

Quarterly Report for the quarter ending 30 September 2011

- BOA 12 #1 well at West Texas Fairway Project encounters pay in primary and secondary targets
- BOA 12 #1 Wolfberry frac due in 2nd week of November
- Target increases interest in Shepard's Channel prospect
- Target opens Houston, Texas office

1. Production (1 July– 30 June September)

Well	TEX WI	Gross 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)
Snapper A-1	25%	234	21.5	1,046.0	0.4	33	3,810
Snapper A-2	25%	71	6.5	487.3	9.5	878	35,118
Snapper A-3	25%	301	27.7	344.5	104.1	9,579	13,294
Pine Pasture #1	35%	0	0	0	0		7,803
Pine Pasture #2	35%	35	2.2	14.8	55.4	5,099	74,531
Merta #1	25%	273	25.1	167.9	4.1	373	2,404
Total (Gross)			83.0	2,240.0		15,962	138,494
Total (Net TEX WI)			21.0	557.7		4,500	42,704

mmcf = million cubic feet of gas, mmcfgd = million cubic feet of gas per day; mcfgd = thousand cubic feet of gas per day; BO = barrels of oil, BOPD = barrels of oil per day, BOEPD = barrels of oil equivalent per day (Target reports a thermal equivalent when combining gas and oil production, where 1BOE = 6 mcf)

NB: Pine Pasture #1 remains shut-in. Snapper #A-2 shut in during July and August with separator issues; online again in early September.



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2. Exploration

Texas

2.1. Fairway Project – Howard & Glasscock Counties (Target Energy 60% working interest)

The first well in Target's Fairway project, the BOA 12 #1, was spudded on 10 September 2011 in Howard County, Texas. The well reached its Total Depth of 3,075 metres on 3 October 2011.

The well encountered a 1,080m interval in the "Wolfberry" section which exhibited numerous shows while drilling, in particular in the Wolfcamp, Strawn and Mississippian formations. Shows were also noted in the shallower San Andres and Clear Fork Formations and the deeper Fusselman Formation.

Wireline logging subsequently confirmed the BOA 12 #1 well had encountered potential oil and gas pay zones in all primary and secondary targets and the well was completed for production.

Initial flow-testing of the Fusselman formation yielded oil and water production stabilising at a total of 120 Barrels per day (BPD) with a 5% oil cut (i.e. oil flow was estimated at 6 to 10 BOPD). A bridge plug was set above the Fusselman interval to allow the flow to be commingled with the Wolfberry at some time in the future.

The partners are now proceeding with the design and scheduling of a fracture stimulation ("frac") program for the Wolfberry zone. The frac is expected to take place in the second week of November and will test the entire Wolfberry section from approximately 1,920m – 3,000m, including the Mississippian and Strawn Formations.

The Clear Fork Formation will be tested separately and after the Wolfberry frac. If it produces sweet crude (i.e. low or no sulphur content), it can then be commingled with the Wolfberry production. Production from this zone would be considered as a new field discovery. Recent (2009) Clear Fork drilling in the area by ConocoPhillips has yielded initial production rates of 60-90 BOPD after stimulation.

Potential San Andres oil pay was also encountered, unexpectedly, in the BOA 12 #1 well. Local production from the San Andres Formation is prolific, with the nearby Howard Glasscock field having produced over 410 million barrels of oil since its discovery in 1925 - primarily from the San Andres and Grayburg Formations. As oil produced from the San Andres is typically a sour crude it cannot be commingled with other production from the BOA 12 #1 well and the partners are contemplating "twinning" the BOA 12 #1 well by drilling a shallow well adjacent to it to test and potentially produce the San Andres Formation. In the event that the Clear Fork crude in the BOA 12 #1 well is also sour and cannot be commingled with the Wolfberry production, the twin well will be deepened to accommodate the Clear Fork production.

While the San Andres flow and reserve potential is still to be tested at BOA 12 #1, it may be noted that in 2008 local operators successfully sought to downspace the drilling at the Howard Glasscock field to 5 acres, citing the ability to recover up to 175,000 BO from new infill locations (equivalent to 280,000 BO per 40 acres).

The partners are continuing to identify further leasing opportunities to expand the project.

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2.2. Buffalo Project, South Texas (Target Energy 100%/50% working interest)

During the reporting period, Target shut-in the initial well in the Buffalo project following a long-term production test in which production stabilized at a sub-economic rate (approximately 40-50 thousand cubic feet of gas per day and approximately 3-5 barrels of oil per day with 238 barrels of water). The well is now to be plugged and abandoned. No further operations are planned in this project.

Louisiana

2.3. Shepard's Channel Prospect - La Fourche Parish (Target Energy 10.3% working interest)

Target has secured an additional interest in the Shepard's Channel Project, lifting its working interest to 10.3%. Target will earn the interest in the project by paying its share of acreage costs and the costs of re-entering an existing borehole to complete the well.

The well is to be re-entered and completed for production over a 50-metre interval of porous and potentially gas-charged sands which were never tested when originally drilled. These sands were not considered to be prospective at the time and the well was later abandoned. Detailed analysis of the well data now strongly suggests that indications of the hydrocarbon potential of these sands were suppressed on the wireline logs and that if tested, they could have flowed at potentially commercial rates.

Recent work by the operator has upgraded the potential for this prospect, with Shepard's Channel now considered able to hold up to 200 Bcf of recoverable gas with 12 mmBO of condensate. The proposed re-completion is designed to properly test the sands and to confirm the analysis. If successful, additional wells will be required to fully develop the feature.

Leasing and unitisation matters are being finalised and operations are expected to commence in mid-November.

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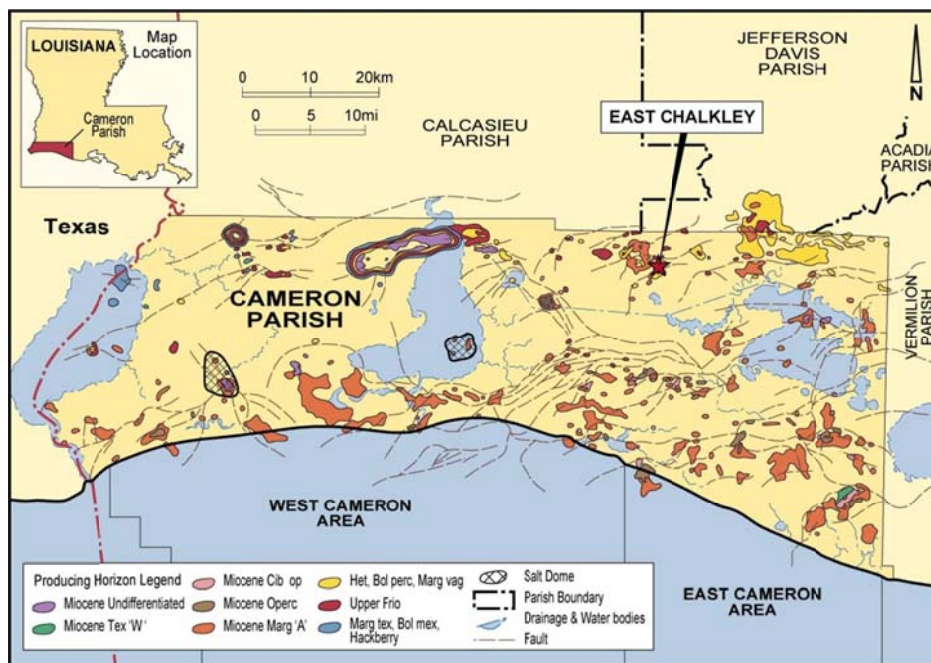
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3. Development

3.1. East Chalkley (Target Energy 35% working interest)

The East Chalkley project is an oil field appraisal and development program, approx. 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.

During the reporting period, the salt-water disposal well was worked-over to remedy sand-plugging issues and is back on-line. The Pine Pasture #1 well was also taken off-line to address a suspected hole in the tubing.

The drilling of the proposed Pine Pasture #3 development well was deferred by the operator in November 2010 following its decision to divest its interests in the field. Target is keeping its position under review going forward.

4. Corporate

4.1. US Office

In September 2011, Target established a permanent US office in Houston Texas. The office provides the Company with a more direct link with its US operations and various partner companies and will also take over the bulk of the US admin and accounting functions that are presently handled in Perth.

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4.2. William Sikora

On 14 September 2011, Target's recently appointed Business Advisor, William (Bill) Sikora passed away unexpectedly. Based in Houston, Bill was instrumental in the establishment of Target's US office and in providing corporate, administrative and accounting support. His skill, enthusiasm and good humour will be missed. The Company extends its condolences to his family.

5. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target Working Interest	Potential Recoverable Volumes
Nov 2011	BOA 12 #1 Frac	Howard Co, Tx	60%	180 – 220 mBO
Nov 2011	Shepard's Channel	La Fourche Parish, La	10.3%	200 Bcf / 12 mmBO
Q1 2012	Fairway #2 - #4	Howard/Glasscock Co	60%	180 – 220 mBO
2012	East Chalkley PP#3	Cameron Parish, La	35%	250 – 450 mBO

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 30 years experience in the sector. He consents to the reporting of that information in the form and context in which it appears.

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