

Quarterly Report Ending 30 September 2010

- Merta #1 fracture-stimulated in Cook Mountain Sands.
- Pine Pasture #3 preparations for drilling complete – drilling scheduled for November.
- Other New Ventures opportunities under investigation.

1. Production (1 July – 30 September 2010)

Well	TEX WI	Gross Ave Daily Gas Prod'n in Period (mcfgd)	Gross Gas Prod'n in Period (mmcf)	Gross Gas Prod'n to date (mmcf)	Gross Ave Daily Oil Prod'n in Period (BOPD)	Total Oil Prod'n in Period (BO)	Total Oil to date (BO)
Snapper A-1	25%	365	33.6	947.0	0.2	19	3,353
Snapper A-2	25%	35	3.2	464.0	16.1	1,484	29,599
Snapper A-3	25%	383	35.2	273.4	0.6	34	1,714
Beyt #1^	15%	-	-	40.8	-	-	1,534
Pine Pasture #1	35%	-	-	-	15.9	1,466	4,659
Pine Pasture #2	35%	29	2.7	2.7	71.0	6,531	55,274
Merta #1	25%	358	32.9	49.2	4.9	452	649
Total (Gross)			107.6	1916.0		9,986	96,782
Total (Net TEX WI)			27.2	475.2		3,296	30,036

^ 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: Production in Aug and Sept was reduced by substantial downtime at the Snapper A2 (pump problems) and A3 (borehole restrictions) wells.



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2. Exploration

Louisiana – St Martin Parish

2.1. 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 this well.

Other

2.2. 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

Texas – Wharton County

3.1. Highway 71 (Target Energy 25% WI)

Production from the Cook Mountain sands commenced on 10 June 2010. In the last few months, production declined to average approximately 400 mcfgd with 5 BOPD due to the flow being partially restricted by liquids lifting issues (actual production cycles between 300 and 500 mcfgd).

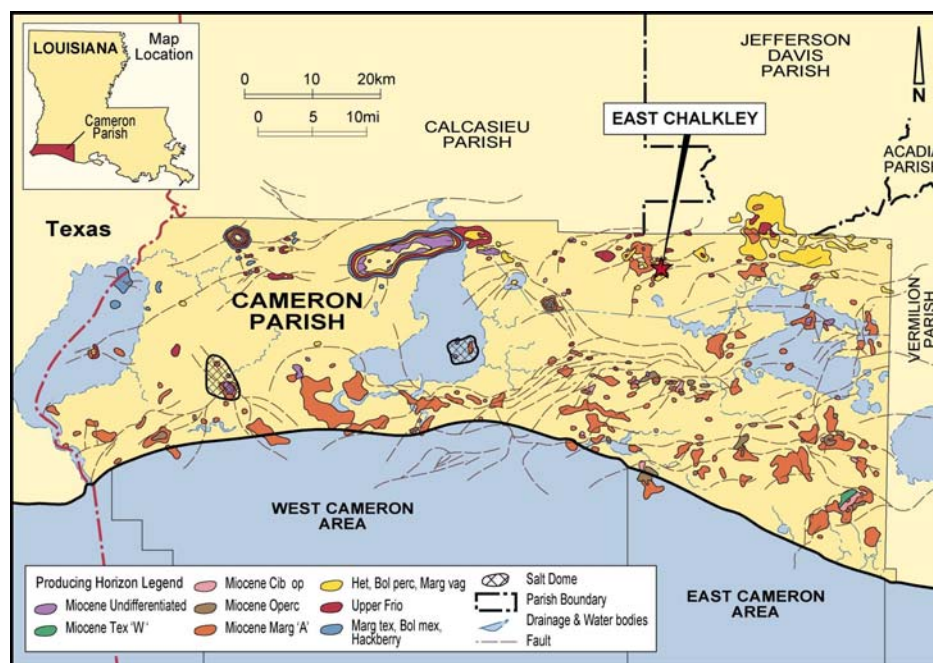
In accordance with the well program, Merta #1 was fracture stimulated on 19 October, 2010. Approximately 200,000 lbs of proppant and 3,210 barrels of fluid were pumped into the Cook Mountain Sands. No problems were encountered with the procedure. The well is presently "cleaning out", flowing gas and oil and recovering load fluid. It is presently flowing at approx 610 mcfgd with 11 BO and 16-20 barrels of load fluid per day, with the gas rate continuing to climb daily. Our frac consultant's comment on the frac fluid recovery is that the load fluid is always difficult to recover in more moderately pressured reservoirs. The increase in hydrostatic head during flow reduces the amount of drawdown on the formation and can slow down the cleanup process.

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Louisiana - Cameron Parish

3.2. 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.

The drilling of the next well, Pine Pasture #3, was approved by the partners in August, with all permitting and site-preparation now complete. A turnkey drilling contract has been negotiated the rig contractor (Crown Drilling).

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. Corporate

On September 30, 2010 the Company advised that it had received applications for 650,000 convertible notes. The total funds raised by the notes (\$650,000), will be applied to further appraisal and development of the East Chalkley Oil Field.

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The convertible notes are to be issued on the following terms;

Term	2 Years.
Coupon Rate	12% p.a.
Interest Paid	Quarterly in Arrears.
Note Issue Price	\$1.00
Conversion Ratio	Each Note converts to 20 fully paid ordinary Shares in the Company at the Noteholders election.
Conversion Price	A\$0.05 per share.
Listing	The Notes will be unlisted.
Security	The Notes will be secured by a charge registered with the Australian Securities and Investments Commission over the Company's interest in TELA Louisiana Limited.
Early Repayment	The Company may repay the Notes prior to the expiry of the term by giving the Noteholder not less than 30 days notice to allow Noteholders to convert to shares in the Company before repayment.
Early Repayment Penalty	The lesser of 3 month's interest or interest payable for the balance of the Term together with 20 options to acquire fully paid ordinary shares in the Company for each Note repaid, which options are exercisable at \$0.05 each and must be exercised prior to the date which would have been the expiry date of the Term.

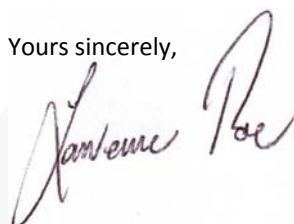
5. Current Indicative Drilling Schedule

Estimated Timing	Prospect/Field	Location	Target Working Interest	Potential Recoverable Volumes*
November 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 September 2010

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	284	284
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	(4)	(4)
	(c) production	(108)	(108)
	(d) administration	(261)	(261)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	4
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		(85)	(85)
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)	(85)	(85)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(85)	(85)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(85)	(85)
1.20	Cash at beginning of quarter/year to date	1,215	1,215
1.21	Exchange rate adjustments to item 1.20	(104)	(104)
1.22	Cash at end of quarter	1,026	1,026

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, salaries and superannuation.

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

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	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	500
4.3 Production	130
4.4 Administration	300
Total	930

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	976	1,165
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)	1,026	1,215

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: 29 October 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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