

CEL signs MOU for Low-Cost Renewable Energy to Power Hualilan Gold Mine

Highlights

- **MOU signed with YPF Luz for the supply of electricity from renewable generation to power Hualilan Gold Mine (Mine).**
- **CEL should execute power purchase agreement (PPA) if price per kwh is under US 7 cents.**
- **The advanced Scoping Study for the Mine expected to benefit from reduction in electricity connection capex with costs to also be covered by PPA pricing.**
- **YPF Luz, a subsidiary of Argentina's largest integrated energy company YPF S.A., is an Argentinian-headquartered independent power producer with existing installed capacity of over 3.2GWs including 468MW of renewable generation.**
- **MOU reinforces CEL's commitment to a low environmental footprint mine likely to be one of the lowest carbon intensity gold mines globally.**

Challenger Exploration (ASX: CEL) ("CEL" the "Company") is pleased to announce that it has signed a non-binding Memorandum of Understanding (**MOU**) with YPF Luz for the supply of renewable power to the Hualilan Gold Project.

The access to low-cost renewable power for the Hualilan Gold Project offers the potential for the Hualilan Gold Project to have a low carbon intensity compared to its peers. Additionally, access to a sustainable and low-cost power source will support Hualilan Gold Project economics while the access to this power source via a reliable grid connection significantly de-risks the project and removes the need for expensive on-site power storage often a consequence of 100% renewable power.

YPF Luz

YPF Luz is one of Argentina's largest energy companies, with installed generative capacity of 3.2 GMW including 468 MW of renewable energy capacity. YPF Luz is a subsidiary of YPF S.A., Argentina's largest integrated energy company partially owned by the Argentinian Government and reported EBITDA of US\$398 million for the 2022 financial year.

YPF Luz has a focus in the renewable energy business and provides its customers with efficient and affordable electric energy, as well as tailor-made engineering solutions to transportation and distribution challenges. Additionally, YPF S.A., the main shareholder of YPF Luz, is the largest distributor of Biodiesel to the Mining industry in Argentina.

Commenting on the MOU, CEL Managing Director, Mr Kris Knauer, said

"This MOU is a key milestone in the development of our Hualilan Gold Project. It provides the project with much more than just a low cost and secure source of renewable source of power that will underpin project economics.

With other measures already in train, it has the potential to see Hualilan emerge as one of the lowest carbon intensity gold mines in the world. Additionally, it allows Challenger the flexibility to move any capital costs associated with the provision of power to the Project off-balance sheet."

Key terms of the non-binding MOU

- YPF Luz will present CEL, a high-level technical alternative for the supply of renewable electric energy to the Hualilan Gold Project, from which CEL shall decide if it wants YPF LUZ to develop any of the alternatives presented.
- In order to develop the chosen alternative, the Parties will negotiate a binding agreement that will include YPF LUZ's obligation to develop the alternative, and the agreements that the Parties may enter into (such as a PPA) if the development is satisfactory.
- If the project reaches an Energy Supply price below 7 US cents kWh CEL shall award YPF LUZ with a PPA for the Energy Supply to the Hualilan Project
- YPF shall have a right of first refusal for the energy supply to the Hualilan Project in any future tenders for a term of five (5) years providing it matches the best price. This right of first refusal is binding.

Ends

This ASX announcement was approved and authorised by the Board.

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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 with a **2.8-million-ounce gold Resource Estimate** recently announced for the Hualilan Gold Project in San Juan, Argentina.

The Company strategy is for the 100% owned Hualilan Gold Project to provide a high-grade low capex operation in the near term while it prepares for a much larger bulk gold operation at El Guaybo in Ecuador.

- Hualilan Gold Project**, located in San Juan Province Argentina, is a near term development opportunity. It has extensive drilling with over 150 historical and almost 900 CEL drill-holes. The Company has released an Interim JORC 2012 Compliant resource of **2.8 Moz AuEq** which remains open in most directions. This resource contains a high-grade core **9.9 Mt at 5.0 g/t AuEq for 1.6 Moz AuEq** and **29.1Mt at 2.2 g/t AuEq for 2.4MOz AuEq** within the larger MRE of **60.6 Mt at 1.4 g/t AuEq for 2.8 Moz AuEq**. The resource was based on 216,000 metres of CEL's 264,000 metre drill program. In the past 3 years CEL has completed more than 220,000 metres of drilling. Results have included **6.1m @ 34.6 g/t Au, 21.9 g/t Ag, 2.9% Zn, 67.7m @ 7.3 g/t Au, 5.7 g/t Ag, 0.6% Zn, and 63.3m @ 8.5 g/t Au, 7.6 g/t Ag, 2.8% Zn**. This drilling intersected high-grade gold over 3.5 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 **209.0m at 1.0 g/t Au, 1.4 g/t Ag, 0.1% Zn** and **110.5m at 2.5 g/t Au, 7.4 g/t Au, 0.90% Zn** in intrusives. CEL's current program which is fully funded will include Scoping Study followed by a PFS.
- El Guayabo Gold/Copper Project** covers 35 sq kms in southern Ecuador and is located 5 kilometres along strike from the 17-million-ounce Cangrejos Gold Project¹. Prior to CEL the project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling 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 Ag which have never been followed up. CEL's maiden drilling program confirmed the discovery of a major Au-Cu-Ag-Mo gold system spanning several zones of significant scale. Results from CEL's maiden drill program included **257.8m at 1.4 g/t AuEq** including **53.7m at 5.3 g/t AuEq** and **309.8m at 0.7 g/t AuEq** including **202.1m at 0.8 g/t AuEq**, and **528.7m at 0.5 g/t AuEq** from surface to the end of the hole including **397.1m at 0.6 g/t AuEq** from surface. The Company has drilled fourteen regionally significant Au-soil anomalies with over 500 metres of mineralisation intersected at seven of these fourteen anomalies, confirming the potential for a major bulk gold system at El Guayabo. The Company has recently completed a two-rig additional 25,000 metres of diamond core drilling designed to allow the reporting of a maiden JORC 2012 Compliant resource for the main GY-A discovery zone.

¹ Source : Lumina Gold (TSX : LUM) July 2020 43-101 Technical Report

Domain	Category	Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	AuEq (Mozs)
US\$1800 optimised shell > 0.30 ppm AuEq	Indicated	45.5	1.0	5.1	0.4	0.06	1.3	1.9
	Inferred	9.6	1.1	7.3	0.4	0.06	1.2	0.4
Below US\$1800 shell >1.0ppm AuEq	Inferred	5.5	2.1	10.7	1.0	0.06	2.6	0.5
	Total	60.6	1.1	6.0	0.4	0.06	1.4	2.8

Note: Some rounding errors may be present

Table 1 Upgraded Hualilan MRE, March 2023

Total MRE	Category	Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	AuEq (Mozs)
2022 MRE (0.25 g/t cut-off)	Total	47.7	1.1	6.0	0.45	0.06	1.4	2.1
2023 MRE (1.0 g/t cut-off)	Total	21.1	2.5	10.9	1.0	0.10	3.1	2.1

Note: Some rounding errors may be present

Table 2 Comparison 2022 MRE with Upgraded MRE (reported at a 1.0 g/t Cut-off)

¹ Gold Equivalent (AuEq) values - Requirements under the JORC Code

- Assumed commodity prices for the calculation of AuEq is Au US\$1900 Oz, Ag US\$24 Oz, Zn US\$4,000/t, Pb US\$2000/t.
- Metallurgical recoveries are estimated to be Au (95%), Ag (91%), Zn (67%) Pb (58%) across all ore types
- The formula used: $AuEq (g/t) = Au (g/t) + [Ag (g/t) \times 0.012106] + [Zn (\%) \times 0.46204] + [Pb (\%) \times 0.19961]$
- *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.*

COMPETENT PERSON STATEMENT – EXPLORATION RESULTS AND MINERAL RESOURCES

The information that relates to sampling techniques and data, exploration results, geological interpretation and Mineral Resource Estimate 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 and Mineral Resources. 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.

The Mineral Resource Estimate for the Hualilan Gold Project was first announced to the ASX on 1 June 2022. The Company confirms it is not aware of any information or assumptions that materially impacts the information included in that announcement and that the material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed.