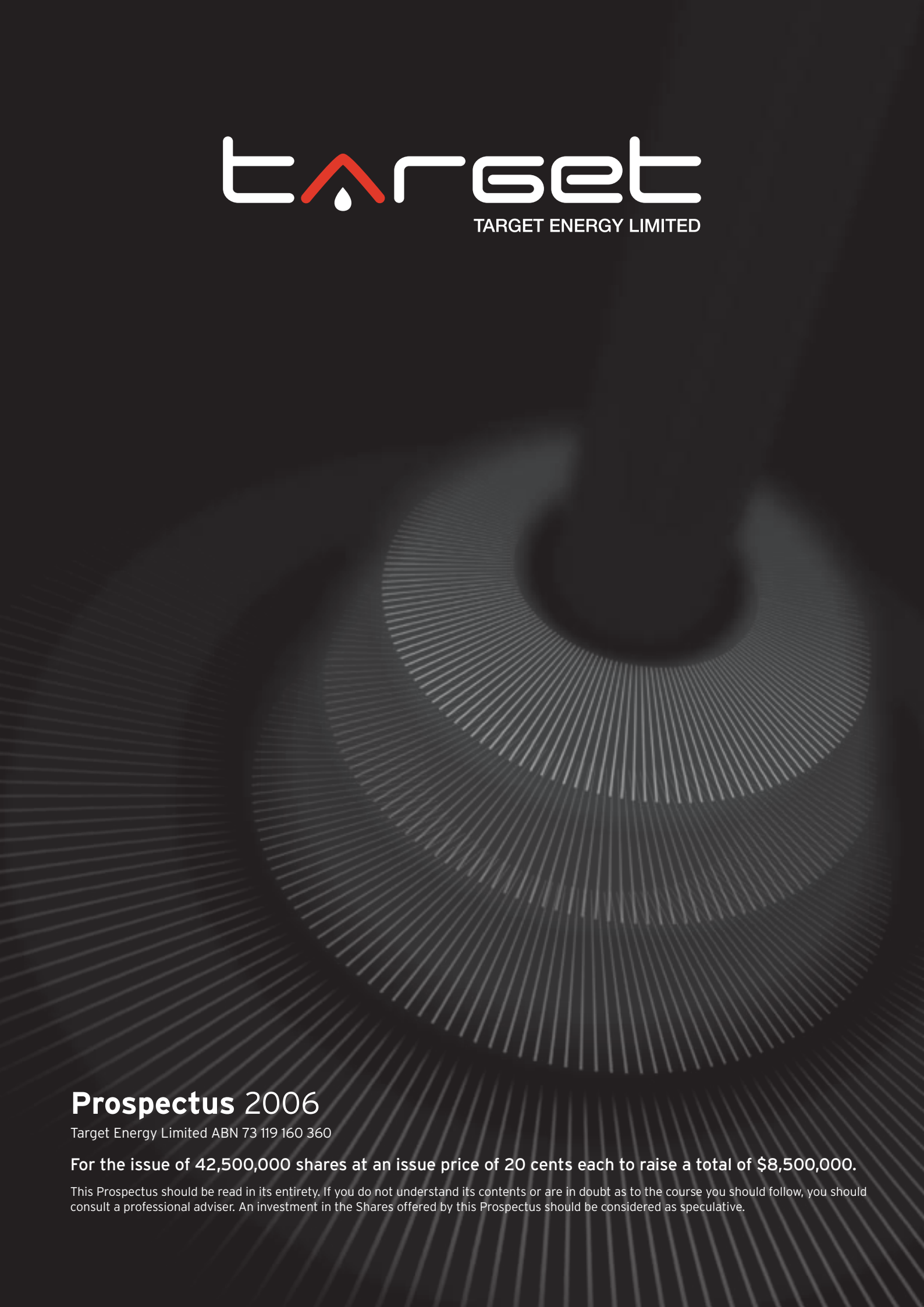


Prospectus 2006

Target Energy Limited ABN 73 119 160 360

For the issue of 42,500,000 shares at an issue price of 20 cents each to raise a total of $8,500,000.

This Prospectus should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult a professional adviser. An investment in the Shares offered by this Prospectus should be considered as speculative.

Key Information

Indicative Dates

Prospectus lodged with the ASIC	9 October 2006
Applications open	16 October 2006
Applications close	16 November 2006
Trading on the ASX	27 November 2006

Important Information

The Prospectus is dated 9 October 2006. A copy of this Prospectus was lodged with the ASIC on 9 October 2006. The ASIC takes no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within seven days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for quotation on the ASX.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions constitutes a violation of applicable securities law. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer. No action has been taken to register or qualify the Shares, or otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or future value.

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at www.targetenergy.com.au. The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by email at admin@targetenergy.com.au.

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 10 and the glossary to the Independent Technical Reports in Section 5.

Please note that items shown in the photographs contained in this Prospectus are not assets of the Company.

Target Energy thanks Cypress Drilling LLC for use of the photographs on pages 5, 12 and 42.

Corporate Directory

Directors
Didier Murcia
Non Executive Chairman

Laurence Roe
Managing Director

Michael Martin
Executive Director

Paul Lloyd
Non Executive Director

Company Secretary
Paul Lloyd

Registered Office
30 Ledgar Road
BALCATTA WA 6021
Telephone (08) 9240 1900
Facsimile (08) 9240 2406
Email: admin@targetenergy.com.au
Website: www.targetenergy.com.au

Solicitors to the Company
Murcia Pestell Hillard
Level 3, 23 Barrack Street
PERTH WA 6000

Independent Accountants
HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Independent Geologists
WestlawnGeo, LLC
2905 Maple Avenue
Manhattan Beach, California
United States of America 90266

Interactive Exploration Solutions, Inc.
1980 Post Oak Boulevard, Suite 2050
Houston, Texas
United States of America 77056

Share Registry
Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

Auditors
HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Proposed ASX Code: TEX

Contents

Investment Highlights

- Eight wells to be drilled in 2006 and 2007 in Louisiana and Texas
- All wells sited in proven productive areas, mapped on 3D seismic
- Operators have successful track records
- Substantial infrastructure to fast-track production to deliver early cash flow
- Potential 100% reserves: 4.2 million barrels oil and condensate, 343 billion cubic feet gas equivalent
- Only 60,500,000 shares on issue with a market capitalisation on listing of $12,100,000 with approx $7,800,000 in cash and eight rigorously selected oil and gas wells to drill
- Loyalty option to be issued to shareholders 3 to 6 months after listing
- Experienced technical and management team
- Extensive US, international and Australian experience
- Additional prospects available for follow-up

Chairman's Letter

9 October 2006

Dear Investor

On behalf of the Directors of Target Energy Limited I am pleased to present this Prospectus to you and invite you to become a shareholder in our Company.

Target was formed to explore for and produce hydrocarbons in the United States of America, which continues to be one of the best operating environments for oil and gas in the world due to high value for products and low sovereign risk. Texas and Louisiana, the initial operating areas selected by Target, are well-established petroleum provinces that continue to deliver significant discoveries to feed the energy-hungry US market. Add good access to infrastructure, modern technology and a strong technical team to this equation and the makings are there for the development of a successful oil and gas business.

Target Energy has put in place a board and management with the requisite balance of technical, commercial and financial skills to realise the Company's objective to establish early cash flow and to be well positioned to identify and pursue further exploration opportunities.

After a rigorous selection process the Company has put together an exciting exploration portfolio of drillable prospects in proven productive areas in Texas and Louisiana. All of the prospects have been mapped on modern 3D seismic and are ready to drill without the need of further seismic. Additionally, all of the prospects are close to existing infrastructure which will fast-track development and facilitate production with a view to early cash flow.

An exciting drilling program will see the Company participate in eight exploration wells through late 2006 and 2007 with reputable experienced partners with proven track records. Each of these wells holds the potential to provide early cash flow for the Company, and a number have the potential to hold significant reserves:

- In St Martin Parish, Louisiana, Target will participate in four wells targeting up to 4.17 million barrels of recoverable oil and condensate, and 31.7 billion cubic feet of recoverable gas. A proportion of these hydrocarbons is considered by the operator (Cypress Drilling, LLC) to be classified as proven unproduced reserves.
- In Colorado County, in the Texas Gulf Coast, Target will participate in the drilling of three prospects with potential reserves of 6.34 billion cubic feet of gas. These prospects are relatively shallow (less than 1,300 metres deep) and are considered to be very low risk.
- A deeper gas exploration well, Berwyn, will be drilled in Assumption Parish, Louisiana. Whilst this well is of higher risk, it is surrounded by existing production and has the potential to hold up to 305 billion cubic feet of gas equivalent.

Descriptions of Target Energy's portfolio, its proposed activities and investment risks are contained in this Prospectus. Whilst the prospects are exciting, any investment of this nature should be considered speculative and investors should read the Prospectus carefully and consider the merits of seeking independent professional advice.

I look forward to welcoming you as a shareholder in the Company.

DIDIER MURCIA
Chairman

1 Investment Summary

This Section is not intended to provide full information for investors considering an application for Shares. This Prospectus should be read and considered in its entirety. Potential investors in Target Energy are urged to take independent financial advice about an investment of this nature.

Description of the Offer

This Prospectus offers a total of 42,500,000 Shares at an issue price of $0.20 per Share to raise $8,500,000 payable in full on Application. The new Shares to be issued under the Offer will rank equally in all respects with each other and the existing issued Shares. See Section 8 for details of the rights attaching to the Shares.

The Company reserves the right to accept oversubscriptions of up to a further 7,500,000 shares to raise an additional $1,500,000 before expenses of the issue.

The minimum amount to be raised under this Offer is $5,000,000. If, for any reason, the minimum subscription has not been raised within 4 months after the date of issue of this Prospectus, all Application Forms will be dealt with in accordance with section 724 of the Corporations Act.

Target Energy will apply to the ASX for admission to the Official List and to have its Shares listed for quotation on the ASX (other than the Shares classified as restricted securities by the ASX and all Options).

The Directors believe that, on completion of the Offer, Target Energy will have sufficient working capital to carry out its objectives stated in this Prospectus.

Capital Structure

The pro-forma capital structure of Target Energy on completion of the Offer is set out below for illustrative purposes:

	Minimum Subscription Number	%	Fully Subscribed Number	%	Maximum Subscription Number	%
Shares						
Founders	16,000,000	37.21	16,000,000	26.45	16,000,000	23.53
Seed Investors	2,000,000	4.65	2,000,000	3.30	2,000,000	2.94
Public	25,000,000	58.14	42,500,000	70.25	50,000,000	73.53
Total	43,000,000	100.00	60,500,000	100.00	68,000,000	100.00
Options	6,000,000		6,000,000		6,000,000	

Notes:

1 The rights attaching to the Shares and the terms of the Options are summarised in Section 8.

2 Certain Shares and Options on issue prior to the Offer are likely to be classified by the ASX as restricted securities and will be required to be held in escrow. The Company will not apply for quotation of the Options currently on issue.

The Company proposes to undertake a non-renounceable entitlements issue of Options ("Loyalty Issue") within three to six months after the Shares commence trading on the ASX.

All Shareholders registered on the share register of the Company at a date to be announced by the Company to the ASX will be entitled to participate in the Loyalty Issue on the basis of 1 Option for every 2 Shares held. The Options will be issued at a price of 1 cent each with an exercise price of 25 cents and an expiry date of 26 November 2009. It is proposed to apply for the Options issued pursuant to the Loyalty Issue to be listed for quotation on the ASX.

A disclosure document for the Loyalty Issue of Options will be issued when the securities are offered. Anyone who wishes to subscribe for the Options will need to complete the application form that will be in or accompany the disclosure document.

Purpose of the Offer and use of funds

The purpose of the Offer is to raise funds to:

- fund the Company's proportionate share of the proposed eight-well drilling program
- fund the Company's pursuit of other oil and gas opportunities
- pay the costs of the Offer
- provide funds for the administration of the Company
- fund future development and working capital.

It is intended to apply the funds raised from the Offer as follows:

	Minimum Subscription A$	Fully Subscribed A$	Maximum Subscription A$
Funds Available			
Seed Capital	444,000	444,000	444,000
Offer proceeds	5,000,000	8,500,000	10,000,000
Brokerage	-300,000	-510,000	-600,000
Expenses of Offer	-425,000	-425,000	-425,000
Available Proceeds	**4,719,000**	**8,009,000**	**9,419,000**
Allocation of Funds			
Drilling Program	3,382,000	6,124,000	6,124,000
Working capital	1,337,000	1,885,000	3,295,000
Total	**4,719,000**	**8,009,000**	**9,419,000**

In the event of only the mimimum subscription being achieved, the Company will reduce its proposed working interests, either by farmout or reduced participation, in the Snapper A-1 and A-2 prospects (reduced to 12.5%), Berwyn (reduced to 5%) and Bayou Berard (reduced to 5%). The individual projects are described in Section 3. The Company will maintain its proposed working interests in the balance of the drilling program.

Assuming the minimum subscription is achieved, the Directors are satisfied that upon completion of the Offer, the Company will have sufficient funds to carry out its stated objectives.

In the event that the final subscription exceeds the minimum subscription but falls short of the full subscription, the funds raised in excess to the minimum will be allocated in the first instance to the drilling program in such a manner as to minimise any reduction of working interests in the proposed wells.

In the event that the Offer is fully subscribed, then the additional funds raised in excess of the minimum subscription will be $3,290,000 after expenses. These funds will be first allocated to drilling program expenses ($2,742,000) and then to additional working capital ($548,000).

In the case that the maximum subscription is achieved, all funds raised in excess of the full subscription ($1,410,000) will be allocated to working capital, including new project development.

How to Apply for Shares

An application for Shares in the Offer can be made only by completing an Application Form contained in this Prospectus. Detailed instructions on the correct method of completing an Application Form are included at the end of this Prospectus.

The Application Form must be accompanied by a cheque, in Australian Dollars, for the application monies. The minimum Application under this Offer is for 10,000 Shares (being application monies of $2,000) and thereafter in multiples of 2,500 Shares. All cheques must be made payable to "Target Energy Limited - Issue Account" and crossed "Not Negotiable". Your cheque must be drawn on an Australian Bank.

The completed Application Form should be received at the address below by no later than 5.00pm WST on the Closing Date. Applicants are advised to lodge their applications as early as possible after the Offer opens.

Target Energy Limited
C/- Advanced Share Registry Services
PO Box 1156 Nedlands WA 6909

or delivered to:

Target Energy Limited
C/- Advanced Share Registry Services
110 Stirling Highway NEDLANDS WA 6009
Subject to the Corporations Act and Listing Rules, the Directors reserve the right to close the Offer early or extend the Closing Date.

Acceptance of Applications

The Company may accept or reject any Application, or accept an Application in respect of a number of Shares less than the number for which the Applicant applies. Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares for which the Application is accepted. Acceptance only takes place on allotment and issue of Shares.

Where an Application is rejected, the Application monies will be returned in full. If the number of Shares allotted to the Applicant is fewer than the number for which the Applicant applied, the surplus Application monies will be returned, interest will not be paid on the returned Application monies.

The Company will issue the Shares that are the subject of successful Applications as soon as possible after the Offer is closed, following which statements of Share holdings will be dispatched. It is the responsibility of Applicants to determine their holding prior to trading in Shares.

Pending the issue by the Company of the Shares offered by this Prospectus, the Company will deposit Application monies in a separate bank account and hold them on trust for so long as those Applications, or any part of them, are liable to be repaid in accordance with the Corporations Act and this Prospectus.

ASX Listing

The Company will apply to the ASX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of the ASX and for the official quotation of all Shares (other than the Shares classified as restricted securities by the ASX and all current Options).

The fact that the ASX may admit Target Energy Limited to the Official List is not to be taken as an indication of the merits of the Company or the Shares. The ASX, its officers and employees take no responsibility for the contents of this Prospectus.

If granted, quotation of the Shares will commence as soon as is practicable after the issue of statements of holdings to Shareholders.

If permission for official quotation of the Shares is not granted or deemed granted within 3 months, none of the Shares offered by this Prospectus will be issued unless an exemption is granted by the ASIC permitting such issue. If no issue is made, all Application monies will be returned within the time prescribed by the Corporations Act. Interest will not be paid on any Application monies refunded.

Clearing House Electronic Subregister System (CHESS)

The Company will apply to the ASX to participate in the Securities Clearing House Electronic Subregister System, known as CHESS. Under CHESS, the Company will not be issuing certificates to Shareholders. Instead, Shareholders will receive a statement (similar to a bank account statement) that sets out the number of Shares allotted to each of them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS. Further statements will be provided to holders reflecting any changes in their shareholding in the Company during any month.

Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors investors should be aware of are described in Section 7. Investors are urged to consider these risks carefully before deciding whether to invest in the Company.

Forecasts

Given the speculative nature of hydrocarbon exploration, appraisal and development, there are significant uncertainties associated with the future revenue earning potential of the Company and the timing and sustainability of cash flow. On this basis, the Directors believe that reliable forecasts of financial information cannot be prepared and accordingly have not included forecasts in this Prospectus.

Dividend Policy

The Company anticipates that significant expenditure will be incurred in the analysis and development of its projects and that future earnings are significantly uncertain. Therefore, the Company does not presently intend to declare and pay any dividends.

Restricted Securities

Subject to the Company being admitted to the Official List of the ASX, certain Shares and current Options are likely to be classified by the ASX as restricted securities and will be required to be held in escrow.

Underwriting

This Offer is not underwritten.

Overseas Investors

It is the responsibility of investors to obtain all necessary approvals for the subscription for Shares under this Prospectus. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

Privacy Act

The Company collects information about each Applicant from the Application Form for the purpose of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

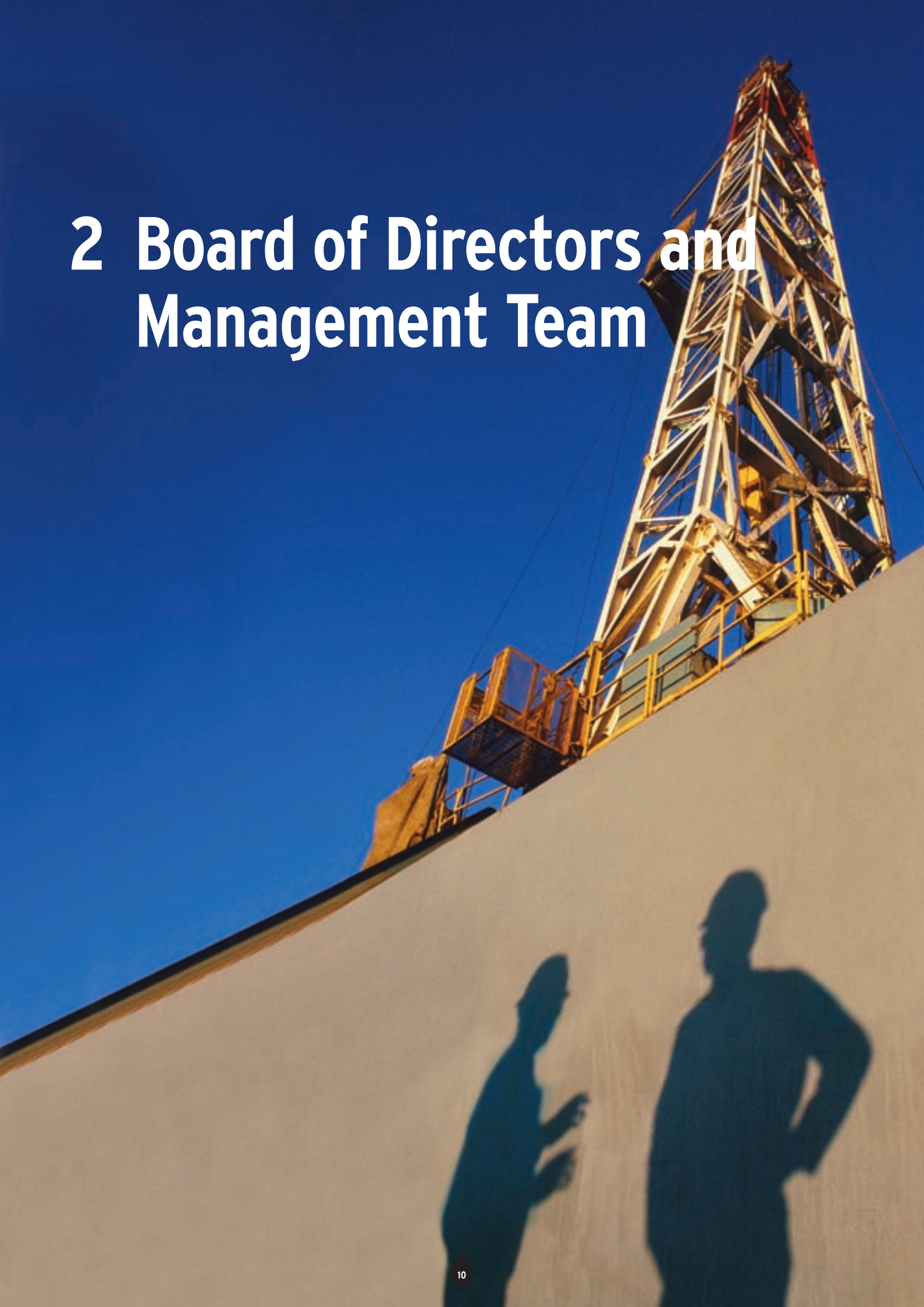
If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial advisor.

2 Board of Directors and Management Team



Didier Marcel Murcia B.Juris, LLB
Chairman

Didier Murcia is a corporate solicitor, with a resources law emphasis, and is chairman of Western Australian legal firm Murcia Pestell Hillard. Mr Murcia brings over 20 years corporate, commercial and legal experience to the board.

Mr Murcia's other listed company directorships are Gindalbie Metals Limited and Gryphon Minerals Limited, both listed on the Australian Stock Exchange, and Aminex PLC, listed on the London Stock Exchange. He is also the Honorary Consul for the United Republic of Tanzania.

Laurence Edmund Roe B.Sc
Managing Director

Mr Roe is a petroleum professional with over 25 years experience gained in the industry both in Australian and international projects. He commenced his career with Santos Limited, later taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. While with Magellan, he had substantial involvement with US and other international projects.

In 1997, Mr Roe left Magellan to start a consulting practice. He has since consulted for numerous Australian explorers, including Santos, Strike Oil and Icon Energy. More recently, he consulted to Hardman Resources Limited, working on their Mauritanian deep-water acreage at the time the major Chinguetti oil discovery (123 MMBO proved and probable) was made. Mr Roe was appointed Exploration Manager for Bounty Oil & Gas NL in 2001, responsible for its portfolio of Australian and international acreage. He was later appointed as Managing Director.

His experience encompasses most Australian sedimentary basins, as well as the USA, New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina.

Michael John Martin B.Sc (Hons), F.G.S.
Executive Director

Michael J. Martin is a practising geologist and has been actively involved with international resources industries for more than 25 years. Mr Martin began his professional career in Kuwait and later the western Mediterranean offshore oil fields of Spain, prior to joining the burgeoning North Sea oil boom in the early seventies. Following assignments in London with Atlantic Richfield and Cities Service, he joined Getty Oil in their Perth, Western Australia office. After his departure from Getty, Mr Martin worked within the petroleum division of Western Mining Corporation. He later started his own consulting practice.

Mr Martin was a co-founder of Flare Petroleum NL, and guided the technical advancement of the Australian assets of its Canadian successor company. He has served as a Director of Canadian listed Chariot Resources Ltd and Franklin Resources Ltd.

Paul Geoffrey Lloyd B.Bus CA
Director and Company Secretary

Paul Lloyd is a Chartered Accountant with over 20 years commercial experience. Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa.

Mr Lloyd is an experienced public company director and is currently a company secretary of a number of public companies in the resource industry.

3 Company and Project Overview

Target Energy Limited ("Target") is an Australian petroleum exploration company based in Perth, Western Australia.

The Company plans to conduct operations in the United States where it can capitalise on both the substantial activity in that sector and the relatively quick cycle time from deal, to drill, to production at a time of strong commodity prices. Target's high level of technical expertise, coupled with its principals' considerable experience within the USA and their extensive independent network of North American contacts – many arising from collaborations in past Joint Ventures – ensure that the management of Target is in a position to rapidly and accurately assess the viability of available prospects and projects.

FIGURE 1

Strategy

The Company has designed a multi-stream growth strategy that expedites drilling and early positive cash flow, while building a solid foundation for ongoing expansion.

Near-term focus

Earn non-operating working interest in acreage where prospects are ready to drill in the short to medium term (within 12 months). The Company aims for around a 25% working interest with emphasis on low-risk opportunities defined by 3D seismic, although it will take a smaller working interest (10%) in selected higher risk/higher reward prospects that have "company maker" potential. Emphasis is given to prospects and projects held by experienced and successful local operators, situated in regions that are proven producing areas, where multiple drilling targets are available and where there is ready access to market.

Medium-long term focus

The Company has defined producing areas with incremental potential – Rocky Mountains, US Gulf Coast, California – and is pursuing opportunities to partner with local operators to mature prospects and leads to drillable status through geologic and geophysical studies and where possible, use leading-edge technology such as 3D seismic. In such projects, Target will get involved at an earlier stage e.g., leasing or seismic, allowing Target to farm-down at the drilling stage, with farminees to fund all or part of Target's drilling costs.

The Company selected the United States as the best arena to pursue this strategy as the US offers:

- exposure to a large flow of exploration opportunities
- high levels of drilling activity
- pervasive infrastructure allowing rapid access to market
- a strong gas market, with gas prices substantially higher than those seen in Australia.

The Company has secured options to participate in eight US oil and gas exploration wells in late 2006 and in 2007 (Table 1). The projects are located in Texas and Louisiana (Figure 1).

The Company is also investigating opportunities in California and the Rocky Mountains region.

The proposed eight-well drilling program will address potential reserves of up to 4.17 million barrels of oil and condensate and 343 BCFe (although additional drilling may be required to fully recover the reserves). Target will have working interest levels between 10% and 25%. All work is scheduled to be undertaken in late 2006 and 2007.

Estimated Timing	Prospect	Location	Target Working Interest^	Potential Recoverable Reserves*
Q4 2006	Kant	Colorado County, Texas	25%	2 BCF
Q1 2007	Garwood Frio	Colorado Co, Texas	25%	3 BCF
Q1 2007	Thoroughbred	Colorado Co, Texas	25%	1.3 BCF
Q1 2007	Berwyn	Assumption Parish, Louisiana	10%	305 BCFe
Q2 2007	Snapper A-1	St Martin Parish, La	25%	0.45 MMBO; 4.2 BCF
Q2 2007	Snapper A-2	St Martin Parish, La	25%	1.78 MMBO; 1.1 BCF
Q2 2007	Bayou Berard	St Martin Parish, La	15%	1.80 MMBO; 0.72 BCF
Q2/Q3 2007	Parks North	St Martin Parish, La	10%	0.149 MMBC; 25.7 BCF

Table 1

^Subject to completion of farmin and/or unitisation agreements.

*Figures are operators' unrisked estimates and represent total prospect or field potential – additional drilling may be required to fully recover reserves.

4 Project Review

Overview Of The Texas - Louisiana Oil Industry

Crude oil in the Gulf Coast region of the United States had been first noticed, recorded and used by Spanish explorers as early as the year 1543.

The first producing oil well in Texas was drilled some three hundred years later at Melrose in Nacogdoches County in 1866. By 1895 economically significant producing oil wells had been drilled by the forerunner of Texaco with the first oil refinery later built nearby. The history of exploration in the Gulf Coast was transformed in 1901 by the discovery of the now-famous Spindletop field. The first well in the field – Lucas-1, was estimated to have produced at rates over 75,000 barrels of oil per day. Spindletop was also the first oil discovery associated with a salt-dome. Within three years additional major fields had been discovered within a 150 mile (240 km) radius of Spindletop. During the years 1902 to 1910 oil exploration spread throughout north-central Texas; during the 1920s oil was discovered in the Texas panhandle and during the next decade oil exploration spread right across the state.

The discovery of oil reached its peak in the 1930s. In that decade alone, nearly 40% of all known discoveries to date had been made. By the end of the following decade, 84% had been found and by the end of the 1950s, 96% of all discoveries to date had been made in the region. Today nearly three-quarters of all production comes from fields more than 30 years old. Oil-related technology and infrastructure development has grown with this industry and is critical to modern exploration efforts. This is well illustrated by the fact that three dimensional (3D) seismic coverage now extends over 70% of the Texas onshore Gulf Coast, a level of coverage that does not exist in many other onshore areas around the world

Target has taken advantage of the substantial technological platform that this seismic coverage offers oil and gas explorers in this region.

Coupled with this extensive seismic data coverage, there is a substantial amount of physical well data in the Gulf Coast area, with over 151,652 oil wells and 70,022 gas wells actively in production (2004 figure). Annual gas production has been sustained at approximately 5.7 billion MCF, largely due to the increase in producing gas wells.

Infrastructure in the region is pervasive, with some 270,000 miles (432,000 kilometres) of petroleum gas pipelines and mains in Texas along with 36,000 miles (57,600 kilometres) of gas pipelines and mains in Louisiana. Market infrastructure in both states is therefore extensive - enabling access to the vast majority of discovered gas.

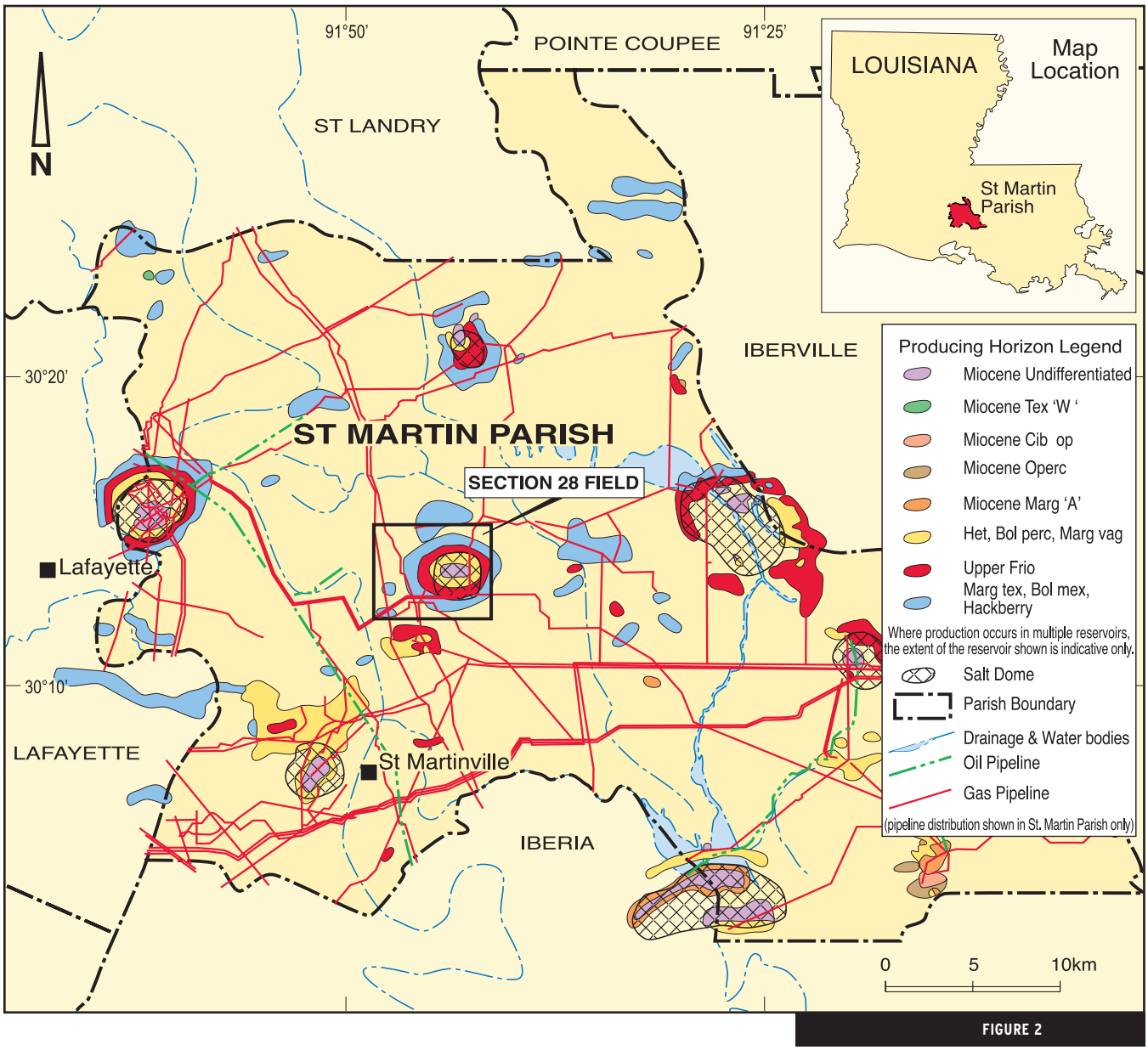


FIGURE 2

St Martin Parish, Louisiana - Showing producing horizons, large diameter oil and gas pipeline network and Section 28 Field prospect area.

Section 28 Field and Salt Dome – St Martin Parish, Louisiana

The Section 28 field was discovered in June 1918 after the discovery of "paraffin dirt" near the southwest corner of Section 28, approximately 15 miles (24 kilometres) east of Lafayette. Figure 2 shows the location of the Section 28 field in St Martin Parish.

The discovery well - Hager, revealed an oil show which was encountered at a depth of about 900 ft (274 metres), at a depth of 1,250 ft (380 metres) salt was encountered and this rock type continued to the total depth of the well at 2,500 ft (762 metres). Exploration of the Section 28 field has continued to the present day. By 1977, Section 28 was producing over 900,000 barrels of oil and condensate with 3.3 BCF gas per annum. In 1998, this production had declined to 110,759 barrels of oil and condensate with 0.1 BCF gas per annum. The acquisition of 3D seismic over the area in 1999 has since allowed explorers to take a closer look at the field area and has resulted in new discoveries in this well-established oil and gas province.

Target has entered into an agreement with Cypress Drilling, LLC of Texas, to drill a number of opportunities in Section 28 field. In 1999 the field area was covered by the Catahoula 3D seismic survey, 34 square miles (88 square kilometres) of which has been purchased by Cypress Productions and then subject to additional reprocessing. This reprocessing and subsequent reinterpretation and mapping of the data has revealed a number of drilling targets in which Target will be involved during 2007.

Target has agreed to earn up to a 25% working interest in the first of these, the Snapper A-1 prospect. The actual working interest will be subject to the completion of farmin agreements and a proposed unitisation agreement. The well will test three sandstones which contain reserves designated by the operator as proved but undeveloped (PUD) hydrocarbons, in a faulted segment adjacent to the north flank of the Section 28 salt dome.

The high quality sands that contain these PUD hydrocarbons consist of the (i) 3rd Marg Tex (ii) Hackberry A-1 and the Hackberry A-4 sandstones. The Snapper A-1 well has been designed to target tested and bypassed gas from the Hackberry A-1 and A-4 sandstones, which were encountered in the nearby Superior-1 – Stuart well (Ser-24818). It will also test attic oil updip to the proven production encountered in the Hargrove-B-3 SML Ser-62919 well. The Snapper A-1 well has been designed to reach a total depth of 10,000 ft (3,047 metres), using an S-turn hole trajectory, which will avoid the salt head and enable penetration of the target sandstones with an optimal vertical well bore. The well will spud from an existing well pad.

Indicated volumes from the sandstone targets are as follows: the shallower 3rd Marg Tex sandstones will provide a 30 acre closure with the potential for 450,000 barrels of oil; the Hackberry A-1 sandstones will provide a 60 acre closure with the potential for 1.5 BCF of gas and the slightly deeper Hackberry A-4 sandstones lie within 60 acres of closure with the potential for 2.7 BCF of gas.

Snapper A-1 represents an opportunity to establish reserves of 450,000 barrels of oil and 4.2 BCF of gas.

Target will also earn up to a 25% working interest in the second drilling target that will be accessed through the Cypress Drilling agreement. The prospect, Snapper A-2, is also located on the northern flank of the Section 28 salt dome and will be drilled immediately after Snapper A-1. The actual working interest will be subject to the completion of farmin agreements and a proposed unitisation agreement.

The Snapper A-2 prospect will test four sandstones, one of which (Hackberry A-4) is designated by the operator as containing proved undeveloped hydrocarbons in an updip "attic" extension of (now watered-out) oil pay. A deeper sandstone – the Hackberry A-6 - which recovered non-commercial volumes of oil in the nearby Hargrove-B-1 SML well (Ser-58954), will be also tested - again in an updip location.

The shallower Hackberry A-1 sandstone will constitute the objective horizon for a potential gas accumulation at the Snapper A-2 location and the 3rd Marg Tex sandstone will provide yet another potential oil target. The well has an intended depth of 9,900 ft (3,012 metres). The well will also employ an S-turn drilling trajectory as in the Snapper A-1 program, with the aim of reducing any engineering and completion risk in the borehole.

Indicated reserve potential for the reservoir sandstones has been calculated as follows: the sandstones of the shallowest horizon – the 3rd Marg Tex, have a closure of 30 acres and a volumetric potential of 225,000 barrels of oil plus 140 million cubic feet of gas; the slightly deeper Hackberry A-1 sandstones offer 10 acres of potential closure with a volume of 140 million cubic feet of gas plus 225,000 barrels of oil; the Hackberry A-4 sandstones have a calculated area of 30 acres and potential for 1,125,000 barrels of oil plus 698 million cubic feet of gas. The deepest sandstone, the Hackberry A-6, has a calculated area of 10 acres of closure and a potential volume of 200,000 barrels of oil and 124 million cubic feet of gas.

Snapper A-2 therefore targets an aggregate 1.775 million barrels of oil and 1.10 BCF of gas.

The third well will test the Bayou Berard prospect. On the south-eastern flank of the Section 28 oil field, it is immediately adjacent to the salt stock. The prospect is mapped as an untested fault segment (at the Marg Tex and Hackberry levels) on the Catahoula 3D seismic data, with subsurface well control. Target will earn up to a 15% working interest.

The prospect lies approximately 18 miles (29 kilometres) from the city of Lafayette. The primary target is the Marg Tex section, which contains five individual sandstones which have proven to be hydrocarbon bearing within the greater area of the Section 28 field.

The most significant sandstones are the 1st Marg Tex and 3rd Marg Tex and to a lesser extent the 2nd Marg Tex horizons. Exploration drilling to date in the 1st Marg Tex sandstone in the Section 28 field has found oil and/or gas in commercial quantities from every fault segment around the salt dome. Where the reservoir quality is adequate, the 2nd and 3rd Marg Tex have also produced in every fault segment.

In addition to the Marg Tex sandstones, down dip extensions of the Bayou Berard fault segment have encountered minor production from the Marg Vag (Gulf A-1 Southern Sulphur ST) and in the Bol Perca sandstones (Toce-1 Humble Fee).

The Bayou Berard well has an intended depth of 11,300 ft (3,444 metres) and has been designed to employ a simple vertical borehole trajectory.

Indicated reserve potential for the reservoir sandstones has been calculated as follows: the 1st Marg Tex sandstone has a closure of 60 acres with a volumetric potential of 960,000 barrels of oil and 384 million cubic feet of gas. The 2nd Marg Tex sandstone reservoir has the potential to contain 480,000 barrels of oil and 196 million cubic feet of gas within a 60 acre closure. The deepest target sandstone, the 3rd Marg Tex, has a 60 acre closure with an estimated potential for 360,000 barrels of oil and 144 million cubic feet of gas.

The Bayou Berard prospect therefore targets a total of 1.8 million barrels of oil and 724 million cubic feet of gas.

The fourth well in which Target will participate with Cypress Drilling is Parks North. Target will earn up to a 10% working interest in this prospect. The actual working interest will be subject to a proposed unitisation agreement and the exercise of a maximum 6.25% after payout back-in option by a third-party.

Parks North is located on the southwest flank of the Section 28 field, approximately 14 miles (22.5 kilometres) east of Lafayette. The primary target is the Hackberry A-5 sandstone, a channel-like amplitude anomaly updip of shows. A secondary objective is a Hackberry A-4 sandstone amplitude anomaly with associated underlying velocity sag. The Hackberry A-4 interval is proven productive at the nearby Alcoa-3 Melancon location, which has produced 13.2 billion cubic feet of gas and also at the 1976 Hawthorne-1 Langlinais well, which has produced 10.1 billion cubic feet of gas.

A shallower, third objective is the Hackberry A-3 sandstone, which has excellent reservoir potential. At Parks North, it has high amplitudes and a Class 3 AVO (amplitude versus offset) anomaly – indicative of the presence of gas. All these objectives are trapped against the up-thrown side of a contemporary fault mapped on the 3D seismic.

The Parks North prospect has an aggregate reserve potential of 25.7 billion cubic feet of gas and 149,000 barrels of condensate. It will be tested by a 13,900 ft (4,236 metres) well. Reserve potential offered by the three sandstones is as follows: the Hackberry A-3 sandstone has a measured 140 acres of areal closure with the potential for 11.2 billion cubic feet of gas and 65,000 barrels of condensate, the Hackberry A-4 sandstone has 35 acres of areal closure and a potential reserve of 3.5 billion cubic feet of gas and 20,000 barrels of condensate. The deepest sandstone, the Hackberry A-5, has a mapped 110 acres of areal closure with the potential for 11.0 billion cubic feet of gas and 64,000 barrels of condensate.

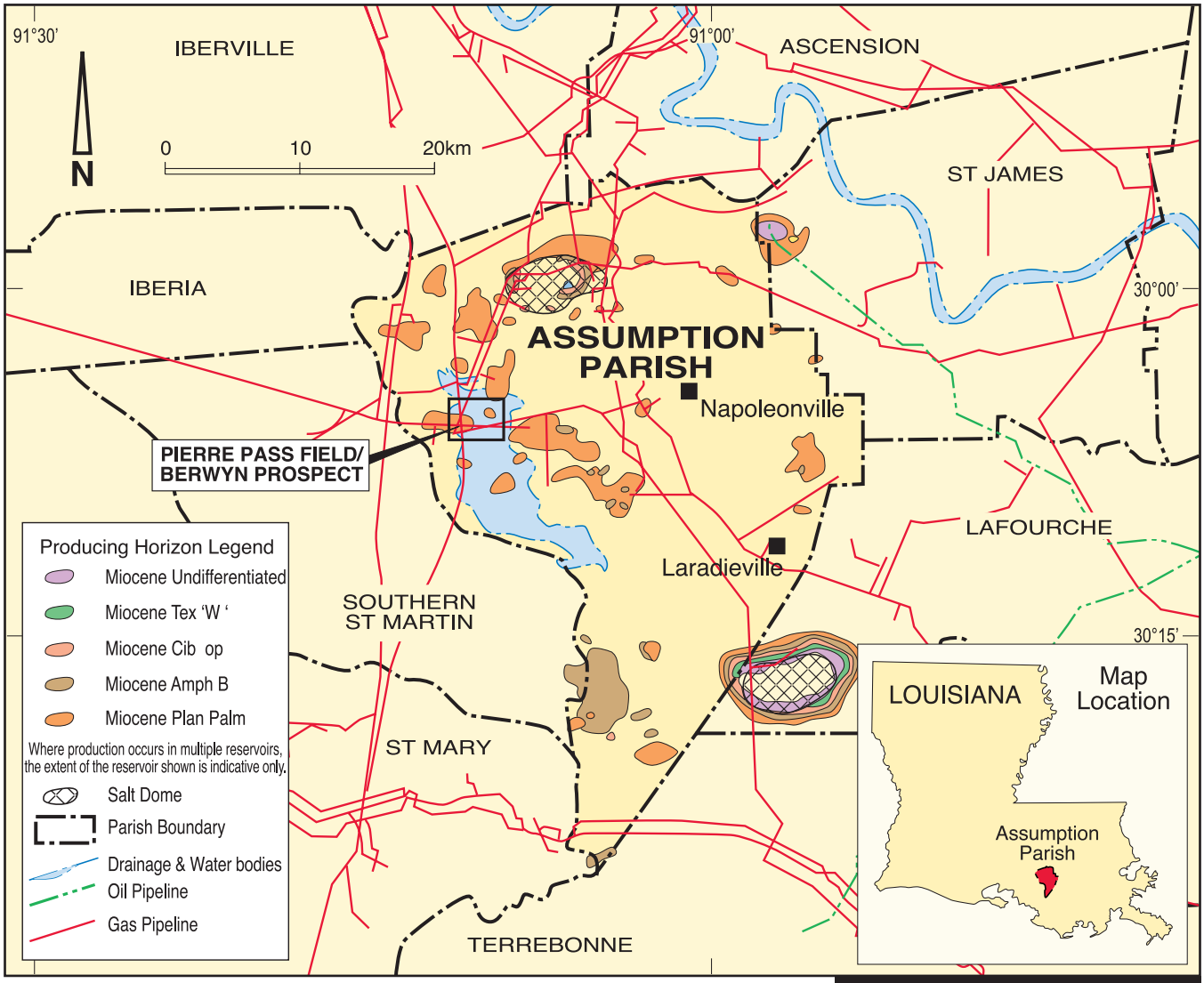


FIGURE 3

Assumption Parish, Louisiana - Showing producing horizons, large diameter oil and gas pipeline network.

Pierre Pass Field – Berwyn Prospect – Assumption Parish, Louisiana

The Pierre Pass field was discovered in 1960. It is located in Assumption Parish, Louisiana - approximately 50 miles (80 kilometres) due south of the city of Baton Rouge (Figure 3).

The Pierre Pass field has produced 65 billion cubic feet of gas equivalent from Lower Miocene "Planulina" – (Planulina palmerae) sandstones at depths of 12,500 ft (3,810 metres) to 13,500 ft (4,115 metres).

The "Planulina" sandstones produce from a number of horizons within the field area, including the Lentic 3, a surface on which the Pierre Pass field structure has been mapped.

Pogo Producing Company proposes to drill a deeper sandstone objective which lies within the faulted structure of the shallower Pierre Pass field. This feature - the Berwyn Prospect - has an objective sandstone horizon (PP-13), observed and represented by a thick sandstone sequence in the nearby Union Texas S/L 3426 #7 well bore. The PP-13 sand is quite prolific elsewhere in the area; for example, in the Bayou St Vincent field, which lies less than 1.7 miles (2.7 kilometres) to the north north east of Pierre Pass, the PP-13 reservoir alone has produced 55 billion cubic feet of gas equivalent and the full section of "Planulina" sandstones (PP-13 through PP-20) has produced an aggregate 114 billion cubic feet of gas equivalent.

The Berwyn prospect is an upthrown three-way fault trap with dip closure to the west and northwest, enclosing an area of 600 acres. It has been identified and mapped on 3D seismic data by Pogo Producing Company. The target sandstones are deltaic in character and may be up to 250 ft (76.2 metres) thick as measured in the Union Texas S/L 3426 #7 well, 1.27 miles (2.05 kilometres) to the west of the proposed Berwyn well location.

The proposed well has a designed total depth of 15,800 ft (4,816 metres) and will be drilled from a barge-mounted rig in Lake Verret, which overlies the Pierre Pass field. Water depth is approximately six feet (1.8 metres).

Target will earn a 10% working interest in the well with the option to access further opportunities that may be matured within the area of the agreement.

Potential reserves for the Berwyn prospect in the PP-13 reservoir only, given a 200 ft (61 metres) sandstone reservoir within a closure of 400 acres, are up to 160 billion cubic feet of gas with 3.2 million barrels of condensate. Total reserve potential, including the PP-13, PP-15 and PP-20 sands, is 272 billion cubic feet of gas plus 5.44 million barrels of condensate (together referred to as 305 billion cubic feet of gas equivalent). Pogo Producing Company anticipates that the Berwyn Prospect will be drilled in the first quarter of 2007.

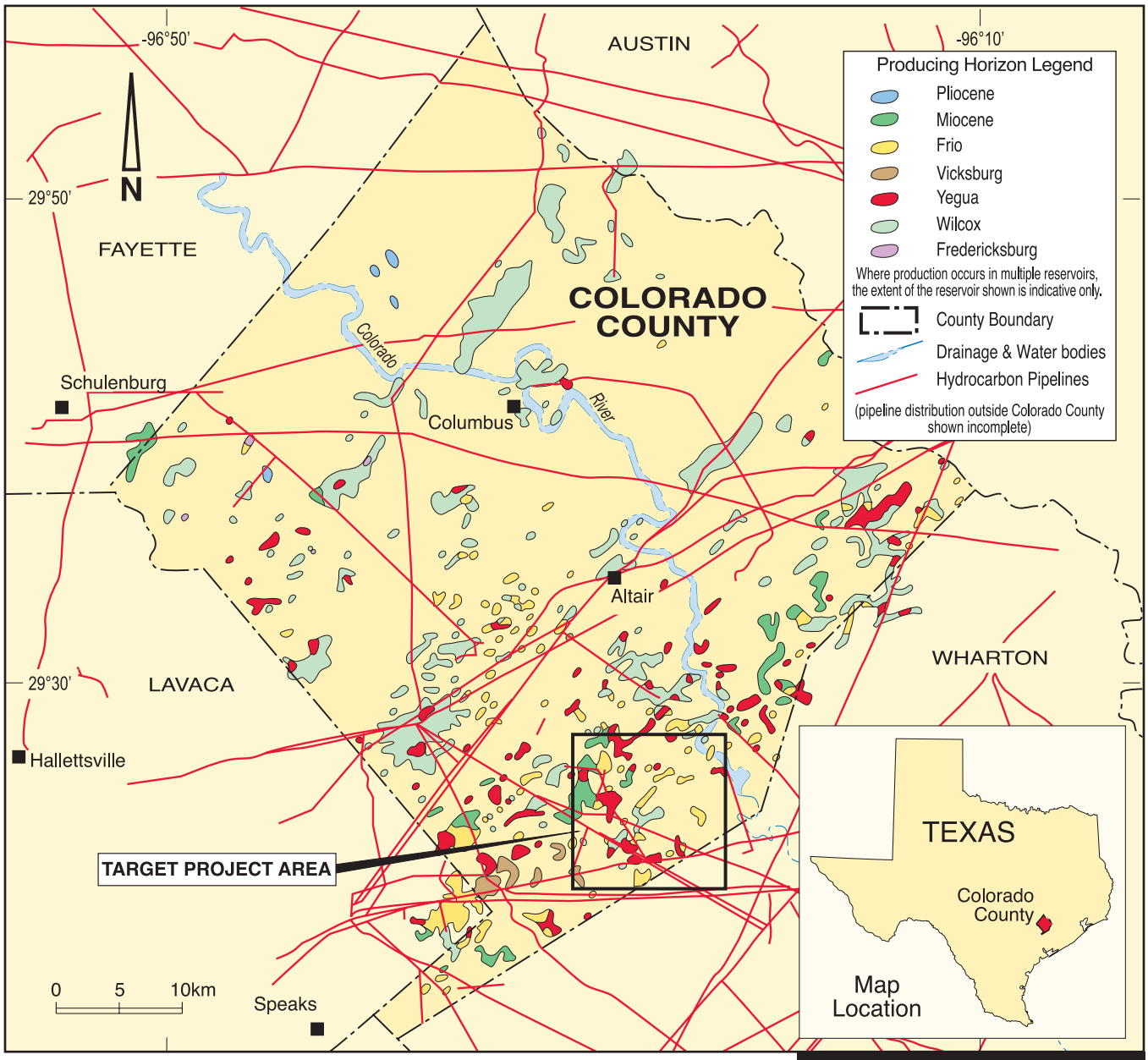


FIGURE 4

Colorado County, Texas - Showing producing horizons, large diameter pipeline network and the location of the Garwood Frio, Thoroughbred and Kant project area.

Colorado County, Texas

Colorado County is approximately 80 miles (128 kilometres) west south west of Houston. The Shell East Graceland 3D seismic survey covers an extensive gas productive tract of Colorado County, in the area of Graceland and Kacee Fields. Everest Resource Company has been successfully exploring in the region using the 3D seismic data and Target has agreed to participate in the drilling of three prospects with Everest.

The Kacee Field itself was discovered in 1998 when the discovery well flowed gas from the Cruel Sandstone member of the Wilcox Formation. Cumulative production from the field is 25 BCF. Individual well productivities in this field can be as high as 4 BCF per well.

Target will participate in is the Garwood Frio prospect which lies approximately 5 miles (8 kilometres) east of the Graceland and Kacee fields. Target will earn a 25% working interest in the well and lease to a depth of 5,000 feet (1,524 metres). The area where Target will participate in wells is shown in Figure 4.

The target Oligocene Frio formation has been successfully tested in the nearby ERC Simmental-1 well which netted 10 ft (3 metres) of gas pay from a 30 ft (9 metre) silty section, which is clearly imaged on the East Graceland 3D seismic.

The Garwood Frio anomaly can also be clearly observed at the same stratigraphic horizon, approximately 0.9 miles (1.4 kilometres) south west of ERC Simmental-1, at a depth of approximately 4,060 ft (1,237 metres) and with a mapped and enclosed area of 125 acres.

The Garwood Frio prospect has an upside gas reserve potential of 3.0 billion cubic feet with the possibility of additional gas potential in Frio/Miocene sandstones.

The Thoroughbred prospect lies approximately one mile (1.7 kilometres) due east of the ERC Garwood location described above. Target will earn a 25% working interest in the well and lease to a depth of 5,000 feet (1,524 metres). Thoroughbred is also an Oligocene Frio sandstone target which has been identified on the Shell East Graceland 3D seismic dataset, with the primary target at a depth of 4,100 ft (1,250 metres). The objective sandstone reservoir is represented by a "bright" seismic amplitude anomaly at approximately the same seismic horizon as the similar Garwood Frio seismic anomaly. The anomaly is mapped with an areal closure of 56 acres and the upside gas reserve potential is considered to be 1.34 billion cubic feet. The Thoroughbred location is also considered to possess additional Frio and Miocene sandstone gas potential.

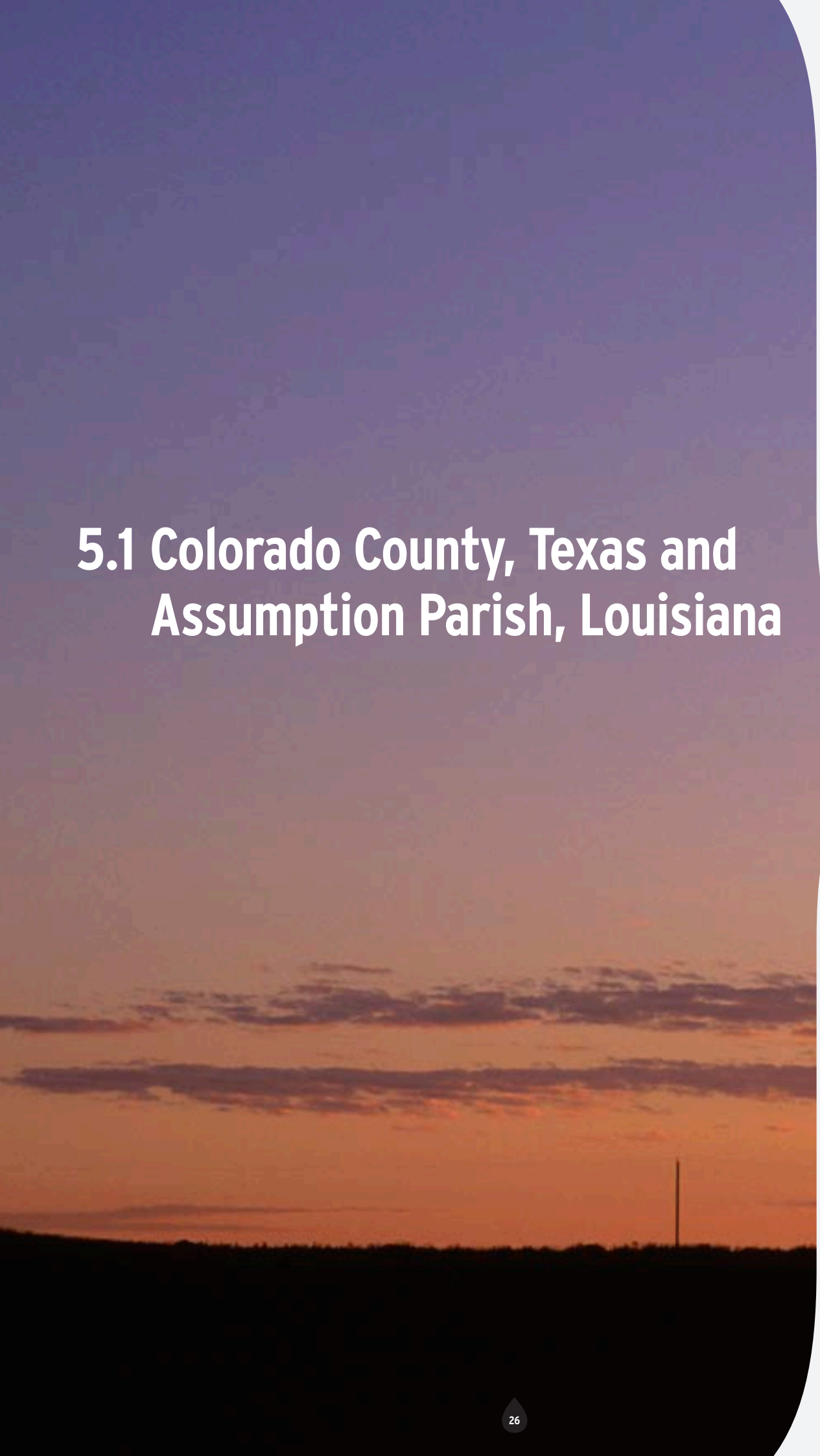
ERC Simmental-1 when drilled in 2005, found in addition to the primary Frio sandstone, a further seven stacked Miocene and Frio pay zones. The Simmental area - approximately 0.7 miles (1.12 kilometres) to the northwest of Thoroughbred - is a prolific shallow Frio/Miocene producing trend. Reservoirs of this age in the immediate vicinity have produced as much as 7.9 BCF of gas. Typical producing Frio reservoirs in the area average 600 MCFD; locations with better developed reservoir sections will produce at rates up to 2.4 MMCFD. In the same region, Miocene gas production rates average around 390 MCFD and range up to 850 MCFD. Sub regional estimates of exploration success indicate that the majority of the Miocene production and approximately a quarter of the Frio reservoirs in the trend are not actually associated with seismic amplitude anomalies. This analysis suggests that wells drilled in the trend may encounter additional productive reservoirs that are not visible as seismic anomalies.

An example of a Frio/Miocene pay field is the Nada Field, which lies approximately 3.8 miles (6.4 kilometres) south west of the Garwood location. Here, the Miocene reservoir at 3,650 ft (1,112 metres) has produced at rates of 2 MMCFD (from 2 wells) in which the original reserve was 5.3 billion cubic feet. The slightly deeper Frio 3,970 ft (1,210 metres) reservoir originally contained 2.75 billion cubic feet of gas, which has been produced from 4 wells at a rate of 2 MMCFD. The shallowest reservoir, the Miocene 2,300 ft (701 metre) reservoir contained 0.63 billion cubic feet and presently produces from one well.

The Kant Prospect lies 1.6 miles (2.7 kilometres) south southeast of the Garwood Frio prospect. Target will earn a 25% working interest in the well and lease to a depth of 4,750 feet (1,448 metres).The prospect has been identified on the Shell East Graceland 3D (1996) seismic dataset. As with Garwood Frio and Thoroughbred, the primary target is the Frio sandstone. The prospect is large (up to 100 acres), with the Frio sandstone target clearly described on the seismic data as an amplitude anomaly.

The Kant prospect has calculated depth to the top of the closure of 3,240 ft (988 metres). The shallow depth to the closure results from its location on a narrow structural high trend. The seismic amplitude anomaly has a high side reserve potential of 2.0 billion cubic feet of gas within the mapped closure of 100 acres. The Kant location is also considered to possess additional Frio and Miocene sandstone potential.

5 Independent Technical Reports



5.1 Colorado County, Texas and Assumption Parish, Louisiana

Independent Geologist's Report

Craig Davis
President
INEXS, Inc.
Suite 2050, 1980 Post Oak Blvd.
Houston, Texas 77056

September 30, 2006

Target Energy Limited
30 Ledgar Road
Balcatta
WA 6021
Australia

Dear Sirs,

Independent Geologist's Report
Per your request, I have prepared the following Independent Geologist's Report for inclusion in your Prospectus.

Contents

Introduction

Target Energy, Ltd. (Target) engaged Interactive Exploration Solutions, Inc. (INEXS) by contract to perform an independent evaluation of the exploration potential of four natural gas drilling prospects, three Frio age prospects generated by Everest Resource Company (Everest) of Corpus Christi, Texas, USA, and one Miocene age prospect generated by Pogo Producing Corporation (Pogo) of Houston, Texas. The three Frio prospects are located in the southern portion of Colorado County, Texas, approximately 80 miles west southwest of Houston Texas, and 50 miles inland from Matagorda Bay on the Gulf of Mexico. The one Miocene prospect is located in Assumption Parish, Louisiana, approximately 35 miles South of Baton Rouge, Louisiana.

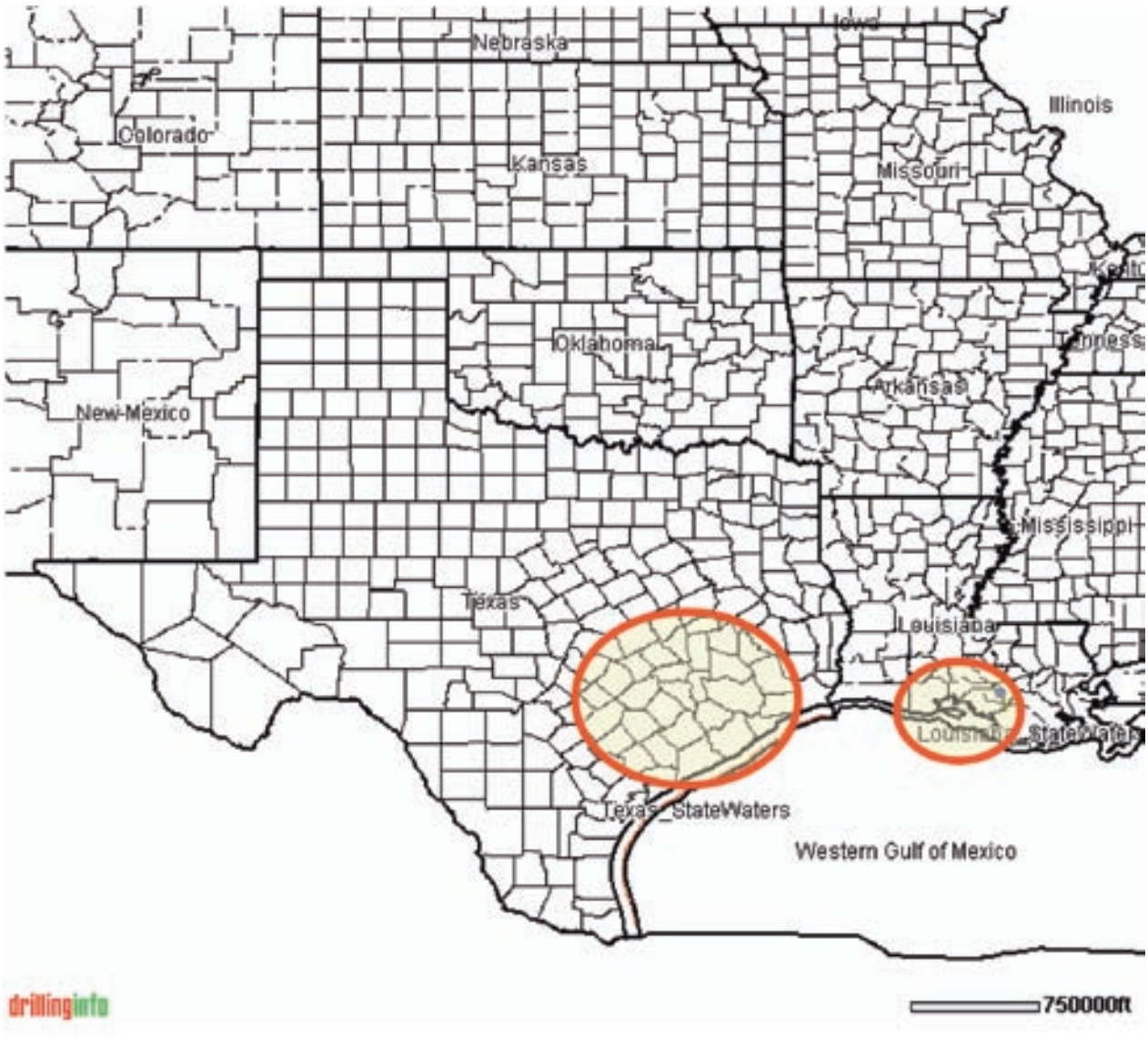


Figure 1.

Target has taken a 25% working interest in three Frio age prospects, all generated by Everest, which have a combined lease position of approximately 1300 gross acres. In 2005 Everest licensed a copy of a 27 square mile 3D seismic survey which was originally shot by Shell in 1996. Everest reprocessed the 3D seismic data using a post-stack algorithm designed to enhance the high frequency components of the seismic data, and which was used exclusively to generate the three shallow Frio prospects.

Target has taken a 10% working interest in the one Miocene age prospect generated by Pogo Producing which has a 2661 acre lease position on two state tracts. The prospect was generated from a large 3D survey covering more than 100 square miles in Assumption Parish. There was some post-stack processing applied to reduce noise and enhance data continuity.

Methodology and Scope

The data reviewed for this evaluation included an initial overview of the three prospects presented by Everest, followed by a hands-on review of all the seismic data using an interactive interpretation workstation running SMT software. Further work was done to correlate the seismic data to nearby well logs and nearby analogous gas production to determine certain reservoir characteristics, the seismic signature of sand and gas, and to compare known gas production volumes to what Everest has projected for the reserve potential of each prospect. Everest allowed INEXS to independently access the data on the workstation, with particular attention paid toward correlating the nearby analogous well production to the seismic data.

While no attempt was made to independently verify the physical location of the 3D seismic survey or the apparent locations of the wells within the survey, Everest represented that the seismic location information came from Shell Production Co., and the well locations were acquired through the purchase of a well database from Tobin, Inc., the primary source for most well locations in the Gulf Coast of the United States. Further verification of these data locations are rarely done in the United States unless an obvious mis-tie exists between the seismic data and the well data.

More than a year ago, Pogo Producing contracted Southcoast Land Development (Southcoast) to provide a staff of four geoscientists to evaluate the 3D seismic data, and to generate prospects, all under Pogo's direct supervision and control. The shareholders of Southcoast own 49% of INEXS' shares. Target requested that INEXS provide an independent analysis of the Pogo Miocene prospect. The author accepted the request since he had no previous involvement or knowledge of the specific results of the Pogo project or control over the staff generating the prospect. Neither INEXS nor Southcoast will receive additional compensation, directly or indirectly, from the sale of any working interest in this prospect to Target.

Pogo presented the Miocene prospect and nearby productive well logs for review. The seismic data were loaded on a workstation running SMT software, and after the presentation, a review was made of the seismic interpretation, data quality, and well ties.

Regional Geology

Coastal Texas and Louisiana are part of a passively subsiding continental margin often referred to as the Mississippi Embayment which has re-directed many rivers flowing into the Gulf of Mexico and which has resulted in a very thick accumulation of sediment from Cretaceous time to the present. Several successive layers of sand and shale were deposited, including the Yegua (Eocene age), Frio (Oligocene age), and, Miocene formations, all of which are very prolific gas producing reservoirs along this trend. The Yegua and Frio formations are a series of sand filled channel deposits, cross-cut and overlain with shale creating isolated sand pods or lenses often filled with gas.

The depocenter for the younger Miocene shifted eastwards as more sediments were deposited in Louisiana from the ancestral Mississippi river. Continued subsidence and expansion faulting accentuated with later salt movement have combined to create thick accumulations of Miocene sediments and reservoirs throughout southern Louisiana. These Miocene reservoirs are prolific producers of oil and gas, and have been the source of several TCF (trillion cubic feet) of natural gas production during the past 90+ years.

Berwyn Prospect

The Berwyn prospect, which was generated by Pogo Producing, is located within the lower Miocene Planulina trend of South Louisiana. The Planulina Formation of South Louisiana is a sequence of interbedded sands and deep water shales below the Siphonina davisi zone and above the Abbeville facies of the Anahuac Formation. The Planulina Formation occurs along a narrow band extending from Lake Verret in Assumption Parish westward through Cameron, Louisiana into coastal Texas. The prospect location is in Sections 19, 20, and 29 T13S, R13E of Assumption Parish, Louisiana. The prospect is on trend with Bayou St. Vincent (98 BCF & 3 MMBO), Pierre Pass (58.2 BCF & 1.6 MMBO), Bayou Postillion (536 BCFGE), and Bayou Pigeon (422 BCFGE) fields all which have major production from the Planulina section.

The trap is a deeper pool test below the Pierre Pass Field on a complex three-way fault closure mapped using 3D seismic data and over 4000 correlated wells for subsurface control. The PP13 (Planulina 3) Structure Map shows that the hydrocarbon trap is an updip fault wedge that is upthrown to the Blue Fault and downthrown to the Green Fault. The area of closure is 400 acres. The type log for the prospect is Union Texas State Lease 3426 #7. The potential pay zones for this prospect are the PP13, PP15, and PP20 sands. These sands are shown to be well developed in the type log which was drilled in an off-structure position. The exploration play is to look for these thick sands in a favorable updip position. Modified seismic cross section A-A' goes from the type log downdip to the McMoran Exploration State Lease 8295 #1 well, then updip to the well location. The proposed well is shown to test the potential pay sands in a favorable structural position.

These objective Miocene-age sands have produced over 100 BCFE from adjacent fault blocks. The reserve estimation for the potential pay sands are shown below:

Sand	Acres	Net Sand	Recovery Factor	Potential Reserves
PP13	400	200'	2000 mcf/ac-ft.	160 BCF
PP15	400	80'	2000 mcf/ac-ft.	64 BCF
PP20	350	80'	2000 mcf/ac-ft.	56 BCF
Total Potential Reserves				280 BCF

Pogo have indicated that condensate may also be produced with any gas.

The proposed well is to be drilled from a surface location in Sec. 20, T13S, R13E to a total depth of 15,800'. The turnkey drill cost is estimated to be $12.5MM.

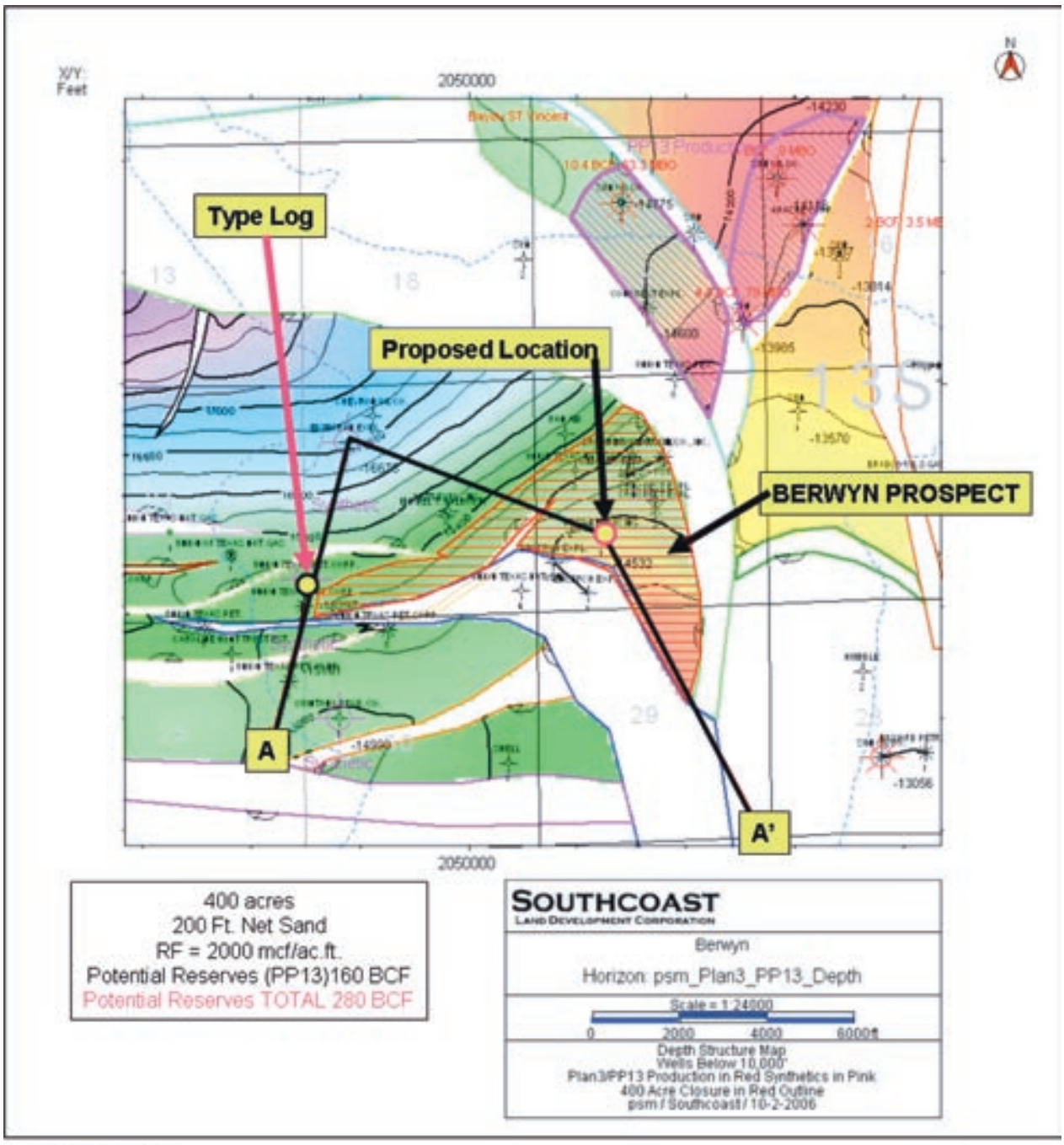

X/Y:
Feet
2050000
N
Type Log
Proposed Location
BERWYN PROSPECT
A
A'
2050000
400 acres
200 Ft. Net Sand
RF = 2000 mcf/ac.ft.
Potential Reserves (PP13)160 BCF
Potential Reserves TOTAL 280 BCF
SOUTHCOAST
LAND DEVELOPMENT CORPORATION
Berwyn
Horizon: psm_Plan3_PP13_Depth
Scale = 1:24000
0
2000
4000
6000ft
Depth Structure Map
Wells Below 10,000'
Plan3/PP13 Production in Red Synthetics in Pink
400 Acre Closure in Red Outline
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Figure 2

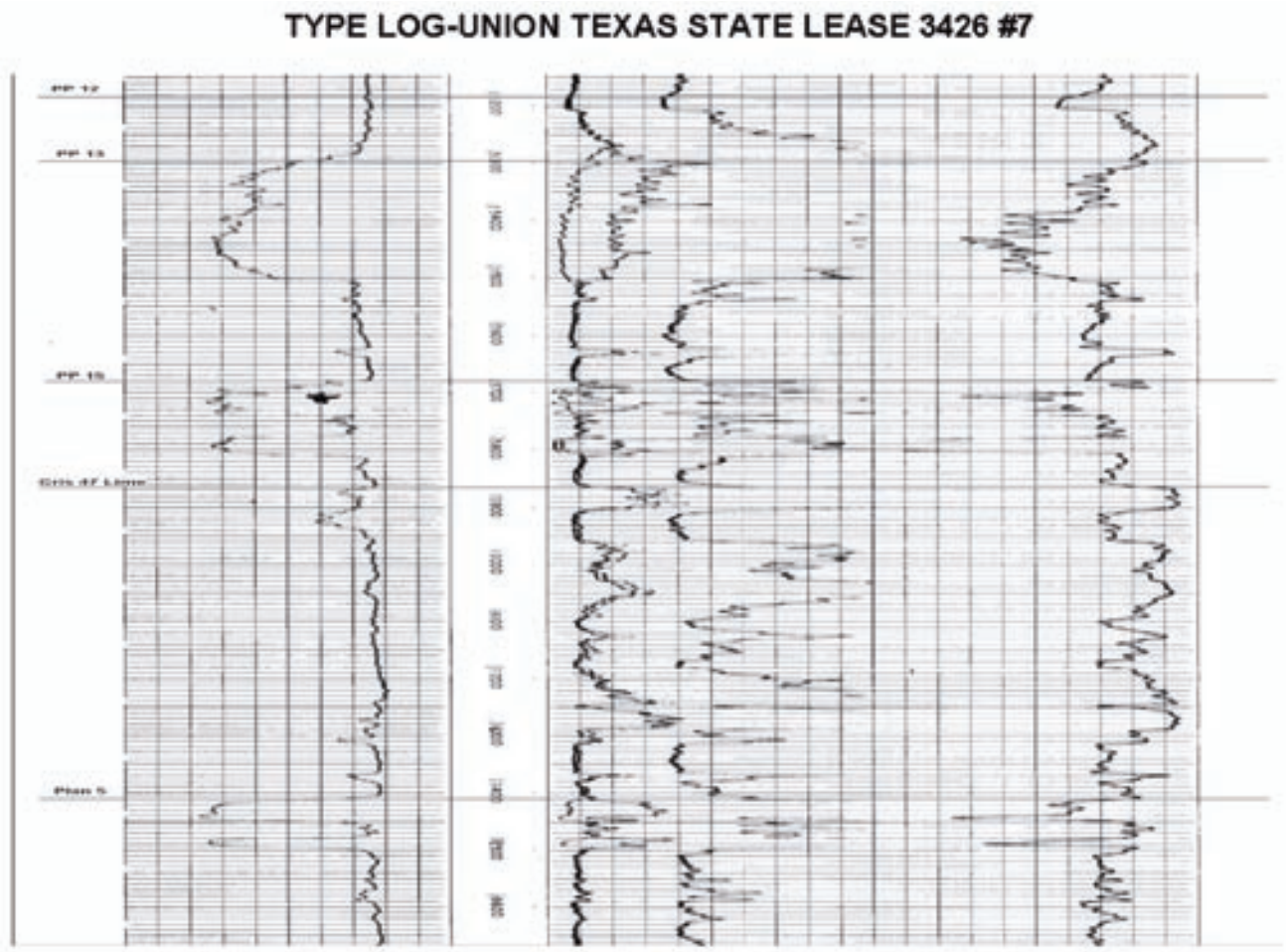

Figure 3

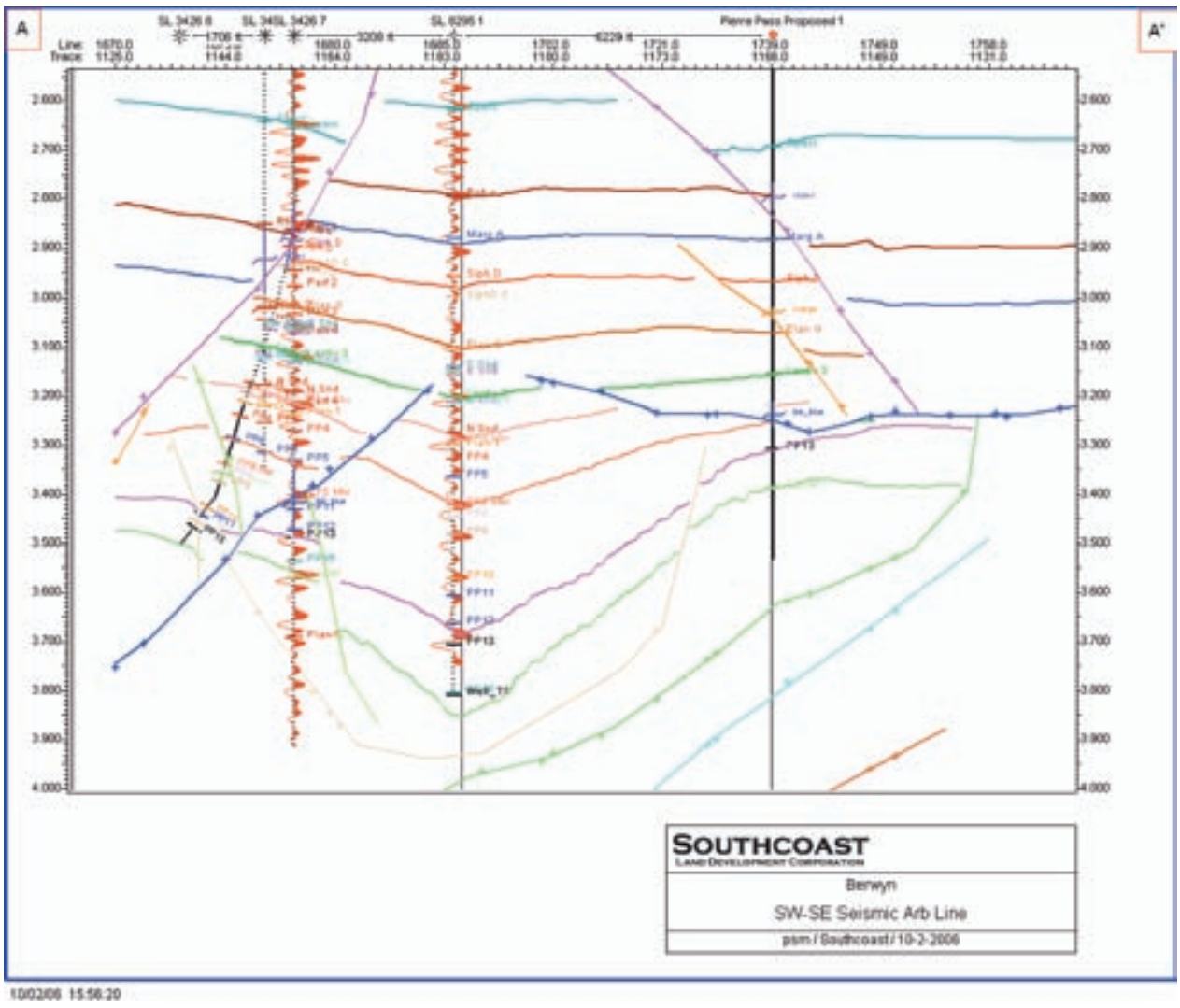

Figure 4

The log cross section is a north-south section over Bayou St. Vincent Field to the north and Pierre Pass Field to the south. The Cris 47 shown on the cross section is a limestone bed that forms a very good regional correlation marker. PP13(Plan 3), PP15(Plan4) and PP20(Plan 5) are productive in the Bayou St. Vincent field. These sands should be encountered in a favorable updip position at the proposed well location. The trapping fault for the prospect traps gas in a shallower sand at the proposed location.

There are certainly risks associated with drilling and testing this Berwyn prospect for the potential of finding commercial gas reserves. There is a risk that the structural closure would not trap any hydrocarbons because the fault does not seal. However, a review of the seismic data shows good evidence of a dip change and termination of reflectors at the interpreted updip fault trap and the same fault traps hydrocarbons in shallower productive reservoirs.

There is the potential for stratigraphic risk where the sands seen in the McMoran well may be thin, eroded, or absent at the Berwyn location. There are several additional wells on trend that show the relative consistency of the sands upthrown to the Green Fault.

The risk of commercial hydrocarbons not being present is minimal since there are several nearby fields on trend which have established deep production from this same Lower Miocene (Planulina) stratigraphic interval.

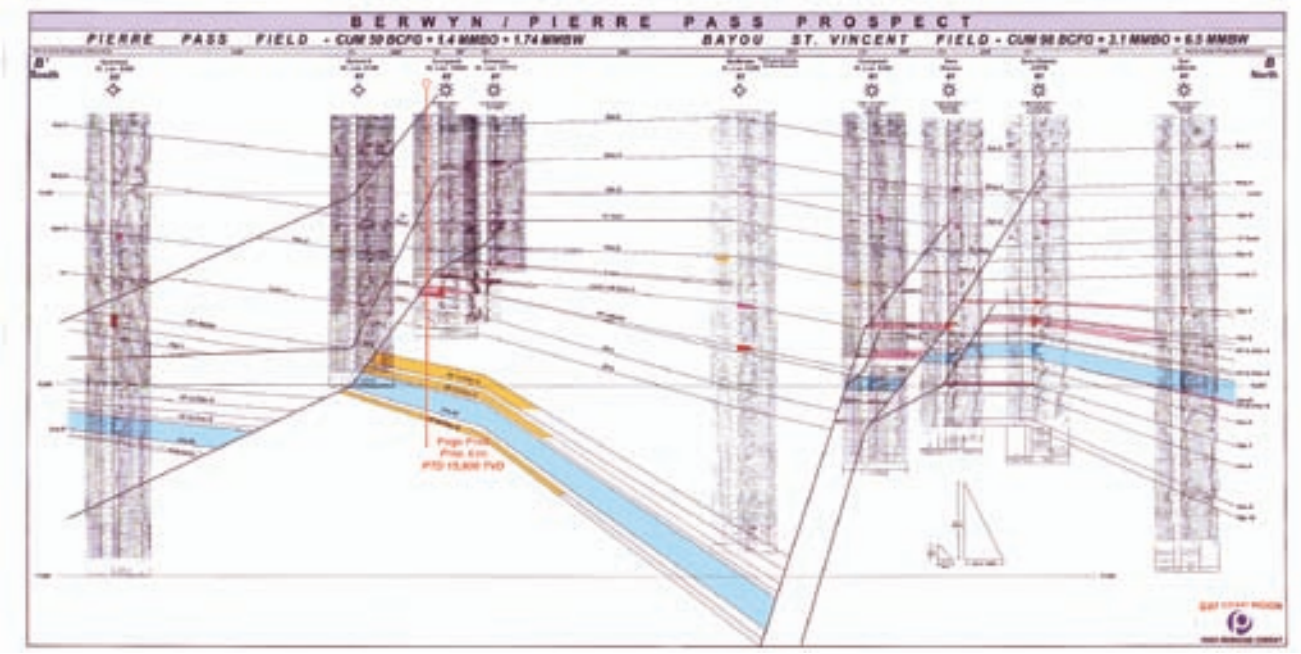

Figure 5

Shallow Frio Prospects

Target has taken a 25% working interest in three shallow Frio prospects generated by Everest. As previously noted, this promoted interest is very common in the oil industry, and is often referred to as a one-third for one-quarter promoted interest, meaning the purchaser of a 25% working interest in the prospect will pay 33.3% of the lease costs, G&G costs, and drilling costs to earn a 25% working interest in the well on a go-forward basis. Exploration in the Frio is statistically highly successful with the chance of discovering hydrocarbons within a strong negative seismic amplitude ranging from 40% to 70% based on data quality, nearby analogous success, and seismic data processing. However it is advantageous to participate in several exploratory wells for the Frio to take advantage of these statistical probabilities.

The Everest Frio prospects are designed to drill and test several shallow Frio aged seismic amplitude bright spot anomalies similar to several within the current 3D seismic survey and hundreds more within Colorado County, Texas and adjacent counties which have been successfully drilled to discover hydrocarbons.

Garwood Frio Prospect

The Garwood Frio well is planned to drill to a proposed total depth of 4,750 feet, with an estimated drilling cost from Everest of $250,000 to the 100% working interest, and an estimated completion cost of $220,000. There are $125,500 in land costs, geological and geophysical (G&G) costs to the 100% working interest, which include the leases for approximately 680 acres, the proportionate cost of the seismic data and reprocessing data for this prospect, and the time and expenses of the technical staff of Everest. The net royalty interest (NRI) is 74%, with the mineral owner and prospect generator retaining the remaining 26%. Everest will receive a non-paying carried working interest of 25% through drilling, and will then be a paying working interest partner on any casing, completion, production, and abandonment costs.

The seismic amplitude anomaly is directly on trend with and correlative to two recent discovery wells drilled by Everest et. al. within the same 3D survey. The first well is the Rhinehart #1 which discovered 10 feet of gas pay sitting on water in a thick Frio

sand, and has produced 700 million cubic feet (MMCF) of gas from a 90 acre seismic amplitude. A second well called the Simmental #1 was drilled into the edge of a weaker amplitude and encountered 10 feet of gas sitting on water in a very silty 30 foot thick sand. No production data is available on the Simmental reservoir at this time.

Everest has outlined what could possibly be considered the edge of the anomalous seismic amplitude and planimetered 125 acres. If it is possible to fill the entire 30 feet of sand to the base with gas, and that sand body were consistently 30 feet thick across the variable seismic amplitude, then Everest estimates a maximum recoverable gas volume of 125 acres x 30 feet x 800 mcf/acre-ft = 3 BCF. Using the 10 feet of pay seen in the Rhinehart #1 well and 500 mcf/acre-ft and the same 125 acres would result in a more conservative recoverable reserve estimate of 0.625 BCF.

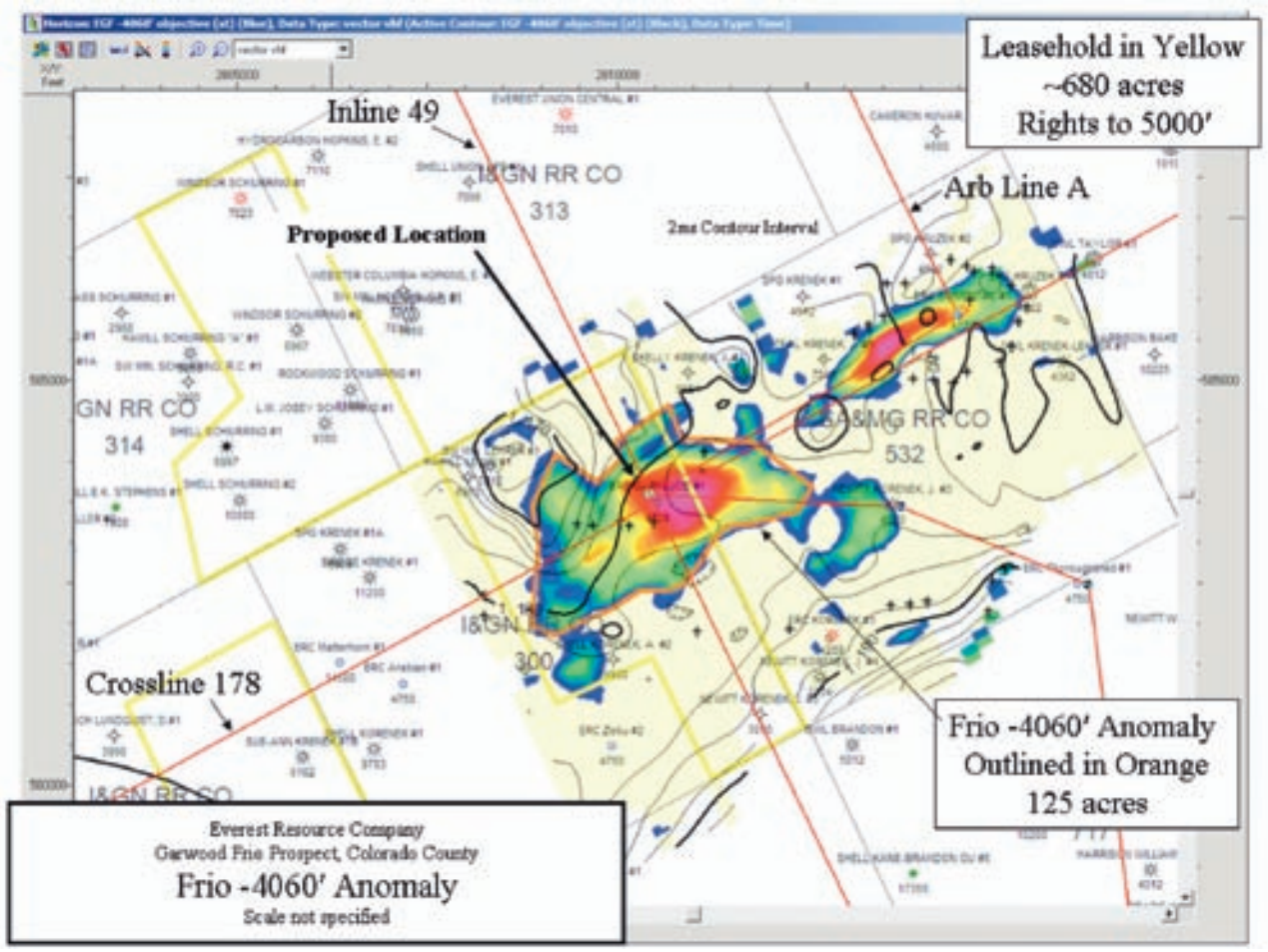

Figure 6.

Kant Frio Prospect

The Kant Frio prospect is designed to drill and test a shallow Frio aged seismic amplitude bright spot anomalies similar to several within the 3D survey and hundreds more within Colorado County, Texas and adjacent counties which have been successfully drilled to discover hydrocarbons.

The well is planned to drill to a proposed total depth of 4,750 feet, with an estimated drilling cost from Everest of $260,000 to the 100% working interest, and an estimated completion cost of $220,000. There are $120,000 in land costs, geological and geophysical (G&G) costs to the 100% working interest, which include the leases for approximately 294 acres, the proportionate

cost of the seismic data and reprocessing data for this prospect, and the time and expenses of the technical staff of Everest. The net royalty interest (NRI) is 74%, with the mineral owner and prospect generator retaining the remaining 26%. Everest will receive a non-paying carried working interest of 25% through drilling, and will then be a paying working interest partner on any casing, completion, production, and abandonment costs.

The seismic amplitude anomaly is shallower than many of the recent discovery wells drilled in the Frio, but is certainly within the known productive interval. There are nearby wells with similar shallower amplitudes which did not contain hydrocarbons, but there are other wells on trend which have been successful. Although the targeted amplitude is at a subsea depth of -3240 ft., the well is planned to drill to -4750 ft. in the event that other non-amplitude related reservoirs are encountered.

Everest has outlined what could possibly be considered the edge of the anomalous seismic amplitude and planimetered 100 acres. If it is possible to fill 25 feet of sand to the base with gas, and that sand body were consistently 25 feet thick across the variable seismic amplitude, then Everest estimates a maximum recoverable gas volume of 100 acres x 25 feet x 800 mcf/acre-ft = 2 BCF. Everest has also provided a more conservative estimate of 50 acres x 10 feet x 500 mcf/acre-ft = 0.25 BCF.

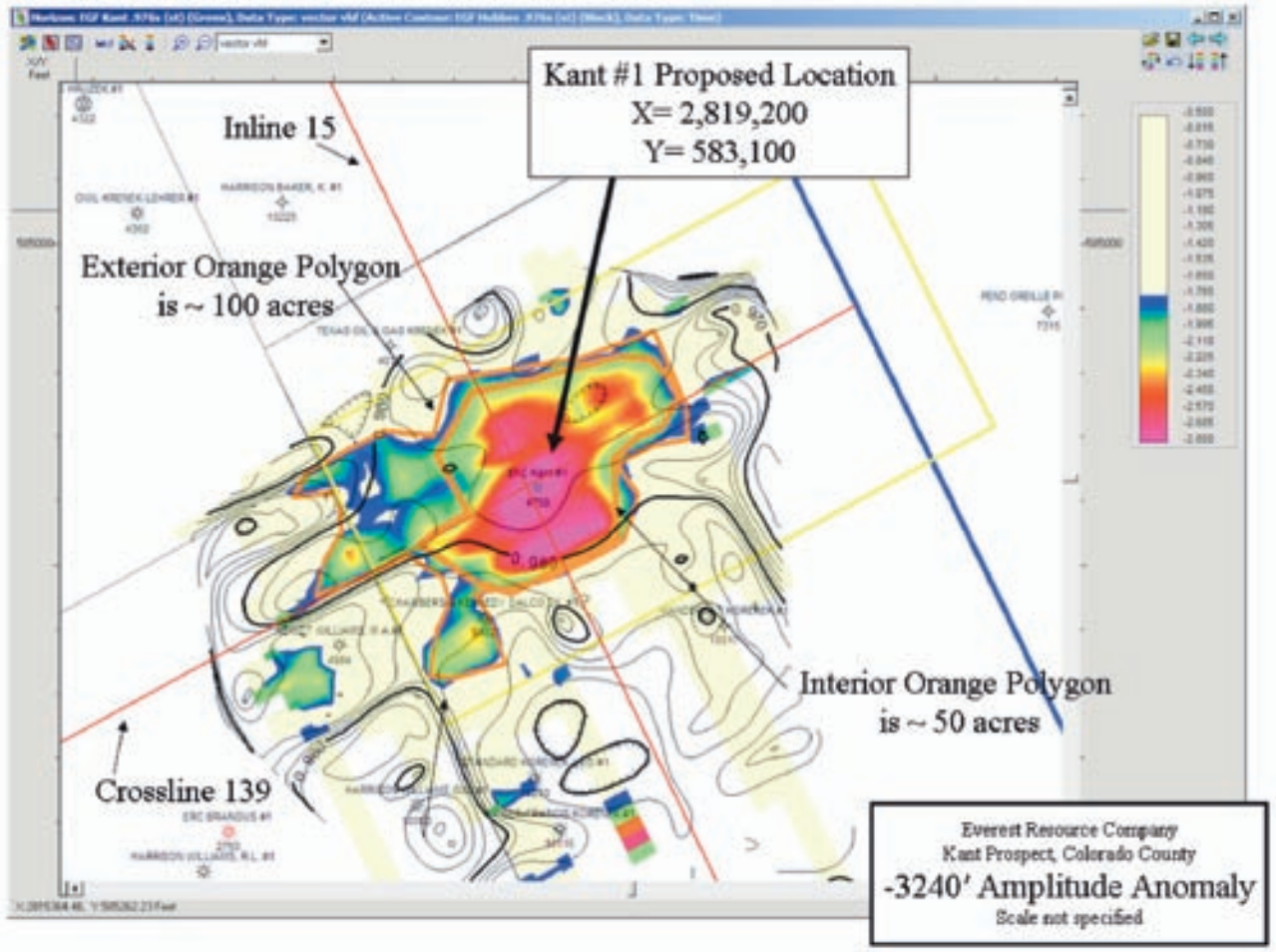

Figure 7.

Thoroughbred Frio Prospect

The Thoroughbred Frio prospect is designed to drill and test a shallow Frio aged seismic amplitude bright spot anomalies similar to several within the 3D survey and hundreds more within Colorado County, Texas and adjacent counties which have been successfully drilled to discover hydrocarbons.

The well is planned to drill to a proposed total depth of 4,750 feet, with an estimated drilling cost from Everest of $260,000 to the 100% working interest, and an estimated completion cost of $200,000. There are $110,000 in land costs, geological and geophysical (G&G) costs to the 100% working interest, which include the leases for approximately 340 acres, the proportionate cost of the seismic data and reprocessing data for this prospect, and the time and expenses of the technical staff of Everest. The net royalty interest (NRI) is 74%, with the mineral owner and prospect generator retaining the remaining 26%. Everest will receive a non-paying carried working interest of 25% through drilling, and will then be a paying working interest partner on any casing, completion, production, and abandonment costs.

The seismic amplitude anomaly is directly on trend with and correlative to two recent discovery wells drilled by Everest et. al. within the same 3D survey. The first well is the Rhinehart #1 which discovered 10 feet of gas pay sitting on water in a thick Frio sand, and has produced 700 million cubic feet (MMCF) of gas from a 90 acre seismic amplitude. A second well called the Simmental #1 was drilled into the edge of a weaker amplitude and encountered 10 feet of gas sitting on water in a very silty 30 foot thick sand.

No production data is available on the Simmental data at this time. Additionally, the Simmental well found seven stacked thin Miocene and Frio pay sands which did not exhibit any anomalous seismic amplitude.

Everest has outlined what could possibly be considered the edge of the anomalous seismic amplitude and planimetered 56 acres. If it is possible to fill 30 feet of sand to the base with gas, and that sand body were consistently 30 feet thick across the variable seismic amplitude, then Everest estimates a maximum recoverable gas volume of 56 acres x 30 feet x 800 mcf/acre-ft = 1.34 BCF. Using Everest's previously provided more conservative pay thickness and more conservative recovery factors and keeping the same area, a more conservative estimate of 56 acres x 10 feet x 500 mcf/acre-ft = 0.28 BCF.

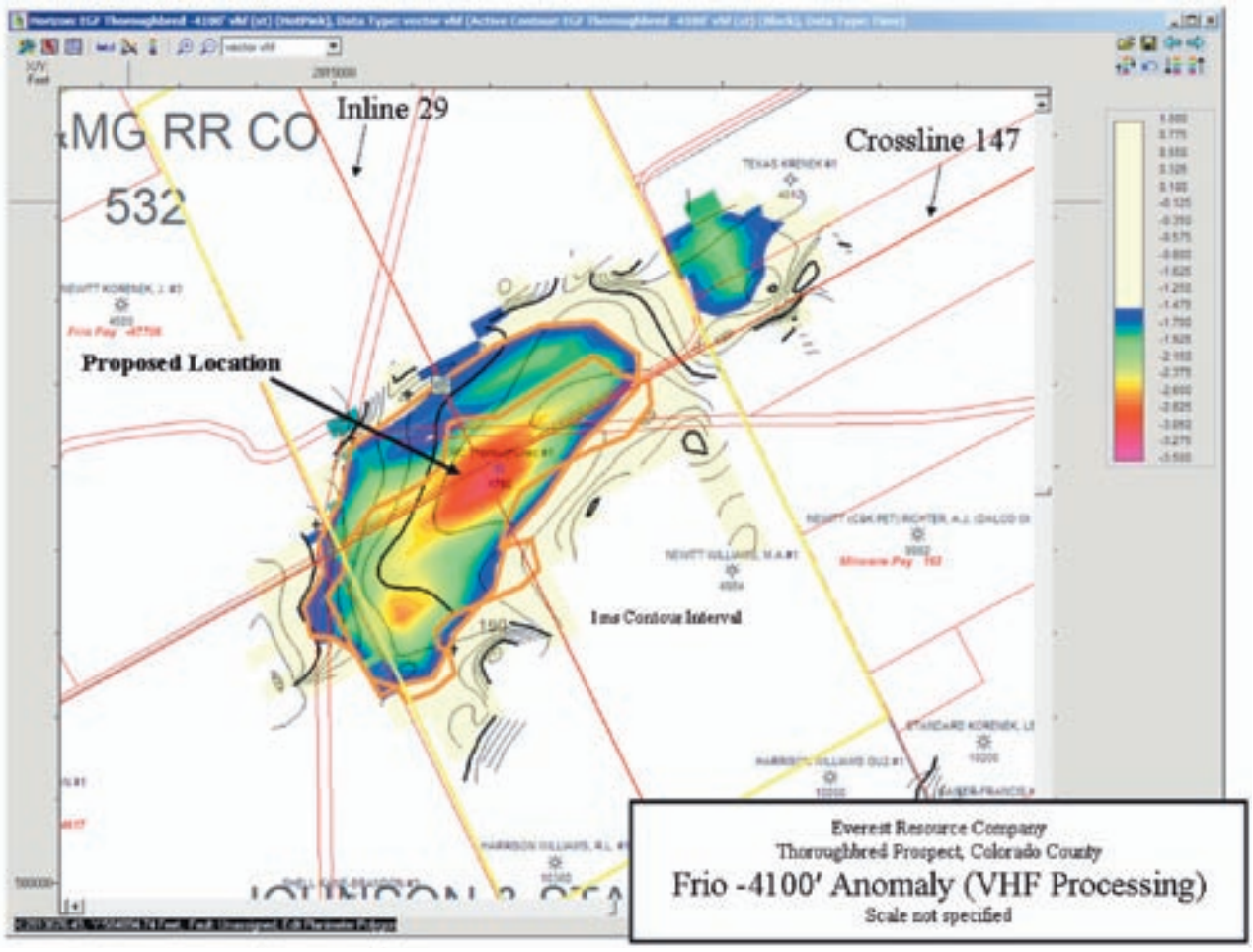

Figure 8.

INEXS
Interactive Exploration Solutions, Inc. – Suite 2050 – 1980 Post Oak Blvd. – Houston, Texas 77056
Telephone 713.993.0676 – Fax 713.960.1157 – Website www.inexs.com

Summary and Conclusions

In summary, the outlined exploration strategy of taking a smaller working interest in several exploration wells along a productive and prolific trend of gas production is well planned and consistent with many similar successful exploration plans conducted by exploration companies in the United States. There is a strong statistical probability of successful gas discoveries based on taking a working interest in three Frio exploration wells, with a very large upside potential in the deeper Berwyn prospect, albeit with greater costs and risks.

There are examples of several large Planulina fields presented previously in this report, and as further examples, below are several nearby Frio and Miocene fields.

Examples of Analogous Frio/Miocene Reservoirs in southern Colorado County:

Nada Field		
Frio 3650' Reservoir	5.3 Bcf	2 wells (.9 Bcf remaining)
Frio 3970' Reservoir	2.7 Bcf	4 wells (1.2 Bcf remaining)
Miocene 2300' Reservoir	0.6 Bcf	1 well
Eaton Field		
Miocene 2100' Reservoir	7.9 Bcf	3 wells still active
Miocene 2000' Reservoir	2.3 Bcf	2 wells still active
Root Field		
Miocene 2170' Reservoir	2.9 Bcf	3 wells active
Miocene 2150' Reservoir	1 Bcf	1 well
Schiurring Field		
Miocene 2250' Reservoir	1.5 Bcf	1 well active
Garwood, NE. Field		
Miocene 1900' Reservoir	1.4 Bcf	

Declarations

Sources of Information

This report is based primarily from data provided by Pogo and Everest, and it has been assumed that the data are accurate and unaltered. The data provided by Everest included a 20 square mile 3D seismic survey with two versions of processing applied. All available well logs, well locations, tests, and production were provided by Everest and were represented to be accurate and unaltered from the database provided to Everest by Tobin, Inc., and www.Drillinginfo.com . The data provided by Pogo included access to over 100 square miles of 3D data and the location data for the well and land surveys also came from Tobin. All of the production data, tests, and well logs were provided by Pogo.

Previous Geologic Reports

The Directors of Target have advised that no previous reports have been commissioned relating to the prospects discussed in this document.

Site Inspection

No field trip was made to Colorado County or to Assumption Parish to inspect the surface conditions, or location of nearby wells.

Limitation and Risk

The preparation of this report has been made relying on publicly available data and those data provided by Everest and Pogo. Both Target, Everest and Pogo have reviewed a draft of this report to insure that no factual errors were introduced.

Oil and gas exploration is a business that is based on uncertainty and incomplete information, and any program designed to drill and test for hydrocarbons will have numerous risks associated with it, including the uncertainty of the presence of hydrocarbons, and the very real risk of mechanical failures in the drilling program that could result in cost overruns, surface or subsurface environmental damage, or even a blowout causing damage or destruction to the well, and surface equipment, and could put drilling personnel at risk.

The lack of commercial hydrocarbons in a given prospect may be due to several factors including timing of hydrocarbon migration; trap failure; missing, tight, or impermeable reservoir; and no functional seal.

Investors are therefore advised of the risk that the drilling programme described herein may not discover commercial quantities of hydrocarbons. Oil and/or gas volumetrics presented in this report are based on broad assumptions of confirmation of those volumetrics provided by Everest, and assume that all other conditions for hydrocarbon accumulations have been met.

Qualifications

Craig Davis graduated from Indiana University in 1980 with a Bachelor in Science in Geology. He has worked directly in the oil and gas exploration industry for 26 years with Texaco, Monsanto Oil, Monsanto Oil of London, Consultants of Tri-D in Denmark, Landmark Graphics in London, and co-founded the G&G consulting company INEXS in 1990. He has worked and led teams of explorationists on projects worldwide in 38 different countries. Further information on qualifications may be obtained at www.inexs.com . He is a Licensed Professional Geoscientist, License #4176 in the State of Texas.

Independence

Craig Davis has no direct or indirect interest in any of the acreage or prospects mentioned in this report, or any adjacent properties. He owns no securities in any of the companies referenced in this report other than his consulting company, INEXS, Inc. Target has paid INEXS a fee of US$15,000 to cover all costs and expenses related to the preparation of this report.

Conformity

This report has been prepared in conformity with the requirements of the Australian Securities Investment Commission.

Consent

Craig Davis and INEXS have consented to the inclusion of this report in the Prospectus of Target in the form and context in which it appears.

Pogo has consented to the inclusion of the illustrations provided in Figures 2, 3, 4 and 5 in this report and to all statements attributed to Pogo by name or in the form and context in which they appear.

Everest has consented to the inclusion of the illustrations provided in Figures 6, 7 and 8 in this report and to all statements attributed to Everest by name or in the form and context in which they appear.

Craig Davis – Consulting Geologist

Texas Licensed Professional Geoscientist #4176

President of INEXS, Inc.

Glossary

BCF: Billion cubic feet, or 28.317 million cubic meters. A unit commonly used in quoting volumes of natural gas.

Basin: A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.

DHC: Dry hole cost. The cost of drilling a well in the failure case, i.e., where no additional investment in casing, testing or well completion is incurred.

Dry hole: A well in which no commercial hydrocarbons were discovered.

Exploration well: A well drilled into a previously undrilled or non-commercial trap to test for the presence of a new hydrocarbon accumulation.

Fault: Any brittle failure of rock layers along which rocks are displaced on one side relative to the other.

Field: A subsurface accumulation of hydrocarbons.

Formation: A formal term used to reference a genetically related rock unit (e.g. the Monterey Formation).

Geology: The study of the earth and the processes affecting its crust.

Geophysics: The study of rock properties and stratigraphy through the use of analytical methods involving various types of data collection and interpretation.

Hydrocarbons: A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.

Horizon: A term describing a layer of rock, most typically associated with a seismic reflection.

Lithology: The physical, sedimentary, or mineralogical characteristics of a rock.

MCF: Thousand cubic feet. A widely quoted unit used for natural gas prices.

MMCFD: Million cubic feet of gas per day. A measure of gas flow rates from a producing well.

Porosity: The percentage of open pore space in a rock.

Prospect: An undrilled, and therefore hypothetical, hydrocarbon trap whose technical and commercial uncertainties are sufficiently well understood and is of sufficient size and probability of success to justify drilling.

Proven Reserves: Estimated quantities of hydrocarbons that geological and engineering data demonstrate will be recoverable from known oil and natural gas reservoirs under existing economic and operating conditions.

Recoverable Reserves: That proportion of the oil and/or gas in a reservoir that can be removed using currently available techniques.

Reserves: The volume of oil or gas that can be recovered from the subsurface. Generally used in the context of commerciality.

Reservoir: A porous rock unit in which hydrocarbons occur in an oil field.

Risk: A measure of uncertainty relating to the likelihood of finding hydrocarbons, or, the likelihood that any or all of the individual geological elements required for the accumulation of hydrocarbons is met.

Sandstone: A sedimentary rock composed primarily of sand sized grains, usually quartz. A common hydrocarbon reservoir rock.

Seal: An impermeable rock unit that prevents hydrocarbons from escaping from the reservoir.

Seismic reflection: An event observed on seismic data that corresponds to a given rock layer in the subsurface.

Sediment: Generally, water borne debris that settles out of suspension.

Sedimentary rock: A type of rock formed by aggregation of sediments.

Shale: A very fine grained rock often thinly layered. An important seal rock.

Show: An indication while drilling that hydrocarbons are present in the well.

Source/source rock: An organic rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.

Stratigraphy: The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence, and environment of deposition.

Structural trap: Generally, a hydrocarbon trap formed by dipping rock layers and/or faults.

Structure: A geological feature usually higher in elevation than the surrounding rock, formed by local deformation of the rock layers.

TCF: Trillion cubic feet, or 28.317 billion cubic meters. A unit commonly used in quoting volumes of natural gas.

Trap: A structure capable of retaining hydrocarbons.

Trend: A particular direction in which similar geological features are repeated.

5.2 St Martin Parish, Louisiana

WestlawnGeo, LLC
2905 Maple Avenue
Manhattan Beach, CA 90266

Target Energy Ltd
30 Ledgar Road
Balcatta, WA 6021

Attn: Mr. Laurence Roe
Managing Director
Re: Cypress Prospects
St. Martin Parish, LA

Dear Mr. Roe,
As you have requested, WestlawnGeo, LLC, has reviewed the referenced prospects in the offices of Cypress Production, Inc., Arlington, Texas. We were satisfied that standard oilfield procedures were employed. Set out below are the findings of the due diligence conducted on the referenced prospects:

Regards,

Jerry Nichols
President
WestlawnGeo, LLC

Robert E. Peterman
Consulting Geologist

WestlawnGeo, LLC
2905 Maple Avenue
Manhattan Beach, CA 90266

CONTENTS

WestlawnGeo, LLC
2905 Maple Avenue
Manhattan Beach, CA 90266

Introduction

Target Energy seeks to participate in a four prospect package assembled by Cypress Drilling, LLC. The prospects are conventional salt dome traps located on the flank of the Section 28 Field in southern Louisiana, 17 miles east of Lafayette (Figure 1,2). The prospects are Parks North, Bayou Berard, Snapper A-1, and Snapper A-2, all located on various positions on the flank of the dome. Target will pay 33.33% of the well costs to the tanks for a 25% working interest in the acreage. These are typical Gulf Coast terms.

Methodology and Scope

Data was reviewed in the offices of Cypress Production, Inc., Arlington, Texas. Information provided included electrical well logs, geological and seismic data, AFE's, projected bottom hole location plans, Hackberry depositional models, cross-sections, and partial sections of type logs depicting the objective sands. Workstation observations of all figures attached hereto with emphasis on the seismic data were observed in Cypress' office. A detailed explanation was presented as to how the data was organized to reflect the final product.

As the Parks North prospect was the largest by far of the four prospects reviewed, it received the most attention.

Regional Setting

Section 28 Field is located approximately 17 miles east of Lafayette. Topographically, the area is low-lying wetlands within the valley of the lower Mississippi River. The Section 28 Field structure is a result of piercement salt movement with both syndepositional and postdepositional faults separating individual reservoirs. At the crest of the dome, salt comes to within 1,100 feet of the surface.

Even though the salt dome was discovered in 1917 by a gravity survey, the first commercial discoveries were not made until 1940. The field has produced in excess of 45 million barrels of condensate and 200 million cubic feet of gas from 170 productive wells. This volume of production ranks Section 28 Field as one of the major producing fields of South Louisiana. Nonetheless, Section 28 Field remains underdeveloped due to the structural and stratigraphic complexities of the dome.

The vast majority of oil and gas produced from the dome is from Oligocene sands, with minor production from Miocene sands. At Section 28 Field, the Oligocene sands thin and pinch out onto the dome as a result of the salt structure with the contemporaneous deposition of the sands. Individual reservoirs are separated by a complex series of contemporaneous and postdepositional faults. The most prolific sands within the Oligocene section are the Marginulina texana and Hackberry sands, which are the primary targets in the prospects summarized below.

Parks North Prospect

Location

The proposed well site is located fourteen miles east of Lafayette and one mile east of Parks on the southwest flank of Section 28 Field (Figures 1 and 2). The location is on dry land, twenty five hundred feet off a black top road in a sugar cane field. The well is proposed to be drilled to a depth of approximately 13,900 feet and has an AFE estimated DHC of US$3,499,000 and US$1,362,000 for completion.

Technical Description

The objective sands at Parks North are Bolivina mexicana in age as determined from paleontological samples, but to avoid confusion and for the purposes of this report the sands will be referred to as Hackberry, a commonly used term. Primary objectives are the Hackberry A-3, A-4 and A-5 sands with the A-5 sand being the main target. Depths range from 13,300 ft to 13,645 ft for the three objectives in the well bore. The referenced sands are present on both the up and down thrown side of the hydrocarbon-controlling down-to-the-south radial fault. The Hackberry reservoirs are deep water sands deposited in indiscriminately oriented multiple channels in an upper slope channel environment. The A-6 sand is the deepest, while A-3 sand is the shallowest. Laterally, each gully sand transitions from a maximum of ~140 feet to zero in a short distance which further

supports the channel interpretation. 3D seismic data covers the prospects and is essential for determining the orientation of the channels as well as for isopach control.

Generally the sands are preferentially deposited in submarine canyons or gullies as the dip rate of the depositional slope is too great for sand accumulation on the slope. The gullies are formed by the scouring effect of turbidity currents. Differential compaction of the channel sands affects the next depositional pulse. Within the gullies these sands take on a sinuous morphology, which provides an excellent model for the Hackberry section at the proposed well site.

In the Parks North area, A-3 reservoir potential is limited by the fact that no well in the immediate vicinity of the prospect unambiguously has reservoir sandstone. However, the seismic response over the Parks North prospect area suggests the development of channel sands here (see discussion below). The KCS #1 St. Martin Land Co., located 8.5 miles north-northeast of the prospect area, produced 20.1 BCFG and 406 MBO from the A-3 sand, which is a secondary objective. The closest A-3 sand development is at the Gulf #1 Pellerin, less than a mile from the proposed location. The closest production is the Great Southern #2 Stuart approximately 1.75 miles from the location.

The A-4 objective has significant gas reserves as observed in the Hawthorne #1 Langlinais, which produced 10.1 BCFG with an aerial extent of 115 acres, and the Alcoa #3 Melancon, which produced 13.2 BCFG with an aerial extent of 95 acres. Both wells produced from the A-4 sand. Fields in the immediate area that have produced or are currently producing in the A-4 interval are as follows: Broussard Field, located eight miles southwest, has produced 30 BCFG and 1,400 MBO; Lake LaRose Field, eight miles east, has produced 68 BCFG and 1,800 MBO; and Section 28 Field, five miles north, has produced 25 BCFG and 600 MBO.

A nearby A-5 producer is the Gulf #5-A Ruth Fleming located on the northeast flank of the dome. Drilled in 1956, this well produced oil from the A-5 and A-6 before it was recompleted in the A-4. The A-5 sand at the proposed location is structurally 550 feet updip to gas shows in the Hawthorne #1 Beyt.

The proposed location will penetrate the A-3 through A-5 sands on the upthrown side of the fault. The upthrown side of the fault is non-pressurized; while drilling on the downthrown side an intermediate string of pipe is required. More importantly, this type of geologic setting provides an ideal seal for entrapment of gas.

The average porosity of the objective reservoir sands is 23%, and permeabilities are expected to be at least in the hundreds of millidarcies range. Based on cumulative production and recovery factors from referenced sands in previous wells in the area, IP on a well should average 8 MMCFGPD and 150 BCPD in any one of the three prospective reservoirs. The cross section in Figure 3 illustrates the character of the Hackberry sands and also shows that Hackberry sands, while locally channeled, are in aggregate persistent over a fairly wide area.

A structure map on the A-3 sand is shown in Figure 4. West dip is predominant on all the potential productive horizons. As mentioned above, the KCS #1 St. Martin Land Company was completed in the A-3 sand. The well was drilled on a high amplitude seismic reflector. A synthetic gather created from the logs of the KCS well resulted in a modeled geophysical response of the productive sand, which is a combination of a weak trough followed by a strong peak, with an associated AVO response of increasing amplitude with offset. Attribute analysis has been very successful in direct detection of hydrocarbon bearing reservoirs in the area.

A strong following peak is associated with production of the A-4 sand in the Hawthorne #1 Langlinais and Alcoa #3 Melancon wells, both located on the west flank of Section 28 Field. Figure 5 shows a seismic section tying these wells to the prospect location for comparison. The trough-following peak relationship at Parks North is seen to be similar to the productive wells. A low amplitude event at the A-4 level is associated with the Hawthorne #1 Beyt ST which encountered wet sand, and the Hawthorne #1 Beyt in which the sand is not present.

Figure 6 is an amplitude extraction of the trailing peak of the A-4 event. The high amplitude events associated with the A-4 production in the above referenced wells and Parks North are clearly evident. However, there is also a strong A-4 peak at the dry KCS #1 Barras well, which suggests that trailing peak amplitude is not the whole story. With interval velocities in the range of 10,000 ft per second, and a dominant frequency of about 35 Hz, the wavelength would be about 300 feet, which means that complex interference could occur among reflections generated by the Hackberry A sands.

An amplitude extraction on the A-3 reflector shows that two areas of high amplitudes are evident, one at the proposed location and another in the vicinity of the KCS #1 Barras well. The difference between the KCS #1 Barras well, which had A-4 siltstone, and the proposed location is that the proposed location has a positive AVO gradient while the KCS well exhibits no gradient. This may be significant. The KCS well was modeled for predicted seismic response of non-reservoir siltstones. The model predicts no increase in amplitude in trough or peak amplitude with offset for the siltstones, while CDP gathers at the prospect location show an increasing trough amplitude. Figure 7 is an AVO gradient map, which shows that the area of the proposed location exhibits an anomalous response, while the area around the KCS well is neutral.

Reserves

Potential reserves for this prospect are estimated to be 25.7 BCFG and 149,000 BC. The A-3 may not have quality reservoir sand as such in the prospective area, with the nearest production found in Lake Larose Field. This does not preclude the fact that the A-3 is present as suggested by the anomalous seismic response at the proposed location and the channeled nature of Hackberry sands. There is a slight risk that the A-4 has already been depleted by the downdip Langlinais well (the AFE includes an expenditure of US$290,000 for protective liner in this event). The A-5 anomaly is structurally 550 feet up dip to the Hawthorne #1 Beyt well. One well can evaluate the three reservoirs. Assumed recoveries are 2000 mcf/ac-ft and 5.8 bbls cond/mmcf

Reserve Estimates, Parks North

Sand	Net Sand	Productive Acres	MBC	MMCFG
A-3	40’	140	65	11,200
A-4	50’	35	20	3,500
A-5	50’	110	64	11,000
Total	140’		149	25,700

The estimated reserve figures were calculated by reviewing wells in the immediate area that produced considering their cumulative production, total area, and pay sand thickness, and then applying that information on a direct proportional basis to the potential productive acreage size and pay sand thickness of the productive reservoirs of the Parks North Prospect. Those figures were then compared to those presented by Cypress, which fell within the uncertainties associated with the anomalies, and did not indicate a significant difference between the prospect originator and the independent calculations.

Land

Cypress has acquired three-year leases commencing in December 2005 and controls 486 acres. See attached Figure 8 with leases color coded yellow. A production unit has been formed and approved by the Department of Natural Resources and is outlined with a dashed red line.

Bayou Berard Prospect

Location

The prospect is located on the east flank of Section 28 Field, approximately eighteen miles east of Lafayette, Louisiana (Figure 1, 2). The proposed location is adjacent to all weather roads and will be drilled in a low lying wetland which will not present a problem for straight hole drilling. The well is proposed to be drilled to a depth of 11,300 feet. Estimated cost for the well is US$2,061,000 dry hole and $1,113,000 completion costs.

Technical Description

The objective reservoirs sands are in the Marginulina texana (Marg tex) section and are lucrative producers in South Louisiana, in the northern half of the map area shown in Figure 2. Section 28 Field hosts the aforementioned sections of which the most significant producers are the 1st, 2nd and 3rd Marg tex sand members. All drilled fault blocks on the domal structure produce from the 1st, 2nd and 3rd Marg tex sand members. Figure 9 illustrates the productive trends of the sands and the radiating fault pattern. No logs were made available for reproduction in this report, but log character is very similar to that shown at Parks North.

Figure 10 shows an arbitrary seismic line that ties the prospect location with critical offset wells. The prospective area is downthrown to a large down-to-the north radial fault, denoted as Fault "A", and upthrown on the north to a small down-to-the-north radial fault denoted as Fault "B" on Figure 10. The prospective fault segment is delineated at the 1st Marg tex level on Figure 11. Support for the fault interpretation is well established by time slice data. East dip is prevalent as expected on the east flank of the dome. Still, data quality is such that there is a chance that fault A in Figure 10 soles out sooner than interpreted, with the result being that the prospective fault block could be more restricted in the north-south direction than mapped.

Cypress reprocessed a portion of the Catahoula 3D data set utilizing a turning curve algorithm, which Cypress claimed to have resulted in improved resolution of near dome reflectors, enhanced salt-sediment resolution and greatly enhanced resolution of near dome radial faulting as compared to the original data volume (which was not viewed). As a result Cypress has delineated several near dome prospects with an improved level of understanding as to the structural configuration, in areas where the pre-stack time migrated data is of limited benefit.

Reserves

The Marg tex sands exhibit porosities on the order of 25% and permeabilities in the range of 200 md on the field structure. Generally the sands are oil bearing with a GOR ranging between 1000:1 to 400:1 (400:1 assumed for reserve estimates). Typically these sands exhibit a strong water drive with a recovery of 500 BC per acre foot. Reserve potential for the proposed well (two thirds of the prospect total) is 1,200 MBC and 480 MMCFG, with an additional updip development well required to produce the remaining third of the hydrocarbons. The aerial extent of the reservoirs is 60 acres for each of the three sands. Sand thickness ranges from 32 feet net sand for the 1st sand (960 MBC plus 384 MMCFG), 16 feet net sand for the 2nd (480 MBC plus 196 MMCFG) and 12 feet net sand for the 3rd Marg tex sand (360 MBC plus 144 MMCFG).

In the 1940's there was no state conservation department regulating production, and in addition production was reported on a lease basis rather than on a well and reservoir basis, therefore it is impossible to accurately assign production to a specific zone. Old wells in the vicinity of the prospect only reflect cumulative production from all sands in the well.

Reserve Estimates, Bayou Berard (Two Well Total)

Sand	Net Sand	Prod Acres	MBC	MMCFG
1st Marg tex	32'	60	960	384
2nd Marg tex	16'	60	480	196
3rd Marg tex	12'	60	360	144
Total	60'		1,800	724

Land

Cypress is nearing completion of lease acquisition on this prospect. A land plat is not available for reasons of confidentiality, but will be provided upon completion of the lease acquisition.

Snapper A-1

Location

The referenced prospect is located approximately 17.5 miles east of Lafayette, Louisiana in Section 28 Field. The surface location will be positioned on an existing drill pad and will be directionally drilled. Total depth will be 10,000 feet TVD to penetrate the three prospective sands, all three of which should be productive in the prospective fault block. Gross well costs through completion are estimated at US$2,609,000. Land and G&G cost recovery to Cypress will add an additional US$179,000 to prospect costs.

Technical Description

The prospective area is located between two radiating down-to-the-west en echelon faults which form the trapping mechanism to the west and east of the prospective area with prospective sands terminating against the salt mass to the south. The proposed location exhibits north dip and will be drilled downdip to the Superior #1 Stuart drilled in March 1941, which tested and bypassed the Hackberry A-1 and A-4 gas sands because of the lack of a market at the time. The directionally drilled well will test not only the A-1 and A-4 sands but also the 3rd Marg tex sandstone. The prospect has been generated by subsurface data further substantiated by seismic data as depicted on the Hackberry A map shown in Figure 12. The Hackberry A-4 seismic marker horizon is extensively utilized to project the reservoir horizon from known seismic control up to the edge of the dome, as dips steepen as the dome is approached and reflector coherency deteriorates (Figure 13). As can also be seen in Figure 13, the salt-sediment interface is not clearly defined on the seismic, which translates to risk (for both Snapper A-1 and A-2) that the reservoir termination against salt could migrate in a northerly direction, thus reducing reserves. However, the more coherent Het reflectors do seem to project into the interface as shown, implying that the reservoir would too.

A structural cross section (Figure 14) illustrates production in the prospective fault block in the 3rd Marg tex sandstone at the Hargrove #B-3 SML well location. Deeper production in the Hackberry A-1 and A-4 sands is observed in the adjacent Superior #1 Stuart well. The A-1 and A-4 sands are present updip in the Stuart well, it is therefore possible that sand thicknesses will be equal to or greater than those encountered at this well location, in a projected downdip directional target.

Reserves

Total estimated reserves are 450 MBO and 4.2 BCFG. Computation factors employed were 500 BO/AcFt recoverable for the 3rd Marg tex sand and 1,000 MCF/AcFt recoverable for the A-1 and A-4 sands.

Reserve Estimates, Snapper A-1

Sand	Prod Acres	Net Sand	MBO	MMCFG
3rd Marg tex	30	30’	450	0
Hk. A-1	60	25’	0	1,500
Hk. A-4	60	45’	0	2,700
Total		110’	450	4,200

Land

Cypress will form a unit prior to drilling. The unit will be approved by the Louisiana Department of Natural Resources, and there will be no opposition since only one landowner is involved. Figure 12 shows the Cypress leases over Snapper A-1.

Snapper A-2

Location

The referenced location lies 17.5 miles east of Lafayette, Louisiana on the northeast flank of Section 28 Field (Figures 1, 2). The surface location of the well will be from an existing well pad and directionally drilled. to a TVD of 9,900 feet. The cost through completion is expected to be US$2,609,000. Land and G&G cost recovery to Cypress will add an additional US$179,000 to prospect costs.

Technical Description

The prospective area is bounded to the west and east by sealing faults, and on the south and southwest by termination of the sand against the salt mass. Dip is to the northeast away from the salt. The top Hackberry A-4 sand structure is shown in Figure 15. Adequate subsurface control delineates the prospective area with 3D seismic data supporting the interpretation. The proposed bottom hole location will be several hundred feet high to the Hargrove #B-1 SML well which produced in the 3rd Marg tex, A-1, along with the A-4 and A-6 sands. The upper portion of the A-4 sand was bypassed due to mechanical conditions and is the primary target in Snapper A-2. The cross-section (Figure 16) has a portion of the Hargrove #B-1 SML well displayed which shows the lower A-4 sand completion and the upper bypassed interval. Only the lower member of the A-4 sand was completed, but there is no information as to why this is the case. The upper part of the A-4 looks comparable to other productive zones.

Reserves

The 3rd Marg tex and the A-1 sands were produced in the Hargrove well and at the proposed location, attic reserves remain in those sands, A-6 sand had shows in the B-1 well. The primary objective is the upper portion of the A-4 which was never produced. Calculation parameters employed were 500 BO/AcFt for liquids recovery, and a GOR of 620 BO/mcf was used to derive estimated gas reserves. Total reserves from all sands are listed below. Given the lack of pay in the A-1 in the Hargrove B-1, reserves for the A-1 sand are considered to be at significantly higher risk than for the other reservoirs.

Reserve Estimates, Snapper A-2

Sand	Prod Acres	Net Sand	MBO	MMCFG
3rd Marg tex	30	15’	225	140
Hk. A-1	10	45’	225	140
Hk. A-4	30	75’	1,125	698
Hk. A-6	10	40’	200	124
Total		175’	1,775	1102

Land

Cypress will apply for a unit to be formed prior to drilling of the well. The Louisiana Department of Natural Resources will approve the unit since there is no opposition since only one landowner is involved. The lease is shown in Figure 15.

WestlawnGeo, LLC
2905 Maple Avenue
Manhattan Beach, CA 90266

Summary and Conclusions

Estimated reserves from all reservoirs for all four prospects would be about 4.17 mmbls oil and condensate and 31.7 bcf. Although this is clearly an upside case, we note that the dome is productive in many zones on all sides of the dome and in similar traps.

Based on the data presented to WestlawnGeo, LLC, we believe that the Parks North prospect is viable and merits drilling. We recognize the reservoir risks and the limitations on the application of seismic attribute modeling, but feel that the following lines of evidence support the prospect concept:

1) the Hackberry A sands are highly productive in the vicinity, and particularly in the Section 28 dome which sets up the Parks North trap,
2) the seismic response at the prospect is consistent with observed pay responses,
3) the forward seismic attribute models are generally consistent with observations in the immediate area and at Parks North, and
4) the Parks North location is up dip to shows in the A-5 sand.

At Bayou Berard, we believe that the risk is low and that hydrocarbons should be encountered in the three Marg tex sands. The Marg tex produces extensively on the Section 28 dome, particularly in eastern and western fault blocks adjacent to and analogous to the prospect.

The Snapper wells are also very likely to be successfully completed, although it should be noted that poorer quality seismic in the area means that the updip termination (and therefore size) of reservoirs is subject to uncertainty. The 3rd Marg tex, A-1, and A-4 are expected to deliver at Snapper A-1. At Snapper A-2, the 3rd Marg tex, A-4, and A-6 sands should be productive. However, this prospect is considered riskier since the A-4 may have been bypassed because it was tight.

Regards,

Jerry Nichols
President
WestlawnGeo, LLC

Robert E. Peterman
Consulting Geologist

DECLARATIONS

Sources of Information

This report is based primarily on data and information supplied by Cypress Production, Inc., in the form of image files and verbal communications. Data provided were electrical well logs, geological and geophysical data, AFE, projected bottom hole location plan, Hackberry deposition models, cross-sections and partial sections of type logs depicting objective sands. Standard oilfield information was used in limited circumstances to corroborate the information supplied by Cypress.

Previous Geological Reports

The Directors of Target have advised that no previous reports have been commissioned by the company relating to the prospects discussed in this document.

Site Inspection

Site inspection was not considered relevant considering the exploratory nature of the project.

Limitations and Risk

In preparing this report we have relied primarily on data supplied by Cypress plus limited available data. A draft of this report was reviewed by Cypress for comment on any possible factual errors.

Oil and gas exploration has inherent risk stemming from the fact that the presence of hydrocarbons can not be predicted with certainty. Technical success rates for exploration wells vary widely by area and play type, but are typically in the range of 70% in the Parks North Prospective area. Commercial success rates are probably about 40% but can be increased with the application of 3D seismic data. Failure to deliver commercial production for a given prospect can be due to any one of a number of factors, including, but not limited to, lack of a trap, lack of adequate reservoir, lack of seal, or improper timing of hydrocarbon generation and migration with respect to trap formation.

Investors are therefore advised of the risk that the drilling programme described herein may not discover commercial quantities of hydrocarbons. Oil and/or gas volumetrics presented in this report are based on best estimates assuming that all conditions required for hydrocarbon accumulations have been met.

Qualifications

Jerry Nichols is President of WestlawnGeo, LLC. Mr. Nichols graduated from the University of California, Santa Barbara in 1973 with a Summa cum Laude B.A. in Mathematics, and an M.A. in Geology in 1978. He later earned an Executive MBA from Case Western Reserve University in 1991. He has 29 years experience in the oil industry with ExxonMobil, Conoco, BP, Devon Energy, and Novus Petroleum. During this time he has been associated with both exploration and development projects, with experience in many basins in five continents.

He is a California Registered Geologist (#4951) and an active member of the Society of Exploration Geophysicists (#018034) and the American Association of Petroleum Geologists (#10017766).

Robert E. Peterman graduated from Lamar University, Beaumont, Texas in 1960 with a Bachelor of Science degree in Geology. He was employed by Sun Oil Company prior to graduation and after graduation for a period of 15 years. In 1966 he became an independent geologist working primarily in South Louisiana and along the Texas Gulf Coast. He has 46 years experience in the oil industry as a geologist. In 1990 he ventured to Australia with emphasis on exploration in Queensland and caused several wells to be drilled. He has formed several oil and gas exploration companies.

He has been a member of the American Association of Petroleum Geologists for the past 44 years and is a Certified Petroleum Geologist (#2490).

Independence

Neither WestlawnGeo, LLC, nor either of the authors has any direct or indirect interest in any acreage or prospects mentioned in this report, or any adjacent properties. They own no securities in the company referenced in this report. Target has paid a fee of US$24,000 plus expenses for the preparation of this report.

As an independent consultants operating in South Louisiana, the Texas Gulf Coast, California, and Queensland, it is conceivable that Target may want to retain the services of the authors in the future. Currently there are several evaluations pending on other prospects.

Conformity

This report has been prepared in conformity with the requirements of the Australian Securities and Investment Commission.

Consent

Jerry Nichols and Robert E. Peterman have consented to the inclusion of this report in the Prospectus in the form and context in which it appears and has not withdrawn this consent before lodgment of this Prospectus with the Australian Securities and Investment Commission.

Cypress Productions, Inc. has consented to the inclusion of the illustrations provided in Figures 1 through 16 and Cypress and WestlawnGeo, LLC, consent to all statements in the form and context in which they appear, and have not withdrawn their consent before lodgment of this Prospectus with the Australian Securities and Investments Commission.

Jerry Nichols
President
WestlawnGeo, LLC

Robert E. Peterman
Consulting Geologist

GLOSSARY

Ac.ft , acre/feet A measure of rock volume, it is equivalent to 7,758 barrels or 1233.49 cubic metres.

AVO Amplitude versus Offset, or the measure of the amplitude of a seismic reflection event for varying angles of incidence from a reflector, i.e., usually a rock interface. This is a seismic evaluation tool that can be diagnostic for lithology and the presence of hydrocarbons. In a Class 3 anomaly, the amplitude can flip from a positive reflection to a negative one as the distance between the seismic source and receivers increase. This is often a good indicator of gas in the Gulf Coast.

Basin A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.

BCF, bcf Billion cubic feet or 28.317 million cubic meters. A unit commonly used in quoting volumes of natural gas.

BO Barrels of oil, a unit of measure commonly used in quoting liquid hydrocarbon volumes. 1 barrel = 42 U.S. gallons 35 imperial gallons (approx) 159 litres (approx).

BTU British Thermal Unit. The energy required to raise one pound of water by 1 degree F. A measure of the richness of natural gas.

Condensate A hydrocarbon phase, which separates out from natural gas and condenses into liquids when the hydrocarbons are produced.

DHC Dry hole cost. The cost of drilling a well in the failure case, ie, where no additional investment in casing, testing or well completion is incurred.

Dry Hole A well in which no commercial hydrocarbons were discovered.

Exploration well A well drilled into a previously undrilled or non-commercial trap to test for the presence of a new hydrocarbon accumulation.

Fault Any brittle failure of rock layers along which rocks are displaced on one side relative to the other.

Field A subsurface accumulation of hydrocarbons.

Fold A bend in the rock strata.

Formation A formal term used to reference a genetically related rock unit (e.g. the Hackberry Formation)

G & G Geology and geophysics.

Gas kick A significant increase in gas detector (Hot Wire) response from an increasing concentration of natural gas in the mud system.

GIP Gas in place. The volume of natural gas stored in a subsurface accumulation. Differs from recoverable reserves in that some of this gas will not be recovered at the surface due to properties of the rock and/or gas, and in situ pressure.

Geology The study of the earth and the processes affecting its crust.

Geophysics The study of rock properties and stratigraphy through the use of analytical methods involving various types of data collection and interpretation.

GOR Gas oil ratio, the ratio of produced gas to produced oil

Henry Hub Located in Louisiana, the Henry Hub is a major natural gas distribution center, and is the key focal point of natural gas spot and future trading in the U.S. Henry Hub is a widely quoted index of natural gas prices.

Horizon A term describing a layer of rock, most typically associated with a seismic reflection.

Hydrocarbons A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.

IP Initial production (rate)

Lead An undrilled, and therefore hypothetical, hydrocarbon trap, which requires additional technical or commercial analysis before drilling can be justified.

Lithology The physical, sedimentary, or mineralogical characteristics of a rock.

MBC Thousands of barrels of condensate. A measure of condensate flow rates from a producing well.

MBO Thousands of barrels of oil. A measure of oil flow rates from a producing well.

MCF, mcf Thousand cubic feet. A widely quoted unit used for natural gas measurement.

md A millidarcy. A unit of measure of the ability of liquids to flow through a porous solid.

MMbls, mmbls Million barrels. A measure of a volume of liquid.

MMCF, mmcf Million cubic feet. A widely quoted unit used for natural gas measurement.

MMCFD, mmcfd Million cubic feet per day. A measure of gas flow rates from a producing well.

MMCFG, mmcfg Million cubic feet of gas. A measure of a volume of gas.

Permeability A measure of the ability of liquids to flow through a porous solid.

Petroleum (See Hydrocarbons)

Pipeline A pipe through which any hydrocarbon or its products is delivered to an end user.

Porosity The percentage of open pore space in a rock.

Prospect An undrilled, and therefore hypothetical trap whose technical and commercial uncertainties are sufficiently well understood and is of sufficient size and probability of success to justify drilling.

Proven Reserves Estimated quantities of hydrocarbons that geological and engineering data demonstrate will be recoverable from known oil and natural gas reservoirs under existing economic and operating conditions.

Recoverable Reserves That portion of the oil and/or gas in a reservoir that can be removed using currently available techniques.

Reserves The volume of oil and gas that can be recovered at the surface. Generally used in the context of commerciality.

Reservoir A porous rock unit in which hydrocarbons occur in an oil field.

Risk A measure of uncertainty relating to the likelihood of finding hydrocarbons, or, the likelihood that any or all of the individual geological elements required for the accumulation of hydrocarbons is met.

Sandstone A sedimentary rock composed primarily of sand size grains, usually quartz. A common hydrocarbon reservoir rock.

Seal An impermeable rock unit that prevents hydrocarbons from escaping from the reservoir.

Seismic reflection An event observed on seismic data that corresponds to a given rock layer in the subsurface

Sediment Generally, water borne debris that settles out of suspension.

Sedimentary rock A type of rock formed by aggregation of sediments.

Shale A very fine grained rock often thinly layered. An important seal rock.

Show An indication while drilling that hydrocarbons are present in the well bore.

Source/source rock An organic rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.

Stratigraphy The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence and environmental deposition.

Structural trap Generally, a hydrocarbon trap formed by dipping rock layers and/or faults.

Structure A geological feature usually higher in elevation than the surrounding rock, formed by local deformation of the rock layers.

TCF Trillion cubic feet or 28.317 billion cubic meters. A unit commonly used in quoting volumes of natural gas.

Trap A structure capable of retaining hydrocarbons.

Trend A particular direction in which similar geological features are repeated.

TVD True vertical depth. The vertical distance from a point in the well (usually the current or final depth) to a point at the surface, usually the elevation of the rotary kelly bushing (RKB).

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FIGURES

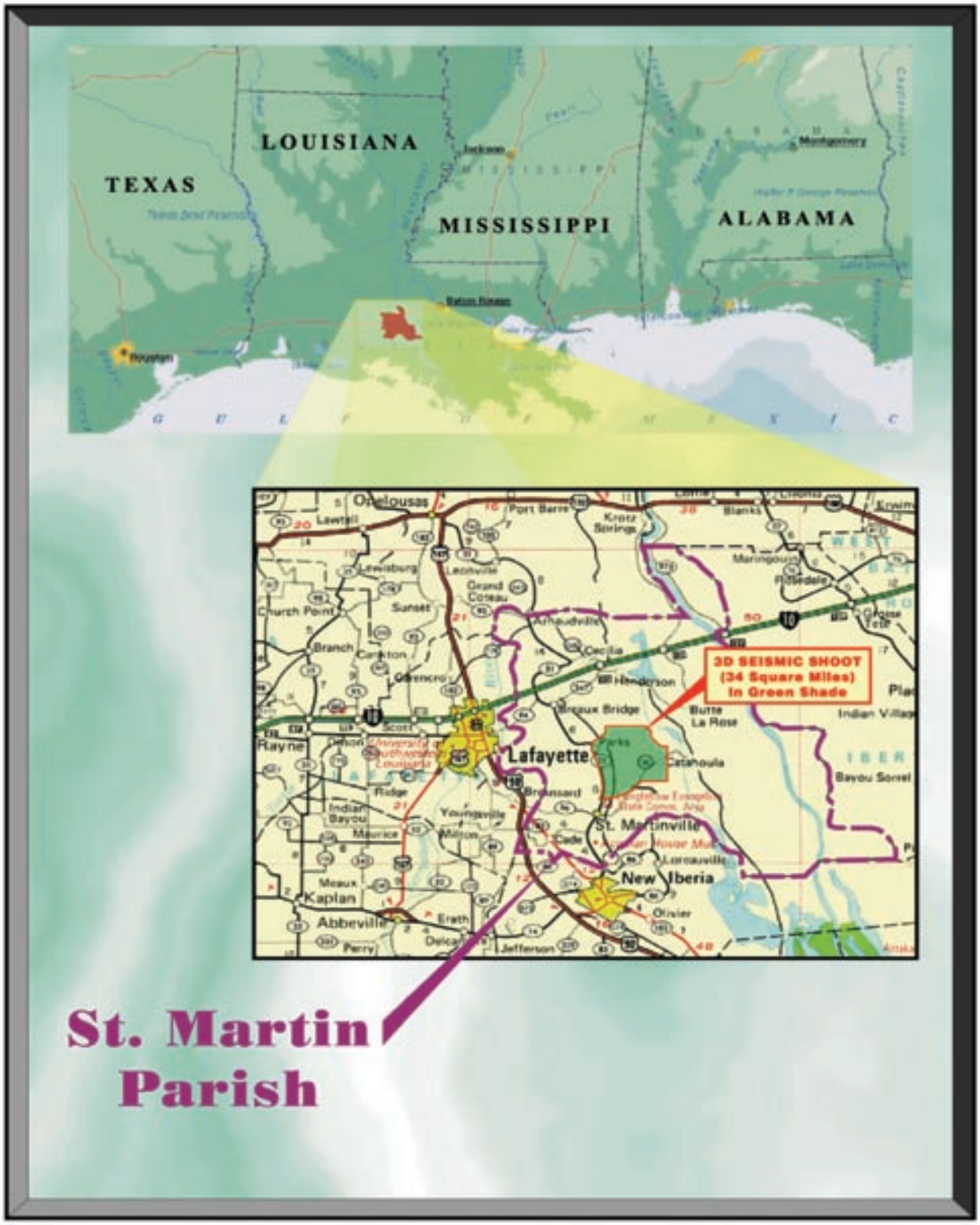

Figure 1. Location map, south Louisiana. 3D survey shown in green.

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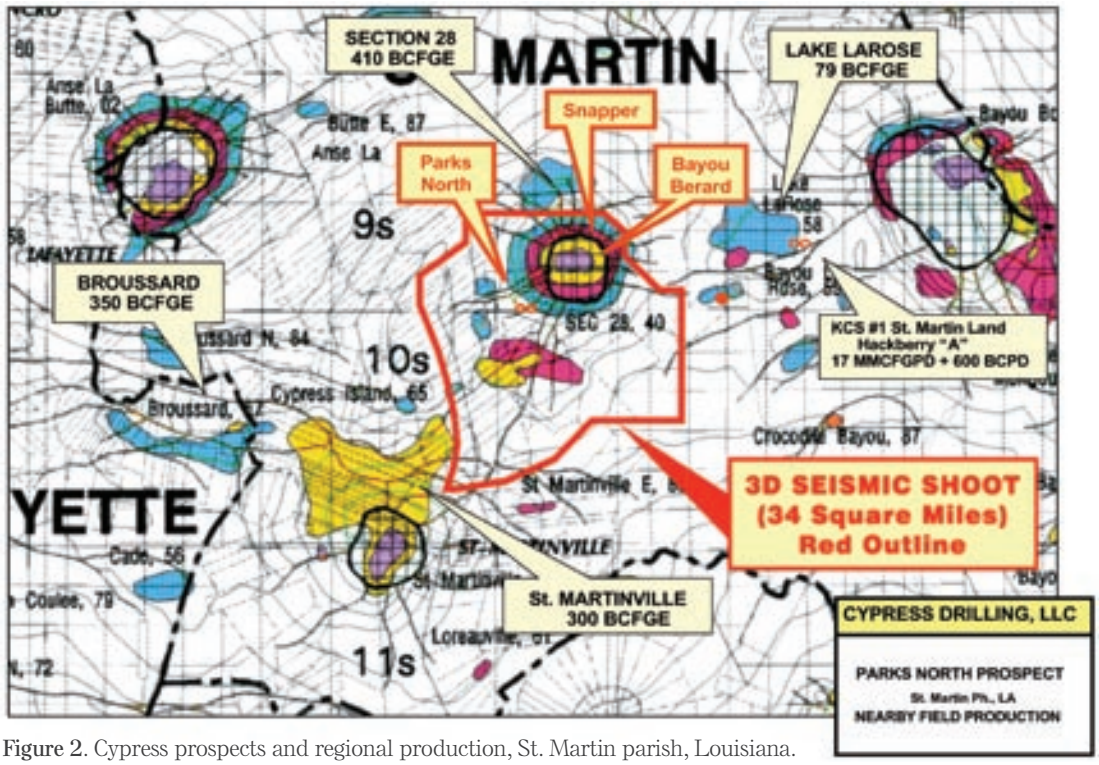

Figure 2. Cypress prospects and regional production, St. Martin parish, Louisiana.

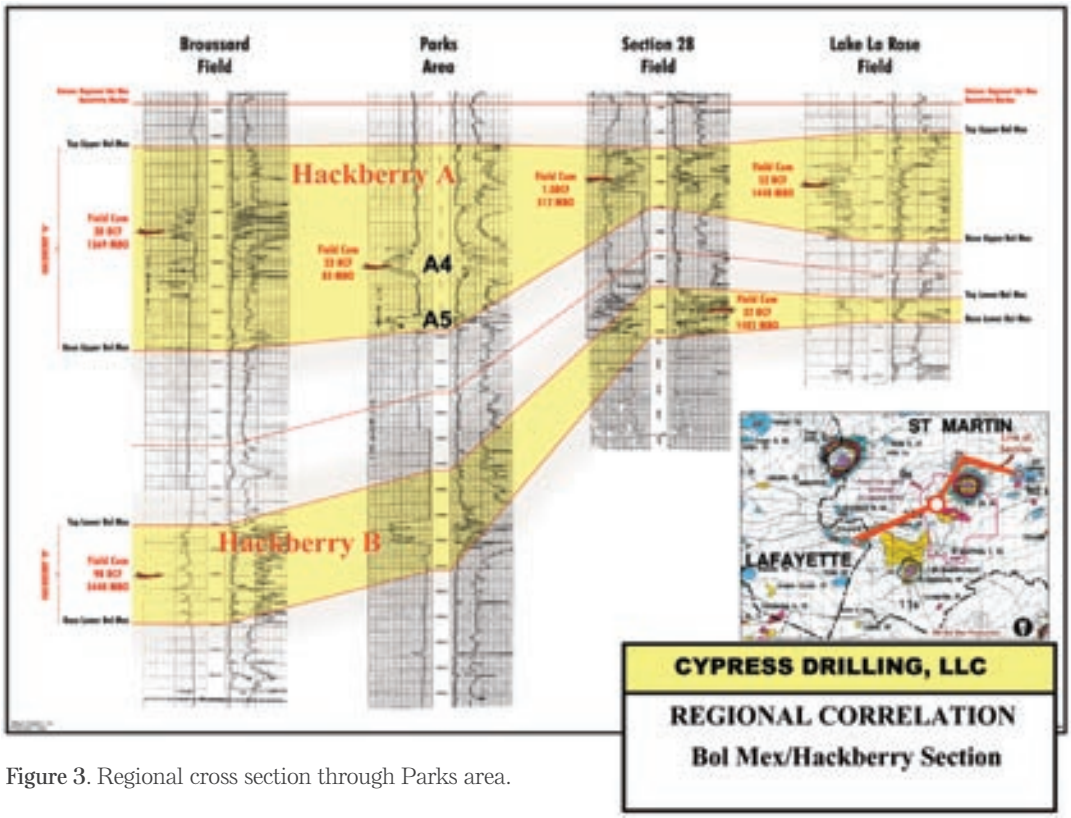

Figure 3. Regional cross section through Parks area.

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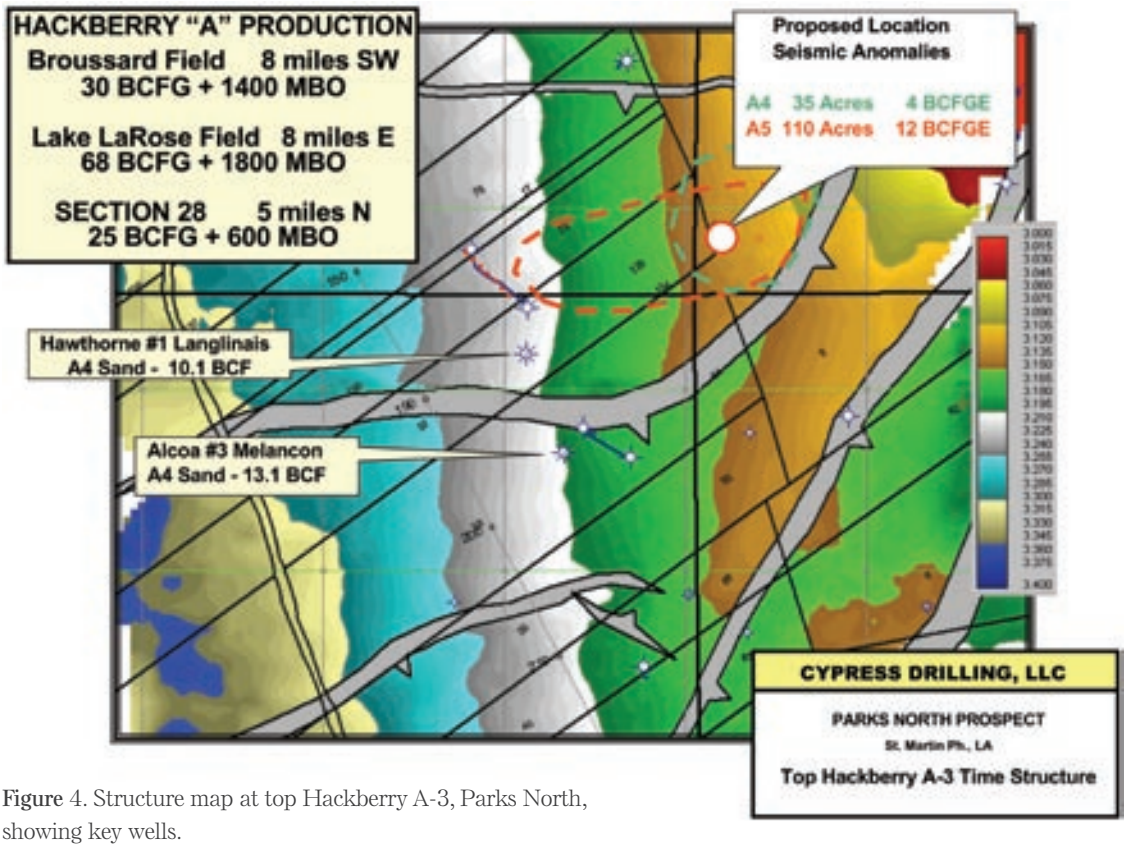

Figure 4. Structure map at top Hackberry A-3, Parks North, showing key wells.

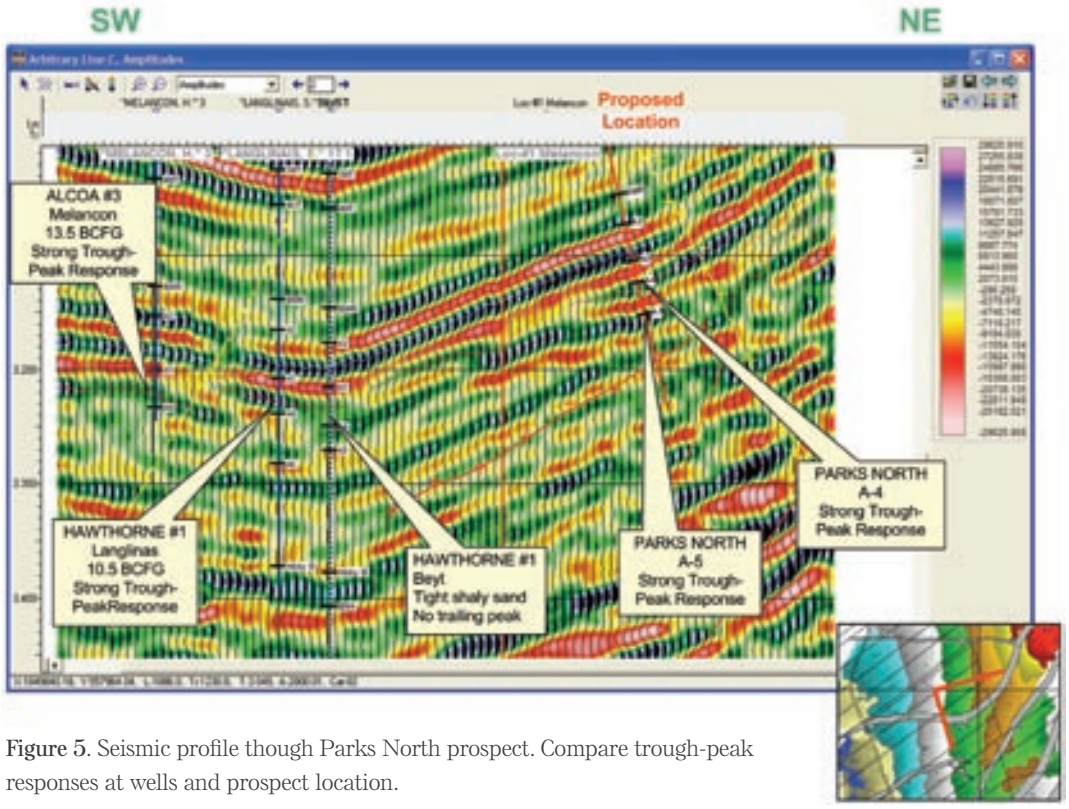

Figure 5. Seismic profile though Parks North prospect. Compare trough-peak responses at wells and prospect location.

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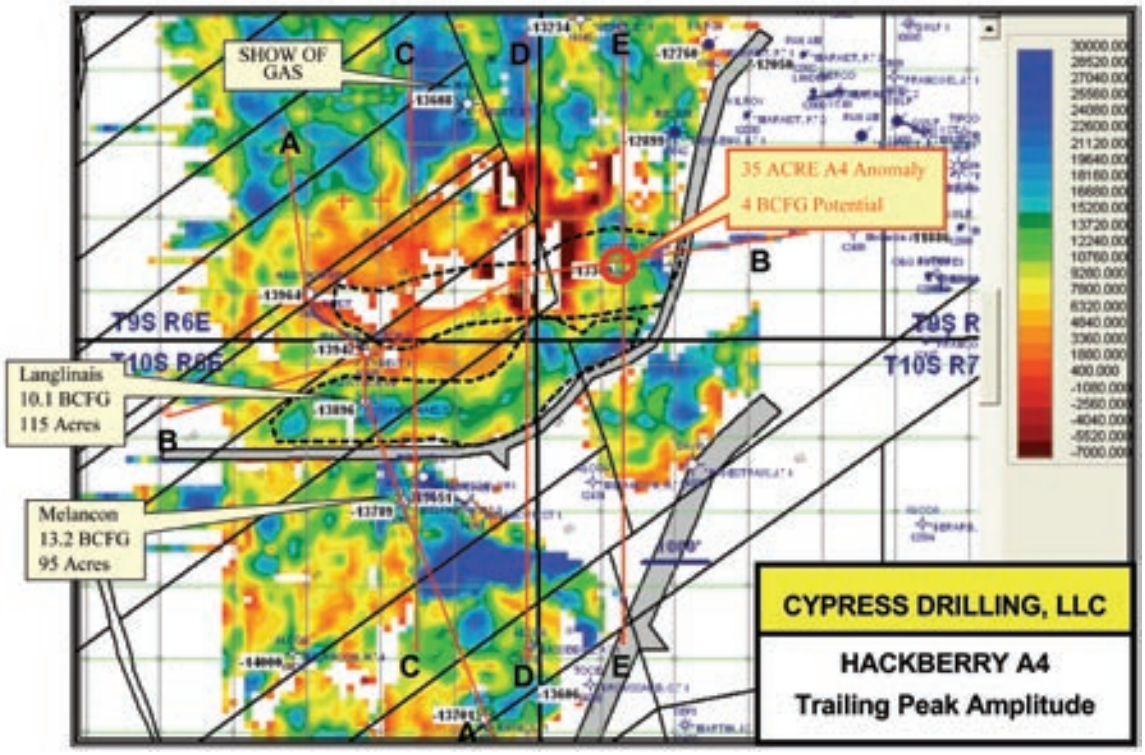

Figure 6. Hackberry A-4 trailing peak amplitude.

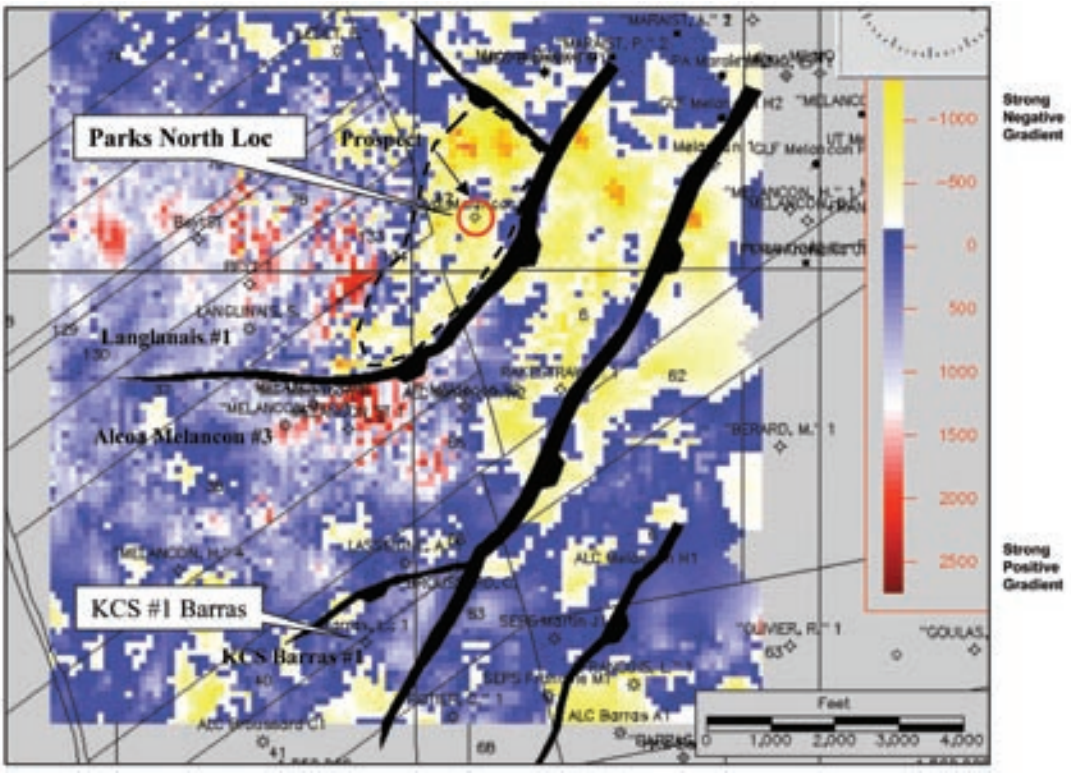

Figure 7. AVO gradient attribute for Hackberry A3 reflector

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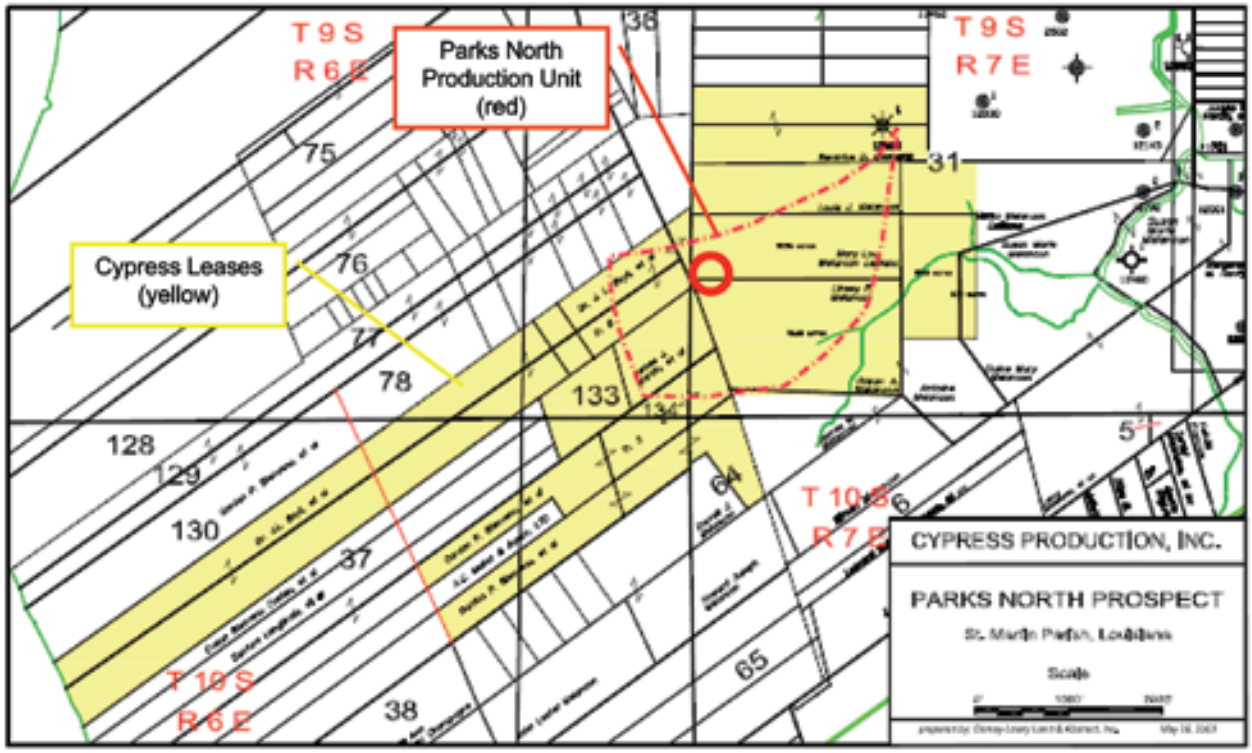

Figure 8. Parks North leases (yellow) and unit (red).

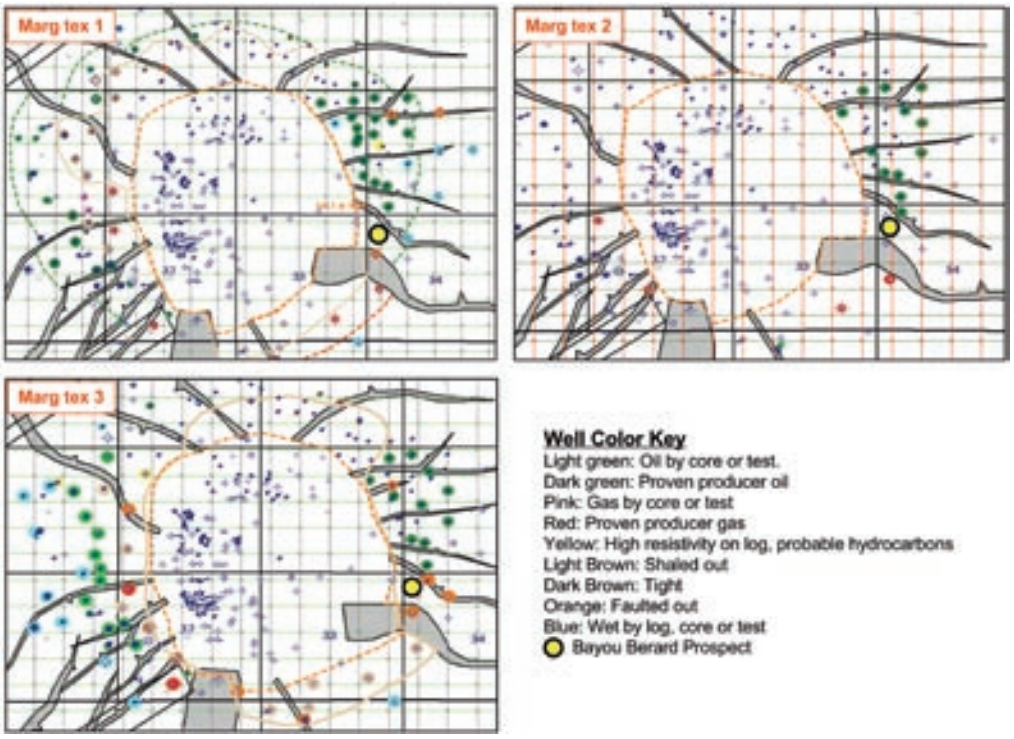

Figure 9. Marg tex well status, Section 28 Field.

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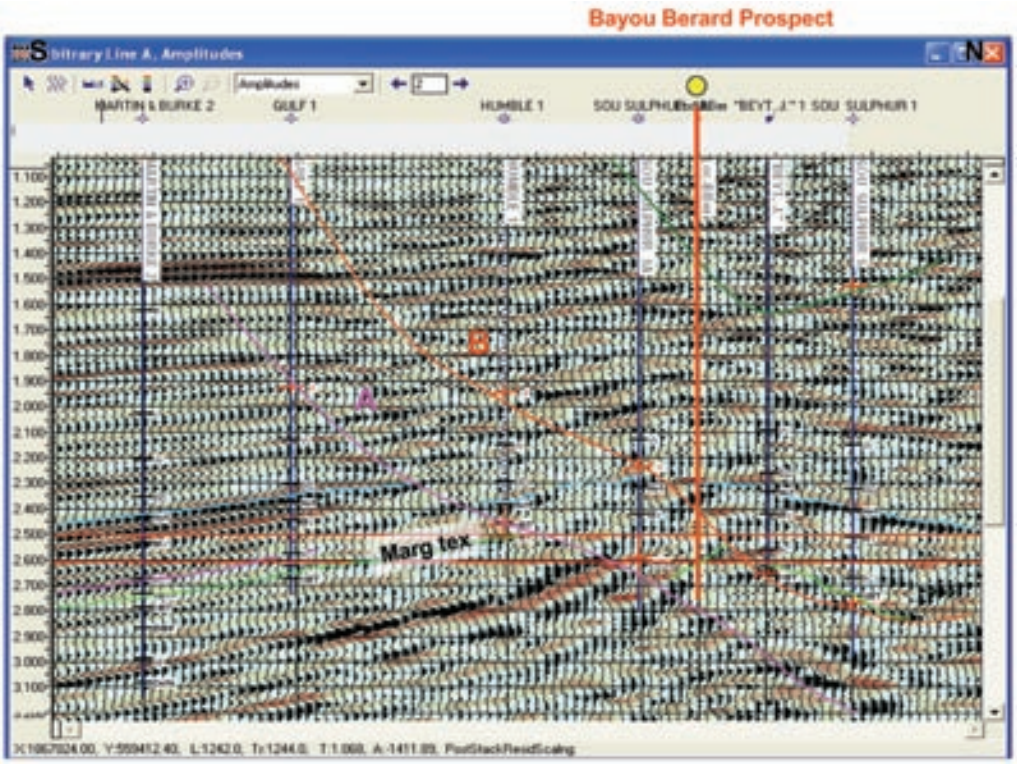

Figure 10. Arbitrary seismic strike line, Bayou Berard prospect.

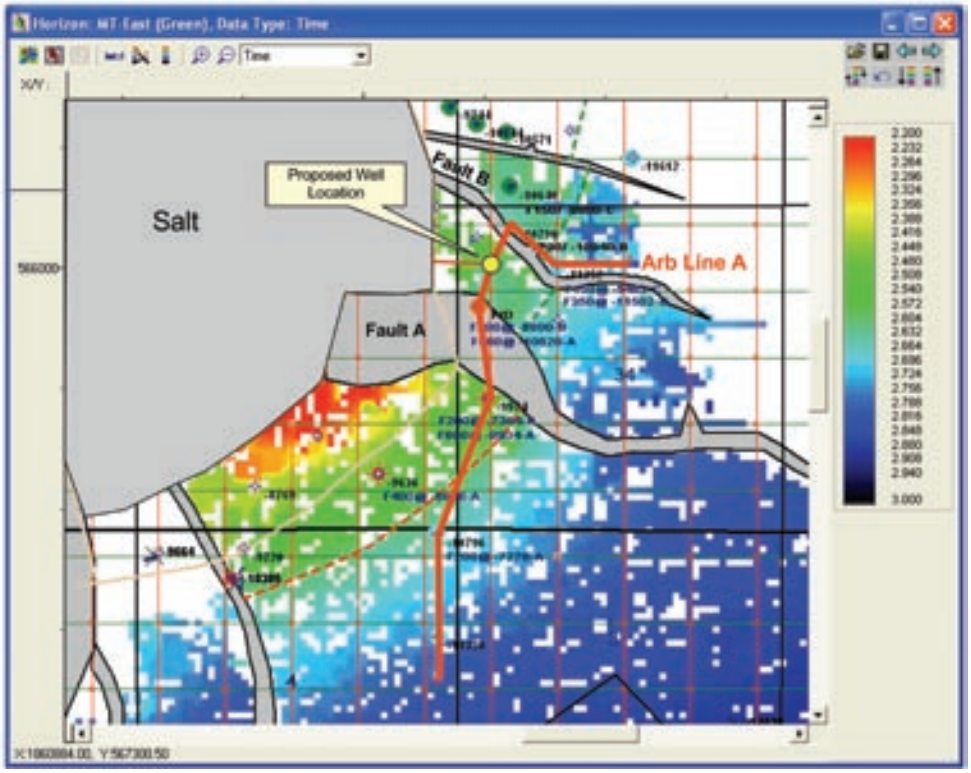

Figure 11. Top 1st Marg tex, Bayou Berard, showing arbitrary seismic strike line in Figure 10.

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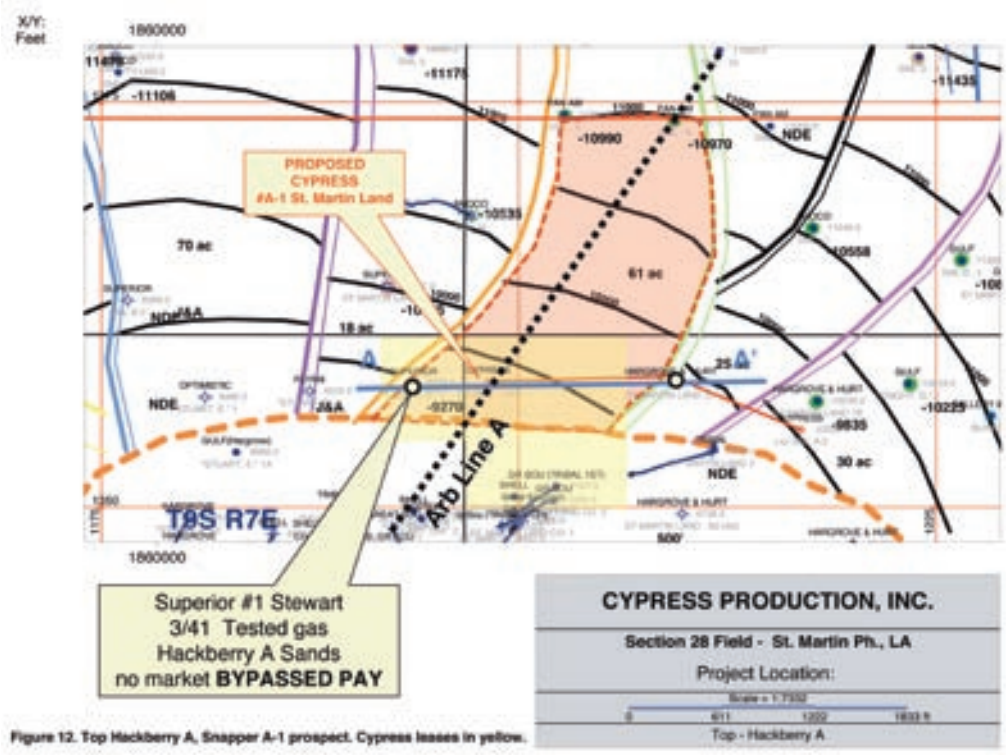

Figure 12. Top Hackberry A, Snapper A-1 prospect. Cypress leases in yellow.

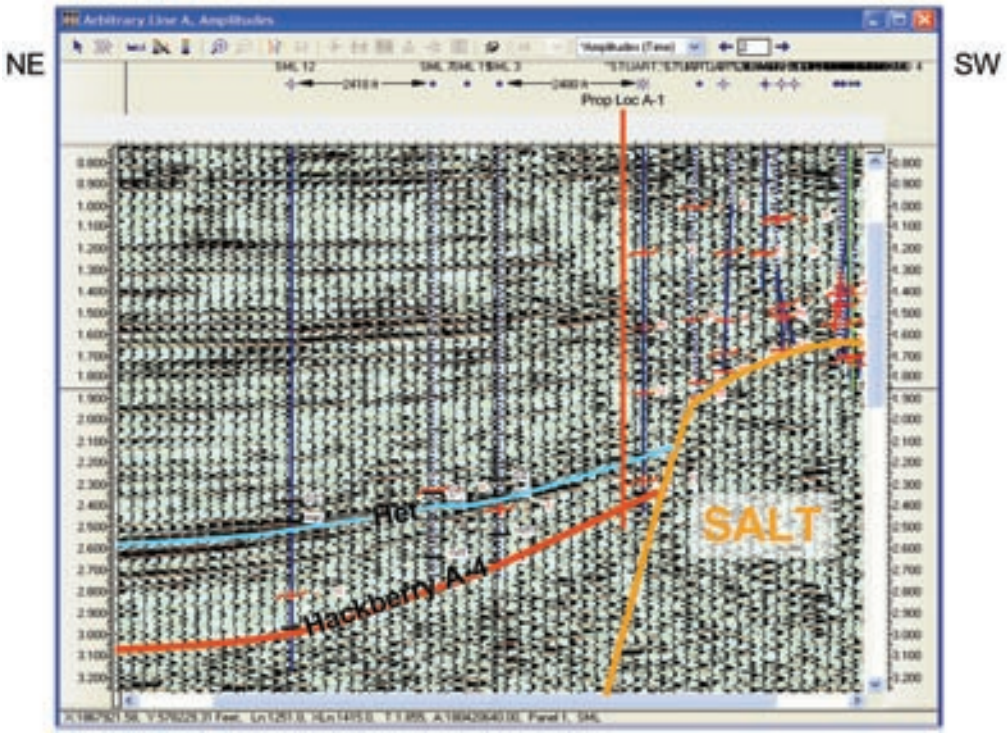

Figure 13. Arb Line A, illustrating seismic character approaching the dome.
Note reliable proxy reflectors at Het level, a regional marker.

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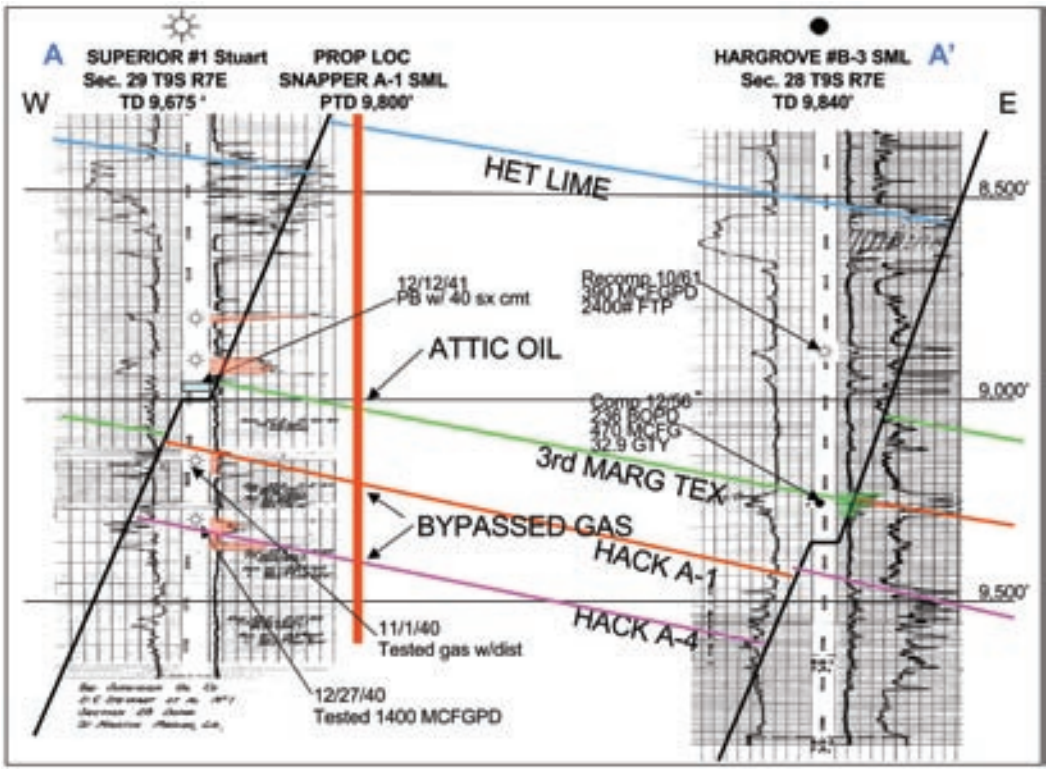

Figure 14. Cross section showing Snapper A-1 structural position and key wells. Note bypassed pay in Superior

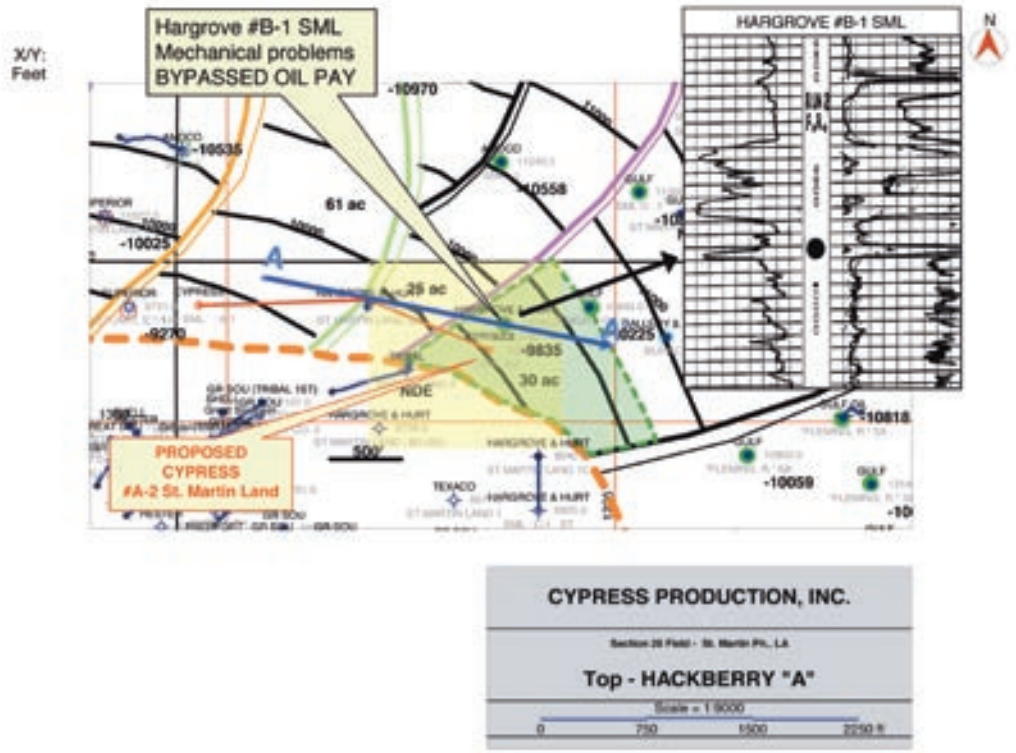

Figure 15. Snapper A-2 prospect structure map: top Hackberry A-4 sand objective. Cypress leases in yellow.

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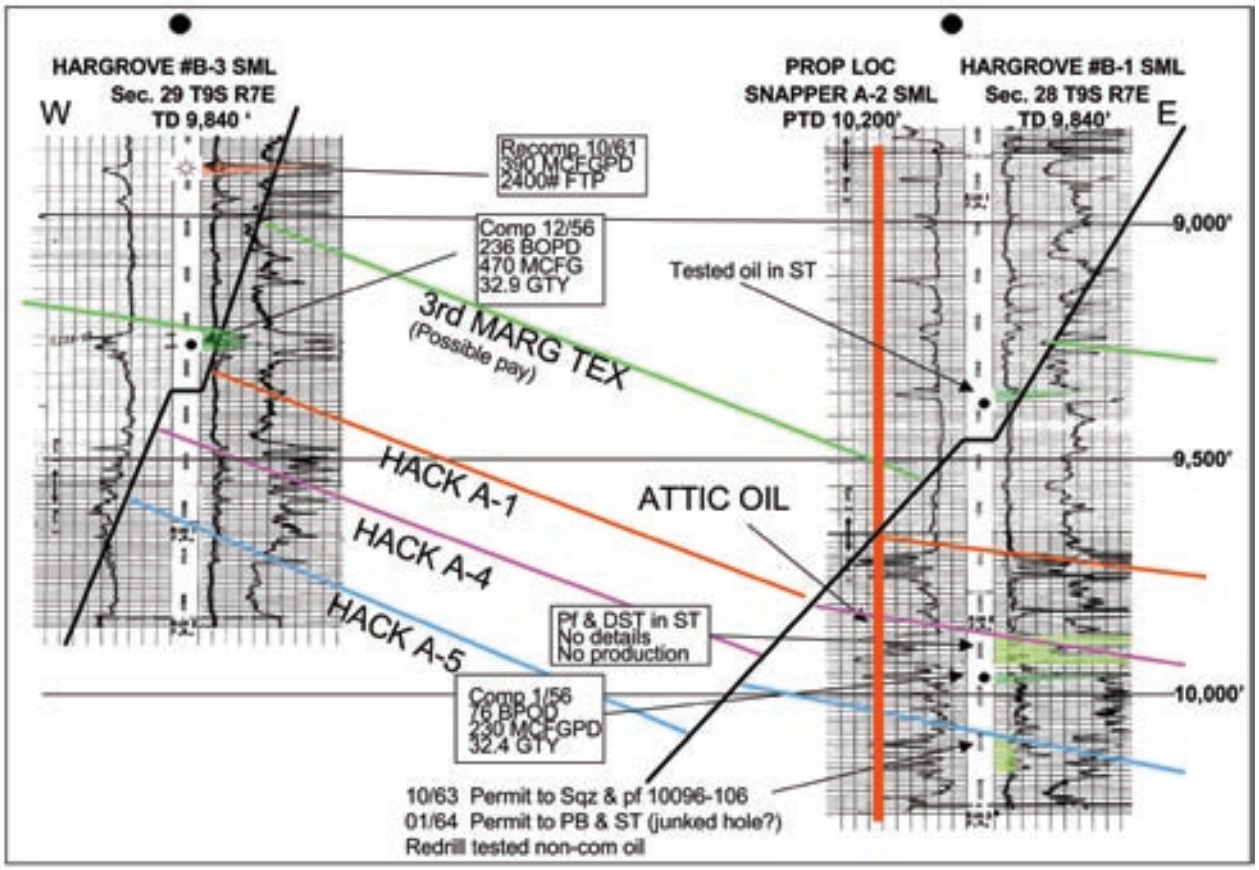
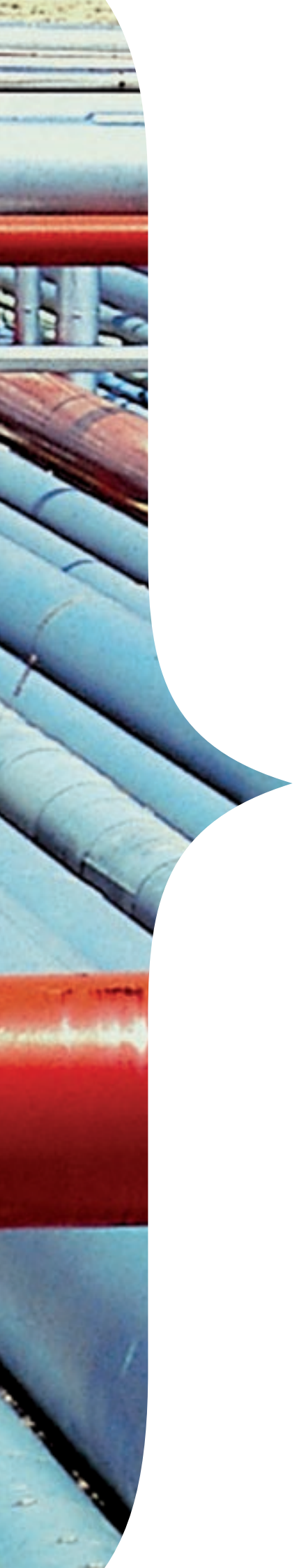


Figure 16. Snapper A-2 cross section showing key wells.

6 Independent Accountant's Report



HLB Mann Judd
Chartered Accountants

9 October 2006

The Directors
Target Energy Limited
30 Ledgar Road
BALCATTA WA 6021

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

INTRODUCTION

This independent accountant's report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 9 October 2006 ("Prospectus") for the issue by Target Energy Limited ("Target" or "Company") of 42,500,000 ordinary shares at an issue price of 20 cents each, to raise $8,500,000 before the expenses of the issue. The Company will accept oversubscriptions of up to a further 7,500,000 ordinary shares to raise a further $1,500,000 before expenses of the issue.

This Report has been included in the Prospectus to assist potential investors and their financial advisers in making an assessment of the financial position of the Company.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Background information;
2. Scope of report;
3. Historical financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. BACKGROUND INFORMATION

The Company was registered on 6 April 2006.

The Company has raised $444,000 up to the date of this Prospectus via the issue of ordinary shares to promoters and seed capital investors. These funds have been utilised to prepare the Company for listing and to partially reimburse third parties' costs to secure Target's rights to participate in the drilling of certain prospects. As set out in the Material Contracts Summary in Section 8 of this Prospectus, Target (or its nominee) has executed agreements with Everest Resource Company, Cypress Drilling, LLC and Pogo Producing Company whereby each company agrees to reserve the Working Interest in the relevant prospects for Target, subject to Target being able to meet its financial obligations.

HLB Mann Judd was appointed as the Company's auditors effective as at the date of the Company's registration, 6 April 2006.

As at the date of this Prospectus, the issued share capital of the Company is $444,000, comprising 18,000,000 fully paid ordinary shares.

We understand that the funds raised by the issue of shares under this Prospectus will be applied as follows:

- Fund the Company's proportionate share of the proposed eight-well drilling program as set out in Section 3 of this Prospectus;
- Fund the Company's pursuit of other oil and gas opportunities;
- Provide funds for the administration of the Company;
- Pay the costs of the issue; and
- Fund future development and working capital.

2. SCOPE OF REPORT

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

a) the Historical Financial Information, comprising the historical balance sheet as at 4 October 2006 and the historical Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period from registration on 6 April 2006 to 4 October 2006 as set out in Appendix 1 to this Report; and

b) the Proforma Financial Information comprising the proforma Balance Sheet as at 4 October 2006 and the proforma Statement of Changes in Equity and Cash Flow Statement for the period then ended. This information is presented under the following two scenarios:
   - $8,500,000 capital raising; and
   - $10,000,000 capital raising (ie acceptance of $1,500,000 in oversubscriptions).

This Report also sets out the financial effects if the Company only raises the minimum subscription of $5,000,000.

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

We have performed a review of the historical financial information and the proforma information of the Company as at 4 October 2006 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review of the historical financial information and the proforma information of the Company was carried out in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Independent Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the Historical Financial Information and Proforma Financial Information included in this Report or elsewhere in this Prospectus.

In relation to the information presented in this Report:

i) support by another person, corporation or an unrelated entity has not been assumed;

ii) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and

iii) the going concern basis of accounting has been adopted.

3. HISTORICAL FINANCIAL INFORMATION

Set out in Appendix 1 (attached) are:

i) The Balance Sheet of the Company as at 4 October 2006, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period then ended;

ii) The proforma Balance Sheet of the Company as at 4 October 2006 and proforma Statement of Changes in Equity and Cash Flow Statement for the period then ended as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 4 October 2006:

   a) the issue by the Company pursuant to this Prospectus of 42,500,000 ordinary shares at an issue price of 20 cents each, raising $8,500,000;

   b) the transfer of prepaid share issue expenses of $14,178 to Contributed Equity;

   c) the payment and write off to the Contributed Equity account of further Prospectus costs, not already paid or previously provided, of an estimated $920,822 (net of GST) as follows:

	Costs to 4/10/06 $	Further costs $	Total $
Brokers fees	-	510,000	510,000
Independent Geologist's Report	13,437	61,563	75,000
Independent Accountant's Report	-	7,500	7,500
Legal and related costs	-	50,000	50,000
Corporate, Administration and Printing	741	241,759	242,500
Lodgement and Listing fees	-	50,000	50,000
	14,178	920,822	935,000

This Proforma Financial Information has been presented under the following two scenarios:

- $8,500,000 capital raising; and
- $10,000,000 capital raising (ie acceptance of $1,500,000 in oversubscriptions) – under this scenario, total Prospectus costs increase to $1,025,000.

iii) Notes to the historical financial information.

4. SUBSEQUENT EVENTS

In our opinion, there have been no material items, transactions or events subsequent to 4 October 2006 not otherwise disclosed in this Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

i) the Historical Financial Information of Target Energy Limited as at 4 October 2006 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the period from registration to 4 October 2006; and

ii) the Proforma Financial Information of Target Energy Limited as at 4 October 2006 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the period from registration to 4 October 2006, as if the transactions referred to in Section 3 (ii) of this Report had occurred during that period.

6. DECLARATION

- HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be $7,500). HLB has received no amounts since registration.
- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- Neither HLB, nor any of its employees or associated persons has any interest in Target Energy Limited or the promotion of the Company.
- Unless specifically referred to in this Report, or elsewhere in this Prospectus, HLB was not involved in the preparation of any other part of this Prospectus and did not cause the issue of any other part of this Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of this Prospectus.
- HLB has consented to the inclusion of this Report in this Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully
HLB MANN JUDD

L Di GIALLONARDO
Partner

APPENDIX 1

TARGET ENERGY LIMITED

BALANCE SHEET
AS AT 4 OCTOBER 2006

	Notes	Reviewed $	Proforma $8.5 million capital raising	Proforma $10 million capital raising
CURRENT ASSETS				
Cash assets	2	200,265	7,779,443	9,189,443
Receivables		7,772	7,772	7,772
Prepaid share issue expenses		14,178	-	-
TOTAL CURRENT ASSETS		222,215	7,787,215	9,197,215
NON-CURRENT ASSETS				
Exploration and evaluation expenditure	3	133,085	133,085	133,085
TOTAL NON-CURRENT ASSETS		133,085	133,085	133,085
TOTAL ASSETS		355,300	7,920,300	9,330,300
CURRENT LIABILITIES				
Payables		3,843	3,843	3,843
TOTAL CURRENT LIABILITIES		3,843	3,843	3,843
TOTAL LIABILITIES		3,843	3,843	3,843
NET ASSETS		351,457	7,916,457	9,326,457
EQUITY				
Contributed equity	4	444,000	8,009,000	9,419,000
Reserves	5	12,690	12,690	12,690
Accumulated losses		(105,233)	(105,233)	(105,233)
TOTAL EQUITY		351,457	7,916,457	9,326,457

This balance sheet should be read in conjunction with the accompanying notes.

TARGET ENERGY LIMITED

INCOME STATEMENT
FOR THE PERIOD 6 APRIL 2006 TO 4 OCTOBER 2006

	Reviewed $
Revenue from ordinary activities (interest received)	849
Formation expenses written off	(1,120)
Employee benefits expense	(12,690)
Other expenses from ordinary activities	(92,272)
Loss from ordinary activities before income tax	(105,233)
Income tax expense relating to ordinary activities	-
Loss from ordinary activities after income tax expense	(105,233)

This statement should be read in conjunction with the accompanying notes.

TARGET ENERGY LIMITED

CASH FLOW STATEMENT
FOR THE PERIOD 6 APRIL 2006 TO 4 OCTOBER 2006

	Reviewed $	Proforma $8.5 million capital raising	Proforma $10 million capital raising
Cash Flows From Operating Activities			
Payments to suppliers	(97,140)	(97,140)	(97,140)
Interest received	668	668	668
Net Cash Used In Operating Activities	(96,472)	(96,472)	(96,472)
Cash Flows From Investing Activities			
Exploration and evaluation expenditure	(133,085)	(133,085)	(133,085)
Net Cash Provided By Investing Activities	(133,085)	(133,085)	(133,085)
Cash Flows From Financing Activities			
Cash proceeds from issue of shares	444,000	8,944,000	10,444,000
Prospectus and share issue costs	(14,178)	(935,000)	(1,025,000)
Net Cash Provided By Financing Activities	429,822	8,009,000	9,419,000
Net Increase In Cash Held	200,265	7,779,443	9,189,443
Cash at the beginning of the financial period	-	-	-
Cash At The End Of The Financial Period	200,265	7,779,443	9,189,443

This statement should be read in conjunction with the accompanying notes.

TARGET ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 6 APRIL 2006 TO 4 OCTOBER 2006

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Issue of promoter and seed capital shares	444,000	-	-	444,000
Issue of options to Directors	-	12,690	-	12,690
Loss for the period	-	-	(105,233)	(105,233)
As at 4 October 2006	**444,000**	**12,690**	**(105,233)**	**351,457**
Proforma based on $8.5 million capital raising:				
Balance as at 4 October 2006	444,000	12,690	(105,233)	351,457
Issue of shares pursuant to Prospectus	8,500,000	-	-	8,500,000
Share issue expenses	(935,000)	-	-	(935,000)
Proforma total as at 4 October 2006	**8,009,000**	**12,690**	**(105,233)**	**7,916,457**
Proforma based on $10 million capital raising:				
Balance as at 4 October 2006	444,000	12,690	(105,233)	351,457
Issue of shares pursuant to Prospectus	10,000,000	-	-	10,000,000
Share issue expenses	(1,025,000)	-	-	(1,025,000)
Proforma total as at 4 October 2006	**9,419,000**	**12,690**	**(105,233)**	**9,326,457**

As set out in Note 4(ii) to the Financial Statements and Section 8 of this Prospectus, the Company has issued 6,000,000 unlisted options to Directors. The options vested immediately. The Company's accounting policy in relation to Share Based Payment Transactions requires it to determine a fair value of the options at the date on which the options are granted and to recognise an expense for this value in the Income Statement, together with a corresponding increase in equity (Employee Equity Benefits Reserve) over the period from the date the options are granted to the vesting date.

The Company has undertaken a valuation of the options and has determined a theoretical value of the options to be 0.21 cents per option. The Company has utilised the Black & Scholes Option Pricing Model in valuing the options and has made the following assumptions in arriving at this value:

Value of underlying share (price paid by seed capital)	2.5 cents
Exercise price of options	20 cents
Expiry date of options	30 June 2011
Risk-free interest rate	5.7%
Expected volatility	60%

In relation to the 6,000,000 options issued to Directors, an expense of $12,690 has been recognised in the Income Statement, together with a corresponding increase in the Employee Equity Benefits Reserve as at the date the options were granted.

This statement should be read in conjunction with the accompanying notes.

TARGET ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 6 APRIL 2006 TO 4 OCTOBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards ("AIFRS") are shown below:

Basis of Accounting

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Statement of Compliance

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards.

Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO are classified as operating cash flows.

Income Tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Income Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recoverable Amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest are carried forward as an asset in the Balance Sheet so long as the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made.

Once an area of interest enters a production phase, all capitalised expenditure in relation to that area of interest is transferred to Development Expenditure within Property, Plant and Equipment in the Balance Sheet. Capitalised Development Expenditure is amortised from the commencement of production on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change.

Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 days of recognition.

Share Based Payment Transactions

The Company currently provides benefits to employees (including Directors and senior executives) of the Company in the form of share-based payment transactions. The cost of these equity-settled transactions (options) with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black and Scholes Option Pricing Model.

The cost of equity-settled transactions (options) is recognised (in the majority of cases as an expense in the Income Statement), together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award of the options (“vesting date”).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proforma Transactions

The proforma Balance Sheet, Statement of Changes in Equity and Cash Flow Statement have been derived from the historical financial information as at 4 October 2006 adjusted to give effect to the following significant events and proposed transactions by the Company subsequent to 4 October 2006:

a) the issue by the Company pursuant to this Prospectus of 42,500,000 ordinary shares at an issue price of 20 cents each, raising $8,500,000;
b) the transfer of prepaid share issue expenses of $14,178 to Contributed Equity;
c) the payment and write off to the Contributed Equity account of further Prospectus costs, not already paid or previously provided, of an estimated $920,822 (net of GST).

The Proforma Financial Information has been presented under the following two scenarios:

- $8,500,000 capital raising; and
- $10,000,000 capital raising (ie acceptance of $1,500,000 in oversubscriptions) – under this scenario, total Prospectus costs increase to $1,025,000.

If the Company is only able to raise the minimum subscription of $5,000,000, the proforma cash balance will initially decrease to $4,489,443 with a corresponding decrease in Contributed Equity. In this case, Prospectus costs will reduce by approximately $210,000 (from the level incurred by the $8.5 million capital raising).

	Reviewed $	Proforma $8.5 million capital raising	Proforma $10 million capital raising
2. CASH			
Balance as at 4 October 2006	200,265	200,265	200,265
Shares issued pursuant to this Prospectus	-	8,500,000	10,000,000
Share issue costs	-	(920,822)	(1,010,822)
	200,265	7,779,443	9,189,443
3. EXPLORATION AND EVALUATION EXPENDITURE			
Balance as at 4 October 2006	133,085	133,085	133,085

Ultimate recoupment of this expenditure is dependent upon the continuation of the Company's right to tenure of the areas of interest and the discovery of commercially viable oil and gas reserves, their successful development and exploitation, or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

4. CONTRIBUTED EQUITY			
(i) Issued and paid up share capital			
Shares issued:			
Issue of promoter and seed capital shares	444,000	444,000	444,000
Shares issued pursuant to this Prospectus	-	8,500,000	10,000,000
Share issue costs	-	(935,000)	(1,025,000)
Balance at end of period	444,000	8,009,000	9,419,000

4. CONTRIBUTED EQUITY (Continued)

Movements in the number of fully paid ordinary shares since registration:

	Number	$
Proforma based on $8.5 million capital raising:		
Balance as at 4 October 2006 (promoter and seed capital shares)	18,000,000	444,000
Shares to be issued pursuant to this Prospectus	42,500,000	8,500,000
Proforma balance (excludes share issue costs)	60,500,000	8,944,000
Proforma based on $10 million capital raising:		
Balance as at 4 October 2006 (promoter and seed capital shares)	18,000,000	444,000
Shares to be issued pursuant to this Prospectus	50,000,000	10,000,000
Proforma balance (excludes share issue costs)	68,000,000	10,444,000

ii) Share Options

As set out in Section 8 of this Prospectus, the Company has issued 6,000,000 unlisted options to Directors. The options will be exercisable at 20 cents at any time prior to 30 June 2011 and vested immediately.

As also set out in this Prospectus, the Company proposes to undertake a non-renounceable entitlement issue of options ("loyalty options") within three to six months after the date on which the shares issued pursuant to this Prospectus commence trading on the ASX. The options will be issued at a price of 1 cent each with an exercise price of 25 cents each and an expiry date of 26 November 2009. The Directors propose to apply for the options issued pursuant to the entitlements issue to be listed for quotation on the ASX.

	Reviewed $	Proforma $8.5 million capital raising	Proforma $10 million capital raising
5. RESERVES			
Employee Equity Benefits Reserve:			
Issue of 6,000,000 options to Directors	12,690	12,690	12,690

6. CONTINGENCIES AND COMMITMENTS

The Directors are not aware of any contingencies at the date of this Report.

As set out in the Material Contracts Summary in Section 8 of this Prospectus, Target has executed agreements with Everest Resource Company, Cypress Drilling, LLC and Pogo Producing Company, pursuant to which Target (or its nominee) will pay these companies certain amounts as compensation for leasing and technical costs within certain periods (ranging from two to four weeks) of executing Participation Agreements and Joint Operating Agreements for the Kant, Garwood Frio, Thoroughbred, Bayou Berard, Parks North and Berwyn prospects. Target is also committed to funding certain percentages of drilling and completion costs to earn interests in these prospects, as outlined elsewhere in this Prospectus.

7. RELATED PARTY TRANSACTIONS

The names of persons who were Directors of Target Energy Limited at any time during the financial period are Mr Didier Murcia, Mr Laurence Roe, Mr Michael Martin and Mr Paul Lloyd.

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 8 of this Prospectus.

7 Risk Factors

The business activities of the Company are subject to risks and there are many factors which may impact on its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside the control of the Company and cannot be mitigated. There are also general risks associated with any investment. There are a number of factors which investors should consider before they make a decision whether or not to apply for Shares. The principal factors include, but are not limited to, the following:

Exploration and Development Success

Potential investors should understand that hydrocarbon exploration and development is a high-risk undertaking.

There can be no assurance that the Company's exploration and development activities will result in the discovery of an economic hydrocarbon resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or discover hydrocarbon accumulations; failure to achieve predicted well production flow-rates; operational and technical difficulties encountered in production; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated reservoir problems which may affect field production performance; adverse weather conditions; industrial and environmental accidents; industrial disputes; fluctuations in commodity prices; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Drilling may also result in unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some hydrocarbons, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on investment or recovery of drilling, completion and operating costs. Hazards incidental to the exploration and development of petroleum properties such as unusual or unexpected rock formations, formation pressures, climatic conditions or other factors are inherent in drilling and operating wells and may be encountered by the Company.

The Company does not have any operating history, although it should be noted that the Company's Directors have significant operational experience. No assurances can be given that the Company's prospects and projects will achieve commercial viability through successful exploration, development and/or production. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Commercialisation

Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return.

Reserve Estimates

Reserve estimates are expressions of judgement based on knowledge, experience and industry practice and the Reserves classifications are related to the inherent risks in producing recoverable hydrocarbons. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, Reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the Company's operations.

Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to hydrocarbon production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, the quality of the oil, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, prices of commodities in the USA are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken to account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Environmental Risks

The operations and proposed activities of the Company will be subject to USA laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

Government Actions

The impact of actions by governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

Legal Risk

The introduction of new legislation or amendments to existing legislation by governments, developments in the existing common law in any jurisdiction which governs the Company's operations or contractual obligations, could impact adversely on the assets, operations and the financial performance of the Company.

Regulatory Approvals

The Company will require government regulatory approvals for its operations and facilities installations. This may from time to time affect timing and scope of work to be undertaken.

Access

The Company, in order to conduct its exploration and development programs, may require approval from government and non-government bodies to facilitate access to blocks and leases in which it has an interest.

Taxation

Profits arising from the discovery and commercialisation of oil and gas fields will be subject to USA taxation. The tax treatment could vary significantly from that applied in Australia.

Title Risks

The process of confirming legal title to a prospect is an ongoing task. The operator finalises the task of the title confirmation immediately prior to the commencement of drilling a well. In the event that, at that time, clear title cannot be determined then drilling on a prospect could be delayed or halted indefinitely.

Share Market Conditions

The price of the Company's listed securities when quoted on the ASX will be influenced by international and domestic factors affecting conditions in equity, financial and commodity markets. These factors may affect the general level of prices for listed securities of resource and exploration companies quoted on the ASX.

Competition

The Company will be competing with other companies in its exploration and development activities, many of which will have access to greater resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

General Investment Risks

There is a risk that the price of Shares and returns to Shareholders may be affected by changes in:

- local and world economic conditions;
- interest rates;
- levels of tax, taxation law and accounting practice;
- government legislation or intervention;
- inflation or inflationary expectations; and
- natural disasters, social upheaval or war in the USA, Australia or elsewhere, as well as other factors beyond the control of the Company.

Specific Risks Associated with the Company

There are also a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its listed securities. In particular, the Company is subject to risks relating to the exploration and development of oil and gas interests which are not generally associated with other businesses.

Set out below are specific risks that may adversely affect the Company:

Insurance

Insurance against all risks associated with petroleum exploration and production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Reliance on Key Personnel

The Company's success will depend in part on the continued services of its Directors, key employees and contractors. The loss of services of one or more of the Company's key employees or contractors could have a material adverse effect on the Company's business, operating results and financial condition. This risk is addressed in part by the existence of a formal service contract to retain the services of Laurence Roe. See Section 8 for details.

Need to Attract Qualified Staff

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting and retaining such personnel.

Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies and/or assets. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies and assets.

Future Capital Needs and Funding

Further funding will be required by the Company to support future activities and operations for other matters additional to the expenditures set out in this Prospectus. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and, consequently, its performance.

8 Additional Information

Rights Attaching to Shares

Immediately after issue and allotment, the Shares will be fully paid ordinary shares. There will be no liability on the part of Shareholders for any calls and the Shares will rank equally with Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below:

Each share will confer on its holder:

(a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);

(b) the right to receive dividends, according to the amount paid up on the Share;

(c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by the ASX as "restricted securities" and the rights of liquidators to distribute surplus assets of the Company (with the consent of members by special resolution); and

(d) subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attached to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

Rights Attaching to Options

There are 6,000,000 Options on issue at the date of this Prospectus. Set out below are the basic terms and conditions which apply to these Options.

(a) Options expire on 30 June 2011.

(b) Each Option shall entitle the holder the right to subscribe for one (1) fully paid ordinary share in the capital of the Company at an issue price of 20 cents.

(c) Each ordinary share allotted as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.

(d) In the event of a reconstruction (including a consolidation, sub-division, reduction, return or pro-rata cancellation) of the issued capital of the Company, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with ASX Listing Rules such that there will not result in any benefits being conferred on the Option Holders which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms of the exercise of Options shall remain unchanged.

(e) There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the Option Expiry Date unless and until Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise the Options that have vested in the Option Holder at that time.

(f) If the Company makes a pro rata issue (except a bonus issue) to the holders of ordinary shares, the exercise price of each Option shall be amended in accordance with the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N+1}$$

Where:

O' = the new exercise price of the Option.
O = the old exercise price of the Option.
E = the number of underlying shares into which one Option is exercisable.
P = the average market price per share (weighed by reference to volume) of the underlying shares during the 5 trading days ending on the day before the ex rights or the ex entitlements date.
S= the subscription price for a share under the pro rata issue.
D= any dividend due but not yet paid on the existing underlying share (except those to be issued under the pro rata issue).
N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

(g) No change will be made pursuant to the application of the above formula to the number of shares to which the Option Holder is entitled.

(h) The reduction of the exercise price of each Option in accordance with the above formula shall be subject to the provisions of the Listing Rules of the ASX.

(i) If the Company makes a bonus issue or other securities convertible into ordinary shares pro rata to holders of ordinary shares the number of shares issued on exercise of each Option will include the number of bonus shares that would have been issued if the Option had been exercised by the Option Holder prior to the books closing date for bonus shares. No change will be made in such circumstances to the exercise price of each Option.

Material Contracts Summary

The Directors consider that the material contracts described below and elsewhere in this Prospectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

The following is a summary only of the material contracts and their substantive terms.

Agreements to Farmin

Everest Resource Company, Cypress Drilling, LLC and Pogo Producing Company

Target has executed agreements with Everest Resource Company ("Everest"), Cypress Drilling LLC ("Cypress") and Pogo Producing Company ("Pogo") whereby each company agrees to reserve the agreed Working Interest in the relevant prospects for Target, subject to Target being able to meet its financial obligations and satisfaction of the other conditions referred to below.

Everest and Cypress have agreed that none of the prospects that Target has agreed to participate in will be drilled prior to December 2006 and that Target will not be cash-called prior to 1 December 2006. Pogo has confirmed that drilling at Berwyn will not commence prior to December 2006. Target has paid or will pay deposits to secure its right to participate in the drilling of the prospects.

If any prospect is not drilled within nine months of the deposit being paid or if the final anticipated drilling budget exceeds the original estimate by 25% or more (for the Cypress and Everest arrangements other than for the Snapper A-1 and A-2 prospects) or exceeds US$15 million (for the Pogo agreement), Target may terminate the agreement for the relevant prospect and receive a full refund of the deposit for the relevant prospect.

In relation to the Bayou Berard prospect the Company may also terminate the agreement for this prospect if 10% or more of the interests in the prospect are unleased within 6 months of payment of the deposit on the prospect.

The rights of termination of the Company under the Cypress agreement (for other than the Snapper prospects) are also subject to notice of termination being given not less than 60 days before drilling of the relevant prospect starts.

If Target is unable to meet its financial obligations in a timely manner, the agreement may be terminated for the relevant prospect and Target will forfeit the monies paid to that time for the relevant prospect.

The terms of the arrangements (other than for the Snapper prospects) are also subject to the signing of a Participation Agreement and Joint Operating Agreement between Target and those parties by 31 October 2006 for Cypress, 1 November 2006 for Everest and 9 November 2006 for Pogo.

No amount will be payable by the Company for completion costs on any prospect until after the well has been drilled, evaluated and a decision made by the operator to complete the well.

(a) Everest Resource Company

Target will pay Everest the sum of US$40,000 as compensation for leasing and technical costs within two weeks of executing a Participation Agreement and Joint Operating Agreement ("PA/JOA") for the Kant prospect. Target will then fund 33% of drilling and completion costs to earn a 25% working interest in the well and the lease-holding (294 acres) down to 4,750 feet (1,448 metres). Estimated costs of drilling and completion net to Target are US$86,667 and US$73,333 respectively.

Target will pay Everest the sum of US$41,662 as compensation for leasing and technical costs within two weeks of executing a PA/JOA for the Garwood Frio prospect. Target will then fund 33% of drilling and completion costs to earn a 25% working interest in the well and the lease holding (approx 680 acres) down to 5,000 feet (1,524 metres). Estimated costs of drilling and completion net to Target are US$83,333 and US$73,333 respectively.

Target will pay Everest the sum of US$41,662 as compensation for leasing and technical costs within two weeks of executing a PA/JOA for the Thoroughbred prospect. Target will then fund 33% of drilling and completion costs to earn a 25% working interest in the well and the lease holding (approx 340 acres) down to 5,000 feet (1,524 metres). Estimated costs of drilling and completion net to Target are US$80,000 and US$66,667 respectively.

(b) Cypress Productions, LLC

Target will pay Cypress the sum of US$37,500 as compensation for leasing and technical costs within three weeks of executing a PA/JOA for the Bayou Berard prospect. Target will then fund 20% of drilling and completion costs to earn a 15% working interest in the well. Estimated costs of drilling and completion net to Target are US$414,600 and US$190,600 respectively.

Target will pay Cypress the sum of US$26,700 as compensation for leasing and technical costs within three weeks of executing a PA/JOA for the Parks North prospect. Target will then fund 13.333% of drilling and completion costs to earn a 10% working interest in the well (subject to a 6.25% Working Interest back-in to the 100% by a third party after the well costs are paid out). Estimated costs of drilling and completion net to Target are US$466,500 and US$181,600 respectively.

Participation Agreement and Joint Operating Agreement – Snapper A-1 and Snapper A-2 prospects

Target has paid Cypress Productions the sum of US$44,750 for each well as compensation for leasing and technical costs. Target has executed a Participation Agreement and Joint Operating Agreement with Cypress for its interest in the Snapper A-1 and Snapper A-2 prospects. Target will then fund 33.33% of drilling and completion costs to earn a 25% working interest in the wells (to a depth of 10,000 feet or the well's Total Depth, whichever is greater) and the right to participate in further drilling in the lease areas. Estimated costs of drilling and completion net to Target for each well are US$661,225 and US$253,150 respectively.

In addition to the amounts referred to above, key terms under the Participation and Joint Operating Agreements are as follows:

(a) The Company is obligated to pay an estimated amount of $661,225 for each of the 2 wells prior to the drilling of the wells.

(b) The Company will be obligated to pay an estimated amount of US$253,150 for completion of each well which is payable within 7 days of request after the well has been drilled, evaluated and a decision made to complete. If the completion payment is not made, the Company will lose its interest.

(c) The Company will not acquire an interest in any of the 2 prospect areas until Cypress has drilled and completed the well and the well is deemed to be capable of producing hydrocarbons in commercial quantities.

(d) Cypress will be the operator on each of the two prospects.

(e) The Operating Agreement is the model form operating agreement in the form of American Association of Petroleum Landmen Model 610 (1982 version).

(f) All leases within the prospect areas may be subject to overriding royalties for oil and gas produced.

(g) Title examination will be made on the drill site of the wells prior to the commencement of drilling operations, the costs for which will be borne by the parties in accordance with their percentage interests.

(h) No well will be drilled until after the title has been examined and approved by the examining attorney or all of the parties who are participating.

(i) The Company has the right to participate in drilling on other wells in the contract area.

(c) Pogo Producing Company

Target will pay Pogo the sum of approximately US$220,000 as compensation for leasing and technical costs within three weeks of executing a PA/JOA for the Berwyn prospect. Target will then fund 13.333% of drilling costs and 10% of completion costs to earn a 10% working interest in the prospect and the lease. Estimated costs of drilling and completion net to Target are US$1,666,625 and US$350,000 respectively.

Executive Agreement for Laurence Roe

The Company has appointed Laurence Roe as managing director by way of an Executive Agreement for a term of three years, commencing from the date the Company achieves its Minimum Subscription. The initial salary payable to him is $240,000 per annum inclusive of superannuation.

The salary will be reviewed each year at the discretion of the Company.

His remuneration package includes an entitlement to be reimbursed for reasonable expenses he incurs in performing his duties as well as receiving various employee benefits.

Either party is entitled to terminate the agreement by six months notice. The Company may also terminate the agreement in various misconduct, breach or insolvency circumstances or if he becomes unfit to attend to his obligations for longer than three months or periods totalling three months in any 12 month period.

If the Company decides to make his position redundant, the Company will be obliged to make an additional redundancy payment of two years salary.

He has undertaken not to engage in competitive conduct with the Company for the term of the agreement.

The Agreement is otherwise on normal commercial terms.

Employment Agreement – Michael Martin

The Company has employed Michael Martin as an executive director responsible for technical operations by way of an employment agreement commencing from the date the Company achieves its Minimum Subscription. The initial salary payable to him is $180,000 per annum inclusive of superannuation.

The salary will be reviewed each year at the discretion of the Company.

Either party is entitled to terminate the agreement by one month's notice. The Company may also terminate the agreement in various misconduct circumstances.

Title and Leasehold Information

At the conclusion of each of the relevant drilling programs, the Company will acquire a working interest in each of the following leases in Colorado County, Texas:

Prospect	Gross Acres	Working Interest
Garwood Frio*	680	25%
Thoroughbred*	340	25%
Kant**	294	25%

Total Gross Acres: 1,314
Net Revenue Interest: 74%

* to a depth of 5,000 ft (1,524 metres)
** to a depth of 4,750 ft (1,448 metres)

At the conclusion of the relevant drilling program, the Company will acquire a working interest in the following lease in Assumption Parish, Louisiana:

Prospect	Gross Acres	Working Interest
Berwyn	2,661	10%

Net revenue interest: 72.6%

In St Martin Parish, Louisiana, at such time as the relevant well is completed as one capable of producing oil and/or gas in paying quantities, Target will have earned up to the following working interest in that well:

Prospect	Prospect Area	Working Interest*
Snapper A-1	60 acres	25%*
Snapper A-2	30 acres	25%*
Parks North	486 acres	10%*^
Bayou Berard	60 acres	15%*

Net Revenue Interest: 72%

*final acreage and working interest subject to completion of proposed farmin agreement and/or planned unitisation agreement

^ subject to a maximum 6.25% working interest backin after payout (to the 100%) by a third party.

In the United States, the owner of the surface estate generally owns the mineral estate underlying the same unless the surface estate and mineral estate ownership has previously been separated by conveyance. The surface and mineral estate can be owned by any legal entity including individuals, businesses, public organisations and the state or the federal government.

The process of obtaining development rights to oil and gas reservoirs in the United States generally, and equally applicable to Texas, is through the acquisition of oil and gas leases. This process is complex given that over time the ownership of the mineral estate may have been conveyed or otherwise changed.

The process to independently verify that a party is dealing with the sole and correct holders of the mineral estate and to analyse the full rights and restrictions applying to the interest held by those parties requires a detailed title opinion from a qualified attorney. This can be a lengthy and expensive process and the final title opinions are subject to numerous qualifications and requirements. It is therefore customary that such title opinions are not obtained until a party proposes to conduct a drilling operation or expend a significant amount of money on a particular lease.

The owner of mineral rights has the right to explore for and produce the mineral estate it owns. This right is exercised most frequently by the execution of oil and gas leases in favour of parties who will undertake the actual operations to recover these minerals.

Oil and gas leases on privately (non-state) owned mineral rights are typically entered into by the owner of the mineral estate in favour of a lessee who agrees to perform drilling and production operations. The terms of these oil and gas leases are a matter of negotiation between the owner of the mineral estate and the lessee and will therefore vary for each mineral property. However, there are many provisions that are typical in these leases, including:

- consideration payable in the form of signing bonuses and annual delay rentals until production is established;
- the lessee being responsible for 100% of the capital costs necessary to drill for and produce the oil and gas and holding the lessor harmless from all liability as a result of operations;
- the lessor retaining a royalty interest in all production produced and sold attributable to its mineral rights which is expressed as a percentage; this is highly negotiable, and is generally payable without any deductions except certain post-production costs; and
- a primary term ranging between 1 to 5 years with the lease then surviving for as long as production continues after expiration of the primary term.

Before any operations may be commenced in search of oil and gas by drilling on any lease, it is necessary for the operator to ascertain and obtain all county, state and federal permits applicable to the drilling location. Failure to do so may result in stoppage of work and/or penalties and fines.

Litigation

Target Energy Limited is not, and has not been, during the 12 months preceding the date of this Prospectus, engaged in any legal proceedings which would be likely to have a material adverse effect on its business, financial condition or the results of its operations nor, in so far as the Directors are aware, are any such proceedings pending or threatened.

Consents and Disclaimers of Responsibility

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

Murcia Pestell Hillard has given and before lodgment of this Prospectus, has not withdrawn its consent to be named as lawyers to the Offer in the form and context in which it is named. Murcia Pestell Hillard specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. While Murcia Pestell Hillard has provided advice to the Directors in relation to the issue of this Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Murcia Pestell Hillard has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

HLB Mann Judd has given and before lodgment of this Prospectus, has not withdrawn its consent to be named as auditors of the Company and to the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it is named. HLB Mann Judd specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name and the Independent Accountant's Report contained in Section 6 of this Prospectus.

Advanced Share Registry Services has given and before lodgment of this Prospectus, has not withdrawn its consent to be named as the share registry of the Company in the form and context in which it is named. It has no involvement in the preparation of any part of the Prospectus other than assisting in the design of the Application Form and recording its name as share registrar to the Company. Advanced Share Registry Services

specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

WestlawnGeo LLC and Interactive Exploration Solutions Inc have given and before lodgment of this Prospectus, have not withdrawn their relevant consents to the inclusion of the Independent Technical Reports in this Prospectus in the form and context in which they are included and to all statements referring to those reports or matters derived from the reports in the Prospectus, in the form and context in which they are included. WestlawnGeo LLC and Interactive Exploration Solutions Inc specifically disclaim liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. They have not authorised or caused the issue of this Prospectus and take no responsibility for any part of the Prospectus other than their Independent Technical Reports contained in Section 5 of this Prospectus.

Expenses of the Offer

Assuming full subscription, it is estimated that approximately $425,000 (excluding GST) will be paid by the Company in respect of legal, accounting, and experts' fees, printing, ASIC and ASX fees, and other costs arising from this Prospectus and the Offer.

The Company may pay a fee of up to 6% of the amount subscribed (and accepted by the Company), and/or any other payments as the directors see fit, to any holders of Australian financial services licences in respect of Applications bearing their stamps. No brokerage, commission or other fee or stamp duty will be payable by Applicants applying for Shares under this Prospectus.

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Shares or otherwise by any person in connection with the formation or promotion of Target. Certain parties and employees of the above firms may subscribe for Shares in the context of the Offer.

Interests of Directors and Others

Other than set out in this Prospectus:

- No Director or other person envisaged in section 117(4) of the Corporations Act has, or has had in the two years before the date of this Prospectus, any interest in the Offer, in the formation or promotion of the Company or in any property of or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer;
- No amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, to any Director to induce him or her to become, or to qualify him or her as, a Director; and
- No amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for services provided by a Director or other person envisaged in section 711(4) of the Corporations Act in connection with the formation or promotion of the Company or the Offer.

Directors' Interests

Directors are not required under the Constitution of the Company to hold any Shares in the Company. Upon completion of the Offer, Directors of the Company and their Associates will hold the following securities in the Company:

Director	Shares	Options
Laurence Roe	5,000,000	2,000,000
Michael Martin	4,000,000	2,000,000
Paul Lloyd	2,250,000	2,000,000
Didier Murcia	1,000,000	-

Directors may apply for Shares under this Prospectus.

Remuneration of Directors

Under the Company's Constitution, each Director (other than the Chief Executive Officer or an Executive Director) may be paid remuneration for ordinary services performed as a Director. Under the ASX Listing Rules, the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

Remuneration for Non Executive Directors will initially be $66,000 per annum. The aggregate remuneration that may be paid to Non Executive Directors is $200,000. This remuneration may be divided among the Non Executive Directors in such a fashion as the Board may determine. Notice of any proposed increase in the Non Executive Directors' remuneration and the total amount of the remuneration payable to the Non Executive Directors as a result of the proposed increase must be given to members in the notice covering the general meeting at which the increase is to be proposed. Directors will seek approval from time to time as deemed appropriate.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with the execution of their duties as Directors.

In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

Related Party Transactions

As at the date of this Prospectus, the Company is a party to the following transactions with related parties:

1. Each Director of Target has received and continues to receive the benefit of a directors protection deed entered into between the Company and each of the Directors.
2. Laurence Roe has an interest in the Company's agreement to contract his services by way of an Executive Agreement, as disclosed in Section 8 ("Executive Agreement – Laurence Roe").
3. Michael Martin has an interest in the Company's agreement to contract his services by way of an Employment Agreement, as disclosed in Section 8 ("Employment Agreement – Michael Martin").

Details of each of the above related party transactions are set out in the summary of material contracts.

Interests of Persons Named

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or broker to the Company has, or had within two years before lodgment of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or

(c) the Offer;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Murcia Pestell Hillard have acted as solicitors to the Company in providing general advice in relation to this Prospectus. In respect of Murcia Pestell Hillard's work, the Company has paid or will pay approximately $25,000 for these services.

Murcia Pestell Hillard has performed legal work for the Company since its incorporation, other than in respect of this Prospectus, for which it has received fees of approximately $3,350.

The directors of Murcia Pestell Hillard have an interest in 1,000,000 shares on issue as at the date of the Prospectus.

WestlawnGeo LLC will receive professional fees of approximately US$24,000 for the provision of the Independent Technical Report. WestlawnGeo LLC has received the sum of $8,641 for other professional services provided to the Company in the last two years. WestlawnGeo LLC will also receive a payment of US$10,000 for the Thoroughbred prospect at such time that drilling commences at that well. At such a time that the well is completed, a further US$10,000 payment will be made to WestlawnGeo LLC.

Interactive Exploration Solutions Inc will receive professional fees of US$15,000 for the provision of the Independent Technical Report. Interactive Exploration Solutions Inc has not provided any other professional services to the Company in the last two years.

HLB Mann Judd will receive professional fees of approximately $7,500 for the provision of the Independent Accountant's Report.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of these amounts.

Escrow Agreements

Chapter 9 of the Listing Rules precludes holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. The holder will also be precluded from granting a security interest over those securities.

The Directors expect that the ASX may classify certain Shares and Options issued prior to the date of this Prospectus as restricted securities.

The ASX may review these restrictions during consideration of Target Energy Limited's application for admission to the Official List of the ASX. The ASX may also, at its discretion, waive or vary the requirements in accordance with the Listing Rules in the event that an affected holder and Target Energy Limited applies for a review of any escrow restrictions.

Corporate Governance

The composition of the Board is subject to Shareholder approval. All nominations for appointment to the Board are reviewed by the current Board. Currently, the Board comprises Didier Murcia (Non Executive Chairman), Laurence Roe (Managing Director), Michael Martin (Executive Director) and Paul Lloyd (Non Executive Director). At each annual general meeting one third of the Board will retire and, if those Directors so choose, offer themselves for re-election.

The Company policies regarding the terms and conditions for remuneration relating to the appointment and retirement of Board members are approved by the Board following professional advice. The remuneration and terms and conditions of employment for the Managing Director and other Executive Directors and senior executives are also reviewed and approved by the Board after seeking professional advice.

Non Executive Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. The Chairman's prior approval of such expenditure is required.

The Board is the vehicle to facilitate the identification of significant areas of business risk, to implement procedures to manage such risks and to develop policies regarding the establishment and maintenance of appropriate ethical standards. In relation to these matters, the Board specifically:

- ensures compliance in legal, statutory and ethical matters;
- monitors the business environment;
- identifies business risk areas;
- identifies business opportunities; and
- monitors systems established to ensure prompt and appropriate responses to Shareholder complaints and enquiries.

The Company does not presently have an audit committee, however, all members of the Board currently participate in matters affecting the auditing requirements of the Company.

9 Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgment of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisors.

Each Director has consented to the lodgment of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 9 October 2006

Signed for and on behalf of the Company

Didier Murcia
Chairman

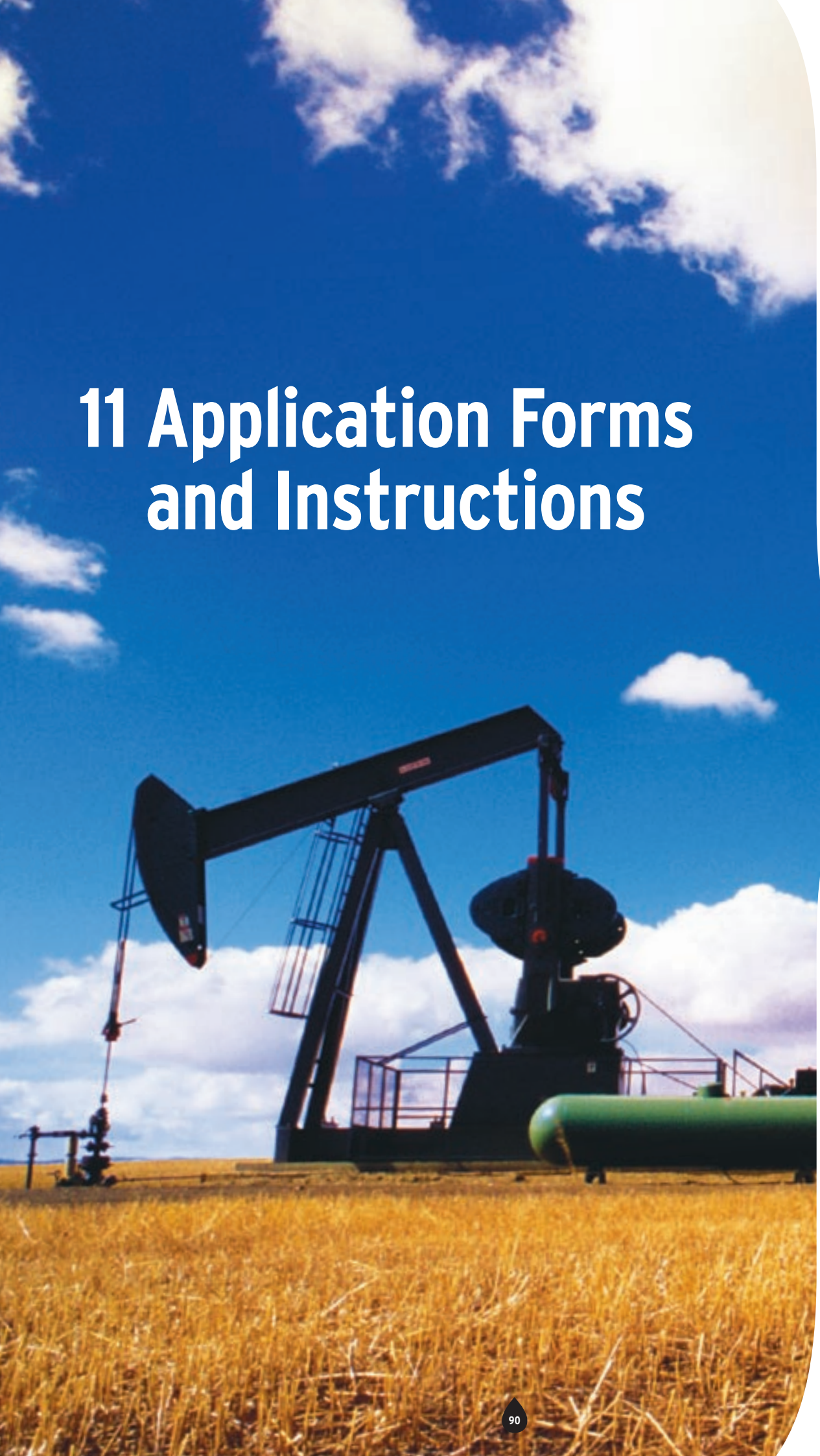
10 Glossary of Terms

The following terms and abbreviations used in this Prospectus have the following meanings. Additional technical definitions are set out in the Independent Technical Reports in Section 5.

TERM/ABBREVIATION	MEANING
$, A$, AUD	Australian Dollars, all amounts are quoted in Australian dollars unless otherwise stated
AIFRS	Australian equivalents to International Financial Reporting Standards
Applicant	A person who submits an Application
Application	A valid application to subscribe for or acquire a specified number of Shares under the Offer
Application Form	The application form which is attached to and forms part of this Prospectus in relation to the subscription or purchase of Shares
ASIC	Australian Securities & Investments Commission
Associate	An "associate" as defined in the Corporations Act
ASX	Australian Stock Exchange Limited
ASX Listing Rules	The official listing rules of the ASX as amended from time to time
Board	The board of Directors of the Company
BCF, bcf	Billions of Cubic Feet. A measure of a volume of gas
BCFe, bcfe	Billions of cubic feet equivalent. A measure of a combined volume of gas and liquids, which is determined using the ratio of one barrel of oil, condensate, or natural gas liquids to 6 Mcf of natural gas.
BOPD	Barrels of oil per day. A measure of the rate of flow of oil.
CHESS	Clearing House Electronic Subregister System
Closing Date	The date on which the application list closes, expected to be 5pm WST on 16 November 2006
Company or Target	Target Energy Limited (ABN 73 119 160 360)
Completion	The process in which a well is enabled to produce hydrocarbons
Constitution	The constitution of the Company
Corporations Act	The Corporations Act 2001 (Cth)
Directors	Directors of the Company
Electronic Prospectus	An electronic version of this Prospectus
Exposure Period	The period of seven days after lodgment of this Prospectus which may be extended by the ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act
Financial Year	A year commencing on 1 July and ending on 30 June of the following year

TERM/ABBREVIATION	MEANING
GST	Goods and services tax
Issue	The issue of Shares pursuant to this Prospectus
Listing Rules	Official Listing Rules of the ASX
MCF, mcf	Thousands of cubic feet. A measure of a volume of gas.
MCFD	Thousands of cubic feet per day. A measure of the rate of flow of gas.
MMBO, mmbo	Millions of barrels of oil.
MMCFGD	Millions of cubic feet of gas per day. A measure of the rate of flow of gas.
Offer	The offer of Shares under this Prospectus
Offer Period	The period commencing on the Opening Date and ending on the Closing Date
Official List	The official list of the ASX
Opening Date	The date on which the Offer opens
Options	An Option to acquire a Share on the terms and conditions set out in Section 8 (as appropriate)
Possible Reserves	Those Unproved Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable Reserves
Probable Reserves	Those Unproved Reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable
Prospectus	This prospectus dated 9 October 2006 for the offer of 42.5 million Shares in Target Energy Limited as modified by any supplementary prospectus made by the Company and lodged with the ASIC from time to time
Proved or Proven Reserves	Those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations
Reserves	The volume of oil or gas that can be recovered from the subsurface, is generally used in the context of commerciality and is the sum of the categories Proven Reserves, Probable Reserves and Possible Reserves
Shares	Fully paid ordinary shares in the capital of the Company
Shareholder	A holder of Shares
Spud	To commence drilling operations.
Unproved Reserves	Unproved Reserves are based on geological and/or engineering data similar to that used for Proven Reserves but technical, contractual, economic or regulatory uncertainties preclude such reserves being classified as Proven – Unproved Reserves can be classified as Probable Reserves and Possible Reserves
USA	The United States of America

11 Application Forms and Instructions



TARGET ENERGY LIMITED

Target Energy Limited

ABN 73 119 160 360

Application Form

Please read all instructions on reverse of this form

Share Registrars use only	
Broker reference – stamp only	
Broker code	Adviser Code

A Number of Shares applied for
(minimum 10,000 and then multiples of 2,500 Shares.)

at $0.20 per Share =

B Total amount payable
cheque(s) to equal this amount

A$

you may be allocated all of the Shares above or a lesser number

C Full name details
(Title, given name(s) (no initials) and surname or company name)

Name of Applicant 1

Name of Joint Applicant 2 or <account name>

Name of Joint Applicant 3 or <account name>

D Tax file number(s)
Or exemption category

Applicant 1/company

Joint Applicant 2/trust

Joint Applicant 3/exemption

E Full postal address

Number/street

Suburb/town

State/postcode

F Contact details

Contact name

Contact daytime telephone number

( )

Contact email address

G CHESS HIN (if applicable)

H Cheque payment details
(Please fill out your cheque details and make your cheque payable to "Target Energy Limited – Issue Account")

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

I Return of this Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares in the Company. I/We declare that:

(a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Company; and

(b) I/we have received personally a copy of this Prospectus accompanied by or attached to this Application Form or a copy of this Application Form or a direct derivative of this Application Form, before applying for Shares.

No signature is required.

You should read the Prospectus dated 9 October 2006 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

Guide to the Target Energy Limited Application Form

This Application Form relates to the Offer of a maximum of 42,500,000 Shares in Target Energy Limited at $0.20 per Share, pursuant to the Prospectus dated 9 October 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of this Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of this Application Form. Further particulars and the correct forms of registrable titles to use on this Application Form are contained below.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500 Shares.

B Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of $0.20.

C Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the company. Up to three Joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name and address in the same format as that are presently registered in the CHESS system.

D Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each Joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.

E Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.

F Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.

G The Company will apply to the ASX to participate in CHESS, operated by ASTC, a wholly owned subsidiary of the ASX. In CHESS, the Company will operate an electronic CHESS subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Application in respect of securities allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHESS subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relevant section of the Prospectus.

H Please complete cheque details as requested:

Make your cheque payable to "Target Energy Limited-Issue Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

I Before completing this Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging this Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign this Application Form.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	**Mr John Alfred Smith**	**JA Smith**
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	**John Alfred Smith** **<Peter Smith>**	 **Peter Smith**
Company Use company title, not abbreviations	**ABC Pty Ltd**	**ABC P/L** **ABC Co**
Trusts Use trustee(s) name(s), do not use the name of the trust	**Mrs Sue Smith** **<Sue Smith Family A/C>**	 **Sue Smith Family Trust**
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	**Ms Jane Smith** **<Est John Smith A/C>**	 **Estate of late John Smith**
Partnerships Use partners personal names, do not use the name of the partnership	**Mr John Smith and Mr Michael Smith** **<John Smith and Son A/C>**	 **John Smith and Son**

Lodgement of Applications

Return your completed Application Form with cheque(s) attached to:

By delivery:
Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

OR

By post:
Advanced Share Registry Services
PO Box 1156
Nedlands WA 6909

Application Forms must be received no later than 5.00pm WST time on 16 November 2006.

TARGET ENERGY LIMITED

Target Energy Limited

ABN 73 119 160 360

Application Form

Please read all instructions on reverse of this form

Share Registrars use only	
Broker reference – stamp only	
Broker code	Adviser Code

A Number of Shares applied for
(minimum 10,000 and then multiples of 2,500 Shares.)

at $0.20 per Share =

B Total amount payable
cheque(s) to equal this amount

A$

you may be allocated all of the Shares above or a lesser number

C Full name details
(Title, given name(s) (no initials) and surname or company name)

Name of Applicant 1

Name of Joint Applicant 2 or <account name>

Name of Joint Applicant 3 or <account name>

D Tax file number(s)
Or exemption category

Applicant 1/company

Joint Applicant 2/trust

Joint Applicant 3/exemption

E Full postal address

Number/street

Suburb/town

State/postcode

F Contact details

Contact name

Contact daytime telephone number

( )

Contact email address

G CHESS HIN (if applicable)

H Cheque payment details
(Please fill out your cheque details and make your cheque payable to "Target Energy Limited – Issue Account")

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

I Return of this Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares in the Company. I/We declare that:

(a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Company; and

(b) I/we have received personally a copy of this Prospectus accompanied by or attached to this Application Form or a copy of this Application Form or a direct derivative of this Application Form, before applying for Shares.

No signature is required.

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Correct form of Registrable Title

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Company Use company title, not abbreviations	**ABC Pty Ltd**	**ABC P/L** **ABC Co**
Trusts Use trustee(s) name(s), do not use the name of the trust	**Mrs Sue Smith** **<Sue Smith Family A/C>**	 **Sue Smith Family Trust**
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	**Ms Jane Smith** **<Est John Smith A/C>**	 **Estate of late John Smith**
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Nedlands WA 6009

OR

By post:
Advanced Share Registry Services
PO Box 1156
Nedlands WA 6909

Application Forms must be received no later than 5.00pm WST time on 16 November 2006.

Target Energy Limited

30 Ledgar Road Balcatta WA 6021
Telephone (08) 9240 1900
Facsimile (08) 9240 2406
Email: admin@targetenergy.com.au

www.targetenergy.com.au

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