



ASX Announcement

25 July 2012

Darwin #1 well to test highly rated zone Fairway & Shepard's Channel Update

Fairway Project, Howard County, Texas

Target WI: 60%

Darwin #1

Target Energy's Darwin #1 well is expected to start drilling shortly after the Felderhoff #16 rig is released from its current location. Target will have a 60% working interest in the well.

Darwin #1 is approximately three kilometres north-east of Target's BOA wells (Fig 1) and will be drilled to a depth of 3,290m (10,800 feet) to test both the Wolfberry and Fusselman sections which is expected to take approximately two weeks.

Managing director Laurence Roe said: "Drilling activity is increasing in the area as local operators continue to have good results and expand their drilling programs. We believe Darwin #1 is in a prospective location for both the Wolfberry and Fusselman sections.

"The Fusselman is an extremely attractive target with wells just 8 kms south of the Darwin location testing at rates up to 480 barrels of oil per day (BOPD). To the west and southwest, wells have had initial flow rates from the Wolfberry section at rates up to 136 BOPD."

BOA 12 #1

Flow testing at BOA 12 #1 has been suspended pending the completion of the conversion of BOA 12 #2 to a salt-water disposal well (SWD). BOA 12 #1 has continued to flow oil accompanied by large volumes of water. Disposal of the water offsite is uneconomic in the long term and the well has now been shut-in until the SWD well is functional (expected in up to 6 weeks). Using the SWD well significantly reduces water-handling costs and will allow us to accelerate the water recovery from the Wolfberry section in the BOA 12 #1 well and to add the Devonian and Fusselman zones back into production.

A jet-pump, capable of pumping fluid at rates up to 2000 barrels per day (vs the existing 275 BPD capacity) has been sourced and will replace the existing pump. When BOA 12 #1 is back on line, production will initially recommence from the Wolfberry section and the Devonian/Fusselman sections added back later.

Additional information on the Fairway Project is appended below.

Corporate information

ASX Code
TEX

TEXOB

Board of Directors

Chris Rowe, Chairman
Laurence Roe, Managing Director
Graham Riley, Director
Stephen Mann, Director
Ralph Kehle, Chairman TELA (USA)

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Overview of activities

Target is exploring and producing a suite of highly prospective oil and gas projects in the USA.

NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr. Laurence Roe, B Sc, Managing Director of Target Energy, who is a member of the Society of Exploration Geophysicists and has at over 30 years' experience in the sector. He consents to that information in the form and context in which it appears.

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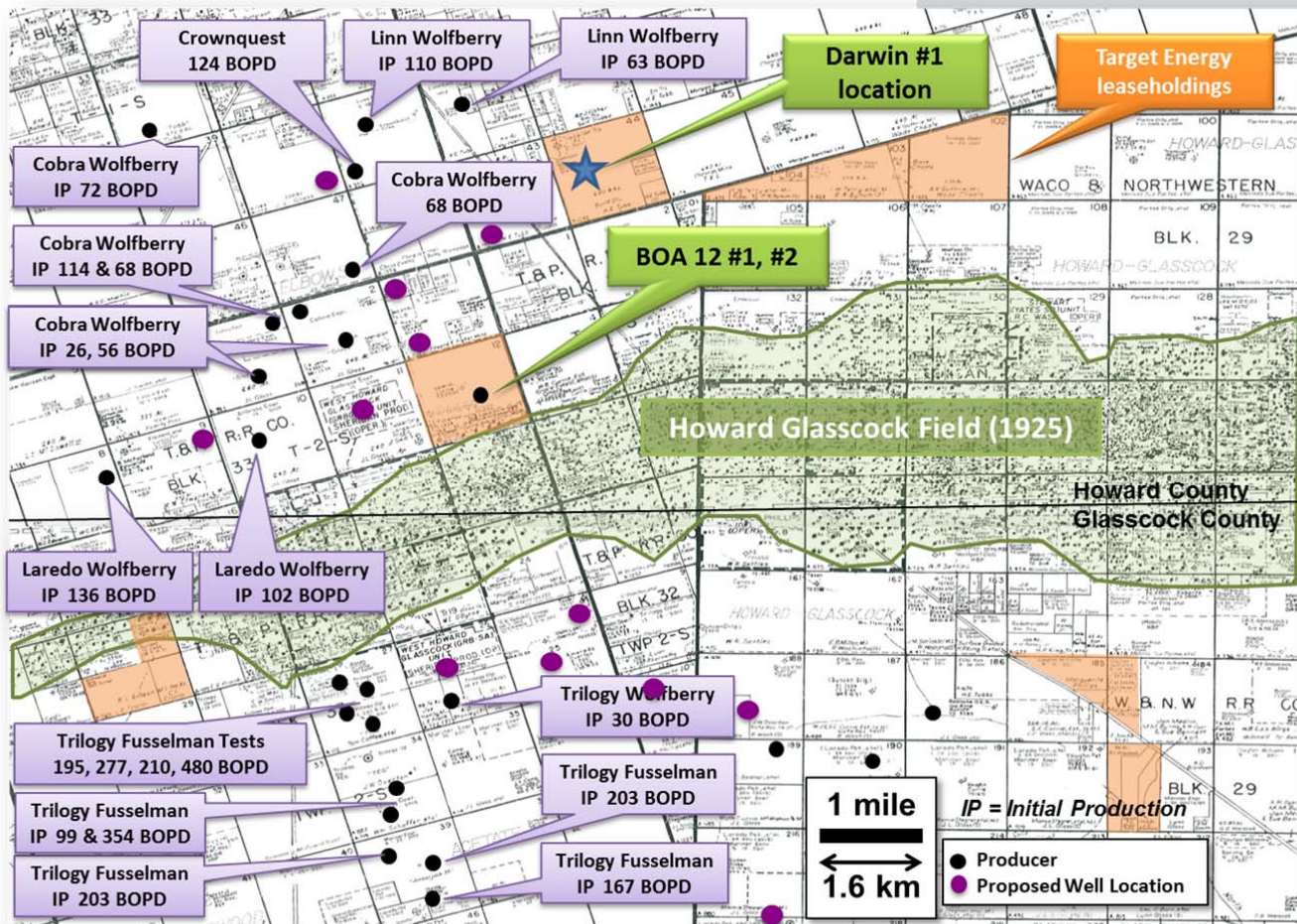


Figure 1: Fairway Project area, West Texas

Shepard's Channel Prospect, Lafourche Parish, Louisiana

Target WI: 15.33%

Testing at Shepard's Channel continues. Sands at 13,130 – 13,141 ft (4,004.5 – 4,012.4m) and 12,966 – 12,974 ft (3,952.1 – 3,954.5m) respectively, have been tested and have flowed water with a minor amount of gas. Work is underway to clean out a bore-hole obstruction after which testing will commence at the next test interval at a depth of 12,172 ft (3,889m).

ENDS



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For and on behalf of TARGET ENERGY LIMITED

Laurence Roe
Managing Director

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Fairway Project

The “Fairway” project, in the Permian Basin in West Texas, comprises almost 3,023 acres in the highly prospective Wolfberry oil resource play. Target is earning its 60% working interest in the project by paying acreage costs and participating in a minimum of four wells.

The wells will target oil reserves of approximately 140,000 barrels of oil equivalent (mBOE) each in the Wolfberry, with potential for an additional 80 mBOE in the Fusselman formation. They will also investigate additional potential in the Canyon, Cisco, San Andres and Clear Fork formations – all of which produce oil locally.

Darwin #1, located approximately 3 km north east of Target’s BOA 12 #1 well, will be drilled to 10,800 ft and test Wolfberry and Fusselman targets.

The BOA 12 #1 well, drilled in September/October 2011 hit a 1,080m interval in the “Wolfberry” section which exhibited numerous oil shows while drilling, in particular in the Wolfcamp, Strawn and Mississippian formations. Oil shows were also noted in the shallower San Andres and Clear Fork formations and the deeper Fusselman formation. Wireline logging subsequently confirmed the BOA 12 #1 well had encountered potential oil and gas pay zones in all primary and secondary targets and the well was completed for production.

Following flow testing in the deeper Devonian/Fusselman section, on 12 November 2011, the “Wolfberry” section of the well was fracture stimulated in a program which included 11 separate zones in the well, over a 1,100 metre interval. BOA 12 #1 has flowed oil from each of the Wolfberry, Devonian and the Fusselman sections. Target is aiming to optimise production from the Wolfberry section and to bring the Devonian and Fusselman oil discoveries into production at a later date.