

Report for the Quarter Ending 31 March 2007

1. Highlights

- *Two discoveries in two months gives Target Energy a "2 out of 3" success rate*
- *Gas discovery at Target's second well – Thoroughbred-1. The well has been completed and flow-tested and is soon expected to be hooked up into the pipeline to commence production.*
- *Oil and gas discovery at Target's third well - Snapper A-1. Wireline log analysis indicates that Snapper A-1 has intersected four separate zones of hydrocarbon pay. The well is to be completed as a producer.*
- *Non-renounceable entitlements issue of 1 option for every 2 shares at an issue price of 1 cent per option raises \$340,000 - on 20 April the Company allotted and dispatched 34,000,000 options exercisable at 25 cents each on or before 26 November 2009.*

2. Exploration

Texas

- **Thoroughbred-1 gas discovery (Target Energy 25% working interest)**

The Thoroughbred-1 well is located in Colorado County, Texas, approximately 70 miles west of Houston. Operated by Everest Resource Company of Corpus Christi, the well commenced drilling on 10 March 2007 and reached its Total Depth of 1,450.8m (4,760 feet) on 16 March 2007.

Wireline logs run in the well indicated the presence of gas bearing Frio sandstones and consequently fluid samples were taken from two zones. The shallower of the two zones, between 1,288.6 – 1,289.5 metres, produced 20 cubic feet of gas into a sample chamber on wireline testing from a test depth of 1,288.9 metres. The deeper zone between 1,298 – 1,304.4 metres produced 30 cubic feet of gas into a sample chamber from a test depth of 1,300.5 metres in a six minute period.

Results of the logs and the formation samples confirmed the discovery of gas and the partners in the well agreed to complete the well as a gas producer.

The well was completed in the lower zone on 10 April 2007, with the Frio sandstone perforated between 1,298.4m and 1,300.9 m (4,260 feet – 4,268 feet). The well was successfully flow tested at rates up to 450 thousand cubic feet of gas per day (mcfgd). Completion operations were completed on 13 April 2007 and the well was left shut in awaiting hook up to the pipeline.

- **Garwood Frio prospect (Target Energy 25% working interest)**

Located 1.7 km west of the Thoroughbred prospect in Colorado County, Texas, the Garwood Frio prospect will test an Oligocene Frio objective at approximately 1,250 metres (4,100 ft). The well is programmed to be drilled to 1,448m (4,750 ft); Target will earn a 25% working interest in the well and lease to a depth of 1,524 metres (5,000 ft).

The objective sandstone reservoir is represented by a “bright” seismic amplitude anomaly, which is mapped with an upside gas reserve potential of up to 3 billion cubic feet of recoverable gas. It also has potential for additional gas from a secondary (Miocene) objective.

Drilling at Garwood Frio is expected to commence in early May 2007.

Louisiana

St Martin Parish

- **Snapper A-1 discovery (Target Energy 25% working interest)**

Operated by Cypress Drilling of Azle, Texas, Snapper A-1 commenced drilling on 14 March 2007. The well had a programmed Total Depth of approximately 3,050 metres (10,000 ft).

Snapper A-1 was drilled to a measured depth of 3,002.9 m on 23 April 2007 at which time it intersected the adjacent salt dome.

Wireline logs indicated the presence of recoverable hydrocarbons in four separate zones

- 4.3 metres of gas pay in the “Marg Howei” sand at 2,754.2 m,
- potential oil/gas pay in porous streaks in the 1st Camerina Sand from 2,773.7 m to 2,774.9m and from 2,776.2m to 2,777.4m
- 5.2 metres of oil and gas pay in the 3rd Marg Tex sand at 2860.6m.
- 1.8 metres of gas pay in the 4th Marg Tex sand at 2879.8m

Based on the results of the logs, the well is to be completed as a producing well. The rig was released on 29 April 2007 and the well-bore will be completed (ie made ready for production) as soon as possible.

- **Snapper A-2 (Target Energy up to 25% working interest)**

Operated by Cypress Drilling of Azle, Texas, Snapper A-2 is an oil and gas prospect on the north-eastern flank of the Section 28 salt-dome, approximately 25 km east of Lafayette. The well will test updip attic oil from watered-out pay in the Hackberry A-4 Sand and updip of non-commercial oil in the Hackberry A-6 Sand, as well as possible gas from the Hackberry A-1 and possible oil from the 3rd Marg Tex Sands. The Hackberry A-4 is described by the operator as a PUD target. Prognosed total depth is 3,017 metres (9,900 ft).

Snapper A-2 will test an potential of up to 1.49 million barrels of oil and 0.9 billion cubic feet of gas (unrisked, recoverable). The well can be brought on-stream approximately two months after completion.

Drilling at Snapper A-2 is expected to commence in mid-June 2007.

- **Bayou Berard (Target Energy up to 15% working interest)**

Also operated by Cypress Drilling LLC of Azle, Texas, this well will test sands in the Marg Tex section in an as yet undrilled fault segment on the south-eastern margin of the Section 28 salt dome. Various Marg Tex sands have produced commercial oil and/or gas in every fault segment tested at Section 28. The Bayou Berard well will potentially prove up 1.8 million barrels of oil and 0.72 billion cubic feet of gas (recoverable). The well will be drilled to 3,444 metres (11,300 ft). A second well will be required to fully drain these reserves.

Bayou Berard is expected to be drilled back-to back with Snapper A-2 (around mid July 2007).

- **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 reserves 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 mid July 2007.

Assumption Parish

- **Berwyn (Target Energy 10% working interest)**

The proposed deep gas exploration well (4,815 metres/15,800 ft) at the Berwyn prospect in Assumption Parish will test Miocene Planulina sands. The prospect has potential of up to 305 Bcfe gas recoverable and is defined by 3D seismic below the shallower Pierre Pass field (68 Bcf) and within 2 kilometres of the 155 Bcf Bayou St Vincent field, which produced from the same sands. The prospect has possible stacked pays. There is substantial infrastructure in area – the operator, Pogo Producing Company of Houston, Texas, considers that a discovery at Berwyn can be brought on-stream in approximately two months.

Drilling at Berwyn is presently scheduled to commence in the third quarter of 2007.

3. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target [^] Working Interest	Potential Recoverable Reserves*
Discovery - Mar 07	Thoroughbred	Colorado Co, Texas	25%	1.3 BCF
Discovery - Apr 07	Snapper A-1	St Martin Parish, La	25%	450 KBO; 4.2 BCF
May 2007	Garwood	Colorado Co, Texas	25%	3 BCF
Mid June 2007	Snapper A-2	St Martins Parish, La	25%	1.49 MMBO; 0.9 BCF
Mid July 2007	Bayou Berard	St Martins Parish, La	15%	1.800 MMBO; 0.72 BCF
Mid June 2007	Parks North	St Martins Parish, La	10%	0.150 MMBC; 25.7 BCF
Q3 2007	Berwyn	Assumption Parish, La	10%	305 BCFe

**Figures are operators' unrisks estimates and represent total prospect or field potential – additional drilling may be required to fully recover reserves. ^Subject to finalisation of farm-in and/or unitisation agreements*

4. Corporate

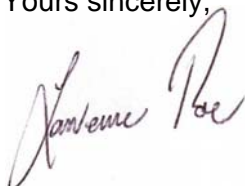
As indicated in the Initial Public Offering Prospectus dated 9 October 2006, the Company committed to an offer of options to shareholders of the Company within three to six months after the shares commenced trading on the ASX. On 9 March 2007, the Company issued a prospectus containing that offer.

All Target Energy shareholders registered as at 5pm WST on 21 March 2007 were entitled to participate in a non-renounceable entitlements issue of 1 option for every 2 shares at an issue price of 1 cent per option to raise approximately \$340,000.

By the closing date for acceptance of the Offer of 11 April 2007, offers had been received for 26,021,310 options, leaving a shortfall of 7,978,690. The shortfall options were placed by the Directors using their discretionary authority and on 20 April the Company allotted and dispatched 34,000,000 options exercisable at 25 cents each on or before 26 November 2009.

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, who is a member of the Society of Exploration Geophysicists and has at least 5 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")

31 March 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...9...months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for	(1,532)	(2,021)
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(235)	(618)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	91	134
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	(1,676)	(2,505)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(47)	(84)
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	(47)	(84)
1.13 Total operating and investing cash flows (carried forward)	(1,723)	(2,589)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,723)	(2,589)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	10,363
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	-	(927)
	Net financing cash flows	-	9,436
	Net increase (decrease) in cash held	(1,723)	6,847
1.20	Cash at beginning of quarter/year to date	8,600	50
1.21	Exchange rate adjustments to item 1.20	(100)	(120)
1.22	Cash at end of quarter	6,777	6,777

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	84
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	1,300
4.2 Development	-
Total	1,300

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	6,727	8,600
5.2 Deposits at call	50	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,777	8,600

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	68,000,000	52,187,500		
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	 Nil	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 30/06/2011

+ See chapter 19 for defined terms.

7.8	Issued during quarter			
7.9	Exercised during quarter			
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: 30 April 2007

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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