



ASX Announcement

24 November 2016

Corporate Update

US-focused oil and gas producer, Target Energy Limited (“Target”) provides the following update:

Fairway Divestment

Earlier in the year 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. The Fairway properties were later included in a larger combined package, improving the overall marketability of the aggregated properties.

As announced previously, a cash offer for all properties in the package was received and remains subject to the bidder securing suitable finance and the receipt of any required regulatory approvals. The bidder, a private Texas-based firm, is continuing its due diligence program while Canaccord and the divesting parties review the bid in detail. A counter-offer has been made to the bidder.

While this negotiation is underway and until such time as the bidder and the divesting partners successfully conclude the drafting of a Purchase and Sale Agreement (PSA), the partners will continue to solicit offers from additional interested parties. No offer has been accepted by Target and its divesting partners at this stage.

Funding

Target’s major shareholder, an unrelated party and entities controlled by two of Target’s directors have agreed to make available a funding facility of \$305,000 (**New Secured Loans**) whilst a sale of the Fairway project is advanced and completed.

The New Secured Loans have been secured by a first ranking security interest over Target’s interest in the Fairway asset.

Target’s existing Series 1 Convertible Notes issued in 2014, with a face value of \$5,971,100 previously held a first ranking security interest over the Fairway project. This has now been sub-ordinated to a second-ranking security interest. The Series 1 Noteholders authorised the creation of additional security interests ranking ahead of the Noteholders to secure additional funding up to \$400,000 at the meeting of Noteholders held in September 2016.

Corporate information

ASX Code: TEX
OTCQX Code: TEXQY

Board of Directors

Chris Rowe, Chairman
Laurence Roe, Managing Director
Stephen Mann, Director

Rowan Caren, Company Secretary

ABN

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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 existing Series 2 Convertible Notes issued in 2014, with a face value of \$3,000,000, which are held by Wyllie Group Pty Ltd and the existing Directors' Secured Loans, with a loan value of \$145,000, together previously held a joint second-ranking security interest over Fairway. This has now been subordinated to an equal third-ranking security interest.

As a result of these changes, the priorities between the secured parties in relation to their respective security interests is now as set out below:

Ranking	Security Holder	Amount (\$)
First	New Secured Loans	\$305,000
Second	Series 1 Convertible Notes	\$5,971,100
Equal Third	Series 2 Convertible Notes (Wyllie Group)	\$3,000,000
Equal Third	Directors' Secured Loans	\$145,000

ASX Waiver

The Company advises that ASX has granted a waiver from ASX Listing Rule 10.1 to the extent necessary to permit the Company to:

1. Grant security over its interest in the Fairway Project in favour of Little Breton Nominees Pty Ltd (ACN 008 813 956) as trustee for The Little Breton Superannuation Fund A/C, Gunz Pty Limited (ACN 008 935 724) as trustee for the Gunz Superannuation Fund A/C and Wyllie Group Pty Ltd (ACN 008 763 120) ("Lenders") ("Security") pursuant to security documents relating to loans from these parties totalling \$295,000 ("New ASX Waiver Secured Loans") ("Security Documents"), without obtaining shareholder approval, on the following conditions.
 - a) The Security Documents include a term that if an event of default occurs and the Lenders exercise their rights under the Security, none of the Lenders nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security Documents, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lenders exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms

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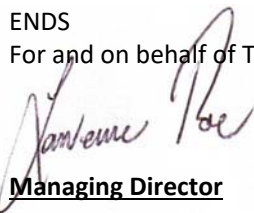
and conditions and distributing the cash proceeds to the Lenders in accordance with their legal entitlements.

- b) A summary of the material terms of the New ASX Waiver Secured Loans and Security Documents are made in each annual report of the Company during the term Security.
- c) Any variation to the terms of the New ASX Waiver Secured Loans or the Security Documents which are:
 - i. not minor changes; or
 - ii. inconsistent with the terms of the waiver,must be subject to shareholder approval.
- d) The Company must seek to discharge the Security when the funds advanced under the New ASX Waiver Secured Loans are repaid, or if it is not discharged, seek shareholder approval for the continuation of the Security for any further loan amount.
- e) The Company immediately releases to the market an announcement which sets out the terms of the waiver, and the Company's plans with respect to the repayment of the funds advanced under the New ASX Waiver Secured Loans and the discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur.

Pursuant to e) above, the Company advises that it plans to repay the funds advanced under the New ASX Waiver Secured Loans and discharge the Security once a sale of the Fairway Project is completed. The Company is directing all efforts to complete the sale in the first quarter of 2017.

ENDS

For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in dark ink, appearing to read "Jonathan Peck".

Managing Director