

Target Energy Limited

Report for the Quarter Ending 30 September 2008

Key Events

- *Flow testing at Pine Pasture #2 (East Chalkley) continuing.*
- *Plans advance for ongoing Louisiana drilling in fourth quarter.*

1. Production

Period: 1 July – 30 September 2008

Well	TEX WI	Ave Daily Gas Prodn in Period (mcfgd)	Gross Gas Prodn in Period (mmcf)	Gross Gas Prodn to date (mmcf)	Gross Ave Daily Oil Prodn in Period (BOPD)	Total Oil Prodn in Period (BO)	Total Oil to date (BO)
Thoroughbred*	25%	-	-	81.2	-	-	-
Snapper A-1	25%	1,196	110.0	501.8	3.1	190	2,420
Garwood	25%	117	10.8	52.5	-	-	-
Snapper A-2	25%	1,187	109.2	197.9	13.7	834	1,639
Beyt #1^	15%	268	5.6	40.8	19.0	399	1,534
Pine Pasture #2^^	25%	-	-	-	60.7	1,821	1,821
Total (Gross)			235.6	874.2		3,244	7,414
Total (Net TEX)			58.4	214.4		771	1,700

* Well remains shut-in. / ^ Well shut-in 21 July, 2008 / ^^Flow testing commenced 24/7; interrupted by weather.

2. Exploration

2.1. Louisiana

2.1.1. St Martin Parish

- **Snapper A-3 (Target Energy 25% working interest)**

Operated by Cypress Productions of Azle, Texas, the Snapper A-3 well is to be located approximately 122 metres north of Target's Snapper A-1 discovery in St Martin Parish, Louisiana. The well is designed to test Hackberry A3 and A4 sands that were not intersected by the A-1 well. Target will earn a 25% working interest in the well, which will be drilled to a depth of approximately 3,048 metres.

Snapper A-3 will test a potential of up to 0.7 million barrels of oil and 4 billion cubic feet of gas (unrisked, recoverable).

Crown Drilling have been contracted to supply the rig. Depending on whether the company currently operating the rig exercises an option to drill an additional well,

drilling at Snapper A-3 is scheduled to commence either 1 December 2008 or 1 January 2009.

- **Parks North (Target Energy up to 10% working interest)**

Located south-west of the Section 28 salt-dome, the proposed well at the Parks North prospect will test a proven fault segment. The main objective is the Hackberry "A5" Sand, a channel-like amplitude anomaly updip of shows. The secondary objective is a Hackberry "A4" amplitude anomaly with associated underlying velocity sag. A third objective with excellent reserve potential is the Hackberry "A3" Sand that has high amplitudes and a positive AVO (Amplitude vs. Offset) anomaly for gas. All three objectives are trapped against the upthrown side of a contemporary fault. All three objectives will be tested. Total unrisks potential hydrocarbon volumes are 25.7 billion cubic feet of gas and 150,000 barrels of oil. Parks North could be brought on-stream within 4 months after completion. Programmed total depth is 4,236 metres (13,900 ft).

The operator has advised that drilling is expected to commence at Parks North early in the first quarter of 2009.

- **Bayou Berard Marg Tex (Target Energy 15% working interest)**

The Beyt #1 well at the Bayou Berard prospect intersected a major fault just before hitting the primary Marg Tex targets and was subsequently completed in the shallower Marg Vag sand.

Production commenced on 2 May 2008 at a rate of approx 1 mmcfgd with associated condensate. The operator later decided to put the well on compression. Shortly after the Beyt #1 well was placed on a compressor (July 20th), the wellbore loaded up with fluid. A wire line was run which tagged fluid at approximately 2100 feet. Analysis of the fluid indicated formation water - believed to be from the Het Lime at 9370 feet, 130 feet up the hole from the Marg Vag sand.

Rather than remediate the Marg Vag, Cypress have decided to terminate production from that sand and instead plan to drill out from the existing wellbore to intersect the Marg Tex sands. The 1st, 2nd and 3rd Marg Tex sands have an aggregate potential of 1 million barrels of oil with 0.4 billion cubic feet of gas of gas (unrisks, recoverable).

The operator has advised that drilling at the Beyt #1A well is scheduled to commence late in the fourth quarter.

2.1.2. Acadia Parish

- **Bandito Prospect (Target Energy 15% working interest)**

Located approximately 44 kilometres west of Lafayette in Acadia Parish, Louisiana, drilling at the Mary Vincent et al #1 well to test the Bandito prospect commenced on 29 May 2008, reaching a Total Depth at 3,932m on 31 July 2008. The well was operated by Aspect Energy, LLC.

Wireline logs were run and subsequent evaluation of the log data indicated that the target "Bol Mex" sands were absent at this location. The well was plugged and abandoned on 4 August 2008.

2.1.3. Cameron Parish

- **East Chalkley (Target Energy 25% WI)**

Operated by Centurion Exploration Company of Houston Texas, the East Chalkley project is an oil field appraisal and development program, approximately 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. The structure is mapped on 3D seismic

and is already producing oil from a single well. Work to date suggests that the ‘most likely’ recoverable volume of oil is approximately 2.4 million barrels.

Drilling commenced at the Pine Pasture #2 well on 12 June 2008, with the well reaching a total depth at 2,794.9m on 27 June 2008. Initial wireline log analysis identified approximately 9.5 metres of net oil pay in the Alliance W2 sand at 2,923.0 metres (measured depth), which was in line with pre-drill expectations.

A Completion Rig was mobilised onto the site on 11 July 2008 and the interval 2,923.1 – 2,930.4m in the Alliance W2 sands was subsequently perforated and fracture stimulated. Flow testing commenced on 22 July 2008, with first oil noted on 24 July. The well has pumped oil and water (with the oil at rates up to approximately 80 BOPD). The oil cut is approximately 25%. The combined oil and water was expected and a salt-water disposal well will be drilled to expedite disposal of the produced water.

Flow testing was interrupted due to Hurricanes Gustav and Ike in August and September and is re-commencing at the time of writing. The well will now be pumped at higher volumes to establish optimal flow rates before being placed into long-term production.

2.1.4. Vermilion Parish

- **Catapult 3 (Target Energy 15% working interest)**

The Catapult 3 prospect is located approximately 50 kilometres south west of Lafayette in Vermilion Parish, Louisiana.

The Catapult 3 well is planned to be drilled to a depth of 4,724 metres (15,500 feet) and will target up to 204 billion cubic feet and 10.2 million barrels of potential recoverable gas and condensate in Early Miocene-age Alliance (Planulina) and Trahan sands. The prospect is thoroughly mapped on 3D seismic, well integrated with the local geology and is adjacent to two recently drilled wells that tested with combined rates of 40 million cubic feet of gas per day and 2,300 barrels of condensate per day.

Target will earn a 15% working interest in the prospect - it is considered to be a high risk/high-reward play that, in the event of a discovery, has genuine “company-maker” potential for Target.

We have recently been advised by the operator that drilling is now expected to commence in early Q1 2009. Drilling is expected to take approximately five weeks.

3. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target [^] Working Interest	Potential Recoverable Volumes*
Flow testing	East Chalkley	Cameron Parish, La	25%	2.4 mmBO
Q4 2008	Bayou Berard ST	St Martin Parish, La	15%	1 mmBO; 0.44 Bcf
Dec 2008	Snapper A-3	St Martin Parish, La	25%	0.7 mmBO; 4.0 Bcf
Q1 2009	Parks North	St Martin Parish, La	10%	0.15 mmBC; 25.7 Bcf
Q1 2009	Catapult 3	Vermilion Parish, La	15%	10 mmBC; 204 Bcf

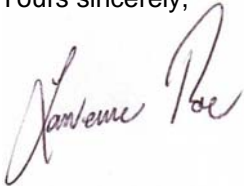
**Figures are operators' unrisks estimates and represent total prospect or field potential – additional drilling may be required to fully recover volumes. [^]Subject to finalisation of farm-in and/or unitisation agreements*

4. Corporate

On 8 August 2008, Mr. Paul Lloyd resigned as Company Secretary to be replaced by Mr. Rowan Caren. Mr. Lloyd remains as a non executive director of the Company.

For further information, please contact Laurence Roe on 08 9476 9000 or contact the company at admin@targetenergy.com.au.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Laurence Roe', written in black ink.

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 over 25 years experience in the sector. He consents to that information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Target Energy Limited

ABN

73 119 160 360

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	491	491
1.2 Payments for		
(a) exploration and evaluation	(761)	(761)
(b) development	(90)	(90)
(c) production	(85)	(85)
(d) administration	(337)	(337)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	61
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(721)	(721)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	(28)	(28)
1.11 Loans repaid by other entities	27	27
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(722)	(722)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(722)	(722)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	3,391	3,391
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue expenses	(239)	(239)
Net financing cash flows		3,152	3,152
Net increase (decrease) in cash held		2,430	2,430
1.20	Cash at beginning of quarter/year to date	2,480	2,480
1.21	Exchange rate adjustments to item 1.20	120	120
1.22	Cash at end of quarter	5,030	5,030

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
1.2	Aggregate amount of payments to the parties included in item 1.2	125
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Consulting fees and salaries.

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

Not Applicable

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,780
4.2 Development	-
Total	1,780

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	4,980	2,423
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)	5,030	2,473

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			
6.2	Interests in mining tenements acquired or increased			

+ 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)	Amount paid up per security (see note 3)
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	104,321,167	91,914,917		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	26,066,667 10,000	26,066,667 10,000	13 cents 25 cents	
7.5 +Convertible debt securities <i>(description)</i>				
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>Incentive Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	6,000,000 1:1	Nil	20 cents	30/06/2011
	62,812,167 1:1	62,812,167	25 cents	26/11/2009
	500,000 1:1	Nil	12 cents	7/8/2011

+ See chapter 19 for defined terms.

7.8	Issued during quarter	26,066,667 500,000	26,066,667 Nil	25 cents 12 cents	26/11/2009 7/8/2011
7.9	Exercised during quarter	10,000	10,000	25 cents	26/11/2009
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

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 \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: _____
(Company Secretary)

Date: 24 October 2008

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

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