

3 December 2019

Australian Securities Exchange Limited  
Central Park  
152 – 158 St Georges Terrace  
PERTH WA 6000

Attention: Wade Baggott

Dear Mr Baggott,

**Re: ASX Query Letter**

We refer to your query letter dated 3 December 2019 and answer your queries in numerical order as follows:

1. No
2. The Company will retract the statements in a separate announcement to be released on or about the time this letter is released.
3. N/A
4. The Company confirms that in its opinion it is, and has always been, in compliance with listing rule 3.1.
5. The Company confirms that the responses above have been authorised and approved by the board of the Company.

As approved by the Board of Directors,

**Scott Funston**  
**Company Secretary**  
**+61 413 867 600**  
**scott.funston@challengerex.com**

3 December 2019

Mr Scott Funston  
Company Secretary  
Challenger Exploration Limited  
Level 1, 1205 Hay Street  
WEST PERTH WA 6005

By email: [scott.funston@challengerex.com](mailto:scott.funston@challengerex.com)

Dear Mr Funston

**Challenger Exploration Limited (the “Company”): Query Letter**

ASX Limited (“ASX”) refers to the following:

- A. The advertising feature in the *Australian Financial Review* on Tuesday, 3 December 2019, about the Company and entitled “Golden opportunities in South America” (“Article”) which, amongst other things, contains the following statement.

*Indicative plant cost US\$12M (250,000tpa)*

- B. The Company’s announcement entitled *Investor Presentation 121 Mining Investment Hong Kong* released to the ASX Market Announcements Platform on 22 October 2019 (“Presentation”) which, amongst other thing contains the following statement on slide 4.

*Indicative plant cost US \$12M – 250,000 tpa flotation plant (CPC Engineering)*

And on slide 5.

*Indicative plant cost US \$12M – 250,000tpa flotation plant (excl flowsheet design, freight, sit construction and power) – US\$25M all in capex*

*Targeting low cost production with short payback*

- C. Listing Rule 5.16 which states the following.

5.16 Subject to rules 5.18 and 5.19, a public report by an +entity containing a +production target relating to:

(a) the +mineral resources and ore reserves holdings of the +entity (an entity level +production target); or

(b) a +material mining project of the +entity (or two or more +mining projects which together are material to the +entity),

*must include all of the following information and be given to ASX for release to the market.*

5.16.1 All material assumptions on which the +production target is based. If the economic assumptions are commercially sensitive to the +mining entity, an explanation of the methodology used to determine the assumptions rather than the actual figure can be reported.

5.16.2 A statement that the estimated +ore reserves and/or +mineral resources underpinning the +production target have been prepared by a +competent person or persons in accordance with the requirements in Appendix 5A (JORC Code).

5.16.3 The relevant proportions of:

- +probable ore reserves and +proved ore reserves;
- +inferred mineral resources, +indicated mineral resources and +measured mineral resources;
- an +exploration target; and
- +qualifying foreign estimates,

underpinning the +production target.

5.16.4 If a proportion of the +production target is based on +inferred mineral resources, a cautionary statement proximate to, and with equal prominence as, the reported +production target, stating that:

*“There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.”*

5.16.5 If a proportion of the +production target is based on an +exploration target, a statement of the factors that lead the +entity to believe that it has a reasonable basis for reporting a +production target in that context, and a cautionary statement proximate to, and with equal prominence as, the reported +production target, stating that:

*“The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised.”*

5.16.6 If the +production target is based solely on +inferred mineral resources:

- a statement of the factors that lead the +entity to believe that it has a reasonable basis for reporting a +production target based solely on +inferred mineral resources;
- the level of confidence with which the +inferred mineral resources are estimated and the basis for that level of confidence;
- a technical report of a sufficient level of confidence to support the +production target. The technical report must be prepared by, or under the supervision of, a named independent +competent person or persons and include the information referred to in rule 5.22(b) and (c); and
- a cautionary statement proximate to, and with equal prominence as, the reported +production target, stating that:

*“There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the company’s current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.”*

5.16.7 If a proportion of the +production target is based on +qualifying foreign estimates that have not been verified and reported as +mineral resources or +ore reserves in accordance with Appendix 5A (JORC Code) after 3 years from the date the +qualifying foreign estimates were initially reported, the statement and explanation referred to in rule 5.14.2.

D. Listing Rule 5.17 which states the following.

- 5.17 Subject to rules 5.18 and 5.19, a public report by an +entity containing forecast financial information derived from a +production target relating to:
- (a) the +mineral resources and ore reserves holdings of the +entity (an entity level +production target); or
  - (b) a +material mining project of the +entity (or two or more +mining projects which together are material to the +entity),
- must include all of the following information and be given to ASX for release to the market.
- 5.17.1 All material assumptions on which the forecast financial information is based. If the economic assumptions are commercially sensitive to the +mining entity, an explanation of the methodology used to determine the assumptions rather than the actual figure can be reported.
- 5.17.2 The +production target from which the forecast financial information is derived (including all the information contained in rule 5.16).
- 5.17.3 If a significant proportion of the +production target is based on an +exploration target, the implications for the forecast financial information of not including the +exploration target in the +production target.

The Company's statement of an indicative plant cost of \$US12M (contained within the Article and Presentation) and an all in capex of US\$25M (contained within the Presentation) constitutes forecast financial information for the purposes of Listing Rule 5.17 ("Forecast Financial Information").

The Company's statement of an indicative flotation plant size of 250,000tpa (contained within the Article and Presentation) constitutes a production target for the purposes of Listing Rule 5.16 ("Production Target")

Having regard to the above, ASX asks the Company to respond separately to each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Has the Company previously released an announcement which contains the requirements of Listing Rule 5.16 and 5.17 for the Production Target and Forecast Financial Information?
2. If the Company has not released an announcement which contains the requirements of Listing Rules 5.16 and 5.17 for the Production Target and Forecast Financial Information, please confirm that the Company has released an announcement which retracts any reference to any production target of forecast financial information as being contrary to the JORC Code and ASX Listing Rules, and includes a statement to the effect that investors should not rely on that information for their investment decisions as there is no reasonable basis for the information.
3. If the Company has previously released an announcement that complies with Listing Rules 5.16 and 5.17, please indicate where in the announcement compliance with Listing Rules 5.16.1-5.16.7 (inclusive) and 5.17.1-5.17.3 (inclusive) is satisfied.
4. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
5. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

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### When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 6.30am AWST on Thursday, 5 December 2019.**

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [listingscomplianceperth@asx.com.au](mailto:listingscomplianceperth@asx.com.au). It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Please contact me immediately if you have any queries about the above.

Yours sincerely

*[Sent electronically without signature]*

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Wade Baggott  
Manager, Listings Compliance (Perth)