

5 June 2008

Dear Option holder

PARTICIPATION IN PRO-RATA RENOUNCEABLE ENTITLEMENTS ISSUE

The directors of Target Energy Limited ("Target" or "Company") advise that the Company will be making a Pro-Rata Renounceable Entitlements Issue (Rights Issue) to all shareholders on the basis of 1 New Share and 1 free attaching New Option for every 3 shares held at 5:00pm, 20 June 2008 ("Record Date") at an issue price of \$0.13c per New Share.

The terms and conditions of the options you currently hold do not entitle you to participate in the above Rights Issue.

As an **option holder** you have the right to exercise some or all of your options into shares and to then also participate with all other **shareholders** in the rights issue.

To participate in the Rights Issue, you must exercise your options in time for the new shares to be allotted prior to the Record Date. To ensure that your new shares are allotted prior to the record date, your Notice of Exercise of Options together with a cheque for the requisite amount must be received by our share registry, Advanced Share Registry Services, **no later than 12 noon, 20 June 2008**. This will allow time to process your application prior to 5:00pm. Any Notice of Exercise of Options received after this date cannot assure allotment. A Notice of Exercise of Options is provided on the reverse of this letter.

There is no obligation for you to exercise your options and they will continue not to have any participating rights or entitlements to this Rights Issue or to any other new issues of capital which may be offered to shareholders during the currency of your options.

This notice is important and requires immediate attention. If you are in doubt as to the action you should take in relation to this notice, you should consult with your professional adviser for advice immediately.

Details of the Rights Issue are included in a Prospectus and in a letter to shareholders expected to be lodged on 5 June 2008 with the ASX.

Should you have any questions in relation to the above matters, please contact Advanced Share Registry Services on telephone (08) 9389 8033 or facsimile (08) 9389 7871.

For and on behalf of
TARGET ENERGY LIMITED

Laurence Roe
Managing Director

TARGET ENERGY LIMITED

TEXO

ABN 73 119 160 360
 INCORPORATED IN WESTERN AUSTRALIA
 APPLICATION FOR SHARES UPON EXERCISE OF OPTIONS

I/ We, Mr/ Mrs/ Miss _____
First Names/ Company Name *Surname/ Australian Company Number*

Address _____
Postcode _____

(Please complete full name and address)

Contact Telephone Number _____

The registered holder(s) of the Options hereby exercise my/our Option for: _____
In figures *In words*

Ordinary Fully Paid Shares and enclose application money of 25 cents per share \$.....
(amount payable on exercise)

I/We whose full name(s) and address(es) appear above hereby apply for the number of Shares shown above. I/We agree to be bound by the Constitution of the Company.

Securityholder Reference Number (S.R.N.) _____ Complete this only if you are Issuer Sponsored.

Holder Identification Number (H.I.N.) _____ Complete this only if you are CHESSE Sponsored.

Signature Of Shareholder(s) (All joint holders must sign)	Companies Only - Executed in accordance with the Company's Constitution and the Corporations Law.
x _____ Signature Date	x _____ Sole Director and Sole Secretary Date
x _____ Signature Date	x _____ x _____ Director Date Secretary Date
x _____ Signature Date	x _____ x _____ Director Date Director Date
Note: If signed under Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry. The Attorney declares that he/she has had no notice of revocation of the Power of Attorney.	

Terms and conditions of the Options is as follows:

- 1) Each Option entitles the holder to subscribe for one Share at an issue price of \$0.25;
- 2) The Options are exercisable at any time prior to 26 November 2009 (the Expiry Date) by notice in writing to the Directors accompanied by payment of the exercise price;
- 3) Subject to the Corporations Act, ASX Listing Rules and the Constitution of the Company, the Options are freely transferable;
- 4) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for Official Quotation of all Shares issued upon exercise of the Options;
- 5) A holding statement will be issued for the Options;
- 6) The Options are exercisable by completing a notice of exercise in the form shown attached to a holding statement and delivering it with the payment to the share registry of the Company;
- 7) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered or made to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;
- 8) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules and the Corporations Act at the time of the reconstruction;
- 9) Shares issued pursuant to the exercise of an Option will be issued not more than 10 business days after receipt of a properly executed notice of exercise of Options and the application moneys in respect of the exercise of the Option; and
- 10) Options not exercised by the Expiry Date will lapse. There is no obligation to exercise the Options.

Cheques should be made payable to TARGET ENERGY LIMITED and crossed "Not Negotiable" and drawn on an Australian Bank and posted to Advanced Share Registry Services, PO Box 1156, Nedlands, Western Australia 6909.

NOTE: OPTIONS NOT EXERCISED BY 26 NOVEMBER 2009 WILL AUTOMATICALLY EXPIRE.