TARGET ENERGY LIMITED

Quarterly Report for the quarter ending 30 June 2015

- **Partially Underwritten Entitlement Issue Completed**

Permian Basin, Texas

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

No new drilling or completions operations were undertaken in Quarter.

1.1.1. Forward Program

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

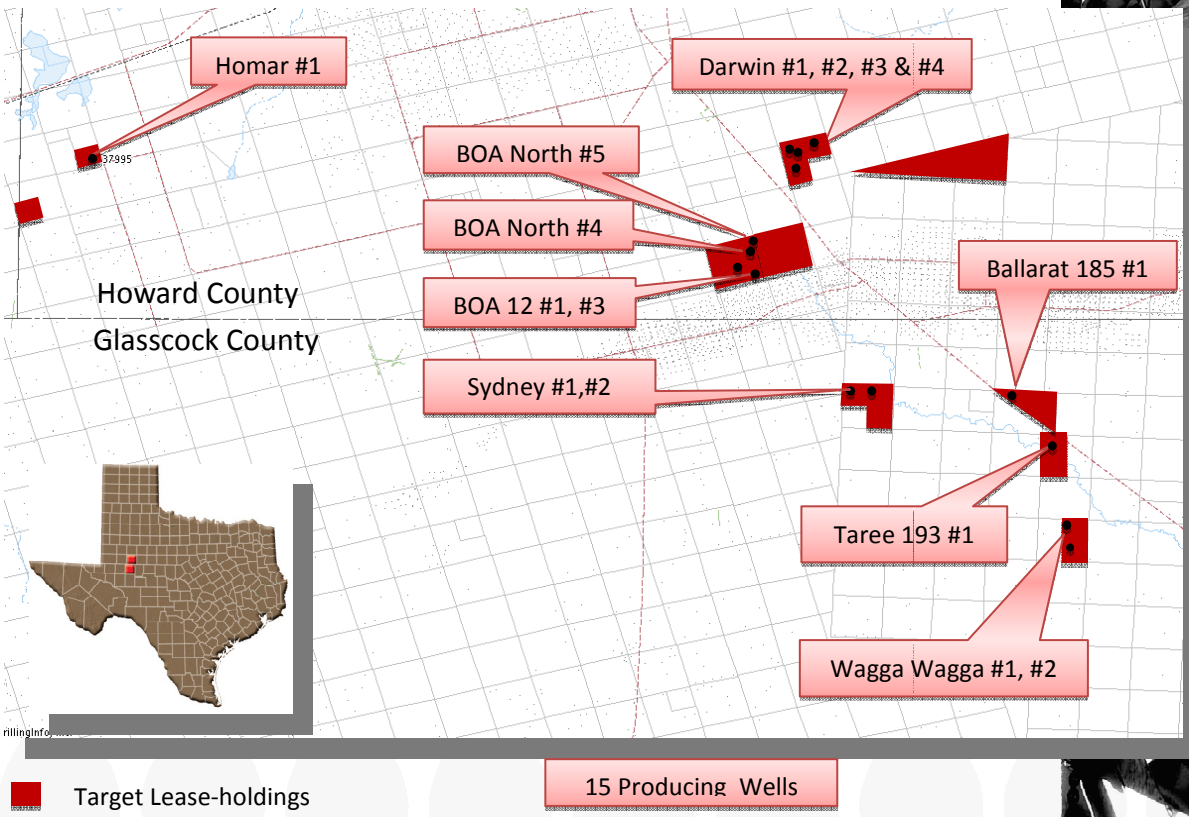


Figure 1: Target Energy Fairway Project lease-holdings.

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1.1.2. Leases

Lease extensions were secured for the Bunbury prospect and the undrilled portion of the Sydney leases. Discussions remain underway for the extension of the balance of the Ballarat and Taree leases. A 160 acre portion of the Darwin lease lapsed during the reporting period.

Louisiana

1.2. East Chalkley, Cameron Parish (Target 35% WI)

1.2.1. Workovers

The Pine Pasture #3 well has been shut in to address pump problems.

1.3. Section 28 Project, St Martin Parish (Target 25% WI)

1.3.1. Workovers

The SML A#3 well was shut-in in June following depletion of the 1st Marg Tex sand. The operator has proposed a completion the above-lying "Bol Perca" sand for production.

2. Production (1 Apr – 30 June 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%	21.0	2,493.2	5.2	623.3	63.7	91,879.4	15.9	22,969.8
E. Chalkley*	35%	0.7	60.7	0.3	21.2	104.1	115,810.4	36.4	40,533.6
Merta	25%	13.1	459.3	3.3	114.8	44.0	5,589.0	11.0	1,397.3
Fairway	35%-60%	29.5	329.1	15.3	186.8	11,897.8	180,741.4	5,946.7	100,621.5
Total		**64.3**	**3,342.3**	**24.0**	**946.2**	**12,109.6**	**394,020.2**	**6,010.0**	**165,522.2**

**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).

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	50.0%	320.0	160.0
	BOA North	Howard	S12 N/2 , Block 33 T-2S, A-1353, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin N/2	Howard	S44 N/2, Block 33, T-1S, A-1292, T&P RR Survey	None	50.0%	320.0	160.0
	Darwin SW/4	Howard	S44 SE/4, Block 33, T-1S, A-1292, T&P RR Survey	None	60.0%	160.0	96.0
	Bunbury	Howard	S102 A-1405; S103 A-1405; S104 A-1495; Block 29 Waco & NW Survey	None	60.0%	918.0	550.8
	Ballarat	Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	50.0%	160.0	80.0
		Glasscock	S 184 and 185, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	195.7	117.4
	Taree	Glasscock	W/2 S193, Bl 28, A-815 and A-A483, Waco and Northwestern Survey	None	60.0%	320.0	192.0
	Sydney #1	Glasscock	NW/4 S 188 Block 29 A-170 W&NW Survey	None	60.0%	160.0	96.0
	Sydney #2	Glasscock	E/2 S 188 Block 29 A-170 W&NW Survey	None	51.2%	320.0	163.9
	"Section 4"	Howard	S4, Block 32, T-2-S, A-1354 T & P RR Co Survey	None	60.0%	440.0	264.0
	Homar	Howard	SE/4 S24 Bl 35 A-1640; T&P RR Co Survey	None	50.0%	100.0	50.0
	Homar (Robb)	Howard	SW/4 S26 Bl 35 A-1415; T&P RR Co Survey	None	60.0%	160.0	96.0
	Wagga Wagga #1	Glasscock	NE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Wagga Wagga #2	Glasscock	SE/4 S221, Block 29, A-496; W&NW RR Co Survey	None	35.0%	160.0	56.0
	Ballarat West	Glasscock	part NW/4 of S185, Bl 29, W&NW RR Co. Survey	None	50.0%	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
					Total	5435.4	2706.0

4. Corporate

4.1. Legal

As advised to the market on 12 February 2015, Target subsidiary TELA Garwood LP ("TELA Garwood") has filed a lawsuit in the District Court of Harris County (Houston), Texas against Victory Energy Corporation and Aurora Energy Partners ("Victory", "Aurora").

TELA Garwood's 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").

TELA Garwood has also filed suit against the individual directors of Victory for their roles in Victory causing Aurora to breach its obligations under the PSA. In an effort to deflect TELA Garwood's claims, Victory and Aurora have filed counterclaims which TELA Garwood plans to vigorously oppose. Target has served Victory and Aurora with the requests for production of relevant documents.

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 exercised its rights under the operating agreement 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). The Company is contemplating amending it's current suit to recover these funds from Aurora.

4.2. Capital Raising

4.2.1. Partially Underwritten Entitlement Issue

During the quarter, eligible shareholders were invited to subscribe to a partially underwritten renounceable pro-rata entitlement issue (Entitlement Issue) to raise up to approximately $5 million on the basis of 5 new shares in Target, for every 3 existing shares held at the record date, at an issue price of $0.006 per share, together with one free attaching option to acquire a share for every two shares issued.

Target advised on 25 May 2015 that the Company had received applications under the Entitlement Issue for 499,160,105 shares and 249,580,100 attaching options for proceeds of $2,994,960. Subsequent to the end of the quarter, further shortfall applications have been received for a further 32,358,843 shares and 16,179,422 attaching options for further proceeds of $194,153, making the total proceeds from the rights issue $3,189,113.

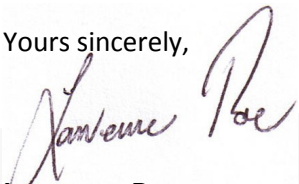
Funds raised from the Entitlement Issue will be used to address payables, provide working capital and to potentially allow the Company to undertake an asset optimisation program.

4.2.2. Secured Loans

During the previous quarter, entities associated with the Company's directors collectively advanced A$0.5m in the form of secured loans to the Company. The Company entered into settlement and offset deeds to directly offset these loans via the subscription of shares and options under the Entitlement Issue. The loans have now been fully discharged.

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.

Rule 5.5

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	Quarter ended ("current quarter")
73 119 160 360	30 June 2015

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	674	2,785
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	(768)	(10,050)
	(c) production	(731)	(1,600)
	(d) administration	(461)	(2,137)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	-	3
1.5	Interest and other costs of finance paid	(96)	(590)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,382)	(11,589)
	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)	-	(57)
	Security deposits released	-	50
	Net investing cash flows	-	594
1.13	Total operating and investing cash flows (carried forward)	(1,382)	(10,995)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,382)	(10,995)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,185	4,226
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	170	3,670
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other	(127)	(182)
	Net financing cash flows	2,228	7,714
	Net increase (decrease) in cash held	846	(3,281)
1.20	Cash at beginning of quarter/year to date	49	3,719
1.21	Exchange rate adjustments to item 1.20	10	467
1.22	**Cash at end of quarter**	905	905

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	97
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

Secured loans, short term loans and payables totaling $810,000 were settled via the issue of shares pursuant to the rights issue.

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

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

		$A'000
4.1	Exploration and evaluation	-
4.2	Development	200
4.3	Production	270
4.4	Administration	180
	Total	**650**

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	905	49
5.2	Deposits at call	-	-
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	**905**	**49**

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			

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**	998,847,585	998,847,585		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	499,160,105	499,160,105		
7.5	+**Convertible debt securities** (*description)*	119,422,000 10% coupon, expiry 31 March 2017 (total $5.97m) 60,000,000 10% coupon, expiry 31 March 2017 (total $3.0m)	- -	5 cents 5 cents	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)*	249,580,100 1.2c, 28/2/17	249,580,100 1.2c, 28/2/17		
7.8	Issued during quarter	249,580,100	249,580,100		
7.9	Exercised during quarter				
7.10	Expired during quarter	*Options*		*Exercise price*	*Expiry date*
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:  Date: 29 July 2015

(~~Director/~~Company secretary)

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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