ASX Announcement

9 January 2014

Fairway Operations Update

- **Sydney #2 and Wagga Wagga #1 well completions imminent**
- **Extreme cold weathers affects production**

US focused oil and gas producer Target Energy Limited ("Target") is pleased to provide an operation update on its Fairway Project.

Sydney #2

On 10 December 2013 Target announced that it had encountered a Fusselman reservoir in its Sydney #2 well which appears thicker and possessing better reservoir properties than the nearby producing well, Sydney 1. Well log analysis has provided further indications that the Fusselman reservoir present in Sydney #2 could be very productive. Preparations for the completion of the Sydney # 2 well is complete with perforation and flow testing of the Fusselman formation expected to take place next week.

Wagga Wagga #1

The Fairway Project partners designed the well completion program in December 2013 but were unable to effect the completion due to poor weather (note below). Completion procedures at Wagga Wagga #1 are now expected to commence after the Sydney #2 program. Initial testing will be on the deeper Ellenburger and Fusselman/Devonian sections.

Temporary weather related issues

Extreme winter weather in the Permian Basin area experienced in early December last year has persisted into 2014 and led to downtime on some of Target's leases. While the final value of oil and gas sales during December 2013 is not known at this point, we expect lower monthly sales than prior months. Oil and gas production in early January 2014 has also been affected by poor weather but work is underway to restore production capacity.

Corporate information

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Chris Rowe, Chairman
Laurence Roe, Managing Director
Stephen Mann, Director
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Target Managing Director Laurence Roe commented, "Between ice storms in December and now the effect of one of the coldest Arctic outbreaks in two decades, it has been a challenging time for producers in West Texas, not to mention for folks elsewhere in the US. However, it does appear the extreme weather is now easing and we should see an end to the power outages and pipeline freeze-ups we have been experiencing.

"We are also now looking forward to completing and testing the Sydney #2 and Wagga Wagga #1 wells and placing them on stream. Both had encouraging signs while drilling, including strong oil shows.

"Target's 2014 outlook remains positive with our plans to step up our rate of drilling at Fairway. We expect that the planned nine wells - along with Sydney #2 and Wagga Wagga #1 - will contribute materially to production, cash flows and in time reserves."

ENDS

For and on behalf of TARGET ENERGY LIMITED

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.

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