



ASX Announcement

26 February 2014

Successful \$6m Convertible Note Issuance

- \$6m secured, convertible note issuance
- Target now funded to execute planned 9 well 2014 drilling program at Fairway project

US-focused oil and gas producer, Target Energy Limited (“Target”), is pleased to advise that it has agreed terms with sophisticated and professional investors to raise A\$6,000,000 by issuance of a secured, Convertible Note (2014 Convertible Notes). Ord Minnett acted as lead manager to the issue.

The funds raised will be used to advance the Fairway project in the West Texas Permian Basin, where a 9 well drilling program is planned. Part of the proceeds will also be used to repay the A\$1.8 million 2013 Convertible Notes outstanding and also for general working capital. The 2013 Convertible Note Holders have applied for 2014 Convertible Notes to replace a third of their existing 2013 Convertible Notes.

Target’s Managing Director, Laurence Roe commented on the successful raising. “Together with operating cash flows generated from Target’s producing assets, the 2014 Convertible Notes will leave us well capitalised to proceed with our planned 2014 drilling program at Fairway. We will continue to consider multiple funding options to manage Target’s capital effectively as we deliver exposure to this exciting drilling program.”

The issue of the 2014 Convertible Notes will take place in two tranches with Tranche 1 of \$3.3m of convertible notes expected to settle on 5 March 2014. Issuance of the second tranche (approximately \$2.7m of convertible notes) is subject to shareholder approval which is to be sought at a General Meeting to take place no later than 9 April 2014. The Company will seek shareholder approval for Target’s Chairman, Chris Rowe, to participate in the second tranche.

As a result of the early redemption of the 2013 Convertible Notes, 2013 Noteholders will be issued a total of 25,714,286 unlisted options exercisable at 7 cents by no later than 1 October 2014.

An Appendix 3B will follow.

Corporate information

ASX Code: TEX
OTCQX Code: TEXQY

Board of Directors

Chris Rowe, Chairman
Laurence Roe, Managing Director
Stephen Mann, Director
Ralph Kehle, Chairman TELA (USA)

Rowan Caren, Company Secretary

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Key terms of the 2014 Convertible Notes are set out below.

Instrument	Unlisted convertible notes in Target Energy Limited (Convertible Notes)
Total Facility	A\$ 6.0 million
Offer Structure	Tranche 1: A\$3.30 million (66.0 million Convertible Notes, pursuant to ASX Listing Rule 7.1 capacity) Tranche 2: A\$2.70 million (54.0 million Convertible Notes, subject to approval by way of EGM)
Maximum number of Convertible Notes	120 million
Maturity Date	31 March 2017 (3 year term)
Face Value	5.0 cents
Coupon Rate	10.0% p.a., payable quarterly in arrears
Conversion Ratio	1:1 (Each Convertible Note, if converted, will convert into one fully paid ordinary share of Target Energy (Share))
Conversion	Convertible at the election of the noteholder at any time after 6 months from Tranche 1 Settlement Date. Each conversion must be for a minimum of 200,000 Convertible Notes and in multiples of 200,000 thereafter, or the balance of the noteholder's holding if less than 200,000 Convertible Notes are held or remain. Conversions received during a month will be processed within 5 business days of month end.
Ranking on conversion	Shares issued on conversion of the Convertible Notes will rank equally in all respects with existing Shares
Transferability	The Convertible Notes will be transferable but only to sophisticated or professional investors
Voting Rights	The Convertible Notes shall not provide for any voting rights at shareholder meetings of the Issuer
Early Redemption	The Issuer may elect to redeem the notes early. If the Issuer redeems the notes early it must repay the Face Value, accrued interest owing on the notes and issue one Unlisted Early Redemption Option in respect of each Convertible Note redeemed, unless the noteholder elects to convert the Convertible Notes into Shares Each Unlisted Early Redemption Option will entitle the holder to acquire one Share exercisable on or before the Maturity Date at an exercise price of 8 cents
Security	The Notes will be secured by a charge over the Company's interest in the Fairway project.

ENDS

For and on behalf of TARGET ENERGY LIMITED



Managing Director