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**CHALLENGER EXPLORATION LIMITED**

**ACN 123 591 382**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 11:30am AEDT

**DATE:** 28 November 2019

**PLACE:** Level 8  
2 Bligh Street  
SYDNEY NSW 2000

*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.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6380 9235*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 11.30am AEDT on 28 November 2019 at:

Level 8  
2 Bligh Street  
SYDNEY NSW 2000

### Your vote is important

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

### Voting eligibility

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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 at 7:00 pm AEDT on Tuesday 26 November 2019.

### Voting in person

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

### Voting by proxy

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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 two (2) or more votes may appoint two (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.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has two (2) or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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#### 3. RESOLUTION 2 – RE-ELECTION OF A DIRECTOR – MR FLETCHER QUINN

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

*“That, for the purpose of clause 14.2 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr Fletcher Quinn, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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#### 4. RESOLUTION 3 – APPROVAL TO ISSUE PERFORMANCE RIGHTS TO MR SCOTT FUNSTON, EXECUTIVE DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 10,000,000 Performance Rights to Mr Scott Funston (or his nominee) 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 any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any associates of those Directors (**Resolution 3 Excluded Party**). 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, provided the Chair is not a Resolution 3 Excluded Party, 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. Provided the Chair is not a Resolution 3 Excluded Party, 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.

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**5. RESOLUTION 4 – ISSUE OF SHARES TO MR SCOTT FUNSTON IN LIEU OF CASH CONSULTING FEES**

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 937,500 Shares to Mr Scott Funston (or her nominee) 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 Mr Scott Funston (or his nominee) 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.

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**6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF OPTIONS - IRX ADVISORS PTY LTD**

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 7.4 and for all other purposes, Shareholders ratify the issue of 2,200,000 Options 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.

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**7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS – PELOTON CAPITAL PTY LTD**

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

*"That, for the purpose of Listing Rule 7.4 of the ASX Listing Rules, and for all other purposes, the Company ratifies the allotment and issue of 7,000,000 Options on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion:** The Company will disregard any votes cast in favour on this resolution by a person who participated in the issue, and 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.

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**8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT FACILITY**

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

*"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the fully paid issued Share capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:**

The Company will disregard any votes cast in favour on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the 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.

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**9. RESOLUTION 8 – APPROVAL TO MODIFY PROVISION IN THE CONSTITUTION**

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

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend its existing Constitution by replacing the current wording in clause 12.2 with the wording set out in the Explanatory Statement.*”

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**Dated 28 October 2019**

**By order of the Board**

**Scott Funston  
Company Secretary**

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## EXPLANATORY STATEMENT

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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.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.challengerex.com](http://www.challengerex.com).

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

## 2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR FRANCIS QUINN

### 3.1 Background

ASX Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

Clause 14.2 of the Constitution provides that at each annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest one-third (rounded upward), and any other Director who is not in such one-third who has held office for three years or more (except a managing director), must retire from office. Any Director appointed by the Directors to fill a casual vacancy or as an addition to the Directors under clause 14.4 of the Constitution is not taken into account when determining the Directors who are to retire by rotation.

A Director who retires by rotation under clause 14.2 of the Constitution is eligible for re-election.

The Company currently has three Directors. Accordingly, Mr Francis Quinn must retire by rotation in accordance with the Constitution.

#### (a) **Qualifications and other material directorships**

Mr Quinn 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. Mr Quinn 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.

### 3.2 Director Recommendation

The Directors (other than Fletcher Quinn who has an interest in the outcome of Resolution 2) support the re-election of Fletcher Quinn as a Director.

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## **4. RESOLUTION 3 – APPROVAL TO ISSUE PERFORMANCE RIGHTS TO MR SCOTT FUNSTON, EXECUTIVE DIRECTOR**

### **4.1 Background**

The purpose of Resolution 3 is to approve the issue of 10,000,000 Performance Rights to executive director, Mr Scott Funston, under the Company's Performance Rights Plan (**Plan**).

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights constitutes giving a financial benefit and Mr Funston is a related party of the Company by virtue of being a Director.

The board has determined that the grant of Performance Rights to Mr Funston is an appropriate form of long-term incentive. The Board considers that Mr Funston is essential to the operation of the Company's ongoing business. The Directors (other than Mr Funston who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Performance Rights because the agreement grant the Performance Rights is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis. In determining the proposed grant the Board considered the scope of Mr Funston's roles, the market practice for the remuneration of officers in positions of similar responsibility and on this basis they determine this proposed grant is reasonable remuneration and is on arm's length terms.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Accordingly, Shareholder approval is sought for the proposed grant of the Performance Rights to Mr Funston.

### **4.2 Technical information required by ASX Listing Rule 10.14**

Pursuant to and in accordance with ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Performance Rights to Mr Funston:

- (a) the Performance Rights will be granted to Mr Funston (or his nominee);
- (b) the number of Performance Rights that the Company is proposing to grant is 10,000,000, comprising:
  - (i) 5,000,000 Milestone A Performance Rights; and

- (ii) 5,000,000 Milestone B Performance Rights,

on the terms and conditions set out in Schedule 1 and the Performance Rights will vest, subject to achievement of the following milestones (**Milestones**):

- (i) (**Milestone A Performance Rights**): 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) (**Milestone B Performance Rights**): The Class B Performance Rights will vest upon:

- (A) the completion and announcement by the Company (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 the El Guayabo project located in Ecuador or the Hualilan project located in Argentina, 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**);

- (c) the Performance Rights will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) since the Plan was adopted on 15 May 2019, there have been no previous grants of Performance Rights pursuant to the Plan; and
- (e) the Performance Rights will be granted no later than 12 months after the Meeting, (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

The Directors, other than Mr Funston recommend that Shareholders vote in favour of Resolution 3.

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## **5. RESOLUTION 4 – ISSUE OF SHARES TO MR SCOTT FUNSTON IN LIEU OF CASH CONSULTING FEES**

### **5.1 General**

Resolution 4 seeks Shareholder approval to for the issue of Shares to Mr Funston (or his nominee) in lieu of consulting fees for the period from 1 April 2019 to 30 June 2019. As a consequence, no cash payment by way of consulting fees for this period is contemplated.

The consulting fee has been set at \$37,500 for his combined services as a director, CFO and company secretary. In order to preserve the Company's cash, the directors' have agreed, subject to shareholder approval, to receive their fees in shares in the Company in lieu of cash.

The deemed issue price of the Shares is calculated by reference to the closing market price of the shares as at 18 October 2019. If Shareholders do not approve the issue of Shares, the outstanding fees will be paid in cash.

### **5.2 Chapter 2E of the Corporations Act**

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out above.

The proposed issue of Shares constitutes giving a financial benefit and Mr Funston is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Funston who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Shares as the Shares are being issued in lieu of outstanding consultancy fees owed to Mr Funston and on this basis are considered reasonable remuneration in the circumstances, negotiated on an arm's length basis.

As the issue of the Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **1.2 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (a) the Shares will be issued to Mr Funston (or his nominee);
- (b) the number of Shares to be issued is 937,500 Shares;
- (c) the Shares will be granted no later than 1 month 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;
- (d) the Shares are being issue in lieu of the repayment of outstanding consultancy fees owed to Mr Funston, accordingly, no funds will be raised; and

- (e) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Shares to Mr Funston (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF OPTIONS - IRX ADVISORS PTY LTD**

### **6.1 General**

On 25 Jun 2019, the Company issued 2,200,000 Options to IRX Advisors Pty Ltd (**IRX**) in consideration for corporate advisory services provided by IRX to the Company (**Placement**).

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options (**Ratification**).

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 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **1.3 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 2,200,000 Options were issued;
- (a) the Options will be issued for nil cash consideration in satisfaction of the provision of corporate advisory services provided by IRX to the Company;
- (b) the Options 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 Options (**Existing Options**) set out in Schedule 3;
- (c) the Options will be issued to IRX, who is not a related party of the Company; and
- (b) no funds were raised from this issue as the Options were issued in consideration for corporate advisory services provided by IRX.

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## 7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

On 16 May 2019, the Company lodged a prospectus at ASIC pursuant to which the Company offered up to 166,666,667 Shares at an issue price of 3 cents each to raise up to \$5,000,000 (**Public Offer**).

Pursuant to a Lead Manager agreement between Peloton Capital Pty Ltd (**Lead Manager**) and the Company, the Lead Manager agreed to joint lead manage the Public Offer.

Pursuant to the Lead Manager mandate, the Company agreed to issue 7,000,000 Options exercisable at \$0.04 each on or 30 June 2022 (**Peloton Options**).

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options (**Option Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in section 6.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### 7.1 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Option Ratification:

- (a) 7,000,000 Options were issued;
- (b) the Options were issued for nil cash as partial consideration for the provision of lead management services provided by Peloton to the Company in relation to the Public Offer;
- (c) the Options were issued on the terms and conditions set out in Schedule 3;
- (d) the Options were issued to the Lead Manager (or its nominees), who were not related parties of the Company; and
- (e) no funds were raised from this issue as the Options were issued in consideration for acting as the joint lead manager in relation to the Public Offer.

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## 8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT FACILITY

### 8.1 General

Listing Rule 7.1A enables Eligible Entities to seek Shareholder approval to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An Eligible Entity for the purposes of Listing Rule 7.1A is an entity that:

- (a) is not included in the S&P/ASX 300 Index; and

- (b) has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is an Eligible Entity as it is not included in the S&P / ASX 300 Index and has a current market capitalisation of approximately \$14,729,071 (based on the number of Shares on issue and the closing price of Shares on the ASX on 18 October 2019 and excluding any restricted securities that may be on issue).

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The exact number of Equity Securities that may be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

## **8.2 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

### **(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section (b), the date on which the Equity Securities are issued.

### **(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 18 October 2019:

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.020	\$0.040	\$0.06
			50% decrease	Issue Price	50% increase
Funds Raised					
<b>Current</b>	469,830,96 Shares <sup>0</sup>	46,983,096 Shares	\$939,661	\$1,879,323	\$2,818,985
<b>50% increase</b>	704,746,440 Shares	70,474,644 Shares	\$1,409,492	\$2,818,985	\$4,228,478
<b>100% increase</b>	939,661,920 Shares	93,966,192 Shares	\$1,879,323	\$3,758,647	\$5,637,971

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 469,830,960 Shares on issue comprising:
  - (a) 468,893,460 existing Shares as at the date of this Notice of Meeting; and
  - (b) 937,500 Shares which will be issued if Resolution 4 is passed at this Meeting,
2. The issue price set out above is the closing price of the Shares on the ASX on 18 October 2019;
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

(f) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

### **8.3 Previous approval under Listing Rule 7.1A**

The Company has not previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A.

Further details of the issues of Equity Securities by the Company during the 12-month period preceding the date of the Meeting are set out in Schedule 2.

### **1.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

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## **9. RESOLUTION 8 – APPROVAL TO MODIFY PROVISION IN THE CONSTITUTION**

### **1.2 General**

Section 136(2) of the Corporations Act provides that a company's may modify a provision of its constitution by special resolution.

Resolution 8 is a special resolution which will enable the Company to modify its existing Constitution by replacing the current wording of clause 2.12 and inserting the following wording in its place:

*“The Company shall comply in all respects with the requirements of the Listing Rules with respect to Restricted Securities. Without limiting the generality of the above:*

- (a) a holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (a) if the Restricted Securities are in the same class as quoted Securities, the holder will be taken to have agreed in writing that*

*the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those Securities;*

- (b) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (c) a holder of Restricted Securities will not be entitled to participate in any return of capital on those Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX; and*
- (d) if a holder of Restricted Securities breaches a Restriction Deed or a provision of this Constitution restricting a Disposal of those Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Securities for so long as the breach continues."*

The Directors believe that it is preferable in the circumstances to amend the relevant provision in the existing Constitution rather than adopt a new constitution given the Constitution was adopted in April 2019.

A copy of the Constitution (as amended) is available for review by Shareholders at the Company's website **www.challengerex.com** and at the office of the Company. A copy of the Constitution (as amended) can also be sent to Shareholders upon request to the Company Secretary by email: [scott.funston@challengerex.com](mailto:scott.funston@challengerex.com). Shareholders are invited to contact the Company if they have any queries or concerns.

### **1.3 Summary of material proposed changes**

The Constitution (as amended) complies with the proposed changes to ASX Listing Rule 15.12, which is due to be finalised and released in December 2019. Under this change, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

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## GLOSSARY

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**10% Placement Capacity** has the meaning given in Section 8.1.

**\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Time.

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

**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.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Challenger Exploration Limited (ACN 123 591 382).

**Constitution** means the Company's constitution.

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

**Directors** mean the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (g) is not included in the S&P/ASX 300 Index; and
- (h) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**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.

**Plan** means the Performance Rights Plan adopted by the Company on 15 May 2019 and referred to in Section 4.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2019.

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

**Schedule** means a schedule to this Notice.

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

**Shareholder** means a registered holder of a Share.

**Variable A** means "A" as set out in the formula in ASX Listing Rule 7.1A(2)

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## **SCHEDULE 1 – SUMMARY TERMS AND CONDITIONS THE PERFORMANCE RIGHTS**

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A summary of the terms of the Performance Rights to be issued under the Plan is set out below:

- (a) Each Performance Right will, subject to vesting, entitle the holder on exercise to one Share.
- (b) A Performance Right granted under the Plan will not vest unless the Vesting Conditions, being the Milestones referred to in Section 4.2, have been satisfied and the Board has notified Mr Funston.
- (c) The Performance Rights are only transferrable with the prior written consent of the Board of the Company or by force of law upon death to Mr Funston's legal personal representative or upon bankruptcy to Mr Funston's trustee in bankruptcy.
- (d) The Company shall notify Mr Funston when the relevant vesting requirements have been satisfied and Mr Funston may then exercise his 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 Mr Funston.
- (e) Unless the Board decides otherwise, any vested Performance Right that has not been exercised within one year of becoming vested shall automatically lapse.
- (f) Where Mr Funston ceases to be an Eligible Participant as defined in the Plan, any unvested Performance Rights shall lapse (subject to certain good leaver exceptions).
- (g) If Shares of the same class as those allotted under the Plan 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.
- (h) Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank pari passu with all other Shares on issue.
- (i) 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.
- (j) 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.
- (k) There are no participating rights or entitlements inherent in the Performance Rights.
- (l) A Performance Right does not confer a change in the number of underlying Shares over which the Performance Right can be exercised.
- (m) If, at any time, the issued capital of the Company is reorganised, all rights of a Mr Funston are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation in relation to the Performance Rights.

**SCHEDULE 2 – ISSUES OF EQUITY SECURITIES SINCE 30 NOVEMBER 2018**

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
<p>Appendix 3B 12 June 2019</p> <p>Date of Issue – 11 June 2019</p>	<p>166,666,667</p>	<p>Shares</p>	<p>Participants in Public Offer pursuant to Prospectus dated 15 May 2019 <b>(Public Offer Prospectus)</b></p>	<p>\$0.03</p>	<p>Cash</p> <p>Amount raised = \$5,000,000</p> <p>Amount spent = \$Nil (as at 30 June 2019).</p> <p>Use of funds: Refer to Section 6.17 of the Prospectus dated 15 May 2019</p> <p>Amount remaining = \$5,000,000 (as at 30 June 2019)</p> <p>Proposed use of remaining funds Refer to Section 6.17 of the Prospectus dated 15 May 2019</p>
<p>Appendix 3B 10 July 2019</p> <p>Date of Issue – 25 June 2019</p>	<p>180,000,000</p>	<p>Shares</p>	<p>The Vendors as set out in the Public Offer Prospectus, being the shareholders of AEP Corporation Pty <b>(AEP)</b> Limited and parties to the acquisition agreement between the Company and AEP dated 19 March 2019.</p>	<p>Nil (non-cash consideration)</p>	<p>Non cash</p> <p>Consideration = issued as consideration to the AEP Shareholders as set out in the Public Offer Prospectus.</p>
<p>Appendix 3B 10 July 2019</p> <p>Date of Issue – 25 June 2019</p>	<p>10,000,000</p>	<p>Shares</p>	<p>The Vendors as set out in the Public Offer Prospectus, being the shareholders</p>	<p>Nil (non-cash consideration)</p>	<p>Non cash</p> <p>Consideration = issued as consideration to the AEP Shareholders as set</p>

			of AEP Corporation Pty ( <b>AEP</b> ) Limited and parties to the acquisition agreement between the Company and AEP dated 19 March 2019.		out in the Public Offer Prospectus.
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	6,000,000	Shares	The Vendors as set out in the Public Offer Prospectus, being the shareholders of AEP Corporation Pty ( <b>AEP</b> ) Limited and parties to the acquisition agreement between the Company and AEP dated 19 March 2019.	Nil (non-cash consideration)	Non cash  Consideration = issued as consideration to the AEP Shareholders as set out in the Public Offer Prospectus.
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	25,000,000	Shares	Founders of AEP, being the parties to the AEP Loan Facility #2, as defined in the Public Offer Prospectus.	Nil (non-cash consideration (being Shares issued on conversion of outstanding loan facility agreements with AEP))	Non cash  Consideration = issued as consideration to the AEP Loan Facility #2 lenders as set out in the Public Offer Prospectus.
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	78,444,444	Unquoted Options	The Vendors as set out in the Public Offer Prospectus, being the shareholders of AEP Corporation Pty ( <b>AEP</b> ) Limited and parties to the acquisition agreement between the Company and AEP	Nil (non-cash consideration)	Non cash consideration issued pursuant to the Vendor Offer set out in the Public Offer Prospectus.

			dated 19 March 2019.		
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	7,000,000	Unquoted Options	Peloton (or their nominees)	Nil (non-cash consideration)	Non cash consideration issue as consideration for the provision of lead management services provided to the Company in relation to the Public Offer.
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	60,000,000	Performance Rights (Class A)	AEP Shareholders receiving Performance Rights as set out in Schedule 10 of the Notice of General Meeting of the Company held on 29 April 2019	Nil (non-cash consideration)	Non-cash consideration issued in pursuant to the Acquisition Agreement as set out in the Public Offer Prospectus.  Current value = \$Nil
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	60,000,000	Performance Rights (Class B)	AEP Shareholders receiving Performance Rights as set out in Schedule 10 of the Notice of General Meeting of the Company held on 29 April 2019	Nil (non-cash consideration)	Non-cash consideration issued in pursuant to the Acquisition Agreement as set out in the Public Offer Prospectus.  Current value = \$Nil
Appendix 3B 10 July 2019  Date of Issue – 25 June 2019	2,200,000	Unquoted Options	IRX Advisory Pty Ltd	Nil (non-cash consideration)	Noncash consideration issued pursuant to a corporate advisory agreement between the Company and IRX.  Current value = \$Nil
Appendix 3B – 17 September 2019	3,333,334	Shares	833,334 Shares: Mr Atanasio Hernan Celorio 2,500,000 Shares: Mr Sergio Damian Rotondo	Nil (non-cash consideration)	Non-cash consideration issued to the AEP shareholders as deferred consideration as set out in the Public Offer Prospectus.

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code:CEL (terms are set out in the Constitution).
3. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events 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 the funds are applied on this basis.

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## SCHEDULE 3 – TERMS AND CONDITIONS OF THE PELOTON OPTIONS AND THE EXISTING OPTIONS

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(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:

(i) \$0.04 in relation to the Peloton Options; and

(ii) \$0.25 in relation to the Existing Options,

(the **Exercise Price**).

(c) **Expiry Date**

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

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the relevant 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.

# CHALLENGER EXPLORATION LIMITED

ACN: 123 591 382

REGISTERED OFFICE:  
LEVEL 1  
1205 HAY STREET  
WEST PERTH WA 6005

SHARE REGISTRY:  
Security Transfer Australia Pty Ltd  
**All Correspondence to:**  
PO BOX 52  
Collins Street West VIC 8007  
Suite 913, Exchange Tower  
530 Little Collins Street  
Melbourne VIC 3000  
T: 1300 992 916  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

«EFT\_REFERENCE\_NUMBER»

«Holder\_name»  
«Address\_line\_1»  
«Address\_line\_2»  
«Address\_line\_3»  
«Address\_line\_4»  
«Address\_line\_5»

«Company\_code» «Sequence\_number»

Code:

CEL

Holder Number:

«HOLDER\_NUM

## 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](http://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 Annual General Meeting of the Company to be held at 11:30am AEDT on Thursday 28 November 2019 at Level 8, 2 Bligh Street, Sydney NSW 2000 and at any adjournment of that meeting.

### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

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 1, 3 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 3 and 4 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

1. Adoption of Remuneration Report
2. Re-election of a Director - Fletcher Quinn
3. Approval to Issue Performance Rights - Scott Funston
4. Issue of Shares in Lieu of Fees - Scott Funston
5. Ratification of Prior Issue of Options - IRX Advisors Pty Ltd
6. Ratification of Prior Issue of Options - Peloton Capital Pty Ltd
7. Approval of 10% Placement Capacity
8. Approval to modify provision in the constitution

For Against Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<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

Proxies must be received by Security Transfer Australia Pty Ltd no later than 11:30am AEDT on Tuesday 26 November 2019.

+ CELPX1281119

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CEL

CELPX1281119

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My/Our contact details in case of enquiries are:

Name:

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Number:

( 

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 )

**1. NAME AND ADDRESS**

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.

**2. APPOINTMENT OF A PROXY**

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.

**3. DIRECTING YOUR PROXY HOW TO VOTE**

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.

**4. APPOINTMENT OF A SECOND PROXY**

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.

To appoint a second Proxy you must:

- 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.

**5. SIGNING INSTRUCTIONS**

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

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

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

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

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.

**6. LODGEMENT OF PROXY**

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.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

**Security Transfer Australia Pty Ltd**

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**PRIVACY STATEMENT**

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.

