

29 August 2007

Dear Shareholder,

Shareholder Update

I would like to provide you with an update on your Company's progress in the first half of this year.

Target Energy has enjoyed a high level of drilling success since listing in late 2006 – with 3 discoveries from our first 4 wells. Naturally, we are very pleased with this and with the short time taken to bring these wells into production. The first two discoveries, Thoroughbred-1 and Snapper A-1, are already selling gas (and some oil) and we expect the third, Garwood-1, to be in production this quarter.

In the meantime, we are actively exploring for additional high quality projects and have added 3 exciting new prospects to our 2007 drilling calendar: Teche, Bandito and Snapper A-3. This brings to 10 the number of wells we will participate in drilling during 2007. With another six wells to drill between now and the end of the year, we anticipate an active and exciting period ahead.

More information on our work program and on our results to date can be found on our website www.targetenergy.com.au. We also have an "e-list" subscription service which directly emails you with links to our website every time we post an announcement to the ASX or issue a statement to the media. (You can join the e-list on the website or by calling us).

Target is gaining some positive publicity through feature articles in the Australian mainstream media, such as The Australian, and in specialist petroleum industry publications like the Oil & Gas Gazette. We have posted copies of these articles to our website.

Overall, Target has made a very strong debut since listing on the ASX, and we look forward to further exploration success throughout the rest of 2007, and into 2008. As more wells come into production, and as production rises, Target expects to soon be generating sufficient income from the sale of gas from its US wells to cover a substantial proportion of its operating costs, and to expand the capacity for Target to participate in future exploration deals.

If you have any queries, you are always welcome to email or call and we would be happy to provide whatever information we can. In the meantime, I attach a copy of our current flyer, which contains some specific details on the upcoming drilling program, and gives a good sense of the size and potential of these prospects.

On behalf of the board and management of Target Energy, I thank you for your continued support.

Yours faithfully,



Laurence Roe
Managing Director



TARGET ENERGY LIMITED

Oil & Gas Exploration & Production

USA Focus

Ongoing Drilling Programs

Three discoveries in first four wells

Production underway in Texas and Louisiana

Next six wells to target 97 Bcf of gas and 3.5 million barrels of oil.

Indicative 2007 drilling timetable

Estimated Timing	Prospect	Location	Potential Recoverable Hydrocarbon volumes* (Unrisked)	Target Working Interest [^]	
Dec 06	Kant	Texas	-	25%	Sub-commercial gas shows
Mar 07	Thoroughbred	Texas	1.3 Bcf	25%	On production
Apr 07	Snapper A-1	Louisiana	0.61 mmBO 2.25 Bcf	25%	On production
June 2007	Garwood	Texas	3 Bcf	25%	Discovery
Sep 2007	Snapper A-2	Louisiana	1.49 mmBO; 0.9 Bcf	25%	
Oct 2007	Bayou Berard	Louisiana	1.8 mmBO; 0.72 Bcf	15%	
Oct 2007	Teche	Louisiana	22.4 Bcfe	10%	
Oct 2007	Bandito	Louisiana	42.4 Bcfe	15%	
Q4 2007	Parks North	Louisiana	25.7 Bcf ; 0.15 mmBO	10%	
Dec 2007	Snapper A-3	Louisiana	0.7 mmBO; 4.0 Bcf	25%	

US Exploration

- High levels of activity
- Strong commodity prices
- Extensive Infrastructure
- Short time from discovery to first cash-flow



[^]Subject to finalisation of unitisation agreements.

^{*}Figures are operators unrisked estimates and represent total prospect or field potential – additional drilling may be required to fully recover reserves.

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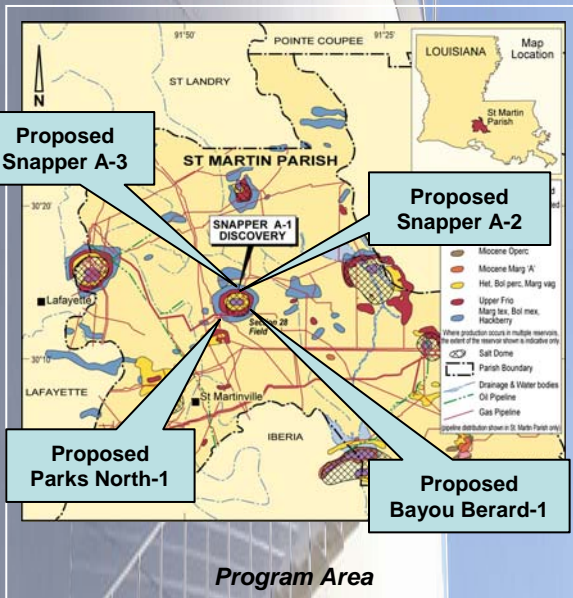
ASX Symbol – **TEX**

“Section 28” Program – Louisiana, USA

Multi-well program
Target Energy 10% - 25% Working Interest

Snapper A-1 – Apr 07 oil & gas discovery, already in production

Snapper A-2 – drilling Sept 07
Bayou Berard-1 – drilling Oct 07
Parks North-1 – drilling Q4 07

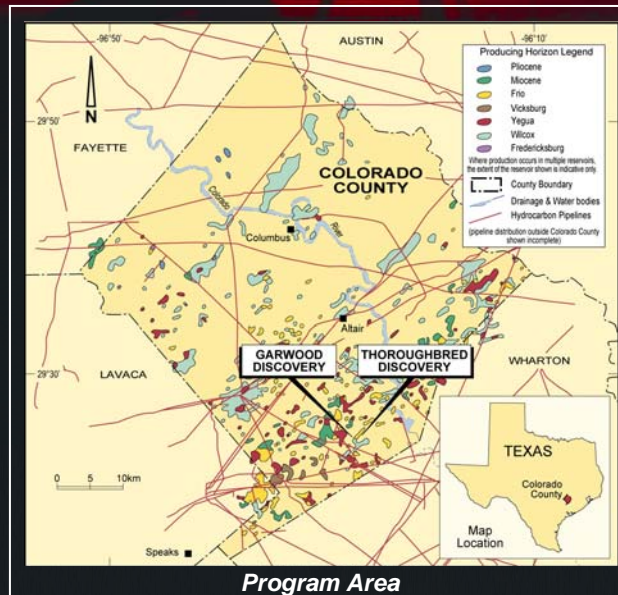


Colorado County Program - Texas, USA

Multi-well program – “2 out of 3” success
Target Energy 25% Working Interest

Thoroughbred-1 – March 07 gas discovery

Garwood-1 – June 07 gas discovery

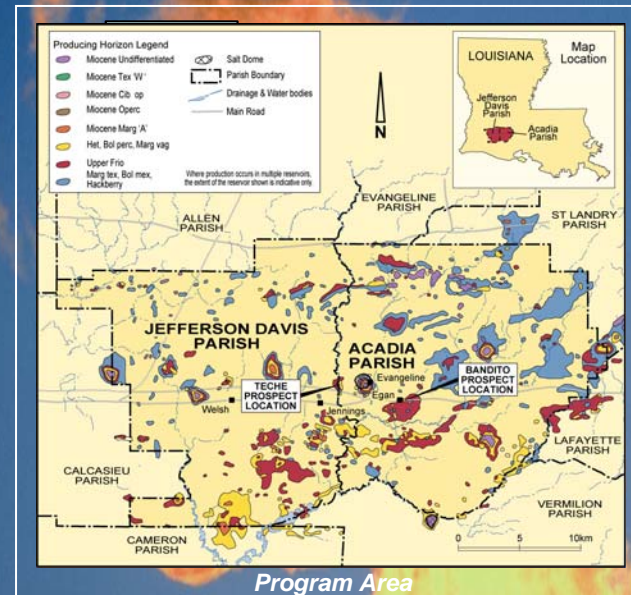


Evangeline Program - Louisiana, USA

Multi-well program – total 64 Bcfe Potential
Target Energy 10-15% Working Interest

Teche – scheduled Oct 07

Bandito – scheduled Oct 07



Upcoming Drilling

Snapper A-2 Prospect (1.5 BCF & 1 MMBO)
Adjacent to Snapper A-1 success. Target WI - 25%.

Snapper A-3 (4 BCF & 0.7 MMBO)
Testing sands not intersected in Snapper A-1. Target WI – 25%.

Parks North (25.7 BCF & 0.15 MMBO)
Large separate closure. Target WI - 10%.

Bayou Berard (0.72 BCF & 1.8 MMBO)
Flank of salt dome – similar to Snapper. Target WI - 15%.

Thoroughbred-1

- ✓ Drilled March 2007 – discovery.
- ✓ Commenced production June 2007.



Garwood-1

- ✓ Drilled June 2007 – discovery.
- ✓ Awaiting completion and tie-in.



Upcoming Drilling

Teche Prospect (22.4 Bcf)

- 3,810 metre well, targeting up to 22.4 Bcfe recoverable gas.
- Oligocene “Bol Mex 2” objective sand; additional potential in a number of other sands that will also be tested by this well.
- Target WI: 10%.

Bandito Prospect (42.4 Bcf)

- 3,932m well targeting up to 42.4 Bcfe of recoverable gas.
- Oligocene “Bol Mex” objective sand.
- Target WI: 15%.