



ASX Announcement

24 October 2011

FAIRWAY PROJECT OPERATIONS UPDATE

Target Energy Limited ("Target") (ASX CODE: TEX) is pleased to provide the following operations update.

BOA 12 #1 (Fairway Project, Howard County, Texas)

Fusselman Testing

Flow-testing of the Fusselman formation has been completed, with the Fusselman oil and water production stabilising at a total of 120 Barrels per day (BPD) with a 5% oil cut (i.e. oil flow was estimated at 6 to 10 BOPD). A bridge plug has been set above the Fusselman interval to allow the flow to be commingled with the Wolfberry at some time in the future.

Wolfberry Frac Program

The partners are now proceeding with the design and scheduling of a fracture stimulation ("frac") program for the Wolfberry zone.

The frac is expected to take place in two to three weeks' time and will test the entire Wolfberry section from approximately 1,920m – 3,000m, including the Mississippian and Strawn Formations. The exact interval and number of stages in the frac are presently being determined.

Clear Fork

Plans to test the shallower Clear Fork Formation are also being developed. At this time it is likely the Clear Fork will be tested separately and after the Wolfberry frac. If it produces sweet crude (i.e. low or no sulphur content), it will then be commingled with the Wolfberry production. Recent (2009) Clear Fork drilling in the area by ConocoPhillips has yielded initial production rates of 60-90 BOPD after stimulation.

San Andres

Potential San Andres oil pay was also encountered, unexpectedly, in the BOA 12 #1 well. Local production from the San Andres Formation is prolific, with the nearby Howard Glasscock field having produced over 410 million barrels of oil since its discovery in 1925 - primarily from the San Andres and Grayburg Formations.

As oil produced from the San Andres is typically a sour crude it cannot be commingled with other production in the BOA 12 #1 well and the partners are contemplating "twinning" the BOA 12 #1 well by drilling a shallow well adjacent to it to test and potentially produce the San Andres Formation. In the event that the Clear Fork crude in the BOA 12 #1 well is also sour and cannot be commingled with the

Corporate information

ASX Code

TEX

TEXOB

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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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Wolfberry production, the twin well will be deepened to accommodate the Clear Fork production.

While the San Andres flow and reserve potential is still to be tested at BOA 12 #1, it may be noted that in 2008 local operators successfully sought to downspace the drilling at the Howard Glasscock field to 5 acres, citing the ability to recover up to 175,000 BO from new infill locations (equivalent to 280,000 BO per 40 acres).

Managing Director Laurence Roe commented, "While the Fusselman production in this particular well has proved to be sub-economic, we still have considerable potential for this formation elsewhere in our acreage and we will continue to drill and test it in all of our future Fairway wells. It remains a very attractive target. In the meantime we have completed it in this well in such a way that it can be commingled with the Wolfberry production when regulations allow.

"The next step is the Wolfberry frac in a few weeks and then the testing of the Clear Fork Formation. We are also very excited about the San Andres potential in this part of the Fairway Project area and we are looking at our options to accelerate a San Andres well."

Target Energy is earning a 60% Working Interest in the Fairway project.

ENDS

For and on behalf of TARGET ENERGY LIMITED

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

Laurence Roe
Managing Director