

Target Energy Limited

Report for the Quarter Ending 30 June 2009

Key Events

- **Snapper A-3 drilling commenced 29 June.**
- **Snapper A-2 completed for oil production in May - producing approx 150 BOPD.**
- **Gerry McGann joins Target Board**
- **Unsuccessful Blaze Asset Take-over bid expires**

1. Corporate

1.1 Board

On 20 July 2009, Target was pleased to announce the appointment of Mr Gerry McGann as a non executive director.

Mr McGann has over 30 years experience in the upstream oil and gas industry, working on all five continents. As a petroleum geologist, he has been associated with oilfield discoveries totalling more than 200 million barrels in Australia, Middle East and the North Sea. While working for Occidental Petroleum Corporation in Oman, he was instrumental in increasing production from 32,000 barrels of oil per day (bopd) to 52,000 bopd in three years. Gerry was also one of only four Chief Scientists in the 30,000 strong Baker Hughes group – a position he held for four years prior to returning to Australia in 2001.

More recently, Mr McGann was a founding shareholder and Managing Director of Incremental Petroleum which was listed in 2005. He identified and purchased the seminal Selmo Oilfield in SE Turkey in 2005, increasing the production from 1,500 bopd to almost 2,000 bopd by the time the field was sold in March 2009.

Gerry was also able to continually grow Incremental Petroleum's hydrocarbon reserves from nil in 2005 to over 16 million barrels of oil equivalent in 2009, one of the largest reserve bases in the sector on the ASX. This was achieved by enhancing the efficiency of Selmo, by the acquisition and development of the Edirne gas project in Western Turkey and also the acquisition of low risk oil and gas projects in California.

1.2 Takeover Offer

On 17 April 2009, Blaze Asset Pty Ltd ("Blaze") announced that it's hostile and unsolicited off-market takeover offer for Target Energy Limited had expired.

Over 94% of Target shareholders rejected Blaze's offer. The directors of Target Energy consider this to be a strong validation of the Company, its management and its planned strategies for growth. The directors would like to extend their thanks to all shareholders for their continued support for the Company.

2. Production

Period: 1 April – 30 June 2009

Well	TEX WI	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)
Thoroughbred	25%	-	-	81.2	-	-	-
Snapper A-1	25%	669	60.2	731.6	1.5	138	2,771
Garwood	25%	-	-	57.8	-	-	-
Snapper A-2*	25%	270	24.6	417.5	93.7	8,525	11,174
Beyt #1^	15%	-	-	40.8	-	-	1,534
Pine Pasture #2	25%	-	-	-	62.5	5,685	22,946
Total (Gross)			84.8	1,328.9		14,348	38,424
Total (Net TEX WI)			21.2	328.1		3,587	9,453

^Well shut-in

*Snapper A-2 completed for oil production on 19 May 2009.

Pine Pasture #2 well was shut in for 13.6 days during the reporting period.

mmcfgd = million of cubic feet of gas per day; mcfgd = thousand cubic feet of gas per day; BOPD = barrels of oil per day.

3. Exploration

Louisiana – St Martin Parish

3.1. Snapper A-3 (Target 21.625% - 25% working interest)

Operated by Cypress Drilling LLC, the well is designed to test a known fault segment for proven bypassed gas pay in the Hackberry A-1 and A-4 Sands.

The bottom-hole location of the planned well is programmed to be at a measured depth of 3,277 metres, approximately 300 metres north-north-east of the Target's Snapper A-1 producing well (TEX WI: 25%)

The well is considered to be a low-risk development well for multiple proven and by-passed pay zones. It will directly offset a well that tested gas in the Hackberry A-1 and Hackberry A-2 Sands, but was never produced, target two zones that have logged pay in the Snapper A-1 well and also test two possible zones (1st and 2nd Marg Tex) that pinched out down-dip from that well.

In total, the well is expected to penetrate up to six pay zones, testing a prospective fault segment that has risked recoverable potential of up to 4.2 Billion cubic feet of gas and 331,000 barrels of oil (unrisked recoverable potential up to 5.4 Billion cubic feet of gas and 461,000 barrels of oil).

Snapper A-3 is expected to take approximately four weeks to drill to its programmed Total Depth of 3,277 metres (10,750 ft). Target will earn a 25% Working Interest in zones above the Hackberry sands and a 21.625% Working Interest in the Hackberry sands.

Drilling commenced on 29 June 2009. At the time of writing, the well was at 2,927 metres and drilling ahead.

3.2. Bayou Berard Marg Tex (Target 15% working interest)

Drilling at the Beyt #1 well at the Bayou Berard prospect in 2008 intersected a major fault just before hitting the primary Marg Tex targets and the well was subsequently completed in the shallower Marg Vag sand.

Production commenced on 2 May 2008 at a rate of approx 1 mmcfd with associated condensate. The operator later decided to put the well on compression. Shortly after the Beyt #1 well was placed on a compressor (20 July 2008), the wellbore loaded up with fluid. A wire line was run which tagged fluid at approximately 2100 feet. Analysis of the fluid indicated formation water - believed to be from the Het Lime at 9370 feet, 130 feet up the hole from the Marg Vag sand.

Rather than remediate the Marg Vag, Cypress terminated production from that sand and instead plan 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 1 million barrels of oil with 0.4 billion cubic feet of gas (unrisked, recoverable).

The operator has advised that drilling at the Beyt #1A well is expected to commence in late third-quarter.

4. Development**Cameron Parish – East Chalkley (Target 25% 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 approximating 90 BOPD. Average daily production in the reporting period was less than this as the well was shut in for 13 days while repairs were made to the piping around the tank battery. This followed the failure of one of the fluid lines at the battery causing approximately 30 barrels of oil and an unknown amount of produced water to be lost. Cleanup work at the site and adjoining area is effectively complete.

The drilling of the salt-water disposal well and the pump upgrade at PP#2 are expected to be underway soon. An AFE has been circulated to partners for this first phase development work, estimated to be approximately US\$150,000 net to Target. 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.

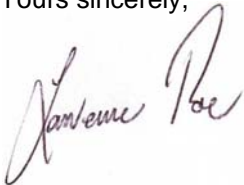
5. Current Indicative Drilling Schedule

Estimated Timing	Prospect/Field	Location	Target [^] Working Interest	Potential Recoverable Volumes*
Drilling underway	Snapper A-3	St Martin Parish, La	21.625% - 25%	0.3 mmBO; 4.3 Bcf
August 2009	East Chalkley	Cameron Parish, La	25%	SWD Well
Q4 2009	East Chalkley	Cameron Parish, La	25%	2.1 mmBO
Q3 2009	Bayou Berard ST	St Martin Parish, La	15%	750,000 BO

**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.

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 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	173	1,674
1.2 Payments for		
(a) exploration and evaluation	(823)	(2,840)
(b) development	(44)	(361)
(c) production	(90)	(330)
(d) administration	(281)	(1,185)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	139
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Costs of takeover defence	(448)	(448)
Net Operating Cash Flows	(1,498)	(3,351)
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	(27)	(116)
1.11 Loans repaid by other entities	38	131
1.12 Other (provide details if material)	-	-
Net investing cash flows	11	15
1.13 Total operating and investing cash flows (carried forward)	(1,487)	(3,336)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,487)	(3,336)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	3,391
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	-	(239)
Net financing cash flows		-	3,152
Net increase (decrease) in cash held		(1,487)	(184)
1.20	Cash at beginning of quarter/year to date	4,351	2,480
1.21	Exchange rate adjustments to item 1.20	(213)	355
1.22	Cash at end of quarter	2,651	2,651

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	161
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	483
4.2 Development	220
Total	703

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	2,601	4,301
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)	2,651	4,351

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	104,321,170	104,321,170		
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 62,812,164 1:1 750,000 1:1	Nil 62,812,164 Nil	<i>Exercise price</i> 20 cents 25 cents 12 cents	<i>Expiry date</i> 30/06/2011 26/11/2009 7/8/2011
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: 31 July 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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