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CHALLENGER EXPLORATION LIMITED

ABN 45 123 591 382

Interim Consolidated Financial Report
for the half-year ended
31 December 2019

Challenger Exploration Limited

CORPORATE DIRECTORY

Directors

Mr Fletcher Quinn (Non-Executive Chairman)

Mr Kris Knauer (Managing Director)

Mr Scott Funston (Executive Director)

Company Secretary

Mr Scott Funston

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Securities Exchange

The Company's securities are quoted on the official list of the Australian Securities Exchange Limited, the home branch being Perth.

ASX Code: CEL

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DIRECTORS' REPORT

The Directors of Challenger Exploration Limited submit the Condensed Interim Consolidated Financial Report of the Group for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Fletcher Quinn	Non-Executive Chairman - Appointed 4 July 2019
Kris Knauer	Managing Director - Appointed 4 July 2019
Scott Funston	Executive Director - Appointed 4 July 2019
Robert Willes	Executive Director – Resigned 4 July 2019
Michael Fry	Non-Executive Chairman – Resigned 4 July 2019
Clinton Carey	Non-Executive Director – Resigned 4 July 2019

Results of Operations

The loss after tax for the half-year ended 31 December 2019 was \$687,168 (half-year ended 31 December 2018 profit after tax of \$162,264).

HIGHLIGHTS

- **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**
- **Receipt of high-grade gold sampling results, towards confirming historical foreign resource estimate from the Hualilan Gold Project**
- **Receipt of Geophysical results for the El Guayabo Gold / Copper Project in Ecuador**
- **Defined new zones of mineralisation at the Hualilan Gold Project**
- **Appointment of experienced geologist Dr Stuart Munroe as Exploration Manager**
- **Major drilling programmes commenced at Hualilan Gold Project that subsequently produced outstanding assay results**
- **Subsequent to 31 December 2019:**
 - **Increased tenement position at the El Guayabo Gold and Copper Project substantially with finalisation of agreements to acquire interests in the Colorado V and El Guayabo tenements. (These Farm-in transactions are subject to shareholder approval)**
 - **Completion of \$6.5M Capital Raising at 10 cents per share to progress exploration of the Hualilan Gold Project, Argentina, the El Guayabo Copper Gold Project, Ecuador and general working capital**

HUALILAN GOLD PROJECT

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 26kms².

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. This was followed up with the Company's maiden diamond drilling campaign in the second half of 2019 and a second drilling programme during the first quarter of 2020.

During the maiden drilling campaign, 10 holes were completed for a total of 1,497.4 metres with assay results for key intervals from all holes having been received. The drill program was completed without incident or injury. Drill holes GNDD002, GNDD007 and GNDD008 required re-drilling following technical difficulties which prevented the initial drill hole reaching the final target depth. Drilling is planned to recommence in the current quarter now that the results of the initial drill holes have been analysed.

The drilling has confirmed the previous exploration drilling and extended the mineralisation in multiple directions, comparing favourably to the average historical drill intercept ^(#1) at Hualilan of 2.6m at 10.0 g/t gold, 36 g/t silver and 2.7% zinc and the historical resource grade of 13.7 g/t AuEq ^(#2).

Highlights from the program are:

- Hole GNDD-007 (6.7m at 14.3 g/t gold, 140 g/t silver, 7.3% zinc - 19.3 g/t AuEq) extended the deepest known mineralisation 50 metres and in so doing recorded one of the top 5 intercepts ever reported at the project.
- Hole GNDD-005 (5.0m at 10.9 g/t gold, 101 g/t silver, 1.5% zinc - 12.7 g/t AuEq) extended the western Magana zone by 25 metres at depth demonstrating mineralisation remains strong, and open, at its western most limit. The grades encountered in GNDD-005 were double those of the holes immediately up-dip, again supporting the possibility of increasing grades at depth.
- Hole GNDD-003 (6.1m at 34.6 g/t gold, 21.9 g/t silver, 2.9% zinc - 36.2 g/t AuEq) validated the 79 core holes drilled by Eprom and the final 29 La Mancha holes. Further it confirmed the Company's view the first 19 holes drilled by La Mancha are likely to have materially understated both the mineralisation's grade and thickness.
- Hole GNDD-006 (3.8m at 6.7 g/t gold 41.3 g/t silver ,0.4% Zinc - 7.4 g/t AuEq) extended mineralisation beyond La Mancha hole 04-HD-18 which reported no mineralisation and was believed to have closed off the Magnata mineralisation.
- Hole GNDD-004 (8.5m at 2.0 g/t gold, 7.8 g/t silver and 0.7 % zinc and 3.4m at 1.2 g/t gold, 3.2 g/t silver and 0.3 % zinc) extended the known near surface mineralisation west of the Dona Justa Pit in an area amenable to low strip open cut mining.
- Hole GNDD-009 (10.3m at 10.4 g/t gold, 28 g/t silver, 4.6% zinc - 12.9 g/t AuEq including 4.2m at 21.9 g/t gold, 58 g/t silver, 8.7% zinc - 26.4 g/t AuEq) was drilled 500 metres south of drill holes GNDD-050 to GNDD-008 and GNDD-010 at the southern limit of the known mineralisation in an old mining area known as Sentazon.

(#1) Calculated on weighted average basis using all historical drill intercepts which were above the historical resource cut-off grade. Historical Hualilan drill holes are available in CEL's ASX release dated 25 February 2019

(#2) See page 15 of this release for details of the foreign non-JORC compliant resource and disclosure under LR 5.12

Challenger Exploration Limited

Table 1: Sampling results from Maiden Hualilan Drill Programme

Drill hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Au Equiv (g/t)
GNDD-001	from	32.0	35.0	7.0m	2.3	5.8	0.5	2.6 g/t AuEq
GNDD-002A	from	31.0	32.0	1m	1.0	2.4	0.9	1.4 g/t AuEq
				1m	1.4	2.8	0.8	1.8 g/t AuEq
	from	81.5	82.1	0.6m ⁽¹⁾	2.8	27.3	28.1	16.4 g/t AuEq
GNDD-003	from	55.0	61.1	6.1m	34.6	21.9	2.9	36.2 g/t AuEq
	incl			3.0m	52.0	30.6	4.9	55.3 g/t AuEq
GNDD-004	from	6.0	14.5	8.5m	2.0	7.8	0.7	2.4 g/t AuEq
	from	18.7	22.1	3.4m	1.2	3.2	0.3	1.3 g/t AuEq
GNDD-005	from	29.0	32.0	3.0m	0.7	14.0	2.5	2.0 g/t AuEq
	from	43.0	44.0	1.0m	0.4	10.0	1.4	1.1 g/t AuEq
	and	59.0	64.0	5.0m ⁽²⁾	10.9	101.0	1.5	12.7 g/t AuEq
	incl	61.0	64.0	3.0m	16.5	135.2	1.6	18.8 g/t AuEq
	and	77.0	80.0	3.0m	1.7	38.8	0.4	2.3 g/t AuEq
	and	83.0	84.0	1.0m	1.2	156.0	0.7	3.2 g/t AuEq
GNDD-006	from	78.5	85.0	6.5m	4.2	21.0	0.3	4.6 g/t AuEq
	inc	78.5	82.3	3.8m	6.8	34.0	0.4	7.4 g/t AuEq
	and	90.0	91.5	1.5m	2.1	40.8	0.9	3.0 g/t AuEq
GNDD-007A	from	46.0	47.8	1.8m	2.4	3.1	0.2	2.5 g/t AuEq
	and	60.3	64.0	0.7m	0.8	25.0	0.2	1.1 g/t AuEq
	and	149.0	155.7	6.7m	14.3	140.0	7.3	19.3 g/t AuEq
	inc	150.6	153.7	3.1m	27.5	260.0	12.9	36.5 g/t AuEq
	and	176.4	180.0	0.6m	1.9	6.7	1.0	2.4 g/t AuEq
GNDD-008A	from	96.6	99.3	2.6m	22.8	218	0.7	25.5 g/t AuEq
	and	105	115	10.0m	0.6	28.2	0.7	1.2 g/t AuEq
GNDD-009	from	100.0	103.0	3.0m	0.9	50	0.9	1.4 g/t AuEq
	and	109.1	119.4	10.3m	10.4	28	4.6	12.9 g/t AuEq
	incl	115.2	119.4	4.2m	21.9	58	8.7	26.4 g/t AuEq
GNDD-010	from	30.0	32.0	2.0m	0.9	37	0.1	1.4 g/t AuEq
	and	34.0	35.0	1.0m	0.9	7.6	0.1	1.0 g/t AuEq
	and	55.0	56.3	1.3m	1.1	30	0.8	1.8 g/t AuEq
	and	139.0	142.0	3.0m	17.7	143	2.5	20.5 g/t AuEq

(1) 3m void was encountered immediately above the Intercept of 0.6m @ 18.1 g/t AuEq. This void is an underground access tunnel that was excavated on ore

(2) Intercept not closed - CEL is waiting on assay results for 2 x 1m samples above and below the reported Intercept

(3) Gold equivalent values were calculated using a price of US\$1450 for Gold, US\$16 for Silver, US\$2200t Zinc, Recoveries were not factored into the calculation of Gold equivalents given metallurgical test work is preliminary in nature

(4) Drill results are reported at 1 g/t AuEq cut-off

Table 2: Details of drill holes completed.

Hole_id	East (UTM)	North (UTM)	Elevation	Dip	Direction	Depth
GNDD-001	504803.987	6601337.067	1829.289	-57	115	109.0
GNDD-002	504793.101	6601312.095	1829.393	-60	115	25.6
GNDD-002A	504795.405	6601311.104	1829.286	-60	115	84.5
GNDD-003	504824.427	6601313.623	1827.768	-70	115	90.2
GNDD-004	504994.416	6601546.302	1835.345	-60	115	100.0
GNDD-005	504473.042	6600105.922	1806.448	-55	90	110.0
GNDD-006	504527.975	6600187.234	1817.856	-55	170	100.9
GNDD-007	504623.738	6600196.677	1823.447	-68	190	86.3
GNDD-007A	504624.021	6600198.394	1823.379	-68	190	219.0
GNDD-008	504625.047	6600198.059	1823.457	-60	184	109.4
GNDD-008A	504625.080	6600199.718	1823.264	-60	184	169.0
GNDD-009	504412.848	6599638.914	1794.220	-55	115	147.0
GNDD-010	504621.652	6600196.048	1823.452	-68	165	146.5

For full details of progress of the Hualilan Gold Project during the half year please refer to the Challenger Quarterly Activities Report lodged with the ASX on 31 January 2020.

EL GUAYABO GOLD COPPER PROJECT

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 farm-in agreement under which It can earn 100% of the project.

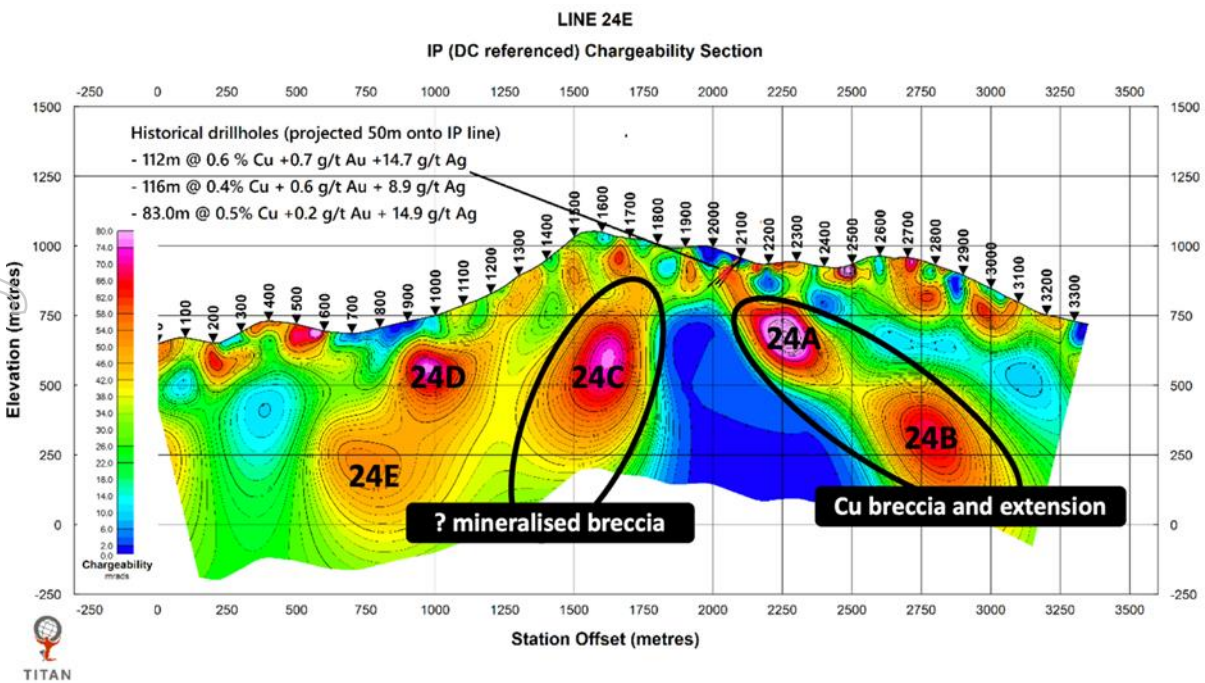
Geophysical Survey Campaign

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 were 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 were 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 survey deliverables 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.



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 and was designed to traverse the copper breccia to test for possible extensions at depth. The IP Chargeability Section 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 mrad whereas the chargeability response in the main part of this anomaly is 80-90 mrad.

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.

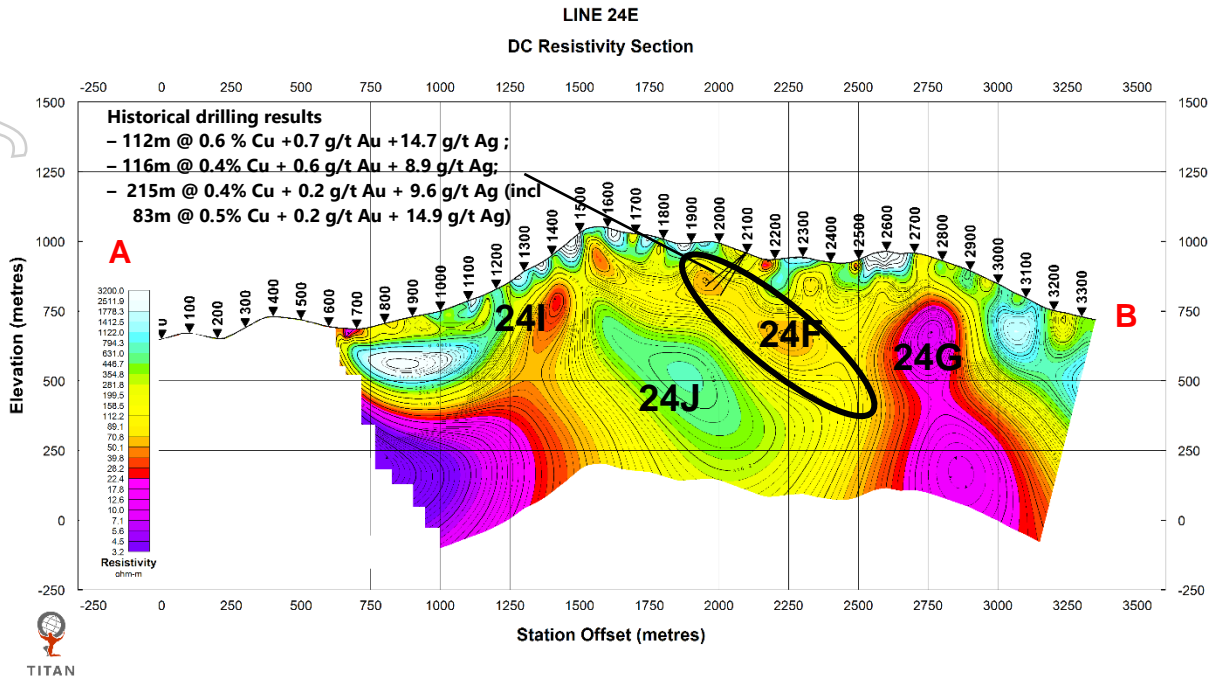
IP resistivity results

The IP Resistivity section is shown below in Figure 2. 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.

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CEL is currently reprocessing the survey data including constrained inversions using results from core measurements and recently corrected surface samples of varying lithologies. The company will wait for the complete reinversion results and associated interpretation 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.



Agreements for Colorado V and El Guayabo 2.

Discussions with holders of mining tenements Colorado V and El Guayabo 2 resulted in agreements being signed in January 2020. The Colorado V agreement is subject to shareholder approval and the El Guayabo 2 agreement is subject to due diligence.

21,500 metres of historical drilling has confirmed gold mineralisation on the Colorado V tenement. There is substantial exploration upside at Colorado V with previous exploration work only targeting high-grade vein hosted gold and drilling on the tenement not systematically logged, assayed, or examined for porphyry mineralisation.

Limited historical exploration has been undertaken on the El Guayabo 2 tenement, with the work that has been done undertaken by local Ecuadorian groups that targeted high-grade gold. Historical exploration reports record gold mineralisation in intrusive rocks in outcrop.

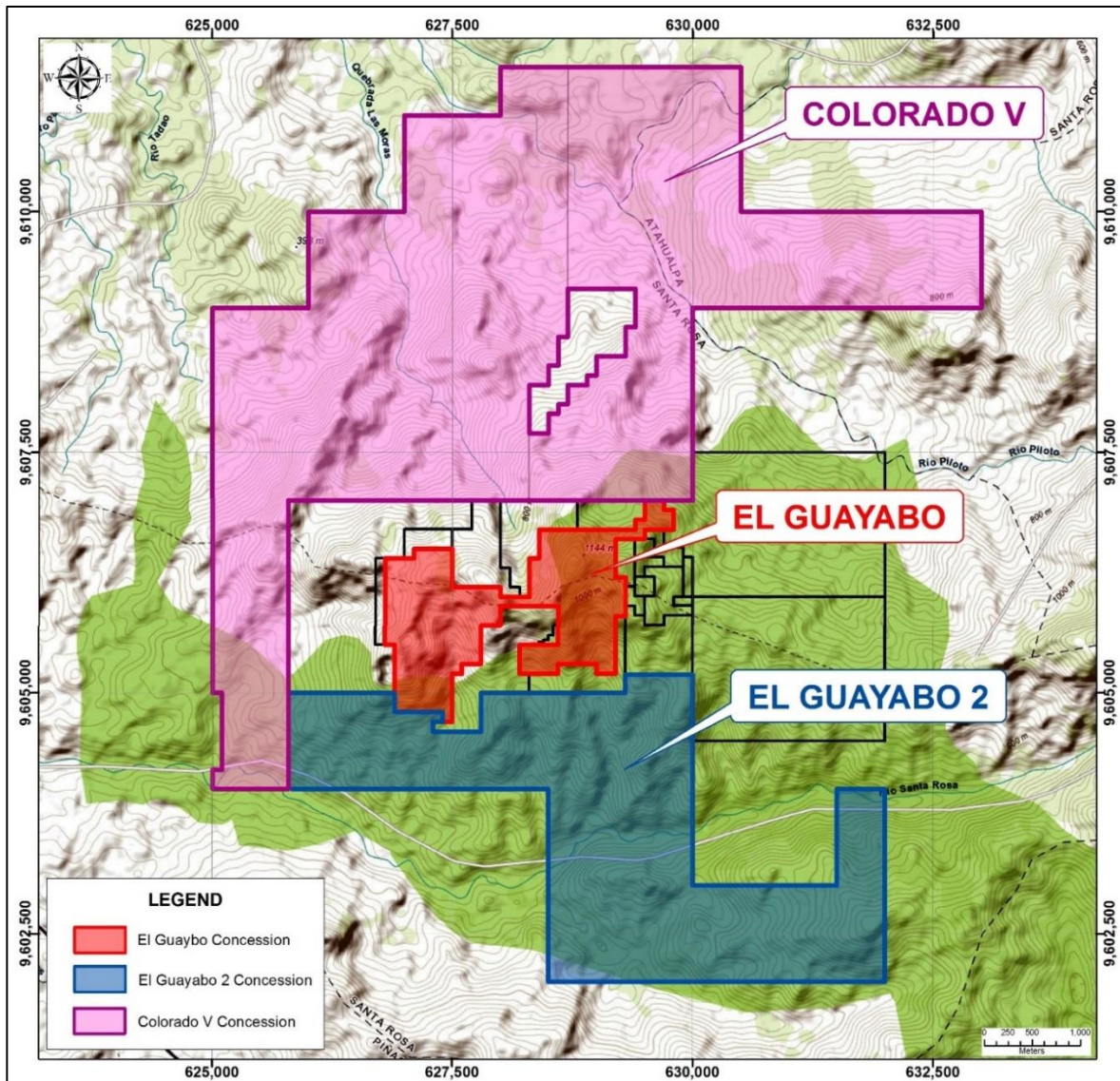
Colorado V

The tenement covers 2,331 hectares (23.3 sq. kms) and is located on the northern and eastern margins of the El Guayabo Tenement (Figure 1). The farm-in is subject to approval by CEL shareholders in accordance with ASX Listing Rule 11. CEL intends to call a shareholders meeting to approve this farm-in as soon as it is practical to do so.

Under the terms of the farm-in agreement, CEL will fund all exploration for the first 5 years to earn up to a 50% interest in any discovery it makes on the tenement. CEL and the current owner will then jointly fund a Definitive Feasibility Study and the ongoing development. The tenement is owned by Ecuadorian company Goldking Mining SA ("Goldking").

El Guayabo 2

On 28 January 2020, CEL announced it had entered into an agreement with the owners of the El Guayabo 2 tenement, subject to due diligence. El Guayabo 2 covers 957 hectares (9.6 sq. kms) and is located on the southern margin of CEL's El Guayabo tenement.



Showing Location of the current El Guayabo, El Guayabo 2 and Colorado V tenements

The Colorado V and El Guayabo tenements has the same geology as the El Guayabo tenement. The Geology comprises a metamorphic basement intruded by intermediate alkaline intrusives which range in age from 40 – 10 Ma (million years age). The intrusions are commonly overprinted by late porphyry dykes and intrusion breccia suggesting deeper, evolving magmatic systems are feeding shallower systems. The current gold production comes from a combination of veins and intrusive breccias similar to those identified at El Guayabo.

Goldking has undertaken extensive and high-quality exploration which includes a multi element soil geochemistry survey covering approximately 20 square kilometres, 21,500 metres of core drilling and a yet to be defined number of kilometres of underground exploration drives and workings. The core was intermittently sampled with the sampling program focussed on identifying additional high-grade vein/breccia hosted gold mineralisation to be processed at their plant. Those sections of the core which were sampled were assayed, for gold only, in Goldking's on site laboratory. The core is stored on site and is currently being moved to CEL's core storage facility at the El Guayabo Gold and Copper Project for logging and sampling (where warranted).

Limited reconnaissance field work undertaken by CEL during initial due diligence has identified porphyry and bulk gold and copper mineralisation in a number of locations in both underground adits and outcrop with due diligence indicating that Goldking encountered porphyry style mineralisation in a number of drill holes. This porphyry mineralisation was bypassed and not systematically logged or sampled as drilling was designed specifically to identify additional high-grade mill feed for Goldking's existing operations.

For full details of progress of the Ecuadorian Gold and Copper Projects, including terms of the agreements for Colorado V and El Guayabo 2, during the half-year please refer to the Challenger Quarterly Activities Report lodged with the ASX on 31 January 2020.

Challenger Exploration Limited

KAROO BASIN - 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.

CORPORATE

Equity Financings

On 4 July 2019, the Company recommenced trading on the ASX with successful placement of 166,666,667 shares at an issue price of \$0.03, raising \$5M.

Subsequent to the half year ended 31 December 2019, the Company successfully raised \$6.5M through the placement of 65,000,000 shares at an issue price at \$0.10, 13,200,000 of these shares to place upon receipt of shareholder approval.

Exploration Manager Appointed

Dr Stuart Munroe joined the Company in the role of Exploration Manager. Alongside Stuart, the Company has now assembled an experienced core team to progress the Hualilan Gold Project and El Guayabo Gold/Copper Project, including:

- Carlos Moncayo (Ecuador Country Manger and Chief Geologist)
- Sergio Rotondo (Argentina Country Manager)
- Jorge Yunga (Senior Exploration Geologist – Ecuador)
- Fredy Jimenez (Senior Exploration Geologist - Ecuador)
- Milton Camino (Senior Exploration Geologist – Ecuador)
- Nicolas Santos (Exploration Geologist – Ecuador)
- Jesus Vasquez (Head of GIS - Geographical Information Systems - Ecuador)
- Gabriela Sandoval (Geologist and Assistant GIS - Ecuador)
- Carolina Orozco (Environmental Manager - Ecuador)
- Nicolas Pena (Senior Geologist – Argentina)
- Vicente Sanchez (Senior Geologist – Argentina)
- John King (Senior Technical Advisor) - Consultant

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 review of the Condensed Interim Consolidated Financial Report for the half-year ended 31 December 2019. This Independence Declaration is set out on page 10 and forms part of this report.

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



Kris Knauer

Managing Director

Perth, Western Australia

11 March 2020

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 22 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 22 February 2019 continues to apply and is not materially changed

Competent Persons Statement

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 Dr Stuart Munroe , BSc (Hons), PhD (Structural Geology), GDip (AppFin&Inv) who is a full-time employee of the Company. Dr Munroe is a Member of the AusIMM. Dr Munroe has over 20 years' experience in the mining and metals industry and qualifies as a Competent Person as defined in the JORC Code (2012).

Dr Munroe 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. Dr Munroe 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 This announcement was approved by the board.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Challenger Exploration Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
11 March 2020

B G McVeigh
Partner

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

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Challenger Exploration Limited

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

	Notes	Consolidated Half-year ended	
		31 December 2019 \$	31 December 2018 \$
Revenue			
Interest		2,273	14
Loan forgiveness		-	300,000
Total revenue		2,273	300,014
Expenses			
General and administration		254,437	597
Public company costs		34,477	-
Accounting and audit fees		24,011	-
Legal fees		14,298	51,386
Consultants fees		297,086	38,742
Depreciation		286	-
Employee costs		6,094	-
Marketing expenses		63,191	-
Share-based payments	9	41,114	-
Other expenses		1,472	-
Total expenses		736,466	90,725
Profit/ (loss) before income tax		(734,193)	209,289
Income tax benefit / (expense)		47,025	(47,025)
Profit/ (Loss) for the half-year		(687,168)	162,264
Other Comprehensive income/(loss) net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(56,582)	-
Other comprehensive profit/ (loss) for the half-year		(743,750)	162,264
Basic and diluted earnings / (loss) per share (cents per share)	3	(0.15)	0.13

The accompanying notes form part of these financial statements.

Challenger Exploration Limited

Condensed Interim Consolidated Statement of Financial Position as at 31 December 2019

	Notes	Consolidated	
		31 December 2019 \$	30 June 2019 \$
Assets			
Current Assets			
Cash and cash equivalents	4	1,911,136	5,043,935
Trade and other receivables		64,295	87,941
Pre-payments		10,893	827
Total Current Assets		1,986,324	5,132,703
Non-Current Assets			
Deferred exploration and evaluation expenditure	5	5,467,448	3,277,843
Property, plant and equipment		21,821	-
Total Non-Current Assets		5,489,269	3,277,843
Total Assets		7,475,593	8,410,546
Liabilities			
Current Liabilities			
Trade and other payables	6	345,536	729,027
Borrowings		467,780	467,780
Provisions		5,049	-
Total Current Liabilities		818,365	1,196,807
Non-current Liabilities			
Deferred taxation		-	47,025
Total Non-Current Liabilities		-	47,025
Total Liabilities		818,365	1,243,832
Net Assets		6,657,228	7,166,714
Equity			
Issued capital	7	13,194,054	13,000,904
Reserves		(14,684)	784
Accumulated losses		(6,522,142)	(5,834,974)
Total Equity		6,657,228	7,166,714

The accompanying notes form part of these financial statements.

Challenger Exploration Limited

Condensed Interim Consolidated Statement of Changes in Equity for the half-year ended 31 December 2019

	Consolidated						
	Notes	Issued capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserves \$	Share- based payment Reserves \$	Total \$
Balance at 1 July 2019		13,000,904	(5,834,974)	-	784	-	7,166,714
Loss for the half-year		-	(687,168)	-	-	-	(687,168)
Other comprehensive loss		-	-	(56,582)	-	-	(56,582)
Total comprehensive loss for the period		-	(687,168)	(56,582)	-	-	(743,750)
Shares Issued during the period		194,833	-	-	-	-	194,833
Share issue costs		(1,683)	-	-	-	-	(1,683)
Share-based payments		-	-	-	-	41,114	41,114
Balance at 31 December 2019		13,194,054	(6,522,142)	(56,582)	784	41,114	6,657,228
Balance at 1 July 2018		-	-	-	-	-	-
Profit for the half-year		-	162,264	-	-	-	162,264
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	162,264	-	-	-	162,264
Shares issued during the period		2,258,740	-	-	-	-	2,258,740
Options issued during the period		-	-	-	784	-	784
Balance at 31 December 2018		2,258,740	162,264	-	784	-	2,421,788

The accompanying notes form part of these financial statements.

Challenger Exploration Limited

Condensed Interim Consolidated Statement of Cash Flows for the half-year ended 31 December 2019

	Notes	Consolidated	
		31 December 2019	31 December 2018
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(599,387)	(98,426)
Interest received		2,273	14
Net cash flows used in operating activities		(597,114)	(98,412)
Cash flows from investing activities			
Loans advanced to third parties		-	(200,000)
Payment for subsidiaries, net of cash acquired		-	1,002
Payments for deferred exploration and evaluation expenditure		(2,103,187)	(1,016,699)
Payments for property, plant and equipment		(18,268)	-
Net cash used in investing activities		(2,121,455)	(1,215,697)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,003,352
Proceeds from issue of options		-	784
Payment for share issue cost		(414,230)	-
Net cash (provided by)/used in financing activities		(414,230)	2,004,136
Net increase/(decrease) in cash and cash equivalents		(3,312,799)	690,027
Cash and cash equivalents at beginning of period		5,043,935	2
Cash and cash equivalents at the end of the period	4	1,911,136	690,029

The accompanying notes form part of these financial statements.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Condensed Interim Consolidated Financial Statements of Challenger Exploration Limited and its controlled entities (the Group) for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 11 March 2020.

Challenger Exploration Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.1 Basis of Preparation

The Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The accounting policies applied by the Group in these Condensed Interim Consolidated Financial Statements are consistent with those applied by the Group in its consolidated annual financial statements as at and for the financial year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019, described below.

These Condensed Interim Consolidated Financial Statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by Challenger Exploration Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

1.2 New and revised Standards and Interpretations

The Group has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the half-year ended 31 December 2019. The nature and the effect of these changes are disclosed below. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business.

The Group has not elected to early adopt any new standards or amendments.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

AASB 16 Leases

AASB 16 Leases applies to annual periods beginning on or after 1 January 2019 (1 July 2019 for June balance dates) and may have a material impact on accounting policies applicable to the half year. Accordingly, additional disclosures may be required.

The calculations required to transition to AASB 16, based on each of the three transitional approaches are as follows:

Full retrospective approach

Comparative information is restated as if AASB 16 had always been in effect.

Modified retrospective approach #1

The right-of-use asset is recognised at the date of initial application as an amount equal to the lease liability, using the entity's prevailing incremental borrowing rate as at the date of initial application, adjusted for any prepaid or accrued lease prepayments relating to that lease that were recognised in the statement of financial position immediately before the date of initial application.

Modified retrospective approach #2

Lease liability is calculated in the same way as under the modified retrospective approach #1. The right-of-use asset is recognised as at the date of initial application as if AASB 16 had always been applied (but calculated as if the prevailing incremental borrowing rate as at the date of initial application also applied at lease commencement date).

This application has no effect on the Group's financial position and performance as the Group does not have interests in leases for greater than twelve months.

1.3 Going Concern

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

2. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of its South American projects and Australian corporate activities. Operating segments are therefore determined on the same basis.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

	Australia	Ecuador	Argentina	Consolidated
	\$	\$	\$	\$
For the half-year ended 31 December 2019				
Total segment revenue (bank interest)	2,273	-	-	2,273
Total segment expense	(656,327)	(899)	(79,240)	(736,466)
Segment net profit/ (loss) before tax	(654,054)	(899)	(79,240)	(734,193)
At 31 December 2019				
Total segment assets	7,242,525	108,653	124,415	7,475,593
Total segment liabilities	(583,076)	(108,363)	(126,926)	(818,365)

For the half-year ended 31 December 2018, no segment information was relevant to the Group.

3. EARNINGS PER SHARE

The following reflects the data used in the calculations of basic and diluted earnings per share after tax attributable to the shareholders of the Company.

	Consolidated	
	Half-year ended	Year ended
	31 December	31 December
	2019	2018
	\$	\$
Net profit/ (loss) from continuing operations	(687,168)	162,264
Weighted average number of ordinary shares for basic and dilutive earnings per share (number)	467,726,102	125,996,318
Basic and diluted profit/ (loss) per share (cents per share)	(0.15)	0.13

For fully diluted profit/ (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options, performance shares and performance rights. There is no impact from the potentially dilutive securities outstanding at 31 December 2019 on the profit per share calculation because they are anti-dilutive. These securities could potentially dilute basic EPS in the future.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2019	2019
	\$	\$
Cash comprises of:		
Cash at bank	1,911,136	5,043,935
Cash and cash equivalents	1,911,136	5,043,935

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are invested over varying periods between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2019	2019
	\$	\$
Carrying amount at the beginning of period	3,277,843	3,086,608
Acquisition costs	143,333	191,235
Exploration expenditure during the period	2,046,272	-
Carrying amount at the end of period	5,467,448	3,277,843

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

6. TRADE AND OTHER PAYABLES

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2019	2019
	\$	\$
Current		
Trade payables and accruals	345,536	729,027
	345,536	729,027

Terms and conditions:

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

7. ISSUED CAPITAL

	Consolidated		Consolidated	
	Half-year ended		Year ended	
	31 December 2019		30 June 2019	
	No.	\$	No.	\$
Issued and fully paid	470,180,960	13,194,054	465,560,126	13,000,904

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

7.1 Movements in ordinary shares on issue

	Consolidated		Consolidated	
	Half-year ended		Year ended	
	31 December 2019		30 June 2019	
	No.	\$	No.	\$
At beginning of the period	465,560,126	13,000,904	-	-
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
Shares issued as deferred consideration	3,333,334	143,334	-	-
Shares issued for office rent	350,000	14,000	-	-
Shares issued for consulting fees in lieu of cash	937,500	37,500	-	-
less fundraising costs	-	(1,684)	-	(600,884)
	470,180,960	13,194,054	465,560,126	13,000,904

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

8. RELATED PARTY TRANSACTIONS

During the period, the total aggregate related party transactions for directors' fees, consulting services and reimbursements as provided by key management personnel and their related parties for the half-year ended 31 December 2019 totalled \$226,750 (half-year ended 31 December 2018: \$Nil). The outstanding balance relating to the above transactions at 31 December 2019 was \$40,083 (31 December 2018: \$Nil).

These transactions have been entered on normal commercial terms.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

9. SHARE BASED PAYMENT PLAN

9.1 Recognised share-based payment transactions

Share based payment transactions recognised as operating expenses in the statement of comprehensive income during the period were as follows:

	Consolidated Half-year ended	
	31 December 2019 \$	31 December 2018 \$
Operating expenses		
Employee share based payment	41,114	-

9.2 Employee share based payment plan

The Group has established an Employee Share Option Plan and an Incentive Performance Rights Plan ('Plans'). The objective of the Plans are to assist in the recruitment, reward, retention and motivation of employees of Challenger Exploration Limited. Under the Plans, the Directors may invite individuals acting in a manner similar to employees to participate in the Plans and receive options and / or performance rights. An individual may receive the options and / or performance rights or nominate a relative or associate to receive the options and / or performance rights. The Plans are open to directors, executive officers, nominated consultants and employees of Challenger Exploration Limited.

The fair value at grant date of performance rights granted (no options were granted) during the reporting period was determined using the share price at grant date (\$0.07) and the term of the performance rights up to an estimated vesting date (31 December 2020). The table below summaries options granted under Incentive Performance Rights Plan:

Grant Date	Expiry date	Balance at		Granted	Balance at		Vested and exercisable at
		Exercise price	31 December 2018 Number		31 December 2019 Number	31 December 2019 Number	
3 December 2019	4 July 2026	\$0.001	-	16,000,000	16,000,000	-	

There were no performance rights exercised, forfeited or cancelled during the period.

10. FAIR VALUE MEASUREMENT

The fair value of a financial asset or a financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity. The financial liability also approximates its fair value with changes to macro-economic environment being considered in the carrying value of the financial liability.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2019

The valuation techniques used have not changed for each of these financial instruments from the prior period.

11. DIVIDENDS

No dividends have been paid or provided for during the half-year ended 31 December 2019 (half-year ended 31 December 2018: Nil).

12. SUBSEQUENT EVENTS

On 17 January 2020 the Group raised \$6,500,000 by way of issue of 65,000,000 ordinary shares at 10 cents each. 13,200,000 ordinary shares remain unissued and are subject to shareholder approval.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

13. CONTINGENCIES

The Directors are of the opinion that there are no contingent liabilities or contingent assets as at 31 December 2019.

Directors' Declaration

DIRECTORS' DECLARATION

In the opinion of the Directors of Challenger Exploration Limited ('the Company'):

1. The Condensed Interim Consolidated Financial Statements and notes thereto of the Group, as set out on pages 11 to 21, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Kris Knauer
Managing Director
Perth, Western Australia
11 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Challenger Exploration Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Challenger Exploration Limited ("the Group") which comprises the condensed interim consolidated statement of financial position as at 31 December 2019, the condensed interim consolidated statement of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity and the condensed interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Challenger Exploration Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim financial report

The directors of the Group are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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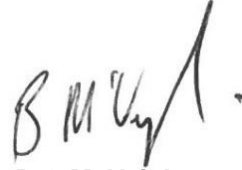
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 March 2020



B G McVeigh
Partner

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