

Quarterly Report for the quarter ending 31 March 2018

1. Operations

Texas

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

- **Divestment Program**

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

- **Workovers**

Sydney #1

At Sydney #1, a 4-stage fracture stimulation of the lower Wolfberry section was performed on 1 March 2018. The stimulation covered an interval of 139 metres, using approximately 29,000 barrels of load water. To date approximately 37% of the load water has been recovered, with the well averaging 20 BOPD and 31 mcfgd with 134 BWPD in the first 10 days after being put back on pump (Table 1).

Well Reporting Summary – Sydney #1	
Name and Type of Well	Sydney #1, Oil & Gas producer
Well Location	Glasscock Co, Texas
Lease	NW/4 S 188 Block 29 A-170 W&NW Survey, Glasscock Co
TEX Working Interest	43.13%
Geological Rock Type	Wolfberry – carbonates, shales and minor sandstone
Depth of Zones Tested	2,783m – 2,922m
Type of Tests Undertaken	On pump after fracture stimulation
Duration of Tests Undertaken	10 days
Hydrocarbon Phases Recovered	Oil, Gas
Other recovery	1,336 Barrels of Load Water (total load now recovered: 37%)
Choke Size Used	On pump
Flow Rates	20 BOPD + 31 BWPD (17 – 26 Mar 2018)
Number of Fracture Stimulations	4 zones stimulated
Material Volumes of Non-Hydrocarbon Gases	Nil

Table 1



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Darwin #1

At the Darwin #1 well in Howard County, a 6-stage fracture stimulation was commenced on 28 March 2018, but has been suspended while a dislodged casing “patch” in the borehole is addressed. The dislodgement appears to have damaged the upper seals of the patch, which means sufficient pressure cannot be held in the borehole to perform further fracture stimulation (only a single stage had been fraced). The partners are in discussion to determine the best remedy to this situation.

Louisiana

East Chalkley, Cameron Parish

No activity.

2. Production (1 Jan – 31 Mar 2018)

Project	TEX WI	Gross Gas Prodn in Period (mmcf)	Cumulative Gross Gas Prodn (mmcf)	Net Gas Prodn in Period (mmcf)	Cumulative Net Gas Prodn (mmcf)	Gross Oil Prodn in period (BO)	Cumulative Gross Oil Prodn (BO)	Net Oil Prodn in Period (BO)	Cumulative Net Oil Prodn (BO)
E. Chalkley	35%	-	60.9	-	22.0	-	115,834	-	40,542
Fairway	33%-60%	18	540	9	293	6,465	260,606	2,957	138,816
Total		18	600	9	315	6,465	376,440	2,957	179,359

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	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%	160.0	96.0
	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%	160.0	54.0
	"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 ¹			¹ 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		714.9	
Total						3358.8	1336.9

4. Corporate

4.1. Re-Capitalisation

The Company received a conditional Letter of Financial Support on 29 September 2017 from InvestMet Limited confirming its intention to continue to participate in the proposed recapitalisation of the Company. The Letter further confirmed, subject to the completion of binding documentation regarding the proposal, InvestMet will continue to advance working capital to Target until the agreed recapitalisation program is completed.

The relevant documentation was completed and executed on 15 December 2017, with share trading in Target Energy then suspended – the Company will remain suspended until the recapitalisation process is complete.

The Company is preparing advice to the market detailing the proposed transaction and will release that advice in due course.

The recapitalisation will be subject to ASX Listing Rules, shareholder approval, noteholder approval and any relevant regulatory approvals.

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4.2. Convertible Notes

On 29 March 2018, a meeting of Convertible Noteholders was held at Target's offices in West Perth. The meeting approved a resolution to vary the Maturity Date of the Notes from 31 March 2018 to 30 September 2018.

In addition, all other Secured Lenders have agreed to extend their respective maturity dates to 30 September 2018.

The Company is appreciative of the ongoing support from all parties.

4.3. Legal

In July 2017, Target's wholly owned subsidiary TELA Garwood LP ("TELA Garwood") commenced legal action in Harris County Texas against Trilogy and one of its former officers and directors. The suit alleges Breach of Contract, Fraud and Violations of the Texas Deceptive Trade Practices–Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain leaseholdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood as a consequence. The action is ongoing.

For further information, the company can be contacted at Texadmin@targetenergyusa.com.

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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9..months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(1,113)
(b) development	-	-
(c) production	(782)	(914)
(d) staff costs	-	(44)
(e) administration and corporate costs	(294)	(463)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,076)	(2,534)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9..months) \$A'000
(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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	285
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	-	(12)
3.5 Proceeds from borrowings	1,142	2,272
3.6 Repayment of borrowings	-	(9)
3.7 Transaction costs related to loans and borrowings	(1)	(42)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,141	2,494

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6	113
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,076)	(2,534)
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)	1,141	2,493

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..9..months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	71	71

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	71	6
5.2	Call deposits		
5.3	Bank overdrafts	-	-
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	71	6

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	Nil
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Fees payable to non-executive directors were deferred during the quarter

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	Nil
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,722	2,722
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, 30 September 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, 30 September 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, 30 September 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, 30 September 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, 30 September 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, 30 September 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, 30 September 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, 30 September 2018, second ranking security* Interest was being deferred to 30 September 2018 and nil interest rate applies for period to repayment date.

Convertible Notes, Series 2, Wyllie Group Pty Limited, \$3,000,000, 10%pa, 30 September 2018, Equal third ranking security* Interest was being deferred to 30 September 2018 and nil interest rate applies for period to repayment date.

Loan, Investmet Limited, \$2,000,000, 10% pa, 30 September 2018, Equal first ranking security*. Amount drawn down at quarter end \$2,272,000. 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.

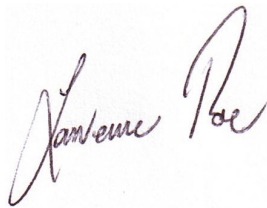
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	230
9.4 Staff costs	78
9.5 Administration and corporate costs	208
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	516

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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: 30 April 2018

Print name: Laurence Roe

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.