

# CHALLENGER ENERGY LIMITED

ABN 45 123 591 382

## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Challenger Energy Limited [ABN 45 123 591 382] (the Company) will be held at The Theatre, RACV Club, 501 Bourke Street, Melbourne, 3000 at 10.00am (Melbourne, Victoria time) on 20 May 2011.

### PROPOSED RESOLUTIONS

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

#### Resolution 1: Approval of Prior Issue of Options

*"That for the purposes of ASX Listing Rule 7.4 and all other purposes, the prior issue of 3,700,000 options to sophisticated and exempt investor clients of Australian Financial Services licence holders (who are not related parties of the Company) as described in the Explanatory Memorandum that formed part of and accompanied the Notice of Meeting is approved."*

#### Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by:

- a person who participated in the issue; or
- any associate of those persons.

However, the Company need not disregard a vote on Resolution 1 if:

- 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
- 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.

#### Resolution 2: Approval of Prior Issue of Options

*"That for the purposes of ASX Listing Rule 7.4 and all other purposes, the prior issue of 11,000,000 options to sophisticated and exempt investor clients of Australian Financial Services licence holders (who are not related parties of the Company) as described in the Explanatory Memorandum that formed part of and accompanied the Notice of Meeting is approved."*

#### Voting Exclusion

The Company will disregard any votes cast on Resolution 2 by:

- a person who participated in the issue; or
- any associate of those persons.

However, the Company need not disregard a vote on Resolution 2 if:

- 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
- 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.

#### Resolution 3: Approval of Prior Issue of Shares

*"That for the purposes of ASX Listing Rule 7.4 and all other purposes the prior issue of 10,303,150 fully paid ordinary shares to sophisticated and exempt investor clients of Australian Financial Services licence holders (who are not related parties of the Company) as described in the Explanatory Memorandum that formed part of and accompanied the Notice of Meeting is approved."*

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 3 by:

- a person who participated in the issue; or
- any associate of those persons.

However, the Company need not disregard a vote on Resolution 3 if:

- 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
- 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.

### **Resolution 4: Approval to Issue Shares**

*"That for the purpose of ASX Listing Rule 7.1 and all other purposes, shareholders approve the issue of up to 16,666,666 fully paid ordinary shares to sophisticated and exempt investor clients of Australian Financial Services licence holders (who are not related parties of the Company) as described in the Explanatory Memorandum which accompanied and formed part of the Notice of Meeting."*

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 4 by:

- a person who may participate in the respective proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the respective resolution is passed; or
- any associate of those persons.

However, the Company need not disregard a vote on Resolution 4 if:

- 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
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated: 19 April 2011

By the order of the Board

**Adrien Wing**  
**Company Secretary**  
**Challenger Energy Limited**

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

## PROXY AND VOTING INSTRUCTIONS

### Proxy Instructions

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

- (a) one proxy if the member is only entitled to one vote; and
- (b) 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 or sent by facsimile transmission to the registered office of the Company at Level 17, 500 Collins Street, Melbourne, Victoria, 3000 or facsimile (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.

### 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 general meeting.

**CHALLENGER ENERGY LIMITED**  
**ABN 45 123 591 382**  
**("the Company")**

**GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum ("this Memorandum") is dated 19 April 2011 and accompanies and forms part of the Company's Notice of General Meeting to be held at The Theatre, RACV Club, 501 Bourke Street, Melbourne, 3000 at 10.00am (Melbourne, Victoria time) on 20 May 2011. The Notice of General Meeting incorporates, and should be read together with, this Memorandum.

**Resolution 1: Approval of Prior Issue of Options**

Resolution 1 is proposed to obtain shareholder approval in accordance with ASX Listing Rule 7.4, to the prior issue of 3,700,000 options to sophisticated and exempt investor clients of three Australian Financial Services licence holders who are not related parties of the Company.

The options were issued in accordance with loan agreements entered into by the Company and the investors. The loans were for a total of \$2.9 million plus interest which accrues at daily (compounded monthly) at a rate of 10% per annum. The terms of the loan agreements allowed the Company to satisfy the loans and interest by issuing shares and options in the Company to the investors. The shares issued to satisfy the loans were issued at a deemed issue price of eight point five cents (\$0.085) each. Shareholder approval to the issue of shares was obtained at a General Meeting of the Company held on 31 January 2011. The Company is now seeking approval to the prior issue of options to those investors.

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

- (a) 3,700,000 options having an exercise price of twenty cents (\$0.20) each and an expiry date of 30 June 2012 were issued;
- (b) The options were issued for nil consideration;
- (c) The option terms are set out in Schedule 1 to this Memorandum;
- (d) The options were issued to sophisticated and exempt investor clients of Australian Financial Services licence holders; and
- (e) The funds raised upon exercise of the options will be applied towards the Company's working capital requirements.

**Resolution 2: Approval of Prior Issue of Options**

Resolution 2 is proposed to obtain shareholder approval in accordance with ASX Listing Rule 7.4, to the prior issue of 11,000,000 options to sophisticated and exempt investor clients of three Australian Financial Services licence holders who are not related parties of the Company.

The options were issued in accordance with loan agreements entered into by the Company and the investors. The loans were for a total of up to \$1.25 million plus interest which accrues at daily (compounded monthly) at a rate of 10% per annum. The terms of the loan agreements allowed the Company to satisfy the loans and interest by issuing shares and options in the Company to the investors. The shares issued to satisfy the loans were issued at a deemed issue price of fourteen cents (\$0.14) each. Shareholder approval to the issue of shares was obtained at a General Meeting of the Company held on 31 January 2011. The Company is now seeking approval to the prior issue of options to those investors.

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

- (f) 11,000,000 options having an exercise price of twenty cents (\$0.20) each and an expiry date of 30 June 2012 were issued;
- (g) The options were issued for nil consideration;
- (h) The option terms are set out in Schedule 1 to this Memorandum;
- (i) The options were issued to sophisticated and exempt investor clients of Australian Financial Services licence holders; and
- (j) The funds raised upon exercise of the options will be applied towards the Company's working capital requirements.

**Resolution 3: Approval of Prior Issue of Shares**

Resolution 3 is proposed to obtain shareholder approval in accordance with ASX Listing Rule 7.4 to the prior issue of 10,303,150 fully paid ordinary shares to sophisticated and professional investors and clients of Australian Financial Services licence holders who are not related parties of the Company.

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

- (a) 10,303,150 full paid ordinary shares were issued;
- (b) The shares were issued at an issue price of fifteen cents (\$0.15) per share;
- (c) The shares rank equally with the Company's existing listed ordinary shares;
- (d) The shares were issued to sophisticated and professional investors and clients of Australian Financial Services licence holders; and
- (e) The funds raised were applied towards the Company's working capital requirements.

**Resolution 4: Approval for Issue of Shares**

Resolution 4 is proposed to obtain shareholder approval to the issue of up to 16,666,666 fully paid ordinary shares to professional and sophisticated investors and clients of Australian Financial Service Licence holders who are not related parties of the Company.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- (a) The maximum number of securities to be issued will be 16,666,666 fully paid ordinary shares;
- (b) The shares will be issued no later than three (3) months after the date of the general meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission);
- (c) The issue price of the securities will be fifteen cents (\$0.15) per share;
- (d) The securities will be issued to professional and sophisticated investors who are not related parties of the Company;
- (e) The securities shall rank equally with the Company's existing listed ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX; and
- (f) It is proposed that the funds raised by the issue of the shares will be applied towards the Company's working capital requirements.

Shareholder approval for the proposed issue of shares is required pursuant to 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 an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve (12) month period. One circumstance where an action or an issue is not taken into account in the calculation of this 15% threshold, is where the issue has the prior approval of shareholders at a general meeting. By obtaining shareholder approval to issue the options the subject of Resolution 4, the Company maintains its ability to issue further securities up to the 15% limit without further shareholder approval to take advantage of opportunities which may arise to raise additional capital.

**SCHEDULE 1  
TERMS OF OPTIONS  
(Resolutions 1 and 2)**

The New Options form part of an existing listed class of options (ASX code: CELO) and will entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each New Option gives the Loan Option Lender the right to subscribe for one Share. To obtain the right given by each New Option, the Loan Option Lender must exercise the New Options in accordance with the terms and conditions of the New Options.
- (b) The New Options will expire at 5.00pm (WST) on 30 June 2012 (**Option Expiry Date**). Any New Option not exercised before the Option Expiry Date will automatically lapse on the Option Expiry Date.
- (c) The amount payable upon exercise of each New Option will be \$0.20 (**Exercise Price**).
- (d) The New Options held by each Loan Option Lender may be exercised in whole or in part and, if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) A Loan Option Lender may exercise their New Options by lodging with the Borrower, before the Option Expiry Date:
  - (i) a written notice of exercise of New Options specifying the number of New Options being exercised (**Exercise Notice**); and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of New Options being exercised.
- (f) An Exercise Notice is only effective when the Borrower has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Borrower will allot the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Exercise Notice.
- (h) The New Options are transferable.
- (i) All Shares allotted upon the exercise of New Options will, upon allotment, rank *pari passu* in all respects with other Shares.
- (j) The Borrower will apply for quotation of the New Options on ASX.
- (k) If at any time the issued capital of the Borrower is reconstructed, all rights of a Loan Option Lender are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the New Options and Loan Option Lenders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options. However, the Borrower will ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Loan Option Lenders the opportunity to exercise their New Options prior to the date for determining entitlements to participate in any such issue.
- (m) A New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.

## CHALLENGER ENERGY LIMITED

**ABN 45 123 591 382**

**PROXY FORM**

*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 in respect of a resolution, please place a mark in this box:*

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of Challenger Energy Limited

and entitled to \_\_\_\_\_ shares appoint:

Name of Proxy: \_\_\_\_\_  
*[write the name of the person you are appointing if this person is someone other than the Chair of the meeting]*

Address of Proxy: \_\_\_\_\_

or in his/her absence or if no person is named, the Chair of the meeting as my/our proxy act generally at the meeting on my/our behalf and to vote on my/our behalf at the General Meeting of the Company to be held at The Theatre, RACV Club, 501 Bourke Street, Melbourne, 3000 at 10.00am (Melbourne, Victoria time) on 20 May 2011 and at any adjournment of that meeting.

If two proxies are appointed, complete the following sentence:

This proxy is authorised to exercise \_\_\_\_\_ votes/ \_\_\_\_\_ % of my/our total voting rights.

*By marking this box you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution(s) and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest.*

*If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.*

*The Chairman intends voting undirected proxies in favour of the resolutions in which he is permitted to vote.*

**Proxy Instructions**

To instruct your proxy how to vote, tick or insert an **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*
<b>Resolution 1.</b>	<b>Approval of Prior Issue of Options</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2.</b>	<b>Approval of Prior Issue of Options</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3.</b>	<b>Approval of Prior Issue of Shares</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4.</b>	<b>Issue of Shares</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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*\* If you tick or insert an 'X' in the Abstain box for a resolution, you are directing your proxy not to vote on your behalf on that resolution and your votes will not be counted in determining the number of votes cast on, or the majority required to pass, that resolution.*

