

ASX ANNOUNCEMENT

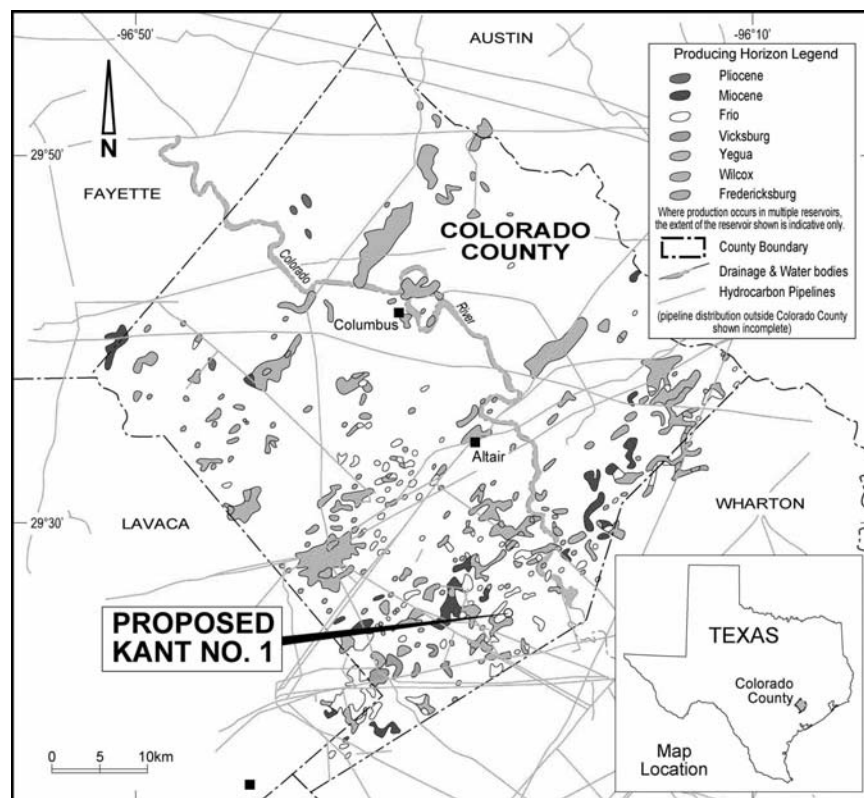
2 January 2007

Company Announcements Platform
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Target Energy Commences US Drilling

Target Energy Limited ("Target") advises that it has been informed by the Operator that drilling commenced at the Kant No. 1 well on 29th December 2006. It is anticipated that the well will take approximately one week to drill to the programmed Total Depth of 4,750 ft (1,448 metres).

Kant No 1 is located approximately 112 kilometres west south west of Houston in Colorado County, Texas and is programmed to test an Oligocene age seismic amplitude anomaly at a depth of approximately 3,240 feet (988 metres). Potential recoverable reserves (as defined by the seismic anomaly) range up to 2 billion cubic feet (Bcf) of gas. The well will be drilled to a total depth of 4,750 feet (1,448 metres) to test additional Miocene and Frio potential.



Kant is located on trend with other local Frio gas discoveries and is within 1.6 km of existing gas pipelines. It is the first of three gas exploration wells in Colorado County that Target will participate in. The remaining wells, Thoroughbred and Garwood, are scheduled to be drilled in early first quarter of 2007.

Kant prospect Working Interest holders (subject to completion of earning phase):

Everest Resource Company et al	25.00% (Operator)
Target Energy Limited	25.00%
Pantheon Resources plc	18.75%
Day Star Drilling & Development, Inc	12.75%
Anderson Oil Ltd	10.00%
Jeff Nesmith	4.50%
Jupiter Energy LLC	4.00%

For further information on the Company please contact Laurence Roe on 08 9240 1900 or 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, who is a member of the Society of Exploration Geophysicists and has at least 5 years experience in the sector. He consents to that information in the form and context in which it appears.