producing, Proved Developed Non-Producing, Proved Undeveloped and Probable. These leases are located in Glasscock and Howard Counties, Texas. Trilogy Operating, Inc operates these properties. Estimates of future oil and gas production attributable to the various interests are projected as of June 30, 2017.

Information furnished by Fairway operator, Trilogy Operating, Inc. or used in calculations for this analysis included ownership interests, product prices, price differentials, lease operating expenses, production data and other factual data used in this report. All data has been reviewed for reasonableness and, unless obvious errors were detected, has been accepted as correct. No attempt was made to verify actual ownership of the interests appraised.

All estimated reserves contained in this report are expressed as gross and net reserves on all properties. The reserves and values reflected in this report and shown in Table 3 are presented on a 100% Working Interest basis for the properties. From these, Target Energy then derived the reserves and values “net to Target interests” as shown in Table 1. Values for reserves are expressed in terms of future net revenue and present worth of future net revenue. Future net revenue is defined as revenue accruing to the appraised interests from production and sale of the estimated net reserves after deducting production taxes, ad valorem taxes and operating expenses. No plugging costs or salvage values were considered in this evaluation, nor was any consideration given to Federal income tax. Present worth is defined as the future net revenue discounted at a set discount rate compounded annually. The reserve categories conform to those classifications defined by the Society of Petroleum Engineers.

The product pricing for this report is 60.00 \$/Bbl and 2.50 \$/MCF and remain constant. Adjustments were made to prices based on historical differentials due to product quality or transportation. The initial average price of oil and gas in this analysis was 55.19 \$/Bbl and 2.95 \$/MCF. The lease operating costs used are based on actual costs for these properties. The oil prices, gas prices and lease operating costs were not escalated for this analysis.

Based on the aforementioned parameters and projections of the appraised properties, the Fairway properties yield the following reserves of oil and gas (100% WI, net of royalties) as of 30 June 2017:

Category	Fairway Net Reserves	
	Oil (bbls)	Gas (Mscf)
Proved Developed Producing (PDP)	156,650	358,110
Proved Developed Not Producing (PDNP)	574,570	3,571,490
Proved Undeveloped (PUD)	4,236,670	4,289,880
Total Proved Reserves (1P)	4,967,890	8,219,480
Probable	2,149,120	2,149,120
Total Proved & Probable Reserves (2P)	7,117,010	10,368,600
Possible	0	0
Total Proved, Probable & Possible Reserves (3P)	7,117,010	10,368,600

Table 3: Fairway Net Reserves – 30 June 2017

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PDP RESERVES

Proved Producing (PDP) reserves for this evaluation were estimated based on analyzing the established historical decline curves. The LOE is based on historical costs.

PDNP RESERVES

An evaluation was performed on the Target wells for Proved Developed Non-Producing Behind Pipe (PDNP) Wolfberry reserve potential. The reserves for these behind pipe zones are based on offsetting analogous wells. Expected capital to develop these reserves are US\$325,000/well.

PUD RESERVES

Horizontal Wolfcamp/Spraberry Wells

There are Horizontal Wolfcamp and Spraberry wells throughout the area. The reserves for these potential well locations are based on expected EURs from nearby horizontal wells. The expected cost is US\$5,000,000 based on recent AFEs received by Trilogy.

PROBABLE RESERVES

Horizontal Wolfcamp/Spraberry Wells

The leases nearest the Fairway Project Acreage are developed with five horizontal wells per section. In other areas with more development there are eight wells per section. The Probable wells are based on increasing the well density from five wells per section to eight wells per section. The reserves for these potential well locations are based on expected EURs from nearby horizontal wells. The expected cost is US\$5,000,000 based on recent AFEs received by Trilogy.

All oil reserves are expressed in United States barrels of 42 gallons, and natural gas reserves are expressed in thousand standard cubic feet (MCF) at the contractual pressure and temperature bases.

A physical inspection was not made of the properties. Hazardous substances or detrimental environmental conditions could possibly exist on or around the properties that could negatively affect the estimated value. A qualified environmental expert would be needed to identify such substances or conditions. Since Lee is not an expert in that field and generally does not visit the property site when making an engineering evaluation, the value estimated in this report is based on the assumption that the property is not adversely affected by the existence of said hazardous substances or detrimental environmental conditions.

This study was performed using industry-accepted principles of engineering and evaluation that are predicated on established scientific concepts and in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. However, the application of such principles involves extensive judgment and assumptions and is subject to changes in performance data, technical knowledge, economic conditions and statutory provisions. Consequently, reserve estimates are furnished with the understanding that some revisions will probably be required in the future.

Lee reserves the right to alter the calculations of the resulting reserves and future net revenue discussed in this report if corrections to this data are subsequently required.