

ASX Announcement

28 July 2016

Target Energy Fairway Reserves Update

- **Net Proven Reserves of 2.87 million barrels of oil equivalent (MMBOe) at Fairway as of 30 June 2016**
- **2016 update reveals a 620% increase in Fairway 3P Reserves**

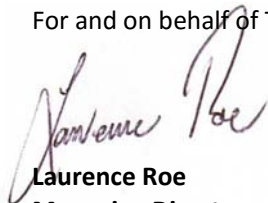
Target Energy Limited's ("Target") 30 June 2016 proven oil reserves at Fairway have been assessed at 2.87 million barrels of oil equivalent (MMBOe), according to a recent independent Reserves Estimate.

The Fairway Reserves Report was commissioned by Target Energy Limited and conducted by Midland, Texas-based independent consultant Robert S. Lee of Lee Engineering ("Lee"), in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. A summary of the results and further details are included in the Appendix.

Commenting on the results, Target Energy's Managing Director Laurence Roe said: "The Company is pleased to note the substantial increase in proven reserves in comparison to 2015. This represents a 620% increase in 3P Reserves over the 2015 update, with the 2016 study also upgrading previous Probable and Possible Reserves into the Proven Category.

"Recent horizontal drilling in the region provided new analog production data that for the first time allowed an assessment of (horizontal) Proved Undeveloped reserves in our leases. It also recognised the Proved reserves existing behind pipe in the Fairway wells."

For and on behalf of TARGET ENERGY LIMITED



Laurence Roe
Managing Director

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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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APPENDIX 1

The following table provides Target's net interest in the Fairway Project based on Lee's reserve estimates. Methodology is described below. Lee was not asked to assess the contingent or prospective resource potential of the Fairway Project. The Operator of the project is Trilogy Operating, Inc. Leases are described in Table 2. Additional drilling is required to develop the leases.

Category	Fairway TEX Net Reserves		BOE
	Oil (bbls)	Gas (Mscf)	(BOe)
Proved Developed Producing (PDP)	36,200	57,300	45,750
Proved Developed Not Producing (PDNP)	298,000	1,772,500	593,417
Proved Undeveloped (PUD)	1,907,800	1,928,600	2,229,233
Total Proved Reserves (1P)	2,242,000	3,758,400	2,868,400
Probable	0	0	0
Total Proved & Probable Reserves (2P)	2,242,000	3,758,400	2,868,400
Possible	0	0	0
Total Proved, Probable & Possible Reserves (3P)	2,242,000	3,758,400	2,868,400

Table 1: Target Energy Net Fairway Reserves – 30 June 2016

Notes:

- Reserves are stated net to Target's working interest and after deductions for royalty payments.
- All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.
- Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation.
- "bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively
- "boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy, i.e. 6000 cubic feet of gas = 1 barrel of oil
- "M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet
- Production quantities are measured at the leases via a sales meter (gas) or in oil storage tanks.

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Target Energy Leaseholdings							
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	50.0000%	320.0	160.0	
BOA North #4	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0000%	160.0	80.0	
BOA North #5	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	55.5556%	160.0	88.9	
Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.0000%	320.0	160.0	
Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.0000%	160.0	96.0	
Ballarat	Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	55.5556%	320.0	192.0	
Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0000%	320.0	108.0	
Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	43.1250%	440.0	264.0	
Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	33.7500%	160.0	56.0	
"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.0000%	160.0	62.2	
Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0000%	160.0	80.0	
Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	38.8889%	160.0	88.9	
Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.0000%	320.0	160.0	

**subject to completion of lease extensions*

Table 2: Fairway Lease-holding 30 June 2016

Reserves Evaluator

Estimates of the Petroleum Reserves for the Fairway project in this report were prepared by Mr Robert. S. Lee (P.E.) for Lee Engineering ("Lee"). The effective date of the estimates is 30 June 2016. Mr Lee is a licensed Professional Engineer in the State of Texas and is a member of the Society of Petroleum Engineers (SPE). He has over 40 years experience in the sector and consents to the information in the form and context in which it appears. Mr Lee is not employed by Target Energy.

Neither Lee Engineering, nor any of its employees has any interest in Target, in related entities, or in the subject properties. Lee is independent with respect to Target as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither the employment to make this review nor the compensation is contingent on Lee's estimates of reserves and future income for the subject properties.

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Methodology

The reserve categories analyzed for this report are Proved Developed Producing, Proved Developed Non-Producing and Proved Undeveloped. The Fairway leases are located in Glasscock and Howard Counties, Texas. Trilogy Operating operates these properties. Estimates of future oil and gas production attributable to the various interests are projected as of June 30, 2016.

Information furnished for this analysis by Fairway operator Trilogy Operating Inc. included ownership interests, product prices, lease operating expenses, production data and other factual data used in this report. All data has been reviewed for reasonableness and, unless obvious errors were detected, has been accepted as correct. No attempt was made to verify actual ownership of the interests appraised.

All estimated reserves contained in this report are expressed as gross and net reserves on all properties. Net reserves represent those reserves attributable to the appraised interest. Values for reserves are expressed in terms of future net revenue and present worth of future net revenue. Future net revenue is defined as revenue accruing to the appraised interests from production and sale of the estimated net reserves after deducting production taxes, ad valorem taxes and operating expenses. No plugging costs or salvage values were considered in this evaluation, nor was any consideration given to Federal income tax. Present worth is defined as the future net revenue discounted at a set discount rate compounded annually. The proved reserve category conforms to those classifications defined by the Society of Petroleum Engineers.

The product pricing for this report is a flat US\$51.44 /Bbl oil and US\$2.68 - \$4.21/MCF for gas. The lease operating costs used are based on actual costs for these properties. The oil prices, gas prices and lease operating costs were not escalated for this analysis.

Based on the aforementioned parameters and projections of the appraised properties, the Fairway properties yield the following reserves of oil and gas (100% WI, net of royalties) as of August 1, 2016:

Category	Fairway Net Reserves	
	Oil (bbls)	Gas (Mscf)
Proved Developed Producing (PDP)	87,530	128,560
Proved Developed Not Producing (PDNP)	613,630	3,630,460
Proved Undeveloped (PUD)	3,654,720	3,706,830
Total Proved Reserves (1P)	4,355,880	7,465,850
Probable	0	0
Total Proved & Probable Reserves (2P)	4,355,880	7,465,850
Possible	0	0
Total Proved, Probable & Possible Reserves (3P)	4,355,880	7,465,850

Table 3: Fairway Net Reserves – 30 June 2016

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PDP RESERVES

Proved Producing (PDP) reserves for this evaluation were estimated based on analyzing the established historical decline curves. The Lease Operating Costs are based on historical costs.

PDNP RESERVES

An evaluation was performed on the wells in the Fairway Area for Proved Developed Non-Producing Behind Pipe (PDNP) Wolfberry reserve potential. The reserves for these behind pipe zones are based on offsetting analogous wells. Expected capital to develop these reserves are US\$325,000 /well.

PUD RESERVES

Horizontal Wolfcamp/Spraberry Wells

There are Horizontal Wolfcamp and Spraberry wells throughout the area. The reserves for these potential well locations are based on expected EURs from nearby horizontal wells. The expected cost is US\$5 million /well based on recent AFEs received by Trilogy.

All oil reserves are expressed in United States barrels of 42 gallons, and natural gas reserves are expressed in thousand standard cubic feet (MCF) at the contractual pressure and temperature bases.

A physical inspection was not made of the properties. Hazardous substances or detrimental environmental conditions could possibly exist on or around the properties that could negatively affect the estimated value. A qualified environmental expert would be needed to identify such substances or conditions. Since Lee is not an expert in that field and generally does not visit the property site when making an engineering evaluation, the value estimated in this report is based on the assumption that the property is not adversely affected by the existence of said hazardous substances or detrimental environmental conditions.

This study was performed using industry-accepted principles of engineering and evaluation that are predicated on established scientific concepts and in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. However, the application of such principles involves extensive judgment and assumptions and is subject to changes in performance data, technical knowledge, economic conditions and statutory provisions. Consequently, reserve estimates are furnished with the understanding that some revisions will probably be required in the future.

Lee reserves the right to alter the calculations of the resulting reserves and future net revenue discussed in this report if corrections to this data are subsequently required.