



TARGET ENERGY LIMITED
ABN 73 119 160 360

PROSPECTUS

For a renounceable pro rata offer to Shareholders of approximately 44,688,468 New Shares and 44,688,468 free attaching New Options on the basis of two New Shares (each with an attaching free New Option) for every five Existing Shares at an issue price of 5.5 cents per New Share to raise approximately \$2.46 million before issue costs

Underwriter and Lead Manager

Patersons Securities Limited
ACN 008 896 311

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.

This is a replacement prospectus dated 2 October 2009. It replaces prospectuses dated 21 and 23 September 2009.

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Application Form

SUMMARY OF IMPORTANT DATES

Shares quoted ex- Rights and Rights trading commences on ASX	24 September 2009
Record date to determine Entitlement	30 September 2009
Prospectus with Entitlement and Acceptance Form dispatched	2 October 2009
Last day of Rights trading	12 October 2009
Closing date for acceptances	19 October 2009
Allotment and issue of New Shares and New Options	26 October 2009
Dispatch of shareholding statements	27 October 2009
Trading of New Shares and New Options expected to commence	27 October 2009

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

This is a replacement prospectus dated 2 October 2009. It replaces prospectuses dated 21 and 23 September 2009.

1 INVESTMENT HIGHLIGHTS

- Recent daily production averaging approximately 90 barrels of oil per day (Target working interest share), equivalent.
- Recent drilling at SML (Snapper) #A-3 which is to be completed as a producer after intersecting inferred oil and gas pay in multiple sands.
- Acquired a 25% working interest in the potentially high impact Highway 71 prospect.
- Highway 71 scheduled to be drilled in October.
- 1.7 mmBO P50 recoverable reserves at East Chalkley Oil Field.
- Ongoing field development work at East Chalkley.
- Beyt #1A well currently scheduled to be drilled in the fourth quarter. 750,000 BO prospective resources.
- Board strengthened with the appointment of Mr. Gerry McGann.

An investment in the Company is not risk free and investors should consider the risk factors described below in Section 9, 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 2 October 2009 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 Securities 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 4.9** 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.

2 CORPORATE DIRECTORY

Directors

Mr Didier Murcia
(Chairman, Director)

Mr Laurence Roe
(Managing Director)

Mr Gerry McGann
(Director)

Mr Michael Martin
(Director)

Mr Paul Lloyd
(Director)

Company Secretary

Mr Rowan Caren

Auditors

HLB Mann Judd
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
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Telephone: (08) 9476 9000

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ASX Codes: TEX, TEXO

ABN: 73 119 160 360

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands WA 6009

Telephone: (08) 9389 8033

Solicitors

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

Underwriter and Lead Manager

Patersons Securities Limited
Level 23, 2 The Esplanade
Perth WA 6000

Web Address

www.targetenergy.com.au

3 MANAGING DIRECTOR'S LETTER

2 October 2009

Dear Shareholder,

Your Directors are pleased to offer you an opportunity to participate in Target Energy Limited's renounceable Rights Issue to raise approximately \$2.46 million (before costs).

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 additional new securities beyond their initial entitlement. Final allocation of such additional securities will be at the Company's and the Underwriter's discretion.

The capital raising will enable the Company to press forward with its exploration and development campaigns. We have enjoyed success in our drilling program to date, with established production and cash flow, and in particular the recent successful drilling at SML (Snapper) #A-3 which intersected oil and gas pay in multiple sands and is to be completed as a producing well.

In addition, we have an ongoing and active drilling program in Texas and Louisiana with a significant exploration well scheduled to be drilled in October at Highway 71 and further development wells planned for East Chalkley.

The capital raising will permit the Company to fund its ongoing exploration drilling program as well as providing additional working capital.

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 renounceable pro rata entitlements issue to Shareholders of approximately 44,688,468 New Shares and 44,688,468 New Options on the basis of two New Shares, each with an attaching free New Option, for every five Existing Shares held as at the Record Date at an issue price of \$0.055 (five and a half cents) each to raise approximately \$2,457,866 before issue costs.

This Prospectus is also used by the Company to facilitate the secondary trading of the Placement being 7,400,000 Shares and 7,400,000 Options ("Placement Shares and Placement Options") the Company has issued to sophisticated investors (as that term is defined in the Corporations Act) on 18 September 2009 under the terms of Section 708A(11) of the Corporations Act.

The Placement Shares and Placement Options were issued without disclosure to investors under Part 6D.2 of the Corporations Act. A prospectus is required under the Corporations Act to enable the persons who were issued with the Placement Shares and Placement Options to on-sell those Shares and Options within 12 months of their issue.

The Company did 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 Options are identical to the terms of the New Options specified in Section 8.2

4.2 Underwriting

The Issue is fully underwritten by Patersons Securities Limited. A summary of the underwriting agreement is set out in **Section 10** of the Prospectus.

4.3 Entitlement to Rights Issue

Shareholders who are on the Company's Share Register at the close of business on the Record Date, being 5.00 pm WST on 30 September 2009 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 Entitlement and Acceptance Form setting out your Entitlement to New Shares and New Options accompanies this Prospectus.

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

4.4 Applying for Additional New 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 may become available as Additional New Securities. It is possible, particularly if there is an active Rights trading market, that there will be few or no Additional New Securities available for issue. It is an express term of the Offer that applicants for Additional New Securities will be bound to accept a lesser number of Additional New 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 Additional New Securities in their absolute discretion.

4.5 Rights Trading

The Rights to Securities are renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Rights on the ASX commenced on 24 September 2009 and is expected to end on 12 October 2009.

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 7** 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 and New Options to be quoted. It is expected that New Shares and New Options will be issued on 26 October 2009 and trading of the New Shares and New Options on ASX is expected to commence on 27 October 2009.

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 and New Options 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 Issue 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. Residents of countries outside Australia should consult their professional adviser as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application for Securities on the basis of this Prospectus. No action has been taken to register or qualify the Securities or the Issue or otherwise to permit an offering of the Securities in any jurisdiction outside Australia and New Zealand.

4.9 Treatment of Overseas Shareholders

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 Company has appointed the Underwriter (or associates of the Underwriter) as nominee to sell the Non-qualifying Foreign Shareholders' Rights. The Underwriter (or associates of them) will only sell those Rights if there is a viable market in those Rights and a premium over the expenses of sale can be obtained.

Any such sale will be at a price and be conducted in a manner that the nominee will determine in its absolute discretion.

The proceeds of sale (in Australian dollars) will be distributed to the Non-qualifying Foreign Shareholders for whose benefits the Rights have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale and the distribution of the proceeds), save that individual amounts of less than \$10 will be retained by the Company.

Neither the Company nor the nominee will be liable for any failure to sell the Rights or to sell the Rights at any particular price. If there is no viable market for the Rights of the Non-qualifying Foreign Shareholders, their Entitlement will be allowed to lapse and the relevant New Shares will become Shortfall Shares, to be dealt with by the Underwriter in accordance with the Underwriting Agreement.

4.10 ASX Waiver – Notice to Option Holdings

On 4 September 2009 the ASX granted a waiver to the Company from ASX Listing Rule 7.40 to the extent necessary to permit the Company to not send a notice of the Offer in accordance with the requirements of the ASX Listing Rules to option holders who are unable to participate in the Offer without first exercising their options.

The waiver was granted to the Company on the basis that the likelihood of option holders exercising the options was too remote to justify the cost of sending notices.

Therefore no prior notice will be given to option holders other than the terms of this Prospectus to enable them to exercise their options and be granted shares in the Company prior to the Record Date.

4.11 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 01 Oct 2009)
Existing Shares	12 cents on 18 August 2009	5.2 cents on 29 September 2009	5.6 cents

4.12 Opening and Closing Dates

The Issue will open for receipt of acceptances on 2 October 2009 and will close on 19 October 2009, subject to the right of the Company, in consultation with the Underwriter, to vary these dates.

4.13 Rights and Liabilities attaching to the New Shares

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 are set out in **Section 8**.

4.14 Enquiries

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

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 approximately \$2.46 million in additional capital.

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 on the assumption that none of the existing options or the New Options are exercised before their expiry date. Actual expenditure incurred on the projects will depend on the results achieved.

Use of Proceeds of the Issue	Amount \$'000
Drilling Costs	1,277
Drilling back-costs	255
Development capital expenditure at East Chalkley	176
Working capital and/or acquisition of additional interests in properties	520
Expenses of the Offer	229
ESTIMATED TOTAL	2,457

5.2 Effect of the Issue

The principal effect of the Issue will be that:

- (a) cash reserves will initially increase by approximately \$2,228,923; and
- (b) the number of Shares on issue will increase from 111,721,170 up to 156,409,638; and
- (c) the number of Options on issue will increase from 76,962,164 up to 121,650,632.

5.3 Effect on Capital Structure

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

Capital Structure after Completion of Issue

No. of Shares	
111,721,170	On issue at the Record Date and at the date of this Prospectus
44,688,468	Issued pursuant to this Prospectus
156,409,638	Total Issued Capital

No. of Options	Expiry date	Exercise Price	No. Listed on ASX
On Issue at the Record Date and at the Date of this Prospectus			
62,812,164	26 November 2009	\$0.25	62,814,164
6,000,000	30 June 2011	\$0.20	-
750,000	7 August 2011	\$0.12	-
7,400,000	31 October 2012	\$0.10	-
On Issue Following the Rights Issue			
62,812,164	26 November 2009	\$0.25	62,814,164
6,000,000	30 June 2011	\$0.20	-
750,000	7 August 2011	\$0.12	-
52,088,468	31 October 2012	\$0.10	52,088,468

5.4 Effect on the Company's Financial Position

Set out below for illustrative purposes are the historical Consolidated Balance Sheet as at 30 June 2009 (unaudited) and an unaudited Pro Forma Consolidated Balance Sheet as at 30 June 2009 after the Rights Issue. The Balance Sheet has been prepared on the basis of the accounting policies normally adopted by the Company.

	30 June 2009 (Unaudited) \$	30 June 2009 (Unaudited pro forma) \$
Current Assets		
Cash and cash equivalents	2,599,641	5,208,608
Trade and other receivables	257,265	257,265
Other financial assets	50,000	50,000
Total current assets	2,906,906	5,515,873
Non Current Asset		
Property, plant & equipment	4,368,445	4,368,445
Deferred exploration expenditure	1,072,088	1,072,088
Total non current assets	5,440,533	5,440,533
Total Assets	8,347,439	10,956,406
Current Liabilities		
Trade and other payables	304,046	304,046
Total current liabilities	304,046	304,046
Total Liabilities	304,046	304,046
Net Assets	8,043,393	10,652,360
Equity		
Issued Capital	14,865,758	17,474,725
Reserves	574,405	574,405
Accumulated losses	(7,396,770)	(7,396,770)
Total Equity	8,043,393	10,652,360

Assumptions for Unaudited Pro Forma Consolidated Balance Sheet

The unaudited proforma Consolidated Balance Sheet set out above, represents the unaudited Balance Sheet as at 30 June 2009 adjusted for the following transactions:

- The issue of 7,400,000 shares and 7,400,000 New Options pursuant to the Placement which raised \$407,000 before estimated costs of \$26,955;
- The issue of approximately 44,688,468 New Shares and 44,688,468 New Options issued in accordance with this Prospectus;
- Payment of estimated costs in relation to this Prospectus of \$228,943 offset against contributed equity;

6 COMPANY OVERVIEW AND PROJECTS

Target Energy Limited is an active petroleum exploration and production company with operations in the United States of America.

The US continues to be one of the best operating environments for oil and gas in the world due to high levels of activity, pervasive infrastructure and low sovereign risk. Texas and Louisiana, the initial operating areas selected by the Company and the only areas where it has operated to date, are well-established petroleum provinces that continue to deliver exploration success. The regions have excellent access to infrastructure and have substantial 3D seismic coverage (all of the Company's project areas are covered by 3D seismic).

Since listing, the Company has drilled ten wells, seven of which have been completed and put into production or are scheduled to be completed and put into production.

Typical daily production net to the Company's working interest over the last three months was approximately 90 BOEPD. This has been temporarily reduced pending the installation of pumping equipment at the Snapper A-2 well.

Ongoing drilling in 2009 and 2010 will continue to be exciting and active, with the Company preparing to participate in several wells, including the Highway 71 exploration well, the East Chalkley development program and the Beyt 1A sidetrack well.

6.1 SECTION 28 Program – St Martin Parish, Louisiana

Target Energy has entered into agreements with Cypress Productions, Inc of Texas (Cypress), to drill a number of prospects in and around the Section 28 oil and gas field, located approximately 25 kilometres east of the city of Lafayette in Louisiana. The Section 28 field area is covered by the Catahoula 3D seismic survey, 88 square kilometres (34 square miles) of which has been purchased and reprocessed by Cypress. The reprocessing and subsequent remapping of the data has revealed a number of prospective drilling targets in which Target Energy is involved.

i. SML (SNAPPER) #A-1 - St Martin Parish, Louisiana (25% working interest)

The SML (Snapper) #A-1 well was drilled in March and April 2007. The well was drilled to a measured depth of 3002.9 metres, with wireline log data indicating oil and gas pay in four separate zones.

The well was brought online in August 2007 and, to 30 June 2009, had produced a gross 731.6 million cubic feet of gas (MMcfcg) and 2,718 barrels of oil.

Reserves at 31/12/08	Oil (BO)	Gas (mmcf)
Proven Reserves	207,710	1090.4
Probable Reserves	3,920	499.8
Total	211,630	1,591.2
Production 1/1/09 – 31/8/09	217	162.1
Remaining Proved and Probable Reserves	211,413	1429.1

Proven and Probable Reserves were calculated in accordance with WPC (World Petroleum Congress) rules and guidelines.

Target Energy has a 25% working interest and a 72% net revenue interest in SML #A-1.

ii. SML (SNAPPER) #A-2 - St Martin Parish, Louisiana (25% working interest)

SML (Snapper) #A-2 is located approximately 20 kilometres east of the city of Lafayette. The well commenced drilling on 28 October 2007 and reached a total depth at 3,078.5 metres on 24 November 2007. Seven potential oil and gas pay zones (as identified on wireline logs) were encountered.

The well was brought into production on 9 February 2008 and, to 30 June 2009, has produced a gross 416.6 MMcfg and 11,143 barrels of oil.

Reserves at 31/12/08	Oil (BO)	Gas (mmcf)
Proven Reserves	187,740	363.3
Probable Reserves	21,950	46.6
Total	209,690	409.9
Production 1/1/09 – 31/8/09	15,989	123.5
Remaining Proved and Probable Reserves	193,701	286.4

Proven and Probable Reserves were calculated in accordance with WPC (World Petroleum Congress) rules and guidelines.

Target Energy has a 25% working interest and a 72% net revenue interest in SML #A-2.

iii. SML (SNAPPER) #A-3 - St Martin Parish, Louisiana (up to 25% working interest)

SML (Snapper) #A-3 is located approximately 300m north of the producing Snapper #A1 well. The well was designed to test a known fault segment for proven bypassed gas pay in the Hackberry A-1 and A-4 Sands. The well commenced drilling on 30 June, reaching a total depth of 3,198.3m with drilling finishing on 22 August 2009. Log analysis has indicated approximately 11 metres potential net pay in the Camerina, 3rd Marg Tex and Hackberry A1 sands. The well is to be completed for production.

Target has a 25% Working Interest in zones above the Hackberry sands, a 21.625% Working Interest in the Hackberry sands and a 72% net revenue interest in the well.

iv. BAYOU BERARD - St Martin Parish, Louisiana (15% working interest)

Drilling at the Beyt #1 well at the Bayou Berard prospect in 2008 intersected a major fault just before hitting the primary Marg Tex targets and the well was subsequently completed in the shallower Marg Vag sand.

The operator is presently reviewing the engineering aspects of drilling a sidetrack out from the existing wellbore to intersect the Marg Tex sands.

Prospective Resources	Oil (BO)
1st Marg Tex Sand	528,000
2 nd Marg Tex Sand	264,000
3 rd Marg Tex Sand	198,000
Total Prospective Resources	990,000

Prospective Resources were calculated in accordance with SPE-PRMS standards.

Target has estimated a 750,000 BO recovery based on the co-mingled production of the upper two zones (1st and 2nd Marg Tex). If the lowermost sand (3rd Marg Tex) is also productive a greater recovery is possible.

The Beyt #1A Sidetrack is presently scheduled for late in the fourth quarter of 2009.

6.2 EAST CHALKLEY OIL FIELD – Cameron Parish, Louisiana (25% working interest)

The East Chalkley project is an oil field appraisal and development program, approximately 33 kilometres southeast of the town of Lake Charles in Cameron Parish, Louisiana. The oil accumulation, on the east flank of the Chalkley Field, is a previously unidentified down-dip oil leg associated with the gas field. P50 recoverable reserves are estimated at 1.7 million barrels of oil to the field. Additional appraisal and development drilling will be required to prove up additional reserves and to fully drain the field.

Target participated in the successful drilling of the Pine Pasture #2 well in 2008. Production from the Pine Pasture #2 well is currently approximating 85 BOPD.

Reserves assigned to the Pine Pasture #2 well range from 195,000 BO (2P) to 325,000 BO (3P). Production to 30/8/09 from Pine Pasture #2 was 27,575 BO.

The drilling of a salt-water disposal well at East Chalkley is expected to be underway in the fourth quarter of 2009. The disposal well will substantially reduce operating costs for current and future producing wells in the field. Additional appraisal and/or development drilling is also scheduled for later this year.

Reserves and Resources were calculated in accordance with SPE-PRMS standards.

6.3 HIGHWAY 71 – Wharton Co, Texas (earning a 25% working interest)

The Company recently announced that it has reached agreement with J. Charles Hollimon (“Hollimon”) of San Antonio, Texas to acquire a 25% working interest in the “Highway 71” gas and condensate prospect, which is scheduled to be drilled by Hollimon in October 2009.

Located in Wharton County Texas, approximately 100 kilometres west-southwest of Houston, Highway 71 has the potential to recover up to 52.5 Billion cubic feet (Bcf) of gas and 367,000 barrels of condensate/light oil (BC) from its primary target, with a shallower secondary target holding the potential to recover up to 15 Bcf of gas and 750,000 BC.

The prospect is mapped on Hollimon's proprietary 3D seismic and is located in the vicinity of a number of producing oil and gas fields. The primary objectives at Highway 71 are the 1st and 2nd Meek (Middle Wilcox) sands, with the shallower Upper Wilcox sand as a secondary target.

Potential recoverable volume

Primary target:	1 st and 2 nd Meek Sandstone
Mapped area	700 acres
Potential pay	50 feet
Recovery factor	1.5 mmcfg per acre/ft
Total potential gas	52.5 billion cubic feet
Liquids ratio (barrels/mmcf)	7
Total potential liquids	367,500 BC

Total primary target recoverable potential: 52.5 Bcf plus 367,500 barrels of condensate.

Secondary target	Upper Wilcox Sandstone
Mapped area	500 acres
Potential pay	25 feet
Recovery factor	1.2 mmcfg per acre/ft
Total potential gas	15 billion cubic feet
Liquids ratio (barrels/mmcf)	50
Total potential liquids	750,000 BC

Total secondary target recoverable potential: 15 Bcf plus 750,000 barrels of condensate.

Estimates of the potential volumes were provided to the Company by the Operator, J. Charles Hollimon and represent the Operator's estimates of the prospect's full potential (within the leasehold acreage) based on their integration and mapping of 3D seismic data, local well and production data.

This is not a resource or reserve. Appropriate work is yet to be undertaken to estimate either a resource or reserve. There are specific risks associated with drilling - there is no guarantee the drilling at Highway 71 will result in an economic discovery.

Drilling is presently scheduled to commence in October 2009 and is expected to take six weeks to drill to the programmed Total Depth of 4,115 metres (13,500 feet). The well will be drilled on a “turn-key” contract.

6.4 Competent Person Statement

In accordance with ASX Listing Rules, any hydrocarbon and/or drilling update information in this Prospectus has been reviewed and signed off by Mr Laurence Roe, BSc, Managing Director of Target Energy Limited, who is a member of the Society of Exploration Geophysicists and has over 25 years experience in the sector. He consents to the reporting of that information in the form and context in which it appears.

7 ACTIONS REQUIRED BY SHAREHOLDERS

7.1 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 7.2**);
- (b) apply for Additional New Securities (refer to **Section 7.3**);
- (c) sell all or part of your Entitlement to Securities on the ASX (refer to **Section 7.4**);
- (d) subscribe for part of your Entitlement and sell the balance on the ASX (refer to **Section 7.5**);
- (e) subscribe for part of your Entitlement and allow the balance to lapse (refer to **Section 7.6**);
- (f) transfer all or part of your Entitlement to another person other than on ASX, with or without taking up the balance (refer to **Section 7.7**); or
- (g) not subscribe for any of your Entitlement and allow it to lapse (refer to **Section 7.8**).

7.2 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 \$0.055 per New Share and New Option accepted, and received by the Share Registry at either of the following addresses by no later than 5.00 pm (WST) on 19 October 2009. 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

An addressed envelope is enclosed for your convenience. A postage stamp is required.

7.3 Applications for Additional New Securities

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Securities regardless of the size of their present holding. Refer to **Section 4.4** if you wish to apply for Additional New Securities.

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

7.4 If you wish to sell all or part of your Entitlement on ASX

If you wish to sell all or part of your Entitlement on ASX, complete the section headed "Instructions to your Stockbroker" on the accompanying Application Form, and forward it to your stockbroker as soon as possible.

Trading of Rights commenced on ASX on 24 September 2009. Sale of your Rights is only able to be completed on or before 2.00 pm (WST) on 12 October 2009 when Rights trading ceases.

In dealing with the completed Application Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Applicants buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

7.5 If you wish to subscribe for part of your Entitlement and sell the balance on ASX

If you wish to subscribe for part of your Entitlement and sell the balance on ASX, complete the accompanying Application Form, including the section headed "Instructions to your Stockbroker", in accordance with the instructions set out on that form and forward to your stockbroker, together with your cheque or bank draft for the Application Monies for the Securities for which you wish to subscribe as soon as possible.

Your stockbroker will need to ensure that the completed Application Form reaches the Share Registry by 5.00pm (WST) on 19 October 2009.

Trading of Rights commenced on ASX on 24 September 2009. Sale of your Rights is only able to be completed on or before 2.00 pm (WST) on 12 October 2009 when Rights trading ceases.

In dealing with the completed Application Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

7.6 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 \$0.055 per New Share and New Option you wish to accept, and received by the Share Registry by no later than 5.00 pm (WST) on 19 October 2009.

7.7 If you wish to transfer all or part of your Entitlement to another person other than on ASX

If you are a Shareholder, hold Shares registered on the issuer sponsored sub-register and wish to transfer all or part of your Rights to another person other than on ASX, send a completed standard renunciation form (obtainable from your stockbroker or the Share Registrar) signed by both you (as seller) and the buyer, together with your Application Form completed by the transferee and the transferee's cheque or bank draft for the appropriate Application Monies calculated at \$0.055 per New Share and New Option they wish to accept, to reach the Share Registry by no later than 5.00 pm (WST) on 19 October 2009.

If you are a Shareholder, hold Shares registered on CHESS and wish to transfer all or part of your Entitlement to another person other than on ASX, you should contact your sponsoring participant.

Applicants accepting a transfer of Entitlements as referred to above will need to pay the Application Monies to take them up.

7.8 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. You should, however, consider renouncing (selling) your Rights rather than allowing them to lapse. Entitlements to Securities not accepted will form part of the Shortfall which will be dealt with by the Underwriter in accordance with the Underwriting Agreement, and you will receive no benefit.

It is therefore important that, if you wish to receive a benefit, you take action either to accept or sell your Entitlement in accordance with the instructions above and on the back of the accompanying Application Form.

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 or choose not to renounce (sell) any of your Rights.

8 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.

8.1 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, issue or grant options over 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.

8.2 Options

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

- (a) the Options may be exercised at any time prior to 5:00pm WST on 31 October 2012 (Expiry Date). Options not exercised on or before the Expiry Date will automatically lapse;
- (b) the exercise price of each Option is ten cents;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (d) the Company will apply to ASX to have the Options granted Official Quotation;
- (e) other than as specified in (i) and (j) below an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (f) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
- (g) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to optionholders when the initial holding statement is sent;
- (h) there will be no participating entitlement inherent in the Options to participate in any new issues of capital which may be offered to Shareholders during the currency of the Options without exercising the Options. Prior to any new pro rata issue of securities to Shareholders, optionholders will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (i) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (j) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules;
- (k) the Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for the transfer of options at any time until 31 October 2012, subject to any restrictions which may be imposed by ASX; and
- (l) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

9 RISK FACTORS

9.1 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.

9.2 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.

9.3 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.

9.4 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.

9.5 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.

9.6 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.

9.7 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.

9.8 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.

9.9 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.

9.10 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.

9.11 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.

9.12 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.

9.13 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.

9.14 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.

9.15 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.

9.16 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.

9.17 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

Drilling is planned to shortly commence at the Highway 71 prospect and the East Chalkley project 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.

10 ADDITIONAL INFORMATION

10.1 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 2009 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 2009 audited financial statements:

Date	Description of Announcement
29.9.09	Highway 71 Prospect Update

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.

10.2 Material Contracts

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

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

Underwriting Agreement

The Company has executed an underwriting agreement dated 18 September 2009 (“**Underwriting Agreement**”). Pursuant to the Underwriting Agreement, the Underwriter will be entitled to an underwriting fee equalling 5% of the amount underwritten and a management fee of \$60,000.

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 one of the following events occurs and the Underwriter holds the opinion, acting reasonably, that the event will have a material adverse effect on the Offer:

- (a) the All Ordinaries Index as published by ASX is at any time after the date of the Underwriting Agreement 15% or more below its respective level as at the close of business on the business day prior to the date of the Underwriting Agreement; and
- (b) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, or any member of the European Union, 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.

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.

Legend Petroleum

As set out in the Additional Information to the Prospectus issued by the Company on 5 June 2008 the Company paid Legend Petroleum LP (“a Texas limited partnership”) the sum of USD\$265,000 as compensation for leasing and technical costs following the signing of a Participation Agreement with Legend to participate in the Catapult 3 Prospect. The well was not drilled and the Company exercised its right to withdraw from the project but refund of the amount paid is outstanding. It has been provided for in full at 30 June 2009.

Legend has provided a promissory note to the Company for USD\$265,200 promising to pay that amount to TELA Louisiana Ltd Inc (a wholly owned subsidiary of the Company) together with interest at the rate of 12% per annum calculated from 30 June 2009 until payment if the payment of the full amount of the promissory note has not been made by 1 September 2009.

The Company subsequently extended the due date and the Note is now payable on demand after 15 September 2009.

Authorisations for Expenditure – East Chalkley

- (a) The Company on 10 June 2009 signed an authorisation for expenditure with the operator of the East Chalkley Project for the drilling of a salt water disposal well (Pine Pasture SWD No 001) as a part of the East Chalkley Project. The Company’s share of the cost of this well, based on the Company’s current 25% working interest in the Project, is USD\$149,500.
- (b) The Company signed an authorisation for expenditure with the operator of the East Chalkley Project for the installation and electrification of the Pine Pasture location which involves replacement of existing gas engine with an electric motor. The Company’s share of the cost of this electrification, based on the Company’s current 25% working interest in the Project, is USD\$32,025.

Participation Agreement

The Company, through its wholly owned subsidiary TELA Garwood Limited LP, signed an agreement with J. Charles Hollimon Ltd and various other parties on 29 June 2009 for the acquisition and development of the Highway 71 Prospect.

By the agreement the Company acquired a 25% working interest and has agreed to pay USD\$215,000 as compensation for the leasing costs and geological and geophysical fees as part of the acquisition. The Company will fund 31.25% of the drilling costs to casing point to earn a 25% working interest. The agreement provides an estimate of the Company’s costs for the initial well of USD\$906,250.

The operator is required to commence operations for the drilling of the initial well on or before 15 November 2009.

10.3 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.

Directors' interests in Securities of the Company at the date of this Prospectus are:

Name	Shares	Options
Didier Murcia (Non-executive Chairman)	1,050,000	550,000 expiring 26 November 2009
Laurence Roe (Managing Director)	5,200,000	2,700,000 expiring 26 November 2009 2,000,000 expiring 30 June 2011
Gerry McGann (Non-executive Director)	3,950,161	Nil
Michael Martin (Non-executive Director)	4,038,461	2,038,461 expiring 26 November 2009 2,000,000 expiring 30 June 2011
Paul Lloyd (Non-executive Director)	2,362,566	1,237,566 expiring 26 November 2009 2,000,000 expiring 30 June 2011

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 \$200,000 per annum.

In the two years preceding lodgement of this Prospectus, \$859,686 (excluding GST 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.

10.4 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:

- Patersons Securities Limited, in the capacity of Underwriter and Lead Manager;
- HLB Mann Judd, in the capacity of auditors of the Company; and
- Murcia Pestell Hillard, in the capacity of solicitors to the Company.

References to Advanced Share Registries Pty Ltd as share registry to the Company appears for information purposes only.

Each of Patersons Securities Limited, HLB Mann Judd and Murcia Pestell Hillard:

- 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.

Patersons Securities Limited is acting as Underwriter and Lead Manager and for this is being paid a management fee of \$60,000 (plus GST), an underwriting fee of 5% of the

amount underwritten under the Issue. Patersons Securities Limited is also entitled to reimbursement of out of pocket expenses.

Murcia Pestell Hillard are entitled to be paid approximately \$15,000 for advice and assistance in relation to certain aspects of this Prospectus, assisting the Company in relation to its due diligence regime and enquiries and in relation to application for quotation of the Securities on ASX.

No expert, nor any firm of which such expert is a partner, has or had in the past two years any interest in the promotion or formation of the Company or in property proposed to be acquired by the Company, nor have any amounts been paid or agreed to be paid (whether in cash, shares or otherwise) to an expert or to a firm in which an expert is a partner for services rendered by the expert in connection with the promotion of the Company other than set out below.

HLB Mann Judd has been paid or is due a total of \$38,731 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.

Murcia Pestell Hillard has been paid a total of \$16,562 in the 24 months preceding lodgement of this Prospectus for the provision of professional services to the Company.

10.5 Estimated Expenses of Issue

The estimated expenses of the Issue are as follows:

	\$
Underwriting and lead management fees	183,000
Legal and other expenses	45,943
Total	<u>228,943</u>

10.6 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at www.targetenergy.com.au.

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.

10.7 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.

10.8 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", is written over a faint, circular embossed seal or watermark.

Laurence Roe
Managing Director

Dated: 2 October 2009

Additional New Securities means New Shares and New Options in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application.

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

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

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.

BC means Barrels of Condensate (Light Oil).

Bcf means Billions of cubic feet.

BO means Barrels of Oil.

BOPD means Barrels of Oil per day.

CHESS means ASX Clearing House Electronic Sub-registry System.

Closing Date means 19 October 2009 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).

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 a Shareholder's entitlement to subscribe for Securities offered by this Prospectus.

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

Issue means the issue of Securities under this Prospectus.

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

mmBC means millions of Barrels of Condensate (light oil).

mmBO means millions of Barrels of Oil.

mmcftg means millions of cubic feet of gas.

New Options means an option attached to a New Share to subscribe for one ordinary share in the Company at \$0.10 on or before 31 October 2012, at the ratio of one New Option for every one New Share issued, to be listed on ASX.

New Shares means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

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

Offer means the offer of two New Shares for every five Existing Shares held at the Record Date at an issue price of \$0.055 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 7,400,000 shares at a price of \$0.055 per share, with one free attaching New Option for every share issued, as announced on 18 September 2009.

Prospectus means the prospectus constituted by this document.

Record Date means 30 September 2009.

Rights means the right to subscribe for New Shares (with New Options) under this Prospectus.

Rights Issue has the same meaning as the Offer.

Securities means the New Shares and New Options to be issued under this Prospectus.

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

Shareholder means the holder of a Share registered on the Record Date.

Shortfall Shares means New Shares for which successful valid applications have not been received by the Closing Date.

Underwriter means Patersons Securities Limited (ACN 008 896 311).

Underwriting Agreement means the underwriting agreement dated 18 September 2009 between the Underwriter and the Company.

WST means Western Standard Time.