

## Quarterly Report for the quarter ending 31 March 2011

- Target to earn up to 50% interest in West Texas Oil Resource Play
- Fracture Stimulation program underway at Buffalo Project
- Shareholders endorse Capital Raising, election of new director

### 1. Production (1 January – 31 March 2011)

Well	TEX WI	Gross 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)
Snapper A-1	25%	291	26.2	1002.0	1.1	101	3,559
Snapper A-2	25%	40	3.6	475.3	11.3	1,019	32,545
Snapper A-3	25%	143	12.9	314.6	0.7	0	1,814
Beyt #1^	15%	-	-	40.8	-	-	1,534
Pine Pasture #1	35%	-	-	-	14.6	1,315	7,338
Pine Pasture #2	35%	31	27.6	69.0	53.7	4,834	66,441
Merta #1	25%	360	32.4	115.4	5.0	448	1,627
<b>Total (Gross)</b>			<b>102.6</b>	<b>1914.6</b>		<b>7,717</b>	<b>114,857</b>
<b>Total (Net TEX WI)</b>			<b>28.4</b>	<b>478.7</b>		<b>2,544</b>	<b>35,939</b>

^ Well shut-in.

*mmcf = million cubic feet of gas, mmcfgd = million cubic feet of gas per day; mcfgd = thousand cubic feet of gas per day; BO = barrels of oil, BOPD = barrels of oil per day, BOEPD = barrels of oil equivalent per day (Target reports a thermal equivalent when combining gas and oil production, where 1BOE = 6 mcf)*

NB: Pine Pasture wells experienced downtime in February due to pump issues and icing. Snapper A3 shut in during March pending workover.



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## 2. Exploration

### Texas

#### **2.1. Buffalo Project**

On 13 April 2011, the initial well at the Buffalo project was fracture-stimulated (“fraced”). Approximately 11,800 barrels of load water were injected into the formation as part of the frac procedure. To date the well has recovered 38% of the load water with minor gas shows and a trace of oil. The well has now been put on pump to accelerate the recovery of the load water.

In undertaking the frac, Target has earned a 100% working interest in the relevant zone in the initial borehole until pay-out with Target’s working interest to revert to 50% after pay-out. Target has also earned an option to frac a second well under similar terms, which in turn will earn it an option to drill and complete a new horizontal well in the project area on the same terms.

Following the drilling of the new well, should Target then elect to undertake more work in the project area, it will be assigned a 50% working interest in the entire leasehold. The Company will also retain options to frac any other wells in the project area currently owned by the existing partners. The partners in the project are private US companies.

Target will operate the frac and drilling programs and will be assigned operatorship of the entire project at such time as it is assigned the 50% working interest in the entire leasehold.

#### **2.2. Fairway Project**

On 9 March 2011, Target Energy advised that it had agreed to take a 60% Working Interest in the “Fairway” project, in the Permian Basin in West Texas.

The project area comprises approximately 1,500 acres in the highly prospective Wolfberry Oil Resource Play in the Permian Basin in West Texas and is situated approximately 64 km northwest of Midland in Howard County. Target will earn its 60% working interest in the project by paying acreage costs and participating in two wells. The program will be operated by Trilogy Operating Company of Midland, Texas which will also retain a 30% working interest.

Target was later advised by the operator that the completion of title issues would delay the commencement of the proposed drilling program. Target was offered a slightly larger acreage position with Trilogy on the same trend in the same County and on the same terms, with drilling expected to commence at the end of the second quarter. Target has accepted this offer. At such time as the title issues in the original Fairway area are resolved, Target expects to be offered the opportunity to participate on the original terms.

Drilling on the new larger acreage is now expected to commence in late second quarter, with two wells to be drilled back-to-back. Timing for each well, which will be drilled to a depth of around 2,925m (9,600 ft), should be approximately 15 days.

The wells will target both the Wolfcamp and Spraberry sections (collectively known as the “Wolfberry”), as well as the deeper Fusselman formation. It will also investigate additional potential in

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the Canyon, Cisco and Clearfork Formations - all of which produce in the area and will be tested in the Fairway drilling.

The wells will target reserves of approximately 140 thousand barrels of oil equivalent (mBOE) each in the Wolfberry, with potential for an additional 80 mBOE in the Fusselman formation.

## Louisiana – St Martin Parish

### 2.3. Beyt #1 Sidetrack (Target Energy 15% working interest)

Drilling at the Beyt #1 well at the Bayou Berard prospect in 2008 encountered a major fault prior to intersecting the primary Marg Tex targets. The well was subsequently completed for production in the shallower Marg Vag sand and is presently shut-in.

There is an opportunity 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 over 750,000 barrels of oil.

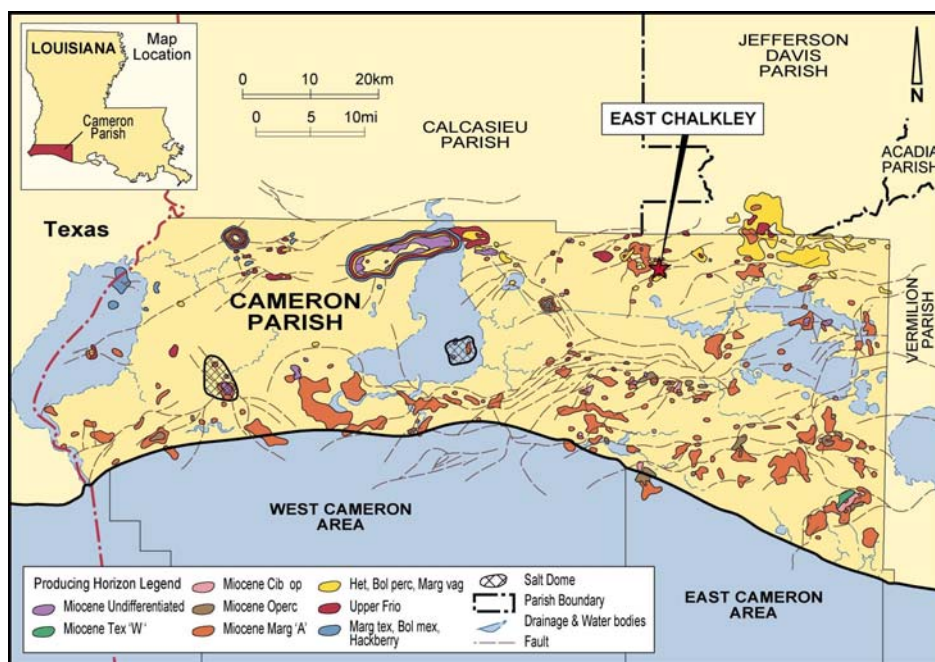
Target has previously been advised by the operator that it is not in favour of proceeding with the program, primarily due to increased anticipated costs. Target will continue to review its options. Until such time as material progress is made towards the drilling of the prospect, there will no further status reports.

## 3. Development

### Louisiana - Cameron Parish

#### 3.1. East Chalkley (Target Energy 35% working interest)

The East Chalkley project is an oil field appraisal and development program, approx. 33 kilometres southeast of the town of Lake Charles in Cameron Parish, Louisiana.



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The oil accumulation, on the east flank of the Chalkley Field, is a previously unidentified down-dip oil leg associated with the gas field. Target participated in the successful drilling of the Pine Pasture #2 well in 2008.

The drilling of the proposed Pine Pasture #3 development well was deferred by the operator in November 2010 following its decision to divest its interests in the field. Target is keeping its position under review going forward.

### **4. Corporate**

#### **4.1. Capital Raising**

On 13 December 2010, Target announced a two-stage capital raising to raise approximately \$3.6 million via a two-tranche placement and a fully underwritten rights issue. Target is being assisted by Investmet Limited (“Investmet”) in the process. Investmet is also acting as underwriter for the proposed rights issue.

Stage 1 involved a two-tranche placement to raise \$2.73 million via the issue of 91,000,000 fully paid ordinary shares at an issue price of \$0.03 per share and 91,000,000 attaching options. The first tranche, in December 2010, was a placement which was made to sophisticated investors and the funds raised pursuant to the “excluded offer” provisions (Section 708) of the Corporations Act, 2001.

Shareholder approval for the issue of the shares and options in both tranches of the placement was received as required at the Company’s 23 March 2011 General Meeting. The second tranche placement, also made to sophisticated investors and the funds raised pursuant to the “excluded offer” provisions (Section 708) of the Corporations Act, 2001 immediately followed the General Meeting.

Stage 2, a fully underwritten 1:8 pro rata non-renounceable rights issue to shareholders is presently underway, with the closing data for applications on 2 May 2011. New shares and options pursuant to the Rights Issue are scheduled to be allocated on 10 May 2011, with trading expected to commence on 11 May 2011. The offer will raise approximately \$988,000 before costs.

##### **4.1.1. Raising Details**

The first tranche placement raised approximately \$705,000 via the issue of 23.5 million shares at a price of 3.0 cents per share and 23.5 million free attaching options. 7.83 million options will be exercisable at 5.0 cents until 31<sup>st</sup> March 2012, 7.83 million will be exercisable at 7.0 cents until 31<sup>st</sup> March 2013 and the balance of the options will be exercisable at 10.0 cents until 31<sup>st</sup> March 2014. Part of the issue totalling 6,666,666 shares and all of the options was subject to shareholder approval.

The second tranche placement raised approximately \$2,025,000 via the issue of 67.5 million shares at a price of 3.0 cents per share and 67.5 million free attaching options. 22.5 million options will be exercisable at 5.0 cents until 31<sup>st</sup> March 2012, 22.5 million will be exercisable at 7.0 cents until 31<sup>st</sup> March 2013 and the balance of the options will be exercisable at 10.0 cents until 31<sup>st</sup> March 2014. The issues were subject to shareholder approval.

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The Rights Issue will raise approximately \$988,000 and will be offered on the basis of one new share at an application price of 3.0 cents per share and one free attaching option for every eight shares held. One-third of the options will be exercisable at 5.0 cents until 31st March 2012; one-third will be exercisable at 7.0 cents until 31st March 2013 and the balance of the options will be exercisable at 10.0 cents until 31st March 2014. The Rights Issue will be fully underwritten by Investmet Limited.

The Company will apply for quotation of the new shares on the ASX.

### 4.2. Board of Directors

23 March 2011: Mr Stephen Mann was appointed to the board of Target Energy.

23 March 2011: Mr Michael Martin resigned from the board of Target Energy.

## 5. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target Working Interest	Potential Recoverable Volumes
Apr 2011	Buffalo Frac (#1)	South Texas	100% BPO / 50% APO	Underway
Q3 2011	Buffalo Frac (#2)	South Texas	100% BPO / 50% APO	
Q2 2011	Fairway (#1)	Howard Co, Tx	60%	140 – 220 mmBO
Q3 2011	Fairway (#2)	Howard Co, Tx	60%	140 – 220 mmBO
Q3 2011	East Chalkley PP#3	Cameron Parish, La	35%	250 – 450 mmBO
Q4 2011	East Chalkley PP#4	Cameron Parish, La	35%	250 – 450 mmBO

*BPO: before pay out (of Target's costs); APO: after payout (of Target's costs)*

For further information, please contact Laurence Roe on 08 9476 9000 or contact the company at [admin@targetenergy.com.au](mailto:admin@targetenergy.com.au).

Yours sincerely,



**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 Limited, who is a member of the Society of Exploration Geophysicists and has 30 years experience in the sector. He consents to the reporting of 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")

31 March 2011

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	260	766
1.2 Payments for (a) exploration and evaluation	(561)	(561)
(b) development	(1)	(342)
(c) production	(156)	(300)
(d) administration	(313)	(922)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	15
1.5 Interest and other costs of finance paid	(11)	(11)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(776)</b>	<b>(1,355)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(23)	(23)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(23)</b>	<b>(23)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(799)</b>	<b>(1,378)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(799)	(1,378)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	327	832
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	900
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	327	1,732
	<b>Net increase (decrease) in cash held</b>	(472)	354
1.20	Cash at beginning of quarter/year to date	1,896	1,215
1.21	Exchange rate adjustments to item 1.20	(12)	(157)
1.22	<b>Cash at end of quarter</b>	1,412	1,412

\* approximately \$1.7m was received subsequent to quarter end, being the balance of the funds from tranche 2 of the placement.

**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	99
1.2 Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation.
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**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
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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
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+ 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	650	650
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,300
4.2 Development	-
4.3 Production	150
4.4 Administration	300
<b>Total</b>	<b>1,750</b>

### 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	1,362	1,846
5.2 Deposits at call	50	50
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,412</b>	<b>1,896</b>

### 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	Not Applicable		
6.2	Interests in mining tenements acquired or increased	Not Applicable		

+ 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	193,347,454	193,347,454		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	19,206,666	19,206,666	3 cents	Fully paid
7.5 <b>+Convertible debt securities</b> (description)	550,000 (5c, 9.11.12) 100,000 (5c, 19.11.12)	Nil Nil	\$1.00 \$1.00	\$1.00 \$1.00
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and Conversion factor)	<i>Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	6,000,000 1:1	Nil	20 cents	30/06/2011
	750,000 1:1	Nil	12 cents	7/8/2011
	52,986,275 1:1	52,986,275	10 cents	31/10/2012
	12,013,325 1:1	Nil	5 cents	31/3/2012
	12,013,335 1:1	Nil	7 cents	31/3/2013
	12,013,339 1:1	Nil	10 cents	31/3/2014
7.8 Issued during quarter	12,013,325 1:1 12,013,335 1:1 12,013,339 1:1	Nil Nil Nil	5 cents 7 cents 10 cents	31/3/2012 31/3/2013 31/3/2014
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				

+ See chapter 19 for defined terms.

## 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: 29 April 2011

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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