

25 March 2011

Company Announcements Office  
ASX Limited  
Level 8  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**RIGHTS ISSUE – LETTERS TO SHAREHOLDERS, OPTIONHOLDERS**

Dear Sir

Please find following letters which have been sent to shareholders and optionholders today in relation to the rights issue.

Yours faithfully  
**Target Energy Limited**



**Rowan Caren**  
Company Secretary

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25 March 2011

Dear Shareholder

**INFORMATION FOR SHAREHOLDERS - PRO RATA NON-RENOUNCEABLE RIGHTS ISSUE**

As you may be aware, the Company will shortly be offering to you an opportunity to acquire more shares in the Company pursuant to a pro-rata non-renounceable rights issue to shareholders of approximately 32,934,264 fully paid ordinary shares ("**New Shares**") and 32,934,264 options ("**New Options**"), on the basis of one New Share (each with a free attaching New Option) for every eight shares held by you at 5.00pm AWST on 11 April 2011, at an issue price of 3 cents per New Share, to raise approximately \$988,000 ("**Rights Issue**"). The New Options will each be exercisable into one ordinary share. One third of the New Options will have an exercise price of 5 cents and will be exercisable on or before 31 March 2012, one third will have an exercise price of 7 cents and will be exercisable on or before 31 March 2013 or one third will have an exercise price of 10 cents and will be exercisable on or before 31 March 2014. This offer will be made pursuant to a prospectus ("**Prospectus**") and if you wish to participate in the Rights Issue, you will need to complete the Entitlement and Acceptance Form that will accompany the Prospectus. A copy of the Prospectus has been lodged with ASIC (being the Prospectus dated 25 March 2011) and is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and also on the Company's website ([www.targetenergy.com.au](http://www.targetenergy.com.au)).

Pursuant to the Listing Rules of ASX Limited ("**Listing Rules**"), the Company is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules, as provided to ASX on 25 March 2011.

1. The New Shares to be issued will rank equally in all respects from the date of allotment with the existing quoted ordinary shares. Any shares issued upon exercise of the New Options will rank equally with existing ordinary shares.
2. The Company will apply for quotation of the New Shares issued pursuant to the Rights Issue on the official list of the ASX. Quotation will not be sought for the New Options.
3. The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, for general working capital.
4. Target expects the Rights Issue to be conducted according to the following timetable:

Lodgement of Prospectus	25 March 2011
Shares trade "ex-rights"	5 April 2011
Record Date to determine Entitlements under the Rights Issue	11 April 2011
Prospectus and Application Form dispatched	13 April 2011
Closing Date for acceptances	2 May 2011
Allotment and issue of New Shares and New Options	10 May 2011
Dispatch of shareholding statements	10 May 2011

Target Energy reserves the right to extend the closing date, subject to the ASX Listing Rules and the consent of the Underwriter, in which case the date of issue of the shares will alter accordingly.

5. The total number and class of all securities quoted on ASX (including the maximum number of New Shares to be issued in the Rights Issue assuming that no existing options are exercised prior to the record date) is as follows:

Number	Class
279,345,886	Ordinary shares
52,986,275	Options exercisable at \$0.10 by 31 October 2012

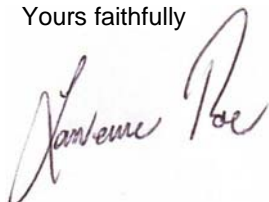
6. The total number and class of all securities not quoted on the ASX following the Rights Issue is as follows:

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Number	Class
6,000,000	Options exercisable at \$0.20 by 30 June 2011
750,000	Options exercisable at \$0.12 by 7 August 2011
40,679,477	Options exercisable at \$0.05 by 31 March 2012
40,679,477	Options exercisable at \$0.07 by 31 March 2013
40,679,477	Options exercisable at \$0.10 by 31 March 2014
650,000	Convertible Notes

7. The Company currently has no dividend policy.
8. No shareholder approval for the Rights Issue is required. The offer under the Rights Issue relates to fully paid ordinary shares in the capital of the Company.
9. There are no holdings on different registers (or subregisters), therefore there will be no aggregation for calculating entitlements.
10. Fractional entitlements will be rounded up.
11. The Company will not be sending an offer under the Rights Issue to any security holders resident outside of Australia and New Zealand. In compliance with Listing Rule 7.7.1 of the Listing Rules, the Company has decided that it is unreasonable to make the offer to security holders registered outside of Australia and New Zealand having regard to each of the following:
- the number of security holders registered outside of Australia and New Zealand;
  - the number and value of the securities to be offered to security holders outside of Australia and New Zealand; and
  - the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.
- The Company will send to each of the security holders outside of Australia and New Zealand details of the offer and advise them that the Company will not be making the offer to them.
12. The Rights Issue is underwritten by Investmet Limited ("**Underwriter**"). The Company will pay the Underwriter an underwriting fee equal to 5% of the total amount to be raised under the Rights Issue, being approximately \$46,500. Further, the Company must reimburse the Underwriter for all out of pocket expenses and disbursements incurred by the Underwriter in connection with the Rights Issue.
13. Brokers will receive no handling fee for acceptances lodged by them on behalf of security holders.
14. A notice has been sent to existing optionholders in respect of the Rights Issue, within the time frames stipulated in the Listing Rules and the terms and conditions of the Options.

Yours faithfully



**Laurence Roe**  
**Managing Director**

25 March 2011

Dear Shareholder

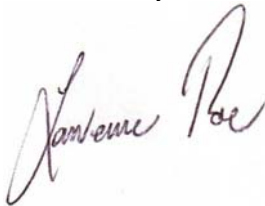
**PRO RATA NON RENOUNCEABLE RIGHTS ISSUE**

As you may be aware, Target Energy Limited (the "Company") is currently undertaking a pro-rata non-renounceable rights issue to shareholders pursuant to a prospectus ("**Prospectus**") dated 25 March 2011. The Company expects that the rights issue will close on 2 May 2011.

The rights issue is open to shareholders having a registered address in Australia or New Zealand on the record date of 11 April 2011 and comprises an offer of one New Share, each with a free attaching option, for every eight Shares held on the record date at an issue price of AUD\$0.03 per New Share, to raise approximately AUD\$988,000 before the costs of the issue.

The Company has determined, pursuant to Listing Rule 7.7.1(a) of the Listing Rules of ASX Limited ("**ASX Listing Rules**"), that it would be unreasonable to make offers under the Prospectus to all shareholders in countries outside of Australia and New Zealand because of the costs involved in the Company complying with the laws of all the jurisdictions in which shareholders without Australian or New Zealand addresses have registered addresses. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), the Company wishes to advise you that it will not be extending the rights issue to you. A copy of the Prospectus dated 25 March 2011 will be sent to you for information purposes.

Yours faithfully



**Laurence Roe**  
**Managing Director**

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25 March 2011

Dear Option Holder

**NON-RENOUCEABLE RIGHTS ISSUE**

On 25 March 2011, the Company announced a non-renounceable rights issue to holders of Target Energy Limited ordinary fully paid shares on the basis of one new share for every eight existing shares, at an issue price of \$0.03 per share to raise approximately \$988,000 before costs (“Issue”). For each new share subscribed, shareholders will also receive a free attaching option; one third of the free attaching options will be exercisable at 5 cents on or before 31 March 2012, one third of the free attaching options will be exercisable at 7 cents on or before 31 March 2013 and one third of the free attaching options will be exercisable at 10 cents on or before 31 March 2014.

The Prospectus relating to the Issue was lodged with ASIC and ASX on 25 March 2011 and is available on the ASX website and also on the Company’s website [www.targetenergy.com.au](http://www.targetenergy.com.au). [Further information about the terms of the new shares and new options are provided in the Prospectus.](#)

The Record Date for the purposes of determining the security holders who will be entitled to participate in the Issue is 11 April 2011. The Prospectus and personalised application forms for the Issue will be despatched to all shareholders soon after the Record Date.

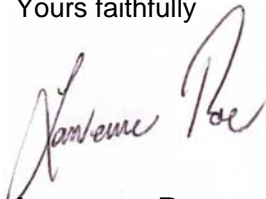
In order for option holders to be able to participate in the Issue, they will need to exercise their Options **prior** to the open of ASX trading on the Ex Date of 5 April 2011, in order to ensure that the shares to be allotted and issued following any exercise of the options are registered by the Record Date.

During the three months immediately preceding the lodgement of the Prospectus, the highest sale price and the lowest sale price of ordinary shares in the Company was \$0.135 on 18 March 2011 and \$0.043, most recently, on 29 December 2010, respectively. The last available market sale price on ASX before the date of this notice was \$0.11 on 24 March 2011.

Should you wish to exercise your Options, please contact the Company’s registry, Advanced Share Registry Services Ltd on (08) 9389 8033, or by facsimile on (08) 9389 7871 to obtain and complete an Option Exercise Notice.

Securities issued as a result of exercising Options should be considered speculative. If you do not understand this letter, the Option Exercise Notice and/or the terms of the Issue you should consult your stockbroker, solicitor, accountant, bank manager or professional advisor.

Yours faithfully



**Laurence Roe**  
**Managing Director**

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