

Quarterly Report for the quarter ending 31 December 2015

1. Operations

Texas

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

- **Partial Sale of Interest in Fairway Project**

On 31 December 2015, the Company, through TELA Garwood Limited LP (a wholly-owned subsidiary of Target Energy Limited) completed a sale of its interests in the Homar well and associated leases in its West Texas Fairway project.

TELA Garwood Limited LP held a 55.555556% Working Interest (WI) in the Homar #1 well and associated 100 acre tract and a 60% WI in the 160 acre Homar (Robb) Tract (the “Robb Tract”).

A cash offer was received for these interests along with a provision to pay additional consideration for those leases in the Robb Tract which the Operator can, prior to 1 April 2016, obtain an 18 month extension to the primary term of the lease. The final consideration received will be subject to the number of lease extensions actually obtained in the Robb Tract prior to 1 April 2016.

Approval was secured for the sale from the Company’s Convertible Noteholders on 29 December 2015. The sale closed on 31 December 2015. The net total received by Target was US\$747,555. Of that amount US\$497,555 was immediately applied to amounts outstanding to the operator and the balance of proceeds applied to the Company’s general working capital. The funds applied to working capital were not received by Target until 5 January 2016 and are not reflected in the closing cash balance at 31 December 2015.

Up to a further US\$288,000 (before costs) will be paid to the Company, subject to additional lease extensions being received prior to 1 April 2016. These funds will be applied in the first instance to remaining amounts outstanding to the operator.

- **Drilling / Workovers**

No new drilling operations were undertaken in the Quarter. Workovers were undertaken at wells in the Darwin, Taree and BOA leases

- **Leasing**

Discussions continue for the extensions of leases in Bunbury, Sydney (part) and Ballarat (part).



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Merta Project – Wharton County (Target 25% WI)

- **Sale of Interest**

As previously advised, the Company sold its interests in the Merta #1 well on 1st October 2015.

Louisiana

East Chalkley, Cameron Parish (Target 35% WI)

The Pine Pasture #3 well remained shut in for most of the reporting period to address pump problems.

Section 28 Project, St Martin Parish (Target 25% WI)

The SML A-2 and SML A-3 wells have been shut-in following declining production.

The partners have received and have accepted, in principle, a proposal to sell the interests in the wells in return for the purchaser accepting the plugging and abandonment liabilities for the wells. It is expected that the sale of the assets will close in February 2016.

2. Production (1 Oct – 31 Dec 2015)

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)
Section 28	25%	13	2,510	3	628	221	92,128	55	23,032
E. Chalkley*	35%	0	61	0	22	12	115,833	4	40,542
Merta	25%	-	473	-	118	-	5,596	-	1,399
Fairway	35%-60%	17	369	9	208	7,755	197,474	3,901	109,011
Total		30	3,413	12	975	7,988	411,032	3,961	173,984

*estimated

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

Target Energy	Leaseholdings			Depth Limits	TEX WI	Gross acres	Net acres	
	Lease Name	County / Ph	Description					
Fairway	BOA	Howard	S12 S/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0	
	BOA North	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0	
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.0%	320.0	160.0	
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.0%	160.0	96.0	
	Bunbury	Howard	S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey	None	60.0%	*918.0	550.8	
	Ballarat		Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	50.0%	160.0	80.0
			Glasscock	S184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*195.7	117.4
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	*320.0	192.0	
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	60.0%	160.0	96.0	
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	51.2%	*320.0	163.9	
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.0%	440.0	264.0	
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0	
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0	
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.0%	123.9	62.0	
	Section 28							
SML #A-1, #A-3	Production Unit	St Martin Ph		None	25%	40.0	10.0	
SML #A-2	Production Unit	St Martin Ph		None	25%	40.0	10.0	
East Chalkley								
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35%	714.9	250.2	
<i>*subject to completion of lease extensions</i>					Total	4872.5	2484.3	

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4. Lease Holdings Divested in Reporting Period

Target Energy Divested Leaseholdings							
	Lease Name	County / Ph	Description	Depth Limitations	TEX WI	Gross acres	Net acres
Fairway	Homar	Howard	SE/4 S24 Bl 35 A-1640; T&P RR Co Survey	None	55.555556%	100.0	55.6
	Homar (Robb)	Howard	SW/4 S26 Bl 35 A-1415; T&P RR Co Survey	None	60.000000%	160.0	96.0
Merta	Merta No. 1						
	Well Gas Unit		S3 A-219 International and Great Northern	7,650 ft -			
	No. 2	Wharton	RR Co Survey	7,880 ft	25%	303.0	75.7
Total						563.0	227.3

5. Corporate

5.1. Convertible Notes

On 29 December 2015 a meeting of Noteholders approved the sale of the Homar well and associated leases from the Company's Fairway project in West Texas.

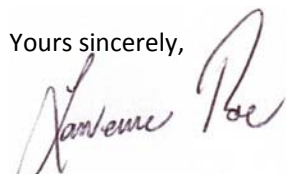
5.2. Legal

Legal action by Target subsidiary TELA Garwood LP ("TELA Garwood") continues 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.

TELA Garwood has amended and refiled its Motion for Summary Judgement, which is now scheduled to be heard on 5th February 2016.

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, 01/05/2013

Name of entity

TARGET ENERGY LIMITED

ABN

73 119 160 360

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	227	460
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(163)	(264)
(c) production	(77)	(278)
(d) administration	(334)	(661)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(93)	(182)
1.6 Income taxes paid		
1.7 Other (provide details if material)	4	8
Net Operating Cash Flows	(436)	(916)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:	61	61
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	57
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	61	118
1.13 Total operating and investing cash flows (carried forward)	(375)	(798)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(375)	(798)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	194
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other	-	(16)
	Net financing cash flows	-	178
	Net increase (decrease) in cash held	(375)	(620)
1.20	Cash at beginning of quarter/year to date	690	907
1.21	Exchange rate adjustments to item 1.20	(6)	22
1.22	Cash at end of quarter ¹	309	309

1. This excludes proceeds from disposal of Homar Well. Part proceeds of US\$250,000 were received on 5 January 2016.

The balance of the proceeds was applied to the amount owing to the project operator.

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	41
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors' salary and superannuation	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	8,971
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	126
4.3	Production	85
4.4	Administration	233
Total		444

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	309	690
5.2 Deposits at call	-	-
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	309	690

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Merta No.1 Well Gas Unit No.2, Wharton Co, Tx	Working Interest	25%	-
		Homar leases. Howard Co, Tx	Working Interest	55.55556%	-
		Robb Leases, Howard Co, Tx	Working Interest	60%	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺ securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,031,206,428	1,031,206,428		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	119,422,000 10% coupon, expiry 31 March 2017 (total \$5.97m)	-	5 cents	5 cents
	60,000,000 10% coupon, expiry 31 March 2017 (total \$3.0m)	-	5 cents	5 cents
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	265,759,522 1.2c, 28/2/17	265,759,522 1.2c, 28/2/17		
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	<i>Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



(~~Director~~/Company secretary)

Date: 29 January 2016

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.