

ASX ANNOUNCEMENT

17 January 2008

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

OPERATIONS 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.

SML (SNAPPER) #A-2

Target has been advised by the operator that the Completion rig is onsite and production tubing has been run into the hole. Perforation and flow testing of the Hackberry A4 and A6 sands is expected within the next few days.

Target has a 25% Working Interest in the SML (Snapper) #A-2 well.

RIVIANA FOODS #1 (TECHE PROSPECT)

Report Date: 9:00 pm 16/01/08 (Western Aust Daylight Time) /
6:00 am 16/01/08 (USA Central Standard Time)

Current Depth: 3,511.6 metres RT

Progress: Remedy lost circulation – run squeeze. Circulate and condition mud; run in hole, wash and ream to 3,481.2m RT. Drill ahead from 3,481.2m to 3,511.6m RT. Repair draw works brakes; pull out of hole for new bit. Run in hole; circulate and condition mud.

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 16/01/08 (Western Aust Daylight Time) /
6:00 am 16/01/08 (USA Central Standard Time)

Current Depth: 3,251.6 metres RT

Progress: Drill ahead from 3,100.5m RT to 3,173.0 mRT. Lost circulation – run cement squeeze. Drill out cement; drill ahead from 3,173.0m RT to 3,251.6m. Run Wireline logs; run dipmeter logs.

Comment After observing a sustained increase in downhole pressure, it was decided to run wireline logs to confirm our structural position. The logs have indicated the presence of a fault that was not previously observed on the seismic data. The fault has an estimated throw of 213.4 metres and occurs at 3,171.5 mRT, or approximately 24.4 metres above where the 1st Marg Tex sand was expected to be.

We are now planning to

1. complete the well in the shallower Marg Vag sand (2,892m RT) which log analysis has previously indicated contains approx 2 metres of net gas pay. The operator estimates that the Marg Vag sand may hold up to 1.8 Bcf of recoverable gas. Subject to a successful flow test, the well can be brought onto production within two months.
2. upon exhaustion of the Marg Vag production, re-enter the borehole and drill a sidetrack to test the Marg Tex sands. A revision of the hydrocarbon potential of the prospect has indicated that a sidetrack to the Marg Tex sands could yield up to 1.1 million barrels of oil and 0.4 Bcf of gas.

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.