

# TARGET ENERGY LIMITED

## ACN 119 160 360

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### ENTITLEMENT ISSUE PROSPECTUS

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For a non-renounceable entitlement issue of one (1) Share for every seven (7) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.045 per Share to raise up to \$2,920,658 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is partially jointly underwritten by Little Breton Nominees Pty Limited <Little Breton Super Fund Account> (a company controlled by Christopher Rowe) and Gunz Pty Limited <Gunz Super Fund Account> (a company controlled by Stephen Mann) to the total amount of \$279,577 (each an **Underwriter** and together, the **Underwriters**). The Underwriters have also agreed to take up all their Entitlements, totalling a further \$220,422, for no additional fee. Refer to Section 8.4 for details regarding the terms of the Underwriting Agreements.

#### IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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## 1. CORPORATE DIRECTORY

### Directors

Mr Christopher Rowe  
*Non-Executive Chairman*

Mr Laurence Roe  
*Managing Director*

Mr Stephen Mann  
*Non-Executive Director*

### Company Secretary

Mr Rowan Caren

### Share Registry\*

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands WA 6009

Telephone: + 61 8 9389 8033  
Facsimile: +61 8 9262 3723

### Auditor\*

HLB Mann Judd (WA Partnership)  
Level 4, 130 Stirling Street  
Perth WA 6000

### Registered Office

Suite 5  
6 Richardson Street  
West Perth WA 6005

Telephone: + 61 8 9476 9000  
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Email: [admin@targetenergy.com.au](mailto:admin@targetenergy.com.au)  
Website: [www.targetenergy.com.au](http://www.targetenergy.com.au)

### ASX Code

TEX

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Joint Underwriters

Little Breton Nominees Pty Limited <Little  
Breton Super Fund Account>

and

Gunz Pty Limited <Gunz Super Fund  
Account>

\*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

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## 2. TIMETABLE

Event	Date
Lodgement of Prospectus with the ASIC	21 October 2014
Lodgement of Prospectus & Appendix 3B with ASX	21 October 2014
Notice sent to Optionholder	21 October 2014
Notice sent to Shareholders	23 October 2014
Ex date	24 October 2014
Record Date for determining Entitlements	28 October 2014
Prospectus sent out to Shareholders & Company announces this has been completed	30 October 2014
Last day to extend the Offer*	6 November 2014
Closing Date	11 November 2014
Shares quoted on a deferred settlement basis	12 November 2014
ASX notified of under subscriptions	14 November 2014
Issue date/Shares entered into Shareholders' security holdings	18 November 2014
Quotation of Shares issued under the Offer*	19 November 2014

\*The Directors may extend the Closing Date by giving at least 3 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

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### **3. IMPORTANT NOTES**

This Prospectus is dated 21 October 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

#### **3.1 Risk factors**

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

#### **3.2 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements

contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

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## 4. DETAILS OF THE OFFER

### 4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every seven (7) Shares held by Shareholders registered at the Record Date at an issue price of \$0.045 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 64,903,513 Shares will be issued pursuant to this Offer to raise up to \$2,920,658.

As at the date of this Prospectus the Company has 750,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

The Company currently has 179,422,000 Convertible Notes on issue. Please refer to Section 5.4 of this Prospectus for information on the conversion price and maturity date of the Convertible Notes on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

### 4.2 Minimum subscription

There is no minimum subscription under the Offer.

### 4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
  - (i) complete the Entitlement and Acceptance Form; and
  - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
  - (iii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (iv) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.045 per Share); or

- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

#### 4.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Target Energy Limited – Share Issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 4:00pm (WST) on the Closing Date.

#### 4.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.** Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

#### 4.6 Underwriting

The Offer is partially jointly underwritten as follows:

- (a) Little Breton Nominees Pty Limited <Little Breton Super Fund Account>, a company controlled by Christopher Rowe (a Director of the Company), up to a value of \$166,286 (being up to 3,695,244 Shares); and
- (b) Gunz Pty Limited <Gunz Super Fund Account>, a company controlled by Stephen Mann (a Director of the Company) up to a value of \$113,292 (being up to 2,517,595 Shares),

for a total value of \$279,578 Shares (**Underwritten Amount**). The Underwriters will be paid a fee equal to 3% of the Underwritten Amount (being a total of \$8,387.33). Refer to Section 8.4 of this Prospectus for details of the terms of the Underwriting Agreements.

#### 4.7 Firm Commitments



The Company has entered into firm commitment agreements with the Commitment Investors under which the Commitment Investors have agreed to subscribe for an aggregate of 31,201,425 Shares under their Entitlements and under the Shortfall Offer. The Company has agreed to pay the Commitment Investors (except Petroe Exploration Services Pty Ltd) a fee equal to 3% of the total funds they have committed under the Firm Commitment.

Refer to Section 8.5 of this Prospectus for details of the terms of the Firm Commitment.

#### 4.8 Effect on control of the Company

As mentioned above, the Underwriters are currently related parties of the Company as they are both entities that are controlled by Directors of the Company.

The Underwriters presently hold Shares in the Company and the extent to which Shares are issued pursuant to the underwriting will increase the Underwriters' voting power in the Company. The Underwriters' present relevant interest and changes under several scenarios are set out in the table below and are based on the assumption that the Underwriters takes up their full Entitlements under each scenario (being 1,860,312 Shares to Little Breton Nominees Pty Limited <Little Breton Super Fund Account> and 3,037,961 Shares to Gunz Pty Limited <Gunz Super Fund Account>).

Event	Shares held by Little Breton Nominees Pty Limited <Little Breton Super Fund Account>	Voting Power	Shares held by Gunz Pty Limited <Gunz Super Fund Account>	Voting Power
Date of Prospectus	13,022,180	2.87%	21,265,716	4.68%
Completion of the Offer:				
• Fully subscribed	14,882,492	2.87%	24,303,677	4.68%
• 75% subscribed	18,577,736	3.65%	26,821,272	5.27%
• 48.07% (being the amount of Shares taken up under the Firm Commitment)	18,577,736	3.78%	26,821,272	5.45%

The number of Shares held by the Underwriters and its voting power in the table above show the potential effect of the underwriting of the Offer.

#### 4.9 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by up to 14.29% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	50,000,000	11.02%	7,142,857	50,000,000	9.63%
Shareholder 2	10,000,000	2.20%	1,428,572	10,000,000	1.93%
Shareholder 3	5,000,000	1.10%	714,286	5,000,000	0.96%
Shareholder 4	1,500,000	0.33%	214,286	1,500,000	0.29%
Shareholder 5	500,000	0.11%	71,429	500,000	0.10%

**Notes:**

1. The table does not take into account Options and Convertible Notes on issue at the date of this Prospectus.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer, or under the Underwriting Agreement. In the event all Entitlements are not accepted and some, or all, of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

**4.10 Shortfall Offer**

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.045 being the price at which Shares have been offered under the Offer.

Shareholders who wish to subscribe for Shares above their Entitlement are invited to apply for additional Shares under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form.

The Shortfall shall be issued on the basis of applications received from other Eligible Shareholders before the issue of any Shortfall to the Underwriters.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

**4.11 ASX listing**

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

**4.12 Issue of Shares**

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

#### **4.13 Overseas shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **4.14 Enquiries**

Any questions concerning the Offer should be directed to Mr Rowan Caren, Company Secretary, on + 61 8 9476 9000.

## 5. PURPOSE AND EFFECT OF THE OFFER

### 5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$2,920,658.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%	Firm Commitment and Underwritten Amount <sup>1</sup> (\$)	%
1.	Drilling and completion of three additional wells at Fairway Project	\$2,840,658	97.26%	\$1,826,000	95.90%
2.	Expenses of the Offer <sup>2</sup>	\$80,000	2.74%	\$78,064	4.10%
	<b>Total</b>	<b>\$2,920,658</b>	<b>100%</b>	<b>\$1,904,064</b>	<b>100%</b>

#### Notes:

1. This refers to the amount which the Underwriters and Commitment Investors have agreed to take up under the Firm Commitment and Underwriting Agreements. Details are set out in Sections 8.4 and 8.5.
2. Refer to Section 8.9 of this Prospectus for further details relating to the estimated expenses of the Offer.

In the event that less than the full subscription is raised, funds will first be applied towards the expenses of the Offer and then towards drilling expenditure at the Fairway Project.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) 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 funds are applied on this basis.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

### 5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised and no Convertible Notes are converted prior to the Record Date, will be to:

- (a) increase the cash reserves by \$2,840,658 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 454,324,588 as at the date of this Prospectus to 519,228,101 Shares.

### 5.3 Pro-forma balance sheet

The audited balance sheet as at 30 June 2014 and the unaudited pro-forma balance sheets as at 30 June 2014 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised and no Convertible Notes are converted prior to the Record Date and including expenses of the Offer. The pro forma balance sheet reflects adjustments made for expenditure and receipts since 30 June 2014 and the Series 2 Convertible Notes issued on or about 21 October 2014.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	AUDITED 30 JUNE 2014	PROFORMA 30 JUNE 2014
		<b>Full Subscription</b>
<b>CURRENT ASSETS</b>		
Cash	3,719,166	6,959,824
Trade and other receivables	1,315,784	341,784
Other financial assets	50,000	50,000
<b>TOTAL CURRENT ASSETS</b>	<b>5,084,950</b>	<b>7,351,608</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	17,049,176	18,784,176
<b>TOTAL NON-CURRENT ASSETS</b>	<b>17,049,176</b>	<b>18,784,176</b>
<b>TOTAL ASSETS</b>	<b>22,134,126</b>	<b>26,135,784</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,289,766	1,665,766
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,289,766</b>	<b>1,665,766</b>
<b>NON-CURRENT LIABILITIES</b>		
Convertible Notes	4,970,472	7,624,770
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>4,970,472</b>	<b>7,624,770</b>
<b>TOTAL LIABILITIES</b>	<b>8,260,238</b>	<b>9,290,536</b>
<b>NET ASSETS</b>	<b>13,873,888</b>	<b>16,845,248</b>
<b>EQUITY</b>		
Share capital	33,492,432	36,333,090
Reserves	1,300,525	1,646,227
Accumulated Losses	(20,919,069)	(21,134,069)
<b>TOTAL EQUITY</b>	<b>13,873,888</b>	<b>16,845,248</b>

## 5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised or Convertible Notes are converted prior to the Record Date, is set out below.

### Shares

	Full Subscription
Shares currently on issue	454,324,588
Shares offered pursuant to the Offer	64,903,513
<b>Total Shares on issue after completion of the Offer</b>	<b>519,228,101</b>

### Options

	Number
Options currently on issue: (Unquoted exercisable at \$0.12 on or before 24 October 2014)	750,000
Options offered pursuant to the Offer	Nil
<b>Total Options on issue, which will expire prior to completion of the Offer, unless exercised prior</b>	<b>750,000</b>

### Convertible Notes

	Number
Series 1 Convertible Notes currently on issue (each with a face value of \$0.05, convertible into one Share, a maturity date of 31 March 2017 and a first ranking security over the Fairway Project) <sup>1</sup>	119,422,000
Series 2 Convertible Notes currently on issue (each with a face value of \$0.05, convertible into one Share, a maturity date of 31 March 2017 and a second ranking security over the Fairway Project) <sup>2</sup>	60,000,000
Convertible Notes offered pursuant to the Offer	Nil
<b>Total Convertible Notes on issue after completion of the Offer</b>	<b>179,422,000</b>

#### Note:

1. If all Series 1 Convertible Notes were converted as at the date of this Prospectus, a total of 119,422,000 Shares would be issued. The conditions of these Series 1 Convertible Notes were set out in the Company's ASX announcement dated 26 February 2014. Pursuant to the terms of the Series 1 Convertible Notes, conversions received during a month will be processed within 5 business days of the end of the month. As the Record Date falls before the end of the month, the Series 1 Convertible Notes will not be converted to Shares prior to the Record Date.
2. If all Series 2 Convertible Notes were converted as at the date of this Prospectus, a total of 60,000,000 Shares would be issued. The conditions of these Series 2 Convertible Notes were set out in the Company's ASX announcement dated 21 October 2014. Pursuant to the terms of the Series 2 Convertible Notes, conversions received during a month will be processed within 5 business days of the end of the month. As the Record Date falls before the end of the month, the Series 2 Convertible Notes will not be converted to Shares prior to the Record Date.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 634,496,588 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 699,400,101 Shares.

56,863,569 Shares are subject to a voluntary escrow until 11 December 2014 and a further 56,863,568 Shares are subject to a voluntary restriction until 11 June 2015. 1,666,667 Shares issued pursuant to the Company's employee share plan are subject to voluntary escrow until the performance conditions are satisfied and the employee share loan is repaid.

## 5.5 Details of substantial holders

Based on publicly available information as at 21 October 2014, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Investmet Limited	117,775,000	25.92%
Wylie Group Pty Ltd	45,550,814	10.03%

### Notes:

- Investmet Limited has not lodged a notice advising that it has ceased to be a substantial shareholder. Investmet Limited transferred 113,515,945 Shares to its Shareholders pursuant to a selective buyback of Investmet Limited shares in June 2014. Investmet Limited retains a relevant interest in 113,515,945 Shares pursuant to a voluntary escrow arrangement entered into by Investmet Limited with each of the transferees. Investmet Limited is the registered holder of 4,259,055 Shares as at 21 October 2014.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

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## **6. RIGHTS AND LIABILITIES ATTACHING TO SHARES**

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **6.1 General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

### **6.2 Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### **6.3 Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid or credited as paid is of the total amounts paid and payable in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Directors may in their absolute discretion establish a dividend reinvestment plan on such terms



and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan to be applied by the Company to the payment of the subscription price of Shares.

#### **6.4 Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

#### **6.5 Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

#### **6.6 Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

#### **6.7 Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

#### **6.8 Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

#### **6.9 Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least

28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

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## **7. RISK FACTORS**

### **7.1 Introduction**

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **7.2 Company specific**

#### **(a) Potential for dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised and no Convertible Notes are converted prior to the Record Date the number of Shares in the Company will increase from 454,324,588 currently on issue to 519,228,101. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.045 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

#### **(b) Title Risks**

The process of confirming legal title to a prospect is an ongoing task. The operator finalises the task of the title confirmation immediately prior to the commencement of drilling a well. In the event that, at that time, clear title cannot be determined then drilling on a prospect could be delayed or halted indefinitely.

#### **(c) Title in Sydney Lease**

Recent title work has raised some uncertainty regarding the Company's interests in the Sydney Lease, which may differ to those represented to the Company by Trilogy Operating Inc. (the operator of the Fairway Project). The Company is working to clarify this position however it may be that the Company's interest in the Sydney Lease is less than 60%. If the Company's interest is determined to be less than was represented to the Company by Trilogy Operating Inc., the Company will seek to require Trilogy Operating Inc. to remedy the loss to the satisfaction of the Company. There can be no assurance that Trilogy Operating Inc. will

remedy the loss to the Company's satisfaction, in the event that it is determined that the Company's interest in the Sydney Lease is less than 60%.

(d) **Sale of 10% interest to Aurora Energy Partners**

The Company has entered into a legal agreement with Aurora Energy Partners ("Aurora"), a Texas general partnership in which Victory Energy Corporation (OTCQX: VYEV) owns a 50% interest and serves as managing partner to sell a 10% working interest in the Fairway project. The transaction was structured in two closings, the first of which occurred and for which the Company received total proceeds of \$2,775,830 (US\$2,614,554). Aurora failed to make the requisite payment for the balance of \$2,113,759 (US\$1,990,950) (the Second Closing) by the agreed date. Subsequent efforts to address the matter did not yield a successful resolution and following Target's advice to Aurora that if the closing was not completed in a timely manner, it intended to withdraw the Second Closing assets from sale, Target has been advised by Aurora that it considers the PSA terminated as to the Second Closing assets. The Second Closing will not occur as contemplated and Target is presently assessing all future options in the matter. There can be no assurance that the matter will be resolved to the Company's satisfaction.

(e) **Current and ongoing drilling**

Drilling of wells at the Fairway Project is ongoing. There can be no assurance these activities will result in the discovery of economic hydrocarbon resources. Even if a hydrocarbon resource is identified there is no guarantee it can be economically exploited.

(f) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(g) **Need to attract qualified staff**

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting and retaining such personnel.

(h) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies and/or assets. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies and assets.

### 7.3 Industry specific

#### (a) Exploration and development risk

Potential investors should understand that hydrocarbon exploration and development is a high-risk undertaking.

The business of hydrocarbon exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of hydrocarbon exploration, development and production;
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or

suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There can be no assurance that the Company's exploration and development activities will result in the discovery of an economic hydrocarbon resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

(b) **Operating risks**

The operations of the Company may be affected by various factors, including failure to locate or discover hydrocarbon accumulations; failure to achieve predicted well production flow-rates; operational and technical difficulties encountered in drilling or production; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated reservoir problems which may affect field production performance; adverse weather conditions; industrial and environmental accidents; industrial disputes; fluctuations in commodity prices; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Drilling may also result in unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some hydrocarbons, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on investment or recovery of drilling, completion and operating costs. Hazards incidental to the exploration and development of petroleum properties such as unusual or unexpected rock formations, formation pressures, climatic conditions or other factors are inherent in drilling and operating wells and may be encountered by the Company.

No assurances can be given that the Company's prospects and projects will achieve commercial viability through successful exploration, development production and/or sale. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) **Commercialisation**

Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return. If the Company elects to seek to divest any of its prospects or projects there is no guarantee that the Company will be able to divest or, if it is able to divest, that the proceeds from divestment will exceed the carrying value.

(d) **Reserve estimates**

Reserve estimates are expressions of judgement based on knowledge, experience and industry practice and the Reserves classifications are related to the inherent risks in producing recoverable hydrocarbons. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, Reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through

additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the Company's operations.

(e) **Commodity price volatility and exchange rate risks**

The revenue the Company derives through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, the quality of the oil, technological advancements, forward selling activities and other macro-economic factors.

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, prices of commodities in the USA are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken to account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(f) **Environmental risks**

The Company's mining operations and activities are subject to USA laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

(g) **Taxation**

Profits arising from the discovery and commercialisation of oil and gas fields will be subject to USA taxation. The tax treatment could vary significantly from that applied in Australia.

(h) **Competition**

The Company is competing with other companies in its exploration and development activities, many of which will have access to greater

resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurances that the Company can compete effectively with these companies.

## **7.4 General risks**

### **(a) Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

### **(b) Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **(c) Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

### **(d) Government Actions**

The impact of actions by governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.



(e) **Legal Risk**

The introduction of new legislation or amendments to existing legislation by governments, developments in the existing common law in any jurisdiction which governs the Company's operations or contractual obligations, could impact adversely on the assets, operations and the financial performance of the Company.

(f) **Regulatory Approvals**

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the leases.

(g) **Access**

The Company, in order to conduct its exploration and development programs, may require approval from government and non-government bodies to facilitate access to blocks and leases in which it has an interest.

(h) **Insurance**

Insurance against all risks associated with petroleum exploration and production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(i) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the

Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(j) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## **7.5 Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## **8. ADDITIONAL INFORMATION**

### **8.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **8.2 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
21/10/2014	Appendix 3B
21/10/2014	Notice of Annual General Meeting/Proxy Form
21/10/2014	Reinstatement to Official Quotation
21/10/2014	Successful Capital Raising
20/10/2014	Suspension from Official Quotation

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.targetenergy.com.au](http://www.targetenergy.com.au).

### 8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.072	2 September 2014
Lowest	\$0.043	4 August 2014
Last	\$0.045	14 October 2014

### 8.4 Underwriting Agreements

On 17 October 2014, the Company entered into underwriting agreements with each of the Underwriters under which they each agreed to partially underwrite the Offer, as set out below:

- (a) Little Breton Nominees Pty Limited <Little Breton Super Fund Account> (a company controlled by Christopher Rowe) up to a value of \$166,286 (being up to 3,695,244 Shares); and
- (b) Gunz Pty Limited <Gunz Super Fund Account> (a company controlled by Stephen Mann) up to a value of \$113,292 (being up to 2,517,595 Shares),

for a total value of \$279,578 Shares (**Underwritten Amount**). The Underwriters will be paid a fee equal to 3% of the Underwritten Amount (being a total of \$8,387.33).

In addition the Underwriters have agreed to take up all their Entitlements under the Offer (being an additional 4,898,273 Shares) for no additional fees.

The Underwriting Agreements are on standard commercial terms with no specified conditions precedent or termination events.

## 8.5 Firm Commitment Agreements

The Company has entered into firm commitment agreements with a number of investors and Shareholders (**Commitment Investors**) under which the Commitment Investors have agreed to subscribe for an aggregate of 31,201,425 Shares under their Entitlements and under the Shortfall Offer, for a total of \$1,404,064.13.

The Company has agreed to pay the Commitment Investors (except Petroe Exploration Services Pty Ltd) a fee equal to 3% of the total funds they have committed under the Firm Commitment. Petroe Exploration Services Pty Ltd (**Petroe**) is a related party of the Company by virtue of being an entity controlled by Laurence Roe (a Director). Petroe has agreed that it will not receive any fee in relation to its Firm Commitment.

The Directors have reserved the right to cut back the amount of Shortfall Shares issued to any of the Commitment Investors under the Firm Commitment.

The firm commitment agreements are otherwise on standard commercial terms with no specified conditions precedent or termination events.

## 8.6 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

### **Security holdings**

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Series 1 Convertible Notes	Entitlement	\$
Christopher Rowe	13,022,180 <sup>1</sup>	Nil	6,100,000	1,860,312	\$136,708
Laurence Roe	8,584,509 <sup>2</sup>	Nil	Nil	1,226,359	\$55,186
Stephen Mann	21,265,716 <sup>3</sup>	Nil	Nil	3,037,961	\$83,714

#### **Notes:**

1. These Shares are held by Little Breton Nominees Pty Limited <Little Breton Super Fund Account> (a company controlled by Christopher Rowe).
2. These Shares are held by Petroe Exploration Services Pty Ltd (a company controlled by Laurence Roe).
3. These Shares are held by Gunz Pty Limited <Gunz Super Fund Account> (a company controlled by Stephen Mann). Of these Shares, 7,479,733 are subject to a voluntary escrow restriction until 11 December 2014 and a further 7,479,733 Shares are subject to a voluntary escrow restriction until 11 June 2015.

As set out in Section 8.4 of the Prospectus, Little Breton Nominees Pty Limited <Little Breton Super Fund Account> has agreed to underwrite a further 3,695,244 Shares and Gunz Pty Limited <Gunz Super Fund Account> has agreed to underwrite a further 2,517,595 Shares, in addition to their respective Entitlements. The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up all of their respective Entitlements.

### **Remuneration**

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	FY 2015	FY 2014	FY 2013
Christopher Rowe	\$70,000	\$70,000	\$88,000
Laurence Roe	\$364,240	\$365,075	\$344,620
Stephen Mann	\$60,000	\$60,138	\$60,000

## 8.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

The Underwriters will collectively be paid an underwriting fee of approximately \$8,387 in respect of this Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, none of the Underwriters has been paid any fees by the Company, with the exception of Director fees as set out in section 8.5.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$77,511 (excluding GST and disbursements) for legal services provided to the Company.

## 8.8 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each of the Underwriters has given its written consent to being named as an Underwriter to the Offer in this Prospectus, in the form and context in which it is named.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

HLB Mann Judd has given its written consent to being named as the Company's auditor in this Prospectus. HLB Mann Judd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 8.9 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$80,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,290
ASX fees	9,416
Underwriting fees	8,387
Firm Commitment Fees	40,467
Legal fees	15,000
Miscellaneous	4,440
<b>Total</b>	<b>80,000</b>

## 8.10 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on + 61 8 9476 9000 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.targetenergy.com.au](http://www.targetenergy.com.au).



The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **8.11 Financial forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

#### **8.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **8.13 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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**9. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

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**Christopher Rowe**  
**Chairman**  
**For and on behalf of**  
**Target Energy Limited**

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## 10. GLOSSARY

**\$** means the lawful currency of the Commonwealth of Australia.

**Applicant** means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

**Application Form** means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the listing rules of the ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**Closing Date** means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

**Commitment Investors** mean the Shareholders and investors that have made the Firm Commitment.

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

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company as at the date of this Prospectus.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**Firm Commitment** means the firm commitment by the Committed Investors to subscribe for Shares under their Entitlements and the Shortfall Offer (being a total of \$1,404,064.13) as set out in Section 8.5 of this Prospectus.

**Offer** means the non-renounceable entitlement issue the subject of this Prospectus.

**Official Quotation** means official quotation on ASX.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Prospectus** means this prospectus.

**Record Date** means the date specified in the timetable set out at the commencement of this Prospectus.

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

**Shareholder** means a holder of a Share.

**Shortfall** means the Shares not applied for under the Offer (if any).

**Shortfall Application Form** means the shortfall application form either attached to or accompanying this Prospectus.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 4.10 of this Prospectus.

**Shortfall Shares** means those Shares issued pursuant to the Shortfall.

**Underwriter** means either by Little Breton Nominees Pty Limited <Little Breton Super Fund Account> or Gunz Pty Limited <Gunz Super Fund Account> and **Underwriters** means both.

**Underwriting Agreements** mean the Underwriting Agreements between the Company and the Underwriters on the terms set out in Section 8.4.

**WST** means Western Standard Time as observed in Perth, Western Australia.