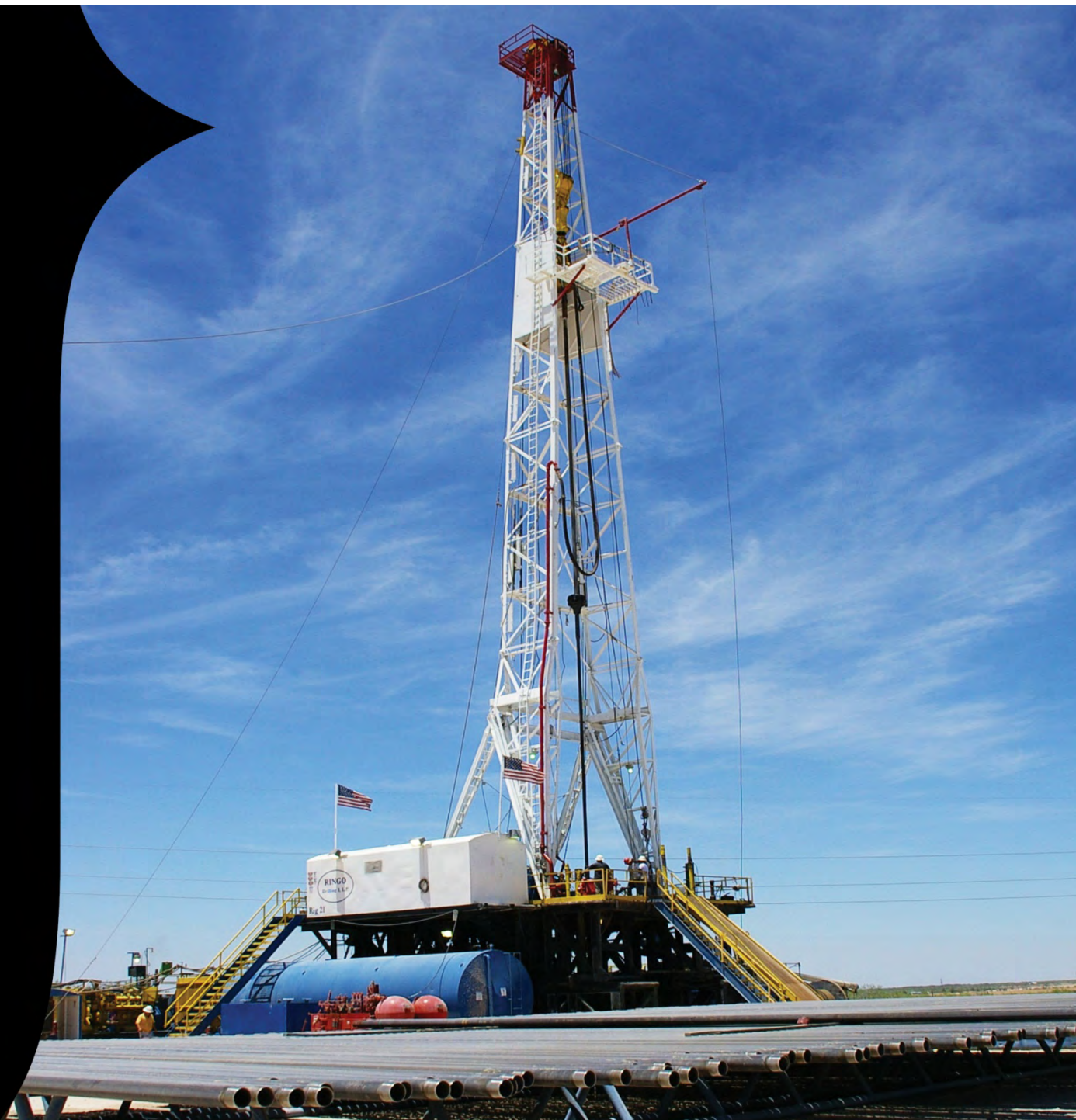


**target**

TARGET ENERGY LIMITED ABN 73 119 160 360

**Oil Barrel  
Conference**

**May 2012**





# Disclaimer

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This Presentation is provided on the basis that none of the Company nor its respective officers, shareholders, related bodies corporate, partners, affiliates, employees, representatives and advisers make any representation or warranty (express or implied) as to the accuracy, reliability, relevance or completeness of the material contained in the Presentation and nothing contained in the Presentation is, or may be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Company hereby excludes all warranties that can be excluded by law.

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*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.*

*Target reports Barrels of Oil Equivalent (BoE), using a gas to oil conversion rate based on equivalent thermal energy , i.e. 6000 cubic feet of gas = 1 Barrel of Oil)*

# Target Energy Limited

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- Petroleum Explorer & Producer in USA
- Listed on Australian Stock Exchange in Nov 2006 (ASX: TEX)
- Offices in Perth, WA and Houston, Texas
- Production in Texas and Louisiana
- Expanding presence in prospective Permian Basin Resource Play in West Texas



# Target Energy Limited

Shares on issue (TEX)		347m
Listed options	TEXOB \$0.10 exp 31 Oct 2012	52.8m
Unlisted options	\$0.07 exp 31 Mar 2013	16.6m
	\$0.10 exp 31 Mar 2014	40.5m
	\$0.12 exp 24 Oct 2014	0.75m
Cash in Bank		A\$2m
Market cap		A\$26m

## Directors & Management

Chris Rowe	Chairman
Laurence Roe	Managing Director
Graham Riley	Non Executive Director
Stephen Mann	Non Executive Director
Ralph Kehle	Chairman TELA (USA)*
Mike Martin	Non Executive Director TELA (USA)*
Rowan Caren	Company Secretary
Stephen Morris	Development Advisor
Don Sytsma	Business Advisor (USA)

\*TELA (USA), Inc. is a wholly-owned subsidiary of Target Energy

# Directors and Management

## **Chris Rowe – Chairman**

Chris Rowe graduated from Cambridge University in Economics and Law. Chris practised in the UK and Perth where he consulted to both the oil and gas and hard rock sectors of the resource industry before becoming the Executive Chairman of Cultus Petroleum NL in 1979 where he served until 1990. During his tenure, the company participated in a number of commercial discoveries in Australia, New Zealand and the USA. Subsequently, Chris was Deputy Chairman of UTS Energy and Chairman of International Oiltex, both of which were listed on the Toronto Stock Exchange. Chris is currently Chair of ASX-listed Gold miner Northern Star Resources Ltd and is on the advisory committee of the US-based Avalon and Hermosa Oil and Gas Production Partnerships. He is also Chairman of fund manager Hawkesbridge Capital Ltd. In addition to his resource-related activities, Chris was one of the Counsel Assisting the Royal Commission into "WA Inc" and has served on the Environmental Protection Authority (EPA) of Western Australia as both a member and as Deputy Chairman.

## **Laurence Roe - Managing Director**

Laurence Roe is a petroleum professional with over 30 years experience gained in the industry both in Australian and international projects. He commenced his career with Santos Limited, subsequently taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. In 1997, Laurence left Magellan to start a consulting practice, working for a number of Australian explorers in domestic and international projects. In 2001, he was appointed Exploration Manager for Bounty Oil & Gas NL, responsible for its portfolio of Australian and international acreage. He was later appointed as Managing Director. In 2006, he co-founded Target Energy Limited. His experience encompasses most Australian sedimentary basins, as well as the USA, New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina.

## **Graham Riley – Director**

Graham has been responsible for the foundation and growth of a number of petroleum and mining companies and is currently Chairman of Buru Energy, an ASX-listed oil and gas exploration company and recently of Giralia Resources, a diversified mining and exploration company which has been responsible for the spin-off of five independently listed commodity-specific explorers from the extensive project book it had built over recent years. He also holds private petroleum interests in the US. A founding Director of ARC Energy and former Non-Executive Director of Adelphi Energy, Graham is a qualified legal practitioner (B Jur, LLB).

## **Stephen Mann - Director**

Stephen is a Fellow of the Institute of Chartered Accountants of Australia and had over 30 years of experience as a chartered accountant prior to his retirement from private practice in 2003. Since 2003 he has acted as the chief financial officer and more recently as a consultant to the Nacap Asia Pacific Group, a large Dutch group that specialises in oil and gas pipeline construction. He is also a Director of Investmet Limited (a significant shareholder in Target Energy), a non-executive Director of the ASX-listed company Pegasus Metals Ltd and a non-executive Director of Altus Renewables, an unlisted public company.



# Directors and Management

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## **Dr Ralph Kehle – Chairman, TELA (USA), Inc.**

Professor Kehle has been engaged in the oil and gas business for 48 years and has to his credit the discovery and development of a 300+ Billion cubic feet (Bcf) extension to the Coleman North Gas Field in Alberta, Canada, the discovery of the 200+ Bcf Guerra Field and the 15 million barrel Stockyard Oil Field, both in Texas. During his career he has served as CEO and Chairman of Hershey Oil Corp, Senior Vice President, Exploration of American Exploration Company (both publicly listed), and founded TKA Exploration and of OilTex International Ltd - now Enerplus, listed on the Toronto Exchange.

He has previously served as a director of EPIC Geophysics, Inc. a seismic processing company, Aerodata (now Fugro), an Airborne geophysical company, and Stevens & Tull, LLC, a petroleum exploration and production company. He has been Associate Professor of Geological Sciences, University of Texas (Austin), and has held various positions in affiliates of Standard Oil Company, New Jersey (Exxon), where among other contributions he was co-inventor of the Super Frac. Currently Ralph is President of Eichen Petroleum Management, Inc. and Manager of two oil and gas investment partnerships – Avalon Oil Company and Hermosa Energy Partners. He also serves as advisor to G-4 Resources, Inc.

## **Mike Martin - B.Sc (Hons), F.G.S – Director, TELA (USA), Inc**

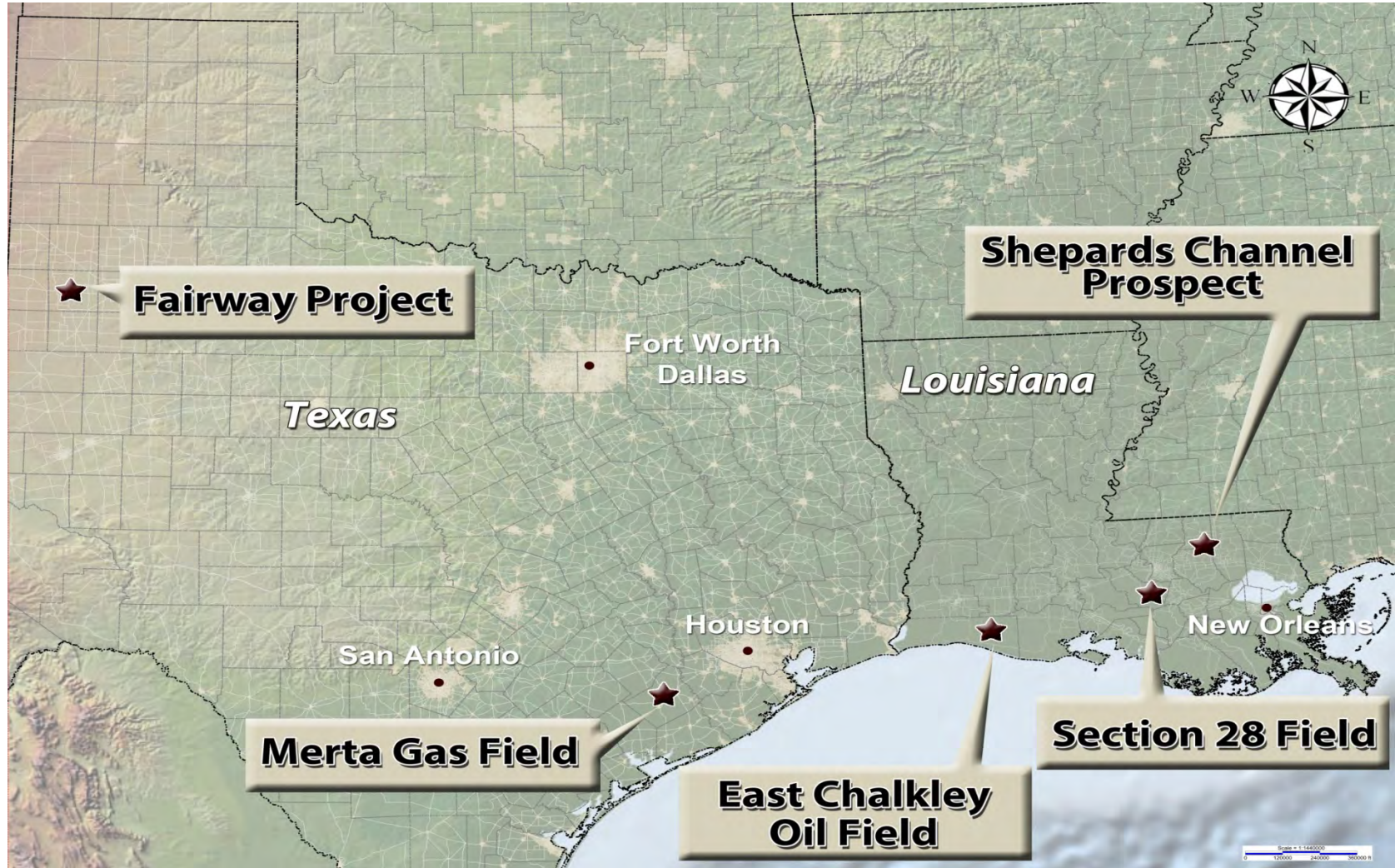
Mike Martin is a practising geologist and has been actively involved with international resources industries for more than 35 years. Mike began his professional career in Kuwait and later the western Mediterranean offshore oil fields of Spain, prior to joining the burgeoning North Sea oil boom in the early seventies. Following assignments in London with Atlantic Richfield and Cities Service, he joined Getty Oil in their Perth, Western Australia office. After his departure from Getty, he worked with the petroleum division of a major Australian Mining House.

Mr. Martin was a co-founder of Flare Petroleum N L, and guided the technical advancement of the Australian assets of its Canadian successor company. He has served as a Director of Canadian listed Chariot Resources Ltd and Franklin Resources Ltd.



# Target Energy Projects

US Focus - Texas & Louisiana



# Fairway Project Permian Basin Resource Play

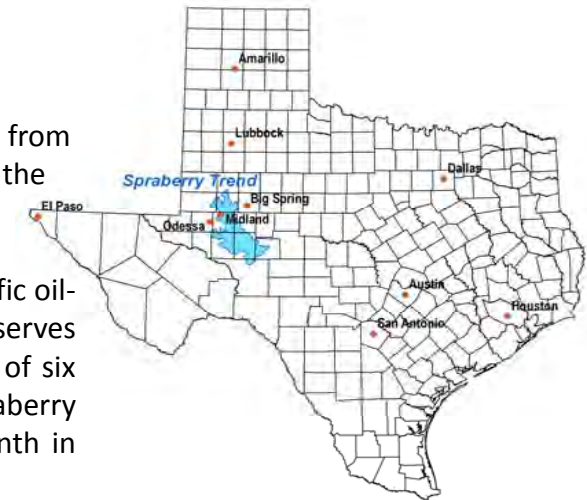


# Fairway - Permian Basin Wolfberry Oil Resource Play



The Wolfberry play, originally named because of the commingling of production from the Wolfcamp and Spraberry Formations, is a major low-permeability oil play in the Permian Basin.

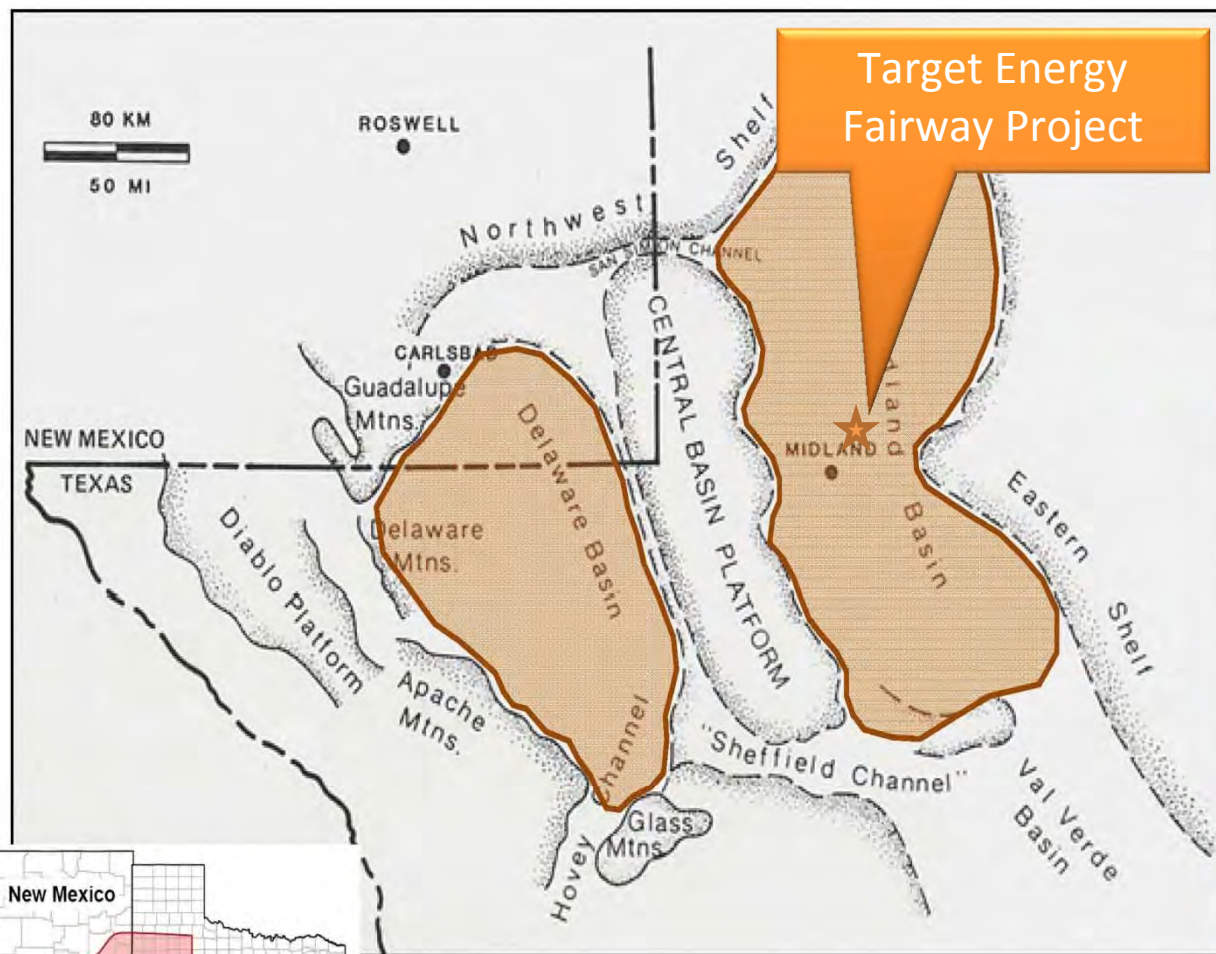
Located principally in western Texas, the Permian Basin is one of the most prolific oil-producing basins in North America. The largest accumulation of oil and gas reserves in the Permian Basin is found in the Spraberry trend, which cover large parts of six counties and has a total area of approximately 2,500 square miles. The Spraberry trend is ranked third in the United States by total proved reserves and seventh in total production.



The Wolfcamp, stratigraphically below the Spraberry, is itself a significant producer in the Permian Basin. It is equally well known for its low permeability in most areas in the basin. Advancements in completion methods have made it possible to combine production from the Spraberry and Wolfcamp zones in areas that were previously uneconomic on a standalone basis, achieving robust economic results. The play has continued to evolve to include additional zones below the Wolfcamp; now, Wolfberry refers to any well with commingled production from the Mississippian through the Spraberry. Completions in the Wolfberry are generally anticipated from a 2,500 to 3,000 foot gross interval, and located between 7,000 to 10,500 feet, drilling depth. Completions begin at the bottommost formation, and can include up to 8 to 12 fracture stimulations.

Senior oil and gas producers such as Concho Resources, Linn Energy, Chesapeake, Laredo Petroleum, Pioneer Natural Resources, EOG, Oxy USA, are actively developing the Wolfberry. Thousands of wells have been drilled since the beginning of the play in late 2007.

# Fairway - Permian Basin Wolfberry Oil Resource Play



System	Age Series	Delaware Basin Formation	Midland Basin Formation
Quaternary		Alluvium	Alluvium
	Tertiary	Ogalalla	Ogalalla
Cretaceous	Gulf		Washita
	Comanche	Fredericksburg	Fredericksburg
		Trinity SS	Trinity SS
Triassic	Upper	Santa Rosa	Dockum
	Ochoan	Dewey Lake	Dewey Lake
Permian		Rustler	Rustler
		Salado	Salado
		Castile	
			Tansil
			Yates
		Bell Canyon	Seven Rivers
			Queen
			Grayburg
		Cherry Canyon	San Andres
		Brushy Canyon	
Pennsylvanian	Leonardian	Bone Spring	Glorieta
			Clearfork
			Spraberry
			Dean
			Leonard
Mississippian	Wolfcampian	Wolfcamp	Wolfcamp
	Virgilian	Cisco	Cisco
	Missourian	Canyon	Canyon
			"Cline"
Devonian	Desmoinesian	Strawn	Strawn
	Atokan	Bend (Atoka)	Bend (Atoka)
Silurian	Morrowan	Morrow	
		Chester	Chester
		Meramac	Meramac
Ordovician		Kinderhook	Kinderhook
		Woodford	Woodford
Cambrian		Devonian LS	Devonian LS
		Upr Silurian SH	Upr Silurian SH
		Fusselman	Fusselman
		Sylvan SH	Sylvan SH
		Montoya	Montoya
		Simpson Group	Simpson Group
		Ellenburger	Ellenburger
			Wilberns

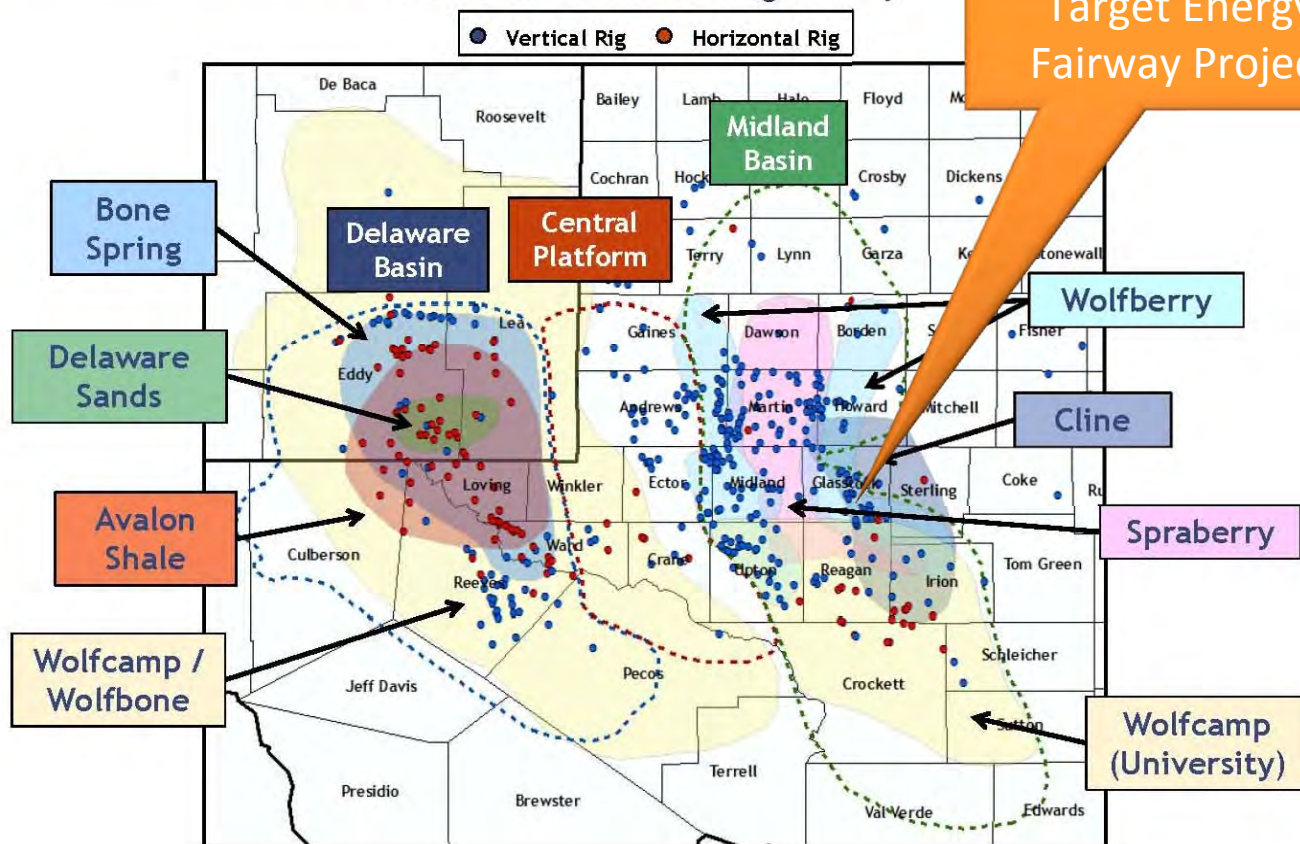
Substantial activity in Permian Basin with numerous plays with stacked targets and the with recent growth of horizontal drilling. Plays include Bone Spring, Avalon Shale, Wolfbone, Wolfberry, Wolffork, Wolfcamp Shale, Penn Shale, Cline Shale etc.

Source: Laredo Petroleum @ Executive Oil Conference 3 April 2012

# Fairway - Permian Basin Wolfberry Oil Resource Play

## Stacked Oil Plays Drive the Permian

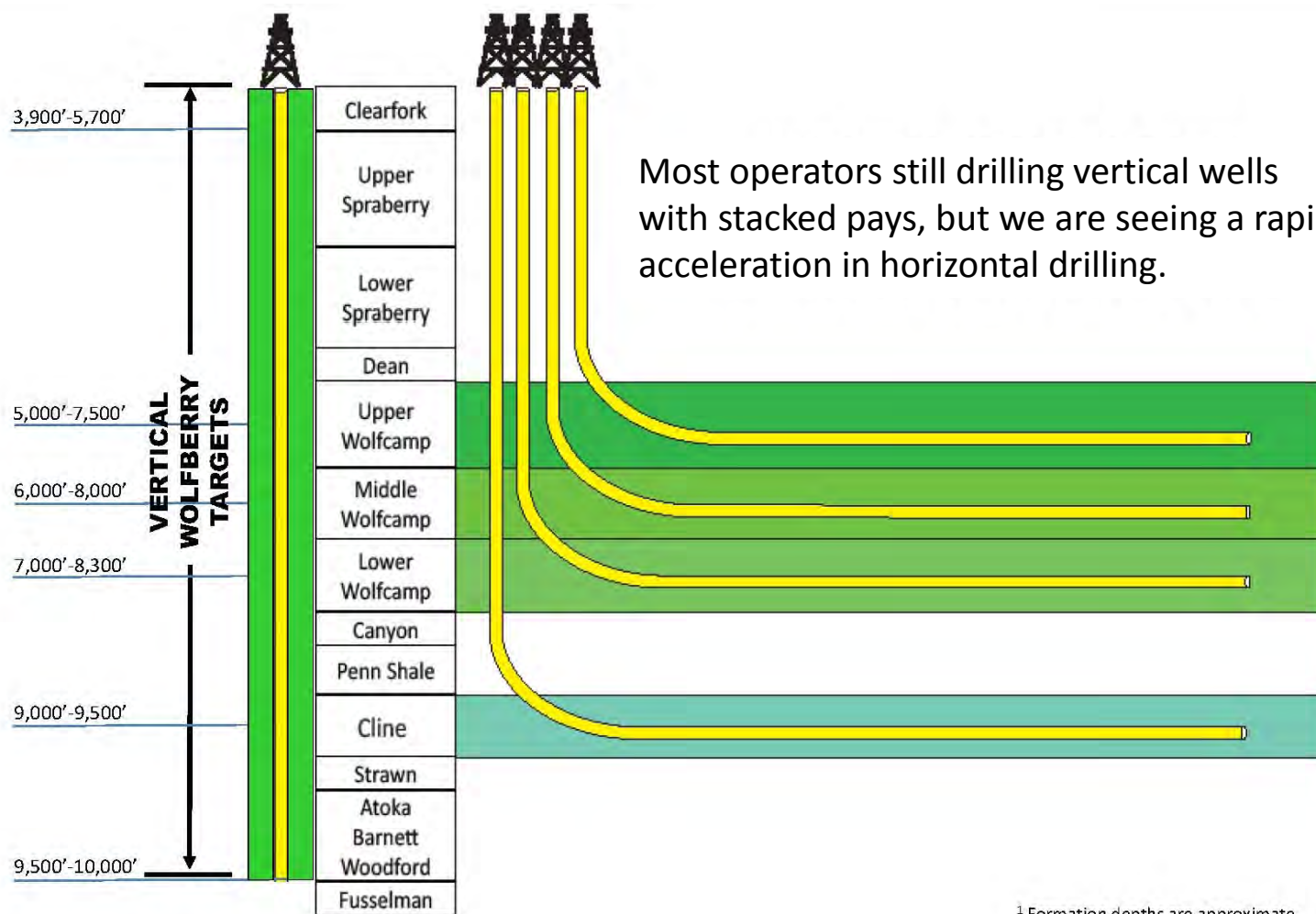
### Current Permian Drilling Activity



Source: Tudor Holt Pickering @ Executive Oil Conference 3 April 2012

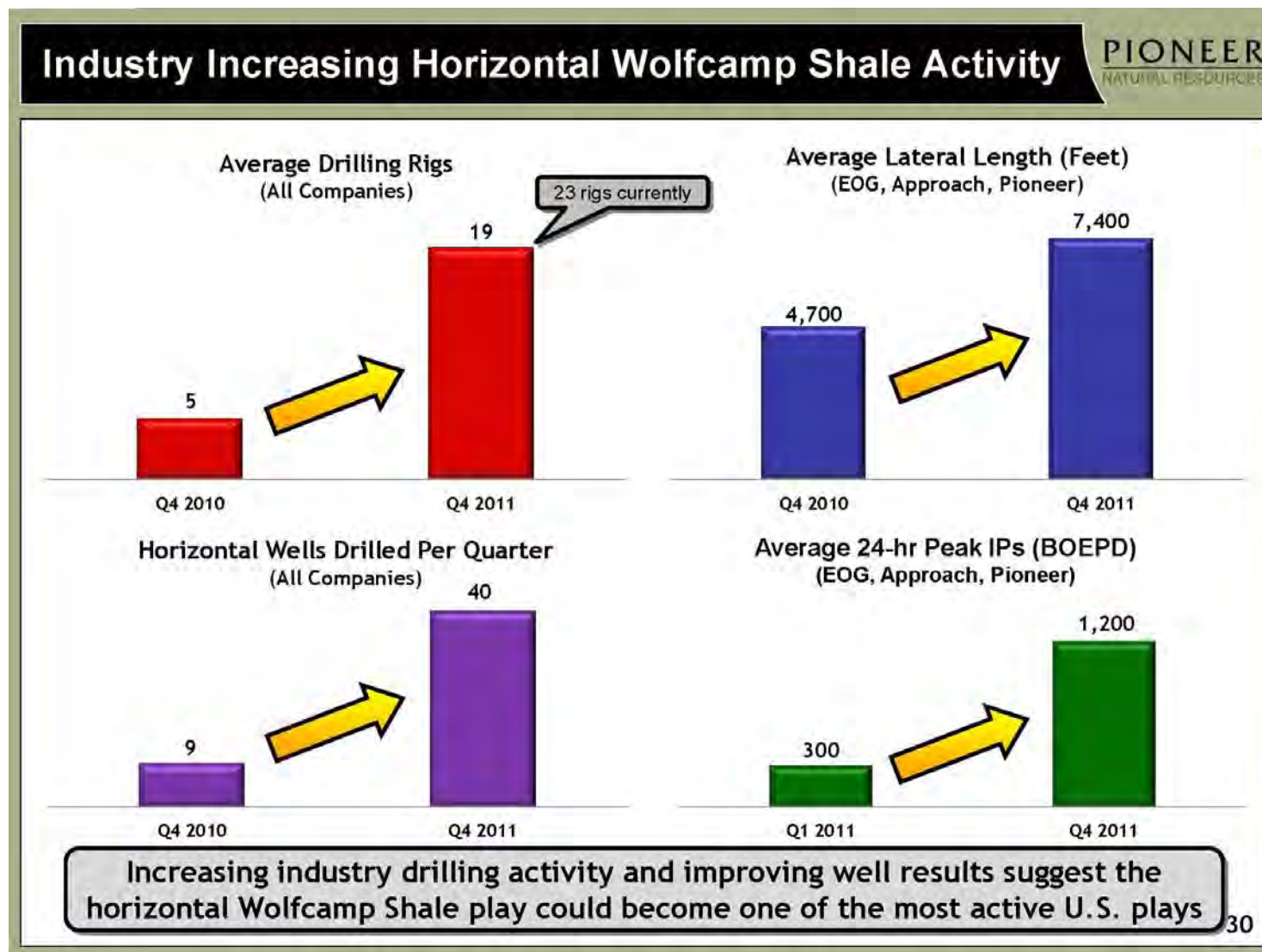


# Fairway - Permian Basin Wolfberry Oil Resource Play



Source: Laredo Petroleum @ Executive Oil Conference 3 April 2012

# Fairway - Permian Basin Wolfberry Oil Resource Play

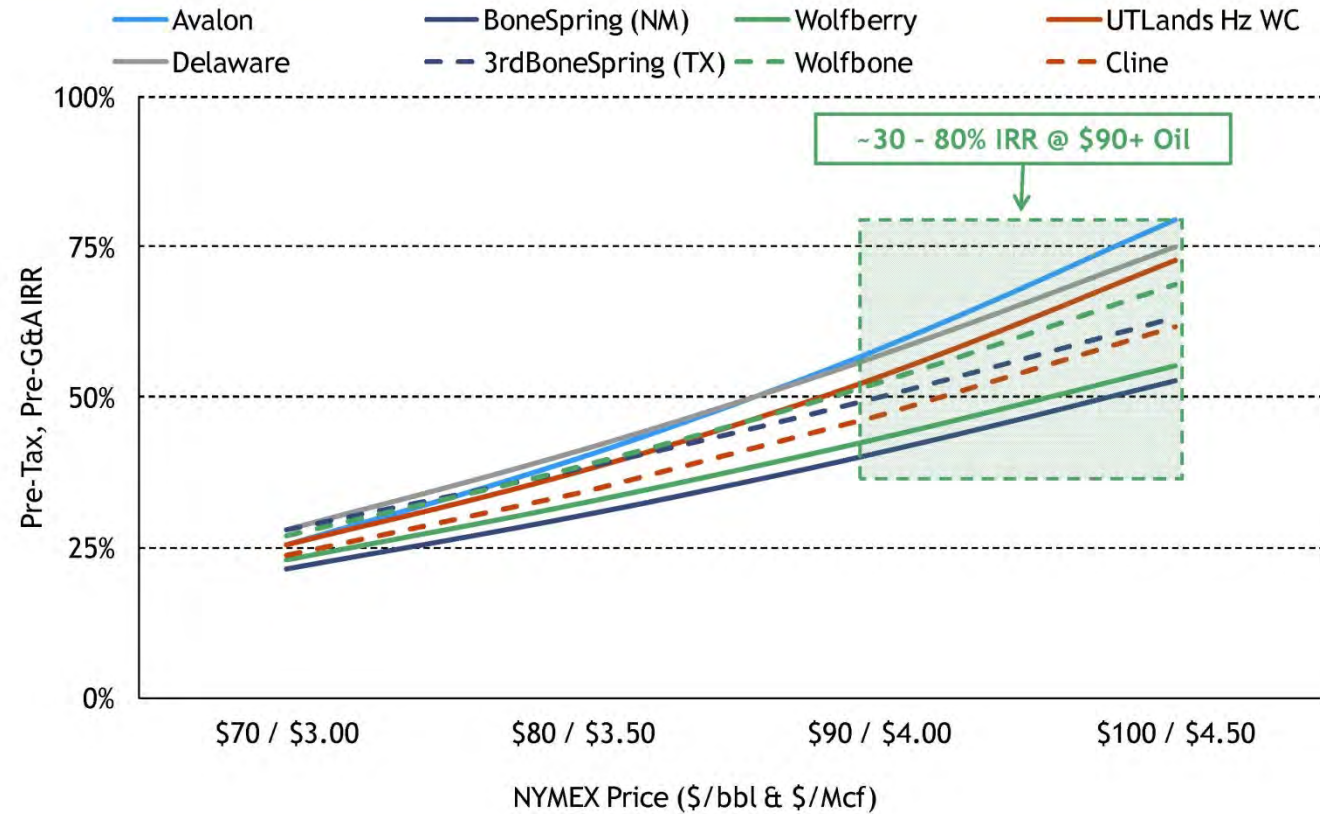


Source: Pioneer Natural Resources @ Executive Oil Conference 3 April 2012



# Fairway - Permian Basin Wolfberry Oil Resource Play

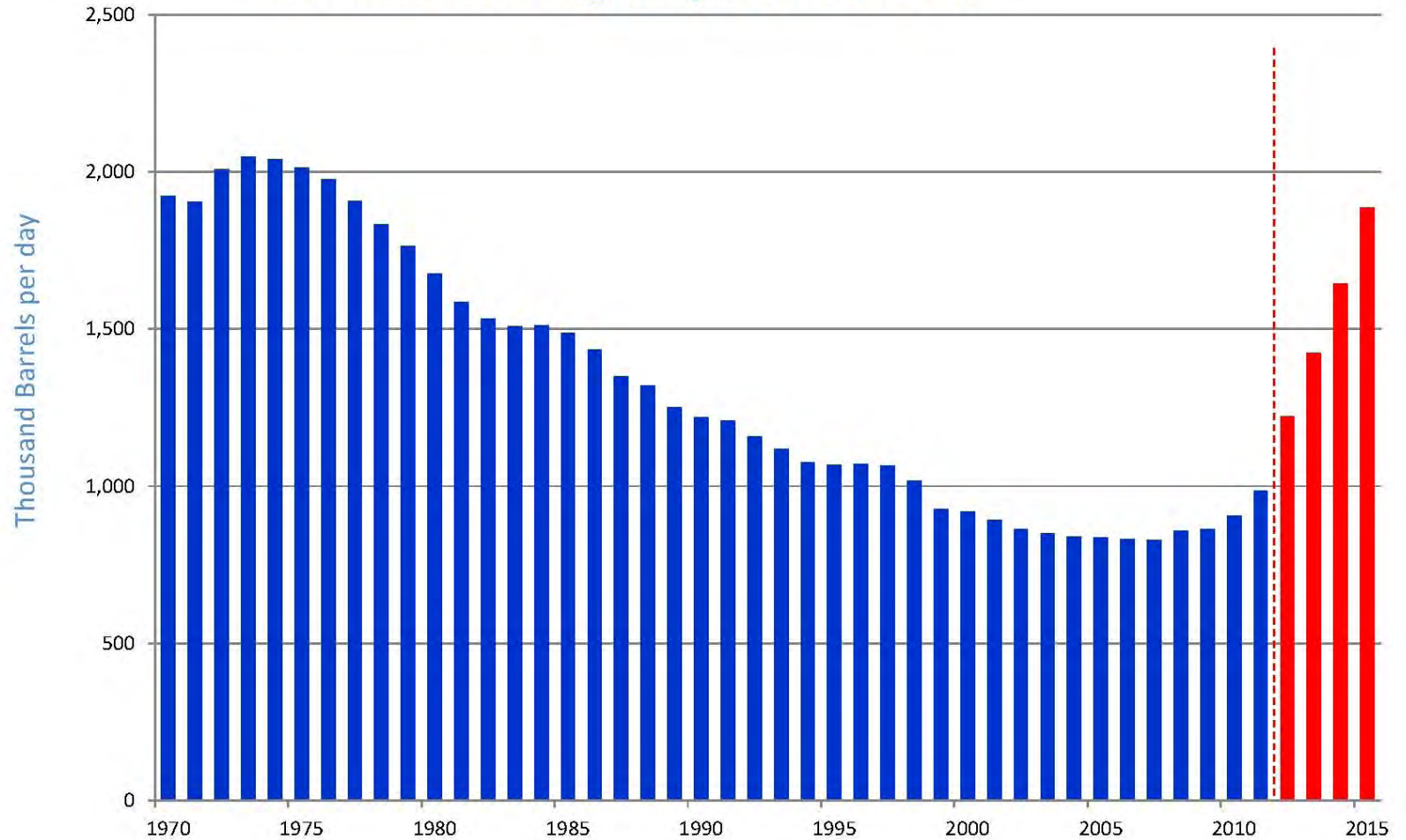
## Permian Offers Superior Economics



Source: Tudor Holt Pickering @ Executive Oil Conference 3 April 2012

# Fairway - Permian Basin Wolfberry Oil Resource Play

## Permian Basin Avg Daily Oil Production



Source: TRCC and NMOCC, Forecast based Raymond James growth model

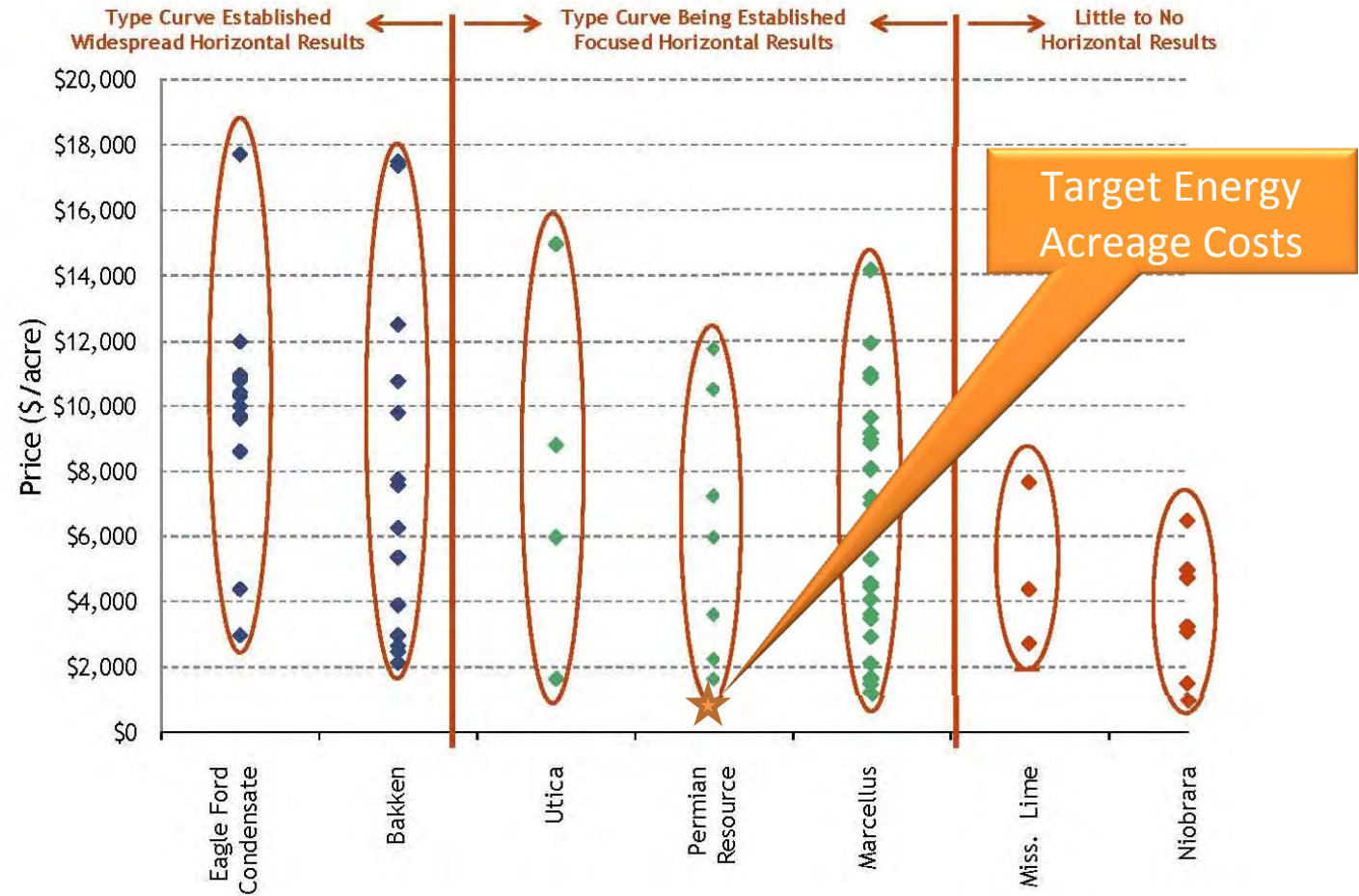
7

Source: Laredo Petroleum @ Executive Oil Conference 3 April 2012



# Fairway - Permian Basin Wolfberry Oil Resource Play

## Permian Metrics Should Increase With Drilling



Source: Tudor Holt Pickering @ Executive Oil Conference 3 April 2012

# Fairway - Permian Basin Wolfberry Oil Resource Play

## Permian - Right Place at Right Time

- Oil prices to remain strong
- Liquids pricing strong enough
- Oil deals increasing
- Horizontal applications
- Vertical - accessing new pay
- Scale - running room
- Multiple targets
- Open for business

Source: Tudor Holt Pickering @ Executive Oil Conference 3 April 2012





# Fairway - Permian Basin Wolfberry Oil Resource Play

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In other words:

- Permian Basin has multiple proven plays with robust well performance – very high levels of activity (480 rigs currently active in the Permian). Horizontal activity heating up.
- Reliable economics - Wolfberry wells typically recover 120 – 130,000 barrels of oil equivalent (BOe). With additional pay zones, this can go up to 180,000 BOe.
- As wells typically produce for up to 30 years, larger companies are always looking to purchase long-term production and PUD locations from smaller players.

*Target Energy was first Australian Company into the Wolfberry Play (to our knowledge)*

*Target acreage presently can accommodate up to 75 drilling locations.*

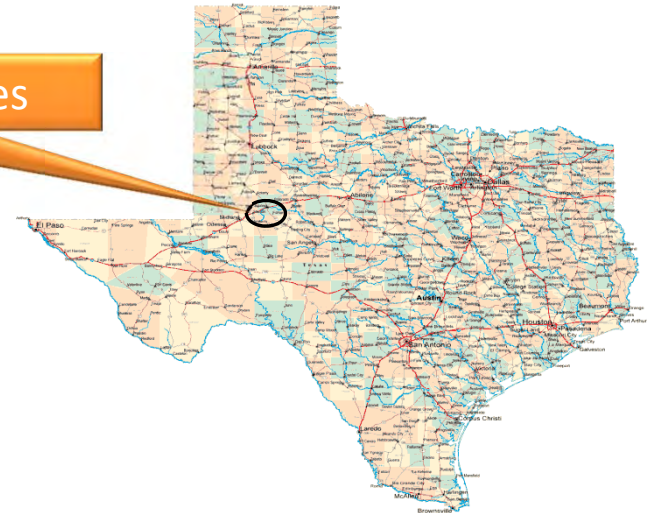
*A 64-well program could be expected to generate over US\$240 million in cash net to Target over a 23 year period (\*refer to model on page 24) .*



# Fairway - Permian Basin Wolfberry Oil Resource Play

- Target Energy Working Interest: 60%
- Net Mineral Acres:
  - 3,012 - leased
  - 480 - committed
  - 3,492 - total
- Estimated number of vertical development locations in 3,012 ac leasehold:
  - At 40 acre spacing 75
  - At 20 acre spacing 150

Howard & Glasscock Counties

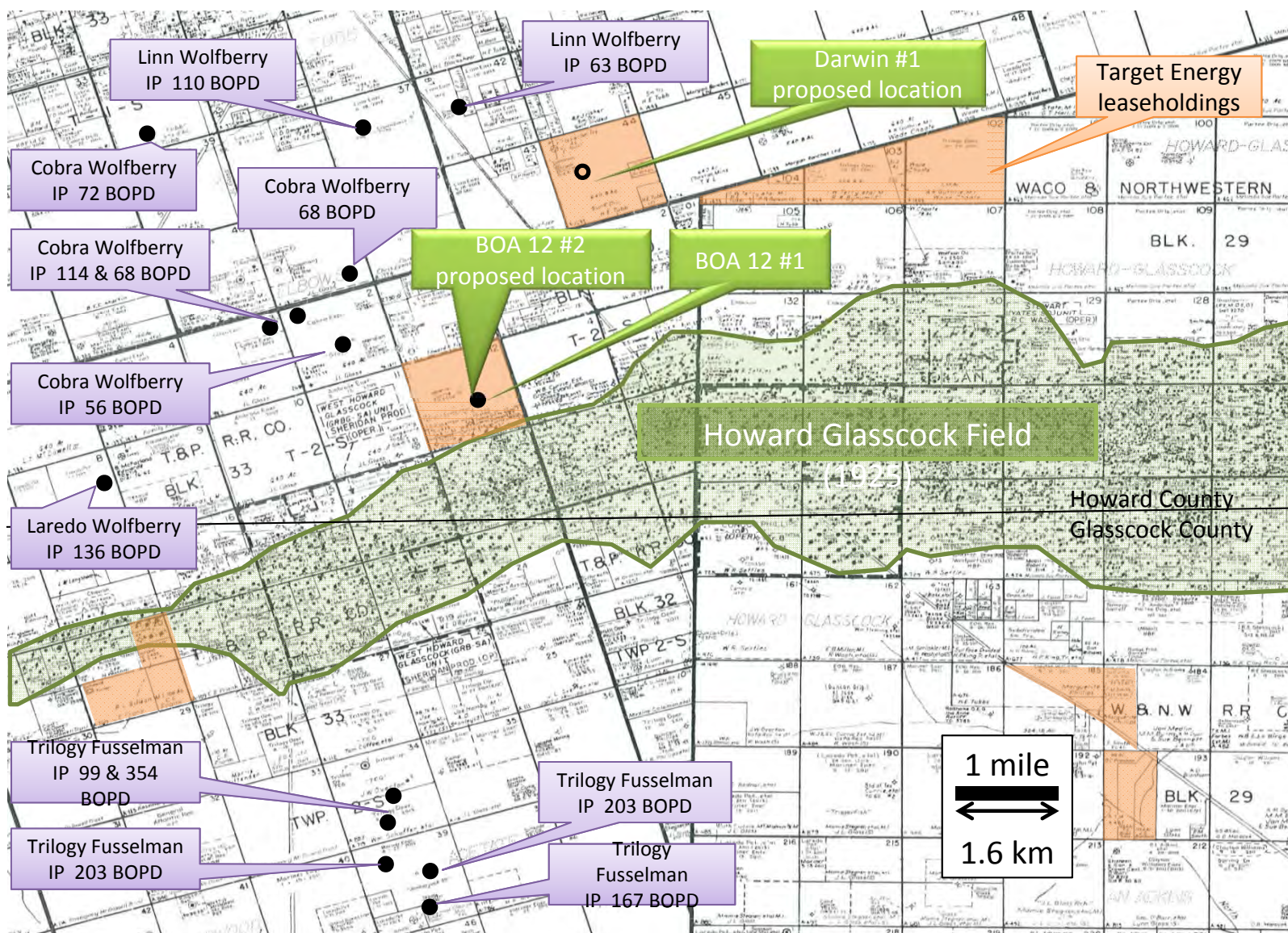


# Fairway - Permian Basin Wolfberry Oil Resource Play



- First Fairway well (BOA 12 #1) drilled in Q4 2011.
- Potential pay encountered in all primary and secondary targets.
- Well fraced in Wolfberry section - the frac tested 11 separate stages over a 1,100 metre interval.
- Flow testing of Wolfberry delayed by later influxes of oil and water from the Devonian section and formation water from above the Wolfcamp. Work underway to rectify.
- The prospective secondary targets encountered in the well in the San Andres and Clear Fork sections to be addressed in a separate well to be drilled later this month (BOA 12 #2).
- Next Fusselman / Wolfberry well to drill immediately after BOA 12 #2
- Additional drilling scheduled Q3 2012.

# Fairway - Permian Basin Wolfberry Oil Resource Play



IP = Initial Production





# Fairway - Permian Basin Wolfberry Oil Resource Play

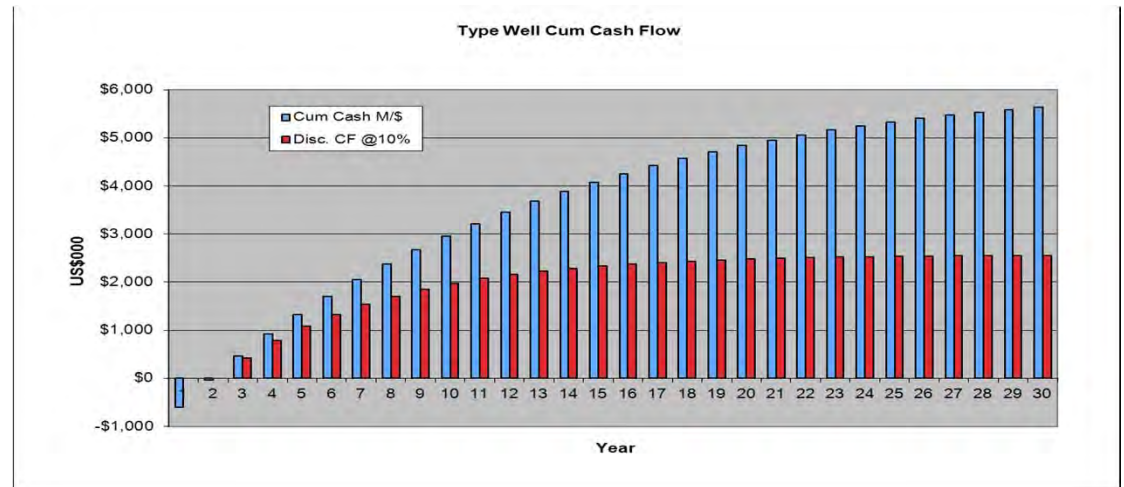
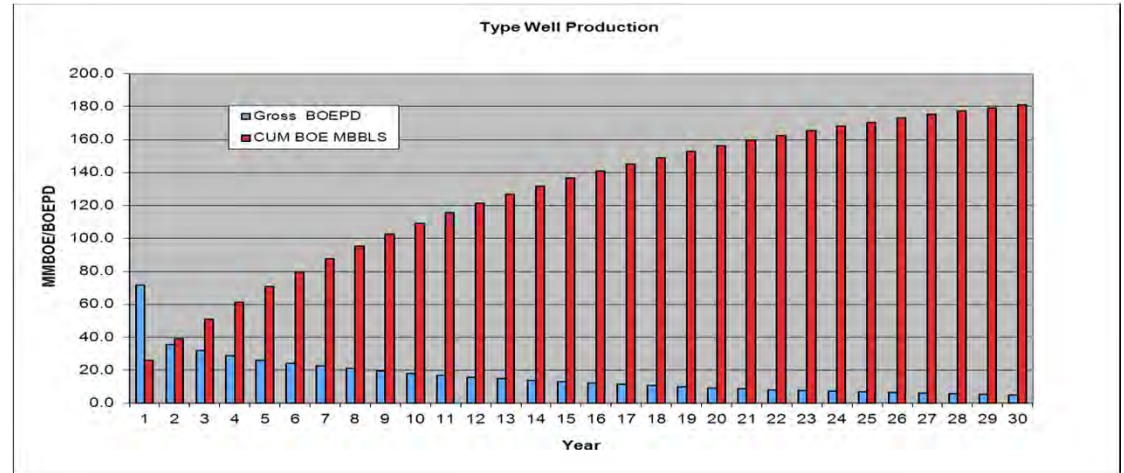
## Type Well (Wolfberry plus additional zones)

30 year production life Recovers  
app 180 MBOe

Well payout in 25 months

30 year production life Recovers  
app 180 MBOe

*Modelled production based on Wolfberry  
"Type" wells with production from  
additional zones.*





# Fairway - Permian Basin Wolfberry Oil Resource Play

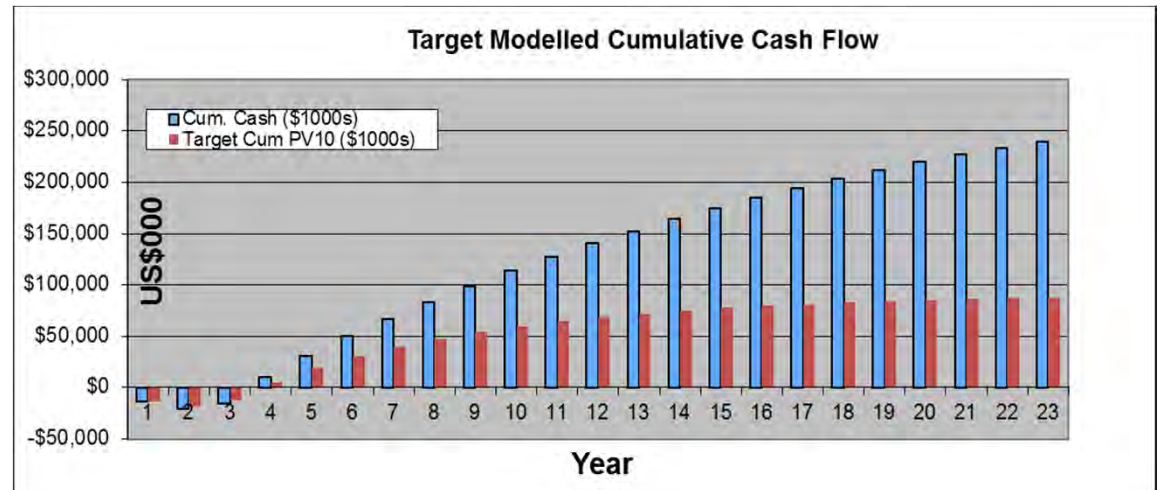
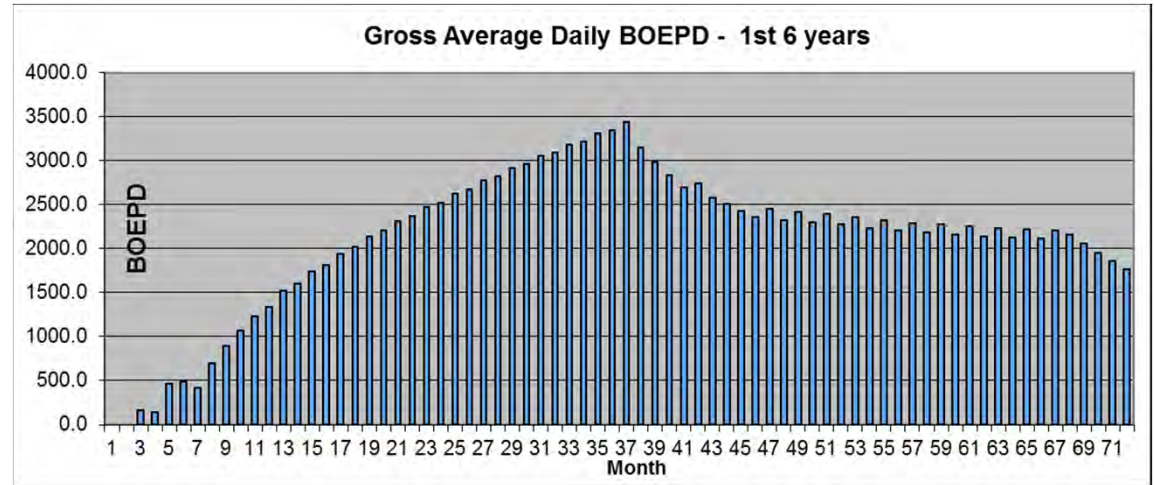
## 64 Well Program (model)

Production peaks at  
>3,437 BOEPD in 37 months

The 64 well model indicates  
up to 11.46 mmBOE prodn in  
23 years; could generate  
>\$240m in cash for TEX  
(undiscounted), \$87m NPV10.

Model assumes all 64 wells successful  
and match Wolfberry Type well with 16  
successful in Fusselman as well.  
Fairway wells may not match Type well  
and may produce more oil and gas (or  
less).

US\$75/bbl oil escalated at \$5/bbl/yr to  
\$100/bbl, then flat.



# Shepard's Channel "Low Resistivity" Play



# Shepard's Channel Prospect

Shepard's Channel – Lafourche Ph, La      TEX WI: 15.33%

**By-passed Gas Pay - 200 Bcf potential / 12 MMBC**

**500 Bcf – 1 Tcf in follow up Lo-Res "PUD" opportunities**



*Alan Shepard at work*

- A 1980 well in the prospect area encountered a >50-metre interval of porous and potentially gas-charged sands which were never tested. The sands were not the primary target in the well and the operator did not consider them to be prospective as they did not show a typical resistivity profile for hydrocarbons. When the deeper primary target proved to be absent the well was abandoned.
- Later 3D seismic defined the extent of the untested sands and showed them to be deposited in a channel covering approximately 1,200 acres. Detailed analysis of the well data strongly suggests that indications of the hydrocarbon potential of these sands were suppressed on the wireline logs and that if tested, they could have flowed at potentially commercial rates.
- A 2001 well, further updip in the channel encountered >30m of very good clean pay, again with shows and again not tested due to low resistivity log signature. Local well (outside channel) – had gas in core samples in 30% porosity/ 700-800 mD sands that showed only 1.1+ Ohm resistivity = Lo-Res pay.
- Based on the well data and the 3D seismic, there is the potential for this prospect to hold up to 200 Bcf of recoverable gas with up to 12 MMBC.



# Shepard's Channel Prospect



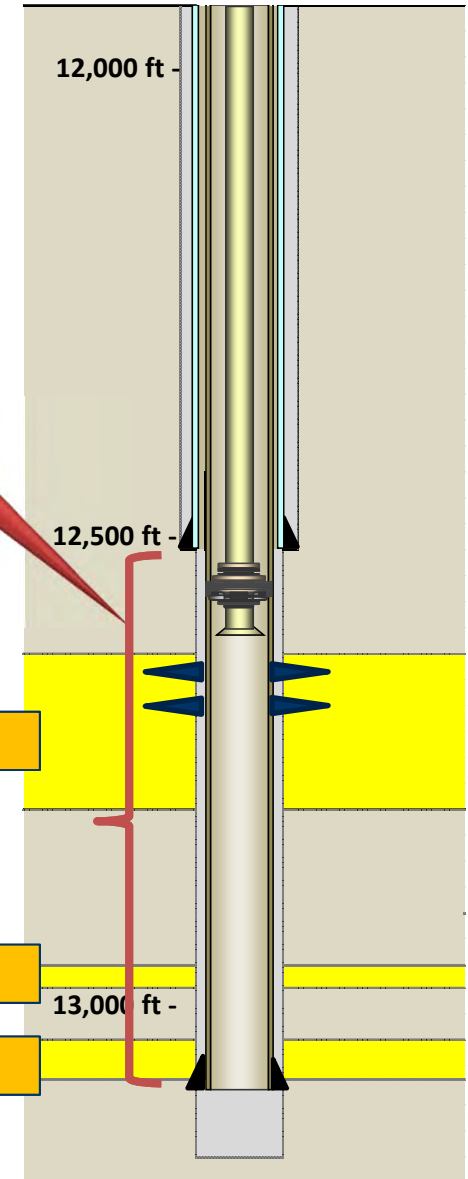
- Original 2001 well drilled to 13,180 feet (cased to 12,500 ft). Channel sand not tested.
- Well-bore now re-entered, plugs drilled out and open hole cleaned out. 4 ½" casing now run to Total Depth.
- Gas influxes noted immediately on re-entering open hole - drilling mud weight reduced from 16.2 ppg – 15.3 to ppg.
- Gas shows persisted during operations.
- Completion rig due by mid-May to commence testing.
- Large potential volumes – up to 200 BCF gas with 12 mmBC.
- 500 BCF – 1 TCF of potential in follow-up “Low-Resistivity” prospects.

91 ft Channel sand / ?Lo-res pay

8 ft sand (?conventional pay)

26 ft sand / ?Lo-res pay

Gas shows encountered in open hole



# Appraisal & Development



# Production, Appraisal & Development

## East Chalkley Field, Cameron Parish, Louisiana

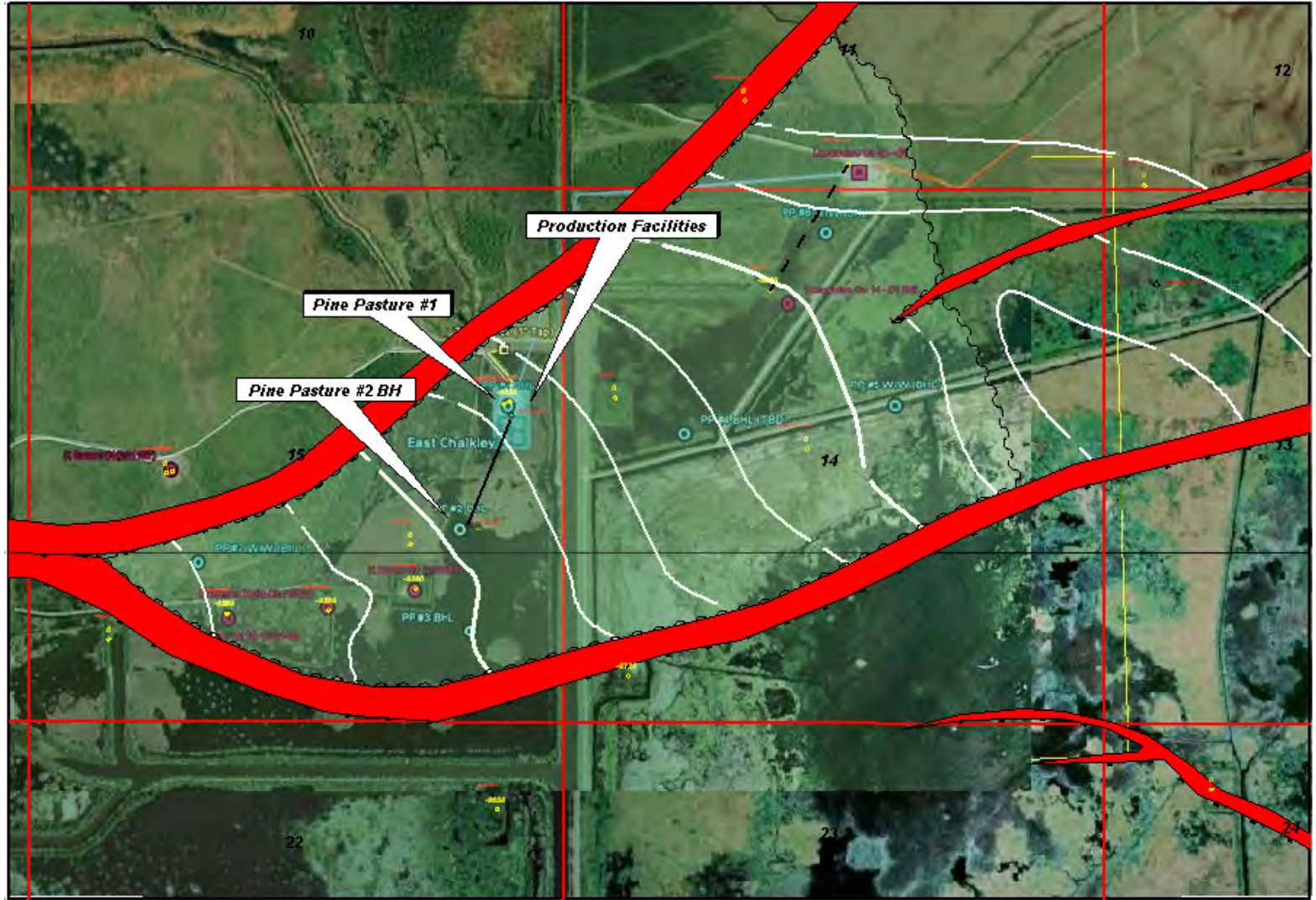
- Target Energy Working Interest 35%
- 2011 Independent Technical Specialist (RISC Pty Ltd) report on East Chalkley confirmed most likely technically recoverable reserves and resources (“2P/2C”) of **1.7 MMBO** with an upside (“3P/3C”) estimate of **4 MMBO**.
- Field producing approx 50 BOPD from Pine Pasture #2 well.
- Pine Pasture #3 Development well – potential Initial Production of 200-300 BOPD – deferred by operator.
- Potential for up to 6 appraisal/development wells + 2 injectors to develop down dip sector plus additional development well + 1 injector updip from existing production.
- Based on reserves from RISC report, Target estimates East Chalkley’s (“most likely”) NPV10 value at **US\$12.1 million net to Target** with a (“upside”) PV10 value of **US\$31.8 million net to Target**.



East Chalkley Tank Battery

# Production, Appraisal & Development

## East Chalkley Field, Cameron Parish, Louisiana



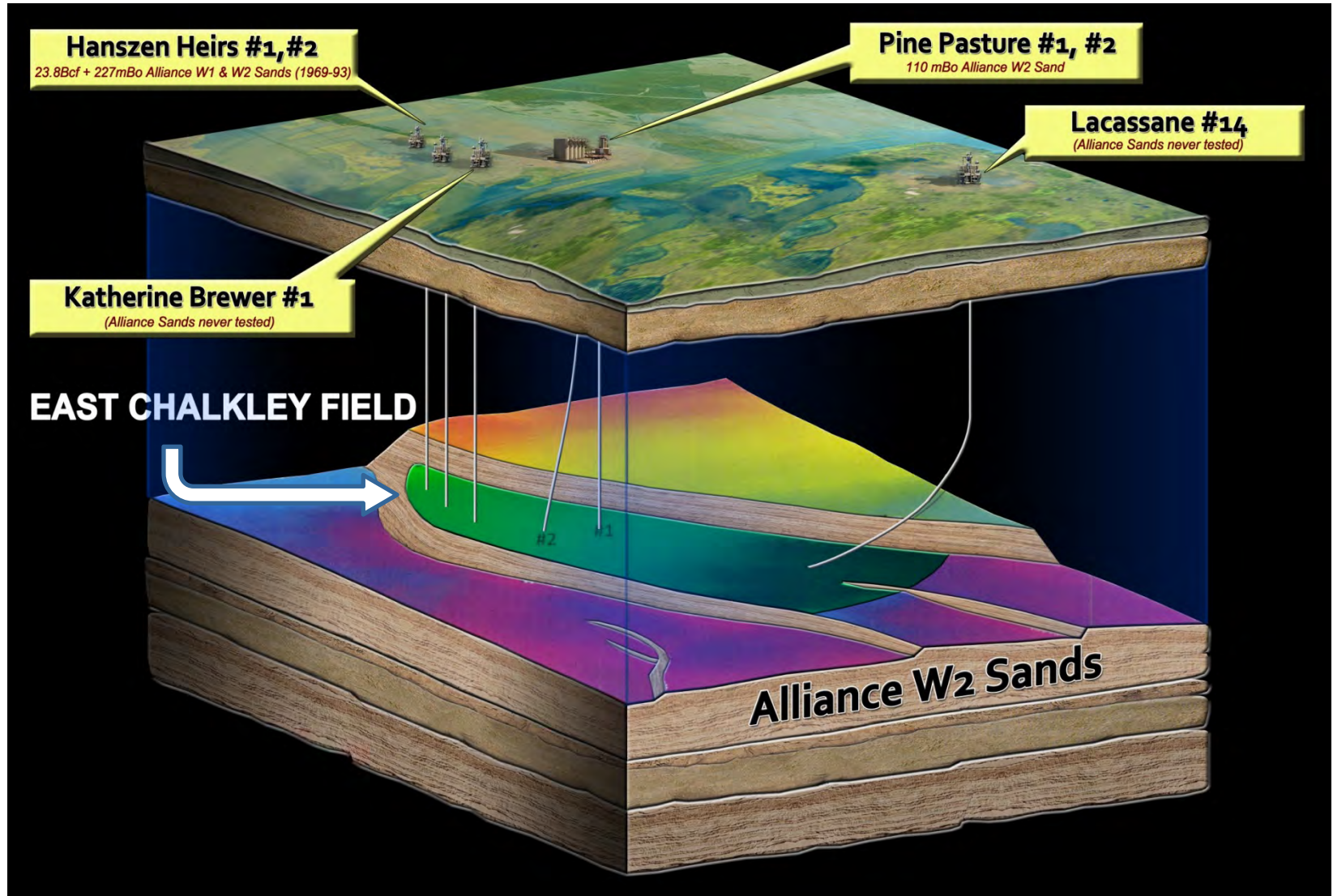
1 mile

Depth Alliance W2 (feet)/Google Earth Image



# Production, Appraisal & Development

## East Chalkley Field, Cameron Parish, Louisiana



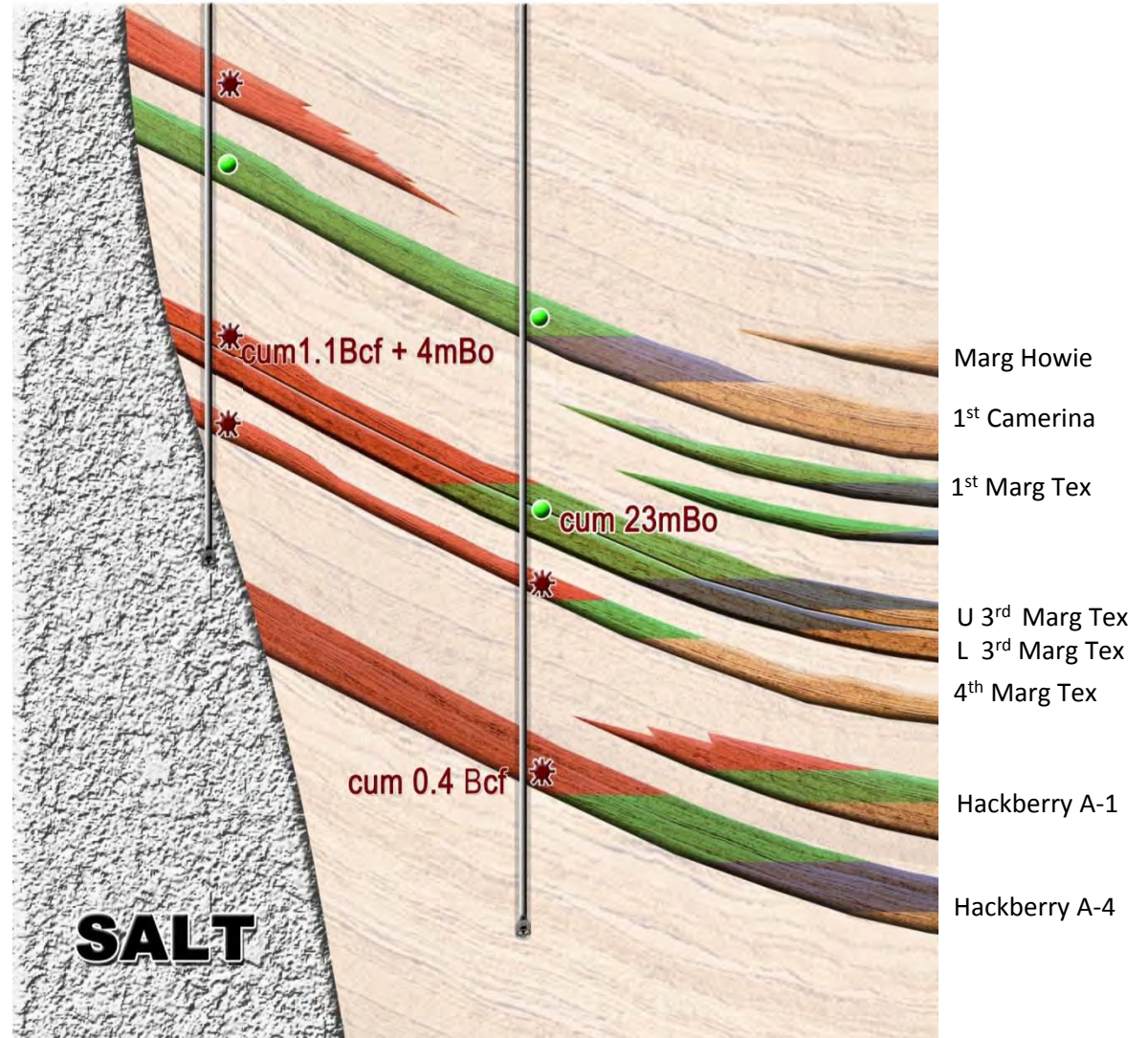


# Projects – Production

## Section 28 Project – St Martin Parish, Louisiana

- TEX WI: 25%
- “Attic” Production at “Section 28” salt dome
- 3 producing wells
- Multiple pay sands

St.Martin Land #A-1    St.Martin Land #A-3





# Projects – Production

## Section 28 Project – St Martin Parish, Louisiana

Sand	Snapper A1	Snapper A3	Snapper A2
Marg Howie	Yet to be produced	Not Intersected	Yet to be produced
1st Camerina	Yet to be produced	Yet to be produced	Yet to be produced
Upper 3rd Marg Tex	Produced	Yet to be produced*	In Production
Lower 3rd Marg Tex	Yet to be produced	In Production	Not Intersected
4th Marg Tex	Produced	Tight	In Production
Hackberry A1	Not Reached	Not Intersected	Produced
Hackberry A4	Not Reached	Produced	Produced

*Snapper A1 presently shut-in awaiting recompletion*

*\*May be partially depleted due to prior A1 production*

# Production, Appraisal & Development



**East Chalkley Oil Field – Cameron Ph, La**      **TEX WI: 35%**

**Production:** Alliance W2 sands – approx 40 - 50 BOPD

Pine Pasture #1 shut-in

Pine Pasture #2 (2008)

**Section 28 Project – St Martin Ph, La**      **TEX WI: 25%**

**Production:** MgTex/Hackberry – app 500 mcfgd + 90 BOPD.

Snapper #A-1 (2007) shut-in awaiting workover

Snapper #A-2 (2008)

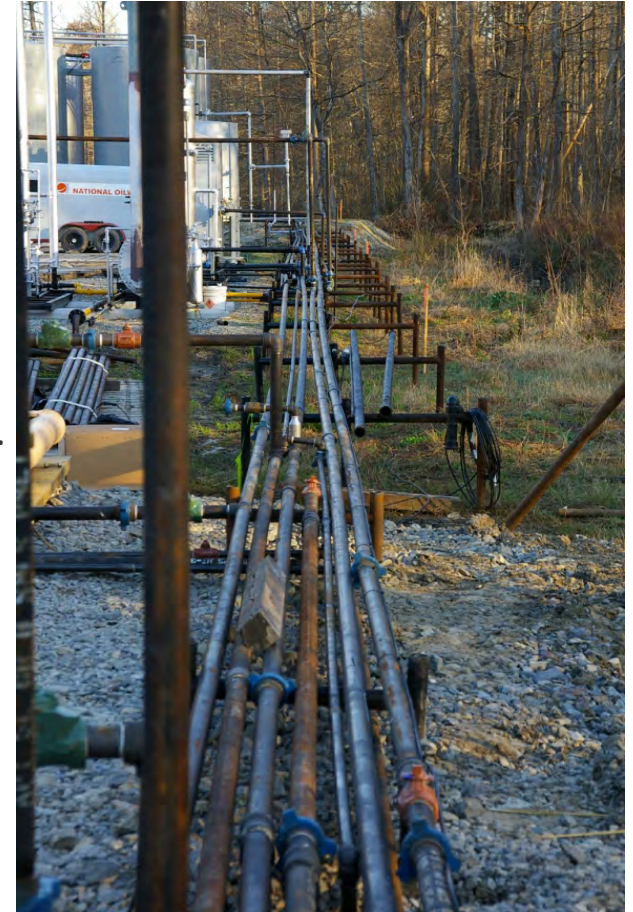
Snapper #A-3 (2009)

Multiple pay zones in all wells.

**Highway 71 - Wharton Co, Tx**      **TEX WI: 25%**

**Production:** Cook Mountain – approx 250 mcfgd + 5 BOPD

Merta #1 (2009)





# Reserves

## Audited Reserves & Exploration Potential (net to WI/NRI)

Audited Reserves* (000 BOE)	Proved & Probable	Possible	Contingent (Best Estimate)	Contingent (High Estimate Increment)	Total
31/12/11	202.6	168.5	263.0	442.6	1076.6

Estimated Reserves+ (000 BOE)	Proved & Probable	Possible	Contingent (Best Estimate)	Contingent (High Estimate Increment)	Total
Merta #1	10.8	17.3	0	0	28.1

<b>Total</b>	<b>213.4</b>	<b>185.8</b>	<b>263.0</b>	<b>442.6</b>	<b>1,104.8</b>
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\*East Chalkley:

Audited Reserves 31/12/10; updated to 31/12/11

\*SML A1, A2, A3:

Audited Reserves 31/12/10; update to 31/12/11

+Highway 71:

Internal Estimate 31/12/11

# What's coming up



## Resource Plays:

- Fairway - Complete test of BOA #12-1 Wolfberry frac
- Drill next Wolfberry well (Darwin #1)
- Drill shallow San Andres / Clearfork well (Q2 12)
- Ongoing drilling; ongoing acreage expansion

## By-passed Pay:

- Shepard's Channel – Commence Testing Programme

## East Chalkley Oil Field Development:

- Pine Pasture #3 Well (timing to be confirmed)
- Further Appraisal/Development Drilling

## Ongoing Production:

- Fairway
- Section 28 Project Area
- East Chalkley Oil Field
- Merta Gas Field

## Continue evaluation of new opportunities:

- Corporate
- Technical



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**target**  
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