



CHALLENGER EXPLORATION LIMITED

(FORMERLY CHALLENGER ENERGY LIMITED)

ACN 123 591 382

ANNUAL REPORT 2019



DIRECTORS

Fletcher Quinn (Non-Executive Chairman)

Kris Knauer (Managing Director)

Scott Funston (Executive Director)

COMPANY SECRETARY

Scott Funston

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SECURITIES EXCHANGE LISTING

Australian Securities Exchange

ASX Code: CEL

WEBSITE

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Chairmans' Address	2
Directors' Report	4
Auditor's Independence Declaration	30
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Financial Statements	36
Directors' Declaration	56
Independent Auditor's Report	57
Additional Shareholders' Information	61

**Challenger Exploration:
Argentina and Ecuador Gold/Copper Projects**

Dear Shareholder,

On behalf of the Company, its management, its South American partners and all employees and consultants, I am very pleased to report that this year we have made some very important and rapid steps towards our vision of becoming mid-tier resource company.

The completion of the acquisition of AEP Corporation Pty Ltd and with its two potentially world class assets. The appointment of an internationally experienced board with a history of success. The raising of \$5,000,000 in a very competitive market and our reinstatement to official quotation on 4 July 2019 - lays the foundation for a pathway to success.

Many of the critical elements of a profitable mining operation are abundantly evident at our Argentinian Hualilan Gold Project;

- consistently high grade;
- mineralisation from surface or near surface;
- low capex to commence production;
- established infrastructure;
- favourable mining jurisdiction;
- considerable ounces delineated from a historic non JORC compliant resource (but NI 43-101 compliant) and
- a high gold price environment.

With so many positive aspects identified and a project yet to be tested with systematic drilling, the Company has commenced embarking on redefining the scope of the Hualilan Gold Project to better understand the best means of development.

Results to date have been very encouraging, with numerous announcements from early works including 'CEL Receives High Grade Sampling Results' (9 July 2019), 'CEL Receives Spectacular Grades from Hualilan Gold Project' (16 July 2019) and 'CEL Receives Outstanding Assay Results from Cerro Norte' (13 August 2019).

The Company is very excited that the Hualilan Gold Project remains open in all directions and a 2,000 metre drilling campaign commenced on 11 October 2019.

The El Guayabo Gold Copper Project was last drilled by Newmont Mining in 1995 and 1997, in an era of poor gold prices. Newmont were targeting gold in hydrothermal breccias. Historical drilling has demonstrated potential to host significant copper and associated gold and silver mineralisation (Refer to Section 10 of CEL's Prospectus Released to the ASX on 16 May 2019). Historical drilling has returned a number of significant (plus 100m) intersections of intrusion related breccia and vein hosted mineralisation.

El Guayabo has multiple targets including breccia hosted mineralisation, an extensive flat lying late stage potentially high grade vein system and an underlying porphyry system which has never been drill tested.

In the past three months CEL has completed the acquisition of a 16km² geophysics (Magneto-Telluric and test Induced Polarisation) and Mobile Metal Ions sampling program to define targets for drilling.

I have considerable confidence in the management team in taking a very solid strategy to continue to aggressively advance both the Hualilan Gold Project and the El Guayabo Gold Copper Project to realise our goal of becoming a mid-tier mining operation and maximising our potential to increase our share price.

I take this opportunity to congratulate all stakeholders in our success to date and thank all shareholders for their support as we strive to grow the Company towards its true potential.

Yours Sincerely

Fletcher Quinn

Chairman

2,000 metre drilling campaign has commenced



The Directors submit the financial report of the Group, consisting of Challenger Exploration Limited ("the Company") and the entities it controlled during the period, for the financial year ended 30 June 2019.

DIRECTORS

The names and details of the Company's Directors who held office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities

Fletcher Quinn

Non-Executive Chairman (appointed 4 July 2019)

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.

Kris Knauer B.ASc. (Geological and Earth Sciences, Geosciences)

Managing Director (appointed 4 July 2019)

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

Scott Funston B.Bus CA ACIS

(Executive Director and Company Secretary) (appointed 4 July 2019)

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

Michael Fry, B.Com, F. Fin

Non-Executive Chairman (resigned 4 July 2019)

Mr Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of Financial Services Institute of Australasia, and is a past member of the Australian Securities Exchange ("ASX"). Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies.

Robert Willes, BA (Hons)

Executive Director (resigned 4 July 2019)

Mr Robert Willes has an honours degree in Geography from Durham University in the UK and has completed executive education programs at Harvard Business School in the USA and Cambridge University in the UK. Robert has held a number of senior roles in BP including General Manager of the North West Shelf LNG Project, overall accountability for BP's interests in the Browse LNG and Greater Gorgon LNG Projects, and for business development activities in Asia Pacific. More recently, Robert was Chief Executive Officer of Eureka Energy Limited. He is a Graduate of the Australian Institute of Company Directors, a member of the Association of International Petroleum Negotiators, and was formerly a director of the Australian Petroleum Production and Exploration Association (APPEA). Robert is a Non-Executive director of Buru Energy Limited.

Clinton Carey, B.Com (Fin., Econ.)

Non-Executive Director (resigned 4 July 2019)

Mr Carey has over 25 years management and Director level experience in listed companies specializing in mining, oil and gas and technology. Mr Carey was a director of Roper River Resources Limited when it completed a reverse take over of Webjet Limited. He has worked for mining companies in Russia, Brazil, Canada, Australia and England.

Directorships of other listed companies in the last 3 years are as follows:

Name	Company	Period of Directorship
Fletcher Quinn	None	N/A
Kris Knauer	Medibio Limited	2 July 2014 to 13 October 2017
Scott Funston	None	N/A
Michael Fry	Brookside Energy Limited	20 April 2004 to date
	Norwest Energy NL	8 June 2009 to date
	Technology Metals Australia Limited	20 May 2016 to date
Robert Willes	Buru Energy Limited	2 July 2014 to date
Clinton Carey	Red Sky Energy Limited	12 January 2015 to date

FORMER COMPANY SECRETARIES

Robert Lees, B.Bus (UTS), Grad. Dip. DP (UTS), CA, AGIA (appointed 27 September 2018, resigned 4 July 2019)

Mr Lees has over 35 years of experience in the accounting profession and 17 years of experience as a Company Secretary for ASX listed companies.

Adrien Wing, CPA (resigned 27 September 2018)

Mr Adrien Wing is a qualified Certified Practising Accountant. He practised in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Securities Exchange as a corporate/accounting consultant and company secretary.

MEETINGS OF DIRECTORS

The Directors held 11 meetings (of which 2 included Audit and Risk Committee meetings) during the financial year and all meetings were attended by Mr Fry, Mr Willes and Mr Carey. Mr Quinn, Mr Knauer and Mr Funston were not eligible to attend any meetings during the financial year.

CORPORATE INFORMATION

Challenger Exploration Limited is a public company listed on the ASX (Code: CEL) and is incorporated and domiciled in Australia. Challenger Exploration Limited and the entities it controlled during the period are collectively referred to as Challenger Exploration, Challenger, or the Group, as the context requires.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Challenger Exploration became a gold and copper exploration company during the financial year as approved by shareholders on 29 April 2019. There have been no other significant changes in the nature of those activities during the year.

Highlights

- On 25 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) for consideration comprising 180,000,000 ordinary shares and 78,444,444 4 cent options expiring 30 June 2022, 60,000,000 Class A Performance Shares and 60,000,000 Class B Performance Shares
- 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 including;
 - Breccia hosted mineralization - only 2 of 10 breccia bodies systematically drill tested;
 - Extensive late stage vein system - never drill tested; and
 - Underlying porphyry system target - never drill tested
- Successful Reinstatement to Official Quotation on ASX with the completion of the transaction with AEP Corporation Pty Ltd on 4 July 2019
- Completion of \$5M Capital Raising at 3 cents per share to progress exploration of the Hualilan Gold Project, Argentina and the El Guaybo Copper Gold Project, Ecuador
- Appointment of experienced exploration and mining executives Fletcher Quinn, Kris Knauer and Scott Funston

REVIEW OF OPERATIONS

Corporate

Challenger completed the acquisition of 100% of the issued share capital of AEP Pty Ltd ("Acquisition"). 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). This also involved a change in name from Challenger Energy Limited to Challenger Exploration Limited and the appointment of a new Board of Directors with requisite minerals exploration experience. The company's ASX Code remained CEL.

There was a consolidation of capital on a 1 for 5 basis.

Challenger Exploration Limited commenced trading on the Australian Securities Exchange (ASX) at 10am July 4 2019, after successfully raising \$5 million at \$0.03 per share by the issue of 166,666,667 ordinary shares under a re-compliance prospectus.

The El Guayabo Copper-Gold Project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has demonstrated potential to host significant copper and associated gold and silver mineralisation. Historical drilling has returned a number of ore grade intersections of plus 100m of intrusion related breccia and vein hosted mineralisation. The Project has multiple targets including breccia hosted mineralization, an extensive flat lying late stage vein system and an underlying porphyry system target neither of which has been drill tested. CEL has a farmin agreement under which It can earn 100% of the project.

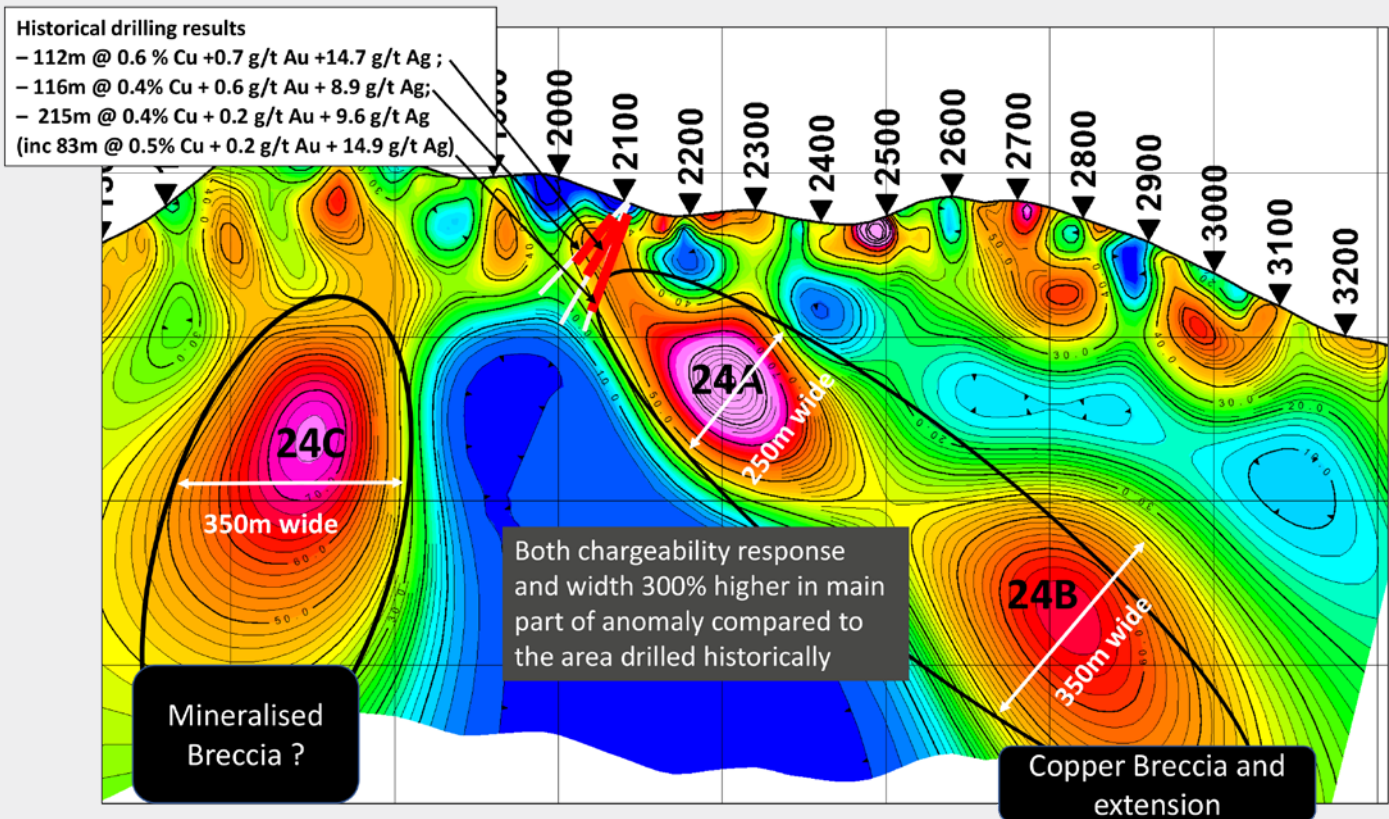


Figure 1 - Expanded IP Chargeability model along north-south IP line showing historical drilling

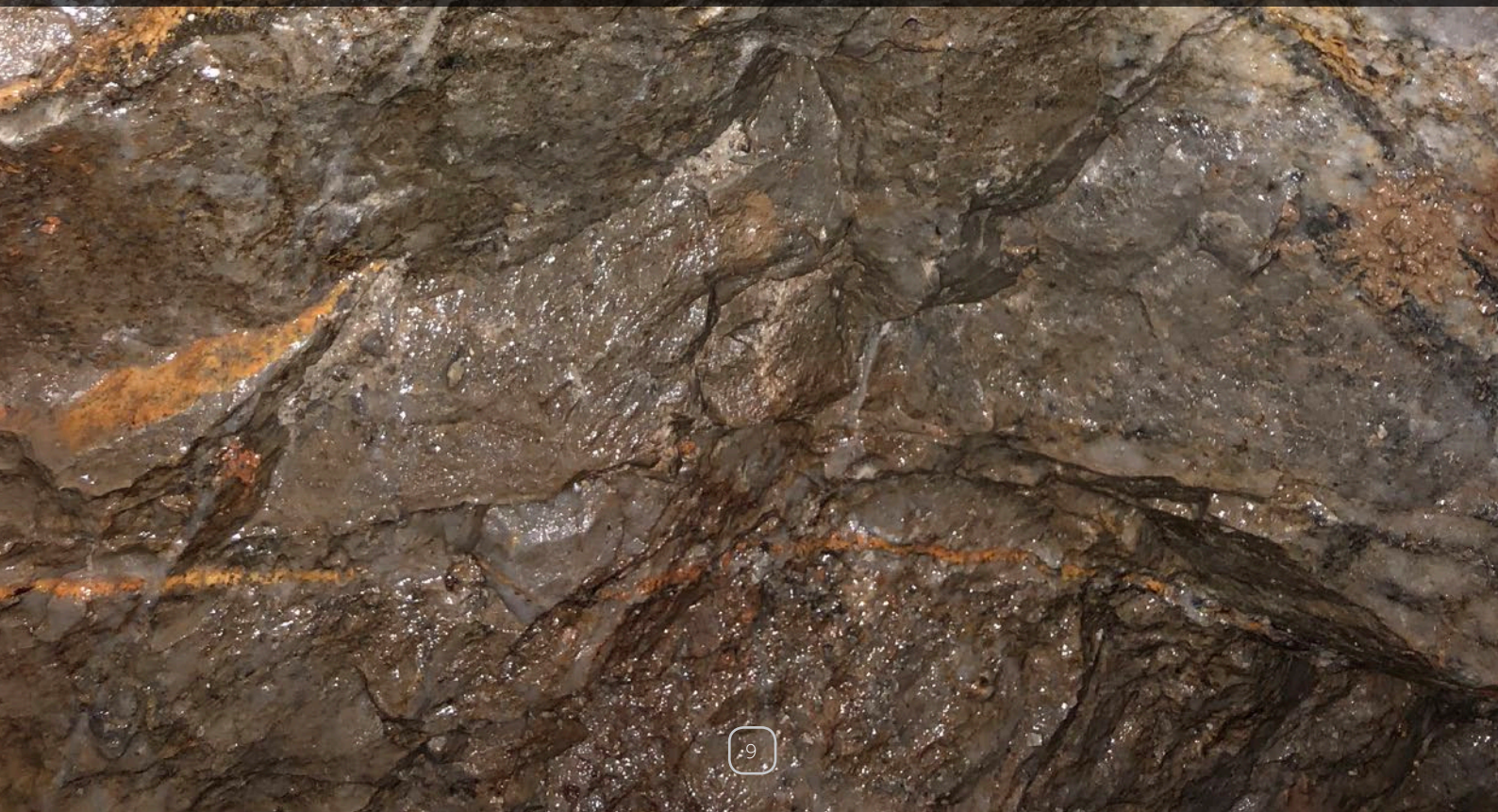


Challenger Exploration has two complementary advanced exploration gold / copper targets in South America:

- High grade gold project with historic non JORC compliant resource⁽¹⁾ with mineralisation open in most directions located in San Juan, Argentina
- Ecuador - Drilling has returned a number of intersections of greater than 100m of mineralisation⁽²⁾

⁽¹⁾ Source "SRK Independent Geologist's Report on the Mineral Assets of Challenger Energy Limited"

⁽²⁾ Source "Company ASX Release 25 February 2019"



Hualilan Project Looking North –
Historical Cerro Sur Mine Site in
the foreground with Cerro Norte
to the top of the page.



- Granted mining leases with a surrounding exploration licence application covering 26 square kilometres
- Close proximity to major gold mining operations with San Juan City, Argentina's Kalgoorlie, only 2.5 hours drive
- 500 metres from a sealed highway and power lines being constructed 2km from project
- 4 x 4m production decline and two production drives installed in 1996 before gold collapse have never been used



Geophysical Survey Campaign

During the quarter international geophysical company Quantec Geoscience, conducted a distributed array 3D-MT (3D Magneto-Telluric) covering 16 km² using its Spartan system. Two 2D IP/EMAP test lines were also collected using Quantec's deep-earth imaging Titan electrical geophysical system. The data was collected on a 300m spaced grid with the location of the survey is shown In Figure 1.

Quantec was contracted by Solgold to undertake 3DIP-MT (3D Induced Polarisation and Magneto-Telluric) survey over their Cascabel project in Ecuador. Whilst conventional IP systems typically see to depths of around 400m at best, the Titan system can read IP effects to potential depths of 800m and beyond, and Spartan can read resistivity data to potential depths of 2 kilometres and beyond using magneto-telluric measurements.

The Spartan and Titan systems are a very sophisticated survey technique and are designed to image the existing breccia bodies (and their depth extensions), new breccia bodies, and to define porphyry targets to a depth of 2 km. Only widely spaced airborne magnetics has previously been done over the property. The final survey results to which will be delivered will consist of :

- Inversion 2D products
 - 2D model sections (for each line) of the DC resistivity model;
 - IP chargeability model using the DC resistivity model as a reference;
 - IP chargeability model using a half-space resistivity model as a reference;
 - MT(EMAP) resistivity model;
 - Joint MT+DC resistivity model; IP chargeability model using the MT+DC resistivity model;
- Inversion 3D products
 - 3D MT model;
 - Cross-sections and Elevation Plan maps of the 3D MT models;

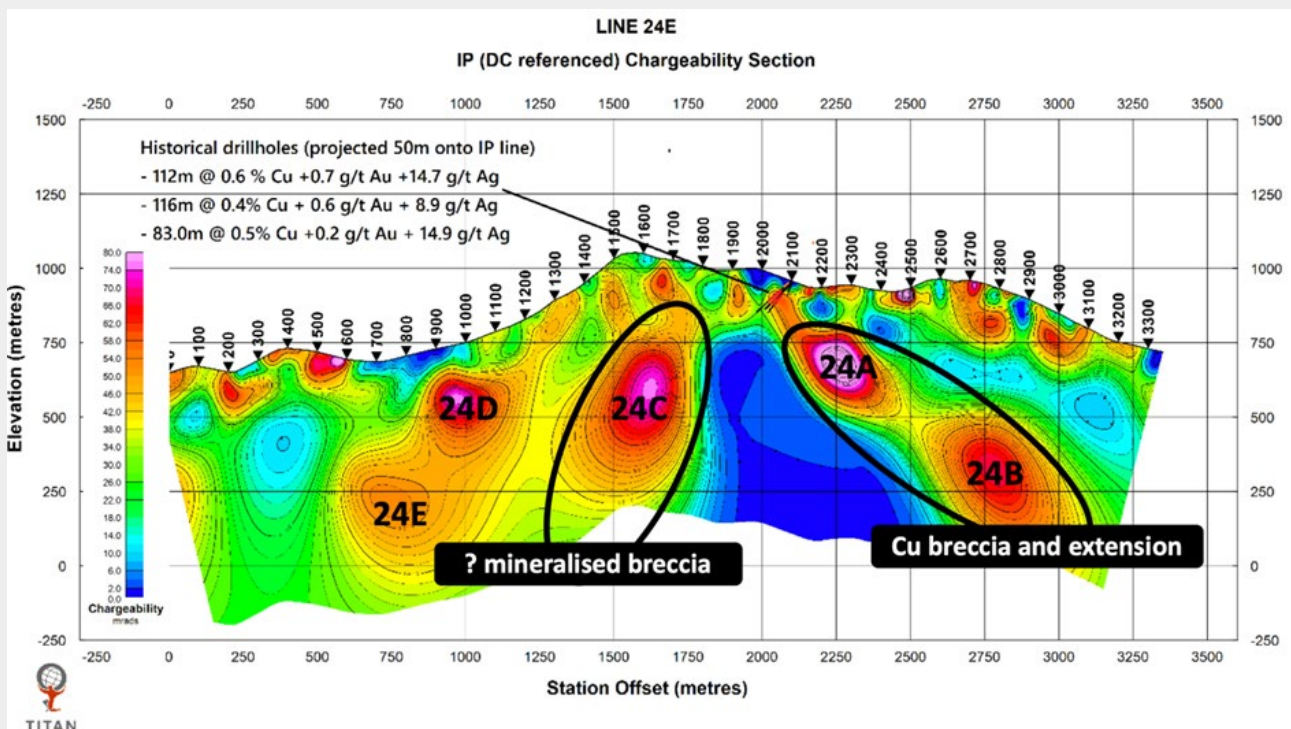


Figure 2 - Complete IP Chargeability model along north-south IP line

Geophysical Survey Results

Results were received for the first IP line which was oriented north-south (A-B on Figure 3) and was designed to traverse the copper breccia to test for possible extensions at depth. The IP Chargeability Section shown as Figure 1 has Identified two key targets as well as a number of secondary targets.

The most noticeable feature on the chargeability section is a high chargeability zone starting just below site 2100 and dipping to the north (24A). This zone can be correlated with the copper breccia which was intersected by 6 drill holes as listed In Table 1. These drill holes and the known copper breccia mineralisation is shown on Figure 1. Historical drilling was completed to only 250-300m beneath surface with drill holes such as JDH-06 (116m @ 0.4% Cu + 0.6 g/t gold + 8.9 g/t silver) and GY-05 (150m @ 0.3% Cu + 0.4 g/t gold + 11.0 g/t silver). This chargeability-high increases significantly in both width and intensity from 300m to 500m subsurface which is below the limit of the deepest drilling. This chargeability high also shows a second higher grade zone (24B) which is approximately 500m-800m sub surface.

As part of the geophysical survey a program of measurement of the chargeability, magnetic susceptibility and resistivity was undertaken across all rock types and mineralisation in the core. The high chargeability response of the mineralised copper breccia, compared to all other known rock types intersected in the core, was confirmed by the program and in addition this program showed a linear relationship between copper/gold grade and increasing chargeability in the copper breccia samples. It should be noted that the chargeability response where Newmont undertook historical drilling was 25-40 mrads whereas the chargeability response in the main part of this anomaly is 80-90 mrads.

A second main chargeability-high zone occurs approximately 600m south along strike (24C). This chargeability high looks to be blind (does not reach surface), has a width of approximately 300m and extends at to at least 750m sub-surface. A program of field reconnaissance has commenced to in the projected outcrop of this chargeability anomaly to check for signs of leakage from a mineralised system below. This chargeability high could indicate another mineralised breccia analogous to the copper breccia.

Additionally, there are two lower tenor chargeability anomalies further south along strike (24D) and (24E) on Figure 2.

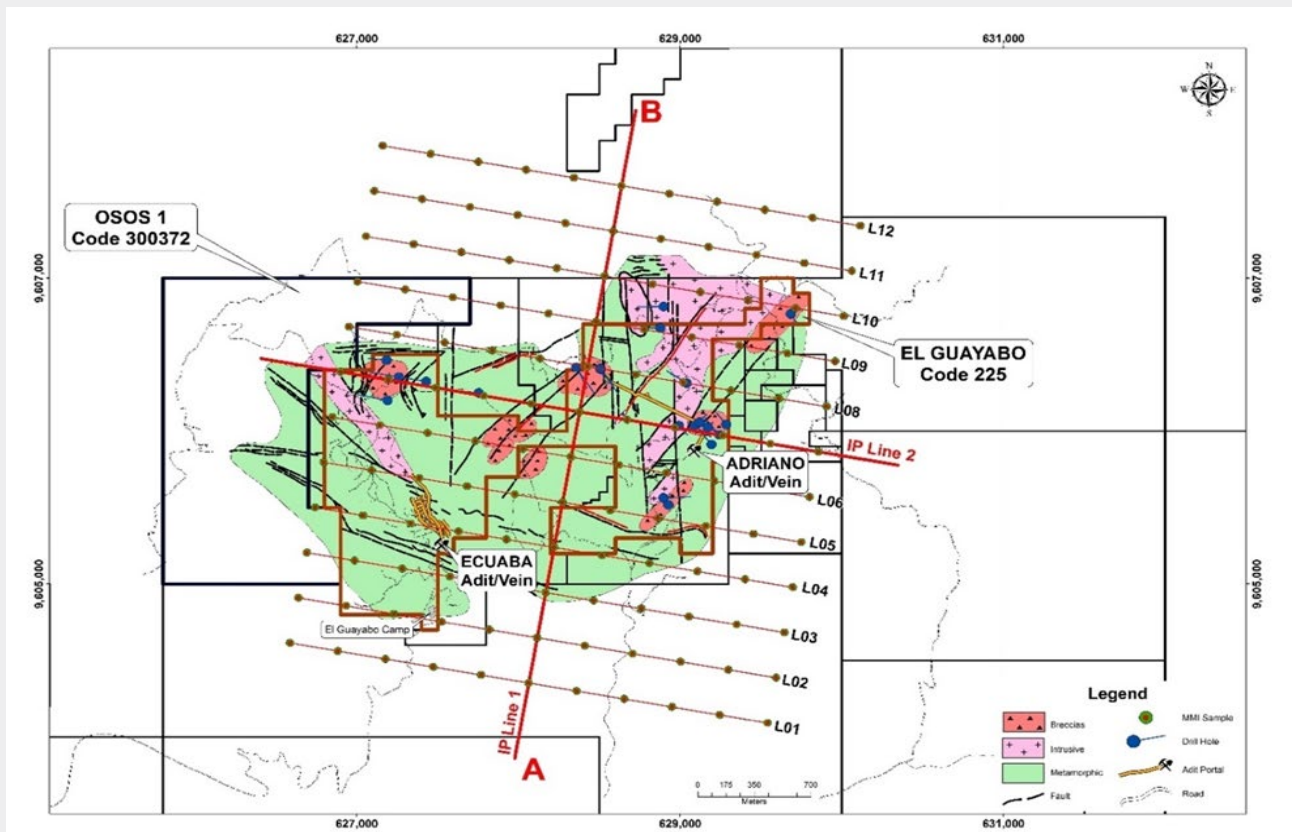


Figure 3 – Plan View Geophysics survey and north-south IP Line (A-B)

IP resistivity results

The IP Resistivity section is shown below in Figure 4. Of note is that the more chargeable zone of the copper breccia (24A) can be correlated with a more conductive zone 24F. Similarly, we can also correlate the more conductive zone 24G observed at 300-600m depth below site 2800N with the more chargeable zone which is interpreted as a deep extension of the copper breccia (24B).

A small more conductive feature 24I is identified below site 1400N; that feature might be correlated with the more chargeable zone 24C. Note here that a more resistive zone 24J is located between the two more conductive zones 24F and 24I; that more resistive unit is non-chargeable.

CEL anticipates receiving the 2D chargeability and resistivity models and preliminary interpretation for the east-west IP line shortly with the 3D-MT results after this. The company will wait for the complete survey results however given the success of the IP test line in delineation the breccia targets, the company anticipates it will undertake additional IP lines to better define these two breccia targets and explore for additional targets.

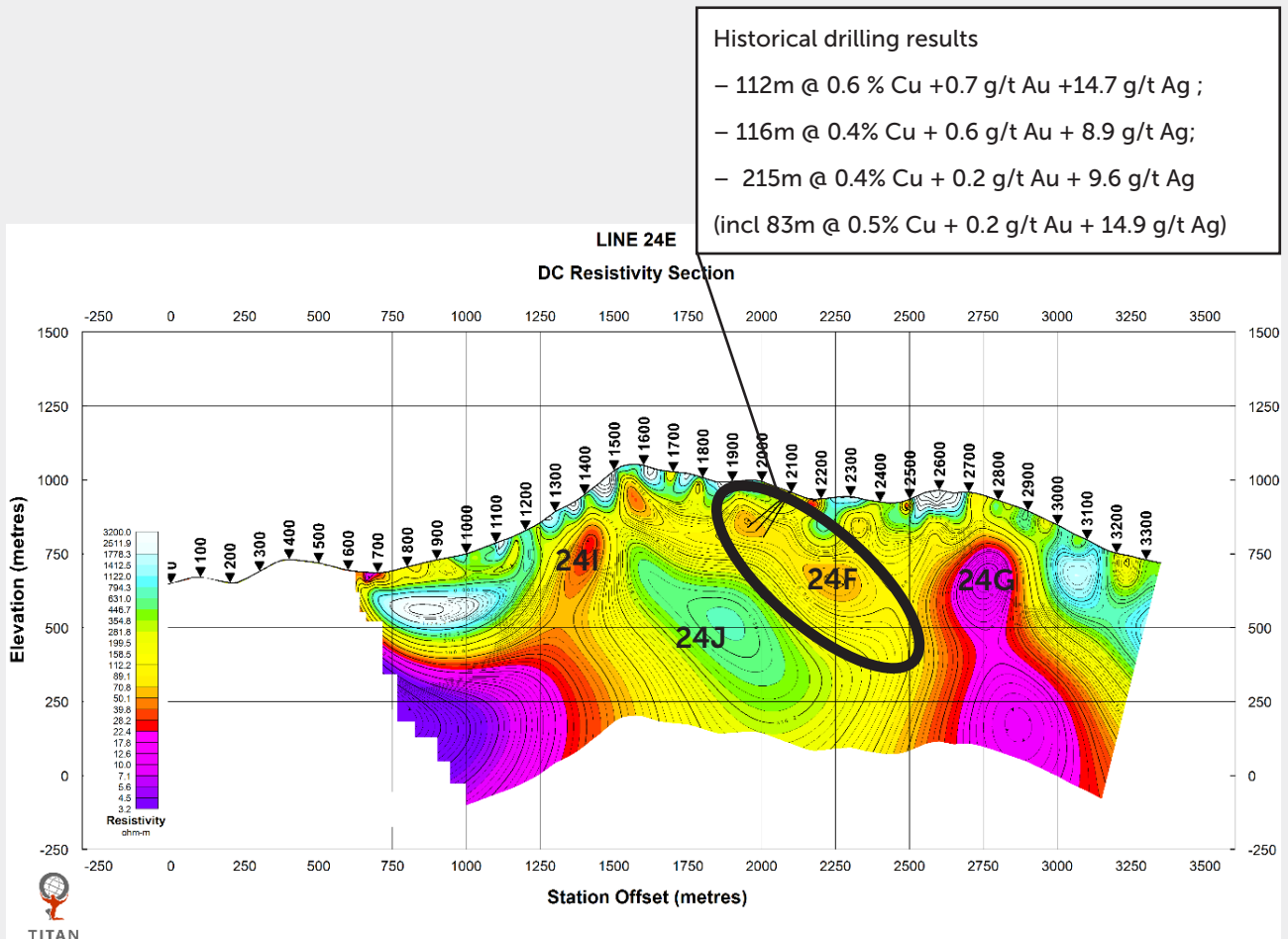


Figure 4 - DC 2D Resistivity model along north-south IP line

The Hualilan Gold Project is a high-grade gold and silver prospect associated with a multi-phase porphyry intrusive. It has extensive historical drilling with over 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. The property was last explored in 2006 by La Mancha Resources, a Toronto Stock Exchange listed company. 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 mineralisation across the property, but this is yet to be tested by systematic drilling. CEL has the rights to earn up to 75% of the Project which comprises 15 mining licences and an exploration licence application covering the surrounding 26km²s.

Foreign Resource Estimate Hualilan Project

La Mancha Resources 2003 foreign resource estimate for the Hualilan Project [^]

Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (koz)
Measured	218	14.2	100
Indicated	226	14.6	106
Total of Measured & Indicated	445	14.4	206
Inferred	977	13.4	421
Total of Measured, Indicated & Inferred	1,421	13.7	627

[^] Source: La Mancha Resources Toronto Stock Exchange Release dated 14 May 2003 -Independent Report on Gold Resource Estimate. Rounding errors may be present. Troy ounces (oz) tabled here

For details of the foreign non-JORC compliant resource and to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 25 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 25 2019 continues to apply and is not materially changed

The company commenced its on-ground exploration program at Hualilan with an underground bulk and channel sampling program designed to validate the historic mineralisation and provide a representative grade of the mineralisation. In addition to this, which is detailed below, CEL has engaged SRK Consulting to expand on the company's 3D geological model of the Hualilan deposit. This will incorporate all historical and new data including but not limited to:

- Surface mapping/pit mapping
- Underground workings
- Drill holes
- Topographic/satellite data and drone Images

SRK's brief is to review the existing interpretation, identifying drillable targets on areas within the model and provide recommendations made as to where and how to progress towards the estimation of a mineral resource that is reportable under the JORC Code (2012). This will include guidance on the requirements for twin and infill drilling in the 2019 drilling program required to facilitate mineral resource that is reportable under the JORC Code (2012). Results from this work are expected to be received in the coming quarter.

In addition, the company has completed all environmental and safety work required at Cerro Sur by the mines department and lodged its EIS (Environmental Impact Statement) covering the Cerro Sur program and is close to finalising drilling approval at Cerro Sur. The EIS and drilling permit applications are currently being finalised for the Cerro Norte portion of the Project. The company is also finalising a drilling contract. This contract will be for an initial 2000m of core drilling broken into two 1000m segments with drilling targeted to begin in the current quarter.

Sampling Program Overview

During the quarter CEL undertook an underground channel sampling, underground ore stockpile sampling and sampling of the mine dumps. This program was designed to validate the historic mineralisation and provide a representative grade of the mineralisation. Where possible the sampling programme re-sampled the historical underground channel sampling points used in the preparation of the historical non-JORC resource. The sampling was conducted over the majority of the known zones of mineralisation including the Magnata Vein and Manto, Sentazon, Bicolor, Dona Justa Pit, Main Manto, Muchilera, Northern Magnata. For the location of these zones within the larger Project the reader is referred to Figures 3 and 4.

Results from the first half of the program from Cerro Sur are outlined in Table 1 and were discussed in detail in ASX releases dated 9 July 2019 and 16 July 2019. Suffice to say that the results to date are highly encouraging on a number of levels:

- The results validate the historically reported mineralisation and its high-grade nature
- The assays included some spectacular results, including the second highest assay ever recorded at Hualilan of 201 g/t Gold, 1560 g/t Silver and 3.3% Zinc from a 1 metre channel sample within a broader 5m zone grading 52.2 g/t Gold, 410 g/t Silver and 6.1% Zinc - 5m channel sample Magnata Adit
- The gold grades we are seeing are consistently 20% above the reported historical grades.
- High copper grades have been encountered with grades including 16.1% and 6.8% copper (0.4m and 1.1m channel samples respectively) which were never previously evaluated.



Photo - Dona Justa pit at Cerro Norte looking north. (Main Manto mineralisation continues to the North)

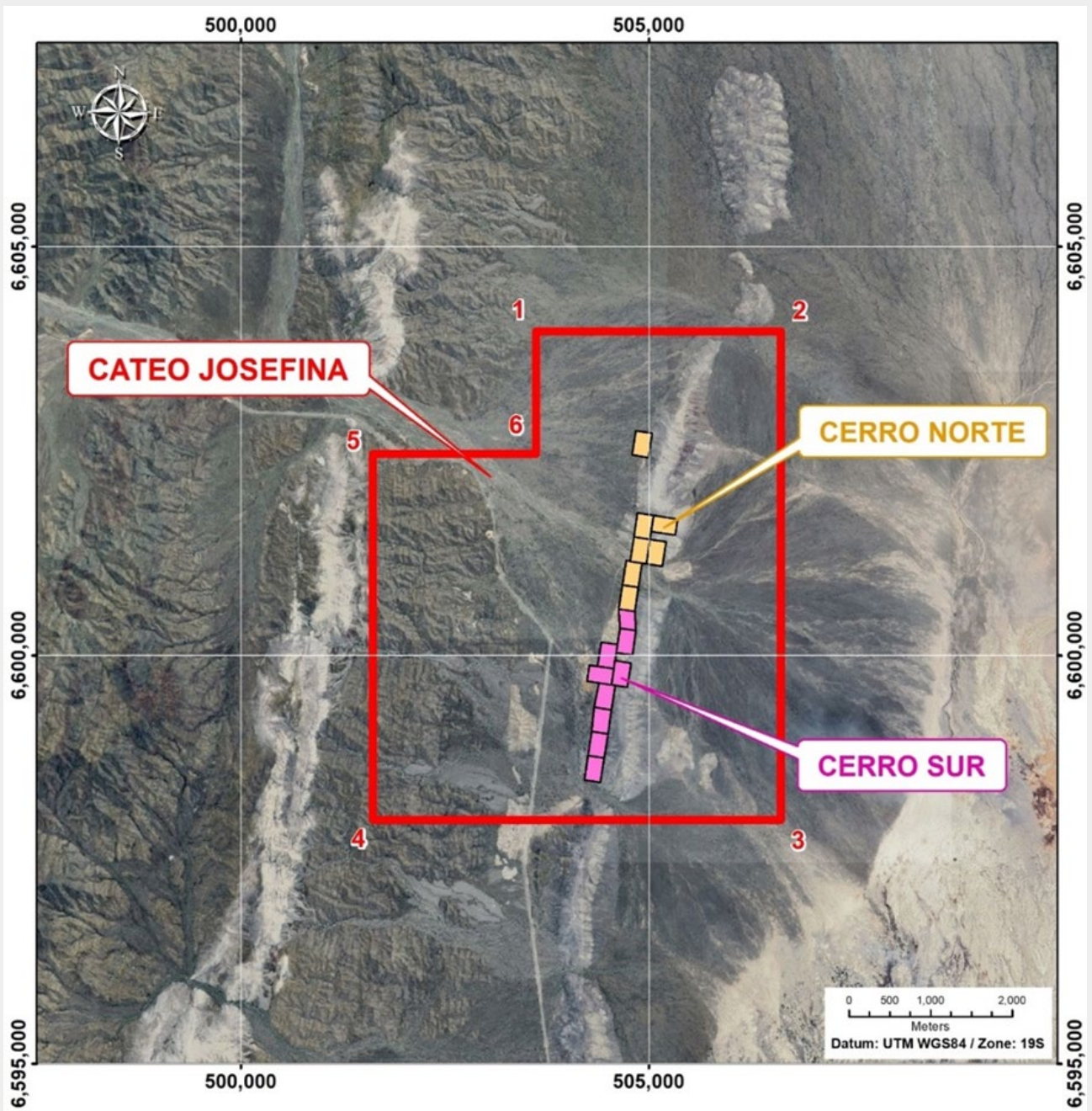


Figure 5 – Showing Hualilan Project

Table 1: Initial sampling results from 2019 Hualilan Gold Project Sampling Programme

Sample Number	Location	Sample Type	Sample Length (m)	True width Structure (m)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au Equiv (g/t)
485104	Magnata	Channel	0.9	0.8	0	10	0.15	0.02	0.00	0.2
485105	Magnata	Channel	3	5	1.37	14	3.40	0.31	0.03	3.6
485106	Magnata	Chip	-	3?	0.76	0	0.04	0.02	0.01	0.8
485107	Magnata	Channel	1	5	11.05	105	6.42	0.04	0.35	16.6
485108	Magnata	Channel	1	5	36.9	302	10.60	0.04	0.18	47.0
485109	Magnata	Channel	1	5	201	1560	3.25	0.05	0.03	221.0
485110	Magnata	Channel	1	5	4.76	38	3.21	0.04	0.04	7.2
485111	Magnata	Channel	1	5	7.45	47	6.82	0.04	0.10	12.2
485112	Magnata	Channel	1.4	3	7.09	54	3.55	0.05	0.13	10.0
485113	Magnata	Channel	2.8	3	10.3	41	7.73	0.42	0.16	15.6
485114	Magnata	Channel	0.4	0.4	81.7	162	2.36	3.74	0.16	85.2
485115	Magnata	Channel	0.4	0.4	0.08	0	0.17	0.01	0.00	0.2
485116	Magnata	Channel	0.3	0.3	0	0	0.07	0.01	0.00	0.0
485117	Magnata	Channel	1	>10	14.3	76	0.50	0.11	0.12	15.7
485118	Magnata	Channel	1.5	-	5.66	234	0.41	2.27	1.67	11.0
485119	Magnata	Channel	1	-	0.21	22	0.04	0.08	0.01	0.5
485120	Murchilera	Channel	1.5	4.5	0.2	0	9.02	0.72	1.80	8.2
485121	Sentazon	Channel	0.6	0.6	132	65	0.74	0.80	0.09	133.3
485122	Sentazon	Channel	0.4	0.15	0.19	6	3.63	0.16	16.10	25.5
485123	Sentazon	Channel	1.1	0.7	2.94	86	2.00	1.52	0.18	5.4
485124	Sentazon	Channel	1.1	0.8	2.01	20	5.47	1.88	6.84	15.3
485125	Sentazon	Channel	0.6	0.4	10.05	44	0.91	0.59	0.31	11.5
485126	Sentazon	Channel	0.25	0.25	0	0	0.08	0.04	0.01	0.1
485127	Bicolor	Channel	1	1	31.7	133	3.71	0.02	0.48	36.1
485128	Bicolor	Channel	0.3	0.3	0.12	0	6.29	0.01	0.03	3.9
485129	Bicolor	Channel	0.5	0.5	0	0	0.05	0.01	0.00	0.0
485130	Bicolor	Channel	1	-	0.63	0	8.15	0.09	1.08	7.1
485131	Bicolor	Channel	1	1	0.84	10	1.87	0.01	0.05	2.1
485217	Manata	Channel	1	3	30.87	248	4.45		0.18	36.4
485218	Manata	Channel	1	3	26.81	192	2.46		0.11	30.5
485219	Manata	Channel	1	3	9.63	66.6	3.90		0.05	12.7
485220	Manata	Channel	1	3	6.26	33.9	9.31		0.07	12.2
485221	Manata	Bulk	n/a	n/a	13.32	61	6.42		0.14	17.9
485222	Sentazon	Bulk	n/a	n/a	16.16	22.8	2.96		3.78	18.2
485223	Sentazon	Bulk	n/a	n/a	4.52	22.7	8.11		2.21	9.6
485224	Manata	Bulk	n/a	n/a	5.40	193	1.52		0.34	8.5

(1) Gold equivalent values were calculated using a price of US\$1300 for Gold, US\$15 for Silver and US\$2500t Zinc. (Copper and lead were not included as metallurgical test work has yet to demonstrate an economic path for the extraction of Copper and Lead. Recoveries were not factored into the calculation of Gold equivalents given metallurgical test work is preliminary in nature)

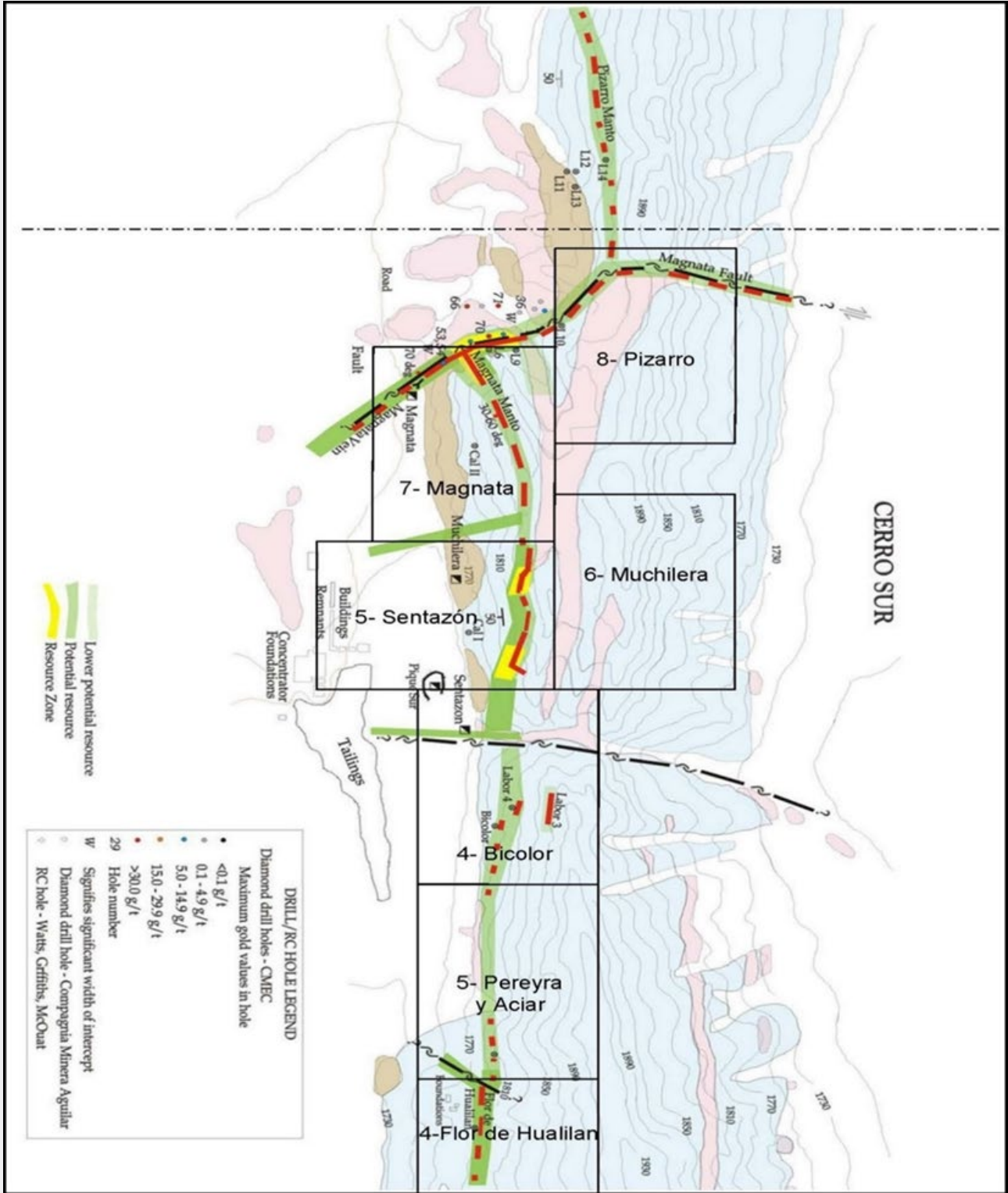


Figure 6 – Showing Main Cerro Sur Mineralised Zones
(Source SRK Independent Geologist Report)

Board Representation

In September 2018 Challenger announced the appointment of Robert Lees as Company Secretary and the resignation of Adrien Wing.

In July 2019, Mr Fry, Mr Willes, Mr Carey and Mr Lees resigned from the Company.

In July 2019, Mr Fletcher Quinn, Mr Kris Knauer and Mr Scott Funston were appointed to the board of the Company.

Progress in South Africa

The Company continues to pursue its application for shale gas exploration rights in South Africa. As previously reported, the Department of Mineral Resources is progressing a new petroleum resources development bill, and the Minister reportedly indicated during his address in the debate on the Presidential State of the Nation Address in June that the bill will soon undergo public participation, as part of the cabinet and parliamentary approval processes.

With regard to previously reported legal challenges to the Regulations for Petroleum Exploration and Production, on 4 July 2019 the Supreme Court of Appeal (SCA) heard a consolidated appeal in which the Minister of Mineral Resources appealed the decision of the Eastern Cape High Court, which set aside the proposed Technical Regulations for Petroleum Exploration and Exploitation, and in which the Treasure the Karoo Action Group (TKAG) and Afriforum appealed a decision of the Pretoria High Court, which upheld the Technical Regulations.

The SCA dismissed the appeal of the Minister of Mineral Resources and upheld the appeal of the TKAG and Afriforum and ruled that the Technical Regulations were published unlawfully and are therefore set aside. The decision of the court was based on a procedural question and turned on whether the Minister of Mineral Resources had the power to make regulations of an environmental nature. The Court found that the Minister did not have the power to make such regulations, and since the greater part of the Technical Regulations were considered to be of an environmental nature, the Minister did not have the power to make the Technical Regulations. Challenger understands that the Technical Regulations may therefore need to be redrafted.

Competent Person Statement – Exploration results

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

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

Competent Person Statement – Historical resources

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

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

EVENTS SUBSEQUENT TO BALANCE DATE

On the 17 September 2019, the Company issued 3,333,334 shares as part of the deferred consideration shares, as approved at a meeting of shareholders on 29 April 2019.

RESULTS OF OPERATIONS

The net loss after tax for the financial year ended 30 June 2019 for the Group was \$5,834,974 (2018: Nil).

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year and up to the date of this report, Challenger completed the acquisition of 100% of the issued share capital of AEP Pty Ltd ("Acquisition"). 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). This also involved a change in name from Challenger Energy Limited to Challenger Exploration Limited and the appointment of a new Board of Directors with requisite minerals exploration experience.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Company are set out in the above review of operations in this annual financial report. Any future prospects are dependent upon the results of future exploration and evaluation.

ENVIRONMENTAL REGULATIONS

The Group carries or carried out operations that are subject to environmental regulations under legislation in Ecuador and Argentina. The Group has formal procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

REMUNERATION REPORT (Audited)

REMUNERATION POLICY

The remuneration policy of the Group has been designed to align Director objectives with shareholder and business objectives by providing a fixed remuneration component that is assessed on an annual basis in line with market rates. The Board of Challenger Exploration believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create goal congruence between directors and shareholders. The remuneration policy, setting the terms and conditions for executive and non-executive directors and other senior staff members, was developed and approved by the Board.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and may be issued options or performance shares from time to time.

The Group is currently an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, Executive Directors and Senior Executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly if the Group moves from an exploration towards a producing entity and key performance indicators such as market capitalisation and production and reserves growth can be used as measurements for assessing executive performance.

All remuneration paid to Executive Directors and Senior Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total remuneration, it should be noted that the Executive Directors and Senior Executives have not received this amount and the option may have no actual financial value unless the options achieve their exercise price.

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Company and they do not receive performance shares or options, however, to align non-executive Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Company may engage remuneration consultants from time to time. The Company will ensure any recommendation from a remuneration consultant will be made free from undue influence from any members of Key Management Personnel. The Company did not engage remuneration consultants for the year ended 30 June 2019.

KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Fletcher Quinn – Non Executive Chairman^(a)

Kris Knauer – Managing Director^(a)

Scott Funston – Executive Director^(a)

Michael Fry – Non-Executive Chairman^(b)

Robert Willes – Managing Director^(b)

Clinton Carey – Non-Executive Director^(b)

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

Directors' remuneration and other terms of employment are reviewed annually by the non-executive Directors having regard to performance against goals set at the start of the year, and relative comparative information.

Except as detailed in Notes (b) – (d) below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.



Hualilan Underground Channel Sampling

Photo showing the collection of underground channel sample 485108 which returned 36.9 g/t Gold, 302 g/t Silver and 10.6% Zinc over 1m within a broader 5m zone grading 52.2 g/t Gold, 410 g/t Silver and 6.1% Zinc (Refer to ASX Release of 16 July 2019)

(b) Compensation of Key Management Personnel

Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Key Management Personnel is set out below.

The value of remuneration received or receivable by Key Management Personnel for the financial year ended 30 June 2019 is as follows:

	Primary	Equity Compensation	Post-employment		Performance Related %	
	Base Salary and Fees \$	Bonus and Non Monetary Benefits \$	Value of Performance Rights / Shares \$	Superannuation Contributions \$	Termination Benefits \$	TOTAL \$

2019

Directors

Fletcher Quinn ^(a)	-	-	-	-	-	-	-
Kris Knauer ^(a)	-	-	-	-	-	-	-
Scott Funston ^{(a)(c)}	25,000	-	-	-	-	25,000	-
Michael Fry ^(b)	-	-	-	-	-	-	-
Robert Willes ^(b)	18,265	-	-	1,735	-	20,000	-
Total 2019	43,265	-	-	1,735	-	45,000	-

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

^(c) Mr Funston was paid fees from AEP Corporation Pty Ltd during the financial year

2018

Directors

Michael Fry	55,000	-	-	-	-	55,000	-
Robert Willes	318,750	-	-	25,000	-	343,750	-
Bill Bloking	57,167	-	-	-	-	57,167	-
Clinton Carey	-	-	-	-	-	-	-

Executives

Adrien Wing	60,000	-	(6,548)	-	-	53,452	-
Total 2018	490,917	-	(6,548)	25,000	-	509,369	-

(c) Compensation Options

No options were granted to Key Management Personnel of the Group during the year.

There have been no alterations to the terms and conditions of options granted as remuneration since their grant date.

(d) Share, Option and Performance Rights holdings

Options and Performance Rights may be issued to Key Management Personnel as part of their remuneration. The Options and Performance Rights are issued to increase goal congruence between Executives, Executive Directors and Shareholders. Options and Performance Rights are not issued to Non-Executive Directors.

(e) Employment Contracts of Key Management Personnel

AEP Corporation Pty Ltd and Mr Kris Knauer entered into an agreement on 5 May 2019 pursuant to which Mr Knauer was appointed as managing director of AEP. The Company, AEP and Mr Knauer, have subsequently agreed, that upon Settlement of the Proposed Acquisition, the Company assumed the obligations of AEP under the agreement, the material terms and conditions of the agreement are set out below:

- (a) (Commencement Date): The date of the Company's re-admission to the Official List.
- (b) (Term): Two (2) years from the Commencement Date or until validly terminated.
- (c) (Remuneration): Mr Knauer will receive a base salary of \$240,000 per annum (including superannuation).
- (d) (Incentives): Mr Knauer is eligible to receive Securities under the Company's Incentive Option Plan and Performance Rights Plan.
- (e) (Accrued Entitlements): All entitlements that have accrued to Mr Knauer prior to the date of this agreement will be honoured by the Company.
- (f) (Termination): The Company may terminate the agreement by providing six (6) months' written notice.
- (g) (Expenses): Mr Knauer is entitled to reimbursement for all reasonable travelling expenses, accommodation and general expenses incurred in the performance of his duties under the agreement.

AEP Corporation Pty Ltd and Scott Funston entered into an agreement pursuant to which Mr Funston was appointed as company secretary, chief financial officer and finance director of AEP. The Company, AEP and Mr Funston, have subsequently agreed, that upon Settlement the Company will assume the obligations of AEP under the agreement, the material terms and conditions of the agreement are set out below:

- (h) (Position): Company Secretary, Chief Financial Officer and Finance Director
- (i) (Commencement Date): One (1) day after the Company's re-admission to the Official List.
- (j) (Term): Two (2) years from the Commencement Date or until validly terminated.
- (k) (Remuneration): Mr Funston will receive a base salary of \$150,000 per annum (including superannuation).
- (l) (Incentives): Mr Funston is eligible to receive Securities under the Company's Incentive Option Plan and Performance Rights Plan.
- (m) (Accrued Entitlements): All entitlements that have accrued to Mr Funston prior to the date of this agreement will be honoured by the Company.
- (n) (Termination): The agreement may be terminated by either party by providing three (3) months written notice.
- (o) (Expenses): Mr Funston is entitled to reimbursement for all reasonable travelling expenses, accommodation and general expenses incurred in the performance of his duties under the agreement.

Pursuant to an agreement executed on 20 August 2008, Mr Michael Fry provided services to the Group as a Non-Executive Chairman. The broad terms of this agreement include remuneration payable of \$60,000 per annum. The agreement may be terminated by either party by providing 3 months written notice and upon payment of any outstanding fees for services rendered.

Effective 21 June 2018, Mr Fry agreed to forego all fees yet to be paid for his capacity as non-executive chairman of the Company up to and including the date of his resignation on 4 July 2019.

On 3 April 2013, the Group entered into an executive services agreement with Mr Robert Willes under which Mr Willes receives a salary package of \$375,000 per annum inclusive of superannuation for Mr Willes' services as Managing Director of the Group. The agreement may be terminated by either party by providing 3 months written notice and, in the case of termination by the Company without reason, upon payment of three months' salary. Further provisions apply in respect of any unissued Retention Shares and/or unvested Incentive Shares.

As part of his remuneration package, and as approved by shareholders at the EGM held 22 August 2013, Mr Willes will be issued 4,000,000 fully paid ordinary shares ("Retention Shares") in the Company in equal 6 monthly instalments of 666,667 Retention Shares for a period of 36 months. The issue of Retention Shares is conditional on Mr Willes remaining an employee of the Company as at the date the respective Retention Shares are issued. The final two instalments of shares required to be issued for 1,333,334 shares in total are yet to be issued at the date of this report and will not be issued.

Effective 21 June 2018, components of remuneration for Mr Willes in his capacity as Managing Director were altered.

These changes included:

- foregoing \$518,750 of fees yet to be paid for his capacity as Managing Director up to and including 31 May 2018;
- receiving \$200,000 of fees yet to be paid for his capacity as Managing Director in cash at the time the Company completes a further capital raising of at least \$1,000,000;
- waive any entitlement to receive fees (as Managing Director) on and from 1 June 2018 until such time as the Company completes the pro-rata non-renounceable entitlement offer as announced on 13 June 2018 (Rights Issue); and
- on and from completion of the Rights Issue, receive remuneration of \$10,000 per month for a three-month term, such amount to be revisited at the end of this three-month period.

Mr Willes has agreed to forgo all remuneration that may be payable to him under his agreement up to the date of his resignation on 4 July 2019.

Under an established Performance Rights Plan, Mr Willes has been issued 16,000,000 Performance Rights in the following tranches and subject to the following vesting conditions:

- Tranche 1 – 4,000,000 Performance Rights (fair value of \$69,593 – refer to Note 11 for further details) vest on completion of 12 months continuous employment with the Company and the Company having or achieving a market capitalization of \$100m or greater by no later than 7 April 2016. These Performance Rights have expired.
- Tranche 2 – 4,000,000 Performance Rights (fair value of \$1,707 – refer to Note 11 for further details) vest on completion of 24 months continuous employment with the Company and the Company having or achieving a market capitalization of \$200m or greater by no later than 7 April 2018. These Performance Rights have expired.
- Tranche 3 – 4,000,000 Performance Rights (fair value of \$308,000 – refer to Note 11 for further details) vest on completion of 36 months continuous employment with the Company and the Company having or achieving a 3P resource in excess of 1TCF by no later than 7 April 2018. These Performance Rights have expired.
- Tranche 4 – 4,000,000 Performance Rights (fair value of \$308,000 – refer to Note 11 for further details) vest on completion of 36 months continuous employment with the Company and either the Company by no later than 7 April 2020:
 - announcing that its interests in the Karoo Basin, South Africa can be commercially developed; or
 - receiving an independent reserves certification containing proved reserves; or
 - having or achieving a market capitalization of \$500m or greater.

It is not currently considered probable the Tranche 4 Performance Rights will vest.

At the completion of the consolidation of the issued capital on a 1 for 5 basis, Mr Willes held 800,000 performance rights at year end under the Tranche 4 Performance Rights.

(f) Shares held by Key Management Personnel

	Balance at 1.7.18	Shares Issued ^(c)	Net Change Other ^(d)	Balance at 30.06.19
Directors				
Fletcher Quinn ^(a)	43,309,850	1,666,667	(34,647,880)	10,328,637
Kris Knauer ^(a)	14,435,000	39,308,332	(11,548,000)	42,195,332
Scott Funston ^(a)	-	3,666,667	-	3,666,667
Michael Fry ^(b)	1,832,965	-	(1,466,372)	366,593
Robert Willes ^(b)	2,666,668	-	(2,133,335)	533,333
Clinton Carey ^(b)	250,000	-	(200,000)	50,000
	62,494,483	44,641,666	(49,995,587)	57,140,562

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

^(c) Mr Quinn, Mr Knauer and Mr Funston were issued shares in Challenger pursuant to the Additional Offers in Section 6 of the Prospectus dated 15 May 2019

^(d) Shareholders approved a consolidation of capital on a 1 for 5 basis at a General Meeting held on 29 April 2019

No shares were issued by the Group during or since the financial year ended 30 June 2019 as a result of the exercise of an option or performance right.

(g) Options held by Key Management Personnel

	Balance at 1.7.18	Options Expired	Options under offer Prospectus ^(c)	Consolidation of Capital ^(d)	Balance at 30.06.19	Total Vested	Total Exercisable
Directors							
Fletcher Quinn ^(a)	2,500,000	-	-	(2,000,000)	500,000	500,000	500,000
Kris Knauer ^(a)	4,400,000	-	8,854,167	(3,520,000)	9,734,167	9,734,167 ^(e)	880,000
Scott Funston ^(a)	-	-	2,000,000	-	2,000,000	2,000,000 ^(e)	-
Michael Fry ^(b)	-	-	-	-	-	-	-
Robert Willes ^(b)	-	-	-	-	-	-	-
Clinton Carey ^(b)	-	-	-	-	-	-	-
	6,900,000	-	10,854,167	(5,520,000)	12,234,167	12,234,167	1,380,000

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

^(c) Mr Knauer and Mr Funston were issued options in Challenger pursuant to the Additional Offers in Section 6 of the Prospectus dated 15 May 2019

^(d) Shareholders approved a consolidation of capital on a 1 for 5 basis at a General Meeting held on 29 April 2019

^(e) Unexercisable options are subject to escrow under ASX Listing Rules up to 4 July 2021

(h) Performance Shares held by Key Management Personnel

	Balance at 1.7.18	Received as Remuneration	Performance Shares Expired	Net Change Other	Balance at 30.06.19	Total Vested	Total Exercisable
Directors							
Fletcher Quinn ^(a)	-	-	-	-	-	-	-
Kris Knauer ^(a)	-	-	-	37,000,000 ^(c)	37,000,000	-	-
Scott Funston ^(a)	-	-	-	-	-	-	-
Michael Fry ^(b)	-	-	-	-	-	-	-
Robert Willes ^(b)	4,000,000	-	-	(3,200,000) ^(d)	800,000	-	-
Clinton Carey ^(b)	-	-	-	-	-	-	-
	4,000,000	-	-	33,800,000	37,800,000	-	-

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

^(c) Mr Knauer was issued performance shares in Challenger. They consist of 18,500,000 Performance A Shares and 18,500,000 Performance B Shares pursuant to the Additional Offers in Section 6 of the Prospectus dated 15 May 2019. Details of Performance Shares are disclosed in Note 11 of the financial report.

^(d) Shareholders approved a consolidation of capital on a 1 for 5 basis at a General Meeting held on 29 April 2019

END OF REMUNERATION REPORT

OPTIONS

At the date of this report, 94,594,444 unlisted options over new ordinary shares in the Company were on issue:

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted	30 June 2020	\$0.25	6,950,000
Unlisted	30 June 2022	\$0.04	87,644,444

No ordinary shares were issued upon the exercise of options during or since the financial year ended 30 June 2019.

PERFORMANCE SHARES

At the date of this report, 120,800,000 Performance Shares over new ordinary shares in the Company were on issue:

Type	Number
Performance A	60,000,000
Performance B	60,000,000
Remuneration	800,000

Performance A Rights have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- (i) 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
- (ii) 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
- (iii) 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.

Performance B Rights will vest on the completion and announcement by Challenger (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 Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m,

The relevant interests held by each Director in shares, options and performance rights of the Company at the date of this report are included in the Remuneration Report above.

No ordinary shares were issued upon the vesting of performance rights during or since the financial year ended 30 June 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, auditor or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by them in their capacity as an officer, auditor or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an independence declaration in relation to the audit of the financial report.

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the year ended 30 June 2019.

NON-AUDIT SERVICES

HLB Barnett Chown (South Africa), an overseas separate HLB firm, provided statutory compliance non-audit services of \$2,636 (2018: \$2,563) during the year ended 30 June 2019.

HLB Mann Judd (WA Partnership) provided services for the Independent Accounting Report included in the Prospectus dated 15 May 2019 of \$12,000 (2018: \$Nil).

This report is made in accordance with a resolution of the Directors.



Kris Knauer
Managing Director

27 September 2019



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Challenger Exploration Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
27 September 2019

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

B G McVeigh
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Other income	2	300,028	-
Accounting and audit fees		(80,132)	-
Consultants' fees		(85,523)	-
Legal and compliance		(98,239)	-
Listing premium on acquisition	22	(5,822,719)	-
Other		(1,364)	-
Profit/(loss) before income tax		(5,787,949)	-
Income tax expense	3	(47,025)	-
Net profit/(loss) for the year		(5,834,974)	-
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	-
Income tax on other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income/(loss) for the year		(5,834,974)	-
Earnings per share			
Basic earnings/(loss) per share (cents)	15	(6.50)	-
Diluted earnings/(loss) per share (cents)	15	(6.50)	-

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019



	Note	Consolidated 2019 \$	Consolidated 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	4	5,043,935	-
Trade and other receivables	5	87,941	-
Prepayments		827	-
TOTAL CURRENT ASSETS		5,132,703	-
NON-CURRENT ASSETS			
Deferred exploration and evaluation expenditure	6	3,277,843	-
TOTAL NON-CURRENT ASSETS		3,277,843	-
TOTAL ASSETS		8,410,546	-
CURRENT LIABILITIES			
Trade and other payables	7	729,027	-
Borrowings	8	467,780	-
TOTAL CURRENT LIABILITIES		1,196,807	-
NON-CURRENT LIABILITIES			
Deferred Tax Liability	3	47,025	-
TOTAL NON-CURRENT LIABILITIES		47,025	-
TOTAL LIABILITIES		1,243,832	-
NET ASSETS		7,166,714	-
EQUITY			
Issued capital	9	13,000,904	-
Reserves	10	784	-
Accumulated losses		(5,834,974)	-
TOTAL EQUITY		7,166,714	-

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

Consolidated 2019	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2018	-	-	-	-
Loss for the year	-	(5,834,974)	-	(5,834,974)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	(5,834,974)	-	(5,834,974)
Shares issued under Prospectus	5,180,000	-	-	5,180,000
Issued and paid up capital of AEP	2,258,740	-	-	2,258,740
Shares issued on reverse acquisition - at fair value of the Company	5,113,048	-	-	5,113,048
Shares issued on conversion of loans	1,050,000	-	-	1,050,000
Issue of options	-	-	784	784
Share issue costs	(600,884)	-	-	(600,884)
Balance at 30 June 2019	13,000,904	(5,834,974)	784	(7,166,714)
Balance at 1 July 2017	-	-	-	-
Loss for the year	-	-	-	-
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	-	-
Shares issued under Prospectus	-	-	-	-
Share issue costs	-	-	-	-
Balance at 30 June 2018	-	-	-	-

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019



	Note	Consolidated 2019 \$	Consolidated 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(657,124)	-
Interest received		28	-
NET CASH USED IN OPERATING ACTIVITIES	4	(657,096)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on exploration		(2,521,846)	-
Investment in subsidiary net of cash acquired		1,002	-
NET CASH USED IN INVESTING ACTIVITIES		(2,520,844)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		1,217,780	-
Proceeds from share issue		7,004,095	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		8,221,875	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		5,043,935	-
Cash and cash equivalents at beginning of the year		-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	5,043,935	-

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Challenger Exploration Limited is a for-profit listed public company limited by shares that is incorporated and domiciled in Australia. The Group has operations in Ecuador and Argentina and its principal activities are exploration for gold and copper.

The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The financial report was authorised for issue on the date of the signing of the Directors' Declaration.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The following is a summary of the accounting policies adopted by the Group in the preparation of the financial information. The accounting policies have been consistently applied unless otherwise stated.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to the Group's accounting policies.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

The Group has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

It was determined that the adoption of AASB 9 had no impact on the Group.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Group has adopted AASB 15 from 1 July 2018.

AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers.

It was determined that the adoption of AASB 15 had no impact on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

AASB 16

AASB 16 replaces AASB 17 *Leases*. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

It was determined that the adoption of AASB 16 will have no impact on the Group.

(c) Basis of Consolidation

The consolidated financial statements comprise of the separate financial statements of Challenger Exploration Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On 27 June 2019 Challenger Exploration Limited announced that all conditions precedent for the completion and acquisition of AEP Corporation Pty Ltd through an off-market takeover bid for all of the ordinary shares in AEP Corporation Pty Ltd on the basis of 1 Challenger Exploration Limited share for every 1 AEP Corporation Share.

As such the consolidation of these two companies was on the basis of the continuation of AEP Corporation with no fair value adjustments, whereby AEP Corporation was deemed to be the accounting parent and Challenger the legal parent.

The financial statement of the subsidiaries is prepared for the same reporting period as the Parent, using consistent accounting policies.

All intercompany balances and transactions, income and expenses, and profits and losses from intra-group transactions are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting. Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the parent entity, and do not impact the cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interest even if it results in a deficit balance.

(d) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, as at the end of the reporting period.

Deferred income tax is provided on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, as at the end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (a) the rights to tenure of the area of interest are current; and
- (b) at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of asset used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

The directors believe this policy results in relevant and reliable information in the financial report. Exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent balance sheet and profit and loss. Furthermore, this adopted accounting policy is consistent with those of many other exploration and mining companies.

(f) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured and are usually paid within 30 to 45 days of recognition.

(g) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purpose of the statement of cash flows, cash consists of cash and cash equivalents as defined above, net of bank overdrafts.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(i) Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Group are United States Dollars (USD), South African Rand (ZAR) and Australian Dollars (AUD). The presentation currency is Australian Dollars (AUD).

As at reporting date the assets and liabilities of the subsidiaries are translated into the presentation currency of Challenger Exploration at the rate of exchange ruling at the end of the reporting period and income and expenses are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(j) Earnings Per Share (“EPS”)

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of shares and dilutive potential shares, adjusted for any bonus element.

(k) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(l) Trade and Other Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

(m) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(o) Revenue

The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is recognised when control of the right to receive the interest payment.

(p) Property, Plant & Equipment

Property, plant & equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis on all property, plant and equipment over 3 years. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(q) Share-based Payment Transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black & Scholes option-pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Challenger Exploration Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, measured at the modification date.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(s) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

(t) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The application of accounting policies requires the Group's management to make estimates and assumptions that affect the carrying values of assets and liabilities that are not readily apparent from other sources. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions and expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Estimates and underlying assumptions are evaluated on an ongoing basis.

Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Share-based Payments

The Group measures the cost of equity-settled transactions with employees and consultants, where the fair value of the services provided cannot be reliably measured by reference to the fair value at grant date using the Black & Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The assumptions used are detailed in Note 11.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

(u) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(v) Parent Entity Disclosures

The financial information for the parent entity, is the legal parent Challenger Exploration Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

(w) Reverse Asset Acquisition

On 25 February 2019 Challenger Exploration Limited (formerly Challenger Energy Limited) announced a binding Heads of Agreement to acquire 100% of the issued capital in AEP Corporation Pty Ltd. For accounting purposes, the acquisition of AEP by Challenger has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "Business Combination" notwithstanding that the Company is the legal parent of the Group. Consequently, the historical financial information presented in this Report for the year ended 30 June 2019 is the historical information of AEP Corporation Pty Ltd.

The legal structure of the Group subsequent to the acquisition of Challenger Exploration Limited is that Challenger is the legal entity. However, the principles of reverse acquisition accounting are applicable where the owner of the acquired entity (in this case, the Challenger) obtain control of the acquiring entity (in this case, AEP) as a result of the business' combination.

Under reverse acquisition accounting, the consolidated statements are issued under the name of the legal parent (Challenger) but are a continuation of the financial statements of the legal subsidiary (AEP), with assets and liabilities of the legal subsidiary being recognizes and measured at their pre-combination carrying amounts rather than their fair values.

	Consolidated 2019 \$	Consolidated 2018 \$
2. REVENUE		
Capital gain from loan forgiveness	300,000	-
Interest received	28	-
	300,028	-
3. INCOME TAX		
The prima facie tax benefit on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Net profit/(loss) before income tax	(5,787,949)	-
Prima facie tax expense/(benefit) on result before income tax at 27.5% (2018: 27.5%)	(1,591,686)	-
Add:		
- Listing premium on acquisition	1,601,248	-
- Share based payments	49,500	-
- Movements in provisions, accruals and prepayments	6,862	-
Less:		
- Black hole expenditure deductions	(33,049)	-
- Benefit of tax losses and other temporary differences not brought to account	14,150	-
Income tax expense/(benefit)	47,025	-
The following deferred tax balances have not been recognised:		
Deferred tax assets at 27.5% (2018: 27.5%):		
Carry forward revenue losses	917,983	-
Capital raising costs	33,049	-
Provisions, accruals and prepayments	(6,862)	-
Capitalised exploration costs	(901,407)	-
	42,763	-

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Group continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the Group in utilising the benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on a daily bank deposit rate.

Reconciliation of net loss after tax to the net cash flows from operations:

	Consolidated 2019 \$	Consolidated 2018 \$
Net profit/(loss)	(5,834,974)	-
Non cash items:		
Deferred Tax Liability	47,025	-
Listing premium on acquisition	5,822,719	-
Changes in assets and liabilities		
(Increase)/Decrease in receivables and prepayments	(88,762)	-
(Decrease)/Increase in payables and accruals	(603,104)	-
Net cash flows used in from operating activities	(657,096)	-
Changes in liabilities arising from financing activities:		
Opening balance	-	-
Loans received	1,217,780	-
Loans converted to equity	(750,000)	-
Net cash from financing activities	467,780	-
Closing balance	467,780	-

5. TRADE & OTHER RECEIVABLES
Current

Other receivables	87,941	-
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These amounts arise from the usual operating activities of the Company and are non-interest bearing. The debtors do not contain any overdue or impaired receivables.

6. CAPITALISED EXPLORATION AND ACQUISITION COSTS

Non-current		
Deferred exploration and evaluation expenditure	3,277,843	-
Opening balance	-	-
Exploration and evaluation expenditure	3,086,608	-
Acquisition costs	191,235	-
Closing balance	3,277,843	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

	Consolidated 2019 \$	Consolidated 2018 \$
7. TRADE & OTHER PAYABLES		
Current		
Trade creditors and accruals	729,027	-
Terms and conditions: Trade creditors are non-interest bearing and are normally settled on 30-day terms.		
8. BORROWINGS		
Current		
Unsecured loans	467,780	-
The Company has entered into an unsecured loan facility on arm's length terms from a non-related party to Challenger for the amount of \$467,780 to pay for incurred exploration expenditure between 31 March 2019 and financial year end. The repayment of this amount will come from the proceeds of the Public Offer from the Prospectus dated 15 May 2019 and will be repaid post year end.		
Changes in liabilities arising from financing activities		
Opening Balance (unsecured loan)	-	-
Net cash from financing activities	1,217,780	-
Less: converted into equity	(750,000)	-
	467,780	-
9. ISSUED CAPITAL		
Issued Capital	13,000,904	-

Movement in ordinary shares on issue

	Consolidated 2019		Consolidated 2018	
	No	\$	No	\$
At start of period	-	-	-	-
existing shares of AEP post-consolidation	180,000,000	2,258,740	-	-
Elimination of historical numbers of AEP shares	(180,000,000)	-	-	-
Existing shares of Challenger post-consolidation	11,893,459	32,017,360	-	-
Elimination of historical value of Challenger	-	(32,017,360)	-	-
Shares issued to acquire AEP	180,000,000	5,113,048	-	-
Shares issued pursuant to the Prospectus	166,666,667	5,000,000	-	-
Conversion of AEP loan facility	25,000,000	750,000	-	-
Conversion of loans from various lenders	10,000,000	300,000	-	-
Shares issued to lead manager	6,000,000	180,000	-	-
Transaction costs relating to issued shares	-	(600,884)	-	-
	465,560,126	13,000,904	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

The movement in ordinary shares during year ended 30 June 2019 is comprised of the following transactions:

166,666,667 shares were issued for cash, 180,000,000 shares were issued as consideration shares for the AEP Corporation Pty Ltd Vendor Offer, 10,000,000 shares were issued for the third party lender offer, 6,000,000 shares were issued to advisors to the offer, 25,000,000 shares were issued on the conversion of a third party lender offer. All shares issued for the offers are as outlined in the Challenger Prospectus dated 15 May 2019 and approved at a meeting of shareholders on 29 April 2019.

During the financial year ended 30 June 2019, no ordinary shares were issued as a result of the exercise of options.

(b) Terms and Conditions

Ordinary shares entitle their holder the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of surplus assets in proportion to the number of and amounts paid on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a Company meeting.

	Consolidated 2019 \$	Consolidated 2018 \$
10. RESERVES		
Options reserve	784	-
Options reserve		
At beginning of reporting period	784	-
Balance at end of reporting period	784	-

11. OPTIONS

At the date of this report, 94,594,444 unlisted options over new ordinary shares in the Company were on issue:

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted	30 June 2020	\$0.25	6,950,000
Unlisted	30 June 2022	\$0.04	87,644,444

No ordinary shares were issued upon the exercise of options during or since the financial year ended 30 June 2019.

12. PERFORMANCE RIGHTS

At the date of this report, 120,800,000 Performance Shares over new ordinary shares in the Company were on issue:

Type	Number
Performance A	60,000,000
Performance B	60,000,000
Remuneration	800,000

Please refer to the Remuneration Report above for full details, terms and conditions of the Remuneration Performance Shares.

Performance A Rights have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. 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
- ii. 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
- iii. 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.

Performance B Rights will vest on the completion and announcement by Challenger (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 Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m,

The relevant interests held by each Director in shares, options and performance rights of the Company at the date of this report are included in the Remuneration Report above.

No ordinary shares were issued upon the vesting of performance rights during or since the financial year ended 30 June 2019.

Options reserve is used to record the proceeds of issued share options.

13. KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Details of Key Management Personnel

Fletcher Quinn – Non Executive Chairman^(a)

Kris Knauer – Managing Director^(a)

Scott Funston – Executive Director^(a)

Michael Fry – Non-Executive Chairman^(b)

Robert Willes – Managing Director^(b)

Clinton Carey – Non-Executive Director^(b)

^(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

^(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

Directors' remuneration and other terms of employment are reviewed annually by the non-executive Directors having regard to performance against goals set at the start of the period, relative comparative information and independent expert advice, as appropriate.

(b) Compensation of Key Management Personnel

The aggregate compensation paid to Directors and other members of key management personnel is out below:

	Consolidated 2019 \$	Consolidated 2018 \$
Short-term employee benefits	43,265	-
Post-employment benefits	1,735	-
Share-based payments	-	-
	45,000	-

Further details of key management personnel remuneration have been included in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(c) **Other Transactions with Key Management Personnel**

Mr Funston is a director of Resourceful International Consulting Pty Ltd. Resourceful has provided his services as Director, Company Secretary and CFO to a value of \$25,000 (2018: \$Nil) to Challenger during the year on normal commercial terms.

(d) **Amounts owing to Key Management Personnel**

There were no amounts outstanding to Key Management Personnel as at 30 June 2019.

14. SEGMENT INFORMATION

The Group is organised into one segment, being exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM")) in assessing performance and in determining the allocation of resources.

30 June 2019	Australia \$	Ecuador \$	Argentina \$	Consolidated \$
Interest Income	28			28
Loan Forgiveness	300,000	-	-	300,000
Segment Revenue	300,028	-	-	300,028
Segment profit / (loss) before income tax	(5,674,319)	(67,935)	(45,295)	(5,787,549)
Segment assets	5,132,703	3,101,229	176,614	8,410,546
Segment liabilities	1,052,597	191,235	-	1,243,832
<i>Included within segment loss</i>				
Listing premium on acquisition	5,822,719	-	-	5,822,719
<i>Included within segment assets</i>				
Cash at bank	5,043,935	-	-	5,043,935
Non-current asset additions:				
Exploration and evaluation	-	3,101,229	176,614	3,277,843
<i>Cash flow information</i>				
Net cashflow outflows from operating activities	(598,037)	(13,764)	(45,295)	(657,096)
Net cashflow outflows from investing activities	-	(2,344,230)	(176,614)	(2,520,844)
Net cashflow inflows from financing activities	8,221,875	-	-	8,221,875

For the year ended 30 June 2018, no comparatives were existing.

	Consolidated 2019 \$	Consolidated 2018 \$
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15. EARNINGS PER SHARE

The following reflects the profit/(loss) and share data used in the calculation of basic and diluted earnings per share (EPS):

Profit/(Loss) used in calculation of basic and diluted EPS	(5,787,943)	-
--	-------------	---

	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS	88,991,176	-

(i) There are no dilutive impacts on EPS.

16. RELATED PARTY DISCLOSURE

Interest in subsidiaries

The consolidated financial statements include the financial statements of Challenger Exploration Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of equity interest held by the Group	
		2019	2018
Bundu Oil & Gas Exploration (Pty) Ltd	South Africa	95%	95%
Sunset Texas Exploration LLC	USA	100%	100%
Challenger Texas Energy LLC	USA	100%	100%
Challenger Texas Energy Operating LLC	USA	100%	100%
Afro-Asian Resources Pty Ltd	Australia	100%	-
Ecuador Mining Pty Ltd	Australia	100%	-

Bundu Oil & Gas Exploration does not have a material non-controlling interest in the Group.

17. AUDITOR'S REMUNERATION

	Consolidated 2019 \$	Consolidated 2018 \$
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Amounts received or due and receivable by the auditor:

- HLB Mann Judd (WA Partnership) - audit or review of the financial reports of the Company	37,500	-
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Amounts received or due and receivable by overseas separate firms:

- HLB Mann Judd (WA Partnership) – Independent Experts Report for Prospectus	12,000	-
- HLB Barnett Chown (South Africa) – statutory compliance services	2,636	-
	52,136	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

18. FINANCIAL INSTRUMENTS

(a) Financial risk management and risk policies

The Group's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to hold funds for the entity's operations. The entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(c) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long term debt, and therefore this risk is minimal.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

2019 Consolidated	Rate	Less than 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Total \$
FINANCIAL ASSETS						
Non-interest bearing		88,768	-	-	-	88,768
Variable interest rate instruments	0.01%	5,043,935	-	-	-	5,043,935
		5,132,703	-	-	-	5,132,703
FINANCIAL LIABILITIES						
Non-interest bearing		(729,027)	-	(467,780)	-	(1,196,807)
Variable interest rate instruments		-	-	-	-	-
		4,403,676	-	(467,780)	-	3,935,896

Interest Rate Sensitivity Analysis

At reporting date, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variable held constant, there would have been an immaterial change in post tax loss for the year. The impact on equity would have been the same.

There was no exposure to interest rate risk in 2019.

(d) Net fair values of financial assets and liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.

Receivables, payables and borrowings: The carrying amount approximates fair value.

(e) Credit risk exposures

The Group's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for doubtful debts, of those assets as indicated in the statement of financial position. The maximum credit risk exposure on receivables of the Group at 30 June 2019 is \$87,941. There are no impaired receivables at 30 June 2019.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. The Group measures credit risk on a fair value basis.

Concentration of Credit Risk

The Group is not exposed to any individual customer.

(f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group does not have any bank debt.

(g) Foreign exchange risk management

The Group is exposed to US Dollar (USD) and South African Rand (ZAR) currency fluctuations. At 30 June 2019, there would have been an immaterial change in the post-tax operating loss for the year as a result of a 10% change in the Australian Dollar (AUD) to the USD and ZAR. The impact to equity would be the same.

(h) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being oil and gas exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

19. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

20. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure as at 30 June 2019 (2018: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

21. PARENT ENTITY DISCLOSURES

Information relating to Challenger Exploration Limited, the legal Parent entity, is detailed below:

	2019 \$	2018 \$
Financial position		
Assets		
Current assets	5,297,464	121,902
Non-current assets	7,841,190	-
Total assets	13,138,654	121,902
Liabilities		
Current liabilities	378,025	573,200
Total liabilities	378,025	573,200
Net Assets / (Deficiency)	12,760,629	(451,298)
Equity		
Issued capital	43,046,471	32,017,355
Accumulated losses	(32,829,698)	(35,691,716)
Reserves	2,543,856	3,223,063
Total equity / (deficiency)	12,760,629	(451,298)
Financial performance		
Profit/(Loss) for the year	2,862,018	16,968
Other comprehensive income	-	-
Total comprehensive income/(loss)	2,862,018	16,968

22. REVERSE ACQUISITION ACCOUNTING

On 27 June 2019 Challenger Exploration Limited announced that all conditions precedent for the completion and acquisition of AEP Corporation Pty Ltd through an off-market takeover bid for all of the ordinary shares in AEP Corporation Pty Ltd on the basis of 1 Challenger Exploration Limited share for every 1 AEP Corporation Share. Additionally, 78,444,444 consideration options and 120,000,000 consideration performance shares were issued on a post consolidation basis.

Under the Acquisition, Challenger Exploration Limited acquired all the shares in AEP Corporation Pty Ltd by issuing 180,000,000 shares in Challenger Exploration to AEP Corporation shareholders, giving AEP Corporation (accounting parent) a controlling interest in Challenger Exploration (accounting subsidiary) and equating to a controlling interest in the combined entity. Wolf Operations was thus been deemed the acquirer for accounting purposes as it owned 69.80% of the consolidated entity. The acquisition of AEP Corporation by Challenger Exploration is not deemed to be a business combination, as Challenger Exploration is not considered to be a business under AASB 3 Business Combinations.

As such the consolidation of these two companies was on the basis of the continuation of AEP Corporation with no fair value adjustments, whereby AEP Corporation was deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction was to account for it under AASB 2 Share Based Payments, whereby AEP Corporation is deemed to have issued shares to Challenger Exploration Shareholders in exchange for the net assets held by Challenger Exploration.

In this instance, the value of the Challenger Exploration shares provided was been determined as the notional number of equity instruments that the shareholders of AEP Corporation would have had to issue to Challenger Exploration to give the owners of Challenger Exploration the same percentage ownership in the combined entity. It has been deemed to be \$5,113,048.

The pre-acquisition equity balances of Challenger Exploration are eliminated against this increase in Share Capital of \$5,113,048 on consolidation and the balance is deemed to be the amount paid for the listing status of Challenger Exploration, being \$5,822,719 (recognised as a share-based payment in the statement of profit or loss).

Details of the pre-combination carrying amounts of the assets and liabilities of the acquire are as follows:

	\$
Net Assets Acquired:	
Cash and cash equivalents	42,708
Trade and other receivables	77,782
Exploration and evaluation assets	191,325
Creditors and Borrowings	(1,021,486)
Net Assets	<u>(709,671)</u>
Listing expense:	
Acquisition consideration	5,113,048
Add: Net liabilities of Challenger Exploration Limited	709,671
Total	<u>5,822,719</u>
Reconciliation of cash and cash equivalents to net cash acquired:	
Cash and cash equivalents at 27 June 2019 – Challenger	42,708
Proceeds from acquisition	(41,706)
Total	<u>1,002</u>

23. SUBSEQUENT EVENTS

On the 17 September 2019, the Company issued 3,333,334 shares as part of the deferred consideration shares, as approved at a meeting of shareholders on 29 April 2019.

DIRECTORS' DECLARATION

1. The Directors of the Company declare that:
 - a. the financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mr Kris Knauer
Managing Director

27 September 2019

**INDEPENDENT AUDITOR'S REPORT**

To the members of Challenger Exploration Limited

Report on the Audit of the Financial Report*Opinion*

We have audited the financial report of Challenger Exploration Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Acquisition of AEP Corporation Pty Limited Note 22	
<p>During the year, the Group completed an asset acquisition under reverse acquisition principles of AEP Corporation Pty Limited which holds tenement rights in two different South American projects by the issue of shares, options and performance shares to the vendors.</p> <p>We considered this acquisition to be a key audit matter as it is material and required judgement in relation to measurement of the consideration paid.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We read the acquisition agreements to understand their key terms and conditions; - We agreed the fair value of the consideration paid to supporting information; and - We determined that the asset acquisition was correctly recorded in accordance with the Group's accounting policies and in line with the principles of AASB 3 <i>Business Combination</i> requirements. <p>We assessed the adequacy of the Group's disclosures in the financial report with respect to the acquisition.</p>

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Challenger Exploration Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
27 September 2019**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh
Partner**

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 25 September 2019.

Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 as at 25 September 2019:

Shareholder	Number
Kris Knauer	42,195,332

Distribution of Shareholders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	110	38,327
1,001 - 5,000	226	645,220
5,001 - 10,000	114	929,303
10,001 - 100,000	438	17,681,482
100,001 and over	357	449,599,128
TOTAL	1,245	468,893,460

Top 20 Shareholders

The names of the twenty largest holders of each class of quoted equity security, the number of equity security each holds and the percentage of capital each holds (as at 25 September 2019) is as follows:

Rank	Holder Name	Units	%
1	*MONEYBUNG PL	39,308,332	8.38%
2	HSBC CUSTODY NOM AUST LTD	19,738,205	4.21%
3	*STRANDLINE INV PL	19,657,225	4.19%
4	EASTERN CAP GRP LLC	19,100,000	4.07%
5	*DOMAEVO PL	14,766,667	3.15%
6	*JAWAF ENTPS PL	12,726,667	2.71%
7	*AUSEPEN PL	11,300,000	2.41%
8	*BERNARD LAVERTY PL	9,966,666	2.13%
9	*SANPEREZ PL	7,497,866	1.60%
10	ALTHAUS PINCHAS	6,000,000	1.28%
11	*FRENEY CHRIS	5,833,333	1.24%
12	LQ SUPER PL	5,833,260	1.24%
13	GREENWOOD M A + CHRISTIAN	5,434,064	1.16%
14	JACQUELINE KAY PL	5,312,684	1.13%
15	E & E HALL PL	5,300,000	1.13%
16	MOWBRICK PTE LTD	5,100,000	1.09%
17	ALLEN JAMES HENDERSON	5,000,000	1.07%
18	BOLLENBACH INV LP	4,666,667	1.00%
19	BENNETT J + SKAFTE K	4,650,000	0.99%
20	BROWN WARREN W + M H	4,511,667	0.96%
TOTAL		211,703,303	45.14%

ADDITIONAL SHAREHOLDERS' INFORMATION

Restricted Securities

The following securities are restricted securities:

	Ordinary Shares
Escrowed 24 months from listing date	100,666,667

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction.

Interests in Tenements Held

Project	Property Name	Tenure Title Holder	Interest %	AREA (ha)	DNPM No of Area	Status of Tenure
El Guayabo	El Guayabo	Torata Mining Resources S.A	earning 100%	281	COD225	Granted
Hualilan	Divisadero	Golden Mining S.R.L.	earning 75%	6	5448-M-1960	Granted
Hualilan	Flor de Hualilan	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pereyra y Aciar	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Bicolor	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Sentazon	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Muchilera	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Magnata	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pizarro	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	La Toro	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	La Puntilla	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pique de Ortega	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Descrubidora	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pardo	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Sanchez	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Andacollo	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	North of "Pizarro" Mine	Golden Mining S.R.L.	as above	1.9	195-152-C-1981	Granted
Hualilan	South of "La Toro" Mine	CIA GPL S.R.L.	as above	1.9	195-152-C-1981	Granted
Hualilan	Josefina	Golden Mining S.R.L.	as above	2570	30.591.654	Pending

ASX Waivers

The ASX granted the Company a waiver from ASX Listing Rule 7.3.2 to permit the notice of meeting (the "Notice") seeking shareholder approval for the issue of up to 245,000,001 fully paid ordinary shares in the Company ("Waiver Securities") upon the Company satisfying the milestones in relation to each of the Projects ("Milestones") not to state that the Waiver Securities will be issued within 3 months of the date of the shareholder meeting.

The Waiver Securities must be issued no later than 60 months after the date of reinstatement of the Company's securities to official quotation.

3,333,334 Securities were issued on 17 September 2019.

The total Earn-In Shares will be issued progressively subject to the achievement of the following milestones:

El Guayabo Project Milestones

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

Hualilan Project Milestones

- A payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) to Cerro Sur owners for assignment of Cerro Norte farmin due no later than one month after re-listing on the ASX.
- A milestone payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) due on 22 June 2019.
- Minimum expenditure of A\$1 million on the Hualilan Project.
- The issue of a 11.667 million shares (being shares in CEL assuming the Transaction completes) no later than 1 July 2020 to acquire a 25% interest in the project.
- Completion of a Definitive Feasibility Study within five years and the issue of 50 million shares (being shares in CEL assuming the Transaction completes) to move from 25% to 75% of the project.

Performance Shares

The Company has 60,000,000 Class A Performance Shares and 60,000,000 Class B Performance Shares on Issue.

A summary of the terms and conditions of the Performance Shares are as follows:

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

(No Conversion if Milestone not Achieved): If the relevant Milestone is not achieved by the required date (being seven years from the date of the Proposed Acquisition or such other date as required by ASX), then all Performance Shares held by each Holder shall lapse.

(After Conversion): The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion (subject to complying with any restriction periods required by the ASX).

(Milestones): The Performance Shares will, convert upon the satisfaction of the following milestones:

(Class A): A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

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

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

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;

(Class B): The Class B Performance Shares held by the holder will convert into an equal number of Shares upon the Company:

Completion and announcement by CEL (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

No Performance Milestones have been met.



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