ASX Announcement

27 August 2013

Target Energy
30 June 2013 Reserves Update

- **Target's Reserves and Resources estimates increase by 280% to 2.88 million barrels of oil equivalent (MMBOe)**
- **Proven and Probable reserves jump 887% to 1.2 MMBOe**
- **Oil comprises 80% of Reserves**
- **Fairway reserves assessment based on only four producing wells, leaving considerable upside reserve potential**

Target Energy Limited's oil reserves and resources have increased by 280 per cent to 2.88 million barrels of oil equivalent (MMBOe), and its proven and probable reserves have jumped 887 per cent to 1.2 MMBOe, according to recent independent Reserves Estimates.

The Reserves Estimates, effective 30 June 2013, encompass the Company's interests in its Texas and Louisiana oil and gas producing properties.

Commenting on the results, Target Energy's Managing Director Laurence Roe said: "The 2013 results are very pleasing with Target's total Reserves and Resources increasing significantly over last year's estimates. More importantly, the bulk of the increase is in our Proved and Probable Reserves, and is primarily based on only four producing Fairway wells, leaving considerable upside reserve potential.

"The majority of the reserves increases are the result of the drilling programs at our Fairway Project in West Texas. As Target continues to develop its producing assets, we expect further growth in our production and cash flow, as well as material increases in our overall reserves."

The Reserves Reports were commissioned by Target and conducted by Texas-based independent consultants T.J. Smith & Company, Inc. ("TJSCO": Fairway and East Chalkley Projects) and Harper & Associates, Inc. ("Harper": Section 28 and Merta Projects) in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. A summary of the results is shown as Table 1 (below) with further details included in the Appendices.

Corporate information

ASX Code: TEX
OTCQX Code: TEXQY

Board of Directors

Chris Rowe, Chairman
Laurence Roe, Managing Director
Stephen Mann, Director
Ralph Kehle, Chairman TELA (USA)

Rowan Caren, Company Secretary

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Category	Net Reserves & Resources		BO equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	109.1	200.6	142.5
Proved Developed Not Producing (PDNP)	36.4	85.7	50.7
Proved Undeveloped (PUD)	331.6	517.6	417.9
Total Proved Reserves (1P)	**477.1**	**803.9**	**611.1**
Probable	455.7	670.3	567.4
Total Proved & Probable Reserves (2P)	**932.8**	**1,474.2**	**1,178.5**
Possible	683.9	970.9	845.8
Total Proved, Probable & Possible Reserves (3P)	**1,616.8**	**2,445.1**	**2,024.3**
Low Estimate Contingent Resources	-	-	-
Best Estimate Contingent Resources	331.9	-	331.9
High Estimate Contingent Resources	523.3	-	523.3
Total Contingent Resources (3C)	**855.2**	**-**	**855.2**
Total Reserves & Resources	**2,472.0**	**2,445.0**	**2,879.5**

Table 1: Target Energy Net Reserves & Resources – 30 June 2013

Notes:

- *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
- *All reserves and resource estimates were prepared using deterministic methods. All aggregation was performed by arithmetic summation.*
- *Cautionary note: the aggregate 1P estimate may be a very conservative estimate and the aggregate 3P estimate may be very optimistic due to the portfolio effects of arithmetic summation. Similarly, the aggregate 2C + 3C resource estimate may be very optimistic due to the portfolio effects of arithmetic summation.*
- *TJSCO only audited the Reserves for the East Chalkley Field. The Contingent Resources are derived from the Independent Technical Specialist's Report on Target Energy Limited's interests in the East Chalkley Field, (August 2012) by Risc Operations Pty Ltd.*
- *Contingent resources are defined as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.*
- *"bbl(s)" means barrel(s); "bopd" or "boepd" means barrels of oil per day and barrels of oil equivalent per day, respectively*
- *"boe" means barrels of oil equivalent. Target reports boe using a gas to oil conversion based on equivalent thermal energy , i.e. 6000 cubic feet of gas = 1 barrel of oil*
- *"M" prefix means thousand; "MM" prefix means million; "scf" means standard cubic feet*

For and on behalf of TARGET ENERGY LIMITED

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, who is a member of the Society of Exploration Geophysicists and has over 30 years' experience in the sector. He consents to that information in the form and context in which it appears.

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APPENDIX 1

1. Fairway Project

The following table provides TJSCO's reserve estimates for Target's net interest in the Fairway Project. Methodology is described below. TJSCO was not asked to assess the contingent or prospective resource potential of the Fairway Project. The Operator of the project is Trilogy Operating, Inc. Leases are described in Table 3. Ongoing drilling is scheduled to develop the leases.

Fairway Project Net Reserves[1]	Net Reserves		BO equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing	97.5	113.0	116.3
Proved Developed Not Producing	-	-	-
Proved Undeveloped	321.8	385.9	386.1
Total Proved (1P)	**419.3**	**498.9**	**502.5**
Probable	418.3	501.7	501.9
Proved & Probable (2P)	**837.6**	**1,000.6**	**1,004.4**
Possible[2]	632.8	759.0	759.3
Proved, Probable & Possible (3P)	**1,470.4**	**1,759.6**	**1,763.7**

Table 2: Fairway Project Net Reserves 30 June 2013

Notes:

1. *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
2. *Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal to or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.*

Project	Lease / Unit	Description	Depth Limits	TEX WI	Royalty	Gross Acres	Net Acres
Fairway							
	BOA	S12, Block 33, T-2S, A-1353; T&P RR Co Survey, Howard Co	None	60%	25%	640.0	384.0
	Darwin	S44, Block 33, T-1S, A-1292; T&P RR Co Survey, Howard Co	None	60%	25%	640.0	384.0
	Unnamed	S102 A-1405; S103 A-1405; S104 A-1495; Bl 29 W&NW RR Co, Howard Co	None	60%	25%	918.0	550.8
	Unnamed	S 184 & 185, Bl 28, A-815 & A-A483; W&NW RR Survey, Glasscock Co	None	60%	25%	355.7	213.4
	Unnamed	S193, Bl 28, A-815 and A-A483; W&NW RR Co Survey, Glasscock Co	None	60%	25%	320.0	192.0
	Sydney	S188 Block 29 A-170; W&NW RR Co Survey, Glasscock Co	None	60%	25%	480.0	288.0
	Unnamed	S4, Block 32, T-2-S, A-1354; T & P RR Co Survey, Howard Co	None	60%	25%	610.0	366.0
	Unnamed	S24, Bl 35 A-1538; S26 Bl 35 A-1415; T&P RR Co Survey, Howard Co	None	60%	25%	260.0	156.0
	Unnamed	S221, Block 29, A-496; W&NW RR Co Survey, Glasscock Co	None	45%	25%	305.0	137.3

Table 3: Fairway Lease-holding

2. East Chalkley

TJSCO's reserve estimates for Target's net interest in the East Chalkley Project in Cameron Parish, Louisiana are shown in Table 4. Methodology is described below. TJSCO was not asked to assess the contingent or prospective resource potential of the East Chalkley Project, however in 2012 RISC Operations Pty Ltd (RISC) completed an independent assessment of the East Chalkley resource potential and the results (adjusted for subsequent production) are included in the table. The RISC report was released on 29 Oct 2012 as part of an Independent Experts Report on Target Energy.

The Operator of East Chalkley is Magnum Hunter Resources Corporation. The Unit description is shown in Table 5. Work is progressing to commence a water-flood program (2H 2013) to address the contingent resources.

East Chalkley Net Reserves & Resources[1]	Net Reserves		Boe equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	9.6	9.3	11.2
Proved Developed Not Producing (PDNP)	36.1	36.3	42.2
Proved Undeveloped (PUD)	-	-	-
Total Proved (1P)	**45.7**	**45.5**	**53.3**
Probable	-	-	-
Proved & Probable (2P)	**45.7**	**45.5**	**53.3**
Possible[2]	28.1	28.1	32.8
Proved, Probable & Possible (3P)	**73.8**	**73.6**	**86.1**
Low Estimate Resource[3]	-	-	-
Best Estimate Resource[3]	331.9	-	331.9
High Estimate Resource[3]	523.3	-	523.3
Low, Best and High Estimate Resources (3C)[3]	**855.2**	**-**	**855.2**

Table 4: East Chalkley Net Reserves & Resources

Notes:

1. *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
2. *Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.*
3. *Contingent Resources have been derived deterministically and are summed aritmetically. Contingent resources are quantities of hydrocarbons not considered to be currently commercially recoverable due to one or more contingencies.*

Project	Lease / Unit	Description	Depth Limits	TEX WI	Royalty	Gross Acres	Net Acres
E Chalkley							
	Unit Agreement: CK W RA SU	S11, 13, 14 &15, T12S-R6W, Cameron Ph	8,000 ft - 10,000 ft	35%	30.5%	714.9	250.2

Table 5: East Chalkley Unit

Reserves Evaluators

Estimates of the Petroleum Reserves for the Fairway and East Chalkley projects in this report were prepared by Mr T. J. Smith (PE) and Mr J. H. Homier (PE) for T.J. Smith & Company, Inc ("TJSCO"). The effective date of the estimates is 30 June 2013. Mr Smith is a licensed Professional Engineer in the State of Texas and in the State of Louisiana and is a member of the Society of Petroleum Engineers (SPE). He has over 40 years experience in the sector and consents to the information in the form and context in which it appears. Mr Homier is a licensed Professional Engineer in the State of Texas and a member of the SPE. He has over 30 years experience in the sector and consents to the information in the form and context in which it appears. Neither Mr Smith or Mr Homier is employed by Target Energy.

Neither T. J. Smith & Company, Inc. nor any of its employees has any interest in Target, it's related entities, or in the subject properties. TJSCO is independent with respect to Target as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither the employment to make this review nor the compensation was contingent on TJSCO's estimates of reserves and future income for the subject properties.

Methodology

Oil and gas reserves were estimated in accordance with standards of the Society of Petroleum Engineers except that instructed prices were used for cash flow and economic limit determinations. Gas reserves were reported at the official temperature and pressure bases for the states of Texas and Louisiana, as appropriate. Examination and estimation of contingent resources and prospective resources were beyond the scope of the review.

Probable and Possible Reserves are less certain to be recovered than Proved Reserves. The Probable and Possible Reserves stated in the Report were not adjusted for uncertainty and neither the reserves nor the future net revenue therefrom should be combined with the Proved Reserves or with each other without appropriate risk adjustment. In general, estimates for the PDP reserves were estimated for each producing property based on extrapolation of the historical producing trend, or analogy with comparable properties. Performance methods were preferred unless the data demonstrated that their use as the basis for the reserve estimate was inappropriate. The wells in the Fairway Trend area have relatively short producing histories. Consequently, the forecasts were made utilizing the available daily production data as provided by Target and augmented with an area "type" curve generated from the production histories of other wells in the area that are producing from the same formations.

PDNP, PUD, Probable and Possible reserves were estimated primarily by analogy with future producing rates and decline trends based upon analogy to offset production experienced in each field. PDNP reserves for the recently drilled Pine Pasture No. 3 well are based on analogy to the currently producing Pine Pasture No. 2 well taking into consideration the thicker net pay section and slightly better reservoir properties observed on the log in Pine Pasture No. 3.

TJSCO did not review the volumes previously interpreted for the East Chalkley field as "Contingent Resources" and offer no opinions regarding these volumes as such a review was beyond the scope of the investigations. The completion costs for the Pine Pasture No.3 well were prepaid prior to the date of this report, and so, are not shown in the future cash flows for that well.

The estimated spud and production start dates for the wells in the Fairway Trend were provided by Target or estimated based on the "pace of drilling" of one well per month starting in October, 2013. The order for drilling the wells was generally assumed to be PUD first, followed by Probable, and then Possible. Based on recent drilling experience by Target, the drilling and completions costs are estimated at US$1.8 million per well.

Oil and gas prices used were directed by Target and based on the NYMEX strip effective July 1, 2013 and are shown in Table 6. Appropriate differentials were applied to these prices for each property based upon its respective historical product pricing experience to adjust the base prices to reflect the prices actually received by the respective wells. Where the BTU content for the gas was not known, it was included in the gas price differential. Lease operating expenses were based on the available historical costs as provided by Target and reflect anticipated recurring expenses for each property. Because many of these are newly drilled properties, the historical cost data available are often of limited duration. Capital cost estimates were provided by Target. Operating expenses and future capital costs were applied without escalation.

Product Price Schedule NYMEX Strip Price			
Year		Gas Price US$/MMBTU	Oil Price US$/Bbl
2013	Second Half	3.73	104.26
2014	First Half	3.96	97.66
2014	Second Half	4.06	93.54
2015	First Half	4.21	90.34
2015	Second Half	4.24	87.66
2016	First Half	4.35	85.62
2016	Second Half	4.36	83.92
2017	First Half	4.51	82.86
2017	Second Half	4.54	81.99
2018	First Half	4.77	81.28
2018	Second Half	4.82	80.67
2019	First Half	5.11	80.00
2019	Second Half	5.19	79.53
2020	First Half	5.49	79.21
2020	Second Half	5.58	78.89
2021	First Half	5.86	78.77
2021	Second Half	5.93	78.64
	thereafter	5.93	78.64

Table 6: Oil and Gas Prices

Recovery of oil and gas reserves, including Proved Reserves, Probable Reserves, and Possible Reserves, is not without risk and it should be recognized that any reserve estimate or forecast of production is a function of engineering and geological interpretation and judgment. The evaluations presented in the report, with the exceptions of those parameters specified by others, reflect TJSCO's informed judgments based on accepted standards of professional investigation but are subject to those generally recognized uncertainties associated with interpretation of geological, geophysical and engineering information. Government policies and market conditions different from those employed in the study may cause the total quantity of oil or gas to be recovered, actual production rates or prices received to vary from those presented in this report. Reserve estimates made utilizing analogies are less certain than reserve estimates based on well performance obtained over a period of time during which a substantial portion of the reserves were produced.

No field examinations of the properties were made nor were there considered potential environmental liabilities which may exist as such analyses were beyond the scope of the review. Surface and well equipment salvage values and well plugging and field abandonment costs have not been considered in the revenue projections. No consideration of state or federal income tax consequences to the owners were made, nor were indirect costs such as general and administrative overhead included. TJSCO was not provided information concerning production imbalances, if any, and have made no attempt to evaluate or account for any present or potential future imbalances. In conducting these evaluations TJSCO relied upon production histories, accounting and cost data, net ownership interests, operating, engineering and geological data that were supplied by Target. Non-confidential data existing in the files of T. J. Smith & Company, Inc. and data obtained from commercial services and state regulatory agencies were also used to supplement the information provided.

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APPENDIX 2

Section 28 & Merta Production

The following table provides Harper and Associates (Harper) reserve estimates for Target's net interests in various oil and gas properties on the Texas and Louisiana Gulf Coast. Relevant assumptions are set out in Appendix 1. Harper was not asked to assess the contingent or prospective resource potential of the Gulf Coast properties. Harper's credentials and methodology have previously been disclosed by Target, most recently on 29 Oct 2012 as part of an Independent Experts Report on Target Energy.

Other Gulf Coast Net Reserves[1]	Net Reserves		BO equiv.
	Oil (Mbbls)	Gas (MMscf)	(Mboe)
Proved Developed Producing (PDP)	2.0	78.3	15.0
Proved Developed Not Producing (PDNP)	0.3	49.4	8.6
Proved Undeveloped (PUD)	9.8	131.7	31.8
Total Proved (1P)	12.1	259.4	55.4
Probable	37.4	168.6	65.5
Proved & Probable (2P)	49.5	428.0	120.9
Possible[2]	23.0	183.8	53.7
Proved, Probable & Possible (3P)	72.6	611.8	174.5

Table 7: Other Gulf Coast Net Reserves

Notes:

1. *Reserves are stated net to Target's working interest and after deductions for royalty payments.*
2. *Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will be equal or exceed the sum of the Proved plus Probable plus Possible (3P) reserves.*

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