
CHALLENGER ENERGY LIMITED

ACN 123 591 382

NOTICE OF GENERAL MEETING

TIME: 10.00am (WST)

DATE: 22 August 2013

PLACE: Level 4 Board Room
Steinepreis Paganin
The Read Buildings
Level 4, 16 Milligan Street
Perth WA 6000

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 3) 9614 0600.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on 22 August 2013 at:

Level 4 Board Room
Steinepreis Paganin
The Read Buildings
Level 4, 16 Milligan Street
Perth WA 6000

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

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 5:00pm (WST) on 20 August 2013.

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, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member 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.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes 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.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RE-ELECTION OF MR ROBERT ANTHONY WILLES AS DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.4 of the Constitution and for all other purposes, Mr Robert Anthony Willes, a Director who was appointed on 8 April 2013, retires, and being eligible, is re-elected as a Director.”

2. RESOLUTION 2 – ADOPTION OF INCENTIVE SHARE PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme, being the Incentive Share Plan, and for the issue of securities under the Incentive Share Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – ISSUE OF RETENTION SHARES TO MR ROBERT ANTHONY WILLES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 2, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 4,000,000 Shares to Mr Robert Anthony Willes (or his nominee) in accordance with the terms of his Executive Services Agreement and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ADOPTION OF PERFORMANCE RIGHTS PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme, being the Performance Rights Plan, and for the issue of securities under the Performance Rights Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of 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 Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

5. RESOLUTION 5 – ISSUE OF PERFORMANCE RIGHTS TO MR ROBERT ANTHONY WILLES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue 16,000,000 Performance Rights to Mr Robert Anthony Willes (or his nominee) under the Performance Rights Plan in accordance with the terms of his Executive Services Agreement and otherwise on the terms and conditions set out in the Explanatory Statement.”

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of 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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ADOPTION OF INCENTIVE OPTION PLAN

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

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme, being the Incentive Option Plan, and for the issue of securities under that plan, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 12 JULY 2013
BY ORDER OF THE BOARD

MR MICHAEL FRY
NON-EXECUTIVE CHAIRMAN

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 which are the subject of the business of the Meeting.

1. RESOLUTION 1 – RE-ELECTION OF MR ROBERT ANTHONY WILLES AS DIRECTOR

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Robert Anthony Willes was appointed Managing Director on 8 April 2013. Mr Willes has over 25 years of extensive international experience in the oil and gas and energy industries primarily with BP (formerly British Petroleum). He has an Honours Degree in Geography from Durham University in the UK, and has completed Executive Education Programmes at Harvard Business School in the USA and Cambridge University in the UK.

Mr Robert Anthony Willes will retire in accordance with clause 13.4 of the Constitution and being eligible seeks re-election.

2. RESOLUTIONS 2, 4 AND 6 – APPROVAL OF INCENTIVE SHARE PLAN, PERFORMANCE RIGHTS PLAN AND INCENTIVE OPTION PLAN

Resolutions 2, 4 and 6 seek Shareholder approval for the adoption of the Incentive Share Plan, Performance Rights Plan and the Incentive Option Plan respectively (together, the **Plans**), in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

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.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolutions 2, 4 and 6 are passed, the Company will be able to issue:

- (a) Shares under the Incentive Share Plan;
- (b) Performance Rights under the Performance Rights Plan; and
- (c) Options under the Incentive Option Plan,

to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Shares, Performance Rights, or Options have previously been issued under the Plans. However the Company is proposing to issue 4,000,000 Shares under the Incentive Share Plan and 16,000,000 Performance Rights under the Performance Rights Plan to Mr Robert Willes subject to shareholder approval being obtained under Resolutions 3 and 5.

The objective of the Plans is to attract, motivate and retain key employees, Directors and contractors and it is considered by the Company that the adoption of the Plans and the future issue of Shares, Performance Rights and Options under the Plans will provide selected participants with the opportunity to participate in the future growth of the Company.

Any future issues of Shares, Performance Rights or Options under the Plans to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Incentive Share Plan is set out in Schedule 1.

A summary of the key terms and conditions of the Performance Rights Plan is set out in Schedule 2.

A summary of the key terms and conditions of the Incentive Option Plan is set out in Schedule 3.

In addition, a copy of each relevant Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of each Plan can also be sent to Shareholders upon request to the Company Secretary (Adrien Wing). Shareholders are invited to contact the Company if they have any queries or concerns.

3. RESOLUTION 3 – ISSUE OF RETENTION SHARES TO MR ROBERT ANTHONY WILLES

3.1 General

On or about 3 April 2013, the Company appointed Mr Robert Anthony Willes as Managing Director of the Company and the parties entered into an Executive Services Agreement (**Executive Services Agreement**).

As an incentive to reward his ongoing commitment to the Company, it was agreed that Mr Willes would receive a total of 4,000,000 Shares in equal instalments every 6 months for a period of 36 Months (**Retention Shares**), equating to approximately 666,667 Retention Shares every 6 months.

The terms of Executive Services Agreement relating to the issue of the Retention Shares are set out at section 3.4 below.

The Company has agreed, subject to obtaining Shareholder approval and to the adoption of the Incentive Share Plan (refer to Resolution 2), to issue the Retention Shares under the Incentive Share Plan to Mr Willes on the terms and conditions set out below.

3.2 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 of Retention Shares constitutes giving a financial benefit and Mr Robert Anthony Willes is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Robert Anthony Willes 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 of Retention Shares because the Executive Services Agreement, reached as part of the remuneration package for Mr Robert Willes, was negotiated on an arm's length basis prior to his appointment as Managing Director and, as such, the issue of the Retention Shares is considered reasonable remuneration in the circumstances.

3.3 ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The Company is proposing to issue the Retention Shares under the Incentive Share Plan to Mr Robert Willes, who is a Director of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights as approval is being obtained under ASX Listing Rule 10.14 and Exception 9(b) of ASX Listing Rule 7.2. The issue of Retention Shares to Mr Willes will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

Resolution 3 seeks approval for the issue of the Retention Shares to Mr Robert Willies (or his nominee) at any time up to 36 months after Shareholder approval is obtained pursuant to ASX Listing Rule 10.14.

3.4 Terms of Retention Shares to be issued under Executive Services Agreement

The following are the material terms pursuant to which the Retention Shares will be issued under the Executive Services Agreement.

- (a) Subject to the Company obtaining any necessary shareholder approval, the Company agrees to issue to Mr Willes a total of 4,000,000 Retention Shares to be issued in equal six monthly instalments of 666,667 Retention Shares.
- (b) The first instalment of Retention Shares will be issued to Mr Willes within 10 business days of receipt of Shareholder approval. The remaining Retention Shares will thereafter be issued in 6 monthly tranches of 666,667 Retention Shares each.

- (c) The issue of Retention Shares is conditional on Mr Willes remaining an employee of the Company as at the date the respective Retention Shares are issued.
- (d) The Company will apply for listing on the ASX of the Retention Shares as soon as possible after they have been issued and will issue a “cleansing notice” under section 708A(5)(c) of the Corporations Act.

3.5 Technical Information required by ASX Listing Rule 10.15A

Pursuant to and in accordance with ASX Listing Rule 10.15A, the following information is provided in relation to Resolution 3:

- (a) the related party is Mr Robert Anthony Willes, who is a related party by virtue of being a Director;
- (b) the maximum number of Retention Shares to be issued is 4,000,000, which will be issued over 36 months in equal 6 monthly instalments;
- (c) the Retention Shares will be issued for nil cash consideration under the terms of the Executive Services Agreement, accordingly no funds will be raised;
- (d) no Shares have previously been issued under the Incentive Share Plan;
- (e) no loan has been provided to Mr Willes in relation to the acquisition of the Retention Shares;
- (f) as at the date of this Notice of Meeting, the only Director entitled to participate in the Incentive Share Plan is Mr Willes;
- (g) details of any Shares issued under the Incentive Share Plan will be published in each annual report of the Company relating to a period in which such Shares have been issued, and that approval for the issue of such Shares was obtained under ASX Listing Rule 10.14;
- (h) any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the Incentive Share Plan after Resolution 2 is approved and who were not named in this Notice will not participate in the Incentive Share Plan until approval is obtained under ASX Listing Rule 10.14; and
- (i) the Retention Shares will be issued to Mr Willes (or his nominee) no later than 36 months after the date of the Meeting.

4. RESOLUTION 5 – ISSUE OF PERFORMANCE RIGHTS TO MR ROBERT ANTHONY WILLES

4.1 General

The Company has agreed, subject to obtaining Shareholder approval and the passing of Resolution 4, to allot and issue a total of 16,000,000 Performance Rights to Mr Robert Anthony Willes (or his nominee) under the Performance Rights Plan and on the terms and conditions set out below.

The Performance Rights are being issued to Mr Willes (or his nominee) as an incentive based performance package in accordance with the terms of his Executive Services Agreement.

4.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is included at section 3.2 above.

The issue of Performance Rights to Mr Willes under the Performance Rights Plan constitutes the giving of a financial benefit and Mr Willes is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Robert Anthony Willes 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 of Performance Rights because the Executive Services Agreement, reached as part of the remuneration package for Mr Robert Willes, was negotiated on an arm's length basis and, as such, the issue of the Performance Rights is considered reasonable remuneration in the circumstances.

4.3 ASX Listing Rule 10.14

A summary of ASX Listing Rule 10.14 is included at section 3.3 above.

If Resolution 5 is passed, Performance Rights will be issued to Mr Willes, a Director of the Company. Therefore, the Company requires Shareholder approval to issue the Performance Rights to Mr Willes (or his nominee).

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights as approval is being obtained under ASX Listing Rule 10.14 and Exception 9(b) of ASX Listing Rule 7.2. The issue of Performance Rights to Mr Willes will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

4.4 Vesting Conditions contained in the Executive Services Agreement

As stated in section 3.1 above, Mr Willes has recently entered into the Executive Services Agreement with the Company. The Executive Services Agreement sets out the conditions that must be met in order for the Performance Rights to vest with Mr Willes. These conditions are as follows.

- (a) The Company agrees to establish the Performance Rights Plan and issue to Mr Willes (subject to Shareholder approval) a total of 16,000,000 Performance Rights in the following tranches (**Tranches**) and subject to the following vesting conditions:
 - (i) **Tranche 1:** 4,000,000 Performance Rights will vest on:
 - (A) Mr Willes completing a minimum of 12 months of continuous employment with the Company; and
 - (B) the Company having or achieving a market capitalisation of \$100,000,000 or greater no later than 3 years after the commencement date of the Executive Services Agreement;
 - (ii) **Tranche 2:** 4,000,000 Performance Rights will vest on:
 - (A) Mr Willes completing a minimum of 24 months of continuous employment with the Company; and

(B) the Company having or achieving a market capitalisation of \$200,000,000 or greater no later than 5 years after the commencement date of the Executive Services Agreement;

(iii) **Tranche 3:** 4,000,000 Performance Rights will vest on:

(A) Mr Willes completing a minimum of 36 months of continuous employment with the Company; and

(B) the Company having, or achieving, and announcing to the ASX, a 3P resource in excess of 1TCF no later than 5 years after the commencement date of the Executive Services Agreement; and

(iv) **Tranche 4:** 4,000,000 Performance Rights will vest on:

(A) Mr Willes completing a minimum of 36 months of continuous employment with the Company; and

(B) either the Company:

(I) announcing on the ASX that its interests in the Karoo Basin, South Africa can be commercially developed; or

(II) receiving an independent reserves certification containing proved reserves, as defined by the Society of Petroleum Engineers; or

(III) having or achieving a market capitalisation of \$500,000,000 or greater,

which must be met no later than 7 years after the commencement date of the Executive Services Agreement (or otherwise the maximum period allowable by the ASX, so long as it does not exceed 7 years).

(b) If in respect of Tranches 1 to 4 inclusive:

(i) Mr Willes has ceased to be employed by the Company or a related body corporate (regardless of his period of service) other than by reason of his resignation or proper termination of his employment in accordance with the Executive Services Agreement; and

(ii) the relevant condition (applicable to such Tranche) is met within 6 months of Mr Willes ceasing to be employed by the Company,

then Mr Willes shall be entitled to the relevant Tranche of Performance Rights notwithstanding that he is no longer employed by the Company.

(c) The Performance Rights Plan will also include the following provisions:

(i) upon a change of control, any unvested Performance Rights in a Tranche will (subject to compliance with the Listing Rules)

automatically vest where, immediately prior to the change of control, Mr Willes is employed by the Company or a related body corporate at that time or, within six months prior to the change of control, he has been employed by the Company or a related body corporate; and

- (ii) the Board may waive any vesting conditions if it considers any vesting condition has already been met (acting reasonably),

provided that Mr Willes shall not be entitled to any unvested Performance Rights where the change of control is as a direct result of a backdoor listing.

4.5 Technical information required ASX Listing Rule 10.15

Pursuant to and in accordance with ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Performance Rights to the Mr Robert Willes:

- (a) the related party is Mr Robert Anthony Willes, who is a related party by virtue of being a Director;
- (b) the maximum number of Performance Rights to be issued is 16,000,000;
- (c) the Performance Rights are being issued for nil cash consideration under the terms of the Executive Services Agreement;
- (d) no Performance Rights have previously been issued under the Performance Rights Plan;
- (e) as at the date of this Notice of Meeting, the related parties of the Company who are entitled to participate in the Performance Rights Plan are Mr Michael Fry, Mr Robert Willes and Mr Paul Bilston;
- (f) no loans have been provided to Mr Robert Willes in relation to the acquisition of the Performance Rights; and
- (g) the Performance Rights will be issued to Mr Robert Willes no later than 12 months after the date of the Meeting.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of 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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Challenger Energy Limited (ACN 123 591 382).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Incentive Share Plan means the employee incentive scheme of that name for which shareholder approval is sought under Resolution 2, the terms of which are summarised at Schedule 1.

Incentive Option Plan means the employee incentive scheme of that name for which shareholder approval is sought under Resolution 6, the terms of which are summarised at Schedule 3.

Executive Services Agreement means the executive services agreement dated 3 April 2013 entered into between Mr Robert Willes and the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

Option means an option to acquire a Share.

Performance Rights means the performance rights to be issued to Mr Robert Willes under Resolution 5 which are subject to the vesting conditions set out in section 4.4 of the Explanatory Statement.

Performance Rights Plan means the employee incentive scheme of that name for which shareholder approval is sought under Resolution 4, the terms of which are summarised at Schedule 2.

Proxy Form means the proxy form accompanying the Notice.

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

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

Shareholder means a holder of a Share.

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

SCHEDULE 1 – SUMMARY OF INCENTIVE SHARE PLAN TERMS

The key terms of the Incentive Share Plan are as follows.

- (a) **Eligibility:** Participants in the Incentive Share Plan may be Executive Directors or full-time and part-time employees of the Company or any of its subsidiaries (**Participants**).
- (b) **Administration of Plan:** The Board is responsible for the operation of the Incentive Share Plan and has a broad discretion to determine which Participants will be offered Shares under the Incentive Share Plan.
- (c) **Offer:** The Board may issue an offer to a Participant to participate in the Incentive Share Plan. The offer:
 - (i) will invite application for the number of Shares specified in the offer;
 - (ii) will specify the issue price for the Shares (which may be nil) or the manner in which the Issue Price is to be calculated;
 - (iii) may invite applications for a loan up to the amount payable in respect of the Shares accepted by the Participant in accordance with the offer;
 - (iv) will specify any restriction conditions applying to the Shares;
 - (v) will specify an acceptance period; and
 - (vi) specify any other terms and conditions attaching to the Shares.
- (d) **Issue price:** the issue price of each Share will be determined by the Board.
- (e) **Restriction Conditions:** Shares may be subject to restriction conditions (such as a period of employment) which must be satisfied before the Shares can be sold, transferred, or encumbered. Shares cannot be sold, transferred or encumbered until any loan in relation to the Shares has been repaid or otherwise discharged under the Plan.
- (f) **Loan:** A Participant who is invited to subscribe for Shares may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted by the Participant (**Loan**), on the following terms:
 - (i) the Loan will be interest free;
 - (ii) the Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares;
 - (iii) the Loan repayment date and the manner for making such payments shall be determined by the Board and set out in the offer;
 - (iv) a Participant must repay the Loan in full by the loan repayment date but may elect to repay the Loan amount in respect of any or all of the Shares at any time prior to the loan repayment date;
 - (v) the Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Plan;

- (vi) a Loan will be non-recourse except against the Shares held by the Participant to which the Loan relates; and
 - (vii) the Board may, in its absolute discretion, agree to forgive a Loan made to a Participant.
- (g) **Forfeiture of Shares:** The Company must, subject to the Corporations Act and the ASX Listing Rules, buy back and cancel a Share under Part 2J.1 of the Corporations Act where:
- (i) a Restriction Condition in relation to the Share is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, unless that Restriction Condition is waived by the Board in accordance with the Plan;
 - (ii) a Participant (or, where the Participant is a Nominee of the Eligible Participant, that Eligible Participant) ceases to be an Eligible Participant and, at that time, there is a Restriction Condition in relation to that Share that is unsatisfied or is incapable of satisfaction in the opinion of the Board (and that Restriction Condition is not waived by the Board in accordance with the Plan); or
 - (iii) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant.
- (h) **Consideration for Buyback:** A buyback of a Share must be at a price equal to the consideration paid by the Participant for the Shares provided that:
- (i) where the consideration was paid wholly or in part by Loan, the buyback consideration must be used towards repaying any outstanding Loan Amount, and the Company may offset the buyback consideration against any such amount; and
 - (ii) no consideration, other than an amount to repay any outstanding Loan Amount, will be payable in the event a Share is bought back due to the fraud, dishonesty or improper behaviour of the holder/Eligible Participant.
- (i) **Repayment of Loan:** A Loan shall become repayable in full where:
- (i) a Restriction Condition in relation to the Share the subject of the Loan is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, unless that Restriction Condition is not waived by the Board under the Plan;
 - (ii) the Participant (or, where the Participant is a Nominee of the Eligible Participant, that Eligible Participant) ceases to be an Eligible Participant and, at that time, there is a Restriction Condition in relation to the Plan Share that is unsatisfied or is incapable of satisfaction in the opinion of the Board (and that Restriction Condition is not waived by the Board under the Plan);
 - (iii) the Participant suffers an Event of Insolvency;
 - (iv) the Company notifies that the Share is to be bought back due to the fraud, dishonesty or improper behaviour of the holder/Eligible Participant; or

- (v) the Participant breaches any condition of the Loan or the Plan.
- (j) **Power of Attorney:** The Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the sale of the Participant's Shares in accordance with the Incentive Share Plan.
- (k) **Restriction on transfer:** Participants may not sell or otherwise deal with a Share until the Loan Amount in respect of that Share has been repaid and any restriction conditions in relation to the Share has been satisfied or waived. The Company is authorised to impose a holding lock on the Share to implement this restriction.
- (l) **Rights attaching to Shares:** Each Share shall be issued on the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Plan) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.

SCHEDULE 2 – SUMMARY OF PERFORMANCE RIGHTS PLAN TERMS

The Performance Rights entitle the holder (**Participant**) to Shares on the following terms and conditions.

- (a) **Eligible Participants:** All Directors, full and part time employees and contractors of a Group Company are eligible to participate in the Performance Rights Plan.
- (b) **Offers:** The Board may, from time to time, at its absolute discretion, make an offer to grant Performance Rights to an Eligible Participant under the Performance Rights Plan and on such additional terms and conditions as the Board determines.
- (c) **Performance Rights:** Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one fully paid ordinary share in the capital of the Company (**Share**).
- (d) **Not transferrable:** Performance Rights are only transferrable with the prior written consent of the Board of the Company or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (e) **Vesting Conditions:** The Board will determine the vesting conditions (if any) that must be satisfied before a Performance Right vests, and the date by which a vesting condition must be satisfied (**Vesting Condition**).
- (f) **Vesting:** A Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Performance Rights have vested as a result of:
 - (i) the participant ceasing to be an Eligible Participant due to a good leaver exception (eg due to death, total and permanent disability, retirement or redundancy) as set out in the Performance Rights Plan; or
 - (ii) the Company undergoing a change in control or winding up.
- (g) **Exercise of vested Performance Right:** Unless the Board decides otherwise, any vested Performance Right may be exercised within six month of becoming vested, following which the Company will issue the participant with the applicable number of Shares.
- (h) **Shares:** Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank on equal terms with all other Shares on issue.
- (i) **Share Sale Restrictions:** Unless an Offer otherwise provides, any Share issued to a participant on the exercise of a Performance Right must not be disposed of, or dealt with in any way, by that participant until the earlier of:
 - (i) when the participant (or, where the participant is a nominee of the Eligible Participant, that Eligible Participant) ceasing to be an Eligible Participant;
 - (ii) the Board approving the disposal due to the participant suffering severe financial hardship;
 - (iii) there is a change in control of the Company, or a voluntary resolution or order is made for the winding up of the Company; and
 - (iv) the seven (7) year anniversary of the date of grant of the Performance Right (**Restriction Period**).

- (j) **Quotation of Shares:** If Shares of the same class as those allotted under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
- (k) **Lapse of a Performance Right:** Subject to the terms of an Offer otherwise providing, a Performance Right will lapse upon the earlier to occur of:
- (i) an unauthorised dealing in, or hedging of, the Performance Right;
 - (ii) a Vesting Condition in relation to the Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception (eg due to death, total and permanent disability, retirement or redundancy);
 - (iii) a vested Performance Right is not exercised within six month of becoming vested;
 - (iv) a participant (or, where the participant is a nominee of the Eligible Participant, that Eligible Participant) ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception. This provision is varied by the terms of the Offer to Mr Willes, to ensure consistency with the terms of his Executive Services Agreement;
 - (v) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
 - (vi) the Company undergoes a change in control or winding up, and the Board does not exercise its discretion to vest the Performance Right. This provision is varied by the terms of the Offer to Mr Willes, to ensure consistency with the terms of his Executive Services Agreement;
 - (vii) the expiry date of the Performance Right; and
 - (viii) the seven (7) year anniversary of the date of grant of the Performance Right.
- (l) **No Participation Rights:** There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (m) **No Change:** A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.
- (n) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (o) **Inconsistency with Offer:** Notwithstanding any other provision in the Performance Right Plan, to the extent that any covenant or provision contained in an Offer document is inconsistent with any covenant or provision under the Performance Right Plan, the deemed covenant or provision under the Offer document shall prevail.

SCHEDULE 3 – SUMMARY OF INCENTIVE OPTION PLAN TERMS

The material terms and conditions of the Incentive Option Plan are as follows:

- (a) **Eligibility and Grant of Options:** The Board may grant options under the Plan (**Plan Options**) to any full or part time employee or Executive Director of the Company or an associated body corporate. Plan Options may be granted by the Board at any time.
- (b) **Consideration:** Each ESOP Option issued under the ESOP will be issued for nil cash consideration.
- (c) **Conversion:** Each ESOP Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Plan Options granted under the ESOP will be determined by the Board prior to the grant of the Plan Options.
- (e) **Exercise Restrictions:** The Plan Options granted under the ESOP may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options. Any restrictions imposed by the Directors must be set out in the offer for the Plan Options.
- (f) **Lapsing and Forfeiture of Plan Options:** Subject to the terms of the Offer made to an eligible participant under the ESOP, an unexercised ESOP Option will lapse:
 - (i) on the Expiry Date;
 - (ii) if any Exercise Restrictions are unable to be met;
 - (iii) on the eligible participant ceasing to be an employee or director of, or to render services to the Company or associated company for any reason whatsoever within 12 months of the grant of the Plan Options unless certain requirements are met; and
 - (iv) after an Option is no longer at risk of forfeiture by virtue of (iii), the expiration of 30 days after the termination or cessation of the eligible participant's employment with the Company or associated company.
- (g) **Share Restriction Period:** Shares issued on the exercise of Plan Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a specified period has expired, as specified in the offer for the Plan Options.
- (h) **Disposal of Plan Options:** Plan Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (i) **Trigger Events:** The Company may permit Plan Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or other change in circumstances as set out in the ESOP.
- (j) **Participation in Rights Issues and Bonus Issues:**
 - (i) There are no participating rights or entitlements inherent in the Plan Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Plan Options;

- (ii) The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six (6) Business Days after the issue is announced. This will give ESOP Option holders the opportunity to exercise their Plan Options prior to the date for determining entitlements to participate in any such issue.
 - (iii) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to the formula specified in the Listing Rules.
 - (iv) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each ESOP Option will include the number of bonus Shares that would have been issued if the ESOP Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the ESOP Option.
- (k) **Reorganisation:** The terms upon which Plan Options will be granted will not prevent the Plan Options being re-organised as required by the Listing Rules on the re-organisation of the capital of the Company.

PROXY FORM

**APPOINTMENT OF PROXY
CHALLENGER ENERGY LIMITED
ACN 123 591 382**

GENERAL MEETING

I/We

of

being a Shareholder entitled to attend and vote at the Meeting, hereby

appoint

Name of proxy

OR

the Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.00am (WST), on 22 August 2013 at Level 4 Board Room, Steinepreis Paganin, The Read Buildings, Level 4, 16 Milligan Street, Perth WA 6000, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

- Resolution 1 – Re-election of Mr Robert Anthony Willes as Director
- Resolution 2 – Adoption of Incentive Share Plan
- Resolution 3 – Issue of Retention Shares to Mr Robert Anthony Willes
- Resolution 4 – Adoption of Performance Rights Plan
- Resolution 5 – Issue of Performance Rights to Mr Robert Anthony Willes
- Resolution 6 – Adoption of Incentive Option Plan

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Important for Resolutions 2 to 6

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 2 to 6 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 2 to 6 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolutions 2 to 6 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 2 to 6 and that votes cast by the Chair for Resolutions 2 to 6, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 2 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 to 6.

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

Signature of Shareholder(s):

Date: _____

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Challenger Energy Limited, Level 17, 500 Collins Street, Melbourne, Victoria, 3000; or
 - (b) facsimile to the Company on facsimile number +61 3 9614 0550; or
 - (c) email to the Company at admin@challengerenergy.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

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