
CHALLENGER ENERGY LIMITED
(TO BE RENAMED “CHALLENGER EXPLORATION LIMITED”)
ACN 123 591 382

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00 am (AEST)
DATE: 29 April 2019
PLACE: 33 Erskine Street, Sydney NSW 2000

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

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders 11:00 am (AEST) on 27 April 2019.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities resulting from completion of the Proposed Acquisition of AEP Corporation Pty Limited, as described in the Explanatory Statement."

Short Explanation: If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

"That, subject to and conditional upon the passing of all Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) the existing 389,466,818 Shares are consolidated into 77,893,364 Shares;*
- (b) the existing 34,750,000 Options are consolidated on a corresponding ratio; and*
- (c) the existing 4,000,000 Performance Rights are consolidated on a corresponding ratio,*

and, where this Consolidation results in a fraction of a Share, an Option, or a Performance Right being held, the Company be authorised to round that fraction up to the nearest whole Share, Option or Performance Right, as applicable."

3. RESOLUTION 3 – ISSUE OF CONSIDERATION SECURITIES TO AEP SHAREHOLDERS

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

"That, subject to and conditional upon the passing of the all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 180,000,000 Consideration Shares (on a post-Consolidation basis), 78,444,444 Consideration Options (on a post Consolidation basis) and 120,000,000 Consideration Performance Shares (on a post Consolidation basis) to the AEP Shareholders as consideration for the Proposed Acquisition on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company has entered into the Agreement pursuant to which the Company will acquire the 100% of the issued capital of AEP from the AEP Shareholders. The Company seeks Shareholder approval for the issue of the above Shares as consideration for the Proposed Acquisition in accordance with ASX Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast in favour on this Resolution by AEP and any person who will obtain a benefit as a result of the Proposed Acquisition, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – PUBLIC OFFER

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 166,666,667 Public Offer Shares (on a post consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – APPROVAL TO ISSUE SHARES ON CONVERSION OF LOANS FROM PITT STREET ABSOLUTE RETURN FUND PTY LTD AND SECO RESOURCE FINANCE PTY LTD

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,000,000 Shares (on

a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF SHARES TO THE LEAD MANAGERS

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 6,000,000 Shares (on a post-consolidation basis) to the lead managers of the Public Offer (or their nominees) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by the Lead Managers (or their nominees) and any person who will obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ELECTION OF DIRECTOR - MR KRIS KNAUER

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of clause 13.3 of the Constitution and for all purposes, Mr Kris Knauer who being eligible and having given his consent to act, be elected as a director of the Company with effect on and from Settlement of the Proposed Acquisition."

8. RESOLUTION 8 – ELECTION OF DIRECTOR – MR FLETCHER QUINN

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of clause 13.3 of the Constitution and for all purposes, Mr Fletcher Quinn who being eligible and having given his consent to act, be elected as a director of the Company with effect on and from Settlement of the Proposed Acquisition."

9. RESOLUTION 9 – ELECTION OF DIRECTOR – MR SCOTT FUNSTON

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of clause 13.3 of the Constitution and for all purposes, Mr Scott Funston, who being eligible and having given his consent to act, be elected as a director of the Company with effect on and from Settlement of the Proposed Acquisition."

10. RESOLUTION 10 – APPROVAL TO ISSUE SHARES – DEFERRED CONSIDERATION

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 245,000,001 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – CHANGE OF COMPANY NAME

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

*"That, subject to and conditional upon the passing of all Essential Resolutions for the purpose of Section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to **Challenger Exploration Limited**."*

12. RESOLUTION 12 – ADOPTION OF PERFORMANCE RIGHTS PLAN

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

"That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to establish and adopt a performance rights plan, being the Company's Performance Rights Plan, and to grant performance rights and/or issue securities under that plan, on the terms and conditions summarised in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director, other than any Director who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associate of those Directors. However, the Company need not disregard a vote 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.

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

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

However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

13. RESOLUTION 13 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

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

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt the Employee Share Option Plan (ESOP) and for the issue of securities under the ESOP, in accordance with the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

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

However, the above prohibition does not apply if:

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

14. RESOLUTION 14 - APPROVAL TO ISSUE SHARES ON CONVERSION OF AEP LOAN FACILITY

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares to the AEP Loan Facility Lenders on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of the AEP Loan Facility Lenders (or their nominee/s) or any of their associates. However, the Company need not disregard a vote if it is cast by a

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

Voting Prohibition Statement:

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

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

However, the above prohibition does not apply if:

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

15. RESOLUTION 15 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of sections 136(1)(b) and 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair for identification purposes."

Dated: 22 March 2019

By order of the Board



Robert Lees
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 2 9299 9580.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Resolutions 1 to 11 and 14 are referred to as Essential Resolutions throughout this Notice. Each Essential Resolution is conditional on each other Essential Resolution being approved.

The Proposed Acquisition requires security holder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming.

Should any of the Essential Resolutions not be approved by the requisite majority, the Company will not proceed with the Proposed Acquisition. The Company is required to re-comply with ASX's requirements for admission and quotation and therefore, the Proposed Acquisition may not proceed if those requirements are not met. The ASX has an absolute discretion in not deciding whether or not to re-admit the Company to the Official List and to quote the Company's Securities and therefore, the Proposed Acquisition may not proceed if the ASX exercises that discretion. The ASX and its officers take no responsibility for the contents of this Notice.

The Directors recommend that Shareholders vote in favour of all Resolutions.

1. BACKGROUND TO THE ACQUISITION OF AEP CORPORATION PTY LIMITED

1.1 Background to the Company

Challenger Energy Limited (ACN 123 591 382) (ASX: CEL) (formerly, Sunset Energy Ltd) (**Company**) was incorporated on 23 January 2007 and admitted to the Official List of ASX Limited on 5 November 2007 as an oil and gas exploration company focused on energy assets in the USA.

Since April 2010, the Company has been pursuing a shale gas project in the Karoo Basin in South Africa. The Company's primary objectives have been to develop a successful focused oil and gas exploration and production business with the intention of offering investors further exposure to natural resources opportunities through a combination of:

- (a) advancing exploration on the Cranemere project in South Africa;
- (b) reviewing and potentially acquiring other natural resources projects; and
- (c) utilising the Board and management's collective experience and skills to progress any discoveries to commercial production.

In line with the Company's goals as set out above, on 3 August 2018 the Company requested a trading halt of its securities from ASX pursuant to ASX Listing Rule 17.1, pending an announcement of a material acquisition. On 7 August 2018 ASX advised that the Company's securities would be suspended from quotation, following receipt of an announcement regarding a transaction that could result in a change of its activities. The suspension will continue until the Company recomplies with Chapters 1 and 2 of the Listing Rules.

1.2 General Background to the Acquisition

As announced, the Company has entered into a binding term sheet (**Term Sheet**) for the acquisition of 100% of the issued capital in AEP Corporation Pty Limited (ACN 627 617 976) (**AEP**) from the AEP shareholders (**Vendor/s**) (**Proposed Acquisition**). A summary of the key terms of the Term Sheet are set out in Schedule 1.

The Company believes that the Proposed Acquisition represents a significant opportunity for the Company, given the Proposed Acquisition presents an opportunity to earn a 75% interest in the Hualilan Project in Argentina and up to 100% of the El Guayabo Project in Ecuador, via staged farmin agreements. The Hualilan Project is a high-grade gold / silver project with extensive historical drilling and a 43-101 compliant foreign resource estimate. The El Guayabo Project is a breccia and porphyry gold / copper project with historical drill intercepts including 156m @ 2.6 g/t Au + 9.7 g/t Ag + 0.2% Cu and 112m @ 0.6 % Cu +0.7 g/t Au +14.7 g/t Ag. Additionally, the Proposed Acquisition is expected to allow the Company's securities to be reinstated to trading on the ASX with AEP having raised \$2.25 million and having advanced the Company A\$300,000 and agreed to provide a further A\$200,000 facility to the Company to facilitate re-compliance.

ASX has determined that as a result of the Proposed Acquisition, the Company will be required, pursuant to Listing Rule 11.1.2 to obtain approval from Shareholders at a general meeting. The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the Listing Rules due to the Proposed Acquisition triggering a change of nature and scale of the Company.

1.3 Directors' recommendation and voting intention

All of the Directors are of the opinion that the Proposed Acquisition is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Essential Resolutions. The Directors' recommendations are based on an assessment of the advantages and disadvantages referred to in Sections 1.13 and 1.14, respectively, and being of the view that the advantages outweigh the disadvantages.

Each of the Directors intends to vote in favour of each of the Resolutions in which they are entitled to vote.

1.4 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has advised the Company that, given that the Company is proposing to make a change in its activities from an oil and gas company to a mineral exploration company, it has exercised its discretion to require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to the Company completing the Proposed Acquisition.

For this purpose, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules in order to achieve Settlement and before it can be re-instated to trading on ASX following Settlement.

1.5 Guidance Note 12

Changes to ASX Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a company

was required to re-comply to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents where an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20-cent rule provided the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than two cents each; and
- (b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

For this reason, the Company is seeking Shareholder approval for the Company to issue Shares upon re-compliance at an issue price of not less than \$A0.02 per Share, as part of the approvals sought under ASX Listing Rule 11.1.2.

Further, Guidance Note 12 indicated that if an entity is proposing to issue options as part of the transaction (and the entity's ordinary securities have been trading at less than 20 cents), ASX will consider a request for ASX not to apply the Minimum Option Exercise Price Rule, provided that:

- (a) the exercise price for the options:
 - (i) is not less than two cents each; and
 - (ii) is specifically approved by security holders as part of the approvals obtained under ASX Listing Rule 11.1.2; and
- (b) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy ASX Listing Rule 1.1 Condition 1 and 12.5.

For this reason, the Company is also seeking Shareholder approval for the Company to issue Options upon re-compliance at an exercise price of not less than \$A0.02 per Option, as part of the approvals sought under ASX Listing Rule 11.1.2.

1.6 ASX waivers and confirmations obtained

The Company has received a waiver from:

- (a) the requirements of Listing Rule 2.1 (Condition 2) to enable it to issue Shares at less than 20 cents per Share and the requirements of Listing Rule 1.1 (Condition 12) to enable it to issue the Consideration Options with an exercise price of less than 20 cents for each underlying security; and
- (b) the requirements of Listing Rule 7.3.2 to permit the Notice seeking shareholder approval for the issue of the Earn-In Shares subject to the satisfaction of the Milestones as detailed in Section 9.1.

Further, the Company has received confirmation from ASX that it is comfortable with the terms of additional securities proposed to be issued by the Company (being, the Performance Shares) in accordance with Listing Rules 6.1 and 6.2.

The Company also intends to seek a waiver in respect of Listing Rule 9.1.3 to substitute the application of items 3 and 4 with the restrictions in items 1 and 2 of Appendix 9B in relation to the securities to be issued to the Vendors as consideration for the acquisition of 100% of the issued capital of AEP (as applicable where seed capital investment can be demonstrated).

1.7 Capital raising and consolidation

To assist the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to support its exploration strategy post-completion of the Proposed Acquisition, the Company plans, subject to Shareholder approval, to conduct a capital raising under a public offer pursuant to a full form prospectus to raise \$5,000,000 at an issue price of \$0.03 per Share (**Public Offer**). Shareholder approval for the Public Offer is the subject of Resolution 3.

The indicative 2-year budget for the use of funds proposed to be raised in connection with the Public Offer is set out below. The use of funds below is subject to confirmation and adjustment on completion of due diligence by the Company and should be considered indicative only. A more detailed use of funds budget will be provided in the Prospectus:

Allocation of funds	(\$)
El Guayabo Project (including, geophysical survey, surface mapping, and ancillary activities including community engagement programs)	\$1,890,000
Hualilan Project (including, geophysical survey, surface mapping, drilling program and ancillary including community engagement programs)	\$1,350,000
Estimated costs of the Proposed Acquisition	\$300,000
Repayment of retiring CEO accruals	\$200,000
Repayment of retiring non-executive director accruals	\$54,000
Working Capital (including corporate costs, existing project costs and administration costs)	\$1,206,000
Total	\$5,000,000

It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and evaluation work carried out. This will involve an ongoing assessment of the Company's mineral interests. The results obtained from exploration and evaluation programs may lead to increased or decreased levels of expenditure on certain projects reflecting a change in emphasis.

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

As at the date of this Notice, the Public Offer is not underwritten.

To fund the costs of the Company, including due diligence in relation to the Proposed Acquisition and re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Company has raised \$300,000 from AEP in the form of convertible

loans. In addition to the \$300,000 that has already been raised, the Company can draw down an additional \$200,000 under this facility as required. Subject to completion of the Proposed Acquisition, the total amount drawn on this AEP loan facility will be forgiven or remain as an intercompany loan.

The Company also intends to satisfy the repayment of the aggregate principal amount owing on existing loans totalling \$300,000, through the issue of 10,000,000 Shares, converting at \$0.03 per Share (on a post-Consolidation basis). Shareholder approval for the proposed issue is the subject of Resolution 5.

The Company intends to consolidate its securities on a 1:5 basis (**Consolidation**) with fractional entitlements rounded up to the nearest whole Share, Option or Performance Right (as the case may be), Shareholder approval for which is the subject of Resolution 2.

1.8 Pro forma capital structure

The proposed capital structure of the Company following completion of the Proposed Acquisition and issues of all Securities contemplated by this Notice is set out below.

The capital structure of the Company following completion of the Proposed Acquisition and the Public Offer and issues of all securities contemplated by this Notice is set out in Schedule 3.

1.9 Pro forma balance sheet

The pro-forma balance sheet of the Company following completion of the Proposed Acquisition and issues of all securities contemplated by this Notice is set out in Schedule 4. The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

1.10 Indicative timetable

An indicative timetable for Settlement of the Proposed Acquisition and the associated Proposed Acquisitions set out in this Notice is set out below:

Event	Date*
Announce Proposed Acquisition	25 February 2019
Notice of Meeting for the Proposed Acquisition sent to Shareholders	22 March 2019
Lodge Prospectus with the ASIC	15 April 2019
Opening Date of the Public Offer	15 April 2019
General Meeting of Shareholders	29 April 2019
Settlement of Proposed Acquisition	10 May 2019
ASX conditional approval letter and completion of Public Offer	10 May 2019
Issue of Securities under the Public Offer	10 May 2019
Despatch of holding statements	13 May 2019
Expected date for reinstatement to quotation on ASX	16 May 2019

Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

1.11 Board Intentions upon Settlement

The proposed activities and business model of the Company on completion of the Proposed Acquisition are:

- (a) implement the Exploration and Value Creation Strategy (see below); and
- (b) implement a growth strategy evaluating additional complementary gold and base metals projects for acquisition or joint venture opportunities, providing a pipeline of projects at various stages of development, hence maximising opportunities for shareholder value creation; and
- (c) to continue to pursue the application for shale gas exploration rights in South Africa.

Exploration and Value Creation Strategy

The overall objective is to define gold and/or copper mineral resources on the El Guayabo and Hualilan Projects. If economic mineral resources are defined on any of the Projects, the Company will determine and then institute, the optimum method for creating value for Shareholders, which could involve debt financing the Projects and commencing production as an owner operator, bringing in a joint venture partner or a sale of the Projects. Maximising medium term value creation for shareholders is the overriding principle when assessing how to develop each Project.

- El Guayabo Project Strategy: The initial focus of the project development strategy will look to:
 - define targets for a drilling program that is expected to commence in the 2019 calendar year;
 - channel sampling of the adit and artisanal workings - > 1km of underground exposure of the system which has never been systematically mapped or sampled;
 - conduct sampling of additional breccia bodies – only 2 of the 10 known breccias have been systematically defined and properly sampled;
 - conduct 3D MT survey (with IP lines) covering 16 sq. kms – as only airborne magnetics has previously been done over the property. This survey will image existing and new breccia bodies and seek to define porphyry targets to a depth of 1.5 km;
 - conduct MMI survey covering 16 sq. km; and
 - commence initial drilling program.
- Hualilan Project Strategy: The focus of the Hualilan Project Strategy will be to redefine the scope of the Hualilan Project to better determine the best means of development to seek to achieve early cash-flows. The

Company understands that AEP's proposed work program for the Hualilan Project for the next calendar year (CY19) is:

- Digitise all historical data (approx. 150 drill holes and numerous phases of underground mapping). This has commenced and is nearing completion;
- Additional data precision validation as required;
- Detailed interpretation of known mineralized zones;
- Geostatistical assessment of area of currently mineralisation to complete a re-estimation of these areas;
- Structural interpretation and alteration mapping using high resolution satellite data – to better target extensions of known mineralisation.
- Field mapping program targeting extensions of known mineralisation.
- Investigate further drilling requirements to upgrade both the unclassified mineralisation and mineralisation in the existing historical resources to meet JORC 2012 requirements;
- Initial drill program comprising verification (twin holes) and targeting extensions of the historically defined mineralisation;
- Metallurgical test work.

See Schedule 2 for further details of the Projects.

1.12 Composition of the Board of Directors

It is intended that the Board will comprise the following upon Settlement:

- (a) Kris Knauer (Managing Director and CEO);
- (b) Fletcher Quinn (Non-Executive Chairman); and
- (c) Scott Funston (Finance Director and CFO).

It is currently intended that Messrs Clinton Carey, Robert Willes and Michael Fry will resign as Directors upon Settlement. Additional Board and management resources may be considered as appropriate as the business develops.

1.13 Advantages of the Proposed Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Proposed acquisition provides a mechanism for the re-listing of the company's shares following the company receiving notification under Listing Rule 12.1 that the assets and operations of the Company are not sufficient to warrant the continued quotation of the Company's securities to trading on ASX;

- (b) the Proposed Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a mineral exploration company;
- (c) the Company plans to complete a capital raising of \$5,000,000, which will provide the Company with sufficient funds to implement the Exploration and Value Creation Strategy;
- (d) the potential increase in market capitalisation of the Company following Settlement and the associated Public Offer may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present;
- (e) the appointment to the Board of Mr Kris Knauer and Mr Fletcher Quinn and Scott Funston provides the Company with extensive experience within the resources industry;
- (f) the consideration for the Proposed Acquisition is primarily Shares, thereby allowing more funds raised from the Public Offer to be used directly on activities on the Projects; and
- (g) the re-listing and capital raising will put the company in a stronger position to advance the Company's existing South African shale gas opportunity should the Company's application for exploration rights be awarded in due course.

1.14 Disadvantages of the Proposed Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Company will be changing the nature and scale of its activities to primarily be a mineral exploration company, which may not be consistent with the objectives of all Shareholders;
- (b) the Proposed Acquisition will result in the issue of Shares under the Public Offer, the issue of the Consideration Shares, the issue of Shares under the AEP Facility and the issue of shares from the conversion of the prior loan outlined in Resolution 5. All of which will have a dilutionary effect on the holdings of Shareholders, as will Shares issued on conversion of the Consideration Options and Performance Rights proposed to be issued by the Company;
- (c) in connection with the Proposed Acquisition, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Proposed Acquisition, which represent sunk, but necessary costs to the Company;
- (d) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Proposed Acquisition. Some of the key risks are summarised in Section 1.15;
- (e) future outlays of funds from the Company may be required to further the exploration and development activities in relation to the Projects, which could lead to future potential dilution of current Shareholders voting power;

- (f) there is no guarantee that the Projects will prove to be economically viable for the Company;
- (g) there is no guarantee that the price of the Shares will not fall as a result of the Proposed Acquisition; and
- (h) current Shareholders will be exposed to the additional risks associated with the Projects as set out Section 1.15.

1.15 Risk factors

The key risks of the Proposed Acquisition and following completion of the Proposed Acquisition are:

(a) Completion Risk

The Company has agreed to acquire 100% of the issued share capital of AEP, subject to the satisfaction of certain conditions set out below. There is a risk these conditions may not be fulfilled in a reasonable timeframe, or at all, in which case the Proposed Acquisition will not proceed.

If the Proposed Acquisition does not proceed, the Company will have incurred costs relating to advisors and other third-parties without any tangible benefit having been received by the Company. It should be noted that if the Proposed Acquisition does not proceed the loan advance provided by AEP will be repayable through an issue of shares in CEL which will dilute the holdings of existing shareholders.

(b) Counterparty Risks and Earn-In Risks

AEP holds its rights to earn-in to the Projects via agreements through subsidiary entities with third-parties and, in the case of the Hualilan Project, a binding head of agreement which is to be formalised in a definitive contractual arrangement. While the Company expects that AEP will conclude formal arrangements in respect of the Hualilan Project shortly, and prior to completion of the Proposed Acquisition, there is a risk that AEP may not be able to negotiate formal documents in terms acceptable to CEL.

Furthermore, due to the earn-in nature of AEP's rights to the Projects, there is a risk:

- (i) That the Company may, in the future, having made some or a substantial part of this expenditure elect not to pursue the Projects for reasons which may include changes in commodity prices and an assessment of the results of its exploration activities.
- (ii) Associated with potential for disputes between the counterparties to the earn-in arrangements which could lead to delays, increase in costs, disputes or litigation. There can be no assurance that the Company would be successful in seeking remedies or enforcement of its rights through legal actions should such disputes occur.

(c) **Re-Compliance with Chapters 1 and 2 of the ASX Listing Rules**

As part of and in connection with the Proposed Acquisition, the Company will be seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated the Company's securities will be suspended from Official Quotation from the date of the general meeting of shareholders to approve the Proposed Acquisition until the completion of the Proposed Acquisition, completion of the capital raising, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and the satisfaction of any further conditions imposed by ASX in respect of the Company's re-compliance.

There is a risk the Company does not complete the Proposed Acquisition and/or the capital raising, or that the Company will not be able to satisfy one or more of the conditions of re-compliance imposed by ASX.

(d) **Liquidity risk**

On completion of the Proposed Acquisition, the Company proposes issuing securities to the Vendors of AEP. The Company anticipates ASX will treat some or all of these securities as restricted securities per Chapter 9 of the ASX Listing Rules and that such securities may be subject to disposal restrictions (escrow).

The escrow of securities issued to the Vendors of AEP may result in an increased liquidity risk as a large portion of the issued capital of the Company may not be able to be traded freely for a period of time. The proportion of the proposed post-Proposed Acquisition share capital of the Company the securities to be issued to the Vendors of AEP represents is set out above.

(e) **Dilution risk**

The Company proposes issuing a significant number of securities in connection with the Proposed Acquisition, including securities to the Vendors of AEP and to participants in the capital raising. The issue of these securities will likely result in a dilution of the holdings of existing shareholders of the Company.

(f) **Risks associated with operating in Ecuador and/or Argentina**

Assuming the Proposed Acquisition completes, the Company's operations will be subject to laws and regulations in place in Ecuador and/or Argentina, including in respect of mine development, environmental protection, occupational health and safety, land and water use, taxation and royalty arrangement and other matters.

The Company has historically operated in South Africa and the USA and has limited experience with operating in Ecuador and/or Argentina. While the Company will engage advisors with experience in Ecuador and/or Argentina, and believes it will be substantially in compliance with all material current laws and regulations effecting the projects under the Proposed Acquisition, changes in applicable laws, regulations, agreements or changes in enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits or agreements which could have a material adverse impact on the Company, AEP and/or the projects held by AEP.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of risks for operating in Ecuador and/or Argentina cannot be accurately predicted and could have a material adverse effect on the Company's operations or profitability post-Proposed Acquisition.

There is also a risk the Company and/or AEP may need to comply with the requirements of governmental authorities in Ecuador and/or Argentina for the transfer of all the issued share capital of AEP to the Company. Such requirements (if any) may not be able to be complied with on terms acceptable to the Company and/or AEP, or in such a time period so as to not delay the Proposed Acquisition.

There is a risk that the proposed operations of the Company and/or AEP may suffer material detriment in the occurrence of any political and/or civil unrest in either or both countries or that an economic downturn in Ecuador and/or Argentina may result in a material adverse effect to the Company and/or AEP.

(g) **Licences**

The Company's proposed operations will be subject to receiving and maintaining licences and permits from appropriate governmental authorities and or third parties. There can be no assurance that delays will not occur in connection with obtaining all necessary renewals of licences/permits for existing operations, additional licences/permits for any new potential changes to operations, or additional permits associated with new legislation. Prior to any development on any of its projects, the Company must receive licences/permits from appropriate Governmental authorities. There is no certainty AEP will obtain or continue to hold all licences/permits necessary to develop or operate at any particular project.

(h) **Minerals Exploration**

In addition to the above, there are other risks inherent in the conduct of a mineral exploration business to which the Company will be exposed upon completion of the Proposed Acquisition including:

- (i) risks associated with the inherently speculative nature of minerals exploration;
- (iii) land access risks;
- (iv) environmental risks;
- (v) risk associated with the availability of suitability qualified personnel;
- (vi) operational risks; and
- (vii) risks associated with the availability of future capital required to fund development.

1.16 Plans for the Company if completion of the Proposed Acquisition does not occur

If completion of the Proposed Acquisition does not occur, the Company would need to undertake a capital raising given its current funds. Funds raised would be used to support its application for the shale gas exploration rights in South Africa as well as continuing to implement its growth strategy by seeking out further exploration, acquisition and joint venture opportunities.

1.17 Directors' interests in the Proposed Acquisition

None of the Existing Directors have any interest in the Proposed Acquisition, other than as disclosed in this Notice.

1.18 AEP's interests in the Company

None of the AEP Shareholders or their associates are related parties of the Company (other than by virtue of becoming Directors upon Settlement) and they have no existing interest in the Securities other than as disclosed in Section 1.27.

1.19 Conditionality of Essential Resolutions

Each Essential Resolution is conditional upon the approval by Shareholders of all Essential Resolutions. Should any of the Essential Resolutions not be approved by the requisite majority, the Company will not proceed with the Proposed Acquisition.

1.20 Forward looking statements

The forward-looking statements in this Explanatory Statement are based on the Company's current expectations about future events. However, they are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Explanatory Statement. These risks include but are not limited to, the risks detailed in Section 1.2. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

1.21 Competent Persons Statement

The information contained in this Notice relating to exploration results and mineral resources were previously announced to ASX by the Company on 25 February 2019 in an announcement titled "Challenger to Acquire Rights to Two South American Gold/Copper Projects Located in Argentina and Ecuador" (**Previous Announcement**) with the written consent of Mr John King who is a full-time employee of JRK Consulting Pty Ltd in relation to the exploration results and the mineral resource for the Hualilan and El Guayabo Projects (the **Competent Persons**). Mr King is a member of the Mining and Metallurgical Society of America and a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code.

The Company is not aware of any new information or data that materially affects the information included in the Previous Announcement. The Company confirms the material assumptions and technical parameters underpinning the mineral resource estimates in the Previous Announcement continue to apply

and have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

1.22 About AEP

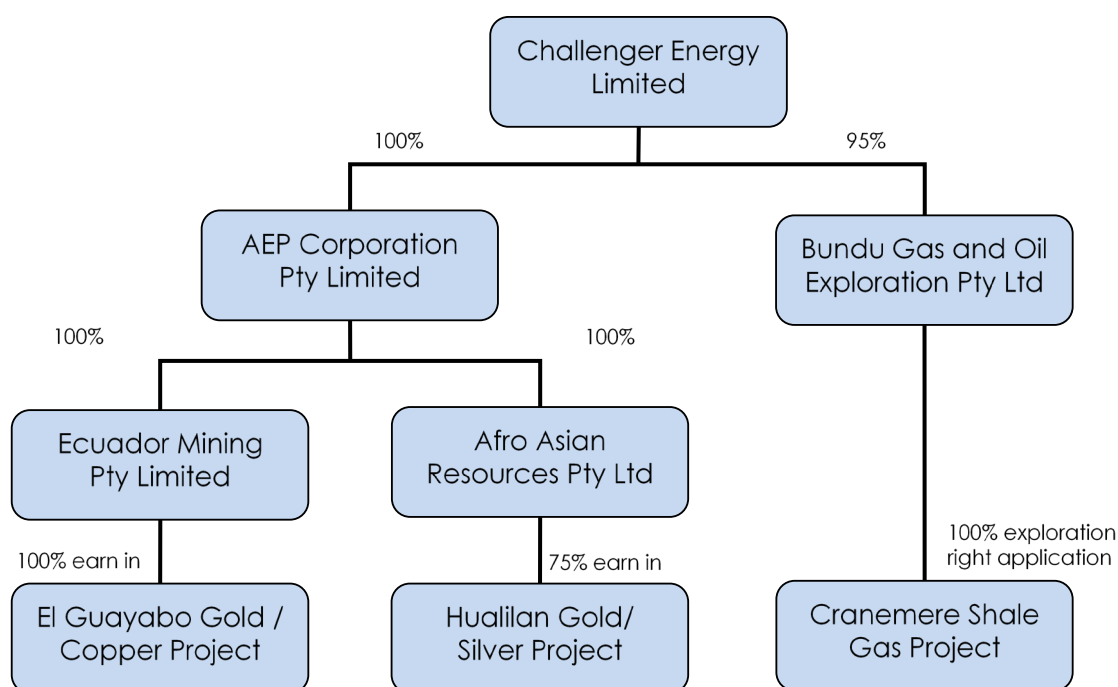
AEP is an Australian private company established in 2018 by its sole director and company secretary, Mr Kris Knauer. AEP was incorporated for the sole purpose of acquiring the El Guayabo Copper Gold Project (a gold project in Ecuador) and the Hualilan Project (a gold project in Argentina) (together, the **Projects**). AEP, via its wholly owned subsidiaries, Ecuador Mining Pty Limited (**EMP**) and Afro Asian Resources Pty Ltd (**AAR**), owns rights to earn in to 75% of the Hualilan Project and 100% of the El Guayabo Project. Refer to Schedule 2 of this Notice for full details of the El Guayabo Project and Hualilan Project, respectively.

1.23 Direction of the Company

The Company will continue to pursue its application for shale gas exploration rights in South Africa in addition to implementing the Exploration and Value Creation Strategy and growth strategies for the Company as set out in Section 1.11.

1.24 Group Structure

The proposed corporate structure on completion of the Proposed Acquisition is presented below.



1.25 Key Dependencies of the Business Model

The key dependencies influencing the viability of the Proposed Acquisition are:

- (a) the Company's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable readmission to quotation of the Company's securities; and

- (b) satisfaction of the remaining conditions of the Proposed Acquisition set out below including completion of due diligence, execution of formal documents and raising sufficient funds satisfying the capital raising condition to be applied to the proposed development program in relation to the El Guayabo and Hualilan Projects.

1.26 No Underwriter

The Public Offer is not underwritten. However, the Company has appointed Baillieu Limited (ABN 74 006 519 393) (**Baillieu**) and Peloton Capital Pty Ltd (ACN 149 540 018) (**Peloton**) as co-lead managers (together, the **Lead Managers**) to the Public Offer.

1.27 Director and Proposed Director Interests in Securities

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of the Existing Directors' and Proposed Directors' relevant interest in the Securities of the Company upon completion of the Proposed Acquisition are set out in the table below:

Current Interests

Director	Shares ⁶	Options ⁴	Performance Rights ¹
Clinton Carey	50,000 ⁶	Nil	Nil
Robert Willes	533,333 ⁶	Nil	800,000
Michael Fry	366,593 ⁶	Nil	Nil
Kris Knauer	2,887,000 ⁶	880,000 ⁴	Nil
Fletcher Quinn	8,614,149 ⁶	500,000 ⁴	Nil
Scott Funston	Nil	Nil	Nil

Proposed Interests

Director	Shares	Options ^{4, 5}	Performance Rights ¹ /Performance Shares ^{2, 3}
Clinton Carey	50,000 ⁶	Nil	Nil
Robert Willes	533,333 ⁶	Nil	800,000 ¹
Michael Fry	366,593 ⁶	Nil	Nil
Kris Knauer	42,194,333 ⁷	9,734,167 ⁸	37,000,000 ²
Fletcher Quinn	10,280,816 ¹⁰	500,000 ⁴	Nil
Scott Funston	3,666,667 ¹¹	2,000,000 ⁵	Nil

Notes:

1. Comprising existing Performance Rights currently on issue.
2. Comprising 18,500,000 Performance Shares A and 18,500,000 Performance Shares B (Refer to Schedule 7 for full terms and conditions).
3. Refer to full terms and conditions of Performance Shares set out in Schedule 7

4. Comprising Existing Options on the terms and conditions in Schedule 6.
5. Comprising 2,000,000 Consideration Options to be issued subject to the passing of Resolution 3 (refer to Schedule 5 for full terms and conditions).
6. Existing Shares
7. Comprising 2,887,000 Shares currently held and 30,950,000 Shares to be issued subject to the passing of Resolution 3 and 8,333,333 Shares to be issued subject to the passing of Resolution 5.
8. Comprising 880,000 Existing Options currently held (refer to Schedule 6 for full terms and conditions) and 8,854,167 Consideration Options to be issued subject to the passing of Resolution 3 (refer to Schedule 5 for full terms and conditions).
9. This table assumes that no options, performance rights or performance shares are exercised.
10. Comprising 8,614,149 Shares currently held and 1,666,667 Shares to be issued subject to the passing of Resolution 5.
11. Comprising 3,666,667 Shares to be issued subject to the passing of Resolution 3.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF AEP CORPORATION PTY LIMITED

2.1 General

Resolution 1 seeks approval from Shareholders for the Proposed Acquisition pursuant to the Term Sheet.

As set out above, the Proposed Acquisition will change the nature of the Company's activities from an oil and gas company to a mineral exploration company.

A summary of the terms and conditions of the Term Sheet is set out in Schedule 1 and a detailed description of the Projects is set out in Schedule 2.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the Official List.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of the Proposed Acquisition requires the Company, in accordance with ASX Listing Rule 11.1.2, to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

2.3 Suspension until re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back-door listing of AEP which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's Securities as restricted Securities).

If the Essential Resolutions are approved at the Meeting, it is expected that the Company's Securities will be suspended from quotation until the Company has acquired AEP pursuant to the Agreement and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Essential Resolutions are not approved at the Meeting, the Acquisition will not proceed, and the Company's Securities will consequently remain suspended from official quotation.

3. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

3.1 Background

If Resolution 2 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of:

- (a) Shares on issue will be reduced from 389,466,818 to 77,893,364 subject to rounding); and
- (b) Options on issue will be reduced from 34,750,000 to 6,950,000 (subject to rounding); and
- (c) Performance Rights on issue will be reduced from 4,000,000 to 800,000 (subject to rounding).

3.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

3.3 Fractional entitlements

Not all Security Holders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

3.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

3.5 Holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

3.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in Schedule 3.

3.7 Indicative timetable

If Resolution 2 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	22 March 2019
Company tells ASX that Shareholders have approved the Consolidation.	29 April 2019
Last day for pre-Consolidation trading.	30 April 2019
Post-Consolidation trading starts on a deferred settlement basis.	1 May 2019
Last day for Company to register transfers on a pre-Consolidation basis.	2 May 2019
First day for Company to send notice to each holder of the change in their details of holdings.	3 May 2019
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Change of details of holdings date. Deferred settlement market ends.	9 May 2019
Last day for Securities to be entered into holders' Security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

4. RESOLUTION 3 – ISSUE OF CONSIDERATION SECURITIES TO AEP SHAREHOLDERS

4.1 General

Resolution 3 seeks Shareholder approval to issue to the AEP Shareholders (or their nominees):

- (a) 180,000,000 Consideration Shares (on a post-Consolidation basis);
- (b) 78,444,444 Consideration Options (on a post-Consolidation basis); and

- (c) 120,000,000 Consideration Performance Shares (on a post-Consolidation basis),

(together, the **Consideration Securities**) as consideration for the Proposed Acquisition.

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.

The effect of Resolution 3 will be to allow the Company to issue the Shares, Options and Performance Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The issue of the Consideration Securities pursuant to this Resolution 3 will include the issue of securities to each of Mr Funston and Mr Knauer each of whom are related parties of the Company by virtue of the Proposed Acquisition.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Consideration Securities to be issued is:
 - (i) 180,000,000 Consideration Shares (on a post-Consolidation basis);
 - (ii) 78,444,444 Consideration Options (on a post-Consolidation basis); and
 - (iii) 120,000,000 Consideration Performance Shares (on a post-Consolidation basis).
- (b) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Securities will occur on the same date;
- (c) the Consideration Securities will be issued for nil cash consideration in consideration for the Proposed Acquisition;
- (d) the Consideration Shares will be issued to the AEP Shareholders, who are not related parties of the Company (other than as a result of the Proposed Acquisition), in consideration for their respective AEP Shares;
- (e) the Consideration Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than in relation to any escrow period imposed by ASX;
- (f) the Consideration Options will be issued on the terms and conditions set out in Schedule 5;
- (g) the Consideration Performance Shares will be issued on the terms and conditions set out in Schedule 7; and

- (h) no funds will be raised from the proposed issue of the Consideration Securities as the Consideration Shares are proposed to be issued in consideration for the Proposed Acquisition in accordance with the terms of the Term Sheet.

5. RESOLUTION 4 – PUBLIC OFFER

5.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 166,666,667 Shares at an issue price of \$0.03 per Share, on a post-Consolidation basis, to raise \$5,000,000 (**Public Offer**).

The Public Offer will be undertaken via the issue of a prospectus (**Prospectus**) to assist in complying with Chapters 1 and 2 of the ASX Listing Rules which is required to obtain re-instatement of its Shares to trading on the Official List of ASX on completion of the Proposed Acquisition.

The Company has engaged the services of the Lead Managers, each a licensed securities dealer, Baillieu (AFSL 245421) and Peloton (AFSL 406040) to manage the Public Offer. The Company will pay each of the Lead Managers a fee of 5% (exclusive of goods and services tax) on the amount raised under the Public Offer. The Company will also issue each of the Lead Managers, 3,000,000 Shares, being a combined total of 6,000,000 Shares, subject to the successful completion of the Public Offer. The Directors do not have a material personal interest in Baillieu nor in Peloton and consider the engagement of each of these service providers to be on arm's length terms as the fees charged are comparable to unrelated licensed securities dealers.

The subscription under the Public Offer is \$5,000,000 (Minimum Subscription). It is noted the Shares the subject of the Public Offer will only be issued if:

- (a) the Subscription is raised;
- (b) the Company has received conditional approval from ASX for the Company to be reinstated to official quotation on ASX following the Company's compliance with ASX Listing Rule 11.1.3 and Chapters 1 and 2 of the ASX Listing Rules on conditions acceptable to the Company and AEP, each acting reasonably; and
- (c) the issue occurs contemporaneously with Settlement, which requires, amongst other things the passing of all Essential Resolutions.

The Company has received a waiver of ASX Listing Rule 2.1 condition 2 to enable the Company to issue the Public Offer Shares at an issue price of \$0.03 per Share. The waiver is conditional upon Shareholders approving the issue price of the Public Offer Shares.

Further details of the Public Offer are set out in the Prospectus.

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.

The effect of Resolution 3 will be to allow the Company to issue the Shares pursuant to the Public Offer during the period of 3 months after the Meeting (or

a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Public Offer:

- (a) the maximum number of Shares to be issued is 166,666,667 Shares (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same day;
- (c) the issue price will be \$0.03 per Share;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Public Offer for the purposes outlined in Section 1.7.

6. RESOLUTION 5 – ISSUE OF SHARES PURSUANT TO CONVERSION OF LOANS FROM PITT STREET ABSOLUTE RETURN FUND PTY LTD AND SECO RESOURCE FINANCE PTY LTD

6.1 General

Resolution 5 seeks Shareholder approval for the issue of 10,000,000 Shares in satisfaction of outstanding loans owed by the Company to Pitt Street Absolute Return Fund Pty Ltd and Seco Resource Finance Pty Ltd (**Third Party Lenders**) with an aggregate value of \$300,000 (**Third Party Lender Loan**) (**Third Party Loan Issue**).

Other than Mr Kris Knauer and Mr Fletcher Quinn, none of the Third-Party Lenders are related parties of the Company. Whilst Mr Kris Knauer and Mr Fletcher Quinn are related parties of the Company, they are related parties only by virtue of the Proposed Acquisition and therefore come within the Listing Rule 10.12 (Exception 6) carve out to Listing Rule 10.11. It is on this basis that the proposed issue, the subject of this Resolution 6 is to be issued 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 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.

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the Third-Party Lender Loan Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Third-Party Loan Issue:

- (a) the maximum number of Shares to be issued is 10,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration, in satisfaction of outstanding loans totalling \$300,000 owed by the Company to the Third-Party Lenders at a deemed issue price of \$0.03 (on a post-Consolidation basis);
- (d) the Shares will be issued to the Third-Party Lenders, who are not related parties of the Company (other than by virtue of the Proposed Transaction);
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the Third-Party Loan Issue as the Shares are being issued in satisfaction of outstanding loans owed by the Company to the Third-Party Lenders.

7. RESOLUTION 6 – ISSUE OF SHARES TO THE LEAD MANAGERS

7.1 General

Resolution 6 seeks Shareholder approval for the issue of a total of 6,000,000 Advisor Shares to the Lead Managers (or their nominees) (each of whom are unrelated parties) in consideration of lead manager services provided in respect of the Public Offer (**Advisor Offer**).

A summary of ASX Listing Rule 7.1 is set out in section 4.1 above.

The effect of Resolution 6 will be to allow the Company to issue the Advisor Shares pursuant to the Advisor Offer during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue:

- (a) the total number of Shares to be issued is 6,000,000 Shares, comprising:
 - (i) 3,000,000 Shares to be issued to Baillieu (or their nominees); and
 - (ii) 3,000,000 Shares to be issued to Peloton (or their nominees).
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver

or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (c) the Shares will be issued for nil cash consideration in satisfaction of the provision of lead management services provided by Baillieu and Peloton in relation to the Public Offer;
- (d) the Shares will be issued to Baillieu and Peloton, with each engaged by the Company to assist with the Public Offer (or their nominee/s), and are not related parties;
- (e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than in relation to any escrow period imposed by ASX;
- (f) no funds will be raised from the issue of the Shares as they are being issued as consideration for the provision of lead management services provided by Baillieu and Peloton in relation to the Public Offer.

8. RESOLUTIONS 7, 8, AND 9 – ELECTION OF DIRECTORS – KRIS KNAUER, FLETCHER QUINN AND SCOTT FUNSTON

The Constitution allows the Company to appoint at any time a person to be a Director by resolution passed in General Meeting.

In order for the Proposed Directors to be eligible for election, the Proposed Directors, or a Shareholder intending to propose their nomination, must leave at the Company's registered office at least 30 Business Days before the Meeting, a written notice from the Proposed Directors consenting to their nomination and signifying their candidature for the office, or a written notice from a Shareholder signifying their intention to nominate the Proposed Directors.

Pursuant to Resolutions 7, 8 and 9, Messrs Knauer, Fletcher and Funston seek election from Shareholders to be appointed upon completion of the Proposed Acquisition. Resolutions 7, 8 and 9 are Essential Resolutions and are subject to and conditional upon approval of all other Essential Resolutions.

8.1 Mr Kris Knauer – Proposed Managing Director

(a) Qualifications and other material directorships

Mr Knauer started his career as an exploration geologist before moving into investment banking, initially as a mining analyst. He is an experienced listed company CEO. He led the listing of a package of copper/gold assets in Saudi Arabia to create Citadel Resources (ASX: CGG) becoming the Managing Director for the first 18 months. Citadel completed a DFS on the Jabal Sayid copper project in Saudi Arabia prior to being taken over for \$1 billion. In the past 5 years Mr Knauer was also a Director of Medibio (ASX: MEB) where he resigned as a Director on 13 October 2017

(b) Independence

Mr Knauer has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on

issues before the Board and to act in the best interest of the entity and its security holders generally.

The Board has considered Mr Knauer's independence and considers that he is not an independent Director.

8.2 Mr Fletcher Quinn – Proposed Non-Executive Director

(a) Qualifications and other material directorships

Fletcher has over 35 years' experience in venture capital, corporate finance and investment banking including extensive experience with both listed and unlisted companies, including public company development, management and governance. Fletcher was the foundation chairman for ASX entities Citadel Resources and Sirocco Resources.

(b) Independence

Mr Quinn has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the entity and its security holders generally.

The Board has considered Mr Quinn's independence and considers that he is not an independent Director.

8.3 Mr Scott Funston – Proposed CFO and Finance Director

(a) Qualifications and other material directorships

Mr Funston is a qualified Chartered Accountant and Company Secretary with nearly 20 years' experience in the mining industry and the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr Funston possesses a strong knowledge of the Australian Securities Exchange requirements and has assisted a number of resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities. Mr Funston has performed roles as an Executive Director, Non-Executive Director, CFO and Company Secretary for numerous ASX listed companies.

(b) Independence

Mr Funston has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the entity and its security holders generally.

The Board has considered Mr Funston's independence and considers that he is not an independent Director.

8.4 Director Recommendation

The Directors support the election of Messrs Knauer, Quinn and Funston and recommend that Shareholders vote in favour of Resolutions 7, 8 and 9.

9. RESOLUTION 10 – ISSUE OF SHARES – DEFERRED CONSIDERATION

9.1 Background

As set out in Section 1.2, the Company is a party to the Term Sheet pursuant to which it has agreed to acquire 100% of the issued capital in AEP through which they will acquire conditional rights to acquire up to a 75% interest in the Hualilan Project and up to a 100% interest in the El Guayabo Project pursuant to which the Company would issue up to 245,000,001 Shares (on a post-Consolidation basis) (**Earn-In Shares**) on a deferred basis.

Refer to Schedule 2 of this Notice for full details of the El Guayabo Project and Hualilan Project, respectively.

The total Earn-In Shares will be issued progressively in accordance with the schedule set out in Section 9.4(c) and subject to the achievement of the following milestones:

El Guayabo Project Milestones

Project Interest	Cumulative Interest	Project Milestones
19.9%	19.9%	Existing interest in the project
15.1%	35%	Minimum expenditure on project of A\$2m - ~1 Year after relisting
16%	51%	Minimum expenditure on project of A\$3m - ~3 Years after relisting
49%	100%	180m CEL shares payable at the sole discretion of the Board of CEL. Shares to be issued no later than 15 December 2022.

Hualilan Project Milestones

- A payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) to Cerro Sur owners for assignment of Cerro Norte farmin due no later than one month after re-listing on the ASX.
- A milestone payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) due on 22 June 2019.
- Minimum expenditure of A\$1 million on the Hualilan Project.
- The issue of a 11.667 million shares (being shares in CEL assuming the Transaction completes) no later than 1 July 2020 to acquire a 25% interest in the project.

- Completion of a Definitive Feasibility Study within five years and the issue of 50 million shares (being shares in CEL assuming the Transaction completes) to move from 25% to 75% of the project.

9.2 General

Resolution 10 seeks Shareholder approval for the issue of the Earn-In Shares as detailed in Section 9.1 above.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1(a) above.

The effect of Resolution 10 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.3 ASX waiver of Listing Rule 7.3.2

ASX Listing Rule 7.3.2 provides that the date or dates by which an entity must issue securities approved by shareholders under ASX Listing Rule 7.1 is no later than 3 months following the date of the meeting.

The Company has received a waiver from the requirements of ASX Listing Rule 7.3.2 to enable it to complete the issue of the Earn-In Shares over a five-year period from the commencement date, rather than within the 3 months following the Meeting (**ASX Waiver**).

9.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 10:

- (a) the maximum number of Earn-In Shares to be issued is 245,000,001 (on a post-Consolidation basis);
- (b) the Earn-In Shares will be issued later than 3 months after the date of the Meeting and the Company has received a waiver of the ASX Listing Rules to enable the Earn-In Shares to be issued on satisfaction of the Milestones set out in Section 9.1.
- (c) the Earn-In Shares will be issued for in consideration for the acquisition of an interest in the Projects, as follows:
 - (i) 15,000,001 Earn-In Shares to acquire a 25% interest in the Hualilan Project;
 - (ii) 50,000,000 Earn-In Shares to acquire a further 50% interest in the Hualilan Project (a cumulative total of 75% interest); and
 - (iii) 180,000,000 Earn-In Shares to acquire a 49% interest in the El Guayabo Project.
- (d) the Earn-In Shares will be issued in accordance with the terms of each of the farm in agreements set out in Schedule 2 (**Farm-In Agreements**), to the following parties (none of whom are related parties of the Company):

- (i) 1,666,667 Shares to Golden Mining S.A in return for the assignment of the Cerro Norte Farmin Agreement to AAR;
- (ii) 1,666,667 Shares to Golden Mining S.R.L as a milestone payment under the Farmin Agreement for the Hualilan Project;
- (iii) 5,000,000 Shares to Mr Guillermo Enrique Preisz to acquire a 25% interest in the Cerro Norte Project;
- (iv) 6,666,667 Shares to Golden Mining S.R.L to acquire a 25% interest in the Cerro Sur (and associated exploration licence application) Project;
- (v) 50,000,000 Shares to COMPAÑIA GPL S.R.L. to move from 25% to 75% of the Cerro Norte Project; and
- (vi) 180,000,000 Shares to Torata Mining Resources TMR S.A to move from 51% to 100% of the El Guayabo Project,
- (e) the Earn-In Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) as the Earn-In Shares are being issued as consideration for the acquisition of an interest in the Projects, no funds will be raised from the issue.

10. RESOLUTION 11 – CHANGE OF NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 11 seeks the approval of Shareholders for the Company to change its name to **Challenger Exploration Limited**.

If Resolution 11 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

Resolution 11 is subject to and conditional upon the passing of the Essential Resolutions.

The proposed name has been reserved by the Company and if Resolution 11 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisition in order to effect the change.

11. RESOLUTION 12 - ADOPTION OF PERFORMANCE RIGHTS PLAN

This Resolution seeks Shareholders approval for the adoption of the performance rights plan titled "Performance Rights Plan" (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

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

If this Resolution is passed, the Company will be able to issue performance rights under the Plan to eligible participants over a period of three years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval under ASX Listing Rule 7.1 in any 12-month period.

Shareholders should note that no securities have previously been issued under the Plan.

The objective of the Plan is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Directors, consultants and employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones attached to the securities issued pursuant to the Plan are aligned with the successful growth of the Company's business activities.

It is considered by the Company that the adoption of the Plan and the future issue of performance rights under the Plan will provide selected participants with the opportunity to participate in the future growth of the Company.

Any future issues of performance rights under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained, will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Schedule 5.

In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary, Robert Lees, +61 2 9299 9580. Shareholders are invited to contact the Company if they have any queries or concerns.

12. RESOLUTION 13 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN (ESOP)

Resolution 13 seeks Shareholder approval to adopt the ESOP, to provide ongoing incentives to key employees and consultants of the Company.

If Resolution 13 is passed, the ESOP will enable the Company to issue Options to employees, consultants and executive and non-executive Directors of the Company (**ESOP Options**) and to issue Shares to those persons if they choose to exercise their ESOP Options, without using the Company's placement capacity under ASX Listing Rule 7.1. In the case of a Director, no ESOP Options may be issued to the Director without express Shareholder approval of the number and terms of the ESOP Options.

12.1 ASX Listing Rules 7.1

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.

An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9(b)) which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the three years before the date of issue, shareholders have approved the issue as an exception to Listing Rule 7.1.

Shareholder approval is sought to re-adopt the ESOP in accordance with Exception 9(b) of ASX Listing Rule 7.2 and to enable the Company to subsequently issue the ESOP Options under the ESOP for 3 years after the Meeting, without having to obtain Shareholder approval each time the Company wishes to issue such securities which exceed the 15% limit contained in Listing Rule 7.1 and do not otherwise fall within one of the nominated Listing Rule exemptions.

The maximum number of Options that can be issued under the ESOP is not to be in excess of 5% of the total number of Shares on issue.

12.2 Information required by ASX Listing Rule 7.2 (Exception 9(b))

The Company has not issued any Options in reliance on Listing Rule 7.2 Exception 9(b).

The full terms and conditions of the ESOP may be obtained free of charge by contacting the Company. A summary of the terms and conditions of the ESOP is set out in Schedule 8

13. RESOLUTION 14 – APPROVAL TO ISSUE SHARES ON CONVERSION OF AEP LOAN FACILITY

13.1 General

The shareholders of AEP (**AEP Loan Facility Lenders**) have provided AEP with a \$750,000 loan facility (**AEP Loan Facility**) to fund the acquisition of an adjoining concession, any unforeseen costs or cost overruns, the audit of AEP, appointment of a chief financial officer (on a part time basis), and any other costs for the purpose of continuing exploration on the tenements for the period during which the Proposed Acquisition is completing.

The AEP Loan Facility is interest free and unsecured. AEP will use the funds available under the AEP Loan Facility for purposes set out above and any amounts drawn down under the AEP Loan Facility are referred to as the Facility Outstanding Monies.

The Company and AEP Loan Facility Lenders have agreed, subject to obtaining Shareholder approval (the purpose of this Resolution 14), that the Facility Outstanding Monies can be converted into Shares at \$0.03 per Share (being the issue price under the Public Offer) (**Conversion Price**). Accordingly, the Company proposes to issue up to 25,000,000 Shares (**Conversion Shares**) to the AEP Loan Facility Lenders (or their nominee/s) upon conversion of the Facility Outstanding Monies (**Facility Debt Conversion**).

A summary of ASX Listing Rule 7.1 is set out in Section 4.1.

Resolution 14 seeks Shareholder approval for the issue of up to 25,000,000 Shares to the AEP Loan Facility Lenders (or their nominee/s) in satisfaction of the amounts owed. The effect of Resolution 14 will be to allow the Company to issue the Shares pursuant to the Facility 2 Debt Conversion during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 25,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will convert at a deemed issue price \$0.03 per Share (being the same as the issue price of the Shares issued pursuant to the Public Offer, the subject of Resolution 4);
- (d) the Shares will be issued to the AEP Loan Facility Lenders. None of these subscribers are related parties of the Company/the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the AEP Loan Facility to fund the acquisition of an adjoining concession, any unforeseen costs or cost overruns, the audit of AEP, appointment of a chief financial officer (on a part time basis), and any other costs for the purpose of continuing exploration on the tenements for the period during which the Proposed Acquisition is completing and general working capital.

14. RESOLUTION 15 – REPLACEMENT OF CONSTITUTION

14.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 15 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2007.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating the name of the Company;

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website **www.challengerenergy.com.au** and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

14.2 Summary of material proposed changes

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Recommendation of the Board

The Directors recommend that Shareholders vote in favour of Resolution 15.

GLOSSARY

\$ means Australian dollars.

Advisor Offer has the meaning set out in Section 7.1.

AEP means AEP Corporation Pty Limited (ACN 627 617 976).

AEP Loan Facility has the meaning set out in Section 13.1.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Chair means the chair of the Meeting.

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

Consideration Option means an option to acquire a Share with the terms and conditions set out in Schedule 6.

Consolidation means the consolidation of the Company's issued capital pursuant to Resolution 2.

Constitution means the Company's constitution.

Conversion Price has the meaning set out in Section

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

Directors means the current directors of the Company.

Earn-In Shares means to 245,000,001 Shares that are to be issued subject to the passing of Resolution 10 in accordance with the terms and condition set out in Section 9.1.

Essential Resolutions means Resolutions 1 to 11 and 14.

Existing Option means an option to acquire a Share with the terms and conditions set out in Schedule 7.

Explanatory Statement means the explanatory statement accompanying the Notice.

Facility Debt Conversion has the meaning set out in 13.1.

Facility Outstanding Monies means any amounts drawn down under the AEP Loan Facility.

Farm-In Agreements has the meaning set out in Section 9.4

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

Gold Equivalent means, for the purpose of the El Guayabo Project, copper, silver, and molybdenum (to the extent that they are economically recoverable) and for the purpose of the Hualilan Project, silver, zinc, copper and lead (to the extent that they are economically recoverable).

Minimum Subscription means the minimum subscription to the Public Offer, being \$5,000,000.

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

Option means an option to acquire a Share with the terms and conditions set out in Schedule 6 and Schedule 7.

Optionholder means a holder of an Option, including an Existing Option and a Consideration Option.

Projects means AEP's two projects in Argentina and Ecuador as described in Schedule 2.

Proposed Acquisition means the proposed acquisition of 100% of the issued capital in AEP by the Company pursuant to the Terms Sheet.

Prospectus means the prospectus to be issued by the Company in connection with the Public Offer.

Proxy Form means the proxy form accompanying the Notice.

Public Offer has the meaning set out in Section 5.1.

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

Schedule means a schedule accompanying this Notice.

Section means a section of the Explanatory Statement.

Settlement means settlement of the Proposed Acquisition.

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

Shareholder means a registered holder of a Share.

Term Sheet means the binding term sheet entered into between the Company and AEP

Third Party Lenders means Pitt Street Absolute Return Fund Pty Ltd and Seco Resource Finance Pty Ltd.

Vendor means the shareholders of AEP as at the date of this Notice and as set out in Schedule 10.

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

SCHEDULE 1 – KEY TERMS OF THE TERM SHEET

The key terms the Term Sheet are as follows:

- (a) **Consideration:** in consideration for the Proposed Acquisition, the Company will:
- (i) issue 180,000,000 Shares (on a post-Consolidation basis) to the Vendor (or its Nominees);
 - (ii) issue 78,444,444 Options (on a post-Consolidation basis) to the Vendor (or its Nominees); and
 - (iii) issue 120,000,000 Performance Shares, comprising 60,000,000 Class A Performance Shares and 60,000,000 Class B Performance Shares to the Vendor (or its Nominees) on the terms and conditions described in Schedule 7.
- (together, the **Consideration Securities**).
- (b) **Conditions Precedent:** Settlement of the Proposed Acquisition is subject to and conditional upon (or waiver if permitted) of the following conditions precedent on or before 30 June 2019:
- (i) the Company obtaining shareholder approval for the Essential Resolutions;
 - (ii) AEP obtaining all relevant approvals including shareholder approval for the Acquisition;
 - (iii) the Company obtaining all necessary waivers of the ASX Listing Rules required to give effect to the Proposed Acquisition, the Public Offer and its re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
 - (iv) the Company receiving conditional approval from ASX to reinstate the Shares to Official Quotation on ASX on conditions satisfactory to the Company;
 - (v) the Company undertaking the Public Offer and receiving valid non-revocable applications of at least the Minimum Subscription;
 - (vi) the Company entering into an executive services agreement with AEP-nominated Managing Director and CEO, Kris Knauer;
 - (vii) AEP (and its subsidiaries) having net liabilities of less than \$100,000, excluding Project earn in commitments, and the AEP Loan Facility at the Completion date;
 - (viii) no material adverse changes to the Company nor AEP's financial position, except as contemplated by the Term Sheet or approved in writing by the parties, with such approval not to be unreasonably withheld (for the avoidance of doubt, the outcome of the Company's current licence application in South Africa shall not, in any circumstances, be considered a material adverse change);
 - (ix) the Company completing legal and accounting due diligence regarding the Projects and AEP to its reasonable satisfaction;

- (x) execution of the definitive share purchase agreement between the parties and any other ancillary documents required in order to effect the Proposed Acquisition; and
- (xi) ASX approval of the terms of the Performance Shares for the purposes of ASX Listing Rule 6.1.

The Term Sheet otherwise contains terms and conditions which are typical for agreement of this nature, including exclusivity, confidentiality, representations, warranties and indemnities.

The Proposed Acquisition is conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Proposed Acquisition and satisfying all other requirements of ASX for the reinstatement to official quotation of the Company's Shares on the ASX (among other things).

SCHEDULE 2 – DETAILS OF THE PROJECTS

The Proposed Acquisition represents a unique opportunity to secure a right to earn an interest in the El Guayabo Copper Gold Project in Ecuador and the Hualilan Project in Argentina.

- El Guayabo is an advanced exploration stage project covering a project area of 2.8km² located in Ecuador and along strike from TSX listed Lumina Gold's Cangrejos deposit.
- Hualilan is a development stage high grade gold target located in Argentina's San Juan gold district. The Hualilan Project comprises the Cerro Sur and Cerro Norte deposits and an exploration license application covering the surrounding 26 square kms. La Mancha completed two tonnage and grade estimates in 2003 and 2006. The reported 2003 NI43-101 (non-JORC Code compliant) estimate for the Hualilan project is a measured resource of 299,578 tonnes averaging 14.2 grams per tonne gold plus an indicated resource of 145,001 tonnes averaging 14.6 grams per tonne gold plus an inferred resource of 976,539 tonnes grading 13.4 grams per tonne gold representing some 647,809 ounces gold. (Source La Mancha resources Toronto Stock Exchange Release May 14, 2003 - Independent Report on Gold Resource Estimate). The resource is split reasonably evenly across the Cerro Sur and Cerro Norte deposits. The deposit appears to be open in most directions and the Company's target is to quickly deliver a JORC compliant MRE, test open areas of the deposit and complete necessary work to deliver a scoping study within a two-year timeframe.

Table 1 – Tenement Details Hualilan Project

File No	NAME	MINING RIGHTS		SIZE
5448-M-1960	DIVISADERO	Mine	Cerro Sur	300m x 200m
5448-M-1960	FLOR DE HUALILÁN	Mine	Cerro Sur	300m x 200m
5448-M-1960	PEREYRA Y ACIAR	Mine	Cerro Sur	300m x 200m
5448-M-1960	BICOLOR	Mine	Cerro Sur	300m x 200m
5448-M-1960	SENTAZÓN	Mine	Cerro Sur	300m x 200m
5448-M-1960	MUCHILERA	Mine	Cerro Sur	300m x 200m
5448-M-1960	MAGNATA	Mine	Cerro Sur	300m x 200m
5448-M-1960	PIZARRO	Mine	Cerro Sur	300m x 200m
195.152-C-81	Demasia "PIZARRO"	Demasia	Cerro Sur	300m x 200m
5448-M-1960	La Toro	Mine	Cerro Norte	300m x 200m
5448-M-1960	La Puntilla	Mine	Cerro Norte	300m x 200m
5448-M-1960	Pique de Ortega	Mine	Cerro Norte	300m x 200m
5448-M-1960	Descubridora	Mine	Cerro Norte	300m x 200m

5448-M-1960	Pardo	Mine	Cerro Norte	300m x 200m
5448-M-1960	Sanchez	Mine	Cerro Norte	300m x 200m
5448-M-1960	Andacollo	Mine	Cerro Norte	300m x 200m
195.152-C-81	Mine extension south of "TORO" Mine	Demasía	Cerro Norte	300m x 200m
1124-203-2018	JOSEFINA	Cateo	Hualilan	2692 Ha

El Guayabo Project

Overview

The El Guayabo Project is situated in El Oro Province, in southern Ecuador. The El Guayabo Project is located 36 km SE of the provincial capital, Machala which is located on the coast. El Oro Province is named after the historically important gold production which was a significant contributor to the provincial economy. The El Guayabo Project lies in the central to north-central part of the Portovelo-Zaruma gold mining district within the Cangrejos Zaruma intrusive belt.

Access to the El Guayabo Project is possible from the town of Santa Rosa by paved road (18 km) and gravel road (5 km). The "El Guayabo" exploration licence encompasses an area of 280 hectares.

Geology

The El Guayabo Project is located at the western end of the late Oligocene to Early Miocene Cangrejos Zaruma intermediate alkaline intrusive belt, which is controlled by an NW-striking fault zone. The intrusions range in age from 40 – 10 Ma, suggesting a long-lived intrusive complex as is the case for much of western South America (Chile – Peru – Bolivia). The intrusions in the belt are commonly overprinted by late porphyry dykes and intrusion breccia suggesting deeper, evolving magmatic systems are feeding shallower systems.

The host rocks for the intrusive complex are metamorphic basement and Oligocene – Mid-Miocene volcanic rocks. This suggests the intrusions are of a similar age to the host volcanic sequence, which also suggests an evolving basement magmatic system. The NW-striking fault zone to the SW of the El Guayabo Project is a bounding structure for the volcanic basin suggesting it may have a regional control on the intrusive complex (SRK Consulting- High level review of the El Guayabo and Hualilan projects 27 July 2018).

Intrusions are described in the available core logs as quartz diorite and dacite. Mineralisation has been recognised in:

- Steeply plunging breccia bodies and in the metamorphic host rock adjacent to the breccia (up to 200 m in diameter).
- Quartz veins and veinlets.
- Disseminated pyrite and pyrrhotite in the intrusions and in the metamorphic host rock near the intrusions.

Ten breccias have been identified which are described as quartz tourmaline. Two breccia bodies have intermittently been exploited by tribute miners, namely the Bloque De Cobre (Copper Block) and Bloque De Oro (Gold Block), (JKR Consulting and data collected by Newmont (2018)).

The Gold Block breccia is a multi-event breccia. Early stage breccia is described as angular, matrix supported (quartz and albite) with a variable block size. Higher gold grades are associated with a later vuggy breccia stage with shallowly dipping veins and the presence of tourmaline with the copper and gold minerals.

In addition, there are historically reported gold veins occurring in the SW of the exploration licence at Vetás Ecuaba. These veins have a NW strike, contain quartz, arsenopyrite, chalcopyrite and gold

Previous Exploration

Previous exploration was completed by Newmont Mining Corporation and Odin Mining and Exploration Ltd. Geological mapping, as well as soil and rock chip sampling surveys have all been undertaken with 5274 pit and, outcrop samples taken by Newmont currently being compiled. The results of this sampling indicates widespread copper enrichment in rock chips >750 ppm over the eastern and western parts of the licence and widespread gold in rockchips >100 ppb, particularly over the Gold Block, Copper Block and NW parts of the exploration licence.

A total of 33 drill holes (for 7490m) have been completed at the El Guayabo Project by Newmont Mining Corporation and Odin Mining and Exploration Ltd. Drill logs for all holes have been compiled, including logs for lithology, core recovery, samples, assay and magnetic susceptibility. Most holes have a significant intersection suggesting there is considerable potential to extend the known mineralisation. (SRK Consulting- High level review of the El Guayabo and Hualilan projects 27 July 2018).

Fourteen (14) diamond core holes (JDH-001 – JDH-014) were completed by Newmont in one campaign. Two of these holes (JDH-005 and JDH-010) are drilled outside the current exploration licence. The samples from the first 5 holes were analysed for gold only. The samples from the remaining 9 holes were analysed for Au, Ag, Cu, Zn, Pb and As. Of these, 6 holes still have core stored for check assay and to test for other elements. A further 19 holes were completed by Odin Mining with samples analysed for Au (screen fire and fire assay), Ag, Cu, Zn, Pb, As and Mo.

A review of the historical drilling has indicated that many of the holes terminated prior to target and a number ended in ore grade mineralization. Only two of the ten known breccia bodies on the property have been systematically drilled and sampled. Additionally alteration, controls on mineralisation and mineral assemblages are not consistently logged and have been re-logged with the core that remains. Newmont's early holes intersected visible chalcopyrite but samples were analysed for gold only.

Hualilan Project

Overview

The Hualilan Project hosts a gold-zinc skarn deposit located approximately 120 km north-northwest of San Juan, the capital of San Juan Province in north-western Argentina. The project is located at an elevation of approximately 1700m. The climate is moderate and dry with rain most common from December to January. The area is sparsely populated, vegetation is thin and geology is well exposed at surface. Field operations are possible year-round.

The Hualilan Project is accessible via sealed roads to within 500 metres of the licence and then by a series of unsealed roads around the licence. The closest town on the power grid is approximately 40 km to the north of the Hualilan Project.

Geology

Gold and base metal mineralisation has been identified at 19 sites over a 4 km strike length in two zones Cerro Norte and Cerro Sur (together historically known as the Hualilan Project), separated by a late east-west striking fault.

The Hualilan Project consists of farmin agreements to acquire:

- eight mining leases in the Cerro Sur area, each measuring some 300 m by 200 m (6 ha) for a total of 0.48 km² (Figure 2.1-3), together with an additional Demencia (refer Section 3.2 for further details).
- seven mining leases in the Cerro Norte area, each measuring some 300 m by 200 m (6 ha) for a total of 0.42 km² (Figure 2.1-3), together with two additional Demencia (refer Section 3.2 for further details).
- an exploration licence application covering the surrounding 26sq kms.

The 15 mining licences are arranged irregularly on the known deposits exposed at surface. These known deposits at Cerro Sur are Divisadero 1, Flow de Hualilan, Pereyra y Aciar, Bicolor, Sentazon, Muchilera, Magnata and Pizarro. The known deposits at Cerro Norte are, the Manto Principal (Main Manto), Sanchez Vein/Breccia, and the Las Cuevas Vein.

The host rocks to the known mineralisation are Ordovician limestone which is overlain by Silurian conglomerate, sandstone and siltstone. The upper part of the Ordovician limestone contains a chert unit which has attracted bedding parallel fault movement by virtue of the competency contrast between the limestone and chert. The entire sequence is folded and thrust-repeated, generally north-striking and moderately west dipping. The sedimentary rocks are intruded by mid-Miocene stocks, dykes and sills.

Surface oxidation (weathering) depth ranges from 25m to 50m and is dependent on fault and fracture location, being deeper around the fault zones.

Mineralisation occurs in all rock types, but it preferentially replaces within the limestone and faults.

The mineralisation has been classified as manto-style (distal skarn) with vein-hosted mineralisation. It has been divided into three phases; prograde skarn, retrograde skarn and a late quartz – galena event. Gold occurs in native form, in tellurides (hessite) and as inclusions with pyrite and chalcopyrite. The mineralisation also commonly contains chalcopyrite, sphalerite and galena.

Mineralisation is either parallel to bedding, in bedding-parallel faults or in east-west striking, steeply dipping quartz-dominated veins that cross the bedding at a high angle. The veins have thicknesses of 1 to 4 m and contain sulphides. The intersection between the bedding parallel mineralisation and the east-striking cross veins seems to be important in localising the mineralisation. For example, the Dona Justa Open Pit at Cerro Norte is located at the intersection between these structures.

At Cerro Sur, mineralisation occurs in three en-echelon bedding parallel replacement zones that dip 40 – 70 degrees to the west. The northern most zone links to an east-striking feeder.

Previous Exploration and Development

Intermittent sampling dating back over 500 years has produced a great deal of data including sampling data, geologic maps, reports, trenching data, underground workings, drill hole results, geophysical surveys, resource estimates plus property examinations and detailed studies by several geologists although no work has been completed since 2006.

There is 6 km of underground workings that pass through mineralised zones. Records of the underground geology and sampling are currently being compiled and digitised, as are sample data, geological mapping, trench and adit exposures, and drill hole results. Geophysical surveys exist but have largely yet to be checked, located and digitised.

Drilling on the Hualilan Project (Cerro Sur and Cerro Norte combined) extends to over 150 drill holes. The key historical exploration drilling and sampling results are listed below.

- 1984 – Lixivia SA channel sampling & 16 RC holes (AG1-AG16) for 2040m
- 1995 - Plata Mining Limited (TSE: PMT) 33 RC holes (Hua- 1 to 33) + 1500 samples
- 1998 – Chilean consulting firm EPROM (on behalf of Plata Mining) systematic underground mapping and channel sampling
- 1999 – Compania Mineral El Colorado SA ("CMEC") 59 core holes (DDH-20 to 79) plus 1700m RC program
- 2003 – 2005 – La Mancha (TSE Listed) undertook 7447m of DDH core drilling (HD-01 to HD-48)

Original drill logs and assay data for the bulk of this drilling has been located and is currently being compiled and digitised.

Metallurgical test work was undertaken by CMEC in 2000. Four bulk samples were submitted by La CMEC in 2000 to the CIMM T & SSA. Laboratories in Santiago, Chile for testing. These consisted of oxidized sulphide as well as mixed material. Results indicated that flotation used in conjunction with a Knelsen concentrator provided 80% recoveries for gold and silver and 50% for zinc regardless of the material (sulphide or oxidized) into a gold silver and commercial zinc concentrate.

Foreign Estimates (Non-JORC)

La Mancha completed two tonnage and grade estimates in 2003 and 2006. The reported 2003 NI43-101 (non-JORC Code compliant) estimate for the Hualilan project is a measured resource of 299,578 tonnes averaging 14.2 grams per tonne gold plus an indicated resource of 145,001 tonnes averaging 14.6 grams per tonne gold plus an inferred resource of 976,539 tonnes grading 13.4 grams per tonne gold representing some 647,809 ounces gold. (Source La Mancha resources Toronto Stock Exchange Release May 14, 2003 - Independent Report on Gold Resource Estimate)

The 2006 estimate did not include the east-west mineralised Magnata Vein despite the known mineralisation in the Magnata Vein being drilled on a 25 x 50-metre spacing. The 2003 NI43-101 (non-JORC Code compliant) estimate attributed approximately half of its measured and indicated tonnage to the Magnata Vein. The 2006 estimate also included arbitrary tonnage reduction factors of 25% for indicated category, 50% for inferred category and 75% for potential category. The reported 2006 NI43-101 (non-JORC Code compliant Measured and Indicated) estimate for the Hualilan Project is a measured resource of 164,294 tonnes averaging 12.6 grams per tonne gold and 52.1 g/t silver and 2.5% zinc plus an indicated resource of 51,022 tonnes averaging 12.4 grams per tonne gold and 36.2 g/t silver and 2.6% zinc plus an inferred resource of 213,952 tonnes grading 11.7 grams per tonne gold and 46.6 g/t silver and 2.3% zinc. (Source La Mancha resources Toronto Stock Exchange Release April 7, 2007 - Interim Financials)

These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource.

Additional Information Required under LR5.12

The following information is provided in respect of the above foreign estimates as required by ASX Listing Rule 5.12:

- *The source of the foreign estimates are resource reports prepared for La Mancha Resources presented in a technical report written in compliance with the reporting requirements of National Instrument 43-101 dated 12 April 2003 and 30 November 2006.*
- *The 2006 foreign estimate used four categories of mineralisation namely Measured, Indicated, Inferred and Potential. The Measured, Indicated, Inferred categories are generally similar to the same categories of mineralisation defined in Appendix 5 (JORC Code) and the Potential category has not been reported in this release.*
- *The foreign estimates are relevant and material to CEL as they demonstrate that the Project has the potential to be economically viable in the future.*
- *The 2003 Mineral Resource classification and results appropriately reflect the Competent Person's view of the deposit and the current level of risk associated with the project to date. The competent person refers to the La Mancha resources TSX release of 14 May 2003 in which the historical data the resource was based upon was described as "both detailed and reliable".*

- *The competent person is unsure why tonnage reduction factors of 25%, 50%, and 75%, were applied to the calculated indicated, inferred, and potential tonnages in the 2006 resource and does not believe these tonnage reduction factors are appropriate nor does this 2006 resource appropriately reflect the Competent Person's view of the deposit.*
- *There is sufficient confidence in the data quality, drilling methods and analytical results. The available geology and assay data correlate well. The approach or procedure are deemed appropriate given the confidence limits. The main two factors which could affect relative accuracy is grade continuity and top cut.*
- *The foreign estimates use all core drilling and detailed underground channel sampling collected by EPROM, CMEC and La Mancha. The estimation techniques are appropriate with a longitudinal section polygonal method used for estimating resources, with individual blocs representing weighted averages of sampled underground and/or areas of diamond drill pierce points with zones of influence halfway to adjacent holes. The area of the block was calculated using AutoCad directly from the longitudinal sections. Overlying assumptions included a reduction of the calculated grade in each resource block by a factor of 10% to account for possible errors in the analyses.*
- *No more recent estimates or data are available.*
- *To verify the foreign estimates CEL in accordance with the JORC Code the Company intends to develop a program to include:*
 - *Twinning of core holes;*
 - *Additional data precision validation as required;*
 - *Detailed interpretation of known mineralized zones;*
 - *Geostatistical assess of area of currently mineralisation to complete a re-estimation of these areas;*
 - *Investigate further drilling requirements to upgrade both the unclassified mineralisation and mineralisation in the existing historical resources to meet JORC 2012 requirements;*
 - *Structural interpretation;*
 - *Metallurgical test work; and*
 - *Complete a resource model review to meet JORC 2012 requirements.*

Competent Person Statement – Exploration results

The information in this release provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The information that relates to sampling techniques and data, exploration results and geological interpretation has been compiled by Mr John King who is a full-time employee of JRK Consulting Pty Ltd. Mr King is a member of the Mining and Metallurgical Society of America and a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code.

Mr King has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this report of the matters based on information in the form and context in which it appears. The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

Au equivalent values for Hualilan were calculated using a price of US\$1300 for Au, \$15 for Ag and \$2500t Zn. Cu and Pb were not included as metallurgical test work has yet to demonstrate an economic path the extraction of Cu and Pb. Recoveries were not factored into the calculation of Au equivalents given metallurgical test work is preliminary in nature.

Competent Person Statement – Historical resources

The information in this release provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The information that relates to Mineral Resources has been compiled by Mr John King who is a full-time employee of JRK Consulting Pty Ltd. Mr King is a member of the Mining and Metallurgical Society of America and a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code.

Mr King has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this report of the matters based on information in the form and context in which it appears. The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

1. Expansion of the El Guayabo Project by AEP

AEP through its wholly owned subsidiary holds a 19.9% interest in the El Guayabo Project. Under the earn in agreement, AEP can acquire up to a 100% of the El Guayabo project via a staged farm-in agreement.

The terms of the earn in agreement in relation to the El Guayabo Copper Gold Project are as follows:

- (c) Stage 1: Expenditure of A\$2 million by 15 June 2020 to move from 19.9% to a 35% interest in the Project;
- (d) Stage 2: Expenditure of an additional A\$3 million by 1 June 2022 to move to a 51% interest in the Project;
- (e) Stage 3: At any time on or before 15 December 2022, and at the sole discretion of EMP (being controlled by the Board of CEL), issue 180,000,000 Shares to Torata Mining Resources TMR S.A to acquire 49% of the Project. These shares will be subject to necessary regulatory and shareholder approvals.

2. Hualilan Project

Afro Asian Resources Pty Ltd (**AAR**) is a wholly owned subsidiary of AEP. AAR has entered into a binding farm-in agreement with Golden Mining SRL (**GML**) and Golden Mining SA (**GMA**). GML is the current holder of the concessions constituting the Cerro Sur Project and GMA has entered into an agreement with the current holders of the Cerro Norte project. Under this Agreement AAR has the right to earn 75% of both the Cerro Sur and Cerro Norte projects (which comprise the Hualilan Project) on the following terms:

- (f) Cerro Sur and Exploration licence application covering 26 sq km's surrounding the projects
 - (i) Minimum expenditure of A\$1 million (on the Cerro Sur and Cerro Norte projects combined) and the issue of 6.667 million shares (being shares in CEL assuming the Proposed Acquisition completes) no later than 1 July 2020 to acquire a 25% interest in the project
 - (ii) A milestone payment of 1.667 million shares (being shares in CEL assuming the Proposed Acquisition completes) due on 22 June 2019.
 - (iii) Completion of a Definitive Feasibility Study within five years¹ to move from 25% to 75% of the project.
- (g) The terms of the earn in agreement in relation to the Cerro Norte Project are as follows:
 - (i) The issue of 1.667 million shares (being shares in CEL assuming the Proposed Acquisition completes) to GMA no later than 30 June 2019 as consideration for the assignment of the Cerro Norte Farmin Agreement
 - (ii) Minimum expenditure of A\$1 million (on the Cerro Sur and Cerro Norte projects combined) and the issue of 5 million shares (being shares in CEL assuming the Proposed Acquisition completes) no later than 1 February 2021 to acquire a 25% interest in the project
 - (iii) Completion of a Definitive Feasibility Study within five years and the issue of 50 million shares (being shares in CEL assuming the Proposed Acquisition completes) to move from 25% to 75% of the project.

SCHEDULE 3 – PRO FORMA CAPITAL STRUCTURE

The indicative share capital structure of the Company following completion of the Proposed Acquisition, based on the current securities on issue and including the Public Offer (assuming full subscription), will be as follows (subject to rounding following the Consolidation):

Shares

	Minimum Subscription
Current Shares on issue on pre-Consolidation basis	389,466,820
Current Shares on issue on a post-Consolidation basis (Resolution 2)	77,893,364
Proposed issue of Consideration Shares pursuant to the Vendors (Resolution 3)	180,000,000
Proposed issue of Shares pursuant to the Public Offer ¹ (Resolution 4)	166,666,667
Proposed issue of Shares issued pursuant to the Third-Party Loan Issue (Resolution 5)	10,000,000
Proposed issue of Shares to be issued on conversion of the approval to issue shares on conversion of AEP Loan Facility (Resolution 14)	25,000,000
Proposed issue of Shares pursuant to the Advisor Offer (Resolution 6)	6,000,000
TOTAL¹	465,560,031

Shares – Post Reconciliation

	Minimum Subscription
Shares on issue post-Consolidation and subject to the passing of the Essential Resolutions	465,560,031
Proposed issue of Deferred Consideration Shares subject to achieving the milestones required for a 25% interest in Hualilan	15,000,001
Proposed issue of Deferred Consideration Shares subject to achieving the milestones required for a 50% in Hualilan	50,000,000
Proposed issue of Deferred Consideration Shares subject to achieving the milestones required for a 49% interest in El Guayabo	180,000,000
TOTAL	710,560,032

Options

	Minimum Subscription
Options on issue as at the date of this Notice:	
Quoted	
N/A	Nil
Unquoted	
Options on issue as at the date of this Notice, exercisable at \$0.25 on	6,950,000

a post-Consolidation basis on or before 30 June 2020 ³	
Options to be issued pursuant to the Proposed Acquisition exercisable at \$0.04 on a post-Consolidation basis on or before 30 June 2022 (Resolution 3)	78,444,444
Options to be issued pursuant to the Public Offer	Nil
TOTAL	85,394,444

Performance Shares

	Minimum Subscription
Performance Shares on issue as at the date of this Notice on a post-Consolidation basis	Nil
Performance Shares to be issued pursuant to the Public Offer	Nil
Performance Shares to be issued pursuant to the Proposed Acquisition (Resolution 3)	120,000,000
TOTAL	120,000,000

Performance Rights

	Minimum Subscription
Performance Rights on issue as at the date of this Notice on a post-Consolidation basis ⁴	800,000 ⁴
Performance Rights proposed to be offered to Directors and New Directors and consultants	Nil
Performance Rights offered pursuant to the Public Offer	Nil
Performance Rights offered pursuant to the Proposed Acquisition	Nil
Total Performance Rights on issue after completion of the Proposed Acquisition	800,000

Notes:

1. Assumes no further securities are issued prior to completion of the matters the subject of the Resolutions, other than as set out in the table.
2. On a pre-Consolidation basis, 34,750,000 Options exercisable at \$0.05 on or before 30 June 2020.
3. Issued to Mr Willes under a performance rights plan as follows: Tranche 4 – 4,000,000 performance rights vest on completion of 36 months continuous employment with the Company and either the Company, by no later than 7 April 2020:
 - announcing that its interests in the Karoo Basin, South Africa can be commercially developed; or
 - receiving an independent reserves certification containing proved reserves; or
 - having or achieving a market capitalization of \$500m or greater

As noted in the Company's Annual Report, it is not currently considered probable the Tranche 4 performance rights will vest.

SCHEDULE 4 – PRO FORMA BALANCE SHEET

PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Challenger Consolidated Audit Reviewed	Challenger Consolidated Audited	Pro-forma Challenger Consolidated Post Acquisition
Challenger Energy Limited			
Pro-forma Consolidated Balance Sheet	31-December 2017	30-June 2018	30-June 2018
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	147,557	92,914	4,723,658
Trade and other receivables	8,491	11,934	11,934
Prepayments	17,131	16,171	16,171
Other financial assets	33,241	4,810	4,810
TOTAL CURRENT ASSETS	206,420	125,829	4,756,573
NON-CURRENT ASSETS			
Exploration and evaluation	-	-	2,688,322
TOTAL NON-CURRENT ASSETS	-	-	2,688,322
TOTAL ASSETS	206,420	125,829	7,444,895
CURRENT LIABILITIES			
Trade and other payables	927,446	298,410	340,410
Loans - unsecured	100,000	275,000	-
TOTAL CURRENT LIABILITIES	1,027,446	573,410	340,410
TOTAL LIABILITIES	1,027,446	573,410	340,410
NET ASSETS	(821,026)	(447,581)	7,104,485
EQUITY			
Issued capital	32,017,355	32,017,355	10,596,327
Reserves	2,600,760	2,597,739	-
Accumulated losses	(35,355,582)	(34,979,080)	(3,408,247)
Non-controlling interest	(83,559)	(83,595)	(83,595)
TOTAL EQUITY	(821,026)	(447,581)	7,104,485

SCHEDULE 5 – TERMS AND CONDITIONS OF CONSIDERATION OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to as set out in Schedule 1(i), the amount payable upon exercise of each Option will be \$0.04 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 30 June 2022 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no

later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 6 – TERMS AND CONDITIONS OF EXISTING OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 30 June 2020, in relation to the Existing Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company

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

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Transferability**

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

SCHEDULE 7 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

4. Terms of Performance Shares

- (h) **(Performance Shares):** Each Performance Share is a share in the capital of Company.
- (i) **(General Meetings):** The Performance Shares shall confer on the holder **(Holder)** the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of the Company.
- (j) **(No Voting Rights):** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (k) **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends.
- (l) **(No Rights on Winding Up):** Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company.
- (m) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (n) **(Reorganisation of Capital):** In the event that the issued capital of the Company is reconstructed, all rights of a Holder of Performance Shares will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (o) **(Application to ASX):** The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must, within seven (7) days after the conversion, apply for and use its best efforts to obtain the official quotation on ASX of the Shares issued from the conversion.
- (p) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under item (g) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (q) **(Amendments required by ASX):** The terms of the Performance Shares may be amended as necessary by the Company's board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.

- (r) **(No Other Rights):** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

5. Conversion of the Performance Shares

- (s) **(Milestones):** Subject to subparagraph The Performance Shares will, convert upon the satisfaction of the following milestones:
- (i) **(Class A):** A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:
 - (A) a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
 - (B) a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne; Gold Equivalent or
 - (C) a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent;
 - (ii) **(Class B):** The Class B Performance Shares held by the holder will convert into an equal number of Shares upon the Company:
 - (A) Completion and announcement by CEL (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.
- (each referred to as a **Milestone**).
- (t) **(Conversion on change of control)** Notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:
- (i) a takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

the Performance Shares shall automatically convert into Shares, provided that if the number of Shares that would be issued upon such conversion is greater than 10% of the Company's Shares on issue as at the date of conversion, then that number of Performance Shares that is equal to 10% of the Company's Shares on issue as at the date of conversion under this paragraph will automatically convert into an equivalent number of Company Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

- (u) **(No Conversion if Milestone not Achieved):** If the relevant Milestone is not achieved by the required date (being seven years from the date of the Acquisition or such other date as required by ASX), then all Performance Shares held by each Holder shall lapse.
- (v) **(After Conversion):** The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion (subject to complying with any restriction periods required by the ASX)

SCHEDULE 8 – SUMMARY TERMS AND CONDITIONS OF EMPLOYEE SHARE OPTION PLAN (ESOP)

The material terms of the ESOP can be summarised as follows:

(a) **Eligible Participants**

Means full or part time employees of the Company or an Associated Body Corporate or Consultant to the Company (**Eligible Participants**).

(b) **Purpose of the ESOP**

The purpose of the ESOP is to provide an incentive to encourage participation by Eligible Participants in the Company through Share ownership and to attract, motivate and retain Eligible Participants.

(c) **Offer of ESOP Options**

When an Eligible Participant satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (**Offer**) to the Eligible Participant of ESOP Options. The Offer will specify the number of ESOP Options being offered and the conditions that must be met by the Eligible Participant before the ESOP Options will vest.

(d) **Number of ESOP Options Offered**

The number of ESOP Options that will be offered to an Eligible Participant pursuant to an Offer is entirely within the discretion of the Directors. Each ESOP Option will, upon vesting, entitle the holder to one (1) Share in the capital of the Company.

(e) **Vesting Conditions**

The ESOP Options will not vest unless the vesting conditions imposed by the Board have been satisfied or waived by the Board at its absolute discretion.

(f) **Exercise Price**

The exercise price of any ESOP Option offered to an Eligible Participant shall be at the absolute discretion of the Board.

(g) **Lapse of ESOP Options**

ESOP Options that have not vested will lapse on the second anniversary of the date of grant of the ESOP Option or such later date as agreed by the Board.

Any unvested ESOP Options will immediately lapse, subject to board discretion, where:

- (i) the Eligible Participant ceases to be an employee or director of, or to render services to, the Company or its Associated Body Corporate;
- (ii) the exercise conditions are unable to be met; or
- (iii) the lapsing date has passed.

(h) **Shares Allotted Upon Exercise of ESOP Options**

The Company will issue or transfer Shares to the Eligible Participant as soon as practicable after the exercise of any ESOP Options. The Shares allotted under the ESOP will be of the same class and will rank equally with Shares in the Company at the date of issue.

The Company will seek listing of the new Shares on ASX within the time required by the ASX Listing Rules.

(i) **Transfer of ESOP Options**

An ESOP Option issued under the ESOP is not transferable without the consent of the Board.

(j) **Takeover or Scheme of Arrangement**

Where:

- (i) a notice of meeting is despatched to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to Section 411 of the Corporations Act;
- (ii) an announcement of a takeover bid is made or a bidder's statement for a bid is received by the Company; or
- (iii) a person or group of associated persons becomes entitled, subsequent to the date of grant of the relevant ESOP Options, to sufficient Shares to give them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such an ability was not already held by that person,

then the Directors may determine that the ESOP Options may be exercised at any time from that date, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control, or to use their reasonable endeavours to procure that an offer is made to holders of the ESOP Options on like terms to the terms proposed under the change of control event.

(k) **Bonus Issues, Rights Issues and Capital Reconstruction**

In order to prevent a reduction of the rights of holders of the ESOP Options, in the event of bonus issues or a capital reconstruction, there are provisions in the rules which provide a method of adjustment of the number or terms of ESOP Options to prevent such a reduction in compliance with the Listing Rules.

(l) **Participation in New Issues**

There are no participating rights or entitlements inherent in the ESOP Options and (subject to item (k)) the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the ESOP Options. In addition, holders of the ESOP Options will not be entitled to vote or receive dividends as a result of their holding of ESOP Options.

SCHEDULE 9 – PERFORMANCE RIGHTS PLAN SUMMARY

The full terms of the performance rights plan (**PRP**) may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the PRP is set out below.

- (w) Subject to any necessary approvals from the Company's shareholders or as required by law or by the Listing Rules, the Board may, from time to time, at its absolute discretion grant performance rights (being the entitlement to shares pursuant to the PRP) (**Performance Right**) to eligible participants (being any Director (including non-executive directors) and full time or part time employee or consultant of a Group Company (devoting 40% of their time to the Company) who is declared by the Board to be eligible to receive grants of Performance Rights under the PRP) (**Eligible Participant**) with effect from the date determined by the Board, upon the terms set out in the PRP and upon such additional terms and vesting conditions (being one or more conditions which must be satisfied or circumstances which must exist before Performance Rights vest, as determined by the Board) (**Vesting Conditions**) as the Board determines.
- (x) Each Performance Right will, subject to vesting, entitle the holder on exercise to one fully paid ordinary share in the capital of the Company (**Share**).
- (y) A Performance Right granted under the PRP will not vest unless the Vesting Conditions (if any) advised to the Participant by the Board have been satisfied and the Board has notified the Participant.
- (z) The Board will advise each Eligible Participant of the following minimum information regarding the Performance Rights:
 - (i) the maximum number of Performance Rights that the Eligible Participant may apply for, or the formula for determining the number of Performance Rights that may be applied for;
 - (ii) the maximum number of Shares that the Participant is entitled to be issued on the exercise of each Performance Right (if the Performance Conditions are met) or the formula for determining the maximum number of Shares;
 - (iii) the Issue Price;
 - (iv) any applicable Performance Conditions and the corresponding period of performance;
 - (v) the approximate date of measurement establishing the level of satisfaction of the Performance Conditions (**Measurement Date**);
 - (vi) when unvested Performance Rights will expire (**Expiry Date**);
 - (vii) the date by which an Offer must be accepted (**Closing Date**); and
 - (viii) any other information required by law or the ASX Listing Rules or considered by the Board to be relevant to the Performance Rights or the Shares to be issued on the exercise of the Performance Rights.
- (aa) 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 Eligible Participant's legal personal representative or upon bankruptcy to the Eligible Participant's trustee in bankruptcy.

- (bb) The Company shall notify the Eligible Participant when the relevant vesting requirements have been satisfied and the Eligible Participant may then exercise their right to accept the vesting of the Performance Rights and be issued the Shares, following which the Company will issue the Shares and deliver notification of the Shareholding to the Eligible Participant.
- (cc) Unless the Board decides otherwise, any vested Performance Right that has not been exercised within one year of becoming vested shall automatically lapse.
- (dd) Where a Participant ceases to be an Eligible Participant, any unvested Performance Rights shall lapse (subject to certain good leaver exceptions).
- (ee) If Shares of the same class as those allotted under the PRP are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for the listing of the Shares issued upon the exercise of the Performance Rights.
- (ff) Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank pari passu with all other Shares on issue.
- (gg) The Board may determine that Shares allocated on the exercise of Performance Rights are subject to the restrictions on sale, transfer or other dealing by the Participant.
- (hh) In the event of a change in control of the Company or the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company, the Board may, in its absolute discretion, determine that all or a specified number of a Participant's unvested Performance Rights vest. Any Performance Right which the Board determines does not vest will automatically lapse, unless the Board determines otherwise.
- (ii) There are no participating rights or entitlements inherent in the Performance Rights and Eligible Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (jj) A Performance Right does not confer a change in the number of underlying Shares over which the Performance Right can be exercised.
- (kk) If, at any time, the issued capital of the Company is reorganised, all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

SCHEDULE 10 – AEP CORPORATION PTY LIMITED SHAREHOLDERS

Shareholders

Shares	Registration name	Designation
30,975,000	Moneybung Pty Ltd	<Moneybung A/C>
24,100,000	Eastern Capital Group LLC	
10,560,000	JAWAF ENTERPRISES PTY LTD	<Hall Family A/C>
11,433,333	DOMAEVO PTY LTD	<The JCS A/C No2>
8,333,333	Ausepen Pty Ltd	<Desktop A/C>
8,000,000	Jackie Au Yeung	
6,000,000	Pinchas Althaus	
5,833,333	Chris Freney	<Trustee A/C>
5,000,000	E & E Hall Pty Limited	<Enhanced Private Unit A/C>
4,633,333	Bernard Lavery Pty Ltd	
4,306,667	PSFM Nominees Pty Ltd	<Staff A/C>
4,250,000	Jeffrey Bennett & Karen Skafte	<J Bennett Superannuation Fund a/c>
4,166,667	Sanperez Pty Ltd	<P Chalmers Family A/C>
3,666,667	FRANCIS SCOTT FUNSTON + VICTORIA ALEXIS SUZANNE FUNSTON	<FUNSTON INVESTMENT A/C>
3,600,000	Mowbrick Pte Ltd	
2,916,667	Karakoram No2 Pty Ltd	<super fund A/C>
2,800,000	Lucas James Koekoek	
2,116,667	Harshell Investments Pty Ltd	<Kaplan Family A/C>
2,083,333	Mr Jason Eveleigh	
2,083,333	Ms Bess Annie Moraro	
2,083,333	Exelmont Pty Ltd	
2,050,000	Joluk Investments Pty Ltd	
2,000,000	Carlos Eduardo Moncayo Balarezo	
2,000,000	Hayden James Locke	
1,750,000	P Thick Pty Ltd	<Thick Family Super Fund A/C>
1,500,000	Advance Conveyors Pty Ltd	
1,500,000	Scor Go Luath Ltd	
1,250,000	143 Pty Ltd	
1,250,000	Northern Star Nominees Pty Ltd	
1,250,000	Peter David Ferguson Pty Ltd	<PD Ferguson Super Fund A/C>
1,250,000	Versco Holdings Pty Ltd	<The Dale Family Account>
1,041,667	Mervyn R.J. Jacob	
1,041,667	Karen Gail De Vries	

1,041,666	BJS ROBB PTY LTD	
1,041,667	G & J SUPER FUND PTY LTD	<G & J SUPER FUND A/C>
1,041,667	AS & JR LIBBIS PTY LIMITED	<LIBBIS FAMILY A/C>
1,041,666	VUEVE NOMINEES PTY LIMITED	<VUEVE SUPERANNUATION A/C>
1,041,667	DAHIMA PTY LTD	<BRIGGS R&P SCHEME A/C>
1,041,667	BFB Holdings Pty Ltd	< BFB Investment A/C>
1,000,000	John King	
833,333	AMVEST LLC	
833,333	Cornela Pty Ltd	<Macliver Family Fund No2 A/C>
833,333	Peter Kelvin Rodwell	
800,000	Michael James Spencer	
625,000	RDA Asset Management Limited	
416,667	Prinsep Park Pty Ltd	
416,667	Seven Towers Pty Ltd	<Seven Towers Super Fund A/C>
416,667	Anthony Paul Rovira	
416,667	Christopher Rovira	
333,333	CRX Investments Pty Limited	
180,000,000	Total	

Option holders

Options	Registration name	Designation
14,548,609	PSFM Nominees Pty Ltd	<Staff A/C>
8,854,167	Moneybung Pty Ltd	<Moneybung Family A/C>
8,854,167	Ausepen Pty Ltd	<Desktop A/C>
8,854,167	DOMAEVO PTY LTD	<The JCS A/C No2>
7,000,000	Eastern Capital Group LLC	
5,312,500	E&E Hall Limited	<Enhance Private Unit A/c>
3,541,667	Bernard Lavery Pty Ltd	
3,541,666	Jeffrey Bennett + Karen Skafte	<J Bennett Superannuation Fund A/C>
2,479,167	Karakoram No2 Pty Ltd	<super fund A/C>
2,000,000	Jackie Au Yeung	
2,000,000	IRX Advisory Pty Ltd	IRX Advisory Pty Ltd
2,000,000	FRANCIS SCOTT FUNSTON + VICTORIA ALEXIS SUZANNE FUNSTON	<FUNSTON INVESTMENT A/C>
1,883,834	Harshell Investments Pty Ltd	<Kaplan Family A/C>
1,854,167	Ms Bess Annie Morado	
1,824,500	Joluk Investments Pty Ltd	

1,770,833	Mr Jason Eveleigh	
1,062,500	143 Pty Ltd	
1,062,500	Mowbrick Pte Ltd	
78,444,444	Total	

Performance Shareholders

Perfomance Share A	Perfomance Share B	Registration name	Designation
18,350,000	18,350,000	Moneybung Pty Ltd	<Moneybung Family A/C>
18,350,000	18,350,000	Eastern Capital Group LLC	
5,600,000	5,600,000	Pinchas Althaus	
5,000,000	5,000,000	JAWAF ENTERPRISES PTY LTD	<Hall Family A/C>
3,200,000	3,200,000	Chris Freney	<Trustee A/C>
3,000,000	3,000,000	Carlos Eduardo Moncayo Balarezo	
1,600,000	1,600,000	Mowbrick Pte Ltd	
1,200,000	1,200,000	Lucas James Koekoek	
1,000,000	1,000,000	Hayden James Locke	
1,000,000	1,000,000	PSFM Nominees Pty Ltd	<Staff A/C>
800,000	800,000	Scor Go Luath Ltd	
500,000	500,000	John King	
400,000	400,000	Michael James Spencer	
60,000,000	60,000,000		

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PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VOTE ONLINE

Lodge your proxy vote securely at www.securitytransfer.com.au
1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE»

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, 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 General Meeting of the Company to be held at 11:00am AEST on Monday 29 April 2019 at 33 Erskine Street, Sydney NSW 2000 and at any adjournment of that meeting.

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 12, 13 and 14 (except where I/we have indicated a different voting intention below) even though Resolutions 12,13 and 14 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION	For	Against	Abstain*		For	Against	Abstain*
1. Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Election of Director - Mr Scott Funston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. Approval to Issue Shares - Deferred Consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Issue of Consideration Securities to AEP Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Public Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. Adoption of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval to Issue Shares on Conversion of Loans from Pitt Street Absolute Return Fund Pty Ltd and Seco Resource Finance Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13. Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Issue of Shares to the Lead Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14. Approval to Issue Shares on Conversion of AEP Loan Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Election of Director - Mr Kris Knauer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15. Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Election of Director - Mr Fletcher Quinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * 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.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Name:

()

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

You are entitled to appoint up to two (2) persons as 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 contacting the Company's share registry or you may photocopy this form

- a) On each of the Proxy forms, 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 of your votes; and
- b) Return both forms in the same envelope.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

Email registrar@securitytransfer.com.au

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.