

Quarterly Report for the quarter ending 30 June 2011

- Drilling imminent at West Texas Fairway Project (Target 60% WI)
- Successful Snapper #A-3 workover yields oil at rates over 100 BOPD from Lower 3rd Marg Tex
- Target to participate in 120 Bcf Shepard's Channel prospect in Louisiana in Q4
- Continue to monitor results of fracture stimulation at Buffalo Project

1. Production (1 April – 30 June 2011)

Well	TEX WI	Gross Ave Daily Gas Prod'n in Period (mcfgd)	Gross Gas Prod'n in Period (mmcf)	Gross Gas Prod'n to date (mmcf)	Gross Ave Daily Oil Prod'n in Period (BOPD)	Total Oil Prod'n in Period (BO)	Total Oil to date (BO)
Snapper A-1	25%	248	22.5	1024.5	1.8	166	3777
Snapper A-2	25%	61	5.5	480.8	15.8	1440	34240
Snapper A-3	25%	13	1.2	316.8	20.9	1901	3715
Pine Pasture #1	35%	0			7.3	661	7803
Pine Pasture #2	35%	47	4.2	85.5	43.1	3921	69432
Merta #1	25%	301	27.4	142.8	4.4	404	2031
Total (Gross)			60.8	2050.4		8493	120998
Total (Net TEX WI)			15.6	521.2		2581	37973

mmcf = million cubic feet of gas, mmcfgd = million cubic feet of gas per day; mcfgd = thousand 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)

NB: Pine Pasture wells both shut in during parts of reporting period to rectify pump issues. Snapper A3 offline in April and May pending workover - back online in June.



Quarterly Report for the quarter ending 30 June 2011

2. Exploration

Texas

2.1. Fairway Project – Howard & Glasscock Counties (Target Energy 60% working interest)

Target's Fairway project, in the Wolfberry Oil Resource Play in the Permian Basin in West Texas, was expanded in the reporting period with the inclusion of additional leases in adjacent Glasscock County. The project now encompasses 2,550 net mineral acres over four tracts in which Target will earn a 60% working interest by paying acreage costs and participating in at least four wells. Based on a typical 40-acre development spacing, Target expects to be able to drill up to 64 wells within the project area.

Site preparation is underway at the first location, with drilling expected to commence within two weeks. The next three wells, one in each of the other tracts, are likely to be drilled back-to-back commencing in Q4, with planning for major appraisal and development programs to follow.

The drilling will target both the Wolfberry section and the deeper Fusselman formation and will also investigate additional potential in the Canyon, Strawn and Clearfork Formations - all of which produce in the area and will be tested in the Fairway drilling.

Typical Wolfberry reserves for wells in the region are approximately 140 thousand barrels of oil equivalent (mBOE), with potential for an additional 80 mBO in the Fusselman formation. In the Fairway project area in particular, the Fusselman can be highly prospective with four recent local wells presently producing a combined 1600 BOPD from that formation. These wells, which typically pay out within a couple of months, also have Wolfberry pay identified on logs.

In addition to the upcoming drilling, the partners are continuing to identify further leasing opportunities to expand the project.

2.2. Buffalo Project, South Texas (Target Energy 100%/50% working interest)

Following the fracture stimulation of the initial well in April ("the frac"), the well remains on pump recovering water with a flow of approximately 40-50 thousand cubic feet of gas per day and approximately 3-5 barrels of oil per day. Fluid recovery and flow monitoring are continuing.

Target will continue to monitor the performance of the frac before making any commitment to frac a second well.

Quarterly Report for the quarter ending 30 June 2011

Louisiana

2.3. Shepard's Channel Prospect - La Fourche Parish (Target Energy 7% working interest)

Target has agreed to participate in a test of the 120 Billion cubic feet (Bcf) Shepard's Channel gas and condensate prospect in La Fourche Parish, Louisiana.

Target will earn a 7% working interest (WI) in the project by paying its share of acreage costs and the costs of re-entering an existing (cased) borehole to complete the well in a hitherto untested sand.

The well will be re-entered and completed for production over a 50-metre interval of porous and potentially gas-charged sands which were never tested when drilled in the early 1980s. These sands were not the primary target in the well and the operator did not consider them to be prospective. The primary target was not intersected and the well was abandoned.

Later acquisition of 3D seismic in the region 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 now 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.

Based on the well data and the 3D seismic, there is the potential for this prospect to hold up to 120 Bcf of recoverable gas.

The proposed re-completion is designed to properly test the sands and to confirm the analysis. If successful, additional wells will be required to fully develop the feature. Work is expected to commence in October.

3. Development

Louisiana

3.1. Section 28 Project (Target Energy 25% working interest)

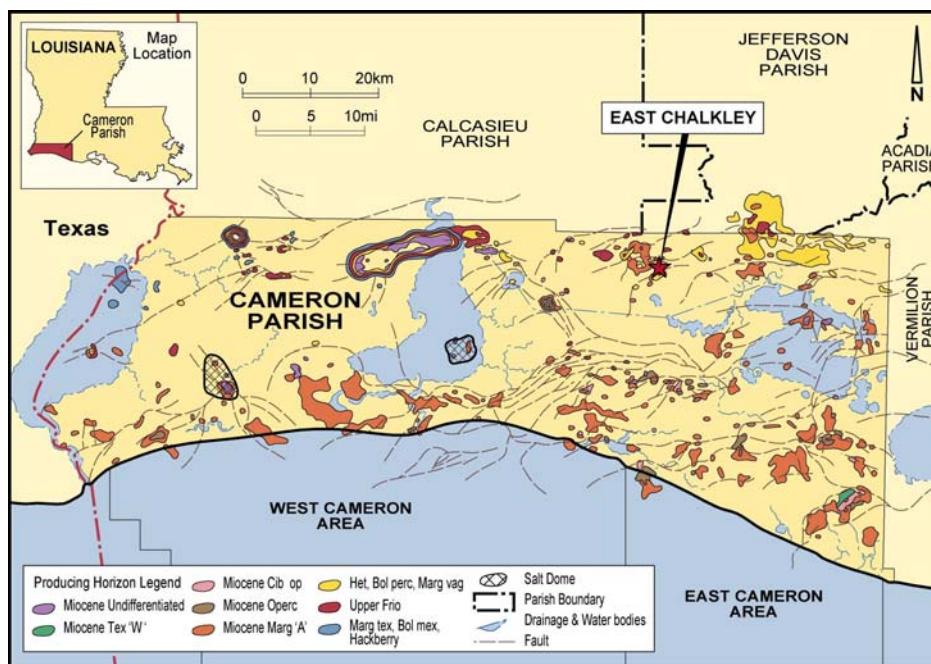
During the reporting period, the SML (Snapper) #A-3 well was completed for production in the Lower 3rd Marg Tex sand. The well had previously been producing gas from the Hackberry sand. The well was brought back online in June and is presently producing approximately 100 BOPD with 100 mcfgd and no water.

Prior to the workover, gas production from the Hackberry had declined to approximately 150 mcfgd -this successful completion in the Lower 3rd Marg Tex replaces this gas with approximately 100 BOPD plus 100 mcfgd and adds substantially to Target's cash flow.

Quarterly Report for the quarter ending 30 June 2011

3.2. East Chalkley (Target Energy 35% working interest)

The East Chalkley project is an oil field appraisal and development program, approx. 33 kilometres 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. Target participated in the successful drilling of the Pine Pasture #2 well in 2008.

The 2009 salt-water disposal well is presently being worked-over to remedy sand-plugging issues.

The drilling of the proposed Pine Pasture #3 development well was deferred by the operator in November 2010 following its decision to divest its interests in the field. Target is keeping its position under review going forward.

Quarterly Report for the quarter ending 30 June 2011

4. Corporate

4.1. Capital Raising – Rights Issue

A fully underwritten 1:8 pro rata non-renounceable rights issue to shareholders was successfully completed. The issue, which closed on 2 May, received applications for almost twice the number of securities on offer. A total of \$935,525 was raised before issue costs, with 31,184,180 shares and 31,184,180 attaching options issued.

5. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target Working Interest	Potential Recoverable Volumes
Underway	1st Buffalo Frac	South Texas	100%BPO 50% APO	
August 2011	Fairway #1	Glasscock Co, Tx	60%	180 – 220 mBO
Q3/Q4 2011	2 nd Buffalo Frac	South Texas	100%BPO 50% APO	
Q4 2011	Shepard's Channel	La Fourche Parish, La	7%	120 Bcf
Q4 2011	Fairway #2 - #4	Howard/Glasscock Co	60%	180 – 220 mBO
Q3/Q4 2011	East Chalkley PP#3	Cameron Parish, La	35%	250 – 450 mmBO

BPO: before pay out (of Target's costs); APO: after payout (of Target's costs)

For further information, please contact Laurence Roe on 08 9476 9000 or 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 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 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

Name of entity

TARGET ENERGY LIMITED

ABN

73 119 160 360

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.12.. months) \$A'000
1.1 Receipts from product sales and related debtors	270	1,036
1.2 Payments for (a) exploration & evaluation	(1,656)	(2,218)
(b) development	(72)	(414)
(c) production	(108)	(408)
(d) administration	(458)	(1,380)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	21
1.5 Interest and other costs of finance paid	(39)	(50)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
Net Operating Cash Flows	(2,057)	(3,413)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(47)	(69)
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)		
Net investing cash flows	(47)	(69)
1.13 Total operating and investing cash flows (carried forward)	(2,104)	(3,482)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,104)	(3,482)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,732	3,564
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	900
1.17	Repayment of borrowings	(50)	(50)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	Costs of Capital Raising	(67)	(67)
	Net financing cash flows	2,615	4,347
	Net increase (decrease) in cash held	511	865
1.20	Cash at beginning of quarter/year to date	1,412	1,215
1.21	Exchange rate adjustments to item 1.20	(52)	(209)
1.22	Cash at end of quarter	1,871	1,871

Payments to directors of the entity and associates of the directors
Payments to 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	125
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

Funds advanced in relation to the first tranche of the placement (\$200,000) were treated as borrowings in the March quarter and were converted to equity following shareholder approval for share 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

+ See chapter 19 for defined terms.

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	650	650
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,100
4.2 Development	-
4.3 Production	100
4.4 Administration	350
Total	1,550

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	1,821	1,362
5.2 Deposits at call	50	50
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,871	1,412

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Not Applicable		
6.2	Interests in mining tenements acquired or increased	Not Applicable		

+ See chapter 19 for defined terms.

Appendix 5B
Mining 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	281,107,296	281,107,296		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	86,144,180 997,132 441,541 176,989	86,144,180 997,132 441,541 176,989	3 cents 5 cents 7 cents 10 cents	Fully paid Fully paid Fully paid Fully paid
7.5 +Convertible debt securities <i>(description)</i>	550,000 (5c, 9.11.12) 100,000 (5c, 19.11.12)	Nil Nil	\$1.00 \$1.00	\$1.00 \$1.00
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	<i>Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	750,000 1:1	Nil	12 cents	7/8/2011
	52,826,207 1:1	52,826,207	10 cents	31/10/2012
	39,730,712 1:1	Nil	5 cents	31/3/2012
	40,286,512 1:1	Nil	7 cents	31/3/2013
	40,711,361 1:1	Nil	10 cents	31/3/2014
7.8 Issued during quarter	28,714,519 1:1 28,714,718 1:1 28,714,943 1:1	Nil Nil Nil	5 cents 7 cents 10 cents	31/3/2012 31/3/2013 31/3/2014
7.9 Exercised during quarter	160,068 997,132 441,541 16,921	160,068 Nil Nil Nil	10 cents 5 cents 7 cents 10 cents	31/10/2012 31/03/2012 31/03/2013 31/03/2014
7.10 Expired during quarter	6,000,000	Nil	20 cents	30/06/2011
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 give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: ..29 July 2011...

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 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, 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.

== == == == ==