

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.

Investment Thesis

- Fully funded for high impact exploration program underway at Hualilan in Argentina.
- Early drill results suggest potential for a significant increase to Mineral Resource.
- El Guayabo in Ecuador has substantial historical drilling results not followed up in over 25 years. Drilling is expected to commence in 2021.
- CEL is trading well below its high-grade peers, with this gap expected to narrow following a JORC compliant Mineral Resource upgrade.

Investment Drivers

Hualilan already has a significant Mineral Resource.... despite being under-explored to date, Hualilan Mineral Resource currently stands at 627,000 oz Au at 13.7 g/t AuEq (NI 43-101 compliant).

...but is expected to significantly increase. A five rig, high impact 45,000m drill program is currently underway at Hualilan. Encouraging results have been reported to date, with the mineralisation remaining open in all directions. A stream of drilling results expected over the next several months.

El Guayabo adjacent to 16 Moz Cangrejos Project. El Guayabo has already had a number of good intercepts greater than 100m with grades of 0.5 g/t+ AuEq. A more extensive modern exploration program is planned for 2021.

Highly experienced Board with a proven track record in successfully developing junior resources companies.

Share Price \$0.21

Market Cap \$137.0m

Net Cash \$19.7m

Enterprise Value \$117.3m

Key Stats

Total Resource 627 koz AuEq

EV/Resource A\$187/oz

Discount to Peer 35%



Source: Cap IQ

Valuation & Sensitivity

CEL has an enterprise value (EV) of \$117m and is trading at an EV/Resource of A\$187/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

		EV/Resource (A\$/oz AuEq)						
		250	225	200	175	150	125	100
Resource Size (koz AuEq)	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

Investment View

Fully funded for high impact gold-copper exploration programs in Argentina & Ecuador

Scenario Analysis & Peer Comparison

- [1.1](#) Trades at 35% discount to listed peers and material discount on comparable takeover multiples
- [1.2](#) Valuation discount reflects non-JORC status despite large Mineral Resource
- [1.3](#) Tier 1 high-grade gold projects are a rare breed

Company Overview

- [2.1](#) High-grade South American gold projects with material Resource potential
- [2.2](#) High-grade gold with material upside potential & significant drilling underway
- [2.3](#) Adjacent to the largest primary gold deposit in Ecuador
- [2.4](#) Karoo Shale Gas (a legacy asset): Challenger challenged by geology, geography and bureaucracy

Gold Market

- [3.1](#) The fundamental factors behind a robust gold price remain intact

Financials & Capital Structure

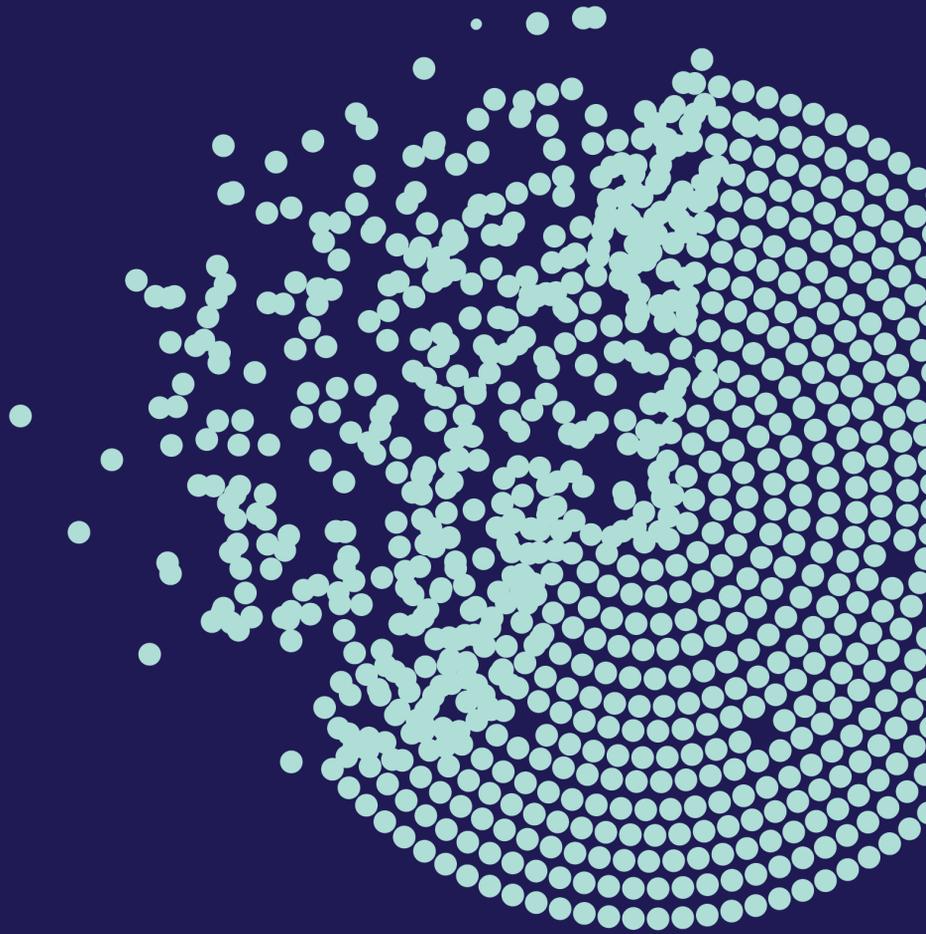
- [4.1](#) At 30 September 2020, CEL had A\$19.7m in cash, including US\$1.45m and no debt

Additional Information

- [5.1](#) Registry & Risks
- [5.2](#) Directors & Key Management

Appendix

- [6.1](#) Ecuador Details
- [6.2](#) Argentina Details
- [6.3](#) Disclaimer



Section 1: Scenario Analysis & Peer Comparison

Listed Peers & Relevant Transaction

Trades at 35% discount to listed peers and material discount on comparable takeover multiples

- CEL is currently trading at A\$187/oz AuEq, a 35% discount to the weighted average of the comparable companies shown in Figure 2.
- We do however acknowledge companies such as Bellevue are further advanced and have Mineral Resources reported in accordance with the JORC Code.
- Notwithstanding this, it gives a sense of the potential value the market could ascribe to CEL.
- The Hualilan Gold Project is one of only a handful of high-grade gold projects, and therefore it has few peers. However, Figure 2 highlights several companies that also have high grade Resources.

Figure 2. CEL & Comparable Companies

Company Name	Code	Project Country	EV	Resource	Grade	EV/oz
			A\$m	koz	g/t	A\$/oz
Challenger Exploration	CEL.AX	Argentina/Ecuador	117	627	13.7	185
Listed Comparables						
Bellevue Gold	BGL.AX	Australia	922	2,410	10.0	382
Lion One Metals	LLO.TSX	Fiji	213	768	9.2	277
Auteco Minerals	AUT.AX	Australia	120	1,000	11.3	120
Meteoric Resources	MEI.AX	Brazil	78	260.9	6.3	299
New Talisman Gold Mines	NTL.AX	New Zealand	11	380	15	29
Weighted Average						279

Source: Company reports, Factset, Henslow.

- Two recent high-grade transactions are also shown in Figure 3.
- The elevated EV/oz value for Ramelius Resources acquisition of Spectrum Metals reflects the potential for increased Resource through further exploration at its Penny West asset, but it also demonstrates that high-grade resource attracts a significant premium.

Figure 3. Recent Gold Transactions

Company Name	Code	Project Country	EV	Resource	Grade	EV/oz
			A\$m	koz	g/t	A\$/oz
Egan Street Resources	EGA.AX	Australia	70	454	9.2	154
Spectrum Metals	SPX.AX	Australia	208	356	13.8	584

Source: Company reports, Factset, Henslow.

Listed Peers & Relevant Transaction (cont.)

Valuation discount reflects non-JORC status despite large Mineral Resource

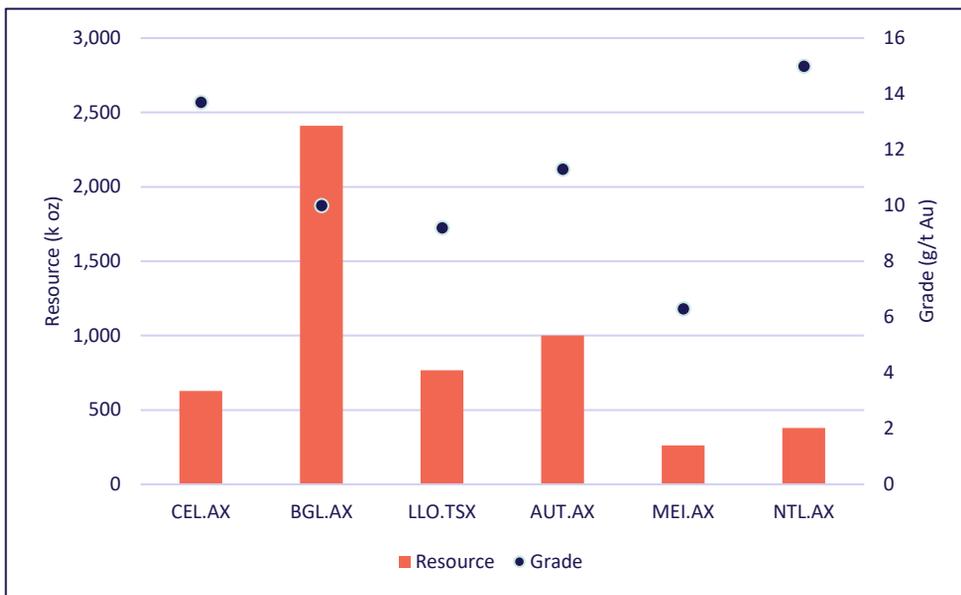
- Figure 4 shows that CEL’s EV (the size of the bubble) is relatively small when compared to the Spectrum Metals transaction which had a similar grade Resource to CEL, yet CEL has a larger (non-JORC compliant) Mineral Resource, with significant exploration upside potential.

Figure 4. Grade vs Resource Size and EV



Source: Company reports, Factset, Henslow.

Figure 5. Resources & Grades of Peers



Source: Company reports, Factset, Henslow.

Listed Peers & Relevant Transaction (cont.)

Tier 1 high-grade gold projects are a rare breed

- Recent drill results at Hualilan suggest that the mineralisation in the underlying intrusives “is both extensive and significant” and the Company is confident that the drilling program will “vastly change the scale of the project and the Project “now looks like it could be much larger than....anticipated”.
- Based on the drill results to date, we estimate the Hualilan Mineral Resource could conservatively increase by 1 Moz.
- CEL’s current Enterprise Value is \$111m, however the potential value of CEL under different A\$/oz and Resource size scenarios is shown in Figure 6.

Figure 6. Potential Valuation (A\$m) at Different EV/oz & Potential Resource Size

		EV/Resource (A\$/oz AuEq)						
		250	225	200	175	150	125	100
Resource Size (koz AuEq)	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.

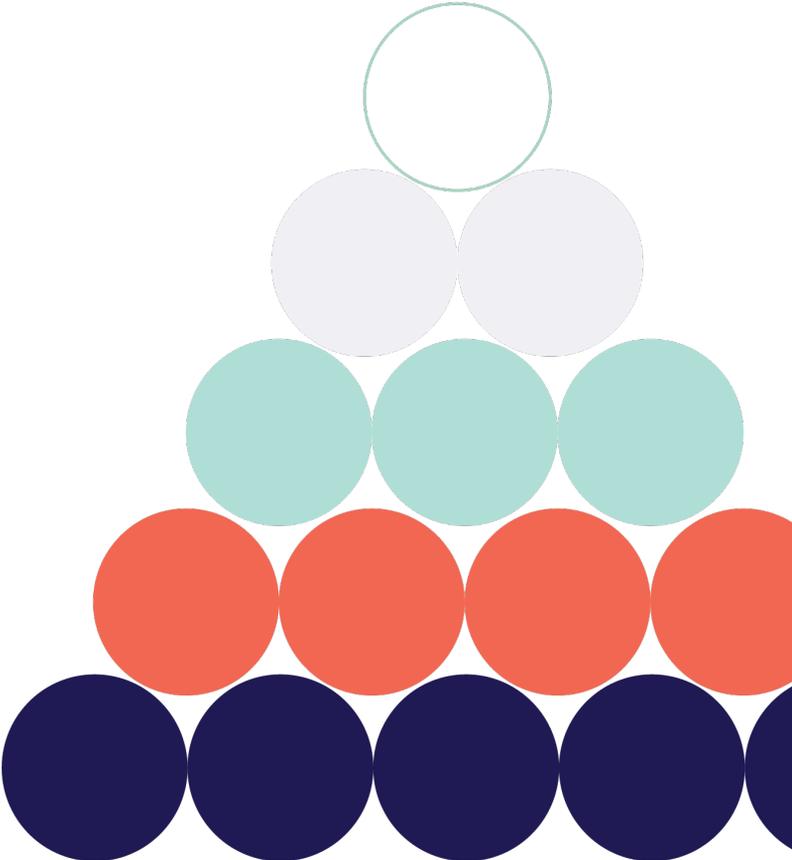
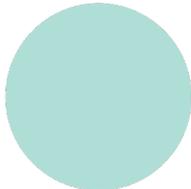
- CEL’s El Guayabo Project in Ecuador is relatively early stage exploration with significant potential upside, but no Mineral Resource estimate is currently in place.
- As a result of this - and CEL’s current main focus on Hualilan - we don’t believe the market is ascribing much, if any, value for El Guayabo.
- Figure 7 shows the Enterprise Value and associated EV/oz values for listed companies with an Ecuadorian focus that have identified Mineral Resources.

Figure 7. Companies with Ecuadoran Projects

Company Name	Code	Project Country	EV	Resource	Grade	EV/oz
			A\$m	koz	g/t	A\$/oz
Titan Minerals*	TTM.AX	Ecuador	124	2,100	4.5	59
Lumina Gold*	LUM.TSX	Ecuador	292	12,400	0.73	24

Source: Company reports, Factset, Henslow. * Resource is non-JORC compliant.

Section 2: Company Overview



Company Overview

High-grade South American gold projects with material Resource potential

Challenger Exploration (CEL) is exploring two gold/copper projects in South America:

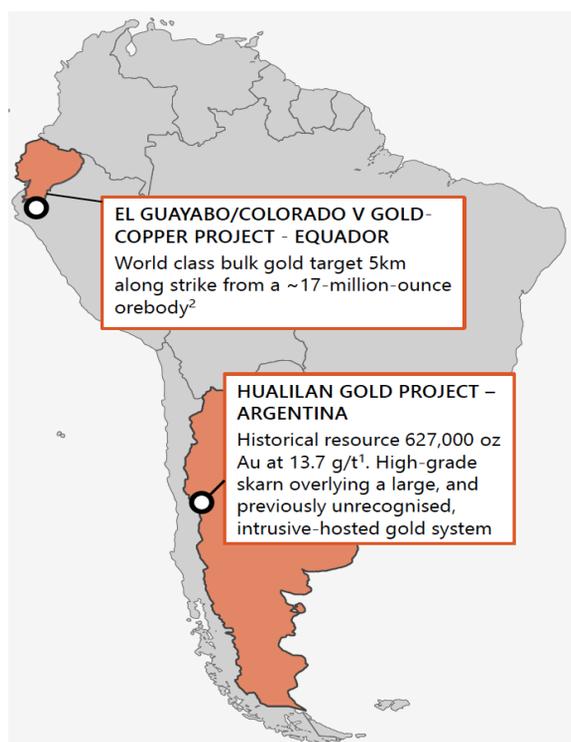
1. The Hualilan Project

- Located in San Juan Province Argentina is a near term development opportunity.
- It has extensive historical drilling with over 150 drill holes and non-JORC Mineral Resource of 627,000 oz at 13.7 g/t AuEq which remains open in multiple directions along strike and at depth.
- CEL's near term objective at Hualilan is to define and increase the historical Mineral Resource to a JORC 2012 reporting standard.

2. El Guayabo

- Located in southern Ecuador and was last drilled by Newmont Mining in 1997 targeting gold in hydrothermal breccias.
- The drilling undertaken by Newmont demonstrated the potential to host significant copper and associated gold and silver mineralisation.
- The drilling showed a number of intersections of 100m+ intrusion related breccia and vein hosted mineralisation.
- The Project has multiple targets including breccia hosted mineralisation, an extensive flat lying late stage vein system and an underlying porphyry system, neither of which have previously been drill tested.

Figure 8. Location of GBM Projects & Tenements



Source: Company reports

RESERVES & RESOURCES

- CEL has an estimated Mineral Resource of 627 koz at a grade of 13.7 g/t AuEq at its Hualilan Gold Project.
- This estimate is NI 43-101 compliant and is based on La Mancha Resources Toronto Stock Exchange release dated 14 May 2003.
- A Mineral Resource at Ecuador is yet to be determined.

Figure 9. CEL Mineral Resources (NI 43-101 compliant)

Category	000' t	Au g/t	Au koz
Measured	218	14.2	100
Indicated	226	14.6	106
Inferred	977	13.4	421
Total	1,421	13.7	627

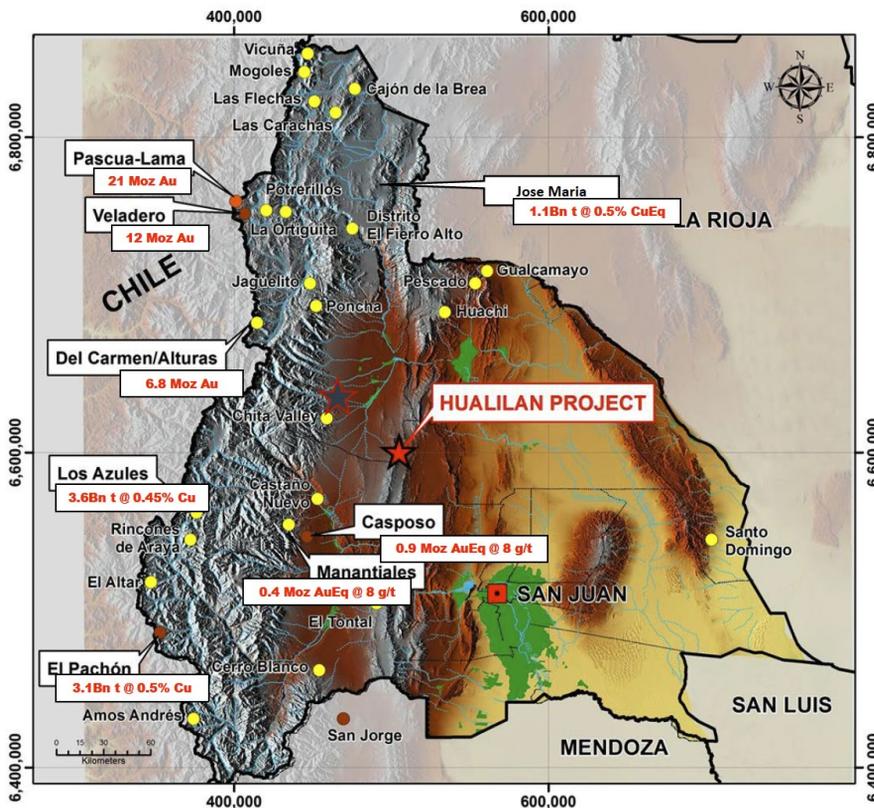
Source: CEL Mines & Money presentation, 2 September 2020.

Hualilan Gold Project

High-grade gold with material upside potential & significant drilling underway

- Hualilan Gold Project (earn-in 75%) is located in the San Juan province in north-west Argentina and consists of 15 mining leases and an exploration licence application covering the surrounding 26km².

Figure 10. Hualilan, Located in a Top Tier Postcode



Source: CEL Mines & Money presentation, 2 September 2020.

- Hualilan is in a top tier mining jurisdiction, surrounded by known discoveries and projects with a history of production.
- Hualilan is high-grade and extends over two kilometres, including a one kilometre zone of limited exploration (the Gap Zone).
- Furthermore, with the high-grade skarn overlying the intrusion hosted mineralisation, there are major synergies in the current exploration drilling program.
- The mineralisation remains open in all directions and the results to date from the current drilling program suggest that the mineralisation is part of a significantly larger gold bearing system than was previously anticipated.
- As such, in our view the recent drilling results suggest a material increase to Mineral Resource is likely.

Hualilan (cont.)

Original Resource appears ripe for a material upgrade

WHAT'S BEEN DONE AT HUALILAN TO DATE?

- Hualilan has had extensive historical drilling with in excess of 150 drill-holes dating back to the 1970s.
- The property was last explored by La Mancha Resources (Toronto Stock Exchange listed) in 2004.
- At the time, La Mancha identified a 627 koz gold Mineral Resource (NI 43-101 compliant but yet to be completed in accordance with the JORC 2012 Code) at a grade of 13.7 g/t AuEq.

Figure 11. Hualilan Mineral Resources*

Category	000' t	Au g/t	Au koz
Measured	218	14.2	100
Indicated	226	14.6	106
Inferred	977	13.4	421
Total	1,421	13.7	627

Source: Company reports. * Not JORC Compliant.

- Hualilan was the first ever gold mine in Argentina, and has had intermittent production until 1840. Since that time, a number of individuals and companies have carried out exploration programs, and in 2002, a previous operator transported a floatation plant to site to commence production, however there is no record of any production while the plant was on-site, and it was later removed.
- In the September 2019 quarter CEL undertook channel and underground sampling program which delivered average grades of 15.0 g/t Au, 75.5 g/t Ag and 6.8% zinc, exceeding the historical Au grades by 20%.
- A 2,000m and subsequent 7,500m drill program were then undertaken, the outcome of which confirmed the high-grade nature of the Project, with several holes extending the known mineralisation at depth and strike.
- The majority of the La Mancha holes from 2004 had recovery issues, typically returning less than 80%.
- As a result, it is considered that the original La Mancha holes understated the grade and thickness of the mineralisation which bodes well for a Mineral Resource upgrade once more drilling has been undertaken.
- CEL has also undertaken an Induced Polarisation (IP) survey at Cerro Norte which has assisted with drill targeting for the current drill program.

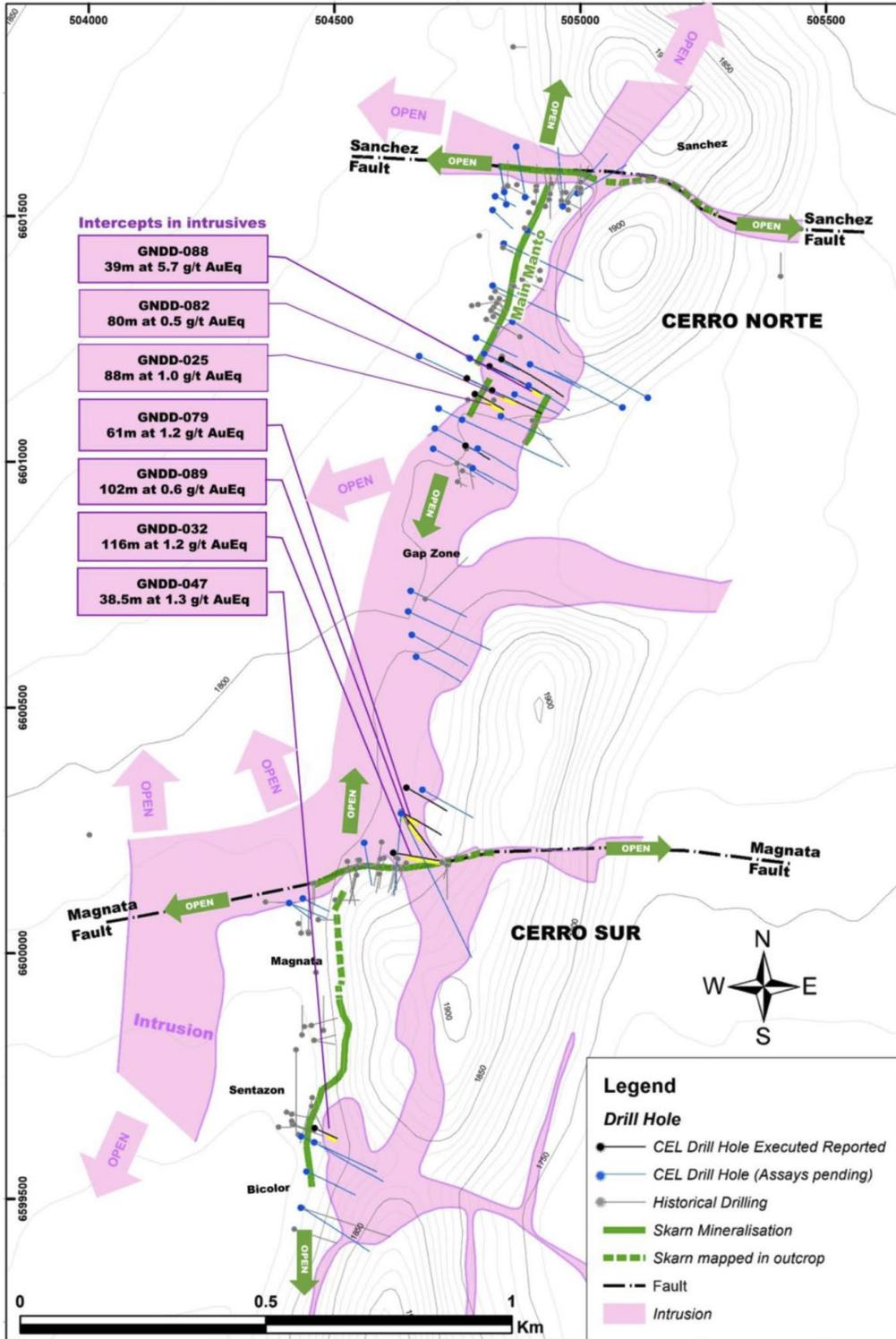
A LARGE DRILL PROGRAM WITH SIGNIFICANT POTENTIAL UPSIDE IMPLICATIONS

- CEL is in the process of undertaking 45,000m of drilling and is approximately 16,000m into the program, with five rigs operating on-site.
- For the next phase of drilling in the program, CEL will use three rigs to extend the high-grade skarn mineralisation (mainly on the Sanchez and Magnata Fault zones), with the remaining two rigs continuing to target the intrusion hosted mineralisation.
- Given the findings to date, and the size of the drill program, we expect the Mineral Resource will be materially upgraded in 2021 and will be undertaken under the JORC (2012) Code.

Hualilan (cont.)

Mineralisation system is extensive and open in all directions

Figure 12. Overview of Hualilan Mineralised System



Source: Company reports.

Hualilan (cont.)

Drilling to date suggests mineralisation is more extensive than thought

We have refrained from repeating too many specific drill results from the program to date as they have been well covered in recent Company ASX announcements, however in broad terms, the findings from the current drill program to date include:

- High grade mineralisation in the Gap Zone between Cerro Sur and Cerro Norte is extensive, and drilling extended the Main Manto 100m south. With significant strike extent and replicate zones evident. Grades have included 4m at 12.0 g/t AuEq, 2m at 17.0 g/t AuEq
- The limits of the mineralisation within the current two kilometres of strike are yet to be defined.
- Two new zones of high grade skarn mineralisation – one above, and one below – the historical limestone hosted skarn mineralisation. The bulk mineralisation overlying the high-grade skarn is likely to enhance the economics of an open pit development.
- One hole (GNRC-076) returned 5m at 12.3 g/t AuEq in sandstone overlying the limestone between the Main Manto at Cerro Norte and the Sanchez Fault. Mineralisation in sandstone has not been targeted in any previous drilling here.
- The mineralisation at Sentazon and Muchilera appears to join forming a single zone of mineralisation covering 350m of strike and 200m of plunge extent which remains open to the north and south.
- One hole (GNDD-114) south of the Magnata Fault returned 14.7m at 3.3 g/t AuEq including 0.9m at 50 g/t AuEq. This hole opens up the potential for the skarn mineralisation to extend further than previously thought.
- A broad zone of previously unrecognised gold mineralisation has been identified above the skarn in a majority of holes, suggests this could further enhance the economics of a future development.
- Given the potential extent of the mineralisation, the current drilling program is unlikely to define the Resource at depth or strike in our view. It will however likely show zones where there is no high grade skarn, and give a feel for how big the intrusive system is, but it won't close out the Resource. We believe CEL would prefer to see some closure, particularly to the north and south, before it reveals the magnitude of what it has at Hualilan.
- With current drill rates of around 1,200m per month per rig, the current drilling program is expected to conclude in around mid-2021. However given CEL has expanded previous drilling programs, and we understand that drilling costs are at a significant discount to what was originally budgeted, we wouldn't be surprised to see CEL extend this program while it has the drill rigs on-site, and effectively complete more drilling for the same budgeted amount.

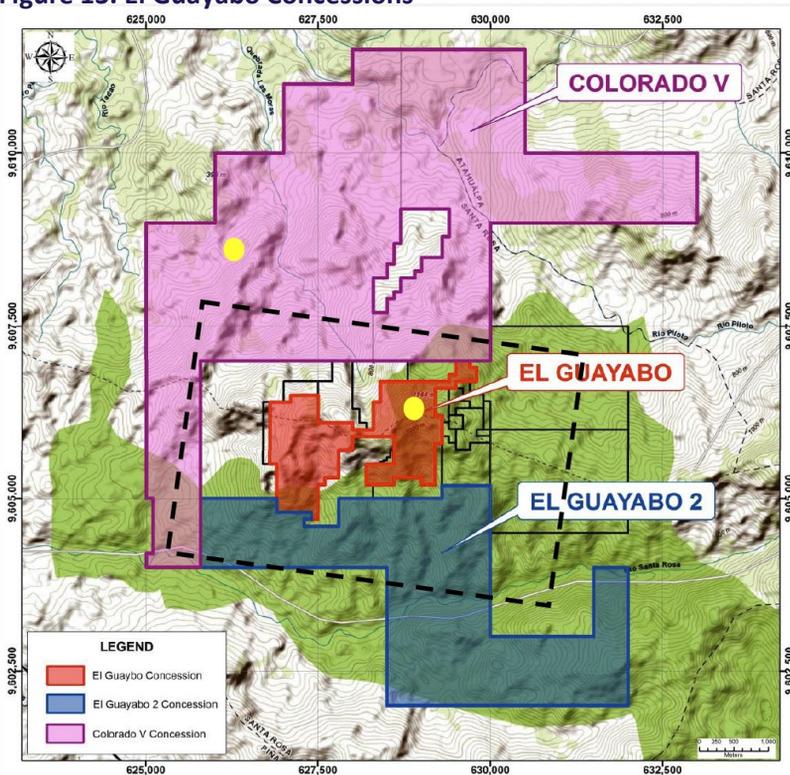
El Guayabo

Adjacent to the largest primary gold deposit in Ecuador

EL GUAYABO/COLORADO V COPPER-GOLD PROJECT, ECUADOR (CEL: 50% - 100% CONCESSION SPECIFIC)

- The El Guayabo Copper-Gold Project is located in the El Oro Province, approximately 55 km south-east of the port city of Machala in Ecuador.
- The project is a breccia and porphyry play comprising three concession areas: El Guayabo, El Guayabo 2 and Colorado V. Farm-in arrangements for the concessions are detailed in the Appendix of this report.

Figure 13. El Guayabo Concessions



Source: Company reports.

- The Colorado V tenement is located approximately 5km along strike from the 17.7 Moz Cangrejos gold and copper porphyry discovery which is forecast to produce 373 koz gold and 94 ktpa of copper in concentrate annually when in full production.
- The Cangrejos project has deposits of the same age and mineralisation as at El Guayabo.

El Guayabo (cont.)

Multiple play type potential

WHAT'S BEEN DONE ON-SITE TO DATE?

- The El Guayabo concession was last drilled by Newmont Mining Corporation and Odin Mining and Exploration between 1995 and 1997.
- The Colorado V concession was drilled by Goldking Mining, a Chinese backed (Shandong Zhaojin and Lee Mining) Ecuadorian company in the last five years.
- Altogether there has been 89 drill holes drilled totalling around 29,000m but were targeting gold in hydrothermal breccias rather than porphyry play type in mind, and as a result, there are numerous results to be followed up, including intercepts with grades of >0.5 g/t Au equivalent.
- Drill logs for all holes at El Guayabo have been compiled, including logs for lithology, core recovery, samples, assay and magnetic susceptibility. Most holes have a significant intersection suggesting there is considerable potential to extend the known mineralisation.
- During the September quarter, CEL received results for first pass detailed geological mapping and rock chip sampling at Colorado V. The surface mapping and sampling was designed to investigate two large soil anomalies believed to be the immediate strike extent of the recently announced bulk gold discovery which returned drill intercepts including 134 metres at 1.0 g/t gold and 4.1 g/t silver.
- Mapping and sampling defined a 2 km strike extent of high-grade gold and silver mineralisation at surface with assays ranging from 14.35 to 0.1 g/t gold, 498 to 0.3 g/t silver. CEL believes the mineralisation, alteration, and structural controls to mineralisation appear to be directly spatially related to the large soil anomalies. This effectively extends the potential strike of the recently announced bulk gold discovery at Colorado V by 500% to 2.5 km.
- To date, there has only been limited exploration work undertaken on the El Guayabo 2 tenement. Goldking is still active on part of the Colorado V concession and it has a 10 koz Au per year operation where they are seeking high-grade gold resources.

WHAT ARE CEL'S UPCOMING PLANS AT EL GUAYABO?

- A review of the historical drilling information shows many of the holes were terminated prior to targeting the prophyry and a number ended in ore grade mineralization.
- Only two of the ten known breccia bodies on the property have been systematically drilled and sampled.
- Newmont's early holes intersected visible chalcopyrite but samples were analysed for gold only.
- This includes drill holes JDH 2 and JDH-3 which both recorded plus 100m intersections of better than 0.4 g/t Au.

El Guayabo (cont.)

Drilling program to commence in 2021

- Since farming in to the El Guayabo concession, CEL has undertaken detailed surface/underground mapping and sampling, soil geochemistry across the concession and a 3D-MT (Magneto-Telluric) survey with IP (Induced Polarisation) test lines covering 16 km².
- This work has identified three potential porphyry centres, all undrilled, all within 400 metres of surface, and all with surface mineralisation indicative of a mineralised porphyry system at depth. Additionally, a number of intrusive breccia targets have also been defined, including a large IP anomaly where historical drilling across the top of the anomaly returned results including 112m at 0.7 g/t Au, 14.7 g/t Ag, 0.6% Cu.
- The IP anomaly proper is three times wider and three times more intense underneath these historical drill holes.
- CEL will likely focus on further drilling at El Guayabo in 2021 with multiple drill targets already identified across the concessions, including significant porphyry targets located between 200 and 400m below surface. The broader zone of anomalous soil geochemistry recently identified at Colorado V will also be the subject of follow up.

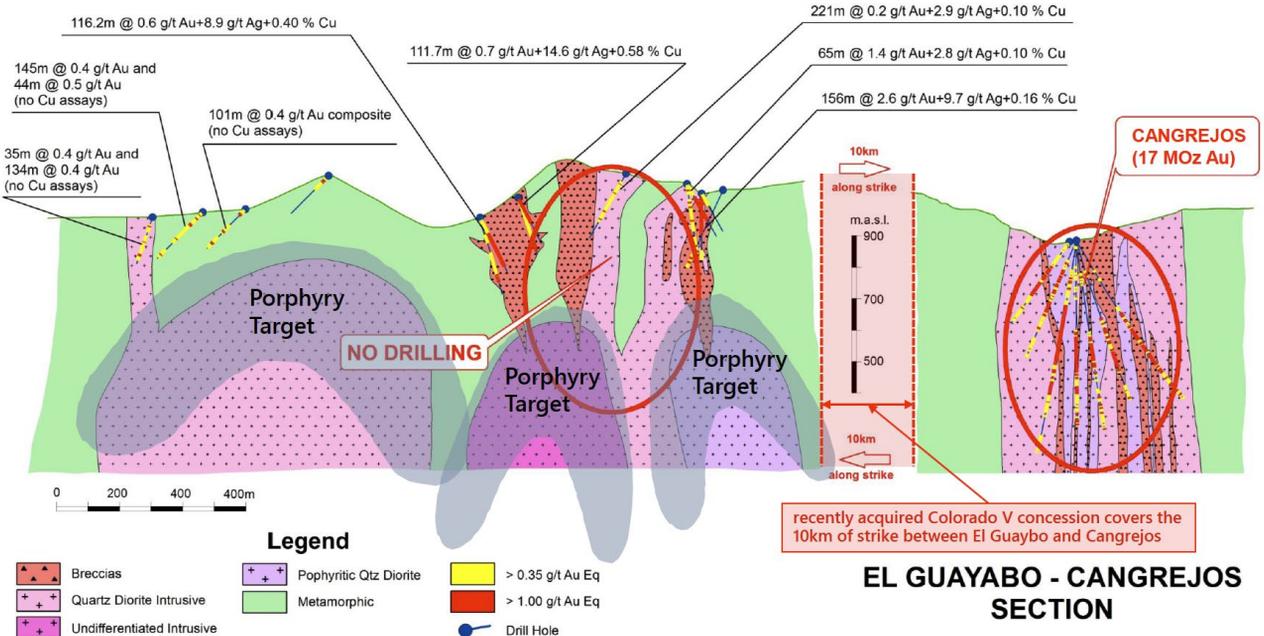
CANGREJOS: THE LARGEST GOLD DISCOVERY IN ECUADOR A STONE'S THROW FROM EL GUAYABO

- The nearest copper gold project to El Guayabo is Lumina Gold's (LUM.TSXV) Cangrejos Copper Gold Project is 5 km north and along strike, from Colorado V. Cangrejos has a Mineral Resource of 17.1 Moz Au and 2.2 bn lb copper (grade is 0.73 G/T Au and 0.50% Cu Eq).
- Lumina's preliminary feasibility studies suggest the Project is being designed to produce 373 koz gold and 20 kt copper per year over a 16 year mine life.

El Guayabo (cont.)

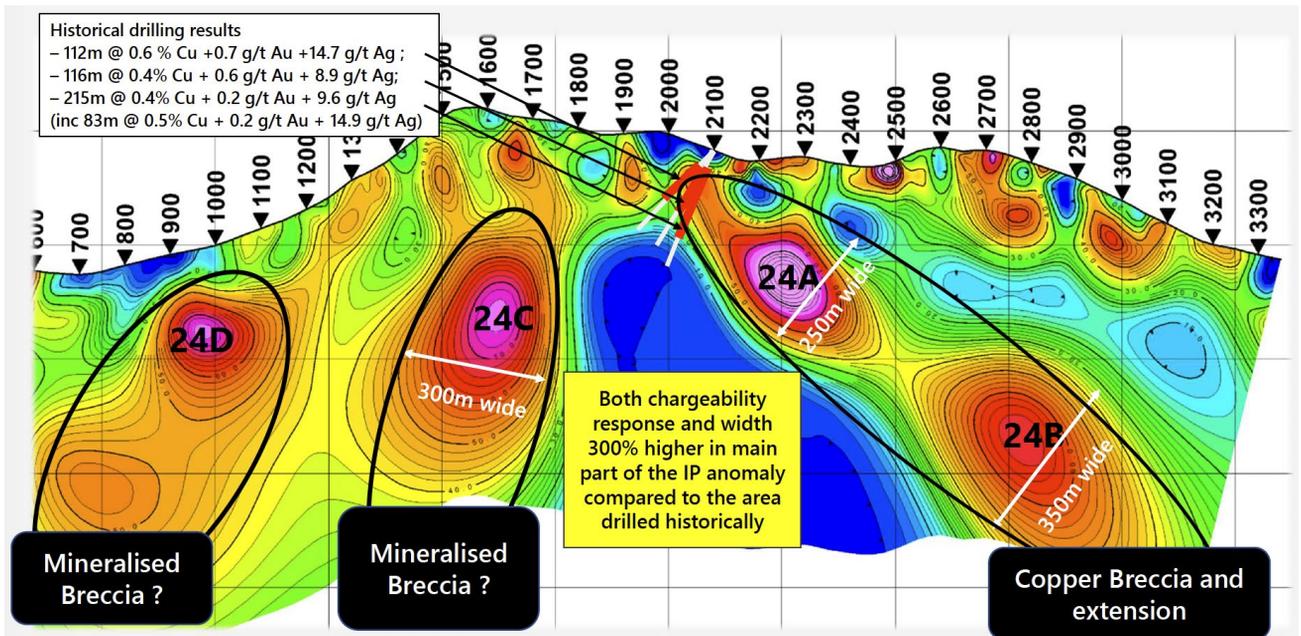
Adjacent to the largest primary gold deposit in Ecuador

Figure 14. Cross Section of the El Guayabo Project . Porphyry Targets all 2-400m Below Surface



Source: Company presentation, 2 September 2020.

Figure 15. North-South IP Line Showing Large Undrilled Breccia Bodies



Source: Company presentation, 2 September 2020.

Karoo Basin Shale Gas

Challenger challenged by geology, geography and bureaucracy

KAROO BASIN SHALE GAS PROJECT, SOUTH AFRICA (CEL: 95%)

- CEL has had the Cranemere prospect in the Karoo Basin South Africa since 2010.
- The shale gas prospect is located on the Eastern Cape Province in South Africa and CEL's application covers 3,500 km² centred around a well that was drilled in 1968 and flowed gas at 8 mmscf/d from the Fort Brown shale for an unknown timeframe.
- In 2011, the US Energy Information Administration (EIA) estimated the Lower Permian Ecca Group shales in the Karoo Basin as a whole contain 1,559 Tcf of risked gas in place.
- This study excluded the the Upper Ecca shales which include the Fort Brown shale from which the original well flowed gas. Subsequent studies undertaken in 2015 by the Petroleum Agency of South Africa concluded that potentially recoverable gas in the Basin was closer to 5 to 20 Tcf.
- Environmental groups and landowners have been strongly opposed to the use of hydraulic fracturing – fracking – in the Karoo Basin, and there has been an on-again, off-again moratorium on its use in the country and specifically in the Karoo Basin.
- As such, in 2015 Royal Dutch Shell pulled back investment in the region and stated that it would need a Brent Crude oil price of around US\$60 to \$80/bbl (currently US\$48/bbl) and South Africa would need to present excellent commercial terms for the company to resume exploration.
- The fact that Shell waited six years for a licence for its acreage in the Karoo Basin may have been the icing on the cake in its decision to pull back on its investment here.
- Large scale shale gas has not been successful anywhere in the world, except the United States which is primarily due to the geology of the shales in the US and a highly competitive US oil industry, combined with a supportive royalty structure and good fiscal terms.
- Furthermore, shale gas exploration wells are typically US\$10m+ and is therefore not an ideal exploration play for a company with no cash flow in our view.
- The Karoo asset does not fit with the Company's South American gold focus, however until a title is formally awarded, there is no expense to keep the Karoo shale gas prospect. Once title is awarded here, CEL will likely run a process to farm-out/divest Karoo to capture the best value for the prospect.



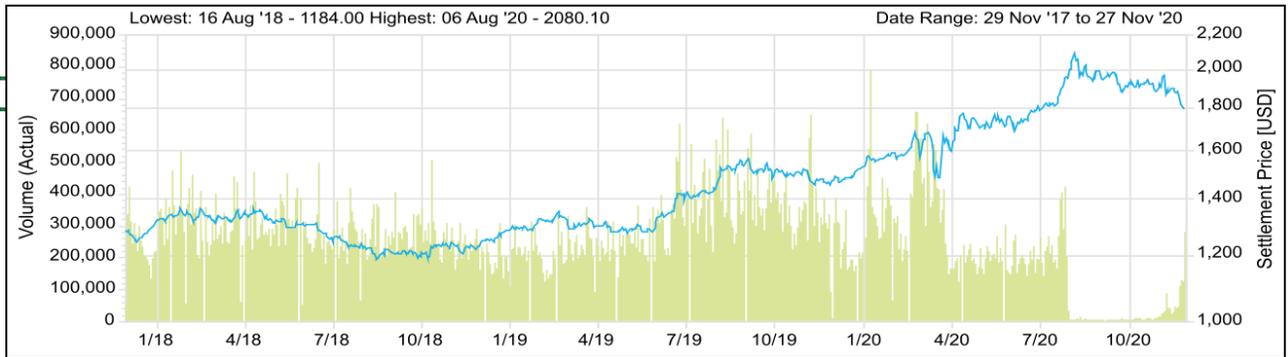
Section 3: Gold Market

Gold Market

The fundamental factors behind a robust gold price remain intact

In August 2020 gold reached its nominal all time high of US\$2,065/oz (A\$2,900/oz), but has since retreated to US\$1,791/oz (A\$2,425/oz), despite trading at US\$1,950/oz earlier this month, or around the same level of its last nominal high in August 2011. Gold is still up around 18% for the year to date in US\$ terms.

Figure 16. Gold Price Since November 2017 (US\$/oz)



Source: Factset.

Figure 17. Gold Price Since November 2017 (A\$/oz)



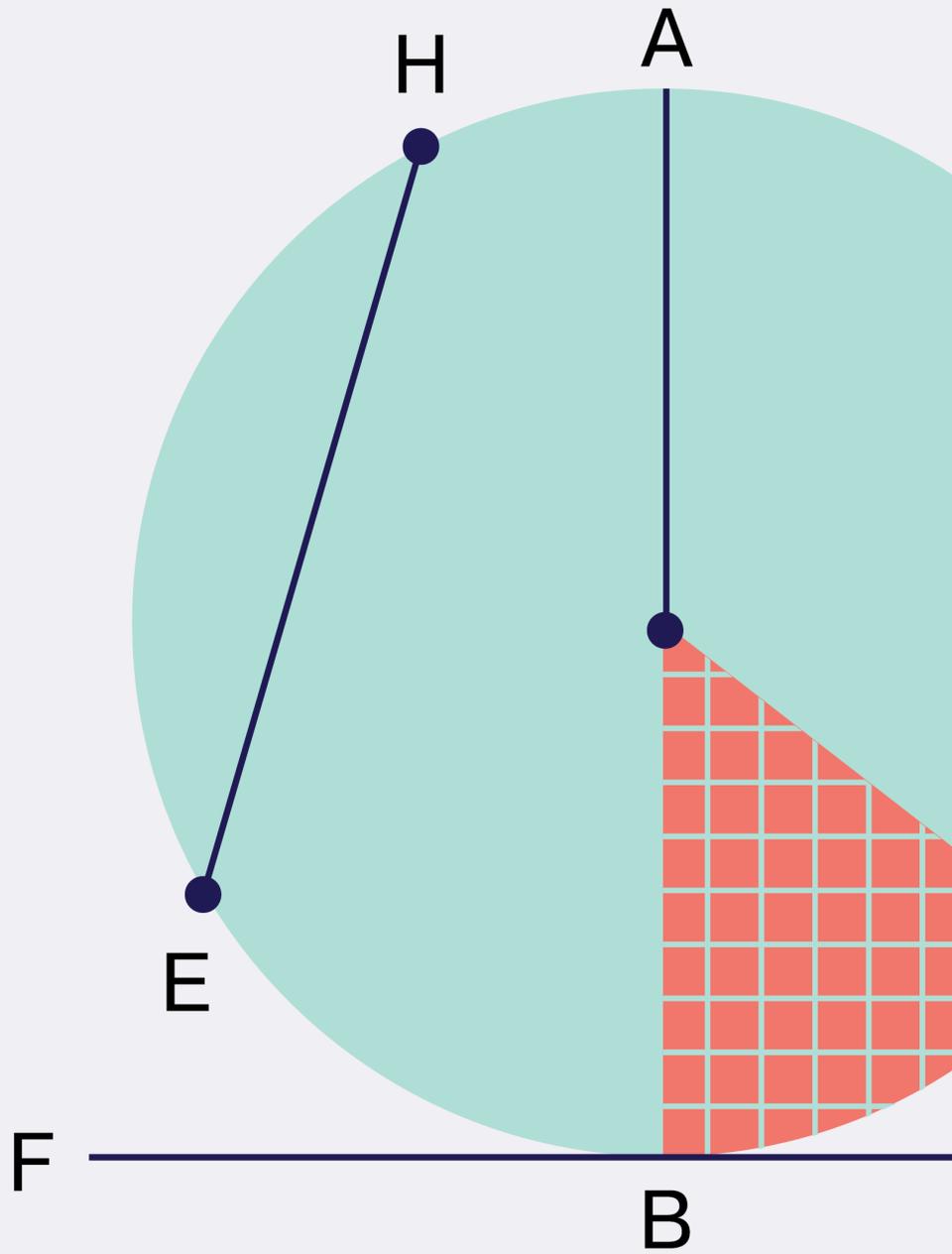
Source: Factset.

While the gold price reacted negatively to the news of the Covid vaccine announcements earlier this month and the market trade went 'risk on'. Despite this, the fundamental factors behind a robust gold price remain intact, ie a weakening US\$, lower interest rates and expansionary fiscal policy. We therefore remain bullish on the outlook for gold, particularly as the commentary from the US Fed suggests low interest rates are likely to be in place for the next two years. In the near term, we expect gold price to fluctuate around current levels as potential US stimulus will be offset by ever increasing Covid numbers in the northern hemisphere.

Figure 18. Consensus Gold Price Forecast (US\$/oz)

	LT Real	4Q20	1Q21	2019	2020	2021	2022
Consensus Price (US\$/oz)	1,652	1,810	1,875	1,391	1,730	1,863	1,655

Source: Bloomberg.



Section 4: Financials & Capital Structure

Financial Summary & Capital Structure

At 30 September 2020, CEL had A\$19.7m in cash, including US\$1.45m and no debt

CAPITAL STRUCTURE

- CEL has undertaken very few capital raisings over the last four years, but has raised \$31.5m in the last 18 months as the Company has pivoted away from an energy to focus on gold in South America.
- The capital structure is shown in Figure 21. There is also 120m Performance Shares and 16m Performance Rights over new ordinary shares in CEL on issue.
- MD and CEO Kris Knauer owns 8.9m options and 37m Performance Shares, while CFO Scott Funston owns 10m of the Performance Rights and 2m options. The vesting conditions for the Performance Shares and Rights are detailed on page 37 and 38 of the FY20 Annual Report.

Figure 19. Capital Raisings Since July 2016

Date	Amt Raised (A\$m)	Use of Proceeds	Offer Price (\$/sh)
11-Jun-19	5.0	Fee & Expense Payment, General Corporate Purposes, Refinance, Working Capital	0.03
13-Jan-20	6.5	Project Finance, Working Capital	0.10
23-Jul-20	20.0	Project Finance, Fee & Expense Payment, Working Capital	0.20
Total (A\$m)	31.5		

Source: Factset

Figure 20. Options Outstanding

Type	Expiry Date	Exercise Price	Number of unexercised options
Unlisted	30 June 2022	\$0.04	86,644,444
Total unexercised options in the money			86,644,444
Total unexercised options			86,644,444

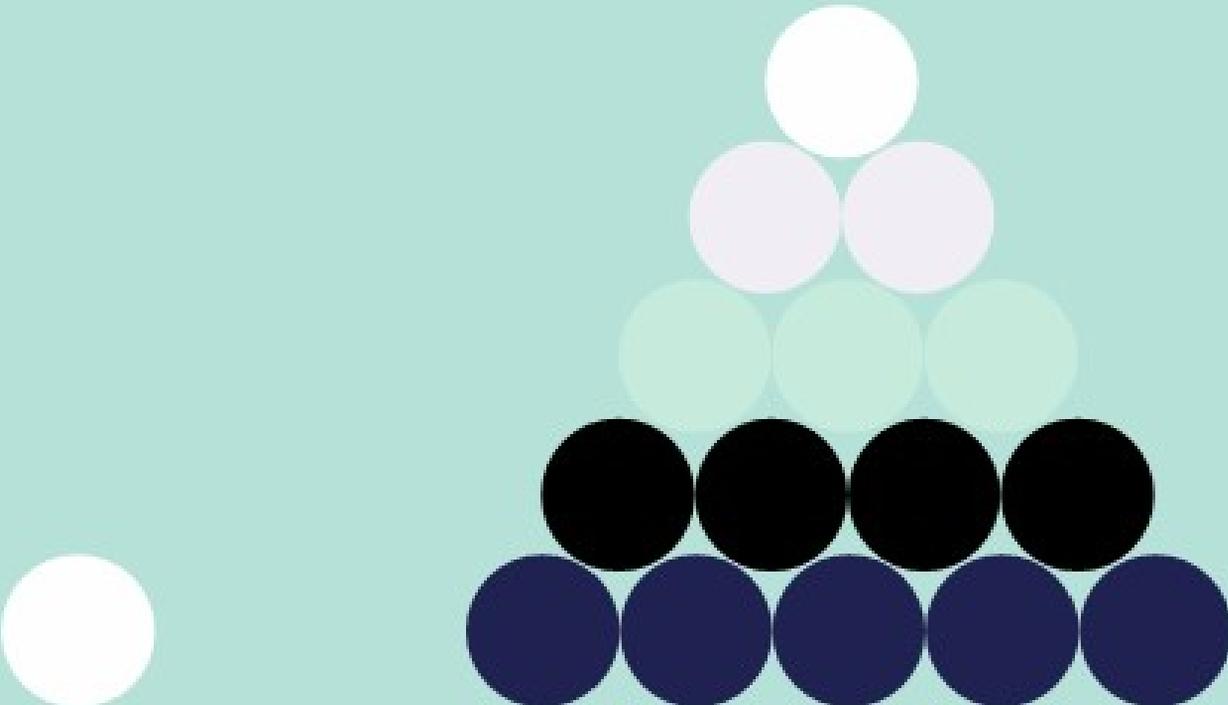
Source: CEL FY20 Annual Report

Figure 21. Diluted Capital Structure

	Shares
Total shares outstanding	648,724,627
In the money options	76,725,042
Total diluted equity	735,369,071

Source: Company Reports

Section 5: Additional Information



Registry & Risks

SHAREHOLDERS

The top 5 shareholders are shown in Figure 22. We note that the Managing Director and Chairman own just over 10% of the ordinary shares outstanding.

Figure 22. Top 5 Shareholders

Name	Shares (m)	Capital
Kris Knauer	42,195	6.5%
Moneybung Pty Ltd	39,308	6.1%
Fletcher Quinn	23,329	3.6%
Eastern Capital Group	19,100	2.9%
LQ Super Pty Ltd	18,833	2.9%
Top 5 Shareholders	142,765	22.0%

Source: Factset

RISKS

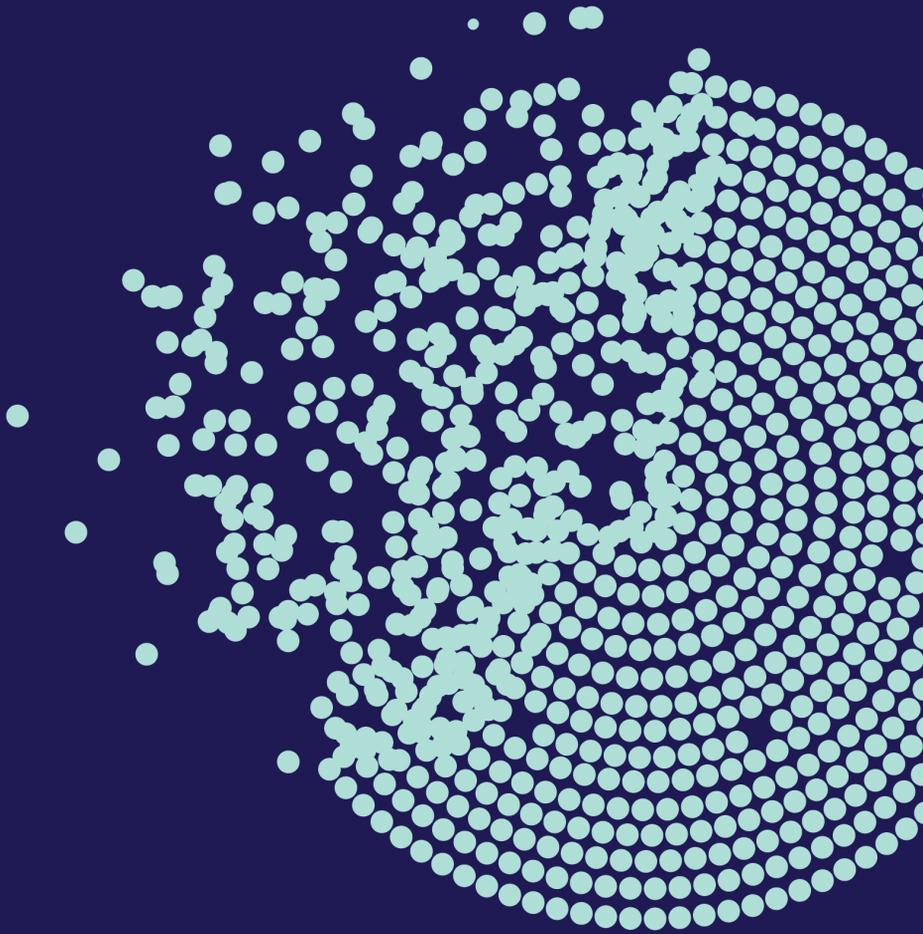
Investment risks associated with the gold sector and CEL include, but are not limited to, the following:

- **Exploration/geological risk.** The geological characteristics of a deposit may vary significantly from initial interpretations which can have an impact on production, costs and valuations. Similarly, the resources are subject to change as more drilling is undertaken.
- **Financing risk.** With limited production, and hence limited cash flow, the Company will require equity and debt markets to fund the development of its projects and future exploration. Total capital requirements will be subject to approved feasibility studies. There is no certainty that the use of debt and equity markets can be undertaken without dilution to shareholders shares.
- **Project execution / operating risk.** There is potential for developments to cost more and/or take longer to complete than originally anticipated which can have a material impact on the valuation of the assets being developed. Similarly, if/when in production there is risk of plant and equipment failure, ability to meet design recovery targets, and other technical issues.
- **Country/geopolitical risk.** Investments in foreign countries carry political and economic risks, including nationalisation of industries, implementation of onerous fees, levies, taxes and country ownership requirements. Capital restrictions can, depending on the jurisdiction, may make it problematic to exchange or repatriate foreign currency.
- **Commodity and currency assumptions and fluctuations.** Gold companies are, by their nature, exposed to gold price and exchange rate fluctuations. External macroeconomic factors may have an impact on the profitability of operations and the valuation of the overall company.

Directors & Key Management

Board and Management own 10.9% of the Company

	Shares (m)	%
Kris Knauer, CEO & Managing Director	42.2m	6.5
<p>Kris (BASc) 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 \$1 billion.</p>		
Fletcher Quinn, Non-Executive Chairman	23.3m	3.6
<p>Fletcher 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.</p>		
Scott Funston, CFO & Finance Director	4.9m	0.8
<p>Scott 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 ASX requirements and has previously assisted a number of ASX listed resources companies as CFO and Company Secretary operating in Australia, South America, Asia, Africa, 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.</p>		
Stuart Munroe, Exploration Manager	0.5m	0.1
<p>Stuart is a geologist with over 25 years' experience. He has been involved in detailed studies of controls on mineralisation, resource model assessment, and strategic planning. Prior to joining Challenger, Stuart was Principal – Project Evaluation for SRK Consulting. He has extensive experience in the mining industry including roles as Exploration Manager for ASX listed companies.</p>		
Total Board & Management Ownership	70.9m	10.9



Section 6: Appendix

Ecuador

The three Ecuadoran concessions all have different farm-in conditions, and these are summarised below.

ECUADOR FARM-IN ARRANGEMENTS

El Guayabo

CEL had already acquired a 19.9% stake in El Guayabo concession via the initial farm-in and it recently renegotiated its original farm-in agreement to now move to 100% of the El Guayabo concession via the issue of 18 million CEL shares (in escrow until July 2021), a significant improvement over the previous staged entry.

El Guayabo 2

- Stage 1: CEL can earn a 25% stake in the concession by spending US\$1m on exploration in the first five years.
- Stage 2: By spending a further US\$1m, CEL will move to a 50% stake.
- Stage 3: CEL can then increase its interest to 80% by funding a definitive feasibility study (DFS). Each US\$2m spent on a DFS will increase CEL's stake by 10%, up to a maximum of US\$6m. There is no time limit for the completion of the DFS.

Colorado V

Under the terms of the Colorado V farm-in agreement CEL can earn up to 50% in any discovery it makes. Under the agreement:

- CEL is to fund 100% of exploration and has three years to find a discovery.
- If the discovery is between 200,001 and 600,000 oz Au equivalent, CEL will earn a 30% stake. If the discovery is greater than 600,000 oz Au equivalent, CEL will earn a 50% interest. Should the discovery be less than 200,000 oz Au equivalent, Goldking will retain 100% of the concession.

There are also conditions around the grade of any discovered deposit at Colorado V.

ECUADOR MINING RIGHTS & TITLES

Mining titles held in Ecuador grant the owner the right to perform mining activities (explore, exploit and process) over the area for a period of 25 years, renewable for a further 25 years. Once the concession has been granted the company is subject to the following phases and terms:

- Up to four years of initial exploration;
- Up to four years of advanced exploration; and
- Up to two years of economic evaluation of the deposit, which can be extended for a further two-year period.

Ecuador (cont.)

ECUADOR TAXES & ROYALTIES

The holder of the licence is subject to other taxes, payments and contributions including:

- Tax of 37% payable on income less expenses split as follows in large scale mining
 - 22% income tax
 - 12% to the state
 - 3% to employees.
- Value-Added Tax (VAT) is 12% and payable on goods purchased and services rendered with mineral exporters able to recover VAT as of 1 January 2018.
- Royalties. Large scale mining is required to pay a royalty of not less than 5% and not higher than 8% of the sales of the principal and secondary minerals. Royalties are calculated on the gross income, less refining and transport costs.
- Windfall Profit Tax. This is in the process of being removed, however it is currently 50% payable only 48 months after pre-production investments in the mining project have been recuperated. This is broadly equivalent to the "super profits" mining tax previously considered in Australia.
- Municipal Patent. This is calculated according to the concessionaire's assets, with US\$5,000 the maximum annual tax that can be paid.
- Municipal Tax and Superintendency of Companies. This is equivalent to 0.25% of the concessionaire's assets annually.

The Ecuadorian government has various taxes, duties and levies that may or may not be applicable to future mining operations depending on the mining exploitation contract established at the time.

Argentina

ARGENTINA TAXES & ROYALTIES

Argentina's mining investment law states that mining projects get 30 years of fiscal stability (excluding VAT), from the day the feasibility study is submitted. In summary some key fiscal terms for Argentina mines are as follows:

- Income tax of 35%, with a right to deduct 100% of the investment in exploration, development and exploitation of a mine.
- Value-Added Tax (VAT) of 21%. This is refundable approximately 14 months after the expenditures took place (noting that it is paid in Pesos).
- Royalty of 2 to 3% is payable on gross revenue at the provincial level. CEL's royalty on a development project scenario will be 3%.

Disclaimer

For Wholesale or Professional Investors Only

This Research has been prepared and issued by Henslow Pty Ltd and remains the property of Henslow Pty Ltd. No material contained in this Research may be reproduced or distributed, except as allowed by the Copyright Act, without the prior written approval of Henslow Pty Ltd.

This report has been prepared and issued (in Australia) by Henslow Pty Ltd (ABN 38 605 393 137) (AFS Licence No. 483168) and is subject to the disclosures and restrictions set out below. Consistent with the AFSL under which Henslow operates, this report has been prepared for “Sophisticated” or “Wholesale” Investors as defined in the Corporations Act 2001 (Cth) (“Corporations Act”). This report is not to be provided to, and is not made available to, Retail Investors. All references to currency or \$ are in Australian dollars unless otherwise noted.

Analyst Certification

The research analyst(s) identified in this report individually certify that in respect of each security or issuer that the research analyst covers that: this report accurately reflects his or her personal views about any and all of the subject issuer(s) or securities; and no part of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by the research analyst(s) in this report.

General Disclosure

Henslow Pty Ltd and its associates (as defined in Chapter 1 of the Corporations Act), officers, directors, employees and agents, from time to time, may own or have positions in securities of the company(ies) covered in this report (“Company”) and may trade in the securities mentioned either as principal or agent or may be materially interested in such securities.

Henslow Pty Ltd does and seeks to do business with Companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Investors should seek their own separate advice before making any decision to invest in any business which has been the subject of a research report. Investors should also be aware that during the past 12 months, Henslow Pty Ltd may have received compensation for financial and advisory services from the company.

Disclaimer & Warning

This report may contain general advice or recommendations which, while believed to be accurate at the time of publication, are not appropriate for all persons or accounts. This report does not purport to contain all the information that a prospective investor may require. Before making an investment or trading decision, the recipient must consider market developments subsequent to the date of this document, and whether the advice is appropriate in light of his or her financial circumstances or seek further advice on its appropriateness or should form his/her own independent view given the person’s investment objectives, financial situation and particular needs regarding any securities or Financial Products mentioned herein. If appropriate, the recipient may also consider seeking independent professional financial, investment, legal and taxation advice. Information in this document has been obtained from sources believed to be true but neither Henslow nor its associates make any recommendation or warranty concerning the Financial Products or the accuracy, or reliability or completeness of the information or the performance of the companies referred to in this document. Contact with the Company has been made during the preparation of this report for assistance with the verification of facts.

Past performance is not a reliable indicator of future performance. Henslow does not guarantee the performance of any company (ies) covered in this report. Any information in this report relating to any historical performance should not be taken as an indication of future performance or future value. This document is not an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any Financial Product, and neither this document or anything in it shall form the basis of any contract or commitment. Although every attempt has been made to verify the accuracy of the information contained in the document, liability for any errors or omissions (except any statutory liability which cannot be excluded) is specifically excluded by Henslow, its associates, officers, directors, employees and agents. This report may include estimates, projections or expectations which otherwise constitute a forward looking statement. Any forward looking statements in this report are provided on a reasonable basis but are subject to a number of both known and unknown risk factors and Henslow does not guarantee (explicitly or implicitly) any such forward looking statement, or any particular outcome whatsoever. The securities of such company (ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Analysts’ Compensation: The research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of the analyst(s) research, client evaluation feedback, independent survey rankings and overall firm revenues, which include revenues from, among other business units and corporate finance.

Other International Investors: This document is not intended to be issued in any jurisdiction in which it would not be lawful to do so. International investors outside the US, UK, UAE or Canada are encouraged to contact their local regulatory authorities to determine whether any restrictions apply to their ability to purchase this investment and should seek their own advice prior to making any investment decision.

Recipient Representations/Warranties: By accepting this report, the recipient represents and warrants that he or she is entitled to receive such report in accordance with the restrictions set out in this document and in the jurisdiction in which the recipient receives this report, and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Markets Team

Sales



Adam Dellaway

Director

E: adellaway@henslow.com

M: 0400 735 576



Paul Dickson

Director

E: pdickson@henslow.com

M: 0416 075 354



David Permezel

Director

E: dpermezel@henslow.com

M: 0411 622 034

Research



Ryan Whitelegg

Managing Director

E: rwhitelegg@henslow.com

M: 0418 332 051



Cam Hardie

Resources Consultant

E: chardie@henslow.com

M: 0434 344 005



Tom Sinclair

Associate

E: tsinclair@henslow.com

M: 0438 528 800



Tom Nicholls

Analyst

E: tnicholls@henslow.com

M: 0434 009 332

henslow
research

Melbourne

Level 7

333 Collins Street

Melbourne VIC 3000

AUSTRALIA

Sydney

Level 18

Deutsche Bank Place

126 Phillip Street

Sydney NSW 2000

AUSTRALIA

Canberra

Level 3

59 Wentworth Avenue

Kingston ACT 2604

AUSTRALIA

Henslow Pty Ltd

ABN 38 605 393 137 | AFSL 483168

www.henslow.com

Henslow Pty Ltd is an independent firm which provides corporate advisory services. It is a member of Oaklins International Inc., which comprises a number of firms around the world which are all separately constituted and regulated according to their local laws. Oaklins is a trade name owned by Oaklins Swiss Verein and licensed to Oaklins International Inc. They do not provide any corporate advisory services themselves. Please refer to www.oaklins.com for legal notices