

## Quarterly Report for the quarter ending 30 June 2017

### 1. Operations

#### Texas

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

- **Divestment Program**

During the reporting period, Target Energy was advised that global investment bank CanaccordGenuity (“Canaccord”), adviser to the divestment of the Fairway Project (“Fairway”) in the Permian Basin, Texas, was closing its US oil and gas offices. This took place in early April, with the Fairway divestment process continuing, via a consulting arrangement with former Canaccord personnel, until 30 June 2017.

At this time Target and its partners are assessing options to continue the divestment process.

- **Drilling / Workovers**

No new drilling operations were undertaken in the Quarter.

- **Cash Flow**

Fairway Joint Interest Billing Statement Balance		
All in USD	Jun 2017 quarter	Mar 2017 quarter
Opening Balance of JIB	(788,836)	(772,264)
Revenues credited	143,434	158,750
Expenditure debited	(170,368)	(175,322)
Remittances to Target	-	-
Payments by Target <sup>1</sup>	787,074	-
<b>Closing Balance of JIB</b>	<b>(28,697)</b>	<b>(788,836)</b>

During the reporting period, Fairway operator Trilogy Operating Inc advised Target that until Target made payment of all outstanding monies owed to Trilogy, it was suspending Target’s rights under the Fairway Operating Agreement. On 7 July 2017 Target remitted US\$787,074 to Trilogy, clearing all past debts to Trilogy and restoring Target’s rights and good-standing status.

<sup>1</sup>While subsequent to the reporting period, the remittance was retrospectively included by Trilogy in their June 2017 JIB statement and is thus shown in the table.



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## Louisiana

### East Chalkley, Cameron Parish (Target 35% WI)

Target has secured an in-principle agreement with project operator Blue Ridge Mountain Resources (formerly Magnum Hunter Resources) to take over their interests in the properties at no cost, other than the obligation to assume plugging and lease clean up obligations. The Operator has applied for a further extension from the Louisiana Department of Natural Resources for the proposed timing of a work-over program to bring the field back into production. In the meantime, Target is continuing discussions with the mineral owners to secure the leases (which have technically lapsed) to complete the transaction with Magnum Hunter and to facilitate the future appraisal and development of the field.

### 2. Production (1 April – 30 June 2017)

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)
E. Chalkley	35%	-	61	-	22	-	115,834	-	40,542
Fairway	33%-60%	18	480	9	264	5,789	239,492	2,762	129,178
<b>Total</b>		<b>18</b>	<b>541</b>	<b>9</b>	<b>286</b>	<b>5,789</b>	<b>355,326</b>	<b>2,762</b>	<b>169,720</b>

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).

### 3. Lease Holdings

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	50.00%	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 <sup>1</sup>			<sup>1</sup> EC leases subject to renegotiation				
	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>					<b>Total</b>	<b>3678.8</b>	<b>1732.2</b>

## Quarterly Report for the quarter ending 30 June 2017

### 4. Corporate

#### 4.1. Re-Capitalisation

On 16 March 2017 the Company advised the market that it had reached agreement with a key investor to secure additional funding as part of the Company's planned recapitalisation program.

Target subsequently executed Agreements with Perth-based InvestMet Ltd ("InvestMet"), whereby InvestMet agreed to provide a debt facility of \$1,000,000, with an option to extend the facility by a further \$1,000,000. In addition, InvestMet agreed to participate in and co-ordinate a share placement at no less than \$0.0025 per share to raise a further \$645,000. This placement was to be completed under Target's placement capacity and would not require shareholder approval.

The InvestMet debt facility carries a 10% per annum interest rate, payable quarterly in arrears. Payment of interest may be made in shares at the Company's election and as required, subject to shareholder approval. Target will also issue to InvestMet 25 million options exercisable at \$0.0025 (1 year term) and 25 million options exercisable at \$0.0035 (2 year term), subject to shareholder approval. The debt facility is secured over the Company's interest in the Fairway project.

On 22 June, 2017 the Company advised that all requisite approvals had been received and that all relevant Agreements had been completed and executed. Since then the Company has drawn on A\$1.0m of debt funding and raised \$645,000 in the share placement described above. Of the total A\$1.645m, the Company had received \$410,000 by the end of the reporting period, with the balance received shortly thereafter.

For further information, please contact the company at [admin@targetenergy.com.au](mailto: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, 01/05/13, 01/09/16

### Name of entity

Target Energy Limited

### ABN

73 119 160 360

### Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12..months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	56
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production	-	-
(d) staff costs		
(e) administration and corporate costs	(201)	(815)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-	(65)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)	-	-
Proceeds from settlement of legal action	-	422
Litigation fees deducted from legal settlement	-	(257)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(201)</b>	<b>(659)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12..months) \$A'000
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	410	410
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(22)	(22)
3.5 Proceeds from borrowings	5	379
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	(34)	(34)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>359</b>	<b>733</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	4	88
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(201)	(659)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	359	733

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (..12..months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>162</b>	<b>162</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	162	4
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>162</b>	<b>4</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
82
Nil

Fees payable to non-executive directors continue to be deferred.  
Salary payable to the managing director was deferred between July and September 2016 but was paid together with the salary for April to June 2017 during the quarter. Total \$81,750.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
Nil
Nil

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	2,450	450
8.2 Credit standby arrangements		
8.3 Other (please specify)	8,971	8,971
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan from Petroe Exploration Services Pty Limited <Haaleroe Trust>, \$35,000, 10%pa, 31 March 2018, Equal third ranking security\* Amount drawn at quarter end \$35,000. Interest is currently being deferred.

Loan from Little Breton Nominees Pty Limited <CKG Rowe Family Trust A/c>, \$60,000, 10%pa, 31 March 2018, Equal third ranking security\* Amount drawn at quarter end \$60,000. Interest is currently being deferred.

Loan from Gunz Pty Limited <Gunz Superannuation Fund A/C>, \$50,000, 10%pa, 31 March 2018, Equal third ranking security\* Amount drawn at quarter end \$50,000. Interest is currently being deferred.

Loan from Little Breton Nominees Pty Limited <Little Breton Superannuation Fund>, \$70,000, 10%pa, 31 March 2018, Equal first ranking security\* Amount drawn at quarter end \$70,000. Interest is currently being deferred.

Loan from Spring Eagles Farm Inc, \$10,000, 10%pa, 31 March 2018, Equal first ranking security\* Amount drawn at quarter end \$10,000. Interest is currently being deferred.

Loan from Wyllie Group Pty Limited, \$200,000, 10%pa, 31 March 2018, Equal first ranking security\* Amount drawn at quarter end \$200,000. Interest is currently being deferred.

Loan from Gunz Pty Limited <Gunz Superannuation Fund A/C>, \$25,000, 10%pa, 31 March 2018, Equal first ranking security\* Amount drawn at quarter end \$25,000. Interest is currently being deferred.

Convertible Notes, Series 1, Various noteholders, \$5,971,000, 10%pa, 31 March 2018, second ranking security\* Interest was being deferred to 31 March 2017 and nil interest rate applies for period to repayment date.

Convertible Notes, Series 2, Wyllie Group Pty Limited, \$3,000,000, 10%pa, 31 March 2018, Equal third ranking security\* Interest was being deferred to 31 March 2017 and nil interest rate applies for period to repayment date.

Loan, Investmet Limited, \$2,000,000, 10% pa, 31 March 2018, Equal first ranking security\*. Amount drawn down at quarter end \$Nil. \$1,000,000 drawn down in July 2017. Balance of facility is available at Investmet's discretion.

Additional funding will be required to finance the Company's operations whilst a sale of the Fairway asset is secured and completed.

\* Security is over the Company's interest in the Fairway Project.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	
9.2 Development – Balance of Trilogy JIB, paid July 2017	1,000
9.3 Production	
9.4 Staff costs	40
9.5 Administration and corporate costs	280
9.6 Other (provide details if material)	
<b>9.7 Total estimated cash outflows</b>	<b>1,320</b>

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Nil		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		Nil		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Director/Company secretary)

Date: ...27 July 2017.....

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.