

Quarterly Report for the quarter ending 31 December 2013

- Sydney #2 drilled and presently being completed
- Wagga Wagga #1 completion to follow
- Extreme winter weather in Permian Basin affects production

1. Operations

Permian Basin, Texas

1.1. Fairway Project – Howard & Glasscock Counties (Target 45%-60% WI)

1.1.1. Drilling

Sydney #2 (Target 60% WI)

Sydney #2 is located approximately 800 metres east of Sydney #1 and targeted both the Wolfberry and Fusselman sections. Drilling operations commenced on 26 November 2013, with the well reaching a Total Depth of 3,040.4m (9,975 ft) on 7 December 2013. Good shows were encountered while drilling and subsequent wireline log analysis indicated potential pay in the target intervals. The Fusselman Formation was intersected 13 metres (42 feet) updip to that of the nearby Sydney #1 oil well.

At the time of writing, completion operations were underway at Sydney #2, with a preliminary flow test yielding an oil flow rate of 75 BO in 19.5 hrs (equivalent to 92 BOPD). The oil was accompanied by a large amount of water (approx. 800 BW), which appears to be flowing from vertically extensive fractures. Work is underway to minimise the water flow.



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Well Reporting Summary	
Name and Type of Well	Sydney #2, Step Out/Appraisal (Oil)
Well Location	Glasscock Co, Texas
Permit	NW/4 & E/2 S 188 Block 29 A-170 W&NW Survey
TEX Working Interest	60%
Geological Rock Type	Fusselman Carbonate
Depth of Zones Tested	3040m
Type of Tests Undertaken	Preliminary Flow testing
Duration of Tests Undertaken	19.5 hours
Hydrocarbon Phases Recovered	75 Barrels of Oil (8.6%)
Other recovery	800 Barrels of Formation Water (91.4%)
Choke Size Used	Open
Flow Rates	92 BOPD
Number of Fracture Stimulations	Nil
Material Volumes of Non-Hydrocarbon Gases	Nil

Wagga Wagga #1 (Target 45% WI)

Wagga Wagga #1 is located 8.5 km (5.3 miles) south east of the Sydney #1 well (Fig 1) and targeted the Ellenburger, Fusselman and Wolfberry sections. Operations commenced on 14 October 2013, with the well encountering good oil and gas shows while drilling and reaching a Total Depth of 3,057m (10,030 ft) on 27 October 2013. Subsequent wireline log analysis indicated potential pay in the Ellenburger and Fusselman/Devonian sections as well as within the Wolfberry interval. The Ellenburger and Fusselman zones will be tested and produced prior to completing the well in the Wolfberry section. A completion rig is expected to be on site in the last week of January 2014.

1.1.2. Forward Program

2014 Drilling Program

A further nine wells are planned to be drilled in the Fairway Project including new wells on the Company's BOA, Ballarat, Bunbury and Taree lease-holdings (Fig 1).

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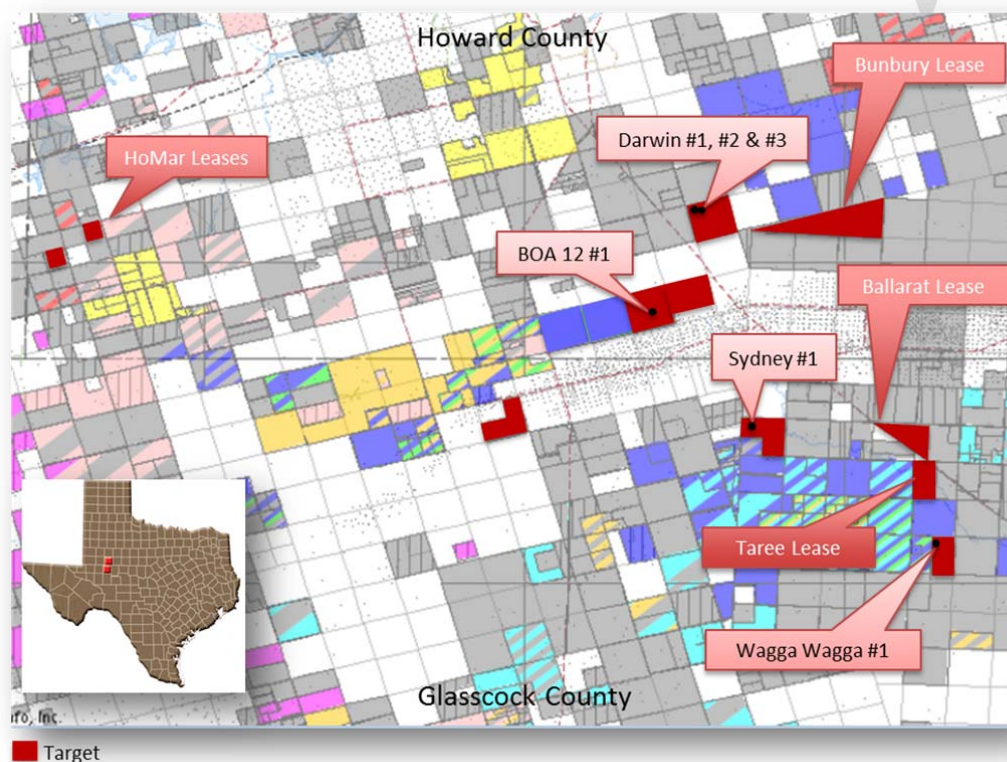


Figure 1: Target Energy Fairway Project lease-holdings.

Louisiana

1.2. East Chalkley (Target Energy 35% WI)

The East Chalkley project is an oil field appraisal and development program, approximately 33 kilometres (20 miles) southeast of the town of Lake Charles in Cameron Parish, Louisiana. The oil accumulation, on the east flank of the Chalkley Field, is a previously unidentified down-dip oil leg associated with the gas field.

1.2.1. Drilling

Pine Pasture #3 (Target Energy 35% WI)

Pine Pasture #3 was drilled in June 2013 to a depth of 3,011.5m (9,880 ft) as a development well, with wireline logs confirming the presence of approximately 8 metres of potential net pay in the Alliance W2 sands at a depth of 2,947m (9670 ft), similar to - and 8 metres updip from - the Pine Pasture #2 oil well. The well was subsequently cased for production and completed and brought on-line on 7 October 2013.

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Production has been restricted by problems associated with the down-hole pump assembly - initially as a consequence of the pump frequently shutting itself down. Subsequent re-programming has largely eliminated this issue, but overall production volumes from Pine Pasture #3 remain low (average in December: 8 BOPD / 30 mcfg / 84 BWPD), potentially as a result of a down-hole blockage, in turn probably a consequence of the initial pump issues. The partners are presently analysing pump and well performance data ahead of implementing a remediation program.

2. Current Indicative Drilling Schedule

Estimated Timing*	Prospect	Location	Target Working Interest (WI)
Completion Imminent	Wagga Wagga #1	Howard Co, Tx	45%
Completion Underway	Sydney #2	Glasscock Co, Tx	60%
Q1 2014	BOA North #3 / BOA North #4	Howard Co, Tx	60%
Q2 2014	Ballarat #1 / Wagga Wagga #2	Glasscock Co	60-45%
Q3 2014	Bunbury #1 / Taree #1 / BOA North #5	Howard / Glasscock Co	60%
Q4 2014	Darwin #4 / Ballarat #2	Howard / Glasscock Co	60%

*Timing indicative only – actual order, timing and well selection will vary.

3. Production (1 Oct – 31 Dec)

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)
Section 28	25%	32.8	2,342.1	8.2	585.5	423	90,768.0	106	22,692
East Chalkley	35%	10.4	53.4	3.6	18.7	3,834	111,771.5	1,342	39,120
Merta	25%	10.7	387.0	2.7	96.8	8	5,052.7	2	1,263
Fairway+	60%	25.2	110.3	15.1	66.2	10,672	71,974.9	6,403	43,185
Total		79.1	2,892.8	29.6	767.2	14,936.6	279,567.1	7,852.7	106,260.1

Net Production is scaled to Target's Working Interest, before royalties; mmcf = million of cubic feet; mmcf/d = 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).

+Permian Basin production was adversely affected by extreme weather in the region from late November 2013 through to early January 2014.

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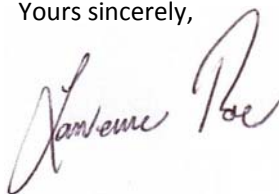
4. Lease Holdings

Project	Lease / Unit	Basin	Description	Depth Limits	TEX WI	Royalty	Gross Acres	Net Acres
Fairway	BOA	Permian	S12, Block 33, T-2S, A-1353; T&P RR Co Survey, Howard Co	None	60%	25%	640.0	384.0
	Darwin	Permian	S44, Block 33, T-1S, A-1292; T&P RR Co Survey, Howard Co	None	60%	25%	640.0	384.0
	Bunbury	Permian	S102 A-1405; S103 A-1405; S104 A-1495; Bl 29 W&NW RR Co, Howard Co	None	60%	25%	918.0	550.8
	Ballarat	Permian	S 184 & 185, Bl 28, A-815 & A-A483; W&NW RR Survey, Glasscock Co	None	60%	25%	355.7	213.4
	Taree	Permian	S193, Bl 28, A-815 and A-A483; W&NW RR Co Survey, Glasscock Co	None	60%	25%	320.0	192.0
	Sydney	Permian	S188 Block 29 A-170; W&NW RR Co Survey, Glasscock Co	None	60%	25%	480.0	288.0
	Unnamed	Permian	S4, Block 32, T-2-S, A-1354; T & P RR Co Survey, Howard Co	None	60%	25%	610.0	366.0
	Unnamed	Permian	S24, Bl 35 A-1538; S26 Bl 35 A-1415; T&P RR Co Survey, Howard Co	None	60%	25%	260.0	156.0
	Wagga Wagga	Permian	S221, Block 29, A-496; W&NW RR Co Survey, Glasscock Co	None	45%	25%	305.0	137.3
Merta	Merta No. 1 Well Gas Unit No. 2	Gulf Coast	S3 A-219 International and Great Northern RR Co Survey, Wharton Co	7,650 ft - 7,880 ft	25%	25.7%	303.0	75.7
Section 28	SML #A-1, A-3 Unit	Gulf Coast	St Martin Ph	None	25%	28%	40.0	10.0
	SML #A-2 Unit	Gulf Coast	St Martin Ph	None	25%	28%	40.0	10.0
E Chalkley	Unit Agreement: CK W RA SU	Gulf Coast	S11, 13, 14 &15, T12S-R6W, Cameron Ph	8,000 ft - 10,000 ft	35%	30.5%	714.9	250.2
Total							5626	3017

There were no changes in Target's lease-holdings during the reporting period.

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 in this report has been reviewed and signed off by Mr Laurence Roe, B Sc, Managing Director 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 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	1,325	2,727
1.2 Payments for (a) exploration & evaluation	(18)	(37)
(b) development	(1,644)	(3,520)
(c) production	(258)	(454)
(d) administration	(600)	(1,105)
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	(9)	(9)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,203)	(2,395)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(6)	(6)
1.9 Proceeds from sale of: (a) prospects		
(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)	(18)	(31)
Net investing cash flows	(24)	(37)
1.13 Total operating and investing cash flows (carried forward)	(1,227)	(2,432)

+ 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)	(1,227)	(2,432)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	800	1,800
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	Net financing cash flows	800	1,800
	Net increase (decrease) in cash held	(427)	(632)
1.20	Cash at beginning of quarter/year to date	1,285	1,540
1.21	Exchange rate adjustments to item 1.20	207	157
1.22	Cash at end of quarter	1,065	1,065

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	118
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

Nil.

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	1,800	1,800
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	785
4.2 Development	-
4.3 Production	223
4.4 Administration	518
Total	1,526

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	1,065	1,285
5.2 Deposits at call	-	-
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,065	1,285

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		

+ See chapter 19 for defined terms.

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	453,746,588	453,746,588		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	1,800,000, 10% coupon, expiry 1 Oct 14	-	7 cents	7 cents
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	800,000, 10% coupon, expiry 1 Oct 14	-	7 cents	7 cents
7.7 Options <i>(description and conversion factor)</i>	<i>Options</i> 40,451,824 1:1 750,000 1:1	Nil Nil	<i>Exercise price</i> 10 cents 12 cents	<i>Expiry date</i> 31/3/2014 24/10/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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: 30 January 2014

(~~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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