



## ASX Announcement

30 September 2010

### Convertible Note to Raise \$650,000

US-focused oil and gas exploration and production company, Target Energy Limited ("Target") (**ASX:TEX**) is pleased to advise it has received applications for 650,000 convertible notes. The total funds raised by the notes, will be applied to further appraisal and development of the East Chalkley Oil Field.

These include applications from the Chairman, Christopher Rowe and Managing Director, Laurence Roe for a total of 100,000 convertible notes. The issue of convertible notes to them is subject to the prior approval of shareholders, which will be sought at the Company's annual general meeting in November. In the meantime, they have agreed their application moneys may be used by the Company as loan funds.

The convertible notes are to be issued on the following terms;

<b>Term</b>	2 Years.
<b>Coupon Rate</b>	12% p.a.
<b>Interest Paid</b>	Quarterly in Arrears.
<b>Note Issue Price</b>	\$1.00
<b>Conversion Ratio</b>	Each Note converts to 20 fully paid ordinary Shares in the Company at the Noteholders election.
<b>Conversion Price</b>	A\$0.05 per share.
<b>Listing</b>	The Notes will be unlisted.
<b>Security</b>	The Notes will be secured by a charge registered with the Australian Securities and Investments Commission over the Company's interest in TELA Louisiana Limited.
<b>Early Repayment</b>	The Company may repay the Notes prior to the expiry of the term by giving the Noteholder not less than 30 days notice to allow Noteholders to convert to shares in the Company before repayment.

### Corporate information

#### ASX Code

TEX

#### Board of Directors

Chris Rowe, Chairman  
Laurence Roe, Managing Director  
Paul Lloyd, Director  
Mike Martin, Director

Rowan Caren, Company Secretary

#### ABN Number

73 119 160 360

#### Contact details

Level 2, 46 Ord Street  
West Perth WA 6005  
Tel: +61 8 9476 9000  
admin@targetenergy.com.au

#### Overview of activities

Target is exploring and producing a suite of highly prospective oil and gas projects in the USA.

Target has interests in producing assets in its East Chalkley oil field, the Section 28 Oil and Gas Project and at its Merta #1 well.

*NOTE: In accordance with ASX Listing Rules, any hydrocarbon reserves and/or drilling update information in this report has been reviewed and signed off by Mr Laurence Roe, B Sc, Managing Director of Target Energy, who is a member of the Society of Exploration Geophysicists and has 30 years experience in the sector. He consents to that information in the form and context in which it appears.*



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**Early Repayment Penalty** The lesser of 3 month's interest or interest payable for the balance of the Term together with 20 options to acquire fully paid ordinary shares in the Company for each Note repaid, which options are exercisable at \$0.05 each and must be exercised prior to the date which would have been the expiry date of the Term.

The Company also takes this opportunity to update the market that it has been advised by the Operator that the contracted drilling rig is now expected to be available to commence work at the Pine Pasture #3 well its East Chalkley Oil Field in Cameron Parish, Louisiana on or about 31 October 2010. The change to the anticipated commencement of drilling is a consequence of the rig being required at its current location for a longer period than originally scheduled.

Drilling is expected to take approximately three weeks to reach the programmed Total Depth of 3,000m (9,842 feet). The well will be drilled from the existing production facilities and will be deviated some 538 metres to the south-south-west, with the bottom-hole to be approximately 272 metres south of the Pine Pasture #2 bottom-hole location. The well will be drilled under a turn-key contract.

Target has a 35% working interest in the East Chalkley field, which currently produces approximately 100 barrels of oil per day from two wells in the field. Reserve studies undertaken for Target have indicated that the field may have up to 1.7 million barrels of P50 ("most likely") technically recoverable reserves and resources, with a P10 or upside estimate of 4 million barrels of oil.

Target Energy currently has oil and gas production in three separate project areas in Texas and Louisiana.

For and on behalf of  
TARGET ENERGY LIMITED

**Laurence Roe**  
Managing Director