

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

**For the Annual General Meeting to be held on
Thursday 19 November 2009 at 11.00am (WST) at the
Celtic Club, 48 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 Thursday, 19 November 2009 commencing at 11 am at the Celtic Club, 48 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 2009.

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 2009 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 Paul Lloyd, 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 Gerry McGann, 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 7,400,000 Shares

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 Rule 7.4 and for all other purposes, the Company ratify the allotment and issue on 24 September 2009 of a total of 7,400,000 Shares at an issue price of 5.5 cents per Share, 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: Ratify Previous Issue of 7,400,000 Options

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 Rule 7.4 and for all other purposes, Shareholders ratify the issue on 24 September 2009 of a total of 7,400,000 options to acquire Shares, each with an exercise price of \$0.10 and expiring on 31 October 2012 ("2012 Series Options") for nil consideration, 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 6: Remuneration of Non-Executive Directors

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

"That, for all purposes, the maximum aggregate remuneration payable to non-executive Directors in any financial year be increased by \$100,000 from \$200,000 to \$300,000."

The Company will disregard any votes cast on this resolution by each of the Directors and any associates of the Directors. 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 maximum aggregate remuneration payable to non-executive Directors must be approved by shareholders in general meeting.

PROXIES

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

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a member 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 member 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 member 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 2009 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
16 October 2009

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 2009 at 11am at the Celtic Club, 48 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 2009 will be laid before the meeting. The Annual Report is available for download from the Company’s website at 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 Thursday 12 November 2009

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 2009. 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 2009 is set out in the Director’s Report contained in the Company’s 2009 Annual Report at pages 22 to 24 and can also be found on the Company’s website at 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 Paul Lloyd 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 Paul Lloyd 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 Lloyd) 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 Gerry McGann 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.

Gerry McGann has over 30 years experience in the upstream oil and gas industry, working on all five continents. As a petroleum geologist, he has been associated with oilfield discoveries totalling more than 200 million barrels in Australia, Middle East and the North Sea. While working for Occidental Petroleum Corporation in Oman, he was instrumental in increasing production from 32,000 barrels of oil per day (bopd) to 52,000 bopd in three years. Gerry was also one of only four Chief Scientists in the 30,000 strong Baker Hughes group – a position he held for four years prior to returning to Australia in 2001.

More recently, Gerry was a founding shareholder and Managing Director of Incremental Petroleum which was listed in 2005. He identified and purchased the seminal Selmo Oilfield in SE Turkey in 2005, increasing the production from 1,500 bopd to almost 2,000 bopd by the time the field was sold in March 2009.

Gerry was also able to continually grow Incremental's hydrocarbon reserves from nil in 2005 to over 16 million barrels of oil equivalent in 2009, one of the largest reserve bases in the sector on the ASX. This was achieved by enhancing the efficiency of Selmo, by the acquisition and development of the Edirne gas project in Western Turkey and also the acquisition of low risk oil and gas projects in California.

Mr McGann 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 McGann) recommend that Shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – Ratify Previous Issue of 7,400,000 Shares

6.1 Background

On 24 September 2009, the Company announced to ASX that it had issued a total of 7,400,000 Shares at 5.5 cents per Share raising gross funds of \$407,000.

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 issued under the Placement represents approximately 7.1% of the Company's share capital on issue, immediately prior to the issue of the placement Shares. This previous 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 7,400,000 Shares were allotted and issued;
- (b) the Shares were issued for 5.5 cents per Share;
- (c) the Shares are fully paid ordinary shares that rank equally in all respects with existing Shares;
- (d) the allottees to whom the Shares were allotted are clients of Patersons Securities Limited.
- (e) none of the allottees are related parties of the Company or its associates; and
- (f) the funds raised by the issue of the Shares the subject of Resolution 4 have been used for working capital.

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 - Ratify Previous Issue of 7,400,000 2012 Series Options

7.1 Background

On 24 September 2009, the Company granted a total of 7,400,000 2012 Series Options to acquire Shares at an exercise price of \$0.10 per Share by no later than 31 October 2012.

The 2012 Series Options were issued for nil consideration as a free attaching option to the allottees the subject of resolution 4, therefore no funds were raised by the issue.

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 15% of the issued capital of the company without 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 securities issued represents approximately 7.1% of the Company's share capital on issue immediately prior to the issue of the 2012 Series Options. This previous issue did not breach the 15% threshold set by Listing Rule 7.1.

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

- (a) A total of 7,400,000 2012 Series Options were issued.
- (b) The 2012 Series Options were issued to the allottees the subject of Resolution 4 above, for nil consideration.
- (c) The 2012 Series Options do not entitle the holder to voting rights. Shares issued upon conversion of the Options will be fully paid ordinary shares that rank equally in all respects with existing Shares.
- (d) None of the allottees are related parties of the Company or its associates.
- (e) The main terms of the 2012 Series Options are set out in Annexure B to this Explanatory Memorandum.

7.2 Directors' Recommendation

If Resolution 5 is passed, the 15% Limit imposed by Listing Rule 7.1 will be renewed to the extent of the ratification. The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 5.

8. RESOLUTION 6 - Remuneration of Non-Executive Directors

8.1 Background

Listing Rule 10.17 and clause 11.15 of the Company's Constitution provide that the maximum aggregate amount of the remuneration payable to non-executive Directors is to be determined by Shareholders in a general meeting.

It is proposed the maximum aggregate amount be increased by \$100,000 from \$200,000 to \$300,000 per annum including Superannuation Guarantee Contributions made by the company. The existing level of remuneration has remained unchanged since the Company listed on ASX. This level of remuneration will allow the Company the flexibility to adequately remunerate non-executive Directors and thereby attract and retain the highest quality non-executive Directors.

8.2 Directors' Recommendation

Mr Roe recommends that Shareholders vote in favour of Resolution 6. All other directors have a material personal interest in the outcome of the resolution and do not make any recommendation.

9. ANNEXURES

ANNEXURE A: Questions from Shareholders

ANNEXURE B: Terms of 2012 Series Options

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 the Celtic Club, 48 Ord Street West Perth, Western Australia on Thursday 19 November 2009 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 2009, 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 Thursday 12 November 2009.

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

By fax: +61 8 9476 9099

ANNEXURE B

The 2012 Series Options have the following terms and conditions:

- (a) the Options may be exercised at any time prior to 5:00pm WST on 31 October 2012 (Expiry Date). Options not exercised on or before the Expiry Date will automatically lapse;
- (b) the exercise price of each Option is ten cents;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (d) the Company will apply to ASX to have the Options granted Official Quotation;
- (e) other than as specified in (i) and (j) below 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;
- (f) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
- (g) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to optionholders when the initial holding statement is sent;
- (h) there will be no participating entitlement inherent in the Options to participate in any new issues of capital which may be offered to Shareholders during the currency of the Options without exercising the Options. Prior to any new pro rata issue of securities to Shareholders, optionholders will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (i) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (j) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules;
- (k) the Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for the transfer of options at any time until 31 October 2012, subject to any restrictions which may be imposed by ASX; and
- (l) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

Target Energy Limited
(ABN 73 119 160 360)
PROXY FORM

Appointment of Proxy

I/We being a member/s of Target Energy Limited and entitled to attend and vote hereby appoint

☐

The Chairman
of the Meeting
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Target Energy Limited to be held on 19 November 2009 and at any adjournment of that meeting.

If you do **not** wish to direct your proxy how to vote, please place a mark in the box →→ ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest. **The Chairman of the Meeting intends to vote any such undirected proxies in favour of all the resolutions.**

If you do not mark the above box and you have not directed your proxy how to vote in the boxes below, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called.

Voting directions to your proxy – please mark ☒ to indicate your directions

RESOLUTIONS

	FOR	AGAINST	ABSTAIN*
1. Remuneration Report	☐	☐	☐
2. Re-election of Director – P Lloyd	☐	☐	☐
3. Re-election of Director – G McGann	☐	☐	☐
4. Ratification of previous issue of 7,400,000 shares	☐	☐	☐
5. Ratification of previous issue of 7,400,000 options	☐	☐	☐
6. Remuneration of Non-Executive Directors	☐	☐	☐

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE - This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and
Sole Company Secretary

Director

Director/Company Secretary

Dated: ____/____/2009

How to complete the Proxy Form

1 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 10am on Tuesday 17 November 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON: Principal Place of Business – Level 2, 46 Ord Street, West Perth, Western Australia 6005

BY MAIL: Principal Place of Business – Level 2, 46 Ord Street, West Perth, Western Australia 6005
or P O Box 140, West Perth, Western Australia 6872

BY FAX (61 8) 9476 9099