

CEL Acquires 100% of Flagship Hualilan Gold Project

Highlights

- CEL completes agreement to acquire 100% ownership of its flagship Hualilan Gold Project (was previously earning up to 75%)
- Two transactions agreed to move from current 25% interest to 100%:
 - Issue of 50 million CEL shares for 50% (previously contingent on completion of a DFS); and
 - Issue of 64 million CEL shares and payment of US\$3.69 million for the final 25% of the Project
- 100% ownership is strategically important in the context of recent results and further exploration potential:
 - Recent results include 15.6m at 71.7 g/t AuEq¹ (inc 4.0m at 204 g/t AuEq¹) and 110.5m at 3.0 g/t AuEq² from CEL exploration concentrated over 2 km of the Hualilan Gold Trend; and
 - Strategic underexplored footprint of the Project which covers 80 square kilometres and contains 18 kilometres of the main Hualilan Gold Trend which is largely unexplored
- Mr Sergio Rotondo, current CEL COO and the largest vendor, will join the CEL Board

Challenger Exploration (ASX: CEL) (CEL the Company) is pleased to announce that it has entered into binding agreements to move to 100% ownership of its flagship Hualilan Gold Project in San Juan Argentina. Hualilan is a compelling gold discovery with significant scale located in a Tier 1 jurisdiction. This is demonstrated by results this year which include 15.6m at 71.7 g/t AuEq (inc 4.0m at 203.8 g/t AuEq)¹, 4.1m at 56.8 g/t AuEq², and 110.5m at 3.0 g/t AuEq².

The Company had rights to move to a 75% of the Hualilan Gold Project by the completion of a Definitive Feasibility Study (DFS) and the issue of 50 million CEL shares. The issue of the 50 million shares to move to 75% of the project will be accelerated and completed with the issue of the shares for the final 25% of Hualilan. The consideration for the acquisition of the final 25% of Hualilan, not covered by the original acquisition agreement, will be the issue of 64 million CEL shares and US\$3.69 million in cash.

Commenting on moving to 100% ownership, CEL Managing Director, Mr Kris Knauer, said

"I am pleased to deliver on our commitment to acquire 100% of our flagship Hualilan Gold Project. The consolidation of 100% of the Project simplifies our capital structure and significantly increases the value proposition of the Company for investors. We also see it as a vital first step on the path to production.

"I would like to formally welcome Sergio Rotondo to the CEL Board. As our COO, he has been a vital part of the team since we listed and has driven much of our success. Hernan Celorrio, who is the past President of Barrick Argentina, will remain as the Chairman of our Argentinian operating company, and Hernan, like Sergio, has elected to take 100% of his vendor consideration in CEL shares."

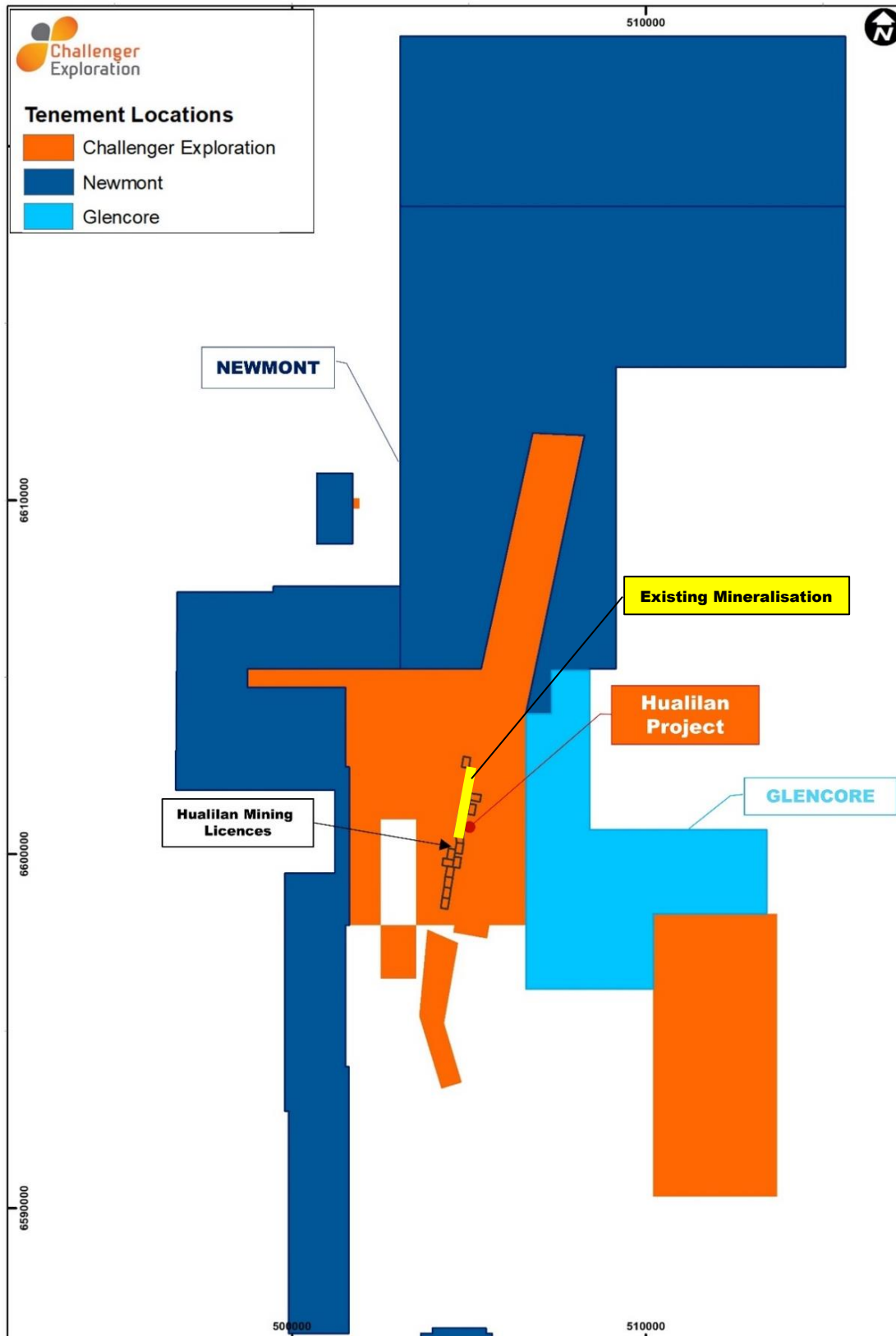


Figure 1 - Existing Hualilan Mineralisation and new tenement Position

Key Terms of the transaction

Table 1 and Table 2 show the previous terms of the Hualilan Gold Project Acquisition agreement and the new terms to move to 100%. The total consideration payable to each vendor is listed in Table 3.

Table 1 - Previous Hualilan Gold Project Acquisition Terms

| Project Interest | Cumulative Interest | Project Milestones |
|------------------|---------------------|----------------------------------------------------------------------------------------------------------|
| 25% | 25% | minimum spend of A\$2 million within 2 years and issue of 15 million CEL shares |
| 50% | 75% | completion of a Definitive Feasibility Study (DFS) within 6 years and the issue of 50 million CEL shares |
| 25% | 100% | no agreement in place |

Table 2 - New Hualilan Gold Project Acquisition Terms

| Project Interest | Cumulative Interest | Project Milestones |
|------------------|---------------------|---------------------------------------------------------------------------------------------------------|
| 25% | 25% | completed June 30 2020 |
| 50% | 75% | issue of 50 million CEL shares (50% Consideration Shares) |
| 25% | 100% | issue of 64 million CEL shares (25% Consideration Shares) and cash payment of US\$3.69 million |

Table 3 - Consideration payable to the Vendors

| Vendor | Cash (\$US) | Shares |
|-----------------------------|--------------------|--------------------|
| Sergio Rotondo | | 89,000,000 |
| Elias Sahad | \$240,000 | 11,000,000 |
| Atanasio Hernan Celorrio | | 6,000,000 |
| Foxrock Investments Limited | | 3,400,000 |
| San Juan Inversiones SRL | | 4,600,000 |
| Ernesto Mario Giorgi | \$1,797,795 | |
| Vicente Enrique Levia | \$703,800 | |
| Ernesto Videla | \$459,885 | |
| Guillermo Enrique Preisz | \$488,520 | |
| Total | \$3,690,000 | 114,000,000 |

The completion of the move to 100% of the Hualilan Gold Project is subject to CEL shareholder approval to issue the 64 million shares (**25% Consideration Shares**) as part of acquiring the final 25% of the Hualilan Gold Project, in accordance with the ASX Listing Rules. CEL intends to call the General Meeting, that will include a resolution to approve the issue of these shares, as soon as practicable.

Under the acquisition agreement, the Company must pay the US\$3.69 million cash consideration to the Argentinian vendors no later than July 30th 2021. This payment will be made prior to the shareholder

meeting to approve the issue of the 64 million shares associated with the move to 100% of the Project. In the event that CEL shareholders do not approve the issue of the **25% Consideration Shares**, CEL will be deemed to have acquired a 75% interest in the project via the payment of the US\$3.69 million cash consideration, the issue of the 50 million **50% Consideration Shares**, and funding 100% up until the completion of a DFS.

At completion, Mr Sergio Rotondo will join the Board of the Company and retain his current annual salary of US\$72,000 per annum. Sergio is the Company's COO South America, and has been an important part of the CEL management team since listing in 2019. Hernan Celorrio, the past President of Barrick Argentina and responsible for the development and operation of Barrick Gold's Veladero Gold Mine in San Juan Province, will remain as the President of the Company's Argentine operating subsidiary, Golden Mining SA.

Sergio Rotondo Bio

Mr Sergio Rotondo holds a Masters Degree in Economics and an international MBA Degree from University of CEMA. Sergio has an extensive background in managing billion-dollar construction projects from design through completion, and has partnered with some of Argentina's largest real estate developers and designers. Importantly, Sergio is also the founder of Golden Mining SA, which originally consolidated 100% of the Hualilan Gold Project, and will now become CEL's 100% owned operating subsidiary as part of CEL's move to acquire 100% of the Project. Sergio will continue to bring his broad business experience including government relations, logistics, and OHS, which he has done at the Hualilan and El Guayabo Projects since the Company was listed.

Hernan Celorrio Bio

Mr Hernan Celorrio is a mining executive who is currently the President of the Argentine Mining Foundation and President of the Mining Committee of the Argentine Canadian Chamber of Commerce. Hernan's previous roles include, President of Barrick Explorations Argentina (December 1999-March 2006), Vice President of the Argentine Chamber of Mining Companies (1999 – 2005) and Senior Partner of Brons & Salas Law Firm (specialized in Mining) from 1983 to 2007. He served as a Professor of Administrative Law and Economic Regulations at the National University of Buenos Aires, and was awarded Mining Businessman of the Year in Argentina (years 2000 and 2002).

Ends

This ASX announcement was approved and authorised by the Board.

For further information contact:

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Previous announcements referred to in this release include:

30 June 2020 - CEL Advancing Towards 75% Interest in Hualilan Gold Project

29 Jan 2021 - Drilling continues to extend the boundaries of the high-grade mineralisation at Challengers Flagship Hualilan Gold Project

1 July 2021 - CEL Delivers Bonanza Grades at Hualilan Gold Project

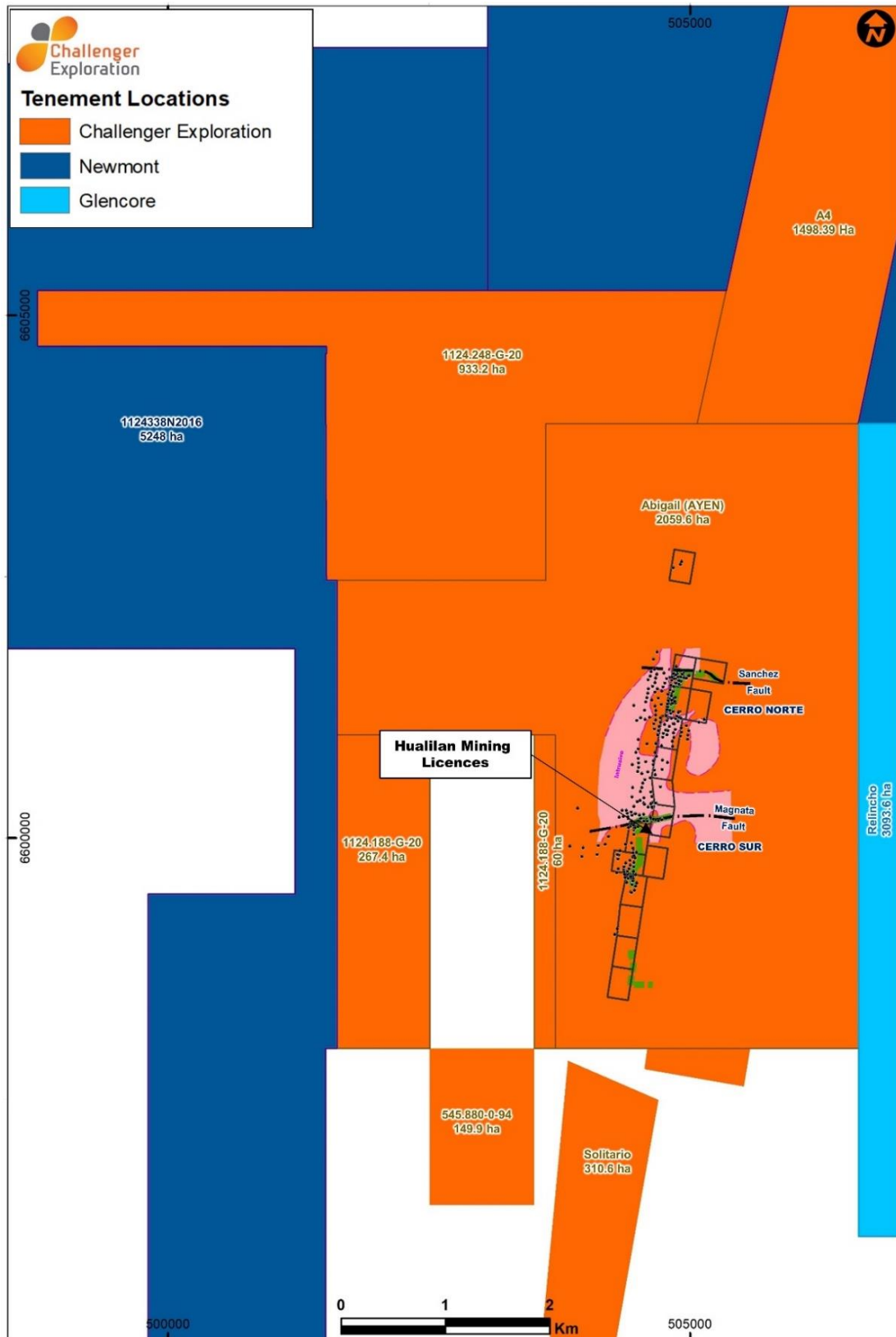


Figure 2 - Hualilan existing mineralisation and current concessions

About Challenger Exploration

Challenger Exploration Limited's (ASX: CEL) aspiration is to become a globally significant gold producer. The Company is developing two complementary gold/copper projects in South America. The strategy for the Hualilan Gold project is for it to provide a high-grade low capex operation in the near term. This underpins CEL with a low risk, high margin source of cashflow while it prepares for a much larger bulk gold operation in Ecuador.

- Hualilan Gold Project**, located in San Juan Province Argentina, is a near term development opportunity. It has extensive historical drilling with over 150 drill-holes and a non-JORC historical resource⁽¹⁾ of 627,000 Oz @ 13.7 g/t gold which remains open in most directions. The project was locked up in a dispute for the past 15 years and as a consequence had seen no modern exploration until CEL acquired the project in 2019. In the past 20 months CEL has completed 250 drill holes for more than 55,000 metres of drilling. Results have included 6.1m @ 34.6 g/t Au, 21.9 g/t Ag, 2.9% Zn, 6.7m @ 14.3 g/t Au, 140 g/t Ag, 7.3% Zn and 10.3m @ 10.4 g/t Au, 28 g/t Ag, 4.6% Zn. This drilling intersected high-grade gold over almost 2 kilometres of strike and extended the known mineralisation along strike and at depth in multiple locations. Recent drilling has demonstrated this high-grade skarn mineralisation is underlain by a significant intrusion-hosted gold system with intercepts including 116m at 1.0 g/t Au, 4.0 g/t Ag, 0.2% Zn and 39.0m at 5.5 g/t Au, 2.0 g/t Ag, 0.3% Zn in porphyry dacites. CEL's current program which is fully funded includes a 120,000 metres of drilling, metallurgical test work of key ore types, and an initial JORC Compliant Resource and PFS.
- El Guayabo Gold/Copper Project** covers 35 sq kms in southern Ecuador and 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 intersections including 156m @ 2.6 g/t Au, 9.7 g/t Ag, 0.2% Cu and 112m @ 0.6 % Cu, 0.7 g/t Au, 14.7 g/t which have never been followed up. The Project has multiple targets including breccia hosted mineralisation, an extensive flat lying late-stage vein system and an underlying porphyry system target neither of which has been drill tested. CEL's first results confirm the discovery of large-scale gold system with over 250 metres of bulk gold mineralisation encountered in drill hole ZK-02 which contains a significant high-grade core of 134m at 1.0 g/t gold and 4.1 g/t silver including 63m at 1.6 g/t gold and 5.1 g/t silver. The Company is completing preparations for its maiden drill program which will; commence In July 2021.

See below for information regarding exploration results quoted in this release

¹ Results previously reported in ASX release of 1 July 2022

² Results previously reported in ASX release of 29 Jan 2022

³ Gold Equivalent (AuEq) values - Requirements under the JORC Code

- Assumed commodity prices for the calculation of AuEq is AuUS\$1780 Oz, Ag US\$24 Oz, Zn US\$2,800 /t
- Metallurgical recoveries for Au, Ag and Zn are estimated to be 89%, 84% and 79% respectively (see **JORC Table 1 Section 3 Metallurgical assumptions**) based on metallurgical test work.
- The formula used: $AuEq (g/t) = Au (g/t) + [Ag (g/t) \times (24/1780) \times (0.84/0.89)] + [Zn (\%) \times (28.00 \times 31.1/1780) \times (0.79/0.89)]$
- 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.

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 |
| 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

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

Competent Person Statement – Exploration results

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.

Competent Person Statement – Foreign Resource Estimate

The information in this release provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The information that relates to Mineral Resources has been compiled by 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 and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration to qualify as Competent Person as defined in the 2012 Edition of the JORC Code for Reporting of, Mineral Resources and Ore Reserves. 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.