
TARGET ENERGY LIMITED

ACN 119 160 360

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00 am
DATE: 5 November 2018
PLACE: The Vic Boardroom, 226 Hay Street
Subiaco, Western Australia, 6008.

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11:00 am WST on 3 November 2018.

<p>Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of section 611, item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 7 to the non-associated Shareholders. The Independent Expert has determined the InvestMet Acquisition is Fair and Reasonable.</p>
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BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 11.2, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to complete the Disposal on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by or on behalf of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – APPROVAL TO ISSUE SHARES TO UNRELATED PARTIES ON CONVERSION OF FIRST LOANS

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 60,000,000 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – APPROVAL TO ISSUE SHARES TO RELATED PARTY ON CONVERSION OF FIRST LOANS - GUNZ

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 50,000,000 Shares (on a pre-Consolidation basis) to Gunz Pty Ltd (ACN 008 935 724) as Trustee for the Gunz Superannuation Fund A/C (or nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Gunz Pty Ltd (ACN 008 935 724) as Trustee for the Gunz Superannuation Fund A/C. (or nominee) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL TO ISSUE SHARES TO RELATED PARTY ON CONVERSION OF FIRST LOANS - PETROE

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 35,000,000 Shares (on a pre-Consolidation basis) to Petroe Exploration Services Pty Ltd as trustee for the Haaleroe Trust (or nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Petroe Exploration Services Pty Ltd as trustee for the Haaleroe Trust (or nominee) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – APPROVAL TO ISSUE SHARES TO UNRELATED PARTIES ON CONVERSION OF ADDITIONAL LOANS

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 280,000,000 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – APPROVAL TO ISSUE SHARES TO RELATED PARTY ON CONVERSION OF ADDITIONAL LOANS - GUNZ

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 25,000,000 Shares (on a pre-Consolidation basis) to Gunz Pty Ltd (ACN 008 935 724) as Trustee for the Gunz Superannuation Fund

A/C (or nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Gunz Pty Ltd (ACN 008 935 724) as Trustee for the Gunz Superannuation Fund A/C (or nominee) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – APPROVAL TO ISSUE SHARES TO UNRELATED PARTY ON CONVERSION OF INVESTMET DEBT

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

"That, subject to the passing of all other Resolutions, for the purposes of Item 7 section 611 of the Corporations Act and for all other purposes, approval is given for the Company to issue up to 2,346,074,270 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Exclusion – Corporations Act: No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by InvestMet and any of its associates.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the InvestMet Acquisition is **Fair and Reasonable** to the non-associated Shareholders. A copy of the Independent Expert's Report accompanies this Notice and is also available on the Company's website (<http://www.targetenergy.com.au/>). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

8. RESOLUTION 8 – APPROVAL TO ISSUE SHARES IN LIEU OF OUTSTANDING DIRECTOR FEES TO UNRELATED PARTIES

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

"That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 43,390,411 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – APPROVAL TO ISSUE SHARES IN LIEU OF OUTSTANDING DIRECTORS FEES – RELATED PARTY – MR MANN

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 36,287,671 Shares (on a pre-Consolidation basis) to Mr Stephen Mann (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Mann (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – APPROVAL TO ISSUE SHARES ON CONVERSION OF 10% OF FIRST CONVERTIBLE NOTES

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 597,110,000 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – APPROVAL TO ISSUE SHARES ON CONVERSION OF 10% OF SECOND CONVERTIBLE NOTES

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

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000,000 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 12 – CONSOLIDATION

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

“That, subject to the passing of all other Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every forty (40) Shares be consolidated into one (1) Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be).”

13. RESOLUTION 13 – APPROVAL TO ISSUE SHARES PURSUANT TO A CAPITAL RAISING

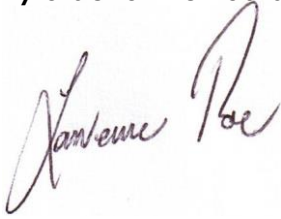
To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 12,500,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 28 September 2018

By order of the Board



**Laurence Roe
Director**

Voting in person

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

Voting by proxy

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.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9476 9000.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company.

If Resolutions 1 to 13 are passed and the Transaction is completed, the Company will not be in a position to seek the reinstatement of its Shares to official quotation on ASX.

If Shareholders reject the proposed restructuring, the future of the Company is uncertain. A possibility is that the Company may be placed into administration. In this circumstance, it is likely that there would be no return to Shareholders.

This Notice of Meeting sets out the Resolutions necessary to complete the Transaction including the Disposal, Debt Restructure and associated transactions.

The Resolutions set out in this Notice are conditional on each of the other Resolutions being approved. If any of the Resolutions are not approved by Shareholders, the Disposal will not occur.

Unless otherwise stated all references to Securities in this Notice are on a pre-Consolidation basis. The Consolidation ratio is on a 40:1 basis.

1. BACKGROUND TO THE TRANSACTION

1.1 Company Intention and Objectives

In 2016 the Company began to pursue a potential divestment of its Fairway Project located in the Permian Basin, Texas.

Since that time, the Company has reduced operations to minimise all costs as well as reducing corporate overheads to a minimum.

The Company has been largely funded through debt secured by the Fairway Project as summarised below:

- (a) 119,422,000 convertible notes to a value of \$5,671,100 (each with a face value of \$0.05, convertible into one Share, a maturity date of 30 September 2018 and a second ranking security interest over the Company's interest in the Fairway Project) (**First Convertible Notes**). Accrued interest on the First Convertible Notes for the period until 30 September 2018 will be \$964,136;
- (b) 60,000,000 convertible notes to a value of \$3,000,000 to the Wyllie Group (each with a face value of \$0.05, convertible into one Share, a maturity date of 30 September 2018 and secured by an equal third ranking security interest over the Company's interest in the Fairway Project) (**Second Convertible Notes**). Accrued interest on the Second Convertible Notes for the period until 30 September will be \$720,000;
- (c) loans entered in June and July 2016 pursuant to which the Company borrowed a total of \$145,000 from Directors of the Company at the time (the **First Loans**). Current Directors, Mr Stephen Mann and Mr Laurence Roe continue to hold First Loans in amounts \$50,000 and \$35,000

respectively through entities controlled by them. Accrued interest on the First Loans for the period until 30 September 2018 will be \$32,774;

- (d) further loans entered in October 2016 and January 2017 pursuant to which the Company borrowed a total of \$305,000 from Directors of the Company at the time and Wyllie Group (the **Additional Loans**). Current Director, Mr Stephen Mann holds a loan for \$25,000 through an entity controlled by him. Accrued interest on the Additional Loans for the period until 30 September 2018 will be \$57,323. The Additional Loans are secured by an equal first ranking security interest over the Company's interest in the Fairway Project; and
- (e) a refinance proposal with InvestMet, pursuant to which InvestMet loaned a total of \$2,346,074 (**InvestMet Debt**) to the Company. The InvestMet Debt is secured by an equal first ranking security interest over the Company's interest in the Fairway Project and a General Security Agreement. Accrued interest on the InvestMet Debt for the period until 30 September 2018 will be \$172,792.

The total of accrued interest to be owed at 30 September 2018 on First Convertible Notes, Second Convertibles Notes, First Loans, Additional Loans and the InvestMet Debt will be \$1,947,025 (**Accrued Interest**). The Accrued Interest is owed to holders of the First Convertible Notes, holders of the Second Convertibles Notes and debtors under the First Loans, the Additional Loans as well as InvestMet Debt. Note that each party has agreed to a debt moratorium for the period from 30 September 2018 until 31 December 2018, prior to which settlement of the transaction is expected to occur.

Additionally, since January 2018, the Fairway Project has required specific further funding of \$696,684 which was advanced to the Company by the Wyllie Group and Little Breton, through an arrangement with InvestMet (**2018 Fairway Funding**). As at the date of this Notice, the 2018 Fairway Funding remains outstanding. However, subject to completion of the transactions, InvestMet has agreed to assign the benefit of the 2018 Fairway Funding to the Wyllie Group and Little Breton, and the Company has agreed to assign and Fairway Energy has agreed to assume, the liability under the 2018 Fairway Funding.

As at the date of this Notice, the Company also owes outstanding fees to current and previous Directors of \$318,713, being \$145,151 owed to current Director, Mr Stephen Mann and \$173,562 owed to previous Directors (**Outstanding Director Fees**).

As previously announced, due to various market conditions, the Company was unable to secure the divestment of the Fairway Project.

Accordingly, the Company has been undertaking a strategic review and various initiatives in order to restructure its balance sheet to ensure its ongoing financial viability.

The Company has considered various options available to it and has determined that a disposal of the Fairway Project is the most effective way of restructuring the balance sheet to strengthen its position, and considers that the disposal will offer certainty to the Company, its Shareholders and its various debt holders by providing a mechanism for repayment of the various debt owed.

In order to achieve this restructure, the Company and its subsidiary, TELA Garwood has entered into a binding agreement with various parties, including

FEL and InvestMet (**MOU**), pursuant to which the Company has conditionally agreed to undertake:

- (a) a disposal of the Fairway Project to FEL (**Disposal**);
- (b) a debt restructure whereby all payment obligations under the First Convertible Notes, Second Convertible Notes, First Loans, Additional Loans, the InvestMet Debt and the Outstanding Director Fees will be extinguished by way of Debt Restructure on terms further set out in Section 1.2;
- (c) a Consolidation; and
- (d) a Capital Raising,

(the **Transaction**). Please refer to Sections 1.2 and 1.3 for further details on the Transaction.

1.2 Debt Restructure

Subject to receipt of all necessary Shareholder approvals and approval from the necessary debt holders, all existing debts of the Company will be extinguished on the following terms (**Debt Restructure**):

- (a) conversion of the InvestMet Debt, Additional Loans and First Loans being converted to Shares at \$0.001 per Share (on a pre-Consolidation basis);
- (b) conversion of 25% of the Outstanding Directors Fees to Shares at \$0.001 per Share (on a pre-Consolidation basis). The relevant parties have agreed that the remainder of the Outstanding Director Fees will be paid by Target from the proceeds of the Trilogy Legal Action (defined below) (if any), and where no proceeds are obtained;
- (c) conversion of 10% of the face value of the First Convertible Notes (\$597,110) to Shares at \$0.001 per Share (on a pre-Consolidation basis); and
- (d) conversion of 10% of the face value of the Second Convertible Notes (\$300,000) to Shares at \$0.001 per Share (on a pre-Consolidation basis).

The remainder (90%) of the face value of the First Convertible Notes and Second Convertible Notes and the Company's obligations in respect of the Accrued Interest are to be forgiven in consideration for the issue of FEL Shares under the MOU.

1.3 Summary of Material Agreements

MOU

The Company and its subsidiary, TELA Garwood, entered into the MOU with various parties, including FEL and InvestMet, pursuant to which the Company has agreed to sell, and FEL has agreed to acquire the Fairway Project. The material terms of the MOU are as follows:

- (a) **Consideration:** In consideration for the Fairway Project, FEL will issue:
 - (i) 7,321,017 of FEL Shares to First Convertible Noteholders and holders of Accrued Interest; and

- (ii) 2,700,000 of FEL Class B Shares to Second Convertible Noteholders,

This issue of FEL Shares to the First Convertible Noteholders and Second Convertible Noteholders will release the Company from 90% of the obligations in respect of the First Convertible Notes and the Second Convertible Notes.

FEL Class B Shares are shares in FEL with the same rights as FEL Shares, however upon a sale of the Fairway Project or distribution of operating profit by FEL, sale proceeds or profits (as applicable) will be distributed to holders of FEL Shares at a return of \$1.00 per FEL Share, prior to being distributed to holders of FEL Class B Shares, with any surplus being distributed pro rata among the classes.

(b) **Conditions:** Settlement of the MOU is conditional on:

- (i) the Company obtaining all approvals from Shareholders to give effect to the above transactions (approval for which is being sought at this Meeting, further details on the Resolutions are set out below);
- (ii) FEL obtaining all approvals from its shareholders to give effect to the above transactions;
- (iii) the receipt of all approvals from the holders of the First Convertible Note that are necessary to give effect to the above transactions;
- (iv) the receipt of all necessary governmental, regulatory and third party approvals required to complete the above transactions;

(c) **Trilogy Legal Action:** any proceeds received in determining or settlement of the Trilogy Legal Action will be retained by the Company.

Trilogy Legal Action

As disclosed, in July 2017, Target's wholly owned subsidiary TELA Garwood LP (**TELA Garwood**) commenced legal action in Harris County Texas against Trilogy Operating, Inc (**Trilogy**) and one of its former officers and directors. The suit alleges breach of contract, fraud and violations of the Texas Deceptive Trade Practices-Consumer Protection Act, arising from assertions made by Trilogy to TELA Garwood in regard to the status of certain lease holdings in the Fairway Project that TELA Garwood alleges were false, causing material damage to TELA Garwood (**Trilogy Legal Action**). The Trilogy Legal Action is ongoing and despite the Disposal, the Company will continue to pursue the Trilogy Legal Action. Target confirms it will retain its interest in TELA Garwood after the Disposal. As previously disclosed the Company considers that it will be successful in the final determination for the Trilogy Legal Action. FEL and the Company have agreed that all proceeds received in determination or settlement of the Trilogy Legal Action will be retained by the Company.

Fairway Loan Agreement

Over the period October 2017 until June 2018, the Company funded the Fairway Project to an amount of \$360,452.60 (**Fairway Funding**). With effect from Settlement, FEL has agreed to acknowledge and record a loan equal to

\$370,062.47 payable to the Company (**Fairway Loan**). The Fairway Loan is an amount equal to:

- (a) 75% of all Fairway Funding (\$270,339.45); and
- (b) 75% of all long service and annual leave benefits payable to the current managing Director of the Company, equal to \$99,723.02 (long service leave and annual leave).

The Fairway Loan will be interest free and will become payable as a priority from operating cashflows of FEL or sale proceeds from the Fairway Project.

2018 Fairway Funding Assignment

On and from Settlement, it has been agreed that the liabilities and obligations of the Company pursuant to the 2018 Fairway Funding will be assigned to and assumed by FEL and the rights will be assigned by InvestMet to the Wyllie Group and Little Breton (as the original debt providers). The parties have agreed that the 2018 Fairway Funding will be repaid through the rights issue mechanism described in Section 1.6 below.

Outstanding Director Fees

As stated above, it has been agreed with both past and present Directors who are owed Outstanding Directors Fees that 25% of the Outstanding Director Fees will be converted into Shares. The parties have agreed that the remaining balance of Outstanding Director Fees, amounting to \$239,034 will be paid from the proceeds from the Trilogy Legal Action.

1.4 Shareholder approvals

In order to complete the Transaction the following Shareholder approvals are being sought:

- (a) approval for the Disposal pursuant to ASX Listing Rule 11.2 (Resolution 1);
- (b) approval pursuant to ASX Listing Rule 7.1 to issue 60,000,000 Shares (on a pre-Consolidation basis) in satisfaction of the First Loans held by unrelated parties (Resolution 2);
- (c) approval pursuant to ASX Listing Rule 10.11 to issue 50,000,000 Shares (on a pre-Consolidation basis) in satisfaction of the First Loans equal to \$50,000 held by Gunz which is a related party by virtue being an entity controlled by Director, Stephen Mann (Resolution 3);
- (d) approval pursuant to ASX Listing Rule 10.11 to issue 35,000,000 Shares (on a pre-Consolidation basis) in satisfaction of the First Loans equal to \$35,000 held by Petroe Exploration which is a related party by virtue being an entity controlled by Director, Laurence Roe (Resolution 4);
- (e) approval pursuant to ASX Listing Rule 7.1 to issue 280,000,000 Shares (on a pre-Consolidation basis) in conversion of the Additional Loans held by unrelated parties (Resolution 5);
- (f) approval pursuant to ASX Listing Rule 10.11 to issue 25,000,000 Shares (on a pre-Consolidation basis) in satisfaction of the Additional Loans equal to \$25,000 held by Gunz which is a related party by virtue being an entity controlled by Director, Stephen Mann (Resolution 6);

- (g) approval pursuant to item 7 of section 611 of the Corporations Act to issue 2,346,074,270 Shares (on a pre-Consolidation basis) to InvestMet (or their nominees) which will result in InvestMet and its associates holding voting power in the Company of 44.7% in satisfaction of the InvestMet Debt (Resolution 7);
- (h) approval pursuant to ASX Listing Rule 7.1 to issue of 43,390, 411 Shares (on a pre-Consolidation basis) in satisfaction for the conversion of 25% of the Outstanding Directors Fees, to be issued to previous Directors who are unrelated parties (equal to approximately \$43,390) (Resolution 8);
- (i) approval pursuant to ASX Listing Rule 10.11 to issue 36,287,671 Shares (on a pre-Consolidation basis) to Director, Stephen Mann (or his nominee), in satisfaction of 25% of Outstanding Directors Fees owed to Mr Mann (equal to approximately \$36,288) (Resolution 9); and
- (j) approval to pursuant to ASX Listing Rule 7.1 to issue 597,110,000 Shares (on a pre-Consolidation basis) on conversion of the 10% face value of the First Convertible Notes held by unrelated First Convertible Noteholders (Resolution 10).
- (k) approval pursuant to ASX Listing Rule 7.1 to issue 300,000,000 Shares (on a pre-Consolidation basis) on conversion of the 10% face value of the Second Convertible Notes held by unrelated Second Convertible Noteholders (Resolution 11);
- (l) approval for the Consolidation (with a ratio of 40:1 basis) (Resolution 12); and
- (m) approval pursuant to ASX Listing Rule 7.1 to issue 12,500,000 Shares (on a post-Consolidation basis) under the Capital Raising (Resolution 13).

1.5 Capital Raising

The Company will, following all of the Resolutions being passed, undertake the Capital Raising to raise up to \$500,000.

The funds raised will fund the costs of the Transaction and enable the Company to meet its initial objectives following Settlement.

The purpose of the Capital Raising is to:

- (a) fund the costs of the Transaction; and
- (b) provide sufficient funds for the Company to fund its operations whilst it seeks to identify new acquisition opportunities identified by the Company.

If the Transaction is completed, an indicative use of funds raised under the Capital Raising is set out below:

	(\$)	(%)
Costs of Transaction	\$50,000	10%
Working capital*	\$450,000	90%
Total	\$500,000	100%

*To cover ongoing costs of Target including administrative expenses and costs of advisers and personnel and other costs in identifying and progressing a new transaction to assist the Company to be reinstated to trading on ASX.

1.6 Fairway Energy Limited

Fairway Energy Limited (**FEL**) is public company that was incorporated in November 2017.

Its board of directors includes Wayne McGrath and Chris Rowe who are of the view that they have the relevant experience to manage the Fairway Project.

Its current share capital is two (2) FEL Shares which are held by an unrelated party. The capital structure of FEL on completion of the Transaction and its acquisition of the Fairway Project will be as is set out in Schedule 3. In summary, at completion of the various transactions, FEL will have 7,321,017 FEL Shares on issue and 2,700,000 FEL Class B Shares on issue.

Wyllie Group as the holder of 20,000,000 of the First Convertibles Notes, the Second Convertible Notes, \$200,000 of Additional Loans and Accrued Interest and \$487,679 2018 Fairway Funding (\$521,617 including accrued interest), will hold up to 802,488 FEL Preference Shares (described below), 1,897,589 FEL Shares and 2,700,000 FEL Class B Shares following the Disposal. Accordingly, the Wyllie Group will have a 19% relevant interest in the issued capital of FEL on a non-diluted basis (comprising of the FEL Shares only) and a 46% relevant interest in the issued capital of FEL on a diluted basis (comprising of the FEL Preference Shares, FEL Shares and the FEL Class B Shares).

Little Breton as the holder of 6,100,000 of the First Convertibles Notes, \$130,000 of Additional Loans and Accrued Interest and \$209,005 2018 Fairway Funding (\$223,550 including accrued interest), will hold up to up to 343,923 FEL Preference Shares (described below) and 374,418 FEL Shares following the Disposal. Accordingly, Little Breton will have a 3.2% relevant interest in the issued capital of FEL on a non-diluted basis (comprising of the FEL Shares only) and a 6.14% relevant interest in the issued capital of FEL on a diluted basis (comprising of the FEL Preference Shares and FEL Shares).

There will not be any other substantial holders in FEL.

On completion of the Transaction, FEL will be the owner of the Fairway Project. It is not envisaged that it will hold any other assets. FEL will not be listed and has no intention of seeking to become listed on any regulated stock exchange.

FEL's assets and activities will need to be funded by its shareholders (which will include the Convertible Noteholders and holders of Accrued Interest who will be issued FEL Shares on the terms of the Disposal), or a third party.

FEL have advised the Company that following Settlement, it intends to promptly undertake a rights issue to raise approximately \$1,000,000 (**FEL Rights Issue**). Note that the FEL Rights Issue will not be a rights issue as that term is defined under the Corporations Act.

The FEL Rights Issue will be a non-renounceable pro-rata offer to eligible shareholders of FEL of approximately 1,670,170 new FEL Shares or FEL Preference Shares on the basis of one new FEL Share or FEL Preference Share for every six existing FEL Shares or FEL Class B Shares at an issue price of 65 cents per new Share to raise approximately \$1.08 million before issue costs. It is intended that only liabilities and obligations assigned to FEL under the assignment of the 2018

Fairway Funding can be converted, in part or in entirety, to FEL Preference Shares.

The funds from the FEL Rights Issue will be used to:

- (a) set off the 2018 Fairway Funding that is being assigned to FEL – the holders of the 2018 Fairway Funding (the Wyllie Group and Little Breton) have agreed to set off their debts under the 2018 Fairway Funding through the rights issue and the issue by FEL of FEL Preference Shares. The FEL Preference Shares will be issued on the same ratio as all other shares under the FEL Rights Issue; and
- (b) fund the ongoing operations of FEL including work to be done on the Fairway Project until such time as the Fairway Project is sold.

At the time of the FEL Rights Issue, if FEL's shareholders do not take up their entitlements their shareholding will be diluted. Further details of the FEL Rights Issue will be provided to FEL shareholders in the relevant offer document prepared by FEL.

As set out in Section 1.3, FEL will need to comply with the Fairway Loan terms.

Following the FEL Rights Issue, if a suitable opportunity arises, FEL intends to sell the Fairway Project to a third party. Any funds received from a sale of the Fairway Project by FEL will be paid or allocated as follows in the following order:

- (c) firstly, to repaying the Fairway Loan and other debts of FEL (if any);
- (d) secondly, by distribution or dividend, pro-rata to holders of FEL Preference Shares at a return of up to \$1.00 per FEL Preference Share held. The total value of the distribution or dividend will not exceed the value of the **2018 Fairway Funding** (plus accrued interest);
- (e) thirdly, by distribution or dividend, pro-rata to holders of FEL Shares at a return of up to \$1.00 per FEL Share held. The total value of the FEL Shares and FEL Preference Shares distributions or dividends will not exceed the sum of the initial valuation of the FEL Shares and the amount raised in the **FEL Rights Issue**;
- (f) fourthly, by distribution or dividend, to holder of FEL Class B Shares at a return of up to \$1.00 per FEL Class B Share. The total value of the distribution or dividend will not exceed the sum of the initial valuation of the **FEL Class B Shares**; and
- (g) finally, by distribution or dividend, to be apportioned equally to all holders of FEL Preference Shares, FEL Shares and FEL Class B Shares on a pro rata basis.

1.7 Impact on the Company and Future Activities and Direction on Settlement

The impact of the Transaction on the Target Energy's balance sheet is set out in the pro-forma balance sheet contained in Schedule 1.

Following the Transaction, the Company will not have any currently payable debt, other than the remaining Outstanding Director Fees which are only payable from proceeds of the Trilogy Legal Action. The Company will have current assets amounting to \$450,000 which will comprise of cash raised from the Capital Raising to fund the Company (once costs of the Transaction have been

deducted). The Company will also have its rights under the Trilogy Legal Action and the Fairway Loan.

As the Fairway Project is being sold as an asset sale, Target will retain its interests in its subsidiaries, including TELA Garwood.

On completion of the Transaction, including the Disposal, the capital structure of the Company will be as set out in Schedule 2.

As stated above the Company will continue to proceed with the Trilogy Legal Action and any proceeds will be retained by the Company. The Company will retain a number of its US subsidiaries while the Trilogy Legal Action is underway. A final decision regarding the disposition of those subsidiaries will be made after the Trilogy Legal Action is concluded.

Additionally, subject to FEL complying with the terms of the Fairway Loan, Target can expect the Fairway Loan to be repaid subject to FEL earning operating cashflows from the Fairway Project or receiving proceeds of sale of the Fairway Project.

The Company also notes that the Company has been suspended since December 2017 and Settlement of the Transaction will not be sufficient for the Company to be reinstated to trading on the ASX.

Accordingly, following Settlement, the Company will consider acquisition opportunities both in Australia and overseas, which the Board believes could have the potential to add value for Shareholders.

The Company notes that any such acquisition occurring following the Transaction will likely result in ASX taking a view that the Company is changing the nature and/or scale of its activities and will therefore require the Company to seek Shareholder approval pursuant to ASX Listing Rule 11.1.2 and re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

It is the Company's expectation that pursuant to the completion of the Disposal and following the identification of new opportunities, additional capital will be required to complete the relevant acquisition(s). The Company will undertake additional future capital raisings as required subject to ASX Listing Rules and Shareholder approval as appropriate.

1.8 Risk factors

Following the Disposal, the Company will no longer retain a working interest in a project. The general market risks of the Company will remain however the risks associated with exploration activities on mineral projects will no longer continue to apply.

In addition, the Company will be exposed to the following risks as a result of entering into the MOU and the Disposal:

Reinstatement to official list of ASX

The Company's securities are currently suspended, and It is anticipated that the Company's securities will remain suspended following the completion of the Disposal, Debt Restructure and Consolidation. As stated above, the Company intends to seek additional acquisition opportunities. ASX has advised that any additional acquisition opportunity will likely require approval pursuant to Chapter 11 of the ASX Listing Rules and re-compliance by the Company with Chapters 1

and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to identify any relevant opportunities or satisfy one or more of the ASX requirements and that its securities will consequently remain suspended from quotation.

Contractual

Under the terms of the MOU, the Company has agreed to dispose of the Fairway Project, subject to the satisfaction of a number of conditions (as outlined in Section 1.3(b) above). The satisfaction of the conditions is reliant on the performance of a number of third parties including the Convertible Noteholders agreeing to the terms of the Debt Restructure as proposed. There is no guarantee that these conditions will be satisfied.

The ability of the Company to dispose of the Fairway Project and fulfil its stated objectives is subject to the performance by FEL and InvestMet and the current debtors of the Company (including the Convertible Noteholders) of their obligations under the MOU. If FEL or InvestMet defaults in the performance of their obligations, it may delay the completion of any stage of the Disposal (if it completes at all) and it may be necessary for the Company to approach a court to seek a legal remedy, which can be uncertain and costly.

Litigation

There is a risk that the Company will not be successful in the Trilogy Legal Action. The cost of pursuing the Trilogy Legal Action may be high and where the Company is unable to successfully negotiate a resolution or prosecute the matter, an adverse damages order may be made against the Company which may impact on the Company's financial position. The outcome of such proceedings would be subject to the determination of the relevant court.

1.9 Indicative Timetable

Subject to the requirements of the ASX Listing Rules, the Company anticipates completion of the Transaction will be in accordance with the following timetable:

Action	Date
ASX announcement of the Transaction	27 September 2018
Notice of Meeting despatched to Shareholders	2 October 2018
General Meeting to approve Disposal Company tells ASX that Shareholders have approved the Consolidation.	5 November 2018
Last day for pre-Consolidation trading.	6 November 2018
Post-Consolidation trading starts on a deferred settlement basis.	7 November 2018
Last day for Company to register transfers on a pre-Consolidation basis.	8 November 2018
First day for Company to send notice to each holder of the change in their details of holdings.	9 November 2018

Action	Date
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	9 November 2018
Change of details of holdings date. Deferred settlement market ends.	15 November 2018
Last day for Securities to be entered into holders' Security holdings.	15 November 2018
Last day for the Company to send notice to each holder of the change in their details of holdings.	15 November 2018
Completion of Disposal* Completion of Capital Raising* Issue of Shares pursuant to this notice* Lodgement of Cleansing Prospectus*	19 November 2018

*The dates set out above are indicative only and subject to change.

1.10 Advantages and Disadvantages of the Transaction

The Directors believe that, following an assessment of the advantages and disadvantages disclosed below, the Disposal is in the best interests of the Company.

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to the Shareholders' decision on how to vote on the proposed Transaction:

- (a) The proposed Transaction has been assessed as being Fair and Reasonable by the Independent Expert
- (b) the Transaction, in its entirety, will effectively eliminate the Company's current debt (other than the remaining Outstanding Director Fees);
- (c) the Transaction, specifically the Disposal allows the Company to reduce its ongoing costs in respect of the Fairway Project;
- (d) the Transaction will enable the Company to consider alternative asset acquisitions in order to add value to Shareholders;
- (e) the Disposal enables the Company to realise immediate value for the Fairway Project;
- (f) the Disposal assists the Company in repaying its outstanding debts, specifically through:
 - (i) reducing the amount repayable in respect of the face value of the First Convertible Noteholder and Second Convertible Noteholders by \$8,971,000 , leaving nil debt;
 - (ii) reducing the Accrued Interest currently repayable to debtors by \$1,947,025, leaving nil debt;

- (g) the Disposal represents the best available opportunity for the Company to realise immediate value for its interest in the Fairway Project.

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to the Shareholders' decision on how to vote on the proposed Transaction:

- (h) the Company will not be able to participate in or derive any future benefits from the Fairway Project (other than through the Fairway Loan or Trilogy Legal Action);
- (i) InvestMet and its associates will own 44.7% of Shares on issue in the Company upon Settlement. As a result, InvestMet will have significant influence over matters that require approval by the Shareholders including the election of Directors and approval of significant corporate transactions. This concentration of ownership might also have the effect of delaying or preventing a change of control transaction in respect of the Company that other Shareholders may view as beneficial as InvestMet and its associates' shareholding interest will mean that they can block any proposal by a third party to acquire all of the Shares in the Company;
- (j) the Disposal involves the Company selling its main undertaking, which may not be consistent with the investment objectives of all Shareholders;
- (k) there is a risk the Company may not be able to locate and complete the acquisition of other suitable investment opportunities within a reasonable time, which may result in the Company being delisted in the event that ASX is of the view that the Company does not have suitable operations to justify a listing on ASX; and
- (l) any subsequent acquisition by the Company is likely to require that the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules.

1.11 Effect of the Resolutions not being approved

If any of the Resolutions are not passed, the completion of the Transaction will not occur. In such circumstances the Company intends to continue to manage its existing assets, including the Fairway Project and look for further opportunities including an alternative divestment of the Fairway Project.

However, the Company notes that most of the Company's existing debt was payable on 30 September 2018 but has been extended until 31 December 2018. The Company is also seeking an extension to the repayment of the First Convertible Notes until 31 December 2018, to allow sufficient time for the Disposal and other transactions to complete.

The Company's ability to continue as a going concern will depend on its ability to raise funds in the immediate future through sale of its assets or capital raising in order to meet its commitments and debt obligations. In the event that the Transaction is unable to settle, the Company would need to consider alternative means for securing short term financing or debt restructuring by 30 September 2018 or alternatively agree alternative payment terms with its relevant creditors.

There is no guarantee that the Company will be able to secure any additional funding or debt financing on terms favourable to the Company and a potential option may include the appointment of voluntary administrators.

1.12 Director Interests and Recommendations

As disclosed in the Notice, the Directors do not have any material interest in the outcome of the Transaction other than as a result of their interest arising solely in the capacity as security holders and as debt holders.

As at the date of this Notice, the Directors have a relevant interest in the securities and debt of the Company as set out in the following table:

Director	Prior to Transaction (pre Consolidation)		Following Transaction (post Consolidation)	
	Current Shares	Current Debt	Shares	Debt
Laurence Roe	31,427,087	\$35,000.00	1,660,677	Nil
Stephen Mann	79,596,062	\$111,287.67	4,772,093	Nil
Matthew Battrick	Nil	Nil	Nil	Nil

The Board has approved the proposal to put the Resolutions to Shareholders.

Having regard to the advantages and disadvantages of the Disposal as detailed in Section 1.8 each of the Directors entitled to vote intends to vote all of their Shares in favour of Resolution 1.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of Resolution 1.

2. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

2.1 Background

As set out above in Section 1, as part of the Transaction, the Company has agreed to sell the Fairway Project to FEL on the terms of the MOU.

The Fairway Project is the Company's main undertaking,

Section 1.3 includes a summary of the material terms of the MOU including the necessary conditions.

2.2 ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

As the Fairway Project is the Company's main undertaking, The Company is seeking Shareholder approval, under Resolution 1, for the disposal of the Company's Fairway Project on the terms of the MOU pursuant to ASX Listing Rule 11.2.

All items required to be disclosed to Shareholders to obtain approval under ASX Listing Rule 11.2 is set out above in Section 1.

2.3 Section 195 of the Corporations Act

Shareholder approval is also being sought under section 195 of the Corporations Act, which provides that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered, except in certain circumstances or unless non-interested Directors pass a resolution approving the interested Director's participation.

Section 195(4) relevantly provides that if there are not enough Directors to form a quorum for a Directors meeting because of this restriction, one or more of the Directors may call a general meeting and the general meeting may pass a resolution to deal with the matter. It might be argued (but it is neither conceded nor, indeed, is it thought by the Board to be the case) that two of the three Directors comprising the Board have a material personal interest in the outcome of Resolution 1 as a result of being holders of Accrued Interest who will be issued FEL Shares at Settlement on the same terms as the unrelated holders of Accrued Interest. If each does have such an interest, then a quorum could not be formed to consider the matters contemplated by Resolution 1 at Board level. For the avoidance of any doubt, and for the purpose of transparency and best practice corporate governance, the Directors have exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve in respect of the Disposal and other associated matters. This will authorise the Directors to affect the transactions and carry out related matters contemplated in this Notice of Meeting even if one or more of the Directors has a material personal interest in the Disposal.

3. RESOLUTION 2 – APPROVAL TO ISSUE SHARES ON CONVERSION OF FIRST LOANS

3.1 General

Resolution 2 seeks Shareholder approval for the issue of 60,000,000 Shares in satisfaction of outstanding First Loans owed by the Company to unrelated parties (**Unrelated Lenders**) with an aggregate value of \$60,000 (**Unrelated Loan Issue**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Shares pursuant to the Unrelated Loan Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Unrelated Loan Issue:

- (a) the maximum number of Shares to be issued is 60,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver

or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (c) the Shares will be issued for nil cash consideration, in satisfaction of outstanding loans of \$60,000 owed by the Company to the Unrelated Lenders at a deemed issue price of \$0.001 (on a pre-Consolidation basis);
- (d) the Shares will be issued to the Unrelated Lenders, who are not related parties of the Company;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the Unrelated Loan Issue as the Shares are being issued in satisfaction of outstanding loans owed by the Company to the Unrelated Lenders.

4. RESOLUTIONS 3 AND 4 – APPROVAL TO ISSUE SHARES TO RELATED PARTIES ON CONVERSION OF FIRST LOANS

4.1 General

Resolutions 3 and 4 seek Shareholder approval for the issue of Shares in satisfaction of outstanding loans owed by the Company to the following related parties:

- (a) Gunz, a related party of the Company by virtue of being controlled by Director, Stephen Mann, to whom the Company owes a total of \$50,000 in First Loans;
- (b) Petroe Exploration, a related party of the Company by virtue of being controlled by Director, Laurence Roe, to whom the Company owes a total of \$35,000 in First Loans;

(together, the **Related Party Lenders**) with an aggregate value of \$85,000 (**Related Party Loan Issue**).

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Related Party Loan Issue will result in the issue of Shares which constitutes giving a financial benefit, and the Related Party Lenders are related parties of the Company by virtue of the reasons set out in Section 4.1 above.

Whilst it is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act may apply as the Company (including Director Matthew Battrick who does not have an interest in Resolutions 3 and 4) believes the terms of the Related Party Loan Issue were determined on an arm's length basis and are on the same terms those being offered to unrelated parties in satisfaction of outstanding Additional Loans owed by the Company, in accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which the director holds a "material personal interest" are being considered. As it is proposed that Mr Mann and Mr Roe will receive Shares under the Related Party Loan Issue each of Mr Mann and Mr Roe has a material personal interest in the Related Party Loan Issue and therefore the Board cannot resolve that a relevant exception applies.

Section 195(4) of the Corporations Act provides that where there are not enough directors to form a quorum for a directors' meeting because of section 195 of the Corporations Act, one or more of the directors (including those who have a material personal interest in the matter) may call a general meeting and the general meeting may pass a resolution to deal with the matter.

Accordingly, in accordance with section 195(4) of the Corporations Act, the Directors have exercised their right to seek Shareholder approval for the Related Party Loan Issue to Mr Mann and Mr Roe.

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Related Party Loan Issue involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

4.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Related Party Loan Issue:

- (a) the Shares will be issued to the Related Party Lenders, who are related parties of the Company by virtue of the reasons set out in Section 4.1 above;
- (b) the maximum number of Shares to be issued is 85,000,000, being:
 - (i) 50,000,000 Shares to Gunz under 3; and
 - (ii) 35,000,000 Shares to Petroe under 4;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

- (d) the Shares will be issued for nil cash consideration, in satisfaction of outstanding loans owed by the Company to the Related Party Lenders, as set out in Section 4.1 above at a deemed issue price of \$0.001;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the Related Party Loan Issue as the Shares are being issued in satisfaction of outstanding First Loans owed by the Company to the Related Party Lenders, as set out in Section 4.1 above.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Related Party Loan Issue as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Party Lenders will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTION 5 – APPROVAL TO ISSUE SHARES ON CONVERSION OF ADDITIONAL LOANS

5.1 General

Resolution 5 seeks Shareholder approval for the issue of 280,000,000 Shares in satisfaction of outstanding Additional Loans owed by the Company to unrelated parties (**Unrelated Lenders**) with an aggregate value of \$280,000 (**Unrelated Additional Loan Issue**).

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

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the Unrelated Additional Loan Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Unrelated Additional Loan Issue:

- (a) the maximum number of Shares to be issued is 280,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration, in satisfaction of outstanding loans of \$280,000 owed by the Company to the Unrelated Lenders at a deemed issue price of \$0.001;
- (d) the Shares will be issued to the Unrelated Lenders, who are not related parties of the Company;
- (e) the Shares issued 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; and

- (f) no funds will be raised from the Unrelated Additional Loan Issue as the Shares are being issued in satisfaction of outstanding loans owed by the Company to the Unrelated Lenders.

6. RESOLUTION 6 - APPROVAL TO ISSUE SHARES TO RELATED PARTY ON CONVERSION OF ADDITIONAL LOANS - GUNZ

6.1 General

Resolution 6 seeks Shareholder approval for the issue of 25,000,000 Shares in satisfaction of the outstanding Additional Loan equal to \$25,000, owed by the Company to Gunz, a related party of the Company by virtue of being controlled by Director, Stephen Mann.

6.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue under Resolution 6 will result in the issue of Shares which constitutes giving a financial benefit, and the Gunz is a related party of the Company by virtue of the reasons set out in Section 6.1 above.

The Directors (other than Mr Mann, who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue because the terms of the issue and conversion of the Additional Loans were determined on an arm's length basis.

6.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Resolution 6 involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

6.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the Shares will be issued to Gunz (or its nominee), who is a related party of the Company by virtue of the reasons set out in Section 6.1;

- (b) the maximum number of Shares to be issued is 25,000,000;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Shares will be issued for nil cash consideration, in satisfaction of outstanding Additional Loan owed by the Company to Gunz, as set out in Section 6.1 above at a deemed issue price of \$0.001;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the issue as the Shares are being issued in satisfaction of outstanding loans owed by the Company to Gunz, as set out in Section 6.1 above.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Gunz or its nominee will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

7. RESOLUTION 7 – APPROVAL TO ISSUE SHARES ON CONVERSION OF INVESTMET DEBT

7.1 General

Subject to shareholder approval, the Company has agreed to issue InvestMet with 2,346,074,270 Shares in satisfaction of outstanding InvestMet Debt owed by the Company to InvestMet to a value of \$2,346,074 (**InvestMet Shares**) (**InvestMet Acquisition**).

Upon completion of the Transaction, InvestMet and its associates will hold a voting power of 44.7%.

Accordingly, Resolution 7 seeks Shareholder approval for InvestMet and its associates to increase their voting power in the Company as a result of the InvestMet Issue.

InvestMet is a public unlisted company incorporated in Australia. InvestMet's board of directors consists of Mr Michael Fotios, Mr Alan Still and Mr George Fotios.

7.1.1 Legislative regime

(a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the first person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(d) Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%; and
- (ii) a body corporate that the person controls.

The Corporations Act defines "control" broadly. Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.

(e) **Associates of InvestMet**

For the purposes of the Corporations Act, Mr Michael Fotios and Mr George Fotios are associates of InvestMet by virtue of acting in concert in respect of common objectives and purposes in respect of the Company.

No other associates of InvestMet or its associates have been disclosed to the Company.

(f) **InvestMet and its associates current relevant interests in the Company**

The relevant interest in the Company of InvestMet and its associates prior to the Transaction is:

	Shares	Voting Power
InvestMet	98,059,055	7.61%
Mr Michael Fotios	42,533,843	3.30%
Mr George Fotios	400,000	0.03%
TOTAL	140,992,900	10.94%

Other than as stated above, none of InvestMet or its associates hold any further interests in the securities of the Company as at the date of this Notice.

As Mr Michael Fotios and Mr George Fotios are associates of InvestMet they will acquire a relevant interest in the Shares being issued to InvestMet.

As at the date of this Notice, InvestMet has and its associates which includes Mr Michael Fotios and Mr George Fotios have a voting power in the Company of 10.94%.

7.1.2 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

InvestMet and its associates currently have a combined relevant interest in 140,992,898 Shares in the Company. Following the Transaction (including the Disposal, Debt Restructure, which will include the 2,346,074,270 Shares being

issued to InvestMet), InvestMet and its associates will collectively have a relevant interest in 2,487,067,168 Shares representing 43.45% voting power in the Company.

Accordingly, Resolution 7 seeks Shareholder approval for the purpose of section 611 Item 7 to enable the Company to issue the InvestMet Shares to InvestMet.

7.1.3 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Australia Pty Ltd which accompanies this Notice of Meeting.

(a) Identity of the Acquirer and its Associates

As at the date of this Notice, InvestMet currently holds 98,059,055 Shares (7.61% of the issued capital of the Company).

Mr Michael Fotios and Mr George Fotios are associates of InvestMet as per the relationships set out above. Mr Michael Fotios and Mr George Fotios currently hold 42,933,843 Shares (3.33% of the issued capital of the Company).

Accordingly, InvestMet and its associates have a voting power in the Company of 10.94% as at the date of this Notice.

(b) Relevant Interest and Voting Power

The relevant interest in Shares and the voting power of InvestMet and its associates (both current and following the issue of the InvestMet Shares) are as follows:

Pre-Consolidation

Party	Relevant interest as at the date of this Notice of Meeting (Shares)	Voting power as at the date of this Notice of Meeting	Maximum relevant interest after the issue of InvestMet Shares (Shares)	Voting Power after the issue of the InvestMet Shares ¹
InvestMet & its associates	140,992,898 ¹	10.94%	2,487,067,168 ²	44.7%
Other Share holders	1,148,013,530	89.06%	3,074,801,612 ³	55.3%
TOTAL	1,289,006,428		5,561,868,780	

Notes:

1. Being 98,059,055 Shares held by InvestMet, 42,533,843 Shares held by Mr Michael Fotios and 400,000 Shares held by Mr George Fotios.
2. Being 2,444,133,325 Shares held by InvestMet, 42,533,843 Shares held by Mr Michael Fotios and 400,000 Shares held by Mr George Fotios.

3. Assuming that the maximum number of Shares are issued under each of the Resolutions set out in this Notice and no other securities are issued prior to Settlement. Note includes pre-Consolidation equivalent of the Shares proposed to be issued under the Capital Raising (being 500,000,000 Shares with an issue price of \$0.001).

Post-Consolidation

Party	Relevant interest as at the date of this Notice of Meeting (Shares)	Voting power as at the date of this Notice of Meeting	Maximum relevant interest after the issue of InvestMet Shares (Shares)	Voting Power after the issue of the InvestMet Shares ¹
InvestMet & its associates	3,524,822 ¹	10.94%	62,176,679 ²	44.7%
Other Share holders	28,700,338	89.06%	76,870,040 ³	55.3%
	32,225,160		135,921,719	

Notes:

1. Being 2,451,476 Shares held by InvestMet, 1,063,346 Shares held by Mr Michael Fotios and 10,000 Shares held by Mr George Fotios.
2. Being 61,103,333 Shares held by InvestMet, 1,063,346 Shares held by Mr Michael Fotios and 10,000 Shares held by Mr George Fotios.
3. Assuming that the maximum number of Shares are issued under each of the Resolutions set out in this Notice and no other securities are issued prior to Settlement.

(c) Summary of increases

The estimated total relevant interest that InvestMet and its associates will hold on Settlement is 2,016,790,707 Shares giving InvestMet and its associates voting power of 44.7% (in aggregate).

(d) Assumptions

The following assumptions have been made in calculating the above voting power:

- (i) the Company has 1,289,006,428 Shares on issue as at the date of this Notice of Meeting;
- (ii) the Company issues 2,346,074,270 Shares to InvestMet;
- (iii) the Company issues 1,426,788,082 Shares pursuant to the other issues being approved under the Notice;
- (iv) the Company does not issue any other securities prior to Settlement; and
- (v) InvestMet (individually or through its associates) does not acquire a relevant interest in any additional securities in the Company other than under this Resolution.

(e) **Reasons for the proposed issue of securities**

As set out in Section 1 of this Explanatory Statement, the reason for the issue of the InvestMet Shares to InvestMet is to comply with the Company's obligations under the MOU and to complete the Debt Restructure.

(f) **Date of proposed issue of securities**

The InvestMet Shares the subject of this Resolution will be issued on the date of Settlement under the MOU. It is anticipated that Settlement will take place during November 2018.

(g) **Material terms of proposed issue of securities**

The InvestMet Shares will be issued in accordance with the terms and conditions of the MOU and will be issued on the same terms and conditions as all other existing Shares on issue in the Company. The issue will convert the InvestMet Debt currently owed by the Company into Shares.

(h) **Intentions of InvestMet**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that InvestMet (and its associates):

- (i) has no present intention of making any significant changes to the business of the Company other than as set out in this Explanatory Statement;
- (ii) will consider participating in further capital raisings of the Company to maintain their shareholding interest;
- (iii) have no present intention of making changes regarding the future employment of the present employees of the Company (with future changes, if any, to be made in consultation with the Company's management team);
- (iv) do not intend to redeploy any fixed assets of the Company;
- (v) do not intend to transfer any property between the Company and any other entity; and
- (vi) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to InvestMet (and its associates) at the date of this Notice.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(i) **Proposed changes of Directors of the Company**

The Board may change as a result of the Transaction with Mr Roe and Mr Mann likely to resign subject to the nomination of suitable candidates. InvestMet may nominate one or more candidates to represent InvestMet on the Board.

(j) **Interests and Recommendations of Directors**

- (i) None of the current Board members have a material personal interest in the outcome of Resolution 7.
- (ii) All of the current Directors are of the opinion that the transactions contemplated by Resolution 7 are in the best interests of Shareholders and, accordingly, all the Directors recommend that Shareholders vote in favour of Resolution 7. This recommendation is based on the following reasons:
 - (A) after assessment of the advantages and disadvantages referred to in Sections 1.8 and 1.9 they are of the view that the advantages outweigh the disadvantages; and
 - (B) the Independent Expert has determined the InvestMet Issue to be Fair and Reasonable to the non-associated Shareholders.
- (iii) The Directors are not aware of any other information other than as set out in this Notice that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7.

7.1.4 Role of the Independent Expert

The Independent Expert's Report assesses whether the advantages of the InvestMet issue outweigh the disadvantages of the InvestMet issue to the non-associated Shareholders in the Company. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to Resolution 7 contained within this Notice of Meeting.

RSM has prepared the Independent Expert's Report and has provided an opinion that it believes that the advantages of the proposal as outlined in Resolution 7 outweigh the disadvantages to the Shareholders of the Company not associated with InvestMet.

The Independent Expert has also concluded that the fair market value for The Company post the implementation of the Disposal and full Debt Restructure and Capital Raising would be \$0.002 per Share, an increase of \$0.002 per Share. The reasons for this increase are various and are set out in detail in Section 2 of the Independent Expert's Report. However, one of the key reasons is the reduction in liabilities as a result of the disposal of a substantial portion of Target's business. The Company strongly recommends that Shareholders read the Independent Expert's Report in full.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

7.2 ASX Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required for Resolution 7 as approval is being obtained under s611 item 7 of the Corporations Act. Accordingly, the issue of Shares under Resolution 7 will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

8. RESOLUTION 8 – APPROVAL TO ISSUE SHARES IN LIEU OF OUTSTANDING DIRECTOR FEES TO UNRELATED PARTIES

8.1 General

The Company currently owes Outstanding Director Fees equal to \$173,562 to previous Director, Mr Christopher Rowe for services during the period ending September 2017.

Resolution 8 seeks Shareholder approval for the issue of 43,390,411 Shares in satisfaction for 25% of Outstanding Director Fees (amounting to \$43,390) owed to Mr Rowe.

Mr Rowe has not been a Director since September 2017 and accordingly is not a related party of the Company.

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

The effect of Resolution 8 will be to allow the Company to issue the Shares under Resolution 8 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 8:

- (a) the maximum number of Shares to be issued is 43,390,411;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the deemed issue price will be \$0.001 per Share but the Shares will be issued for nil cash consideration in satisfaction of fees owing for services provided by Mr Rowe as a Director;
- (d) the Shares will be issued to Mr Rowe who is not a related party of the Company;
- (e) the Shares issued 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; and
- (f) no funds will be raised as the Shares are being issued in consideration in satisfaction of fees owing for past services provided by Mr Rowe as Director.

9. RESOLUTION 9 – APPROVAL TO ISSUE SHARES IN LIEU OF OUTSTANDING DIRECTOR FEES TO STEPHEN MANN

9.1 General

The Company currently owes Outstanding Director Fees equal to \$145,151 to Mr Stephen Mann.

Resolution 9 seeks Shareholder approval for the issue of 36,287,671 Shares in satisfaction of 25% of those Outstanding Director Fees (equal to \$36,288) Mr Mann.

9.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Sections 6.2 and 6.3 above respectively.

The issue under Resolution 9 will result in the issue of Shares which constitutes giving a financial benefit and Mr Mann is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Mann who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 9, because the terms of the conversion of Mr Mann's Outstanding Director Fees were determined on an arm's length basis.

As Resolution 9 involves the issue of Shares to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

9.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 9:

- (a) the Shares will be issued to Mr Mann (or his nominee) who is a related party by virtue of being a Director;
- (b) the maximum number of Shares to be issued is 36,287,671;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the deemed issue price is \$0.001 per Share, however the Shares will be issued for nil cash consideration, in satisfaction of \$36,288 in director fees owed by the Company to the Directors;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the issue under Resolution 9 as the Shares are being issued in satisfaction of outstanding director fees owed by the Company to the Directors.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Shares under Resolution 9 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares under Resolution 9 will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

10. RESOLUTION 10 – APPROVAL TO ISSUE SHARES ON CONVERSION OF FIRST CONVERTIBLE NOTES

10.1 General

Resolution 10 seeks Shareholder approval for the issue of 597,110,000 Shares on conversion of 10% of the First Convertible Notes on issue (with an aggregate face value of \$5,971,100 to First Convertible Noteholders (**First Note Conversion**)).

The Company confirms that this First Note Conversion is subject to approval of the Convertible Noteholders which is being sought at a meeting of the Convertible Noteholders intended to be held on 27 September 2018. If Convertible Noteholder approval is not obtained the First Note Conversion will not proceed.

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

The effect of Resolution 10 will be to allow the Company to issue the Shares pursuant to First Note Conversion during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the First Note Conversion:

- (a) the maximum number of Shares to be issued is 597,110,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration for conversion of 10% of the face value of the First Convertible Notes at a deemed issue price of \$5,971,100;
- (d) the Shares will be issued to the holders of First Convertible Notes, none of whom are related parties of the Company;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the First Note Conversion as the Shares are being issued in consideration for conversion of 10% of the face value of the First Convertible Notes.

11. RESOLUTION 11 – APPROVAL TO ISSUE SHARES ON CONVERSION – SECOND CONVERTIBLE NOTES

11.1 General

Resolution 11 seeks Shareholder approval for the issue of 300,000,000 Shares on conversion of 10% of the Second Convertible Notes on issue (with an aggregate face value of \$3,000,000 to Second Convertible Noteholder (**Second Note Conversion**)).

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

The effect of Resolution 11 will be to allow the Company to issue the Shares pursuant to Second Note Conversion during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

11.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Second Note Conversion

- (a) the maximum number of Shares to be issued is 300,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration for the conversion of 10% of the Second Convertible Notes on issue (with an aggregate value of \$3,000,000 at a deemed issue price of \$0.001);
- (d) the Shares will be issued to the Second Convertible Noteholder or nominees, which are not related parties of the Company;
- (e) the Shares issued 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; and
- (f) no funds will be raised from the Second Note Conversion as the Shares are being issued in consideration for conversion of 10% of the face value of the Second Convertible Notes.

12. RESOLUTION 12 – CONSOLIDATION OF CAPITAL

12.1 Background

If the Resolutions set out in this Notice are passed, the number of Shares on issue will be reduced as follows:

	Pre-Consolidation	Post-Consolidation
Current	1,289,006,428	32,225,161
Resolutions 2 - 12	3,772,862,352	94,321,559
Resolution 13	500,000,000	12,500,000
Total	5,561,868,780	126,546,720

12.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

12.3 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 40. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

12.4 Taxation

It is not considered that any taxation implications will exist for Security Holders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

12.5 Holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

12.6 Effect on capital structure

The Company's capital structure following Consolidation and the other Resolutions under this Notice is set out in Schedule 2.

12.7 Indicative timetable*

If Resolution 12 is passed, the reduction of capital will take effect in accordance with the timetable set out in Section 1.9 which is consistent with the timetable required by Appendix 7A (paragraph 8) of the ASX Listing Rules.

13. RESOLUTION 13 – APPROVAL TO ISSUE SHARES PURSUANT TO A CAPITAL RAISING**13.1 General**

Resolution 13 seeks Shareholder approval for the issue of up to 12,500,000 Shares (on a post-Consolidation basis) at an issue price of \$0.04 per Share to raise up to \$500,000 under the Company's proposed Capital Raising.

Further details on the Capital Raising are set out in Section 1.5,

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

The effect of Resolution 13 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 12,500,000 on a post-Consolidation basis;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.04 per Share on a post-Consolidation basis;
- (d) the Shares issued 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; and
- (e) the Company intends to use the funds raised from the Capital Raising towards costs of the Transaction and general working capital as set out in Section 1.5.

GLOSSARY

\$ means Australian dollars.

2018 Fairway Funding has the meaning given at Section 1.1.

Accrued Interest has the meaning given at Section 1.1.

Additional Loans has the meaning given at Section 1.1(d).

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 the ASX.

Board means the current board of directors of the Company.

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.

Capital Raising means the capital raising as summarised in Sections 1.5 and 13.1.

Chair means the chair of the Meeting.

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

Consolidation means the proposed consolidation of the capital of the Company as set out Resolution 12.

Convertible Noteholders means the First Convertible Noteholders and the Second Convertible Noteholder.

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

Debt Restructure has the meaning given at Section 1.2.

Directors means the directors of the Company from time to time.

Disposal has the meaning given at Section 1.1.

Explanatory Statement means the explanatory statement accompanying the Notice.

Fairway Funding has the meaning given at Section 1.3.

Fairway Loan has the meaning given at Section 1.3.

Fairway Loan Agreement means the agreement summarised at Section 1.3.

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

FEL means Fairway Energy Limited (ACN 623 112 863).

FEL Class B Shares means fully paid shares in the capital of FEL with the same rights as FEL Shares, however upon a sale of the Fairway Project by FEL, sale proceeds will be distributed to holders of FEL Shares and FEL Preference Shares at a price of up to \$1.00

per FEL Share or FEL Preference Share prior to being distributed to holders of FEL Class B Shares, with any surplus being distributed pro rata among the classes.

FEL Preference Shares means fully paid non-voting shares in the capital of FEL with the same rights as FEL Shares, however they do not carry any voting rights and upon a sale of the Fairway Project by FEL, sale proceeds will be distributed to holders of FEL Preference Shares at a price of up to \$1.00 per FEL Preference Share prior to being distributed to holders of FEL Shares or FEL Class B Shares.

FEL Rights Issue has the meaning given at Section 1.6.

FEL Shares means fully paid ordinary shares in the capital of FEL.

First Convertible Noteholders means the holders of First Convertible Notes.

First Convertible Notes has the meaning given at Section 1.1(a).

First Loans has the meaning given at Section 1.1(c).

First Note Conversion has the meaning given at Section 10.1.

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

Gunz means Gunz Pty Ltd (ACN 008 935 724) as Trustee for the Gunz Superannuation Fund A/C.

Independent Expert means RSM Corporate Australia Pty Limited.

Independent Expert's Report means the report prepared by the Independent Expert and accompanying this Notice.

InvestMet means InvestMet Limited (ACN 125 585 935).

InvestMet Acquisition has the meaning given at Section 7.1.

InvestMet Debt has the meaning given at Section 1.1(e).

InvestMet Issue has the meaning given at Section 7.1.

InvestMet Shares has the meaning given at Section 7.1.

MOU has the meaning given at Section 1.1.

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

Outstanding Director Fees has the meaning given at Section 1.1.

Petroe Exploration means Petroe Exploration Services Pty Ltd (ACN 081 252 780) as trustee for the Haaleroe Trust.

Proxy Form means the proxy form accompanying the Notice.

Related Party Lenders has the meaning given at Section 4.1.

Related Party Loan Issue has the meaning given at Section 4.1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Second Convertible Noteholders means the holder of Second Convertible Notes which is the Wyllie Group.

Second Convertible Notes has the meaning given at Section 1.1 (b).

Section means a section of the Explanatory Statement.

Security means a Share, First Convertible Note or Second Convertible Note.

Security Holder means the holder of a Security.

Settlement has the meaning given in Section 1.1.

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

Shareholder means a registered holder of a Share.

TELA Garwood has the meaning given at Section 1.3.

Transaction has the meaning given at Section 1.1.

Trilogy means Trilogy Operating, Inc, a company incorporated in Texas.

Trilogy Legal Action has the meaning given at Section 1.3.

Unrelated Additional Loan Issue has the meaning given at Section 5.1.

Unrelated Lenders has the meaning given at Section 3.1.

Unrelated Loan Issue has the meaning given at Section 3.1.

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

Wyllie Group means Wyllie Group Pty Ltd (ACN 008 763 120).

SCHEDULE 1 – PRO FORMA BALANCE SHEET OF COMPANY

	Statement of Financial Position as at 31 August 2018 \$'000	Pro Forma Condensed Statement of Financial Position 31 August 2018 \$'000
CURRENT ASSETS		
Cash and cash equivalents	8	458
Trade and other receivables	16	385
TOTAL CURRENT ASSETS	24	843
NON-CURRENT ASSETS		
Property, plant and equipment	905	-
TOTAL NON-CURRENT ASSETS	905	-
TOTAL ASSETS	929	843
CURRENT LIABILITIES		
Trade and other payables	1,168	13
Accruals – Director Fees	318	239
Borrowings	3,018	-
Convertible Notes	9,182	-
Employee Benefits	129	129
Provisions	232	-
Other current liabilities	53	53
TOTAL CURRENT LIABILITIES	14,100	434
TOTAL LIABILITIES	14,100	434
NET ASSETS	(13,171)	409
EQUITY		
Issued capital	39,595	43,683
Reserves	7,424	9,400
Accumulated losses	(60,190)	(52,674)
TOTAL EQUITY	(13,171)	409

SCHEDULE 2 – CAPITAL STRUCTURE OF THE COMPANY

	Shares	First Convertible Notes	Second Convertible Notes
Current	1,289,006,428	119,422,000	60,000,000
Disposal (Resolution 1)	-	(107,479,800)	(54,000,000)
Issue on conversion of First Loans (Resolution 2, 3 and 4)	145,000,000	-	-
Issue on conversion of Additional Loans (Resolutions 5 and 6)	305,000,000	Nil	Nil
Issue to InvestMet in consideration for InvestMet Debt (Resolution 7)	2,346,074,270	Nil	Nil
Issue on conversion of 25% of Outstanding Director Fees (Resolutions 8 and 9)	79,678,082	Nil	Nil
Issue on conversion of 10% of First Convertible Notes (Resolution 11)	597,110,000	(11,942,200)	Nil
Issue on conversion of 10% of Second Convertible Notes (Resolution 12)	300,000,000	Nil	(6,000,000)
Total (pre-Consolidation basis)	5,061,868,780	Nil	Nil
Total (post 40:1 Consolidation)	126,546,720	Nil	Nil
Capital Raising (post-Consolidation; Resolution 13)	12,500,000	Nil	Nil
Total on Settlement of Transaction (post-Consolidation basis)	139,046,720	Nil	Nil

SCHEDULE 3 – FAIRWAY ENERGY CAPITAL STRUCTURE

FOLLOWING DISPOSAL

	FEL Shares	FEL Class B Shares
Current	2	Nil
Issue in consideration for Disposal	7,321,015	2,700,000
Total following Disposal	7,321,017	2,700,000

Following the intended FEL Rights Issue⁵

	FEL Preference Shares	FEL Shares	FEL Class B Shares
Prior to FEL Rights Issue	0	7,321,017	2,700,000
FEL Rights Issue	1,146,411	523,759	0
Total following FEL Rights Issue	1,146,411	7,844,776	2,700,000

1. This is the intention of FEL as disclosed to Target as at the date of this Notice, however intervening event and new circumstances have the potential to affect the funding of FEL. The Board has no control over the board of FEL or the decision to be made by it.

LODGE YOUR VOTE ONLINE



ONLINE VOTE

www.advancedshare.com.au/investor-login



MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

2018 GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of Target Energy Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chairman of the meeting

OR



PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) are named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at **The Vic Boardroom, 226 Hay Street, Subiaco, WA 6008 on 5 November 2018 at 11.00am (WST)** and at any adjournment or postponement of that Meeting.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES:

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

VOTING DIRECTIONS

Agenda Items

	For	Against	Abstain*
1 Disposal of Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to Issue Shares to Unrelated Parties on Conversion of First Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to Issue Shares to Related Party on Conversion of First Loans - Gunz	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval to Issue Shares to Related Party on Conversion of First Loans - Petroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval to Issue Shares to Unrelated Parties on Conversion of Additional Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval to Issue Shares to Related Party on Conversion of Additional Loans - Gunz	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval to Issue Shares on Conversion of InvestMet Debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval to Issue Shares In Lieu of Outstanding Directors Fees to Unrelated Parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval to Issue Shares In Lieu of Outstanding Directors Fees – Related Party – Mr Mann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Approval to Issue Shares on Conversion of 10% of First Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Approval to Issue Shares on Conversion of 10% of Second Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Approval to Issue Shares Pursuant to a Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

PLEASE NOTE: If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 11.00am (WST) on 3 November 2018, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033