

ASX Announcement

8 May 2015

Corporate Update

- Oil price continues climb – peaking this week over US\$60 per barrel
- Entitlement Issue underway to raise app \$5m – issue closes on 15 May
- Underwriting secured for approx. \$2.9m with strong support from directors and major shareholders
- Shareholders have the opportunity to subscribe for 5 new fully paid ordinary shares for every 3 existing shares at an issue price of A\$0.006 per share and may apply for additional shares
- Issue also includes one free attaching option to acquire a share, priced at \$0.012, for every two new shares issued

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

Capital Raising

The Company has a Partially Underwritten Rights Issue currently underway - a copy of the Prospectus is available on the Target Energy website and is being mailed to eligible shareholders.

Eligible shareholders will be able to subscribe for 5 new fully paid ordinary shares in Target (**Shares**) for every 3 existing Shares they hold at the Record Date (as set out in the timetable below) at an issue price of A\$0.006 per share, together with one free attaching option to acquire a Share for every two Shares issued (**New Option**). The New Options will have an exercise price of \$0.012 and an expiry date of 28 February 2017. Shareholders can apply for Shares in excess of their entitlement.

As the rights issue is renounceable, shareholders can trade their rights. Trading in listed rights under the ASX code TEXR ceases today.

Funds raised from the Entitlement Issue will be used to address payables, provide working capital and to potentially allow the Company to undertake an asset optimisation program.

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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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. Note also that Target reports a thermal equivalent when combining gas and oil production, where 1 BOE = 6 mcf.



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Target's Managing Director, Laurence Roe commented, "We are pleased to see the oil price continue its upward climb. The sharp drop in drilling activity this year - particularly in the United States - foreshadows a cutback in production which will help balance supply and demand and should continue to provide support for commodity prices.

"The current Entitlement Issue, we believe, provides an excellent opportunity for shareholders to take further advantage of the exposure the Company has to the prolific Permian Basin in West Texas."

Legal

As advised to the market on 12 February 2015, Target subsidiary TELA Garwood LP ("TELA Garwood") has filed a lawsuit in the District Court of Harris County (Houston), Texas 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 ("PSA").

TELA Garwood has also filed suit against the individual directors of Victory for their roles in Victory causing Aurora to breach its obligations under the PSA. In an effort to deflect TELA Garwood's claims, Victory and Aurora have recently filed counterclaims which TELA Garwood plans to vigorously oppose. In the meantime, Target has also served Victory and Aurora with the first request for production of relevant documents.

Managing Director Laurence Roe stated, "The litigation process is moving forward. There is no merit in their spurious and unfounded counterclaims and it remains our intention to hold Victory and Aurora accountable for the damages suffered by TELA Garwood as a result of Aurora's breach of its obligations under the PSA."

ENDS

For and on behalf of TARGET ENERGY LIMITED

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

Managing Director