

Report for the Quarter Ending 31 December 2007

Highlights

- *SML (Snapper) A2 well encounters 29 metres of net oil and gas pay in seven sands.*
- *SML (Snapper) A2 completed for production after flow testing gas at rates up to 2.1 mmcfd with associated oil from Hackberry A-4 sands*
- *Beyt #1 well (Bayou Berard prospect) encounters gas pay. Well to be completed and flow-tested for production.*
- *Drilling underway at Riviana Foods #1 well (Teche prospect)*
- *Target appoints North American Manager*
- *Target raises \$2.55 million in December 2007 share placement*
- *Target adds Catapult 3 prospect (204 Bcf + 10 mmBO potential recoverable) to it's Q2 2008 drilling schedule*

1. Production

Period: 1 October – 31 December 2007

Well	TEX WI	Ave Gas Prodn in Period (mcf/d)	Total Gas Prodn in Period (mmcf)	Total Gas to date (mmcf)	Ave Oil Prodn in Period (BOPD)	Total Oil Prodn in Period (BO)	Total Oil to date (BO)
Thoroughbred	25%	288	26.5	61.9	-	-	-
Snapper A-1	25%	1,302	119.8	166.4	8.5	784	972
Garwood*	25%	215	14.2	16.9	-	-	-
Total			160.5	245.2		784	972

* Garwood shut in for 23 days; reported production is less than actual due to gauge failure at well-site.

2. Exploration

2.1. Louisiana

2.1.1. St Martin Parish

- **Snapper A-2 (Target Energy 25% working interest)**

Operated by Cypress Productions of Azle, Texas, SML (Snapper) #A-2 is located approximately 20 kilometres east of the city of Lafayette. The well commenced on 28 October 2007 and was drilled to a total depth at 3,078.5 metres.

Seven potential oil and gas pay zones (as identified on wireline logs) were encountered:

Measured Depth (metres)	Zone	Net pay
2,779.8	Marg Howie	3.7 metres
2,807.2	1 st Camerina	2.7 metres
2,882.2	3rd Marg Tex	4.0 metres
2,905.4	4 th Marg Tex	1.8 metres
2,948.1	Hackberry A-1	9.1 metres
3,023.7	Hackberry A-4	6.1 metres
3,048.3	Hackberry A-5	1.2 metres
<hr/>		
Total		28.7 metres

Production liner was run in the well and the rig released on 2 December 2007.

Following the mobilisation of a Completion Rig, three intervals within the Hackberry A-4 sandstone were perforated between 3,023.7m and 3,038.3m. The well was flow tested at rates up to 2.1 million cubic feet of gas per day (mmcfgd), with minor associated oil. Shallower zones will be completed at a later date.

The SML A-2 well is presently awaiting hook-up to production facilities.

- **Bayou Berard (Target Energy 15% working interest)**

Also operated by Cypress Productions of Azle, Texas, the Bayou Berard prospect was tested by the Beyt #1 well. Drilling commenced on 6 December 2007, reaching a total depth at 3,251.6 metres.

After observing a sustained increase in downhole pressure below 3,173 metres, wireline logs were run to confirm the geology being penetrated by the well bore. The logs indicated the presence of a fault not previously observed on the seismic data. The decision was taken to complete the well in the shallower Marg Vag sand (2,892m) which log analysis previously indicated contains approx 2 metres of net gas pay. The operator estimated that the Marg Vag sand may hold up to 1.8 Bcf of recoverable gas. Subject to a successful flow test, the well can be brought onto production within two months.

Upon exhaustion of the Marg Vag production, the borehole will be re-entered and a sidetrack drilled to test the Marg Tex sands. A revision of the hydrocarbon potential of the prospect has indicated that a sidetrack to the Marg Tex sands could yield up to 1.1 million barrels of oil and 0.4 Bcf of gas.

A 5 inch production liner was run to 3,048m and the rig released on 21 January 2008. A completion rig is to be mobilised to the site to perforate and flow-test the Marg Vag sands.

- **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 first quarter of 2008.

- **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 unrisked 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 second quarter of 2008.

2.1.2. Jefferson Davis/Acadia Parishes

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

Teche is located approximately 57 kilometres west of Lafayette in Jefferson Davis Parish, Louisiana. Target will earn a 10% working interest in the well, which will be operated by Aspect Energy LLC (Aspect) and is to be directionally drilled to a measured depth of 3,810 metres (12,500 feet), targeting up to 22.4 Bcfe of potential recoverable gas and condensate in Oligocene age “Bol mex 2” sands.

Drilling commenced on 24 November 2007 and remains underway.

- **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 late first quarter, 2008. 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 scheduled to commence in the first quarter of 2008.

2.1.3. Vermilion Parish

- **Catapult 3 (Target Energy 15% working interest)**

The Catapult 3 prospect is located approximately 50 kilometres south west of Lafayette in Vermilion Parish, Louisiana and is scheduled to be drilled in the second quarter of 2008. Drilling is expected to take approximately five weeks. Target will earn a 15% working interest in the prospect.

The Catapult 3 well is planned to be drilled to a depth of 4,724 metres (15,500 feet) and will target up to 204 Bcf and 10.2 million barrels of potential recoverable gas and condensate in Early Miocene-age Alliance (Planulina) and Trahan sands.

The prospect is thoroughly mapped on 3D seismic, well integrated with the local geology and is adjacent to two recently drilled wells that tested with combined rates of 40 million cubic feet of gas per day and 2,300 barrels of condensate per day. It is considered to be a high risk/high-reward play that, in the event of a discovery, has genuine “company-maker” potential for Target.

2.1.4. 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 was previously 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.

Until Target can confirm that the Operator is planning to proceed with the well, no further reporting will be made regarding Berwyn.

3. Current Indicative Drilling Schedule

Estimated Timing	Prospect	Location	Target [^] Working Interest	Potential Recoverable Volumes*
Discovery Dec 2007	Snapper A-2	St Martin Parish, La	25%	1.0 mmBO; 1.46 Bcf
Discovery Jan 2008	Bayou Berard	St Martin Parish, La	15%	1.8 Bcf
Drilling	Teche	Jefferson Davis Parish, La	10%	22.4 Bcfe
Q1 2008	Bandito	Acadia Parish, La	15%	42.4 Bcfe
Q2 2008	Parks North	St Martin Parish, La	10%	0.15 mmBC; 25.7 Bcf
Q1 2008	Snapper A-3	St Martin Parish, La	25%	0.7 mmBO; 4.0 Bcf
Q2 2008	Catapult 3	Vermilion Parish, La	15%	10 mmBO; 204 Bcf
TBA	Bayou Berard Sidetrack	St Martin Parish, La	15%	1.1 mmBO; 0.4 Bcf

**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*

4. Corporate

4.1. Share Placement

On 17 December 2007 Target Energy reached an agreement to place 10.2 million ordinary fully paid shares at \$0.25 per share plus one attaching \$0.25 option for every four shares. The placement was issued to sophisticated investors and raised \$2.55 million less costs of the issue.

The placement was made under Target's existing placing capacity, with the issue of the options subject to shareholder approval (subsequently received at a General Meeting on 23 January 2008). As the shares were placed with institutional and sophisticated investors no disclosure document was required to be lodged. The shares issued under the placement rank equally with existing shares and, following quotation, increased Target's total issued share capital to 78,200,000 shares.

The proceeds from the placement are to be principally applied to the expansion of Company's drilling and exploration activities in the United States.

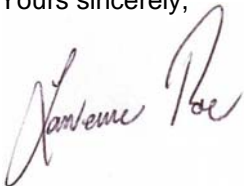
4.2. North American Manager

On 11 December 2007, Target Energy announced the appointment of Mr. Ron Krenzke as Manager of its North American activities, commencing on 1 January 2008. Based in Houston Texas he will manage Target's North American exploration activities and oil and gas production assets. Target has appointed Mr. Krenzke on a consulting basis initially, as he continues to support other existing clients.

Ron Krenzke has over 33 years experience in the oil and gas exploration sector both in the United States and in other international arenas. He has served with Mobil, Texas Eastern, Monsanto and Amerada Hess prior to co-founding a number of successful Gulf Coast and Gulf of Mexico-focused exploration companies. The most recent of these was Gryphon Exploration Company, which was founded in 2000 to explore for oil and gas in the US Gulf Coast region. Gryphon discovered over 479 Bcfe (2P) in reserves prior to its 2005 sale to Woodside Petroleum Ltd for approximately US\$300 million. In addition to co-founding Gryphon, Mr. Krenzke was Executive Vice President of Exploration, responsible for all aspects of Gryphon's exploration programs.

For further information, please contact Laurence Roe on 08 9476 9000 or contact the company at admin@targetenergy.com.au.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Laurence Roe', written in a cursive style.

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

ABN

73 119 160 360

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...6..months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	88	109
1.2 Payments for		
(a) exploration and evaluation	(646)	(1,217)
(b) development	(353)	(426)
(c) production	-	-
(d) administration	(234)	(472)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	48	111
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	(1,097)	(1,895)
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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,097)	(1,895)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,097)	(1,895)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,550	2,550
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	(142)	(142)
	Net financing cash flows	2,408	2,408
	Net increase (decrease) in cash held	1,311	513
1.20	Cash at beginning of quarter/year to date	4,983	5,881
1.21	Exchange rate adjustments to item 1.20	(6)	(106)
1.22	Cash at end of quarter	6,288	6,288

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	101
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.

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	3,567
4.2 Development	247
Total	3,814

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	6,238	4,933
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)	6,288	4,983

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	78,200,000	65,793,750		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,200,000	10,200,000		
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>		<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				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				

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: 29 January 2008

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.