

ASX ANNOUNCEMENT



14 May 2009

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SYDNEY NSW 2000

TARGET ENERGY LIMITED – TARGET'S STATEMENT

We refer to the Bidder's Statement dated 16 April 2009 in respect of the offer by Blaze Asset Pty Ltd (**Blaze Asset**) to acquire all of the issued share capital of Target Energy Limited (**Target Energy**).

In accordance with Item 14 of Section 633(1) of the Corporations Act, we enclose a copy of the Target's Statement prepared by Target Energy in response to the Bidder's Statement.

A copy of the Target's Statement has today been served on Blaze Asset and lodged with the Australian Securities and Investments Commission.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Laurence Roe". The signature is written in a cursive, flowing style.

Laurence Roe
Managing Director
TARGET ENERGY LIMITED

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Laurence Roe
Managing Director
TARGET ENERGY LIMITED



TARGET'S STATEMENT

Prepared by Target Energy Limited ABN 73 119 160 360 in relation to the unsolicited off-market takeover bid by Blaze Asset Pty Ltd ACN 134 038 412 to acquire your Shares in Target Energy Limited

The Directors of Target Energy Limited recommend that you

REJECT

this opportunistic Offer from Blaze Asset Pty Ltd.

Grant Thornton (WA) Financial Services Pty Ltd, the Independent Expert, has concluded that the Offer is **NOT FAIR AND NOT REASONABLE**

To REJECT Blaze Asset's Offer you should simply
IGNORE all communications you receive from Blaze Asset

Legal Advisor



Corporate Advisor



IMPORTANT INFORMATION: This document is important and should be read in its entirety. If you do not understand this document or you are in doubt as to how to act you should consult your lawyer, accountant, stockbroker or other professional advisor.

KEY CONSIDERATIONS

Blaze Asset is offering 1 cent cash and 3 Advance Energy shares for 4 of your Target Energy Shares

TARGET ENERGY	ADVANCE ENERGY
✓ Target Energy valued at 11.9 cents* per share	✗ Blaze Asset offer valued at only 6.35 cents* per Target Energy share
✓ No debt	✗ Over \$15 million debt at 31 December 2008 \$5.2m due to be repaid this year
✓ Strong financial position	✗ Auditors question if Advance remains a "going concern"
✓ Positive cash backing (3.3c per share)	✗ Debt of 13 cents per share at 31 December 2008 Current cash backing is only 0.8 of a cent per share
✓ Managing Director 100% dedicated to Target	✗ Managing Director involved with, and being paid by, numerous companies - cannot provide full-time effort for Advance Energy
✓ Working Capital Surplus	✗ Working Capital Deficit
✓ Active & successful exploration program ongoing	✗ All work programs "delayed" or "tabled" since last year
✓ Liquid stock	✗ Stock has poor liquidity with low trading volumes
✓ Dedicated deal sourcing	✗ Independent Contractor engaged to source deals for Advance Energy who works for multiple clients
✓ Listed Options remain live	✗ No offer made for Target listed Options

Refer to Target Energy's Target's Statement for detail; *mid-point value

SUMMARY OF KEY REASONS TO REJECT THE OFFER

Your Directors believe that you should **REJECT** Blaze Asset's Offer for the following key reasons:

REASON 1: The Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE	The valuation of the Offer as assessed by the Independent Expert represents a 45% to 48% discount to the assessed values of Target Energy Shares. Blaze Asset's Offer comprises 16.9% cash and 83.1% shares in Advance Energy. The Directors believe that it is highly dilutionary and significantly undervalues your Target Energy Shares. 100% acquisition by Blaze Asset will leave Target Energy Shareholders with only 1 cent for every Target Energy Share and a minority interest in Advance Energy of 39.7%. At best, Target Energy Shareholders will retain a highly diluted interest of only 19.8% of Target Energy's oil and gas assets.
REASON 2: Target Energy is in a sound financial position, with \$3.5m cash as at 1 May 2009, no debt and excellent future prospects	However, if you accept the Offer, you will become a shareholder in Advance Energy, a company with over 13 cents of debt per share at 31 December 2008, and a current cash backing of only 0.8 of a cent per share.
REASON 3: The ability of Advance Energy to continue as a going concern has been questioned by its auditors	Advance Energy's own auditors have questioned, at 31 December 2008, if Advance Energy can continue as a going concern. Advance Energy had \$15.7 million in interest bearing debt at 31 December 2008, diminishing operating cash flow for its last quarter, and cash, at 31 March 2009, of only \$916,000. Accordingly, your Board has serious concerns with Advance Energy's financial position.
REASON 4: The Offer dilutes your interest in Target Energy's near term growth opportunities	By accepting the Offer, you will dilute your interest in the potential value upside arising from Target Energy's interests in the upcoming Snapper #A-3 drilling and the ongoing appraisal and development of the East Chalkley Oil Field. The East Chalkley Oil Field has estimated mean recoverable reserves of approximately 2.1 million barrels of oil with upside potential of 4 million barrels of oil. East Chalkley's long term reserves have the potential to add significant cash flow to Target Energy.
REASON 5: The Offer is opportunistic	With no minimum acceptance condition, Blaze Asset is clearly prepared to take whatever Target Energy Shares it can get at the inadequate price it has offered.
REASON 6: Advance Energy is a thinly traded illiquid stock	If you don't reject the Offer, you will receive Advance Energy Shares which have 7 times less traded liquidity than Target Energy's Shares in the past 12 months. Over the past 12 months, approximately 67.2 million Target Energy Shares (or 64% of its issued capital) have traded, compared to approximately 9.3 million Advance Energy Shares (or 7.8% of its issued capital).
REASON 7: Blaze Asset's Offer creates significant uncertainty for Target Energy Shareholders	The Offer structure creates significant uncertainty for Target Energy Shareholders as Blaze Asset does not specify decisively how it intends to deal with the assets of Target Energy. It is possible that Target Energy's assets could be allocated disproportionately between Odin Energy and Advance Energy, potentially leaving you as a shareholder in Advance Energy with very little continuing interest in Target Energy's assets.
REASON 8: Bid structure favours Odin Energy	Your Board believes the Offer is structured more in favour of Odin Energy than Advance Energy and therefore it is not in your best interests to accept the Offer and become a shareholder of Advance Energy.
REASON 9: Concerns with the management of Advance Energy and its related companies	Your Directors have a number of concerns with the management of Advance Energy, including the time they have available to devote to Advance Energy and Target Energy should you accept the Offer. Your Directors firmly believe Advance Energy is not the right partner for Target Energy.
REASON 10: No offer is being made for Target Energy Options	If you also hold Target Energy Options (ASX Code: TEXO), you should be aware that Blaze Asset is not making an offer to acquire your Options.

This is a summary only. Refer to Target Energy's Target Statement for full details of your Board's reasons as to why you should REJECT the Offer.

IMPORTANT INFORMATION

This Target's Statement is dated 14 May 2009 and is given under section 638 of the Corporations Act by Target Energy Limited (**Target Energy**) in response to the Bidder's Statement dated 16 April 2009 and served on Target Energy by Blaze Asset Pty Ltd (**Blaze Asset**) on that date.

NATURE OF THIS DOCUMENT

This document is the Target's Statement issued by Target Energy under Part 6.5 Division 3 of the Corporations Act in response to Blaze Asset's Bidder's Statement.

ASIC

A copy of this Target's Statement has been lodged with the ASIC. Neither the ASIC nor any of its officers take any responsibility for the content of this Target's Statement.

INVESTMENT DECISION

The recommendations of the Target Energy Directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Target Energy Shareholder. You may wish to seek independent professional advice before making a decision as to whether or not to accept the Offers.

DISCLAIMER AS TO FORWARD LOOKING STATEMENTS

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Target Energy operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events and results expressed or implied in any forward looking statement. None of Target Energy, Target Energy's officers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect the views held only as at the date of this Target's Statement.

DEFINED TERMS

Various defined terms are used in this Target's Statement. Their meaning is set out in Section 8.

SUMMARY OF THE OFFER

- Blaze Asset is offering 1 cent in cash and 0.75 Advance Energy Shares for every Target Energy Share you hold (**Offer**).
- Target Energy Directors **unanimously** recommend that you **REJECT** the Offer.
- For reasons stated in Section 2, each of the Target Energy Directors intends to **REJECT** the Offer for all of the Target Energy Shares in which they have a relevant interest.
- Unless extended or withdrawn beforehand, the Offer will expire on 5 June 2009.

KEY DATES OF THE OFFER

Date of the Bidder's Statement	16 April 2009
Date of this Target's Statement	14 May 2009
Opening date of the Offer	30 April 2009
Expiry of the Offer (unless extended)	5 June 2009

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1.LETTER FROM THE CHAIRMAN

14 May 2009

Dear Shareholder,

On 8 April 2009, Blaze Asset, a private unlisted company owned equally by Advance Energy and Odin Energy, announced its intention to make a takeover bid for all Target Energy Shares.

You should by now have received the Bidder's Statement from Blaze Asset which encloses the details of the Offer. Under the Offer, Blaze Asset is offering 1 cent in cash and 0.75 Advance Energy Shares for every Target Energy Share you hold.

This Target's Statement sets out the response of the Target Energy Board to the Offer.

Your Board unanimously recommends that Target Energy Shareholders REJECT the Offer.

We believe the Offer should be **REJECTED** for a number of reasons, including:

- The Offer is inadequate and significantly undervalues your Target Energy Shares. The Independent Expert has concluded the Offer is **NOT FAIR AND NOT REASONABLE**;
- Target Energy is in sound financial position, with no debt, and excellent future prospects. On the other hand, your Board has serious concerns with Advance Energy's financial position - it's 2008 Annual Report details over \$15 million of debt and it currently has cash of only \$916,000! Advance Energy's own auditors have, as at 31 December 2008, questioned if Advance Energy can continue as a going concern;
- Illiquidity of Advance Energy shares - for the last 12 months, Target Energy's Shares have traded on ASX with 7 times more liquidity than Advance Energy Shares; and
- Unlike Target Energy's Managing Director who is 100% committed and focused on Target Energy's growth and development, Advance Energy's Managing Director is on the board of many other companies and receives the majority of his remuneration from those other companies.

More detailed reasons for the Board's recommendation are set out in Section 2 of this Target's Statement but in short, if you accept the Offer, you are expected to take shares in Advance Energy - a company with 13 cents of debt per share (as per Advance's 2008 Annual Report) and current cash backing of only 0.8 of a cent.

All the Target Energy Directors have confirmed that they intend to **REJECT** the Offer for all the Target Energy Shares in which they have a relevant interest.

I encourage you to read this Target's Statement carefully and consult your legal, financial or tax advisor concerning the impact your decision may have on your own circumstances.

Yours sincerely



**DIDIER MURCIA
CHAIRMAN
TARGET ENERGY LIMITED**

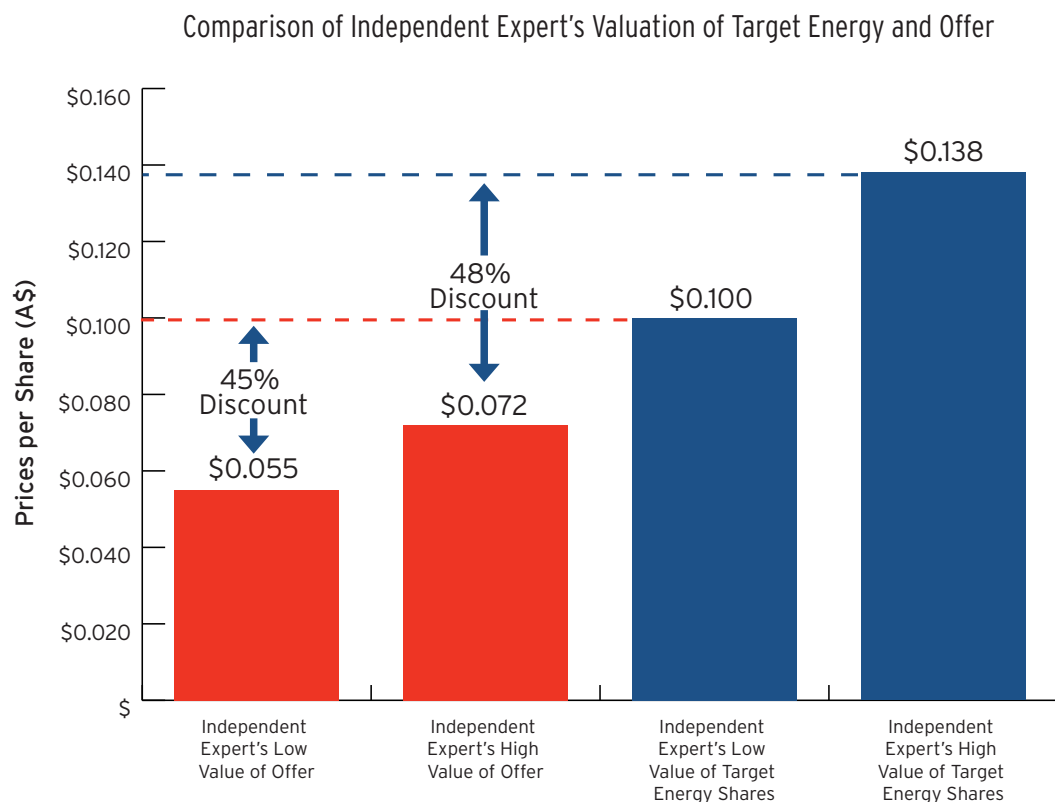
2. KEY REASONS WHY THE OFFER SHOULD BE REJECTED

REASON 1: The Independent Expert has concluded the Offer is NOT FAIR AND NOT REASONABLE

Grant Thornton (WA) Financial Services Pty Ltd, the Independent Expert, has advised that the Offer is not fair and not reasonable.

It has assessed the fair market value of 100% of Target Energy to be within the range of \$10.4 million and \$14.3 million, **or approximately 10 cents and 13.8 cents per Target Energy Share** with a midpoint value of 11.9 cents per Target Energy Share.

This is considerably higher than the value of the Offer which, assuming 100% acceptances, the Independent Expert has only valued within a range of 5.5 cents and 7.2 cents per Target Energy Share.



The Offer therefore significantly undervalues Target Energy and, as illustrated above, the valuation of the Offer as assessed by the Independent Expert represents a 45% to 48% discount to the assessed values of Target Energy Shares.

Please refer to the Independent Expert's Report in Section 11 for the detailed analysis undertaken in reaching the assessed value range.

REASON 2: Target Energy is in sound financial position with excellent future prospects

Target Energy is financially sound with \$3.5 million cash at 1 May 2009, proven oil and gas reserves, positive cash flow from production, strong deal flow, prudent and respected management, and importantly **NO DEBT**.

It has developed an attractive portfolio of oil and gas producing assets that have medium and long term production potential.

However, if you accept the Offer, you as a Target Energy Shareholder will effectively be left with shares in Advance Energy, a company which is highly geared with far less cash and serious concerns as to whether it can continue to operate as a going concern.

REASON 3: Serious concerns as to whether Advance Energy can continue to operate as a going concern

Your Directors have serious concerns with respect to the high level of debt and financial position of Advance Energy, the company you will receive shares in as part of the Offer.

As at 31 March 2009, Advance Energy had negative operating cash flow for the quarter and cash of only \$916,000 - a depletion of more than 62% in only 3 months from 31 December 2008.

Advance Energy's own auditors have noted in their Annual Accounts for 31 December 2008 that there is a **"material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern..."**

Based on the 31 December 2008 Annual Accounts of Advance Energy:

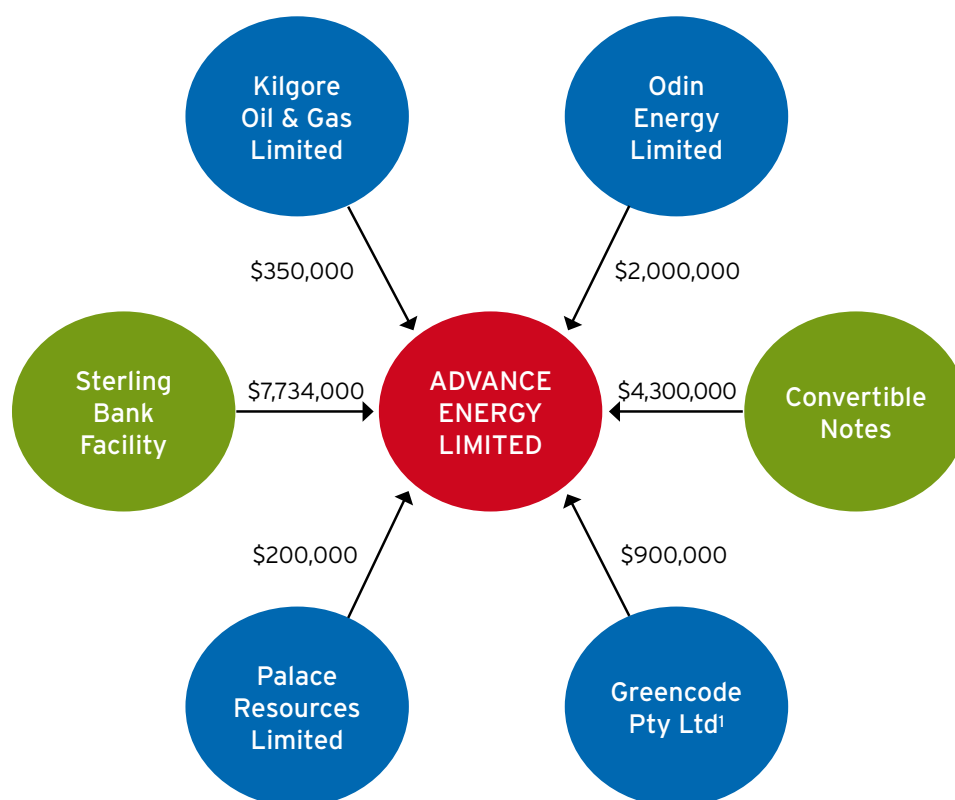
- (a) Advance Energy had total interest bearing debt of \$15,719 million of which 22% has been provided by related companies.
- (b) Its current liabilities exceeded current assets by \$5,295 million - **a working capital deficit!**
- (c) \$2.3 million of these current liabilities mature as unsecured convertible notes and are repayable on 22 May 2009.
- (d) A further \$3,474 million of these current liabilities relate to secured and unsecured short term debt which is repayable within 12 months, i.e. before 31 December 2009.

It raises the question for all Target Energy Shareholders - **how will these debts be repaid by Advance Energy when at 31 March 2009 it only has cash of \$916,000 and negative operating cash flow for that quarter?**

While Advance Energy is in the process of renegotiating a "roll over" of the convertible notes which redeem on 22 May 2009, to date no binding commitment has been announced to the market. Until such time as it is resolved, your Board believes that Advance Energy faces an extremely uncertain future which begs the question for Target Energy Shareholders:

"WHY EXCHANGE YOUR TARGET ENERGY SHARES FOR SHARES IN ADVANCE ENERGY WHEN THIS UNCERTAINTY ABOUT ADVANCE ENERGY'S FUTURE EXISTS?"

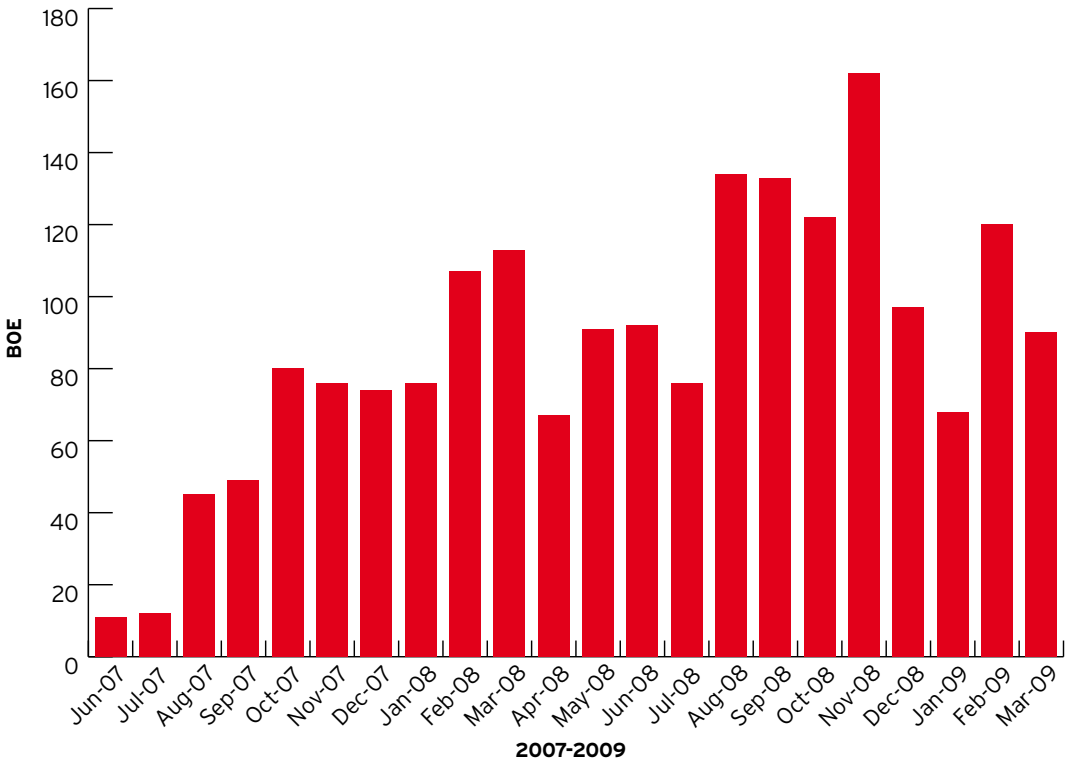
In addition to debt provided by the Sterling Bank of Texas and Convertible Note Holders, it is concerning to your Board that Advance Energy has been partially funded by various related parties associated with the management of Advance Energy. As disclosed in its Annual Report for 31 December 2008, Advance Energy had outstanding loans with the following entities, including related parties which are identified in blue:



¹Greencode Pty Ltd is an investment company, 100% owned by ASX listed AXG Mining Limited - a related entity of Advance Energy.

REASON 4: The Offer dilutes your interest in Target Energy's near term growth opportunities.

Target Energy has a clear strategy to develop its portfolio of oil and gas assets, some of which are currently producing or others which are expected to be producing in the short to medium term.

Production	- In the first quarter of 2009, Target Energy produced an average of 90 barrels of oil equivalent per day (boepd) net to its working interest from its Snapper and Pine Pasture #2 wells. - Historical daily production averages are illustrated in the following chart: Average Barrels of Oil Equivalent Per Day net to Target Energy*  2007-2009 *Net TEX Working Interest												
Reserves and Contingent Resources	Target Energy's <u>total</u> estimated net reserves and resources are shown in the following chart as supported by the Independent Technical Specialist: Target Energy Net Reserves and Resources (Barrels Oil Equivalent)*  <table border="1"> <thead> <tr> <th>Category</th> <th>Value (BOE)</th> </tr> </thead> <tbody> <tr> <td>Proved and Probable</td> <td>282,755</td> </tr> <tr> <td>Possible</td> <td>143,935</td> </tr> <tr> <td>Contingent Resources (Best estimate)</td> <td>157,550</td> </tr> <tr> <td>Contingent Resources (High estimate)</td> <td>312,360</td> </tr> <tr> <td>Prospective Resources</td> <td>80,640</td> </tr> </tbody> </table> *Net TEX Working Interest and Net Revenue Interest	Category	Value (BOE)	Proved and Probable	282,755	Possible	143,935	Contingent Resources (Best estimate)	157,550	Contingent Resources (High estimate)	312,360	Prospective Resources	80,640
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Near term growth opportunities	East Chalkley Oil Field • East Chalkley has mean estimated recoverable reserves of 2.1 million barrels of oil (BO) and an upside estimate of 4 million BO. • The Pine Pasture #2 well is presently on production at a rate of approximately 90 barrels of oil per day (bopd). A pump upgrade in June 2009 is expected to restore the production rate to approximately 120 bopd. • Further appraisal and development work is planned to commence later in the year. The Independent Technical Specialist, Risc Pty Ltd, has confirmed the potential for the next two wells to add reserves of between 250,000 BO and 450,000 BO each, with successful wells each expected to flow at rates of up to 200 bopd. • This is a key asset of Target Energy with estimated Proved and Probable (2P) recoverable reserves (net to Target Energy's working interest) of 141,000 BO and additional Possible reserves of 123,000 BO, giving a Proved, Probable and Possible (3P) total of 264,000 BO. The field has additional contingent resources ranging from 230,000 BO (2C) to 686,000 BO (3C). Total 2P plus 2C potential is 371,000 BO net to Target Energy's working interest. Total 3P plus 3C potential is 950,000 BO net to Target Energy's working interest. Upon development, this field is expected have a long life and potential to add significant cash flow to Target Energy. • Target Energy has a 25% working interest in this project and a 68.5% net revenue interest (NRI). Snapper #A-1, #A-2 and #A-3 • Snapper #A-1 and #A-2 are currently in production. A third well, Snapper #A-3, is planned to be drilled in one month, which with success is anticipated to improve delivery, add to reserves and increase cash flow. • Target Energy has net Proved and Probable oil reserves of 81,830 barrels and Possible oil reserves of 8,140 barrels (total 89,970 barrels); net proved and probable gas reserves of 626 million cubic feet of gas and possible gas reserves of 309 million cubic feet of gas (total 935.7 million cubic feet). • Snapper #A-3 is expected to penetrate up to 6 pay zones, with a total risked recoverable potential of up to 4.2 billion cubic feet of gas (4.2 Bcf) gas and 331,000 BO. It will test both proven undeveloped reserves as well as zones which as yet remain untested. Harper & Associates, Inc (in its Technical Specialist Report) has included 9,210 BO and 454 million cubic feet of 3P reserves from Snapper #A-3 in the total above. • Target Energy has a 25% working interest in Snapper #A-1, #A-2 and 21.625%-25% working interest in Snapper #A-3. It has a 72% NRI in all wells.
Exploration	Bayou Berard - Beyt # 1A • Planned drilling in 3rd quarter will address this prospect that has estimated recoverable oil of 750,000 BO potential (112,000 BO net to Target Energy's working interest). • Risc Pty Ltd (in its Technical Specialist Report) has estimated that a successful well may initially flow at rates up to 1,500 bopd. • Target Energy has a 15% working interest in the Beyt #1A prospect and a 72% NRI .

With a healthy cash position, Target Energy is well placed to overcome the prevailing challenging market conditions and execute its ongoing strategy.

Target Energy continues to investigate possible partners and farm-in arrangements to enhance value for all Target Energy Shareholders on terms that the Board considers favourable.

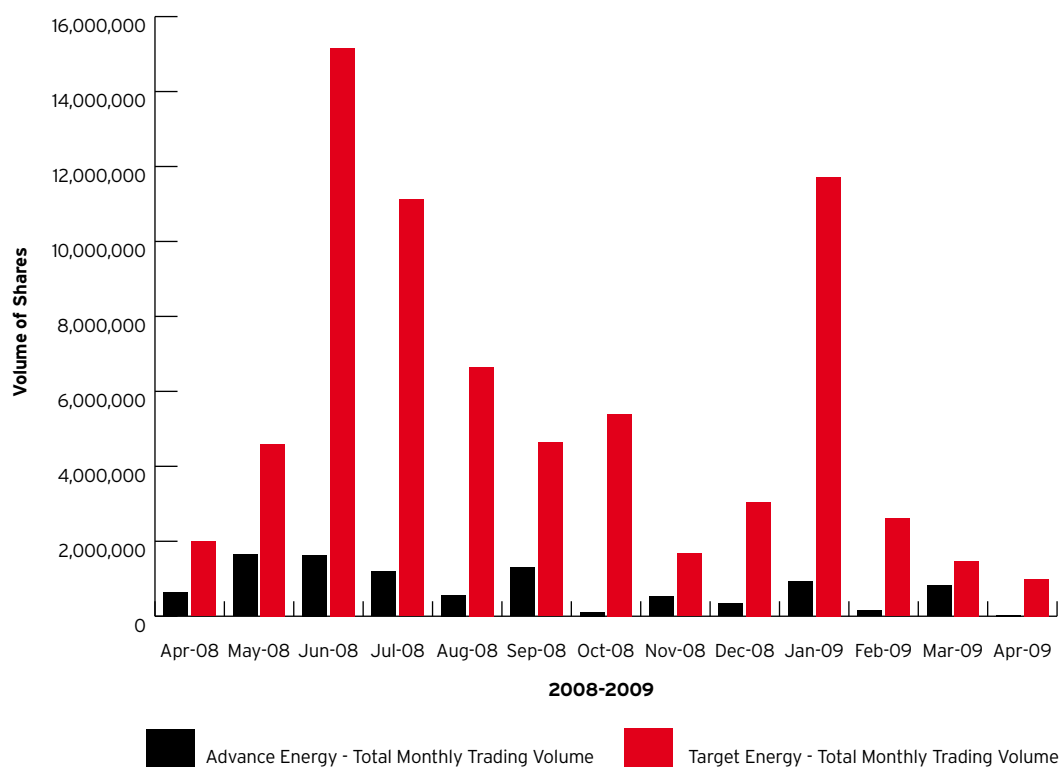
REASON 5: The Offer is opportunistic

As there is no minimum acceptance condition, under the Offer, Blaze Asset could acquire anywhere from 0% to 100% of Target Energy's Shares.

The lack of a minimum acceptance condition is highly unusual in Australian takeovers and in the opinion of your Directors reflects that the Offer is opportunistic as Blaze Asset is prepared to take whatever shares it can get in Target Energy at the inadequate price it has offered. It is your Board's concern that Blaze Asset is attempting to access Target Energy's cash and, at the same time, capture as much of Target Energy's upside as possible prior to value-changing events over the next few months such as the drilling at Snapper #A-3 and the appraisal and development of East Chalkley Oil Field.

REASON 6: Advance Energy is a thinly traded illiquid stock

Advance Energy offers Target Energy Shareholders significantly reduced share liquidity.



Advance Energy's Shares have significantly less traded liquidity when compared to the Shares of Target Energy. The total number of shares traded in Advance Energy on ASX over the 12 month period preceding the date of the Offer was only 9.268 million shares, or approximately 7.8% of Advance Energy's issued capital. In contrast, the number of shares traded in Target Energy was 67.2 million shares, or approximately 64% of Target Energy's issued capital. **Accordingly, if you accept the Offer, the Advance Energy Shares that you receive under the Offer will have 7 times less liquidity than your existing Target Energy Shares.**

Target Energy Shareholders holding sizeable parcels of Target Energy Shares who accept the Offer are therefore likely to experience significantly reduced liquidity. This is important to be aware of particularly when share volumes are already at historical lows making entry and exit into smaller capitalisation stocks very difficult.

REASON 7: Blaze Asset's Offer creates significant uncertainty for Target Energy Shareholders

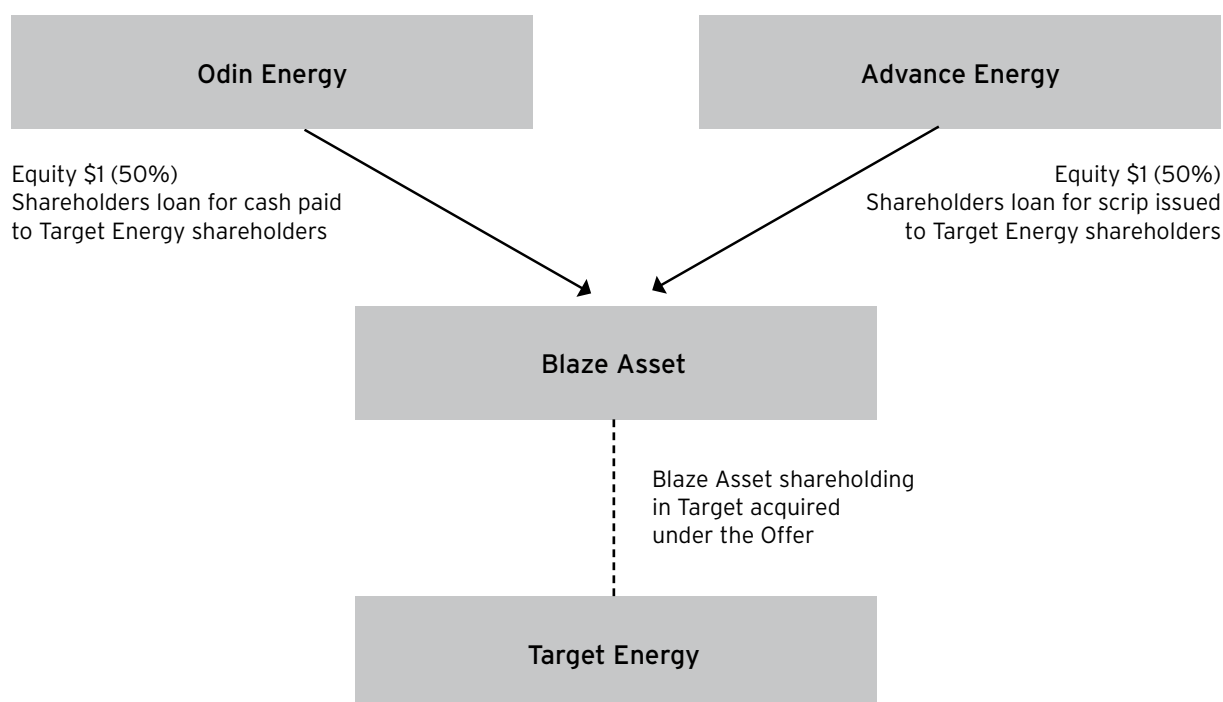
Blaze Asset is a company jointly and equally owned by Advance Energy and Odin Energy, incorporated specifically to hold the Target Energy Shares acquired under the Offer. However, your Board is concerned that shortly after completion of the Offer, **the assets of Target Energy could be broken up between Advance Energy and Odin Energy on uncertain and possibly disproportionate terms for the following reasons:**

- The future intentions of Blaze Asset in the Bidder's Statement are heavily qualified and not clear.
- The Bidder's Statement indicates a "final decision" with regard to Blaze Asset's intentions has not been reached and it may include disposal of Target Energy's assets which do not meet Blaze Asset's "strategic investment criteria".
- Blaze Asset will have significant shareholder loans to Advance Energy and Odin Energy which will need to be repaid. For example, if Blaze Asset acquires 100% of Target Energy, assuming a 5 day VWAP for Advance Energy Shares of 6.54 cents, in return for issuing shares and providing cash under the Offer, it will owe \$5.117 million to Advance Energy and \$1.04 million to Odin Energy. As indicated in the Pro Forma Balance Sheets of Advance Energy in Section 8.4 of the Bidder's Statement, the shareholder loan owed by Blaze Asset to Advance Energy has been classified as a "**current asset**". This implies Advance Energy expects repayment of this shareholder loan within 12 months.
- To assist in repaying these shareholder loans, if Blaze successfully acquires 100% of Target Energy, it is quite conceivable that Blaze Asset will need to dispose of Target Energy's assets or use the cash of Target Energy.**

REASON 8: Offer structure favours Odin Energy

Your Directors believe that the Offer is structured more in favour of Odin Energy than Advance Energy. It is therefore not in the best interests of Target Energy Shareholders to accept and become a shareholder of Advance Energy.

Blaze Asset is a company jointly and equally owned by Advance Energy and Odin Energy, incorporated specifically to hold the Target Energy Shares acquired under the Offer.



The Directors of Advance Energy and Odin Energy are significant shareholders in Odin Energy which holds a 50% interest in Blaze Assets. They collectively have interests in approximately 21% of Odin Energy.

If you accept the Offer, you will not become a shareholder of Odin Energy and accordingly you will not receive any of the benefits of the cash position of Odin Energy which at 31 March 2009 was \$3.785 million, nor will you benefit from Odin Energy's 50% interest in Blaze Asset for which it has only provided 16.9% of the total consideration paid under the Offer. Rather, in addition to the 1 cent per Target Energy Share, you will receive shares in Advance Energy, a company with far less cash, significant debt and only a 50% interest in Blaze Asset despite providing 83.1% of the total consideration paid under the Offer.

The structure of this Offer is perceived by your Directors to favour Odin Energy and its shareholders (including the directors of Advance Energy and Odin Energy who hold shares in Odin Energy).

Your Board therefore believes you should reject the Offer as its benefits are weighted more heavily in favour of the existing directors and shareholders of Odin Energy.

REASON 9: Concerns with the management of Advance Energy

Your Directors have significant concerns with the management structure of Advance Energy and firmly believe that Advance Energy is not the right partner for Target Energy.

Specifically, your Board has concerns in respect of the following:

Reduced exposure to oil and gas opportunities

Advance Energy appears totally reliant on deal flow through its “dedicated” relationship with Hibernia Resources LLC (**Hibernia**).

Advance Energy is described in the Bidder's Statement as having an extensive “in country” management team based in Houston, Texas, including the “dedicated” services of Hibernia.

However, Hibernia provides the same services to another ASX listed company, Kilgore Oil & Gas Limited (**Kilgore**), a company similarly looking for oil and gas opportunities in the US.

How does Hibernia decide which opportunities it will offer to Advance Energy and which opportunities it will provide to Kilgore? In the event the Offer was successful and Target Energy was also offered the “dedicated services” of Hibernia, as discussed in Section 3.2(b) of the Bidder's Statement, Hibernia's decision as to which opportunities it would offer to which company would be further complicated.

How much time does the Managing Director of Advance Energy have to devote to Advance Energy?

Your Board has concerns as to how much time the Managing Director of Advance Energy has available to commit to Advance Energy.

Mr Anthony Short, as Managing Director of Advance Energy, received a base salary of \$220,000 per annum from Advance Energy for the year ended 31 December 2008. However, he is also the Managing Director of Kilgore, as well as holding a number of other non executive roles in ASX listed companies, which until 23 February 2009 also included Odin Energy.

It is worth noting the various ASX-listed companies that Mr Short was involved in during 2008 and the level of his remuneration - which must bear some relationship to his time devoted to each company. He was Managing Director of two ASX listed companies, and non executive chairman of a further three:

Name	Company	Position	Commodity/Sector	Annual Remuneration	Source
Anthony Short	Advance Energy Limited	Managing Director	Oil and gas in US	\$220,000	2008 Annual Report
	Odin Energy Limited ¹	Non-Exec. Director	Oil and gas in US	\$108,333	2008 Annual Report
	Vector Resources Limited	Non-Exec. Chairman	Iron Ore / Iron Sands	\$128,000	2008 Annual Report
	Kilgore Oil & Gas Limited	Managing Director	Oil and gas in US	\$168,055	2008 Annual Report
	Regal Resources Limited	Non-Exec. Director + Chairman	Gold	\$111,180	2008 Annual Report
	Palace Resources Limited	Non-Exec. Director + Chairman	Uranium	\$105,833	2008 Annual Report
	Total Remuneration			\$841,401	

Therefore, while Mr Short is titled Managing Director of Advance Energy, his remuneration from this role is only 26% of his total remuneration from the companies of which he is a Director, based on disclosed remuneration for the 2008 financial year. With his recent resignation as a director of Odin Energy, his remuneration from Advance Energy would currently represent only 30% of his total remuneration.

In contrast, your Managing Director, Mr Laurence Roe, is fully committed to Target Energy with the sole and exclusive focus of deriving value for Target Energy Shareholders. He receives a full time total salary of \$325,000 and holds no other executive roles or non executive roles in ASX listed companies.

REASON 10: There is no offer for Target Energy Options

If you also hold Target Energy Options (**ASX Code: TEXO**), you should be aware that Blaze Asset is not making an offer to acquire your Options.

There is a risk that the value of the Target Energy Options may be reduced if the Offer is successful.

REASON 11: If you accept the Offer you might incur a capital gains tax liability

Blaze Asset must acquire 80% of Target Energy's Shares under the Offer before Capital Gains Tax (**CGT**) scrip for scrip roll-over relief is available to Target Energy Shareholders who dispose of their Target Energy Shares. Your Board considers this level of acceptance very unlikely to be achieved, leaving Target Energy Shareholders who accept the Offer with potential CGT liabilities.

If the conditions are satisfied and it is deemed that CGT scrip for scrip rollover relief may apply, CGT relief will only apply in respect of the Advance Energy Shares issued under the Offer - it does not apply to the cash component received under the Offer. As such, regardless whether 80% acceptance is achieved in the Offer, if you accept the Offer, you may still have a tax liability which will need to be paid in cash. The cash you receive under the Offer in consideration for your Target Energy Shares may not be sufficient to cover this tax.

¹ Mr Short resigned from the Board of Odin Energy on 23 February 2009

3. FREQUENTLY ASKED QUESTIONS

(a) **What is the Bidder's Statement?**

The Bidder's Statement is a document issued by Blaze Asset containing the detailed terms of Blaze Asset's Offer. Blaze Asset lodged its Bidder's Statement with ASX, ASIC and Target Energy on 16 April 2009. Copies are available on the ASX website at www.asx.com.au

(b) **What is this document?**

This document is a Target's Statement, which details Target Energy's formal response to the Blaze Asset Offer which you would have received in the form of a Bidder's Statement.

(c) **Who is Blaze Asset?**

Blaze Asset is a private unlisted company jointly owned by Advance Energy and Odin Energy in equal portions. On 6 April 2009, Advance Energy and Odin Energy entered into a Shareholders Agreement in respect of the Blaze Asset Offer. Refer to Section 4.2 of the Bidder's Statement for further details of the Blaze Asset Shareholders Agreement.

(d) **What is the Blaze Asset Offer for my Target Energy Shares?**

Blaze Asset is offering 1 cent in cash and 0.75 Advance Energy Shares for each Target Energy Share that you own.

(e) **What choices do I have as a Target Energy Shareholder?**

As a Shareholder you can:

- (i) **REJECT** the Offer by doing nothing. Your Directors recommend that you **REJECT** the Offer;
- (ii) **SELL** some or all of your Target Energy Shares on market (unless you have previously accepted the Blaze Asset Offer and have not validly withdrawn your acceptance); or
- (iii) **ACCEPT** the Offer for all of the Target Energy Shares that you own.

You may not accept the Offer for only part of your shareholding.

(f) **What should I do?**

Your Directors unanimously recommend that you **REJECT** the Blaze Asset Offer. To **REJECT** the Offer, you should simply ignore all documents sent to you by Blaze Asset.

(g) **What do the Directors of Target Energy recommend?**

Your Directors recommend that you **REJECT** the Blaze Asset Offer.

Further details of the reasons for the Directors' unanimous recommendation that you **REJECT** the Offer are set out in Section 2 of this Target's Statement headed "**Key Reasons Why the Offer Should be Rejected**".

(h) **How do I reject the Offer?**

To **REJECT** the Offer, you should do nothing and disregard all documents from Blaze Asset.

(i) **What do the Directors of Target Energy intend to do with their Target Energy Shares?**

Each Director of Target Energy intends to **REJECT** the Blaze Asset Offer in respect of the Target Energy Shares they own or control.

(j) **If I accept the Offer now, can I withdraw my acceptance at a later time?**

You may only withdraw your acceptance of the Blaze Asset Offer in limited circumstances, which may or may not apply at the time at which you wish to withdraw your acceptance.

You may only withdraw your acceptance of the Blaze Asset Offer if:

- (i) it is still subject to a defeating condition; and
- (ii) the Blaze Asset Offer is varied in a way that postpones, for more than one month, the time when Blaze Asset needs to meet its obligations under the Offer.

(k) Can I be forced to sell my Target Energy Shares?

You cannot be forced to sell your Target Energy Shares unless Blaze Asset proceeds to compulsory acquisition of your Target Energy Shares. Blaze Asset will need to acquire at least 90% of Target Energy's Shares in order to exercise compulsory acquisition rights.

If Blaze Asset acquires more than 90% of Target Energy's Shares, then you will be paid the same consideration as is payable by Blaze Asset under the Offer. See Section 5.8 of this document for further details.

(l) What if I do not want Advance Energy Shares?

Under the Blaze Asset Offer, you will receive Advance Energy Shares. If you do not want Advance Energy Shares, **you must REJECT the Blaze Asset Offer by doing nothing.**

(m) Does the Offer include my Target Energy Options?

No, the Blaze Asset Offer is only open to holders of Target Energy Shares on issue prior to the end of the Offer period which is 5:00 pm (WST) on 5 June 2009 and any person to whom the Shares are transferred.

Therefore to be eligible to participate in the Offer, Target Energy Optionholders must exercise their Target Energy Options before 5:00 pm (WST) on 5 June 2009.

(n) Is Blaze Asset's Offer conditional?

Yes, Blaze Asset's Offer is subject to a number of conditions. Please refer to Section 10.8 of the Bidder's Statement for further details.

(o) Is the Offer subject to any minimum acceptance levels?

No, the Offer is not conditional upon Blaze Asset acquiring a minimum number of Target Energy Shares.

(p) What are the tax implications of accepting Blaze Asset's Offer?

Capital gains roll-over relief is only available if Blaze Asset obtains at least 80% of Target Energy's Shares under the Blaze Asset Offer.

By accepting Blaze Asset's Offer, you may be subjecting yourself to significant tax consequences. See Section 5.9 of this document and Section 9 of the Bidder's Statement for further details. You should not rely on information presented in this document or the Bidder's Statement as advice on your own affairs. It does not deal with the position of certain Shareholders. You should therefore seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Blaze Asset Offer for your Shares.

(q) I am an overseas Shareholder; how does the Offer affect me?

Blaze Asset is not obliged to issue Advance Energy Shares as consideration to Target Energy Shareholders whose address on the Target Energy Share register is outside Australia and its external territories or New Zealand.

Blaze Asset will arrange for the Advance Energy Shares to which those overseas Shareholders would have been entitled to be issued to a nominee, who will sell the Advance Energy Shares on the ASX.

You will not be able to decide when your Shares are sold or at what price they are to be sold. You will only be entitled to receive the sale proceeds less the expenses incurred by the nominee in selling the Shares on the ASX.

See Section 10.7 of the Bidder's Statement for more information.

(r) Is there a phone number that I can call if I have any further queries regarding the Blaze Asset Offer?

If you have any questions about Blaze Asset's Offer, please call Target Energy's Managing Director, Laurence Roe, on +61 8 9476 9000 or mobile +61 412 595 921.

4. BACKGROUND ON TARGET ENERGY

4.1 Background

Target Energy was established in 2006 with the simple objective of creating a successful publicly-listed petroleum exploration and production company. The company was listed on the Australian Securities Exchange on 27 November 2006 with the ASX code, "TEX".

The Company philosophy has been to balance low and medium risk drilling - designed to build a stable revenue stream - with higher risk and higher impact drilling that has the potential to add significant value for shareholders. The United States was chosen as an initial area of focus due to the high levels of prospectivity, activity and infrastructure, as well as the presence of a mature and experienced industry.

The strategy was straightforward; focus on established, prospective, areas that have a high level of activity, select reputable operators who have a demonstrated track record of success and select the best available prospects from their inventories to comprise Target Energy's portfolio. The prospects are all mapped on 3D seismic and are close to existing infrastructure.

While Target Energy's Board and management has substantial experience in operating companies in Australia, the United States, Africa, Indonesia and New Zealand, Target Energy has specifically chosen not to operate in its project areas at this time.

This strategy allows Target Energy to gain leverage from the expertise of local and well established operators rather than competing directly against them. It also allows the Company to participate in a wider range of prospects and projects. Prudent risk management dictates that it is better to have a smaller interest in a range of prospects than to take a high level of interest in a reduced group.

This approach also allows Target Energy to "customise" its portfolio by adding suitable prospects as required and, if necessary, pruning other projects. This level of flexibility remains a key aspect of Target Energy's strategy and overall philosophy.

To date, this strategy has paid off, with six of the nine wells Target Energy has drilled to date having been put into production and when issues have arisen with prospects experiencing delays or soaring costs, Target Energy has been able to exercise its right to withdraw without penalty.

Target Energy will continue to actively source and drill a range of prospect types and will seek to expand its areas of operations as opportunities become available.

4.2 Target Energy's strong management team

The Board and management of Target Energy have substantial corporate and technical experience. Mr Roe and Mr Martin have over 65 years of industry technical experience between them and have worked extensively in both operating and non-operating roles in numerous Australian ventures as well as in the US and other international areas.

Didier Murcia, BJuris, LLB - Non-Executive Chairman

Didier Murcia is a director and Chief Operating Officer of Aminex plc, an established upstream oil and gas company listed on the London and Irish Stock Exchanges.

Mr Murcia is a corporate solicitor, with a resources law emphasis, and is Chairman of Western Australian legal firm Murcia Pestell Hillard. Mr Murcia brings over 20 years of corporate, commercial and legal experience to the Board of Directors of Target Energy.

Mr Murcia is a non-executive director of Gindalbie Metals Limited, Glengarry Resources Limited and Gryphon Minerals Limited, all of which are listed on the ASX.

Laurence Roe, B.Sc - Managing Director

Mr Roe is a petroleum professional with 29 years experience gained in the industry both in Australian and international projects. He commenced his career in 1979 with Santos Limited, subsequently taking a senior technical position with Magellan Petroleum Australia Limited, where he was later appointed Exploration Manager. While with Magellan, he had substantial involvement with US and other international projects.

In 1997, Mr Roe left Magellan to start a consulting practice, providing services for numerous Australian explorers in domestic and international projects.

Mr Roe was appointed Exploration Manager for Bounty Oil & Gas in 2001, responsible for its portfolio of Australian and international acreage. He was later elevated to the position of Managing Director.

Mr Roe was one of the founders of Target Energy in 2006.

Mr Roe's experience encompasses most Australian sedimentary basins as well as the USA, New Zealand, Mauritania, Tanzania, Canada, Indonesia, Belize and Argentina.

Michael Martin, B.Sc (Hons), F.G.S. - Non-Executive Director

Michael Martin is a practising geologist and has actively been involved with international resources industries for more than 37 years. Mr Martin began his professional career in Kuwait and later in the western Mediterranean offshore oil fields of Spain, prior to joining the burgeoning North Sea oil boom in the early seventies.

Following assignments in London, with the Atlantic Richfield and Cities Services, he joined Getty Oil in their Perth office. After his departure from Getty, Mr Martin worked within the petroleum division of Western Mining Corporation. He later started his own consulting practice.

Mr Martin was a co-founder of Flare Petroleum NL, and guided the advancement of Australian assets of its Canadian successor company. He has served as a director of Canadian listed Chariot Resources Ltd and Franklin Resources Ltd.

Paul Lloyd, B.Bus CA - Non-Executive Director

Mr Lloyd is a Chartered Accountant with over 20 years commercial experience. Mr Lloyd owns and operates a corporate consulting business, specialising in the provision of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa.

Mr Lloyd is the Non-Executive Chairman of ASX-listed Beacon Minerals Limited and a Non-Executive Director of Riviera Resources Limited.

Rowan Caren, B.Com, CA - Company Secretary

Mr Caren graduated with a Bachelor of Commerce from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia. He commenced his career with PricewaterhouseCoopers, working for them in Australia and overseas for six years.

He has been directly involved in the exploration industry for a further 12 years, initially with a minerals explorer based in Perth but with operations in South America and Asia, for which he served as an executive director and company secretary.

In 2004 Mr Caren created a specialist company secretarial and advisory consultancy, which provides financial and corporate services to several listed and unlisted companies involved in the resources, industrial and property sectors.

Stephen Morris, B.Sc, G.Dip. Petroleum Engineering - Development Advisor

Stephen Morris has 15 years experience gained in the industry both in Australian and international projects. He commenced his professional career in 1992 with the petroleum division of Western Mining Corporation where his responsibilities included reserves and production forecasting. Subsequently he joined an international petroleum engineering and reserves certification consultancy, working on petroleum development and exploration projects both onshore and offshore. His specialist areas of expertise were gained in marginal field development and in operating production operations in the Timor Sea, North West Shelf and South East Asia.

Mr Morris is a partner in an energy consulting business, specialising in the provision of engineering, geoscience, environmental and business development advisory services. Through his consultancy he has advised on projects for companies such as Bounty Oil & Gas, Carpathian Resources, Hardman Resources, Newfield Exploration, Nido Petroleum, Santos Ltd and Woodside Energy.

Mr Morris' international experience includes projects in New Zealand, Mauritania, Tanzania, UK North Sea, USA, Malaysia and the Philippines.

4.3 Exploration and Production Assets

4.3.1 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, 88km² (34 square miles) of which was 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.

SML (Snapper) #A-1

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 31 March 2009, has produced a gross 671.4 million cubic feet of gas (MMcfg) and 2,633 barrels of oil.

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

SML (Snapper) #A-2

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 31 March 2009, has produced a gross 393.2 MMcfg and 2,649 barrels of oil.

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

SML (Snapper) #A-3 Prospect

The proposed Snapper #A-3 well is designed to test a known fault segment for proven bypassed gas pay in the Hackberry A-1 and A-4 Sands.

The bottom-hole location of the planned well is programmed to be at a measured depth of 3,277 metres, approximately 300 metres north-north-east of the Target's Snapper #A-1 producing well.

In total, the well is expected to penetrate up to six pay zones, testing a prospective fault segment that has risked recoverable potential of up to 4.2 Billion cubic feet of gas and 331,000 barrels of oil (unrisked recoverable potential up to 5.4 Billion cubic feet of gas and 461,000 barrels of oil).

Drilling at this location is scheduled to commence in late May 2009. Snapper #A-3 is expected to take approximately four weeks to drill to its programmed Total Depth of 3,277 metres (10,750 ft).

Target Energy will earn a 25% working interest in zones above the Hackberry sands and a 21.625% Working Interest in the Hackberry sands. Target Energy's Net Revenue Interest is 72%.

Bayou Berard (Marg Tex Sands) Prospect

Target Energy took a 15% working interest in the Cypress Beyt #1 well, drilled in early 2008, at the Bayou Berard prospect. The well intersected a major fault just before hitting the primary Marg Tex targets and was subsequently completed in the shallower Marg Vag sand.

Production commenced on 2 May 2008 and was subsequently terminated when the wellbore loaded up with fluid (from a shallower zone).

The operator now plans to drill a sidetrack from the existing wellbore to intersect the Marg Tex sands. The 1st, 2nd and 3rd Marg Tex sands have been assigned an aggregate potential of 750,000 barrels of oil by the Independent Technical Expert.

The operator has advised that drilling at the Beyt #1A well is expected to commence in the third-quarter 2009.

Target Energy has a 15% working interest and a 72% net revenue interest in Beyt #1 well.

4.3.2 Cameron Parish, Louisiana

East Chalkley (Target Energy 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. Target Energy participated in the successful drilling of the Pine Pasture #2 well in 2008.

Production from the Pine Pasture #2 well was stabilised in December 2008 at around 120 bopd with 440 barrels of water per day (bwpd). This level dropped off to an average of 90 bopd (with 338 bwpd) in the first quarter of 2009 largely as result of pump inefficiencies. It is expected that when the pump is upgraded (at the same time as the water disposal drilling occurs), oil production from the Pine Pasture #2 well will revert back to rates around 120 bopd.

On 1 April 2009, the operator, Centurion Exploration Company, merged into Cinco Natural Resources Corporation. Cinco has contracted Petro Resources Corporation to operate the property (Petro Resources has a 34.375% working interest in East Chalkley).

Petro Resources has confirmed that the drilling of the salt-water disposal well and the pump upgrade at Pine Pasture #2 are expected to be underway in June. The disposal well will substantially reduce operating costs for current and future producing wells in the field. Additional appraisal and/or development drilling will be scheduled after this program.

The progression of development planning for the field was delayed while the Centurion/Cinco merger - originally expected to be completed by 31 December 2008 - was underway. The conclusion of this process and the contracting of Petro Resources as operator are important steps which should ensure that momentum is regained in the development of this asset.

The Independent Technical Expert has assigned P50 recoverable reserves of 1.7 million barrels of oil to the field, with a mean estimate of 2.1 million barrels of oil and a P10 upside of 4 million barrels of oil. To 31 March 2009, Pine Pasture #2 had produced 17,261 barrels of oil.

Target Energy has a 25% working interest and a 68.5 - 69% net revenue interest.

4.4 Risk Factors

Holding Shares in Target Energy is also subject to certain risks. There are many factors which may impact the future performance of Target Energy and its business. These risks include risks specific to Target Energy and the industry in which it operates, as well as general risks. Your Board recommends that you carefully consider the following risks before making a decision.

The main risks include, but are not limited to, the following.

- (a) Future capital needs and additional funding
The development of Target Energy's assets will require additional funding, and there is no guarantee that Target Energy will be able to secure further funding on appropriate terms or that the terms will not be dilutive to investors.
- (b) Exploration and development
Hydrocarbon exploration and development activity by its nature is risky. There is no guarantee that exploration on the permits and/or future permits acquired by Target Energy will lead to a commercially viable discovery. The inherent risks directly affecting exploration and development may include unsuccessful or uneconomic identification of resources due to unexpected geological or drilling conditions and depletion of resources, which may impact on Target Energy's performance. Furthermore, Target Energy's exploration and planned future development may be indirectly affected by commodity prices, exchange rates, mechanical failures and breakdowns and poor weather conditions. Any future profitability of Target Energy will be dependent on the successful development, production and marketing of hydrocarbons from Target Energy's activities. The achievability and timing of this is uncertain and accordingly Target Energy is unable to predict when, if at all, profitability will be achieved.
- (c) Presence of hydrocarbons
The presence of any possible volume of hydrocarbons as set out in this Target's Statement have been determined by technical means including seismic surveys and results from the drilling and evaluation of exploration wells. These figures are expressed as a measure of profitability on which Target Energy relies in making decisions. There are a number of uncertainties inherent in estimating these quantities, which may be proved incorrect by future exploration/production, mapping and/or drilling. Furthermore, Target Energy has had to make a number of assumptions in the estimates and calculations conducted to date. If any of these assumptions are incorrect, whether positive or negative, this will have an effect on the estimates and calculations which have been projected. A significant negative variance in the actual quantum of hydrocarbons available for production could have a material adverse effect on Target Energy.

(d) Operational risks

In relation to the permits, issues can arise from time to time with respect to abandonment costs, consequential clean up costs and environmental concerns. These include risks of explosions, pollution, leaks, fire, adverse climatic and oceanographic conditions, pipe failures, abnormally pressured formations and other hazards. Operational hazards of this nature can cause pollution and other environmental damage, severely damage or destroy equipment, surrounding areas and the property of third parties and can cause personal injury. Target Energy could become subject to liability if, for example, there is environmental pollution and consequential clean up costs at a later point in time or there is damage or loss occurring as a result of these risks which materially adversely affect Target Energy's operations and give rise to claims against Target Energy. It is not possible to quantify any such contingent liability. Whilst no guarantee can be given, Target Energy is not aware of any advices which would suggest that there is any particular exposure in relation to any of its present interests.

(e) Variance in costs

The cost of development and exploration of Target Energy's permits may vary with changes in such things as exchange rates and geological and technical conditions encountered during the drilling of wells and construction of production facilities, increases in the cost of equipment, shortages or delays and market fluctuations. A substantial development cost overrun could have a material adverse effect on the profitability of Target Energy.

(f) Drilling

Target Energy expects to conduct further drilling activities in due course. Drilling is a capital intensive and complex activity involving inherent risks. Drilling activities may be curtailed, postponed or cancelled due to unfavourable geological condition, unfavourable climatic conditions, mechanical difficulties, delays in the delivery of the rigs or other equipment. Drilling may also result in unprofitable outcomes as a well may be dry or may not be sufficiently productive to justify commercial development or cover costs. Completion of a well does not guarantee a profit on the investment or a recovery of all costs.

(g) Environmental risks

Whilst no guarantee can be given as to the absence of environmental difficulties, Target Energy is not aware of any particular concern with respect to its planned exploration activities in relation to its permits. In addition, the hydrocarbon industry has become subject to increasing environmental regulatory requirements. Target Energy may, from time to time, be required to comply with such regulations, which includes obtaining environmental approvals, for its exploration and production operations to continue. Any delays or failures obtaining such approvals may adversely impact on the economic performance of Target Energy's operations.

(h) Reliance on Directors and senior management

The responsibility of day to day management and the strategic management of Target Energy is concentrated within a small number of key persons, especially its senior management. If any one of these people ceases their engagement with Target Energy, this may have a detrimental impact on Target Energy's operations and performance.

(i) Commodity price risk

Shareholders should consider the impacts of supply and demand for commodities (especially oil and gas), fluctuations in the prices of those commodities, exchange rates, Australia's inflation rates, taxation laws and interest rates. All of these factors have a bearing on operating costs, potential revenue and share prices. In particular, the price of oil directly affects the financial viability of any reserves discovered.

(j) Economic risk

As Target Energy is an exploration and development company, the market's perception of the value of its Shares can alter significantly from time to time which can cause fluctuations in price. Fluctuations may also occur as a result of factors influencing the price of Shares in exploration and development companies or share prices generally, as well as drilling activities by other parties in the same general region.

(k) Government approvals

The impact of actions by governments may affect Target Energy's operations including matters such as necessary approvals, taxation and royalties which are payable on the proceeds of the sale of any successful production. Further, the ongoing conditions in relation to permits as well as the renewal of permits are each to a certain extent a matter of governmental discretion and no guarantee can be given in this regard.

The above list of risk factors should not be taken as exhaustive risks faced by Target Energy or by investors. The above factors, and others not specifically referred to above, may in the future materially affect the performance of Target Energy and the value of its Shares.

5. IMPORTANT INFORMATION CONCERNING THE OFFER

5.1 The Offer

Blaze Asset has offered to acquire all of your Shares, including all rights attaching to the Shares, for an Offer price of 1 cent in cash and 0.75 Advance Energy Shares for every Target Energy Share you hold.

Full terms and conditions of the Offer are set out in Section 10 of the Bidder's Statement.

5.2 Conditions to the Offer

The Offer and the contract resulting from acceptance of it are subject to the fulfilment of a number of conditions set out in Section 10.8 of the Bidder's Statement. In summary, the conditions relate to a number of the prescribed occurrences not occurring on and from the commencement of the Offer Period to and including the end of the Offer Period.

These include, but are not limited to, Target Energy converting all or any of its shares into a larger or smaller number of shares, entering into a share buy-back, issuing shares or options over shares, issuing convertible notes, disposing of a substantial part of its business or property, or resolving to be wound up. These prescribed occurrences also apply to any subsidiary of Target Energy. Furthermore on Target Energy entering into an agreement to do any of the things described above will constitute a prescribed occurrence for these purposes.

Please refer to Section 10.8 of the Bidder's Statement for further information regarding the conditions to which the Offer is subject.

5.3 Offer Period

The Offer is open for acceptance from 30 April 2009 until 5.00pm (WST) on 5 June 2009, unless it is withdrawn or the Offer Period is extended, in accordance with the Corporations Act. If you choose to accept the Offer, then your acceptance must be received by Blaze Asset before the end of the Offer Period.

5.4 Extension of the Offer Period

While the Offer remains subject to conditions, it may be extended only before Blaze Asset gives notice regarding the status of the conditions. If the Offer becomes unconditional (i.e. if all the conditions are satisfied or waived) it may be extended at any time before the expiry of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- (a) Blaze Asset improves the consideration payable under the Offer; or
- (b) the voting power of Blaze Asset in Target Energy increases to more than 50%.

If either of these two events occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

5.5 Withdrawal of the Offer

Blaze Asset may not withdraw the Offer in respect of your Target Energy Shares if you have already accepted it. Before you accept the Offer, Blaze Asset may withdraw the Offer in respect of your Target Energy Shares if it obtains the written consent of the ASIC and subject to the conditions (if any) specified in such consent.

5.6 Lapse of the Offer

The Offer will lapse if the conditions to the Offer are not fulfilled or waived by the end of the Offer Period. If the Offer lapses, all contracts resulting from acceptance of the Offer will become void.

5.7 Effect of accepting the Offer

If you accept the Offer and the Offer becomes unconditional, you will give up your rights to sell or otherwise deal with your Target Energy Shares. In particular, except in limited circumstances permitted by the Corporations Act, you will be unable to accept any subsequent competing offer. Once made, an acceptance of the Offer cannot be withdrawn.

5.8 Compulsory acquisition

Blaze Asset will be entitled to acquire compulsorily any outstanding Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, it (together with its associates):

- (a) has a relevant interest in at least 90% (by number) of Target Energy Shares; and
- (b) has acquired at least 75% (by number) of Shares for which it has made an Offer (that is, all Shares other than any which it already holds, including Shares that come in to the Offer upon exercise of any Options).

If these thresholds are met, Blaze Asset will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the thresholds are satisfied. Shareholders have statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for Shares. Shareholders should be aware that, if their Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

5.9 Risk of holding Advance Energy Shares

Shareholders will receive Advance Energy Shares as part consideration for their Target Energy Shares. There are risks associated with holding Advance Energy Shares. Section 11.6 of the Bidder's Statement sets out the risks associated with becoming an Advance Energy Shareholder. However, in addition to these risks, the following risks are also applicable to Advance Energy:

(a) Price and liquidity of the Advance Energy Shares

Shareholders should note that the price of the Advance Energy Shares may rise and fall, impacting on the value of the Offer. In the 3 month period prior to the announcement of the Offer, Advance Energy Shares traded in a range between 2.9 cents on 9 January 2009 and 5.3 cents on 22 January 2009. As at 13 May 2009 (the last day of trading prior to the date of this Target's Statement), the closing Advance Energy Share price was \$0.065.

The historical volume of trading in Advance shares has been very low. The Independent Expert notes that from the date the Offer was announced until 7 May 2009 only 830,000 Advance Energy shares have been traded on the market.

Shareholders are advised to obtain updated quotes on the price of Advance Energy and Target Energy Shares before accepting the Offer. Quotes can be obtained from the ASX website at www.asx.com.au.

The price quoted for Advance Energy or Target Energy Shares on a particular date is not necessarily the price that Shareholders will realise when such shares are sold.

(b) Advance Energy's ability to continue as a going concern

Advance Energy's own auditors have noted the existence of a material uncertainty which may cast significant doubt over Advance Energy's ability to continue as a going concern. Reference is made to the BDO Kendalls Independent Auditor's Report on page 77 of Advance Energy's 2008 Annual Report, as released to the ASX on 30 April 2009. At 31 December 2008, Advance Energy had a cash balance of \$2.4 million, interest bearing and total debts of \$15.7 million and a working capital deficiency of \$5.3 million. As at 31 March 2009, Advance Energy's cash position has deteriorated further to \$916,000.

Section 2 of this Target's Statement also sets out a number of risks associated with holding Advance Energy shares.

5.10 The Offer is conditional

The Offer is subject to a number of conditions which are discussed in Section 5.2 of this Target's Statement. It should be noted that Shareholders accepting the Offer may not receive consideration before the earlier of:

- (a) one month after the Offer is accepted, or the contract resulting from its acceptance becomes unconditional (whichever is the later); and
- (b) 21 days after the end of the Offer Period.

Therefore the Bidder would have the right to not provide consideration in terms of the cash component and Advance shares until the end of the Offer period, notwithstanding that a shareholder may have accepted the Offer at an earlier time. It should be borne in mind that the Bidder reserves the right to extend the Offer in accordance with the Corporations Act.

5.11 Inability to accept higher offer

If the Offer becomes unconditional, Shareholders who have accepted the Offer will be precluded from accepting a higher offer from a third party should one emerge during the Offer Period, except in limited circumstances provided in the Corporations Act. At the date of this Target's Statement, the Directors are not aware of any proposal by a third party to make a superior bid.

5.12 The key considerations in favour of accepting the Offer

The Board of Directors of Target Energy can see no benefits in accepting the Offer.

5.13 Inaccuracies in the Bidder's Statement

Target Energy notes that the Bidder's Statement included certain pieces of information that Target Energy considers to be inaccurate. Details of these inaccuracies are summarised below:

- (a) Advance Energy has issued convertible notes such that \$2.3 million is repayable on 22 May 2009, with a further \$2 million repayable at later dates within the next 12 months. Advance Energy has stated that there is a risk that if the convertible notes are not extended and become payable this may affect Advance Energy's ability to operate as a going concern. On page 27 of the Bidder's Statement it is stated that the Noteholder has indicated it intends to "roll over" the notes. However, on page 66 of the Bidder's Statement it is stated that Advance Energy has reached an agreement with the \$2.3 million Noteholder to rollover the notes for a further 18 months. There is a significant difference between an agreement and an indication. This is of significant importance to the ability of Advance Energy to continue as a going concern.
- (b) In section 3.1(c)(ii) of the Bidder's Statement it is asserted that Target Energy stated an expectation that the Pine Pasture #2 well would flow at 600-790 barrels of oil per day. The Bidder's Statement then states that Target Energy has failed to provide any comment as to why production has failed to achieve expected levels. Target Energy has never stated an expectation that the Pine Pasture #2 well would flow at 600-790 barrels of oil per day. It stated an expectation of a flow rate of 600-790 barrels of fluid per day, subject to an approximate 25% oil cut. It is misleading of Blaze Asset to attribute materially incorrect statements to Target Energy in the Bidder's Statement.
- (c) In Section 3.3(a) of the Bidder's Statement Blaze Asset stated that total Target Energy Board remuneration was \$497,875 in 2008. This is incorrect. Total Target Energy Board remuneration for the year 2008 was \$445,175, of which \$27,273 was related to parking and other non-monetary benefits. Therefore the net cash remuneration was \$417,902, not \$497,875 as stated by Blaze Asset as being a potential saving. This is a difference of nearly \$80,000 on a cash basis.

5.14 Directors' intentions in relation to the Offer

Each Target Energy Director who has a relevant interest in Target Energy Shares intends, in the absence of a higher offer, to **REJECT** the Offer in respect of those Shares.

The interests of each Target Energy Director in Target Energy Shares are set out in Section 7.1 of this Target's Statement.

5.15 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a superior offer from Blaze Asset or another bidder) which would alter the Target Energy Directors' recommendation in relation to the Offer, Shareholders will be notified through a supplementary target's statement.

5.16 Taxation considerations for Target Energy Shareholders

Your acceptance of Blaze Asset's Offer is likely to have taxation consequences. Section 9 of the Bidder's Statement provides a general discussion of the Australian income and capital gains tax consequences for Target Energy Shareholders should they accept the Offer and the Offer becomes unconditional.

The Australian taxation consequences of accepting Blaze Asset's Offer for Target Energy Shareholders will depend on their particular circumstances. This Section provides some general comments concerning some Australian taxation risk factors of which Target Energy Shareholders should be aware in relation to the Offer. These comments are not intended to be a description of all possible taxation risk factors and Target Energy Shareholders should seek their own taxation advice which takes into account their particular circumstances.

Target Energy Shareholders should not rely on Section 9 of the Bidder's Statement, nor rely on this Section of this Target's Statement, in making a decision as to whether or not to accept Blaze Asset's Offer for their Target Energy Shares.

Target Energy Shareholders who accept the Offer and make a capital gain from the disposal of their Target Energy Shares may seek to elect that a partial scrip-for-scrip rollover relief apply to the eligible proceeds of the Offer (i.e. the shares received as part consideration). It should be noted that the cash component of the Offer will not be considered as eligible proceeds and therefore will not qualify for roll-over. Such Target Energy Shareholders should note that the partial scrip-for-scrip rollover will only be available if Blaze Asset becomes the owner of 80% or more of the voting shares in Target Energy as a result of the Offer.

There is no minimum acceptance condition in the Offer. Accordingly, Blaze Asset may not become the owner of 80% or more of the voting shares in Target Energy as a result of the Offer and, if this is the case, scrip-for scrip rollover relief will not be available for any Target Energy Shareholders.

6. YOUR CHOICES AS A TARGET ENERGY SHAREHOLDER

Shareholders have the following choices in respect of the Offer:

(a) **REJECT THE OFFER**

If you wish to retain your Target Energy Shares, you need take no action in relation to the Offer.

OR

(b) **ACCEPT THE OFFER**

If you wish to accept the Offer, you should follow the instructions set out in the Bidder's Statement.

Subject to the conditions of the Offer being satisfied, you will receive 1 cent in cash and 0.75 Advance Energy Shares for every Target Energy Share you hold.

You should be aware that once you accept an Offer your acceptance cannot be withdrawn except in the limited circumstances provided for under the Corporations Act. You should consider the timing of any acceptance of the Offer in light of the fact that a higher bid by another party may emerge which you would be precluded from accepting if you had already accepted an Offer.

OR

(c) **SELL YOUR TARGET ENERGY SHARES ON THE ASX**

You can sell your Target Energy Shares on the ASX. The price you will receive will depend on the prevailing market price of Target Energy Shares at the time of sale. You should be aware that the market price of Target Energy Shares may rise or fall during the Offer Period. You should also note that if you sell your Target Energy Shares on the ASX:

- (i) you will receive payment earlier than if you accept Blaze Asset's Offer (typically, 3 business days after the sale, as opposed to one month after the later of acceptance of the Offer or the date the Offer becomes unconditional);
- (ii) a sale on the ASX provides certainty, whereas a sale to Blaze Asset by accepting the Offer will be subject to the conditions of the Offer being fulfilled;
- (iii) you are likely to pay brokerage on the sale;
- (iv) you would not be eligible for any applicable capital gains tax rollover relief (see Section 9 of the Bidder's Statement) in respect of the consideration received under the Offer represented by Blaze Asset Shares;
- (v) you will not benefit from any price increase which may be offered by Blaze Asset; and
- (vi) except in the limited circumstances provided for under the Corporations Act, you will be prevented from accepting an offer from another bidder should one emerge during the Offer Period.

In relation to (v) above, you should note that Blaze Asset, as at the date of this Target's Statement, has given no indication that it intends to increase its offer price.

Shareholders should seek professional advice if they are unsure as to whether acceptance of the Offer is in their best interests, taking into account their individual circumstances.

The Bidder's Statement contains important information which Shareholders are urged to read carefully. Shareholders should note that Target Energy has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither Target Energy nor its Directors or advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

7. ADDITIONAL INFORMATION

7.1 Directors' interests in Target Energy

As at the date of this Target's Statement, the Directors of Target Energy have relevant interests in the following Target Energy Shares and Options:

Name of Director	Target Energy Shares	Target Energy Listed Options	Target Energy Unlisted Options
Didier Murcia	1,050,000	550,000	Nil
Laurence Roe	5,200,000	2,700,000	2,000,000
Michael Martin	4,038,461	2,038,461	2,000,000
Paul Lloyd	2,362,566	1,237,566	2,000,000

7.2 Directors' intentions with respect to their own Target Energy Shares

Each of the Directors of Target Energy intends to **REJECT** the Offer for all of the Target Energy Shares in which he has a relevant interest.

7.3 Directors' recent dealings in Target Energy

No Director has acquired or disposed of any securities in Target Energy in the period of four (4) months immediately preceding the date on which the Bidder's Statement was served on Target Energy (being 16 April 2009).

7.4 Director's interests in Blaze Asset

As at the date of this Target's Statement none of the Directors of Target Energy have relevant interests in Blaze Asset, Advance Energy or Odin Energy.

7.5 Recent dealings in Blaze Asset

There have been no acquisitions or disposals of securities in Blaze Asset, Advance Energy or Odin Energy by Target Energy, any associate of Target Energy or the Directors in the period of four (4) months immediately preceding the date on which the Bidder's Statement was served on Target Energy (being 16 April 2009).

7.6 No benefits to Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a Target Energy Director (or anyone else) in connection with the Director's retirement as a Director or executive of Target Energy.

7.7 Other agreements or arrangements with Target Energy Directors

There is no other agreement or arrangement made between a Director of Target Energy and any other person in connection with or conditional upon the outcome of the Offer.

7.8 Interests of Target Energy Directors in contracts with Blaze Asset

No Director of Target Energy has any interest in any contract entered into by Blaze Asset.

7.9 Material litigation

Target Energy is not involved in any material litigation or disputes.

7.10 Issued capital

As at the date of this Target's Statement, Target Energy's issued capital consists of:

- (a) 104,321,170 Shares;
- (b) 62,812,164 listed Options exercisable at \$0.25 each on or before 26 November 2009;
- (c) 6,000,000 unlisted Options exercisable at \$0.20 each on or before 30 June 2011; and
- (d) 750,000 unlisted Options exercisable at \$0.12 each on or before 7 August 2011.

7.11 Overseas Shareholders

Any Target Energy Shareholder whose address (as recorded in the register of members of Target Energy provided by Target Energy to Blaze Asset) is in a place outside Australia or New Zealand will not be issued with Advance Energy Shares under the Offer.

Instead, the relevant Advance Energy Shares (that would otherwise be transferred to such foreign holders) will be allotted to a nominee approved by the ASIC who will sell the Advance Energy Shares and will distribute to each of those foreign holders their proportion of the proceeds of sale net of expenses.

Refer to section 10.7 of the Bidder's Statement for further information.

7.12 Substantial Shareholders

At the date of this Target's Statement, there are no substantial Shareholders in Target Energy (being Shareholders holding greater than 5% of the Target Energy Shares on issue).

7.13 No other material Information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, being information which:

- (a) it is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of Target Energy Directors.

In deciding what information should be included in this Target's Statement, Target Energy Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as the ASX, the ASIC or the Target Energy website at www.targetenergy.com.au.

7.14 Consents

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in Blaze Asset's Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of Blaze Asset's Bidder's Statement and are not to be taken as endorsing, in any way, any of the statements contained in them (unless expressly indicated otherwise in this Target's Statement).

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Blaze Asset with the ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Blaze Asset. Pursuant to the Class Order, the consent of Blaze Asset is not required for the inclusion of such statements in this Target's Statement. Any Target Energy shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Target Energy. Telephone calls may be recorded.

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement made by an official person;
- (b) from a public official document or a published book, journal or comparable publication.

Steinepreis Paganin has given, and not withdrawn prior to the lodgement of this Target's Statement with the ASIC, its written consent to be named in this Target's Statement as legal advisor to Target Energy in the form and context so named. Steinepreis Paganin takes no responsibility for any part of this Target's Statement other than any reference to its name.

New Holland Capital Pty Ltd has given, and not withdrawn prior to the lodgement of this Target's Statement with the ASIC, its written consent to be named in this Target's Statement as corporate advisor to Target Energy in the form and context so named. New Holland Capital Pty Ltd takes no responsibility for any part of this Target's Statement other than any reference to its name. New Holland Capital Pty Limited is an Authorised Representative (Number 314646) of Taurus Funds Management Limited (AFSL Licensee Number 307723)

Advanced Share Registry Services Pty Ltd has given, and not withdrawn prior to the lodgement of this Target's Statement with the ASIC, its written consent to be named in this Target's Statement as the share registry to Target Energy in the form and context so named. Advanced Share Registry Services Pty Ltd takes no responsibility for any part of this Target's Statement other than any reference to its name.

Grant Thornton (WA) Financial Services Pty Ltd has consented to the inclusion of its independent expert report in the form and context in which it appears in this Target's Statement, and has not withdrawn its consent before this Target's Statement was lodged with ASIC. It has also consented to the inclusion in this Target's Statement of statements by it, or attributed to it, in the form and context in which those statements appear, and has not withdrawn its consent before this Target's Statement was lodged with ASIC. Grant Thornton (WA) Financial Services Pty Ltd has also consented to be named in the Target's Statement as the Independent Expert.

RISC Pty Ltd has consented to the inclusion of its Technical Specialist Report in the form and context in which it appears within this Target's Statement, and has not withdrawn its consent before this Target's Statement was lodged with ASIC. It has also consented to the inclusion in this Target's Statement of statements by it, or attributed to it, in the form and context in which those statements appear, and has not withdrawn that consent before this Target's Statement was lodged with ASIC. RISC Pty Ltd has also consented to be named in the Target's Statement as the Independent Technical Specialist retained by Grant Thornton (WA) Financial Services Pty Ltd.

Harper & Associates, Inc has consented to the inclusion of its Technical Specialist Report in the form and context in which it appears within Target's Statement, and has not withdrawn its consent before this Target's Statement was lodged with ASIC. It has also consented to the inclusion in this Target's Statement of statements by it, or attributed to it, in the form and context in which those statements appear, and has not withdrawn that consent before this Target's Statement was lodged with ASIC. Harper & Associates, Inc has also consented to be named in the Target's Statement as the Independent Technical Specialist retained by Grant Thornton (WA) Financial Services Pty Ltd.

8. DEFINITIONS AND INTERPRETATION

8.1 Definitions

In this Target's Statement, unless the context otherwise requires:

Advance Energy means Advance Energy Limited (ACN 134 038 412).

Advance Energy Share means a fully paid ordinary share in Advance Energy.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited (ACN 008 624 691).

Bidder means Blaze Asset Pty Ltd (ACN 134 038 412).

Bidder's Statement means the bidder's statement of Blaze Asset Pty Ltd (ACN 134 038 412) dated 16 April 2009 which was served on Target Energy on that date.

Blaze Asset means Blaze Asset Pty Ltd (ACN 134 038 412).

Board means the board of directors of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Independent Expert's Report means the Independent Expert's Report prepared by Grant Thornton (WA) Financial Services Pty Ltd as annexed to this Target's Statement in Section 11.

Odin Energy means Odin Energy Limited (ACN 124 941 416).

Offer means the offer made by the Bidder to acquire Target Energy Shares on the terms and conditions set out in the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance.

Option or **Target Energy Option** means an option to acquire a fully paid ordinary share in the capital of Target Energy.

Shareholder or **Target Energy Shareholder** means a holder of one or more Target Energy Shares.

Target Energy or **Company** means Target Energy Limited (ACN 119 160 360).

Target Energy Share means a fully paid ordinary share in Target Energy.

Target's Statement means this target's statement.

WST means Western Australia Standard Time.

\$ means Australian dollars.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) Words and phrases have the same meaning (if any) as is given to them by the Corporations Act
- (b) Words importing one gender include the other genders. Words (including defined terms) importing the plural include the singular and vice versa.
- (c) A reference to a person includes a reference to a corporation.
- (d) Headings are for ease of reference only and do not affect the interpretation of this Target's Statement.
- (e) References to Sections are to sections of this Target's Statement.
- (f) All references to time in this Target's Statement are to Australian Western Standard Time (WST).

9. AUTHORISATION

This Target's Statement has been approved by a resolution passed by the Directors of Target Energy. All Target Energy Directors voted in favour of that resolution.

Dated: 14 May 2009

A handwritten signature in blue ink, appearing to read 'Laurence Roe', written in a cursive style.

LAURENCE ROE

MANAGING DIRECTOR
FOR AND ON BEHALF OF
TARGET ENERGY LIMITED

10. CORPORATE DIRECTORY

Directors

Didier Murcia, B.Juris, LLB
Non Executive Chairman

Laurence Roe, B.Sc
Managing Director

Michael Martin, B.Sc (Hons), F.G.S.
Non Executive Director

Paul Lloyd, B.Bus, CA
Non Executive Director

Company Secretary

Rowan Caren, B.Com, CA

Registered Office

Level 2, 46 Ord Street
WEST PERTH WA 6005

Telephone (08) 9476 9000

Facsimile (08) 9476 9099

Email: admin@targetenergy.com.au

Website: www.targetenergy.com.au

Share Registry

Advanced Share Registry Services*

150 Stirling Highway

NEDLANDS WA 6009

Telephone (08) 9389 8033

Facsimile (08) 9389 7871

Legal Advisor

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

PERTH WA 6000

Telephone: (08) 9321 4000

Facsimile: (08) 9321 4333

Corporate Advisor

New Holland Capital Pty Ltd

Suite 7, Level 1

1297 Hay Street

West Perth WA 6005 Australia

Telephone: (08) 9320 5500

* This entity has not been involved in the preparation of this Target's Statement and takes no responsibility for any part of this Target's Statement other than reference to its name.



11. INDEPENDENT EXPERT'S REPORT



The Directors
Target Energy Limited
Level 2, 46 Ord Street
West Perth WA 6005

12 May 2009

Dear Sirs,

**Grant Thornton (WA)
Financial Services Pty Ltd**
ABN: 92 064 260 260
AFSL: 259864
Level 1, 10 Kings Park Road
West Perth WA 6005
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Independent Expert's Report and Financial Services Guide

Introduction

On 8 April 2009, Blaze Asset Pty Ltd ("Blaze") announced its intention to make an off-market takeover offer to acquire all of the issued capital of Target Energy Limited ("Target" or the "Company") (the "Offer").

Blaze is offering Target shareholders 0.75 new fully paid ordinary Advance Energy Limited ("Advance") shares plus one cent (\$0.01) cash for each fully paid ordinary Target share on issue (the "Consideration Offered").

The Offer is subject to a number of conditions and does not extend to any Target options on issue.

Target is an Australian based company listed on the ASX with oil and gas exploration and production operations in the United States of America ("US").

Blaze is an Australian private company jointly owned by Advance and Odin Energy Limited ("Odin").

Advance is an Australian based company listed on the ASX that acquires and develops oil and gas producing assets in the US.

Odin is an Australian based company listed on the ASX with offshore oil and gas exploration and development operations in the US.

Purpose of the report

Section 640 of the Corporations Act, 2001 (the "Corporations Act") requires that a target's statement made in response to a takeover offer for shares in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

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A subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

At the time of announcing the Offer, none of these criteria were satisfied and as such there is no statutory requirement for an independent expert's report to be prepared.

The Directors of Target engaged Grant Thornton (WA) Financial Services Pty Ltd (Grant Thornton Corporate Finance) to prepare this independent expert's report to assist them in their duties to provide Target shareholders with full and proper disclosure to enable them to assess the merits of the Offer.

The Bidder's Statement and the Target's Statement contain information in relation to the Offer. Target shareholders are recommended to read these documents in full.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Offer to the Target shareholders as a whole. We have not considered the potential impact of the Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Offer on individual shareholders.

The decision of whether or not to accept the Offer is a matter for each Target shareholder based on their own views of the value of Target and expectations about future market conditions, Target's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Offer, they should seek their own professional advice.

Basis of assessment

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has considered relevant regulatory guides issued by the Australian Securities and Investments Commission ("ASIC"), with particular reference to Regulatory Guide 111: Content of expert reports ("RG 111").

Conclusion and Summary of Opinion

Grant Thornton Corporate Finance has concluded that the Offer is not fair to the shareholders of Target.

For the purpose of assessing whether the Offer is fair to the Target shareholders, we have compared the value of Target shares on a 100% basis (inclusive of a control premium) with the value of the Consideration Offered under three scenarios, assuming Blaze acquires 20.0%, 50.1% and 100% of Target. The value of the Consideration Offered has been assessed on a minority interest basis as Target shareholders who accept the Offer will become minority shareholders in Advance.

We set out below a comparison between our assessment of the value of a Target share and the value of the Consideration Offered:

All figures AUD cents per share	20.0% acceptances		50.1% acceptances		100.0% acceptances	
	Low	High	Low	High	Low	High
Value of a Target share	10.0	13.8	10.0	13.8	10.0	13.8
Value of the Consideration Offered	4.3	5.9	4.8	6.4	5.5	7.2
Discount to assessed Target share value	(5.7)	(7.9)	(5.2)	(7.4)	(4.5)	(6.6)

Source: Grant Thornton analysis

As the value of the Consideration Offered under both scenarios is below our assessed range of values of a Target share, we conclude that the Offer is not fair to Target shareholders.

Grant Thornton Corporate Finance has concluded that, on balance, the Offer is not reasonable.

RG 111 states that if an offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In assessing the reasonableness of the Offer we have considered whether there are grounds for Target shareholders to accept the Offer despite our opinion that the Offer is not fair.

Advantages of the Offer:

Participation in Advance

Should the Offer be accepted, Target shareholders will participate in the oil and gas assets and operations of Advance. Advance's stated business model is the acquisition of assets with proven production with value creation via production optimisation.

Relative to an investment in Target, this results in:

- primary interest in and greater exposure to 100% working interest production assets where Advance is able to take the Operator position;
- exposure to a greater number of projects (Advance's and Target's, albeit indirectly);
- greater exposure to strategies focussed on asset acquisition, operation, optimisation and disposal; and
- reduced exposure to exploration assets and the risk and upside associated with such operations.

Continued indirect participation in Target

Should the Offer be accepted, Target shareholders may participate in the future growth, profits and dividends of Target via Advance's shareholding in Blaze. However, this participation will be diluted as a result of Odin's 50% ownership of Blaze and the shareholder loans.

Synergies

Blaze has indicated that should it obtain a sufficient shareholding in Target it will delist Target, resulting in savings in corporate costs. Target management have estimated that these costs saved would likely be in the order of \$250k post tax per annum. The degree to which these cost savings may be achieved, if at all, is dependent upon, amongst other things, the percentage of Target held by Blaze following the closure of the Offer.

Target management have advised us that they do not consider any operational synergies to be available from the acquisition of Target by Blaze.

Disadvantages of the Offer:

The offer is not fair

As set out above, Grant Thornton Corporate Finance has concluded that the offer is not fair to Target shareholders.

Advance's funding position

The audit report included in Advance's 31 December 2008 Annual Report stated that there are factors that *"indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will be able to realise its assets and liabilities in the normal course of business at the values carried in the balance sheet."*

Advance's cash position at 31 March 2009 as set out in Advance's 31 March 2009 Quarterly Report was \$0.9 million, a decrease of \$1.6 million during the quarter.

Advance has stated in its Bidder's Statement that *"further debt or equity raisings will be required to increase production from current oil and gas properties. Additional equity financing, if available, may be dilutive to shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If Advance is unable to obtain additional financing as needed, it will not be able to further develop its projects which may impact on the viability of Advance."*

In addition, Advance's Bidder's Statement states that *"Advance has issued convertible notes such that \$2.3m is repayable on 22nd May 2009, \$1m is repayable on 9th May 2010, and \$1m is repayable on 29th January 2010. Advance has reached an agreement with the \$2.3m noteholder to replace the current \$2.3 million convertible note with new convertible notes on similar terms and conditions for a period of 18 months. However, there is a risk that if the convertible notes are not extended and become payable that this may affect Advance's ability to operate as a going concern."*

Should Advance cease to be a going concern, the value of Advance shares may be impacted.

Advance is geared while Target is debt free

Should the Offer be accepted, Target shareholders will exchange their exposure from an ungeared company to one that is currently geared. Prima facie, an equity investment in a geared company will be riskier than an equity investment in an ungeared company, as the returns to equity are post service of debt and gearing increases the volatility of returns to equity.

Target's funding position

Target's producing operations generate positive cash sufficient to cover ongoing costs in the immediate future and Target has approximately \$3.6 million available for the anticipated further development of its current oil and gas properties.

Realisation of investment for Target shareholders if they accept the Offer

The offer does not include a solely cash alternative. Target shareholders who accept the Offer will receive shares in Advance.

We note the low historical trading liquidity of Advance shares as set out in Section 5 of this report and that, following the transaction:

- the share market price of Advance, while linked to the underlying value of its oil and gas properties, may not always be reflective of the fundamental value of Advance and may trade above or below the current trading prices;
- the Advance shares that would have been issued to Target's shareholders deemed as foreign shareholders will be sold on-market, which is likely to impact the trading of Advance's shares immediately following the transaction;
- should any Target shareholders, in particular those whose shares are compulsorily acquired, seek to realise their new parcels of share in Advance, this will be likely to impact the trading of Advance's shares immediately following the transaction; and
- the increased shareholder base of Advance may result in greater liquidity of trade in its shares.

The trading price of Advance shares at the time Target shareholders who accept the Offer finally realise their investment will determine the final value of the Consideration Offered. We note also that the value of the shareholder loan from Advance to Blaze is also dependent upon the 5 day Advance VWAP prior to the date of the issue of the new shares. As such, the final value to be received by Target shareholders should they accept the Offer is uncertain and unable to be ascertained at this time.

Other considerations:

Likelihood of a superior offer

We have been advised by the directors of Target that they consider there are a number of companies that are likely to be interested in acquiring Target or its assets. However, no offer or firm commitment superior to the Offer has emerged to the date of this report. The Directors have advised that they will continue to assess all opportunities available to them.

No support from Target Directors

According to the Target's Statement, the Directors unanimously recommend Target shareholders to reject the Offer. The Directors who personally own approximately 12% of Target shares on issue at the date of this report have indicated that they intend to reject the Offer. As such it is unlikely that Advance will be successful in acquiring a shareholding of 90% or more in Target.

Advance's access to Target's cash resources

If Blaze successfully acquires 100% of Target it is likely to be able to access Target's cash resources to repay shareholder loans from Advance and Odin should it choose to do so. However, if Blaze acquires less than 90% of Target, Advance may not be able to access Target's cash resources.

Potential implications for Target shareholders if Blaze acquires less than 50% of Target shares

Target shareholders should be aware of the potential implications in the event Blaze acquires less than 50% of Target, including:

- Target shareholders who do not accept the Offer will hold Target shares which may be less liquid than they currently are and those shares may trade at a discount to the value of the Consideration Offered;
- Blaze, while not having outright control of Target and dependent upon its final shareholding in Target following the transaction, may still be able to exert significant influence over Target;
- Blaze may or may not make an offer for the Target Shares it does not own in the future;
- Blaze stated intentions in the Bidder's Statement is to hold the Target shares it acquires as a portfolio interest. However, the Bidder's Statement further states that "*if at any time the Target Shares held by Blaze do not achieve an appropriate portfolio return, and Blaze forms the view that continuing to hold those Target Shares is not in the best interests of Blaze shareholders, it may dispose of those Target Shares*". Should Blaze seek to realise Target shares as above this will be likely to impact the trading of Target's shares; and
- recognising that Blaze would be a significant shareholder of Target, an offer by an alternative acquirer would likely require the support of Blaze.

Potential implications if Blaze acquires between 50.1% and 90.0% of Target shares

Target shareholders should be aware of the potential implications in the event Blaze acquires between 50.1% and 90.0% of Target, including:

- Target shareholders who do not accept the Offer will hold Target shares which may be less liquid than they currently are and those shares may trade at a discount to the value of the Consideration Offered;
- Blaze will effectively control Target;

- Blaze may or may not make an offer for the Target Shares it does not own in the future; and
- recognising that Blaze would be the single largest shareholder with over 50.1% of Target, an offer by an alternative acquirer would only emerge with the support of Blaze.

Prospect of compulsory acquisition of minority shareholding

The Bidder's Statement states that if Blaze is successful in acquiring relevant interests in 90% or more of Target shares, it intends to proceed to compulsory acquisition of the remaining shares.

Tax liability

Target shareholders who accept the Offer may incur a tax liability. Target shareholders should consult their tax advisors in relation to their personal circumstances.

Information available

It should be noted that whilst we have had access to Target management and non-public data for our assessment of Target shares, we have used publicly available information only for our assessment of Advance and the Consideration Offered. Based on the publicly available information for Advance it has not been possible to adopt the same approach for Advance as was adopted in our assessment of the value of Target. Any material new information disclosed by Advance that was not previously publicly available could impact our valuation and/or opinion.

Other Matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included in Appendix A of this report.

The opinions expressed above are based on information available as at the date of this Report and are to be read in conjunction with the more detailed analysis and comments set out later in this Report.

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target's Statement to be sent to the shareholders of Target. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Yours faithfully

GRANT THORNTON (WA) FINANCIAL SERVICES PTY LTD
(Australian Financial Services Licence No. 259864)



CHRIS PARKINSON

Director



PATRICK WARR

Director

Enclosure

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1. OUTLINE OF THE OFFER

On 8 April 2009, Blaze announced its intention to make an off-market takeover offer to acquire all of the issued capital of Target. Blaze is offering Target shareholders 0.75 new fully paid ordinary Advance shares plus one cent (\$0.01) cash for each fully paid ordinary Target share on issue. A copy of Blaze's Bidder's Statement was lodged with the Company on 16 April 2009.

The offer closes at 5.00pm (Perth time) on 5 June 2009, unless it is withdrawn or extended in accordance with the Corporations Act.

The offer also extends to Target shares issued prior to the end of the closing of the offer on 5 June 2009 as a result of the exercise of Target options, if any.

1.1 Conditions

The Offer is subject to a number of conditions as set out in the Bidder's Statement. We note in particular that:

- The Offer is subject to:
 - ASX granting Official Quotation of the Advance Shares being offered as consideration under the offer; and
 - Certain occurrences not taking place during the period Offer including in relation to Target changing its capital structure, acquiring or disposing of key assets or winding up of Target or any of its key assets.
- There is no minimum acceptance condition.

1.2 Options

The Offer does not extend to any Target options on issue. Blaze has indicated that Target optionholders who exercise any Target options before or during the Offer Period will be able to accept the Offer in respect of the Target shares issued upon exercise of the Target options. Further, Blaze has indicated that if they are able to proceed to compulsory acquisition of the Target shares, it may make an offer to acquire the Target options in accordance with the Corporations Act.

1.3 Foreign shareholders

A Target shareholder will be deemed to be a Foreign Shareholder if they are a resident in, or a resident of, a place outside Australia or New Zealand. Target shareholders who are deemed to be Foreign Shareholders will not be entitled to receive Advance shares as the consideration for their Target shares, should they accept the Offer.

Advance shares that Foreign Shareholders would otherwise be entitled to pursuant to the Offer, will be issued to a nominee approved by ASIC, who will sell those Advance shares. The net proceeds of the sale of such shares will be paid the relevant Foreign Shareholders.

2. SCOPE OF THE REPORT

2.1 Purpose

The Directors of Target are required to respond to Blaze's Bidder Statement in a Target's Statement. Our report is to be included in and form part of the Target's Statement to be issued to the shareholders of Target.

Section 640 of the Corporations Act, 2001 (the "Corporations Act") requires that a target's statement made in response to a takeover offer for shares in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

At the time of announcing the Offer, none of these criteria was satisfied and as such there is no statutory requirement for an independent expert's report to be prepared.

The Directors of Target engaged Grant Thornton Corporate Finance to prepare this independent expert's report to assist them in their duties to provide Target shareholders with full and proper disclosure to enable them to assess the merits of the Offer.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Offer to the Target shareholders as a whole. We have not considered the potential impact of the Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Offer on individual shareholders.

The decision of whether or not to accept the Offer is a matter for each Target shareholder based on their own views of the value of Target and expectations about future market conditions, Target's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Offer, they should seek their own professional advice.

The Bidder's Statement and the Target's Statement contain information in relation to the Offer. Target shareholders are recommended to read these documents in full.

2.2 Basis of assessment

Under Section 640 of the Corporations Act, the independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has considered relevant regulatory guides issued by ASIC, with particular reference to Regulatory Guide 111: Content of expert reports ("RG 111"), which states, *inter alia*, that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration

offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company; and

- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In arriving at our opinion, Grant Thornton Corporate Finance has determined whether the Offer is fair to the Target shareholders, in the absence of a higher offer, by comparing the value of 0.75 new Advance shares, plus \$0.01 cash per Target share, to the assessed full underlying value of one Target share, on a control basis.

In considering whether the Offer is reasonable, we have considered a number of factors, including:

- whether the Offer is fair;
- the historical trading prices and liquidity in Target and Advance shares on the ASX;
- the likelihood of an alternative offer being made;
- the implications of Blaze acquiring less than 50.1% or more than 50.1% but less than 90% of Target; and
- other advantages and disadvantages to Target shareholders accepting the Offer.

3. INDUSTRY OVERVIEW

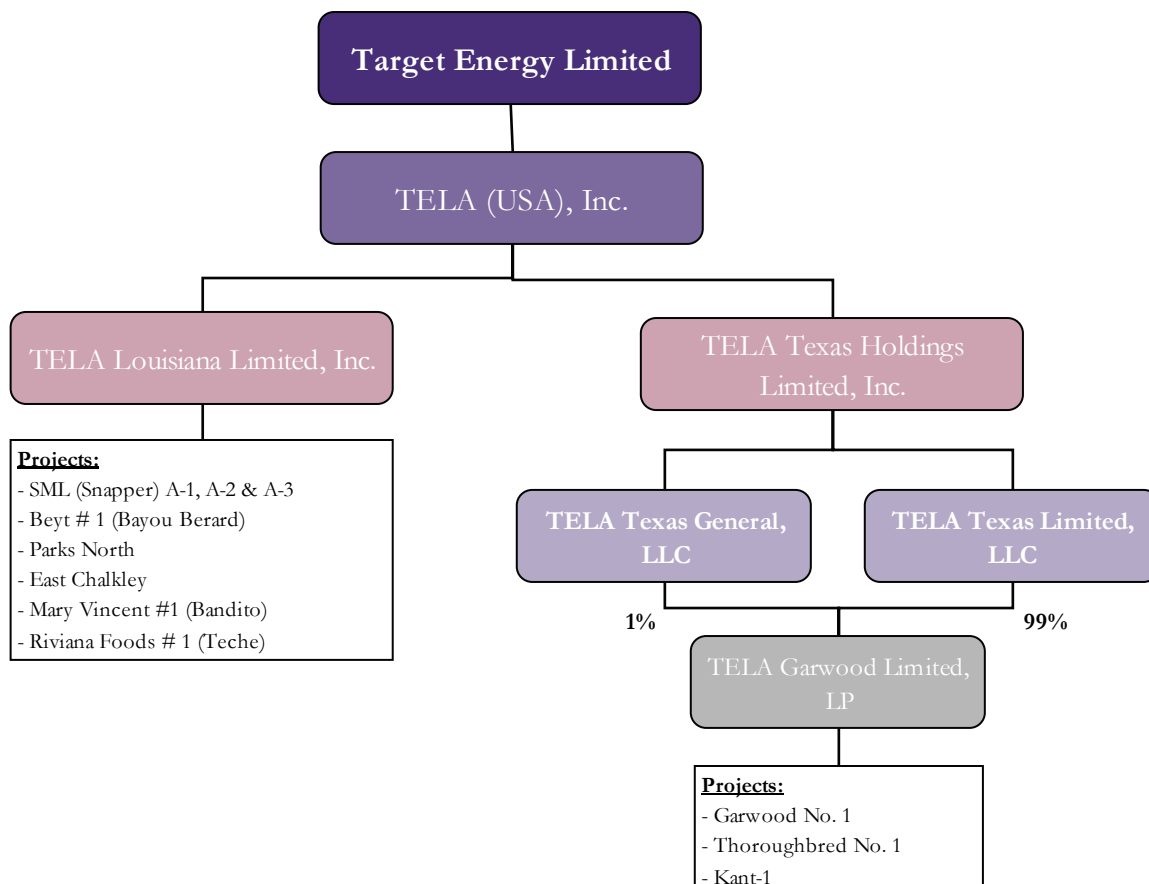
To provide a context for assessing the prospects of Target's and Advance's oil and gas exploration and production assets we have set out an overview of the US oil and gas sectors at Appendix E to this report.

4. PROFILE OF TARGET

4.1 Overview and background

Target is an Australian oil and gas exploration and development company based in Perth, Western Australia. The company was formed to explore for and produce hydrocarbons in the US and listed on the Australian Stock Exchange on 27 November 2006.

4.2 Company Structure



Source: Target's management

4.3 Operations

We have set out below a summary of each of Target's current and past oil and gas projects.

Cameron Parish, Louisiana

- ***East Chalkley Oil Appraisal & Development Project - 25% working interest***

Operated by Petro Resources Corporation, the East Chalkley project is an oil field appraisal and development program, approximately 33 kilometres south-east of the town of Lake Charles in Cameron Parish, Louisiana. Production was interrupted by hurricanes Gustav and Ike and recommenced in late October 2008. It had stabilised in December 2008 at around 120 BOPD with 440 BWPD before dropping off to an average of 90 BOPD with 338 BWPD as a result of pump inefficiencies. The Directors of Target expect that when the pump is upgraded the production will revert back to the December 2008 stabilised levels. The drilling of a salt-water disposal well and the pump upgrade are expected to be underway in June 2009.

St Martin Parish, Louisiana

- ***SML (Snapper) #A-1 discovery - 25% working interest***
Drilling at Snapper A-1 commenced in March 2007, reaching a measured depth of 3,002.9 metres (9,852 feet) on 23 April 2007. Snapper A-1 was completed as a producing well. The well was brought online on 2 August 2007 and commenced production at a rate of 1.04 MMCFGD with 3 - 5 BOPD.
- ***SML (Snapper) #A-2 discovery - 25% working interest***
SML (Snapper) #A-2 is located approximately 20 kilometres east of the city of Lafayette. The well commenced on 28 October 2007 and was drilled to a total depth of 3,078.5 metres. The Snapper A-2 well commenced production on 9 February 2008.
- ***SML (Snapper) #A-3 discovery - 25% up to working interest***
The Snapper A-3 well is to be located approximately 300 metres north of Target's Snapper A-1 discovery in St Martin Parish, Louisiana. The well is designed to test Hackberry A-1 and A-4 sands that were not intersected by the Snapper A-1 well and will be drilled to a depth of approximately 3,277 metres. Snapper A-3 will test a potential of up to 0.5 MMBO and 5.4 BCF of gas (unrisked, recoverable).
- ***Beyt #1 (Bayou Berard) discovery / Beyt #1A - 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. Production commenced on 2 May 2008 at a rate of approx 1 mmcfdg with associated condensate. Shortly after the well was placed on a compression, the wellbore loaded up with fluid believed to be from an above-lying zone. Rather than remediate the Marg Vag, the operator terminated production from that sand and instead plan to drill out from the existing wellbore to test Marg Tex sands not intersected in the original borehole. This will be the Beyt #1A well. The 1st, 2nd and 3rd Marg Tex sands have an aggregate potential of 1 million barrels of oil with 0.4 billion cubic feet of gas (unrisked, recoverable). The operator has advised that drilling at the Beyt #1A well is expected to commence in early third-quarter 2009.
- ***Parks North - up to 10% working interest***
Target announced on 17 January 2009 that it had withdrawn from the Participation Agreement for the Parks North well.

Colorado County, Texas

- ***Thoroughbred No. 1 gas discovery - 25% working interest***
The well was brought into production, but was subsequently depleted and was shut in on 8 May 2008 and later plugged and abandoned.
- ***Garwood No. 1 gas discovery - 25% working interest***
This well is presently shut in with all zones apparently depleted.

Acadia and Jefferson Davis Parishes Louisiana

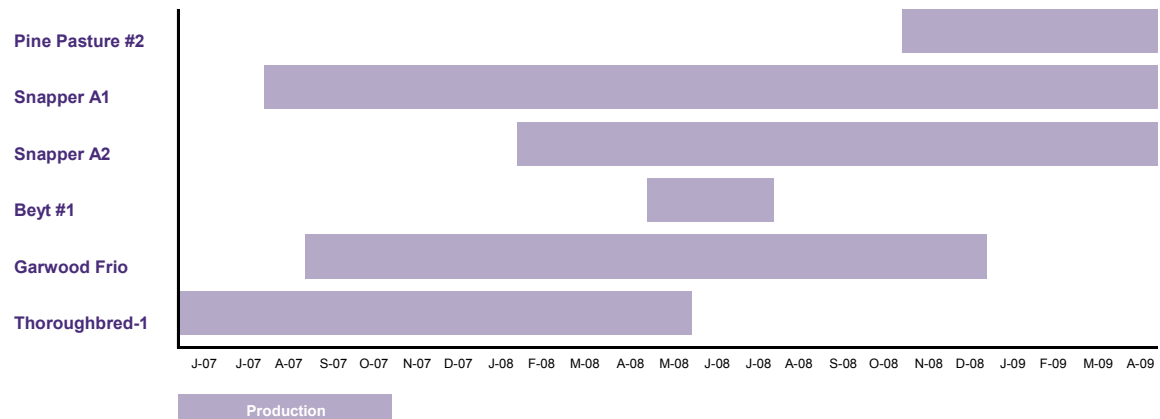
- ***Mary Vincent #1 (Bandito prospect)***
The well was plugged and abandoned on 4 August 2008.
- ***Riviana Foods #1 (Teche Prospect)***
Plugged and abandoned on 31 March, 2008.

Vermilion Parish, Louisiana

- ***Catapult Prospect - 15% working interest***
Due to lengthy ongoing delays and uncertainty over the commencement of drilling Target announced on 17 January 2009 that it had withdrawn from the Participation Agreement for the Catapult well.

Project Summary

Set out below is a summary of historical production at Target projects in Texas and Louisiana.



Source: Target's management

4.4 Financial information

4.4.1 Statement of financial performance

The historical financial performance of Target for the years ended 30 June 2007 and 2008 and six month period ended 31 December 2008 is set out in the table below:

	FY07	FY08	Period ended 31 Dec 2008
	Audited	Audited	Reviewed
	\$'000	\$'000	\$'000
Oil and gas income	-	1,031	1,051
Other income	0	-	296
Oil and gas production expenses & taxes	-	(195)	(103)
Employee benefits expense	(336)	(292)	(221)
Exploration costs	(169)	(1,656)	(1,229)
Foreign exchange loss	(325)	(254)	-
Other expenses	(250)	(432)	(264)
Professional fees	(349)	(282)	(163)
Impairment of non-current assets	-	(1,972)	-
EBITDA	(1,430)	(4,052)	(633)
Depreciation & Amortisation expense	(13)	(202)	(235)
EBIT	(1,442)	(4,254)	(868)
Net interest income / (expense)	203	231	103
Loss before income tax expense	(1,239)	(4,023)	(765)
Income tax expense	-	-	-
Net Loss attributable to members	(1,239)	(4,023)	(765)
Shares on issue - 000's	68,000	78,245	104,321
Basic loss per share - cents	3.20	5.50	0.75

Source: Target financial reports for FY2007, FY2008 and six month period ended 31 December 2008

In considering Target's recent historical consolidated performance we note:

Year ended 30 June 2007

- Target listed on 27 November 2006 and became a producer on 5 June 2007, as a result revenue for the period is significantly lower than FY2008 and the six month period ended 31 December 2008 and reflects mainly interest income.
- The Company had net foreign exchange losses of \$325,146 for the period.

Year ended 30 June 2008

- Target generated oil and gas income of \$1,031,322 during the year from oil and gas production of 928Bbl and 156,096Mcf respectively.
- Impairment of non-current assets related to impaired deferred exploration expenditure, consisting of impairment losses for the exploration and evaluation phase (\$790,427) and development phase (\$1,181,187).
- Exploration costs for the period totalled \$1,656,300, significantly up from the prior year period due to increased drilling and production.
- Snapper A1 commenced production on the 2 August 2007 at a rate of 1.04 MMCFGD with 3-5 BOPD at 30 June 2008 the well had produced 392 MMCFG plus 2,230 barrels of condensate.
- Snapper A2 commenced production on 10 February 2008 and at year end the well had produced 88.6 MMCFG plus 805 barrels of oil.

Half year ended 31 December 2008

- Other income consists of foreign exchange gains of \$295,779.
- Production at Pine Pasture #2 continued at approximately 120 BOPD and production from Snapper wells averaged 2.4 MMCFGD plus 9 BOPD during the second quarter.

4.4.2 Statement of financial position

The financial position of Target as at 30 June 2007 and 2008 and 31 December 2008 is set out in the table below:

	As at 30 June 2007 Audited \$'000	As at 30 June 2008 Audited \$'000	As at 31 Dec 2008 Reviewed \$'000
Current Assets			
Cash and cash equivalents	5,854	2,430	4,737
Trade and other receivables	36	266	635
Other financial assets	50	50	50
Total Current Assets	5,940	2,746	5,422
Non-Current Assets			
Property, plant and equipment	71	46	3,548
Deferred exploration expenditure	2,521	4,190	1,888
Total Non-Current Assets	2,592	4,236	5,436
Total Assets	8,532	6,982	10,857
Current Liabilities			
Trade and other payables	90	730	425
Total Current Liabilities	90	730	425
Total Liabilities	90	730	425
Net Assets	8,443	6,252	10,432
Issued capital	9,485	11,714	14,866
Reserves	196	(199)	1,593
Retained earnings/(Accumulated losses)	(1,239)	(5,262)	(6,027)
Total Equity	8,443	6,252	10,432

Source: Target financial reports for FY2007, FY2008 and six month period ending 31 December 2008.

We make the following observations in relation to Target's historical financial position as at 31 December 2008:

- During the 6 months ended 31 December 2008, \$3.5 million was transferred from deferred exploration expenditure to property plant and equipment in relation to producing wells.
- Target has no external borrowings and does not have any financing facilities in place.
- The company does not enter into financial instruments to hedge any foreign exchange or commodity price exposures.
- The increases in reserves during the 6 months ended 31 December 2008 was due to net exchange differences on translation of financial reports of foreign subsidiaries.
- On 17 July 2008, Target announced a 1 for 3 renounceable rights issue allotment of 26,066,667 shares at 13 cents per share and 26,066,667 listed options to raise a total of \$3,388,666. After costs the renounceable rights issue raised a total of \$3,149,661.

4.4.3 Statement of cash flow

The historical cash flows of Target for the years ended 30 June 2007 and 2008 and six month period ended 31 December 2008 are set out in the table below:

	FY07 Audited \$'000	FY08 Audited \$'000	Period ended 31 Dec 2008 Reviewed \$'000
Cash flows from operating activities			
Receipts from customers	-	787	1,074
Payments to suppliers and employees	(1,194)	(1,200)	(776)
Interest received	203	231	103
Net cash provided by/(used in) operating activities	(990)	(183)	400
Cash flows from investing activities			
Purchase of property, plant and equipment	(83)	(2)	-
Exploration and development expenditure	-	(5,400)	(1,531)
Purchase of petroleum interests	(2,691)	-	-
Investment in term deposit	(50)	-	-
Net cash provided by/(used in) investing activities	(2,824)	(5,401)	(1,531)
Cash flows from financing activities			
Proceeds from issue of shares	10,784	2,571	3,381
Share issue expenses	(959)	(157)	(239)
Net cash provided by/(used in) financing activities	9,825	2,415	3,142
Net increase/(decrease) in cash and cash equivalents	6,011	(3,170)	2,011
Cash at the beginning of period	-	5,854	2,430
Effect of exchange rate changes	(156)	(254)	296
Cash at the end of the financial year	5,854	2,430	4,737

Source: Target Energy financial reports for FY2007, FY2008 and six month period ended 31 December 2008

We note that Target's cash balance as per their 31 March 2009 Quarterly Report (released on 30 April 2009) indicated a cash balance of \$4.4 million.

4.5 Hedging

Target does not enter into financial instruments to hedge any foreign exchange or commodity price exposures.

4.6 Taxation

No income tax has been payable by the Company as Target has historically recorded losses for income tax purposes since incorporation.

4.7 Dividends

We note that Target has not paid dividends historically.

4.8 Contingent liabilities and commitments

We note that as per their Annual Report for the year ended 30 June 2008, Target's commitments were:

- \$114k within one year and \$448k between 1 and 5 years in relation to operating leases; and
- \$3,022k within one year in relation to exploration tenements expenditure commitments.

We have been advised by the Company that subsequent to the 2008 Annual Report, Target withdrew from Catapult 3 and Parks North, which released approximately USD1.4 million and USD0.5 million respectively from the Company's exploration tenements expenditure commitments.

We have been advised by the Directors of Target that, other than some immaterial final expenses in relation to plugged and abandoned wells estimated at less than \$10,000 and partially offset by some residual income owing, the Directors of Target are not aware of any contingent liabilities.

4.9 Capital structure

As at the date of this report, there were 104,321,170 fully paid ordinary shares on issue in Target.

Set out below are the top 20 shareholders of Target as at 21 April 2009:

Rank	Name of shareholder	Number of shares	% of issued shares
1	Petroe Exploration Services Pty Ltd	5,000,000	4.8%
2	UBS Wealth Management Australia Nominees Pty Ltd	4,406,316	4.2%
3	Hosier Investments Pty Ltd	4,038,461	3.9%
4	Energy Solar Central Pty Ltd	2,881,265	2.8%
5	Mr AT Hopkins & Mrs AJ Hopkins	2,100,000	2.0%
6	Motta Property Investments Pty Ltd	2,000,000	1.9%
7	Mr Cleanthe Hatziladas	1,605,612	1.5%
8	Bond Street Custodians Limited	1,370,000	1.3%
9	Mrs Sharon Marie Lloyd	1,250,000	1.2%
10	Reef Securities Limited	1,150,000	1.1%
11	Mrs Maria Galeano	1,102,667	1.1%
12	Eyeon Investments Pty Ltd	1,066,667	1.0%
13	Mr Gareth Keng Hoe Tan	1,057,378	1.0%
14	MPH Resources Pty Ltd	1,050,000	1.0%
15	Mr GS Jakab & Mrs JA Jakab	1,010,982	1.0%
16	Mr Paul Geoffery Lloyd and Mrs Sharon Marie Lloyd	1,000,000	1.0%
17	Motta Property Investments Pty Ltd	1,000,000	1.0%
18	Petrus Fredrikus Maria Bel Anna Maria Catharina Belt	1,000,000	1.0%
19	Mr DA Miller	1,000,000	1.0%
20	Wise Plan Pty Ltd	1,000,000	1.0%
Top 20 shareholders		36,089,348	34.6%
Other Investors		68,231,822	65.4%
Total equity		104,321,170	100.0%

Source: Target

Based on the Company's share register, we note that there is a relatively low concentration of shareholders, with the largest shareholding holding only 4.8% and the top twenty registered shareholders holding approximately 34.6% of the shares on issue as at 21 April 2009.

4.10 Options

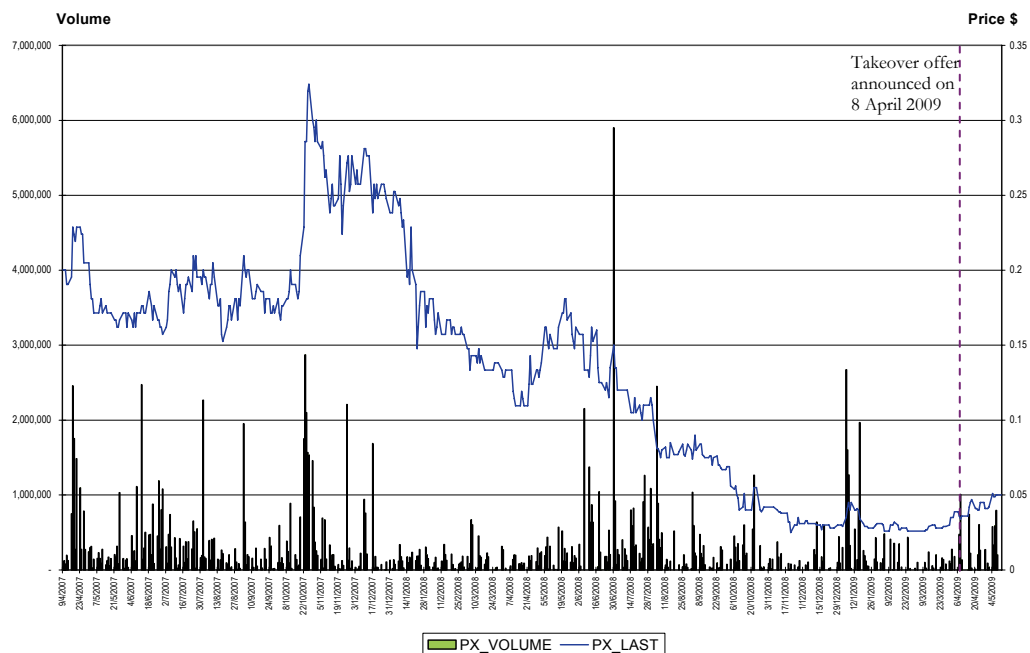
As at the date of this report, Target has 62,812,164 Listed Options and 6,750,000 Unlisted Options on issue.

Classes of options	Exercise price (\$)	Expiry date	Number of options
Unlisted options	0.20	30 June 2011	6,000,000
Unlisted options	0.12	7 August 2011	750,000
Listed options	0.25	26 November 2009	62,812,164
Total			69,562,164

Source: Target

4.11 Share price performance

Set out below is the share price and volume history of Target. The history is set out for the period from 9 April 2007 to the date of this report:



Source: Reuters

We note that the share price at the date of this report was \$0.050 and the closing share price on 7 April 2009 was \$0.036. Recent announcements that may have had an impact on Target's share price include, inter alia:

- On 30 April 2009 the Company issued its Report for the Quarter Ending 31 March 2009 indicating a cash balance as at 31 March 2009 of \$4.4 million.
- On 15 April 2009, Target announced that site work at Snapper #A-3 was set to commence with drilling operations expected to commence in late May.

- On 8 April 2009 the Company received notice of Blaze Assets' intention to make an off-market takeover bid for Target.
- On 13 March 2009 Target issued its half-year financial statements for the six months to 30 June 2008 showing revenue of \$1,154,033 up 300% on the corresponding prior year period and a loss of (\$764,600) up by 70%.
- On 29 January 2009 the Company released its Quarterly Report for the 3 months ending 31 December 2008, showing Total (Net TEX) oil production for the period of 2,051(BO) up 166% percent on the 1st quarter.
- On 16 January 2009 Target announced that it had withdrawn from Participation Agreements covering the Catapult 3 and Parks North prospects.
- On 20 November 2008 the Company released its 2008 AGM presentation along with AGM results.
- 24 October 2008 the Company released its Quarterly Report for the 3 months ending 30 September 2008, showing Total (Net TEX) oil production for the period of 771(BO).

4.12 Trading Liquidity

We set out below share price and volume traded analysis of Target over the 18 month period to 8 April 2009:

	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
Prior to 8 April 2009					
1 week	0.039	0.035	0.036	932,391	0.89%
1 month	0.039	0.026	0.032	2,192,391	2.10%
3 months	0.047	0.026	0.033	9,906,152	9.50%
6 months	0.060	0.025	0.037	24,335,986	23.33%
12 months	0.186	0.025	0.089	67,172,405	64.39%
18 months	0.324	0.025	0.141	101,924,650	97.70%

Source: Reuters and calculations

Based on our analysis of the share price and volume of Target as set out above, we note that the transaction volumes over the period prior to the announcement of the Offer on 8 April 2009 were moderate with the equivalent of 9.5% of the total number of shares on issue traded in the 3 months prior to the announcement of Blaze's intentions.

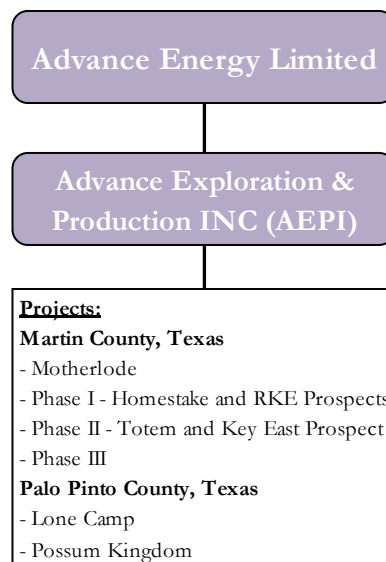
5. PROFILE OF ADVANCE ENERGY

5.1 Overview

Advance is an Australian oil and gas acquisition and development company based in Perth, Western Australia. It was established in 2004 to acquire and develop oil and gas producing assets in the US. It was admitted to the official list of the ASX on 31 May 2006.

Advance acquires assets with proven production close to infrastructure, proven behind pipe reserves and step-out/infill drilling potential. It aims to optimise existing production through workovers and field expansion before divesting once payback has been achieved.

5.2 Company Structure



Source: Advance's website

Advance's subsidiary, Advance Exploration and Production Inc is the owner of all its US assets.

5.3 Operations

Martin County, Texas

- **Motherlode Project**

Motherlode Project is located just north of Midland, Texas, in the north-central portion of the Midland Basin. To date, there have been 18 wells drilled on prospects generated from this project and 17 have been completed as producers for a success rate of 94%. Advance is participating in three phases of this project.

- **Phase I - Homestake and RKE Prospects**

The Company has a 100% Working Interest in five wells producing from the Strawn Limestone. Since acquisition, Advance has drilled one additional well and abandoned another as well as undertaking a number of workovers. As at December 2008, the wells were producing 115MCFD and 43BOPD (62 BOEPD) net to Advance.

- **Phase II - Totem and Key East Prospect**

Advance acquired a 12.5% working interest in the 640 acre 3-D-defined Totem Prospect and the

Key East Project in July 2006. It has since participated in the successful drilling with the twelve wells producing 32 BOEPD net to Advance in December 2008.

- **Phase III**

The Company has entered into a joint venture agreement to co-develop prospective acreage in Martin and Dawson Counties, Texas. This project comprises 75 square miles (48,000 acres) of 3D seismic data that has been shot and interpreted.

Palo Pinto County, Texas

- **Lone Camp Project**

The project was acquired in February of 2006 for USD1.3 million using 100% debt provided by Sterling Bank of Texas and sold for USD2 million in December 2008. Advance has stated that the profit on the sale was approximately USD\$0.8 million.

- **Possum Kingdom Project**

In December 2006 Advance purchased an average working interest of 90% in the nine well, 1,015 acre Possum Kingdom project located in Palo Pinto County. This working interest was increased to 100% in August 2008.

5.4 Financial information

5.4.1 Income statement

The historical consolidated financial performance of Advance for the years ended 31 December 2006, 2007 and 2008 is set out in the table below:

	FY06 Audited \$'000	FY07 Audited \$'000	FY08 Audited \$'000
Revenue	1,118	3,630	5,071
Other income	55	266	1,966
Oil and gas production expenses & taxes	(297)	(735)	(1,348)
Finance Costs	(925)	(28)	-
Other expenses	(3,222)	(3,355)	(4,445)
EBITDA	(3,271)	(222)	1,244
Depreciation & Amortisation expense	(106)	(319)	(415)
EBIT	(3,377)	(541)	829
Net interest	(194)	(1,182)	(1,701)
Loss before income tax expense	(3,571)	(1,723)	(872)
Income tax (expense)/benefit	63	(66)	37
Net Loss attributable to members	(3,508)	(1,789)	(835)
Shares on issue - 000's	68,199	69,299	118,798
Basic and diluted loss per share - cents	6.59	2.61	0.97

Source: Advance financial reports for FY2006, FY2007 and FY2008

In considering Advance's recent historical consolidated performance we note:

Year ended 31 December 2006

- Finance costs of \$925,000 incurred during the period consist mainly of borrowing costs related to the revolving line of credit with Sterling Bank in the US, which had been drawn down to USD6.4 million at the end of December 2006.
- Advance listed on the ASX on 2 June 2006. The 2006 period reflects the growth and acquisition phase of Advance, rather than significant revenue growth.
- Advance's net gas and oil production equalled 35,992Mcf and 2,132Bbls respectively.

Year ended 31 December 2007

- Oil and gas production expenses increased significantly due to the drilling of four new wells and the workover of nine existing wells.
- Advance's net gas and oil production equalled 284,755Mcf and 13,615Bbls respectively.

Year ended 31 December 2008

- Other income of \$1,966,000 consisted of derivative income of \$943,000, sundry income of \$211,000 and profit on the sale of assets of \$812,000.
- Advance's net gas and oil production equalled 213,311Mcf and 21,230Bbls respectively.
- Revenue from oil and gas sales was up 39.7% to \$5,071,000 during the period.
- The company drilled 3 new wells and participated in the major workover of 8 existing wells.

5.4.2 Balance sheet

The financial position of Advance as at 31 December 2006, 2007 and 2008 is set out in the table below:

	As at 31 Dec 2006 Audited \$'000	As at 31 Dec 2007 Audited \$'000	As at 31 Dec 2008 Audited \$'000
Current Assets			
Cash and cash equivalents	1,727	1,936	2,421
Trade and other receivables	465	740	926
Derivative financial instrument	-	-	1,056
Total Current Assets	2,192	2,676	4,403
Non-Current Assets			
Property, plant and equipment	1,427	1,327	1,472
Oil and gas properties	14,269	14,484	22,963
Deferred tax assets	110	-	-
Other financial assets	-	-	17
Derivative financial instrument	-	-	254
Exploration and evaluation costs	292	-	-
Total Non-Current Assets	16,098	15,811	24,706
Total Assets	18,290	18,487	29,109
Current Liabilities			
Trade and other payables	382	418	2,255
Provisions	44	28	245
Interest bearing liabilities	-	12,718	5,985
Other financial liabilities	-	-	1,213
Total Current Liabilities	426	13,164	9,698
Non-current Liabilities			
Deferred tax liability	85	37	-
Interest bearing liabilities	12,336	2,300	9,734
Total Non-current Liabilities	12,421	2,337	9,734
Total Liabilities	12,847	15,501	19,432
Net Assets	5,443	2,986	9,677
Issued capital	8,764	9,029	12,692
Reserves	1,514	581	4,444
Accumulated losses	(4,835)	(6,624)	(7,459)
Total Equity	5,443	2,986	9,677

Source: Advance financial reports for FY2006, FY2007 and FY2008.

We make the following observations in relation to Advance's historical financial position as at 31 December 2008:

- On 20 August 2008, Advance completed a 5 for 7 non-renounceable rights issue at 8 cents per share to raise \$3.9 million before costs.

- On 27 August 2008, Advance announced it had increased its interests in the Motherlode 1, Possum Kingdom and Lone Camp producing assets.
- On 23 December 2008, Advance announced the completion of the sale of the Lone Camp project for USD2 million.
- The significant increase in reserves since 30 June 2008 was primarily due to currency translation differences arising during the year of \$3.9 million.
- The increase in the oil and gas properties asset values from \$14.5 million to \$23.0 million includes the net impact of \$5.5 million acquired, \$1.4 million sold, \$1.3 million depleted and \$5.6 million of foreign exchange gains during the period ended 31 December 2008.
- Current liabilities as at 31 December 2008 were \$9.7 million and current assets were \$4.4 million.
- Trade and other payables increased from \$0.4 million to \$2.3 million during the 6 months ended 31 December 2008.
- As at 31 December 2008, Advance had a revolving line of credit with Sterling Bank in the U.S. Advance's 31 December 2008 Annual Report stated that *"generally, the borrowing base of the line of credit as determined by the bank approximates the company's investment in oil and gas properties, up to a maximum of US\$40 million. The loan bears interest at US prime plus 1.0% and is secured against [Advance's] oil and gas properties. As at the end of the financial period [Advance] had drawn down US\$5.4 million"*.

5.4.3 Cash flow statement

The historical cash flows of Advance for the years ended 31 December 2006, 2007 and 2008 are set out in the table below:

	FY06 Audited \$'000	FY07 Audited \$'000	FY08 Audited \$'000
Cash flows from operating activities			
Receipts from customers	896	3,267	5,666
Payments to suppliers and employees	(2,446)	(2,711)	(2,533)
Interest received	99	56	3
Interest and borrowing costs	(269)	(1,259)	(1,376)
Derivative instruments	-	-	(151)
Other income	20	115	-
Net cash provided by/(used in) operating activities	(1,700)	(532)	1,609
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,511)	(348)	(481)
Purchase of oil and gas properties	(13,795)	(2,643)	(5,415)
Sale of oil and gas properties	-	-	2,850
Net cash provided by/(used in) investing activities	(15,306)	(2,991)	(3,046)
Cash flows from financing activities			
Proceeds from issue of shares	7,162	400	3,190
Share issue expenses	(485)	(135)	(95)
Proceeds from borrowings	13,612	5,285	3,474
Repayment of borrowings	(2,665)	(1,818)	(4,449)
Hedging contracts	-	-	1,213
Net cash provided by/(used in) financing activities	17,624	3,732	3,333
Net increase/(decrease) in cash and cash equivalents	618	209	1,896
Cash at the beginning of period	1,109	1,727	1,936
Effect of exchange rate changes on the balance of cash in foreign currencies	-	-	(1,411)
Cash at the end of the financial year	1,727	1,936	2,421

Source: Advance financial reports for the year ended 31 December 2006, 2007 and 2008

We note that Advance's 31 March 2009 Quarterly Report (released on 30 April 2009) indicated a cash balance of \$0.9 million.

5.5 Going Concern

The audit report to Advance's 31 December 2008 Annual Report stated that there are factors that "indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will be able to realise its assets and liabilities in the normal course of business at the values carried in the balance sheet."

As at 31 December 2008 Advance's current liabilities were \$9.7 million and current assets were \$4.4 million, inclusive of \$2.4 million of cash. We note that as per Advance's 31 March 2009 Quarterly Report (released on 30 April 2009) indicated that the cash balance had reduced by \$1.6 million to \$0.9 million with \$0.3 million of borrowings repaid during the quarter.

We note that Advance may be able to draw on existing debt facilities for further funding, although it is uncertain to what extent this will be possible.

5.6 Hedging

Historically Advance has entered a number of oil and gas price hedging arrangements through collar contracts with MF Global Ltd. As at the date of the Annual Report for the year ended 31 December 2008, the only hedging arrangement still in place was:

- 1,000 barrels per month until May 2010 at a floor price of USD95.00 per barrel and a ceiling price of USD105.00 per barrel. An additional call option of USD120.00 per barrel caps the hedging exposure at USD15 per barrel.

We note that the hedging arrangements were marked to market in the 2008 Annual Report.

5.7 Taxation

No income tax has been payable by Advance as it has historically recorded losses for income tax purposes since incorporation.

5.8 Dividends

We note that Advance has not paid dividends historically.

5.9 Contingent liabilities and commitments

We note that as per their 2008 Annual Report:

- Advance's commitments were \$154k within one year and \$20k between 1 and 5 years in relation to operating leases; and
- Advance did not have any known contingent liabilities as at 31 December 2008.

5.10 Convertible Notes

We note that at the date of the Bidder's Statement Advance had convertible notes on issue with face value totalling \$4.3 million paying interest of between 11% and 12% per annum. The terms of the notes are summarised below:

Face value	Conversion / repayment date	Conversion terms
\$1,000,000	29-Jan-10	Greater of \$0.10 or 30% discount to 30 day VWAP
\$1,000,000	09-May-10	Greater of \$0.10 or 30% discount to 30 day VWAP
\$2,300,000	22-May-09	\$0.50

Source: Bidder's Statement

5.11 Converting Preference Shares

The Bidder's Statement states that there were 9 Converting Preference Shares ("CPS") on issue at the date of the Bidder's Statement. CPS are held by Advance management with each converting to 1,000,000 ordinary shares upon Advance meeting production targets of 500 BOEPD (5 CPS), 1,000 BOEPD (2 CPS) and 1,500 BOEPD (2 CPS).

5.12 Capital structure

As at the date of this report, there were 118,798,222 fully paid ordinary shares on issue in Advance.

We set out below the top 20 shareholders of Advance as at 30 March 2009:

Rank	Name of shareholder	Number of shares	% of issued shares
1	Fay Holdings Pty Ltd	13,476,740	11.3%
2	Bardev Pty Ltd	7,167,187	6.0%
3	Seablue Investments Pty Ltd	6,880,000	5.8%
4	Formaine Pty Ltd	5,767,857	4.9%
5	Accord Investment Corporation Pty Ltd	5,320,885	4.5%
6	Spartan Nominees Pty Ltd	4,202,144	3.5%
7	Jet Strike Pty Ltd	3,250,000	2.7%
8	Pinewood Holdings Pty Ltd	3,125,000	2.6%
9	Dalveen Pty Ltd	3,083,333	2.6%
10	Beachcraft Pty Ltd	3,010,000	2.5%
11	Short Nominees Pty Ltd	2,946,428	2.5%
12	Always Holdings Pty Ltd	1,790,000	1.5%
13	Robert Paul Martin & Susan Pamela Martin	1,659,489	1.4%
14	Spartan Nominees Pty Ltd	1,600,000	1.3%
15	Mr Roland Holger Berzins & Carol Maree Berzins	1,575,000	1.3%
16	MDM Thie Tjie Hoa	1,482,121	1.2%
17	Citicorp Nominees Pty Ltd	1,407,428	1.2%
18	Auro Pty Ltd	1,391,210	1.2%
19	John Wardman & Associates Pty Ltd	1,302,857	1.1%
20	RPM Super Pty Ltd	1,285,714	1.1%
Top 20 shareholders		71,723,393	60.4%
Other Investors		47,074,829	39.6%
Total equity		118,798,222	100.0%

Source: Advance Annual Report for the year ended 31 December 2008

Based on the Company's share register, we note that there is a moderate concentration of shareholders, with the largest shareholding being 11.3% and the top twenty registered shareholders holding approximately 60.4% of the shares on issue as at 31 December 2008.

5.13 Options

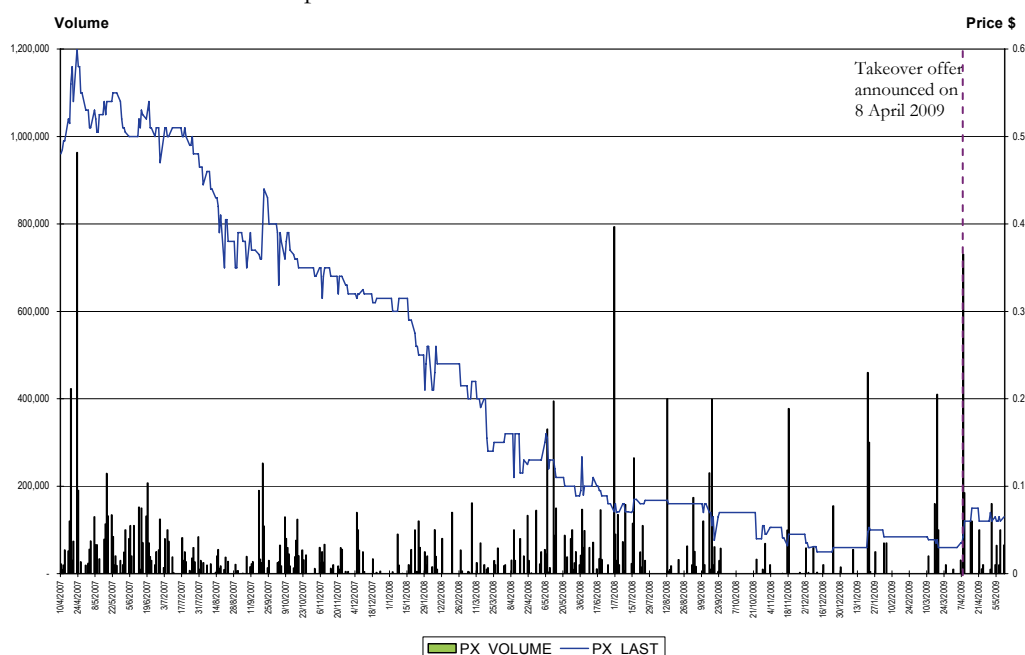
As at 31 December 2008, Advance had 19,350,000 Unlisted Options on issue as set out below:

Classes of options	Exercise price (\$)	Expiry date	Number of options
Unlisted	0.25	31 December 2010	13,850,000
Unlisted	0.60	15 December 2009	5,000,000
Unlisted	0.65	29 December 2009	250,000
Unlisted	0.40	31 December 2010	250,000
			19,350,000

Source: Advance Annual Report for the year ended 31 December 2008

5.14 Share price performance

Set out below is the share price history of Advance and volume. The history is set out for the period 9 April 2007 to the date of this report:



Source: Reuters

We note that the share price at the date of this report was \$0.065 and the closing share price on 7 April 2009 was \$0.035. Recent announcements that may have had an impact on Advance's share price include, inter alia:

- On 30 April 2009, Advance issued its Quarterly Report for the quarter ended 31 March 2009 which indicated a cash balance as at 31 March 2009 of \$0.9 million.
- On 8 April 2009 Advance announced that Blaze Asset intended to make an off-market takeover bid for Target.
- On 1 April 2009 Advance released its Annual Report for the year ended 31 December 2008. The company generated revenue from continuing operations of \$5.1 million up 39.7 percent on the corresponding prior year period and a net loss of (\$0.8) million.
- On 2 February 2009 Advance amended their Quarterly Activities and Cashflow Reports.
- On 30 January 2009 Advance released its Quarterly Report for the 3 months ending 31 December 2008. Revenues from customers were USD658,346, down significantly on the previous quarter, but were augmented by USD225,926 in hedging revenue.
- On 20 January 2009 Advance released to the market the sale price of its Lone Camp project of USD2 million.
- On 23 December 2008 Advance announced the successful sale and settlement of its Lone Camp project, the Company's first investment.

- On 3 November 2008 Advance released its Quarterly Report for the 3 months ending 30 September 2008. Revenues for the quarter were USD1,356,443, down on the previous quarter due to significant decrease in oil and gas prices.

5.15 Trading Liquidity

We set out below share price and volume traded analysis of Advance over the 18 month period to 8 April 2009:

Prior to 8 April 2009	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
1 week	0.035	0.034	0.035	31,000	0.03%
1 month	0.039	0.030	0.036	801,085	0.67%
3 months	0.053	0.026	0.040	1,810,585	1.52%
6 months	0.055	0.025	0.039	2,736,155	2.30%
12 months	0.160	0.025	0.075	9,267,714	7.80%
18 months	0.390	0.025	0.122	12,193,729	10.26%

Source: Reuters and calculations

Based on our analysis of the share price and volume of Advance as set out above, we note that the transaction volumes over the period prior to the announcement of the Offer on 8 April 2009 were low with the equivalent of 1.52% of the total number of shares on issue traded in the 3 months prior to the announcement of Blaze's intentions.

We note that following the announcement of the Offer on 8 April 2009:

- Advance's share price closed at \$0.042 on 8 April 2009, with 0.6% of issued capital traded on this day; and
- between 9 April 2009 and 11 May 2009, approximately 0.8% of Advance's issued capital has been traded with prices ranging from \$0.045 to \$0.075 as set out below:

Period	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
9 April 2009 to 11 May 2009	0.075	0.045	0.062	995,492	0.84%

Source: Reuters and calculations

6. IMPACT OF THE OFFER

6.1 Blaze's general intentions

Blaze seeks to acquire control of Target and its ability to implement any changes to Target will depend on the level of acceptances by Target shareholders.

Blaze has indicated in its Bidder's Statement its general intentions and also specific intentions under various levels of Target shareholders' acceptance as summarised below.

6.1.1 General intentions

- a) **Composition of the Board** - Blaze intends to replace some or all of the members of Target's board of directors. It is Blaze's current intention to retain some Target personnel.
- b) **Strategic and Operational review** - Blaze intends to perform a strategic review, the purpose of which is to:
 - A. identify and dispose of assets that are underperforming or do not meet strategic investment criteria;
 - B. determine mechanisms for improving operational performance and provide value to shareholders; and
 - C. consider alternative utilisations of cash reserves including the acquisition of operating interests in quality assets.

Blaze intends to perform an operational review, the purpose of which is to achieve cost savings by:

- A. eliminating any duplicated activities and functions, including management, presently carried out by Advance, Odin and Target where it is economically efficient to do so;
 - B. sharing or centralising administrative functions such as company secretarial, financial management, accounting and promotion; and
 - C. transferring the corporate head office of Target into the shared premises currently occupied by Advance and Odin.
- c) **Growth planning** - Blaze intends to implement a growth strategy via acquisition of 100% operator interests.

6.1.2 Intentions upon acquisition 0% to 50% of Target

Blaze's intentions in the event that it acquires up to 50% of Target Shares are as follows:

- a) **General** - Blaze intends to hold the Target Shares it acquires as a portfolio investment. If at any time the Target Shares held by Blaze do not achieve an appropriate portfolio return, and Blaze forms the view that continuing to hold those Target Shares is not in the best interests of Blaze shareholders, it may dispose of those Target Shares. Blaze will also implement the general intentions described above to the extent that it is economically feasible and able to do so and subject to regulatory requirements.

6.1.3 Intentions upon acquisition of more than 50% but less than 90% of Target

Blaze's intentions in the event that it acquires control (i.e. more than 50% but less than 90% of Target Shares) of Target are as follows:

- a) **General** - Blaze will also implement the general intentions described above to the extent that it is economically feasible and able to do so and subject to regulatory requirements.
- b) **Target's listing status** - It is expected that Target will continue to be listed on the ASX.

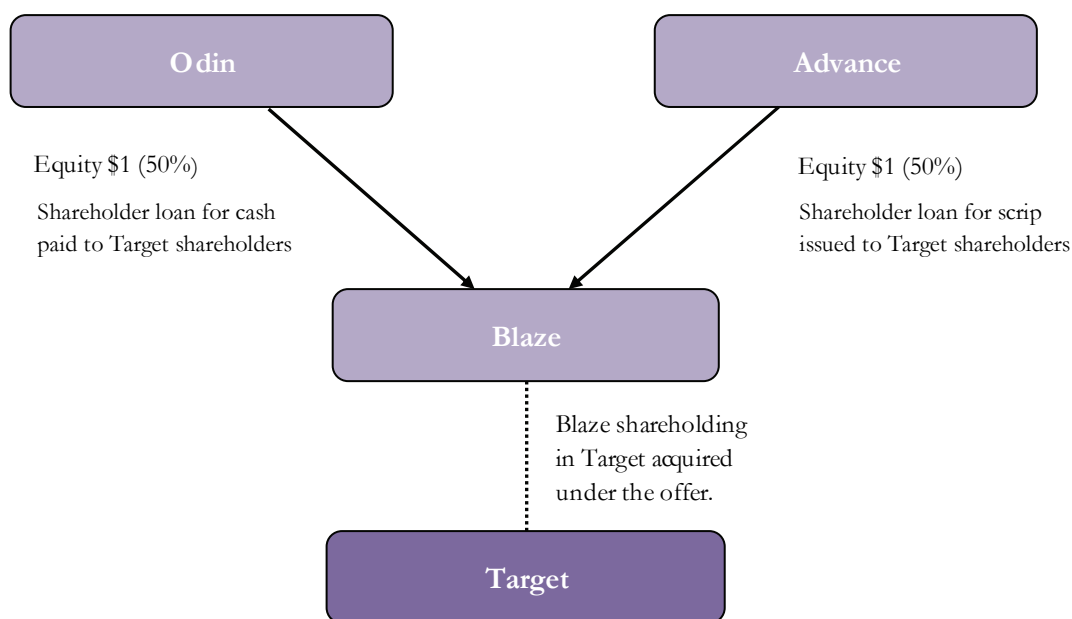
6.1.4 Intentions upon acquisition of 90% or more of Target

Blaze's intentions if it acquires 90% or more of Target Shares are as follows:

- Compulsory acquisition** - Blaze intends to proceed with compulsory acquisition of the outstanding Target Shares.
- Target Options** - Blaze intends to proceed with compulsory acquisition of the Target options.
- General** - Blaze will also implement the general intentions described above to the extent that it is economically feasible and able to do so and subject to regulatory requirements.

6.2 Blaze's funding structure

Shareholders who accept the Offer will receive 0.75 Advance shares for every Target Share held. The Advance Shares to be offered as consideration under the offer will rank equally with all Advance shares currently on issue and will be provided to Blaze via a shareholder loan. The cash component of the consideration under the Offer is being provided by Odin. Odin will likely make the cash payments from its existing cash reserves and via a similar shareholder loan structure with Blaze.



6.3 Pro forma balance sheet

The following pro forma balance sheet of Advance as at 31 December 2008 was included in the Bidder's Statement and has been set out below for illustrative purposes. We have not conducted any review procedures upon the pro forma balance sheet.

	Advance 31 Dec 2008 Audited \$'000	Blaze acquires 30% of Target Reviewed \$'000	Blaze acquires 60% of Target Reviewed \$'000	Blaze acquires 100% of Target Reviewed \$'000
Total Current Assets	4,403	5,938	7,473	9,520
Total Non-Current Assets	24,706	24,706	24,706	24,706
Total Assets	29,109.0	30,644.0	32,179.0	34,226
Total Current Liabilities	9,698	9,698	9,698	9,698
Total Non-Current Liabilities	9,734	9,734	9,734	9,734
Total Liabilities	19,432.0	19,432.0	19,432.0	19,432
Net Assets	9,677.0	11,212.0	12,747.0	14,794
Issued capital	12,692.0	14,227.0	15,762.0	17,809
Reserves	4,444.0	4,444.0	4,444.0	4,444
Accumulated losses	(7,459.0)	(7,459.0)	(7,459.0)	(7,459)
Total Equity	9,677.0	11,212.0	12,747.0	14,794

Source: Bidder's Statement

6.4 Advance's capital structure

The following shareholder scenario information was included in the Bidder's Statement and has been set out below for illustrative purposes. We have not conducted any review procedures on the ownership structure.

Shareholder	Current Holdings		Post offer based on 30% acceptances and no Target Options exercised	Post offer based on 30% acceptances and all Target Options exercised	Post offer based on 60% acceptances and no Target Options exercised	Post offer based on 60% acceptances and all Target Options exercised	Post offer based on 100% acceptances and no Target Options exercised	Post offer based on 100% acceptances and all Target Options exercised
	Number of Advance Shares	%	%	%	%	%	%	%
Bardev Pty Ltd	10,156,165	8.55%	7.14%	5.22%	6.13%	4.66%	5.15%	4.08%
AN Short/Fay Holdings Pty Ltd	16,458,599	13.85%	11.57%	8.46%	9.93%	7.55%	8.35%	6.60%
RP Martin	9,318,211	7.84%	7.84%	4.79%	5.62%	4.28%	4.73%	3.74%
GA Sklenka/Formaine Pty Ltd	6,805,357	5.73%	5.73%	3.50%	4.11%	3.12%	3.45%	2.73%
AJ Carew-Reid	7,527,172	6.34%	6.34%	3.87%	4.54%	3.45%	3.82%	3.02%
Other shareholders	68,532,718	57.69%	48.17%	35.25%	41.35%	31.45%	34.78%	27.50%
Target shareholders	-	0.00%	13.21%	38.91%	28.32%	45.49%	39.72%	52.33%
Total	118,798,222	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Bidder's Statement

7. VALUATION METHODOLOGY

7.1 Valuation methodology

The underlying value of 100% of Target and the Consideration Offered has been assessed on a fair market value basis, which is typically defined as:

“The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm’s length.”

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Available methodologies

ASIC Regulatory Guide 111 provides guidance on the methodologies that an independent expert should consider when valuing a company, assets or securities for the purposes of forming an opinion as to the fairness of the Offer pursuant to the Corporations Act. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of future maintainable earnings (“FME”) method;
- comparable market transactions;
- orderly realisation of assets; and
- the market value of listed securities.

We have outlined these methodologies in Appendix B to this report.

7.3 Selected methodology – Target

Target’s principal assets are oil and gas exploration and development leases. The most appropriate method of assessing fair market values of companies similar to Target is on the basis of fair value of net assets.

Target is a listed Australian company and is quoted on the ASX. We have utilised the market value of listed securities approach to cross check our values under the fair value of net assets approach.

7.4 Selected methodology – Value of the consideration offered

We have used publicly available information only for our assessment of Advance. As such, we are in no better position than the market to form a view on the fair market value of a parcel of Advance shares. Based on the public information available concerning Advance’s oil and gas assets, a formal valuation of Advance using a similar approach to that adopted in respect of Target is difficult and the outcome is potentially misleading. Any material new information disclosed by Advance that was not previously publicly available could impact our valuation and/or opinion.

For the purposes of our report, we consider that the trading prices of parcels of Advance shares best represent the cash equivalent value that a Target shareholder who accepts the Offer would be able to realise in the short term following the transaction. In considering the Advance share price that may be able to be realised in the short term by Target shareholders who accept the Offer, we have also

considered the indirect interest in Target in which Advance will be able to participate as a result of the acquisition structure as set out in section 6 of this report. We note that this approach reflects the amount received from accepting the offer and then selling the Advance shares received and enables a comparison with a theoretical alternative cash offer.

We note that Advance's shares have demonstrated low liquidity both prior to and subsequent to the announcement of the Offer. However, we have, on balance and based on the information available, adopted the trading price of Advance's shares as the basis for our assessment of the value of a minority interest in Advance.

7.5 Premium for control

Target

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

Under a fair value of net assets approach, the value of net assets determined implicitly assumes 100% control of those assets. As such, there is no requirement for a premium for control to be added to the assessed values.

We have given consideration to a premium for control in our cross check to Target's traded share market price.

Advance

Target shareholders who accept the Offer will hold minority parcels of shares in Advance. Accordingly we have not included a premium for control when assessing the value of the Consideration Offered.

8. VALUATION OF TARGET

8.1 Valuation methodology

We have adopted the fair value of net assets method as our primary approach for assessing the value of Target.

For the purpose of this report, Grant Thornton Corporate Finance has engaged RISC Pty Ltd (“RISC”) and Harper and Associates, Inc (“Harper”) (together the “Technical Specialists”) to provide discounted cash flow analysis of the Target oil and gas exploration and development assets.

Specifically, RISC was requested to provide their opinion in relation to:

- the net present value of the East Chalkley lease; and
- the expected monetary value of the Beyt lease.

A copy of the RISC report is attached as Appendix G to this report.

Harper was requested to provide their opinion in relation to:

- the net present value of the Snapper A-1 lease;
- the net present value of the Snapper A-2 lease; and
- the net present value of the Snapper A-3 lease.

A copy of the Harper report is attached as Appendix H to this report.

We have considered RISC’s and Harper’s qualifications and independence from Target, Blaze, Advance and Odin and have relied upon their reports.

Grant Thornton Corporate Finance provided macroeconomic assumptions to the Technical Specialists for the purposes of the reports. The Technical Specialists have assessed values under a number of cases, including proven, probable, possible and contingent resource. We have adjusted, where appropriate, these assessed cases to arrive at a single range of values for each project.

8.2 Valuation summary

The following table summarises our valuation assessment of 100% of Target:

All figures in AUD	Low (millions)	High (millions)
Total oil and gas assets	7.1	9.5
Cash	3.6	3.6
Net working capital	0.3	0.3
Accumulated tax losses	1.5	3.0
Capitalised value of corporate overheads	(1.6)	(1.6)
Less: transaction costs	(0.3)	(0.3)
Less: value of options on issue	(0.1)	(0.1)
Fair Market Value of 100% of Target share equity	10.4	14.3
Number of shares on issue	104.3	104.3
Fair Market Value of 100% of Target (cents per share)	10.0	13.8

Source: Grant Thornton analysis

We have assessed the value of a Target share in the range 10.0 cents to 13.8 cents, with a midpoint of 11.9 cents.

8.3 Oil and gas assets

The table summarises the values assessed for the producing and exploration assets of Target:

All figures in USD millions	Pre adjustment Values Low	Pre adjustment Values High	Grant Thornton Assessed Value Low	Grant Thornton Assessed Value High
Proved + Probable (2P) reserves	0.6	0.6	0.6	0.6
Contingent Incremental (2C) ¹	1.0	1.1	0.6	0.9
Possible reserves increment (3P Inc) ²	1.6	1.7	0.5	0.9
Contingent Incremental (3C Inc) ^{1,2}	2.6	2.8	0.5	1.1
East Chalkley	5.8	6.2	2.1	3.5
Proved + Probable (2P) reserves ³	2.3	2.4	1.4	1.4
Possible reserves increment ^{2,3}	0.2	0.3	0.0	0.1
SML (Snapper) A1	2.5	2.7	1.4	1.5
Proved + Probable (2P) reserves ³	1.7	1.8	1.0	1.1
Possible reserves increment ^{2,3}	0.1	0.1	0.0	0.0
SML (Snapper) A2	1.8	1.9	1.1	1.1
Proved + Probable (2P) reserves ^{3,4}	1.3	1.3	0.4	0.6
Possible reserves increment ^{2,3,4}	0.6	0.7	0.1	0.1
SML (Snapper) A3	1.9	2.0	0.4	0.7
Prospective ⁴	0.8	0.8	0.4	0.6
Beyt #1 (Bayou Berard)	0.8	0.8	0.4	0.6
Total oil and gas assets (USD)	12.9	13.6	5.5	7.3
AUD : USD exchange rate			0.77	0.77
Total oil and gas assets (AUD)			7.1	9.5

Source: RISC's and Harper's reports and Grant Thornton analysis

Notes: 1. Contingent resources NPV values have been discounted by 20% to 40% as set out below

2. Possible reserves values have been discounted by 50% to 70% as set out below

3. Corporate tax has been deducted from the Snapper projects values at a rate of 40% as set out below

4. Exploration asset values have been discounted by 30% to 50% as set out below

We have assessed the assets values based upon Proven and Probable (2P) reserves values and added incremental values for the less certain Possible reserves, Contingent resources and non-producing projects discounted as set out below.

8.3.1 Adjustments to the Technical Specialists' cases

We have adjusted the valuation cases presented by the Technical Specialists to arrive at a single range of assessed values as set out below:

Discounts for contingent resources

For the East Chalkley project, RISC has assessed cases incorporating the cash flows relating to "contingent resources". We have included a portion of the incremental value attributable to "contingent resources", albeit we have applied discounts in the range of 20% to 40% to the incremental net present values of "contingent resources" calculated by RISC to reflect the uncertainty in relation to the realisation to these incremental values.

Discounts for possible reserves

The Technical Specialists have assessed values under 2P (proven and probable) and 3P (proven, probable and possible) cases for projects where appropriate. We have applied discounts in the range of 50% to 70% to the incremental net present values relating to 'Possible' reserves to reflect the uncertainty in relation to the realisation of these net present values.

Discounts for exploration assets

The Technical Specialists have assessed values for the exploration assets (Snapper A3 and Beyt). We understand that in arriving at these values, the Technical Specialists have considered and adjusted for, where appropriate, the geological chance of success. We have considered the non-geological risk that projects at a pre-production stage face, relative to producing assets, and we have applied discounts in the range of 30% to 50% to the Technical Specialists calculated cases for the exploration projects.

8.3.2 Assumptions provided to the Technical Specialists

Corporate tax

We have adjusted the pre-tax values calculated by Harper for corporate tax at an assumed rate of 40% per annum. The values calculated by RISC are on a post tax basis assuming a tax rate of 40% per annum.

Commodity prices

We have been advised by Target that prices for the sale of natural gas and oil achieved by its producing projects are consistent with the Henry Hub and WTI spot prices respectively.

We have set out below our estimated real price forecasts for the oil and natural gas produced by Target's producing projects:

Period start	Apr-09	Jan-10	Jan-11	
Period end	Dec-09	Dec-10	Dec-11	Thereafter
Oil (USD)	52.6	60.3	64.1	65.0
Natural Gas (USD)	4.12	5.92	6.62	6.75

Source: Grant Thornton analysis

In estimating appropriate real oil and gas price forecasts we have considered the following:

- Henry Hub and WTI futures pricing;
- the Energy Information Administration ("EIA") estimates and commentary;
- discussions with RISC and Harper;
- discussions with Target management;
- historical prices for Henry Hub and WTI; and
- various other media publications.

Inflation rates

Inflation rates have been forecast for the US as set out below:

Period start	Apr-09	Jan-10	Jan-11	
Period end	Dec-09	Dec-10	Dec-11	Thereafter
Inflation / (deflation)	(0.9)%	1.7%	2.3%	2.5%

Source: Grant Thornton analysis

In estimating appropriate inflation forecasts we have considered Reuters' April US inflation estimates surveys and current yields on long-term US government bonds and inflation linked bonds.

Discount Rate

The cash flow assumptions were prepared on a nominal basis and accordingly Grant Thornton Corporate Finance has applied a nominal, after tax weighted average cost of capital to calculate the net present value of the oil and gas assets. We have assessed the discount rate to be in the range of 10.5% to 11.5% as set out in Appendix C. We note that our assessment of the discount rate does not

reflect the risk included in the financial forecast, the stage of development and the availability of funds as we have reflected these factors in our assessed discounts where appropriate and as set out below.

Exchange rate

For the purposes of translating the oil and gas asset USD values to AUD we have adopted an exchange rate of AUD:USD of 0.77 having regard to the current spot exchange rate.

8.3.3 Cash

The cash balance as per the 31 March 2009 quarterly report was \$4.4 million. We have been advised by Target that the estimated cash balance as at the 30 April 2009 was approximately \$3.6 million with approximately \$0.9 million spent in relation to drilling on Snapper A-3 during the month of April. We have adopted a current cash balance of \$3.6 million for the purposes of our report.

8.3.4 Net working capital

The book value of other working capital assets and liabilities as per the audit reviewed 31 December 2008 half year accounts was \$0.3m. We have adopted this balance for the purposes of our report.

8.3.5 Accumulated tax losses

Target estimated total current accumulated tax losses is approximately \$14.3 million (gross), comprised of \$3.0 million in Australia, \$10.6 million in the Louisiana operating companies and \$0.7 million in the Texas operating companies. While these accumulated losses could potentially be used to offset against future taxable income, these losses are quarantined within entities in Australia and the US.

For the purpose of our report, we believe that the accumulated losses have a value as they may be able to be used to offset against future taxable income. We have calculated the net present value of the accumulated tax losses using a DCF approach assuming:

- they are realised straight-line over the next 5 to 10 years;
- the tax rate applicable for the Australian losses is 30% and the US losses is 40%; and
- a discount rate of 20% to 30% reflecting time value of money and the risks associated with realising the tax losses.

Based on the above assumptions, we have calculated the net present value of the total tax losses in the range of \$1.5 million to \$3.0 million. Our assessment of the net present value of tax losses assumes the satisfaction of all requirements in relation to utilising these tax losses. We have not assessed Target's position in relation to the utilisation of these tax losses in the future or whether these tax losses will be available to Blaze.

For the purposes of our report we have adopted a value for the accumulated tax losses in the range of \$1.5 million to \$3.0 million.

8.3.6 Value of future corporate overhead expenses

For the purpose of the valuation, we have deducted from the net asset value of Target the estimated value of corporate overheads in relation to Target's current production and exploration projects.

We have estimated the ongoing corporate overheads in relation to Target's current production and exploration projects as likely to be approximately \$430k post tax per annum, in the absence of the

Offer. This estimate excludes incremental overheads associated with the identification and acquisition of interests in additional projects, beyond those already held.

We have estimated cost savings available to a potential purchaser of approximately \$250k post tax per annum and have accordingly adopted ongoing corporate overheads in the order of \$180k post tax per annum for the purpose of our valuation. We have capitalised these overheads using a multiple of 9.0 times to arrive at a value of approximately \$1.6 million.

8.3.7 Transactions costs

For the purpose of the valuation, we have deducted the estimated transaction costs of approximately \$250k.

8.3.8 Options

As at the date of this report, Target has 62,812,164 listed options and 6,750,000 unlisted options on issue as set out in section 4 of this report. The midpoint of our assessed value range for a Target share, including a premium for control, is below the exercise prices of all of the options and, as such, we have assumed they will not be exercised. We have estimated the intrinsic value of these options using the Black Scholes model and assuming volatility of 105% and the share price at the date of this report. A summary of the values calculated for options is set out below:

Classes of options	Exercise price (\$)	Expiry date	Number of options	Estimated option value	Estimated market value ('000)
Unlisted options	0.20	30-Jun-11	6,000,000	0.0134	81
Unlisted options	0.12	7-Aug-11	750,000	0.0195	15
Listed options	0.25	26-Nov-09	62,812,164	0.0006	36
Total			69,562,164		132

Source: Reuters and Grant Thornton analysis

We have adopted a market value of \$132k for the options for the purpose of our report.

8.4 Valuation cross-check

We have cross checked our valuation of Target to the recent share market prices of Target. Set out below is a summary of the share market prices of Target for various periods prior to the announcement of Blaze's intention to bid on 8 April 2009.

	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
Prior to 8 April 2009					
1 week	0.039	0.035	0.036	932,391	0.89%
1 month	0.039	0.026	0.032	2,192,391	2.10%
3 months	0.047	0.026	0.033	9,906,152	9.50%
6 months	0.060	0.025	0.037	24,335,986	23.33%
12 months	0.186	0.025	0.089	67,172,405	64.39%
18 months	0.324	0.025	0.141	101,924,650	97.70%

Source: Reuters and calculations

We note that our assessed value of a Target share is at a premium to the share market prices prior to the 8 April 2009. This premium may reflect that:

- a premium for control, including the value of cost savings that are expected to be available to a potential acquirer. However, the level of premium for control reflected in the share price may depend on investors' expectation as to whether Blaze will acquire control in Target. We also note that the Offer does not have a minimum acceptance condition;
- Target receives minimal market coverage; and
- there is insufficient publicly available information for the market to perform the level of analysis that has been performed by RISC and Harper.

We consider our assessed range based on the fair value of net assets to be reasonable based on the historical share prices and the points noted above.

9. VALUATION OF THE CONSIDERATION OFFERED

In assessing the value of the Consideration Offered we, we have adopted the following procedures:

- Assessed the value of Advance on a stand alone, portfolio basis;
- Assessed the incremental value Advance's shareholder loan and equity investments in Blaze under 20.0%, 50.1% and 100.00% Target shareholder acceptances scenarios;
- Assessed the value of Advance shares post the transaction (the sum of the above divided by the number of shares on issue post transaction);
- Calculated the value of 0.75 Advance shares post transaction on a portfolio basis; and
- Added the 1 cent (\$0.01) per share cash component.

9.1 Value of Advance on a stand alone basis

For the purpose of assessing the value of Advance we have considered the share market prices of Advance before the announcement of its intention to bid on 8 April 2009. The following table summarises our analysis:

Prior to 8 April 2009	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
1 week	0.035	0.034	0.035	31,000	0.03%
1 month	0.039	0.030	0.036	801,085	0.67%
3 months	0.053	0.026	0.040	1,810,585	1.52%
6 months	0.055	0.025	0.039	2,736,155	2.30%
12 months	0.160	0.025	0.075	9,267,714	7.80%
18 months	0.390	0.025	0.122	12,193,729	10.26%

Source: Reuters and calculations

We note that over the 1 month, 3 month and 6 month periods prior to the 8 April 2009 the VWAP share price for Advance was \$0.036, \$0.040 and \$0.039 respectively. We also note the minimal trading with share turnover of only 2.3% of issued capital over the 6 months prior to 8 April 2009.

We have also considered Advance's share price between the date of the announcement of the Offer and the date of this report. During this period:

- Advance's share price closed at \$0.042 on 8 April 2009, with 0.6% of issued capital traded on this day; and
- since 8 April 2009, approximately 0.8% of Advance's issued capital has been traded with prices ranging from \$0.045 to \$0.075 as set out below:

Period	Share price			Cumulative volume (shares)	% of shares on issue
	High	Low	Weighted Average		
9 April 2009 to 11 May 2009	0.075	0.045	0.062	995,492	0.84%

Source: Reuters and calculations

We note that VWAP share price for Advance from 9 April 2009 to 11 May 2009 was \$0.062 and that it may:

- reflect the latest publicly available information;

- reflect the increased liquidity since the date of the announcement;
- reflect the market's assessment of the impact and probability of a successful takeover on the value of Advance shares; and
- whilst likely to increase or decrease following the completion of the transaction, be reflective of the expected Advance share price following the transaction and, as such, be indicative of realisable value for a parcel of Advance shares in the short term.

For the purpose of valuing Advance, we have adopted a share price for Advance on a stand alone basis in the range of \$0.040 to \$0.060 per share. This equates to a value for the total equity of Advance on a portfolio basis as set out below:

	Low	High
Assessed share price, excluding a premium for control (AUD)	0.040	0.060
Number of shares on issue (millions)	118.8	118.8
Total equity value for Advance (AUD millions)	4.8	7.1

Source: Grant Thornton analysis

When considering the share market prices of Advance shares, Target shareholders are advised that future share market prices of Advance shares will change and can be affected by a number of external factors, including:

- the performance of the share market in general;
- exchange rates as the revenues of Advance are primarily denominated in US dollars; and
- oil and natural gas prices as the revenues of Advance are closely linked to such prices.

9.1.1 Cross checks and other valuation observations

Book value of net assets

The net assets as set out in Advance's 31 December 2008 Annual Report was \$9.7 million which equates to a book value net asset backing of \$0.081 per Advance share currently on issue.

We note that our assessed value of an Advance share is at a discount to the book value net asset backing per shares as at 31 December 2008. The book value of net assets may not be reflective of net assets for various reasons including:

- the book value of net assets assumes 100% control whereas the share price reflects a minority shareholding;
- the oil and gas assets which comprise the majority of the book value of assets are recorded at net cost and were acquired over the past three years, with approximately half of the current book value relating to assets acquired in the year ending 31 December 2006;
- the economic environment and factors driving the value of the oil and gas assets, including commodity prices and exchange rates, have changed since the dates they were acquired; and
- the value of an oil and gas asset may be driven by the results of its exploration and development activities rather than the related capitalised costs.

Further, we note that the audit report to Advance's 31 December 2008 Annual Report stated that there are factors that *"indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will be able to realise its assets and liabilities in the normal course of business at the values carried in the balance sheet."*

Non-renounceable rights issue

On 7 May 2008, Advance announced 1 for 2 non-renounceable rights issue at \$0.10 per share. On 23 June 2008 this was amended to a 5 for 7 non-renounceable rights issue at \$0.08 per share. On 20 August 2008, Advance completed the 5 for 7 non-renounceable rights issue at 8 cents per share to raise \$3.9 million before costs. Of this approximately 53% of the rights were taken up with the shortfall of 47% being met by the underwriter and sub underwriters.

We have set out below a summary of the share price at each relevant date in relation to the non-renounceable rights issue:

All figures in AUD per share	Rights issue price	Closing share price
7 May 2008	0.100	0.155
23 June 2008	0.080	0.089
20 August 2008	0.080	0.080

Source: Grant Thornton analysis

Independent Valuation of the Producing Properties

On 23 May 2008, Advance announced an independent valuation of their producing properties. We note that the independent valuation announced was performed over 12 months prior to the date of this report and included assumptions and forecasts which are significantly different to current expectations, including an oil price of over USD100 per barrel, a gas price of between USD8 and USD10 per mcf and a USD:AUD exchange rate of 0.95. Furthermore, since the date of that valuation Advance has acquired further significant interests in Lone Camp, Possum Kingdom and Motherlode Phase I projects. As such, we consider the valuation announced on 23 May 2008 to be out of date and unsuitable for use as a current assessment of value.

9.2 Incremental value of Advance's investment in Blaze assuming the Offer is accepted

Under the terms of the Offer, while the equity of Target will be acquired by Blaze, the scrip consideration paid will be shares in Advance.

The Bidder's Statement states that Blaze is owned 50/50 by Advance and Odin and the assets contributed by Advance and Odin in relation to the Offer will comprise shareholder loans to Blaze.

The shareholder loan from Advance will be calculated as the 5 day VWAP of the number of Advance shares issued in relation to the Offer. For the purpose of our report this has been estimated assuming the 5 day VWAP at the date of this report, being \$0.062 per share and the rate of 0.75 Advance shares for every 1 Target share.

The shareholder loan from Odin will be calculated as the cash paid to Target shareholders in relation to the Offer, being \$0.01 per Target share.

We have set out below our assessment of the incremental value Advance's interest in Blaze assuming 20.0%, 50.1% and 100.0% acceptance scenarios:

All figures in AUD millions unless otherwise stated	20.0% acceptances		50.1% acceptances		100.0% acceptances	
	Low	High	Low	High	Low	High
Number of Target shares accepted (# millions)	20.9	20.9	52.3	52.3	104.3	104.3
Value of Target shares acquired	2.1	2.9	5.2	7.2	10.4	14.3
Adjustment for cost savings ¹	(0.5)	(0.5)	(0.7)	(0.7)		
Adjusted value for Target shares acquired	1.6	2.4	4.6	6.5	10.4	14.3
Less: the shareholder loan from Odin	(0.2)	(0.2)	(0.5)	(0.5)	(1.0)	(1.0)
Less: the shareholder loan from Advance	(1.0)	(1.0)	(2.4)	(2.4)	(4.9)	(4.9)
Total value of Blaze equity	0.5	1.2	1.6	3.6	4.6	8.5
Advance's interest in Blaze equity (percent)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Advance's interest in Blaze equity	0.2	0.6	0.8	1.8	2.3	4.2
Add back: the shareholder loan from Advance	1.0	1.0	2.4	2.4	4.9	4.9
Total incremental value	1.2	1.6	3.2	4.2	7.1	9.1

Source: Grant Thornton analysis

Notes: 1. Value of Target under the 20.0% and 50.1% scenarios have been adjusted for likely inability to achieve cost savings as set out below

We have adjusted the value attributable to Target under the 20.0% and 50.1% scenario to reflect the expected inability of Blaze to achieve the full cost synergies. Our estimated reduction in cost savings under the 20.0% and 50.1% scenarios are \$250k and \$150k post tax per annum respectively (the full cost savings were estimated at \$250k post tax per annum) and we have capitalised these at a rate of 9.0 times.

9.3 Summary of values for the Consideration Offered

We have set out below a summary of our assessed value of the Consideration Offered assuming 20.0%, 50.1% and 100.0% acceptance scenarios:

All figures in AUD millions unless otherwise stated	20.0% acceptances		50.1% acceptances		100.0% acceptances	
	Low	High	Low	High	Low	High
Shares						
Number of Target shares accepted (# millions)	20.9	20.9	52.3	52.3	104.3	104.3
Offer share ratio	0.75	0.75	0.75	0.75	0.75	0.75
Number of new Advance shares issued (# millions)	15.6	15.6	39.2	39.2	78.2	78.2
Number of existing Advance shares (# millions)	118.8	118.8	118.8	118.8	118.8	118.8
Total number of Advance shares post transaction (# millions)	134.4	134.4	158.0	158.0	197.0	197.0
Values						
Value of Advance on a stand alone basis	4.8	7.1	4.8	7.1	4.8	7.1
Add: Incremental value of Advance's interest in Blaze	1.2	1.6	3.2	4.2	7.1	9.1
Total Value of Advance post transaction	6.0	8.7	8.0	11.3	11.9	16.2
Total number of Advance shares post transaction (# millions)	134.4	134.4	158.0	158.0	197.0	197.0
Value per Advance share	0.044	0.065	0.051	0.072	0.060	0.082
Share ratio	0.75	0.75	0.75	0.75	0.75	0.75
0.75 Advance shares value per Target share accepted	3.3	4.9	3.8	5.4	4.5	6.2
Add: cash component (cents per share)	1.0	1.0	1.0	1.0	1.0	1.0
Total value of the Consideration Offered (cents per share)	4.3	5.9	4.8	6.4	5.5	7.2

Source: Grant Thornton analysis

10. EVALUATION OF THE OFFER

10.1 Fairness of the Offer

We set out below a comparison between our assessment of the value of a Target share and the value of the Consideration Offered:

All figures AUD cents per share	20.0% acceptances		50.1% acceptances		100.0% acceptances	
	Low	High	Low	High	Low	High
Value of a Target share	10.0	13.8	10.0	13.8	10.0	13.8
Value of the Consideration Offered	4.3	5.9	4.8	6.4	5.5	7.2
Discount to assessed Target share value	(5.7)	(7.9)	(5.2)	(7.4)	(4.5)	(6.6)

Source: Grant Thornton analysis

Based on our calculations, the value of the Consideration Offered is below our assessed value of a Target share.

Accordingly, we conclude that the Offer is not fair to Target shareholders.

10.2 Reasonableness of the Offer

RG 111 states that if an offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid.

In assessing the reasonableness of the Offer we have considered whether there are grounds for Target shareholders to accept the Offer despite our opinion that the Offer is not fair.

We have concluded that, on balance, the Offer is not reasonable.

10.2.1 Advantages of the Offer

Participation in Advance

Should the Offer be accepted, Target shareholders will participate in the oil and gas assets and operations of Advance. Advance's stated business model is the acquisition of assets with proven production with value creation via production optimisation.

Relative to an investment in Target, this results in:

- primary interest in and greater exposure to 100% working interest production assets where Advance is able to take the Operator position;
- exposure to a greater number of projects (Advance's and Target's, albeit indirectly)
- greater exposure to strategies focussed on asset acquisition, operation, optimisation and disposal; and
- reduced exposure to exploration assets and the risk and upside associated with such operations.

Continued indirect participation in Target

Should the Offer be accepted, Target shareholders may participate in the future growth, profits and dividends of Target via Advance's shareholding in Blaze. However, this participation will be diluted as a result of Odin's 50% ownership of Blaze and the shareholder loans.

Synergies

Blaze has indicated that should it obtain a sufficient shareholding in Target it will delist Target, resulting in savings in corporate costs. Target management have estimated that these costs saved would likely be in the order of \$250k post tax per annum. The degree to which these cost savings may be achieved, if at all, is dependent upon, amongst other things, the percentage of Target held by Blaze following the closure of the Offer.

Target management have advised us that they do not consider any operational synergies to be available from the acquisition of Target by Blaze.

10.2.2 Disadvantages of the Offer

The offer is not fair

As set out above, Grant Thornton Corporate Finance has concluded that the offer is not fair to Target shareholders.

Advance's funding position

The audit report included in Advance's 31 December 2008 Annual Report stated that there are factors that *"indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will be able to realise its assets and liabilities in the normal course of business at the values carried in the balance sheet."*

Advance's cash position at 31 March 2009 as set out in Advance's 31 March 2009 Quarterly Report was \$0.9 million, a decrease of \$1.6 million during the quarter.

Advance has stated in its Bidder's Statement that *"further debt or equity raisings will be required to increase production from current oil and gas properties. Additional equity financing, if available, may be dilutive to shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If Advance is unable to obtain additional financing as needed, it will not be able to further develop its projects which may impact on the viability of Advance."*

In addition, Advance's Bidder's Statement states that *"Advance has issued convertible notes such that \$2.3m is repayable on 22nd May 2009, \$1m is repayable on 9th May 2010, and \$1m is repayable on 29th January 2010. Advance has reached an agreement with the \$2.3m noteholder to replace the current \$2.3 million convertible note with new convertible notes on similar terms and conditions for a period of 18 months. However, there is a risk that if the convertible notes are not extended and become payable that this may affect Advance's ability to operate as a going concern."*

There appears to be significant uncertainty concerning Advance's ability to continue as a going concern. Should Advance cease to be a going concern, the value of Advance shares may be impacted.

Advance is geared while Target is debt free

Should the Offer be accepted, Target shareholders will exchange their exposure from an ungeared company to one that is currently geared. Prima facie, an equity investment in a geared company will be riskier than an equity investment in an ungeared company, as the returns to equity are post service of debt and gearing increases the volatility of returns to equity.

Target's funding position

Target's producing operations generate positive cash sufficient to cover ongoing costs in the immediate future and Target has approximately \$3.6 million available for the anticipated further development of its current oil and gas properties.

Realisation of investment for Target shareholders if they accept the Offer

The offer does not include a solely cash alternative. Target shareholders who accept the Offer will receive shares in Advance.

We note the low historical trading liquidity of Advance shares as set out in Section 5 of this report and that, following the transaction:

- the share market price of Advance, while linked to the underlying value of its oil and gas properties, may not always be reflective of the fundamental value of Advance and may trade above or below the current trading prices;
- the Advance shares that would have been issued to Target's shareholders deemed as foreign shareholders will be sold on-market, which is likely to impact the trading of Advance's shares immediately following the transaction;
- should any Target shareholders, in particular those whose shares are compulsorily acquired, seek to realise their new parcels of share in Advance, this will be likely to impact the trading of Advance's shares immediately following the transaction; and
- the increased shareholder base of Advance may result in greater liquidity of trade in its shares.

The trading price of Advance shares at the time Target shareholders who accept the Offer finally realise their investment will determine the final value of the Consideration Offered. We note also that the value of the shareholder loan from Advance to Blaze is also dependent upon the 5 day Advance VWAP prior to the date of the issue of the new shares. As such, the final value to be received by Target shareholders should they accept the Offer is uncertain and unable to be ascertained at this time.

10.2.3 Other considerations***Likelihood of a superior offer***

We have been advised by the directors of Target that they consider there are a number of companies that are likely to be interested in acquiring Target or its assets. However, no offer or firm commitment superior to the Offer has emerged to the date of this report. The Directors have advised that they will continue to assess all opportunities available to them.

No support from Target Directors

According to the Target's Statement, the Directors unanimously recommend Target shareholders to reject the Offer. The Directors who personally own approximately 12% of Target shares on issue at the date of this report have indicated that they intend to reject the Offer. As such it is unlikely that Advance will be successful in acquiring a shareholding of 90% or more in Target.

Advance's access to Target's cash resources

If Blaze successfully acquires 100% of Target it is likely to be able to access Target's cash resources to repay shareholder loans from Advance and Odin should it choose to do so. However, if Blaze acquires less than 90% of Target, it may not be able to access Target's cash resources.

Potential implications for Target shareholders if Blaze acquires less than 50% of Target shares

Target shareholders should be aware of the potential implications in the event Blaze acquires less than 50% of Target, including:

- Target shareholders who do not accept the Offer will hold Target shares which may be less liquid than they currently are and those shares may trade at a discount to the value of the Consideration Offered;

- Blaze, while not having outright control of Target and dependent upon its final shareholding in Target following the transaction, may still be able to exert significant influence over Target;
- Blaze may or may not make an offer for the Target Shares it does not own in the future; and
- Blaze stated intentions in the Bidder's Statement is to hold the Target shares it acquires as a portfolio interest. However, the Bidder's Statement further states that *"if at any time the Target Shares held by Blaze do not achieve an appropriate portfolio return, and Blaze forms the view that continuing to hold those Target Shares is not in the best interests of Blaze shareholders, it may dispose of those Target Shares"*. Should Blaze seek to realise Target shares as above this will be likely to impact the trading of Target's shares; and
- recognising that Blaze would be a significant shareholder of Target, an offer by an alternative acquirer would likely require the support of Blaze.

Potential implications if Blaze acquires between 50.1% and 90.0% of Target shares

Target shareholders should be aware of the potential implications in the event Blaze acquires between 50.1% and 90.0% of Target, including:

- Target shareholders who do not accept the Offer will hold Target shares which may be less liquid than they currently are and those shares may trade at a discount to the value of the Consideration Offered;
- Blaze will effectively control Target;
- Blaze may or may not make an offer for the Target Shares it does not own in the future; and
- recognising that Blaze would be the single largest shareholder with over 50.1% of Target, an offer by an alternative acquirer would only emerge with the support of Blaze.

Prospect of compulsory acquisition of minority shareholding

The Bidder's Statement states that if Blaze is successful in acquiring relevant interests in 90% or more of Target shares, it intends to proceed to compulsory acquisition of the remaining shares.

Tax liability

Target shareholders who accept the Offer may incur a tax liability. Target shareholders should consult their tax advisors in relation to their personal circumstances.

Information available

It should be noted that whilst we have had access to Target management and non-public data for our assessment of Target shares, we have used publicly available information only for our assessment of Advance and the Consideration Offered. Based on the publicly available information for Advance it has not been possible to adopt the same approach for Advance as was adopted in our assessment of the value of Target. Any material new information disclosed by Advance that was not previously publicly available could impact our valuation and/or opinion.

11. SOURCES OF INFORMATION, DISCLAIMER AND CONSENTS

11.1 Sources of Information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Target's Statement dated 11 May 2009;
- Blaze's Bidder's Statement dated 16 April 2009;
- Discussions with management and directors of Target;
- Target's Annual Report's for the years ended 30 June 2008, 30 June 2007 and 30 June 2006;
- Target's audit reviewed half year report for the 6 month period ended 31 December 2008;
- Advance's Annual Report's for the years ended 31 December 2008, 31 December 2007 and 31 December 2006;
- Target's and Advance's internet websites;
- Reuters;
- IBISWorld;
- Datamonitor;
- Energy Information Administration;
- International Energy Agency;
- RISC Report dated 12 May 2009;
- Harper Report dated 12 May 2009;
- Releases and announcements by Target and Advance;
- Top 20 shareholder information provided by Target; and
- Other publicly available information.

11.2 Qualifications and independence

Grant Thornton Corporate Finance holds Australian Financial Service Licence number 259864 under the Corporations Act 2001 and its Directors and authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Target and all other parties involved in the Offer with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to Target, its shareholders or other parties involved in the Offer.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Target or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate

Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

11.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Target and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Target and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Our assessment of Advance has been prepared based solely on publicly available information. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Target, Advance, Blaze or Odin.

This report has been prepared to assist the director of Target in advising the Target shareholders in relation to the Offer. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Offer is fair and reasonable.

Target has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Target, which Target knew or should have known to be false and/or reliance on information, which was material information Target had in its possession and which Target knew or should have known to be material and which Target did not provide to Grant Thornton Corporate Finance. Target will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

11.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target's Statement to be sent to the shareholders of Target. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

APPENDIX A

FINANCIAL SERVICES GUIDE

1. Grant Thornton (WA) Financial Services Pty Ltd

Grant Thornton (WA) Financial Services Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business at Level 1, 10 Kings Park Road, West Perth WA 6005. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 259864 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Target Energy Limited (“Target” or the “Company”) to provide general financial product advice in the form of an independent expert’s report (the “Report”) in relation to the takeover offer (the “Offer”) received from Blaze Asset Pty Ltd (“Blaze”). The Report is included in the Company’s Target’s Statement to be sent to its shareholders.

2. Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3. General Financial Product Advice

In our Report we provide general financial product advice. The advice in our Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions in relation to securities from retail clients. Grant Thornton Corporate Finance provides no financial services in relation to securities directly to retail clients and receives no remuneration from retail clients for financial services in relation to securities. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors in relation to securities nor does it provide market-related advice directly to retail investors in relation to securities.

4. Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from the Company a fee based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of the Report.

5. Independence

Grant Thornton Corporate Finance is required to be independent of the Company in order to provide the Report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 "Independence of experts" ("RG 112") issued by the Australian Securities and Investments Commission ("ASIC"). Information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Target (and associated entities) or Blaze (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Offer."

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112.

6. Complaints Process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No F-4036. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

FICS
PO Box 579
Collins Street West
Melbourne Vic 8007
Email: fics@fics.asn.au
Website: www.fics.asn.au

Grant Thornton Corporate Finance is only responsible for the Report and this FSG. Complaints or questions about the Notice of General Meeting and Explanatory Memorandum should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

APPENDIX B

VALUATION METHODOLOGIES

ASIC Regulatory Guide 111 provides guidance on the methodologies that an independent expert should consider when valuing a company, assets or securities for the purposes of forming an opinion as to the fairness of the Offer pursuant to the Corporations Act.

The valuation methods are:

1. the DCF method;
2. the capitalisation of FME method;
3. comparable market transactions;
4. orderly realisation of assets; and
5. the market value of listed securities.

1. Discounted cash flow method

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

2. Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

3. Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

4. Orderly realisation of assets / Net asset backing

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

5. Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

APPENDIX C – DISCOUNT RATE

INTRODUCTION

We have adopted the weighted average cost of capital (“WACC”) as the discount rate to value Target’s interests in the identified projects having regard to the net cash flows attributable to each project.

The cash flows assumptions of the projects have been prepared by Harper on a nominal, ungeared and pre-tax basis and RISC on a nominal, ungeared and post-tax basis. We have assessed a range of nominal, post-tax WACC for the purpose of calculation the net present value of the mining assets, and adjusted the resultant values for the impact of corporate tax where appropriate.

The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the WACC, however we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on Government Bonds is commonly used as a proxy.

We have adopted a risk free rate of 2.9% for the purpose of this report based on the yield on 10-year US Government Bond as at 24 April 2009 to reflect the risk of the market in which the projects are located.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 5.0% reflecting the projects are located in the US. This figure is within the range of generally accepted market risk premiums applicable in the US.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. However,

historical betas may not reflect the future and the selection of an appropriate beta must also be based on the judgement of the valuer.

For the purpose of this report, we have had regard to the observed betas (equity betas) of small capitalisation companies listed in Australia and the US with oil and gas exploration and production activities focussed on projects within the US. We have also considered the assets betas of these companies.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

Our analysis of the betas for comparable companies selected is set out in the following table. A brief description of each comparable company is included as Appendix D to this report.

Company	Market Capitalisation (m)	Enterprise Value (m)	Gear Beta	Applicable tax rate (%)	Net debt to equity (%)	Ungeared Beta
Tier 1 - Australian listed Oil & Gas explorers & producers with US assets and market cap less than AUD\$30 million						
Aurora Oil & Gas Ltd	23.3	15.0	1.83	30.0%	-	1.83
Golden Gate Petroleum Ltd	21.0	15.3	1.76	30.0%	-	1.76
Texon Petroleum Ltd	15.3	10.5	2.42	30.0%	-	2.42
Sun Resources NL	12.4	12.4	1.20	30.0%	0.4%	1.20
Antares Energy Ltd	12.3	25.4	2.28	30.0%	105.7%	1.31
Planet Gas Ltd	11.1	12.3	1.75	30.0%	11.0%	1.63
Odyssey Energy Ltd	9.6	12.8	2.04	30.0%	33.8%	1.65
Pryme Oil and Gas Ltd	8.9	5.9	1.59	30.0%	-	1.59
Samson Oil & Gas	8.1	19.3	2.43	30.0%	138.6%	1.23
Advance Energy Ltd	7.1	20.4	0.62	30.0%	186.5%	0.27
Elk Petroleum Ltd	6.8	4.8	2.14	30.0%	-	2.14
Lion Energy Ltd	6.1	(1.8)	0.75	30.0%	-	0.75
Syngas Ltd	5.5	2.7	1.62	30.0%	-	1.62
Burleson Energy Ltd	5.2	4.8	1.11	30.0%	-	1.11
Quest Petroleum NL	4.8	4.2	1.62	30.0%	-	1.62
Target Energy Ltd	4.2	(0.6)	2.24	30.0%	-	2.24
Solimar Energy	3.9	2.1	0.79	30.0%	-	0.79
K2 Energy Ltd	1.5	(2.3)	3.56	30.0%	-	3.56
Tier 2 - US listed Oil & Gas explorers & producers with US assets and market cap less than US\$20 million						
Platinum Energy Resources, Inc	20.2	22.0	1.17	40.0%	8.7%	1.11
Pyramid Oil Company	18.1	16.3	1.82	40.0%	-	1.82
Fieldpoint Petroleum Corp	13.8	15.0	1.60	40.0%	9.3%	1.52
Basic Earth Science Systems, Inc	12.4	6.0	1.37	40.0%	-	1.37
Texas Vanguard Oil Company	9.9	2.8	1.35	40.0%	-	1.35
Rock Energy Resources, Inc	9.8	9.7	2.05	40.0%	-	2.05
Teton Energy Corp	8.4	8.4	2.00	40.0%	0.7%	1.99
Oakridge Energy, Inc	6.4	4.8	0.69	40.0%	-	0.69
Lucas Energy, Inc	6.0	4.9	2.31	40.0%	-	2.31
Aspen Exploration Corp	5.4	3.7	1.66	40.0%	-	1.66
Index Oil and Gas, Inc	5.0	4.3	1.25	40.0%	-	1.25
Daybreak Oil and Gas, Inc	4.5	0.6	1.63	40.0%	-	1.63
Miller Petroleum, Inc	2.4	1.5	0.92	40.0%	-	0.92
Century Petroleum Corp	2.3	2.8	0.77	40.0%	21.8%	0.68
Nitro Petroleum, Inc	1.7	1.7	1.81	40.0%	-	1.81
ECCO Energy Corp	1.5	3.5	2.19	40.0%	136.8%	1.20
Altex Industries, Inc	1.4	(2.8)	1.30	40.0%	-	1.30
All companies						
Low	1.39	(2.83)	0.62		-	0.27
Mean	8.47	7.67	1.65		18.7%	1.53
Median	6.84	4.77	1.63		-	1.59
High	23.28	25.39	3.56		186.5%	3.56
Tier 1						
Low	1.54	(2.35)	0.62		-	0.27
Mean	9.29	9.08	1.76		26.4%	1.60
Median	7.62	8.21	1.76		-	1.62
High	23.28	25.39	3.56		186.5%	3.56
Tier 2						
Low	1.39	(2.83)	0.69		-	0.68
Mean	7.59	6.19	1.52		10.4%	1.45
Median	6.03	4.32	1.60		-	1.37
High	20.24	22.00	2.31		136.8%	2.31

Source: Reuters & Grant Thornton calculations

Notes: Market capitalisation as at 22 April 2009

Net debt is interest bearing debt less cash sourced from the most recent financial report prior to 22 April 2009.

Where Net debt is negative, the net debt to equity ratio has been shown as nil

The betas are de-gearred using the gearing level as per their latest published financial statements.

It should be noted that the above equity betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable oil and gas exploration and producing companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for Target should be assessed, the selection of a beta factor requires a high degree of professional judgement, particularly in circumstances in which the betas for the comparable companies vary widely. For the purposes of this report, Grant Thornton Corporate Finance has adopted an asset beta (β_e) in the range of 1.5 to 1.7 to value the producing assets owned by Target.

Cost of debt

For the purposes of our report we have adopted a pre-tax cost of debt of 9.0% per annum.

Corporate tax rate

For the purposes of our report we have adopted a corporate tax rate of 40%, reflecting the expected corporate tax applicable to US based assets.

Capital structure

When forming a view on the gearing ratio used to calculate the WACC, Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the return to the shareholders after interest payments, and the ability of the businesses to raise external debt.

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. For the purpose of this report, we have adopted a target debt-to-asset ratio of 5% debt and 95% equity, which is equivalent to a target debt-to-equity ratio of 5.3%.

Dividend imputation

CAPM was formulated under a ‘classical’ tax system, where companies paid corporate tax on profits and investors were then taxed on dividends distributed to them from those profits. However, Australia has operated under a dividend imputation system since 1987 where investors, if so entitled, have been able to claim a tax credit for corporate tax already paid on the profits from which the dividend was paid.

Whilst the benefit of imputation credits is likely to have some impact on value, Grant Thornton Corporate Finance does not consider it appropriate to factor the potential benefits into this valuation.

WACC – nominal

The assumptions described above can be summarised as follows.

WACC calculation	Low	High
Cost of equity		
Risk free rate	2.9%	2.9%
Asset beta (β_a)	1.50	1.70
Equity beta (β_e)	1.55	1.75
Market risk premium	5.0%	5.0%
Cost of Equity (K_e)	10.6%	11.7%
Cost of debt		
Cost of debt (pre-tax)	9.0%	9.0%
Corporate tax	40.0%	40.0%
Cost of debt (post-tax)	5.4%	5.4%
Adopted capital Structure		
Equity	95.0%	95.0%
Debt	5.0%	5.0%
WACC	10.4%	11.4%

Source: Reuters and Grant Thornton calculations

Having regard to the above, we have adopted a nominal, post-tax WACC of 10.5% to 11.5% as appropriate for the assets of Target and for the purpose of our report.

APPENDIX D

COMPARABLE COMPANY DESCRIPTIONS

Tier 1 - Australian listed Oil & Gas explorers & producers with US assets and market cap less than AUD\$30 million

Company	Description
Aurora Oil & Gas Ltd	Engaged in the oil and gas exploration, development and production in North America. Aurora holds interests in three project areas within the Sugarkane Field; the Sugarloaf Area (20%), Longhorn Area (50%) and Ipanema Area (80%).
Golden Gate Petroleum Ltd	Engaged in hydrocarbon production and exploration in the United States of America.
Texon Petroleum Ltd	Engaged in the exploration for, development and production of oil and gas in the Texas Gulf Coast area of the United States.
Sun Resources NL	Australia-based company, which is engaged in oil and gas exploration, and investment. Principally located in Texas.
Antares Energy Ltd	Australian-based company engaged in hydrocarbon production and exploration in the United States of America. The Company is actively involved in two production projects (Oyster Creek and West Wharton) and two exploration projects in south Texas (Yellow Rose and Shaeffer Ranch).
Planet Gas Ltd	Engaged in the acquisition, exploration, development, production and operation of oil, gas, and coalbed methane (CBM) properties in the United States (Wyoming).
Odyssey Energy Ltd	Australia-based oil and gas exploration and production company with a focus on two field extension, appraisal and re-development plays in prolific United States basins (Oklahoma).
Pryme Oil and Gas Ltd	Australia-based company that is engaged in acquiring, exploring and developing oil and gas prospects in the United States.
Samson Oil & Gas	Engaged in oil and gas exploration, development and production in the United States of America.
Advance Energy Ltd	Advance Energy Limited (AEL) was established to acquire energy projects in the United States that contain existing proven production, proved behind pipe reserves and step out/in fill drilling potential.
Elk Petroleum Ltd	Australia-based company engaged in the development of the Grieve Oil Field and the Sand Draw South Oil Field in Wyoming United States.
Lion Energy Ltd	Australia-based company engaged in oil and gas exploration, development and production, and investment in the resources industry.
Syngas Ltd	Australia-based company engaged in oil and gas exploration, development and production, and investment in the resources industry. The Company has an interest in five offshore oil and gas exploration permits, which are all located offshore, in the Gulf of Mexico.
Burleson Energy Ltd	Australia-based company principally engaged in the exploration of petroleum and gas properties in the United States (southern part of Burleson County in Texas).
Quest Petroleum NL	Engaged in the exploration for and the development of onshore oil and gas exploration assets in California and Louisiana, United States.
Target Energy Ltd	Australia-based company. The Company is principally engaged in the production of and exploration for oil and gas in the United States of America (Louisiana).
Solimar Energy	Engaged in mineral exploration, development and production of oil and gas in the United States.
K2 Energy Ltd	Oil and gas exploration and production company whose primary purpose is to secure, find, develop, produce and sell hydrocarbons. The Company participated in the exploration and production of oil and gas in the Okfuskee County, Oklahoma, and Texas in the United States of America.

Tier 2 - US listed Oil & Gas explorers & producers with US assets and market cap less than USD20 million

Company	Description
Platinum Energy Resources, Inc	Independent oil and gas exploration and production company. Its properties are concentrated primarily in the Gulf Coast region in Texas, the Permian Basin in Texas and New Mexico and the Fort Worth Basin in Texas.
Pyramid Oil Company	Engaged in the business of exploration, development and production of crude oil and natural gas.
Fieldpoint Petroleum Corp	Engaged in the acquisition, operation and development of oil and natural gas properties, which are located in Louisiana, New Mexico, Oklahoma, South-Central Texas and Wyoming.
Basic Earth Science Systems, Inc	independent oil and gas exploration company. Basic is engaged in the exploration, acquisition, development, operation, production and sale of crude oil and natural gas. Focused in North Dakota and Montana, Colorado, Texas, and the Gulf Coast.
Texas Vanguard Oil Company	Engaged in the acquisition, exploration, development, and operation of onshore oil and gas properties in the United States, principally in Texas. The Company also engages in oil and natural gas exploration, development and production in New Mexico, Oklahoma, Nebraska and Wyoming.
Rock Energy Resources, Inc	Independent oil and natural gas company engaged in the exploration, production, development and exploration of natural gas and crude oil properties.
Teton Energy Corp	Independent oil and gas exploration and production company focused on the acquisition, exploration and development of North American properties.
Oakridge Energy, Inc	Engaged in the exploration for and development, production and sale of oil and gas primarily in Texas. The Company also holds certain real estate in Colorado for sale, which lands cover gas, coal and other mineral deposits.
Lucas Energy, Inc	Independent oil and gas company focused on building a diversified portfolio of oil and gas production assets located in the State of Texas in the United States.
Aspen Exploration Corp	Engaged primarily in the exploration and development of oil and gas properties in California, and has a significant working interest in oil wells in the Poplar Field of northern Montana.
Index Oil and Gas, Inc	Independent oil and natural gas company engaged in the acquisition, exploration, development production and sale of oil and natural gas properties in North America. The Company has interests in properties in Kansas, Louisiana and Texas.
Daybreak Oil and Gas, Inc	An early-stage oil and gas exploration and development company. The Company has projects in Alabama, California Louisiana and Texas.
Miller Petroleum, Inc	Engaged in the business of exploring for and producing oil and natural gas.
Century Petroleum Corp	An oil and gas exploration and production company. The Company is engaged in the acquisition and exploration of oil and gas properties with a view to exploiting any oil and gas reserves it discovers. The Company has interests in Louisiana and Texas.
Nitro Petroleum, Inc	Independent energy company engaged in the acquisition, exploitation and development of oil and natural gas properties in the Southern United States.
ECCO Energy Corp	Independent oil and gas company engaged in oil and gas development, exploration and production. The Company's operations are primarily focused in areas, such as Texas, Louisiana and the Gulf Coast Region of the United States.
Altex Industries, Inc	Holding company. Through its operating subsidiary, Altex Oil Corporation (AOC), the Company owns interests, including working interests, in productive onshore oil and gas properties and has bought and sold producing oil and gas properties. All of the Company's production is located in Utah and Wyoming.

Source: Reuters & Yahoo Finance

APPENDIX E

OIL AND GAS INDUSTRY

1. Overview of the oil and gas industry

The oil, gas & consumable fuel industry consists of oil, gas, coal and related consumable fuels. Industry values reflect revenues generated from exploration, production, refining, marketing, storage & transportation of oil & gas and also from the coal and consumable fuels industry.

We have set out below an overview of the US oil and gas sectors to provide a context for assessing the prospects of Target's and Advance's oil and gas exploration and production assets. The data and forecasts have primarily been sourced from Datamonitor, EIA and Reuters.

2. Global

The global energy industry generated total revenues of USD10,273 billion in 2008, representing a compound annual growth rate (CAGR) of 25.5% for the period spanning 2004-2008. In comparison, the Americas and Asia-Pacific industries grew over the same period, to reach respective values of USD3,424 billion and USD2,771 billion in 2008.

Oil, gas and consumable fuels sales proved the most lucrative for the global energy industry in 2008, generating total revenues of USD10,021 billion, equivalent to 97.6% of the industry's overall value. In comparison, sales of energy equipment and service generated revenues of USD251.6 billion in 2008, equating to 2.4% of the industry's aggregate revenues.

After a period of strong and fluctuating growth, the performance of the industry is forecast to decelerate, with an anticipated compound annual rate of change (CARC) of -0.5% for the five-year period 2008- 2013, which is expected to drive the industry to a value of USD10,040 billion by the end of 2013.

3. US oil production

Consumption

Total US consumption of liquid fuels in 2008 declined by almost 1.3 million bbl/d, or 6.1 percent, from that of 2007. EIA believes the major factors contributing to the fall in consumption were a rapid rise in retail prices to record levels during the first half of 2008 and a deteriorating economy in the second half of the year. Total liquid fuels consumption for 2009 is projected to fall by a further 430,000 bbl/d, or 2.2 percent, because of a continued weak economy. The economic recovery is projected to boost total liquid fuels consumption in 2010 by 270,000 bbl/d, or 1.4 percent, with all of the major fuels registering consumption increases.

Production

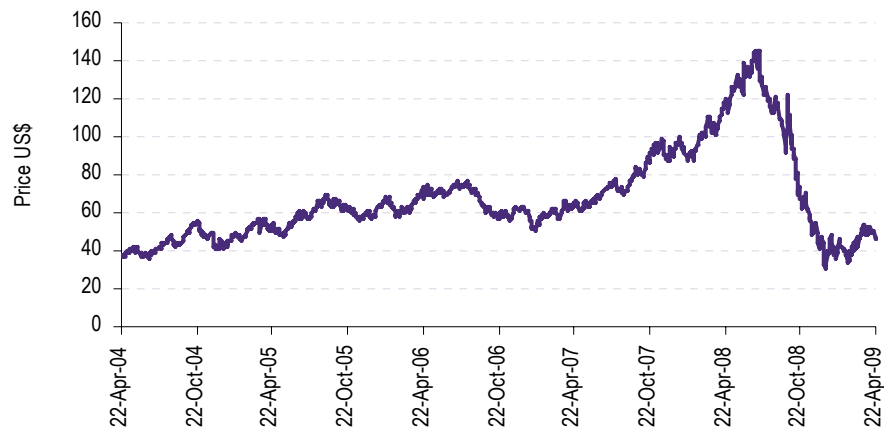
Crude oil production declined by 110,000 bbl/d in 2008, primarily due to hurricane outages, and is projected to increase by 440,000 bbl/d in 2009 to an average of 5.40 million bbl/d. This would be the first increase in production since 1991. Output is projected to rise by an additional 150,000 bbl/d in 2010. Contributing to the increases in output are two platforms in the Gulf of Mexico: Thunder Horse, which is already in production, and Tahiti, which is expected to come on stream later this year.

Prices

WTI price at the 30 April 2009 was USD49 per barrel and ranged from USD45 to USD53 per barrel during the month. WTI prices are forecast to recover in 2009 to the low USD60's per barrel average for 2010. A stronger-than-expected economic recovery, lower non-OPEC production because of the current low oil prices and financial market constraints, or more aggressive action to cut production by OPEC countries could lead to a faster and stronger rise in oil prices.

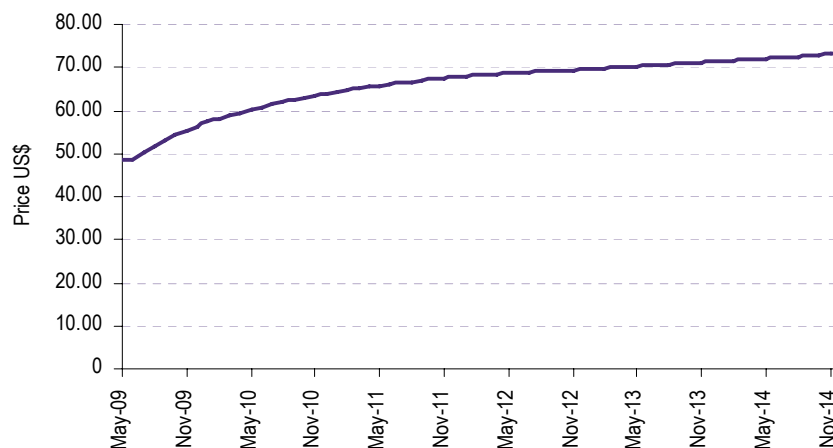
The expected continuing decline in diesel fuel consumption in the US this year as well as the growing weakness in distillate fuel usage outside the US are projected to result in lower refining margins for distillate throughout the forecast period. Because of the global weakness in industrial output and the onset of a recovery in motor gasoline consumption, domestic diesel prices could fall below gasoline prices this summer.

WTi Cushing Historical Closing Price



Source: Reuters

WTI Futures Price



Source: Reuters

4. US gas industry

Consumption

Total natural gas consumption is projected to decline by 1.8 percent in 2009 and remain relatively unchanged in 2010. EIA expects the current decline in economic activity will have a significant

impact on natural gas consumption in the industrial sector, which is forecast to fall by 7.4 percent this year. In the residential and commercial sectors, where consumption is influenced more by weather than by macroeconomic conditions, natural gas use is expected to increase slightly in 2009. The expected 0.7 percent increase in natural gas consumption in the electric power sector this year is supported by a projection of lower natural gas prices for power generation relative to coal, particularly in the Southeast. The outlook for natural gas consumption in 2010 remains subject to uncertainty about the status of future economic conditions. If the economy begins to recover later this year as currently expected and weather remains near normal, small consumption growth in the industrial and electric power sectors should be offset by small declines in the residential and commercial sectors.

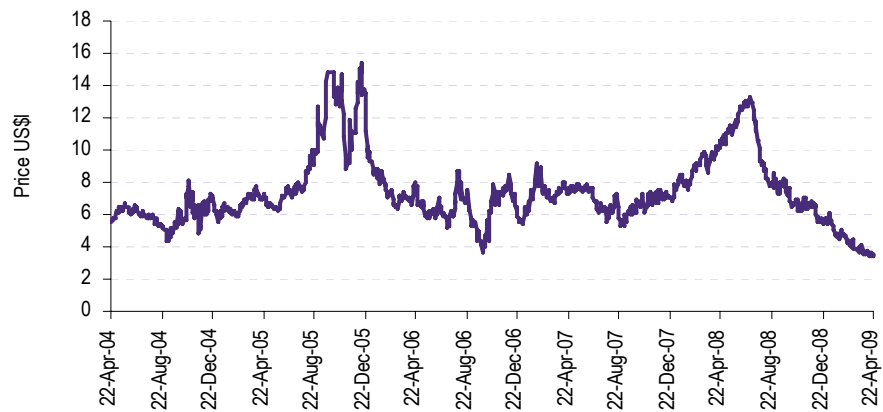
Production

Total US marketed natural gas production is expected to decline by 0.3 percent in 2009 and by 1.0 percent in 2010. Total working natural gas rigs in the US have declined from slightly more than 1,600 in late August 2008 to slightly below 800 as of 9 April 2009, according to Baker Hughes. The precipitous drop in drilling activity and declining productivity of wells already in place are expected to cause production to steadily decline as the year progresses. The resultant impact of lower production in the Lower-48 non-Gulf of Mexico (GOM) during the second half of 2009 is expected to more than offset higher year-over-year production during the first half of the year. Additional supply curtailments may be necessary as natural gas storage levels approach capacity later this summer. Marketed production from the Federal GOM is expected to increase by 1.9 percent in 2009 because of continued recovery from the 2008 hurricane season and new supplies associated with the startup of offshore oil production facilities. Despite expectations of higher prices and the recovery of drilling programs next year, total production in 2010 is expected to be lower in both the lower-48 non-GOM and Federal GOM regions.

Prices

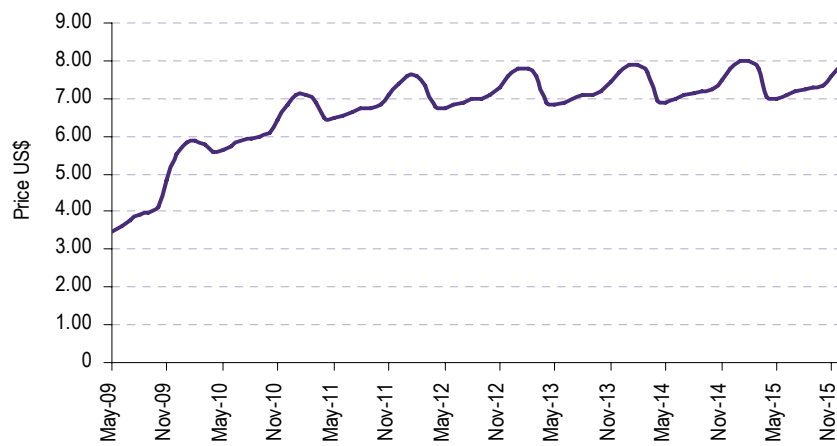
The Henry Hub spot price averaged USD4.08 per Mcf in March 2009, USD0.57 per Mcf below the average spot price in February 2009. Lower consumption, brought about by the economic slowdown, and higher production levels have been the primary contributors to lower natural gas prices. Henry Hub spot prices began April below USD4 per Mcf and, absent signs of dramatic economic recovery, are expected to remain below USD4 until seasonal space heating demand picks up this fall. Higher prices are expected in 2010 as the economy improves. In addition to demand recovery, the current drilling cutback and limited access to credit for producers could lead to even higher prices if supply fails to keep pace with demand in the short-term. On the other hand, a larger-than-expected increase in LNG import volumes coupled with sustained economic weakness could keep prices depressed.

Henry Hub Historical Closing Price



Source: Reuters

Natural Gas Futures Price



Source: Reuters

APPENDIX F

GLOSSARY

\$, A\$ or AUD	Australian Dollar
AASB	Australian Accounting Standard Board
Advance	Advance Energy Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bbls	Barrels
Blaze	Blaze Asset Pty Ltd
CAPM	Capital Asset Pricing Model
Cents	Australian Cents
Corporations Act	Corporations Act 2001
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Energy Information Administration
FME	Future Maintainable Earnings
FY	Financial year
Grant Thornton Corporate Finance	Grant Thornton (WA) Financial Services Pty Ltd
Harper	Harper and Associates, Inc
K or \$000	Thousands
Mcf	Standard measurement unit for volumes of natural gas that equals one thousand cubic feet
MMBTU	One thousand British Thermal Units
NPAT	Net profit after tax
NPV	Net Present Value
NTA	Net Tangible Asset
Odin	Odin Energy Limited
PE	Period Ended
RG 74	ASIC Regulatory Guide 74 “Acquisitions agreed to by shareholders”
RG 111	ASIC Regulatory Guide 111 “Content of expert reports”
RG 112	ASIC Regulatory Guide 112 “Independence of expert’s reports”
RISC	RISC Pty Ltd
Target	Target Energy Limited
US\$ or USD	United States Dollar
US or USA	United States of America
VWAP	Volume Weighted Average share Price
WACC	Weighted Average Cost of Capital

APPENDIX G**RISC PTY LTD TECHNICAL SPECIALIST REPORT**



Independent Technical
Specialist's Report on
certain Petroleum Assets
of Target Energy Limited

on behalf of

Grant Thornton (WA)
Financial Services Pty
Ltd

12th May 2009

Declaration

Grant Thornton (WA) Financial Services Pty Ltd (“Grant Thornton”) in its capacity as Independent Expert to the Directors of Target Energy Limited (“Target”) has commissioned RISC Pty Ltd (“RISC”) to provide an Independent Technical Specialist’s Report on two assets of Target located in Louisiana, USA. The assets are the East Chalkley Field and the Beyt prospect.

RISC has reviewed the reserves/resources in accordance with the Society of Petroleum Engineers Petroleum Resource Management System (SPE-PRMS) and standards and estimated Net Present Value and Expected Monetary Value of the Resources.

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Grant Thornton and Target as well as information in the public domain. The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and key Target staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, RISC did not have access to a 3D seismic survey that was acquired in 2006 and certain well data. Furthermore, we have not independently verified property title, royalty arrangements, encumbrances and regulations that apply to this asset(s). RISC has also not audited the opening balances at the effective date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses. Because no consideration has been given to Target’s other assets or liabilities the evaluation is not that of the company.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

RISC has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

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1 EXECUTIVE SUMMARY

Blaze Asset Pty Ltd has announced a takeover offer for Target Energy Limited (“Target”). Grant Thornton (WA) Financial Services Pty Ltd (“Grant Thornton”) in its capacity as the Independent Expert has engaged RISC Pty Ltd (“RISC”) to provide an Independent Technical Specialists Report for inclusion in the Independent Expert’s Report to accompany a Target Statement. This report has been completed according to the requirements of the AusIMM Code and guidelines of the Valmin Code.

The scope of this report is an independent technical assessment of the following producing, development and exploration assets of Target;

Producing assets:

- o the East Chalkley oil field (25% owned by Target) and surrounding tenements located onshore in Cameron Parish, Louisiana, USA;

Exploration assets:

- o the Beyt #1 (Bayou Berard) exploration tenement (15% owned by Target), located onshore in St Martin Parish, Louisiana, USA.

The data and information used in the preparation of this report were provided by Target, supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied by Target making adjustments as necessary. However, Target was unable to make available certain data, in particular the 3D seismic survey that was acquired in 2006 over the East Chalkley field, 3D seismic data over the Beyt prospect and certain well data. This assessment therefore relies entirely on structural mapping and petrophysical interpretations provided by Target. Although RISC has made consistency checks where possible, this report needs to be read in the context of these factors.

RISC estimates the following oil reserves attributable to Target’s working interest in the East Chalkley field:

	Oil (Mstb)	
	Proved +Probable (2P)	Proved +Probable +Possible (3P)
Reserves at 1 st January 2009 (Target working interest)	141	264

In addition, RISC has assessed Contingent Resources associated with potential further development opportunities in the East Chalkley Field as follows:-

	Oil (Mstb)	
	Best Estimate (2C)	High Estimate (3C)
Contingent Resources (Target working interest)	230	686

It is recognised that certain royalty interests are payable by Target and in circumstances where royalty owners have a right to physical oil volumes, Target's share would typically be expressed net of these volumes. However, RISC did not have access to full details of the royalty arrangements and therefore the above volumes are reported as Target's working interest share before deduction of any entitlements to royalty owners. However, the financial liability associated with these royalties has been applied in the economic evaluation shown below.

The key uncertainty in the East Chalkley field reserves and resources is related to the degree to which the reservoir has been swept and resultant water saturations. This will only be determined by further drilling.

The Beyt prospect is undrilled and RISC estimates the following unrisks prospective resources and chance of success.

	Oil (Mstb)
	Best Estimate
Prospective Resources (Target share)	112
Geological Chance of Success	54%

The key uncertainties are related to the location of the main bounding fault and the effect that any change from the mapped position will have on hydrocarbon volumes.

To enable Grant Thornton to value the production and development outlook of the assets, RISC has constructed a cashflow model based on production and cost forecasts described in this report and macroeconomic assumptions that have been provided by Grant Thornton and

discussed in their report.

The following table provides post- tax economic results from discounted cashflow modelling for a range of resource scenarios. The NPVs for the Contingent Resource quantities are unrisked.

Post Tax Net Present Values	NPV 10.5	NPV 11.5	NPV 10.5	NPV 11.5
(Target share - US\$ million)	Proven + Probable		Proven + Probable + Possible	
East Chalkley Reserves	0.6	0.6	2.3	2.2
	Best Estimate		High Estimate	
East Chalkley Contingent Resources	1.1	1.0	3.9	3.6
	EMV 10.5	EMV 11.5		
	Best Estimate			
Beyt Prospective Resources	0.8	0.8		

2 EAST CHALKLEY FIELD

2.1 Exploration, Drilling and Production History

The East Chalkley Field is located in a very mature hydrocarbon province in Louisiana. It lies to the east of the Chalkley Field which was discovered in 1938.

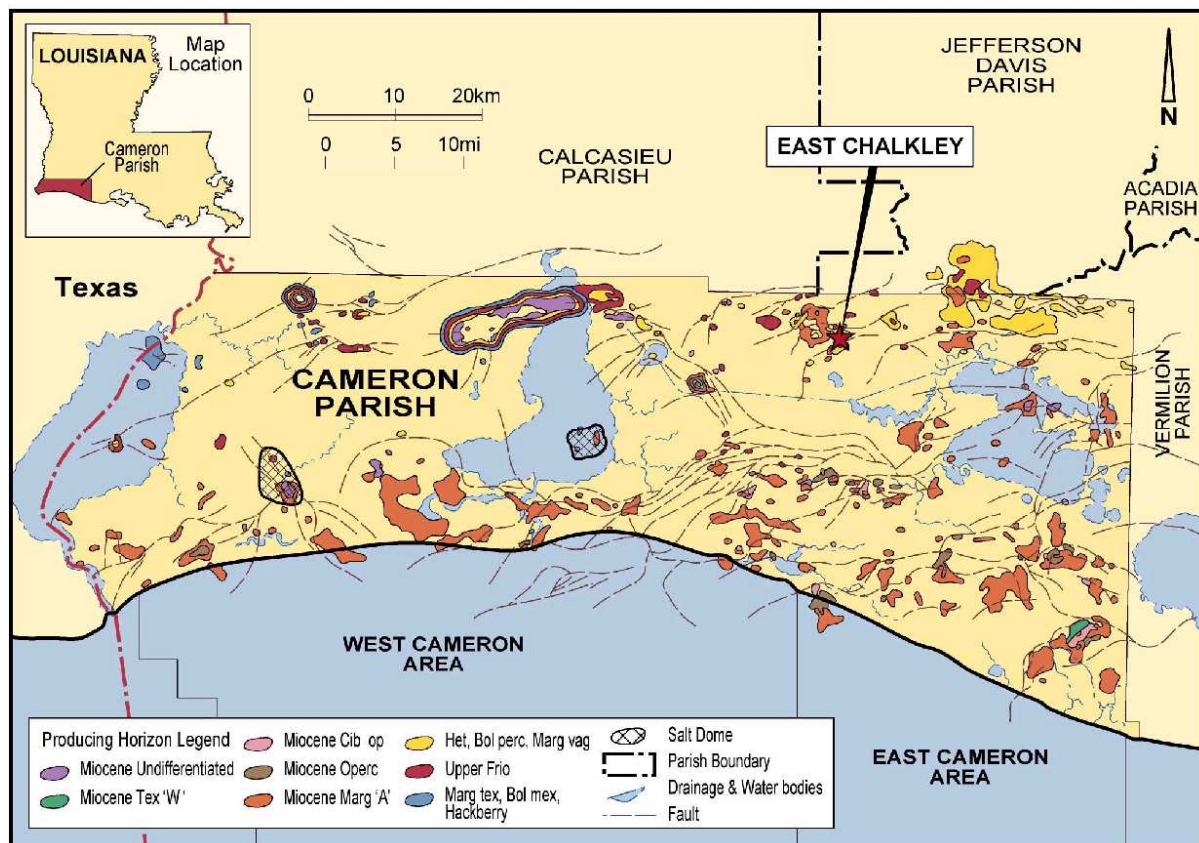


Figure 1 Location Map of the East Chalkley Field

Structurally, East Chalkley is fault bounded on three sides and exhibits an easterly dip (Figure 2). The objective reservoir sand is named Alliance W-2 occurring at a depth of 9300 to 9600 feet KB. The field has a gas cap which was on production between 1970 & 1992. The area of the gas cap contains three well intersections. An oil leg contains a further 3 well intersections with a fourth well drilled within the oil leg area that reportedly stopped short of the W-2 sands. The wells were drilled by a number of operators since 1962.

The gas cap has been produced from one well between 1970 and 1992, and is not the subject of this report. The OGIP of the W2 sand was reportedly around 28 Bcf of which 11.7 Bcf were produced between 1970 and 1992. The final gas rate was 800 Mscf/d. Well data from within the gas cap area indicates very good reservoir properties with an average porosity of 32% and permeability of 1253 mD.

In 1987 a well which analysed gas from logs was drilled into the oil leg as now known. The well was plugged and abandoned as the operator had no rights to the zone. In 2005 Centurion Exploration Company secured title to the wellbore and re-entered the well. A pulsed neutron

The reservoir sands were reportedly deposited in a shelf channel levee, with arcuate trends in an approximate north-south orientation.

Franks #1/1D
1969

Franks #2 Hansen
1969

Cockrell #3 Brewer 1987
(Centurion Bruiere #1 2005)
(Centurion Pine Pasture #1 2008)

United World Energy Lacassine #14
2003

Shell Lacassine #C-2
1962 (NDE)

Quintana Brewer #1
1990

Chalkley Field Prospect
Cameron Parish, Louisiana
W-2 Structure Map

Pine Pasture #2 was drilled in June 2008, and was designed to produce up to 400 bopd, and to be followed by an appropriate development plan. The well, while successfully encountering the oil leg, came on stream at around 120 bopd with around 300 bwpd. Log data indicates an average porosity of 25.5% and permeability of 178 mD with water saturation of 73.3%. The reservoir quality is substantially poorer than that encountered in the three wells updip in the

gas cap.

Production at the well was interrupted by hurricanes Gustav and Ike in September and October 2008. The field is currently producing ~100 bopd from 1 well and has produced a total of ~32 Mstb from 2 wells.

2.2 Data Available to RISC

While the area is covered by 3D seismic data RISC has not had access to any seismic data and has relied entirely on a Two Way Time map and a Depth map at the top of the W-2 sand provided by Target. RISC cannot independently confirm the validity of the maps but notes that the mapped fault style and patterns appear reasonable for the region.

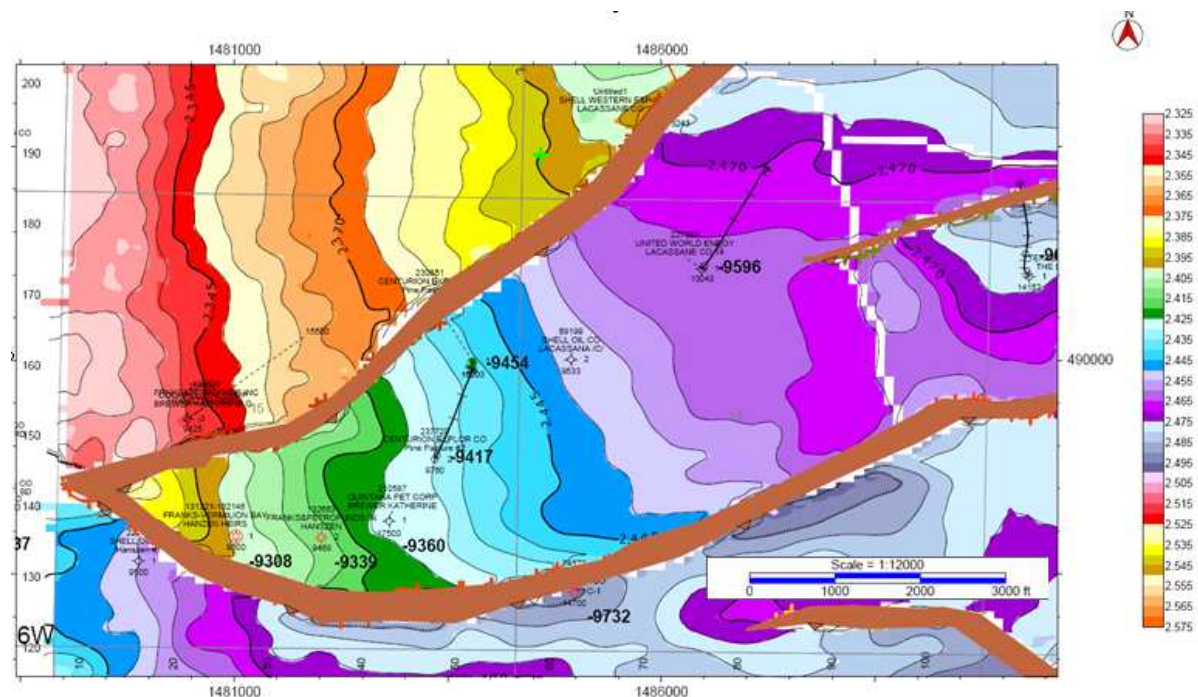


Figure 3 Two Way Time Map Provided by Target and Labelled W2 Time Horizon

As a check of the depth map, RISC has back-calculated the velocities at each well location used in the depth conversion. An average of 7750 ft/sec and a low range of values from 7716 to 7792 ft/sec is considered reasonable for the area.

2.3 Volumetric Estimation

RISC has prepared a probabilistic estimate of oil in place volumes as described below.

Gross rock volumes have been based on a depth structure map (Figure 4) at the top of the W-2 sand provided by Target.

A gas oil contact is defined on a map provided by Target at 9,400 ft SS. The contact falls half way between the structurally lowest gas well (Quintana Brewer #1) and the structurally highest oil well (Pine Pasture #2). RISC has not had the data to independently confirm that Quintana Brewer #1 encountered gas as the hydrocarbon phase and is relying on advice from

Target that this is the case.

A Low Case oil water contact was placed halfway between the Pine Pasture#1 well and the Lacassane #14 well, both wells containing oil intersections confirmed by well logs, and in the case of Pine Pasture #1, by production.

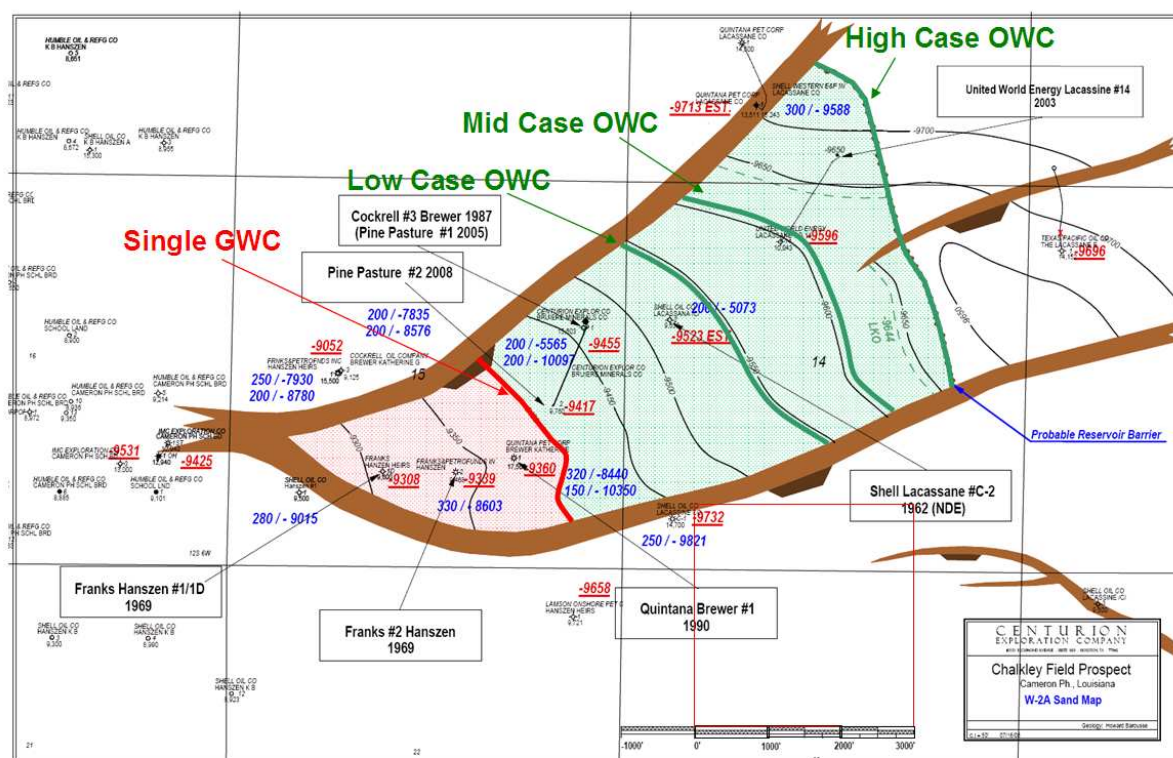


Figure 4 Depth Structure Map Showing the Single Gas Water Contact and the Oil Water Contacts defining the Low, Mid and High cases

A Mid Case oil water contact was determined from an “operator” (original source not known except that it is a part of joint venture work and originates in the USA) supplied petrophysical interpretation of the Lacassane #14 which showed the well having a net pay section of 10 feet at the top of the W-2 sand, and a possible interpreted oil water contact at the base of the pay (Figure 5). It should be noted that an alternative petrophysical analysis commissioned by Target shows pay throughout the entire sand interval (Figure 6). This is further discussed in following paragraphs.

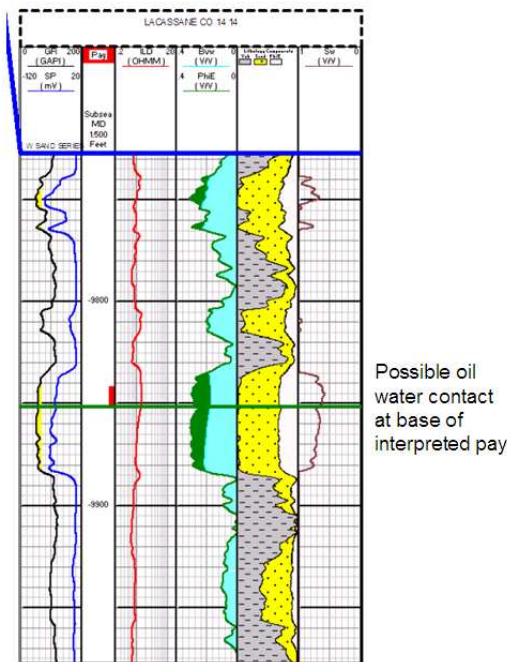


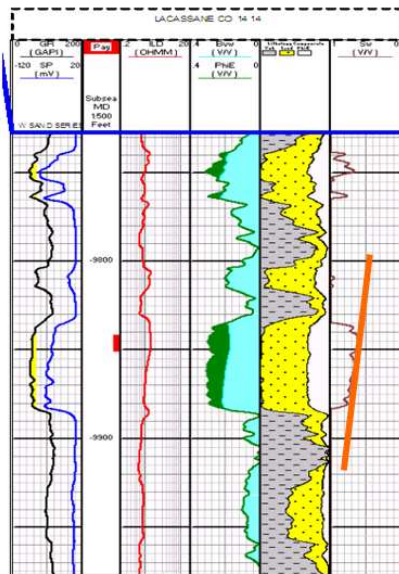
Figure 5 Petrophysical Analysis of Lacassane #14 showing Possible Oil Water Contact Used to Define the Mid Case Area

A High Case oil water contact was assigned coincident with a seismic event reportedly evident on 3D seismic data and referred to as a phase change or a permeability change in an e-mail from current operator Petro Resources, and shown on maps provided by Target. This was accepted as a possibility despite the event cutting across mapped structure contours (see Figure 4). The location of the seismic event falls approximately half way between the Lacassane #14 well and a down dip well, the Lacassane E, confirmed as being water wet by Petro Resources.

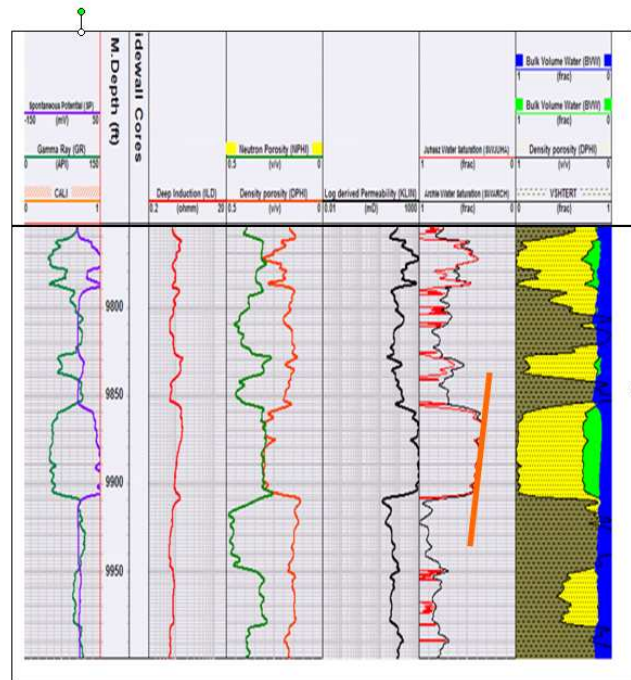
Areas of closure for the three contact cases were planimetered and are shown in Table 1. W-2 sand gross and net pay thicknesses were determined for all 6 wells primarily from an “operator” provided well cross section showing a petrophysical interpretation of net pay (Figure 6). RISC has not re-run the petrophysical analysis.

Distributions for porosity and water saturations were determined from well log petrophysical analyses of provided to RISC. It is considered likely that the combination of gas production updip and partial aquifer drive downdip has resulted in a partial sweep of oil up into the gas cap, and resultant higher than virgin water saturations in the oil leg. All wells within the oil leg were drilled after gas production ceased and as such, the logs will have recorded saturations that are close to current effective levels.

High water saturations are consistent with the produced water and high water cuts seen at both Pine Pasture #1 and #2. In contrast, a Target commissioned petrophysical analysis of two wells, Pine Pasture#2 and Lacassane #14 shows significantly lower water saturations. Of prime interest is the interpretation of Lacassane #14 (Figure 6) which under an “operator”



“Operator” interpretation showing water saturations of 60 to 70%



Target interpretation showing water saturations of 32 to 42%

Figure 6 Comparison of “Operator” and Target Petrophysical Analysis of Lacassane #14 well

analysis shows water saturations of 60 to 70% compared to a recent Target analysis which shows water saturations in the 32 to 42% range. The reasons behind this difference remain unknown. While the source of the “operator” analysis is not known, it is part of an apparently consistent analysis covering all six wells (Figure 7), all of which show high water saturations in the oil leg. Improvement in reservoir quality is seen in the wells within the gas cap confirming variability in the sands. As such an improvement in reservoir quality and hence lower water saturations at Lacassane #14 is recognised as a possibility. However at this stage, the weight of evidence points to generally higher water saturations resulting from water ingress and supported by the high initial water cuts seen at the two Pine Pasture wells. The upside case (of improved reservoir with lower water saturations) is effectively captured by the P10 case described below.

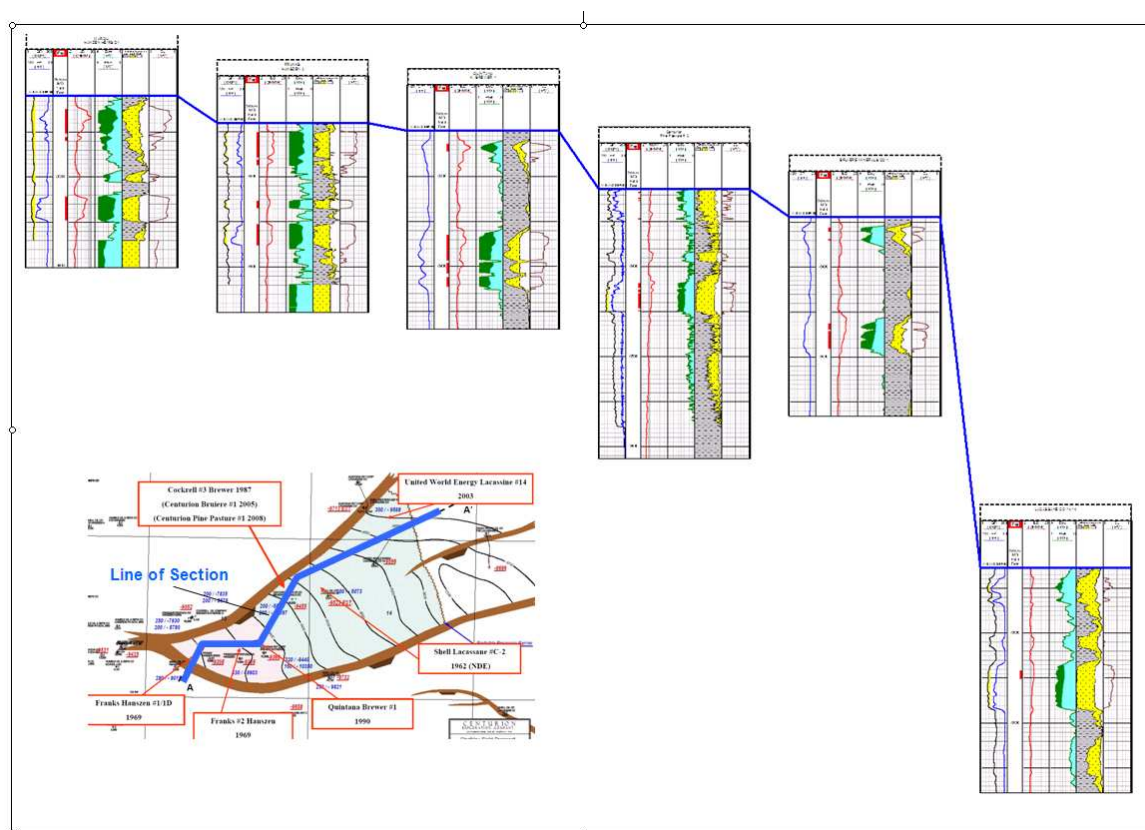


Figure 7 Line of Section Across East Chalkley Showing “Operator” Log Analysis for Each Well

RISC’s current in oil in place volume estimates are shown in Table 1. A reserves study by Centurion for a similar area of “W-2A Reservoir Oil Portion” provided within a presentation dated March 2008 reports OOIP of 5.673 MMstb.

A range of oil recovery factors was estimated by combining estimated current water saturation, residual oil saturation, displacement and sweep efficiencies. This resulted in a range from 23% (P90) to 40% (P10) with a P50 value of 30%.

Applying the recovery factors, the P50 and P10 technically recoverable oil is estimated 1.7 and 4.0 MMstb respectively (100% interest).

East Chalkley Oil Pool

Probabilistic Volumes Parameters and Outcomes

		P90	P50	P10	Mean
Area	sq km	0.92	1.36	2.00	1.42
	acres	227	336	494	351
Net Reservoir Thickness	m	4.3	8.0	15.0	8.9
	ft	14.1	26.2	49.2	29.2
Shape Factor		0.90	0.95	0.95	0.93
Porosity	%	20	24	29	24
Sh	%	37	45	60	46
FVF		1.37	1.20	1.05	1.20
OIP	mmstb	2.6	5.7	12.9	6.8
RF		0.23	0.30	0.40	0.31
Technically Recoverable Oil	mmstb	0.7	1.7	4.0	2.1

Table 1 Probabilistic Volume Estimates (100% interest)

2.4 Proposed Development Plan

Target has provided to RISC a development plan which has a first phase involving two new development production wells drilled in an area close to the mapped GOC where it is anticipated that the water saturations will be close to original level and a water injector/disposal well to provide pressure support. Scope for additional recoverable volumes is contingent on further development plans as discussed in the following section.

2.5 Reservoir Engineering Analysis – East Chalkley

2.5.1 Production Performance

The W2 sand is an oil rim reservoir with an updip gas cap containing an estimated 28 Bcf of OGIP (not within the scope of this study). Hanszen Heirs -1, the only gas producing well, reportedly produced some 11.7 Bcf of gas during 1970 – 1992 (Figure 8). Reservoir studies conducted by W. D. Von Gonten & Co. (March 2008) and William M. Cobb & Associates (June 2006) reported reservoir pressure decline associated with the gas production. While the Van Gonten Study concluded that aquifer support is a necessary component but relatively minor portion of the reservoir mechanics, the Cobb Report concluded the recovery mechanism as depletion drive.

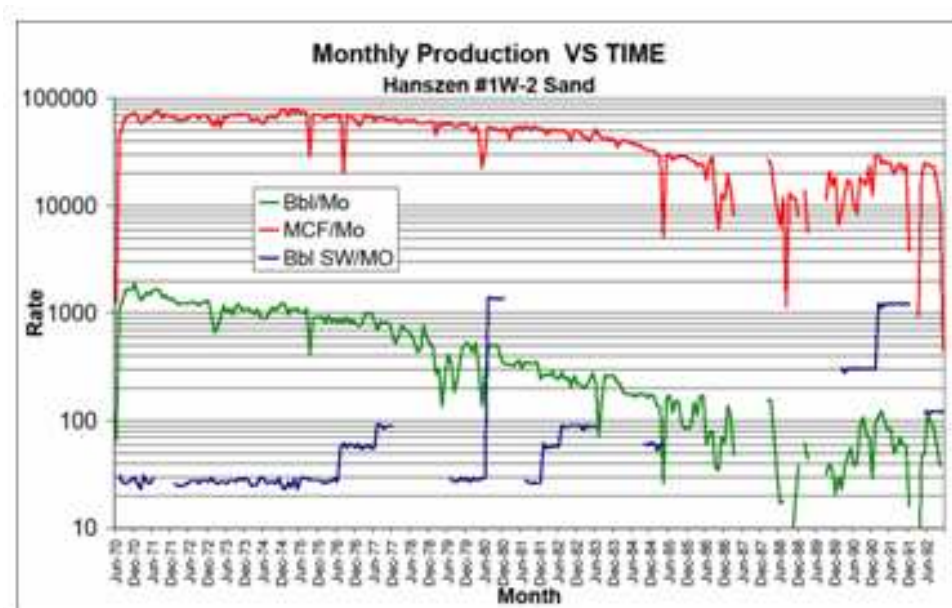


Figure 8 Hanszen Heirs -1 gas production history

Side wall core data from the updip Hanszen Heirs -1 and -2 wells indicate excellent porosities (28 to 35%) and permeabilities (400 to 3000 mD) in the gas-cap area, (Figure 9). Good but relatively lower porosities (24.5 to 27.5%) and permeabilities (100 to 350 mD) are indicated by Pine Pasture -2 side-wall core data (Figure 10). No core data were acquired in Pine Pasture -1.

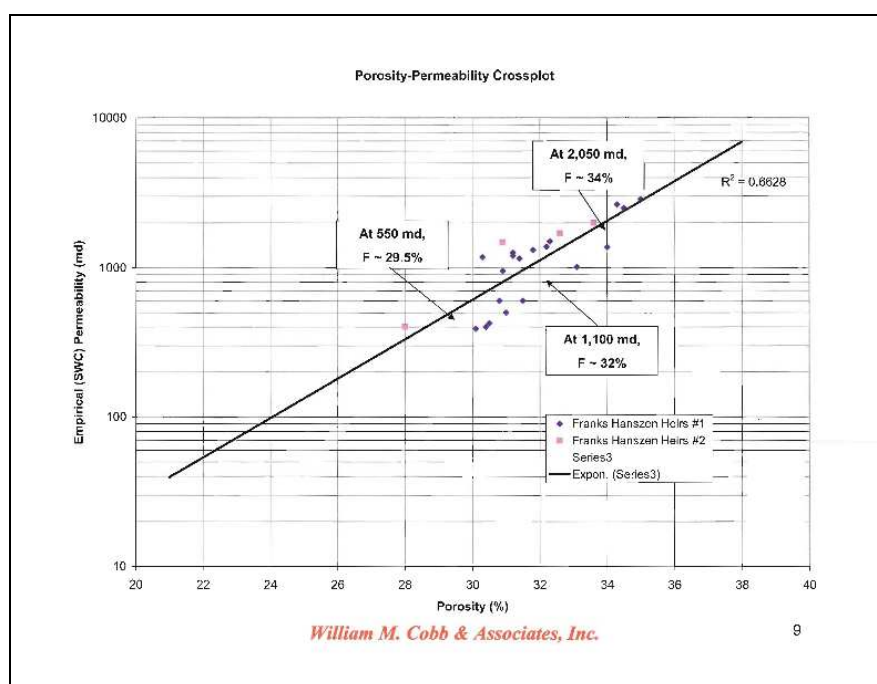


Figure 9 Hanszen Heirs -1 and 2 porosity-permeability cross plot (courtesy W. Cobb)

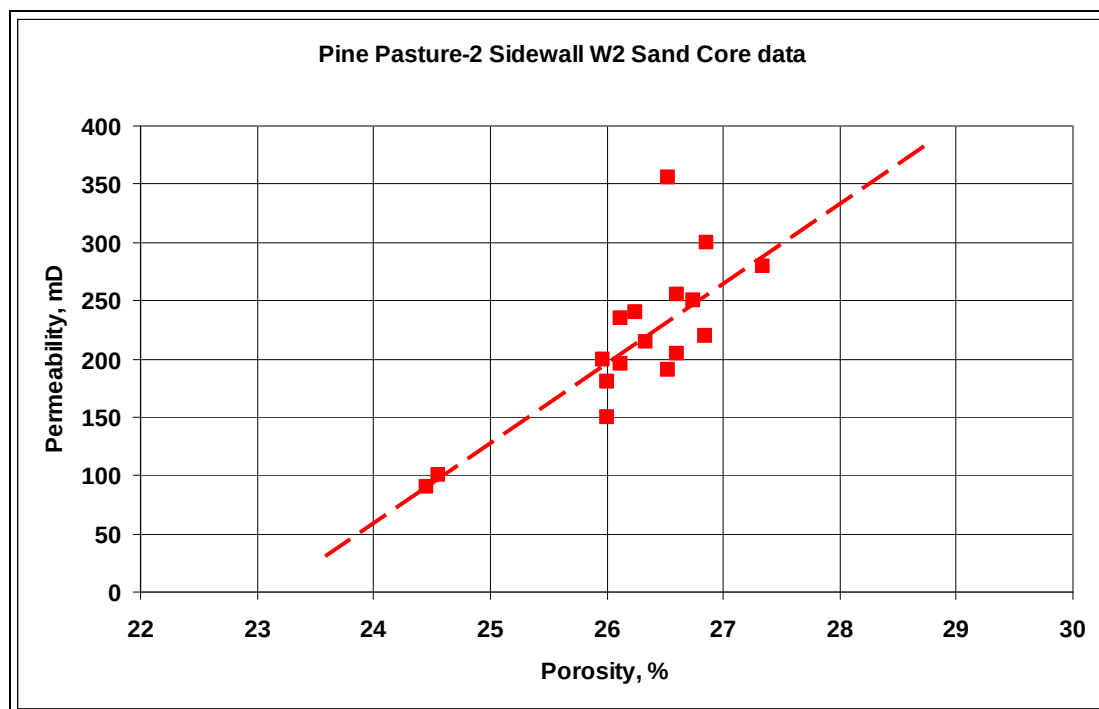


Figure 10 Pine pasture-2 W2 sand porosity and permeability crossplot

Given the good quality rock, low initial water saturations and a short transition zone at the OWC would typically be expected in the W2 sand. Unfortunately capillary pressure data is not available to confirm this. High water saturations (based on log and production performance) were encountered both in Pine Pasture -1 and -2. It is interpreted that the wells have encountered water invaded zones due to the aquifer influx resulting from pressure depletion from original ~4900 psi at Hanszen Heirs-1 (1969) to 2200-2300 psi observed at Pine Pasture -1 and -2 drilled in 2005 and 2008, respectively. The aquifer is considered to be moderately sized and therefore is unable to maintain the reservoir pressure at or near the original pressure. Qualitatively speaking, this interpretation is in agreement with the Von Gonten model of a limited waterdrive.

Although gas production ceased in 1992, the water influx in all likelihood continues to invade the oil zone smearing oil in the gas-cap area. The schematic diagrams depict the original and current water and hydrocarbon saturation distribution (Figures 11 and 12). While the diagrams are conceptual, this saturation distribution is consistent with the high water saturations and high initial water-cut observed in Pine Pasture -1 and -2 (Figures 13 and 14).

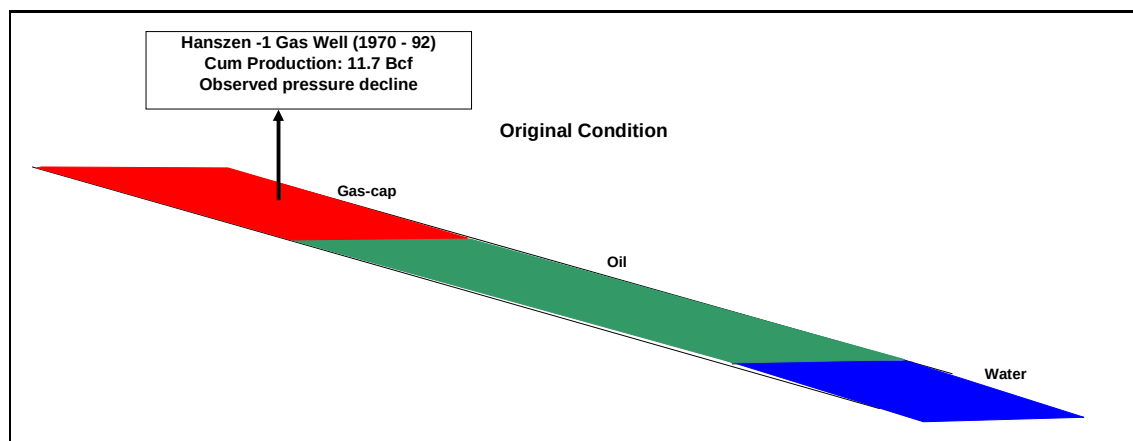


Figure 11 Schematic diagram of initial fluid distribution in W2 sand

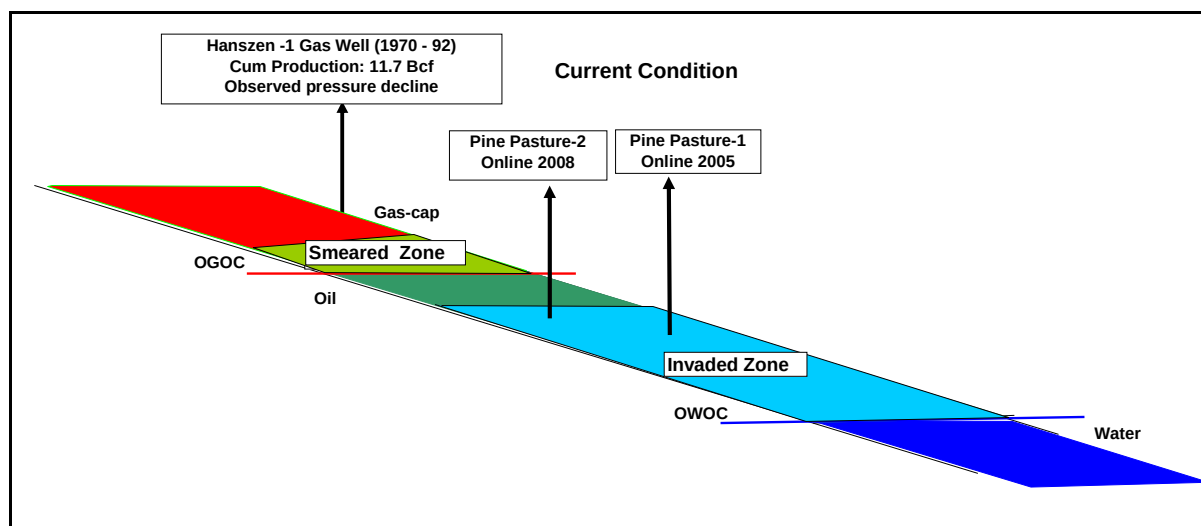


Figure 12 Schematic diagram of current fluid distribution in W2 sand

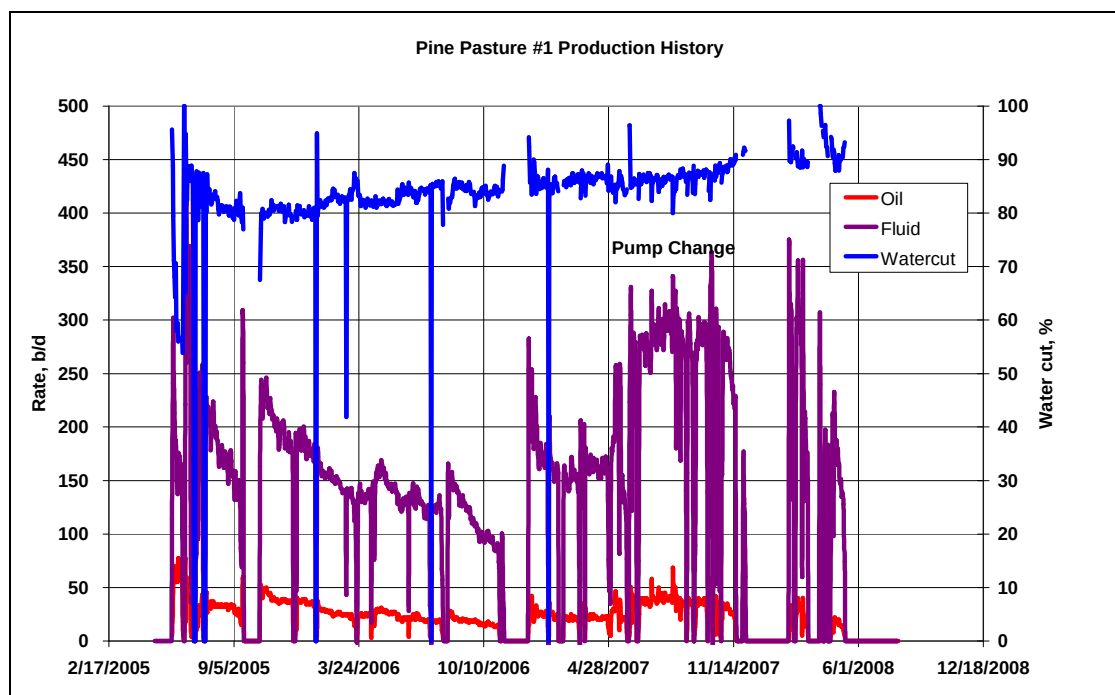


Figure 13 Pine Pasture -1 production history showing high watercut.

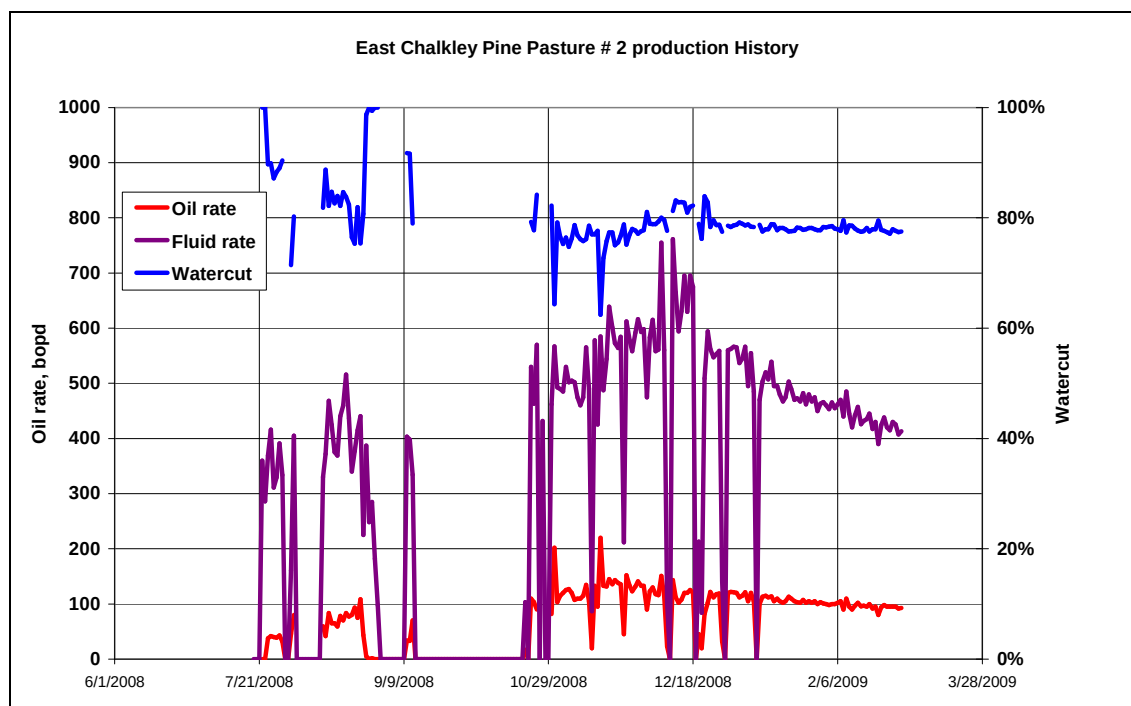


Figure 14 Pine Pasture -2 production history showing high watercut

Consistent with log interpretations (Section 2.3 Volumetric Estimation) both wells show initial stabilized high watercut close to 80%. The low initial liquid production rate (250 bfpd) in Pine Pasture -1 is related to mechanical problems. Reportedly the company that drilled the

well had no rights to the interval and casing was set and cemented across the interval. The W2 sand was later completed by perforating through 2 7/8 inch tubing using 2 1/8 inch guns. The sub-optimal performance of the well was expected due to well completion design and limitations of the perforation technique employed.

The increased production offtake in June 2007 was due to a pump replacement. The well was shut-in in December 2007 for unitisation. Production commenced again in February 2008 but was shut in again during Pine Pasture -2 drilling. Target is planning to earn a 25% working interest in Pine Pasture -1 via the drilling of a salt water disposal well. Target will carry Cinco by paying 40% of the well cost. It is understood from Target that these funds will now be utilized to workover the Pine Pasture -1 well. It is expected that Pine Pasture -1 will resume production in June 09.

Pine Pasture -2 was drilled in June 2008 and put on an extended production test in July 2008. In September and October 2008, hurricanes Gustav and Ike disrupted production operations. A pump change out scheduled for January 2009 has been delayed in relation to the operator's attention on a corporate merger with a third party.

2.5.2 Oil Production Forecasting

RISC has prepared East Chalkley oil production forecasts for three development scenarios:-

- Development Scenario – 1: targets the developed plus undeveloped reserves adjacent to the existing Pine Pasture wells (2P and 3P reserves cases)
- Development Scenario – 2: targets the undeveloped P50 resources
- Development Scenario – 3: targets the undeveloped P10 resources.

2.5.2.1 Developed plus Undeveloped Reserves (Development Scenario – 1)

This scenario addresses the current development plan involving two updip new production wells, and a water injector/disposal well within the gas cap area.

Both 2P and 3P production forecasts include two components:

1. Developed ultimate recovery based on Pine Pasture -1 and -2 performance; and
2. Undeveloped reserves based on the planned two well (Pine Pasture -3 and -4) drilling program during 3rd and 4th quarter of 2009 and drilling of an up dip water injector during the 1st quarter of 2010.

Based on the decline analysis, the technical ultimate recovery (without economic cut off) for Pine Pasture -1 is estimated between 45 Mstb (2P) and 60 Mstb (3P) (Figures 15 and 16).

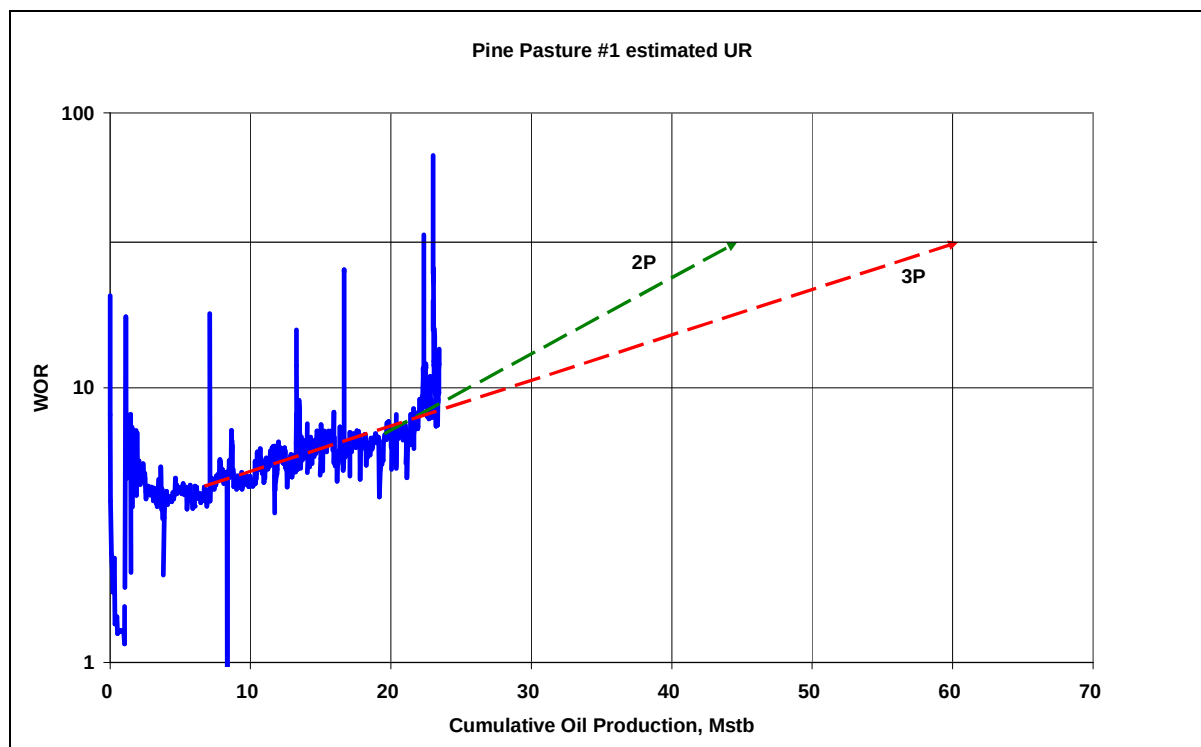


Figure 15 Pine Pasture -1 watercut extrapolation

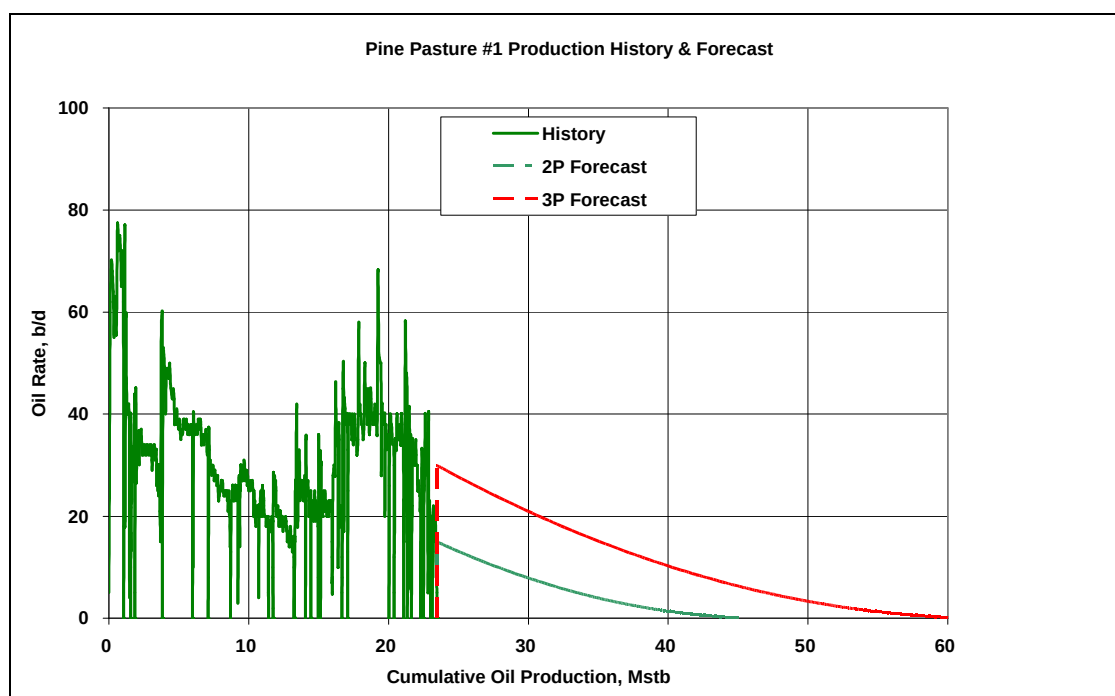


Figure 16 Pine Pasture-1 decline forecast

The watercut at Pine Pasture -2 has stabilised close to 80% while fluid (and consequently oil)

production decline has been observed since December 2008 (Figure 17). Reportedly the decline is believed to be due to pump inefficiency (the pump was at 70% of its life in December 2008). A new pump is expected to be installed in June 2009 and the well is expected to reach 125 bopd (likely) to 150 bopd (high case).

The technical ultimate recovery for the Pine Pasture -2 well is estimated at 110 Mstb (Do Nothing case, i.e. no pump replacement), 195 Mstb (2P) and 325 Mstb (3P), Figure 17.

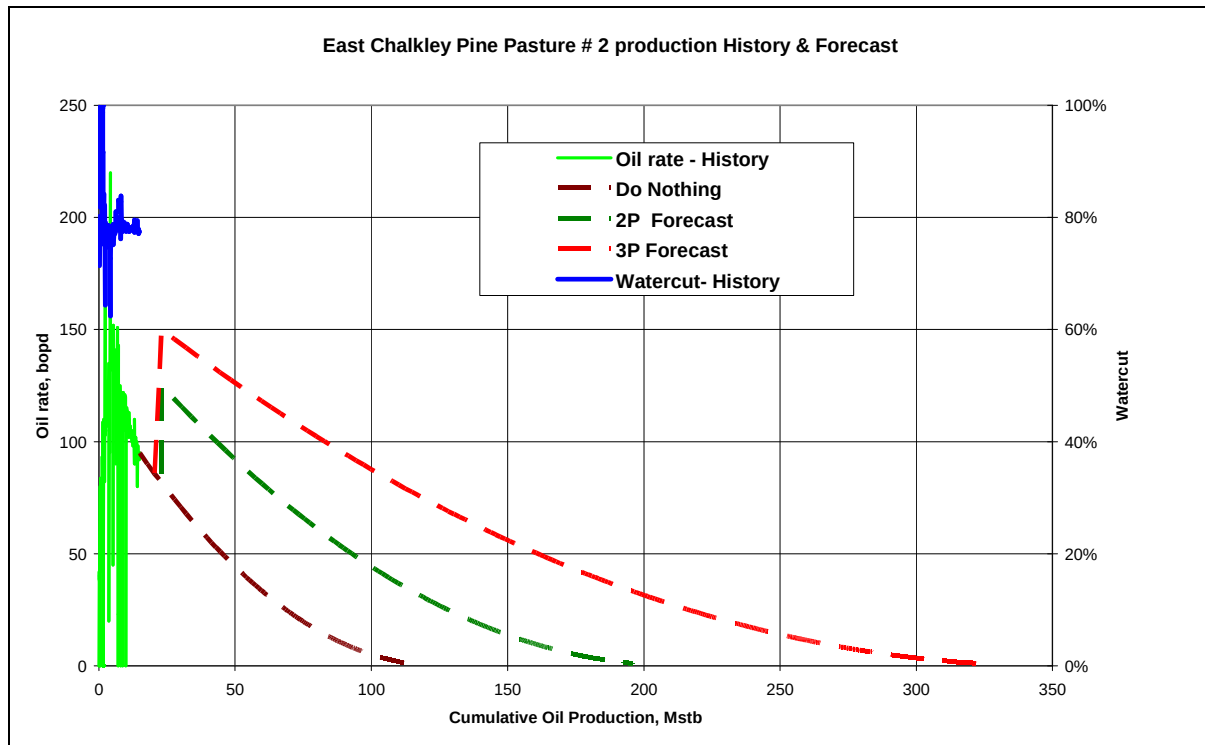


Figure 17 Pine Pasture -2 decline forecast

Production forecasts for the planned two-well drilling program is based on Pine Pasture -2 performance analogy but accounting for the fact that the wells will be drilled in up-dip locations. The two-well average ultimate recovery per well is estimated between 250 Mstb (2P) and 450 Mstb (3P) with initial rates between 200 bopd (most likely) and 300 bopd (high) (Figure 18). The estimation of higher rates and reserves are based on expectation that lower water saturations would be encountered at updip locations.

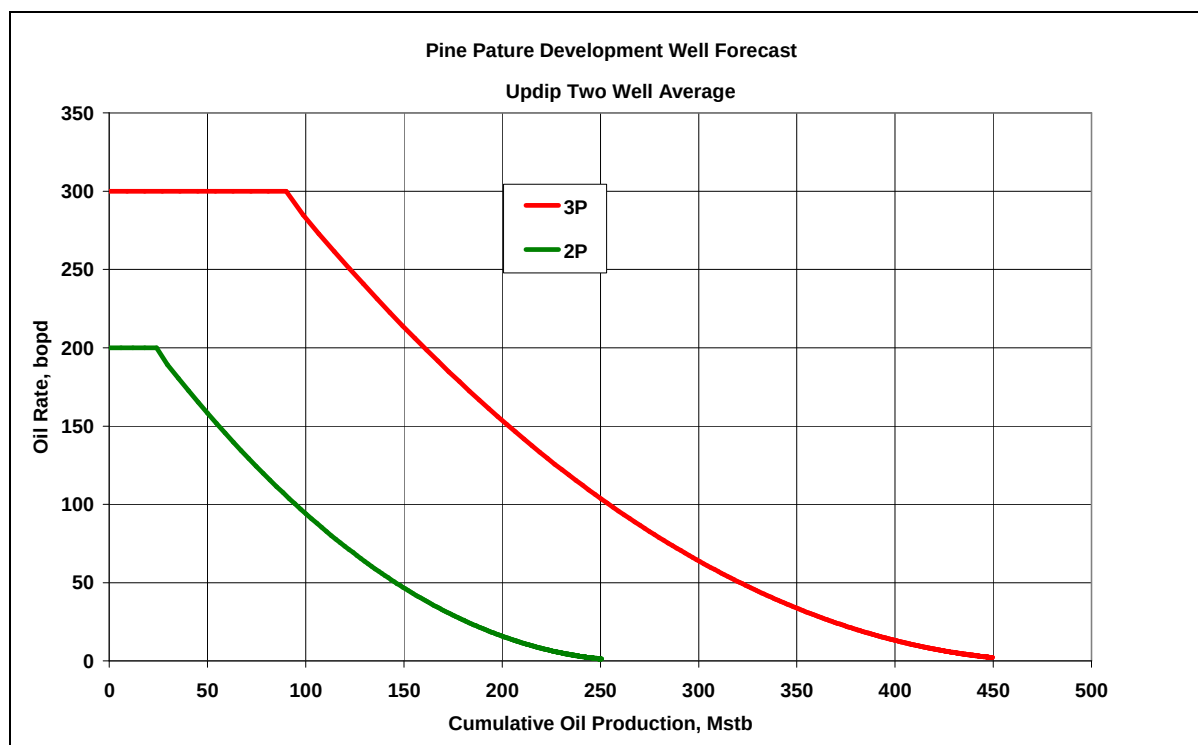


Figure 18 Pine Pasture -3 and -4 average forecast range

The combined developed and undeveloped forecast is presented in Figures 19 – 21.

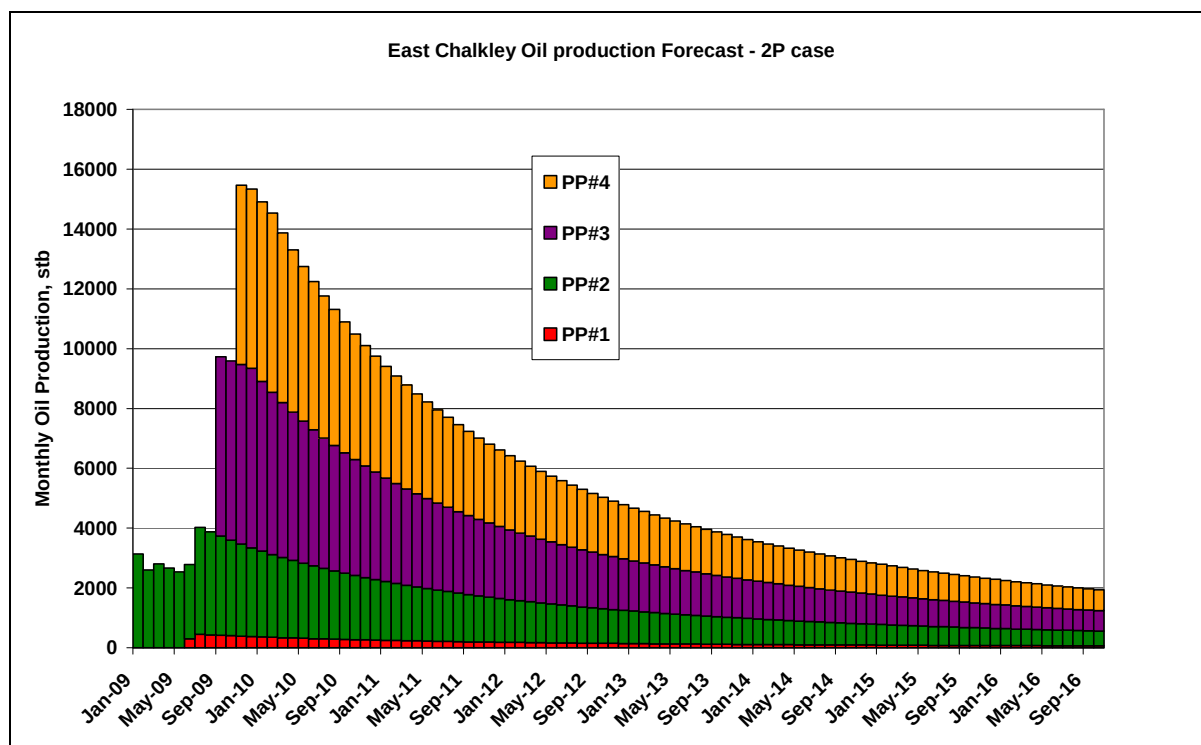


Figure 19 East Chalkley production forecast – 2P case

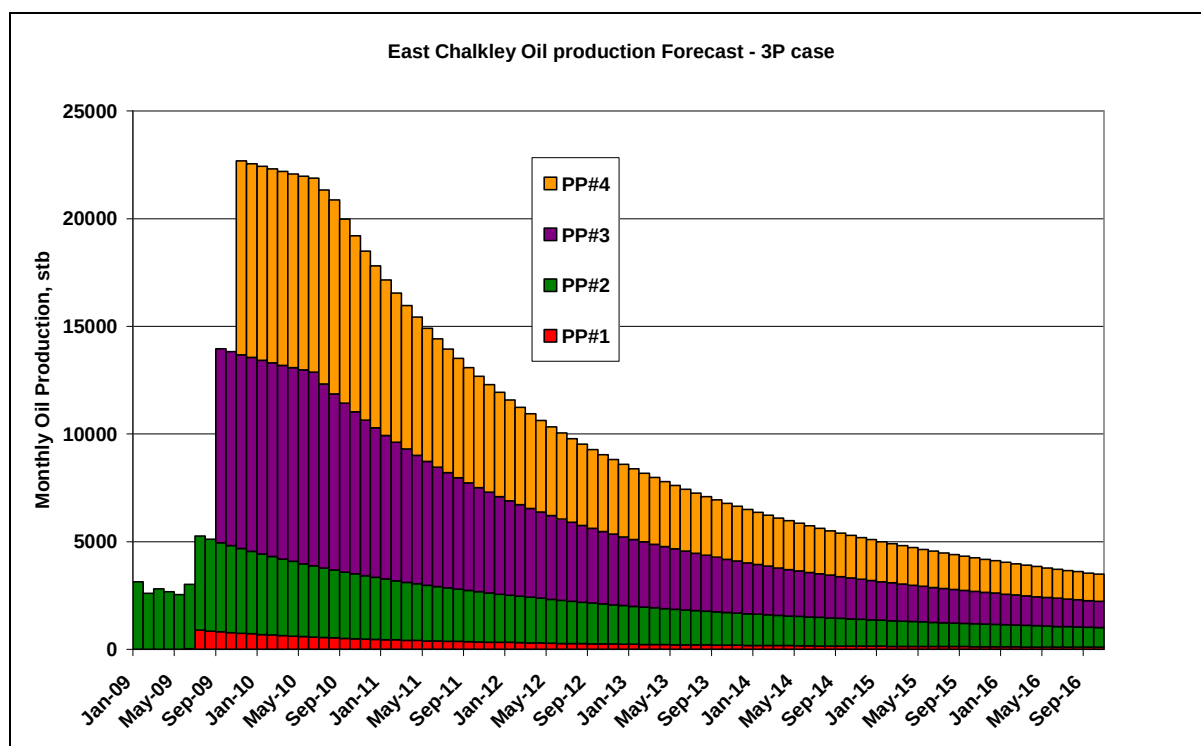


Figure 20 East Chalkley production forecast – 3P case

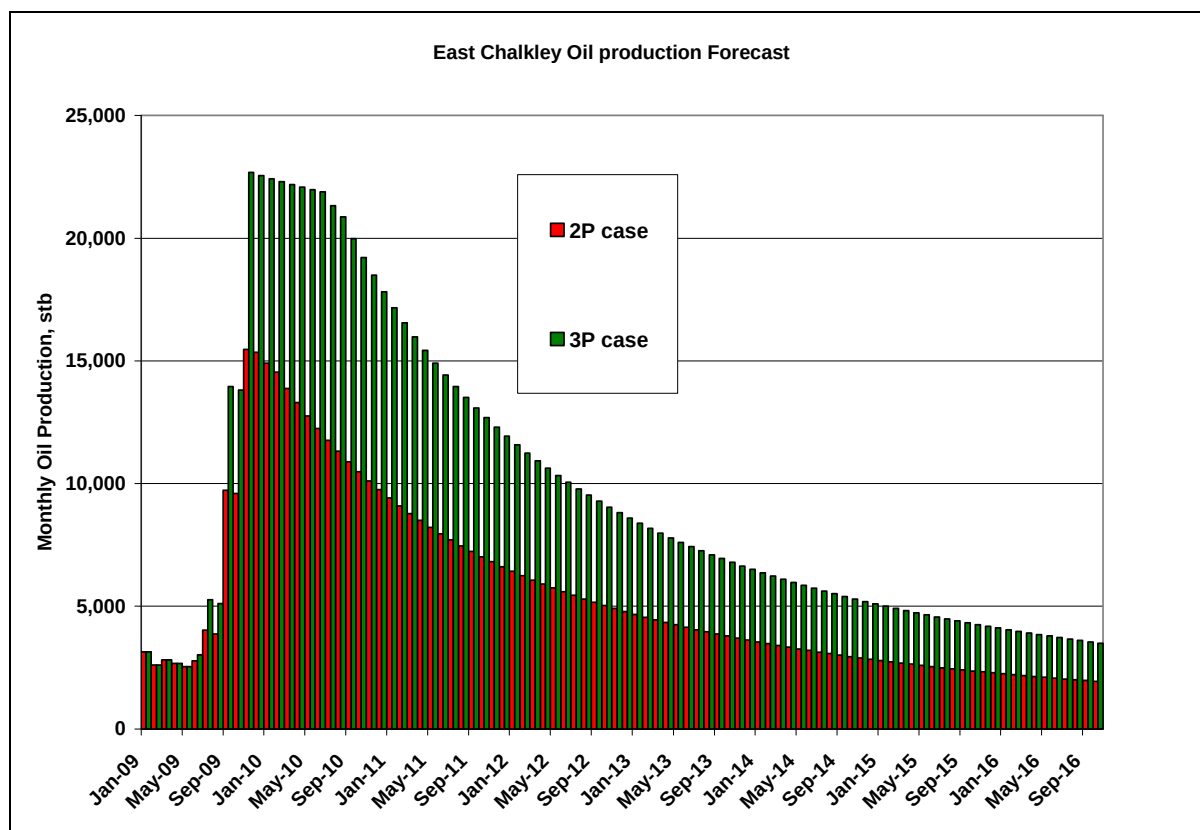


Figure 21 Comparison of 2P and 3P production forecasts

Based on economic runs (discussion in Economic section) 2P and 3P reserves at 1st January 2009 for Development Scenario 1 are estimated at 562 Mstb and 1055 Mstb respectively (100% interest).

Development Scenario 1 volumes are summarised below.

East Chalkley Field					
		Estimated Technical Ultimate Recovery		Reserves (Jan 1 2009)*	
	Cumulative Prod (Dec 31 2008)	2P	3P	2P	3P
Well	Mstb	Mstb	Mstb	Mstb	Mstb
Pine Pasture-1	23.3	45	60		
Pine Pasture-2	8.9	195	325		
Pine Pasture-3	0.0	250	450		
Pine Pasture-4	0.0	250	450		
Total	32.2	740	1285	562	1055

* Based on economic cut off

Table 2 Developed and Undeveloped reserves summary

2.5.2.2 Contingent Resources

A probabilistic method has been utilized to estimate the W2 sand oil in place and ultimate recovery (Section 2.3 Volumetric Estimation). Two methods have been used to estimate oil recovery factor:

1. Displacement and sweep efficiency; and
2. Empirical correlation

The recovery factor will be lower in the invaded zone compared to the initial reservoir conditions. A range of displacement efficiencies has been calculated using the estimated range of current oil saturations and residual oil saturation estimated at 20%. The volumetric sweep efficiency is estimated to range between 49% and 64% depending on well spacing. Combining these efficiencies results in a range of oil recovery factor from 23% (P90) to 40% (P10) with a P50 value of 30%.

Figure 22 shows the estimated oil recovery factor range as a function of permeability based on Guthrie-Greenberger empirical equation. Based on a Pine Pasture -2 permeability of 113 mD (well test analysis by Expro Group), the recovery factor is estimated at 30% within the range shown in the above table.

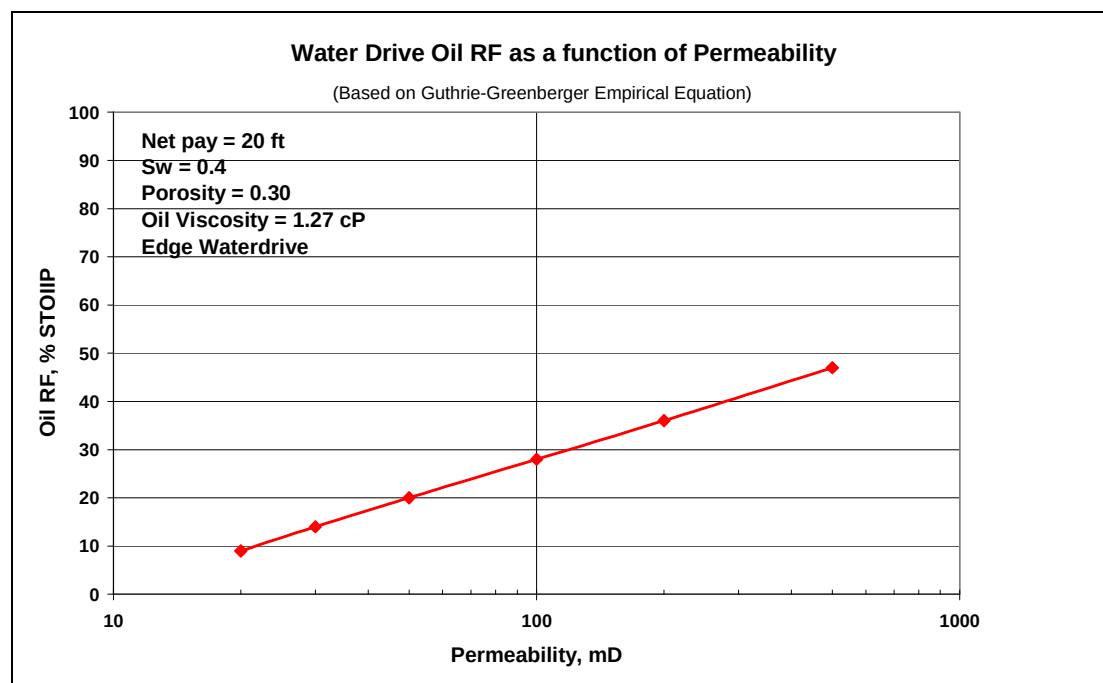


Figure 22 Oil RF as a function of permeability – Guthrie Geenberger Method

Based on the probabilistic method, the technically recoverable oil is estimated between 1.7 MMstb (P50) and 4.0 MMstb (P10) (Table 3).

East Chalkley Oil Pool		Probabilistic Volumes Parameters and Outcomes			
		P90	P50	P10	Mean
Area	sq km	0.92	1.36	2.00	1.42
	acres	227	336	494	351
Net Reservoir Thickness	m	4.3	8.0	15.0	8.9
	ft	14.1	26.2	49.2	29.2
Shape Factor		0.90	0.95	0.95	0.93
Porosity	%	20	24	29	24
Sh	%	37	45	60	46
FVF		1.37	1.20	1.05	1.20
OIP	mmstb	2.6	5.7	12.9	6.8
RF		0.23	0.30	0.40	0.31
Technically Recoverable Oil	mmstb	0.7	1.7	4.0	2.1

Table 3 Probabilistic Volume Estimates

Two development scenarios have been considered addressing the balance of the P50 and P10 technically recoverable remaining resources that are not categorised as reserves (Table 4). Horizontal well development is assumed both for P50 and P10 cases. Based on typical worldwide performance, it is assumed that on average a horizontal well would have twice the rate and recovery compared to a vertical well. In both development scenarios well failures (dry holes) are included.

Figure 23 shows a conceptual forecast for the P50 and P10 cases based on the Development Scenarios 2 and 3 discussed above. The development scenarios and associated production profiles are incremental over and above the developed plus undeveloped reserves forecasting.

East Chalkley			
		P50	P10
Estimated Technical Ultimate Recovery, Mstb		1700	4000
Cum production, Mstb		32	32
Reserves at 1 Jan 2009, Mstb (2P & 3P)		562	1055
Remaining Resources, Mstb (Jan 1, 2009)		1106	2913

Table 4 Estimate of Remaining Technically Recoverable Oil

Development Scenario-2 addresses the P50 remaining technically recoverable resources of 1106 Mstb while Development Scenario-3 relates to P10 remaining resources of 2913 Mstb (Tables 5 and 6).

Development scenario - 2: P50 (2C) case		
Remaining Resource, Mstb	1106	Incremental
Oil Recovery, Mstb	500	Well average
Well Initial rate, bopd	300	Well average
Prod Wells	2	Horizontal
Dry hole	1	Horizontal
Injector	1	Horizontal
Total Wells drilled	4	Additional

Table 5 Assumptions for the P50 remaining resource forecasting

Development scenario - 3: P10 (3C) case		
Remaining Resource, Mstb	2913	
Oil Recovery, Mstb	500	Well average
Well Initial rate, bopd	300	Well average
Prod Wells	6	Horizontal
dry holes	2	Horizontal
Injectors	2	Horizontal
Incremental Wells drilled	10	Additional

Table 6 Assumptions for the P10 remaining resource forecasting

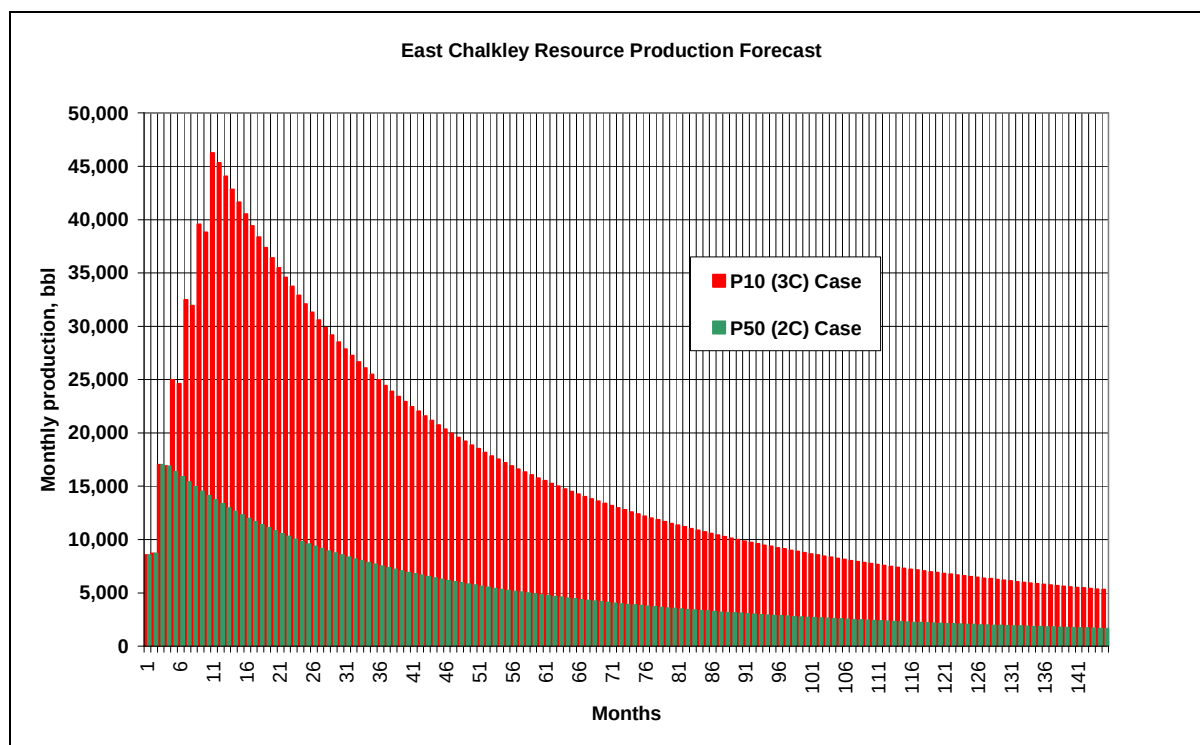


Figure 23 East Chalkley resource forecasting – P50 (2C) and P10 (3C) cases

2.6 Production and Cost Forecasts

2.6.1 Development Scenario 1 – 2P & 3P Reserves

This scenario addresses the existing development plan involving two new production wells in an updip location adjacent to Pine Pastures -2 and a water injector well with salt water disposal facilities drilled within the gas cap area. This is in addition to the two existing producing wells (Pine Pasture -1 and -2). Wells are expected to be drilled for ~ US\$1.2 million, with a similar amount for completion. Capital expenditure for a salt water disposal well is expected to amount to US\$0.5 million. Operating expenditures are assumed to be a fixed US\$10,000 per well per month and water disposal costs of US\$2 per barrel oil occur up until the drilling of the disposal well. The resulting production and cost forecasts are presented in the tables below (note: these tables are inclusive of the production and costs relating to the existing two producing wells, and exclude any economic cutoff). All figures are presented in US\$ real terms (2009) on a 100% project basis.

Scenario: **East Chalkley 2P - 2 + 2 Producers**

	<u>Production</u>	<u>Costs</u>	
	Oil MBBL/yr	Capex US\$MM	Opex US\$MM
2009	74.6	5.52	0.30
2010	145.9	2.32	0.60
2011	94.8		0.60
2012	66.6		0.60
2013	49.4		0.60
2014	38.1		0.60
2015	30.3		0.60
2016	24.7		0.60
2017	20.5		0.60
2018	17.3		0.60
2019	14.8		0.60
2020	12.8		0.60
2021	11.2		0.60
2022	9.8		0.60
2023	8.7		0.60
2024	7.8		0.60
2025	7.0		0.60
2026	6.4		0.60
2027	5.8		0.60
2028	5.3		0.60
2029	4.8		0.60
2030	4.4		0.60
2031	4.1		0.60
2032	3.8		0.60
2033	3.5		0.60
2034	3.3		0.60
2035	3.1		0.60
2036	2.9		0.60
2037	2.7		0.60
2038	2.5		0.60
2039	2.4		0.60
2040	2.2		0.60

Scenario: **East Chalkley 3P - 2 + 2 Producers**

	<u>Production</u>	<u>Costs</u>	
	Oil MBBL/yr	Capex US\$MM	Opex US\$MM
2009	100.2	5.52	0.35
2010	250.5	2.32	0.60
2011	171.9		0.60
2012	119.8		0.60
2013	88.6		0.60
2014	68.4		0.60
2015	54.4		0.60
2016	44.4		0.60
2017	36.9		0.60
2018	31.2		0.60
2019	26.8		0.60
2020	23.2		0.60
2021	20.3		0.60
2022	17.9		0.60
2023	15.9		0.60
2024	14.3		0.60
2025	12.9		0.60
2026	11.6		0.60
2027	10.6		0.60
2028	9.7		0.60
2029	8.9		0.60
2030	8.2		0.60
2031	7.6		0.60
2032	7.0		0.60
2033	6.5		0.60
2034	6.1		0.60
2035	5.7		0.60
2036	5.3		0.60
2037	5.0		0.60
2038	4.7		0.60
2039	4.4		0.60
2040	4.1		0.60

Figure 24 Scenario 1 – Production and Cost Input Forecasts

2.6.2 Development Scenario 2 – Remaining P50 resources

This scenario is incremental to the development Scenario - 1 and involves an additional two producing wells, one dry well, and one water injector. The wells are all horizontal and address the P50 estimate of remaining technically recoverable oil (Table 4). Horizontal wells are expected to cost between 150%-170% of vertical wells. RISC has used 160% for this evaluation. Operating expenditures are US\$10,000 per well per month reducing to 70% over the last 4 years to reflect cost savings as long-term maintenance programs are reduced. Water disposal costs of US\$2 per barrel oil occur up until the drilling of the disposal well. The resulting forecasts are presented in the figure below. (note: these forecasts are incremental to those presented in section 2.6.1). All figures are presented in US\$ Real terms (2009) on a 100% project basis.

Scenario: **East Chalkley 2C - 2 Producers**

	Production	Costs	
	Oil MBBL/yr	Capex US\$MM	Opex US\$MM
2009		6.69	
2010	169.5	5.02	0.27
2011	135.5		0.27
2012	101.9		0.27
2013	79.4		0.27
2014	63.6		0.27
2015	52.1		0.27
2016	43.4		0.27
2017	36.8		0.27
2018	31.5		0.27
2019	27.3		0.27
2020	23.9		0.27
2021	21.1		0.27
2022	18.8		0.27
2023	16.8		0.27
2024	15.1		0.27
2025	13.7		0.27
2026	12.5		0.27
2027	11.4		0.27
2028	10.4		0.27
2029	9.6		0.27
2030	8.9		0.27
2031	8.2		0.27
2032	7.6		0.27
2033	7.1		0.27
2034	6.6		0.27
2035	6.2		0.27
2036	5.8		0.27
2037	5.5		0.27
2038	5.1		0.27
2039	4.8		0.27
2040	4.6		0.27

Figure 25 Scenario 2 – Production and Cost Input Forecast

2.6.3 Development Scenario – 3 – Remaining P10 resources

This scenario is incremental to Development Scenario - 1 and involves an additional six producing wells, two dry wells, and two water injectors. The wells are all horizontal and address the P10 estimate of remaining technically recoverable oil (Table 4). Horizontal wells are expected to cost between 150%-170% of vertical wells. RISC has used 160% for this

evaluation. Operating expenditures are US\$10,000 per well per month reducing to 70% over the last 4 years to reflect cost savings as long-term maintenance programs are reduced. Water disposal costs of US\$2 per barrel oil occur up until the drilling of the disposal well. The resulting forecasts are presented in the figure below. (note: these forecasts are incremental to those presented in section 2.6.1). All figures are presented in US\$ Real terms (2009) on a 100% project basis.

Scenario: **East Chalkley 3C - 6 Producers**

	<u>Production</u>	<u>Costs</u>	
	MBBL/yr	Capex US\$MM	Opex US\$MM
2009		6.69	
2010	335.2	23.40	0.56
2011	457.3		0.96
2012	339.9		0.96
2013	262.6		0.96
2014	209.0		0.96
2015	170.3		0.96
2016	141.4		0.96
2017	119.3		0.96
2018	102.1		0.96
2019	88.3		0.96
2020	77.1		0.96
2021	67.9		0.96
2022	60.3		0.96
2023	53.9		0.96
2024	48.4		0.96
2025	43.8		0.96
2026	39.8		0.96
2027	36.3		0.96
2028	33.2		0.96
2029	30.6		0.96
2030	28.2		0.96
2031	26.1		0.96
2032	24.2		0.96
2033	22.5		0.96
2034	21.0		0.96
2035	19.7		0.96
2036	18.4		0.96
2037	17.3		0.96
2038	2.8		0.96

Figure 26 Scenario 3 – Production and Cost Input Forecast

3 BEYT PROSPECT

3.1 Prospect Definition

The Beyt #1 (Bayou Berard) prospect is located in St Martin Parish Louisiana in a very mature hydrocarbon province (Figure 27). It lies on the flanks of a salt dome from which the adjacent Section 28 Field has produced in excess of 45 MMstb of condensate and 200 Bcf from 170 productive wells.

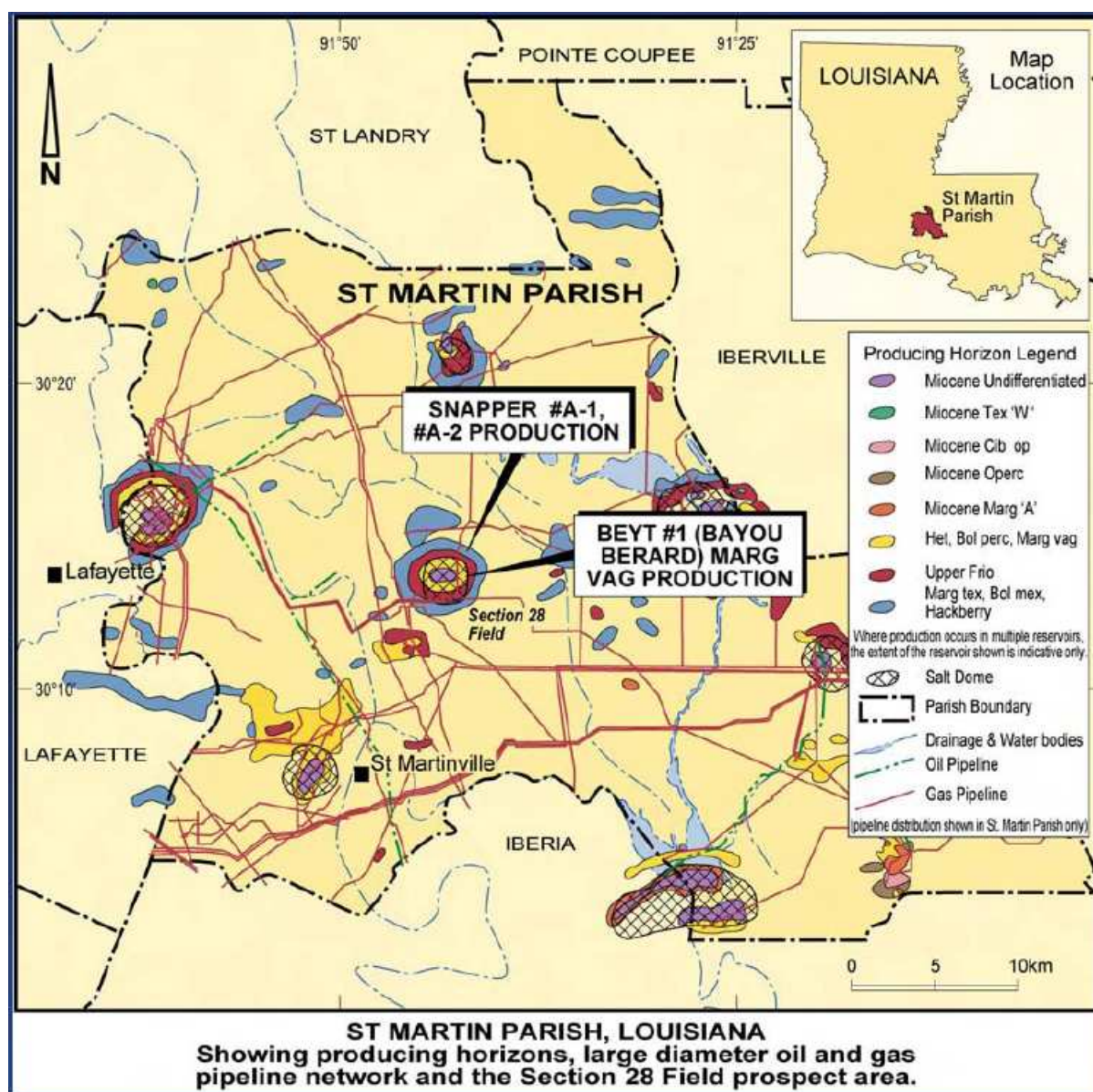


Figure 27 Location of Beyt Prospect

Target has a 15% working interest in an area which covers a single fault sliver in which one

well has been drilled (Figure 28). The reservoir objective sands are in the Marginulina texana (Marg tex) section (Figure 29) which are known producers in the area. At Section 28 Field every fault segment that has tested the first Marg tex sand has proved to be commercially productive in that sand.

The prospective area is an untested fault segment, downthrown to a large down to the north radial fault, and upthrown on the north to a small down to the north radial fault. The 1st Marg tex and 2nd Marg tex sands are proven productive in the adjacent upthrown fault segment. All three sands are proven productive in the adjacent downthrown fault segment.

In 2008, the Beyt#1 well was drilled to test the fault segment in the Marg tex sands but all three of the Marg tex sands were faulted out by a fault that cut the well bore just below the Marg tex marker (Figure 29).

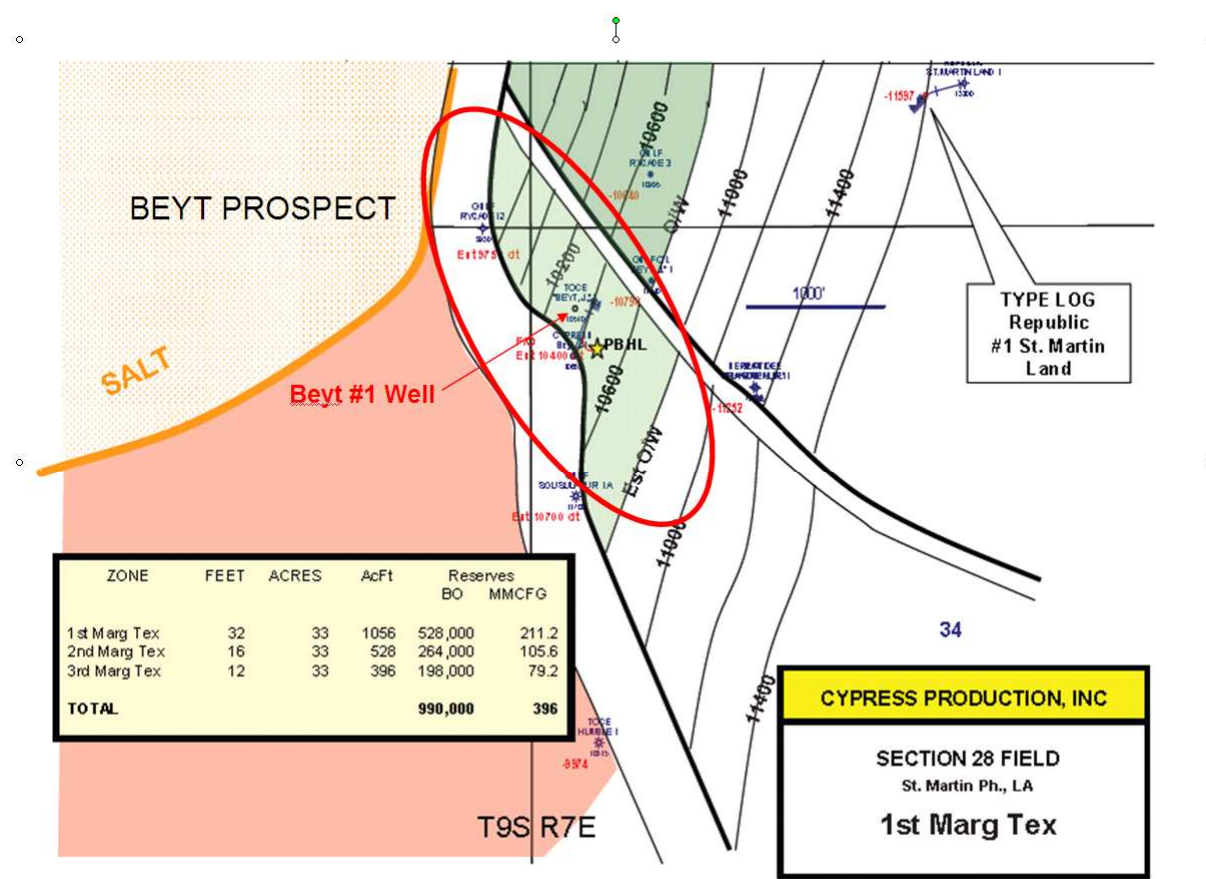


Figure 28 Beyt Prospect Structure Map

The well was completed in a shallower sand. It subsequently loaded with fluid. A proposed sidetrack well will drill out of the existing wellbore to intersect the Marg tex sands within the re-defined fault segment area. It is understood from Target that drilling is expected in the third quarter of 2009.

3.2 Volumes to be Addressed by the Sidetrack Well

RISC has calculated the volumes associated with the prospect based on a single map provided by Target (Figure 28) and a type log (Figure 29).

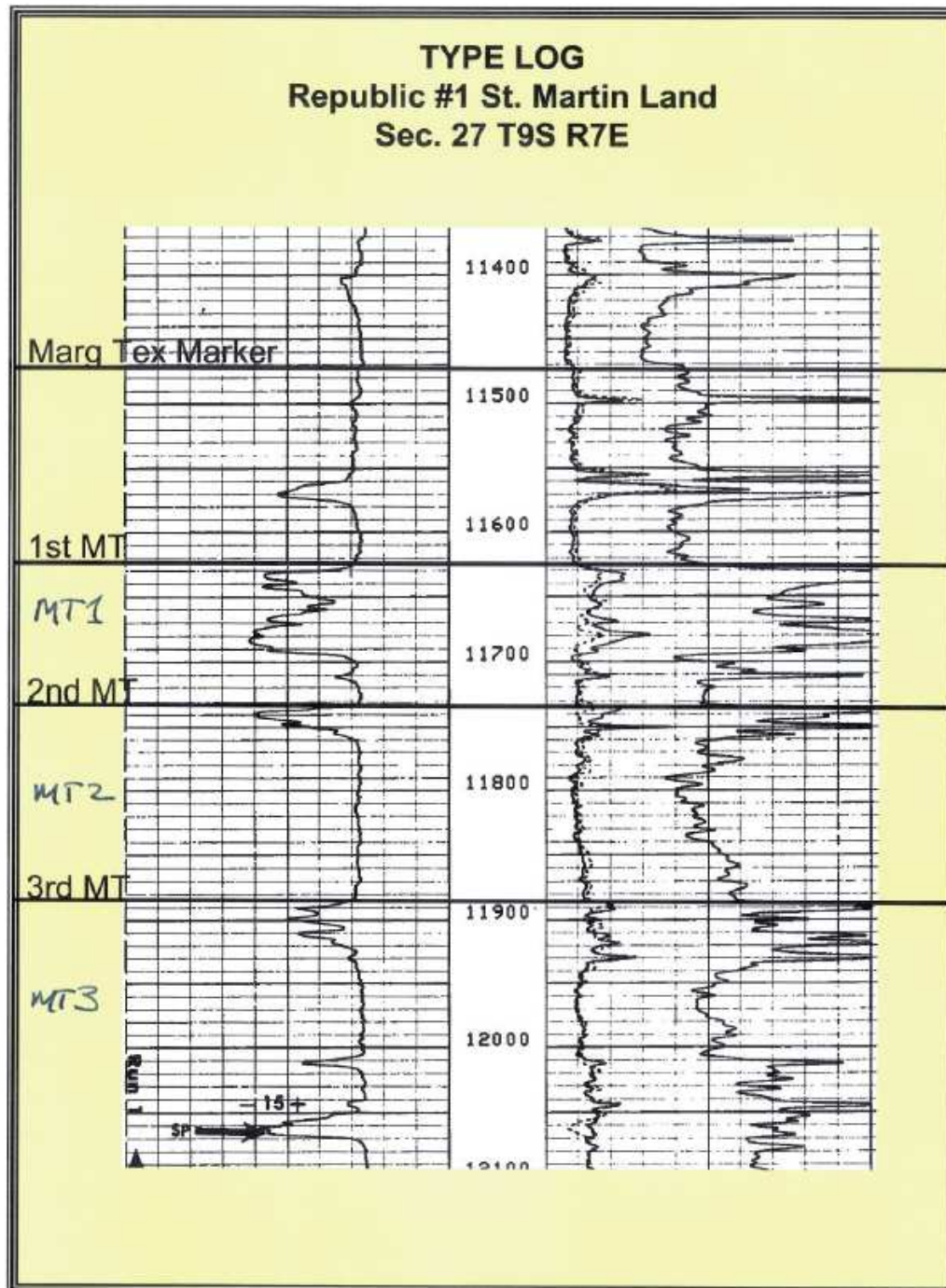


Figure 29 Type Log Showing the Marg tex Sands

RISC has not had access to data to independently confirm the prospect either in terms of the mapped structural configuration or the reliability of estimated oil water contact which is

based on a reported contact in the adjoining fault segment. Net pay thicknesses have been inferred from the type log. Target has provided figures relating to the porosity, water saturation and formation volume factor and these have been used by RISC in a single point deterministic estimation for each sand of the original oil in place (Table 7).

	Sand 1	Sand 2	Sand3
Area sq km	0.134	0.134	0.134
Area Acres	33	33	33
Gross Sand Tk (ft)	40	18	12
Gross Sand Tk (m)	12.2	5.5	3.7
Net Reservoir Thickness (ft)	32	16	12
Net Reservoir Thickness (m)	9.8	4.9	3.7
Shape Factor	1	1	1
Porosity (%)	0.24	0.24	0.24
Sh (%)	0.79	0.79	0.79
FVF	0.71	0.71	0.71
OOIP	1.10	0.55	0.41
Reserve Volume Oil Provided by Target BO	0.528	0.264	0.198
Reserve Volume Gas Provided by Target MMCFG	211	106	79
Backed Out Recovery Factor	0.48	0.48	0.48
Backed out GOR	400	400	400

Table 7 Deterministic Prospective Resources Calculation

Target has supplied to RISC the operator's "reserve" estimation as shown on Figure 28. From these numbers RISC has backed out the recovery factor, which sits at 48%. In the absence of any further supporting information, this is considered to be plausible.

3.3 Geological Chance of Success

RISC has estimated the geological chance of success as follows:

Beyt Sidetrack	
Estimated Geological Chance of Success	
Reservoir Presence and Effectiveness	0.95
Closure/Mapping	0.7
Seal/Containment	0.85
Source and Migration	0.95
Estimated Chance of Success	0.54

Table 8 Geological Chance of Success

Given the proximity of productive sands from the same horizon, the presence and

effectiveness of reservoir and the source and migration of hydrocarbons is seen as low risk. The sealing capability of the faults and the overlying units are also seen as low risk but there is some uncertainty on the fault position and hence fault seal simply related to RISC not having access to sufficient data. The greatest risk is associated with configuration of the trap, given the unexpected intersection of the fault in the Beyt #1 well. The prospect is reportedly covered by 3D seismic data which should provide a reasonable level of control. The resultant chance of success is placed at 54%.

3.4 Beyt Sidetrack

The volumes in Section 3.2 are to be addressed by a single well. RISC has developed a conceptual production forecast based on oil volumes in the upper two sands only. The third sand looks to be poor quality on the type log and as such is not included in the model.

3.5 Reservoir Engineering Analysis – Beyt Prospect

Based on a deterministic resource calculation the ultimate recovery is estimated at 990 Mstb corresponding to an oil recovery factor of 48% which is considered plausible assuming sand permeability over 500 mD under active water drive. This prospect is expected to encounter three sand layers of total 60 ft net pay of which the upper two layers are included in the contingent resources. A productivity index of 5 bbl/d/psi with 300 psi drawdown would result in 1500 bopd initial rate.

For the purposes of economic evaluation a production forecast has been made assuming commingled production from the two zones with 1500 bopd initial rate and recoverable oil of 750 Mstb (Figures 30 & 31).

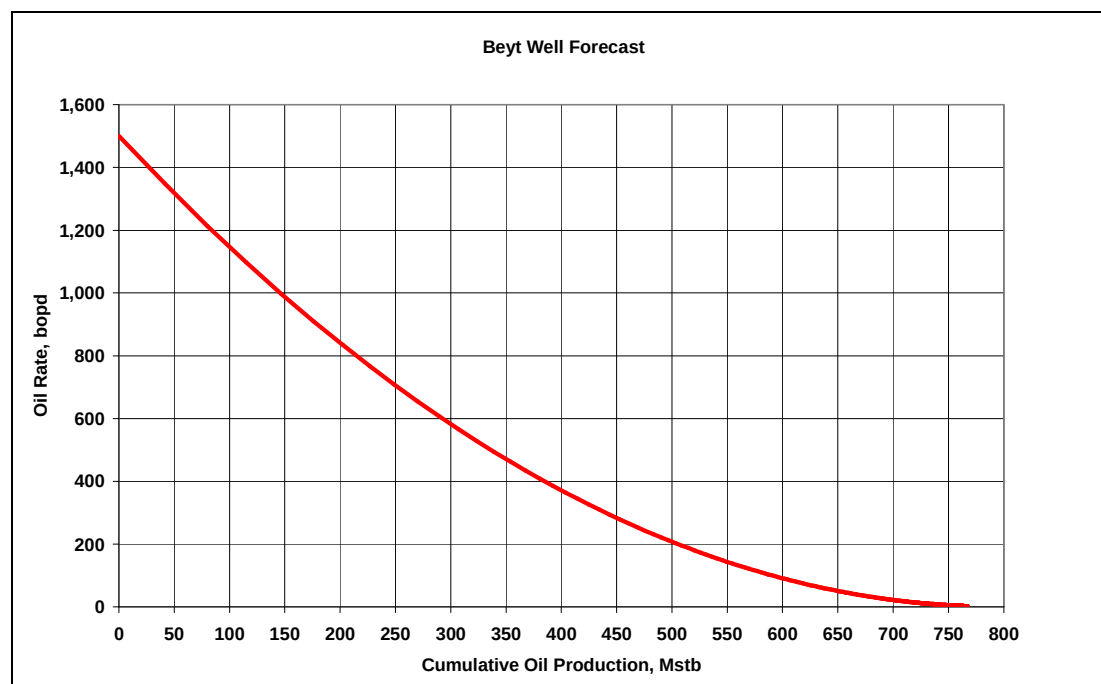


Figure 30 Beyt prospect Rate-Cumulative oil production forecast

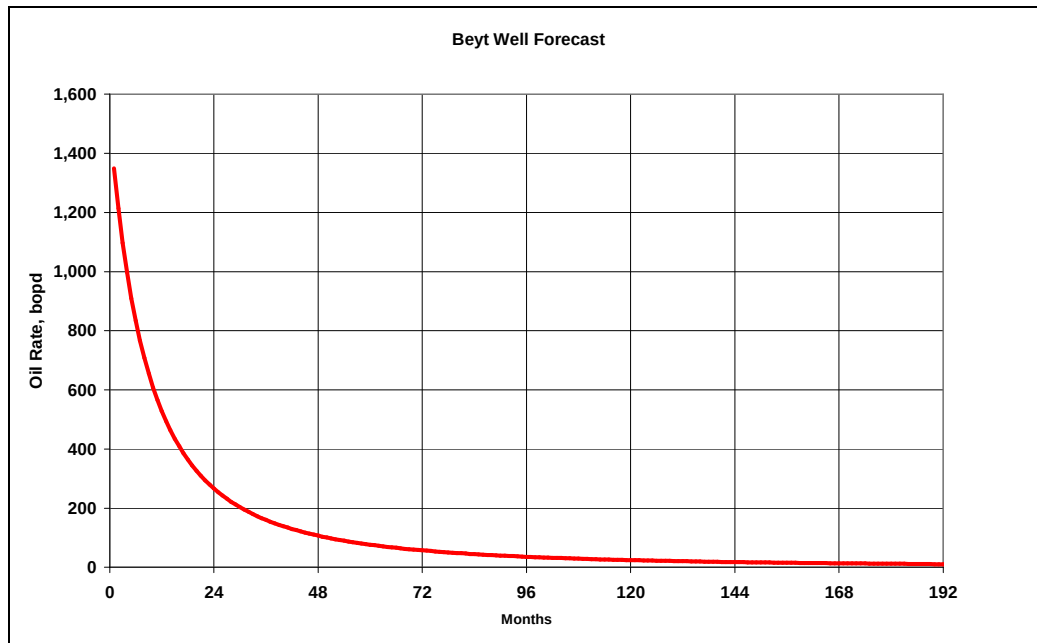


Figure 31 Beyt prospect Rate – Time forecast

3.6 Conceptual Field Development

The Beyt sidetrack is expected to be developed using a single producer at a cost of ~US\$1.7 million. Operating expenses have been assessed at US\$7,000 per month. The following table gives RISC's production and cost forecast for input to the economic model (i.e. no economic cutoff has been applied to the figures below). All figures are presented in US\$ real terms (2009) on a 100% project basis.

Scenario: **Beyt - 1 producing well**

	<u>Production</u>	<u>Costs</u>	
	Oil MBBL/yr	Capex US\$MM	Opex US\$MM
2009			
2010		1.74	
2011	147.1		0.03
2012	233.2		0.08
2013	109.9		0.08
2014	63.9		0.08
2015	41.8		0.08
2016	29.5		0.08
2017	21.9		0.08
2018	16.9		0.08
2019	13.5		0.08
2020	11.0		0.08
2021	9.1		0.08
2022	7.7		0.08
2023	6.6		0.08
2024	5.7		0.08
2025	5.0		0.08
2026	4.4		0.08
2027	3.9		0.08
2028	3.5		0.08
2029	3.1		0.08
2030	2.8		0.08
2031	2.6		0.08
2032	2.3		0.08
2033	2.1		0.08
2034	2.0		0.08
2035	1.8		0.08
2036	1.7		0.08
2037	1.6		0.08
2038	1.4		0.08
2039	1.3		0.08
2040	1.3		0.08

Figure 32 Beyt Sidetrack – Production and Cost Input Forecast

4 ECONOMIC EVALUATION

4.1 Inputs to Economic Evaluation

RISC has conducted economic analysis on the East Chalkley field and the Beyt prospect using a standard discounted cashflow approach under the prevailing fiscal terms and conditions as provided by Grant Thornton. The modelling assumptions are described below, while the production and cost inputs have been provided in Sections 2.5 and 3.6.

4.1.1 Pricing

RISC has used an oil price forecast as shown below (supplied by Grant Thornton). This is the price used throughout the analysis. The numbers below are provided in real terms.

2009	2010	2011	2012	2013	2014 on
52.57	60.31	64.09	64.98	64.97	65

Table 9 Oil Price Forecast (US\$/bbl)

4.1.2 Inflation

The following cost and price inflation factors (as provided by Grant Thornton) have been used in determining net present values.

2009	2010	2011	2012	2013	2014 on
-0.9%	1.7%	2.3%	2.5%	2.5%	2.5%

Table 10 Inflation Forecast

4.1.3 Discount Rate

Discount rates of 10.5% and 11.5% nominal mid-year discount, as requested by Grant Thornton, have been used as the rate for the discounted cashflow NPVs.

4.1.4 Royalties

The Royalties payable by Target Energy in relation to the East Chalkley field are understood to be as follows:

Landholder Royalty	30.0%
Field Broker Royalty	0.5%
Geophys Pursuit	0.5%
Horizon Management	0.5%*
Total East Chalkley Royalties	<u>31.5%</u>

*after payout

Table 11 Schedule of Royalties Payable by Target Energy for East Chalkley

Royalties payable by Target Energy in relation to the Beyt prospect are understood to be limited to a 28% Landholders royalty.

4.1.5 Taxes

The Following taxes are payable in relation to the East Chalkley field and Beyt prospect:

- State Severance Tax - based upon 12.5% of oil revenue
- Corporate Tax - based upon 40% of profits

4.2 Evaluation Results

The following tables show the Net Present Values, at 10.5% and 11.5% nominal discount respectively, for the East Chalkley field and an Expected Monetary Value (“EMV”) at 10.5% and 11.5% nominal discount rate respectively for the Beyt prospect. The results are presented on a pre-(corporate) tax and post-tax basis, and are all shown as Target Energy’s working interest in US\$ millions. The NPVs for the Contingent Resource quantities are unrisks.

Pre Tax Results

	<u>NPV10.5</u>	<u>NPV11.5</u>	<u>Resources (Mstb)</u>		<u>NPV10.5</u>	<u>NPV11.5</u>	<u>Resources (Mstb)</u>
	Proved+Probable (2P)				Proved+Probable+Possible (3P)		
East Chalkley Reserves	1.1	1.0	141		3.9	3.7	264
	Best Estimate (2C)				High Estimate (3C)		
East Chalkley Contingent Resources	2.0	1.8	230		6.9	6.4	686
	<u>EMV10.5</u>	<u>EMV11.5</u>	<u>Resources (Mstb)</u>				
	Best Estimate						
Beyt Prospective Resources	1.4	1.4	112				

Table 12 Results of Economic Evaluation (Pre Corporate Tax, Target Energy Share)

Post Tax Results

	<u>NPV10.5</u>	<u>NPV11.5</u>	<u>Resources (Mstb)</u>		<u>NPV10.5</u>	<u>NPV11.5</u>	<u>Resources (Mstb)</u>
	Proved+Probable (2P)				Proved+Probable+Possible (3P)		
East Chalkley Reserves	0.6	0.6	141		2.3	2.2	264
	Best Estimate (2C)				High Estimate (3C)		
East Chalkley Contingent Resources	1.1	1.0	230		3.9	3.6	686
	<u>EMV10.5</u>	<u>EMV11.5</u>	<u>Resources (Mstb)</u>				
	Best Estimate						
Beyt Prospective Resources	0.8	0.8	112				

Table 13 Results of Economic Evaluation (Post Corporate Tax, Target Energy Share)

5 QUALIFICATIONS AND INDEPENDENCE

5.1 Qualifications

RISC has extensive experience in providing independent technical specialist's advice to the oil and gas industry. All of the RISC staff engaged in this assignment are professionally qualified engineers or geoscientists with over 15 years relevant experience and most have in excess of 20 years. The work has been prepared under the supervision of Joe Salomon, a professional geoscientist with over 25 years industry experience.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Australia and London, UK. We have completed over 1000 assignments in 55 countries for nearly 400 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance
- Exploration / portfolio management
- Field development studies and operations planning
- Reserves assessment and certification, peer reviews
- Gas market advice
- Independent Expert / Expert Witness
- Strategy and corporate planning

5.2 Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to Target, Blaze and Grant Thornton and confirms that there is no conflict of interest with any party involved in the assignment.
- Under the terms of engagement between RISC and Grant Thornton for the provision of this report RISC will receive a fee, based on time expended and our current standard terms and conditions, payable by Target. The payment of this fee is not contingent on the outcome of any proposed transaction between Target and Blaze.

- The Directors and staff of RISC may have from time to time owned shares in Target. No interests are currently directly held by those directors and staff involved in the preparation of this report.
- In the last 2 years, RISC has not undertaken other assignments for Target or Blaze

5.3 Consent to being named in Independent Expert Report

RISC acknowledges that:-

- Grant Thornton proposes to issue an Independent Expert Report in respect of the takeover offer made by Blaze Asset Pty Ltd
- it has previously received a copy of the draft Independent Expert Report for review
- it is named in the Independent Expert Report as the 'Independent Technical Specialist'

On the basis that the Independent Expert Report is consistent in all material respects with the draft Independent Expert Report received, RISC consents to it being named in the Independent Expert Report in the form and context in which it is so named, to the inclusion of its Independent Technical Specialist Report in Appendix G of the Independent Expert Report and to all references to its independent specialist report in the form and context in which they are included.

RISC has not authorised or caused the issue of the Independent Expert Report and takes no responsibility for any part of the Independent Expert Report, other than any references to its name and the Independent Technical Specialist Report as included in Appendix G.

6 LIST OF TERMS

The following list of terms and abbreviations are commonly used in the oil and gas industry and may have been used in this report.

Abbreviation	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1 st quarter
2C	Best Estimate contingent resources or in-place quantities, depending on the context.
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2 nd quarter
2D	Two dimensional
3C	High Estimate contingent resources or in-place quantities, depending on the context.
3D	Three dimensional
4D	Four dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
3Q	3 rd quarter
4Q	4 th quarter
AEO	US Energy Information Administration's Annual Energy Outlook
AFE	Authority for Expenditure
boe	US barrels of oil equivalent
bbl	US barrel
bbl/d	US barrels per day
Bcf	Billion (10 ⁹) cubic feet
Bcm	Billion (10 ⁹) cubic meters
bofd	Barrels of fluid per day
bopd	Barrels of oil per day
BTU	British Thermal Units
bwpd	Barrels of water per day

Abbreviation	Definition
C	Celsius
Capex	Capital expenditure
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO ₂	Carbon dioxide
cp	Centipoise (measure of viscosity)
CPI	Consumer Price Index
Deg	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
E&P	Exploration and Production
Eg	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front end engineering design
FID	Final investment decision
Fm	Formation
FPSO	Floating offshore production and storage unit

Abbreviation	Definition
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (10 ⁹) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
K _h	Horizontal permeability
km ²	Square kilometers
K _{rw}	Relative permeability to water
K _v	Vertical permeability
kPa	Kilo (thousand) pascal (measurement of pressure)
Mstb/d	Thousand US barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
M	Metres
MDT	Modular dynamic formation tester
mD	Millidarcies (permeability)

Abbreviation	Definition
MJ	Mega (10^6) Joules
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousands standard cubic feet
Mstb	Thousand US stock tank barrels
Mpa	Mega (10^6) pascal (measurement of pressure)
Mss	Metres subsea
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
OGIP	Original Gas In Place
OGOC	Original Gas Oil Contact
OOIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
PHIT	Total porosity
PJ	Peta (10^{15}) Joules
POS	Probability of Success

Abbreviation	Definition
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
Psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA	Quality assurance
QC	Quality control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RF	Recovery Factor
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day

Abbreviation	Definition
Reserves	Reserves are those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward according to the definitions of the Society of Petroleum Engineers and World Petroleum Congresses.
RISC	Resource Investment Strategy Consultants (t/a RISC Pty Ltd Authors of this report)
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
Scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
S _g	Gas saturation
S _{gr}	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
Ss	Subsea
stb	Stock tank barrels
STEO	Short term energy outlook
STOIIP	Stock Tank Oil Initially In Place
S _w	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10 ¹²) cubic feet
TJ	Tera (10 ¹²) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US\$	United States dollar
US\$ million	Million United States dollars

Abbreviation	Definition
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

A large, light blue globe with a grid of latitude and longitude lines serves as the background for the central text.

AUSTRALIAN HERITAGE INTERNATIONAL EXPERIENCE GLOBAL VISION

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APPENDIX H

HARPER & ASSOCIATES, INC TECHNICAL SPECIALIST REPORT

HARPER & ASSOCIATES, INC.

CONSULTANTS AT OIL AND GAS TECHNOLOGY

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May 12, 2009

Grant Thornton (WA) Financial Services Pty Ltd
Attn: Mr. Chris Parkinson
Level 1, 10 Kings Park Road
West Perth WA 6005
Australia

Re: Target Energy Limited Evaluation
Section 28 Field, St. Martin Parish, La.
As Of December 31, 2008

Dear Mr. Parkinson:

A reserve evaluation was prepared as of December 31, 2008 on the oil and gas interests of Target Energy Limited ("Target"). Evaluated leases, operated by Cypress Productions, Inc. ("Cypress"), are in the Section 28 field located in St. Martin Parish, Louisiana. The productive sands are: Hackberry A-4 and A-1, Marg Tex Upper 3, Lower 3 and 4, Camerina and the Marg Howei at depths of 9,100 to 10,000 feet. A description of the properties is presented in the attached "Overview".

Target Energy has a 25% working interest in the #A-1 and #A-2 wells. In the Target planned well #A-3, it will earn a 21.75% working interest in the Hackberry sands and a 25% interest in the shallower sands. Beyond the proposed #A-3 well, no further drilling is planned by the operator in these locations.

Both SML #A-1 and #A-2 wells are currently on production. Production from the #A-1 well is presently from the 3rd Marg Tex sand. The #A-2 well production is from the Hackberry A-1 and A-4. Produced gas is sold into the Southern Natural Gas system and associated oil is stored onsite to be periodically trucked to a sales point. Production will continue from the sands until depleted, at which time the zone will be abandoned and the next shallower sand completed for production. This is the operator's standard practice.

Proved ("1P"), Probable ("2P") and Possible ("3P") reserve classes are reported herein. Subcategories are as follows; proved, probable and possible producing and behind-pipe reserve estimate for St. Martin wells A-1 and A-2. Proved and probable undeveloped reserves are estimates for the proposed St. Martin well #A-3 (previously identified as #A-4).

Harper & Associates, Inc. ("H&A") has prepared cash flows and assessed net present values for petroleum production and exploitation properties of Target as set out above. Because no consideration has been given to Target's other assets or liabilities the evaluation is not that of the company.

EVALUATION ECONOMIC ASSUMPTIONS

Price Parameters. Escalated product prices are used in our report. Prices for years 2009, 2010, 2011, 2012, 2013, 2014 and beyond are as follows: Oil US\$ per STB; 52.57, 60.31, 64.09, 64.98, 64.97 and 65.00; Gas US\$ per MMBTU; 4.12, 5.92, 6.62, and 6.75. Gas BTU content is considered and volumes shrunk by 5 percent to adjust for inert gases and fuel.

Cost Parameters. Well operating costs are based on actual expense histories for 2008. Expenses include the G&A fee per well. Producers have costs averaging \$2-4,000 per month per well including transport fees. Production

severance and ad valorem taxes are deducted from the revenue. The remaining #A-3 completion investment is US\$ 207,000 to Target. Expense is escalated for years 2009, 2010, 2011 and 2012 and beyond as follows: (0.9) %, 1.7%, 2.3% and 2.5%. Corporate taxes have not been deducted for the purposes of our assessment. We understand that Grant Thornton Corporate Finance will adjust for corporate taxes as appropriate.

EVALUATION METHODOLOGY

Geological and engineering analysis was conducted of the seven productive sands in the field. Our geologic evaluation defined fault blocks ("FB") or reservoirs; FB A-1, FB A-2 and FB B-3. The reservoir fluids are unsaturated oil, free gas and gas-cap with a small unknown size, associated oil column. In FB A-2, the oil reservoirs have GOR of 900/1 and recovery factors ("RF") under partial water drive (19% RF) and strong water drive (38-40% RF). These drive factors have a 75% confidence level. In FB B-3 the gas reservoirs are 100% volumetric or depletion drive. Gas-cap reservoirs have little support from aquifer and RFs are 65% and 80% of gas-in-place with a 90% confidence level for these factors. In FB A-1 contains gas and gas-cap reservoirs. The gas-cap reservoirs have shown little aquifer support and RFs are 65% to 80% of gas-in-place with 90% confidence level for these factors.

Proved or 1P reserves are based on LKG or LKO levels or known O/W contacts. There were no G/W contacts. The bulk acre-feet to the Lowest Known levels or water contact is the proved part of a reservoir. FB A-1 and B-3 reservoirs have only lowest known fluid levels. FB B-3 is a volumetric or bounded reservoir. FB A-2 has oil reservoirs with LKO levels and gas-caps with O/W contacts. The Possible or 3P reserves contain acre-feet to the structurally lowest well in a FB that has sand but untested. The Probable or 2P reserves are the bulk acre-feet defined by an equal distant level from the proved to possible levels.

Water drive reserves are based on fluid and rock properties. For these reservoirs, oil and gas rate forecast are based on analogy reservoirs with similar reservoir properties. Partial water and gas drive reserves are based on material balance. Historical gas rate performance of analogy reservoirs served as a type forecast for wells A-1 and A-2.

H&A's conclusions of the pre-tax values of Target's net interests in the petroleum production and exploitation projects are set out below:

PRESENTATION OF CONCLUSIONS

Values are at 12/31/08 as indicated Discount rates on a before-tax basis.	Oil + Cond Net STB	Gas Net MCF	Net Present Value of Target's net Interest (US\$ million)	
			Discount Rate	
			11.5%	10.5%
SML (Snapper) #A-1				
Proved + Probable (2) reserves	38,090	286,430	2,318,390	2,413,090
Possible reserves increment	620	116,990	0.226,090	0.251,280
SML (Snapper) #A-2				
Proved + Probable (2) reserves	37,740	73,790	1,735,500	1,786,870
Possible reserves increment	4,310	4,330	0.103,570	0.111,700
SML (Snapper) #A-3				
Proved + Probable (2) reserves	6,000	266,220	1,284,620	1,327,150
Possible reserves increment	3,210	187,920	0.624,760	0.668,830

DATA ACQUISITION. Available information includes well data, geologic logs, oil and gas completion, and pressure and production histories through December 2008. Additional information was obtained on offset wells completed in correlative geologic formations with similar production performance. During our analysis, we were given access to data as was desired and consulted freely with employees of Target and Cypress.

Data used in the preparation of the evaluation was obtained from the records of the operators in area, Target, Cypress Production, Inc., state commissions, public records and consultant studies. Interests were accepted as represented. Authorized personnel can review basic reservoir and geologic data together with engineering work on file.

RESERVE DEFINITIONS

Reserve classifications are in accordance with the rules and guidelines of World Petroleum Congress ("WPC") definitions. Pricing parameters were provided by Target.

Reserve Estimates. The determination of the reserves herein is based on petroleum engineering principles, supported by independent geologic interpretations that involve direct and indirect characterization and estimates of reservoir properties. These properties are derived from data available at the time of preparation. One should not construe that the reserve quantities are exact. As additional data becomes available or well operating conditions change, it is likely that oil or gas recovery factors of a reservoir will be better defined. Consequently, the estimated reserves change with those factors.

DECLARATION

Grant Thornton (WA) Financial Services (Grant Thornton Corporate Finance), in its capacity as Independent Expert to the Directors of Target, has appointed H&A to act as an Independent Technical Specialist. The Technical Specialist is required to advise Grant Thornton Corporate Finance in relation to the valuation of the petroleum production and exploitation properties of Target.

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to H&A are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, H&A has considered and relied upon information obtained from Target as well as information in the public domain. The information provided to H&A has included both hard copy and electronic information supplemented with discussions between H&A and key Target and Cypress staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither H&A nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to these assets. H&A has also not audited the opening balances at the effective date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

EVALUATOR RESUME'

This evaluation was conducted and/or supervised by Mr. Michael Harper, President. He served on the Board of Directors of the Society of Petroleum Engineers for the term 1986-1989. He has practiced professional petroleum engineering for 32 years. Before founding his consulting firm, Harper spent five years involved in oil and gas evaluations, property appraisals and reservoir engineering with the firm of CG&A, Inc. His engineering studies involved United States and International areas. Previously he had been with Placid Oil Company for 10 years. There Harper's experience included five years working as senior reserve, production and reservoir engineer at the Placid headquarters in Dallas, Texas. Fields studied were inland, wetlands and offshore in respective states of Alabama, Colorado, Florida, Louisiana, Mississippi, New Mexico, Oklahoma, Texas, Utah and Wyoming. Overseas evaluations were oil structures in the North and the Mediterranean Seas. His five years of experience, onshore and offshore, was spent in field supervision and the engineering design of workovers and drilling wells.

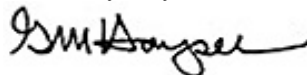
Harper's education was at Louisiana State University where he received Bachelor and Master of Science Degrees in Petroleum Engineering. Academic honor societies are Pi Epsilon Tau, Tau Beta Pi and Phi Kappa Phi. Professional engineering registrations are in Texas and Louisiana. Memberships in professional associations at the local, state and national levels are the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the Society of Petroleum Well Log Analysts and the Society of Petroleum Evaluation Engineers. Evaluation courses and seminars include geologic description of oil and gas reservoirs, gas well performance and appraisal, computer applications and 1979-2003 Symposiums on Hydrocarbon Economics and Evaluation. He was appointed the secretary of the Fort Worth Petroleum Club for 1996-98.

EVALUATOR QUALIFICATIONS

I, Michael Harper, a consulting Professional Petroleum Engineer, with an office at 6815 Manhattan Blvd. Ste 201, Fort Worth, Texas 76120, hereby certify:

1. That I am President of Harper & Associates, Inc. and I did prepare this reserve report with corresponding economic values of the interests of certain Target leases in Louisiana.
2. That I graduated in Petroleum Engineering in 1966 with a Bachelor of Science degree and Master of Science degree in 1968 from Louisiana State University at Baton Rouge, Louisiana. Academic honor societies are Pi Epsilon Tau, Tau Beta Pi and Phi Kappa Phi.
3. That I am a registered Professional Engineer in Louisiana #13687 and Texas #34481. That I am a certified earth scientist - SIPEs #2861. That I have thirty-two years experience in drilling, production, reservoir studies and evaluations of Canada, Mediterranean, North Sea and United States oil and gas fields.
4. That Memberships held in professional associations: the Society of Petroleum Engineers (#070557); the American Association of Petroleum Geologists; the Society of Petroleum Well Log Analysts; the Society of Petroleum Evaluation Engineers; and the American Association of Drilling Engineers. He served on the National Board of Directors of the Society of Petroleum Engineers for the term 1986-1989. He served as National Director of the Society of Petroleum Evaluation Engineers for the term 2000-2003.
5. That Principals or its employees in the firm have no direct or indirect interests, nor do they expect to receive any direct or indirect interest in the oil and gas properties reviewed nor do they have any direct or indirect interest in the properties of Target.
6. That I am an independent engineer contracted to review certain leases of Target in Texas.
7. That I have no direct or indirect interests in the actual outcome from the reports that have been prepared for Target.
8. That a field inspection of the properties was not made; such an inspection was deemed unnecessary in view of the available data, our experience in the evaluated field operations and the nature of the properties being reviewed.

Yours very truly,



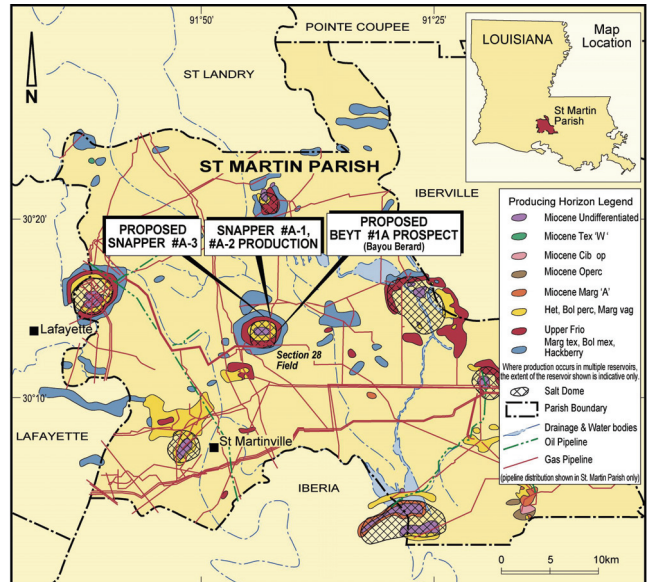
G. Michael Harper, President
HARPER & ASSOCIATES, INC.

Overview of Projects

SML(Snapper) #A-1, #A-2, #A-3 wells, St Martin Parish, Louisiana

Target Energy Limited (Target) 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 15 miles east of the city of Lafayette in St Martin Parish, Louisiana.

In 1999 the Section 28 field area was covered by the Catahoula 3D seismic survey, 34 square miles of which was later purchased and reprocessed by Cypress. The reprocessing and subsequent remapping of the data has revealed a number of prospective drilling targets in which Target is involved.



SML (Snapper) #A-1

Drilling at SML #A-1 commenced on 14 March 2007, reaching a measured depth of 9,852 feet on 23 April 2007. The well was designed to test multiple targets in a fault block on the north east side of the Section 28 salt dome. Log analysis indicated a number of pay zones in the well and SML #A-1 was completed as a producing well. Pay zones were noted in the 3rd and 4th Marg Tex, Marg Howei and Camerina Sands

The well was brought online on 2 August 2007 and commenced production at a rate of 1.04 MMCFGD with 3 - 5 BOPD.

SML (Snapper) #A-2

The SML #A-2 well was designed to test multiple targets in a fault block separate and adjacent to the fault block tested by the SML #A-1 well. Drilling commenced on 28 October 2007 and the well was drilled to a total depth at 10,100 feet. Log analysis revealed multiple pay zones including the Hackberry A1, A4 and A5 sands, the Marg Howei, 1st Camerina and the 3rd and 4th Marg Tex sands.

The SML #A-2 well commenced production on 9 February 2008.

SML (Snapper) #A-3

The SML #A-3 well is located on the north-eastern flank of the Section 28 salt-dome. Drilling operations are expected to commence in late May 2009.

The proposed well is designed to test the SML #A-1 fault segment for gas pay in the Hackberry A-1 and A-4 Sands. The bottom-hole location of the well is programmed to be at a measured depth of 10,750 feet, approximately 1000 feet north-north-east of the #A-1 producing well. The well will target multiple zones, including the Hackberry A-1 and A-2 sands and 1st and 2nd Marg Tex sands.

The well is also expected to intersect Marg Howei, 1st Camerina, 3rd and 4th Marg Tex, sands that have been produced or logged as productive in the updip SML #A-1. Hackberry A-1 and A-4 sands will also be penetrated with the A-4 sand having tested commercial down dip in the Pan AM Well #3.

