

# target

TARGET ENERGY LIMITED



May 2009

Pine Pasture #1, #2 wellheads and tank battery

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# Corporate

## Objective

*“To create shareholder wealth through building a world-class independent exploration and production company.”*

## Strategy

*Balance low risk opportunities alongside high risk-high reward prospects.*

*Explore in known active, producing areas close to producing infrastructure.*

*Partner with successful explorers and producers.*

*Use technology to reduce exploration risk.*

# Corporate Snapshot

Shares on issue (TEX)	104.3m
Listed options (TEXO)	62.8m
Share price (18/05)	5.6c
Market Cap	A\$5.82m
Cash (30/04/09)	A\$3.5m

## Directors & Management

Didier Murcia	Chairman
Laurence Roe	Managing Director
Mike Martin	Non Executive Director
Paul Lloyd	Non Executive Director
Rowan Caren	Company Secretary
Stephen Morris	Development Advisor

# Production and Revenue

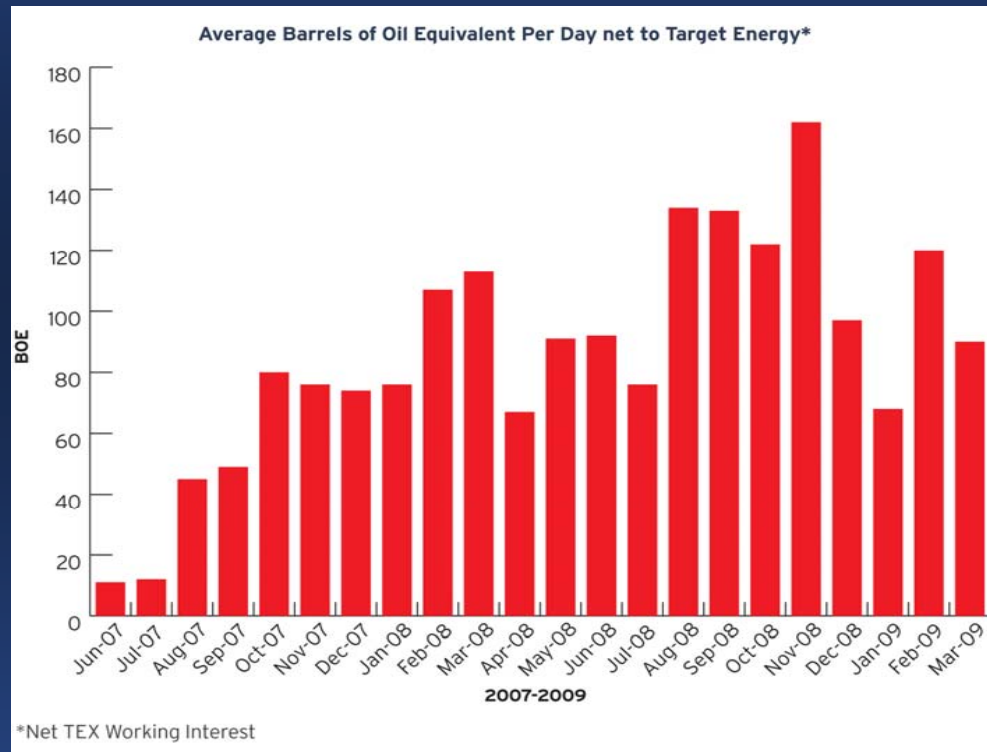
Sales Revenue 1/7/08 to 31/03/09

A\$1.501m

Production (net WI) currently average

90 BOEPD

*(this should lift by 9 BOPD when Pine Pasture pump changed out)*



Target Energy production (BOEPD, net TEX WI)

# Production and Revenue



# Production and Revenue

## Audited Reserves

### East Chalkley Oil Field

#### Recoverable Oil Range:

P90: 0.7mmBO; P50: 1.7 mmBO; mean: 2.1 mmBO; P10: 4.0 mmBO

#### Recoverable Oil Reserves (mmBO)

	<u>100%</u>	<u>25% (TEX WI)</u>
Proved & Probable (2P)	0.564	0.141
Prov/Prob & Possible (3P)	1.056	0.264
“Best Estimate” Contingent (2C)	0.920	0.230
”High Estimate” Contingent (3C)	2.744	0.686

#### Effective Range of Recoverable Reserves

(2P+2C) to (3P+3C) 1.484 – 3.800 mmBO (100%)

0.371 – 0.950 mmBO (TEX WI)

# Production and Revenue

## Audited Reserves

### Section 28

#### Recoverable Oil & Gas Reserves/Resources (mmBO/Bcf)

	100%		25% (TEX WI)	
	Oil	Gas	Oil	Gas
Proved & Probable (2P)	0.463	4.472	0.112	0.869
Prov/Prob & Possible (3P)	0.511	6.345	0.123	1.298
Prospective Resources (Beyt #1A)	0.750	0.0	0.118	0.0

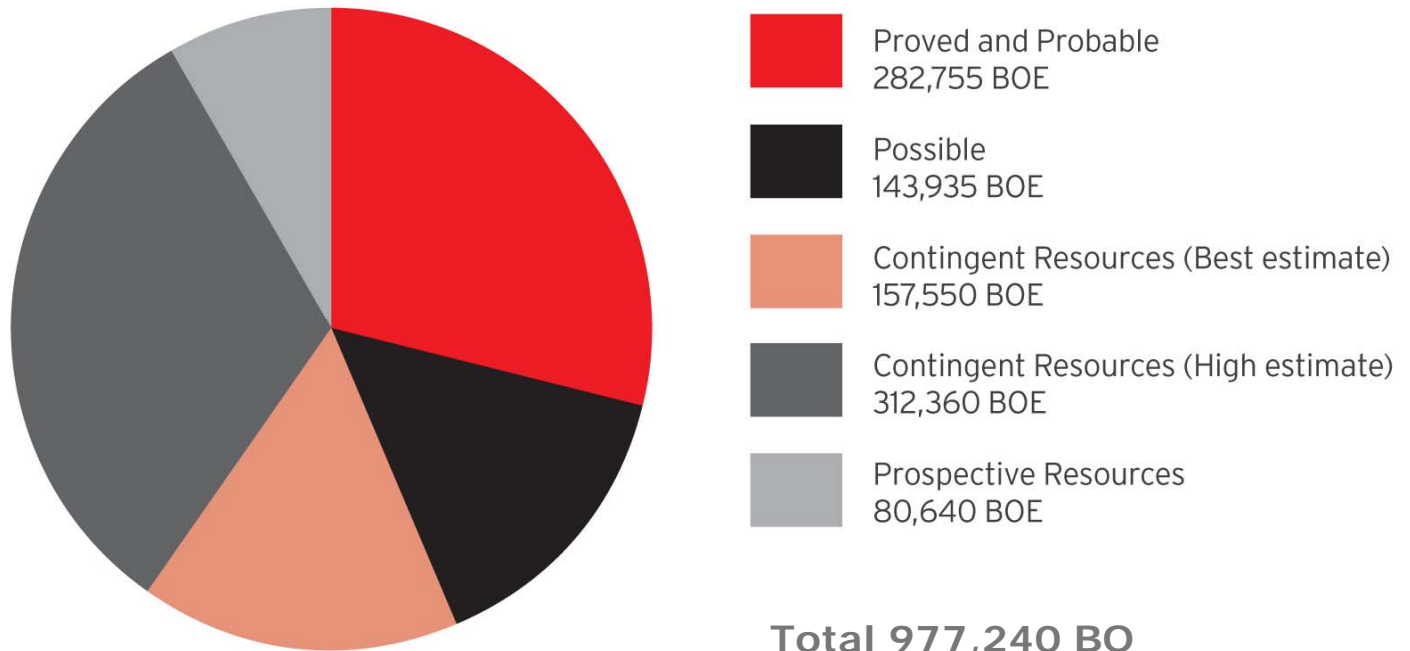
#### Range of Recoverable Reserves

2P to 3P	4.5 Bcf + 0.46 mmBO	to	6.3 Bcf + 0.51 mmBO (100%)
	0.87 Bcf + 0.112 mmBO	to	1.3 Bcf + 0.123 mmBO (TEX WI)

# Production and Revenue

## Audited Reserves Total

Target Energy  
Net Reserves and Resources (Barrels Oil Equivalent)\*



\*Net TEX Working Interest and Net Revenue Interest

# What's coming up for Target Energy

## More drilling in Section 28 program area:

Snapper A-3 well (May-June)  
Beyt #1 Sidetrack (Q3)

## East Chalkley Oil Field Development:

Pump changeout/SWD well (June)  
Appraisal/Development Drilling (Q3/Q4)

## Continue evaluation of new opportunities:

Corporate  
Technical

## Deal with hostile take-over



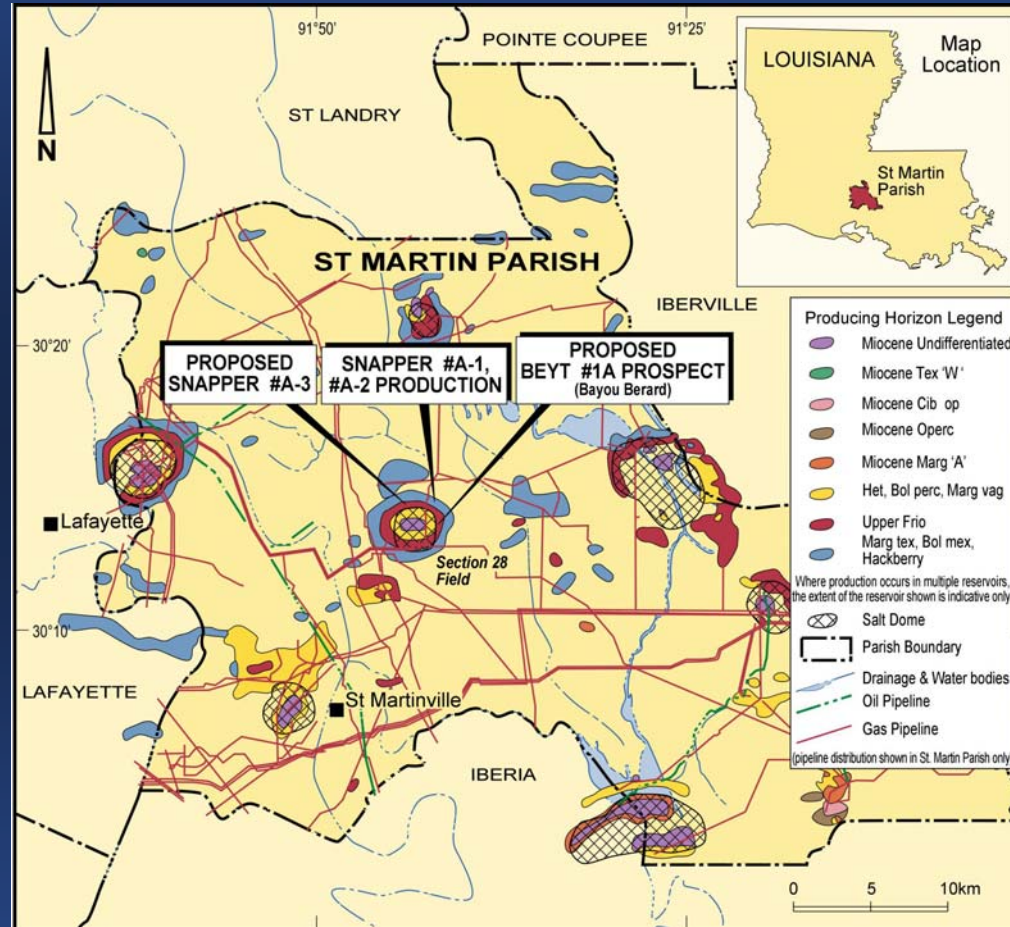
# What's coming up

## Louisiana – Section 28 Program, St Martin Parish



# Projects

## Louisiana – Section 28 Program, St Martin Parish



# Projects

## Louisiana – Section 28 Program, St Martin Parish

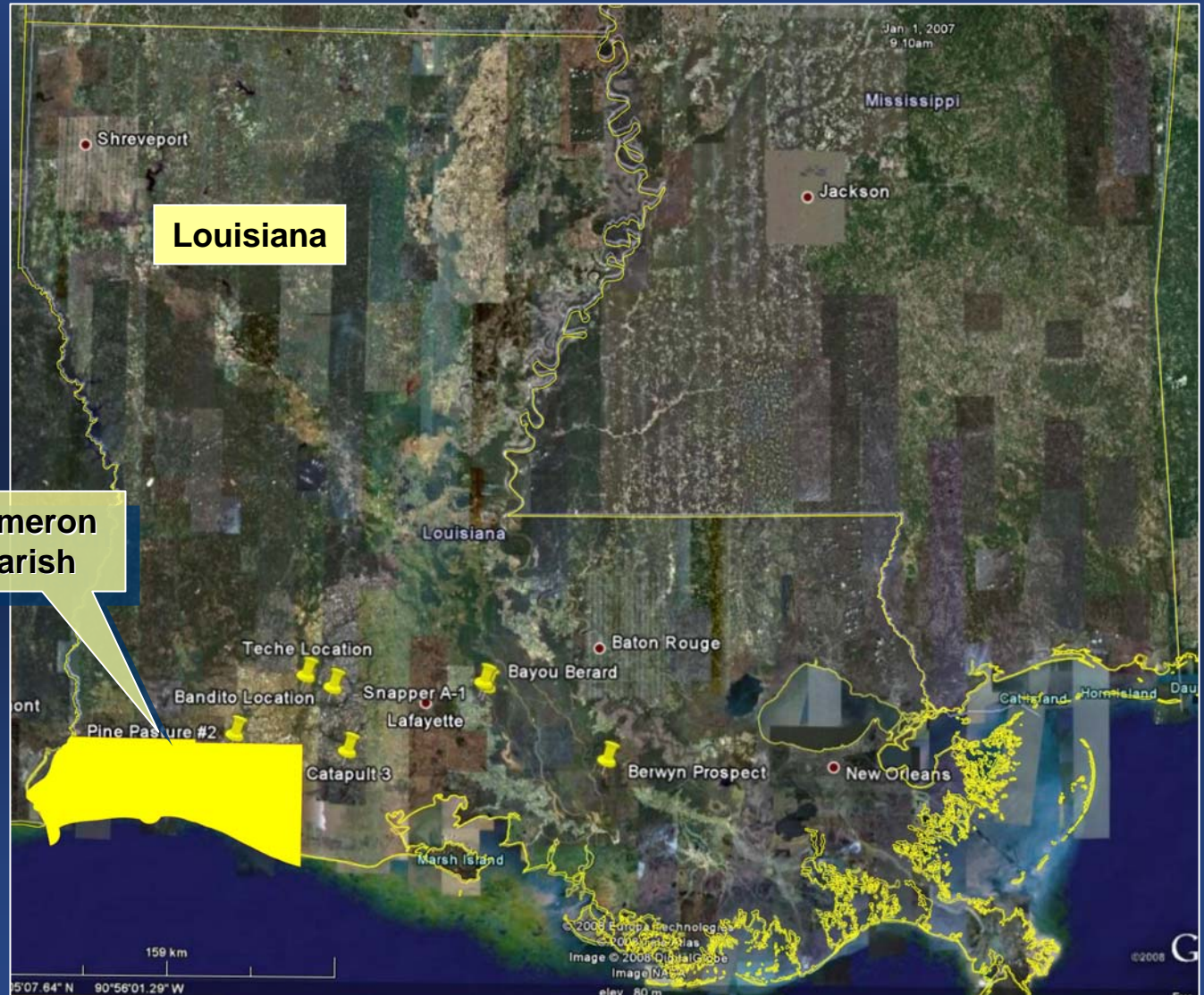
- SML (Snapper) #A-3 planned to spud around end of May. TEX WI 21.625 - 25%.  
Operator estimates potential up to 4.2 Bcf plus 0.33 mmBO
- Beyt #1 Side-track to expected drill in Q3. TEX WI 15%.  
Risc estimates 0.75 mmBO recoverable



Snapper wells – A1, A2 (foreground)

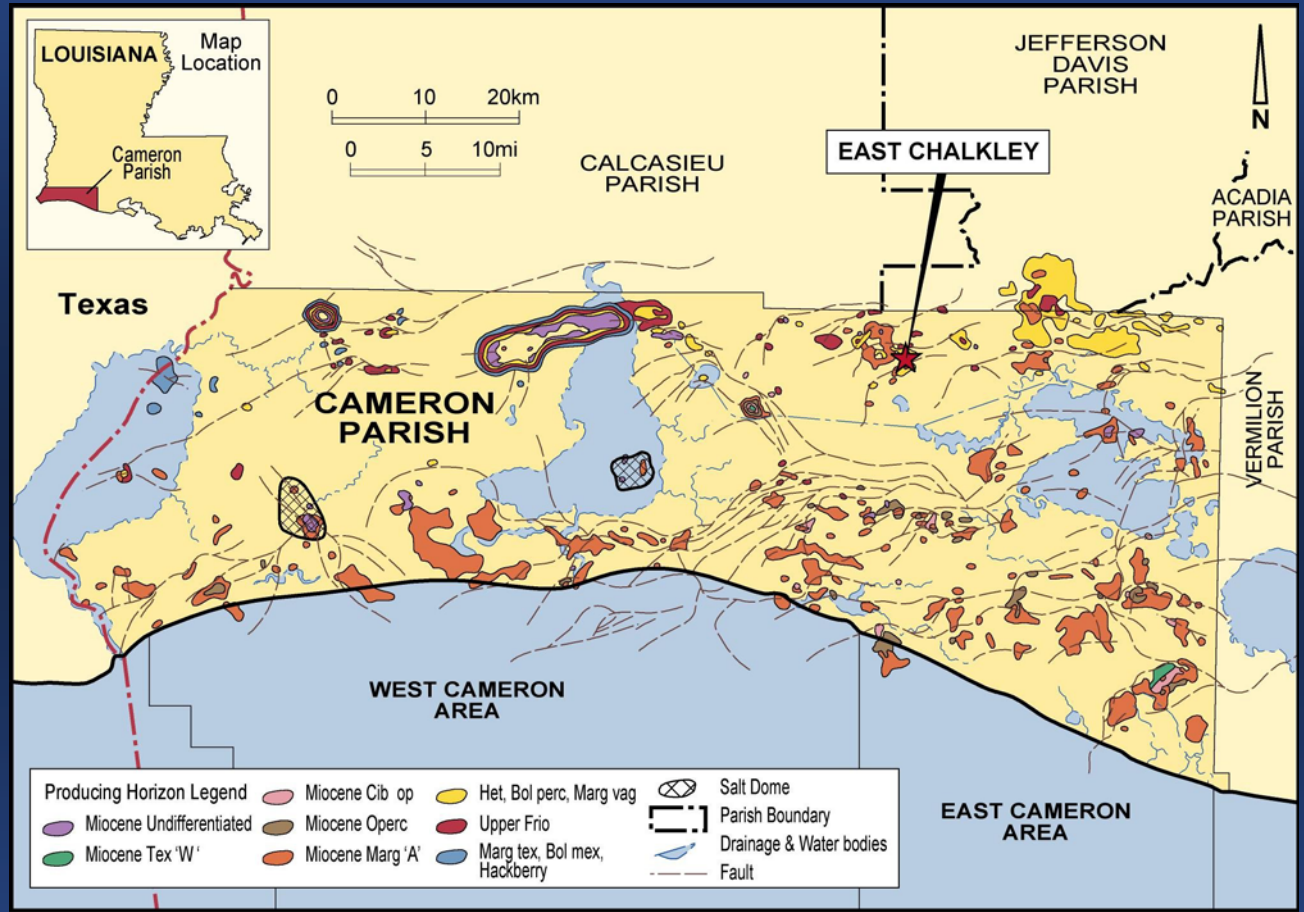
# Projects

## Louisiana – East Chalkley Field, Cameron Parish



# Projects

## Louisiana – East Chalkley Field, Cameron Parish



# Projects

## Louisiana – East Chalkley Field, Cameron Parish

- TEX working interest in project is 25%
- Pine Pasture #2 drilled June 08; well producing approx 90 BOPD – pump change in June should restore this to **120 BOPD** (plus water)
- Plans now underway to drill disposal well in June to allow enhanced production
- Appraisal and development plans (delayed by Operator's merger) now being progressed – new well Q3 or Q4
- Risc report assesses mean recoverable reserves of **2.1 MMBO** with an upside (P10) estimate of **4 MMBO** recoverable



*Rig at Pine Pasture #2; wellheads and tanks*

# Takeover bid

## Hostile take-over Bid for Target launched in April

### *Blaze Asset Pty Ltd*

- *co-owned equally by Advance Energy Limited (AVD)  
Odin Energy Limited (ODN)*
- *Offering 1c cash and 0.75 AVD shares for every TEX share*
- *Offer live now – expires 5 June.*
- *TEX Target's statement released to market, posted to shareholders*

## Status

- *Independent Expert (Grant Thornton) values Target at \$10.4 - \$14.3mm*
- *Blaze offer discounts Target Energy value by 45-48%*
- *Grant Thornton concludes that Blaze offer is **not fair and not reasonable***
- *Target Board has advised shareholders to **reject** this offer.*



# Takeover bid

## Blaze Asset Pty Ltd

*Co-Owner #1 – Odin Energy Limited*

- *Odin listed in 2007 as a Cooper Basin (South Australia) focused company.*
- *Since listing, Odin's only drilling activity has been to farm-in (in March this year) to half of related-entity Kilgore Oil & Gas' 11.25% working interests in three wells offshore Texas.*
- *Offshore Texas is approximately 14,600km away from Odin's stated area of focus.*
- *Board of Target Energy does not believe Odin would be a good partner for Target.*

# Takeover bid

## Blaze Asset Pty Ltd

### *Co-Owner #2 – Advance Energy Limited*

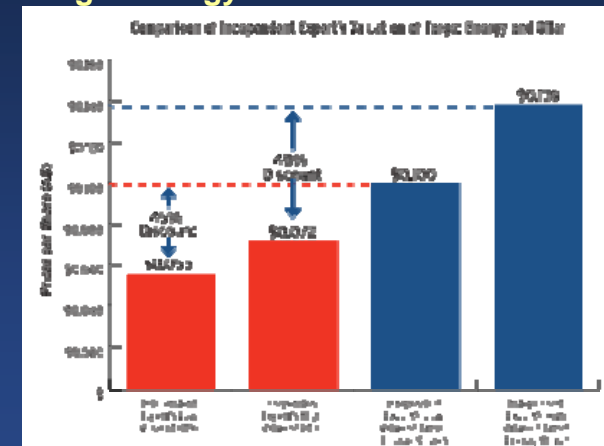
- *Advance listed on 2006 as a US focused company.*
- *Company stated strategy is to acquire producing acreage then add value and later “divest at a significant premium”.*
- *Interests in six projects (Motherlode Phase 1,2,3; Palo Pinto Lone Camp, Possum Kingdom; Brown-Vick). To date one of these has been sold (Lone Camp) for \$812,000 profit.*
- *Production from 26 wells nets 143 BOEPD to Advance (avg 5.5 BOEPD per well).*
- *Company has accumulated \$15mm debt, with approx \$5.2mm due to be repaid this year (as at 31 Dec 2008; per 2008 Annual Report).*
- *Company has \$916,000 in cash and a working capital deficit.*
- *Advance to seek shareholder approval for more debt in upcoming AGM.*
- *Work in its project areas “delayed” or “tabled” since late 2008. No word as to when it will recommence.*
- *Board of Target Energy (ongoing work, no debt) does not believe Advance would be a good partner.*

# Key Reasons to Reject Takeover Bid:

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.

2. Target Energy is in a sound financial position, with \$3.5m cash as at 1 May 2009, no debt and excellent future prospects
3. The ability of **Advance Energy** to continue as a **going concern** has been questioned by its auditors
4. The Offer dilutes your interest in Target Energy's near term growth opportunities in East Chalkley and Snapper A3
5. The Offer is opportunistic
6. Advance Energy is a thinly traded illiquid stock
7. Blaze Asset's Offer creates significant uncertainty for Target Energy Shareholders
8. Bid structure favours Odin Energy
9. Concerns with the management of Advance Energy and its related companies
10. No offer is being made for Target Energy Options



# Takeover bid

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" <sup>1</sup>
Positive cash backing (3.3c per share)	Debt of 13.2 cents per share Current cash backing is only 0.8 cents 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
Working Capital Surplus	Working Capital Deficit
Active & successful exploration program ongoing	All work programs "delayed" or "tabled" since last year
Liquid stock	Stock has low trading volumes
Dedicated deal sourcing	Independent Contractor engaged to source deals for Advance 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

<sup>1</sup> per Advance Energy 2008 Annual Report

# Takeover bid

- “Target’s lack of management experience is evidenced by its East Chalkley prospect, which may require a salt water disposal well and up to seven development wells in order to drain the reservoir.” Bidder Statement Pg 9  

We have a 25% WI in an oil field that, when developed, may recover up to 4 million barrels of oil and be able to produce at rates up to 40,000 BO per month (Risc Report).
- As a result of [Target’s] failure to engage a suitably qualified and dedicated in country management team, Target has been unable to acquire operating interests in quality projects.” Pg 9  

Target’s business model does not involve pursuing operating interests – so this is both incorrect and misleading. As far as acquiring interests in quality projects – Target has announced entry into more new projects than Advance has since they appointed Hibernia as their dedicated in-country management team (Advance has announced entry into zero new projects since appointing Hibernia).
- Target’s producing assets are in “marshy and difficult to access areas”. Pg 7  

Normally we drive right up to the wellheads without difficulty. As an explorer, Target Energy is not put off by low-lying areas, swamps or alligators - we follow the oil and gas.
- As a non-operator, we are a “price and timetable taker...vulnerable to costly penalties in the event Target elects not to participate in the operators Exploration and Production plans” Pg 9  

As with all ventures that involve multiple companies, operators generally prefer all partners to be in agreement with timing and costs. However, even as a non-operator, Target does retain control of its destiny – we don’t enter into open-ended commitments and we retain the right to withdraw from our exploration wells (without penalty) when delays or planned costs exceed certain (Target-defined) limits. To date, none of the prospects we have withdrawn from have been drilled, with the operators consequently forced to write-off large costs.
- Advance is able to “leverage acquisition and development through a low-cost senior debt facility”. Pg 12  

Why is Advance planning to get shareholder approval to issue more convertible notes that will require Advance to pay 12.5% interest – why don’t they utilise the lower-cost Sterling Bank facility that attracts 4.5% interest?

# Target Energy Limited

**These are challenging times, but Target has:**

**Cash – and no debt**

**Ongoing production that covers our running costs**

**Low/med risk prospects to drill in the Section 28 Program area**

**An ongoing oil field appraisal and development program at East Chalkley**

**In other words, the outlook is for a strong future.**

Thank you for  
your attention

