



NOTICE OF ANNUAL GENERAL MEETING

– and –

EXPLANATORY STATEMENT

– and –

PROXY FORM

DATE AND TIME OF MEETING:

28 November 2007 at 2.00pm

VENUE:

The Holiday Inn City Centre,
788 Hay Street, Perth, Western Australia 6000

These documents should be read in their entirety. If shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

For personal use only

Erongo Energy Limited
ABN 50 114 175 138

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Erongo Energy Limited ("**Erongo**" or the "**Company**") will be held at The Holiday Inn City Centre Perth, 788 Hay Street, Perth, Western Australia, at 2.00 pm, 28 November 2007.

The Explanatory Statement that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

AGENDA

ORDINARY BUSINESS

To receive and consider the financial report of the Company for the year ended 30 June 2007 and the reports by directors and auditors thereon.

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

1. Ordinary Resolution 1: To re-elect a Director

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That Mr R Gajewski, having been appointed a director of the Company since the last annual general meeting of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, is hereby re-elected as a director of the Company."

2. Ordinary Resolution 2: To re-elect a Director

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That Mr P Flint, having been appointed a director of the Company since the last annual general meeting of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, is hereby re-elected as a director of the Company."

3. Ordinary Resolution 3: To re-elect a Director

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That Mr M Gasson, having been appointed a director of the Company since the last annual general meeting of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and, being eligible, is hereby re-elected as a director of the Company."

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4. Ordinary Resolution 4: Ratification of Placement

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

"That, for the purpose of ASX Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company approves and ratifies the issue to the persons referred to in the Explanatory Memorandum of 3,600,000 ordinary fully paid shares at an issue price of 60 cents per share and 720,000 free attaching options (each exercisable at \$0.20 on or before 30 April 2009 as set out in the Explanatory Memorandum accompanying this Notice of General Meeting."

5. Ordinary Resolution 5: Approval for the Issue of Options to Director, Mr R Gajewski

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

"That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to issue up to a maximum of 500,000 Options to subscribe for shares in the Company to Mr R Gajewski or his nominee, the details of which are set out in the Explanatory Memorandum."

6. Ordinary Resolution 6: Approval for the Issue of Options to Director, Mr P Flint

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

"That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to issue up to a maximum of 750,000 Options to subscribe for shares in the Company to Mr P Flint or his nominee, the details of which are set out in the Explanatory Memorandum."

7. Ordinary Resolution 7: Approval for the Issue of Options to Director, Mr M Gasson

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

"That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to issue up to a maximum of 1,000,000 Options to subscribe for shares in the Company to Mr M Gasson or his nominee, the details of which are set out in the Explanatory Memorandum."

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8. Ordinary Resolution 8: Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report.”

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company’s annual general meeting. The vote on Resolution 8 is advisory only and does not bind the Directors or the Company.

GENERAL BUSINESS

9. To transact any other business which may lawfully be brought forward.

In accordance with the ASX Listing Rules and the Corporations Act, the Company will disregard any vote cast by:

- (a) The allottees of the share issue, as identified in the Explanatory Memorandum, or their associates, in respect of Resolution 4;
- (b) Mr R Gajewski or his associates, in respect of Resolution 5;
- (c) Mr P Flint or his associates, in respect of Resolution 6; and
- (d) Mr M Gasson or his associates, in respect of Resolution 7.

However, a vote will not be disregarded if:

- (a) cast by a person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) cast by the chairman of the meeting as proxy for a member who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Voting Restriction

As ordinary resolutions, Resolutions 1 to 8 must be passed by more than 50 per cent of the votes cast by members entitled to vote on the resolution.

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PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.
2. In order to vote on behalf of a company that is a shareholder of Erongo, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.
3. Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the Company, at 30 Ledger Road, Balcatta WA 6021, or by facsimile + (61 8) 9240 2406 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.
4. An instrument appointing a proxy:
 - a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
 - b) may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;
 - c) shall be deemed to confer authority to demand or join in demanding a poll;
 - d) shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001;
 - e) proxies appointing the Chairman which do not specify the way in which the proxy is to vote on a particular resolution will be recorded as voting in favour of the resolutions.

ATTENDANCE AND VOTING ELIGIBILITY

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that Shares held at 5.00pm WST on Monday, 26 November 2007 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD



Paul M. Jurman
Company Secretary
Dated: 11 October 2007

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EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Erongo Energy Limited (“**Erongo**” or the “**Company**”) in connection with Resolutions 1 - 8 of the Annual General Meeting of members to be held at The Holiday Inn City Centre Perth, 788 Hay Street, Perth, Western Australia, at 2.00 pm, 28 November 2007.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting. Please refer to Section 3 of this Explanatory Statement for a glossary of terms.

2007 ANNUAL REPORT

In accordance with the requirements of the Company’s Constitution and the Corporations Act, the 2007 Annual Report will be tabled at the annual general meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

Representatives from the Company’s auditors, HLB Mann Judd, will be present to take shareholders’ questions and comments about the conduct of the audit and the preparation and content of the audit report.

As you may be aware, changes to legislation mean that companies are no longer required to mail out a hard copy of their annual report to shareholders except where shareholders have made a specific election to receive a hard copy and notified the Company to that effect. If you haven’t already made an election, you can obtain a hard copy by contacting the Company. Alternatively, it is available on the Company’s website at www.erongoenergy.com.au for you to download or read online.

1. RESOLUTIONS 1-3: RE-ELECTION OF DIRECTORS

Mr Gajewski, Mr Flint and Mr Gasson retire as directors under the requirements of the Company’s Constitution and, being eligible, have consented to be re-elected. Details of these three directors are available in the Annual Report.

2. RESOLUTION 4: RATIFICATION OF PLACEMENT

Resolution 4 seeks ratification from shareholders to the issue of 3,600,000 ordinary fully paid shares at an issue price of 60 cents per share and 720,000 free attaching options (each exercisable at \$0.20 on or before 30 April 2009) (“Options”), on 9 February 2007.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides that (subject to certain exemptions, none of which are relevant here) without the prior approval of members of the company in general meeting, a company must not issue during a 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by ASX Listing Rule 7.1. The effect of such ratification is to restore a company’s discretionary power to issue further securities up to 15% of the issued capital of the company without requiring shareholder approval.

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For the purposes of ASX Listing Rule 7.5, the following information is provided:

- a. 3,600,000 ordinary fully paid shares and 720,000 Options were issued.
- b. the Shares were issued at 60 cents each and the Options were free attaching options on the basis of one Option for every five shares subscribed.
- c. the Shares are ordinary fully paid Shares in the capital of the Company and rank equally in all respects with the existing ordinary fully paid Shares issued in the capital of the Company. The terms and conditions of the Options are set out in Appendix B to this Explanatory Memorandum.
- d. the Shares were issued to the following parties: :

Allottee	Number of Shares	Number of Options
McNeil Nominees Pty Ltd	1,200,000	240,000
Geldart AG	400,000	80,000
Clients of Delta Securities Ltd	2,000,000	400,000
TOTAL	3,600,000	720,000

A voting exclusion statement is included in the Notice.

None of the allottees are related parties of the Company; and

- e. the allotment and issue was made to raise funds for the aggressive exploration program planned for the 2007 year at the Company's projects in Namibia and to provide working capital.

The Board unanimously recommends that shareholders vote in favour of Resolution 4.

3. RESOLUTIONS 5, 6 and 7 ISSUE OF OPTIONS TO DIRECTORS

Messrs Gajewski, Flint and Gasson are current directors of the Company to whom it is proposed to issue options over shares in the Company.

It is proposed to issue the following options to each of the Directors:

Director	Number of Director Options
Ron Gajewski	500,000
Patrick Flint	750,000
Mark Gasson	1,000,000

The options to be issued to directors will vest in two equal tranches, the first tranche 12 months after the date of issue and the second tranche 24 months after the date of issue. The options will have exercise price of \$0.60 each and an expiry date of 30 November 2010. Detailed terms and conditions of the Director Options are provided in Appendix A.

The purpose of the issue of options is to provide Messrs Gajewski, Flint and Gasson an incentive for future services and as a reward for past services. The issue of options as part of the remuneration packages of directors is an established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding each of the directors. Whilst the directors to whom the options are to be issued do not make a recommendation as they each have a personal interest in the proposed issue, they believe that the quantum of options together with the cash fees that they are entitled to is reasonable in the context of the size and complexity of the Company's activities and also by comparison to other similar sized mineral explorers.

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The ASX Listing Rules and the Corporations Act 2001 (in certain circumstances) require shareholder approval to be obtained for the issue of options to directors. Accordingly, approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rules 7.1 and 10.11 of the ASX Listing Rules (“Listing Rules”) and Part 2E of the Corporations Act 2001. If approval for the issue of the Director Options is obtained under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

(A) The proposed Resolutions 5, 6 and 7, if passed, will issue securities to and confer financial benefits upon Messrs Messrs Gajewski, Flint and Gasson who are directors of the Company and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11. Accordingly, information required under the Listing Rules and the Corporations Act as well as information that will properly enable shareholders to consider Resolutions 5, 6 and 7 is presented below.

Subject to shareholder approval, the options referred to in resolutions 5, 6 and 7 will be issued free of charge and within one month after the date of this meeting.

(B) Potential Benefits – Issue of Director Options

If the Director Options are issued pursuant to the proposed resolutions 5, 6 and 7, the Company considers the following benefits arise:

- (i) Messrs Gajewski, Flint and Gasson will have a vested interest in the affairs of the Company, as the holders of options and as shareholders upon exercise of the options, particularly as the options are not transferable.
- (ii) The issue of Director Options to Messrs Gajewski, Flint and Gasson is a non-cash form of remuneration, thus conserving the Company’s cash reserves. The issue enables the Company to provide its directors with reward for services provided and an incentive for future services they will provide to the Company to further progress the Company in a cost-effective manner, as opposed to other forms of remuneration, such as cash.
- (iii) The exercise of the options will provide working capital for the Company at no significant cost. If all of the Director Options proposed to be issued to Messrs Gajewski, Flint and Gasson are ultimately exercised, an amount of \$1,350,000 would be raised. As the Director Options are to be granted for nil consideration there will be no funds raised by the Company in granting the Director Options.

(C) Potential Costs – Issue of Director Options

The potential cost to the Company of the issue of an aggregate of 2,250,000 Director Options to Messrs Gajewski, Flint and Gasson is that there will be a dilution of the issued share capital of the Company if the Director Options are exercised.

Based on 79,379,999 fully diluted shares, the exercise of the proposed Director Options (2.25 million) would have a dilution effect of approximately 2.8% (with a corresponding increase in cash reserves of \$1,350,000). As the Company presently has 27,844,123 options on issue, exercisable at 20 cents each, it is appropriate to measure the dilution caused by the proposed issue of options to directors by reference to fully diluted shares rather than just ordinary shares presently on issue.

If the options are exercised at a time when the market price of the Company’s shares is greater than the exercise price of the options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

The price of the Company’s shares quoted on the ASX over the past twelve months has ranged from a low of 24 cents on 16 August 2007 to a high of \$1.10 on 1 June 2007, with a closing price of 39.5 cents on 10 October 2007, the date on which this Explanatory Memorandum was prepared.

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Accounting standard, AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the new accounting standards this amount will be expensed in the Income Statement – ie the value attributed to the Director Options (See Section D below) will be expensed in the profit and loss account of the Company. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

(D) Valuation of Options

The Director Options are not currently quoted on the ASX and as such have no market value. The Director Options each grant the holder a right of grant of one Share in the Company upon exercise of the option and payment of the exercise price of the option. Accordingly, the Director Options may have a present value at the date of their grant. The Director Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the options during the term of the options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- (i) the period outstanding before the expiry date of the options;
- (ii) the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (iii) the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (iv) the value of the shares into which the options may be converted; and
- (v) whether or not the options are listed (ie readily capable of being liquidated); and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has estimated the value of the Director Options and has done so using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was as follows:

- (i) an exercise price of the Director Options of \$0.60;
- (ii) length of period prior to conversion being 3 years (December 2007 to November 2010). For the purposes of the analysis it was assumed that the Director Options would not be exercised any earlier than the expiration date, being 30 November 2010;
- (iii) the Company has not forecast any future dividend payments. For the purposes of the analysis, it was assumed that the Company's share price is "ex-dividend";
- (iv) the risk free rate used for the purposes of the analysis is the Reserve Bank of Australia cash rate as at 10 October 2007 being 6.5%;

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- (v) a volatility measure of 70%; and
- (vi) the valuation of the Company's share price being \$0.395, being the value of the Company's share price as at 10 October 2007.

Using the Black-Scholes Model and the assumed data outlined above, the directors have valued the Director Options as at 10 October 2007 at \$0.156 each.

Using this analysis (\$0.156), the total value of the proposed Director Options to be granted to each of Messrs Gajewski, Flint and Gasson is as follows:

Director	Number of options	Total Value of Director Options
Mr R Gajewski	500,000	78,000
Mr P Flint	750,000	117,000
Mr M Gasson	1,000,000	156,000
TOTAL	2,250,000	351,000

(E) Identifying the Related Parties

The related parties to whom Resolutions 5, 6 and 7 would permit financial benefits to be given are the directors of the Company, being Messrs R Gajewski (in respect of Resolution 5), P Flint (in respect of Resolution 6), and M Gasson (in respect of Resolution 7).

(F) Financial Benefit

The nature of the financial benefits is:

- (i) respect of Resolution 5, the grant of 500,000 Director Options to Mr Gajewski for no consideration;
- (ii) in respect of Resolution 6, the grant of 750,000 Director Options to Mr Flint for no consideration; and
- (iii) in respect of Resolution 7, the grant of 1,000,000 Director Options to Mr Gasson for no consideration.

(G) Related Parties' Existing Interest

Excluding the Director Options, the subject of resolutions 5, 6 and 7, the current interests of Messrs Gajewski, Flint and Gasson (and entities associated with them) in the Company's securities are as follows:

Director	Number of Shares	Number of Options
Mr R Gajewski	400,000	-
Mr P Flint	1,200,000	1,200,000
Mr M Gasson	440,000	440,000
TOTAL	2,040,000	1,640,000

Options have not previously been issued to directors as part of their remuneration packages.

(H) Directors' Emoluments

Other than the Director Options, the directors' current remuneration is as follows:

Director	Position	Annual Remuneration
Mr R Gajewski	Non - Executive Chairman	\$180,000
Mr P Flint	Executive Director	\$90,000
Mr M Gasson	Managing Director	\$50,000

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(I) Directors' Recommendation

Messrs Gajewski, Flint and Gasson express no opinion and make no recommendation in respect of the resolutions that apply specifically to them. Otherwise, each of the directors recommend that shareholders approve resolutions 5, 6 and 7 for the reasons set out in this Explanatory Memorandum, including:

- (i) Messrs Gajewski, Flint and Gasson will have a vested interest in the affairs of the Company, as the holders of options and as shareholders upon exercise of the options, particularly as the Director Options are not transferable;
- (ii) With the continuing shortage of skilled, experienced personnel in the resources sector, the Company must compete with many other industry participants in order to attract and retain personnel, including directors. Remunerations levels across the board have gone up significantly over the last 3 years and the Company must keep pace in order to remain competitive. Shareholder value in the Company has increased substantially since the Company's transformation from oil and gas explorer to uranium explorer. However, there are a number of key challenges that the Company faces over the foreseeable future as it seeks to successfully explore and develop its portfolio of mineral properties. It is important in these circumstances to ensure continuity at the Board level, as these challenges are tackled. For all these reasons, the directors (including the executive directors) consider it appropriate that non-executive directors also should receive options as part of their remuneration package notwithstanding the ASX Corporate Governance Council's views to the contrary;
- (iii) The quantum of Director Options for which approval is sought is based on a number of factors, many of which are outlined in the paragraph above. The breakdown recognises the distinction between the workload and responsibilities of executive and non-executive directors;
- (iv) The issue of options to Messrs Gajewski, Flint and Gasson is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its directors with reward for services provided and provide an incentive with respect to future services they will provide to the Company to further progress the Company;

and on the basis that, in their opinion, the proposed issue of options is fair and reasonable having regard to the terms of the Director Options.

(J) Taxation Consequences

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit).

Other than the information above and otherwise set out in this Explanatory Memorandum and the accompanying cover letter, the directors believe that there is no other information known to the Company or its directors that will be reasonably required by shareholders to make a decision in relation to benefits contemplated by the proposed resolutions 5, 6 and 7.

4. RESOLUTION 8 – REMUNERATION REPORT

The Annual Report for the financial year ended 30 June 2007 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

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5. CAUTIONARY NOTES

The directors recognise and acknowledge the importance of shareholders making their decision on the basis of the best possible information. However, once this material for the Notice of Meeting and Explanatory Memorandum is prepared and despatched to shareholders, the Company has no legal obligation to continuously update the content of this material nor is it practical and logistically possible to do that and inform each shareholder individually.

By its nature, the exploration industry is subject to numerous risks and the Company's share price is affected by a range of factors. From the time of preparing this material to the date of the Annual General Meeting, the Company's share price may go up or down. The Company will continue to comply with its continuous disclosure obligations and make appropriate announcements to the ASX.

Shareholders are strongly encouraged to keep track of any announcements that the Company may make and of the Company's share price up to the date of the Annual General Meeting as that information may have an effect on the calculations and the data that is provided in this Notice and the Explanatory Memorandum. If you do not understand the effect of such information, you should consult your professional advisor.

ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read this Explanatory Statement carefully before deciding how to vote on each Resolution.

Attached to the Notice of Meeting is a proxy form for use by Shareholders. Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a shareholder from attending and voting at the Meeting in person.

Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Statement should be directed to the Company Secretary, Mr Paul Jurman (telephone: +61 8 9240 8801).

6. GLOSSARY OF TERMS

The following terms including in this Notice and the Explanatory Memorandum shall have the following meaning, unless stated otherwise:

"ACN"	Australian Company Number
"Erongo " or "Company"	Erongo Energy Limited (ABN 50 114 175 138).
"ASIC"	Australian Securities and Investments Commission.
"ASX"	Australian Securities Exchange Limited (ACN 008 624 691)
"ASX Listing Rules" or "Listing Rules"	The Official Listing Rules of ASX as amended from time to time.
"Corporations Act"	The Corporations Act 2001 (Commonwealth).
"Director"	A director of Erongo.
"Director Options"	Options proposed to be issued pursuant to Resolutions 5, 6 and 7 of the Notice on the terms and conditions set out in Appendix A.
"Meeting"	The Meeting of the Company to be held on 28 November 2007.
"Notice of Meeting"	The notice convening the Meeting, which accompanies this Explanatory Statement.
"Options"	Options to subscribe for ordinary shares in the issued capital of the Company on the terms and conditions set out in Appendix B.
"Resolutions"	Resolutions in the Notice of Meeting.
"Share"	A fully paid ordinary share in the capital of the Company.
"Shareholder"	The registered holder of a Share in the Company.

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APPENDIX A

TERMS AND CONDITIONS OF DIRECTOR OPTIONS (RESOLUTIONS 5, 6 & 7)

The material terms and conditions of the Director Options are as follows:

1. Each Director Option entitles the holder to subscribe for and be allotted one ordinary share in the capital of Erongo Energy Limited (the "Company") at a price of \$0.60 per share.
2. The Director Options are exercisable in two equal tranches, the first tranche 12 months after the date of issue and the second tranche 24 months after the date of issue. The Director Options will have exercise price of \$0.60 each and an expiry date of 30 November 2010 ("the Expiry Date"). The Director Options are exercisable by notice in writing to the Directors accompanied by payment of the exercise price as detailed in (1) above.
3. Shares will be allotted and issued pursuant to the exercise of Director Options not more than 10 business days after receipt of a properly executed notice of exercise and payment of the requisite application moneys.
4. If the holder ceases to be a director prior to the Expiry Date the Director Options must be exercised within three months of the holder ceasing to be a director, after which date the Director Options are cancelled.
5. The Director Options are not transferable, except to a spouse of the Optionholder or a company wholly owned by the Optionholder and his or her spouse.
6. Shares issued upon exercise of the Director Options will rank pari passu in all respects with the Company's fully paid ordinary shares. The Company will apply for Official Quotation by ASX of all Shares issued upon the exercise of Director Options within 3 business days after the date of allotment of those shares.
7. There are no participating rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered or made to the shareholders during the currency of the Director Options. However, the Company will send a notice to each Optionholder at least 9 business days before the record date for any proposed issue of capital on an entitlement basis. This will give Optionholders the opportunity to exercise their Director Options (subject to the exercise period referred to above) prior to the date for determining entitlements to participate in any such issue.
8. There are no rights to a change in the exercise price, or in the number of Shares over which the Director Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any Director Options.
9. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the reorganisation.
10. The Optionholder is entitled to exercise the Director Options at any time if a takeover bid under Chapter 6 of the Corporations Act is made for the Company and either:
 - (a) the offeror has at the time of making the takeover bid a voting power of more than 50% in the Company; or
 - (b) if sub-clause (a) does not apply, the offeror acquires a voting power of more than 50% in the Company.
11. The Optionholder (or his beneficiary) is entitled to exercise the Director Options at any time in the event of death or total and permanent disablement of the Optionholder.

APPENDIX B

TERMS AND CONDITIONS OF PLACEMENT OPTIONS

The material terms and conditions of the Options are set out below:

1. Each Option entitles the holder to one (1) Share in the Company;
2. The Options are exercisable at any time on or prior to 5.00pm (WST) on 30 April 2009 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 registered office of the Company;
3. The Option exercise price is \$0.20 per Option;
4. An Option does not confer the right to a change in the exercise price or a change in the number of underlying securities over which the Option can be exercised;
5. Subject to the Company's Constitution, the Listing Rules and the Corporations Act, the Options are freely transferable;
6. All of the Company's Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of all Shares issued upon exercise of the Options on ASX;
7. There are no participating rights or entitlements in the Options, and the holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company 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 Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
8. If at any time the issued capital is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules and Corporations Act and in any case in a manner which will not result in any benefits being conferred on Option holders which are not conferred on Shareholders.

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Appointment of Proxy

I/We being a member/s of Erongo Energy Ltd and entitled to attend and vote hereby appoint

The Chairman of the Meeting (mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Erongo Energy Ltd to be held on 28 November 2007 and at any adjournment of that meeting.

If you do **not** wish to direct your proxy how to vote, please place a mark in the box →→

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest. **The Chairman of the Meeting intends to vote any such undirected proxies in favour of all the resolutions, with the exception of resolutions 5, 6, and 7, where they will be treated as abstentions.**

If you do not mark the above box and you have not directed your proxy how to vote in the boxes below, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called.

Voting directions to your proxy – please mark to indicate your directions

	For	Against	Abstain*
Resolution 1 – Re-election of director, R Gajewski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of director, P Flint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of director, M Gasson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Ratification of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval for the issue of options to Director, Mr R Gajewski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Approval for the issue of options to Director, Mr P Flint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval for the issue of options to Director, Mr M Gasson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE - This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Company Secretary

Dated: ___/___/2007

How to complete the Proxy Form

1 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 2.00pm on 26 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON: Registered Office – 30 Ledger Road, Balcatta, Western Australia 6021

BY MAIL: Registered Office - 30 Ledger Road, Balcatta, Western Australia 6021 / P O Box 717, Balcatta, Western Australia 6914

BY FAX (61 8) 9240 2406

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