

18 April 2019

Board of Directors:

Michael Fry
(Non-executive Chairman)

Robert Willes
(Managing Director)

Clinton Carey
(Non-executive Director)

Issued capital:

389,466,818 fully paid
ordinary shares (ASX: CEL)

38,750,000 unlisted options
and rights

Substantial holders:

LQ Super 11.06%

W&M Brown 7.47%

Registered office:

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ABN: 45 123 591 382

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 MARCH 2019

HIGHLIGHTS

Acquisition of rights to two South American gold/copper projects located in Argentina and Ecuador

- On 22 February 2019 Challenger announced binding conditional agreement to acquire 75% of the Hualilan Project (Argentina) and 100% of El Guayabo Project (Ecuador) via acquisition of AEP Corporation Pty Ltd (AEP).
- AEP can earn 75% of the Hualilan Project in Argentina and 100% of El Guayabo Project in Ecuador via staged farm-in agreements.
- Hualilan Project is a high-grade gold / silver project with extensive historical drilling and a 43-101 compliant foreign resource estimate.
- El Guayabo is a breccia and porphyry gold / copper project with sufficient historical information to identify multiple targets.
- The Company will continue to pursue its application for shale gas exploration rights in South Africa.
- Proposed capital raising of \$5.0m as part of proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Update on progress in South Africa

The Company continues to pursue its application for shale gas exploration rights in South Africa. As previously indicated, there appears to be newfound political momentum, with an important decision made to abandon the long delayed MPRDA Amendment Bill¹ and fast track a new piece of legislation specific to the petroleum industry. Challenger is advised that on 20 September 2018 the Minister of Mineral Resources, Gwede Mantashe, withdrew the MPRDA Amendment Bill from parliament with the full support of Cabinet after a decision was taken to separate the legislation applicable to the petroleum sector from that applicable to the mining sector. The Department of Mineral Resources has begun drafting a new bill which can be fast tracked without being impacted by the historic issues which have affected the MPRDA Amendment Bill.

In January 2019 the Department of Mineral Resources and the Petroleum Agency of South Africa held what is anticipated to be the first in a number of meetings with members of the offshore and onshore upstream petroleum industries to consult on the new draft petroleum resources development bill. The regulator assured industry that progress was being made in the drafting of the bill, which the department aimed to introduce in the first term of the 27th South African Parliament (to be formed after this year's national elections).

Corporate

On 22 February 2019 the Company announced it had signed a binding heads of agreement to acquire 100% of the issued capital in AEP Corporation Pty Ltd (AEP) (the Transaction). AEP owns the rights to earn in to 75% of the Hualilan Project in Argentina and 100% of the El Guayabo Project in Ecuador (collectively referred to as the Projects). In addition to \$300,000 founder capital AEP has raised \$2.25m in seed capital. Under the terms of the Transaction, the current shareholders in AEP (Vendors), which includes the seed capital shareholders, will receive 180m² ordinary shares 78.44² million 4 cent options expiring 30 June 2022, and 120m² performance shares in the Company as consideration for the acquisition.

The Transaction is subject to and conditional upon the satisfaction of certain conditions precedent including; the Company obtaining all regulatory and shareholder approvals for the Transaction; completion of due diligence by the Company; execution of definitive legal documentation; and re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

¹ The MPRDA Amendment Bill (the "Bill") was referred back to Parliament by then President Jacob Zuma on the basis that further public hearings were required to correct defects in the initial public participation process. The NCOP Select Committee on Land and Mineral Resources (the "Select Committee") held public hearings on the Bill in each province of South Africa from 25 January to 20 April 2017. In addition to the public hearings the Select Committee called for written and oral submissions directly, the latter being hosted in Parliament from 13 to 28 June 2017. The Select Committee was mandated to vote on any amendments to the Bill before sending the final draft to the National Assembly for parliamentary approval, and each provincial legislature was requested to propose amendments in accordance with comments received in the public hearings. Following the Select Committee voting process, the final draft Bill was collated by the State Legal Advisors. Procedural issues were raised in relation to the inclusion of amendments in the Bill which amend the underlying MPRDA Act directly (as opposed to amending the Bill).

² On a post 1 for 5 consolidation basis.

Hualilan Project Overview

The Hualilan Project is a skarn and manto gold silver deposit associated with a porphyry intrusive. It has extensive historical drilling with in excess of 150 drill-holes dating back to the 1970s. There has been limited historical production reported despite having in excess of 6km of underground workings reported. The property was last explored by La Mancha Resources, a Toronto Stock Exchange listed company, in 2006. La Mancha's work resulted in NI43-101 (non-JORC) resource estimates that remain open in most directions. Exploration by La Mancha attempted to assess the continuity of mineralization across the property, but this has yet to be tested by systematic drilling.

El Guayabo Project Overview

The El Guayabo Project is a breccia and porphyry gold / copper project. It was last drilled by Newmont Mining Corporation Limited and Odin Mining and Exploration Limited in 1995 and 1997 targeting gold in hydrothermal breccias. The drilling to date has demonstrated potential to host significant copper and associated gold and silver mineralisation. Drilling has returned a number of intersections of greater than 100m of intrusion related breccia and vein hosted mineralization. The El Guayabo Project has multiple targets including breccia hosted mineralization, an extensive flat lying late stage vein system and an underlying porphyry system target.

Overview of Other Transaction Terms

The Transaction consideration consists of 180m ordinary shares, 78.44m options and 120m performance shares, with the hurdles to the conversion of the performance shares linked to two Project related milestones.

The Company will, on completion of the Transaction, appoint three new experienced directors: Kris Knauer as Managing Director / CEO, Fletcher Quinn as Non-Executive Chairman, and Scott Funston as Finance Director and CFO.

As part of the Transaction, AEP has advanced \$400,000 (including an additional \$100,000 subsequent to the end of the quarter) to the Company with the capacity for the Company to draw down further advances of up to \$100,000. This funding will be used to complete the re-compliance and the associated \$5.0m capital raise.

The Company will seek to consolidate its shares as part of the process of seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The consolidation is currently proposed on a one for five basis (i.e. every 5 shares held will consolidate to 1 share). The Company intends to issue a prospectus to raise \$5,000,000 at a price of \$0.03 which is the pre-consolidation equivalent of \$0.006 per share.

The Company has issued a Notice of Meeting and a general meeting of shareholders is scheduled for 29 April to approve resolutions related to the proposed transaction.

Further details on the proposed Transaction, projects and work programmes are contained in the release to ASX dated 22 February 2019 and the Notice of Meeting dated 25 March 2019.

Funding

A further \$100,000 has been drawn under the AEP unsecured convertible facility related to the proposed transaction during the quarter, with a further \$100,000 called upon and received subsequent to the end of the quarter.

Yours faithfully



Robert Willes
Managing Director

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Challenger Energy Limited

ABN

45 123 591 382

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (assessing potential new projects)	(23)	(75)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(40)	(203)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(63)	(278)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – deposits refunded		
2.6	Net cash from / (used in) investing activities		

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	100	325
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	100	325

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	103	93
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(63)	(278)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	100	325
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	140	140

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	140	103
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	140	103

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	nil
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
None.	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	800	600
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has entered into an unsecured loan facility provided by Pitt Street Absolute Return Fund Pty Ltd for up to \$200,000. The called upon unsecured loans of \$200,000 incur a 5% p.a. interest rate.

The Company has entered into an unsecured loan facility provided by Pitt Street Absolute Return Fund Pty Ltd and Seco Resource Finance Pty Ltd for up to \$100,000. This facility has been fully called, has a nil interest rate and is repayable by way of an issue of shares in the Company.

Related to the proposed acquisition of AEP Corporation Pty Ltd ("AEP"), the Company has entered into an unsecured loan facility provided by AEP for \$200,000. This facility provides for additional drawdowns of up to a further \$300,000 and is convertible at a deemed issue price of \$0.004 in circumstances whereby the transaction does not complete by 30 June 2019 (or such later date as may be agreed between the parties). The issue of shares is subject to the Company obtaining all required regulatory and/or shareholder approval(s) for the issue and compliance with all applicable laws, including the Corporations Act 2001 (Cth) (**Act**). As at 31 March 2019 this facility had been called upon for \$300,000 and has a nil interest rate. A further \$100,000 has been called upon and received subsequent to the end of the quarter.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(6)
9.2 Development	
9.3 Production	
9.4 Staff costs (not included above)	(30)
9.5 Administration and corporate costs	(304)
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	(340)

The Company will rely on its existing cash resources and future capital raising (either debt and/or equity), including its ability to place securities under LR7.1 to fund its current activities. Refer also to

+ See chapter 19 for defined terms

1 September 2016

the ASX announcement on 25 February 2019 for proposed acquisition and capital raising plans. In light, of the above factors, the Company believes that it will have sufficient cash to fund its existing activities. The Company expects to have negative cashflows from operations of approximately \$340,000 for the forthcoming quarter. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date: ...18 April 2019.....

Print name: Robert Willes.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.