

Target Energy Limited

Report for the Quarter Ending 30 June 2010

Key Events

- Merta #1 flows gas from Cook Mountain Sandstone - well brought on line in June.
- Pine Pasture #3 drilling scheduled for early September.
- Other New Ventures opportunities under investigation.

1. Production

Period: 1 April – 30 June 2010

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%	397	36.1	913.4	1.2	109	3,334
Snapper A-2	25%	63	5.7	460.7	27.7	2,520	28,115
Snapper A-3	25%	852	77.6	238.2	4.6	420	1,680
Beyt #1 [^]	15%	-	-	40.8	-	-	1,534
Pine Pasture #1	35%	-	-	-	16.3	1,484	3,193
Pine Pasture #2	35%	-	-	-	63.3	5,736	48,743
Merta #1*	25%	179	16.3	16.3	2	197	197
Total (Gross)			135.7	1669.3		10,466	86,796
Total (Net TEX WI)			33.9	413.2		3,338	25,312

[^] Well shut-in. * Well commenced production on 10 June 2010

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 = 6000 mcf).

NB: Production in May and June was reduced by downtime at East Chalkley (see section 3.) June production was equivalent to 105 BOEPD net to Target's working interest; this is expected to rise back to approximately 120 BOEPD from July with the full contribution of Merta #1 and with East Chalkley production substantially back on line.

2. Exploration

Texas – Wharton County

2.1. Highway 71 (Target Energy 25% WI)

In August 2009, Target acquired a 25% working interest in the “Highway 71” gas and condensate prospect, located in Wharton County Texas, approximately 100 kilometres west-southwest of Houston. The prospect was subsequently tested by the Merta #1 well in November/December 2009.

Wireline log analysis indicated the presence of approximately 9 metres of net gas pay in the Cook Mountain sands, with a further 11.3 metres of potential pay in the deeper Wilcox section. Completion operations earlier in the year revealed the Wilcox target sands to be tight and work subsequently moved up to the Cook Mountain section.

Following the mobilisation of a completion rig to the Merta #1 well site in June, the 114.5 mm (4 1/2 inch) casing above 2,438 m depth was removed from the borehole and the Cook Mountain sandstones subsequently perforated in multiple intervals.

Initial Production from the lower Cook Mountain sands averaged approximately 1.1 million cubic feet of gas per day with 12 barrels of oil per day. This has since reduced to an average of 400 mcfgd with 5 BOPD due to the flow being partially restricted by liquids lifting issues (actual production cycles between 300 and 500 mcfgd).

Initial analysis suggests the contribution from the upper Cook Mountain sands, including the sand that yielded a gas flow during formation testing undertaken while drilling, appears to be minimal. The operator has recommended that the interval be fracture-stimulated to optimise production (expected in September). In the meantime the well will continue to be produced to sales.

Louisiana – St Martin Parish

2.2. 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.

Discussions are continuing regarding the timing of this well.

Other

2.3. USA & International

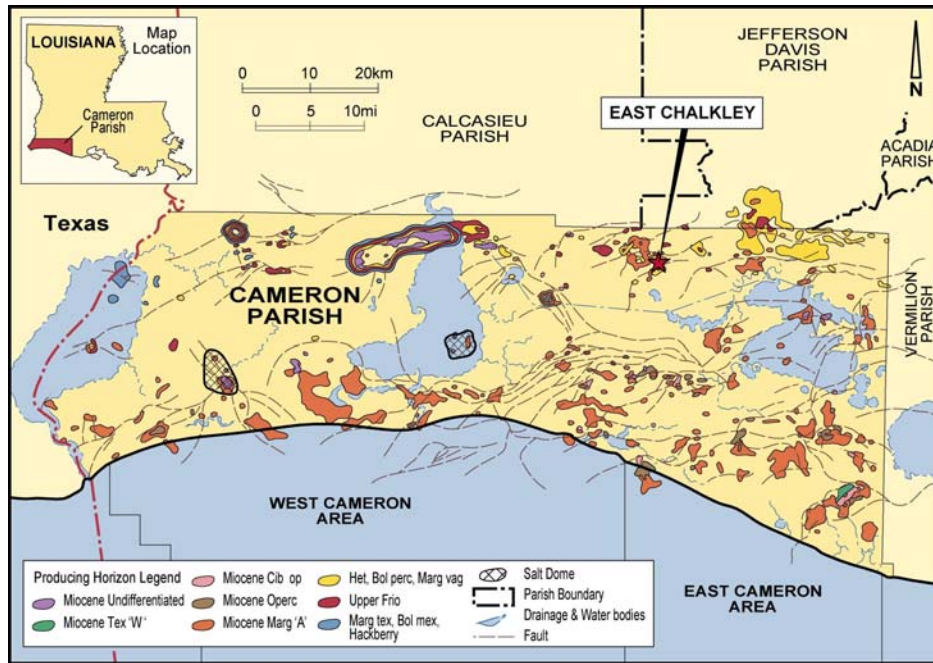
Target is presently investigating a number of new ventures opportunities, both in the USA and elsewhere internationally. It is the view of the Board that at the Company’s current market capitalisation, its assets are substantially undervalued and the Board is therefore advancing strategies to allow the value of these assets to be leveraged in accelerating the Company’s participation in new projects.

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.



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.

While production from the Pine Pasture #1 and #2 wells typically totals around 100 BOPD, in May and June average total production from the field was reduced to approx 70 BOPD as both wells were affected by maintenance and electricity supply problems to the lease resulting in up to 28% downtime. The Operator is liaising with the electric utility to minimise future problems.

Target has been advised by the operator that further drilling at Pine Pasture is now scheduled for early September 2010. Site preparation is underway and expected to be completed by mid-August.

Pine Pasture #3 is to be drilled from the existing production facilities to a measured depth of 3,000m, deviated to a bottom hole location approximately 627m from the surface location at a bearing of approx 187 degrees. The well is programmed to intersect the primary target (Alliance W2 sands) some 265 metres south of the Pine Pasture #2 bottom hole location.

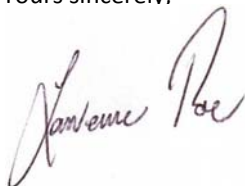
4. Current Indicative Drilling Schedule

Estimated Timing	Prospect/Field	Location	Target Working Interest	Potential Recoverable Volumes*
September 2010	Pine Pasture #3	Cameron Parish, La	35%	250,000-450,000 BO
TBA	Bayou Berard St	St Martin Parish, La	15%	750,000 BO
2011	East Chalkley Development	Cameron Parish, La	35%	2.1 mmBO (field potential)

**Figures are operators' unrisks estimates and represent total prospect or field potential – additional drilling may be required to fully recover volumes.*

For further information, please contact Laurence Roe on 08 9476 9000 or contact the company at 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")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	443	1,273
1.2 Payments for		
(a) exploration and evaluation	(185)	(1,592)
(b) development	-	(908)
(c) production	(195)	(630)
(d) administration	(339)	(1,384)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	38
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	(268)	(3,203)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(796)
(b) equity investments	-	-
(c) other fixed assets	(34)	(34)
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	(34)	(830)
1.13 Total operating and investing cash flows (carried forward)	(302)	(4,033)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(302)	(4,033)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,914
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	-	(274)
	Net financing cash flows	-	2,640
	Net increase (decrease) in cash held	(302)	(1,393)
1.20	Cash at beginning of quarter/year to date	1,468	2,651
1.21	Exchange rate adjustments to item 1.20	49	(43)
1.22	Cash at end of quarter	1,215	1,215

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	118
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 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	-
4.2 Development	150
4.3 Production	130
4.4 Administration	300
Total	580

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	1,165	1,418
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)	1,215	1,468

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	157,307,450	157,307,450		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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> 6,000,000 1:1 750,000 1:1 52,986,280 1:1	Nil Nil 52,986,280	<i>Exercise price</i> 20 cents 12 cents 10 cents	<i>Expiry date</i> 30/06/2011 7/8/2011 31/10/2012
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

+ 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: 30 July 2010

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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