

Quarterly Report for the quarter ending 31 March 2016

1. Operations

Texas

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

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

Further to the previously announced Homar sale, the Company received an additional US\$234,000 from the sale of leases in the “Robb” tract. This concluded the sale process; all funds were applied to amounts outstanding to the operator.

- **Divestment Program**

In February 2016, Target Energy Limited engaged global investment bank Canaccord Genuity (“Canaccord”) as adviser to the divestment of the Fairway Project (“Fairway”) in the Permian Basin, Texas.

Canaccord is working with Target and its partners to market Fairway and negotiate with counterparties. Over 24 companies have signed Confidentiality Agreements to gain access to the data room. Bids are expected shortly.

- **Drilling / Workovers**

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

- **Leasing**

The Company’s working interests in the BOA North #5, Ballarat 185 #1 and Wagga Wagga #2 wells increased by approximately 10% following the reallocation of interests in those wells.

Following payout, Apache Energy has exercised its rights as a non-drilling co-tenant to back-in to the Sydney #1 and #2 wells. Target now has a 43.125% working interest (WI) in Sydney #1 and a 33.75% WI in Sydney #2. The Company’s working interest in the balance of the Sydney leases remains unchanged, but future drilling in those leases will be subject to Apache’s rights to back-in after the wells pay out.

The operator has also advised that the undeveloped leases at the Bunbury prospect have not been renewed and as a second well was not drilled at the Ballarat prospect (due to the depressed oil prices), those leases have expired.



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Louisiana

East Chalkley, Cameron Parish (Target 35% WI)

The Pine Pasture #3 well remained shut in during the reporting period.

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

As previously advised, the partners received and accepted a proposal to sell the interests in all three wells in return for the purchaser accepting the plugging and abandonment liabilities for the wells. The sale of the assets, effective 1 January 2016, closed in February.

2. Production (1 Jan – 31 Mar 2016)

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%	-	2,510	-	628	-	92,128	-	23,032
E. Chalkley	35%	-	61	-	22	-	115,833	-	40,542
Fairway	33%-60%	19	388	10	217	7,901	205,375	3,933	112,944
Total		19	2,960	10	867	7,901	413,337	3,933	176,518

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	50.00%	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
	East Chalkley						
	Unit Agreement: CK W RA SU	Cameron Ph	S11, 13, 14 &15, T12S-R6W	8,000 ft - 10,000 ft	35.00%	714.9	250.2
<i>*subject to completion of lease extensions</i>					Total	3678.8	1732.2

4. Lease Holdings Divested in Reporting Period

Target Energy Divested	Leaseholdings			Depth Limits	TEX WI	Gross acres	Net acres
	Lease Name	County / Ph	Description				
Fairway	Bunbury	Howard	S102, S103 A-1405; S104 A-1495; Block 29 W&NW Survey	None	60.00%	918.0	550.8
	Ballarat	Glasscock	S184,S185, Bl 28, A-815 and A-A483, W&NW Survey	None	60.00%	195.7	117.4
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	16.87%	0.0	27.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	17.45%	0.0	27.9
	Section 28						
	SML #A-1, #A-3 Prodn. Unit	St Martin Ph		None	25.00%	40.0	10.0
	SML #A-2 Prodn. Unit	St Martin Ph		None	25.00%	40.0	10.0
Total					1193.7	743.1	

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5. Corporate

5.1. 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’s Motion for Summary Judgement was heard in Harris County on 14 April 2016. The Judge denied the motion (along with a competing motion by Aurora and Victory) and the suit will now proceed to trial, presently scheduled for August 2016.

The Judge also ruled that the Victory’s individual officers and directors should be dismissed from the lawsuit. TELA Garwood is filing a motion for reconsideration on this limited issue, as the Company believes the law strongly favours its position.

5.2. Cash Position

The Company has convertible notes on issue totalling approximately \$8.971 million which mature on 31 March 2017. Noteholders representing approximately 72% of these notes have agreed to assist the Company by deferring the requirement to pay interest on the notes thereby alleviating the Company’s expenditure requirements.

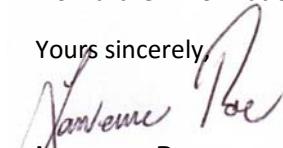
The Company has also reduced corporate overheads to a minimum level whilst the sale process is underway. Amongst other cost reductions, the Managing Director has agreed to a 60% reduction in his fees and the other directors have agreed to defer any fees owed to them for the time being.

In December 2015, the Company sold the Homar #1 well and 100 acres of production leases at Fairway along with 160 acres of undeveloped leases (“Robb Tract”). The sale netted US\$981,000 to Target, before costs. In February 2016, the Company appointed Canaccord Genuity as adviser to the divestment of the balance of Fairway. Canaccord is working with Target and its partners to market Fairway and negotiate with counterparties. The recent improvement in the oil price from a low in February 2016 of around US\$27/bbl to a trading range in the last 10 days of US\$40 - \$44/bbl has provided encouragement. Over 24 companies have signed Confidentiality Agreements to gain access to the data room. Bids are expected shortly.

The Company had cash resources at 31 March 2016 of \$217,000. At this time the most likely source of additional funding is from the sale of the Company’s remaining interests in Fairway. If a favourable outcome from the sale process cannot be achieved in the short term, the Company will be required to seek additional financing and/or seek to restructure the existing convertible notes.

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 March 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	135	595
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(571)*	(835)
(c) production	(652)*	(930)
(d) administration	(265)	(926)
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	(87)	(269)
1.6 Income taxes paid		
1.7 Other (provide details if material)	(5)	3
Net Operating Cash Flows	(1,445)	(2,361)
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:		
(a) prospects	1,358	1,419
(b) equity investments		
(c) other fixed assets	1	58
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	1,359	1,477
1.13 Total operating and investing cash flows (carried forward)	(86)	(884)

+ 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)	(86)	(884)
	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	(86)	(706)
1.20	Cash at beginning of quarter/year to date	309	907
1.21	Exchange rate adjustments to item 1.20	(6)	16
1.22	Cash at end of quarter	217	217

* Includes amounts received from the sale of Homar and Robb which were applied to amounts owed to the Fairway project operator during the March quarter.

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	21
4.3	Production	225
4.4	Administration	165
Total		411

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	217	309
5.2 Deposits at call	-	-
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	217	309

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	-	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-

+ 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: 30 April 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.