

Quarterly Report for the quarter ending 31 March 2015

- Partially Underwritten Entitlement Issue underway

1. Operations

Permian Basin, Texas

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

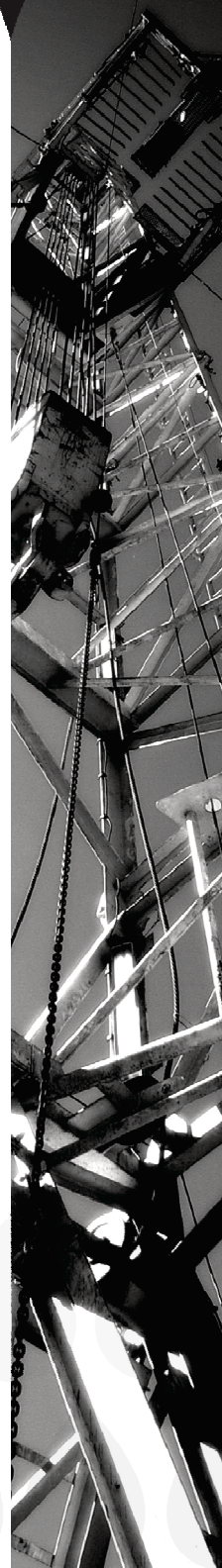
1.1.1. Completions

Darwin #4 (Target 60% WI)

Darwin #4 was completed for production in the Fusselman Carbonate. The well was perforated and acidised, then swabbed into production. Initial fluid entry was equivalent to 77 BPD, with a low oil cut (app 5%). The well was put on pump on 21 February 2015, recovering low volumes of fluid.

| Well Reporting Summary – Darwin #4 | |
|---|--|
| Name and Type of Well | Darwin #4, Oil Development Well |
| Well Location | Howard County, Texas |
| Lease Description | S44 S/2, Block 33, T-1S, A-1292, T&P RR Survey |
| TEX Working Interest | 60% |
| Geological Rock Type | Fusselman carbonates |
| Depth of Zones Tested | 3,040 m |
| Type of Tests Undertaken | Swab well after completion |
| Duration of Tests Undertaken | 24 hrs |
| Hydrocarbon Phases Recovered | Oil |
| Other recovery | Water |
| Choke Size Used | Open |
| Flow Rates | Average 3.2 BPH (77 BFPD) with 5% oil cut |
| Number of Fracture Stimulations | None |
| Material Volumes of Non-Hydrocarbon Gases | Nil |

Table 1



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1.1.2. Forward Program

2015 Drilling Program

In the light of the current commodity prices, the planned 2015 work program remains on hold.

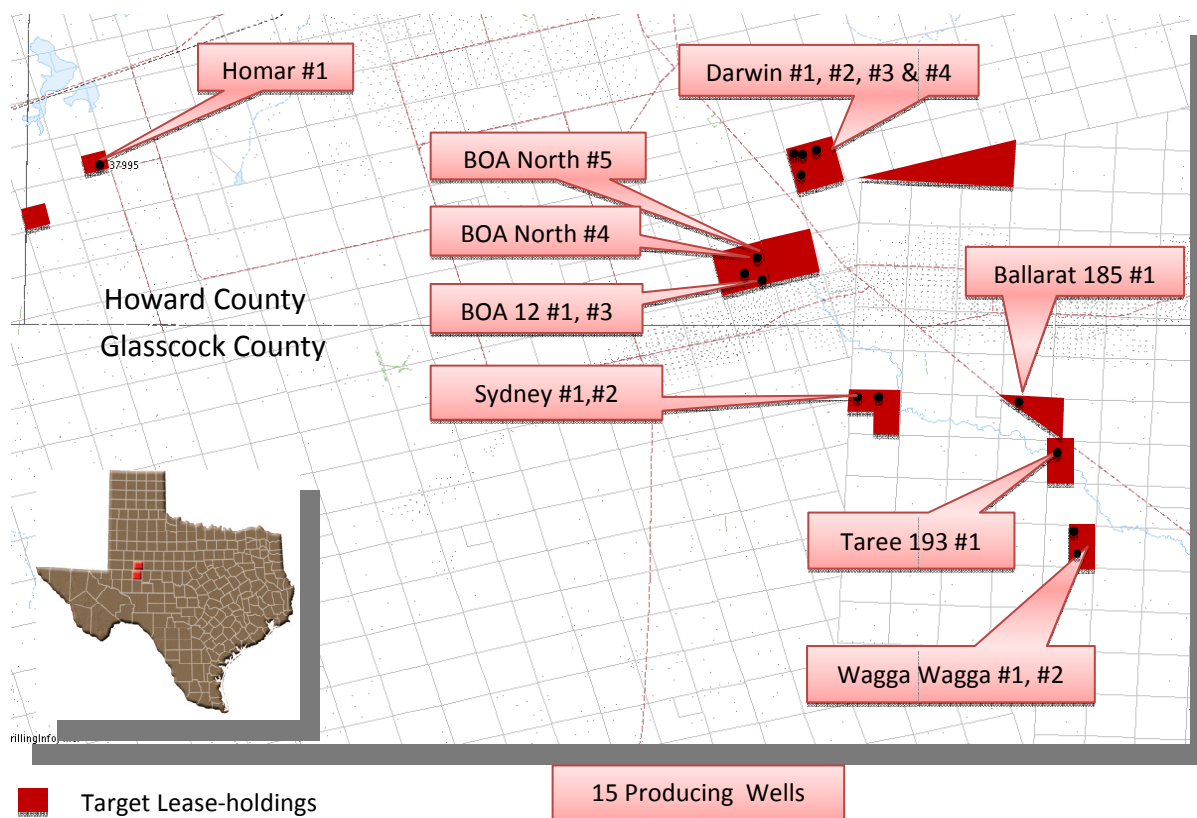


Figure 1: Target Energy Fairway Project lease-holdings.

1.1.3. Leases

Sydney Leases

As announced on 30 January 2015, the Company's interest in its Sydney #2 lease in Glasscock County (E/2 S188 Block 29 A-170; W&NW Survey) was reduced by 9% from 60% to 51%. The reduction came following an investigation in respect of CrownRock, LP and AED Group LLC interests in the Sydney #2 lease which confirmed that together they hold a 15% working interest in that lease. The Company and the Fairway Project operator, Trilogy Operating, Inc, have agreed that a transfer of a 6.43% interest in the Sydney #2 lease to the Company will provide full settlement of any re-allocation that may arise in relation to the Sydney leases. As a result, the Company expects its working interest in the Sydney #2 lease to increase to 57.43% and to remain at 60% in the Sydney #1 lease.

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The Company has been also been advised that, in lieu of securing a lease from Apache Energy Corporation (Apache) in the Sydney tracts (investigations revealed that Apache has an approximate 26% interest in the tracts - including the adjoining 160 acre Sydney #1 tract (NW/4 S 188 Block 29 A-170 W&NW Survey)), the operator is opting to treat Apache as a non-participating co-tenant in the Sydney #1 and #2 wells (i.e. a mineral owner that elects to not to participate in the execution of a lease but instead elects to be carried). Effectively, Apache is not obliged to participate in any operations, but will share in the profits after the other partners have recouped all drilling, completion and operating costs associated with the well ("after payout"). This will not affect the Company's working interest in the leases, but will reduce revenue after payout from any well in those leases by approximately 26%.

Louisiana

1.2. East Chalkley, Cameron Parish

1.2.1. Workovers

Workover operations have been completed at the company's East Chalkley field.

At Pine Pasture #3 the damaged pump and failed downhole filter screen were replaced - approximately 110 barrels of oil were recovered from the borehole during the workover process. The original electrical submersible pump was then replaced with a downhole jet pump and the well put back in production in early March 2015. The well initially recovered water (a large volume of water had been lost to the formation during the workover process), but is now producing oil (up to a 9.7% cut).

Remedial work was undertaken on the Pine Pasture #1 well, replacing damaged tubing.

2. *Production (1 Jan – 31 Mar 2015)*

| 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) |
|--------------|---------|---|--|---|--|---|--|---------------------------------------|--|
| Section 28 | 25% | 61.8 | 2,472.2 | 15.4 | 618.1 | 302 | 91,816 | 76 | 22,954 |
| E. Chalkley* | 35% | 2.0 | 60.0 | 0 | 21.0 | 195 | 115,706 | 68 | 40,497 |
| Merta | 25% | 13.0 | 446.2 | 3.2 | 111.6 | 104 | 5,545 | 26 | 1,386 |
| Fairway | 35%-60% | 28.5 | 299.5 | 14.6 | 171.5 | 15,064 | 168,844 | 7,474 | 94,675 |
| Total | | 105.2 | 3,277.9 | 33.3 | 922.1 | 15,665 | 381,911 | 7,644 | 159,512 |

**Wells were shut-in at East Chalkley for most of reporting period due to a work-over program.*

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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2. Lease Holdings

| Target Energy | Lease Name | County / Ph | Description | Depth Limits | TEX WI | Gross Acres | Net Acres |
|---------------------|---------------------------------|--------------|--|----------------------|--------|-------------|-----------|
| Fairway | BOA | Howard | S12 , Block 33 T-2S, A-1353, T&P RR Survey | None | 50% | 640.0 | 320.0 |
| | Darwin | Howard | S 44 N/2, Block 33, T-1S, A-1292, T&P RR Survey | None | 50% | 320.0 | 160.0 |
| | | | S44 S/2, Block 33, T-1S, A-1292, T&P RR Survey | None | 60% | 320.0 | 192.0 |
| | Bunbury | Howard | S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey | None | 60% | 918.0 | 550.8 |
| | Ballarat | Glasscock | S 184 and 185, Bl 28, A-815 and A-A483, Waco & Northwestern Survey | None | 50% | 160.0 | 80.0 |
| | | | S 184 and 185, Bl 28, A-815 and A-A483, Waco & NW Survey | None | 60% | 195.7 | 117.4 |
| | Taree | Glasscock | W/2 S193, Bl 28, A-815 and A-A483, Waco & NW Survey | None | 60% | 320.0 | 192.0 |
| | Sydney | Glasscock | NW/4 & E/2 S 188 Block 29 A-170 W&NW Survey | None | 51%* | 480.0 | 224.4 |
| | "Section 4" | Howard | S4, Block 32, T-2-S, A-1354 T & P RR Co Survey | None | 60% | 440.0 | 264.0 |
| | Homar | Howard | SE/4 S24 Bl 35 A-1538; T&P RR Co Survey | None | 50% | 100.0 | 50.0 |
| | Homar (Robb) | Howard | SW/4 S26 Bl 35 A-1415; T&P RR Co Survey | None | 60% | 160.0 | 96.0 |
| | Wagga Wagga | Glasscock | E/2 S221, Block 29, A-496; W&NW RR Co Survey | None | 35% | 305.0 | 106.8 |
| | Ballarat West | Glasscock | part NW/4 of S185, Bl 29, W&NW RR Co. Survey | None | 50% | 123.9 | 62.0 |
| Merta | | | | | | | |
| | Merta No. 1 Well Gas Unit No. 2 | Wharton | S3 A-219 International and Great Northern RR Co Survey | 7,650 ft - 7,880 ft | 25% | 303.0 | 75.7 |
| Section 28 | | | | | | | |
| SML #A-1, #A-3 | Production Unit | St Martin Ph | | None | 25% | 40.0 | 10.0 |
| SML #A-2 | Production Unit | St Martin Ph | | None | 25% | 40.0 | 10.0 |
| East Chalkley | | | | | | | |
| | Unit Agreement: CK W RA SU | Cameron Ph | S11, 13, 14 &15, T12S-R6W | 8,000 ft - 10,000 ft | 35% | 714.9 | 250.2 |
| *Interim adjustment | | | | | Total | 5580 | 2785 |

3. Corporate

3.1. Legal

On 12 February 2015, the Company announced that Target subsidiary TELA Garwood LP ("TELA Garwood") had filed a lawsuit in the District Court of Harris County (Houston), Texas against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora").

The 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 ("PSA"). Aurora and TELA Garwood completed a first closing on June 30, 2014, but failed to complete a second closing originally scheduled for July 31, 2014 as a result of Aurora's breaches of its obligations under the PSA.

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In addition to TELA Garwood's suit, in January 2015 the operator of the Fairway project also filed a law suit against Aurora, alleging Aurora's failure to pay invoices associated with a number of wells in the Fairway Project. While the suit remains underway, in February 2015 the operator has sought to recover Aurora's outstanding costs, pro-rata, from the other partners. The Company's share of these costs was approximately \$720,000 (US\$545,000). Target is contemplating amending its current suit to recover these funds from Aurora.

3.2. Capital Raising

3.2.1. Partially Underwritten Entitlement Issue

On 24 April 2015, Target Energy advised that it is undertaking a renounceable pro-rata entitlement issue (**Entitlement Issue**) to raise up to approximately A\$5m.

Eligible shareholders will be able to subscribe for 5 new fully paid ordinary shares in Target (**Shares**) for every 3 existing Shares they hold at the Record Date (as set out in the timetable below) at an issue price of A\$0.006 per share, together with one free attaching option to acquire a Share for every two Shares issued (**New Option**). The New Options will have an exercise price of \$0.012 and an expiry date of 28 February 2017.

Patersons Securities Limited (**Patersons**) has agreed to underwrite the first \$2.9m raised under the Entitlement Issue. Directors have agreed to convert their existing loans into Shares and New Options as part of the Entitlement Issue, thereby retiring over \$640,000 in company debt.

Funds raised from the Entitlement Issue will be used to address payables, provide working capital and to potentially allow the Company to undertake an asset optimisation program.

A copy of the prospectus can be viewed or downloaded from www.targetenergy.com.au

Key Dates for Entitlement Issue

| Event | Date |
|--|---------------|
| Lodgement of Prospectus with the ASIC | 24 April 2015 |
| Lodgement of Prospectus & Appendix 3B with ASX | 24 April 2015 |
| Notice sent to Shareholders | 28 April 2015 |
| Ex date | 29 April 2015 |
| Rights start trading | 29 April 2015 |
| Record Date for determining Entitlements | 1 May 2015 |

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| | |
|---|-------------|
| Prospectus sent out to Shareholders & Company announces this has been completed | 6 May 2015 |
| Rights stop trading | 8 May 2015 |
| Shares and New Options quoted on a deferred settlement basis | 11 May 2015 |
| Last day to extend the Offer* | 12 May 2015 |
| Closing Date | 15 May 2015 |
| ASX notified of under subscriptions | 19 May 2015 |
| Issue date/Shares and New Options entered into Shareholders' security holdings | 21 May 2015 |
| Quotation of Shares and New Options issued under the Offer* | 22 May 2015 |

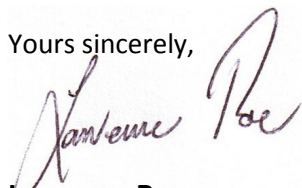
3.2.2. Secured Loans

During the quarter, entities associated with the Company's directors collectively advanced A\$0.5m in the form of secured loans to the Company. The loans are secured by a third ranking security charge over the Company's interest in the Fairway project. The loans will incur interest at the rate of 10%pa payable in arrears and are repayable on 31 March 2017.

The Company has entered into settlement and offset deeds to directly offset these loans via the subscription of shares and options under the Entitlement Issue.

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 2015 |
|---------------|

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | 577 | 2,111 |
| 1.2 Payments for (a) exploration & evaluation | - | - |
| (b) development | (990) | (9,282) |
| (c) production | (126) | (869) |
| (d) administration | (510) | (1,676) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 1 | 3 |
| 1.5 Interest and other costs of finance paid | (205) | (494) |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material) | | |
| Net Operating Cash Flows | (1,253) | (10,207) |
| 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 | - | 601 |
| (b) equity investments | | |
| (c) other fixed assets | | |
| 1.10 Loans to other entities | | |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | (3) | (57) |
| Security deposits released | 50 | 50 |
| Net investing cash flows | 47 | 594 |
| 1.13 Total operating and investing cash flows (carried forward) | (1,206) | (9,613) |

+ 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) | (1,206) | (9,613) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 2,041 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | 500 | 3,500 |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other | - | (54) |
| | Net financing cash flows | 500 | 5,486 |
| | Net increase (decrease) in cash held | (706) | (4,127) |
| 1.20 | Cash at beginning of quarter/year to date | 445 | 3,719 |
| 1.21 | Exchange rate adjustments to item 1.20 | 310 | 457 |
| 1.22 | Cash at end of quarter | 49 | 49 |

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 | 48 |
| 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' fees, salaries 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

Not Applicable

- 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

Not Applicable

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 | 9,471 |
| 3.2 | Credit standby arrangements | - |

Estimated cash outflows for next quarter

Note 1: On 24 April 2015, the Company lodged a renounceable rights issue prospectus to raise up to \$4,996,875, partially underwritten to a minimum of \$2,914,566.

Note 2: Forecast administration expenditure includes approximately \$220,000 of expenditure which will not recur relating to the lag expenditure in respect of recent cost reductions, legal fees in relation to the Victory dispute and deferred payables. Adjusting for these items the Company anticipates a future quarterly administration cost of approximately \$185,000.

Note 3: Development expenditure includes amounts owed to the Fairway Project operator.

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | - |
| 4.2 Development | 1,600 |
| 4.3 Production | 300 |
| 4.4 Administration | 407 |
| Total | 2,307 |

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 | 49 | 445 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 49 | 445 |

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 | Nil | | |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | Nil | | |

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 (description) | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 499,687,480 | 499,687,480 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities (description) | 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 (description and conversion factor) | | | | |
| 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 (totals only) | | | | |
| 7.12 Unsecured notes (totals only) | | | | |

+ 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 2015

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.