

Dear Shareholder,

**DIRECTORS' CONTINUING RECOMMENDATION: REJECT THE OFFER AND DO NOTHING**

On 14 May 2009, Target Energy Limited (**Target Energy**) issued a detailed Target's Statement in response to the Bidder's Statement prepared by Blaze Asset Pty Ltd (**Blaze Asset**). The Board of Directors of Target Energy, supported by Grant Thornton's Independent Expert Report's which concluded that the Offer was **not fair and not reasonable**, unanimously recommended that Target Energy Shareholders **REJECT** Blaze Asset's Offer and invited Target Energy Shareholders to reflect on a number of Key Considerations.

On 5 June 2009, Blaze Asset lodged a Supplementary Bidder's Statement which increased the consideration to 1 cent in cash and 1 share in Advance Energy Limited (**Advance Energy**) for each Share in Target Energy, and extended the Offer Period to 19 June 2009 (**Revised Offer**), with no other material conditions being changed.

Further to the Supplementary Bidder's Statement, Blaze Asset has lodged a notice of variation in relation to its takeover offer which further extended the Offer Period to 17 July 2009. This was despite Blaze Asset's declared interest in Target Energy having not increased since it revised the consideration being offered.

**Your Board continues to unanimously recommend that you REJECT the Revised Offer by doing nothing and allowing the Revised Offer to lapse on 17 July 2009.**

The Directors of Target Energy would like to reiterate to Target Energy Shareholders Key Considerations outlined in the Target's Statement, and to provide an update on specific issues:

Target Energy (per Target's Statement)	Advance Energy (at 19 June 2009)
<p><b>Independent experts attributed a mid point value of 11.9 cents per Share to Target Energy</b></p>	<p style="text-align: center;"><b>Advance Energy shares have not been independently valued</b></p> <p>Advance Energy has not commissioned an Independent Expert to provide a valuation on its shares which it is asking Target Energy Shareholders to accept as consideration for their Shares in Target Energy.</p>
<p><b>Target Energy is debt free</b></p>	<p style="text-align: center;"><b>Advance Energy is heavily in debt</b></p> <p>Advance Energy announced on 11 June 2009 that it proposes to issue a further \$5 million in convertible notes at a rate of 12%. This is 7.75% above the rate of 4.25% supposedly available under the Sterling Bank facility!</p> <p>Post the proposed convertible note and equity funding agreement, Advance Energy's total interest bearing debt would increase to in excess of \$20 million.</p>

**Target Energy  
(per Target's Statement)**
**Advance Energy  
(at 19 June 2009)**
**Target Energy is in a strong financial position**
**Advance Energy's ongoing solvency**

Advance Energy is repaying US\$80,000 per month in senior debt repayments. In addition, Advance Energy proposes to have \$9.3 million in convertible notes outstanding which would have monthly interest payments in the order of \$90,000 which aggregates to not less than \$2 million per year in debt service repayments.

The last independent review of Advance Energy undertaken by BDO Kendalls and signed on 31 March 2009 concluded that there was a **material uncertainty regarding the continuation of Advance Energy as a going concern.**

**Target Energy's Managing Director 100% dedicated to Target Energy**
**Advance Energy's Managing Director not 100% dedicated to Advance Energy**

In the 2008 year Advance Energy Managing Director was also Managing Director of Kilgore Oil & Gas Limited, Non-Executive Chairman of Vector Resources Limited, Non-Executive Director and Chairman of Regal Resources Limited and a Non-Executive Director and Chairman of Palace Resources Limited. His remuneration from Advance Energy in 2008 represented only 24% of his total remuneration of \$841,401 as disclosed for the 2008 financial year.

Is Advance Energy's Managing Director focused on Advance Energy or is he more focused on the other companies that pay the majority of his remuneration?

**Target Energy has an active and successful ongoing exploration program.**

Target Energy has a number of prospects that are very close to being drilled. Short term activities are:

- drilling of Snapper #3 in late June / early July;
- drilling of the Beyt #1A sidetrack in late Q3; and
- drilling of a salt water disposal well at East Chalkley shortly followed by further drilling scheduled for Q3/Q4.

Further information is available in the Target Energy Exploration Update announced on 10 June 2009.

**Advance Energy has delayed or "tabled" all of its programs**

Advance Energy has not undertaken any drilling since August last year and has announced no plans to re-activate its drilling activities.

Target Energy  
(per Target's Statement)

Advance Energy  
(at 19 June 2009)

#### Sustainability of Advance Energy's share price

Target Energy Shares continue to be significantly more liquid than Advance Energy shares. Since the takeover bid was announced on 8 April 2009, almost 3 times as many Target Energy Shares have traded compared to Advance Energy shares.

**There is a liquid market in Target Energy shares**

In the event that Target Energy Shareholders who accept the Revised Offer wish to sell their holdings in Advance Energy, the stock overhang so created could cause significant selling pressure on Advance Energy's shares. If you accept Advance Energy shares, **will you be able to sell them at anywhere near their market price on the date of acceptance?**

**Listed options remain live with a realisable value**

**Blaze Asset has made no offer for the Target Energy options.**

**The Board of Directors of Target Energy unanimously recommends that Target Energy Shareholders continue to REJECT the Revised Offer by doing nothing and allowing the Revised Offer to lapse on 17 July 2009.**

Dated: 19 June 2009



**MR LAURENCE ROE  
MANAGING DIRECTOR  
FOR AND ON BEHALF OF  
TARGET ENERGY LIMITED**