

# Target Energy Limited

## Report for the Quarter Ending 30 June 2007

### Highlights

- *Gas discovery at Target Energy's fourth well, Garwood-1, gives Target a "3 out of 4" success rate to date.*
- *Gas production commenced at Thoroughbred-1 on 5 June 2007.*
- *Oil and gas flowed during completion procedures at Snapper A-1. The lowermost of the four separate zones of potential hydrocarbon pay was perforated and flowed at rates up to 2.1 mmcfgd with 16 BOPD.*
- *Target to participate in two new wells in Jefferson Davis and Acadia counties, Louisiana. The wells will test an aggregate potential of 64.8 Bcfe.*
- *Target to participate in a third Snapper (A-3) well in St Martin Parish, Louisiana.*

### 1. Production

Target Energy became a producer when the Thoroughbred-1 gas well was brought on-line on 5 June 2007.

Period: 5 June – 30 June 2007

Field	Target WI	Total Gas (mmcfgd)	Total Oil (BO)
Thoroughbred	25%	7.825	-

### 2. Exploration

#### 2.1. Texas

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

The Garwood-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 3 June 2007 and reached its Total Depth of 1,470.7m (4,825 feet) on 8 June 2007.

Wireline logs identified four gas-bearing zones. Three of these flowed dry gas during formation testing:

Zone 1 (1125.0 – 1127.2 metres) flowed dry gas from a test at 1126.6 m.

Zone 2 (1137.5 – 1140.6 metres) flowed dry gas from a test at 1138.7 m.

Zone 3 (1293.6 – 1296.6 metres) flowed dry gas from a test at 1294.2 m.

The fourth zone (1078.4 – 1079.0 metres) recovered gas and water from a test at 1078.7 metres. Additional potential pay has also been identified elsewhere in the well.

Completion is expected to take place around the end of July.

## 2.2. Louisiana

### 2.2.1. St Martin Parish

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

A Completion rig was mobilized to the well site on 21 June 2007. The “4th Marg Tex” sand was subsequently perforated from 2,879.8m to 2882.2m and flowed gas and oil at rates up to 2.1 million cubic feet of gas per day (mmcfgd) and 16 barrels of oil per day.

The 4th Marg Tex is the deepest of the four zones previously identified on wireline logs in the well as potentially hydrocarbon bearing:

Measured Depth (m)	Zone	Net Pay
2,754.0	Marg Howie	4.3 metres
2,773.7	1st Camerina	0.6 metres
2,860.6	3rd Marg Tex	5.2 metres
2,879.8	4th Marg Tex	1.8 metres
Total		11.9 metres

In accordance with the operator’s program, only the 4th Marg Tex was completed at this time - the shallower zones will be completed at a future date.

The well is now awaiting hook-up to a sales line.

- **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. Following the success of Snapper A-1, the proposed bottom-hole location of the A-2 well has been adjusted to target additional sands. The well will test six potential pay zones, including updip attic oil from the 3<sup>rd</sup> Marg Tex and Hackberry A-1 sands as well as possible gas and oil in the Marg Howie, 1<sup>st</sup> Camerina, 1st Marg Tex and Hackberry A-4 sands. Prognosed total depth is 3,048 metres (10,000 ft).

Snapper A-2 will test a potential of up to 1 million barrels of oil and 1.46 billion cubic feet of gas (unrisked, recoverable). The well can be brought on-stream approximately two months after completion.

Recent very heavy rains in the Gulf Coast region have affected many drilling schedules. A rig has been contracted for the Snapper A-2 and Bayou Berard wells, with drilling expected to commence in late August. The wells will be drilled back to back.

- **Snapper A-3 (Target Energy 25% working interest)**

Operated by Cypress Productions of Azle, Texas, the Snapper A-3 well is to be located approximately 122 metres north of Target’s Snapper A-1 discovery in St Martin Parish, Louisiana. The well is designed to test Hackberry A3 and A4 sands that were not intersected by the A-1 well. Target will have a 25% working interest in the well, which will be drilled to a depth of approximately 3,048 metres.

Snapper A-3 will test a potential of up to 0.7 million barrels of oil and 4 billion cubic feet of gas (unrisked, recoverable). It is scheduled to be drilled late in the fourth quarter of 2007.

- **Bayou Berard (Target Energy 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 volumes.

As noted above, very heavy rains in the Gulf Coast region have affected many drilling schedules during the quarter. A rig has been contracted for the Snapper A-2 and Bayou Berard wells, with drilling at Bayou Berard expected to commence in late September.

- **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 hydrocarbon volumes 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 the fourth quarter of 2007.

## 2.2.2. Jefferson Davis/Acadia Parishes

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

Located approximately 57 kilometres west of Lafayette in Jefferson Davis Parish, Louisiana, the Teche prospect is scheduled to be drilled in October 2007. Target will earn a 10% working interest in the well, which will be operated by Aspect Energy LLC (Aspect). The well will be directionally drilled to a measured depth of 3,810 metres (12,500 feet) and will target up to 22.4 Bcfe of potential recoverable gas and condensate in Oligocene age "Bol mex 2" sands. Additional potential is recognized in a number of other sands which will also be tested in an optimal position. Drilling is expected to take approximately four weeks.

- **Bandito (Target Energy 15% working interest)**

Located approximately 44 kilometres west of Lafayette in Acadia Parish, Louisiana, the Bandito prospect is scheduled to be drilled in October 2007. Target will earn a 15% working interest in the well, which will also be operated by Aspect. The well is planned to be drilled to a depth of 3,932 metres (12,900 feet) and will target up to 42.4 Bcfe of potential recoverable gas and condensate in Oligocene age "Bol mex" sands. Drilling is expected to take approximately four weeks.

## 2.2.3. 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.

Target has been informed by the Operator of the Berwyn prospect that the drilling contractor has undertaken a review of costs for the proposed well and has advised of substantial increases to the anticipated cost of drilling the prospect. The Operator has further advised that additional costs increases are expected.

As a consequence of the cost escalation the Operator has recommended that further work on Berwyn, including the contracting of a drilling rig, be postponed until drilling costs can be suitably reduced. Target shares the concern about the cost rises and has agreed to such a deferral. Target will maintain its option to participate in the prospect while it awaits confirmation that the Operator has been able to reduce the drilling costs and has recommenced work towards drilling at Berwyn.

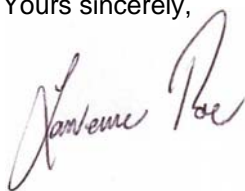
### 3. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target <sup>^</sup> Working Interest	Potential Recoverable Volumes*
August 2007	Snapper A-2	St Martin Parish, La	25%	1.0 mmBO; 1.46 Bcf
September 2007	Bayou Berard	St Martin Parish, La	15%	1.8 mmBO; 0.72 Bcf
October 2007	Teche	Jefferson Davis Parish, La	10%	22.4 Bcfe
October 2007	Bandito	Acadia Parish, La	15%	42.4 Bcfe
Q4 2007	Parks North	St Martin Parish, La	10%	0.15 mmBC; 25.7 Bcf
December 2007	Snapper A-3	St Martin Parish, La	25%	0.7 mmBO; 4.0 Bcf
TBA	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 volumes. ^Subject to finalisation of farm-in and/or unitisation agreements*

For further information, please contact Laurence Roe on 08 9476 9000 or contact the company at [admin@targetenergy.com.au](mailto: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
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ABN

73 119 160 360
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Quarter ended ("current quarter")

30 June 2007
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...12..months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(865)	(2,886)
(b) development	-	-
(c) production	-	-
(d) administration	(240)	(858)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	69	203
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	(1,036)	(3,541)
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(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)	-	-
<b>Net investing cash flows</b>	-	(84)
1.13 Total operating and investing cash flows (carried forward)	(1,036)	(3,625)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,036)	(3,625)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	340	10,703
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	(8)	(935)
	<b>Net financing cash flows</b>	332	9,768
	<b>Net increase (decrease) in cash held</b>	(704)	6,143
1.20	Cash at beginning of quarter/year to date	6,777	50
1.21	Exchange rate adjustments to item 1.20	(192)	(312)
1.22	<b>Cash at end of quarter</b>	5,881	5,881

**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	155
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.
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**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
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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
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+ 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	1,665
4.2 Development	-
<b>Total</b>	<b>1,665</b>

### 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	5,831	6,727
5.2 Deposits at call	50	50
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,881</b>	<b>6,777</b>

### 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.

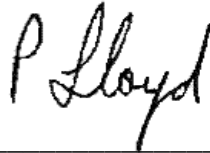
	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	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 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and Conversion factor)</i>	<i>Incentive Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	6,000,000 1:1	Nil	20 cents	30/06/2011
	34,000,000 1:1	34,000,000	25 cents	26/11/2009

+ See chapter 19 for defined terms.

7.8	Issued during quarter	34,000,000 1:1	34,000,000	25 cents	26/11/2009
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				

### 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 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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+ See chapter 19 for defined terms.