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CHALLENGER EXPLORATION LIMITED

ABN 45 123 591 382

Interim Consolidated Financial Report
for the half-year ended
31 December 2020

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

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	19
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Condensed Interim Consolidated Statement of Financial Position	21
Condensed Interim Consolidated Statement of Changes in Equity	22
Condensed Interim Consolidated Statement of Cash Flows	23
Notes to the Condensed Interim Consolidated Financial Statements	24
Directors' Declaration	32
Independent Auditor's Review Report	33

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DIRECTORS' REPORT

The Directors of Challenger Exploration Limited ("CEL" or the "Company") submit the Condensed Interim Consolidated Financial Report of the Group for the half-year ended 31 December 2020. 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
Kris Knauer	Managing Director
Scott Funston	Executive Director

Results of Operations

The profit after tax for the half-year ended 31 December 2020 was \$720,377 (half-year ended 31 December 2019 loss after tax of \$687,168).

HIGHLIGHTS

- **Corporate**
 - **Completion of \$20M Capital Raising at 20 cents per share to progress exploration of the Hualilan Gold Project, Argentina and the El Guayabo Gold Copper Project, Ecuador**
- **Hualilan Gold Project, Argentina**
 - **Commencement of a high impact 45,000 metre drilling program**
 - **Extension of the intrusion-hosted gold discovery south into the Gap Zone**
 - **New zone of intrusion-hosted gold discovered with multiple high grade intercepts**
- **El Guayabo Gold Copper Project**
 - **Assays reinforcing a large scale gold system**
 - **Accelerated acquisition for 100% of the El Guayabo concession**
 - **Extension of the Colorado V gold target by 2 kilometres**
 - **Potential for a gold porphyry discovery at Colorado V**
- **Subsequent to 31 December 2020:**
 - **Multiple new zones of high grade mineralisation outside the boundaries of the existing historical resource, including wide intercept of 131 metres at 2.5g/t AuEq at Hualilan Gold Project**
 - **Gold recoveries of 91 to 94% and silver recoveries of 84 to 86% from Phase 1 metallurgical testing at Hualilan Gold Project**

CORPORATE

Challenger is in a strong financial position, with approximately \$15.1m cash at bank at the end of the half-year. Additionally, the Company has in the money options, that when exercised, will increase cash at bank by \$3.5m. Exploration spend during the half-year was \$8.6m of which approximately \$857k was Argentinian VAT which will be recouped.

As a demonstration of their strong commitment to the Company and our projects, the board, key management personnel, and senior employees (including employees in Ecuador and Argentina) all agreed to receive shares in Challenger in lieu of cash consideration of between 40% and 100% of their current gross salaries and consulting

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fees for a minimum of six months (commencing April 2020) or until the end of the year. Shareholder approval was received for Directors at the Company's Annual General Meeting, with the shares issued on 25 November 2020.

COVID-19

The Company continues to work with all levels of government and local communities in relation to COVID-19.

During the half-year one employee from one of the three drilling contractors engaged at Hualilan tested positive to COVID-19. All drilling contractors on site operate in strict COVID-19 bubbles to minimise any risk of spread. The Company has also split the 45,000 metre drill program over three drilling contractors operating no more than 2 rigs each to minimise the potential impact of COVID-19.

Under the Company's COVID-19 protocols the drillers from both drill rigs being operated by the drilling contractor were immediately tested for COVID-19 and rotated out. All close contacts including CEL staff, were tested on site with results available in 15 minutes. Two additional drillers from the drilling company were found to be COVID-19 positive with all other CEL staff testing negative. As the drilling contractors returned the positive results seven days before the planned two week shutdown of drilling from 22 December the Company took the decision to rotate in new drilling crews after the two week shutdown rather than immediately which would be the normal course of action. Accordingly, seven days drilling time from two drill rigs was lost due to COVID-19.

The Company's priority remains the health and wellbeing of all its staff and contractors and their families. A copy of the Company's COVID-19 protocols is available on our website.

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 it 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 has completed in excess of 40,000 metres of drilling to date, with approximately 18,000 metres to be completed of the 45,000 metre high impact drilling program.

Highlights

- The company's 45,000 metre high impact drill program continued with five rigs on site and drilling during the half-year. The Company expects to complete 6,500 metres drilling per month.
- The company has completed 27,000 of the 45,000 metre high impact drill program at January 30, 2021.
- Broad gold intercepts in the first six holes testing the existence of a large scale intrusion-hosted gold system underlying the high-grade skarn with results including (Table 1):
 - **39.0m at 5.7 AuEq¹ - 5.5 g/t Au, 2.0 g/t Ag, 0.3% Zn**, from 224m (GNDD-088)
 - **61.0m at 1.2 g/t AuEq¹ - 1.1 g/t Au, 1.1 g/t Ag, 0.1% Zn** from 21m (GNDD-079)
 - **102m at 0.6 g/t AuEq¹ - 0.6 g/t Au, 1.1 g/t Ag, 0.2% Zn** from 18m (GNDD-089)
- Intrusion-hosted mineralisation appears to be extensive and continuous at this early stage, with the first six holes extending mineralisation 300 metres into the Gap Zone.
- High-grade mineralisation continued to be intersected outside the boundaries of the historical resource with multiple high-grade drill intersections including (refer Table 3):

- **44.0m at 3.6 g/t AuEq¹ - 2.8 g/t Au, 62.7 g/t Ag** from 11m including;
12.0m at 10.4 g/t AuEq¹ - 8.3 g/t Au, 190.1 g/t Ag, from 36m (GNRC-110)
 - **7.0m at 13.8 g/t AuEq¹ - 13.3 g/t Au, 12.6 g/t Ag, 0.8% Zn** (GNRC-107)
 - **5.0m at 12.3 g/t AuEq¹ - 12.2 g/t Au, 7.2 g/t Ag**, from 35m (GNRC-076)
- Mineralisation remains open in all directions and results continue to suggest the mineralisation is part of a much larger gold bearing system than was originally anticipated.

Major intrusion-hosted system underlying the high-grade mineralisation

During the half-year the first 10,000 metres of the Company's high-impact 45,000 metre drill program was primarily dedicated to testing the thesis of an intrusion-hosted gold system underlying the historical high-grade skarn mineralisation. The potential for a significant intrusion-hosted gold system was indicated by the Company's drill holes GNDD-025 (**88 metres at 1.0 g/t AuEq and ending in mineralisation**) and GNDD-032 (**116 metres at 1.2 g/t AuEq**). Prior to these holes, the Company had limited control on the distribution of the intrusives and their gold content, given previous explorers policy of not sampling the intrusives and generally terminating holes upon reaching them.

This first 10,000 metres was effectively blind stratigraphic drilling as it was focussed predominantly on the 1-kilometre undrilled Gap Zone between Cerro Sur and Cerro Norte which is under cover. The results from these first 6 drill holes significantly exceeded the Company's expectations. They confirmed not only the presence of a large intrusion-hosted gold system containing broad zones of bulk gold mineralisation, but also significant zones of high-grade mineralisation.

The scale of the system is illustrated by:

- the identical nature of the mineralisation, alteration, and the host intrusive in drill holes GNDD-079 (**61 metres at 1.2 g/t AuEq**), GNDD-025 (**88 metres at 1.0 g/t AuEq**), and GNDD-032 (**116 metres at 1.1 g/t AuEq**) which extend over 1 kilometre of strike.
- The intersection of the same high grade endoskarn mineralisation in drill holes GNDD-088 and GNDD-047 which are 1.5 kilometres apart.

The limited scout drilling into the intrusives intersected broad zones of plus 1 g/t gold over 1.5 kilometres of strike in 5 of 10 holes drilled by the Company encountering more than 50 metres of intrusives. The average grade of the intrusion-hosted mineralisation across the Company's drill holes is **1.1 g/t AuEq²** (0.9 g/t AuEq² if GNDD-088 is excluded).

Subsequent to the end of the half year the Company announced a number of further significant drilling results from the intrusives extending the mineralisation in the intrusives a further 100 metres south into the Gap Zone and south of the Magnata Fault. Results included **227.0 metres at 1.0 g/t AuEq, including 84.0 metres at 2.0 g/t AuEq** (GNDD113A); **207.5m at 0.8 g/t AuEq, including 32.0m at 1.6 g/t AuEq and 29.0m at 1.3 g/t AuEq** GNDD-139); and **209.0m at 1.1 g/t AuEq, including 49.0m at 3.0 g/t AuEq** (GNDD-155).

This program of deeper drilling is ongoing stepping north and south into the Gap Zone and to the south at to Magnata and Sentazon as shown on Figure 1. Two of the five rigs will continue to define this large intrusion-hosted discovery with the other three rigs focussing on extending the high-grade skarn mineralisation.

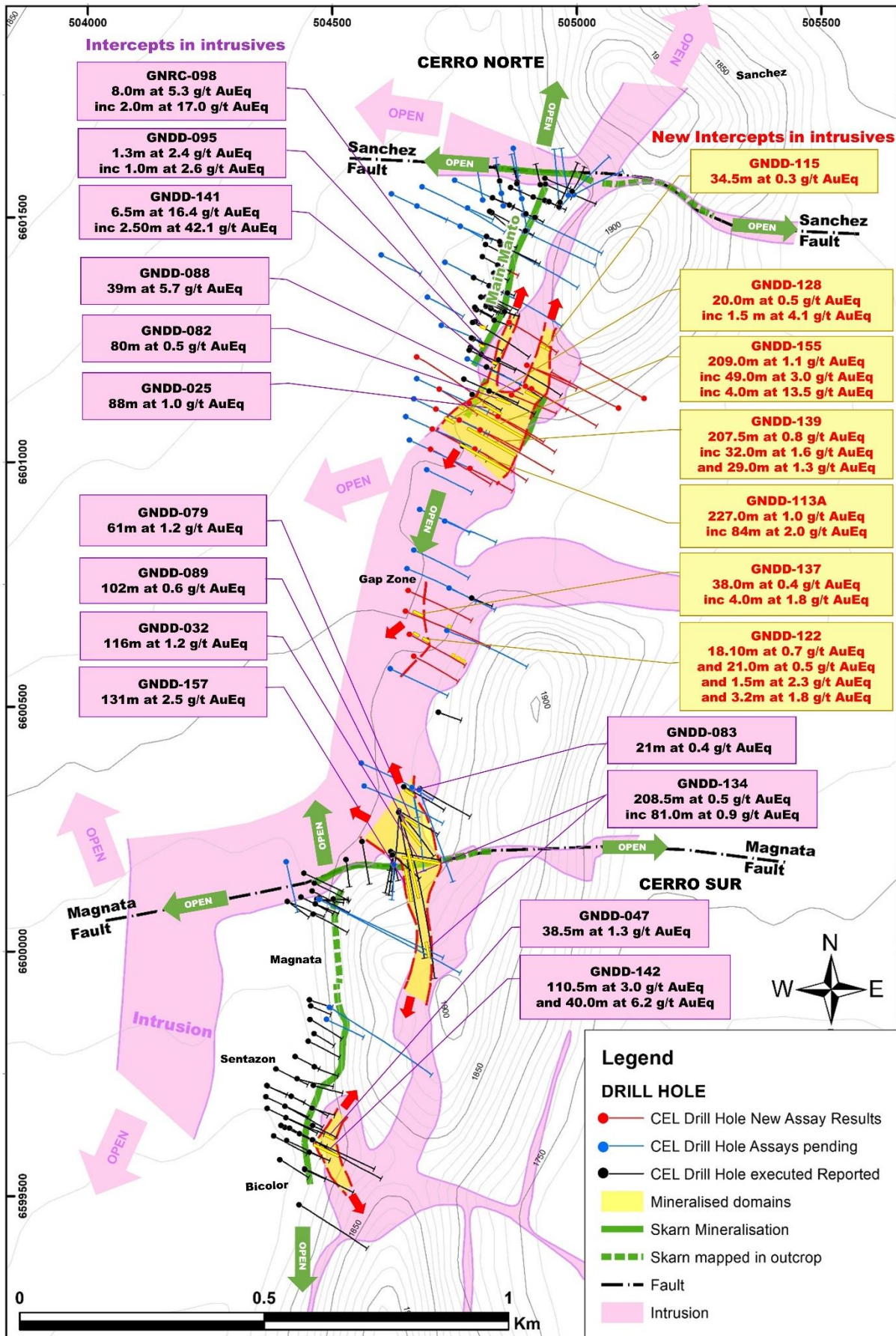


Figure 1 - Overview of the Mineralised system at the Hualilan Gold Project showing mineralisation in intrusives.

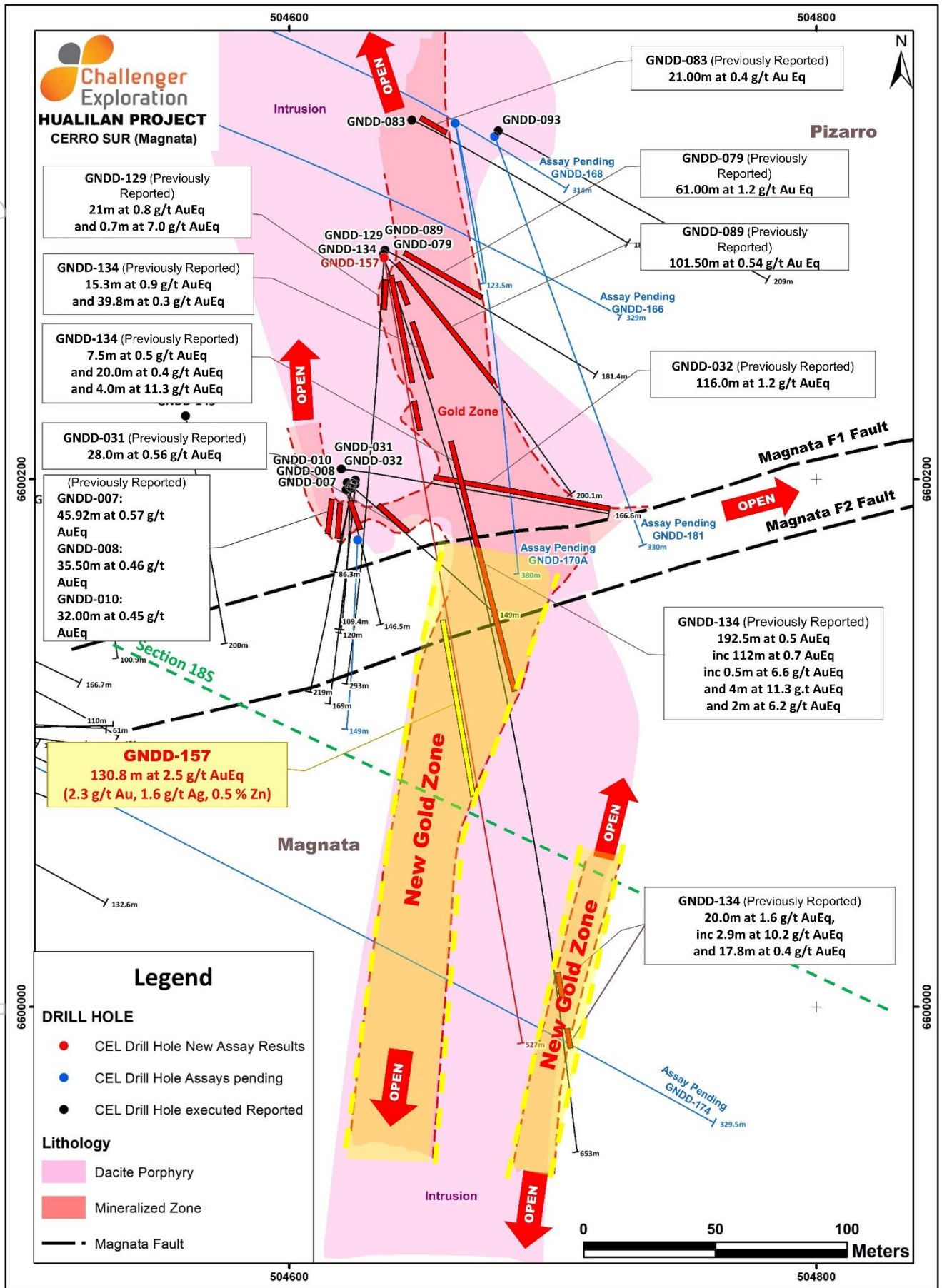


Figure 2 - Plan view showing drilling and geology at the south of the Magnata Fault

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Multiple high-grade intercepts in exploration drilling at Hualilan

During the half-year three of the five rigs on site targeted the high-grade skarn mineralisation. All holes were designed to explore for extensions to the historical resource estimate with the exception of two twin holes for JORC reporting.

The results (see Table 3) continue to extend the near surface skarn mineralisation along strike and down dip in multiple locations and have defined two new zones of high-grade skarn mineralisation, one above and one below, the historical limestone hosted skarn mineralisation. Drilling has confirmed that there is a previously unrecognised broad continuous zone of bulk gold mineralisation overlying the high-grade skarn which is likely to enhance the economics in an open pit development scenario. This round of results has demonstrated that much of the historical drilling is under sampled and is likely to have left zones of high-grade mineralisation unassayed and thus not included in the historical resource.

Gap Zone

The first drilling to target possible extensions of the high-grade skarn mineralisation in the covered and largely undrilled Gap Zone between Cerro Sur and Cerro Norte was completed during the half-year. It confirmed that the skarn mineralisation intersected in GNDD-035 (5.8 metres at 9.5 g/t gold, 29 g/t silver, 3.5% zinc) which extended the Main Manto 100 metres south into the Gap Zone has significant strike extent and replicate zones.

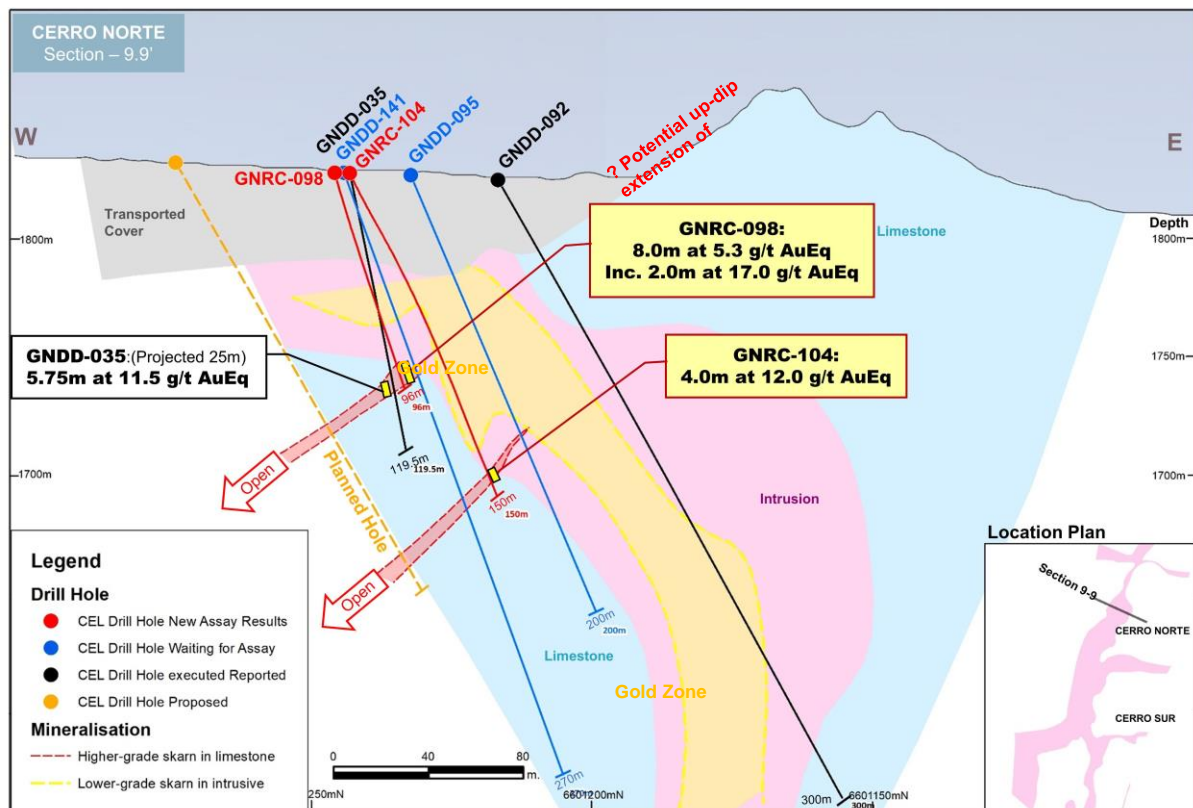


Figure 3 - Section showing new zones of high-grade mineralisation in the Gap Zone

Main Manto Cerro Norte

GNRC-076 was collared between the Main Manto mineralisation and the Sanchez Fault. The hole was collared as a downdip test of GNDD-034 which encountered a narrow high-grade zone of skarn mineralisation of 0.3 metres at 11.6 g/t AuEq).

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GNRC-076 intersected **5 metres at 12.3 g/t AuEq (12.2 g/t gold, 7.2 g/t silver)** from 35 metres including **1 metre at 53.1 g/t gold, 18 g/t silver**. This is a new zone of skarn mineralisation in sandstone above the main limestone unit which hosts broad zones of mineralisation, including high-grade skarn mineralisation.

GNRC-076 then intersected the main limestone unit before it encountered no recovery from 62 metres (old workings) and had to be terminated. This zone of no recovery is believed to indicate the presence of the main skarn mineralisation which has been exploited historically at this near surface location. The historical mining seems to have been limited to the top 50 to 75 metres sub-surface and, according to the historical records, generally recovered hand-sorted grades above 20 g/t gold. Underground lower grade stockpiles have been observed and sampled as previously reported.

The discovery of the mineralisation in sandstone and the likely presence of the traditional Main Manto mineralisation in limestone, albeit mined historically in this location, is encouraging as this area is outside of the limit of the historical foreign resource estimate. The results open the potential for the high-grade mineralisation to extend across this area of limited historical drilling which covers 200 metres of strike extent. A further hole has been completed to avoid the old workings (GNDD-119, assays pending) and a hole is planned with a collar 80 metres to the west of GNRC-076 to test down-dip in the sandstone and the limestone.

Magnata

Most of the skarn mineralisation at Magnata is controlled by the east-west sub-vertical Magnata fault zone which splits into the M1 and M2 Magnata Faults. There is a north-south striking "manto component" which dips west. In drilling completed to date, the mineralisation in the Magnata fault appears to be relatively continuous over the 300 metres of strike and 120 metres vertical extent and remains open at depth and in both directions along strike. As previously reported, the dacite near the contact with the Magnata faults also contains broad zones of gold mineralisation which is not included in the historic resource estimate.

Sanchez Zone

The Sanchez Fault has been mapped in outcrop over 500 metres of strike across the main Cerro Norte. The steep terrain in this location has made drill pad location difficult and as such the Sanchez Fault has historically only been drilled to 50 metres sub-surface over less than 50 metres of strike. The Company's first hole GNRC-068 into the Sanchez Zone returned 69.0 metres at 4.8 g/t AuEq including a broad high grade zone of 27.0 metres at 11.4 g/t AuEq containing a bonanza grade zone of 4.0 metres at 48 g/t AuEq.

The Sanchez Zone is a high priority target as the Company's experience with its drilling of the Magnata Fault Zone is that the mineralisation is generally:

- high-grade;
- laterally and vertically continuous;
- extensive at depth, with the Magnata Vein open below 160 metres;
- likely to extend under cover along strike beyond the limits of the main outcrop; and
- open at depth and under cover in both directions along strike.

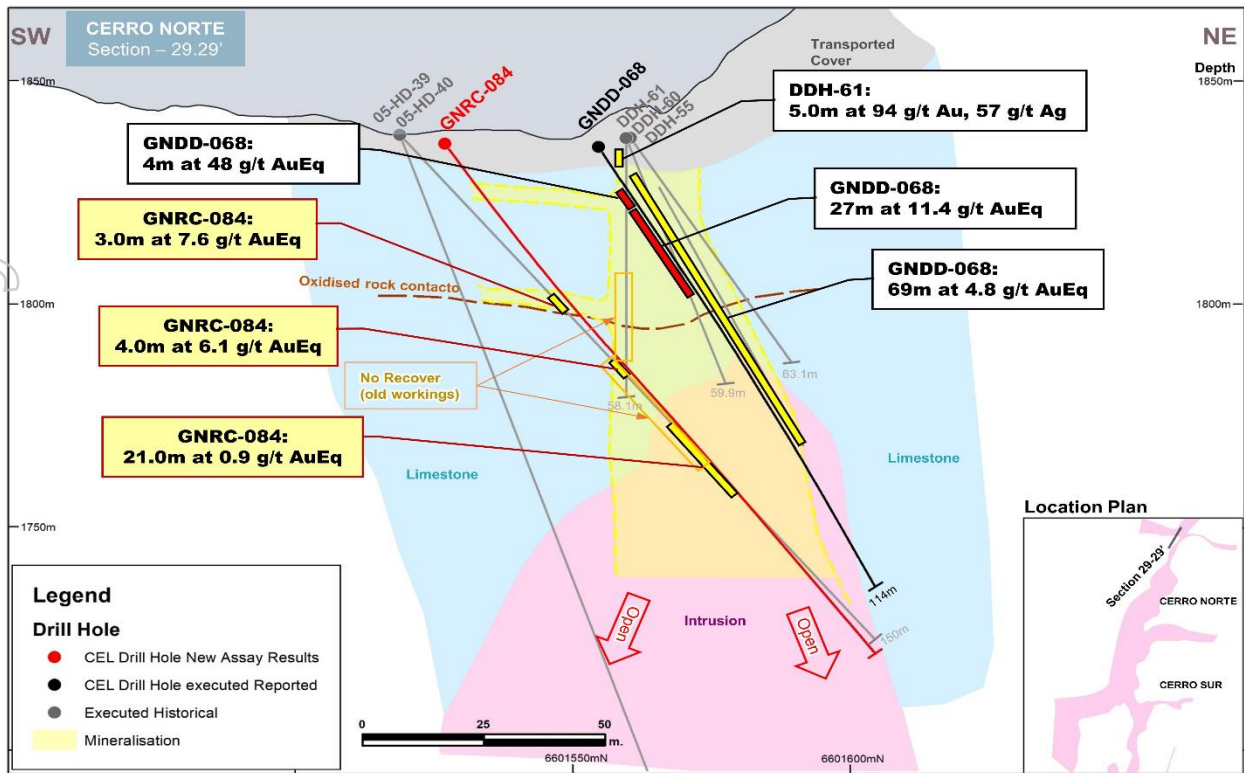


Figure 4 - Cross Section showing GNRC-084 and Sanchez Fault Zone

Sentazon and Muchilera

Drill holes GNDD-085, GNDD-037 and GNDD-100 were drilled as further tests of the Muchilera Manto which is located between the Magnata Manto in the north and the Sentazon Manto to the south. The Muchilera Manto is historically mapped as a 2 to 3 metre thick, bedding-parallel mineralised zone. Previous drill holes by the Company intersected minor skarn alteration and results such as 3.0 metres at 1.0 g/t gold, 53.0 g/t silver, 0.1% zinc - 1.6 g/t AuEq in GNDD-030.

Drill hole GNDD-085 is located 30 metres north along strike from GNDD-030 and **returned 1.3 metres at 6.3 g/t AuEq (5.5 g/t gold, 75.6 g/t silver, 0.1% zinc)** from 22.5m and **2.2 metres at 2.4 g/t AuEq (2.1 g/t gold, 2.4 g/t silver, 0.6.% zinc)**. The hole confirms that the Muchilera Manto remains open along strike to the north and now appears to join with the Sentazon Manto to the south. This forms a zone of continuous mineralisation covering 350 metres of strike which remains open to the north and south along strike and at depth.

Bulk mineralisation above the skarn

GNRC-069 was collared to test under the Dona Justa Pit at Cerro Norte just south of the Sanchez Fault. The hole is a good example of the broad zones of lower grade mineralisation that were not recognised historically due to assaying only being conducted where sulphides were visible.

GNRC-069 recorded a combined 32 metres of mineralisation from 18 to 97 metres downhole. This includes **7 metres at 0.7 g/t AuEq from 18 metres and 10 metres at 0.9 g/t AuEq from 53 metres and 15 metres at 0.6 g/t AuEq**. This mineralisation has the potential to be economically significant in exploitation via open cut.

With the Company's policy of assaying all drill core it has recorded broad zones of lower grade mineralisation, predominantly overlying the high-grade skarn mineralisation, in the majority of its drill holes. Examples are shown In Table 1 below:

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Drill Hole (#)	Results
GNDD-021 - Main Manto	19.8 metres at 1.9 g/t AuEq from 98.2m
GNDD-028 - Main Manto	18.6 metres at 1.2 g/t AuEq from 41.4m
GNDD-048 - Gap Zone	19 metres at 0.8 g/t AuEq from 36m
GNDD-050 - Main Manto	22 metres at 0.5 g/t AuEq from 21m
GNRC-069 - Main Manto	7 metres at 0.7 g/t AuEq from 18m; 10 metres at 0.9 g/t AuEq from 53m; 15 metres at 0.6 g/t AuEq.
GNRC-072 - Sanchez	19 metres at 0.3 g/t AuEq from 43m
GNRC-078 - Main Manto	17 metres at 0.4 g/t AuEq from 11m
GNRC-081 - Main Manto	30 metres at 0.5 g/t AuEq from 23m (hole terminated before reaching target due to poor drilling conditions)
GNRC-086 - Main Manto	21 metres at 0.6 g/t AuEq from 3m
GNRC-090 - Main Manto	13 metres at 0.5 g/t AuEq from 7m
GNRC-091 - Main Manto	24 metres at 0.5 g/t AuEq from 47m
GNRC-097 - Main Manto	8 metres at 0.4 g/t AuEq
GNRC-098 - Gap Zone	19 metres at 0.3 g/t AuEq from 40m
GNDD-102 - Gap Zone	11 metres at 0.7 g/t AuEq from 36m; 8.9 metres at 0.5 g/t AuEq from 77.4 m
GNRC-111 - Sentazon	18 metres at 0.5 g/t AuEq from 31m

Table 1 - Bulk Mineralisation (additional to skarn) encountered in current drill holes

Drill Hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Au Equiv (g/t)	Comments
GNDD-025		53.0	141.0	88*	0.9	2.3	0.1	1.0 g/t AuEq	to end of hole
		53.0	90.0	37.0	1.8	4.2	0.2	1.9g/t AuEq	previously reported
		61.0	75.0	14.0	3.1	5.3	0.2	3.2g/t AuEq	previously reported
		79.0	90.0	11.0	1.3	4.1	0.2	1.4g/t AuEq	previously reported
		93.0	94.0	1.0	1.1	2.5	0.1	1.1g/t AuEq	previously reported
		113.0	115.0	2.0	1.2	4.4	0.0	1.2g/t AuEq	previously reported
	139.0	141.0	2.0	1.0	0.5	0.0	1.0g/t AuEq	previously reported	
GNDD-032	from	9.0	29.0	20.0	0.2	6.7	0.1	0.3g/t AuEq	0.2 g/t AuEq cut
	and	49.0	165.0	116.0	1.1	4.0	0.2	1.2g/t AuEq	previously reported
	inc	77.0	80.0	3.0	0.9	33.7	2.1	2.3g/t AuEq	previously reported
	and	101.0	111.0	10.0	6.1	18.1	0.1	6.4g/t AuEq	previously reported
	and	136.0	140.0	4.0	9.8	18.5	1.5	10.7g/t AuEq	previously reported
GNDD-047	from	61.0	99.5	38.5*	1.3	1.2	0.0	1.3 g/t AuEq	to end of hole
	inc	62.5	68.5	6.0	6.3	3.5	0.2	6.4 g/t AuEq	previously reported
	and	74.1	75.6	1.5	1.0	1.9	0.0	1.0 g/t AuEq	previously reported
	and	83.6	84.0	0.5	7.3	12.0	0.0	7.4 g/t AuEq	previously reported
	and	98.5	99.5	1.0	1.2	0.8	0.0	1.2 g/t AuEq	previously reported
GNDD-051	nsi							nsi	
GNDD-077	from	168.5	182.5	14.0	0.7	5.9	0.6	1.0 g/t AuEq	0.20 g/t AuEq cut
	inc	168.5	169.5	1.0	1.5	59.3	6.6	5.3 g/t AuEq	1.0 g/t AuEq cut
	inc	180.6	182.5	1.9	1.8	4.9	0.8	2.2 g/t AuEq	1.0 g/t AuEq cut
GNDD-79	from	21.0	82.0	61.0	1.1	1.1	0.1	1.2 g/t AuEq	0.2 g/t AuEq cut
		21.0	30.0	9.0	1.9	1.9	0.1	2.0 g/t AuEq	1.0 g/t AuEq cut
		40.0	42.0	2.0	2.7	1.7	0.1	2.8 g/t AuEq	1.0 g/t AuEq cu
		46.0	52.0	6.0	5.0	1.2	0.1	5.1 g/t AuEq	1.0 g/t AuEq cut
	inc	74.0	77.0	3.0	1.0	0.9	0.2	1.1 g/t AuEq	1.0 g/t AuEq cut
GNDD-082	from	168.0	183.0	15.0	0.7	0.4	0.0	0.7 g/t AuEq	0.2 g/t AuEq cut
		168.0	169.0	1.0	2.4	0.5	0.1	2.4 g/t AuEq	1.0 g/t AuEq cut
		175.0	175.5	0.5	10.0	5.6	0.4	10.0 g/t AuEq	1.0 g/t AuEq cut
	and	193.4	227.5	34.1	0.5	1.0	0.3	0.5 g/t AuEq	0.2 g/t AuEq cut
		193.4	194.4	1.0	2.2	7.9	1.6	2.3 g/t AuEq	1.0 g/t AuEq cut

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		203.5	204.4	0.9	2.6	10.6	2.9	4.5 g/t AuEq	1.0 g/t AuEq cut
		209.8	212.0	2.2	0.6	4.5	0.7	1.6 g/t AuEq	1.0 g/t AuEq cut
	and	235.0	266.0	31*	0.4	0.6	0.1	0.4 g/t AuEq	to end of hole
		242.5	244.0	1.5	1.0	2.1	0.2	1.1 g/t AuEq	1.0 g/t AuEq cut
GNDD-083		11.0	32.0	21.0	0.2	10.0	0.1	0.4 g/t AuEq	0.2 g/t AuEq cut
		19.2	21.0	1.8	1.0	6.1	0.1	1.1 g/t AuEq	1.0 g/t AuEq cut
	from	170	171	1.0	1.3	3.6	0.2	1.4 g/t AuEq	1.0 g/t AuEq cut
GNDD-088	from	45.1	68.5	23.5	0.1	0.2	0.5	0.3 g/t AuEq	0.2 g/t AuEq cut
	from	224.0	263.0	39.0	5.5	2.0	0.3	5.7 g/t AuEq	0.2 g/t AuEq cut
	inc	231.5	245.9	14.4	14.4	3.3	0.7	14.8 g/t AuEq	1.0 g/t AuEq cut
	inc	238.5	245.9	7.4	23.4	5.7	1.3	24.1 g/t AuEq	10 g/t AuEq cut
GNDD-089	from	18	119.5	101.5	0.5	1.1	0.2	0.6 g/t AuEq	0.2 g/t AuEq cut
	inc	20.0	50.0	30.0	1.0	1.7	0.1	1.0 g/t AuEq	1.0 g/t AuEq cut
	inc	94.5	116.2	21.7	0.9	1.6	0.4	1.1 g/t AuEq	1.0 g/t AuEq cut
GNDD-092	from	164.5	173.5	9.0	0.3	0.7	0.1	0.4 g/t AuEq	0.2 g/t AuEq cut
	and	213	230	17.0	0.2	0.6	0.1	0.3 g/t AuEq	0.2 g/t AuEq cut
	and	257.5	258.5	1.0	3.6	5.9	0.6	3.9 g/t AuEq	0.2 g/t AuEq cut
GNRC-075	from	31.0	49.0	18.0	0.8	1.6	0.1	0.8 g/t AuEq	0.2 g/t AuEq cut
GNRC-094	from	13.0	25.0	12.0	0.8	4.6	0.4	1.1 g/t AuEq	0.2 g/t AuEq cut
GNDD-031		32.0	60.0	28.0	0.4	5.7	0.2	0.6 g/t AuEq	0.2 g/t AuEq cut
GNDD-031		32.0	60.0	28.0	0.4	5.7	0.2	0.6 g/t AuEq	0.2 g/t AuEq cut

Table 2: Showing current intercepts by the Company in intrusives

Drill Hole (#)	From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Au Equiv (g/t)	Comments
GNDD-021	98.20	118.00	19.80	0.29	2.2	3.4	1.9 g/t AuEq	0.2 g/t AuEq cut
inc	98.20	108.00	9.80	0.40	4.4	6.8	3.6 g/t AuEq	1.0 g/t AuEq cut
inc	104.20	105.00	0.80	0.88	12.6	22.7	11.7 g/t AuEq	10 g/t AuEq cut
GNDD-026	NSI							
GNDD-028	41.40	60.00	18.60	0.21	3.2	2.0	1.2 g/t AuEq	0.2 g/t AuEq cut
inc	52.00	60.00	8.00	0.42	6.0	3.8	2.3 g/t AuEq	1.0 g/t AuEq cut
GNDD-033	NSI							
GNDD-036	NSI							
GNDD-037	NSI							
GNDD-038	71.50	74.35	2.85	0.53	15.6	2.8	2.0 g/t AuEq	0.2 g/t AuEq cut
GNDD-042	NSI							
GNDD-044	NSI							
GNDD-045	85.90	88.00	2.10	1.4	28.8	0.1	1.7 g/t AuEq	0.2 g/t AuEq cut
GNDD-048	36.00	55.00	19.00	0.6	5.0	0.25	0.8 g/t AuEq	0.2 g/t AuEq cut
inc	38.00	41.15	3.15	2.7	12.1	0.09	2.8 g/t AuEq	1.0 g/t AuEq cut
GNDD-049	NSI							
GNDD-050	21.00	43.00	22.00	0.21	2.9	0.53	0.5 g/t AuEq	0.2 g/t AuEq cut
inc	21.00	23.00	2.00	1.4	4.8	0.07	1.5 g/t AuEq	1.0 g/t AuEq cut
GNRC-069	18	25	7	0.62	3.0	0.11	0.71 g/t AuEq	0.2 g/t AuEq cut
inc	19	20	1	2.2	8.6	0.15	2.4 g/t AuEq	1.0 g/t AuEq cut
and	53	63	10	0.65	5.7	0.37	0.88 g/t AuEq	0.2 g/t AuEq cut
inc	59	62	3	1.7	11	0.84	2.3 g/t AuEq	1.0 g/t AuEq cut
and	84	99	15	0.54	2.4	0.13	0.63 g/t AuEq	0.2 g/t AuEq cut
inc	84	88	4	0.90	5.2	0.36	1.1 g/t AuEq	1.0 g/t AuEq cut
and	96	97	1	1.0	1.4	0.06	1.0 g/t AuEq	1.0 g/t AuEq cut
GNRC-070	41	42	1	6.6	3.1	0.36	6.8 g/t AuEq	0.2 g/t AuEq cut
GNRC-071	48	50	2	0.45	5.4	2.1	1.5 g/t AuEq	0.2 g/t AuEq cut
GNRC-072	43	62	19	0.16	4.9	0.13	0.27 g/t AuEq	0.2 g/t AuEq cut
GNDD-073	NSI							
GNDD-074	41	43	2	1.2	20.5	0.04	1.4 g/t AuEq	0.2 g/t AuEq cut
and	47	49	2	0.8	16.7	0.13	1.1 g/t AuEq	0.2 g/t AuEq cut
GNRC-076	35	40	5	12.2	7.2	0.02	12.3 g/t AuEq	0.2 g/t AuEq cut
inc	35	36	1	53.1	18	0.00	53.3 g/t AuEq	10 g/t AuEq cut
GNRC-078	11	28	17	0.13	1.7	0.43	0.35 g/t AuEq	0.2 g/t AuEq cut
inc	12	13	1	0.74	4.8	0.91	1.2 g/t AuEq	1.0 g/t AuEq cut

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GNRC-080	NSI							
GNRC-081	23	53	30	0.28	2.0	0.33	0.46 g/t AuEq	0.2 g/t AuEq cut
inc	32	37	5	1.0	3.6	0.73	1.4 g/t AuEq	1.0 g/t AuEq cut
GNRC-084	4	5	1	1.2	2.0	0.07	1.2 g/t AuEq	0.2 g/t AuEq cut
and	41	44	3	5.2	6.4	5.0	7.6 g/t AuEq	0.2 g/t AuEq cut
and	60	64	4	3.6	11.6	5.0	6.1 g/t AuEq	0.2 g/t AuEq cut
and	78	99	21	0.81	2.6	0.08	0.87 g/t AuEq	0.2 g/t AuEq cut
inc	91	92	1	6.7	10.7	0.42	7.0 g/t AuEq	1.0 g/t AuEq cut
and	97	99	2	1.6	1.2	0.03	1.6 g/t AuEq	0.2 g/t AuEq cut
and	143	145	2	0.67	4.9	0.87	1.1 g/t AuEq	0.2 g/t AuEq cut
GNDD-085	22.50	23.80	1.30	5.47	75.6	0.08	6.3 g/t AuEq	0.2 g/t AuEq cut
and	39.30	41.50	2.20	2.11	2.4	0.55	2.40 g/t AuEq	0.2 g/t AuEq cut
GNRC-086	3	24	21	0.38	1.5	0.33	0.55 g/t AuEq	0.2 g/t AuEq cut
inc	4	5	1	0.85	3.4	0.89	1.3 g/t AuEq	1.0 g/t AuEq cut
and	22	24	2	2.9	1.9	0.08	3.0 g/t AuEq	0.2 g/t AuEq cut
GNRC-087	22	26	4	0.65	15.9	0.26	0.95 g/t AuEq	0.2 g/t AuEq cut
GNRC-090	7	20	13	0.35	2.7	0.25	0.50 g/t AuEq	0.2 g/t AuEq cut
inc	14	15	1	1.1	7.3	0.45	1.4 g/t AuEq	1.0 g/t AuEq cut
GNRC-091	30	54	24	0.38	3.7	0.20	0.51 g/t AuEq	0.2 g/t AuEq cut
inc	43	47	4	1.4	3.5	0.40	1.6 g/t AuEq	1.0 g/t AuEq cut
GNDD-093	75.30	76.70	1.40	2.1	10.6	7.8	3.8 g/t AuEq	0.2 g/t AuEq cut
and	153.65	154.15	0.50	1.4	7.3	0.17	1.6 g/t AuEq	0.2 g/t AuEq cut
GNRC-097	49	57	8	0.39	2.2	0.04	0.4 g/t AuEq	0.2 g/t AuEq cut
inc	50	51	1	1.1	2.8	0.03	1.2 g/t AuEq	1.0 g/t AuEq cut
GNRC-098	40	59	19	0.21	1.8	0.19	0.32 g/t AuEq	0.2 g/t AuEq cut
and	88	96	8	4.9	4.5	0.76	5.3 g/t AuEq	0.2 g/t AuEq cut
inc	88	90	2	15.6	15.9	2.8	17.0 g/t AuEq	10 g/t Au eq cut
inc	94	96	2	2.6	1.2	0.13	2.7 g/t AuEq	1.0 g/t AuEq cut
GNDD-099	53.00	55.80	2.80	0.42	19.8	2.0	1.6 g/t AuEq	0.2 g/t AuEq cut
and	64.00	64.90	0.90	3.1	9.7	0.22	3.3 g/t AuEq	0.2 g/t AuEq cut
and	101.00	102.00	1.00	2.9	64.4	0.04	3.6 g/t AuEq	0.2 g/t AuEq cut
GNDD-100	NSI							
GNDD-102	36.00	47.00	11.00	0.59	3.2	0.18	0.71 g/t AuEq	0.2 g/t AuEq cut
inc	36.00	38.00	2.00	1.5	5.9	0.13	1.6 g/t AuEq	1.0 g/t AuEq cut
and	77.40	86.30	8.90	0.10	2.5	0.82	0.52 g/t AuEq	0.2 g/t AuEq cut
inc	84.30	85.20	0.90	-	1.3	3.3	1.6 g/t AuEq	1.0 g/t AuEq cut
GNRC-104	141	142	1	45.6	40.0	2.6	47.2 g/t AuEq	10 g/t Au eq cut
GNRC-107	16	43	27	3.6	14.8	0.25	3.9 g/t AuEq	0.2 g/t AuEq cut
inc	23	24	1	0.17	74.4	0.07	1.0 g/t AuEq	1.0 g/t AuEq cut
inc	29	31	2	1.2	12.2	0.06	1.3 g/t AuEq	1.0 g/t AuEq cut
inc	35	42	7	13.3	12.6	0.80	13.8 g/t AuEq	10.0 g/t AuEq cut
and	52	53	1	0.18	73.2	0.11	1.0 g/t AuEq	0.2 g/t AuEq cut
and	93	94	1	0.12	51.2	3.1	2.1 g/t AuEq	0.2 g/t AuEq cut
GNRC-110	11	55	44	2.8	62.7	0.05	3.6 g/t AuEq	0.2 g/t AuEq cut
inc	12	13	1	1.7	1.0	0.00	1.7 g/t AuEq	1.0 g/t AuEq cut
inc	20	31	11	1.8	37.2	0.02	2.2 g/t AuEq	1.0 g/t AuEq cut
inc	36	48	12	8.3	190	0.12	10.4 g/t AuEq	1.0 g/t AuEq cut
inc	41	44	3	27.3	613	0.05	34.1 g/t AuEq	10 g/t Au eq cut
GNRC-111	31	49	18	0.31	12.2	0.13	0.50 g/t AuEq	0.2 g/t AuEq cut
inc	33	34	1	1.3	59.4	0.02	2.0 g/t AuEq	1.0 g/t AuEq cut
inc	41	42	1	2.1	82.7	0.01	3.0 g/t AuEq	1.0 g/t AuEq cut
GNDD-114	64.00	78.70	14.70	3.2	3.3	0.08	3.3 g/t AuEq	0.2 g/t AuEq cut
inc	77.80	78.70	0.90	50.3	27.2	0.18	50.7 g/t AuEq	10.0 g/t AuEq cut

Table 3 - Drilling targeting the high-grade Mineralisation

- (1) Drill collar locations, hole dip and direction are available In December quarterly report 31 January 2020 see- JORC Table 1 Section 1
- (2) See below for information regarding AuEq's reported under the JORC Code
- (3) Results are reported using a cut-off of 0.1 g/t Au with up to 10 metres of internal dilution.
- (4) Inclusive (incl) Intercepts use a cut-off of 0.5 g/t Au with up to 10 metres of internal dilution and 1 g/t Au

EL GUAYABO GOLD COPPER PROJECT

The El Guayabo Gold Copper Project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has demonstrated potential to host significant gold and associated copper 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 an agreement under which it can earn 100% of the project.

Significant intersections reinforce potential for a gold porphyry discovery

During the half-year the Company continued with its program of assaying drill holes are from a series of 60 historical holes drilled by CEL's farm-in partner targeting extensions to narrow high-grade vein hosted gold mineralisation they are currently exploiting. These historical drill holes were not systematically logged or assayed for bulk tonnage gold or base metal mineralisation. The company also received results from its initial 454 metres of rock-saw channel sampling along the main Humedo Adit at Colorado V.

The main Humedo Adit and the drill holes are located adjacent to a series of regionally significant gold and copper soil anomalies believed to be above intrusive porphyry-style targets. The Company's recently acquired airborne magnetic data, which is currently being processed, confirms that these large Au-Cu soil anomalies are coincident with significant underlying magnetic anomalies indicative of porphyry systems.

None of the historical drill holes fully tested the Au-Cu soil anomalies as they were collared outside of the soil anomalies and, at best, only tested the outer edges of the anomalies (see Figure 1). Similarly, the main Humedo Adit at Colorado V only cuts the western edge of the largest Au-Cu soil anomaly (Anomaly A).

Channel sampling in the Main adit, and new assays from historical drill core samples, returned significant ore grade intersections from surface down to 450 metres. Importantly, the results returned the highest grades closest to the centre of the main Au-Cu soil Anomaly A. Anomaly A is 1.2 kilometres in length and remains untested with the historical drill holes only cutting the western edge of anomaly. The Humedo Mine adit, while still on the western edge of Anomaly A, represents the nearest sampling to the centre of the anomaly. The first 62 metres of the adit, which returned the highest grades of **62 metres at 0.8 g/t AuEq** (0.6 g/t gold, 2.7 g/t silver, 848 ppm copper, 10.4 ppm molybdenum), is the nearest section of the Adit to the centre of Anomaly A.

Management believes the results materially upgrade the main Au-Cu soil anomalies (Anomaly A and Anomaly B) as compelling drill targets with significant scale. The mineralisation and grades encountered in the Humedo Mine Adit and the historical drill holes is analogous to the 17 million-ounce Cangrejos Project¹ located 5 kilometres away. Additionally, the surface extent of the Anomaly A and Anomaly B is similar to that of the Cangrejos deposit and of sufficient size to host a major gold discovery.

Potential Size of the Exploration Targets defined by Anomaly A and Anomaly B

Anomaly A and Anomaly B, combined, define an Exploration Target ranging between 442 to 468 million tonnes grading from 0.5 to 1.0 g/t gold, 1.5 to 2.5 g/t silver, plus copper credits.

It should be noted that the potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources.

A detailed explanation of the basis for the statement, including specific description of the level of exploration activity already completed is available below.

- Surface area defined by a 100 ppb gold soil anomaly which coincides with a 0.1 g/t gold cut-off in drill hole assays and the panel sampling in the adit.

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- Depth extent of 400 metres assumed based on a reasonable depth extent for surface mining operation of a large steeply plunging low grade Au-Ag-Cu deposit. Current intersections in holes assayed by the Company which demonstrate mineralisation persist with depth, and is open below 400 metres sub-surface.
- Density estimates of 2,600 – 2,750 kg/m³ are based on typical expected values for diorite, schist and diorite-schist breccia intersected in the drilling, in the adit, and observed on surface. The assumed density is not supported by sample density measurements.
- Gold, Silver and Copper grade estimates are based on drill intersections that coincide with the volume defined by the gold in soil anomaly to a depth of 400m below surface. A grade range of 0.5 to 1.0 g/t gold and 1.5 to 2.5 g/t silver has been used in the Exploration Target estimate.
- The proportion above cut-off (0.2 g/t gold) is an estimate based on the variability of grade from drilling and adit panel sampling. A range of 70-90% has been used.

Exploration Target Anomaly A	High estimate	Low estimate
Tonnage (Mt)	275	260
Gold Grade (g/t)	1.0	0.5
Silver Grade (g/t)	2.5	1.5
% tonnage above cut-off	90%	70%
Exploration Target Anomaly B	High estimate	Low estimate
Tonnage (Mt)	193	182
Gold Grade (g/t)	1.0	0.5
Silver Grade (g/t)	2.5	1.5
% tonnage above cut-off	90%	70%
Totals	High estimate	Low estimate
Tonnage (Mt)	468	442
Gold Grade (g/t)	1.0	0.5
Silver Grade (g/t)	2.5	1.5

Table 4: Exploration Target

Forward Exploration Program to test the Exploration Targets

Assays from a second phase of 340 metres of channel sampling in Humedo Mine, and the newly discovered Cuenca Mine (within Anomaly A), located 450 metres south-east of the Humedo Mine, are pending. Several additional historical drill holes have been logged, sampled and submitted for assaying.

The Company has commenced an infill and extension soil sampling program to verify the historical Colorado V soil data, integrate the data with the Company's soil data over the El Guayabo concession, and tighten up the Colorado V soil anomalies. The Company will continue with its program of assaying all of the historical drill holes including the remaining holes drilled in the vicinity of soil Anomalies A, B and C.

The 50 square kilometre airborne magnetic survey was completed in the first week of December and the Company has now received all data which is being externally post-processed prior to interpretation. The processed magnetic data will be combined with other geophysical data, geology and geochemistry to establish targets for initial drill testing by CEL.

Once this has been completed the Company will make a decision on exploration drilling in Ecuador to test these new Exploration Targets and drill infill/twin holes on the ZK0-2 discovery trend.

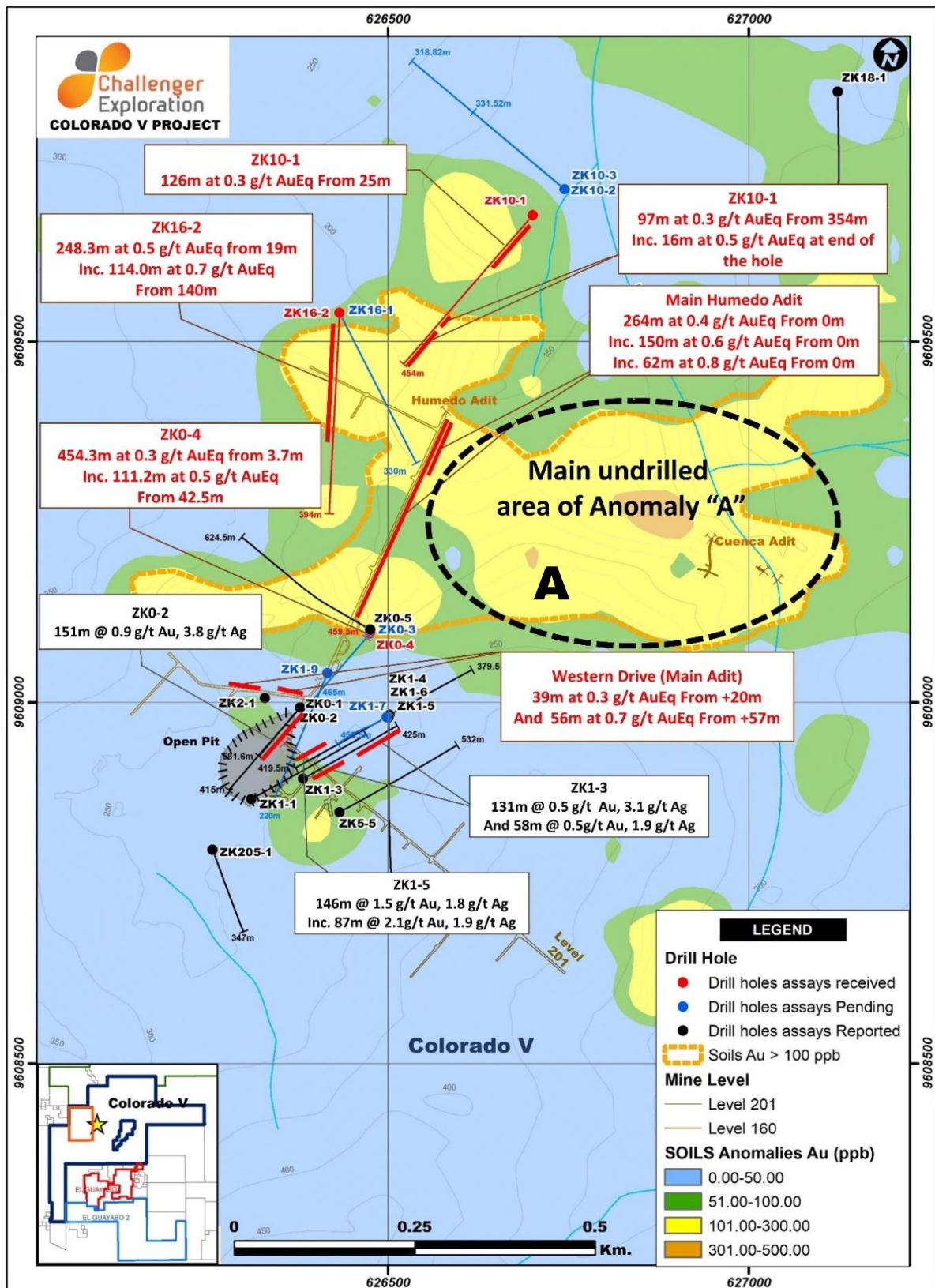


Figure 5: Showing location of drilling and channel sampling over Anomaly A (>100ppb gold in soil)

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Humedo Adit Channel Sampling

The main Humedo Adit is 430 metres long and provides access to a 500-metre northwest-southeast trend currently being exploited by small scale underground mining. The Main adit cuts the western flank of Anomaly A, the largest of a series of coincident gold, copper and molybdenum soil anomalies believed to represent porphyry targets (Figure 6).

Channel sampling of the main Humedo Adit at Colorado V was undertaken during October 2020. The sampling was conducted using a rock saw to cut a continuous channel in the wall of the Adit, which was sampled, logged, and assayed in the same manner, and with the same QAQC standards, as drill core. The channels are designed to provide a representative sample of the wall which is approximately the same size and weight as a drill core sample. Assay results from these samples are expected to be able to be utilised in any future resource estimates.

The channel sampling was undertaken continuously from surface at the Humedo Mine adit entrance to 310 metres along the SW trending main Humedo Adit with another 146 metres sampled from the Western Drive located at the end of Humedo Adit from +430 to +576 metres.

The main Humedo Adit returned 385 metres of mineralisation from the 456 metres rock saw sampled. The northern section of the adit returned **264 metres at 0.4 g/t AuEq** (0.3 g.t gold, 2.1 g/t silver, 512 ppm copper, 9.4 ppm molybdenum) including **112 metres at 0.7 g/t AuEq** (0.6 g.t gold, 2.7 g/t silver, 784 ppm copper, 9.4 ppm molybdenum) plus **32 metres at 0.3 g/t AuEq** (0.2 g.t gold, 1.4 g/t silver, 366 ppm copper, 5.1 ppm molybdenum). This mineralisation is located at the western edge of the largest Au-Cu soil anomaly, Anomaly A (Figure 1).

The Humedo Adit, while located on the western flank of Anomaly A, is the nearest point sampled to the centre of Anomaly A, with the northern section (top) of the adit the closest to the centre of Anomaly A. The top of the adit returned the highest-grade intersection to date in Anomaly A recording **62 metres at 0.8 g/t AuEq** (0.6 g/t gold, 2.7 g/t silver, 848 ppm copper, 10.4 ppm molybdenum).



Photos showing the main Humedo Adit and channel sample in the wall of the adit

Channel sampling of the Western Drive from the end of the main Humedo Adit returned **39.1 metres at 0.3 g/t AuEq** (0.3 g.t gold, 2.3 g/t silver, 280 ppm copper, 4.5 ppm molybdenum) and **56 metres at 0.7 g/t AuEq** (0.6 g.t gold, 1.8 g/t silver, 125 ppm copper, 3.0 ppm molybdenum). This mineralisation is located well outside Anomaly A, is associated with antimony and bismuth, and has low associated copper and molybdenum similar to the main zone of mineralisation currently being exploited underground. This mineralisation is interpreted as an extension of the main Humedo Mine, which was intersected in drill hole ZK0-2 (151m @ at 0.9 g/t Au, 3.8 g/t Ag - previously reported) a further 100 metres to the west along strike in an area of limited historical drilling.

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Historical drill holes

The drill holes reported during the half-year were drilled adjacent to a series of regionally significant gold-copper-molybdenum soil anomalies. These anomalies have significant scale with the plus 100 ppb gold footprint of both Anomaly A and B being over 1 kilometre long and 350-500 metres wide.

The anomalies had been interpreted to be targets for porphyry mineralisation prior to the assaying of the historical drill holes. As can be seen from Figure 6 and 7, none of the historical drill holes test the centre of the soil anomalies with the majority of the drill holes testing areas away from the anomalies. Those holes which did penetrate the anomalies only drilled into their outer edges.

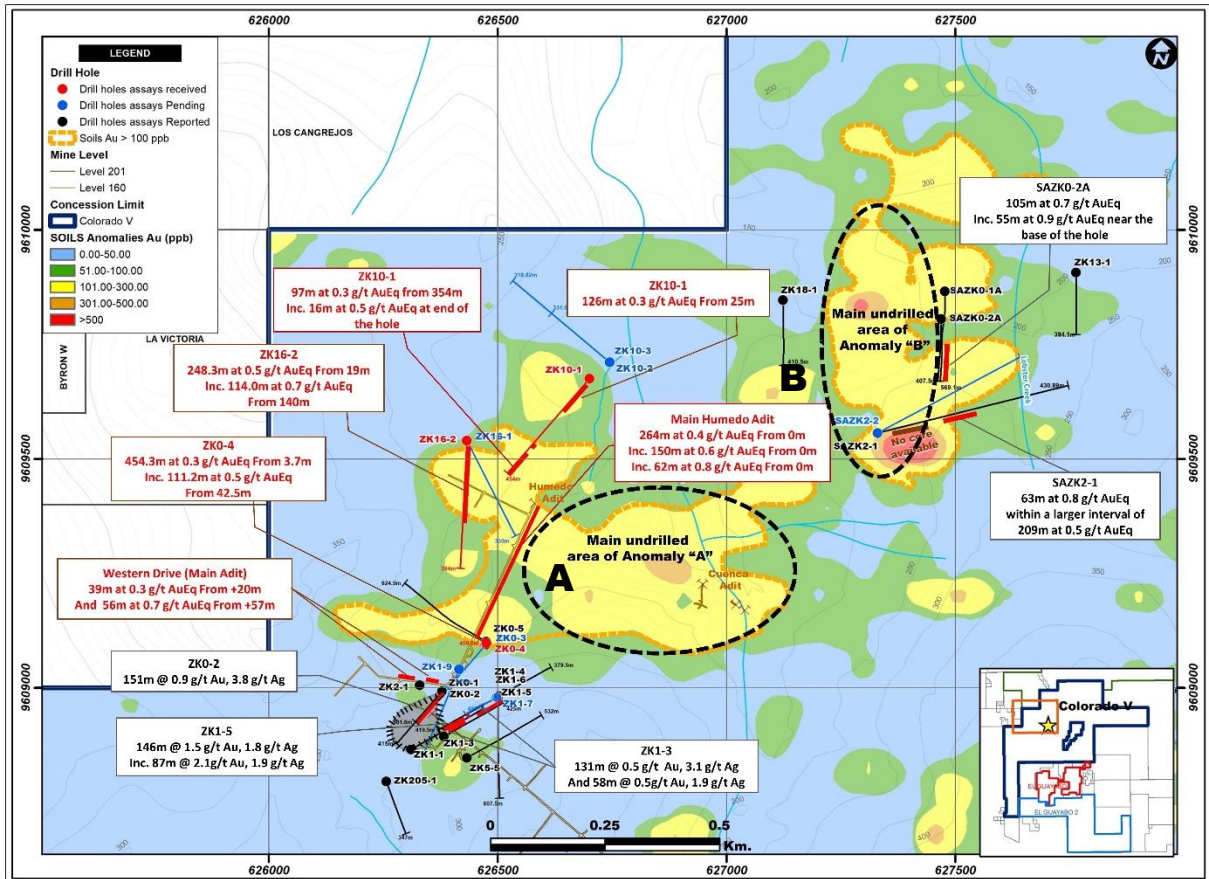


Figure 6: Showing location of drilling and Anomaly A and B (>100ppb gold in soil)

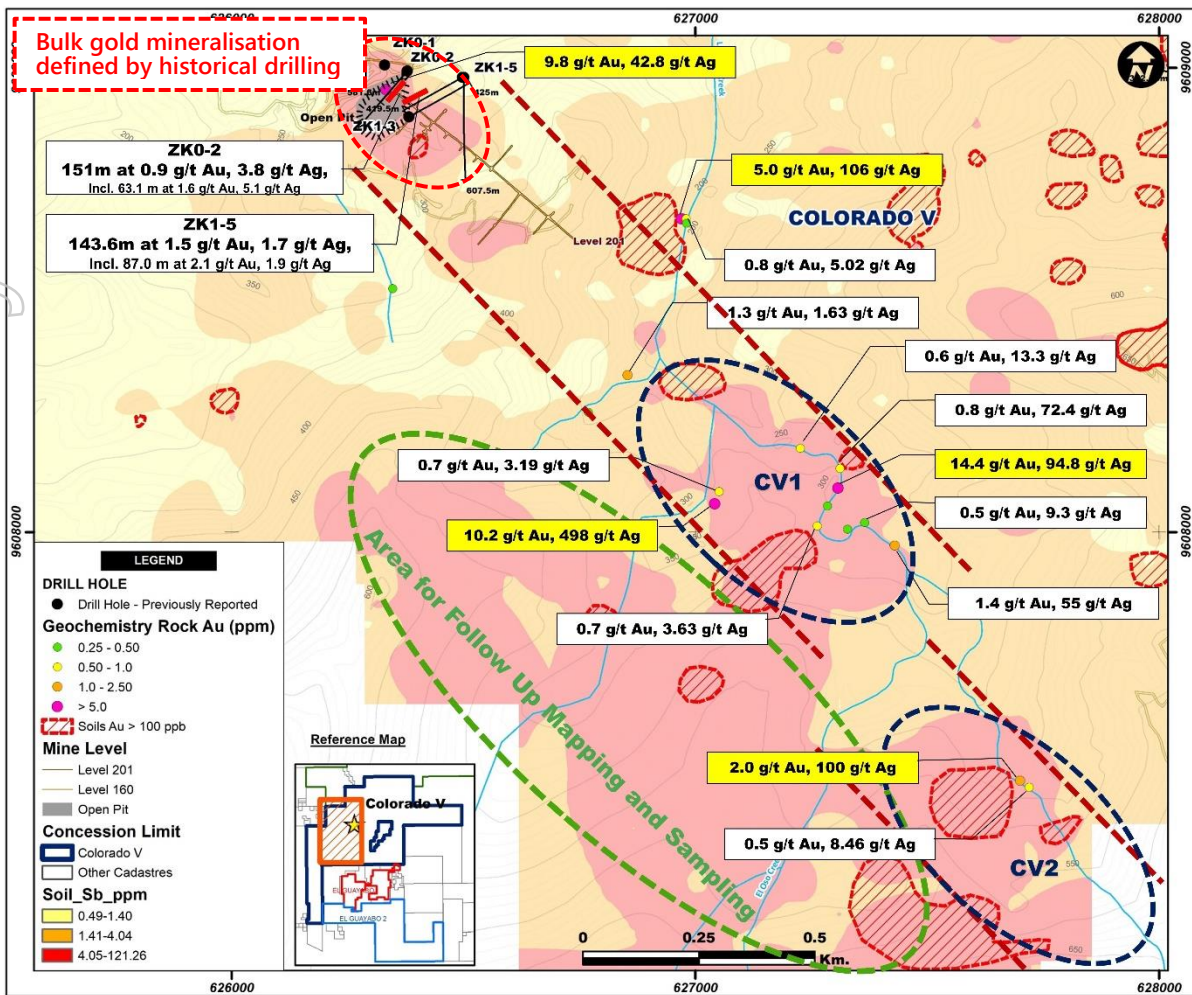


Figure 7: Showing highlights of the geologic mapping and rock chip sampling

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 2020 that the bill will soon undergo public participation, as part of the cabinet and parliamentary approval processes.

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 2020. This Independence Declaration is set out on page 19 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
 2 March 2021

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 Statements

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.

Gold Equivalent (AuEq) values - Requirements under the JORC Code

- Assumed commodity prices for the calculation of AuEq is Au US\$1897 Oz, Ag US\$24.3 Oz, Cu US\$6,546 /t, Mo \$17,852t
- Metallurgical recoveries for Au, Ag, Cu, Mo are assumed to be the same
- The formula used: $AuEq (g/t) = Au (g/t) + Ag (g/t) \times 0.1281 + Cu (\%) \times 1.5967 + Mo (\%) \times 4.35449$
- CEL confirms that it is the company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold

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 2020, 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
2 March 2021

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.

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Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2020

	Notes	Consolidated Half-year ended	
		31 December 2020 \$	31 December 2019 \$
Revenue			
Interest		2,745	2,273
Gain on foreign exchange conversion		2,462,352	-
Government cashflow boost		29,460	-
Total revenue		2,494,557	2,273
Expenses			
General and administration		318,937	254,437
Public company costs		49,004	34,477
Accounting and audit fees		10,744	24,011
Legal fees		54,651	14,298
Consultants fees		387,431	297,086
Depreciation		12,094	286
Employee costs		20,351	6,094
Marketing expenses		120,583	63,191
Share-based payments	10	567,664	41,114
Foreign exchange losses		226,797	-
Other expenses		5,924	1,472
Total expenses		1,774,180	736,466
Profit/ (loss) before income tax		720,377	(734,193)
Income tax benefit		-	47,025
Profit/ (loss) for the half-year		720,377	(687,168)
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		(1,488,775)	(56,582)
Total comprehensive profit/ (loss) for the half-year		(768,398)	(743,750)
Basic earnings / (loss) per share (cents per share)	3	0.11	(0.15)
Diluted earnings / (loss) per share (cents per share)	3	0.10	(0.15)

The accompanying notes form part of these financial statements.

Challenger Exploration Limited

Condensed Interim Consolidated Statement of Financial Position as at 31 December 2020

	Notes	Consolidated	
		31 December 2020	30 June 2020
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	4	15,134,582	3,801,292
Trade and other receivables		119,479	115,536
Pre-payments		8,923	43,515
Total Current Assets		15,262,984	3,960,343
Non-Current Assets			
Other receivables	5	1,173,690	316,276
Deferred exploration and evaluation expenditure	6	18,459,725	11,653,007
Plant and equipment		161,998	46,337
Total Non-Current Assets		19,795,413	12,105,620
Total Assets		35,058,397	15,975,963
Liabilities			
Current Liabilities			
Trade and other payables	7	1,153,909	1,157,129
Provisions		36,579	24,990
Total Current Liabilities		1,190,487	1,182,119
Total Liabilities		1,190,487	1,182,119
Net Assets		33,867,910	14,793,844
Equity			
Issued capital	8	41,452,547	22,177,747
Reserves		(734,741)	186,370
Accumulated losses		(6,849,896)	(7,570,273)
Total Equity		33,867,910	14,793,844

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 2020

	Consolidated					
	Issued capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserves \$	Share- based payment Reserves \$	Total \$
Balance at 1 July 2020	22,177,747	(7,570,273)	(326,109)	784	511,695	14,793,844
Profit for the half-year	-	720,377	-	-	-	720,377
Other comprehensive loss	-	-	(1,488,775)	-	-	(1,488,775)
Total comprehensive income / (loss) for the period	-	720,377	(1,488,775)	-	-	(768,398)
Shares issued during the period	20,620,464	-	-	-	-	20,620,464
Share issue costs	(1,345,664)	-	-	-	-	(1,345,664)
Share-based payments	-	-	-	-	567,664	567,664
Balance at 31 December 2020	41,452,547	(6,849,896)	(1,814,884)	784	1,079,359	33,867,910
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	-	-	-	-	2,258,740
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

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 2020

	Notes	Consolidated	
		31 December 2020	31 December 2019
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(770,371)	(599,387)
Other income		2,491,812	-
Interest received		2,745	2,273
Net cash flows provided by / (used in) operating activities		1,724,186	(597,114)
Cash flows from investing activities			
Payments for deferred exploration and evaluation expenditure		(8,677,844)	(2,103,187)
Payments for property, plant and equipment		(140,591)	(18,268)
Net cash used in investing activities		(8,818,435)	(2,121,455)
Cash flows from financing activities			
Proceeds from issue of shares		20,000,000	-
Payments for share issue costs		(1,345,664)	(414,230)
Net cash provided by / (used in) financing activities		18,654,336	(414,230)
Net increase/(decrease) in cash and cash equivalents		11,560,087	(3,312,799)
Cash and cash equivalents at beginning of period		3,801,292	5,043,935
Effect of movements in exchange rates on cash held		(226,797)	-
Cash and cash equivalents at the end of the period	4	15,134,582	1,911,136

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 2020

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 2020 were authorised for issue in accordance with a resolution of the Directors on 2 March 2021.

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 2020 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The accounting policies and methods of computation adopted 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 2020, except for the adoption of new standards effective as of 1 July 2020, 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 2020 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

Standards and Interpretations applicable to 31 December 2020

The Directors have 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 2020. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. 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 group and, therefore, no change is necessary to Group accounting policies.

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.

In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID19 pandemic on the position of the Group at 31 December 2020 and its operations in future periods.

1.4 Significant accounting judgements and key estimates

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 10.

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.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

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.

	Australia \$	Ecuador \$	Argentina \$	Consolidated \$
31 December 2020				
For the half-year ended 31 December 2020				
Total segment revenue	32,205	-	2,462,352	2,494,557
Total segment expense	(1,471,572)	(17,927)	(284,681)	(1,774,180)
Segment net profit/ (loss) before tax	(1,439,367)	(17,927)	2,177,671	720,377
At 31 December 2020				
Total segment assets	32,419,864	130,169	2,508,364	35,058,397
Total segment liabilities	(144,021)	(147,922)	(898,544)	(1,190,487)
31 December 2019				
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)

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

3. EARNINGS / LOSS PER SHARE

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

	Consolidated	
	Half-year ended	Year ended
	31 December	31 December
	2020	2019
	\$	\$
Net profit/ (loss) from continuing operations	720,377	(687,168)
Weighted average number of ordinary shares for basic earnings per share (number)	637,646,698	467,726,102
Basic earnings / (loss) per share (cents per share)	0.11	(0.15)
Weighted average number of ordinary shares for diluted earnings per share (number)	713,533,790	467,726,102
Diluted earnings / (loss) per share (cents per share)	0.10	(0.15)

For fully diluted earnings / (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 performance shares or 16,000,000 performance rights outstanding at 31 December 2020 on the profit per share calculation because they have not vested. These securities could potentially dilute basic EPS in the future. The share options are considered dilutive as they are in the money. 5,250,000 performance rights are considered dilutive as they have vested.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2020	2020
	\$	\$
Cash comprises of:		
Cash at bank	15,134,582	3,801,292
Cash and cash equivalents	15,134,582	3,801,292

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.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

5. OTHER RECEIVABLES (Non-Current)

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2020	2020
	\$	\$
VAT Receivable	1,173,690	316,276
Cash and cash equivalents	1,173,690	316,276

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

6. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2020	2020
	\$	\$
<i>Exploration and evaluation phase</i>		
Carrying amount at the beginning of period	11,653,007	3,277,843
Acquisition costs	328,252	3,311,890
Exploration expenditure during the period	6,478,466	5,063,274
Carrying amount at the end of period	18,459,725	11,653,007

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.

7. TRADE AND OTHER PAYABLES

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2020	2020
	\$	\$
Current		
Trade payables and accruals	1,153,909	1,157,129
	1,153,909	1,157,129

Terms and conditions:

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

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

8. ISSUED CAPITAL

	Consolidated Half-year ended		Consolidated Year ended	
	31 December 2020		30 June 2020	
	No.	\$	No.	\$
Issued and fully paid	653,093,846	41,452,547	548,724,627	22,177,747

8.1 Movements in ordinary shares on issue

	Consolidated Half-year ended		Consolidated Year ended	
	31 December 2020		30 June 2020	
	No.	\$	No.	\$
At beginning of the period	548,724,627	22,177,747	465,560,126	13,000,904
Shares issued for cash	100,000,000	20,000,000	65,000,002	6,500,500
Shares issued as deferred consideration	-	-	15,000,001	2,826,667
Shares issued on exercise of options	-	-	1,000,000	40,000
Shares issued in lieu of salary and consulting fees	4,369,219	620,464	2,162,500	139,000
Share issue costs	-	(1,345,664)	-	(329,324)
At the end of the period	653,093,846	41,452,547	548,724,627	22,177,747

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.

9. 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 2020 totalled \$379,584 (half-year ended 31 December 2019: \$226,750). The outstanding balance relating to the above transactions at 31 December 2020 was \$13,750 (31 December 2019: \$40,083).

These transactions have been entered into on normal commercial terms.

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

10. SHARE BASED PAYMENT PLAN

10.1 Recognised share-based payment transactions

Share based payment transactions recognised as operating expenses in the statement of profit or loss and other comprehensive income during the period were as follows:

	Consolidated Half-year ended	
	31 December 2020 \$	31 December 2019 \$
Operating expenses		
Employee share based payments	567,664	41,114

10.2 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 and the term of the performance rights up to an estimated vesting date. The table below summarises performance rights granted under the Incentive Performance Rights Plan:

Grant Date	Expiry date	Exercise price	Balance at		Granted	Vested and exercisable at	
			31 December 2019 Number	31 December 2020 Number		31 December 2020 Number	31 December 2020 Number
3 December 2019	4 July 2026	\$0.001	16,000,000	-	-	16,000,000	-
16 March 2020	4 July 2026	\$0.001	-	5,250,000	5,250,000	5,250,000	5,250,000

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

11. 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

Challenger Exploration Limited
Notes to the Condensed Interim Consolidated Financial Statements
for the half-year ended 31 December 2020

fair value with changes to macro-economic environment being considered in the carrying value of the financial liability.

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

12. DIVIDENDS

No dividends have been paid or provided for during the half-year ended 31 December 2020 (half-year ended 31 December 2019: Nil).

13. SUBSEQUENT EVENTS

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and while there has been no material impact financially for the Group up to 31 December, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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.

14. CONTINGENCIES

The Directors are of the opinion that there are no contingent liabilities or contingent assets as at 31 December 2020.

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 20 to 31, 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 2020 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
2 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Challenger Exploration Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Challenger Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 half-year financial report of Challenger Exploration Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 2020 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*.

A review of a half-year 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.

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
2 March 2021

B G McVeigh

B G McVeigh
Partner

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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.

15,000,001 Waiver Securities have been issued.

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

El Guayabo Project Milestones (new milestones as approved by shareholders on 23 November 2020)

Project Interest	Cumulative Interest	Project Milestones
19.9%	19.9%	Existing interest in the project
80.1%	100%	The issue of 18,000,000 Shares (Earn in Shares) to the Vendors by 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:

ASX Waivers

(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 were met during the half-year.

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