



TARGET ENERGY LIMITED
ABN 73 119 160 360

PROSPECTUS

For a non-renounceable pro rata entitlements issue to Shareholders of approximately 32,934, 264 New Shares at an issue price of 3 cents per New Share on the basis of 1 New Share for every 8 Existing Shares held on the Record Date of 11 April 2011, to raise approximately \$988,000 before issue costs, and one attaching New Option for every New Share allotted.

Shortfall Securities Offer

This Prospectus includes the right for all Eligible Shareholders to apply for Shortfall Securities existing on the Closing Date for the Issue. The allocation of the Shortfall Securities will be at the Company and the Underwriter's discretion.

Underwriter to the Issue

Investmet Limited

ABN 17 125 585 935

Secondary Trading Compliance Prospectus

This Prospectus is also issued by the Company to enable secondary trading of 74,166,666 Shares and 90,999,999 Options issued by way of a placement conducted in March 2011, in compliance with Part 6D.2 of the Corporations Act.

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The Securities offered by this Prospectus should be considered as speculative.

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SUMMARY OF IMPORTANT DATES

Ex date	5 April 2011
Record date to determine Entitlement	11 April 2011
Prospectus dispatched with Application Forms	13 April 2011
Closing date for return of Application Forms	2 May 2011
Allocation of Shortfall Securities	2 May -10 May 2011
Allotment and issue of New Shares and New Options	10 May 2011
Dispatch of shareholding statements	10 May 2011
Trading of New Shares expected to commence	11 May 2011

This timetable is indicative only and subject to change. The Company, in conjunction with the Underwriter, reserves the right to vary the above dates.

1 INVESTMENT HIGHLIGHTS

- Active petroleum explorer and producer in the USA
- Earning up to 50% working interest in approximately 13,000 acre Buffalo Project in South Texas
- Buffalo Project evaluation program to commence in second quarter of 2011
- Company to take a 60% working interest in West Texas “Wolfberry” tight oil play (Fairway project)
- Drilling of two wells at Fairway project planned for second quarter of 2011
- 35% working interest in East Chalkley Oil Field with ongoing appraisal and development drilling options available
- Ongoing oil and gas production in Texas and Louisiana

An investment in the Company is not risk free and investors should consider the risk factors described below in Section 8, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

IMPORTANT NOTES

This Prospectus is dated 25 March 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. No Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the New Shares to be granted quotation on ASX.

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 such an offer. Refer to Section 4.8 for treatment of overseas shareholders. Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

Directors

Mr Christopher Rowe
(Chairman, Director)

Mr Laurence Roe
(Managing Director)

Mr Graham Riley
(Director)

Mr Stephen Mann
(Director)

Company Secretary

Mr Rowan Caren

Auditors

HLB Mann Judd (WA Partnership)
15 Rheola Street
West Perth WA 6005

Registered Office

Level 2, 46 Ord Street
West Perth WA 6005

Principal Office

Level 2, 46 Ord Street
West Perth WA 6005

Telephone: (08) 9476 9000

Facsimile: (08) 9476 9099

ASX Codes: TEX, TEXOB

ABN: 73 119 160 360

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands WA 6009

Telephone: (08) 9389 8033

Solicitors to the Company

Murcia Pestell Hillard
Level 3, 23 Barrack Street
Perth WA 6000

Solicitor to the Offer

Ms Hilary Macdonald
Corporate & Resources Lawyer
Suite 29, 18 Stirling Highway
Nedlands WA 6009

Underwriter

Investmet Limited
Level 1, 24 Mumford Place
Balcatta WA 6021

Web Address

www.targetenergy.com.au

3 MANAGING DIRECTOR'S LETTER

25 March 2011

Dear Shareholder,

Your Directors are pleased to offer you an opportunity to participate in Target Energy Limited's non-renounceable Rights Issue to raise approximately \$988,000 (before costs). This has been foreshadowed in previous ASX announcements during December 2010 by the Company, in relation to the recapitalisation which was approved by Company in general meeting on 23 March 2011.

We are further pleased to advise that the Rights Issue is fully underwritten and a facility has been provided to allow shareholders, should they wish, to apply for all or part of the Shortfall in addition to their Entitlement. Final allocation of the Shortfall Securities will be at the Company's and the Underwriter's discretion.

The capital raising will provide additional working capital and assist the Company in progressing its exploration objectives.

Shareholders should consider that a further investment in the Company under this rights issue is speculative and subject to general risks of investment in securities, and specific risks of investment in the Company. 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. 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. Please refer to Section 8 for information on risks of investment.

The proceeds of the Rights Issue will enhance the future of the Company and on behalf of the Board, I invite you to consider the contents of this Prospectus and encourage you to participate in the Rights Issue.

Yours sincerely,



Laurence Roe
Managing Director

4 DETAILS OF THE OFFER

4.1 The Issue

A non-renounceable pro rata entitlements issue to Shareholders of approximately 32,934,264 New Shares and approximately 32,934,264 New Options on the basis of one New Share, for every eight Existing Shares held as at the Record Date at an issue price of \$0.03 each to raise approximately \$988,000 before issue costs.

One third of the New Options will have an expiry date of 31 March 2012 and an exercise price of 5 cents, one third will have an expiry date of 31 March 2013 and an exercise price of 7 cents and the final third will have an expiry date of 31 March 2014 and an exercise price of 10 cents,

The number of Securities offered are based on an assumption made in this Prospectus that one half of the 30,333,333 Options which will be on issue following implementation of the resolutions approved in general meeting by the Shareholders on 23 March 2011, and which are exercisable at 5 cents each, (being approximately 15,166,667 Options), will be exercised by the optionholders prior to the Ex Date for the Offer in order to be able to participate in the Offer. This assumption is based on the current trading price of Existing Shares combined with the likelihood that a number of optionholders will wish to exercise the Options prior to the Ex Date.

It is possible that more, or less, Options will be exercised before the Ex Date. If more Options are exercised than the number assumed, the Offer will be for one more New Share for every eight more Existing Shares which are allotted by the Record Date as a result of Options being exercised by the Ex Date. If fewer Options are exercised than the number assumed, the Offer will be for one less New Share for every eight less Existing Shares which are allotted by the Record Date as a result of Options being exercised by the Ex Date.

4.2 Underwriting

The Issue is fully underwritten by Investmet Limited. A summary of the underwriting agreement is set out in **Section 9** of the Prospectus.

4.3 Entitlement to Rights Issue

Shareholders who complete Share acquisitions or Option holders who exercise their Options by the open of ASX trading on the ex date, and which are therefore registered on the Company's Share Register by the close of business on the Record Date, are eligible to participate in the Offer.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and New Options. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Application Form setting out an Eligible Shareholder's Entitlement to New Shares and New Options accompanies this Prospectus.

Eligible Shareholders may apply for Shortfall Securities in accordance with **Section 4.4** of this Prospectus.

4.4 Shortfall Offer to Eligible Shareholders - Applying for Shortfall Securities

Eligible Shareholders may, in addition to their Entitlement, apply for additional New Shares and New Options regardless of the size of their present holding.

Entitlements not taken up will become available as Shortfall Securities. It is possible that there will be few Shortfall Securities available for issue. It is an express term of the Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated to them, excess application money will be refunded without interest. The Company and the Underwriter reserve the right to scale back any applications for Shortfall Securities in their absolute discretion. All or some of the Shortfall Securities may be allocated to the Underwriter.

4.5 No Rights Trading

The Offer is non renounceable. The Entitlements of Shareholders who do not wish to take up some or all of their Entitlements will lapse and the relevant Securities will be dealt with in accordance with Section 4.4 and the Underwriting Agreement at the discretion of the Company and the Underwriter.

4.6 Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company and the Underwriter to extend the Offer period or close the Offer early. Instructions for accepting your Entitlement are set out in **Section 6** and on the Application Form which accompanies this Prospectus.

4.7 Allotment and Application Money

All Eligible Shareholders who accept the Offer will receive their Entitlement in full. New Shares and New Options will be issued only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. The Summary of Important Dates sets out the dates when it is expected that New Shares and New Options will be issued and trading of the New Shares will commence.

All Application Money received before New Shares and New Options are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares and New Options are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company.

If the New Shares are not quoted by ASX within three months after the date of this Prospectus, the Company will refund all Application Money in full.

4.8 Treatment of Shareholders Outside Australia and New Zealand

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Issue. The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

The Entitlements of any Non-qualifying Foreign Shareholders will lapse and the relevant New Shares will become Shortfall Shares, to be dealt with by the Underwriter in accordance with the Underwriting Agreement.

4.9 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares which are on the same terms and conditions as are offered under this Prospectus during the three months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	3 months high	3 month low	Last market sale price (on 24 March 2011)
Existing Shares	13.5 cents on 18 March 2011	4.3 cents on 23, 24 and 29 December 2010	11 cents

4.10 Opening and Closing Dates

The Summary of Important Dates sets out the opening and closing dates of the Offer, subject to the right of the Company, in consultation with the Underwriter, to vary these dates.

4.11 Rights and Liabilities attaching to the New Shares and New Options

The New Shares will rank equally in respect of dividends and in all other respects (eg voting, bonus issues) as Existing Shares.

A summary of the rights and liabilities attaching to the New Shares and the New Options is set out in **Section 7**.

4.12 Enquiries

Any questions concerning the Issue should be directed to Mr Rowan Caren, the Company Secretary, on (08) 9476 9000.

4.13 Secondary Trading compliance prospectus

This Prospectus is also issued by the Company to facilitate the secondary trading of 74,166,666 Shares and 90,999,999 Options (these Options will not be quoted on ASX and as such can only be traded off-market) ("Placement Shares and Placement Options") to be issued by the Company. By the Company issuing this Prospectus disclosing against the

Placement Shares and Placement Options, the allottees of the Placement Shares and Placement Options will be able to on-sell the Placement Shares and Placement Options within 12 months of their issue, should they wish to do so, allowing the Company to remain in compliance with the secondary trading regime in Part 6D.2 of the Corporations Act.

The Company will not issue the Placement Shares and Placement Options with the purpose of the allottees of the Placement Shares and Placement Options selling or transferring their securities, or granting, using or transferring interests in, those securities. However, the Board considers the allottees of the Placement Shares and Placement Options should be entitled, if they wish, to on-sell their Placement Shares or Placement Options within 12 months of their issue.

The terms of the Placement Shares are identical to the terms of the New Shares specified in Section 7.1. The terms of the Placement Options are identical to the terms of the New Options specified in Section 7.2.

5 PURPOSE AND EFFECT OF THE ISSUE

5.1 Purpose of the Issue

The net funds raised from the issue of New Shares and New Options through the Offer after payment of all associated costs, are expected to provide the Company with net proceeds of between approximately \$862,000 and \$916,000 in additional capital. The precise figure depends on how many Existing Options are exercised by optionholders prior to the Ex Date which is not possible for the Directors to predict.

The purpose of the Offer is to raise funds for the purposes set out in the Use of Proceeds table below.

The following table shows the proposed application of funds in the first column on the assumption that none of the Existing Options or the New Options are exercised before the Ex Date, and in the second column, on the assumption that 15,166,667 (that is, half) of the options exercisable at 5 cents each to be issued following approval at the general meeting held on 23 March 2011, will be exercised before the Ex Date enabling those optionholders to participate in the Issue.

Actual expenditure incurred on the projects will depend on the results achieved.

Use of Proceeds of the Issue	Amount \$'000 assuming no options are exercised	Amount \$'000 assuming 15,166,667 5 cent options issued after 23 March 2011 are exercised
Working Capital for ongoing exploration at the Buffalo and Fairway Projects	862	916
Expenses of the Offer	69	72
ESTIMATED TOTAL	931	988

5.2 Effect of the Issue

The principal effect of the Issue shown in the first column in the above table will be that:

- (a) cash reserves will initially increase by approximately \$862,000; and
- (b) the number of Shares on issue will increase from 248,307,454 up to 279,345,886; and
- (c) the number of Existing Options on issue will increase from 150,736,274 up to 181,774,206,

assuming that no Existing Options or Convertible Notes currently on issue are exercised or converted.

Assuming half of the 5 cent options issued following the general meeting on 23 March 2011 are exercised by the Ex Date, the principal effect of the Issue shown in the second column in the above table will be that:

- (a) cash reserves will initially increase by approximately \$916,000; and
- (b) the number of Shares on issue will initially increase from 248,307,454 up to 263,474,121 as a result of exercise of 15,166,667 Existing Options before the Ex Date, and following the Issue, the number of Shares on issue will increase by 32,934,264 from 263,474,121 to 296,408,385; and
- (c) the number of Existing Options on issue will initially decrease from 150,736,274 down to 135,569,607 as a result of exercise of 15,166,667 Existing Options before the Ex Date, and following the Issue, the number of Existing Options on issue will increase by 32,934,264 from 135,569,607 to 168,503,871,

assuming that no other Existing Options or Convertible Notes currently on issue are exercised or converted.

5.3 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the fully underwritten Issue is set out below.

Capital Structure after Completion of Issue assuming no Existing Options are exercised

No. of Shares	
248,307,454	On issue at the date of this Prospectus and at the Record Date (assuming completion of the Placement)
31,038,432	Issued pursuant to the Issue in this Prospectus
279,345,886	Total Issued Shares

No. of Options	Expiry date	Exercise Price	No. Listed on ASX
On Issue at the Date of this Prospectus and at the Record Date (assuming completion of the Placement)			
6,000,000	30 June 2011	20 cents	Nil
750,000	7 August 2011	12 cents	Nil
30,333,333	31 March 2012	5 cents	Nil
52,986,275	31 October 2012	10 cents	52,986,275
30,333,333	31 March 2013	7 cents	Nil
30,333,333	31 March 2014	10 cents	Nil
On Issue Following the Rights Issue			
6,000,000	30 June 2011	20 cents	Nil
750,000	7 August 2011	12 cents	Nil
40,679,477	31 March 2012	5 cents	Nil
52,986,275	31 October 2012	10 cents	52,986,275
40,679,477	31 March 2013	7 cents	Nil
40,679,477	31 March 2014	10 cents	Nil

Capital Structure after Completion of Issue assuming half of the options exercisable at 5 cents each are exercised by the Ex Date:

No. of Shares	
248,307,454	On issue at the date of this Prospectus (assuming completion of the Placement)
15,166,667	Issued following conversion of options
263,474,121	On issue at the Record Date
32,934,264	Issued pursuant to this Prospectus
296,408,385	Total Issued Shares

No. of Options	Expiry date	Exercise Price	No. Listed on ASX
On Issue at the Record Date (assuming completion of the Placement)			
6,000,000	30 June 2011	20 cents	Nil
750,000	7 August 2011	12 cents	Nil
15,166,667	31 March 2012	5 cents	Nil
52,986,275	31 October 2012	10 cents	52,986,275
30,333,333	31 March 2013	7 cents	Nil
30,333,333	31 March 2014	10 cents	Nil
On Issue Following the Rights Issue			
6,000,000	30 June 2011	20 cents	Nil
750,000	7 August 2011	12 cents	Nil
26,144,754	31 March 2012	5 cents	Nil
52,986,275	31 October 2012	10 cents	52,986,275
41,311,421	31 March 2013	7 cents	Nil
41,311,421	31 March 2014	10 cents	Nil

5.4 Effect on the Company's Financial Position

Set out below for illustrative purposes are the historical Consolidated Statement of Financial Position as at 31 December 2010 (unaudited) and two unaudited Pro Forma Consolidated Statements of Financial Position as at 31 December 2010 after the Rights Issue. The Statement of Financial Position has been prepared on the basis of the accounting policies normally adopted by the Company.

		Column 1	Column 2
Current Assets			
Cash and cash equivalents	1,846,206	4,903,359	5,711,206
Trade and other receivables	181,276	181,276	181,276
Other financial assets	50,000	50,000	50,000
Total current assets	2,077,482	5,134,635	5,942,482
Non Current Asset			
Property, plant & equipment	3,606,390	3,606,390	3,606,390
Deferred exploration, evaluation and development expenditure	1,492,427	1,492,427	1,492,427
Total non current assets	5,098,817	5,098,817	5,098,817
Total Assets	7,176,299	10,233,452	11,041,299
Current Liabilities			
Trade and other payables	471,498	471,498	471,498
Total current liabilities	471,498	471,498	471,498
Non current liabilities			
Convertible notes	660,977	660,977	660,977
Total non current liabilities	660,977	660,977	660,977
Total Liabilities	1,132,475	1,132,475	1,132,475
Net Assets	6,043,824	9,100,977	9,908,824
Equity			
Issued Capital	18,016,574	21,073,727	21,881,574
Reserves	(873,719)	(873,719)	(873,719)
Accumulated losses	11,099,031	11,099,031	11,099,031
Total Equity	6,043,824	9,100,977	9,908,824

Assumptions for Unaudited Pro Forma Consolidated Balance Sheet

The unaudited proforma Consolidated Statement of Financial Position set out above in column 1 represents the unaudited Consolidated Statement of Financial Position as at 31 December 2010 adjusted for the following transactions:

- The issue of 74,166,666 shares and 90,999,999 options pursuant to the Placement which raised \$2,225,000 before estimated costs of approximately \$30,000; and

- The issue of approximately 31,038,432 New Shares and 31,038,432 New Options issued in accordance with this Prospectus to raise \$931,000 before estimated costs of approximately \$69,000.

The unaudited proforma Consolidated Statement of Financial Position set out above in column 2 represents the balances derived under the assumptions applied in column 1 and further adjusted for the following transactions:

- The exercise of 15,166,667 unlisted 5 cent options (being half of the total 5 cent options on issue) which raised \$758,000 before estimated costs of approximately \$4,000;
- The issue of approximately 1,895,832 New Shares and 1,895,832 New Options in accordance with this Prospectus to raise \$57,000 before estimated costs of approximately \$3,000.

6 ACTIONS REQUIRED BY SHAREHOLDERS

6.1 What you may do

The number of Securities you are entitled to is shown on the accompanying Application Form. You may

- (a) subscribe for all of your Entitlement to Securities (refer to **Section 6.2**);
- (b) apply for Shortfall Securities (refer to **Section 6.3**);
- (c) subscribe for part of your Entitlement and allow the balance to lapse (refer to **Section 6.4**);or
- (d) not subscribe for any of your Entitlement and allow it to lapse (refer to **Section 6.5**).

6.2 If you wish to subscribe for all of your Entitlement

If you wish to subscribe for all of your Entitlement, complete the accompanying Application Form in accordance with the instructions set out in that form. The Application Form sets out the number of Securities you are entitled to. The completed Application Form must be accompanied by a cheque or bank draft made payable to "Target Energy Limited – Issue account" and crossed "Not Negotiable" for the appropriate Application Monies in Australian dollars calculated at \$0.03 per New Share and New Option accepted, and received by the Share Registry at either of the following addresses by the Closing Date. The Company will present the cheque or bank draft on or around the day of receipt of the Application Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Application Form.

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of Securities you have applied for in your Application Form, you may be taken to have applied for such lower number of Securities as your cleared Application Monies will pay for (and to have specified that number of Securities in your Application Form) or your Application may be rejected.

Street Address:	Postal Address:
Advanced Share Registry Services 150 Stirling Highway Nedlands WA 6009	Advanced Share Registry Services PO Box 1156 Nedlands WA 6909

6.3 Applications for Shortfall Securities

Eligible Shareholders may, in addition to their Entitlement, apply for Shortfall Securities regardless of the size of their present holding.

A single cheque should be used for the Application Money for your Entitlement and the number of Shortfall Securities you wish to apply for as stated on the Application Form.

6.4 If you wish to subscribe for part of your Entitlement and allow the balance to lapse

If you wish to subscribe for part of your Entitlement and allow the balance to lapse, complete the accompanying Application Form stating the number of Securities you wish to subscribe for in accordance with the instructions set out on the Entitlement and Acceptance Form. The completed Application must be accompanied by a cheque or bank draft for the appropriate Application Monies calculated at \$0.03 per New Share you wish to accept, and received by the Share Registry by no later than the Closing Date.

6.5 Entitlements not subscribed for

If you are a Shareholder and do not wish to accept all or part of your Entitlement, you are not obliged to do anything. Entitlements to Securities not accepted will form part of the Shortfall Securities, and they will form the Shortfall which will be dealt with by the Underwriter in accordance with the Underwriting Agreement, and you will receive no benefit.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

7 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

The following is a summary of the more significant rights and liabilities attaching to Securities to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Securities are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

7.1 Shares

(a) Share Capital

All issued Shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share. Where there is an equality of votes, the chairperson has a casting vote.

(c) Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders in proportion to the Shares held by them respectively, according to the amount paid up (not credited) as paid up on the Shares.

(d) Rights on Winding-Up

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, accordingly to the amount paid up or credited as paid up on the share.

(e) Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Company's constitution, the Corporations Act and ASX Listing Rules and SCH Business Rules.

Shares may be transferred by such means in accordance with ASX Listing Rules and the SCH Business Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by the Company's constitution, ASX Listing Rules and SCH Business Rules.

(f) Calls on Shares

Where shares are issued as partly paid, the Directors may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and ASX Listing Rules, the shares in respect of the call may be forfeited and interest and expenses may be payable in accordance with the Company's constitution, the Corporations Act and ASX Listing Rules or proceedings taken to recover the amount unpaid.

(g) Further Increases in Capital

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Company's constitution, ASX Listing Rules or the Corporations Act, the Directors may allot and issue shares or grant options over such shares or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

(h) Variation of Rights Attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(i) General Meeting

Each holder of shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Company's constitution, the Corporations Act and ASX Listing Rules.

7.2 Options

The New Options issued pursuant to this Prospectus will be issued on the following terms and conditions:

- (a) Each Option shall entitle the Option holder, when exercised, to one fully paid ordinary share in the Company ("Share").
- (b) The Options are exercisable wholly or in part at any time prior to 5.00 pm (WST) on the expiry dates of either 31 March 2012, 2013 or 2014 ("Expiry Date"), and at the exercise price of either \$0.05, \$0.07 or \$0.10, as indicated on the option certificate or holding statement. Options not exercised by the Expiry Date shall lapse.
- (c) Each Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the Options are exercised, at any time before the Expiry Date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (d) An Option does not confer the right to a change in exercise price or a change in the number of the underlying Shares over which the Option can be exercised.
- (e) Shares issued upon exercise of the Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
- (f) The Options are not to be quoted on ASX and the Company is under no obligation to apply for quotation of the Options on ASX.
- (g) The Company will apply for quotation on ASX of all Shares issued upon exercise of the Options.
- (h) Subject to the Corporations Act, the Constitution and the Listing Rules, the Options are freely transferable.
- (i) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced so as to give Option holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.
- (j) If at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

8 RISK FACTORS

8.1 General

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 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.

8.3 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 have very limited 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.

8.4 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.

8.5 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.

8.6 Commodity Price Volatility and Exchange Rate Risks

The revenue the Company derives 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.

8.7 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.

8.8 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.

8.9 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.

8.10 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.

8.11 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.

8.12 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.

8.13 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.

8.14 Share Market Conditions

The price of the Company's listed securities 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.

8.15 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.

8.16 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.

8.17 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:

(a) 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.

(b) 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 the managing director, Laurence Roe.

(c) 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.

(d) 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.

(e) 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.

(f) Current and Ongoing Drilling

Exploration is planned to commence at the Buffalo Prospect and the Fairway Prospect and may be ongoing during part or all of the period that the offer is open to shareholders. There can be no assurance these activities will result in the discovery of economic hydrocarbon resources. Even if a hydrocarbon resource is identified there is no guarantee it can be economically exploited.

9 ADDITIONAL INFORMATION

9.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111 AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Securities which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus; and
- (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours. The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements:

Date	Description of Announcement
14 October 2010	AGM Notice of Meeting
14 October 2010	Annual Report
29 October 2010	Quarterly Report 30 September 2010
5 November 2010	Pine Pasture 3 Well Timing Update
15 November 2010	Pine Pasture 3 Well Timing Update
19 November 2010	Results of AGM 2010
9 December 2010	Trading Halt
13 December 2010	Target Energy Acquiring Interest in South Texas Project
13 December 2010	Target Energy Capital Raising and Appointment of Directors
15 December 2010	Appendix 3B
21 December 2010	Appendix 3Y
21 December 2010	Appendix 3Y
21 December 2010	Security Trading Policy
23 December 2010	Appendix 3B - Replacement
24 December 2010	Response to ASX query
4 January 2011	Final Director's Interest Notice
10 January 2011	Initial Director's Interest Notice
28 January 2011	Quarterly Activities Report
28 January 2011	Quarterly Cashflow Report
21 February 2011	Notice of General Meeting
25 February 2011	South Texas Project Update
9 March 2011	Target to Drill in West Texas Wolfberry Oil Resource Play
15 March 2011	Half yearly Accounts
18 March 2011	Response to ASX query
23 March 2011	Results of General Meeting

Date	Description of Announcement
24 March 2011	Initial Directors Interest Notice
24 March 2011	Appendix 3B

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

9.2 Material Contract

The Directors consider that the material contract described below is a contract 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 substantive terms.

Underwriting Agreement

The Company has executed an underwriting agreement dated 25 March 2011 (“**Underwriting Agreement**”). Pursuant to the Underwriting Agreement, the Underwriter will be entitled to an underwriting fee of between \$46,500 and \$49,400.

The Underwriter will pay all sub-underwriting commissions out of its fees. The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and be relieved of its obligations if the usual and appropriate termination events occur before the payment date in the Underwriting Agreement, and in particular, if the Underwriter becomes aware of certain events, including the following, occurring or, in the opinion of the Underwriter, there is a threat of any one or more of the following events occurring, and the Underwriter holds the opinion, acting reasonably, that the event will have a material adverse effect on the Offer:

- (a) (S&P/ASX 200 Index fall) the S&P/ASX 200 Index is on any two consecutive Trading Days prior to the Allotment Date more than 10% below the level of that Index at the close of Normal Trading on the Trading Day before the date of signing the agreement;
- (b) (market conditions) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith, the success of the Offer is likely to be adversely affected;
- (c) (adverse change) any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company) from those respectively disclosed in the Prospectus or the Public Information, including:

- (i) any change in the earnings, future prospects or forecasts of the Company or an entity in the Group;
 - (ii) any change in the nature of the business conducted by the Company or an entity in the Group; or
 - (iii) the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (d) (withdrawal) the Company withdraws or terminates the Prospectus or the Offer; or
- (e) (repayment) any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application money; or
- (f) (disclosures in Prospectus) a statement contained in the Prospectus is misleading or deceptive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to sections 710, 711 and 716 of the Corporations Act);
- (g) (supplementary prospectus) the Company, being prohibited by section 728(1) of the Corporations Act from offering Shares under the Prospectus, lodges a supplementary or replacement prospectus in relation to the Offer;
- (h) (supplementary prospectus) the Company fails to lodge a supplementary or replacement prospectus in a form acceptable to the Underwriter in circumstances where the Underwriter reasonably believes that the Company is prohibited by section 728(1) of the Corporations Act from offering Shares under the Prospectus;
- (i) (disclosures in Due Diligence Report) any information supplied by or on behalf of the Company to the Underwriter in relation to the Group or the Offer as part of the Due Diligence Investigations is misleading or deceptive;
- (j) (new circumstance) there occurs a new circumstance that has arisen since the Prospectus was lodged that would, in the reasonable opinion of the Underwriter, have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged in relation to the Company or any entity in the Group;
- (k) (material contracts) termination or a material amendment of any material contract of the Company;
- (l) (hostilities) hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, terrorist threats, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Israel, Japan, Indonesia or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

- (m) (change of law) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, or any State or Territory of Australia or other jurisdiction in which the Company has assets, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to have a material adverse effect on the success of the Offer;
- (n) (change in management) a change in the board of Directors or senior management of the Company occurs;

No sub underwriting agreement has been entered into between the Underwriter and any related parties of the Company or by any party who has lodged a substantial shareholder notice in accordance with the Corporations Act.

9.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue of Securities pursuant to this Prospectus; or
- (c) the Issue of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Issue of Securities pursuant to this Prospectus other than set out below.

Directors' interests in Securities of the Company at the date of this Prospectus are Prospectus including securities to be issued following shareholder approval on 23 March 2011:

Name	Shares	Convertible Notes	Options and exercise price
Christopher Rowe (Non-executive Chairman)	5,116,030	60,000	500,000 expiring 31 October 2012, at 10c 1,466,666 expiring 31 March 2012, at 5c 1,466,667 expiring 31 March 2013, at 7c 1,466,667 expiring 31 March 2014, at 10c
Laurence Roe (Managing Director)	6,242,393	40,000	2,000,000 expiring 30 June 2010, at 20c 352,727 expiring 31 October 2012, at 10c 222,222 expiring 31 March 2012, at 5c 222,222 expiring 31 March 2013, at 7c 222,222 expiring 31 March 2014, at 10c
Graham Riley (Non-executive Director)	6,666,666	Nil	2,222,222 expiring 31 March 2012, at 5c 2,222,222 expiring 31 March 2013, at 7c 2,222,222 expiring 31 March 2014, at 10c
Stephen Mann (Non-executive Director)	3,150,000	Nil	1,500,000 expiring 31 October 2012, at 10c 500,000 expiring 31 March 2012, at 5c 500,000 expiring 31 March 2013, at 7c 500,000 expiring 31 March 2014, at 10c

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal shares. The maximum aggregate amount that may be payable to Non-executive directors is currently set at \$300,000 per annum.

In accordance with the terms of an Executive Agreement under which Laurence Roe is employed as the Company's managing director until 31 October 2011, Mr Roe is entitled to be paid annual remuneration of \$325,000 inclusive of superannuation. He is also entitled to reimbursement of out of pocket expenses.

In the two years preceding lodgement of this Prospectus, \$664,658 (excluding GST and superannuation where applicable) has been paid or is payable by the Company by way of remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. This remuneration includes the value attributable to options granted to the Directors by virtue of their position. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

9.4 Interests and Consents of Experts and Advisers

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Investmet Limited, in their capacity as Underwriter to the Offer,
- Hilary Macdonald, in her capacity as Solicitor to the Offer, and
- HLB Mann Judd, in the capacity of auditors of the Company including references to and reliance on the audited accounts of the Company as at 30 June 2010 in Section 5 of the Prospectus.

Each of Investmet Limited, Hilary Macdonald and HLB Mann Judd (WA Partnership):

- has not authorised or caused the issue of this Prospectus;
- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of or omissions from this Prospectus other than a reference to its name and except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

References to Murcia Pestell Hillard as the Company's solicitors, and Advanced Share Registry Services as the Company's share registry, appear for information purposes only.

Other than as set out below or elsewhere in this Prospectus:

- (a) 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 the Prospectus, any promoter of the Company or broker to the Issue, holds, or held at any time during the 2 years before lodgment of this Prospectus with the ASIC, any interest in:
 - (i) the formation or promotion of the Company;
 - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
 - (iii) the Offer; and
- (b) 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 in connection with the formation or promotion of the Company or the Offer.

Investmet Limited is acting as Underwriter and for this is being paid up to \$49,400. Investmet Limited is also entitled to reimbursement of out of pocket expenses.

Hilary Macdonald has acted as solicitor to the Offer and provided advice and assistance to Investmet which has been relied upon and paid for by the Company in relation to this Prospectus and the Company's due diligence regime and enquiries. In respect of these services, Hilary Macdonald will be paid \$8,000 plus GST.

HLB Mann Judd (WA Partnership) has been paid or is due a total of \$53,755 for services provided in the 24 months preceding lodgement of this Prospectus. This amount was paid for the provision of professional services in relation to the auditing of the financial statements of the Company and associated parties at normal commercial rates.

9.5 Estimated Expenses of Issue

The estimated expenses of the Issue are as follows (based on the assumption that no options are exercised before the Ex Date):

	\$
Underwriting fees	46,500
ASIC, ASX, share registry, legal and other expenses	22,500
Total	<hr/> 69,000 <hr/>

9.6 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at www.targetenergy.com.au. No Application Forms are available by this method.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company or the Underwriter.

9.7 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide

the information required on the application for Securities, the Company may not be able to accept or process your application.

9.8 Directors' Consent

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.

A handwritten signature in dark ink, appearing to read "Laurence Roe". The signature is written in a cursive style with a large, stylized initial 'L'.

Laurence Roe
Managing Director

Dated: 25 March 2011

10 GLOSSARY

Application Form means the Entitlement and Acceptance Form accompanying this Prospectus that sets out the Entitlement of Eligible Shareholders to subscribe for Securities and Shortfall Securities pursuant to the Rights Issue.

Application Monies means monies received from persons applying for Securities pursuant to the terms of the Rights Issue

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 51 008 624 691).

Business Day means a day on which trading takes place on the stock market of ASX.

CHESS means ASX Clearing House Electronic Sub-registry System.

Closing Date means 2 May 2011 or such other date as may be determined by the Directors and the Underwriters under this Prospectus.

Company means Target Energy Limited (ABN 73 119 160 360).

Convertible Note means one of 650,000 convertible notes issued in 2010 by the Company pursuant to the terms of the Secured Convertible Note Deed dated 10 November 2010.

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors means directors of the Company at the date of this Prospectus.

Dollar or **\$** means Australian dollars.

Eligible Shareholder means a Shareholder other than a Non-Qualifying Foreign Shareholder.

Entitlement means an Eligible Shareholder's entitlement to subscribe for Securities offered by the Offer in this Prospectus.

Existing Option means an Option on issue on the date of the Prospectus.

Existing Share means a fully paid ordinary share in the capital of the Company.

Issue means the issue of Securities under this Prospectus resulting from valid acceptances of the Offer by Eligible Shareholders.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

New Options means an option attached to a New Share to subscribe for one ordinary share in the Company at either \$0.05, \$0.07 or \$0.10 on or before 31 March 2012, 31 March 2013 or 31 March 2014, at the ratio of one New Option for every one New Share issued.

New Shares means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus as a result of the Offer being validly accepted or the Shortfall Shares being allocated and subscribed for.

Non-qualifying Foreign Shareholder means a Shareholder, whose registered address is not in Australia or New Zealand.

Offer means the offer to Eligible Shareholders of one New Share for every eight Existing Shares held at the Record Date at an issue price of \$0.03 per New Share with one free attaching New Option for every one New Share issued.

Option means an option to subscribe for a Share.

Placement means the placement of 74,166,666 Shares at a price of \$0.03 per share and 90,999,999 Options conducted in March 2011 as announced in December 2010.

Prospectus means the prospectus constituted by this document.

Record Date means 11 April 2011.

Rights Issue or **Issue** has the same meaning as the Offer.

Securities means the New Shares and New Options to be issued under this Prospectus, and where the context allows for the purposes of compliance with the secondary trading regime in Part 6D.2 of the Corporations Act, the 74,166,666 Shares and 90,999,999 Options issued by way of a placement conducted in March 2011.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of an Existing Share registered on the Record Date.

Shortfall Securities means New Shares (with attaching New Options on the basis of one New Option for every one New Share subscribed for) for which successful valid applications have not been received by the Closing Date and for which Eligible Shareholders may make an Application, in addition to an Entitlement.

Underwriter means Investmet Limited (ABN 17 125 585 935).

Underwriting Agreement means the underwriting agreement dated 25 March 2011 between the Underwriter and the Company.

WST means Western Standard Time.