

Quarterly Report for the quarter ending 31 December 2018

1. Operations

Texas

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

- **Divestment Program**

On 21 December 2018, Target Energy completed its divestment of its West Texas Fairway asset to Fairway Energy Limited as part of the Company's re-capitalisation program (refer Section 5). The effective date of the divestment was 7 December 2018.

2. Production (1 September – 7 December, 2018)

Project	TEX WI	Gross Gas Prod'n in Period (mmcf)	Cumulative Gross Gas Prod'n (mmcf)	Net Gas Prod'n in Period (mmcf)	Cumulative Net Gas Prod'n (mmcf)	Gross Oil Prod'n in period (BO)	Cumulative Gross Oil Prod'n (BO)	Net Oil Prod'n in Period (BO)	Cumulative Net Oil Prod'n (BO)
Fairway	33%-60%	16.6	600.2	8.6	323.5	6,413	282,961	3,006	149,212
Total		16.8	600.2	8.6	323.5	6,413	282,961	3,006	149,212

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 Divested

Target Energy Leaseholdings	Divested 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 SW/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%	160.0	96.0
	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%	160.0	54.0
	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
Total						2203.9	1072.9

Target Energy's West Texas leaseholdings (Fairway Project) were divested on 7 December 2018.

4. Corporate

4.1. Recapitalisation

On 27 September, 2018 the Company announced that it had entered into a binding agreement ("Agreement") to restructure and recapitalise the Company. Under the Agreement, Target agreed to sell 100% of its interests in the Fairway Project to Fairway Energy Limited ("Fairway Energy", FEL") and to recapitalise all other secured debt. Details of the program are shown below.

The Agreement was subject to shareholder, Convertible Noteholder and regulatory approvals, including approval under Listing Rule 11.2.

- On 28 September 2018, a meeting of Convertible Noteholders approved the Agreement;
- On 5 November 2018, a general meeting of shareholders approved the Agreement;
- On 21 December 2018, the Agreement was executed.

Agreement Summary

- Divestment of the Fairway Project to Fairway Energy Ltd in exchange for extinguishing:
 - 90% of the face value of the existing Convertible Noteholder debt, equating to approximately \$8.07M
 - 100% of the Accrued Interest on the Convertible Noteholder debt, equating to approximately \$1.68M
- Conversion of remaining Convertible Noteholder debt (10%), existing Secured Loans (100%) and 25% of outstanding Director's fees, totalling approximately \$3.77M, into Target shares at \$0.001 per share (pre-consolidation basis)

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- The current litigation, in relation to the Fairway Project, remains with Target.

Subsequent to the recapitalisation, the Company undertook a 40:1 consolidation. Advice regarding post-consolidation holdings was posted to shareholders on 7 January 2019.

The Company now plans to undertake a capital raising of approximately \$0.5M at an issue price of \$0.04 per share (i.e. on a post-consolidation basis) ("Capital Raising"). Further advice regarding the Capital Raising will follow in due course. Funds raised will be used primarily to cover ongoing costs of Target including administrative expenses and costs of advisers and personnel and other costs in identifying and progressing a new transaction to assist the Company in obtaining re-quotations of the Company's securities on ASX.

The Company's securities will remain suspended from ASX until the Company acquires a new undertaking and, if required, re-complies with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

4.2. Top 20 Shareholders (16 Jan 2019; post-consolidation)

TEX Top 20 (includes all holdings)		Units	%
1	INVESTMET LIMITED	61,103,333	48.29%
2	WYLLIE GROUP PTY LTD	18,036,721	14.25%
3	LITTLE BRETON NOMINEES PTY LTD	7,057,493	5.58%
4	GUNZ PTY LTD	3,812,199	3.01%
5	PETROE EXPLORATION SERVICES	1,660,678	1.31%
6	GDR PTY LTD	1,435,347	1.13%
7	MR ANDREW WILLIAM SPENCER	1,356,098	1.07%
8	NEW HIGHLAND PTY LTD	1,250,000	0.99%
9	MICHAEL FOTIOS	1,062,097	0.84%
10	BOTSIS HOLDINGS PTY LTD	1,000,000	0.79%
11	THOMAS ALLAN PATTERSON	1,000,000	0.79%
12	MR STEPHEN JAMES MANN	959,895	0.76%
13	SPRING EAGLES FARM INC	724,238	0.57%
14	PERTH SELECT SEAFOODS PTY LTD	677,990	0.54%
15	MR DAMIAN MARIO CIFONELLI	600,000	0.47%
16	HSBC CUSTODY NOMINEES	597,511	0.47%
17	MR STEVEN ROBERT STEELE MCALPINE & MRS SANDRA LYNN MCALPINE	585,833	0.46%
18	MR PHILIP COLIN HAMMOND & Ms BETTY JEAN MOORE	575,000	0.45%
19	MS BETTY JEANETTE MOORE & Mr PHILLIP COLIN HAMMOND	550,000	0.43%
20	BODA INVESTMENTS PTY LTD	500,000	0.40%
Total Top 20		104,044,433	82.22%
Total All Units		126,547,060	100.00%

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4.3. Financing

The Company secured a A\$500,000 loan facility with Michael Fotios and associated entities on 21 December 2018. The loan has a maturity date of 30 June 2019 and an interest rate of 10% per annum.

4.4. Legal

In July 2017, Target's wholly owned subsidiary TELA Garwood LP ("TELA Garwood") commenced legal action in Harris County Texas against Trilogy and one of its former officers and directors. The suit alleges Breach of Contract, Fraud and Violations of the Texas Deceptive Trade Practices–Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain lease-holdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood as a consequence. The action is ongoing.

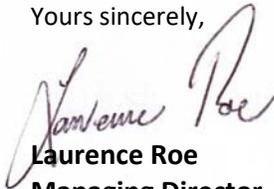
4.5. Director Resignation

On 31 December 2018, the Company accepted the resignation of Stephen Mann, a non-executive director.

The Company notes that it does not presently have the minimum number of directors as required by the Corporations Act and is actively working to secure and appoint a new director as soon as possible.

For further information, the company can be contacted at Texadmin@targetenergyusa.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 35 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 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(9)	(9)
(b) development	-	-
(c) production	-	-
(d) staff costs	(17)	(27)
(e) administration and corporate costs	(330)	(427)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(357)	(463)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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	378	478
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	378	478

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2	7
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(357)	(463)
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)	378	478

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	23	22

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	23	2
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)	23	2

6. Payments to directors of the entity and their associates

Current quarter \$A'000

6.1 Aggregate amount of payments to these parties included in item 1.2

37.5

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Nil

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Fees payable to non-executive directors were partially paid during the quarter
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7. Payments to related entities of the entity and their associates

Current quarter \$A'000

7.1 Aggregate amount of payments to these parties included in item 1.2

Nil

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Nil

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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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	500	0
8.2 Credit standby arrangements		
8.3 Other (please specify)		
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 M Fotios and associated entities, \$500,000, 10% pa, 30 June 2019. Loan is secured by future proceeds received by Target as a result of its current legal action in the US.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	119
9.5 Administration and corporate costs	376
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	495

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	BOA lease; S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey; Howard Co, Tx, USA	Working interest	50%	Nil
	BOA North lease; S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey; Howard Co, Tx, USA	Working interest	50% – 55.5556%	Nil
	Darwin lease; S44 N/2 & SW/4, Block 33, T-1S, A-1292, T&P RR Survey; Howard Co, Tx	Working interest	50% – 60%	Nil
	Ballarat lease; S 184 and 185, BI 28, A-815 and A-A483, W&NW Survey; Glasscock Co, Tx	Working interest	55.5556%	Nil
	Taree lease; W/2 S193, BI 28, A-815 and A-A483, W&NW Survey; Glasscock Co, Tx	Working interest	60%	Nil
	Sydney leases; E/2 & NW/4 S 188 Block 29 A-170 W&NW Survey; Glasscock Co, Tx	Working interest	33.75% - 43.13%	Nil

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		Wagga Wagga leases; E/2 S221, Block 29, A-496; W&NW RR Co Survey; Glasscock Co, Tx	Working interest	35% - 38.889%	Nil
		Ballarat West leases; part NW/4 of S185, B1 29, W&NW RR Co. Survey; Glasscock Co, Tx	Working interest	50%	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: 30 January 2019

Print name: Laurence Roe

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.