

ASX ANNOUNCEMENT

03 January 2008

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

DRILLING UPDATE

Target Energy Limited ("Target") (ASX CODE: TEX) is pleased to provide the following operations update. All reported depths are below the Rotary Table (RT) on the rig floor.

RIVIANA FOODS #1 (TECHE PROSPECT)

Report Date: 9:00 pm 02/01/08 (Western Aust Daylight Time) /
6:00 am 02/01/08 (USA Central Standard Time)

Current Depth: 3,278.8 metres RT

Progress: Run 244mm (9 5/8") casing to 3,278.2m RT. Cement casing. Prepare to drill ahead; identify leak in pressure control equipment – make repairs.

Hydrocarbon Indications

Hydrocarbon shows will only be reported after wireline logs have been run and evaluated at the Total Depth of the well. The well will take approximately four weeks to drill to the programmed Total Depth of 3,810 metres (12,500 feet).

Primary and Secondary Targets

Drilling at the Teche prospect will target up to 22.4 Bcfe of potential recoverable gas and condensate in Oligocene age "Bol mex 2" sands. Additional potential is recognised in a number of other sands which will also be tested in an optimal position.

Target Energy will earn a 10% Working Interest in the well (subject to completion of earning phase).

BEYT #1 (BAYOU BERARD PROSPECT)

Report Date: 9:00 pm 02/01/08 (Western Aust Daylight Time) /
6:00 am 02/01/08 (USA Central Standard Time)

Current Depth: 3,063.3 metres RT

Progress: Run 194mm (7 5/8") casing. Cement casing. Drill ahead from 2,872.8m RT to 3,063.8 m RT. Run wireline logs. Prepare to enlarge hole below casing and run additional casing.

Hydrocarbon Indications:

The well will test sands in the Marg Tex section in an as yet undrilled fault segment on the south-eastern margin of the Section 28 salt dome. Various Marg Tex sands have produced commercial oil and/or gas in every fault segment tested at Section 28. The well at Bayou Berard will potentially prove up 1.8 million barrels of oil and 0.72 billion cubic feet of gas (recoverable) and will take approximately 30 days to reach its programmed Total Depth at 3,444 metres (11,300 ft). A second well will be required to fully drain these volumes.

Comment:

After drilling out from the last casing point, it became necessary to increase the mud weight to compensate for the effect of drilling through splintery shales and for gas coming into the borehole from the shales. To continue to increase the mud weight would risk borehole integrity and so the decision was taken to

extend casing down to the current depth. This will allow drilling to proceed as planned to our primary targets.

Wireline logs have been run prior to setting the casing – the logs have identified a potentially productive sand (1.8 metres thick) in one of our secondary targets at 2,892m RT and have confirmed that we are running structurally and stratigraphically as planned. The primary objective sands in the Marg Tex are still below us.

Target has a 15% Working Interest in the Beyt #1 (Bayou Berard) well.

While operations are underway, the company will issue routine releases every Thursday or at any such time that material matters require an earlier release.

ENDS

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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 at least 5 years experience in the sector. He consents to that information in the form and context in which it appears.