

Target Energy Limited

Report for the Quarter Ending 30 September 2009

Key Events

- Snapper A-3 encounters multiple zones of oil and gas pay on logs; flows gas and oil on test from Hackberry A-4 sandstone.
- Target increases interest in East Chalkley Oil Field from 25% to 35%.
- Target to earn 25% WI in 67 Bcf + 1.1 mmBC potential "Highway 71" prospect; drilling now underway.
- Target raises \$2.9 million (before issue costs) in placement and fully-underwritten rights issue.

1. Production

Period: 1 July – 30 September 2009

Well	TEX WI	Ave Daily Gas Prod'n in Period (mcf/d)	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)
Thoroughbred	25%	-	-	81.2	-	-	-
Snapper A-1	25%	563	51.8	783.4	1.3	79	2,850
Garwood	25%	-	-	57.8	-	-	-
Snapper A-2	25%	359	21.9	439.7	113.0	6,892	18,066
Beyt #1^	15%	-	-	40.8	-	-	1,534
Pine Pasture #2	25%	-	-	-	75.1	6,907	29,583
Total (Gross)			73.7	1,402.9		13,878	52,302
Total (Net TEX WI)			18.4	346.6		3,470	12,922

^Well shut-in

mmcf/d = million of cubic feet of gas per day; mcf/d = thousand cubic feet of gas per day; BOPD = barrels of oil per day.

2. Exploration

Louisiana – St Martin Parish

2.1. Snapper #A-3 (Target Energy 25% working interest)

The Snapper #A-3 well was drilled to a Total Depth of 3,198.3 metres and the rig released on 24 August 2009. Wireline logs indicated a potential 15 metres of net oil and gas pay in the Camerina, Upper and Lower 3rd Marg Tex and Hackberry Sands.

Measured Depth (metres)	Zone	Potential Net pay
2,937.7	1 st Camerina	4.3 m
2,972.5	3rd Marg Tex	3.6 m
2,982.2	Lower 3 rd Marg Tex	3.0 m
3,105.3	Hackberry A-4	4.3 m
Total		15.2 metres

A completion rig was subsequently mobilised and the lowermost of these sands, the Hackberry A-4, perforated for production on 22 October 2009 over an 8.6 metre gross interval, from 3,105.3m to 3,113.9 m. The well was flow tested at rates up to 864 mcf/d with 5-10 BOPD, with wellhead pressures continuing to increase during the test, suggesting that stabilised rates were still to be attained.

The well will now be tied into the existing Snapper production facilities and is expected to be online within a month.

Target has a 25% Working Interest in all zones in the well.

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.

The operator plans 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.

The operator has now advised that drilling at the Beyt #1 sidetrack is expected to commence in the fourth quarter.

Texas – Wharton County

2.3. Highway 71 (Target Energy 25% WI)

Target has 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 primary objectives are the 1st and 2nd Meek (Middle Wilcox) sands at a depth of approximately 3840 metres, with the shallower (3,300 metres depth) Upper Wilcox sand as a secondary target. The well has the potential to recover up to 52.5 Billion cubic feet (Bcf) of gas and 367,000 barrels of condensate/light oil (BC) from the Meek Sands, with the Upper Wilcox holding the potential to recover up to 15 Bcf of gas and 750,000 BC.

The New Taiton Field, five kilometres northeast of Highway 71 on the same structural trend, produced 25 Bcf and 400,000 BC from the 1st Meek sand. The South Porters Creek field, just 1.5 kilometres to the southwest has produced 4.3 Bcf and 31,500 BC since 2006 from the 1st and 2nd

Meek Sands. Seismic mapping suggests that the South Porters Creek Field may be part of the same structure as the Highway 71 prospect.

Three kilometres to the east of the prospect is the Jones Creek Field which has produced 40 Bcf gas with 1.7 million BC from the Upper Wilcox sand. The Upper Wilcox Sand is a secondary target at Highway 71, where the seismic indicates a slight structural feature.

Drilling commenced on 26 October 2009 and at the time of writing, the well was at a depth of 679m and drilling ahead.

The well is expected to take six weeks to drill to the programmed Total Depth of 4,115 metres (13,500 feet). The well is being drilled on a “turn-key” contract.

3. Development

Louisiana - Cameron Parish

3.1. East Chalkley (Target increasing to 35% working interest)

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. Target participated in the successful drilling of the Pine Pasture #2 well in 2008.

Production from the Pine Pasture #2 well is currently stable at approximately 83 BOPD with an 18% oil cut.

The drilling of a salt-water disposal well is now scheduled for November. The disposal well will substantially reduce operating costs for current and future producing wells in the field. Additional appraisal and/or development drilling will be scheduled after this program.

On October 27 2009, Target announced the acquisition of an additional 10% interest in the East Chalkley Oil Field. Effective 1 November 2009, the purchase will give Target a 35% Working Interest in the field.

4. Current Indicative Drilling Schedule

Estimated Timing	Prospect/Field	Location	Target Working Interest	Potential Recoverable Volumes*
Drilling underway	Highway 71	Wharton Co, Tx	25%	67.5 Bcf; 1.1 mmBC
November 09	East Chalkley	Cameron Parish, La	35%^	SWD Well
Q4 2009	Bayou Berard ST	St Martin Parish, La	15%	750,000 BO
Q4 09/ Q1 10	East Chalkley	Cameron Parish, La	35%^	2.1 mmBO

**Figures are operators' unrisks estimates and represent total prospect or field potential – additional drilling may be required to fully recover volumes. ^Effective November 1 2009.*

5. Corporate**5.1. Capital Raising**

On 18 September, 2009 the Company announced a capital raising to raise approximately \$2.9 million (before issue costs) via a placement and fully underwritten renounceable rights issue.

The placement raised approximately \$400,000 via the issue of 7.4 million shares and 7.4 million free attaching options at a price of 5.5 cents per share. The free attaching options have an exercise price of 10 cents each and will expire on 31 October 2012.

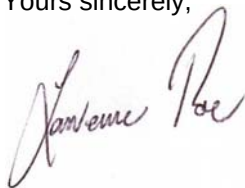
The renounceable pro rata entitlements issue to shareholders offered approximately 44,688,468 new shares and 44,688,468 new options on the basis of two new shares plus two free attaching new options for every five existing shares held as at the record date of 30 September 2009 at an issue price of 5.5 cents each to raise approximately \$2.46 million (before issue costs). The free attaching options have an exercise price of 10 cents each and will expire on 31 October 2012.

The Rights Issue, which was fully underwritten by Patersons Securities Limited, closed on 19 October 2009 with strong support from shareholders. The number of shares taken up by shareholders was approximately 33.9 million or 76% of the shares on offer. The remaining shares were taken up by the Underwriter.

The proceeds from the raising are to be principally applied to the 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,



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 over 25 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 2009

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	270	270
1.2	Payments for (a) exploration and evaluation	(13)	(13)
	(b) development	(276)	(276)
	(c) production	(152)	(152)
	(d) administration	(433)	(433)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	9
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		(595)	(595)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	(308)	(308)
	(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		(308)	(308)
1.13	Total operating and investing cash flows (carried forward)	(903)	(903)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(903)	(903)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	407	407
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	(22)	(22)
	Net financing cash flows	385	385
	Net increase (decrease) in cash held	(518)	(518)
1.20	Cash at beginning of quarter/year to date	2,651	2,651
1.21	Exchange rate adjustments to item 1.20	(67)	(67)
1.22	Cash at end of quarter	2,066	2,066

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	124
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	1,226
4.2 Development	277
Total	1,503

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	2,016	2,601
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)	2,066	2,651

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.

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 (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	111,721,170	111,721,170		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,400,000	7,400,000		
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and Conversion factor)	<i>Incentive Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
		6,000,000 1:1	Nil	20 cents	30/06/2011
		62,812,164 1:1	62,812,164	25 cents	26/11/2009
		750,000 1:1	Nil	12 cents	7/8/2011
		7,400,000 1:1	7,400,000	10 cents	31/10/2012
7.8	Issued during quarter	7,400,000 1:1	7,400,000	10 cents	31/10/2012
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				

+ 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 October 2009

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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