

# NOTICE OF ANNUAL GENERAL MEETING

Including Explanatory Memorandum and Proxy Form

## CHALLENGER ENERGY LIMITED

ACN 123 591 382

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<b>Date:</b>	24 November 2016
<b>Time:</b>	10:00 am (WST)
<b>Location:</b>	The offices of HLB Mann Judd Level 4, 130 Stirling Street Perth WA 6000

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This is an important document. It should be read in its entirety

If you are in doubts as to the course you should follow, please consult your financial or professional adviser.

**CHALLENGER ENERGY LIMITED**  
**ACN 123 591 382**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the Annual General Meeting of Challenger Energy Limited [ACN 123 591 382] (**the Company** or **CEL**) will be held at the offices of HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia, 6000 on 24 November 2016 at 10:00 am (WST).

Further details in respect of each of the resolutions proposed in this Notice of Annual General Meeting are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice of Annual General Meeting.

**BUSINESS OF THE MEETING**

	<b>2016 Annual Financial Statements</b>
<b>Description</b>	To lay before the Meeting and consider the 2016 Annual Financial Statements of the Company in respect of the year ended 30 June 2016 and comprising the Annual Financial Report, the Directors' Report and the Auditor's Report.
	<b>Resolution 1 Non-binding Resolution – Remuneration Report</b>
<b>Description</b>	To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:  <i>'THAT the Company approve the adoption of the Remuneration Report, included in the Director's Report, for the year ended 30 June 2016.'</i>
<b>Voting Exclusion</b>	A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons: <ul style="list-style-type: none"><li>• a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or</li><li>• a closely related party of such a member (those parties being "<b>Restricted Voters</b>").</li></ul> However, a person (the voter) described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a Restricted Voter and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1 or, in the case of the chair of the meeting, where an express authorisation to vote undirected proxies is given.
<b>Voting Note</b>	Directors of the Company who are key management personnel whose remuneration details are included in the 2016 remuneration report, any other key management personnel whose remuneration details are included in the 2016 remuneration report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1 (subject to the exception in the case of the Chair as set out above).
	<b>Resolution 2 Re-election of Mr Michael Fry as a Director</b>
<b>Description</b>	To consider and, if thought fit, pass the following resolution as an ordinary resolution:  <i>"THAT, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Michael Fry, a Director of the Company, retires by rotation and, being eligible, is re-elected as a Director."</i>  Further details in respect of this Resolution 2 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

<b>Resolution 3</b>	<b>Ratification of prior placement of shares and options</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4 shareholders ratify the prior issue of 30,000,000 ordinary fully paid shares and 30,000,000 unlisted options to acquire ordinary fully paid shares (each option having an exercise price of \$0.05 and expiring 30 June 2020) to professional, sophisticated and other exempt investors on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.”</i>
<b>Voting Exclusion</b>	The Company will disregard any votes cast on Resolution 3 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 3 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 4</b>	<b>Ratification of prior issue of shares and options to Northern Star Nominees Pty Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4 shareholders ratify the prior issue of 1,000,000 ordinary fully paid shares and 1,000,000 unlisted options to acquire ordinary fully paid shares (each option having an exercise price of \$0.05 and expiring 30 June 2020) to Northern Star Nominees Pty Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 4 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 4 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 5</b>	<b>Ratification of prior issue of shares to WES Capital Pte Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 759,587 ordinary fully paid shares to WES Capital Pte Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 5 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 5 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>

<b>Resolution 6</b>	<b>Ratification of prior issue of shares to Griffin Growth Partners</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 769,234 ordinary fully paid shares to Griffin Growth Partners on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 6 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 6 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 7</b>	<b>Ratification of prior issue of shares to LQ Super Pty Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 239,097 ordinary fully paid shares to LQ Super Pty Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on resolution 7 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on resolution 7 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 8</b>	<b>Ratification of prior issue of shares and options to Brandfort Resources Corp</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4 shareholders ratify the prior issue of 1,000,000 ordinary fully paid shares and 1,000,000 unlisted options to acquire ordinary fully paid shares (each option having an exercise price of \$0.05 and expiring 30 June 2020) to Brandfort Resources Corp on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 8 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 8 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>

<b>Resolution 9</b>	<b>Ratification of prior issue of shares and options to Tamlib Pty Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4 shareholders ratify the prior issue of 1,000,000 ordinary fully paid shares and 1,000,000 unlisted options to acquire ordinary fully paid shares (each option having an exercise price of \$0.05 and expiring 30 June 2020) to Tamlib Pty Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 9 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 9 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 10</b>	<b>Ratification of prior issue of shares to WES Capital Pte Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 180,507 ordinary fully paid shares to WES Capital Pte Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 10 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 10 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 11</b>	<b>Ratification of prior issue of shares to Griffin Growth Partners</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 742,460 ordinary fully paid shares to Griffin Growth Partners on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 11 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 11 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>

<b>Resolution 12</b>	<b>Ratification of prior issue of shares and options to Integrated Oil &amp; Gas Pty Ltd</b>
<b>Description</b>	To consider and, if thought fit, to pass the following as an ordinary resolution: <i>“THAT for the purpose of ASX Listing Rule 7.4 shareholders ratify the prior issue of 1,750,000 ordinary fully paid shares and 1,750,000 unlisted options to acquire ordinary fully paid shares (each option having an exercise price of \$0.05 and expiring 30 June 2020) to Integrated Oil &amp; Gas Pty Ltd on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting.”</i>
<b>Voting Exclusion Statement</b>	The Company will disregard any votes cast on Resolution 12 by: <ul style="list-style-type: none"> <li>• persons who participated in the issue; or</li> <li>• any associates of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 12 if:</p> <ul style="list-style-type: none"> <li>• it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;</li> <li>• 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.</li> </ul>
<b>Resolution 13</b>	<b>Approval of Share Placement Facility (Special Resolution)</b>
<b>Description</b>	To consider, and if thought fit, pass with or without amendment the following resolution as a <b>special resolution</b> : <i>“THAT for the purposes of ASX Listing Rule 7.1A, shareholders approve the Company having the capacity to issue fully paid ordinary shares in the capital of the Company up to the maximum number permitted under ASX Listing Rule 7.1A.2 at an issue price which is not less than 75% of the volume weighted average market (closing) price of the Company’s ordinary shares calculated over the last fifteen (15) days on which trades of the Company’s ordinary shares were recorded on ASX immediately before the date on which the issue price is agreed or the date the issue is made as described in the Explanatory Memorandum which accompanied and forms part of this Notice of Annual General Meeting.”</i>
<b>Voting Exclusion</b>	The Company will disregard any votes cast on Resolution 13 by: <ul style="list-style-type: none"> <li>• persons who may participate in the proposed issue and persons who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; and</li> <li>• an associate of those persons.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 13 if:</p> <ul style="list-style-type: none"> <li>• It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or</li> </ul> <p>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.</p>
<b>Voting Note</b>	If as at the time of the Annual General Meeting, the Company: <ul style="list-style-type: none"> <li>• is included in the S&amp;P/ASX 300 Index; and/or</li> <li>• has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of greater than AU\$300 million,</li> </ul> <p>then Resolution 13 will be withdrawn.</p>

<b>Resolution 14</b>	<b>Adoption of Incentive Share Plan</b>
<b>Description</b>	<p>To consider, and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:</p> <p><i>“THAT for the purposes of ASX Listing Rule 7.2 Exception 9(b), and for all other purposes including section 259B(2) and 260C(4) of the Corporations Act 2001 (Cth), approval is given for the Company to adopt an employee incentive scheme, being the Incentive Share Plan, on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice.”</i></p>
<b>Voting Exclusion</b>	<p>The Company will disregard any votes cast on Resolution 14 by:</p> <ul style="list-style-type: none"> <li>a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and</li> <li>any associates of that person.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 14 if:</p> <ul style="list-style-type: none"> <li>it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on a proxy form;</li> <li>it is cast by a 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 they decided</li> </ul>
<b>Corporations Act Voting Restrictions – Key Management Personnel and their closely related parties</b>	<ul style="list-style-type: none"> <li>In accordance with the Corporations Act 2001 (Cth), the Company will disregard any votes cast on Resolution 14 by a member of the Company’s key management personnel within the meaning of the Corporations Act (including the Directors as a proxy except where the proxy contains a direction on how to vote.</li> </ul> <p>The Chair of the Meeting may cast votes on Resolution 14 as a proxy where the written appointment of the Chair as a proxy (which may include appointment of the Chair as a proxy by default in the absence of another person) does not specify how the proxy is to vote on Resolution 14 but expressly authorises the Chair to exercise the proxy if the resolution is connected directly or indirectly with the remuneration of a member of the Company’s key management personnel.</p>

<b>Resolution 15</b>	<b>Adoption of Performance Rights Plan</b>
<b>Description</b>	<p>To consider, and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:</p> <p><i>“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, on the terms and conditions set out in the Explanatory Memorandum which accompanies and forms part of this Notice.”</i></p>
<b>Voting Exclusion</b>	<p>The Company will disregard any votes cast on Resolution 15 by:</p> <ul style="list-style-type: none"> <li>a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and</li> <li>any associates of that person.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 15 if:</p> <ul style="list-style-type: none"> <li>it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on a proxy form;</li> <li>it is cast by a 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 they decided</li> </ul>

<b>Corporations Act Voting Restrictions – Key Management Personnel and their closely related parties</b>	<ul style="list-style-type: none"> <li>In accordance with the Corporations Act 2001 (Cth), the Company will disregard any votes cast on Resolution 15 by a member of the Company's key management personnel within the meaning of the Corporations Act (including the Directors as a proxy except where the proxy contains a direction on how to vote.</li> </ul> <p>The Chair of the Meeting may cast votes on Resolution 15 as a proxy where the written appointment of the Chair as a proxy (which may include appointment of the Chair as a proxy by default in the absence of another person) does not specify how the proxy is to vote on Resolution 15 but expressly authorises the Chair to exercise the proxy if the resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.</p>
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<b>Resolution 16</b>	<b>Adoption of Incentive Option Plan</b>
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<b>Description</b>	<p>To consider, and if thought fit, pass with or without amendment the following resolution as an ordinary resolution:</p> <p><i>“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, on the terms and conditions set out in the Explanatory Memorandum which accompanies and forms part of this Notice.”</i></p>
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<b>Voting Exclusion</b>	<p>The Company will disregard any votes cast on Resolution 16 by:</p> <ul style="list-style-type: none"> <li>a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and</li> <li>any associates of that person.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 16 if:</p> <ul style="list-style-type: none"> <li>it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on a proxy form;</li> <li>it is cast by a 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 they decided</li> </ul>
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<b>Corporations Act Voting Restrictions – Key Management Personnel and their closely related parties</b>	<ul style="list-style-type: none"> <li>In accordance with the Corporations Act 2001 (Cth), the Company will disregard any votes cast on Resolution 16 by a member of the Company's key management personnel within the meaning of the Corporations Act (including the Directors as a proxy except where the proxy contains a direction on how to vote.</li> </ul> <p>The Chair of the Meeting may cast votes on Resolution 16 as a proxy where the written appointment of the Chair as a proxy (which may include appointment of the Chair as a proxy by default in the absence of another person) does not specify how the proxy is to vote on Resolution 16 but expressly authorises the Chair to exercise the proxy if the resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.</p>
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Dated: 20 October 2016

By the order of the Board



Adrien Wing  
**Company Secretary**

The accompanying Explanatory Memorandum and the Proxy and Voting Instructions form part of this Notice of Annual General Meeting.



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## PROXY AND VOTING INSTRUCTIONS

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### Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to the Company's registered office on (03) 9614 0550 not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice of Annual General Meeting.

### Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any Annual General Meeting.

### Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 10.00am on 22 November 2016 (Perth Time) are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

Subject to the restriction set out above, the Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions.

### How the Chair Will Vote Undirected Proxies

Subject to the restrictions set out below, The Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions.

### Proxies that are Undirected on Resolution 1 (Remuneration Report) and Resolutions 14, 15 and 16 (employee incentive schemes)

The Remuneration Report identifies key management personnel for the year ending 30 June 2016. Their closely related parties are defined in the Corporations Act 2001 (Cth) and include specified family members, dependents and companies they control.

Directors of the Company who are key management personnel whose remuneration details are included in the 2016 remuneration report, any other key management personnel whose remuneration details are included in the 2016 remuneration report, or any of their closely related parties, will not be able to vote on Resolutions 1 or 14 or to vote undirected proxies held by them on Resolutions 1, 14, 15 and/or 16. The chair of the meeting will be able to cast undirected proxies in favour of Resolution 1 where expressly authorised to do so provided, in the case of Resolution 1, that the vote is not cast on behalf of a member of the Company's key management personnel or their closely related parties.

### Special Resolution

For a special resolution to be passed at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 13 is a special resolution.

**CHALLENGER ENERGY LIMITED**  
**ACN 123 591 382**  
**("the Company")**

**ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum ("**this Memorandum**") accompanies and forms part of the Company's Notice of Annual General Meeting to be held at the offices of HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia, 6000 on 24 November 2016 at 10:00 am (WST). The Notice of Annual General Meeting incorporates, and should be read together with, this Memorandum.

**BUSINESS OF THE MEETING**

**2016 Annual Financial Statements**

The 2016 Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2016 will be laid before the meeting. Shareholders will have the opportunity to ask questions about or make comments on the 2016 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend to answer questions about the audit of the Company's 2016 Annual Financial Statements.

The Company's 2016 Annual Financial Statements are set out in the Company's 2016 Annual Report which can be obtained from the Company's website, [www.challengerenergy.com.au](http://www.challengerenergy.com.au) or upon request to the Secretary at the registered office of the Company at Level 17, 500 Collins Street, Melbourne Vic 3000 (telephone (03) 9614 0600).

There is no requirement for these reports to be formally approved by shareholders. No resolution is required to be moved in respect of this item.

<b>Resolution 1</b>	<b>Non-binding Resolution - Remuneration Report</b>
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The Company is required, pursuant to the Corporations Act 2001 (Cth) ("**the Corporations Act**"), to propose a non-binding resolution regarding the 2016 Remuneration Report, which forms part of the Director's Report in the 2016 Annual Financial Statements. The vote is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2016 Annual General Meeting of the Company will have the opportunity to discuss and put questions in respect of the Remuneration Report.

The resolution is advisory only and does not bind the Company or its Directors. The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings ("**AGM**") (treating this AGM as the first such meeting), shareholders will be required to vote at the second of those AGM's on a resolution (a "**spill resolution**") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must be put up for re-election. The vote on the Remuneration Report contained in the Company's 2015 Annual Financial Statements was passed with the support of more than 75% of votes thus a spill resolution will not be required in the event that 25% or more of votes that are cast are against the adoption of the 2016 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2016 Remuneration Report, shareholders should be aware that if there is a 'no' vote of 25% or more at the same resolution at the 2017 AGM the consequences are that it may result in the re-election of the Board.

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, Directors and other member of the key management personnel details of whose remuneration are included in the Remuneration Report or a closely related party of the key management personnel must not vote on Resolution 1 and must not cast a vote as proxy, unless the proxy appointment gives a direction on how to vote or unless the proxy is the chair of the meeting and the authorisation express authorises the chair to vote undirected proxies on Resolution 1.

<b>Resolution 2</b>	<b>Re-election of Mr Michael Fry as a Director</b>
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Resolution 2 is a resolution for the re-election of Mr Michael Fry as a Director of the Company.

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is longer.

Clause 13.2 of the Constitution provides that:

- (a) at the Company's first annual general meeting after incorporation, all Directors shall retire from office;
- (b) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (c) the Directors to retire at an annual general meeting are those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by drawing lots;
- (d) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (e) in determining the number of Directors to retire, no account is to be taken of a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Fry retires by rotation in accordance with the Constitution and the Listing Rules and, being eligible, offers himself for re-election.

The Board, with Mr Fry abstaining from making a recommendation, recommends shareholders vote in favour of Resolution 2.

<b>Resolution 3</b>	<b>Ratification of prior issue of placement shares and options</b>
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Resolution 3 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 30,000,000 fully paid ordinary shares issued at \$0.03 (3 cents) per share and 30,000,000 free-attaching unlisted options (with an exercise price of \$0.05 (5 cents) and expiring 30 June 2020) to professional, sophisticated and other exempt investors who did not require disclosure under the requirements of Chapter 6D of the Corporations Act 2001 (Cth) and who were not related parties of the Company. The shares were the subject of an Appendix 3B lodged 24 March 2016.

The unlisted options the subject of Resolution 3 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

The fully paid ordinary shares the subject of Resolution 3 were issued without shareholder approval under ASX Listing Rule 7.1A. ASX Listing Rule 7.1A provides a further placement capacity of up to 10% for certain companies who obtain approval for that additional capacity at their annual general meeting. The Company obtained approval for the additional placement capacity at its annual general meeting on 10 November 2015.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rules 7.1 and 7.1A (provided that the previous issue of securities did not breach those rules) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rules 7.1 and 7.1A. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1 and 7.1A.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 30,000,000 fully paid ordinary shares and 30,000,000 unlisted options.
- Shares were issued at 3 cents (\$0.03) per share.
- Unlisted options were issued on the basis of one free-attaching option for each fully paid ordinary share purchased. The unlisted options have an exercise price of 5 cents (\$0.05) and expiry date of 30 June 2020.
- Full terms of the unlisted options are set out in Annexure B.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares and unlisted options were issued to professional, sophisticated and other exempt investors who did not require disclosure under the requirements of Chapter 6D of the Corporations Act 2001 (Cth) and who were not related parties of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.

- Funds raised through the issue of the shares have (or will) be used to fund the progression of the licence application process in South Africa, working capital and the cost of the offer. Any funds raised through the exercise of unlisted options will be used towards advancing the Company's current projects, acquiring new projects or as working capital.
- The Directors unanimously recommend shareholders vote in favour of Resolution 3.

<b>Resolution 4</b>	<b>Ratification of prior issue of shares and options to Northern Star Nominees Pty Ltd</b>
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Resolution 4 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options (with an exercise price of \$0.05 (5 cents) and expiring 30 June 2020) to Northern Star Nominees Pty Ltd [ACN 086 208 951] (**Northern Star**), which is not a related party of the Company. The shares and options were issued as payment for consulting services provided by Northern Star to the Company. The shares and unlisted options were the subject of an Appendix 3B lodged 24 March 2016.

The shares and unlisted options the subject of Resolution 4 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options.
- There was no issue price. The shares and unlisted options were issued as payment for consulting services provided by Northern Star to the Company.
- The unlisted options have an exercise price of 5 cents (\$0.05) and expiry date of 30 June 2020.
- Full terms of the unlisted options are set out in Annexure B.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares and unlisted options were issued to Northern Star which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares. Any funds raised through the exercise of unlisted options will be used towards advancing the Company's current projects, acquiring new projects or as working capital.
- The Directors unanimously recommend shareholders vote in favour of Resolution 4.

<b>Resolution 5</b>	<b>Ratification of prior issue of shares to WES Capital Pte Ltd</b>
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Resolution 5 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 759,587 fully paid ordinary shares to WES Capital Pte Ltd (**WES Capital**), which is not a related party of the Company. The shares were issued as payment for consulting services provided by WES Capital to the Company. The shares were the subject of an Appendix 3B lodged 24 March 2016.

The shares the subject of Resolution 5 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company

seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 759,587 fully paid ordinary shares.
- There was no issue price. The shares were issued as payment for consulting services provided by WES Capital to the Company.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares were issued to WES Capital which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares.
- The Directors unanimously recommend shareholders vote in favour of Resolution 5.

<b>Resolution 6</b>	<b>Ratification of prior issue of shares to Griffin Growth Partners</b>
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Resolution 6 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 769,234 fully paid ordinary shares to Griffin Growth Partners (**Griffin Growth**), which is not a related party of the Company. The shares were issued as payment for consulting services provided by Griffin Growth to the Company. The shares were the subject of an Appendix 3B lodged 24 March 2016.

The shares the subject of Resolution 6 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 769,234 fully paid ordinary shares.
- There was no issue price. The shares were issued as payment for consulting services provided by Griffin Growth to the Company.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares were issued to Griffin Growth which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares.
- The Directors unanimously recommend shareholders vote in favour of Resolution 6.

<b>Resolution 7</b>	<b>Ratification of prior issue of shares to LQ Super Pty Ltd</b>
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Resolution 7 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 239,097 fully paid ordinary shares to LQ Super Pty Ltd [ACN 126 054 957] (**LQ Super**), which was not a related party of the Company. The shares were issued in settlement of a loan provided by LQ Super to the Company. The shares were the subject of an Appendix 3B lodged 24 March 2016.

The shares the subject of Resolution 7 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any

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twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 239,097 fully paid ordinary shares.
- There was no issue price. The shares were issued in settlement of a loan provided by LQ Super to the Company.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares were issued to LQ Super which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares.
- The Directors unanimously recommend shareholders vote in favour of Resolution 7.

<b>Resolution 8</b>	<b>Ratification of prior issue of shares and options to Brandfort Resources Corp</b>
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Resolution 8 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options (with an exercise price of \$0.05 (5 cents) and expiring 30 June 2020) to Brandfort Resources Corp (**Brandfort Resources**), which is not a related party of the Company. The shares and options were issued as payment for consulting services provided by Brandfort Resources to the Company. The shares and unlisted options were the subject of an Appendix 3B lodged 18 August 2016.

The shares and unlisted options the subject of Resolution 8 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options.
- There was no issue price. The shares and unlisted options were issued as payment for consulting services provided by Brandfort Resources to the Company.
- The unlisted options have an exercise price of 5 cents (\$0.05) and expire on 30 June 2020.
- Full terms of the unlisted options are set out in Annexure B.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares and options were issued to Brandfort Resources Corp which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares. Any funds raised through the exercise of unlisted options will be used towards advancing the Company's current projects, acquiring new projects or as working capital.

- The Directors unanimously recommend shareholders vote in favour of Resolution 8.

<b>Resolution 9</b>	<b>Ratification of prior issue of shares and options to Tamlib Pty Ltd</b>
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Resolution 9 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options (with an exercise price of \$0.05 (5 cents) and expiring 30 June 2020)) to Tamlib Pty Ltd (**Tamlib**), which is not a related party of the Company. The shares and options were issued as payment for consulting services provided by Tamlib to the Company. The shares and unlisted options were the subject of an Appendix 3B lodged 18 August 2016.

The shares and unlisted options the subject of Resolution 9 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options.
- There was no issue price. The shares and unlisted options were issued as payment for consulting services provided by Tamlib to the Company.
- The unlisted options have an exercise price of 5 cents (\$0.05) and expire on 30 June 2020.
- Full terms of the unlisted options are set out in Annexure B.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares and options were issued to Tamlib which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares. Any funds raised through the exercise of unlisted options will be used towards advancing the Company's current projects, acquiring new projects or as working capital.
- The Directors unanimously recommend shareholders vote in favour of Resolution 9.

<b>Resolution 10</b>	<b>Ratification of prior issue of shares to Wes Capital</b>
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Resolution 10 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 180,507 fully paid ordinary shares to WES Capital Pte Ltd (**WES Capital**), which is not a related party of the Company. The shares were issued as payment for consulting services provided by WES Capital to the Company. The shares were the subject of an Appendix 3B lodged 18 August 2016.

The shares the subject of Resolution 10 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The

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Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 180,507 fully paid ordinary shares.
- There was no issue price. The shares were issued as payment for consulting services provided by WES Capital to the Company.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares were issued to WES Capital which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares.
- The Directors unanimously recommend shareholders vote in favour of Resolution 10.

<b>Resolution 11</b>	<b>Ratification of prior issue of shares to Griffin Growth Partners</b>
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Resolution 11 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 742,460 fully paid ordinary shares to Griffin Growth Partners (**Griffin Growth**), which is not a related party of the Company. The shares were issued as payment for consulting services provided by Griffin Growth to the Company. The shares were the subject of an Appendix 3B lodged 18 August 2016.

The shares the subject of Resolution 11 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 742,460 fully paid ordinary shares.
- There was no issue price. The shares were issued as payment for consulting services provided by Griffin Growth to the Company.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares were issued to Griffin Growth which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares.
- The Directors unanimously recommend shareholders vote in favour of Resolution 11.

<b>Resolution 12</b>	<b>Ratification of prior issue of shares and options to Integrated Oil &amp; Gas Pty Ltd</b>
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Resolution 12 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 1,750,000 fully paid ordinary shares and 1,750,000 unlisted options (with an exercise price of \$0.05 (5 cents) and expiring 30 June 2020) to Integrated Oil & Gas Pty Ltd [ACN 140 472 760] (**Integrated Oil & Gas**), which is not a related party of the Company. The shares and options were issued as payment for services provided by Integrated Oil & Gas to the Company. The shares and unlisted options were the subject of an Appendix 3B lodged 18 August 2016.



The shares and unlisted options the subject of Resolution 12 were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the share capital of the Company on issue at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 1,750,000 fully paid ordinary shares and 1,750,000 unlisted options.
- There was no issue price. The shares and unlisted options were issued as payment for services provided by Integrated Oil & Gas to the Company.
- The unlisted options have an exercise price of 5 cents (\$0.05) and expire on 30 June 2020.
- Full terms of the unlisted options are set out in Annexure B.
- The shares have the same terms as the Company's existing listed fully paid ordinary shares.
- The shares and options were issued to Integrated Oil & Gas which is not a related party of the Company.
- A voting exclusion statement is contained in the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
- No funds were raised from the issue of the shares. Any funds raised through the exercise of the unlisted options will be used towards advancing the Company's current projects, acquiring new projects or as working capital.
- The Directors unanimously recommend shareholders vote in favour of Resolution 12.

<b>Resolution 13</b>	<b>Approval of Share Placement Facility (Special Resolution)</b>
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## 1. General

The ASX has introduced fund raising rules to provide more flexibility for smaller companies to raise additional capital in an easier and potentially less costly manner. ASX Listing Rule 7.1A enables eligible entities to issue equity securities (as that term is defined in the ASX Listing Rules) up to 10% of their issued share capital through placements over a 12 month period after an Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is, as at the date of the Notice of Annual General Meeting, an eligible entity.

The Company is seeking shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility. The exact number of equity securities (if any) to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 2(c) below). The Company may use funds raised from any 10% Placement Facility for funding of existing projects or new projects and/or general working capital. It may also use the 10% Placement Facility for non-cash consideration purposes such as in connection with joint venture agreements or arrangements, as payments to consultants or contractors or in connection with the acquisition of new projects (although the Company presently has no proposal to do so).

The Company obtained shareholder approval to make issues under ASX Listing Rule 7.1A at its 2015 AGM and seeks to refresh this shareholder approval so as to continue to be able to make issues under the 10% Placement Facility after the 2016 AGM in accordance with ASX Listing Rule 7.1A.

The Company issued 30,000,000 ordinary fully paid shares under the capacity available to it under Listing Rule 7.1A pursuant to approval obtained at its 2015 AGM. Ratification of the issue of these shares is the subject of a resolution before shareholders at this Annual General Meeting.

The Directors of the Company believe that Resolution 13 is in the best interests of the Company and unanimously recommend that shareholders vote in favour of this Resolution.

## 2. Description of ASX Listing Rule 7.1A

### (a) Shareholder approval

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The ability to issue equity securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.

(b) Equity securities

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of the Notice, has one class of quoted equity securities, being ordinary shares (CEL).

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may, during the 10% Placement Period (defined in section 2(f) below), issue a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**where:**

- A** is the number of shares on issue 12 months before the date of the issue or agreement to issue:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
  - (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;
  - (iv) less the number of fully paid shares cancelled in the 12 months.
- Note:* "A" is has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.
- D** is 10%
- E** is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

(d) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue equity securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

As at the date of this Memorandum, the Company has on issue 389,466,818 ordinary shares and therefore would have the capacity to issue:

- (i) 58,420,022 ordinary shares under Listing Rule 7.1 (15% capacity); and
- (ii) subject to shareholders approving this Resolution 13, 38,946,681 ordinary shares under Listing Rule 7.1A (10% capacity).

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 2(c) above).

(e) Minimum Issue Price

The issue price of equity securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of equity securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires (and ceases to be valid) on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or

- (ii) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (**10% Placement Period**).

(g) ASX Listing Rule 7.1A

The effect of Resolution 13 will be to allow the Directors of the Company to issue the equity securities under ASX Listing Rule 7.1A during the 10% Placement Period separate to the Company's 15% placement capacity under ASX Listing Rule 7.1. Resolution 13 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

### 3. Specific Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) Any equity securities issued will be issued at an issue price of not less than 75% of the VWAP for the Company's equity securities over the 15 trading days immediately before:
- (i) the date on which the price at which the equity securities are to be issued is agreed; or
  - (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.
- (b) If Resolution 13 is approved by the shareholders and the Company issues equity securities under the 10% Placement Facility, the existing shareholders' voting power in the Company would be diluted as shown in the below table (in the case of options, only if the options are exercised). There is a risk that:
- (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the 2016 Annual General Meeting; and
  - (ii) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The table below shows the dilution of existing shareholders on the basis of the current market price of the Company's ordinary shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of the Notice. The table also shows:

- Two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example, a pro-rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future shareholders' meeting.
- Two examples of where the price of ordinary securities has decreased by 50% and increased by 50% as against the current market price (being \$0.022 the closing price of the Company's ordinary shares at close of trading on 26 September 2016).

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		\$0.011 cents 50% decrease in Deemed Price	\$0.022 Deemed Price	\$0.033 50% Increase in Deemed Price
Current Variable A 389,466,818 shares	10% Voting Dilution	38,946,681 shares	38,946,681 shares	38,946,681 shares
	Funds raised	\$428,413	\$856,826	\$1,285,240
50% increase in current Variable A 584,200,227 shares	10% Voting Dilution	58,420,022 shares	58,420,022 shares	58,420,022 shares
	Funds raised	\$642,620	\$1,285,240	\$1,927,860

100% increase in current Variable A  778,933,636 shares	10% Voting Dilution	77,893,363 shares	77,893,363 shares	77,893,363 shares
	Funds raised	\$856,826	\$1,713,653	\$2,570,480

**The table has been prepared on the following assumptions:**

- (i) The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting.
  - (ii) No options are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A.
  - (iii) The table does not demonstrate an example of dilution that may be caused to a particular Shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting.
  - (iv) The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule".
  - (v) The price of ordinary securities is deemed for the purposes of the table above to be \$0.022 cents, being the closing price of the Company's listed securities on ASX on 26 September 2016 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 25% discount to market that the securities may be placed at.
  - (vi) The table does not demonstrate the effect of listed options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.
- (c) The Company will only issue and allot the equity securities during the 10% Placement Period. The approval under Resolution 13 for the issue of the equity securities will cease to be valid in the event that shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the equity securities for the following purposes:
- (i) Non-cash consideration including in connection with joint venture arrangements or agreements, payment of contractors or consultants, or in connection with the acquisition of new projects (although the Company has no present proposal to do so). In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.
  - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing the Company's current projects, acquiring new projects or as working capital.
- The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities.
- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the equity securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- The allottees under the 10% Placement Facility have not been determined as at the date of the Notice of Annual General Meeting but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new resources assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.
- (f) The Company has previously obtained shareholder approval under ASX Listing Rule 7.1A at its 2015 AGM. During the 12 month period preceding the proposed date of the 2016 AGM, being on and from 10 November

2015, the Company issued a total of 74,690,885 equity securities (comprising 37,440,885 ordinary shares, 34,750,000 unlisted options and 2,500,000 performance rights) which represents approximately 17% of the total number of equity securities on issue in the Company as at 10 November 2015.

Further details of the issues of all equity securities made by the Company during the 12 month period preceding the proposed date of the 2016 AGM are set out in Annexure A.

- (g) A voting exclusion statement is included in the Notice of Annual General Meeting to which this Memorandum relates. At the date of that Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Directors of the Company believe that Resolution 13 is in the best interests of the Company and unanimously recommend that shareholders vote in favour of Resolution 13.

<b>Resolutions 14, 15 and 16</b>	<b>Adoption of Incentive Share Plan, Performance Rights Plan and Incentive Option Plan</b>
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Resolutions 14, 15 and 16 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) and for all other purposes, including Section 259B and 260C of the Corporations Act.

If Resolutions 14, 15 and 16 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.

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.

### **ASX Listing Rules**

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. The Company therefore seeks approval under Listing Rule 7.2 Exception 9 so that any issue of securities under the Plans does not impede the capacity of the Company to issue up to a further 15% of its capital without shareholder approval.

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.

A full 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.

Shareholders should note that no Shares, Performance Rights, or Options have been issued under the proposed Plans. However, identical plans were adopted by the Company with shareholder approval at a General Meeting held 22 August 2013. Those identical plans lapsed on 22 August 2016. Under the plans approved on 22 August 2013, the Company issued five million (5,000,000) Performance Rights.

Any future issues of Shares, Performance Rights or Options under the Plans to a related party or a person whose relationship 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.

### **Corporations Act**

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The Incentive Share Plan permits the Company to make loans to participants for the purpose of acquiring shares under the plan and to take a lien over shares the subject of any such loan pending repayment. Further details of the nature of such loans are set out in paragraph (f) of Schedule 1. The giving of the loan under the Incentive Share Plan may be regarded as the Company providing financial assistance to a person to acquire the Company's shares which, subject to certain exceptions, is prohibited by Section 260A of the Corporations Act.

Under Section 260C(4) of the Corporations Act, provision of financial assistance is exempted from section 260A if it is given under an employee share scheme that has been approved by shareholders at a general meeting. Accordingly, Resolutions 14 seeks the approval for the purposes of section 260C(4) of the Corporations Act.

Section 259B(1) of the Corporations Act provides that a company must not take security over shares in itself except as permitted under the Corporations Act. Section 259B(2) of the Corporations Act provides that the Company may take security over shares in itself under an employee share scheme that has been approved by shareholders at a general meeting. The grant of a lien over shares in the circumstances described above may constitute the Company taking security over its shares. Accordingly, Resolutions 14 seeks the approval for the purposes of section 259B(2) of the Corporations Act.

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**Note:** unless otherwise specified, all monetary amounts are in Australian dollars.

## ANNEXURE A

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration (cash/non-cash)
24 March 2016	30,000,000	CEL	Issued to professional, sophisticated or otherwise exempt investors in a share placement.	Issue price of \$0.03 (aggregate of \$900,000). Market price at date of issue was \$0.038. Percentage discount of approximately 21%.	Cash (\$900,000). The funds raised as a result of the share issue were used by the Company for fund the progression of the licence application process in South Africa and working capital.
24 March 2016	30,000,000	Unlisted options	Issued to professional, sophisticated or otherwise exempt investors in a share placement.	N/A. Issued as free-attaching unlisted options for share purchased under placement.	Issued as free-attaching unlisted options for share purchased under placement. The current market price of the options based on a Black-Scholes calculation is \$459,000.
24 March 2016	1,000,000	CEL	Issued to Northern Star Nominees Pty Ltd	Deemed issue price of \$0.03 (aggregate of \$30,000). Market price at date of issue was \$0.038. Percentage discount of approximately 21%	Non-cash, issued in lieu of cash payment for consulting services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$22,000.
24 March 2016	1,000,000	Unlisted options	Issued to Northern Star Nominees Pty Ltd	N/A. Issued as free-attaching unlisted options for share issued in lieu of cash payment for consulting services provided to the Company.	Non-cash, issued in lieu of cash payment for consulting services provided to the Company. The current market price of the options based on a Black-Scholes calculation is \$15,300.
24 March 2016	759,587	CEL	Issued to WES Capital Pte Ltd	Deemed issue price of \$0.034 (aggregate of \$26,125.01). Market price at date of issue was \$0.038. Percentage discount of approximately 11%	Non-cash, issued in lieu of cash payment for consulting services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$16,710.
24 March 2016	769,234	CEL	Griffin Growth Partners	Deemed issue price of \$0.027 (aggregate of \$20,802). Market price at date of issue was \$0.038. Percentage discount of approximately 29%	Non-cash, issued in lieu of cash payment for consulting services provided to the Company. Current value of CEL shares based on market price of \$0.022 is \$16,923.
24 March 2016	239,097	CEL	Issued to LQ Super Pty Ltd	Deemed issue price of \$0.084 (aggregate of \$20,000). Market price at date of issue was \$0.038. Percentage premium 121%	Non-cash, issued in lieu of cash payment for repayment of loan provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$5,260.
18 August 2016	1,000,000	CEL	Brandfort Resources Corp	Deemed issue price of \$0.03 (aggregate of \$30,000). Market price at date of issue was \$0.025. Percentage premium of 20%	Non-cash, issued in lieu of cash payment for services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$22,000.
18 August 2016	1,000,000	Unlisted options	Brandfort Resources Corp	N/A. Issued as free-attaching unlisted options for share issued in lieu of cash payment for consulting services provided to the Company.	Non-cash, issued in lieu of cash payment for services provided to the Company. The current market price of the options based on a Black-Scholes calculation is \$15,300.
18 August 2016	1,000,000	CEL	Issued to Tamilb Pty Ltd	Deemed issue price of \$0.03 (aggregate of \$30,000). Market price at date of issue was \$0.025. Percentage premium 20%	Non-cash, issued in lieu of cash payment for services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$22,000.

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration (cash/non-cash)
18 August 2016	1,000,000	Unlisted options	Issued to Tamilb Pty Ltd	N/A. Issued as free-attaching unlisted options for share issued in lieu of cash payment for consulting services provided to the Company.	Non-cash, issued in lieu of cash payment for services provided to the Company. The current market price of the options based on a Black-Scholes calculation is \$15,300.
18 August 2016	180,507	CEL	Issued to WES Capital Pte Ltd	Deemed issue price of \$0.033 (aggregate of \$5,956.73). Market price at date of issue was \$0.025. Percentage premium of approximately 30%	Non-cash, issued in lieu of cash payment for consultancy services provided to the company. Current value of CEL shares based on market price of \$0.022 is \$3,971.
18 August 2016	742,460	CEL	Issued to Griffin Growth Partners	Deemed issue price of \$0.029 (aggregate of \$21,814.30). Market price at date of issue was \$0.025. Percentage premium of approximately 16%	Non-cash, issued in lieu of cash payment for services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$16,334.
18 August 2016	2,000,000	Performance Rights	Issued to Tamilb Pty Ltd	N/A. Performance Rights issued pursuant to Challenger Energy Limited Performance Rights Plan approved by shareholders on 22 August 2013	Non-cash, issued pursuant to Challenger Energy Performance Rights Plan that has been approved by shareholders. Current value of the CEL Performance Rights upon conversion into CEL shares based on market price of \$0.022 is \$44,000.
18 August 2016	500,000	Performance Rights	Issued to Adrien Wing	N/A. Performance Rights issued pursuant to Challenger Energy Limited Performance Rights Plan approved by shareholders on 22 August 2013	Non-cash, issued pursuant to Challenger Energy Performance Rights Plan that has been approved by shareholders. Current value of the CEL Performance Rights upon conversion into CEL shares based on market price of \$0.022 is \$11,000.
18 August 2016	1,750,000	CEL	Issued to Integrated Oil & Gas Pty Ltd	Deemed issue price of \$0.03 (aggregate of \$52,500). Market price at date of issue was \$0.025. Percentage premium of 20%	Non-cash, issued in lieu of cash payment for services provided to the Company. Current value of the CEL shares based on market price of \$0.022 is \$38,500.
18 August 2016	1,750,000	Unlisted Options	Issued to Integrated Oil & Gas Pty Ltd	N/A. Issued as free-attaching unlisted options for share issued in lieu of cash payment for consulting services provided to the Company.	Non-cash, issued in lieu of cash payment for services provided to the Company. The current market price of the options based on a Black-Scholes calculation is \$26,775.



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## ANNEXURE B

### CHALLENGER ENERGY LIMITED ACN 123 591 382 ("the Company")

#### Terms of Unlisted Options

- Each unlisted option (**Option**) entitles the holder to acquire one ordinary fully paid share (**Share**) in the capital of the Company.
- The exercise price is 5 cents (\$0.05) per Option.
- The Options will expire on 30 June 2020 ("the Expiry Date"). The Options can be exercised by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the options are exercised to the Company's Share Registry.
- Any Option that has not been exercised prior to the Expiry Date automatically lapses.
- Holders shall not be entitled to exercise their Options (and the Company will not be required to issue shares upon such exercise) if it would be unlawful to do so.
- The exercise price is payable in full on exercise.
- Where an Option holder determines to exercise some, but not all, of their held Options, a minimum of 20,000 Options (being \$1,000) must be exercised.
- Subject to the Corporations Act, the ASX Listing Rules and the Constitution of the Company, and unless otherwise specified at the time of issue Options are freely transferable.
- All Shares issued upon exercise of Options will rank pari passu in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of Options, subject to any restriction obligations imposed by ASX. The Options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant Options.
- There are no participation rights or entitlements inherent in the Options. Option holders are not entitled to participate in new issues of securities offered to shareholders without first exercising the Option. The Company will send notices to option holders at least five (5) business days prior to the record date (or such shorter period as allowed by the ASX Listing Rules) applying to offers of securities made to shareholders during the currency of the Options.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the exercise price of the options or both shall be reconstructed in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction.
- Shares issued upon the exercise of Options will be fully paid ordinary Shares and will have the same voting and other rights as the existing Shares of the Company.

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**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;
  - (iii) will specify the issue price for the Shares (which may be nil) or the manner in which the Issue Price is to be calculated;
  - (iv) 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;
  - (v) will specify any restriction conditions applying to the Shares;
  - (vi) 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
  - (vi) 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;

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- (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
  - (iii) 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) 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;
  - (iii) 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.

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## 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 (e.g. due to death, total and permanent disability, retirement or redundancy);

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- (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.

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### 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:**
  - (h) 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;
    - (i) 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.
    - (ii) 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.

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- (iii) 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  
CHALLENGER ENERGY LIMITED  
ACN 123 591 382**

I/We

of:

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

Name:

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

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at the offices of HLB Mann Judd, Level 4, 130 Stirling Street, Perth WA 6000 on 24 November 2016 at 10:00AM (WST), and at any adjournment thereof.

This proxy is authorized to exercise ..... votes/ ..... % of my/our total voting rights.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy, please place a mark in the box  
By marking this box you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will otherwise be disregarded because of that interest and further authorise the Chair to vote undirected proxies, even if the resolution is connected directly or indirectly with the remuneration of the Company's key management personnel. The Chair intends voting undirected proxies in favour of the resolutions in which he is permitted to vote.

**VOTING DIRECTIONS FOR YOUR PROXY**

To instruct your proxy how to vote, insert 'X' in the appropriate column against each resolution set out below. If you do not instruct your proxy how to vote on a resolution, your proxy may vote as he/she thinks fit or abstain from voting.

I/We direct my/our proxy to vote as indicated below:

		FOR	AGAINST	ABSTAIN
Resolution 1	Non-binding Resolution – Remuneration Report			
Resolution 2	Re-election of Mr Michael Fry as a Director			
Resolution 3	Ratification of prior placement of shares and options			
Resolution 4	Ratification of prior issue of shares and options to Northern Star Nominees Pty Ltd			
Resolution 5	Ratification of prior issue of shares to WES Capital Pte Ltd			
Resolution 6	Ratification of prior issue of shares Griffin Growth Partners			
Resolution 7	Ratification of prior issue of shares LQ Super Pty Ltd			
Resolution 8	Ratification of prior issue of shares and options to Brandfort Resources Corp			
Resolution 9	Ratification of prior issue of shares and options to Tamlib Pty Ltd			
Resolution 10	Ratification of prior issue of shares WES Capital Pte Ltd			
Resolution 11	Ratification of prior issue of shares Griffin Growth Partners			
Resolution 12	Ratification of prior issue of shares and options to Integrated Oil & Gas Pty Ltd			
Resolution 13	Approval of Share Placement Facility ( <b>Special Resolution</b> )			
Resolution 14	Adoption of Incentive Share Plan			
Resolution 15	Adoption of Performance Rights Plan			
Resolution 16	Adoption of Incentive Option Plan			

If a person:  _____ (Signature)  _____ Name (print)  Date: ____/____/____	If a company: EXECUTED by: _____ Name of company (print)  in accordance with the Corporations Act  _____ (Signature) _____ Date: ____/____/____ (Signature)
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This proxy and any power of attorney or other authority under which it is signed (or a certified copy) must be lodged at:

- Challenger Energy Limited, level 17, 500 Collins Street, Melbourne, Victoria, 3000; or
- by facsimile on +61 3 9614 0550 by 10:00 am (Perth time) on 22 November 2016, being not less than 48 hours before the time for holding the meeting or adjourned meeting as the case may be.