

(ASX:CEL)

29 Jan 2021

Drill Results

Gold exploration company with two key assets; a 75% earn-in interest at the Hualilan Gold Project in Argentina, and up to a 100% interest at the three-concession El Guayabo Gold-Copper Project in Ecuador.

Impressive initial findings at Hualilan

Challenger Exploration (CEL) is now 27,000m through its 45,000m, five rig drill program at the Hualilan Gold Project in Argentina. The drill program has been very encouraging to date, with highlights including:

- A new high-grade discovery 50m below the Sentazon Manto (previous drilling was not deep enough to intersect this new zone) where GNDD-142 returned 40.5m at 6.2 g/t AuEq.
- The Magnata Fault zone has been extended 80m deeper. GNDD-134 (4.0m at 11.3 g/t AuEq) is the westerly most test of the Magnata Fault to date and confirms good mineralisation in this area at depth.
- A new zone of mineralisation has been encountered south of the Magnata Fault where GNDD-157 returned 12.0m at 20.9 g/t AuEq from 289m, including an impressive 4.1m at 56.8 g/t AuEq. This zone could represent a possible east-west Magnata fault repeat, or a new zone of high-grade intrusive hosted mineralisation.
- High grade mineralisation down to 500m below surface that has essentially doubled the next deepest discovery which was at GNDD-088 which had a high grade zone in the intrusive (7.4m at 24.1 g/t AuEq).

Significant Resource increase coming?

- CEL is only 60% of the way through its current drill program, however based on the results to date, we see potential for a material Mineral Resource upgrade to be announced in the coming months, depending on timing of assay results and drilling progress.

Share Price	\$0.30
Market Cap	\$195.9m
Net Cash	\$19.7m
Enterprise Value	\$176.2m
Key Stats	
Total Resource	627 koz AuEq
EV/Resource	A\$281/oz
Discount to Peer	13%



Valuation & Sensitivity

CEL has an enterprise value (EV) of \$176m and is trading at an EV/Resource of A\$281/oz AuEq. Company valuation sensitivity to various \$/oz and Resource scenarios is shown in Figure 1.

Figure 1. Potential Valuation (A\$m) at Different EV/oz & Potential Resource Size

	Resource Size (koz AuEq)	EV/Resource (A\$/oz AuEq)						
		250	225	200	175	150	125	100
	400	100	90	80	70	60	50	40
	600	150	135	120	105	90	75	60
	800	200	180	160	140	120	100	80
	1,000	250	225	200	175	150	125	100
	1,500	375	338	300	263	225	188	150
	2,000	500	450	400	350	300	250	200

Source: Henslow estimates

Additional Information

Potential for significant increase in Resource

Results to date suggest Hualilan is larger than thought...

- The drill results received to date have continued to extend the near surface high-grade mineralisation along strike and down dip in multiple locations, with mineralisation remaining open in all directions.
- This bodes well with the notion that the mineralisation at Hualilan is part of a larger gold bearing system than was originally anticipated.
- We would anticipate the backlog of assay results expected by the end of February will confirm this theory.

...which could translate to a significant Resource increase

- Using the drill results to date and the site plan we can infer that the area around hole GNDD-134 and GNDD-157 equates to a block of mineralisation around 70m to 90m wide covering 400m strike which could ultimately contain 1 g/t AuEq.
- Using these assumptions, we conservatively estimate this area alone could contain over 600 koz AuEq based on the current results. See Figure 1 for the areas of mineralisation in this area.
- Underground channel sampling results are still to be received, and we see potential for these to add a further 200 to 300 koz AuEq of higher grade Mineral Resource
- Based on the drill results to date, we see potential for a material Mineral Resource upgrade to be announced in the coming six months, depending on timing of assay results and drilling progress.

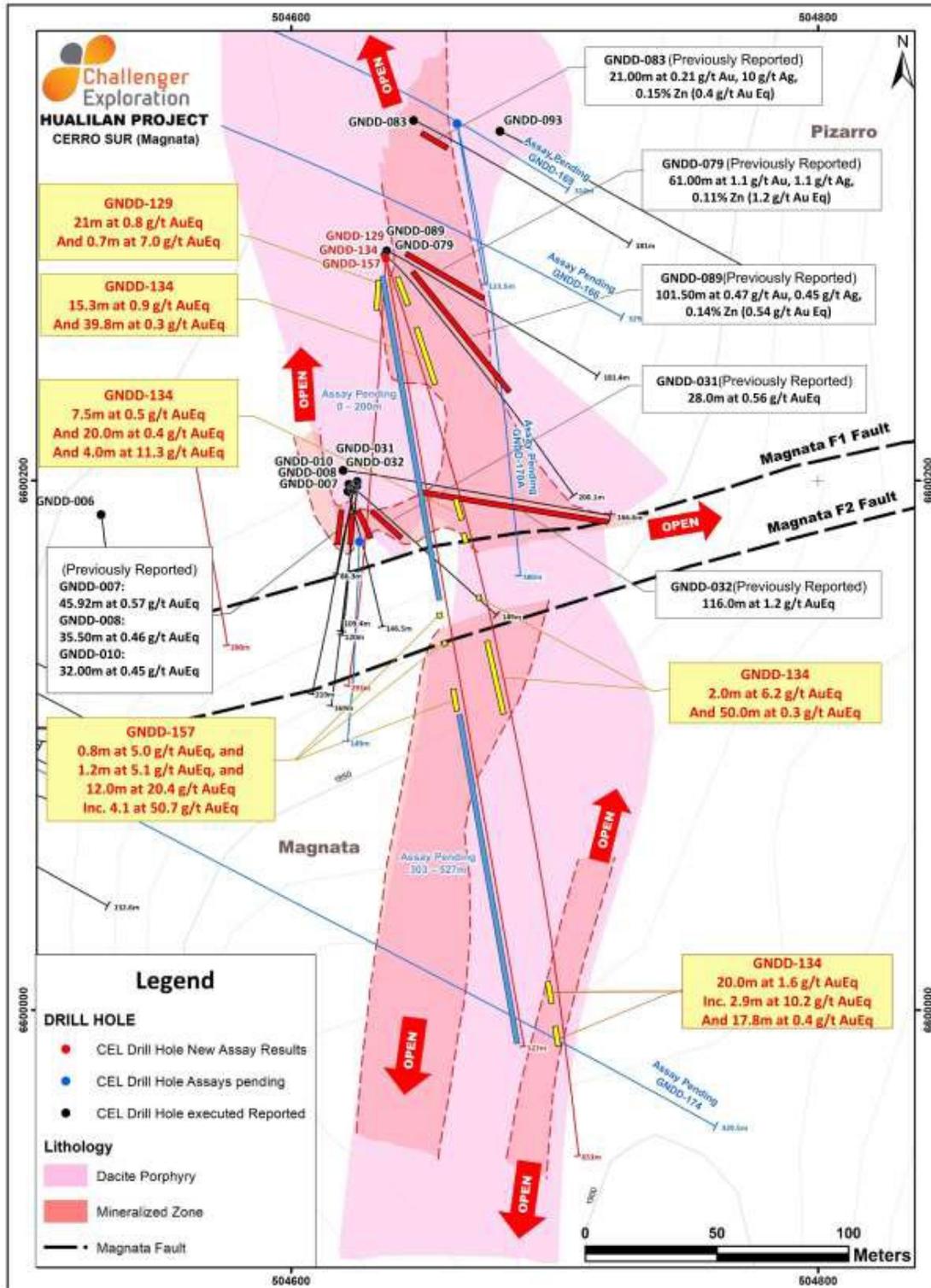
More drilling and results still to be done

- CEL is only 60% of the way through its current drill program and the results have been impressive to date.
- The program will likely be modified to follow up on some of these recent findings in our view.
- Furthermore, given the mineralisation remains open in all directions, we believe CEL will seek to continue the drilling program beyond the proposed 45,000m to further delineate the Mineral Resource.

Additional Information

Mineralisation system is extensive and open in all directions

Figure 1. Magnata Fault and New Zones of Mineralisation



Source: Company reports.

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