

Target Energy Limited

Report for the Quarter Ending 30 June 2008

Key Events

- *Beyt #1 (Bayou Berard) commences production in May.*
- *Pine Pasture #2 (East Chalkley) drilled in June - intersects 9.4 m of oil pay.*
- *Vincent #1 well (Bandito prospect) drilling underway.*
- *Target raises approx. \$3.1 million in July Renounceable Rights Issue.*

1. Production

Period: 1 April – 30 June 2008

Well	TEX WI	Ave Gas Prodn in Period (mcfgd)	Total Gas Prodn in Period (mmcf)	Total Gas to date (mmcf)	Ave Oil Prodn in Period (BOPD)	Total Oil Prodn in Period (BO)	Total Oil to date (BO)
Thoroughbred*	25%	22	2.0	81.2	-	-	-
Snapper A-1	25%	1,166	106.1	391.7	3.6	332	2,230
Garwood	25%	61	5.6	41.6	-	-	-
Snapper A-2	25%	750	39.0	88.6	7.6	396	806
Beyt #1^	15%	386	35.1	35.1	12.5	1,135	1,135
Total			187.8	638.2		1,863	4,171

^Production commenced 2 May, 2008.

*On 6 June 2008 the interval 1288.7m –1289.3m was perforated for production. The interval flowed a minor amount of gas before flow died - it is likely that the perforated sand was of very limited areal extent. Well remains shut-in.

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 have 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). It is scheduled to be drilled in the fourth quarter of 2008.

- **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 BCF and 150,000 BO. Parks North could be brought on-stream within 4 months after completion. Programmed total depth is 4,236 metres (13,900 ft).

Drilling is expected to commence at Parks North in the fourth quarter of 2008.

2.1.2. Acadia Parish

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

Located approximately 44 kilometres west of Lafayette in Acadia Parish, Louisiana, drilling at the Bandito prospect is currently underway (Vincent #1). Target will earn a 15% working interest in the well, which is being operated by Aspect Energy. The well is planned to be drilled to a depth of 3,932 metres (12,900 feet) and will target up to 42.4 Bcfe of potential recoverable gas and condensate in Oligocene age "Bol mex" sands.

Drilling commenced on 29 May 2008 and at 25 July 2008, the well was at 3,810m (12,500 ft) running liner prior to drilling ahead.

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.

Subject to the results of new drilling, a field appraisal and development program is planned to follow. 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. Additional potential pay was also recognised in the above-lying Alliance W1 sands.

Measured Depth (metres)	Zone	Net pay
2,890.1	Alliance W1	3.4 metres
2,923.0	Alliance W2	9.5 metres

The well was cased for production and the rig released.

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. A jet pump was installed and flow testing commenced on 22 July 2008. At 25 July 2008, the flow was still cleaning up with the well on pump at rates up to 38 BOPD with 331 barrels of water per day and with approximately 23 barrels of load water still to recover.

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 and is now scheduled to commence drilling in September 2008. Drilling is expected to take approximately five weeks. Target will earn a 15% working interest in the prospect.

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 Bcf 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. 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.

3. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target [^] Working Interest	Potential Recoverable Volumes*
Drilling	Bandito	Acadia Parish, La	15%	42.4 Bcfe
Completion Underway	East Chalkley	Cameron Parish, La	25%	2.5 mmBO
Q3 2008	Catapult 3	Vermilion Parish, La	15%	10 mmBC; 204 Bcf
Q4 2008	Snapper A-3	St Martin Parish, La	25%	0.7 mmBO; 4.0 Bcf
Q4 2008	Parks North	St Martin Parish, La	10%	0.15 mmBC; 25.7 Bcf
TBA	Bayou Berard ST	St Martin Parish, La	15%	1 mmBO; 0.44 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

4.1. Rights Issue

On 5 June 2008 Target Energy announced a renounceable pro rata entitlements issue to shareholders of approximately 26,066,667 new shares and 26,066,667 new options on the basis of one new share plus one free attaching new option for every three existing shares held as at the record date of 20 June 2008 at an issue price of \$0.13 cents each to raise approximately \$3,388,667 (before issue costs).

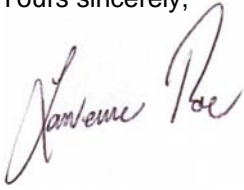
The Rights Issue, which was fully underwritten by Patersons Securities Limited, closed on 7 July 2008 with very strong support from shareholders. The number of shares taken up by shareholders was approximately 20.3 million or 77.7% of the shares on offer. The remaining shares were taken up by the Underwriter.

Following allotment and issue of the new shares and options on 14 July 2008, Target's total issued share capital increased to 104,266,667 shares and 62,866,667 options (TEXO).

The proceeds from the placement are to be principally applied to the expansion of Company's drilling and exploration activities in the United States.

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 black ink, appearing to read 'Laurence Roe', written in a cursive style.

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 June 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	238	584
1.2 Payments for		
(a) exploration and evaluation	(2,692)	(4,355)
(b) development	(328)	(1,009)
(c) production	(36)	(44)
(d) administration	(224)	(940)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	54	226
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	(2,989)	(5,538)
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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(2,989)	(5,538)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,989)	(5,538)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,550
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	-	(167)
	Net financing cash flows	-	2,383
	Net increase (decrease) in cash held	(2,989)	(3,155)
1.20	Cash at beginning of quarter/year to date	5,522	5,881
1.21	Exchange rate adjustments to item 1.20	(60)	(253)
1.22	Cash at end of quarter	2,473	2,473

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	95
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	2,500
4.2 Development	200
Total	2,700

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	2,423	5,472
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)	2,473	5,522

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.

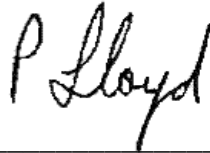
	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	78,244,500	65,838,250		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	44,500	44,500	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
	36,755,500 1:1	36,755,500	25 cents	26/11/2009

+ See chapter 19 for defined terms.

7.8	Issued during quarter	250,000	250,000	25 cents	26/11/2009
7.9	Exercised during quarter	44,500	44,500	25 cents	26/11/2009
7.10	Expired during quarter				
7.11	Debentures (totals only)				

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 July 2008

Print name: Paul Lloyd

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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