

**Recommendation****BUY**Price Target Matrices for Maiden
Resource Release

If 2Moz reported: 0.37cps

If 2.5Moz reported: 0.46cps

If 3Moz reported: 0.55cps

Company Statistics

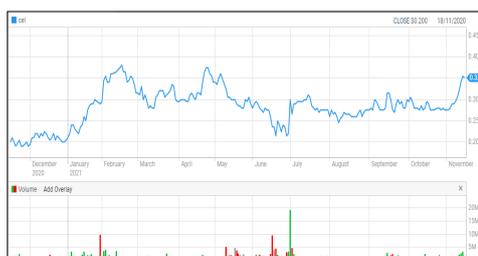
Share Price	\$0.34
12 Month Range	\$0.07 - \$0.40
Market Cap (undiluted)	\$331.3m
Enterprise Value	\$296.3m
Issued Shares	\$974.4m
Performance Rights	25.0m
Performance Shares	120.0m
Options (unlisted)	59.0m
Cash Balance (est)	\$35.0m
Debt	Nil

Major Shareholders (30/9/2021)

Sergio Rotondo	9.1%
BlackRock Inc.	7.4%
Kris Knauer	5.4%
Moneybung Pty Ltd	5.0%
Fletcher Quinn	3.8%

Directors & Management

Mr Fletcher Quinn	Non Exec Chairman
Mr Kris Knauer	Managing Director
Mr Scott Funston	Finance Director

***Share Price Performance**

*Source: ASX

HUALILAN: ARGENTINA'S HEMI IN THE MAKING?**Major Gold Intercepts Within a Now Recognised Large Intrusion Related Gold System Located Beneath a High Grade Historical Skarn Resource, Places the Company on the Watchlist of the Adjacent Majors as Maiden Resource Release Date Approaches****Investment Summary:**

Challenger Exploration Limited ("CEL") throughout 2021 has continued to release multiple impressively large (some +200m) gold and base metal intercepts from its Hualilan Gold Project in Argentina. A few selected results from many include: 209.0m grading 1.1 gpt AuEq from 59.0m, 130.0m grading 2.5 gpt AuEq from 237.2m, 69.2m grading 3.4 gpt AuEq from 9.0m, 155.5m grading 0.7gpt AuEq from 101.5m, 96m grading 2.0gpt AuEq from 13.0m 12.0m grading 20.9gpt AuEq from 289m, 110.3m grading 3.0gpt AuEq from 81.5m, and a very impressive 63.3m grading 9.8gpt AuEq from 108m released just 2 weeks ago. The results are significant to us, not simply because they are long intercepts, but importantly they have provided solid evidence backing CEL's belief that Hualilan is host to a large underlying intrusive related gold system which, in addition to the overlying and adjacent high grade skarn mineralisation, is highly prospective for the delineation of a multi million ounce resource base, upon which a major mining centre can be established.

Since 2019, CEL has embarked upon an aggressive 204,000m, 9 rig, drilling campaign at Hualilan initially targeting strike extensions to an historical non-JORC ~500koz (~10gpt) skarn hosted resource estimate, drill testing new target areas and targets within the underlying intrusives. The drilling has been successful with multiple high grade intercepts reported outside of the old resource boundary with the skarn deposit still open in most directions. This, CEL is confident, will equate to a substantial resource increase to the skarn component of the mineralisation expected late January / early February 2022.

However, more importantly, CEL has been extremely successful in discovering and delineating new mineralised zones along strike associated with major basement related mineralisation controlling faults and most importantly achieved major gold intersections in the underlying intrusive system. The discovery and delineation of extensive gold mineralisation within the intrusives is important in that it provides the project with substantial scale previously not envisaged with just the skarn mineralisation delineated.

Flanked by the majors Newmont & Glencore who now hold substantial tenement holdings either side of Hualilan, we have little doubt that CEL is now firmly on their, and others watchlist. We anticipate CEL will announce a maiden interim resource estimate in Q1 2022. The two key questions pressing are 1) How big will the maiden resource be? and 2) What price target could we place on CEL post Maiden Resource release, but pre any resource increase and feasibility study results?

Key Investment Highlights:

- > Hualilan Gold Project: High grade drilling results expected to substantially expand current high grade skarn resource estimate
- > Recent +100m drilling intercepts confirm a major large intrusion related gold system underlying and adjacent to the skarn mineralisation is present
- > Combination of increased skarn related resource, new delineated fault related mineralisation and major intercepts related to the underlying intrusive gold system mineralisation is now strongly indicating the projects potential for a multi million ounce resource base and a future large mining operation
- > Experienced management team with substantial exploration and mining experience: Key board members have strong experience in recognising and developing major international resource project's. Major exploration success targeting in some cases blind targets at Hualilan is testament of the quality of the team
- > Recommendation: Accumulate on any share price weakness over the coming weeks prior to maiden resource release which is expected late Jan / early Feb 2022

Sector: Gold

Investment in shares of CEL should be considered speculative. Investors should seek appropriate advice before making a decision to invest in CEL (see Disclaimer page 6)

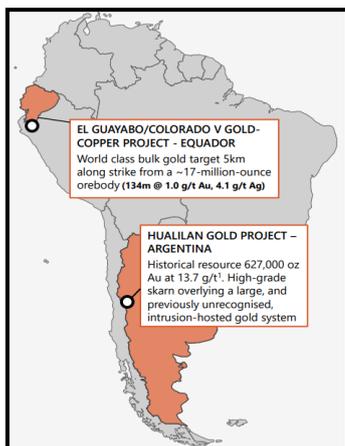


Company Overview

Peloton in 2019 recognised the quality of the projects and management of CEL and acted as Lead Manager to the RTO

Challenger Exploration Limited (“CEL” or “the Company”) is an exciting explorer which, since the projects acquisition in mid 2019, with **Peloton as Lead Manager** to the RTO, has continued to be focussed on aggressive gold and base metal exploration on two large gold and copper projects located in South America. The prime focus for the Company remains the Hualilan Gold Project in Argentina.

Hualilan Gold Project (CEL 100%)



Hualilan located in the north-western province of San Juan is an advanced gold project with substantial historical drilling and underground mine development. The project currently has a historical shallow (non JORC) skarn hosted high grade (~10gpt) resource of circa 500koz which has demonstrated openness in nearly all directions. We expect the *resource* to be significantly revised upward shortly by the release of a new JORC estimate.

We anticipate CEL will report on a ~+2Moz Maiden Resource for Hualilan in Q1 2022. However, it is important to understand that this will simply be an interim estimate as CEL continues with the second half of its drilling campaign in 2022 which then, only upon its completion, will mining scoping and feasibility studies be undertaken. The logical reasoning being CEL has a strong expectation that the 2022 drilling will deliver additional substantial ounces building on the Maiden Resource estimate.

Subject of a commercial dispute for 15 years prior to CEL’s acquisition in 2019, Hualilan had not seen any material modern exploration prior to CEL’s arrival. CEL is now 110,000m into a 9 rig 204,000m drill out plan for Hualilan over the coming 12 months. Drilling initially tested areas believed to host extensions to the high grade skarn mineralisation. For the first time large cross cutting faults believed to be controlling mineralisation were also tested with a high degree of success with extensive high grade mineralisation confirmed to extend over a 2.2km strike length within a now recognised 20km prospective mineralised trend.

However, the story certainly doesn’t end there. 2021 drilling beneath the skarn mineralisation has confirmed the presence of a large intrusion related gold system within the underlying porphyry dacites with multiple stand out >200m intercepts reported including 227.0m grading 1.0gpt AuEq from 139m, 209.0m grading 1.1gpt AuEq from 59.0m and 207.5m grading 0.8gpt AuEq from 80m. We note the deepest intercept to date at circa 550m from surface certainly hasn’t closed off the mineralisation at depth at this stage.

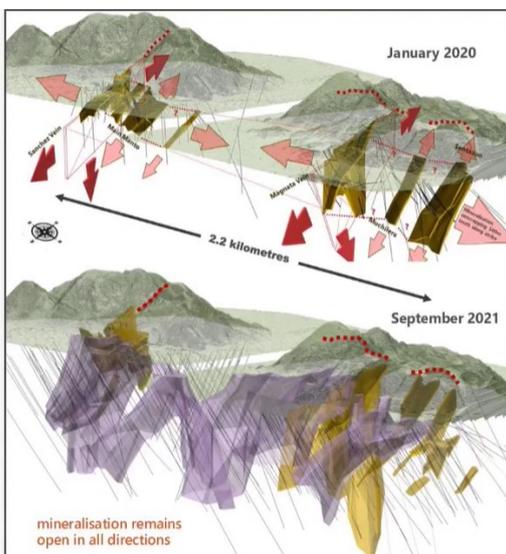
The discovery and confirmation of a large intrusion hosted gold system underlying the high grade skarn resource is nothing short of a *game changer* for the project. This potentially adds many years of future mine life and scale to what undoubtedly now looks like the makings of a multi million ounce project.



Hualilan’s standout prospectivity has been recognised for some time, but prior to CEL acquiring the project in 2019 the project was locked up in a commercial dispute for 15 years

The delineation of a large shallow high grade skarn resource provides potential for early payback on any future operation

The discovery and delineation of a major intrusion related gold system underlying the high grade skarn is truly a “Game Changer” providing potential for a multi million ounce resource base upon which a future large scale operation can be envisaged even at this early stage



As the release date of a maiden JORC resource approaches, we can envisage CEL looking at the concept of the high grade skarn resource providing an excellent “starter pit” for early project payback, prior to large scale open cut, mining the lower grade intrusion related mineralisation. This concept could, in our view, be attractive to a major mining house as a prospective M&A target.

Left: Two Schematic Long Sections through Hualilan in January 2020 and September 2021. The sections with drill traces and geology show how far the project has come in less than 2 years.

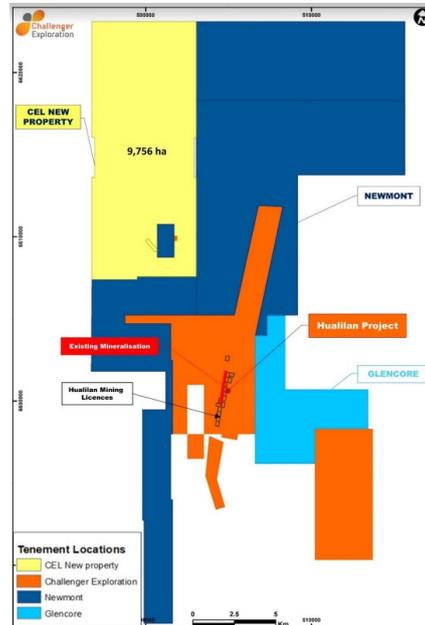
Importantly, the sections highlight in purple the open extent of the major underlying intrusion hosted gold system and the now recognised importance of east-west faults carrying substantial mineralisation (in yellow).

It is this combination of both scale and grade that makes Hualilan highly prospective for the delineation of a major resource base upon which a large mining operation could be established.



Flanked Now by the Majors & Increased Exploration Interest in the District, Hualilan is Undoubtedly Centrally Located in Country Prospective for *Elephants*

CEL now flanked on both sides by Newmont and Glencore highlights the district's potential for development of one or more major multi-million ounce projects...and CEL is in the "Box Seat"



On 25th October 2021 CEL announced that it had significantly expanded its tenement position within the Hualilan district by the securing of a new concession strengthening the Company's landholding to 177.5km². The announcement highlighted two key points to us, firstly accompanying the announcement CEL released a map of the current Hualilan district concession holders which visually highlights Newmont and Glencore's substantial concessions straddling CEL's holdings. Secondly the acquisition of an additional 97.5km² of ground which has historically returned early prospecting results elevated in gold (up to 2gpt) in stream sediment samples, but never followed up, highlights the district's huge potential for further large discoveries.

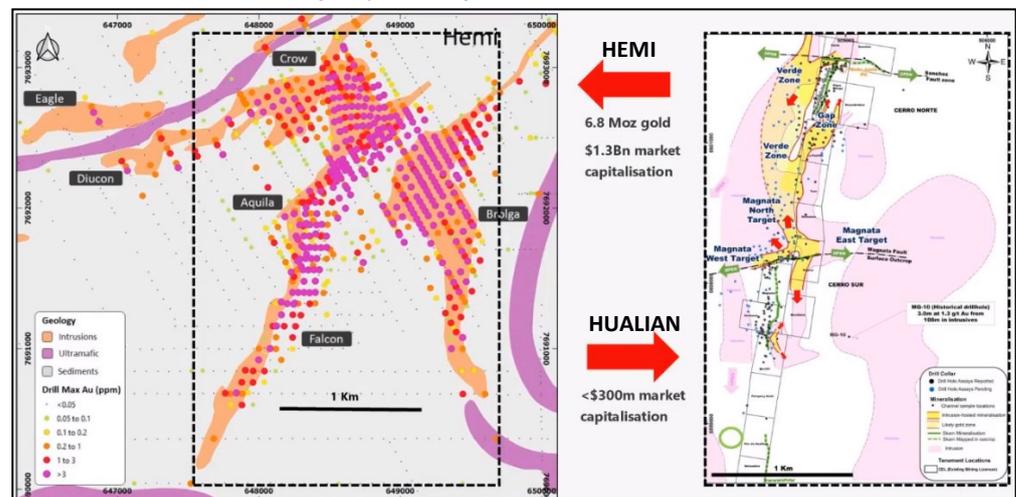
Is Hualilan Argentina's Version of Australia's Hemi?

Hualilan demonstrates similar geological traits to De Grey Mining's 6.8Moz Hemi discovery in WA with both projects' gold being dominantly hosted in intrusion related gold systems of scale

In this paper's title we make reference to questioning if Hualilan can be considered as Argentina's analogy of De Grey Mining Limited's (ASX:DEG, Mkt Cap \$1.75B) Hemi Project. Hemi (currently 6.8Moz and still growing), has justifiably received a significant amount of publicity and investor interest. Located in the Pilbara region of Western Australia, Hemi is without doubt an impressive discovery and certainly a very good example of a project with similar geological traits to Hualilan, demonstrating the standout prospectivity of these large intrusion related gold systems.

Certainly, we acknowledge CEL's swiftness to point out that Hualilan appears to have a very similar mineralised footprint to Hemi, noting that both projects have multi-kilometre long prospectivities and really should be considered not as discrete deposits but mineralised districts capable of supporting major mining centres.

Hualilan's current mineralisation footprint is very similar in aerial extent to Hemi highlighting the strong potential of Hualilan to host similar endowment



Above: Taken and modified from CEL's most recent presentation the above diagram attempts to highlight a same scaled comparison between the current Hualilan and Hemi in terms of mineralisation extent.



El Guayabo Copper-Gold Project, Ecuador (CEL 100%)

An Enormous Porphyry System Featuring Multiple Mineralisation Types Located at the Southern End of the Ecaudorian Porphyry Deposit Corridor

20,000m drilling program underway following up for the first time on significant intercepts made by Newmont in 1997 and testing new targets in differing parts of the gold copper system

We note the sheer size of the El Guayabo Gold Copper system which we view as having significant potential to host one or more multi-million ounce gold-copper deposits

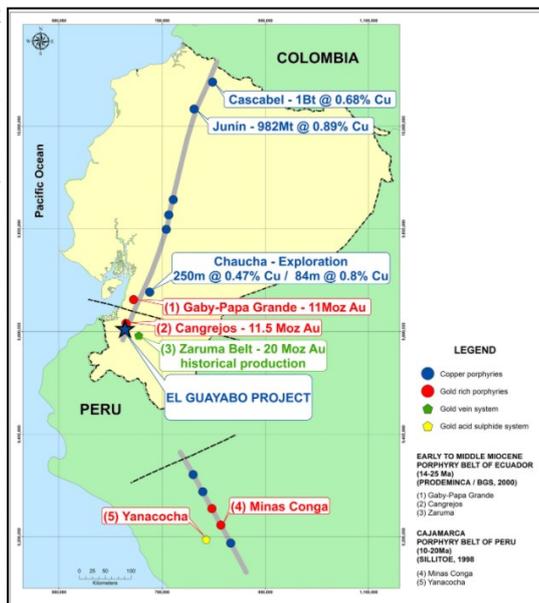
Despite the enormity of the project and its very strong prospectivity the market currently assigns a zero value to the project with nil pricing built into the current share price

We take the view that should any exploration success be forthcoming in the current 20,000m drilling campaign, this success would surprise the market on the upside

A two rig 20,000m drilling program is also underway at CEL's second project El Guayabo Gold -Copper Project located in southwest Ecuador.

El Guayabo is big. Last drilled by Newmont in 1997 targeting only one part (the breccia zone) of the major gold copper system, the project has demonstrated strong early prospectivity including intercepts of 156m grading 2.6gpt Au, 9.7gpt Ag & 0.2% Cu and 112m grading 0.6% Cu, 0.7gpt Au & 14.7gpt Ag. Both intercepts the Company is keen to point out have never been followed up historically until now.

We believe the market is currently placing a net zero value for the project, despite the projects high prospectivity to surprise on the upside. We note the sheer size of the mineralising system which has multiple targets defined within the breccia zone, a flat lying late stage vein system as well as the underlying porphyry system. El Guyabo's location situated at the southern end of Ecuador's prospective *porphyry corridor*, indicates the project's prospectivity for one or more major discoveries.



So What Valuation Matrices Can We Place on the Company in a “What If” Resource Delivery Scenario?

We have stepped back and taken time to read and review the current research papers released on CEL by various reputable brokers. We note some brokers have released +20 page research reports on the Company delivering various production scenarios for the project and numerous in-depth valuations. Whilst this work is commendable, the current reality though is that CEL is still at a pre maiden resource estimate release stage and therefore we take the view that it is simply too early to be valuing CEL on simulated cashflow and production scenarios as the market currently does not even have an indication of how large the first resource estimate is, let alone whether it is a resource amenable to an open cut or underground operation or a combination of both.

We have therefore taken a stance that if we are to provide a *Share Price Target Valuation* of CEL it needs to be a simple and conservative valuation based on a “what if” size scenario using a nominal in-ground dollar per resource ounce figure. This figure also needs to attribute a sovereign risk factor for Argentina as a country in which to conduct business and take into consideration a *compare & contrast* to other ASX listed gold explorers with international projects.

Based on our recent work looking into valuing early stage gold assets for other ASX listed entities with international projects, we have arrived at a decision to apply a figure of AUD200 per ounce in the ground (equating to ~USD150 per resource ounce). This, whilst we acknowledge is arguably an overly simplistic conservative approach, we believe provides us with an achievable range of price targets ready for when the maiden resource is released.

Also, we consider the chosen dollar figure per resource ounce to be sufficiently conservative in that we do not see the need to apply any additional sovereign risk discount to the valuation. The fact that the majors and numerous international mining companies successfully operate in country provides us with a level of confidence that Argentina is a place where miners and explorers can undertake commercial business successfully.



Our Hualilan Maiden Resource Release Expectation:

Anything north of 2Moz would be considered a great result and an excellent starting base for an expected substantial additional increase resulting from the planned remaining 90km of fully funded drilling in 2022

We believe our current figure of AUD200 per ounce in ground assumption for our valuation estimates for CEL to be fair and reasonable with a level of conservativeness. With this figure in mind we believe it is not unreasonable to assume that any takeover offer from a mid tier or major mining house could potentially see a 50% premium on our assumed figure

We maintain our view Hualilan has potential to support a large mining centre based on a multi million ounce resource base

No valuation assigned to Ecuador at this stage, but this could change quickly with drilling underway

MAIDEN RE-SOURCE	NAV @ \$200 PER OZ (\$M)	CASH (\$M)	SHARES ON ISSUE (M)	MKT CAP (\$M)	EV (\$M)	VAL PER SHARE (\$)
2 Moz	400	35	1094.4	328.3	293.3	0.37
2.5 Moz	500	35	1094.4	328.3	293.3	0.46
3 Moz	600	35	1094.4	328.3	293.3	0.55

The table above summarises our current *Price Target* valuation expectations of CEL based on a simple AUD200 per resource ounce in the ground (~USD 150 per resource ounce) methodology for solely the Hualilan project which is appropriate at this pre Maiden Resource release stage. Our valuation includes 120m performance shares, the issue of which we expect will be triggered upon delivery of the resource estimate.

We stress that this upcoming Maiden Resource is only an interim resource estimate with the second half of the planned and fully funded drilling campaign (90,000m) being completed in the second half of 2022 where upon a new resource will be estimated prior to CEL officially embarking on mining scoping and feasibility studies. With this in mind we have in addition provided a preliminary Price Target for CEL for the end of 2022 based on our assumption that the Company will deliver a resource estimate of between 3.5 and 5Moz. This additional exercise simply highlights with conservatism our strong view that Hualilan will continue to provide significant upside potential in 2022 beyond the Maiden Resource release.

MAIDEN RESOURCE	NAV @ \$200 PER OZ (\$M)	CASH (\$M)	SHARES ON ISSUE (M)	MKT CAP (\$M)	EV (\$M)	VAL PER SHARE (\$)
3.5 Moz	700	7	1168.4	432.3	425.3	0.60
4.0Moz	800	7	1168.4	432.3	425.3	0.68
4.5Moz	900	7	1168.4	432.3	425.3	0.77
5Moz	1,000	7	1168.4	432.3	425.3	0.86

We have not assigned any value at this point for CEL's El Guayabo project in Ecuador as the Company is still undertaking its maiden drilling campaign. Should positive results from that initial drilling program be announced, then a review and assignment of value would be justified.

Based on our observations and interpretations, our conservative expectations are for CEL to deliver a maiden resource estimate of circa +2Moz and therefore we assign a current **Price Target range of between 37cps and 46cps.**

Board & Management

Fletcher Quinn – Non Executive Chairman

Mr Quinn has over 35 years' experience in venture capital, corporate finance and investment banking including extensive experience with both listed and unlisted companies, including public company development, management and governance. Fletcher was the foundation chairman for ASX entities Citadel Resources and Sirocco Resources.

Kris Knauer– Managing Director & CEO

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

Scott Funston – Finance Director & CFO

Mr Funston is a qualified Chartered Accountant and Company Secretary with nearly twenty years' experience in the mining industry and accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Scott possesses a strong knowledge of the Australian Securities Exchange requirements and has previously assisted a number of ASX listed resources companies as CFO and Company Secretary operating in Australia, South America, Asia, Africa and USA. Most recently he was CFO and Company Secretary of Avanco Resources, a Brazilian focussed copper and gold producer, that was acquired by Oz Minerals Limited.



Corporate & Finance

As at the release date of this paper, CEL had no debt and estimated cash reserves of circa \$35.0 million. This will allow the Company to complete and release its maiden resource, funding its remaining 90,000 metres of drilling planned for the coming 12 months and undertake and complete preliminary mining scoping studies.

Whilst CEL remains well funded for the next 12 months we see the potential for a capital raising towards the end 2022 to fund mining feasibility studies.

Risks Associated with Investing in Challenger Exploration Limited

Potential investors need to be aware that investment in Challenger Exploration Limited, like all investments in junior resource companies, is of a highly speculative nature. Normal share market risk conditions apply including commodity prices, currency fluctuations, sentiment, supply and demand and general economic outlook. Normal exploration, development and production risks also apply as well as operating, environmental, native title risks.

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Specific Disclosure: The report has been reviewed by CEL for factual accuracy.

Specific Disclosure: As of 16th November 2021, Peloton Capital or its employees held 12,920,526 shares in CEL. This position may change at any time and without notice, including on the day that this report has been released. Peloton and its employees may from time to time own shares in CEL, and trade them in ways different from those discussed in research. Peloton Capital may arrange the buying and selling of securities on behalf of clients.

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