

Notice of Annual General Meeting and Explanatory Statement

Annual General Meeting to be held at
11am (WST) on
21 November 2014 at
The Vic Boardroom, 226 Hay Street
Subiaco, Western Australia, 6008.

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
Shareholders in doubt as to how they should vote should seek advice from their professional advisers.

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.

Notice of Annual General Meeting

The 2014 Annual General Meeting of Target Energy Limited will be held at 11am (WST) on 21 November 2014 at The Vic Boardroom, 226 Hay Street, Subiaco, Western Australia. The Explanatory Statement which forms part of this Notice of Annual General Meeting describes the various matters to be considered. Shareholders are asked to refer to the Glossary at the end of the Explanatory Statement which contains definitions of the terminology used in this Notice of Annual General Meeting and the Explanatory Statement.

Business of the General Meeting

Financial Statements and Reports

To receive and consider the financial statements, declaration of the Directors, Directors' Report, Remuneration Report and Auditor's Report for the financial year ended 30 June 2014.

Note: A copy of the Company's 2014 Annual Report, including the Financial Statements declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for the year ended 30 June 2014, may be accessed by visiting the Company's website at www.targetenergy.com.au.

Resolution 1: Re-election of Stephen Mann as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That Stephen Mann who retires by rotation in accordance with clause 11.3 of the Company's constitution, and being eligible offers himself for re-election, is re-elected as a Director of the Company."

Resolution 2: Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a non-binding resolution:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2014 (as set out in the Company's 2014 Annual Report) be adopted."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement

A vote on Resolution 2 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 2 if:

- (a) both of the following apply:
 - (i) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
 - (ii) the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above; or
- (b) all of the following apply:
 - (iii) the person is the Chairman of the meeting; and
 - (iv) the Chairman does so as a proxy appointed by writing; and
 - (v) the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above; and
 - (vi) the member(s) on whose behalf the Chairman is acting expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel..

The Chairman of the meeting intends to vote all available proxies in favour of the adoption of the Remuneration Report.

Resolution 3: Ratify previous issue of 60,000,000 New 2014 Convertible Notes

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 of ASX Limited and for all other purposes, the Company ratifies the issue of 60,000,000 New 2014 Convertible Notes further details of which are set out in the Explanatory Memorandum."

Voting exclusion

A vote on Resolution 3 must not be cast (in any capacity) by or on behalf of 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.

Resolution 4 – Approve issue of up to 8,717,077 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 ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 8,717,077 Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a

person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

Resolution 5: Additional Placement Capacity

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion

The Company will disregard any votes cast on this resolution by a person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed (and any associates of such a person).

However, a person described above may cast a vote on Resolution 5 if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman 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.

At the date of this Notice, the Company has not approached any persons to participate in an issue of equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

Snap-shot time:

For the purposes of determining voting entitlements at the Annual General Meeting the Directors have determined that the persons eligible to vote at the Meeting are registered Shareholders at 4pm WST on 19 November 2014.

Voting in Person

To vote in person, attend the Meeting at the time, date and place set out in this Notice.

Proxies:

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Please note that:

- (a) each Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company 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, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- (a) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- (b) if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- (c) if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting; or
 - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with Section 250D of the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative.

Enquiries

Shareholders who have any queries relating to this Notice and the accompanying documents should contact the Company Secretary, Rowan Caren on +61 (08) 9476 9000.

Signed in accordance with a resolution of the Directors



Rowan Caren
Company Secretary
Dated 17 October 2014

Explanatory Statement

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions. This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Shareholders are asked to refer to the Glossary at the end of the Explanatory Statement which contains definitions of the terminology used.

Financial Statements and Reports

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.targetenergy.com.au.

Resolution 1: Election of Stephen Mann as a Director

1.1 Background

Clause 11.3 of the Constitution provides that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Company currently has three Directors and, in accordance with ASX Listing Rule 14.4 and the Company's Constitution, one must retire.

Stephen Mann, the Director longest in office since his last election, retires by rotation and seeks re-election. Stephen Mann was appointed a Director on 23 March 2011 and has continuously served as a Director since his appointment.

1.2 Director Qualifications

Stephen is a Fellow of the Institute of Chartered Accountants of Australia and has more than 30 years experience as a chartered accountant prior to his retirement from private practice in 2003.

1.2 Other Directorships

During the last three years, Mr Mann has also served as a director of Pegasus Metals Limited (ASX: PUN) until his resignation from that position on 22 August 2014.

1.2 Directors recommendation in relation to Resolution 1

Chris Rowe and Laurence Roe (being all the Directors other than Stephen Mann) recommend that shareholders vote in favour of Resolution 1. The Board considers Mr Stephen Mann to be an independent Director.

Resolution 2: Remuneration Report

2.1 General

In accordance with Section 250R of the Corporations Act the Company submits to Shareholders for consideration and adoption its Remuneration Report for the year ended 30 June 2014. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The Remuneration Report is set out in the Directors Report contained within the Company's Annual Report. The Annual Report is available on the Company's website at www.targetenergy.com.au. The Remuneration Report contains:

- (a) information about the Board's policy for determining the nature and amount of remuneration of Directors and Key Management Personnel of the Company;
- (b) details of the remuneration of, and options held by, Directors and Key Management Personnel of the Company; and
- (c) a summary of the terms of any contract under which any Director or Key Management Personnel is engaged, including the period of notice required to terminate the contract and any termination payments provided for under the contract.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 "Two strikes rule"

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following restrictions placed on certain proxies:

Proxy being appointed	Directed Votes	Undirected Votes
Key Management Personnel (other than the Chair) ¹	Can vote directed votes	Cannot vote undirected votes ³
Chair ²	Can vote directed votes	Can vote at discretion of Proxy ⁴
Other third party	Can vote directed votes	Can vote at discretion of Proxy

Notes:

- 1) Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
- 2) Refers to the Chair (where he is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).
- 3) Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
- 4) The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions. The Proxy Form states that by appointing the Chair as a proxy (or where the Chair becomes proxy by default) the Shareholder gives the Chair express authority to exercise the proxy on Resolution 1 (except where indicated differently) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

Resolution 3 – Ratify Previous Issue of 60,000,000 New 2014 Convertible Notes

3.1 Background

The Company proposes to issue 60,000,000 New 2014 Convertible Notes to Wyllie Group Pty Limited (or its nominee) each with a face value of \$0.05 and each convertible into 1 Share to raise gross funds of \$3,000,000.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 60,000,000 New 2014 Convertible Notes (**Ratification**). The Company is seeking approval under ASX Listing Rule 7.4 as opposed to ASX Listing Rule 7.1 because the Company proposes to finalise the issue of the New 2014 Convertible Notes prior to the Meeting and is therefore seeking ratification under ASX Listing Rule 7.4.

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 without the requirement to obtain prior shareholder approval at any time during the next 12 months.

60,000,000 Shares may be issued under the New 2014 Convertible Notes, which represents approximately 13.2% of the Company's share capital on issue, immediately prior to the issue of the New 2014 Convertible Notes. This 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 60,000,000 New 2014 Convertible Notes were issued which may be converted into 60,000,000 Shares;
- (b) the New 2014 Convertible Notes were issued for \$0.05 each;
- (c) the New 2014 Convertible Notes will not be listed and do not entitle the holders to any voting rights. However, Shares issued following conversion of the New 2014 Convertible Notes will be fully paid ordinary shares that rank equally in all respects with existing Shares. The full terms of the New 2014 Convertible Notes are set out in Annexure 1;
- (d) the New 2014 Convertible Notes have a term expiring on the earlier of 31 March 2017, and the date that is 14 business days after the settlement of a sale of all of the Company's interest in the Fairway Project;
- (e) the Company will pay interest to the holder six monthly in arrears at the rate of 10% per annum calculated on the value of the unconverted New 2014 Convertible Notes.
- (f) The Company will pay a maturity fee equivalent to the higher of (i) 10% pa accrued interest on the face value of the New 2014 Convertible Notes or (ii) 0.5% of the pre-tax proceeds of the sale of Target's interest in the Fairway Project.
- (g) If the New 2014 Convertible Notes are not converted the Company must repay the total amount of the unconverted New 2014 Convertible Notes to holders at the expiry date;
- (h) the loan the subject of the New 2014 Convertible Notes is secured by a second-ranking charge over the Company's interest in the Fairway project;
- (i) the New 2014 Convertible Notes were issued to Wyllie Group Pty Limited who is not a related party of the Company; and
- (j) the funds raised by the issue of the New 2014 Convertible Notes the subject of Resolution 3 are to be applied principally to Target's Fairway project in the West Texas Permian Basin and to working capital expenses of the Company.

3.2 Directors' Recommendation

If Resolution 3 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 3.

Resolution 4 – Approve Issue of up to 8,717,077 Options

4.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 8,717,077 Options exercisable at \$0.08 per share on or before 31 March 2017 (**Early Redemption Option**) as part of an early redemption fee for redeeming 8,717,077 Existing 2014 Convertible Notes prior to the maturity date.

Under the terms of the Existing 2014 Convertible Notes the Company must issue one Early Redemption Option for every Convertible Note that is redeemed prior to the expiry of the Existing 2014 Convertible Note.

A summary of ASX Listing Rule 7.1 is set out in section 3.1 above.

The effect of Resolution 4 will be to allow the Company to issue the Early Redemption Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Early Redemption Option:

- (a) the maximum number of Early Redemption Option to be issued 8,717,077;
- (b) the Early Redemption Option will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Early Redemption Option will occur progressively upon early repayment of the Existing 2014 Convertible Notes;
- (c) the issue price will be nil per Early Redemption Option;
- (d) the recipients to whom the Early Redemption Options will be issued are the holders of Existing 2014 Convertible Notes, excluding Mr Chris Rowe (who is a Director of the Company and has consented to not receiving a redemption offer) ;
- (e) none of the recipients are related parties of the Company or its associates;
- (f) the Early Redemption Options will be issued on the terms and conditions set out in Annexure 2; and
- (g) no funds will be raised from the issue of the Early Redemption Options as they are to be issued as an early repayment penalty under the terms of the Existing 2014 Convertible Notes.

Resolution 5: Additional Placement Capacity

5.1 Background

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of their issued capital through placements over a 12 month period after shareholder approval is sought at the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

The Company is an Eligible Entity.

The Company is now seeking shareholder approval by way of a special resolution to give it the ability to issue Equity Securities under the 10% Placement Facility during the 12 month period following the passing of Resolution 5.

If Shareholders approve Resolution 5, the exact number of Equity Securities the Eligible Entity may issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 5.2 below).

The effect of Resolution 5 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 5 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

Target intends to use the funds to drill and complete further oil and gas wells at its Fairway project, for general working capital and for administration.

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that shareholders vote in favour of this Resolution.

5.2 Description of Listing Rule 7.1A

ASX Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$20,446,606 based on the closing price of the Company's ordinary shares quoted on ASX on 9 October 2014, being 4.5 cents.

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice, has on issue one class of quoted Equity Securities, being the Shares (ASX Code: TEX).

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A × D) - E

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (iii) plus the number of shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
 - (iv) less the number of Shares cancelled in the previous 12 months;
- D** is 10%; and
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

At the date of this Notice, the Company has on issue 454,324,588 Shares and, after adjusting for securities issued in the past 12 months without Shareholder approval or not under an exception to Listing Rule 7.1, the Company has capacity to issue:

- (a) 68,148,688 Equity Securities under Listing Rule 7.1 (this does not include the 60,000,000 New 2014 Convertible Notes which the Company proposes to issue prior to the Meeting); and

- (b) 45,432,459 quoted Equity Securities under a Listing Rule 7.1A under the approval obtained on 14 November 2013. Unless this Resolution 5 is approved, the existing Listing Rule 7.1A approval will expire on 13 November 2014.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

5.3 Specific Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the VWAP of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) **Date of Issue**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the below table.

The table below shows the dilution of existing shareholders on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice, calculated in accordance with the formula in ASX Listing Rule 7.1A(2).

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity. The number of Shares on issue (Variable A in the formula) may increase as a result of the issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued

under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders meeting.

		Dilution		
Variable 'A' in Listing Rule 7.1A.2		\$0.0225 50% decrease in Issue Price	\$0.045 Issue Price	\$0.0675 50% Increase in Issue Price
Current Variable 'A'	10% voting dilution	45,432,459	45,432,459	45,432,459
	Funds raised	\$1,022,230	\$2,044,461	\$3,066,691
50% increase in current Variable 'A'	10% voting dilution	68,148,688	68,148,688	68,148,688
	Funds raised	\$1,533,345	\$3,066,691	\$4,600,036
100% increase in current Variable 'A'	10% voting dilution	90,864,918	90,864,918	90,864,918
	Funds raised	\$2,044,461	\$4,088,921	\$6,133,382

The table has been prepared on the following assumptions:

- (a) There are currently 454,324,588 existing Shares on issue as at the date of this Notice of Meeting.
- (b) The Company issues the maximum number of equity securities available under the 10% Placement Facility;
- (c) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into ordinary shares before the date of the issue of the equity securities;
- (d) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (e) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- (f) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (g) The table shows only the dilution effect of issuing the equity securities under Listing Rule 7.1A, not under the 15% placement capacity the Company has under Listing Rule 7.1;
- (h) The issue price is \$0.045 being the closing price of the Shares on 9 October 2014 ("**Reference Share Price**").

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the annual general meeting; and
 - (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.
- (d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

- (ii) as cash consideration. In such circumstances, the Company intends to allocate the funds towards increased and accelerated exploration relating to its projects, including the drilling and completion of further wells at Fairway, working capital and the costs of issue.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon the issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined at the date of this Notice but may include existing shareholders and/or new shareholders who are not related parties of the Company.

The identity of the recipients of Equity Securities under the 10% Placement Capacity will be determined having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) alternative methods of raising funds that are available to the Company at that time, including but not limited to, rights issues or other offers in which existing Shareholders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company; and
- (v) advice from corporate, financial and broking advisors (if applicable).

Further if the Company is successful in acquiring new resources, assets or investments, it is possible that the recipients under the 10% Placement Capacity may include vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 14 November 2013.

The Company has not issued any Equity Securities pursuant to the Previous Approval.

In the 12 months preceding the date of the 2014 Annual General Meeting, the Company has issued 206,292,286 Equity Securities and this represents 45% of the total diluted number of Equity Securities on issue at the commencement of that 12 month period. Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the 2014 Annual General Meeting are set out in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount	Consideration & Use of Funds as at 3 October 2014
Issue – 7/3/2014 Appendix 3B – 26/02/2014	8,571,428	Unlisted Options ²	2013 Convertible Note holders (GDR Pty Limited <Riley Super Fund) and Thomas Patterson	Nil cash consideration	Consideration = issued as an early redemption fee of 2013 Convertible Notes Current Value ⁶ = \$Nil
Issue – 11/4/2014 Appendix 3B – 7/04/2014 and 17/04/2014	17,142,858	Unlisted Options ²	2013 Convertible Note holders (GDR Pty Limited <Riley Super Fund) and Thomas Patterson	Nil cash consideration	Consideration = issued as an early redemption fee of 2013 Convertible Notes Current Value ⁶ = \$Nil
Issue - 7/3/2014 Appendix 3B – 26/02/2014	12,000,000	Existing 2014 Convertible Notes ³	GD & AM Riley <Riley Super Fund and Thomas Patterson)	5 cents per Convertible Note	<i>Amount raised</i> = \$600,000 <i>Amount spent</i> = \$600,000 Use of funds Repayment of existing convertible notes <i>Amount remaining</i> = \$Nil
Issue - 7/3/2014 Appendix 3B – 26/02/2014	54,000,000	Existing 2014 Convertible Notes ³	Various	5 cents per Convertible Note	<i>Amount raised</i> = \$2,700,000 <i>Amount spent</i> = \$2,700,000 <i>Use of funds</i> =drilling of Fairway wells and general working capital <i>Amount remaining</i> = \$Nil
Issue - 14/04/2014 Appendix 3B – 7/04/2014 and 17/04/2014	54,000,000	Existing 2014 Convertible Notes ³	Various	5 cents per Convertible Note	<i>Amount raised</i> = \$2,700,000 <i>Amount spent</i> = \$2,700,000 <i>Use of funds</i> =drilling of Fairway wells, repayment of existing convertible notes and general working capital
Issue – 3/10/2014 Appendix 3B	578,000	Ordinary Shares	The Corp of Trustees RAOB GLQ GLE	Nil cash consideration	Consideration = issued upon conversion of Existing 2014

- 3/10/2014					Convertible Notes Current Value ⁶ = \$26,010
Issue - prior to the Meeting Appendix 3B - to be announced	60,000,000	New 2014 Convertible Notes ⁴	Wyllie Group Limited (or its nominee)	5 cents per Convertible Note	<i>Amount raised</i> = \$3,000,000 <i>Amount spent</i> = \$Nil <i>Amount remaining</i> = \$3,000,000 <i>Use of funds</i> =drilling of Fairway wells and general working capital ⁵

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Unlisted Options with an exercise price of 7 cents and an expiry date of 1 October 2014.
3. Existing 2014 Convertible Notes with a face value of 5 cents and an expiry date of 31 March 2017. The full terms of the Existing 2014 Convertible Notes are set out in the Notice of Meeting dated 27 February 2014.
4. New 2014 Convertible Notes with a face value of 5 cents and an expiry date of the earlier of 31 March 2017 and the date fourteen business days after settlement of a sale of Target's interest in the Fairway Project. The full terms of the New 2014 Convertible Notes are set out in Annexure 1.
5. It is proposed that the funds raised from issues of Equity Securities will be used, together with the Company's other cash reserves, for further exploration activities and ongoing operating expenses of the Company. This statement as it relates to the future use of funds is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
6. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.045) as at 9 October 2014. In respect of unquoted Options, the value is measured using the Binomial Tree option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and

(ii) the information required by Listing Rule 3.10.5A for release to the market.

(h) **Voting Exclusion**

A voting exclusion statement is included in this Notice. At the date of this Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holders to participate in an issue of equity securities under ASX Listing Rule 7.1A. No existing shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

5.4 Directors recommendation in relation to Resolution 5

All the directors recommend that shareholders vote in favour of Resolution 5.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

10% Placement Capacity has the meaning given in section 5.1 of the Explanatory Statement.

Annexure means an annexure to this Explanatory Statement.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Section 11 of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691).

Board means the board of Directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Target Energy Limited (ACN 119 160 360).

Existing 2014 Convertible Note means the convertible notes issued on 5 March 2014 and 14 April 2014 (119,422,000 currently on issue) on the terms and conditions set out in the Company's notice of meeting dated 27 February 2014.

2013 Convertible Note means the convertible notes repaid in 2014 and having a face value of 7 cents and an expiry date of 1 October 2014.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a Director of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Fairway Project means the project in West Texas targeting the Wolfberry Oil Resource Play in the Permian Basin.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the

Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

New 2014 Convertible Note means a convertible note to be ratified under Resolution 3 and having the terms and conditions set out in Annexure 1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Related Party has the meaning given in Section 228 of the Corporations Act.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

Relevant Interest has the meaning given in Sections 608 and 609 of the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Variable A means "A" as set out in the calculation in section 5.2 of the Explanatory Statement.

Voting Power has the meaning given in Section 610 of the Corporations Act.

ANNEXURE 1 – NEW 2014 CONVERTIBLE NOTE TERMS

Maturity Date	The earlier of 31 March 2017 and 14 business days after settlement of a sale of Target's interests in the Fairway Project.
Coupon Rate	10% p.a.
Penalty Rate	If the Company fails to pay any interest on the due date, the Company must pay 12% interest p.a. on any overdue amount.
Interest Paid	Six monthly in arrears.
Note Issue Price	\$0.05
Conversion Ratio	On conversion each Note converts to 1 fully paid ordinary share in the Company at the Noteholder's election.
Listing	The Notes will be unlisted, any ordinary shares in the Company issued on conversion of the Notes will be listed.
Security	The Notes will be secured as described in Resolution 3.
Maturity Fee	At maturity, a fee of the higher of (i) 10% pa accrued interest on face value of New 2014 Convertible Notes or (ii) 0.5% of the pre-tax proceeds of the sale of Target's interest in the Fairway project.
Transferability	The New 2014 Convertible Notes are transferable by written instrument signed by both the transferor and the transferee.
Voting Rights	The New 2014 Convertible Notes shall not provide for any voting rights at shareholder meetings.
Bonus Issues and Reconstructions	If at any time the Company issues bonus securities to Shareholders, then for each unconverted New 2014 Convertible Notes held by the holder, shall be adjusted in accordance with Listing Rule 6.22.3.
Participating Rights	There are no participation rights or entitlements inherent in the New 2014 Convertible Notes and the holder is not entitled to participate in new issues of Shares or securities offered to Shareholders during the currency of the New 2014 Convertible Notes.

ANNEXURE 2 – OPTION TERMS AND CONDITIONS

The Early Redemption Options the subject of Resolution 4 will be issued on the following terms:

- (a) Each Option gives the holder the right to subscribe for 1 Share. To obtain the right given by each Option the holder must exercise those Options in accordance with the terms and conditions;
- (b) The Options will expire at 5:00pm (WST) on 31 March 2017. Any Option not exercised before the expiry date will automatically lapse on the expiry date;
- (c) The amount payable on exercise of the Options is \$0.08 each;
- (d) The Options held by the holder may be exercised in whole or in part;
- (e) A holder may exercise the Options by lodging with the Company, before the expiry date:
 - (i) written notice of exercise of Options specifying the number of Options being exercised;
 - (ii) a cheque or electronic funds transfer for the exercise price for the number of Options being exercised; and
 - (iii) an exercise notice is only effective when the Company has received the full amount of the exercise price in cleared funds;
- (f) Not more than 20 business days after receipt of the exercise notice accompanied by the exercise price, the Company will allot the number of shares required under these terms and conditions for the number of Options specified in the exercise notice;
- (g) The Options are transferable;
- (h) All shares issued on exercise of the Options will rank equally in all respects with other fully paid ordinary shares in the Company;
- (i) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares issued on exercise of the Options on ASX;
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction;
- (k) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will, to the extent permitted by the Corporations Act or the ASX Listing Rules, ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced. This will give holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (l) 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.

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 21 November 2014 and at any adjournment of that meeting.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 2 (except where I/we have indicated a different voting intention below) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

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

RESOLUTIONS

	FOR	AGAINST	ABSTAIN*
1. Re-election of Stephen Mann as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratify previous issue of 60,000,000 New 2014 Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approve issue of up to 8,717,077 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* 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

Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Dated: ____/____/2014

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 11am on Monday 19 November 2014. 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 – 6 Richardson Street, Suite 5, West Perth, Western Australia 6005
- BY MAIL: PO Box 140, West Perth, Western Australia 6872
- BY FAX: (61 8) 9476 9099