

# TARGET ENERGY LIMITED

## ACN 119 160 360

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## ENTITLEMENT ISSUE PROSPECTUS

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For a renounceable entitlement issue of five (5) Shares for every three (3) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.006 per Share, together with one free attaching New Option for every two Shares issued, to raise up to \$4,996,875 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is partially underwritten by Patersons Securities Limited to the amount of \$2,914,566 (**Underwriter**). Refer to Section 8.4 for details regarding the terms of the Underwriting Agreement.

### 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 and New Options 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  
Facsimile: +61 8 9476 9099

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

### Underwriter and Lead Manager

Patersons Securities Limited  
Level 23, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

\*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	24 April 2015
Lodgement of Prospectus & Appendix 3B with ASX	24 April 2015
Notice sent to Shareholders	28 April 2015
Ex date	29 April 2015
Rights start trading	29 April 2015
Record Date for determining Entitlements	1 May 2015
Prospectus sent out to Shareholders & Company announces this has been completed	6 May 2015
Rights stop trading	8 May 2015
Shares and New Options quoted on a deferred settlement basis	11 May 2015
Last day to extend the Offer*	12 May 2015
Closing Date	15 May 2015
ASX notified of under subscriptions	19 May 2015
Issue date/Shares and New Options entered into Shareholders' security holdings	21 May 2015
Quotation of Shares and New Options issued under the Offer*	22 May 2015

\*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 and New Options are expected to commence trading on ASX may vary.

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### **3. IMPORTANT NOTES**

This Prospectus is dated 24 April 2015 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 or New Options 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 and New Options the subject of this Prospectus should be considered highly speculative.

Applications for Shares and New Options 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 and New Options 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 renounceable entitlement issue of five (5) Shares for every three (3) Shares held by Shareholders registered at the Record Date at an issue price of \$0.006 per Share together with one New Option for every two Shares issued. 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 832,812,467 Shares and 416,406,233 New Options will be issued pursuant to this Offer to raise up to \$4,996,874.80.

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. The New Options will have an exercise price of \$0.012 and an expiry date of 28 February 2017. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares and the New Options.

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**

The minimum subscription under the Offers is \$2,914,566. No Shares or New Options will be issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay all application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their application and be repaid their application monies

### **4.3 What Eligible Shareholders may do**

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement;
- (b) take up additional Shares and New Options under the Shortfall Offer;
- (c) sell all of their Entitlement on ASX;
- (d) take up a proportion of their Entitlement and sell the balance on ASX;
- (e) take up a proportion of their Entitlement and allow the balance to lapse;
- (f) sell all or a proportion of their Entitlement other than on ASX; or
- (g) allow all or part of their Entitlement lapse.

#### 4.4 Taking up all or part of your Entitlement

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. You may take up part or all of your Entitlement but 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.

If you wish to accept your **full** Entitlement:

- (a) complete the Entitlement and Acceptance Form; and
- (b) 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.

If you only wish to accept **part** of your Entitlement:

- (a) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
- (b) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.006 per Share).

If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything. The Offer is renounceable. Accordingly, a Shareholder may sell or transfer all or part of their Entitlement.

##### **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.

##### **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.

#### **4.5 Selling your Entitlement on ASX**

The Entitlements under the Offer are renounceable which means that all or part of an eligible Shareholder's rights to subscribe for Shares and New Options under the Offer may be traded on ASX. If you wish to sell all or any of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 29 April 2015 and will cease on 8 May 2015.

There is no guarantee that an eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

#### **4.6 Selling your Entitlement other than on ASX**

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is not a resident in Australia and New Zealand, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a Shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date).

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The application monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with section 4.4.

#### **4.7 Allow all or part of your Entitlement to lapse**

Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

#### **4.8 Underwriting**

The Offer is partially underwritten by the Underwriter up to the first \$2,914,566 raised under the Offer. Refer to Section 8.4 of this Prospectus for details of the terms of the Underwriting Agreement.

#### 4.9 Lead Manager

The Underwriter has also been appointed as Lead Manager to the Offer. The terms of the appointment of the Lead Manager are summarised in Section 8.5 of this Prospectus.

#### 4.10 Director Sub-underwriting

The Directors (through their controlled entities) have each entered into sub-underwriting agreements with the Underwriter for a total sub-underwritten amount of \$1,273,679 as follows:

- (a) \$129,697.31 sub-underwritten by Petroe Exploration Services Pty Ltd (a company controlled by Laurence Roe);
- (b) \$801,585.71 sub-underwritten by Little Breton Nominees Pty Ltd ATF <Little Breton Superannuation Fund> (a company controlled by Christopher Rowe); and
- (c) \$342,396.35 sub-underwritten by Gunz Pty Limited ATF <Gunz Superannuation Fund> (a company controlled by Stephen Mann),

#### (Sub-underwriting).

The Directors may procure nominees to subscribe for part or all of their Sub-underwriting commitment (**Permitted Nominees**). The Directors obligation to subscribe for Shares under the Sub-underwriting will be reduced to the extent that the Directors (or any of their associated entities) or Permitted Nominees subscribe for Shares under their Entitlement or under the Shortfall. Fees will only be paid to the Directors (or their associated entities) in relation to the Sub-underwriting amount committed to by Permitted Nominees (equivalent to 3% of their commitment amount). This fee will be entirely passed through to the Permitted Nominees and the Directors (or their associated entities) will not retain any benefit. Refer to Section 8.6 of this Prospectus for further details of the Sub-underwriting.

#### 4.11 Firm Commitments

The Company has received signed Firm Commitment Letters from its Shareholders (**Committed Shareholders**) to subscribe for Shares and New Options under the Offer for an amount totalling approximately \$1,390,887. The Commitment Shareholders will be paid \$48,464 in firm commitment fees.

#### 4.12 Settlement and Offset Deeds

The Company has entered into Settlement and Offset Deeds with the Directors (and other entities associated with the Directors) to directly offset \$713,679.37 owing to these parties via the subscription of 118,946,561 Shares and 59,473,280 New Options under the Rights Issue and Shortfall Offer via the Sub-underwriting. Refer to Section 8.8 of this Prospectus for further details in relation to the Settlement and Offset Deeds.

#### 4.13 Effect on control of the Company

The Underwriter is presently not a Shareholder in the Company. The extent to which Shares are issued pursuant to the underwriting will increase the Underwriter's voting power in the Company. The Underwriter is not a related party of the Company for the purpose of the Corporations Act. The

Underwriter's relevant interest in Shares under several scenarios are set out in the table below.

Event	Shares held by the Underwriter	Voting Power
Date of Prospectus	Nil	0%
Completion of the Offer:		
• Fully subscribed	Nil	0%
• 75% subscribed	Nil	0%
• 50% subscribed	69,354,767	7.0%
• 25% subscribed	277,557,883	28.2%
• 0%	485,761,000	49.3%

The number of shares held by the Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. It is unlikely that no shareholders will take up entitlements under the Offer. The underwriting obligation and therefore voting power of the Underwriter will reduce by a corresponding amount for the amount of entitlements under the Offer taken up by the other shareholders.

The Underwriter has also entered into a number of sub-underwriting arrangements with third parties, including \$1,273,679 sub-underwritten by the Directors. Each Director's interests in securities, as well as each Director's potential voting power on completion of the Offer, is set out in section 8.9 of the Prospectus. There are no sub-underwriters that may obtain a controlling interest in the Company as a result of the Offer.

#### 4.14 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings may be diluted by up to 62.50% (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 assuming no New Options have been exercised 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, assuming minimum subscription	% post Offer, assuming full subscription
Shareholder 1	50,000,000	10.01%	83,333,333	50,000,000	5.07%	3.75%
Shareholder 2	10,000,000	2.00%	16,666,667	10,000,000	1.01%	0.75%
Shareholder 3	5,000,000	1.00%	8,333,333	5,000,000	0.51%	0.38%
Shareholder 4	1,500,000	0.30%	2,500,000	1,500,000	0.15%	0.11%
Shareholder 5	500,000	0.10%	833,333	500,000	0.05%	0.04%

**Notes:**

1. The table does not take into account 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.

#### **4.15 Shortfall Offer**

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

Investors who are not Shareholders of the Company can apply for Shares by completing the Shortfall Application Form accompanying this Prospectus.

Any Shares and New Options not taken up pursuant to the Offer by the Closing Date will form the Shortfall Offer. The Company reserves the right to place the balance of shares pursuant to the Shortfall Offer within three months of the Closing Date.

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 \$0.006, together with one New Option for every two Shares issued, being the same terms that Shares and New Options are being offered under the Offer. The Directors and Underwriter reserve the right to issue Shortfall Shares at their absolute discretion.

#### **4.16 ASX listing**

Application for Official Quotation of the Shares and New Options 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 and New Options 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 or New Options 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 and New Options is not to be taken in any way as an indication of the merits of the Company or the Shares or New Options now offered for subscription.

#### **4.17 Issue of Securities**

Shares and New Options 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 and New Options issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares and New Options 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 and New Options 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 and New Options 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 and New Options issued under the Shortfall Offer as soon as practicable after their issue.

#### **4.18 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 and New Options 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 and New Options 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.

However, pursuant to ASX Listing Rule 7.7, the Company has appointed the Underwriter, to sell the Entitlements to which ineligible Shareholders are entitled (**Nominee**). The Nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of the nominee, there is no viable market for the Entitlements of the ineligible Shareholders, or a surplus over the expenses of the sale cannot be obtained the Entitlements that would have been offered to the ineligible Shareholders, then those Entitlements will be allowed to lapse.

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.

#### **4.19 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 \$4,996,875.

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 (\$)	%	Underwritten Amount <sup>1</sup> (\$)	%
1.	Repayment of existing payables <sup>1</sup>	\$1,500,000	30%	\$1,500,000	51.5%
2.	Repayment of secured loans <sup>2</sup>	\$500,000	10%	\$500,000	17.1%
3.	Capital expenditure on Existing Projects	\$1,000,000	20%	\$200,000	6.8%
4.	New Acquisitions	\$1,000,000	20%	\$Nil	0%
5.	Interest on convertible notes	\$180,000	3.6%	\$180,000	6.2%
6.	Repayment of short term loans	\$140,000	2.8%	\$140,000	4.8%
6.	Expenses of the Offer <sup>2</sup>	\$184,000	3.7%	\$178,000	6.1%
7.	Working Capital	\$492,875	9.9%	\$216,566	7.4%
	<b>Total</b>	<b>\$4,996,875</b>	<b>100%</b>	<b>\$2,914,566</b>	<b>100%</b>

#### Notes:

1. Amount of \$1.52 million (US\$1.17million) currently payable to the Fairway project operator.
2. This refers to the repayment of Director loans to be offset via the subscription for Shares and Options by the Directors (or associated entities) under their sub-underwriting commitments. Further details are set out in Section 8.8.
3. This refers to the amount which the Underwriter has agreed to underwrite. Details are set out in Section 8.4.
4. Refer to Section 8.12 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, the Company will first reduce funds applied towards the expenses of the Offer (naturally occurring as a result of the reduction in funds raised), secondly to reduce funds applied towards new acquisitions, thirdly to reduce capital expenditure on existing projects, and lastly towards reducing working capital expenditure.

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 Convertible Notes are converted prior to the Record Date, will be to:

- (a) increase the cash reserves by \$4,232,875 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer;
- (b) decrease current liabilities by \$140,000 in respect of short term loans provided by Directors and decrease non-current liabilities by \$500,000 in respect of secured loans provided by directors, which were advanced to the company subsequent to 31 December 2014; and
- (c) increase the number of Options on issue from 0 as at the date of this Prospectus to 416,406,233 Options.

## 5.3 Pro-forma balance sheet

The reviewed balance sheet as at 31 December 2014 and the unaudited pro-forma balance sheets as at 31 December 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 first pro-forma balance sheet presented has been prepared assuming all Entitlements are accepted, no Convertible Notes are converted prior to the Record Date and includes the expenses of the Offer. The pro forma balance sheet reflects adjustments made for expenditure and receipts between 31 December 2014 and 15 April 2015 and the secured loans announced on 16 February 2015 and the short term loans received on 10 April 2015.

The second pro-forma balance sheet presented has been prepared on the same basis as the first pro forma but reflecting only Entitlements up to the underwritten amount.

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.

	AUDIT REVIEWED 31 DECEMBER 2014	PROFORMA 31 DECEMBER 2014	PRO FORMA 31 DECEMBER 2014
		Full Subscription	Minimum Subscription
<b>CURRENT ASSETS</b>			
Cash	445,828	4,294,703	2,144,714
Trade and other receivables	253,365	253,365	253,365
Other financial assets	50,000	50,000	50,000
<b>TOTAL CURRENT ASSETS</b>	<b>749,193</b>	<b>4,598,068</b>	<b>2,448,079</b>

	AUDIT REVIEWED 31 DECEMBER 2014	PROFORMA 31 DECEMBER 2014	PRO FORMA 31 DECEMBER 2014
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	22,812,182	23,315,182	23,315,182
<b>TOTAL NON-CURRENT ASSETS</b>	<b>22,812,182</b>	<b>23,315,182</b>	<b>23,315,182</b>
<b>TOTAL ASSETS</b>	<b>23,561,375</b>	<b>27,913,250</b>	<b>25,763,261</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2,056,516	1,784,516	1,710,836
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,056,516</b>	<b>1,784,516</b>	<b>1,710,836</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible Notes	7,764,684	7,764,684	7,764,684
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,764,684</b>	<b>7,764,684</b>	<b>7,764,684</b>
<b>TOTAL LIABILITIES</b>	<b>9,821,200</b>	<b>9,549,200</b>	<b>9,475,520</b>
<b>NET ASSETS</b>	<b>13,740,175</b>	<b>18,364,050</b>	<b>16,287,741</b>
<b>EQUITY</b>			
Share capital	35,482,172	40,355,047	38,278,738
Reserves	4,796,256	4,796,256	4,796,256
Accumulated Losses	(26,538,253)	(26,787,253)	(26,787,253)
<b>TOTAL EQUITY</b>	<b>13,740,175</b>	<b>18,364,050</b>	<b>16,287,741</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 Convertible Notes are converted prior to the Record Date, is set out below.

##### Shares

	Minimum Subscription	Full Subscription
Shares currently on issue	499,687,480	499,687,480
Shares offered pursuant to the Offer	485,761,000	832,812,467
<b>Total Shares on issue after completion of the Offer</b>	<b>985,448,480</b>	<b>1,332,499,947</b>

##### Options

	Minimum Subscription	Full Subscription
Options currently on issue	Nil	Nil
Options offered pursuant to the Offer	242,880,500	416,406,233
<b>Total Options on issue after completion of the Offer</b>	<b>242,880,500</b>	<b>416,406,233</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 fifth business day 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 fifth business day 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 679,109,480 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Convertible Notes are exercised prior to the Record Date) would be 1,928,328,180 Shares.

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 22 April 2015, 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	23.57%
Wyllie Group Pty Ltd	45,550,814	9.12%
Gunz Pty Ltd	26,821,272	5.37%

### Notes:

1. 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 22 April 2015.

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

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

### **6.1 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.

#### **(a) 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.

#### **(b) 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:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) 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
- (iii) 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).

#### **(c) 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.

(d) **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.

(e) **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.

(f) **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.

(g) **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.

(h) **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.

(i) **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.

## 6.2 Options

The New Options issued pursuant to this Prospectus will be issued on the following terms and conditions:

(a) **Entitlement**

Each Option shall entitle the Option holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Date**

The Options are exercisable wholly or in part at any time prior to 5.00 pm (WST) on the expiry date of 28 February 2017 (**Expiry Date**), and at the exercise price of \$0.012 as indicated on the option certificate or holding statement. Options not exercised by the Expiry Date shall lapse.

(c) **Notice of Exercise**

Each Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the Options are exercised, at any time before the Expiry Date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt of the notice and accompanying payment (**Exercise Date**).

(d) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(e) **Change in exercise price**

An Option does not confer the right to a change in exercise price or a change in the number of the underlying Shares over which the Option can be exercised.

(f) **Shares issued on exercise**

Shares issued upon exercise of the Options will rank equally in all respect with the then issued fully paid ordinary shares.

(g) **Quotation**

The Company will apply for quotation of the Options on ASX. The Company will apply for quotation on ASX of all Shares issued upon exercise of the Options.

(h) **Transferability**

Subject to the Corporations Act, the Constitution and the Listing Rules, the Options are freely transferable.

(i) **Participation Rights**

There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 Business Days after the issue is announced so as to give Option holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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## **7. RISK FACTORS**

### **7.1 Introduction**

The Shares and New Options 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 and New Options 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 and the New Options.

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 Convertible Notes are converted prior to the Record Date the number of Shares in the Company will increase from 499,687,480 currently on issue to 1,332,499,947 and an additional 416,406,233 New Options will be issued. This means that each Share will represent a lower proportion of the ownership of the Company. If any New Options are subsequently exercised this will further dilute ownership in 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 \$0.013 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

#### **(b) Level of debt**

The Company has issued convertible notes with a face value of \$8,971,100. These notes are secured over the Company's interest in the Fairway project and mature on 31 March 2017. If the Company defaults in repayment of amounts due under the terms of the Convertible Notes, the noteholders will have priority ranking charges over the Company's interest in the Fairway project.

In addition to the convertible notes, the Company owes approximately \$780,000 to parties including the operator of the Fairway Project. The Company has also been billed by the operator an additional approximately \$720,000 to cover costs resulting from a party in the Fairway project defaulting on its debts to the operator. (Refer 7.2(d) below).

(c) **Going concern**

In reviewing the Company's half-year financial report, which included the Company's condensed statement of financial position as at 31 December 2014, HLB Mann Judd's independent Report on the Condensed Half-year Financial Report was unqualified but contained the following emphasis of matter paragraph in respect of a material uncertainty regarding the Company's continuation as a going concern:

"Without modifying our opinion, we draw attention to Note 1 in the interim financial report which indicates that for the half-year period ended 31 December 2014, the Company group had a net cash outflow from operating and investing activities of \$8,752,856 and incurred a net loss for the half-year of \$5,619,184. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business."

Notwithstanding the 'going concern' emphasis of matter included in the financial report, the Directors consider that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current short term working capital requirements. However, it is highly likely that further funding will be required to meet the medium to long term working capital needs of the Company.

The Company is confident that it will raise sufficient funding to meet its minimum expenditure commitments and repay its debts as and when they fall due.

(d) **Litigation Claim against Victory and Aurora**

As announced on 12 February 2015, the Company's subsidiary, TELA Garwood Limited, LP (**TELA**), has filed a law suit in the District Court of Harris County (Houston, Texas) against Aurora Energy Partners (**Aurora**) and Victory Energy Corporation (**Victory**) the General Partner of Aurora. TELA is claiming damages against Victory and Aurora for losses caused from a breach of the Purchase and Sale Agreement dated 30 June 2014 (**PSA**) under which TELA agreed to sell a 10% working interest in the Fairway Project to Aurora. The suit charges that Aurora, acting by and through its general partner, Victory, breached its obligation to purchase certain of TELA Garwood's interests in the West Texas Fairway Project pursuant to the PSA. Aurora and TELA Garwood completed a first closing on June 30, 2014, but failed to complete a second closing originally scheduled for July 31, 2014 as a result of Aurora's breaches of its obligations under the PSA.

The suit filed by TELA Garwood against Aurora is seeking, amongst other damages, payment of an invoice issued by TELA Garwood to Aurora in September 2014 for various lease assignments and a fee due on the drilling of the Taree 193 # 1 well. The outstanding amount on the invoice, which remains unpaid, is approximately \$460,000 (US\$347,000).

In addition to TELA Garwood's suit, in January 2015 the operator of the Fairway project also filed a law suit against Aurora, alleging Aurora's failure to pay invoices associated with a number of wells in the Fairway

Project. While the suit remains underway, in February 2015 the operator exercised its rights under the operating agreement to recover Aurora's outstanding costs, pro-rata, from the other partners. The Company's share of these costs was approximately \$720,000 (US\$545,000). The Company is contemplating amending its current suit to recover these funds from Aurora.

The aggregate effect of just these matters has been to adversely impact The Company's financial position by approximately \$1,180,000.

Litigation can be a costly and time-consuming exercise which could cause the Company to divert Company's resources and attention of management and key personnel from the Company's business operations. In addition, the outcome of any litigation is inherently unpredictable, and if TELA does not succeed in its claim, it may be required to pay the costs of Victory Energy Corporation and Aurora Energy Partners.

(e) **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.

(f) **Title in Sydney Lease**

As announced on 30 January 2015, the Company's interest in its Sydney #2 lease in Glasscock County (E/2 S188 Block 29 A-170; W&NW Survey) was reduced by 9% from 60% to 51%. The reduction came following an investigation in respect of CrownRock, LP and AED Group LLC interests in the Sydney #2 lease which confirmed that together they hold a 15% working interest in that lease. The Company and the Fairway Project operator, Trilogy Operating, Inc, have agreed that a transfer of a 6.43% interest in the Sydney #2 lease to the Company will provide full settlement of any re-allocation that may arise in relation to the Sydney leases. As a result, the Company expects its working interest in the Sydney #2 lease to increase to 57.43% and to remain at 60% in the Sydney #1 lease.

The Company has been also been advised that, in lieu of securing a lease from Apache Energy Corporation (**Apache**) in the Sydney tracts (investigations revealed that Apache has an approximate 26% interest in the tracts - including the adjoining 160 acre Sydney #1 tract (NW/4 S 188 Block 29 A-170 W&NW Survey)), the operator is opting to treat Apache as a non-participating co-tenant in the Sydney #1 and #2 wells (i.e. a mineral owner that elects to not to participate in the execution of a lease but instead elects to be carried). Effectively, Apache is not obliged to participate in any operations, but will share in the profits after the other partners have recouped all drilling, completion and operating costs associated with the well ("after payout"). This will not affect the Company's working interest in the leases, but will reduce revenue after payout from any well in those leases by approximately 26%.

(g) **Current and ongoing drilling and workovers**

At this time, the Company does not intend to participate in any further drilling of wells at the Fairway Project. Workovers of existing wells at the Fairway Project may be undertaken subject to the quantum of funds raised. 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.

(h) **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.

(i) **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.

(j) **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 and workover 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.

The Company's interests in Fairway leases are held on the basis of work done and production of hydrocarbons. If work is not completed or hydrocarbons are not produced at a rate or quantum adequate to hold the leases, the leases may be subject to forfeiture unless extensions can be negotiated with landowners. The Company has an interest in 943 net acres on 5 leases upon which drilling commitments will fall due before April 30, 2016. The Company and its partners may not be in a position to meet these drilling commitments and therefore may seek to negotiate lease extensions over these leases. The Company is confident that lease extensions can be secured - however if lease extensions cannot be negotiated with the landholders the Company's interest in the leases may be forfeited.

(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, 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 and New Options 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 and New Options 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 and New Options 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 and New Options offered under this Prospectus

Therefore, the Shares and New Options 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 and New Options.

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 and New Options pursuant to this Prospectus.

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## **8. ADDITIONAL INFORMATION**

### **8.1 Litigation**

As set out in Section 7.2(b) of this Prospectus, TELA has filed a law suit in the District Court of Harris County (Houston, Texas) against Victory and Aurora. TELA is claiming damages against Victory and Aurora for losses caused from a failure to make the second closing under the PSA and failing to complete the sale and purchase of a 10% working interest in the Fairway Project.

Other than set out above, 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
24/04/2015	Extension of Suspension
22/04/2015	Extension of Suspension
17/04/2015	Extension of Suspension
10/04/2015	Extension of Suspension
07/04/2015	Suspension from Official Quotation
01/04/2015	Trading Halt
20/03/2015	Corporate Update
16/03/2015	Half Yearly Report and Accounts
17/02/2015	Target Raises \$0.5m in Secured Loans
12/02/2015	Corporate Update
30/01/2015	Quarterly Activities and Cashflow Report
29/01/2015	Fairway Divestment Update
20/01/2015	Operations and Trading Update
03/12/2014	Appointment of Divestment Advisor
01/12/2014	Fairway Project Operations Update
26/11/2014	Change of Director's Interest Notice - L Roe
26/11/2014	Change of Director's Interest Notice - C Rowe
26/11/2014	Change of Director's Interest Notice - S Mann
21/11/2014	AGM Presentation BRR Webcast
21/11/2014	Results of Meeting

Date	Description of Announcement
21/11/2014	Managing Director's AGM Presentation
18/11/2014	Completion of Rights Issue
10/11/2014	More Oil Flows at Fairway Project
06/11/2014	Permian Basin Merger and Acquisition Update
31/10/2014	Despatch of Prospectus
30/10/2014	Quarterly Cashflow Report
30/10/2014	Quarterly Activities Report
27/10/2014	Expiry of Unlisted Options
23/10/2014	Cleansing Notice - Convertible Notes
22/10/2014	Boardroom Radio Webcast
21/10/2014	Appendix 3B Non Renounceable Rights Issue
21/10/2014	Entitlement Issue Prospectus
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	\$0.029	9 February 2015
Lowest	\$0.013	31 March 2015
Last	\$0.013	1 April 2015

### 8.4 Underwriting Agreement

By an agreement between Patersons Securities Limited (**Underwriter**) and the Company dated 24 April 2015 (**Underwriting Agreement**), the Underwriter has

agreed to underwrite the Offer for the first \$2,914,566 worth of Shares and New Options (being 485,761,000 Shares and 242,880,500 New Options) (**Underwritten Securities** or **Underwritten Amount**) subscribed for under the Rights Issue.

The Company has agreed to pay the Underwriter an underwriting fee equal to:

- (a) 6.0% of the Underwritten Amount that is not sub-underwritten or subject to firm commitments by the Directors or other investors secured by the Company or the Directors; and
- (b) 3% of the amount that is sub-underwritten by the Directors and for which they have secured firm commitments from their Permitted Nominees. Fees will be paid to the Directors (or their associated entities) in relation to the sub-underwriting provided by Permitted Nominees, however this fee will be entirely passed through to the Permitted Nominees and no fees will be retained by the Directors.

The Underwriting Agreement is conditional upon:

- (a) the Underwriter being satisfied with the due diligence investigations;
- (b) a legal sign off letter being provided by the Company's solicitors, to the satisfaction of the Underwriter; and
- (c) the Underwriter entering into sub-underwriting agreements with sub-underwriters for \$1,523,679 and the Company receiving firm commitments for a further \$1,390,887.

The Underwriting Agreement is subject to the following events of termination:

- (a) (**Indices fall**): the closing price of the All Ordinaries Index as published by the ASX or the price of oil per barrel (**WTI**) in US dollars as published in the Australia Financial Review after the date of this Agreement is 10% or more below its respective level as at the close of business on the business day prior to the date of this Agreement for 3 consecutive days;
- (b) (**Prospectus**): the Company does not lodge the Prospectus on the agreed date for lodgement or the Prospectus or the Offer is withdrawn by the Company;
- (c) (**No Official Quotation**): Official Quotation has not been granted for all Shares and New Options offered under the Offer within 2 Business Days of the Closing Date (or such other date agreed in writing between the parties);
- (d) (**Supplementary prospectus**):
  - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in paragraph (p)(vi) below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or

- (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (e) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information required by the Corporations Act;
- (f) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (g) **(Share Price):** the closing price of Shares on ASX falls below \$0.006 for two consecutive days;
- (h) **(Restriction on allotment):** the Company is prevented from allotting the Shares under the Offer within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (i) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (j) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, 4 May 2015 (or such other date agreed in writing between the parties) has arrived, and that application has not been dismissed or withdrawn;
- (k) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (l) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (m) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

- (n) **(Authorisation)** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (o) **(Indictable offence):** a director or senior manager of a Relevant Company is charged with an indictable offence;
- (p) **(Termination Events):** subject always to the Material Adverse Effect qualification described below, any of the following events occurs:
  - (i) **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) **(Contravention of Constitution or Act):** a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) **(Adverse change):** an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
  - (v) **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification material in relation to this Prospectus was false, misleading or deceptive or that there was an omission from them;
  - (vi) **(Significant change):** a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
  - (vii) **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the issue of Shares under the Offer or the Prospectus;
  - (viii) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the issue of Shares under the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
  - (ix) **(Official Quotation qualified):** the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation";

- (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs;
- (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (xiii) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of a Relevant Company;
- (xiv) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$25,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable set out in the Underwriting Agreement which is greater than 7 Business Days;
- (xix) **(Force Majeure)**: a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by this Prospectus;
- (xxii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or

- (xxiii) **(Market Conditions):** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America, Canada or other international financial markets;

The Underwriter may not exercise its rights under termination event (p) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a termination event has or is likely to have, or two or more termination events together have or are likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

## 8.5 Lead Manager Mandate

The Company has entered into a mandate with the Underwriter pursuant to which the Underwriter has agreed to be the Lead Manager of the Offer.

In the course of its appointment, the Underwriter will assist the Company with determining the structure of the Offer, managing the marketing of the Offer, and providing strategic market advice in relation to the Offer.

The Company has agreed to pay the Underwriter a lead manager fee of \$60,000. The lead manager fee will be satisfied by the issue of New Shares and Options to the Underwriter pursuant to a shortfall application to be made by the Underwriter. In addition to the above fees, the Underwriter will be reimbursed for out-of-pocket expenses directly related to the Offer (whether or not the Offer proceeds). These expenses may include, but are not limited to, legal fees, travel and accommodation, marketing and communication costs, printing, couriers and other distribution costs and postage. The Underwriter must obtain the Company's consent prior to incurring any single expense greater than \$1,000.

## 8.6 Firm Commitment letters

The Company has entered into a number of firm commitment letters with unrelated Shareholders of the Company under which the Committed Shareholders have collectively agreed to subscribe for a total of \$1,390,887 (**Firm Commitment Amount**) under the Offer or Shortfall Offer. The Company has agreed to pay the Committed Shareholders a commitment fee of \$48,464 in total.

## 8.7 Director Sub-underwriting Agreements

Companies associated with the Directors have each entered into sub-underwriting agreements with the Underwriter under which Petroe Exploration Services Pty Ltd (a company controlled by Laurence Roe) has agreed to sub-underwrite \$129,697.31, Little Breton Nominees Pty Ltd ATF <Little Breton Superannuation Fund> (a company controlled by Christopher Rowe) has agreed to sub-underwrite \$801,585.71 and Gunz Pty Limited ATF <Gunz Superannuation Fund> (a company controlled by Stephen Mann) has agreed to sub-underwrite \$342,396.35 worth of Shares and New Options under the Rights Issue (**Sub-underwriters**).

The Sub-underwriters are permitted to enter into firm commitment arrangements to procure third party investors to subscribe for Shares and New Options as their Permitted Nominees under the sub-underwriting agreement. The Sub-underwriters have currently secured firm commitments of \$459,233 from Nominees.

Fees will only be paid to the Sub-underwriters (or their associated entities) in relation to the sub-underwritten amount committed to by Permitted Nominees (equivalent to 3% of their commitment amount). This fee will be entirely passed through to the Permitted Nominees and the Sub-underwriters (or their associated entities) will not retain any benefit.

## **8.8 Settlement and Offset Deeds**

The Company has entered into settlement and offset deeds with the Directors (and other entities associated with the Directors) to directly offset \$713,679.37 (**Outstanding Liabilities**) owing to these parties via the subscription of 118,946,561 Shares and 59,473,281 New Options under the Rights Issue and Shortfall Offer (**Settlement Securities**) as follows:

- (a) \$129,697.31 owed to parties associated with Laurence Roe to be offset via the subscription of 21,616,218 Shares and 10,808,109 New Options. The amounts owed comprise a \$100,000 secured loan (announced on 16 February 2015) together with accrued interest of \$2,000, and \$27,697.31 in deferred fees and salary payable to Laurence Roe and his wife, who is the Houston Office manager.
- (a) \$297,333.33 owed to Little Breton Nominees Pty Ltd <Little Breton Superannuation Fund> (a company controlled by Christopher Rowe) to be offset via the subscription of 49,555,555 Shares and 24,777,778 New Options. The amounts owed comprises a \$200,000 secured loan (announced on 16 February 2015) together with accrued interest of \$4,000, a \$70,000 unsecured loan advanced on or about 10 April 2015, and \$23,333 in deferred consultancy fees.
- (b) \$274,000 owed to Gunz Pty Limited <Gunz Superannuation Fund> (a company controlled by Stephen Mann) and \$12,648.73 owed to Stephen Mann to be offset via the subscription of 47,774,788 Shares and 23,887,394 New Options. The amounts owed comprise a \$200,000 secured loan (announced on 16 February 2015) together with accrued interest of \$4,000, \$70,000 unsecured loan advanced on or about 10 April 2015, and \$12,648.73 in deferred Director fees.

Upon the issue of the Settlement Securities to the Directors (or their nominees), any amounts payable by the Company under the Outstanding Liabilities shall be treated as extinguished and discharged in full and no party shall have any further liability or obligations owing to the other.

## **8.9 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:
  - (iii) the formation or promotion of the Company; or
  - (iv) 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 <sup>1</sup>	\$
Christopher Rowe	18,577,736 <sup>2</sup>	Nil	6,100,000	31,024,819	\$186,149
Laurence Roe	9,810,868 <sup>3</sup>	Nil	Nil	16,384,150	\$98,305
Stephen Mann	26,821,272 <sup>4</sup>	Nil	Nil	44,791,524	\$268,749

#### **Notes:**

- This refers to the number of Shares each Director is entitled to subscribe for. The Directors will also be entitled to receive New Options on the basis of 1 New Option for every 2 Shares issued.
- These Shares are held by Little Breton Nominees Pty Limited <Little Breton Super Fund Account> (a company controlled by Christopher Rowe).
- These Shares are held by Petroe Exploration Services Pty Ltd (a company controlled by Laurence Roe).
- These Shares are held by Gunz Pty Limited <Gunz Super Fund Account> (a company controlled by Stephen Mann). 7,479,733 Shares are subject to voluntary escrow until 11 June 2015.

As disclosed in section 8.6, the Directors (through their controlled entities) have also agreed to sub-underwrite \$1,273,679 under the Offer (this includes any Entitlements that they may accept). The table below sets out each Directors potential voting power on completion of the Offer assuming minimum subscription is raised and each Director takes up their full sub-underwritten commitment:

Director	Current interest in Shares	% voting power	Sub underwritten Shares	Interest in Shares after Offer	% voting power
Christopher Rowe	18,577,736	3.72%	133,597,618	152,175,354	15.44%
Laurence Roe	9,810,868	1.96%	21,616,219	31,427,087	3.19%
Stephen Mann	26,821,272	5.37%	57,066,059	83,887,331	8.51%

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.

<b>Director</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Christopher Rowe	\$60,000	\$70,000	\$88,000
Laurence Roe	\$364,240	\$365,075	\$344,620
Stephen Mann	\$55,000	\$60,138	\$60,000

Since January 2015, the non-executive directors have deferred their remuneration payments and Mr Roe has deferred a portion of his remuneration equivalent to \$60,000 per annum.

### **8.10 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 Underwriter will be paid an underwriting fee of approximately \$28,777 in respect of this Offer. The Company will also pay the Underwriter a lead manager fee equivalent to \$60,000 in New Shares and Options to be allocated from the Shortfall. During the 24 months preceding lodgement of this Prospectus with the ASIC, the Underwriter has not been paid any fees by the Company.

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 \$112,542.56 (excluding GST and disbursements) for legal services provided to the Company.

## 8.11 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.

Patersons Securities Limited 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.

## 8.12 Expenses of the offer

The total expenses of the Offer are estimated to be approximately \$184,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	Full Subscription	Min Subscription
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	\$	\$
ASIC fees	2,290	2,290
ASX fees	24,664	18,814
Underwriting fees	28,777	28,777
Firm Commitment fees	48,464	48,464
Lead Manager fees	60,000	60,000
Legal fees	15,000	15,000
Miscellaneous	4,805	4,655
<b>Total</b>	<b>184,000</b>	<b>178,000</b>

### 8.13 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.

### 8.14 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.

### 8.15 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.

### 8.16 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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**Laurence Roe**  
**Managing Director**

**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 CHES.

**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).

**Committed Shareholders** has the meaning set out in section 4.11 of the Prospectus.

**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.

**New Option** means an option to acquire a Share on the terms set out in Section 6.2 of this Prospectus.

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

**Offers** mean the Offer and the Shortfall Offer.

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

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

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

**Permitted Nominee** has the meaning set out in section 4.10 of the Prospectus.

**Prospectus** means this prospectus.

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

**Settlement and Offset Deeds** mean the Settlement and Offset Deeds summarised at section 8.8 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 4.14 of this Prospectus.

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

**Underwriter** means Patersons Securities Limited.

**Underwriting Agreement** means the Underwriting Agreement between the Company and the Underwriter on the terms set out in Section 8.4.

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