

**NOTICE OF ANNUAL GENERAL MEETING AND  
EXPLANATORY MEMORANDUM**

**For the Annual General Meeting to be held on  
Friday, 19 November 2010 at 11.00am (WST) at Level 2, 46  
Ord Street, West Perth, Western Australia**

*As this is an important document, please read it carefully.*

*If you are unable to attend the Annual General Meeting, please complete  
the proxy form enclosed and return it in accordance with the  
instructions set out on that form.*

# TARGET ENERGY LIMITED

ABN 73 119 160 360

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Target Energy Limited ("Target Energy" or the "Company") will be held on Friday, 19 November 2010 commencing at 11am at Level 2, 46 Ord Street, West Perth, Western Australia 6005. The enclosed Explanatory Memorandum accompanies and forms part of this Notice of Meeting.

### AGENDA

#### ORDINARY BUSINESS

##### Financial Statements and Reports

To receive and consider the Annual Financial Report of the Company, together with the Directors' and Auditor's Reports for the year ended 30 June 2010.

**To consider and, if thought fit, pass the following resolutions as ordinary resolutions.**

##### Resolution 1: Remuneration Report

To consider and if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

"The section of the report of the Directors for the financial year ended 30 June 2010 dealing with the remuneration of the Company's Directors, Company Secretary and Senior Executives be adopted."

- Although this resolution is advisory only, this resolution shall be determined as if it were an ordinary resolution.
- This resolution does not bind the Directors or the Company.

##### Resolution 2: Re-election of a Director (By Rotation)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr Michael Martin, being a director of the Company retires by rotation in accordance with clause 11.3 of the Constitution and, being eligible, is hereby re-elected as a director of the Company."*

**Short Explanation:** Clause 11.3 of the Constitution requires that at the Annual General Meeting, one-third of the Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

##### Resolution 3: Re-election of a Director (New Appointment)

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

*"That Mr Christopher Rowe, having been appointed as a director since the last General Meeting of the Company, in accordance with the Constitution of the Company and having consented to act, is hereby re-elected as a director."*

**Short Explanation:** The Constitution requires that any director appointed by the Directors holds office only until the next following annual general meeting and is then eligible for re-election.

##### Resolution 4: Ratify previous issue of 550,000 Convertible Notes

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purpose of Listing Rules 7.2 and 7.4 of ASX Ltd and for all other purposes, the Company:*

- ratifies the allotment and issue on or about 7 October 2010 of a total of 550,000 Convertible Notes;*
- approves the issue of up to 11,000,000 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share on or before the date which is two years from the date of issue of the Convertible Notes in substitution for those Convertible Notes if the loan represented by the Convertible Notes is repaid by the Company prior to that 2 year anniversary; and,*
- approves the issue of up to 11,000,000 fully paid ordinary shares in the Company up to the date which is two years from the date of issue of the Convertible Notes based on the maximum number of Convertible Notes which may be converted by that date*

*further details of which are set out in the Explanatory Memorandum."*

*The Company will disregard any votes cast on this resolution by a person who participated in the issue and an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

**Short Explanation:** The Company may issue no more than that number of securities that equate to 15% of its issued capital in any year without Shareholder approval.

**Resolution 5: Participation of Christopher Rowe in Convertible Note issue**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*“That for the purposes of Listing Rule 10.11 of the Listing Rules of ASX Ltd and Section 208(1) of the Corporations Act and for all other purposes, approval is given for Christopher Rowe (or his nominee):*

- (a) to participate in the issue of the Convertible Notes and receive all the benefits and entitlements which accrue to the holder of Convertible Notes by subscribing for up to 60,000 Convertible Notes;*
- (b) approves the issue of up to 1,200,000 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share on or before the date which is 2 years from the date of issue of these Convertible Notes in substitution for those Convertible Notes if the loan represented by the Convertible Notes is repaid by the Company prior to that 2 year anniversary; and*
- (c) to be issued with up to 1,200,000 fully paid ordinary shares in the Company upon conversion of those Convertible Notes*

*on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

*The Company will disregard any votes cast on this resolution by Christopher Rowe (or his nominee) or any of his associates. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

**Short Explanation:** The Company may not provide a financial benefit to related party or issue securities to a director, except in limited circumstances, without Shareholder approval.

**Resolution 6: Participation of Laurence Roe in Convertible Note issue**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*“That for the purposes of Listing Rule 10.11 of the Listing Rules of ASX Ltd and Section 208(1) of the Corporations Act and for all other purposes, approval is given for Laurence Roe (or his nominee):*

- (a) to participate in the issue of the Convertible Notes and receive all the benefits and entitlements which accrue to the holder of Convertible Notes by subscribing for up to 40,000 Convertible Notes;*
- (b) approves the issue of up to 800,000 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share on or before the date which is 2 years from the date of issue of these Convertible Notes in substitution for those Convertible Notes if the loan represented by the Convertible Notes is repaid by the Company prior to that 2 year anniversary; and*
- (c) to be issued with up to 800,000 fully paid ordinary shares in the Company upon conversion of those Convertible Notes*

*on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

*The Company will disregard any votes cast on this resolution by Laurence Roe (or his nominee) or any of his associates. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

**Short Explanation:** The Company may not provide a financial benefit to related party or issue securities to a director, except in limited circumstances, without Shareholder approval.

## PROXIES

In accordance with section 249L of the Corporations Act 2001, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company;
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purposes of receipt of proxy appointments:

Principal Place of Business: Level 2, 46 Ord Street  
West Perth, Western Australia 6005  
Facsimile Number: (61 8) 9476 9099  
Postal Address: P O Box 140  
West Perth, Western Australia 6872

Each Shareholder entitled to vote at the Annual General Meeting has the right to appoint a proxy to attend and vote at the meeting on his behalf. The Shareholders may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the meeting (proxy forms can be lodged by facsimile).

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that ordinary shares held as at 5pm on 17 November 2010 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD



Rowan Caren  
Company Secretary  
6 October 2010

# TARGET ENERGY LIMITED

ABN 73 119 160 360

## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders of Target Energy Limited (“**Target**” or the “**Company**”) in connection with the business to be conducted at the Company’s Annual General Meeting to be held on 19 November 2010 at 11am at Level 2, 46 Ord Street, West Perth, Western Australia. This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

### 2. FINANCIAL STATEMENTS AND REPORTS

The Annual Financial Report, Directors’ Report and Auditor’s Report for the Company for the year ended 30 June 2010 will be laid before the meeting. The Annual Report is available for download from the Company’s website at [www.targetenergy.com.au](http://www.targetenergy.com.au).

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about these reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor’s report.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company’s auditor may be made about:

- the preparation and content of the Auditor’s Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

To assist the Board and the auditor of the Company in responding to your questions please submit any questions you may have using the enclosed Question Form at Annexure A of the Explanatory Memorandum so that it is received no later than 5.00 pm (WST) on Friday 12 November 2010.

As required under section 250PA of the Corporations Act, at the Annual General Meeting, the Company will distribute a list setting out the questions directed to the auditor received in writing, being questions which the auditor considers relevant to the content of the Auditor’s Report or the conduct of the audit of the financial report for the year ended 30 June 2010. The Chairman will allow a reasonable opportunity to respond to the questions set out on this list.

### 3. RESOLUTION 1 – Non-binding Approval of Remuneration Report

The Remuneration Report of the Company for the year ended 30 June 2010 is set out in the Director’s Report contained in the Company’s 2010 Annual Report at pages 22 to 24 and can also be found on the Company’s website at [www.targetenergy.com.au](http://www.targetenergy.com.au).

The Remuneration Report sets out the Company’s remuneration arrangements for the executive and non executive Directors of the Company.

A reasonable opportunity will be given for discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

### 4. RESOLUTION 2 - Re-Election of a Director (By Rotation)

#### 4.1 Background

Resolution 2 seeks approval for the re-election of Mr Mike Martin as a Director.

Clause 11.3 of the Constitution requires that at an Annual General Meeting of the Company one third of the Directors (except the Managing Director or any alternate Director) for the time being shall retire from office. A retiring Director is eligible for re-election.

Mr Mike Martin retires by rotation in accordance with this requirement, is eligible for re-election and puts himself forward for re-election at this Annual General Meeting.

#### 4.2 Directors’ Recommendation

All the Directors (excluding Mr Martin) recommend that Shareholders vote in favour of Resolution 2.

### 5. RESOLUTION 3 – Re-Election of a Director (New Appointment)

#### 5.1 Background

Resolution 3 seeks approval for the re-election of Mr Christopher Rowe as a Director.

Clause 11.12 of the Constitution requires that any Director appointed by the Directors, either as an addition to the existing Directors or to fill a casual vacancy, will hold office only until the next following annual general meeting and is then eligible for re-election.

Chris Rowe graduated from Cambridge University in Economics and Law. Chris practised in the UK and Perth where he consulted to both the oil and gas and hard rock sectors of the resource industry, before becoming the Executive Chairman of Cultus Petroleum NL in 1979 where he served until 1990. During his tenure the company participated in a number of commercial discoveries in Australia, New Zealand and the USA.

Chris is currently Chairman of ASX listed Tangiers Petroleum Ltd and Northern Star Resources Ltd and he is on the advisory committee of the US-based Avalon and Hermosa Oil and Gas Production Partnerships. He is also the Chairman of fund manager Hawkesbridge Private Equity Pty Ltd.

In addition to his resource-related activities Chris Rowe acted as one of the Counsel Assisting the Royal Commission into "W.A. Inc" and has served on the E.P.A of Western Australia as both a member and as Deputy Chairman.

Mr Christopher Rowe retires in accordance with this requirement, is eligible for re-election and puts himself forward for re-election at this Annual General Meeting.

## **5.2 Directors' Recommendation**

All the Directors (excluding Mr Christopher Rowe) recommend that Shareholders vote in favour of Resolution 3.

## **6. RESOLUTION 4 – Ratify Previous Issue of 550,000 Convertible Notes**

### **6.1 Background**

On 30 September 2010, the Company announced to ASX that it intended to issue a total of 550,000 Convertible Notes each with a face value of \$1.00 and convertible into 20 Shares at a conversion price of 5 cents per Share raising gross funds of \$550,000.

Subject to certain exceptions, none of which are relevant here, the Directors are restricted by Listing Rule 7.1 from issuing or agreeing to issue new securities in the Company in any 12 month period, which amount to more than 15% of the Company's ordinary securities on issue without shareholder approval ("**15% Limit**").

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further securities up to the 15% Limit requiring shareholder approval.

The Company wishes to ratify this issue pursuant to Listing Rule 7.4, in order to allow the Company to have the right to place up to a further 15% of its issued capital at any time during the next 12 months.

The number of Shares that may be issued under the Convertible Notes issued represents approximately 7% of the Company's share capital on issue, immediately prior to the issue of the Convertible Notes. This issue did not breach the 15% Limit.

The following information is provided to Shareholders for the purposes of Listing Rule 7.5:

- (a) a total of 550,000 Convertible Notes were issued which may be converted into 11,000,000 Shares;
- (b) the Convertible Notes were issued for \$1 each;
- (c) the Convertible Notes will not be listed and do not entitle the holders to any voting rights. However, Shares issued following conversion of the Notes will be fully paid ordinary shares that rank equally in all respects with existing Shares;
- (d) the Convertible Notes have a term of 2 years with the Company to pay interest to the holders quarterly in arrears at the rate of 12% per annum calculated on the value of the unconverted Convertible Notes. If the Convertible Notes are not converted the Company must repay the total amount of the unconverted Convertible Notes to holders at the expiry of that 2 year period.
- (e) the Company may repay the Convertible Notes prior to the expiry of the 2 year period subject to an early repayment penalty of the lesser of 3 months interest or interest payable for the balance of the two year period. On early repayment the Company will issue, for each Convertible Note repaid, 20 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share which are exercisable up to the date which is two years from the date of issue of the Convertible Notes. These options will be on the terms and conditions specified in (j) below.

- (f) the loan the subject of the Convertible Notes is secured by a charge registered with ASIC over the Company's shareholding in TELA Louisiana Limited, being the wholly owned subsidiary of the Company which holds the interest in the East Chalkley Field;
- (g) the allottees to whom the Convertible Notes were issued are as follows

Thomas Patterson	\$50,000
City of London Group PLC	\$150,000
JG Onshore Trust	\$250,000
Adiolus S De RL	\$100,000
Total	\$550,000

- (h) none of the allottees are related parties of the Company or its associates;
- (i) the funds raised by the issue of the Convertible Notes the subject of Resolution 4 are to be used to fund part of the Company's participation in the drilling of the Pine Pasture #3 well and for working capital; and
- (j) The options entitle the holder to subscribe for fully paid shares in the Company on the following terms and conditions:
- (i) each Option gives the holder the right to subscribe for 1 fully paid ordinary share. To obtain the right given by each Option the holder must exercise those Options in accordance with their terms and conditions;
  - (ii) the Options will expire at 5:00pm (WST) on the date which is two years from the date of issue of the Convertible Notes. Any Option not exercised before the expiry date will automatically lapse on the expiry date;
  - (iii) the amount payable on exercise of the Options is \$0.05 each;
  - (iv) the Options held by the holder may be exercised in whole or in part, and if exercised in part, multiples of 5,000 must be exercised on each occasion;
  - (v) a holder may exercise the Options by lodging with the Company, before the expiry date:
    - (A) written notice of exercise of Options specifying the number of Options being exercised; and
    - (B) a cheque or electronic funds transfer for the exercise price for the number of Options being exercised;
    - (C) an exercise notice is only effective when the Company has received the full amount of the exercise price in cleared funds;
  - (vi) within 10 business days of receipt of the exercise notice accompanied by the exercise price, the Company will allot the number of shares required under these terms and conditions for the number of Options specified in the exercise notice;
  - (vii) the Options are transferable only at the discretion of the Board of the Company;
  - (viii) all shares allotted on exercise of the Options will, on allotment, rank equally in all respects with other fully paid ordinary shares in the Company;
  - (ix) the Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all shares allotted pursuant to the exercise of Options on ASX within 10 business days after the date of allotment of those shares;
  - (x) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction;
  - (xi) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will, to the extent permitted by the Corporations Act or the ASX Listing Rules, ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced. This will give holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;
  - (xii) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;

## 6.2 Directors' Recommendation

If Resolution 4 is passed, the 15% Limit imposed by Listing Rule 7.1 will be renewed to the extent of the ratification. The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

## **7. RESOLUTION 5 - Participation of Christopher Rowe in Convertible Note issue**

### **7.1 Background**

Resolution 5 seeks Shareholder approval for the issue of 60,000 Convertible Notes to Mr Christopher Rowe. The Convertible Notes will be issued on the terms and conditions set out below.

Shareholder approval for the issue of Convertible Notes to a Director is required by ASX Listing Rule 10.11 which requires the approval of Shareholders before any securities are issued to a Director. Shareholder approval is also sought under Section 208 of the Corporations Act because a Director is a “related party” of the Company as defined in the Corporations Act.

### **7.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of Convertible Notes to a Director of the Company.

Mr Christopher Rowe is a Director of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required to issue Convertible Notes to a Director as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note the issue of Convertible Notes to Mr Christopher Rowe (or his nominee) in accordance with proposed Resolution 5 will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1 to determine the number of securities which the Company may issue in the future without Shareholder approval.

For the purposes of ASX Listing Rule 10.11, the following information is provided in relation to the issue of Convertible Notes pursuant to Resolution 5 as required by ASX Listing Rule 10.13:

- (a) the maximum number of Convertible Notes to be issued by the Company to Mr Christopher Rowe (or his nominee) is 60,000.
- (b) the Convertible Notes will expire on the second anniversary of their date of issue and each Convertible Note will, if converted, entitle the holder to be issued with 20 fully paid ordinary shares in the Company.
- (c) the Convertible Notes will be issued within 1 month after Resolution 5 is passed.
- (d) the Convertible Notes will be issued for \$1 each;
- (e) the Convertible Notes will not be listed and do not entitle the holder to any voting rights. However, Shares issued following conversion of the Notes will be fully paid ordinary shares that rank equally in all respects with existing Shares;
- (f) the Company will pay interest to the holder quarterly in arrears at the rate of 12% per annum calculated on the value of the unconverted Convertible Notes. If the Convertible Notes are not converted the Company must repay the total amount of the unconverted Convertible Notes to the holder at the expiry of the 2 year period.
- (g) the Company may repay the Convertible Notes prior to the expiry of the 2 year period subject to an early repayment penalty of the lesser of 3 months interest or interest payable for the balance of the two year period. On early repayment the Company will issue, for each Convertible Note repaid, 20 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share which must be exercised prior to the date which would have been the date of expiry of the 2 year term. These options will be on the same terms and conditions specified in the notes to Resolution 4 with the only change to the expiry date being 24 months after the date on which the Convertible Notes are issued to Christopher Rowe.
- (h) the loan the subject of the Convertible Notes is secured by a charge registered with ASIC over the Company’s shareholding in TELA Louisiana Limited, being the wholly owned subsidiary of the Company which holds the interest in the East Chalkley Field;
- (i) the funds raised by the issue of the Convertible Notes are to be used to fund part of the Company’s participation in the drilling of the Pine Pasture #3 well and for working capital.

### 7.3 Section 208 of the Corporations Act

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to that section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Convertible Notes to Mr Christopher Rowe or his nominee constitutes a “financial benefit” as defined in the Corporations Act. Mr Christopher Rowe is a “related party” of the Company as defined under the Corporations Act because he is a Director of the Company. Accordingly, the proposed issue of Convertible Notes to Mr Christopher Rowe (or his nominee) will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Directors the exceptions under the Corporations Act to the provision of financial benefits to related parties may not apply in the current circumstances and so the Directors have resolved to seek Shareholder approval under section 208 of the Corporations Act to permit the issue of the Convertible Notes to Mr Christopher Rowe.

The following information is provided pursuant to sections 217 to 227 of the Corporations Act in relation to Resolution 5:

- (a) The related party to whom the Convertible Notes will be issued is Little Breton Nominees Pty Limited, a company of which Mr Rowe is a director and shareholder, as trustee for the Little Breton Super Fund. As mentioned in the resolution, the Convertible Notes may be issued to a nominee of Mr Christopher Rowe.
- (b) The maximum number of Convertible Notes (being the nature of the financial benefit to be provided) to be issued to Mr Christopher Rowe (or his nominee) is 60,000.
- (c) The Convertible Notes will be issued for \$1.00 each cash consideration by way of a loan to the Company. The use of these funds will be to fund part of the Company’s participation in the drilling of the Pine Pasture #3 well and for working capital.
- (d) The terms and conditions of the Convertible Notes are set out above.
- (e) If Shareholders approve the issue of Convertible Notes to Mr Christopher Rowe, and all Convertible Notes are ultimately converted, the effect will be to dilute the shareholding of existing Shareholders by approximately 0.76% on an undiluted basis and based on the number of Shares on issue (as at the date of this Notice) assuming no other Convertible Notes are converted.
- (f) The primary purpose of the issue of Convertible Notes is to allow the Company to obtain funding to assist the drilling of further prospects. The Directors (other than Mr Christopher Rowe) do not consider there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the Convertible Notes to Mr Christopher Rowe on the terms proposed.
- (g) As at the date of this Notice, Mr Christopher Rowe and his associates hold 446,030 shares (direct and indirect) in the Company.
- (h) Mr Christopher Rowe is paid a Director’s fee of \$55,000 per annum as Chairman. No other remuneration is paid.
- (i) In the 12 months before the date of this Notice, the highest, lowest and last trading price of Shares on the ASX are as set out below:

	<b>Date</b>	<b>Price</b>
Highest	23 & 24 November 2009	8.0 cents
Lowest	2 September, 31 August & 30 June 2010	1.7 cents
Last Trading Price	4 October 2010	2.0 cents

- (j) ASIC policy in relation to documents lodged under Section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the Convertible Notes proposed to be issued. The face value of the Convertible Notes is \$1 per Convertible Note being the amount of the loan for which the Convertible Note has been issued.
- (k) Other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolution 5.

#### **7.4 Directors Recommendation**

Mr Christopher Rowe has a material personal interest in the outcome of Resolution 5 as he or his nominee will be the recipient of the Convertible Notes. Accordingly Mr Christopher Rowe does not wish to provide a recommendation for the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 5, recommend Shareholders approve Resolution 5 as they are of the view the issue of Convertible Notes to Mr Christopher Rowe or his nominee is appropriate to assist the Company obtaining funding to assist the drilling of further prospects.

### **8. RESOLUTION 6 - Participation of Laurence Roe in Convertible Note issue**

#### **8.1 Background**

Resolution 6 seeks Shareholder approval for the issue of 40,000 Convertible Notes to Mr Laurence Roe. The Convertible Notes will be issued on the terms and conditions set out below.

Shareholder approval for the issue of Convertible Notes to a Director is required by ASX Listing Rule 10.11 which requires the approval of Shareholders before any securities are issued to a Director. Shareholder approval is also sought under Section 208 of the Corporations Act because a Director is a “related party” of the Company as defined in the Corporations Act.

#### **8.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of Convertible Notes to a Director of the Company. Mr Laurence Roe is a Director of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required to issue Convertible Notes to a Director as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note the issue of Convertible Notes to Mr Laurence Roe (or his nominee) in accordance with proposed Resolution 6 will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1 to determine the number of securities which the Company may issue in the future without Shareholder approval.

For the purposes of ASX Listing Rule 10.11, the following information is provided in relation to the issue of Convertible Notes pursuant to Resolution 6 as required by ASX Listing Rule 10.13:

- (a) the maximum number of Convertible Notes to be issued by the Company to Mr Laurence Roe (or his nominee) is 40,000.
- (b) the Convertible Notes will expire on the second anniversary of their date of issue and each Convertible Note will, if converted, entitle the holder to be issued with 20 fully paid ordinary shares in the Company.
- (c) the Convertible Notes will be issued within 1 month after Resolution 6 is passed.
- (d) the Convertible Notes will be issued for \$1 each;
- (e) the Convertible Notes will not be listed and do not entitle the holder to any voting rights. However, Shares issued following conversion of the Notes will be fully paid ordinary shares that rank equally in all respects with existing Shares;
- (f) the Company will pay interest to the holder quarterly in arrears at the rate of 12% per annum calculated on the value of the unconverted Convertible Notes. If the Convertible Notes are not converted the Company must repay the total amount of the unconverted Convertible Notes to the holder at the expiry of the 2 year period.
- (g) the Company may repay the Convertible Notes prior to the expiry of the 2 year period subject to an early repayment penalty of the lesser of 3 months interest or interest payable for the balance of the two year period. On early repayment the Company will issue, for each Convertible Note repaid, 20 options to acquire fully paid ordinary shares in the Company exercisable at \$0.05 per share which must be exercised prior to the date which would have been the date of expiry of the 2 year term. These options will be on the same terms and conditions specified in the notes to Resolution 4 with the only change to the expiry date being 24 months after the date on which the Convertible Notes are issued to Laurence Roe.

- (h) the loan the subject of the Convertible Notes is secured by a charge registered with ASIC over the Company's shareholding in TELA Louisiana Limited, being the wholly owned subsidiary of the Company which holds the interest in the East Chalkley Field;
- (i) the funds raised by the issue of the Convertible Notes are to be used to fund part of the Company's participation in the drilling of the Pine Pasture #3 well and for working capital.

### 8.3 Section 208 of the Corporations Act

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to that section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Convertible Notes to Mr Laurence Roe or his nominee constitutes a "financial benefit" as defined in the Corporations Act. Mr Laurence Roe is a "related party" of the Company as defined under the Corporations Act because he is a Director of the Company. Accordingly, the proposed issue of Convertible Notes to Mr Laurence Roe (or his nominee) will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Directors the exceptions under the Corporations Act to the provision of financial benefits to related parties may not apply in the current circumstances and so the Directors have resolved to seek Shareholder approval under section 208 of the Corporations Act to permit the issue of the Convertible Notes to Mr Laurence Roe.

The following information is provided pursuant to sections 217 to 227 of the Corporations Act in relation to Resolution 6:

- (a) The related party to whom the Convertible Notes will be issued is Petroe Exploration Services Pty Limited, a company of which Mr Roe is a director and shareholder. As mentioned in the resolution, the Convertible Notes may be issued to a nominee of Mr Laurence Roe.
- (b) The maximum number of Convertible Notes (being the nature of the financial benefit to be provided) to be issued to Mr Laurence Roe (or his nominee) is 40,000.
- (c) The Convertible Notes will be issued for \$1.00 each cash consideration by way of a loan to the Company. The use of these funds will be to fund part of the Company's participation in the drilling of the Pine Pasture #3 well and for working capital.
- (d) The terms and conditions of the Convertible Notes are set out above.
- (e) If Shareholders approve the issue of Convertible Notes to Mr Laurence Roe, and all Convertible Notes are ultimately converted, the effect will be to dilute the shareholding of existing Shareholders by approximately 0.51% on an undiluted basis and based on the number of Shares on issue (as at the date of this Notice) assuming no other Convertible Notes are converted.
- (f) The primary purpose of the issue of Convertible Notes is to allow the Company to obtain funding to assist the drilling of further prospects. The Directors (other than Mr Laurence Roe) do not consider there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the Convertible Notes to Mr Laurence Roe on the terms proposed.
- (g) As at the date of this Notice, Mr Laurence Roe and his associates hold 5,575,727 shares and 2,090,000 options (direct and indirect) in the Company.
- (h) Mr Laurence Roe is paid a remuneration package \$325,000 per annum as Managing Director inclusive of salary and superannuation entitlements, to be reviewed periodically. No other Directors fees or remuneration is paid.
- (i) In the 12 months before the date of this Notice, the highest, lowest and last trading price of Shares on the ASX are as set out below:

	Date	Price
Highest	23 & 24 November 2009	8.0 cents
Lowest	2 September, 31 August & 30 June 2010	1.7 cents
Last Trading Price	4 October 2010	2.0 cents

- (j) ASIC policy in relation to documents lodged under Section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the Convertible Notes proposed to be issued. The face value of the Convertible Notes is \$1 per Convertible Note being the amount of the loan for which the Convertible Note has been issued.
- (k) Other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolution 6.

#### **8.4 Directors Recommendation**

Mr Laurence Roe has a material personal interest in the outcome of Resolution 6 as he or his nominee will be the recipient of the Convertible Notes. Accordingly Mr Laurence Roe does not wish to provide a recommendation for the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 6, recommend Shareholders approve Resolution 6 as they are of the view the issue of Convertible Notes to Mr Laurence Roe or his nominee is appropriate to assist the Company obtaining funding to assist the drilling of further prospects.

### **9. ANNEXURES**

ANNEXURE A: Questions from Shareholders

**ANNEXURE A: Questions from Shareholders**

This form is provided with the notice of the Annual General Meeting of Target Energy Limited ABN 73 119 160 360 ("**Company**") to be held at Level 2, 46 Ord Street West Perth, Western Australia on Friday 19 November 2010 at 11.00 am WST to assist Shareholders in asking questions of:

- the Directors of the Company in relation to the management of the Company; and
- HLB Mann Judd, as the auditor who prepared the auditor's report for the year ended 30 June 2010, in relation to the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

The Board of Directors and the auditor will endeavour to respond to as many of the questions received from shareholders as the chair of the meeting determines is reasonable given the time available at the meeting.

Name of Shareholder/s:

\_\_\_\_\_

**Questions (please place an "X" in the box next to the question if your question is directed at the auditor)**

- 1. \_\_\_\_\_
- \_\_\_\_\_
- 2. \_\_\_\_\_
- \_\_\_\_\_
- 3. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Lodging this form**

If you wish to ask questions using this form, you should submit this form as described below by no later than 5.00 pm (WST) on Friday 12 November 2010.

**By mail:** Rowan Caren, Company Secretary, Target Energy Limited, PO Box 140, West Perth WA 6872

**By fax:** +61 8 9476 9099