

# CHALLENGER ENERGY LIMITED

## ACN 123 591 382

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### ENTITLEMENT ISSUE PROSPECTUS

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For a non-renounceable entitlement issue of one (1) Option for every Five (5) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.015 (1.5 cents) per Option to raise up to \$988,447 (**Offer**).

The Offer is fully underwritten by Novus Capital Limited (**Underwriter**). Refer to section 9.3 for details regarding the terms of the Underwriting Agreement.

#### IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered as speculative.

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## TABLE OF CONTENTS

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1.	CORPORATE DIRECTORY.....	1
2.	TIMETABLE.....	2
3.	IMPORTANT NOTES.....	3
4.	CHAIRMAN'S LETTER.....	9
5.	DETAILS OF THE OFFER.....	10
6.	PURPOSE AND EFFECT OF THE OFFER.....	14
7.	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES.....	17
8.	RISK FACTORS .....	22
9.	ADDITIONAL INFORMATION .....	28
10.	DIRECTORS' AUTHORISATION .....	36
11.	GLOSSARY.....	37

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## 1. CORPORATE DIRECTORY

### Directors

Michael Fry (Chairman)  
Robert Willes (Managing Director)  
Bill Bloking (Non-Executive Director)

### Company Secretary

Adrien Wing

### Registered Office

Level 17, 500 Collins Street  
Melbourne VIC 3000

Telephone: + 61 3 9614 0600  
Facsimile: +61 3 9614 0550

Email: [admin@challengerenergy.com.au](mailto:admin@challengerenergy.com.au)  
Website: [www.challengerenergy.com.au](http://www.challengerenergy.com.au)

### Share Registry\*

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

Telephone: + 61 8 9315 2333  
Facsimile: +61 8 9315 2233

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Auditor\*

HLB Mann Judd  
Level 4, 130 Stirling Street  
Perth WA 6000

### Underwriter and Broker

Novus Capital Limited  
Level 24, Royal Exchange Building  
56 Pitt Street  
Sydney NSW 2000

\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

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## 2. TIMETABLE

Lodgement of Prospectus with the ASIC	Wednesday, 9 April 2014
Lodgement of Prospectus & Appendix 3B with ASX	Wednesday, 9 April 2014
Notice sent to Optionholders	Wednesday, 9 April 2014
Notice sent to Shareholders	Friday, 11 April 2014
Ex date	Wednesday, 16 April 2014
Record Date for determining Entitlements	5.00pm (WST) Thursday, 24 April 2014
Prospectus sent to Shareholders & Company announces this has been completed	Wednesday, 30 April 2014
Closing Date*	Wednesday, 14 May 2014
Securities quoted on a deferred settlement basis	Thursday, 15 May 2014
ASX notified of under subscriptions	Monday, 19 May 2014
Issue date/Shares entered into Shareholders' security holdings	Thursday, 22 May 2014
Quotation of Options issued under the Offer*	Friday, 23 May 2014

\* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Options are expected to commence trading on ASX may vary.

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### 3. IMPORTANT NOTES

This Prospectus is dated 9 April 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Options the subject of this Prospectus should be considered speculative.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

#### 3.1 Risk factors

Potential investors should be aware that subscribing for Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8 of this Prospectus, and summarised below. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to below, may affect the value of the Options, and the Shares into which they can be exercised, in the future. Accordingly, an investment in the Company should be considered speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

Risk	Description	Reference in Prospectus
<b>Potential for dilution</b>	Upon implementation of the Offer, the number of Shares in the Company will not change. However, if Options offered under the Offer are exercised, existing Shareholders will be diluted (although the Company will receive funds from the exercise of the Options which will increase the cash position of the Company).	Clause 8.2(a)

Risk	Description	Reference in Prospectus
<b>Karoo Basin Permit</b>	The Company's present focus is on securing the grant to its subsidiary, Bundu Gas & Oil Exploration Pty Ltd ( <b>Bundu</b> ), of a South African petroleum exploration right in the Karoo Basin ( <b>Permit</b> ) applied for by Bundu in 2010. While the Company expects this Permit to be granted in due course, if the Permit is not granted this will adversely affect the Company's financial position and prospects.	Clause 8.2(b)
<b>Counterparty Risk</b>	The Company is currently progressing farm-in discussions with respect to the exploration right in South Africa, for which Bundu's application is pending. If the Company enters into an agreement based on these discussions (which are currently incomplete and may not result in any agreement being executed), the Company will be reliant to a certain extent on the cooperation and compliance of the counterparties to that agreement. If a counterparty defaults under the agreement, it may adversely affect the Company and its prospects. In the event of a dispute, there can be no guarantee that seeking enforcement or compensation under such agreement will provide an efficient or satisfactory outcome.	Clause 8.2(c)
<b>Reliance on Key Management</b>	The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these personnel cease their employment.	Clause 8.2(d)
<b>Additional Requirements for Capital</b>	The Company's capital requirements depend on numerous factors. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, scale back its exploration programmes and may result in loss of tenure, as the case may be.	Clause 8.2(e)
<b>Potential Acquisitions</b>	The Company may make acquisitions of, or significant investments in, complementary companies or prospects. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions including risks associated with operating in foreign jurisdictions	Clause 8.2(f)

Risk	Description	Reference in Prospectus
<b>South Africa Specific Risks</b>	The Company and Bundu are subject to the risks associated in operating in South Africa, including economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law. Any future material adverse changes in government policies or legislation in South Africa that affect foreign ownership, exploration, development or activities of companies involved in exploration and production, may affect the viability and profitability of the Company.	Clause 8.3(a) to 8.3(e)
<b>Exploration and Development Risks</b>	Exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project, there is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation, inability to obtain or maintain necessary permits, approvals and consents, or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the deposit.	Clause 8.4(a)
<b>Oil and Gas Price Fluctuations</b>	International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.	Clause 8.4(b)

Risk	Description	Reference in Prospectus
<b>Environmental Risks</b>	The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. There are certain risks inherent in the Company's activities which could subject the Company to extensive liability. In addition, environmental groups may seek to protest against or frustrate the Company's activities, including through the courts. Environmental activist groups such as Treasure the Karoo Action Group (TKAG) and AfriForum have expressed concern over applications submitted in respect of shale gas exploration in the Karoo Basin of the Republic of South Africa, including the application submitted by Bundu. These groups have publicly threatened to institute legal challenge to the granting of applications for the exploration of shale gas. It is the Company's view that it has followed due process with the regulator and would defend any legal challenge to the granting of the Permit.	Clause 8.4(c)

### 3.2 Forward Looking Statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 0 of this Prospectus.

### 3.3 Directors Interests in Securities

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement (Options)	Entitlement Subscription (\$)
Michael Fry	1,832,965	Nil	366,593	\$5,498.89
Robert Willes	1,333,334	Nil	266,667	\$4,000.00
Bill Bloking	Nil	Nil	Nil	-

### 3.4 Substantial Holders

Based on substantial shareholder notices lodged prior to the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
LQ Super Pty Ltd <LQ Super Fund a/c>	40,138,092	12.99%
Pitt Street Absolute Return Fund Pty Ltd	21,160,000	6.79%

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

### 3.5 Underwriting and Sub Underwriting

The Offer will be fully underwritten by Novus Capital Limited. Refer to section 9.3 of this Prospectus for details of the terms of the underwriting.

Novus Capital Limited has additionally been appointed as Broker to the Offer. The terms of the appointment of Novus Capital Limited as Broker are summarised in Section 9.4 of this Prospectus.

The Underwriter has entered into a sub-underwriting agreement with William Bloking, a Director of the Company (**Sub-Underwriter**). Details of the sub-underwriting agreement are provided in section 9.4.

### 3.6 Effect on control of the Company

The Underwriter is not presently a Shareholder of the Company. The Underwriter has agreed to use its best endeavours to allocate the Shortfall such that neither the Underwriter nor any of the allottees of Shortfall will individually have a voting power in the Company in excess of 20% if all the Options were exercised. Therefore, if the Underwriter is required to subscribe for the Shortfall under the Offer, in practical terms, the Underwriter will not obtain control of the Company as a result of the Underwriter underwriting the Offer.

The Sub-Underwriter is not presently a Shareholder of the Company, but is a related party of the Company by virtue of being a Director. Upon the Sub-Underwriter taking up the full allocation of 1,333,333 Options under the Sub-Underwriting Agreement and upon the future exercise of those Options, the Sub-Underwriter will hold a 0.32% interest (based on the capital structure of the Company following completion of the Offer on a fully diluted basis).

The Company considers it is unlikely that no Shareholder takes up any of their Entitlement. The obligations of the Underwriter and the Sub-Underwriter will be reduced by a corresponding amount for the Entitlements taken up by Shareholders. The Offer has been priced to allow for successful completion of the Offer, which in turn will enable the Company to give effect to its objectives stated in section 6.1 of this Prospectus.

### **3.7 Market price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its quoted securities, including its Shares, are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	12 March 2014 and 13 March 2014	12.5 cents
Lowest	6 January 2014	7.2 cents
Last	8 April 2014	9.8 cents

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#### 4. CHAIRMAN'S LETTER

9 April 2014

Dear Eligible Shareholder,

#### **LOYALTY OPTIONS - FULLY-UNDERWRITTEN, NON-RENOUNCEABLE ENTITLEMENT ISSUE**

On behalf of Challenger Energy Ltd (**ASX: CEL**), I am pleased to invite you to participate in the Offer under this Prospectus of Options in recognition of your ongoing support as a Shareholder in the Company.

This will take the form of a fully underwritten non-renounceable entitlement issue of one (1) Option for every five (5) Shares held by Shareholders registered at 5.00pm (WST) on the Record Date (**Eligible Shareholders**) at an issue price of \$0.015 (1.5 cents) per Option, exercisable at \$0.20 each and an expiry date of 30th June 2016.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 65,896,502 Options will be issued to raise up to \$988,447.62 (before costs). Application will be made to the ASX within 7 days of the date of this Prospectus to list the Options on the ASX.

The Offer is fully underwritten by Novus Capital Limited.

Funds raised under the Offer will be used to:

- (a) fund the Company's continuing work in support of its subsidiary's application for the Exploration Right for the Cranemere Shale Gas Project in South Africa;
- (b) further develop business opportunities relating to this project;
- (c) for working capital; and
- (d) to cover the expenses of the Offer.

This Prospectus and personalised Entitlement and Acceptance Form should be read carefully and in their entirety before deciding whether or not to participate in this Offer. In particular Eligible Shareholders should consider the key risk factors outlined in Section 8 of this Prospectus.

On behalf of your Board, I invite you to consider this investment opportunity and thank you for your past and ongoing support for Challenger Energy.

Yours faithfully



**MICHAEL FRY  
CHAIRMAN**

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## 5. DETAILS OF THE OFFER

### 5.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Option for every five (5) Shares held by Shareholders registered at the Record Date at an issue price of \$0.015 (1.5 cents) per Option. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 65,896,502 Options will be issued pursuant to this Offer to raise up to \$988,447.62.

As at the date of this Prospectus the Company has 23,000,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 6.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Options offered under this Prospectus will be issued on the terms and conditions set out in section 7.1 of this Prospectus.

All of the Shares issued upon the future exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 7 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 6.1 of this Prospectus.

### 5.2 Minimum subscription

The Offer is fully underwritten and so the minimum subscription is equal to full subscription.

If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

### 5.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

(a) if you wish to accept your **full** Entitlement:

- (i) complete the Entitlement and Acceptance Form; and
- (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or

(b) if you only wish to accept **part** of your Entitlement:

- (i) fill in the number of Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (iii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.015 (1.5 cents) per Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

#### 5.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Challenger Energy Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 7:00pm (AEST) on the Closing Date.

#### 5.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Options which is covered in full by your application monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 3.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.** Any application monies received for more than your final allocation of Options (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

#### 5.6 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Option to be issued under the Shortfall Offer shall be \$0.015 (1.5 cents) being the price at which Options have been offered under the Offer.

The Directors reserve the right to issue Shortfall Options at their absolute discretion in conjunction with the Underwriter, subject to the terms of the

Underwriting Agreement. Accordingly, do not apply for Shortfall Options unless instructed to do so by the Directors or the Underwriter.

## **5.7 ASX listing**

Application for Official Quotation of the Options offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

## **5.8 Issue of Options**

Options issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

The Underwriter has the right (following reasonable consultation with, and due consideration of, any comments provided by the Company) to nominate the allottees of the Shortfall and the number of Shortfall Options which each nominated allottee will receive.

Where the number of Shortfall Options issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Options or Shortfall Options, or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Options issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus, and for Shortfall Options issued under the Shortfall Offer as soon as practicable after their issue.

## **5.9 Overseas shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **5.10 Enquiries**

Any questions concerning the Offer should be directed to Adrien Wing, Company Secretary, on 61 3 9614 0600.

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## 6. PURPOSE AND EFFECT OF THE OFFER

### 6.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$988,447.62.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Progressing South African project	\$270,000	27%
2.	Corporate Compliance, Accounting, Audit & Secretarial	\$110,000	11%
3.	Employee, Directors' Fees and Administration costs	\$494,158	50%
4.	Expenses of the Offer <sup>1</sup>	\$114,289	12%
	<b>Total</b>	<b>\$988,447</b>	<b>100%</b>

#### Notes:

1. Refer to section 9.9 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events, including the success (or failure) of being rewarded the South African Permit, and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

### 6.2 Effect of the Offer

The principal effect of the Offer, assuming all Options offered under the Prospectus are issued, will be to:

- (a) increase the cash reserves by \$874,158 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Options on issue from 23,000,000 as at the date of this Prospectus to 88,896,502 Options.

### 6.3 Pro-forma balance sheet

The auditor reviewed balance sheet for the half year as at 31 December 2013 and the unaudited pro-forma balance sheet as at 31 December 2013 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Options offered under the Prospectus are issued.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not

include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Reviewed 31 Dec 2013 \$	Rights Issue \$	Pro-forma 31 Dec 2013 \$
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	440,309	874,158	1,314,467
Trade and other receivables	29,203	-	29,203
Prepayments	21,975	-	21,975
Other financial assets – term deposit	30,369	-	30,369
<b>TOTAL CURRENT ASSETS</b>	<b>521,856</b>		<b>1,396,014</b>
<b>NON-CURRENT ASSETS:</b>			
Trade and other receivables	13,442	-	13,442
Exploration and evaluation expenditure	4,757,958	-	4,757,958
Property, plant and equipment	408	-	408
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,771,808</b>	-	<b>4,771,808</b>
<b>TOTAL ASSETS</b>	<b>5,293,664</b>	-	<b>6,167,822</b>
<b>CURRENT LIABILITIES:</b>			
Trade and other payables	115,277	-	115,277
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,277</b>	-	<b>115,277</b>
<b>NON-CURRENT LIABILITIES:</b>			
Trade and other payables	8,961	-	8,961
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,961</b>	-	<b>8,961</b>
<b>TOTAL LIABILITIES</b>	<b>124,238</b>	-	<b>124,238</b>
<b>NET ASSETS</b>	<b>5,169,426</b>	-	<b>6,043,584</b>
<b>EQUITY:</b>			
Issued share capital	29,552,022	874,158	30,426,180
Reserves	(62,580)	-	(62,580)
Accumulated losses	(24,514,607)	-	(24,514,607)
Equity attributable to owners of the parent	4,974,835	-	5,848,993
Non-controlling interest	194,591	-	194,591
<b>TOTAL EQUITY</b>	<b>5,169,426</b>	-	<b>6,043,584</b>

#### 6.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Options offered under the Prospectus are issued, is set out below.

##### Shares

	Number
Shares currently on issue	329,482,541
Shares offered pursuant to the Offer	Nil
<b>Total Shares on issue after completion of the Offer</b>	<b>329,482,541</b>

## Options

	Number
Options currently on issue:	
2,000,000 (CELAK) Director B Options (Bilston) (exercisable at 35 cents on or before 28 February 2015)	23,000,000
2,000,000 (CELAS) Employee C (Woodley) (exercisable at 35 cents on or before 1 February 2015)	
2,000,000 (CELAM) Options (Much) (exercisable at 15 cents on or before 20 November 2014)	
2,000,000 (CELAM) Options (Much) (exercisable at 15 cents on or before 20 November 2014)	
7,500,000 (CELAM) Options (Bilston) (exercisable at 15 cents on or before 20 November 2014)	
7,500,000 (CELAA) Options (Bilston) (exercisable at 15 cents, on or before 20 November 2016)	
New Options offered pursuant to the Offer (exercisable at \$0.20 (20 cents) on or before 30 June 2016)	65,896,502
<b>Total Options on issue after completion of the Offer</b>	<b>88,896,502</b>

The capital structure on a fully diluted basis as at the date of this Prospectus would be 352,482,541 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 418,379,043 Shares.

No Share or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

## Performance Rights

	Number
Performance Rights (Director)	16,000,000
Performance Rights (Employees)	2,500,000
<b>Total Performance Rights after completion of the Offer</b>	<b>18,500,000</b>

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## 7. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

### 7.1 Options

#### (a) Entitlement

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

#### (b) Exercise Price

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.20 (20 cents) (**Exercise Price**).

#### (c) Expiry Date

Each Option will expire at 5:00 pm (WST) on 30 June 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

#### (d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

#### (e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

#### (f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

#### (g) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

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

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(a) **Quotation**

The Company will apply for quotation of the Options on ASX.

## 7.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being the underlying securities of the Options to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### (a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

### (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (i) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (ii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### (c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of

the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

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## **8. RISK FACTORS**

### **8.1 Introduction**

The Options offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **8.2 Company specific**

#### **(a) Potential for dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will not change. However, if Options offered under the Offer are exercised, existing Shareholders will be diluted (although the Company will receive funds from the exercise of the Options which will increase the cash position of the Company).

#### **(b) Karoo Basin Permit**

The Company's present focus is on securing the grant to its subsidiary, Bundu Gas & Oil Exploration Pty Ltd (**Bundu**), of a South African petroleum exploration right in the Karoo Basin (**Permit**) applied for by Bundu in 2010. While the Company expects this Permit to be granted in due course, if the Permit is not granted this will adversely affect the Company's financial position and prospects.

#### **(c) Counterparty risk**

The Company is currently progressing farm-in discussions with respect to the exploration right in South Africa, for which Bundu's application is pending. If the Company enters into an agreement based on these discussions (which are currently incomplete and may not result in any agreement being executed), the Company will be reliant to a certain extent on the cooperation and compliance of the counterparties to that agreement. If a counterparty defaults under the agreement, it may adversely affect the Company or its prospects. In the event of a dispute, there can be no guarantee that seeking enforcement or compensation under such agreement will provide an efficient or satisfactory outcome.

#### **(d) Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance

given that there will be no detrimental impact on the Company if one or more of these personnel cease their employment.

(e) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. The availability of equity funding is subject to market risk at the time and there is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, scale back its exploration programmes and may result in loss of tenure, as the case may be.

(f) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions including risks associated with operating in foreign jurisdictions.

### 8.3 South Africa specific

(a) **Sovereign**

The Company's present focus is on its project interests situated in South Africa. Accordingly, the Company is subject to the risks associated in operating in foreign countries. The risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company and its advisers will undertake all reasonable due diligence in assessing and managing the risks associated with oil and gas exploration and production in South Africa. However, any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects is outside the control of the Company. Such changes may affect the foreign ownership, exploration, development or activities of companies involved in oil and gas exploration and production and in turn may affect the viability and profitability of the Company.

(b) **Black Economic Empowerment and Social Development**

The Company must comply and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure to satisfy and to continue to satisfy the black economic empowerment

requirements of the Mineral and Petroleum Resources Development Act (**MPRDA**), the Charter, the approved social and labour plan and/or the Mining Codes could jeopardise any prospecting rights held and impede the Company's ability to acquire, develop or maintain any additional exploration and production rights.

(c) **Political Risk**

The Directors believe that the Government of South Africa supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in South Africa will not result in the Government of South Africa adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital all of which may affect the Company's ability to develop its projects.

(d) **HIV/AIDS**

South Africa has one of the highest HIV infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time although employee related costs in South Africa could increase as a result of the HIV/AIDS epidemic. Results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's and its joint venture partners' workforce.

(e) **Labour Risk**

The Company's South African operations may be adversely affected by labour disputes or changes in South African labour laws. In South Africa a number of trade unions have close links to various political parties and have had a significant influence as vehicles for social and political reform and in the collective bargaining process. Since 1995 South Africa has enacted various labour laws that enhance the rights of employees, which may impose costs on the Company. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt operations and affect the profitability of the South African projects.

## **8.4 Industry specific**

(a) **Exploration and Development Risks**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;

- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining and maintaining licences, permits, consents and approvals necessary for the conduct of oil and gas exploration, development and production;
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(b) **Oil and gas price fluctuations**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil

or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(c) **Environmental**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or production proceeds. It is the Company's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities which could subject the Company to extensive liability.

In addition, environmental and activist groups may seek to protest against or frustrate the Company's activities, including through the courts. Environmental activist groups such as Treasure the Karoo Action Group (TKAG) and AfriForum have expressed concern over applications submitted in respect of shale gas exploration in the Karoo Basin of the Republic of South Africa, including the application submitted by Bundu. These groups have publicly threatened to institute legal challenge to the granting of applications for the exploration of shale gas. It is the Company's view that it has followed due process with the regulator and would defend any legal challenge to the granting of the Permit.

## 8.5 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the

Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## **8.6 Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus

Therefore, the Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

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## **9. ADDITIONAL INFORMATION**

### **9.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **9.2 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

<b>Date</b>	<b>Description of Announcement</b>
<b>March 2014</b>	
13th	Half Yearly Report and Accounts
3rd	Investor presentation - March 2014
<b>February 2014</b>	
28th	Challenger Energy appoints Bill Bloking to Board
26th	Change of Director's Interest Notice - Willes
24th	Appendix 3B and 708 Notice
<b>January 2014</b>	
24th	Quarterly Activities and Cashflow Report
<b>December 2013</b>	
27th	Appendix 3B
12th	Chairman's Year-End Message to Shareholders
<b>November 2013</b>	
19th	Results of Meeting
<b>October 2013</b>	
31st	Quarterly Activities and Cashflow Report
17th	Notice of Annual General Meeting/Proxy Form
14th	Statement by Sth African Mineral Resource Minister

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.challengerenergy.com.au](http://www.challengerenergy.com.au).

### 9.3 Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to conditionally fully underwrite the Offer for 65,896,508 Options (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 5% of the total value of the Underwritten Securities (**Underwriting Fee**).

The Agreement is subject to standard conditions precedent.

The obligation of the Underwriter to underwrite the Offer is subject to industry standard events of termination including the following termination rights:

- (a) **significant change to management or board:** there is a significant change to the composition of the senior executives of the Company or of its board of directors, including any requisitions by shareholders to remove a member of the board pursuant to sections 203D and 249D of the Corporations Act (without the approval of the Underwriter); and
- (b) **movement in the All Ordinaries Index or the Small Ordinaries Index:** the All Ordinaries Index or the Small Ordinaries Index is at any time on any two consecutive business days prior to allotment of the Options 90% or less of the level that Index attained at the close of trading on the business day before the date of signing the Underwriting Agreement.

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

### 9.4 Sub-Underwriting Agreement

The Underwriter has entered into a sub-underwriting agreement (**Sub-Underwriting Agreement**) with the Sub-Underwriter, William Bloking, who will sub-underwrite the Offer for an amount of \$20,000 (**Sub-Underwriting Allocation**) for the issue of 1,333,333 Options based on the issue price of \$0.015 per Option.

Pursuant to the Sub-Underwriting Agreement, the Underwriter will pay a fee to the Sub-Underwriter of 2.5% of the Sub-Underwriting Allocation which is conditional on the Underwriter being paid the Underwriting Fee and to the Underwriting Agreement not having been terminated.

The obligation of the Sub-Underwriter will continue unless the Underwriting Agreement has been terminated in accordance with its terms, in which case, the Sub-Underwriter's obligation will also be terminated.

### 9.5 Mandate letter

The Company has entered into a mandate letter with Novus Capital to assist the Company as financial adviser, underwriter and broker in relation to the Offer. There will be no separate fee for this mandate.

## 9.6 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

### **Security holdings**

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Michael Fry	1,832,965	Nil	366,593	\$5,498.89
Robert Willes	1,333,334	Nil	266,667	\$4,000.00
Bill Bloking	Nil	Nil	Nil	-

The Board recommends all Shareholders take up their Entitlement.

### **Remuneration**

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

<b>Director</b>	<b>30 June 2012</b>	<b>30 June 2013</b>	<b>30 June 2014</b>
Michael Fry	\$60,000	\$60,000	\$60,000
Robert Willes	Nil	\$69,319	\$589,169
Bill Bloking	Nil	Nil	\$20,000

## **9.7 Interests of experts and advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

Novus Capital Limited will be paid an underwriting fee of approximately \$49,400 in respect of this Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, Novus Capital Limited has been paid fees totalling \$50,000 (excluding GST) by the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding

GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$28,232 (excluding GST and disbursements) for legal services provided to the Company.

## 9.8 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section;
- (c) Novus Capital Limited has given its written consent to being named as underwriter to the Offer in this Prospectus, in the form and context in which it is named;
- (d) Bill Bloking has given his written consent to being named as a sub-underwriter to the Offer in this Prospectus, in the form and context in which he is named;
- (e) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC; and
- (f) Novus Capital Limited has given its written consent to being named as Broker to the Company in this Prospectus. Novus Capital Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 9.9 Expenses of the Offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$114,289 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,225
ASX fees	21,642
Underwriting fees	49,422
Legal fees	23,000
Share Registrar fees	8,000
Printing and distribution	5,000
Miscellaneous	5,000
<b>Total</b>	<b>114,289</b>

## **9.10 Electronic prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 3 9614 0600 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.challengerenergy.com.au](http://www.challengerenergy.com.au).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **9.11 Financial forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## **9.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## **9.13 Privacy Act**

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

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**10. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Robert Willes**  
**Managing Director**  
**For and on behalf of**  
**CHALLENGER ENERGY LIMITED**

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## 11. GLOSSARY

**\$** means the lawful currency of the Commonwealth of Australia.

**Applicant** means a Shareholder who applies for Options pursuant to the Offer or a Shareholder or other party who applies for Shortfall Options pursuant to the Shortfall Offer.

**Application Form** means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

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

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

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

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHES.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**Closing Date** means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

**Constitution** means the constitution of the Company as at the date of this Prospectus.

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

**Directors** means the directors of the Company as at the date of this Prospectus.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

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

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

**Option** means an option to acquire a Share on the terms and conditions set out in section 7.1 of this Prospectus.

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

**Prospectus** means this prospectus.

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

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

**Shareholder** means a holder of a Share.

**Shortfall** means the Options not applied for under the Offer (if any).

**Shortfall Application Form** means the shortfall application form.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in section 5.6 of this Prospectus.

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

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