



## ASX Announcement

21 October 2014

### Successful Capital Raising

- Target now funded to complete Fairway drilling program ahead of potential sale in early 2015
- \$3.0m secured, convertible note issuance
- Non-renounceable pro-rata entitlement issue to raise up to \$2.9m, with approximately \$1.9m of commitments/underwriting secured

US-focused oil and gas producer, Target Energy Limited ("Target"), is pleased to advise that it has agreed terms with its largest shareholder, Wyllie Group Pty Ltd, to raise A\$3.0m by issuance of secured Convertible Notes (October 2014 Convertible Notes).

In addition, Target will be undertaking a non-renounceable pro-rata entitlement issue (Entitlement Issue) to raise up to A\$2.9m. Eligible shareholders will be able to subscribe for 1 new share in Target, for every 7 existing shares they hold at the Record Date, at an issue price of A\$0.045 per share. The issue price represents a 7% discount to volume weighted average price (VWAP) over the last 30 days. Target has secured A\$1.9m of firm entitlement and underwriting commitments in relation to the Entitlement Issue largely from directors and other existing shareholders. Further details will be announced in due course.

Funds raised will be used predominantly to complete the balance of Target's current 10-well Fairway drilling program. Upon completion of this program, and as announced on September 12 2014, it is Target's intention to seek, in conjunction with the project operator and other partners, to divest its Permian Basin Fairway project interest in early 2015. At that time, it is the Company's intention that noteholders be given the opportunity to either redeem or convert their notes to enable discharge of the security over the Fairway Project.

Target's Managing Director, Laurence Roe commented on the successful raising, "We are delighted our largest shareholder has agreed to provide additional funding by way of a new convertible note and many others in our Top 20 have supported us with the rights issue. It clearly shows strong support for Target's strategy and belief in the value proposition on offer for shareholders.

### Corporate information

ASX Code: TEX  
OTCQX Code: TEXQY

#### Board of Directors

Chris Rowe, Chairman  
Laurence Roe, Managing Director  
Stephen Mann, Director  
Ralph Kehle, Chairman TELA (USA)

Rowan Caren, Company Secretary

#### ABN

73 119 160 360

#### Contact details

6 Richardson St, Suite 5  
West Perth WA 6005  
Tel: +61 8 9476 9000

1900 St James Place, Suite 425  
Houston Tx 77056  
USA  
Tel: +1 713 275 9800

E: [admin@targetenergy.com.au](mailto:admin@targetenergy.com.au)

W: [www.targetenergy.com.au](http://www.targetenergy.com.au)

#### Media Inquiries:

##### Australia

Ross Dinsdale  
Business Development Manager  
(Perth)  
+61 429 702 970  
[ross.dinsdale@targetenergy.com.au](mailto:ross.dinsdale@targetenergy.com.au)

##### USA

Brad Holmes  
Target Investor Relations (Houston)  
+1 713 304 6962 cell  
+1 713 654 4009 direct  
[brad.holmes@targetenergyusa.com](mailto:brad.holmes@targetenergyusa.com)



## ASX Announcement

21 October 2014

"To optimise the value realised in the divestment of Fairway, Target believes it is important to complete the current drilling program, which involves drilling lease commitment wells. In early 2015 Target and its partners will have drilled at least 17 wells in the project and aim to be producing around 500boepd net to Target, with wells drilled in virtually all leases and two thirds of those leases expected to be fully held by production.

"The Permian Basin remains the strongest US oil and gas merger and acquisition market with US\$8.8bn of deals announced just in the last quarter. Pleasingly, the 2014 deal metrics have been strong with average transaction value per acre multiples on Midland Basin deals above US\$40,000 per acre which is good news for Target in the lead up to our planned divestment.

"The Board will continue to focus on maximising returns to our shareholders. We will complete the drilling program planned for the rest of 2014 and into early 2015 and then test the market with an offer to sell our Fairway interests. Following a successful execution of a sale of its Fairway project, it is Target's intention to return a portion of the proceeds to shareholders. We will keep shareholders informed of any material developments as we progress."

### ASX Waiver

The Company is pleased to advise that ASX has granted a waiver from ASX Listing Rule 10.1 to the extent necessary to permit the Company to:

- 1.1. Grant security over the Company's interest in the Fairway Project in favour of the Wyllie Group Pty Limited ("Wyllie Group") (or its nominee) (the "Wyllie Security") pursuant to appropriate security documents ("Security Documents") related to a convertible note agreement ("Convertible Note Agreement") under which Wyllie Group will subscribe for 60,000,000 new convertible notes with a face value of \$0.05 per convertible note, to raise \$3,000,000 ("New Convertible Notes"), without obtaining shareholder approval on the following conditions.

- 1.1.1. The Security Documents include a term that if an event of default occurs and Wyllie Group exercises its rights under the Wyllie Security, neither Wyllie Group nor any of its associates can acquire any legal or beneficial interest in an asset of the Company in full or part satisfaction of the Company's obligations under the Convertible Note Agreement or the Security Documents, or otherwise deal with the assets of the Company, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through



## ASX Announcement

21 October 2014

a receiver, or receiver and manager (or any other person acting on behalf of Wyllie Group) appointed by Wyllie Group exercising its power of sale under the Wyllie Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Wyllie Group in accordance with its legal entitlements.

1.1.2. A summary of the material terms of the Convertible Note Agreement and the Security Documents is made in each annual report of the Company during the term of the Convertible Note Agreement and the Security Documents.

1.1.3. Any variations to the terms of the Convertible Note Agreement or Security Documents or the Wyllie Security which is not a minor change or is inconsistent with the terms of the waiver, must be subject to shareholder approval.

1.1.4. The Company must seek to discharge the Wyllie Security when the New Convertible Notes are converted or repaid in full, or if it is not discharged, seek shareholder approval for the continuation of the Wyllie Security for any further period.

1.1.5. The Company immediately releases to the market an announcement which sets out the terms of the waiver, and the Company's plans with respect to the conversion or repayment of the New Convertible Notes and the discharge of the Wyllie Security, including the timeframe within which it expects conversion or repayment and discharge to occur.

ENDS

For and on behalf of TARGET ENERGY LIMITED

A handwritten signature in dark ink, appearing to read "Laurence Roe".

**Laurence Roe**  
**Managing Director**



## ASX Announcement

21 October 2014

Key terms of the October 2014 Convertible Notes are set out below.

<b>Instrument</b>	Unlisted convertible notes in Target Energy Limited ( <b>Convertible Notes</b> )
<b>Total Facility</b>	A\$3.0 million
<b>Offer Structure</b>	A\$3.0 million (60.0 million Convertible Notes, pursuant to ASX Listing Rule 7.1 capacity)
<b>Maturity Date</b>	The earlier of: <ul style="list-style-type: none"><li>i) 31 March 2017,</li><li>ii) the date that is 14 days after the settlement of the sale of all of the Issuer's interest in the Fairway Project; or</li><li>iii) any earlier date on which the Principal Amount is required to be repaid in full.</li></ul>
<b>Face Value</b>	5.0 cents
<b>Coupon Rate</b>	10.0% p.a., payable semi-annually in arrears
<b>Maturity Fee</b>	The higher of: <ul style="list-style-type: none"><li>i) 10% p.a. accrued interest on the Face Value of the Convertible Notes held; and</li><li>ii) the amount that equals 0.5% of the pre-tax proceeds received by the Company in relation to the sale of all of the Company's interest in the Fairway Project.</li></ul>
<b>Conversion Ratio</b>	1:1 (Each Convertible Note, if converted, will convert into one fully paid ordinary share of Target Energy).
<b>Conversion</b>	Convertible at the election of the noteholder at any time during the period commencing on the Commencement Date and ending on the Maturity Date.
<b>Ranking on Conversion</b>	Upon conversion all issued shares will rank equally in all respects with existing Shares.
<b>Transferability</b>	The Convertible Notes will be transferable but only to sophisticated or professional investors.
<b>Voting Rights</b>	The Convertible Notes shall not provide for any voting rights at shareholder meetings of the Issuer.
<b>Early Redemption</b>	The Issuer may elect to redeem the Convertible Notes early. If the Issuer redeems the notes early it must pay; <ul style="list-style-type: none"><li>i) the principal amount on all unconverted Convertible Notes held by the noteholder on that date;</li><li>ii) all unpaid accrued interest and the overdue Interest (if any); and</li><li>iii) the Maturity Fee.</li></ul>
<b>Security</b>	The Notes will be secured by a second-ranking security charge over the Company's interest in the Fairway project