



ASX Announcement

6 May 2012

Shepard's Channel Operations update

Shepard's Channel Prospect, Lafourche Parish, Louisiana

Re-entry operations at Shepard's Channel have concluded, with a completion rig scheduled to mobilise to the site in about two weeks to commence the testing program.

Target Energy Chairman Chris Rowe commented:

"We are very pleased to have successfully finished this phase of the program. There were a number of technical issues that arose while undertaking the work - issues that were made more challenging as they occurred in a borehole less than 20 centimetres wide at depths up to four kilometres below the surface. While as an industry we routinely work at these depths, it still requires a great deal of skill and perseverance to overcome problems in such an environment.

"We were also extremely encouraged throughout this phase by the persistent influx of gas into the borehole, reinforcing our original assessment of the prospectivity at Shepard's Channel which we believe may hold up to 200 billion cubic feet of recoverable gas and 12 million barrels of condensate. Furthermore, in addition to testing our primary target - the 28-metre thick channel sand - we also plan to evaluate at least two other deeper potentially productive sands present in the borehole."

Operations Report

Target WI: 15.33%

All reported depths are measured depths below the Rotary Table (RT) on the rig floor.

Report Date: 7:00 pm 05/05/12 (Western Aust Standard Time) /
6:00 am 05/05/12 (USA Central Daylight Time)

Current Depth: 4,002 metres RT.

Progress: Run 114.3mm (4.5") casing to 4,002m; cement same. Commence rigging down - expect to release rig on 5 May 2012.

ENDS

Corporate information

ASX Code

TEX

TEXOB

Board of Directors

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

Rowan Caren, Company Secretary

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Overview of activities

Target is exploring and producing a suite of highly prospective oil and gas projects in the USA.

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 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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For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in dark ink, appearing to read "Laurence Roe".

Laurence Roe
Managing Director

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Shepard's Channel Prospect - Lafourche Parish, Louisiana

Target Energy joined the Shepard's Channel Prospect in June 2011 when it agreed to participate in a test of the gas and condensate prospect which it believes had been bypassed in earlier exploration of the area.

Target initially agreed to earn a 7% working interest (WI) in the project, but has since increased its position to 15.3% WI.

The current operations involve re-entering an existing well and completing for production porous and potentially gas-charged sands which were never tested when drilled. The sands were not previously considered to be prospective and the well was abandoned.

Acquisition of 3D seismic in the region has defined the extent of the untested sands showing them to be deposited in a channel covering approximately 1,200 acres. More importantly, 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 200 Bcf of recoverable gas with 12 million barrels of condensate. Current work at Shepard's well is designed to properly test the sands and to confirm the new analysis. If successful, additional wells will be required to fully develop the feature.