



## **Notice of Meeting of Noteholders and Explanatory Statement**

Meeting of Noteholders to be held at 2:30pm (WST) on 29 March 2017 at  
Suite 5, 6 Richardson Street, West Perth, Western Australia

This Notice of Meeting of Noteholders and Explanatory Statement is important and should be read in its entirety.

Noteholders in doubt as to how they should vote should seek advice from their professional advisers.

If you are unable to attend the Meeting, please complete the proxy form.

## Notice of Meeting of Noteholders

Notice is given that a meeting of Noteholders of Target Energy Limited will be held at 2:30pm (WST) on 29 March 2017 at:

Suite 5, 6 Richardson Street, West Perth, Western Australia.

The Explanatory Statement which forms part of this Notice of Meeting of Noteholders describes the various matters to be considered. Noteholders are asked to refer to the Glossary at the end of the Explanatory Statement which contains definitions of the terminology used in this Notice of Meeting of Noteholders and the Explanatory Statement.

### **Business of the General Meeting**

#### **Resolution 1: Approval to allow the Security Trustee to waive default for non-payment of interest**

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

*“That, for the purposes of clauses 7.3(a) and 9.14(a) of the Security Trust Deed and for all other purposes, in the event that the Company defaults in the payment of Interest on the Interest Payment Date of 31 March 2017 in accordance with clause 9.1(a) of the Terms and Conditions, Noteholders sanction and allow the Security Trustee to waive that breach of, or default under, or otherwise excuse the performance of that obligation of the Company under the Terms and Conditions.”*

#### **Resolution 2: Approval to allow the Security Trustee to amend or vary the Transaction Documents**

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

*“That, for the purposes of clauses 7.3(c) and 9.14(a) of the Security Trust Deed, clause 8.3(b) of the Convertible Note Deed Poll and for all other purposes, Noteholders sanction and allow the Security Trustee to amend or vary the Transaction Documents to:*  
*(a) vary the “Maturity Date” of the Convertible Notes from 31 March 2017 to 31 March 2018;*  
*(b) vary the “Coupon Rate” of the Convertible Notes for the Interest Free Period to be 0% per annum,*  
*and otherwise on the terms and conditions set out in the Explanatory Statement.*

#### **Resolution 3: Approval to allow the Security Trustee to amend or vary the Transaction Documents**

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

*“That, for the purposes of clauses 7.3(c) and 9.14(a) of the Security Trust Deed and for all other purposes, Noteholders sanction and allow the Security Trustee to amend or vary the Transaction Documents to allow the creation of additional security interests ranking ahead of the Noteholders on the terms and conditions set out in the Explanatory Statement.”*

### **Voting Entitlements**

In accordance with clause 9.11 of the Security Trust Deed, a Noteholder will be entitled to vote at the Meeting if that Noteholder is recorded on the Register at 2:30 pm (WST) on 27 March 2017 and shall be taken to hold those Convertible Notes and will be entitled to vote those Convertible Notes at the Meeting.

## **Proxies**

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

Please note that:

- (a) a Noteholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Noteholder; and
- (c) a Noteholder may appoint not more than two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

In accordance with clause 9.12(d) of the Security Trust Deed, all completed proxy forms (including any supporting materials) must be received by the Company at its share registry at the address or facsimile number set out in the proxy form before 2:30pm (WST) on 27 March 2017. Any proxy form (including any supporting materials) received after this time will not be valid.

## **Corporate Representative**

Any corporate Noteholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter authorising him or her to act as that Noteholder's representative. The authority may be sent to the Company and/or the Security Trustee in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## **Enquiries**

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

**By order of the Board of Directors**



**Rowan Caren**  
Company Secretary  
Target Energy Limited  
Dated: 17 March 2017

## Explanatory Statement

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

### 1. Background

As at the date of this Notice of Meeting, the Company has 119,422,000 Convertible Notes 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 interest over all equity ownership interests in TELA Garwood Limited, LP, a wholly owned subsidiary of the Company). The Terms and Conditions includes a requirement to pay interest on a quarterly basis on the last day of the interest period.

The Convertible Notes are secured by the Security Documents entered into by the Company and the Security Trustee as trustee for the Noteholders, dated 25 February 2014. The full security will be extinguished when the Convertible Notes are converted or repaid in full.

On 25 February 2014, the Company and the Security Trustee entered into the Security Trust Deed pursuant to which the Security Trustee agreed to hold all right, title and interest in, to and under the Security Documents on trust for the Noteholders.

On 21 October 2014, the Company announced to ASX a placement of a total of 60,000,000 convertible notes to the Wyllie Group Pty Limited (**Wyllie Group**). The convertible notes held by the Wyllie Group are secured by an equal third-ranking security interest over the Company's interest in the Fairway Project.

In December 2015, the Company sold the Homar #1 well and 100 acres of production leases at the Fairway Project along with 160 acres of undeveloped leases ("Robb Tract"). The sale netted US\$981,000 to Target, before costs.

On 29 December 2015 Noteholders approved the appointment of the Security Trustee to replace the original Security Trustee.

In February 2016, the Company appointed CanaccordGenuity as adviser to the divestment of the balance of the Fairway Project.

In June and July 2016, the Company raised a total of \$145,000 from directors (the **First Directors Loans**) which are secured by an equal third-ranking security interest over the Company's interest in the Fairway Project.

On 28 September 2016, the Noteholders at a Noteholder meeting authorised the Company to obtain additional funding (to a maximum of \$400,000) on agreed minimum terms. The authorisation from Noteholders enabled the Company to grant the New First Ranking Security Interest and for the Noteholders' security to be subordinated to a second-ranking security interest over all equity ownership interests in TELA Garwood Limited, LP.

Between October and January 2017 (as announced to ASX on 24 November 2016), the Company raised a total of \$305,000 from directors, the Wyllie Group and another party (the **New Secured Loans**) which are secured by new first ranking security interest. As a consequence, the Noteholders security over the Company's interest in the Fairway Project has been subordinated to second ranking.

The Company had cash resources at 28 February 2017 of approximately \$60,000.

As outlined in the Notice of Meeting dated 9 September 2016, the most likely source of additional funding for the Company was from the sale of the Company's remaining interests in the Fairway Project. However, to date the Company's efforts to sell these interests have been unsuccessful. Accordingly, as also outlined in the Notice of Meeting dated 9 September 2016, the Company has been required to consider other options to continue operating.

The Company is pleased to advise that it has reached agreement with a key investor to secure additional funding.

The Company has signed a Terms Sheet with Perth-based InvestMet Ltd ("InvestMet"), whereby it is proposed that InvestMet will provide a debt facility of up to \$1,000,000, with an option to extend the facility by a further \$1,000,000 (**InvestMet Debt Facility**). In addition, it is also proposed that InvestMet will subscribe to a share placement at no less than \$0.0025 to raise a further \$645,000. The transaction contemplated by the InvestMet Terms Sheet are collectively referred to as the **InvestMet Refinance Proposal**.

It is proposed that the InvestMet Debt Facility will be on the following terms:

- (a) carry a 10% per annum interest rate,
- (b) payable quarterly in arrears;
- (c) payment may be made in shares at the Company's election and as required, subject to shareholder approval; and
- (d) be secured by an equal first ranking security interest (**InvestMet Security**).

Target will also issue to InvestMet 25 million options at \$0.0025 (1 year term) and 25 million options at \$0.0035 (2 year term), subject to shareholder approval.

The InvestMet Refinance Proposal is subject to the completion of relevant documentation and also on securing prior approval from Noteholders. The Company has therefore called this meeting to seek approval to:

- (e) defer interest payments on the Convertible Notes due on 31 March 2017 until the revised Maturity Date;
- (f) extend the Maturity Date of the Convertible Notes by a period of 12 months, from 31 March 2017 to 31 March 2018;
- (g) reduce the interest rate on the Convertible Notes from 10% per annum to 0% (nil) for the Interest Free Period; and
- (h) grant the InvestMet Security which will be equal first ranking and will therefore rank ahead of the Convertible Notes security interests.

Resolution 1 deals with (e) whilst Resolution 2 deals with (f) and (g) and Resolution 3 deals with (h).

## **2. Resolution 1 – Approval to allow the Security Trustee to waive default for non-payment of interest**

### **2.1 Background**

Approximately 35 noteholders representing 129,700,002 Notes (equating to approximately 72%) have agreed to defer their entitlement to interest (the **Deferring Noteholders**) through to the Maturity Date. The above figure includes the Wyllie Group's Notes, which have a face value of \$3 million. The remainder, being 47 Noteholders representing 49,721,998 Notes (equating to approximately 28%) (the **Non-Deferring Noteholders**) have not agreed to defer interest.

At the last Noteholder meeting, Noteholders resolved to defer interest payments due on the Convertible Notes in September and December 2016.

The amount of interest payable to the Non-Deferring Noteholders is approximately \$62,000 each quarter and will be due and payable on 31 March 2017.

In order to again assist the Company to pay its debts as they fall due over coming months, and as a condition of the InvestMet Refinance Proposal, the Company is seeking the authority to defer interest payable to all Noteholders on 31 March 2017 until the Maturity Date.

Under the Terms and Conditions of the Notes, non-payment of Interest within ten business days of the due date is an event of default. Upon an event of default occurring, and whilst it continues, a Noteholder may declare the principal and interest immediately due and payable.

The Security Trustee holds all rights under the Security Documents on behalf of the Noteholders. In the event that the Company defaults under the terms of the Convertible Notes, the Security Trustee, on behalf of the Noteholders, can enforce the security over the equity ownership interests in TELA Garwood. The Security Trustee may only waive breaches of or default under any Transaction Document (which includes the Terms and Conditions) with the prior instruction of the Noteholders obtained via a special resolution at a meeting of Noteholders.

A summary of the terms of the Convertible Notes is set out in Annexure 1 of this Notice of Meeting.

### **2.2 Effect of the Resolution on Noteholders**

The waiver of default will mean that no action is taken by the Security Trustee in respect of the Company's non-payment of Interest to the Non-Deferring Noteholders on the Interest Payment Date of 31 March 2017.

Noteholders should be aware that if the resolution is passed, and the Company defaults in the payment of Interest on the Interest Payment Date of 31 March 2017 (which is likely to be the case) in accordance with clause 9.1(a) of the Terms and Conditions, the Security Trustee will be authorised to waive the default and the Non-Deferring Noteholders will not receive the interest payment due on 31 March 2017 until the Maturity Date. The Non-Deferring Noteholders will however be entitled to overdue interest at the rate of 12% on and from the relevant Interest Payment Date until the Interest is paid.

There will be no effect on the Deferring Noteholders as they have already agreed to defer the payment of the interest due on the Convertible Notes.

It should also be noted that if Noteholders do not approve this Resolution 1, the InvestMet Refinance Proposal will not proceed and if the Company is unable to complete an additional

capital raising, the Company may be unable to continue trading and the Directors will need to investigate other options for the Company, which may include the appointment of voluntary administrators. The Security Trustee will then take such action as he thinks fit including possibly seeking approval from Noteholders for the appointment of a receiver.

This meeting has been convened at the request of the Company.

### **2.3 Noteholder approval**

Clause 7.3(a) of the Security Trust Deed provides that the Security Trustee must not waive breaches of, or any default under, or otherwise excuse the performance of any obligation of a Transaction Party under, a Transaction Document without the prior instructions of the Noteholders by way of a special resolution.

Under clause 9.14(a) of the Security Trust Deed, Noteholders have the power, by special resolution to, amongst other things, sanction or allow the Security Trustee to:

- (a) waive breaches of, or any event of default under, or otherwise excuse the performance of any obligation of a Transaction Party under a Transaction Document; and
- (b) exercise or refrain from exercising a power, and waive or excuse performance of a Security Document.

Resolution 1 seeks Noteholder approval for the Security Trustee to waive any default by the Company under clause 9.1(a) of the Terms and Conditions in the event that the Company defaults in the payment of Interest to the Non-Deferring Noteholders on the Interest Payment Date of 31 March 2017.

### **2.4 Directors' recommendation**

Chris Rowe, a Director of the Company, holds an interest in Convertible Notes. However, Mr Rowe is a Deferring Noteholder. Therefore, he has no personal interest in the outcome of the Resolution.

The Directors recommend that Noteholders vote in favour of the Resolution.

## **3. Resolution 2 – Approval to allow the security trustee to amend or vary the Transaction Documents**

### **3.1 Background**

The background to the Company's position as at the date of this Notice of Meeting is set out in Section 1. As set out in that Section, to date the Company has been unsuccessful in its attempts to sell its interests in the Fairway Project and accordingly, the Company is proposing to restructure its finances through the InvestMet Refinance Proposal. This proposal requires the Company to restructure the Convertible Notes to enable the Company to continue operating.

This Resolution deals with two proposed amendments to the terms of the Convertible Notes. These being:

- (a) extending the Maturity Date for a period of 12 months from 31 March 2017 to 31 March 2018; and

- (b) reducing the interest rate on the Convertible Notes from 10% per annum to 0% (nil) per annum during the period from 31 March 2017 until the earlier of the:
  - a. revised Maturity Date; and
  - b. the date the InvestMet Debt Facility is repaid in full,  
**(Interest Free Period)**.

### **3.2 Effect of the Resolution on Noteholders**

Assuming Resolutions 1 and 2 are passed, the effect of these Resolutions will be that Convertible Note holders will not receive any further interest payments from the date that the Company executes the relevant documentation to give effect to the amendments until the earlier of the Maturity Date, which will also be extended from 31 March 2017 to 31 March 2018, and the date that the InvestMet Debt Facility is repaid in full.

Subject to the deferral of interest agreed to previously and pursuant to Resolution 1, the amendments proposed in Resolution 2 will not affect Convertible Note holders' rights to interest prior to 31 March 2017.

It should also be noted that if Noteholders do not approve this Resolution 2, the InvestMet Refinance Proposal will not proceed and the Company may be unable to pay interest payments as they fall due and be unable to redeem the Convertible Notes on the current Maturity Date and the Directors will need to investigate other options for the Company, which may include the appointment of voluntary administrators. The Security Trustee may also take such action as it thinks fit, including possibly seeking approval from Noteholders for the appointment of a receiver.

This Meeting has been convened at the request of the Company.

### **3.3 Noteholder approval**

Clause 7.3(c) of the Security Trust Deed provides that the Security Trustee must, if so instructed by the Noteholders by way of a special resolution, amend or vary a Transaction Document.

Clause 8.3(b) of the Convertible Note Deed Poll provides that a provision of the Convertible Note Deed Poll may not be varied unless the variation is agreed to by Noteholders in which event the Company will enter into a further deed poll in favor of Noteholders giving effect to the amendment.

Under clause 9.14(a) of the Security Trust Deed, Noteholders have the power, by special resolution to, amongst other things, sanction any modification or compromise or arrangement in respect of the rights of Noteholders against the Company and to sanction or allow the Security Trustee to amend or vary a Transaction Document.

Resolution 2 seeks Noteholder approval for the Company and the Security Trustee to agree to vary the Terms and Conditions as set out in Section 3.1; that is, by extending the Maturity Date by 12 months, and reducing the Coupon Rate to 0% per annum for the Interest Free Period. Details of how the amendments will be implemented are set out in Section 3.4.

### **3.4 Implementation of the Proposed Amendments**

The amendments will be implemented by the Security Trustee and the Company entering into a deed whereby the variations outlined in this Notice will be agreed. The Company will then execute a further Deed Poll to give effect to the amendments set out in Resolution 2. The Deed Poll will amend the Convertible Note Terms and Conditions as follows:



(a) by deleting the current definition of Maturity Date and inserting the following definition:

*“Maturity Date means 31 March 2018 or any earlier date on which the Principal Amount is required to be repaid in full;”*

(b) by inserting a new definition of InvestMet Debt Facility:

*“InvestMet Debt Facility means the secured debt facility of at least \$1,000,000 to be provided to the Company by InvestMet Limited pursuant to a secured loan agreement dated on or around the date of this deed;”*

(c) by deleting the current definition of Coupon Rate and inserting the following definition:

*“Coupon Rate means:*

*(a) on and from the Commencement Date until 31 March 2017, 10% per annum; and*

*(b) on and from 31 March 2017 until the earlier to occur of the following :*

*a. the Maturity Date; and*

*b. the date the InvestMet Debt Facility is repaid in full,*

*0% (nil) per annum;”*

### **3.5 Directors' recommendation**

Chris Rowe, a Director of the Company, holds an interest in Convertible Notes and therefore does not provide any recommendation in respect of the Resolution.

The remaining Directors recommend that Noteholders vote in favour of the Resolution.

## **4. Resolution 3 – Approval to allow the security trustee to amend or vary the Transaction Documents**

### **4.1 Background**

As set out in Section 1, on 28 September 2016, the Noteholders at a Noteholder meeting authorised the Company to obtain additional funding (to a maximum of \$400,000) on agreed minimum terms. The authorisation from Noteholders enabled the Company to grant new first ranking security interest and for the Noteholders' security to be subordinated to a second-ranking security interest over all equity ownership interests in TELA Garwood Limited, LP.

Between October and January 2017 (as announced to ASX on 24 November 2016), the Company raised a total of \$305,000 from directors, the Wyllie Group and another party (the **New Secured Loans**) which are secured by the New First Ranking Security Interest. As a consequence, the Noteholders security over the Company's interest in the Fairway Project has been subordinated to second ranking.

As also set out in Section 1, a condition of the InvestMet Refinance Proposal is that the InvestMet Debt Facility is secured by a first ranking security interest over all equity ownership interests in TELA Garwood Limited, LP (**New First Ranking Security Interest**). Accordingly, it is the Company's intention that the:

(a) InvestMet Security will be an equal first ranking security interest over all equity ownership interests in TELA Garwood Limited, LP which will be equal with the existing first ranking security; and

(b) the Convertible Notes security interests will remain as is and so the Convertible Notes will continue to be secured by a second-ranking security interest over all equity ownership interests in TELA Garwood Limited, LP.

Under the terms and conditions of the Notes, the creation of additional security interests requires the prior written consent of the Security Trustee.

The Security Trustee holds all rights under the Security Documents on behalf of the Noteholders. The Security Trustee may only amend the terms of the Transaction Documents with the prior instruction of the beneficiaries obtained via special resolution at a meeting of Noteholders.

#### **4.2 Effect of the Resolution on Noteholders**

The approval of this Resolution by Noteholders, will mean that, if the Company enters into the InvestMet Refinance Proposal, the InvestMet Security will rank ahead of the security which secures repayment of the Convertible Notes. However, the Convertible Notes will continue to be secured by a second-ranking security interest over all equity ownership interests in TELA Garwood Limited, LP.

Noteholders should be aware that if the Resolution is passed and subject to all other secured parties consenting to the InvestMet Security, the Security Trustee will be authorised to make such consequential amendments or variations to the Transaction Documents as are necessary to enable the Company to grant the InvestMet Security.

It should also be noted that if Noteholders do not approve this Resolution 3, the InvestMet Refinance Proposal will not proceed and the Directors will need to investigate other options for the Company, which may include the appointment of voluntary administrators. The Security Trustee may also take such action as it thinks fit, including possibly seeking approval from Noteholders for the appointment of a receiver.

This Meeting has been convened at the request of the Company.

#### **4.3 Noteholder approval**

Clause 7.3(c) of the Security Trust Deed provides that the Security Trustee must, if so instructed by the Noteholders by way of a special resolution, amend or vary a Transaction Document.

Under clause 9.14(a) of the Security Trust Deed, Noteholders have the power, by special resolution to, amongst other things, sanction any modification or compromise or arrangement in respect of the rights of Noteholders against the Company and to sanction or allow the Security Trustee to amend or vary a Transaction Document.

Resolution 3 seeks Noteholder approval for the Security Trustee to agree to the creation of additional security interests ranking ahead of the Noteholders in respect of the InvestMet Refinance Proposal.

#### **4.4 Directors' recommendation**

Chris Rowe, a Director of the Company, holds an interest in Convertible Notes and therefore does not provide any recommendation in respect of the Resolution.

The remaining Directors recommend that Noteholders vote in favour of the Resolution.

## Glossary

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In this Notice of Meeting, the following terms have the following meaning unless the context otherwise requires:

**Annexure** means an annexure to this Explanatory Statement.

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

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

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

**BO** means a barrel of oil, a unit of measure commonly used in quoting liquid hydrocarbon volumes. 1 barrel = 42 US gallons, 35 imperial gallons (approximately), 159 litres (approximately).

**Board** means the current board of Directors of the Company.

**CARD** means the Confirmation of Allocation & Registration Details form executed by a Noteholder, pursuant to which the Noteholder agreed to subscribe for Convertible Notes and to be bound by the Terms and Conditions.

**Certificates** has the meaning given in the Terms and Conditions.

**Chair** means the chair of the Meeting.

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

**Convertible Note** or **Note** means the convertible notes having the terms and conditions set out in Annexure 1.

**Convertible Note Deed Poll** means the deed poll for the issue of up to 120,000,000 Convertible Notes with a face value of \$0.05 each to raise up to \$6,000,000 dated on or about 24 February 2014 entered into by the Company in favour of the Noteholders.

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

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Fairway Project** means the petroleum project known as 'Fairway' located in Howard County and Glasscock County, Texas, USA.

**Interest** has the meaning given in the Terms and Conditions.

**Interest Free Period** has the meaning given to that term in Section 3.1(b) of the Explanatory Statement.

**Interest Payment Date** has the meaning given in the Terms and Conditions.

**Meeting** means the meeting convened by this Notice of Meeting.

**Noteholder** means the holder of a Convertible Note.

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

**Option** means an option to acquire a Share with the terms and conditions set out in Annexure 1.

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

**Proxy Form** means the proxy form accompanying the Notice.

**Resolution** means the resolution set out in the Notice.

**Security Documents** means:

- (a) the Guaranty Agreement between TELA Garwood Limited, LP and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014;

- (b) the Guaranty Agreement between TELA Texas General, LLC and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014;
- (c) the Guaranty Agreement between TELA Texas Limited, LLC and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014
- (d) the Pledge and Security Agreement between TELA Texas General, LLC and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014;
- (e) the UCC-1 Financing Statement with TELA Texas General, LLC as debtor and the Security Trustee as secured party (filed with the Delaware Secretary of State);
- (f) the Pledge and Security Agreement between TELA Texas Limited, LLC and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014;
- (g) the UCC-1 Financing Statement with TELA Texas Limited, LLC as debtor and the Security Trustee as secured party (filed with the Delaware Secretary of State);
- (h) the Negative Pledge Agreement between TELA Garwood Limited, LP and the Security Trustee for the benefit of the Noteholders dated on or about 24 February 2014;
- (i) the Resolutions by the Written Consent of the Sole Member of TELA Texas General LLC dated on or about 24 February 2014 executed by TELA Texas Holdings Limited, Inc.; and
- (j) the Resolutions by the Written Consent of the Sole Member of TELA Texas Limited LLC dated on or about 24 February 2014 executed by TELA Texas Holdings Limited, Inc.

**Security Trust Deed** means the Security Trust Deed dated 25 February 2014 between the Company, the Security Trustee, TELA Garwood Limited, LP, TELA Texas Limited, LC and TELA Texas General LLC.

**Security Trustee** means Anquan SPV2015AUG Pty Ltd.

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

**Shareholder** means a shareholder of the Company.

**Terms and Conditions** means the terms and conditions of the Convertible Notes as set out in the annexure to the CARD.

**Transaction Documents** means:

- (a) the Security Trust Deed;
- (b) the CARD;
- (c) the Terms and Conditions;
- (d) the Certificates;
- (e) the Convertible Note Deed Poll; and
- (f) the Security Documents.

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

## ANNEXURE 1 – CONVERTIBLE NOTE TERMS

### SERIES 1

<b>Maturity Date</b>	31 March 2017
<b>Coupon Rate</b>	10% p.a.
<b>Interest Paid</b>	Quarterly in arrears.
<b>Face Value</b>	Each Convertible Note has a face value of \$0.05.
<b>Listing</b>	The Company will not apply for quotation of the Convertible Notes.
<b>Security</b>	The Convertible Notes will be secured by a charge over the Company's interest in the Fairway Project under the terms of a specific security deed entered into by the Company and a security trustee as trustee for the Noteholders, dated 25 February 2014. The full security will be extinguished when the Convertible Notes are converted or repaid in full.
<b>Conversion</b>	A Convertible Note can be converted by the Noteholder at any time after the date that is 6 months after the issue date and before the Maturity Date. Shares issued on conversion will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
<b>Conversion Ratio</b>	Each note converts into 1 fully paid ordinary share in the Company.
<b>Early Redemption</b>	The Company may redeem some or all of the Convertible Notes prior to the Maturity Date by giving the Noteholder not less than 20 business days notice of redemption. During the notice period, the Noteholder may exercise the right to convert their Convertible Notes into Shares.
<b>Early Redemption Penalty</b>	If a Convertible Note is redeemed before the Maturity Date, the Company will issue to the Noteholder one Option for each Convertible Note redeemed. Each Option is exercisable at \$0.08 on or before the Maturity Date.
<b>No Voting Rights</b>	A Convertible Note does not entitle the Noteholder to vote at Shareholder meetings of the Company.
<b>Transferable</b>	The Convertible Notes are transferable, subject to the transferee being a sophisticated investor, professional investor, or overseas investor who satisfies the Company that it complies with any and all legal requirements of the relevant jurisdiction in which the offer to transfer is made.
<b>Reconstruction</b>	If, prior to conversion or redemption of the Convertible Notes, a reduction, repayment by way of reduction, consolidation or division, return, scheme of arrangement, or otherwise, of the issued capital of the Company occurs, the entitlement of the Noteholder to convert the Convertible Notes and the Conversion Ratio must be reconstructed in the same proportion and manner as that approved reconstruction of capital (and subject to the same provisions, if any, for the rounding of entitlements) so that the value of each Convertible Note is not adversely affected by the relevant occurrence and the Noteholder is not conferred with any additional benefits which are not also conferred on Shareholders.

- Participation** If the Company issues bonus securities to Shareholders any time subsequent to the issue of the Convertible Note to a Noteholder and prior to the date of conversion, the Company will issue to the Noteholder, on conversion, the same class and number of bonus securities to which the Noteholder would have been entitled to as if the conversion had already occurred, subject to the Listing Rules and any necessary Shareholder approvals.
- Option Terms** An Option issued as part of the early repayment penalty will be issued on the following terms:
- (i) each Option entitled the holder to subscribe for 1 fully paid ordinary share upon exercise of the Option;
  - (ii) subject to paragraph (x), the amount payable on exercise of each Option will be \$0.08 per Option (**Exercise Price**);
  - (iii) each Option will expire at 5:00pm (WST) on 31 March 2017 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date;
  - (iv) the Options are exercisable at any time on or from the redemption date until the Expiry Date (**Exercise Period**);
  - (v) the Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company;
  - (vi) a Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**);
  - (vii) within 15 Business Days after the later of the following:
    - (A) the Exercise Date; and
    - (B) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,but in any case no later than 20 Business Days after the Exercise Date, the Company will:
    - (C) 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;
    - (D) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
    - (E) 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.

If a notice delivered under paragraph (vii)(D) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (viii) Shares issued on exercise of the Options will rank equally in all respects with other fully paid ordinary shares in the Company;
- (ix) if admitted to the official list of ASX at the time, the Company will apply for quotation of the Shares issued upon the exercise of Options;
- (x) if at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction;
- (xi) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options;
- (xii) an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised;
- (xiii) the Company will not apply for quotation of the Options on ASX.
- (xiv) the Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws; and
- (xv) despite any other term, the Options may not be exercised if such exercise would cause the holder to breach the Corporations Act or the ASX Listing Rules (including, without limitation, Chapter 6 of the Corporations Act).

**PROXY FORM**

**TARGET ENERGY LIMITED  
ACN 119 160 360**

**MEETING OF NOTEHOLDERS**

I/We

of:

being a Noteholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

**OR:**  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given as the proxy sees fit, at the Meeting to be held at 2:30pm (WST), on 29 March 2017 at Suite 5, 6 Richardson Street West Perth WA 6005, and at any adjournment thereof.

**The Chair intends to vote undirected proxies in favour of the Resolution.**

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to allow the Security Trustee to waive default for non-payment of interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval to allow the Security Trustee to amend or vary the Transaction Documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to allow the security trustee to amend or vary the Transaction Documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

**Signature of Noteholder(s):**

**Individual or Noteholder 1**

Sole Director/Company Secretary

**Noteholder 2**

Director

**Noteholder 3**

Director/Company Secretary

**Date:** \_\_\_\_\_

**Contact name:** \_\_\_\_\_

**Contact ph (daytime):** \_\_\_\_\_

**E-mail address:** \_\_\_\_\_

**Consent for contact by e-mail:** YES  NO



## Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Noteholder entitled to attend and cast a vote at the Meeting is entitled to appoint more than two persons as the Noteholder's proxy or proxies to attend and vote on their behalf at the Meeting. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Noteholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Noteholder appoints 2 proxies and the appointments do not specify the proportion or number of the Noteholder votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Noteholder.
2. **(Direction to vote):** A Noteholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Convertible Notes next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Noteholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Noteholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Noteholder from attending the Meeting in person if they wish. Where a Noteholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Noteholder is suspended while the Noteholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Advanced Share Registry, at PO Box 1156, Nedlands WA 6909; or
  - (b) facsimile to Advanced Share Registry on +61 8 9262 3723.

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**