

TARGET ENERGY LIMITED

CORPORATE GOVERNANCE MANUAL

August 2009

The Board of Directors accepts the responsibility for the overall corporate governance of Target Energy Limited (TEX).

The Board will ensure the interests of TEX's shareholders are primary and also take into account the interests of its employees, customers, suppliers, lenders and the wider community.

The Board is responsible for setting the strategic directions for TEX, establishing and reviewing policies and goals for management and monitoring the achievement of these goals and policies. The Managing Director is responsible to the Board for the day-to-day management of the Company and reporting progress and issues to the Board.

The Board's responsibilities and duties include the following:

- Appointing the Managing Director;
- Determining the strategic direction of TEX as an outcome of executive management recommendations and measuring performance against approved strategies;
- Adopting operating budgets at the commencement of each financial year and monitoring progress on a regular basis against budget by both financial and non-financial key performance indicators;
- Monitoring and overseeing TEX's financial position and risk management priorities;
- Evaluating the performance of the Managing Director and determining remuneration;
- Determining that satisfactory arrangements are in place for auditing TEX's financial affairs; and
- Ensuring that policies and compliance systems consistent with TEX's objectives and industry best practice are in place and providing the necessary framework for TEX and its officers to act legally, ethically and responsibly on all matters.
- Ensuring a reasonable view of all stakeholders is taken into account.

Under the Constitution, the minimum number of directors is three (3). TEX currently has three (4) directors, including two (2) executive directors and two (2) non-executive director. The Constitution also requires that at each annual general meeting, one third of the directors must resign with those directors who have served the longest being subject to rotation first (note. there is a rotation exemption for the Managing Director). Additionally, pursuant to the Constitution, any new director appointed by the Board within a year must retire at the next AGM to be then offered for re-election under an ordinary resolution.

Meetings

The Directors generally hold Board meetings each month, but not less frequently than once every two months.

Board Committees

The Company does not have an Audit, Remuneration or Nomination Committee of the Board of Directors. The full Board of Directors undertake the role of these individual committees. Given the composition of the Board and the size of the Company, it is felt that individual committees are not yet warranted, however it is expected that as the Company's operations expand that each of these committees will be established.

Board Composition

The Company has recognised the importance of having a balanced Board comprised of directors with an appropriate range of backgrounds, skills and experience.

If the Company has more than one non-executive director, the non-executive directors will meet on their own at least once annually to assess the performance of the Board.

New directors are sought to complement the skills and background of the existing Board. New directors provide a fresh look at the operations, strategies and direction of the company and are sought based upon a reputation for integrity

Independent Professional Advice

After prior approval of the Chairman, directors may obtain independent professional advice at the expense of the Company on matters arising in the course of their Board duties.

Ethics

It is the policy of TEX that all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of TEX.

Other Directorships

Directors are required continually to evaluate the number of Boards on which they serve to ensure that each can be given the time and attention required properly to satisfy duties and responsibilities. Directors are required to notify the Chairman in writing prior to accepting an invitation to become a Director of any corporation, listed or otherwise. Executive directors may not accept appointment to the Board of any corporation outside TEX without prior approval of the board.

Risk Management

The Company has in place a framework to safeguard Company assets and ensure that business risks are identified and properly managed.

It is part of the board's oversight role to oversee the establishment and implementation of the risk management system, and to review the effectiveness of the company's implementation of that system. Due to the size of the company it does not have an internal audit function or a Risk sub-committee of the Board.

The following is a listing of the material business risks facing the company:

- compliance
- environmental
- occupational health and safety
- opportunity identification
- capital markets
- operations/production

- exploration and discovery
- insurance
- operator and contractor
- foreign exchange
- financial commitments
- reputation
- land access
- reliance on key personnel
- fraud
- reporting
- ability to access finance

Management is responsible for the identification, assessment, monitoring and management of material risk throughout the company. Management report to the Board annually to confirm how each of the company's material business risks are being managed. The Board monitor the management of risks on an ongoing basis.

The Company has in place a number of risk management controls which include the following:

- Guidelines and limits for the approval of capital expenditure and investments; and
- A comprehensive insurance programme including external risk management surveys.
- A delegation framework for the Managing Director and senior management.
- Authorisation procedures for the payment of operating costs.
- Annual audit of the company's Financial Statements and an audit review of the half year Financial Statements.

Role of Shareholders

The shareholders of the Company play an important role in corporate governance by virtue of their responsibilities for voting on the appointment of directors.

The Board ensures that shareholders are kept fully informed on developments affecting the Company through:

- The Annual Report distributed to shareholders;
- Compliance with Australian Stock Exchange's continuous disclosure requirements (and subsequent shareholder announcements); and

The annual general meeting and other meetings called to obtain approval for Board action.

Process for Evaluating the Performance of Executives

In even years, the performance of executive(s), including the Managing Director, is appraised by the Board in the absence of the executive. The appraisal requires each director to complete a questionnaire provided by the Chairman which seeks input into the performance of the executive. Results are then collated, compared and discussed. A Board assessment is then delivered to the executive by the Chairman. The process in odd years is for the Chairman and the executive to meet informally to discuss the Chairman's evaluation of the executive's performance.

Process for Evaluating the Performance of Directors

In even years, the performance of director(s), excluding the Managing Director, is appraised by each other director, in the absence of the affected directors. The appraisal requires each director to complete a questionnaire provided by the Chairman which seeks input into the performance of each other director and of the individual director. Results are then collated, compared and discussed. A Board assessment is then delivered to the director by the Chairman and, in the case of the Chairman, by the Board. The process in odd years is for

the Chairman to meet informally with each director to discuss the Chairman's evaluation of the director's performance.

The Constitution requires that 1/3 of directors retire from office at each annual general meeting. No director, with the exception of the Managing Director, may hold office for longer than three years without submitting himself for re-election. Retiring directors are eligible for re-election. The Managing Director is not subject to rotation.

Selection and Appointment Policies for External Auditors

Mann Judd have been the Company's auditors since incorporation. They were selected on the basis of being reputable and appropriate in terms of size, resources, location and price for a listed oil and gas explorer.

External Auditors Partner Rotation Policy

The external auditor has a rotation policy such that the engagement lead partner is rotated in accordance with the requirements of the Corporations Act, such that the lead partner signs off on five consecutive 30 June audit reports and five consecutive 31 December half-year review reports and then rotates to another audit partner. Once a lead partner is rotated off, he/she cannot have any involvement with that client for a period of 2 consecutive years.

Auditor Independence

Target recognises and supports the fundamental principle of maintaining auditor independence. Target has a policy controlling the provision of non-audit services by the auditors. Auditors are not prohibited from supplying non-audit services provided those services are subject to independent approval from the Board.

Unvested Entitlements

There are no unvested entitlements under any equity-based remuneration schemes.