

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

More High Grade Drill Results

Challenger Exploration's (CEL) current drill program findings are providing further confirmation that Hualilan is likely to be larger than initially thought. Highlights reported recently include:

- The Main Manto rock saw channel sampling from the decline that was designed to be driven under the mineralisation suggests the Main Manto is actually thicker and wider than expected, and shows that the historic sampling in the area missed much broader zones of near surface mineralisation.
- Drill hole GNDD-182 was expected to confirm the extent of mineralisation to the west of the Gap Zone, but instead encountered a significant shallow depth gold intersection. CEL is now drilling immediately down dip to follow up on this result.
- Given what has been encountered in the shales open to the west, the second western zone, and now GNDD-182, it does beg the question: is there something larger down-dip to the west, or is GNDD-182 just an isolated result?

What is the market pricing in?

- Our calculations suggest the current share price is implying a Mineral Resource of around 1 Moz, so the market is already factoring in a Resource upgrade at Hualilan. We estimate a JORC Resource in the order of 1 to 1.5 Moz could be reported based on the results to date. However increasing the drilling density could see this estimated Resource double over the coming twelve months.

Share Price	\$0.34
Market Cap	\$219m
Net Cash	\$15.1m
Enterprise Value	\$203.9m
Key Stats	
Total Resource	627 koz AuEq
EV/Resource	A\$325/oz
Premium to Peer	61%



Source: Cap IQ

Valuation & Sensitivity

CEL has an enterprise value (EV) of \$204m and is trading at an EV/Resource of A\$325/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

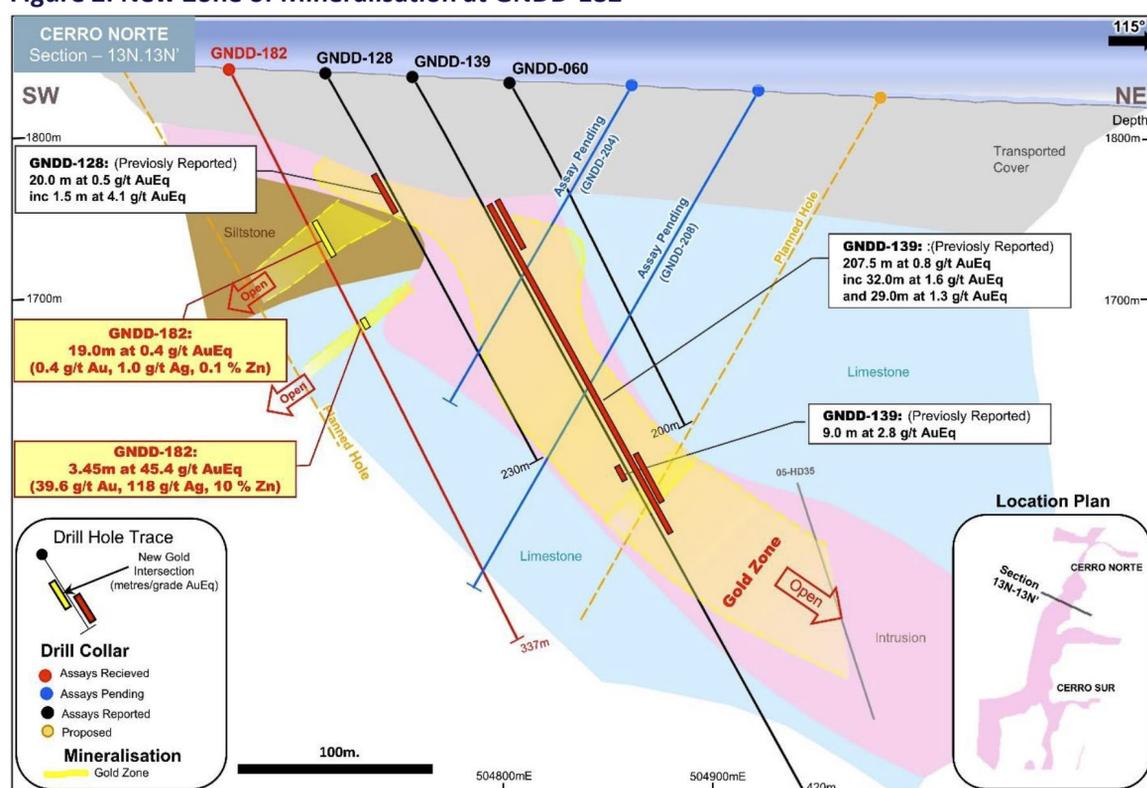
Source: Henslow estimates

Additional Information

Unexpected gold intersection at Drill Hole GNDD-182. Isolated, or not?

- This hole was designed to confirm the edge of the intrusion-hosted mineralisation in the Gap Zone, but encountered high grade skarn mineralisation that is very similar to the Main Manto at Cerro Norte.
- The hole is almost 200m from the nearest intersection of high-grade sulphide skarn mineralisation.
- GNDD-182 appears to be an isolated result based on the results to date, but it does make some geological sense if it was laid down before the intrusion.
- A follow up hole is now being fast tracked to test down dip from GNDD-182 and this should provide more clarity on the current findings.
- Given the dip flattens out to the west, if the high grade mineralisation continues, it will be relatively shallow, which will bode well for low cost development.

Figure 2. New Zone of Mineralisation at GNDD-182



Source: Company reports

Additional Information

Near Surface Channel Sampling Delivers Solid First Results

- Results from the Main Manto rock saw channel sampling has identified high grade zones that were previously untested.
- The high grade results were not unexpected here, however the mineralisation appears to be thicker and wider than was expected as historic sampling missed much of the broader zones of near surface mineralisation as it was based on the presence of visual sulphides.

More drilling and results still to be done

- We estimate CEL has now drilled around 35,000m of the 45,000m program, and the timing suggests the program will be completed in the next two months.
- However the company has sufficient funding to continue a five rig drill program for several more months yet, and we believe CEL will seek to continue the program, giving more density to the coverage and further delineating the Resource.
- Explorers globally have had laboratory testing times push out due to Covid related impacts. To this end, CEL may experience some delays in lab turnaround times and receiving assay results which could have an impact on JORC Resource timing in our view.

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