



Hualilan Gold Project : Cerro Sur looking north to Cerro Norte

## Two Highly Complimentary Gold Projects in South America

*Targeting early cashflow in Argentina : Significant target in Ecuador*



CHALLENGER EXPLORATION LIMITED  
ACN 123 591 382

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## **COMPETENT PERSON**

The information in this report that relates to exploration results and historical mineral estimates is based on, and fairly represents, information and supporting documentation compiled by John King. Mr. King is a competent person who is a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code. Mr King has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 edition of the JORC Code. Mr King consents to the inclusion of the matters based in this Prospectus on his information noted in the form and context in which it appears.

## **HISTORICAL MINERAL ESTIMATES**

The historical mineral estimates in this report are not reported in accordance with the guidelines of the JORC Code (2012). A competent person has not completed sufficient work to classify these estimates as Mineral Resources or Ore Reserves in accordance with the guidelines of the JORC Code (2012). It is uncertain that following evaluation and/or further exploration work that the estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with JORC Code (2012).

# 1. CEL is an ASX listed gold company with the following Projects



## Hualilan Project Gold

Argentina – earning 75%

- 188 drill holes from the 1970's with the most recent drilling in 2006
- Mineralisation open in most directions
- Metallurgical work (1999-2000) indicated 80% recoveries
- 4x4m decline and 2 x 100m production drives into the main measured resource installed in 1996
- **First drilling program started last week**

**627,000 oz Au at 13.7 g/t<sup>1</sup>**

## El Guayabo Copper/Gold

Ecuador – earning 100%

- 10km along strike from a +10 million ounce orebody
- Scout drilling 25 years ago defined multiple targets none of which were followed up
- Substantial historical drilling results including:
  - 156m @ 2.6 g/t Au + 9.7 g/t Ag + 0.2% Cu
  - 112m @ 0.6 % Cu + 0.7 g/t Au + 14.7 g/t Ag
  - 215m @ 0.4% Cu + 0.2 g/t Au + 9.6 g/t Ag
- Number of large geophysical targets
- Targets near surface - inexpensive drilling

**World Class Porphyry target**

## Karoo Basin Project Gas

South Africa – 100%

- 95% interest via subsidiary in an application for a permit to explore 3,500km<sup>2</sup> – 870,000 acres
- World class shale gas province ranked eighth largest basin for reserves globally with recoverable resource estimated at 390 trillion cubic feet (tcf) (US EIA, June 2013)
- Challengers' application is centered on the 1968 discovery well
- Only other applicants in the fairway are Shell and Chevron

**>7 tcf risked recoverable**

<sup>1</sup> to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 22 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impact on the reliability of the estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 22 2019 continues to apply and is not materially changed.

## 2. Corporate Overview

ASX Ticker	CEL
Re-compliance Share Price	3.0c
<b>Current Shares on Issue</b>	<b>466m</b>
Hualilan Project Acquisition Shares	65m
Vendor Performance Shares	120m
Unlisted Options (4c)	87.6m
<b>Fully Diluted</b>	<b>738m</b>
<b>Undiluted Market Cap</b>	<b>A\$14.9m</b>
<b>Fully diluted Market Cap</b>	<b>A\$20.1m</b>
<b>Cash at bank</b>	<b>A\$4.0m</b>



**Fletcher Quinn**  
Chairman

Over 35 years experience in venture capital, corporate finance and investment banking.

Extensive experience with both listed and unlisted companies, including public company development, management and governance.

Fletcher was the foundation chairman for Citadel Resources and remained as a Board member for the majority of Citadel's history prior to it being taken over for A\$1Bn



**Kris Knauer**  
CEO

Kris 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 : CDG) becoming the founding Managing Director.

Citadel completed a DFS on the Jabal Sayid copper project in Saudi Arabia prior to it being taken over.



**Scott Funston**  
CFO

Scott is a qualified Chartered Accountant and Company Secretary/CFO with nearly twenty years' experience in the mining industry.

His expertise is financial management, regulatory compliance and corporate advice.

Most recently he was CFO and Company Secretary of Avanco Resources where he was responsible for the financial component of the Avanco Resources Definitive Feasibility Study on the Antas Project.



**Stuart Munroe**  
Exploration Manger

Stuart has joined Challenger Exploration from SRK Consulting where he was Principal Consultant (Project Evaluations).

As a geologist, with over 25 years experience, he was involved in detailed studies of controls on mineralisation, resource model assessment, and strategic planning.

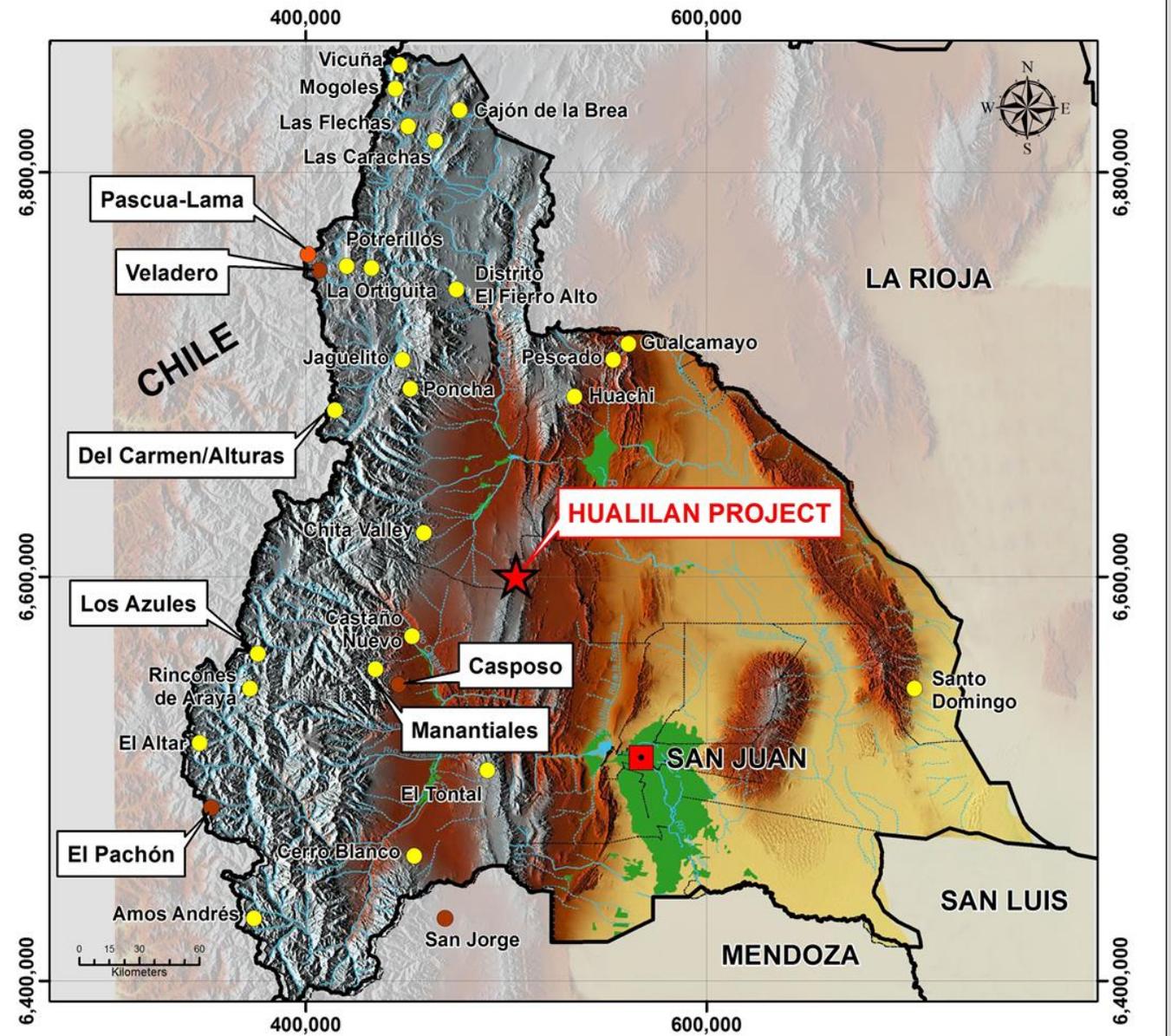
Stuart has extensive experience in the mining industry including roles as Exploration Manager for ASX Listed companies.

Shareholder	Shares	(%)
Top 20 Shareholders	227,971,830	48.9
Moneybung Pty Ltd	39,308,332	8.4
HSBC Custody Nominees	19,657,225	4.2
Strandline Investments Pty Ltd	19,100,000	4.1
Eastern Capital Group LLC	18,738,205	4.0
Domaevo Pty Ltd	12,776,666	2.7

# 3(a). Hualilan Gold Project - Project Overview

## Hualilan Gold Project – earning 75%

- **First drilling program started 10 days ago**
- High grade - historic resource plus 12g/t gold
- Locked up in a dispute and idle for last 15 years
- Located in San Juan Province Argentina which is the leading mining province in Argentina
- Tenure consists of granted mining leases and surrounding 26 km<sup>2</sup> EL Application
- 4x4 metre production decline and 2 production drives installed in 1999 and never used
- **Targeting low cost production with short payback**



# 3(b). Hualilan Gold Project – Historical Exploration



## Extensive geological database

- Skarn/Manto deposit in Ordovician sediments associated with a porphyry intrusive
- Resource level underground mapping/sampling
- Regional geological mapping and sampling
- 188 drill holes for 15,023m from the 1980's with the most recent drilling in 2006
- Typical historical drill intersections:
  - 2-5m @ 10-20 g/t Au, 40-100 g/t Ag, 1-2% Zn
  - some very high grades (plus 100 g/t Au)
- Foreign resource estimate of 627,000 Oz Au at 13.7 g/t Au open in most directions
- Metallurgical work (completed 1999) demonstrates 80% recoveries of gold and silver via flotation plus production of a ~ 50% zinc concentrate stream

## Foreign Resource Estimate for the Hualilan Project (La Mancha Resources 2003)

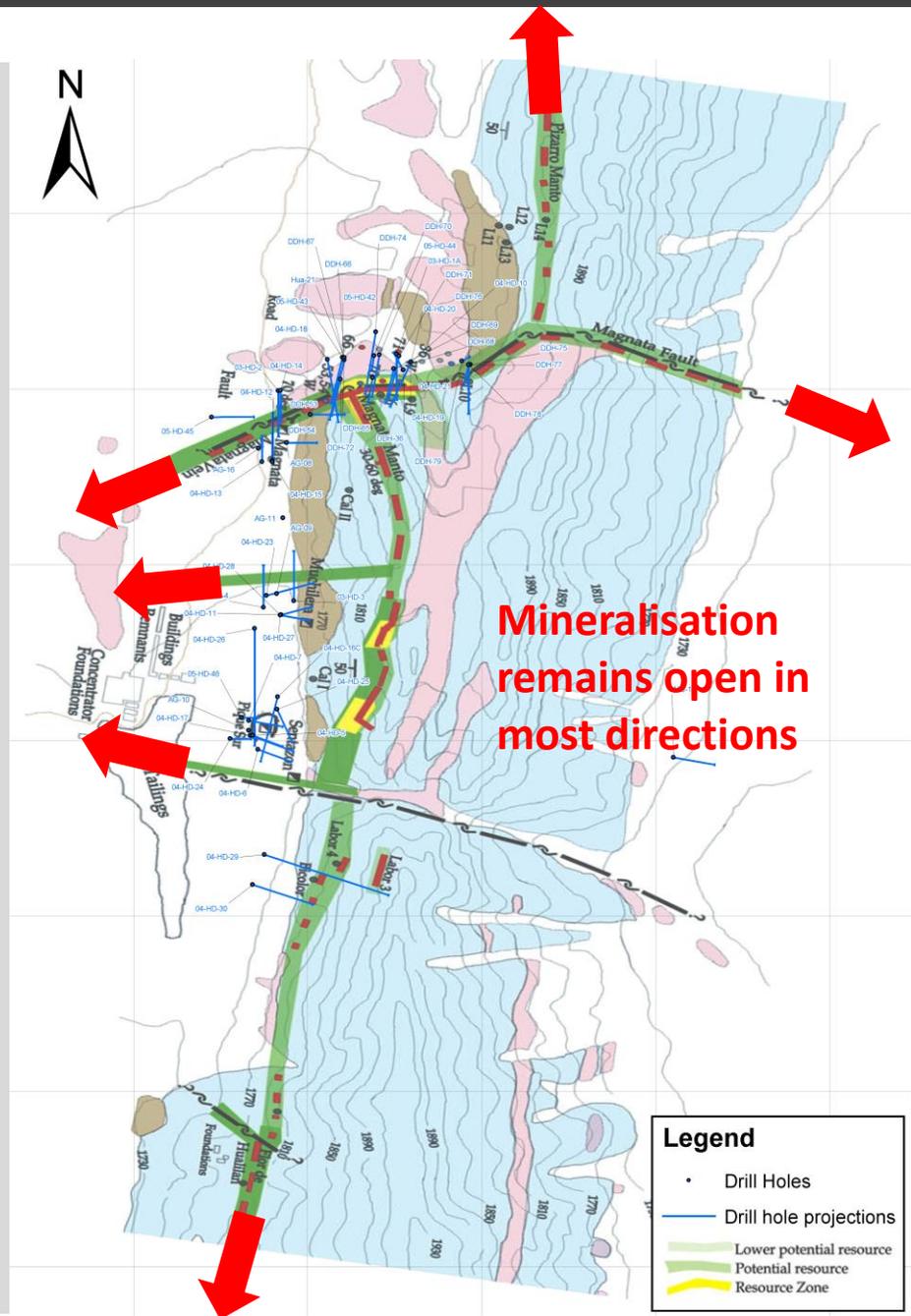
Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (koz)
Measured	218	14.2	100
Indicated	226	14.6	106
<b>Total of Measured &amp; Indicated</b>	445	14.4	206
Inferred	977	13.4	421
<b>Total of Measured, Indicated &amp; Inferred</b>	<b>1,421</b>	<b>13.7</b>	<b>627</b>

*Source: La Mancha Resources Toronto Stock Exchange Release dated 14 May 2003 – Independent Report on Gold Resource Estimate. Rounding errors may be present. Troy ounces (oz) tabled here.*

For details of the foreign non-JORC compliant resource and to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 22 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impact on the reliability of the estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 22 2019 continues to apply and is not materially changed

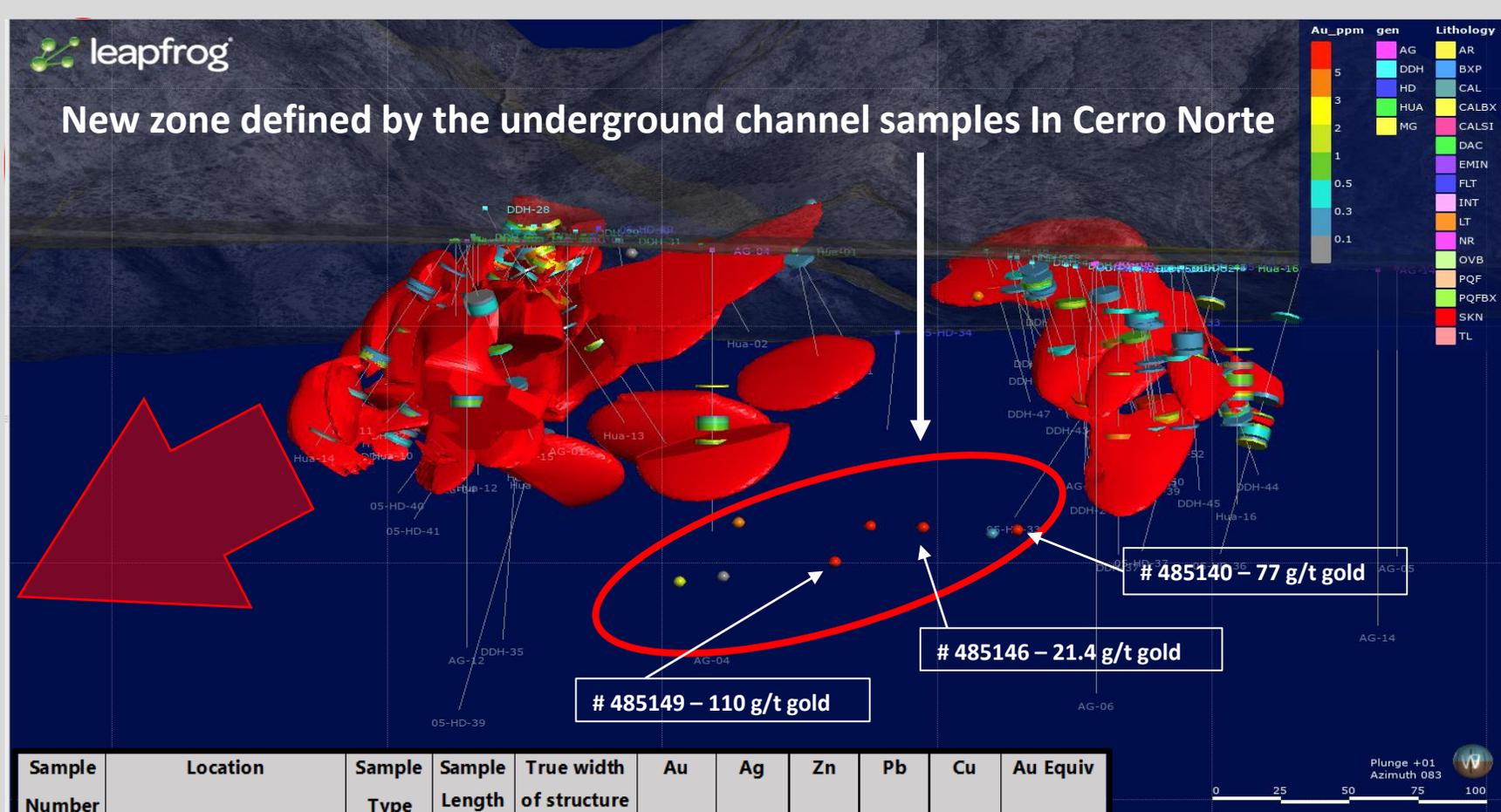
# 3(c). Hualilan Gold Project – Recent Work

- Program of 71 underground channel and bulk samples validated historical results:
  - 201 g/t Gold, 1560 g/t Silver and 3.3% in a broader 5m zone grading 52.2 g/t Gold, 410g/t Silver and 6.1% Zinc -5m channel sample
  - 132 g/t Gold, 65.0 g/t Silver and 0.7% Zinc -0.6m channel sample
  - 110 g/t Gold, 41.0 g/t Silver and 0.8% Zinc - 1 metre channel sample
- Channel sampling was designed to provide a representative grade of the mineralisation
- Average grade of all 70 bulk samples was 15.0 g/t gold, 75.5 g/t silver, and 6.8% Zn
- Grades consistently 20% above historical resource grades
- Potential for bulk tonnage mineralisation with grab sampling of outcropping porphyry's adjacent to the higher-grade zones returning results of 0.8 g/t and 0.5 g/t gold, and 0.8 g/t gold + 10 g/t silver
- New 3D – Geological Model recently completed
- Re-surveying all drill collars underway prior to drilling





# 3(c). Hualilan Gold Project – Recent Work



## New Zone at Depth

- All eight channel samples in the main decline returned significant mineralisation.
- Define a new high-grade zone beneath the deepest known mineralisation which extends at least 100m down plunge and remains open.
- Sample 485149 returned 110 g/t Au, 41.0 g/t Ag from a section of the Main Manto which has a true width of 1.5m.
- Sample 485146 which returned 21.4 g/t Au, 106 g/t Ag, 18.2% Zn was taken from a section of the main manto which had a true width of 4m.

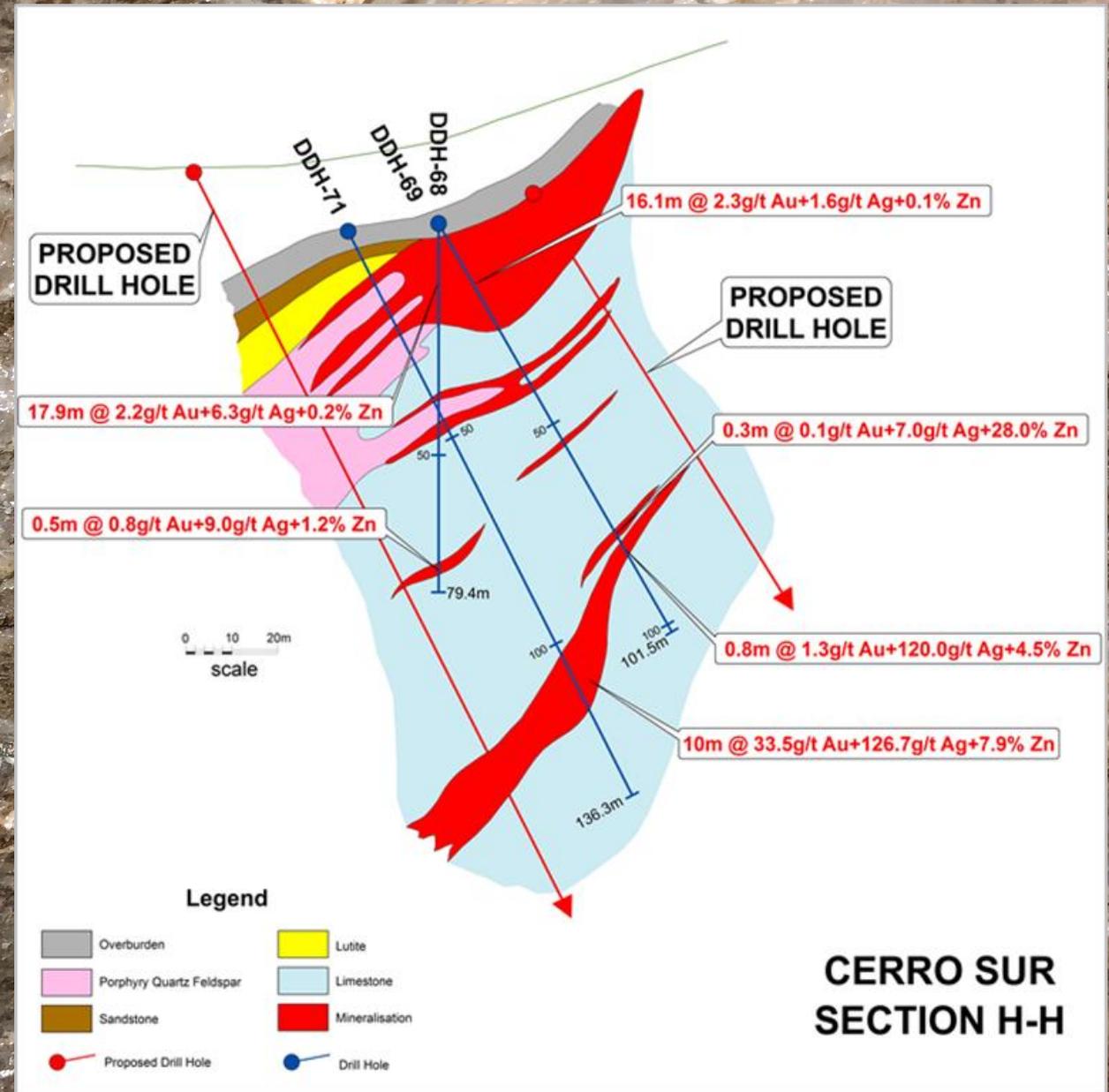
Sample Number	Location	Sample Type	Sample Length (m)	True width of structure (m)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au Equiv (g/t)
485140	Main Manto	Channel	1.2	1.2	77.7	125.0	2.13	1.64	0.12	80.6
485141	Main Manto	Channel	1	1.2	0.0	66.0	42.53	0.71	4.00	31.9
485142	Main Manto	Channel	1.	2	2.0	89.0	7.18	0.35	3.26	12.0
485145	Main Manto	Channel	1	1.5	0.2	48.0	9.45	0.68	0.78	7.5
485146	Main Manto	Channel	1	4	21.4	106.0	18.20	5.87	1.75	36.0
485147	Main Manto	Channel	1	2	13.4	17.0	7.33	0.06	0.23	18.3
485148	Main Manto	Channel	1	1.5	4.4	22.0	34.15	2.15	0.87	26.4
485149	Main Manto	Channel	1	1.5	110.0	41.0	0.77	1.07	0.05	111.0

# 3(d). Hualilan Gold Project - Project Execution

## Hualilan Gold Project

**Aim : Redefine scope to target early cashflow**

- ✓ Reinterpret all existing data and generate 3D model
- ✓ Structural interpretation and alteration mapping using high resolution satellite data
- ✓ Initial 2000m drill program comprising resource extension/infill drilling – **started 10 days ago**
- Field mapping program targeting extensions of known mineralisation – **4Q CY2019**
- Metallurgical test work - last work, done 20 years ago, indicated 80% recoveries of Au and Ag – **Q1 2020**
- Detailed underground mapping/channel sampling to support JORC Resource - **4Q CY2019 and Q1 2020**
- JORC Resource – **H1 CY2020**
- Preliminary Economic Assessment – **start H1 CY2020**

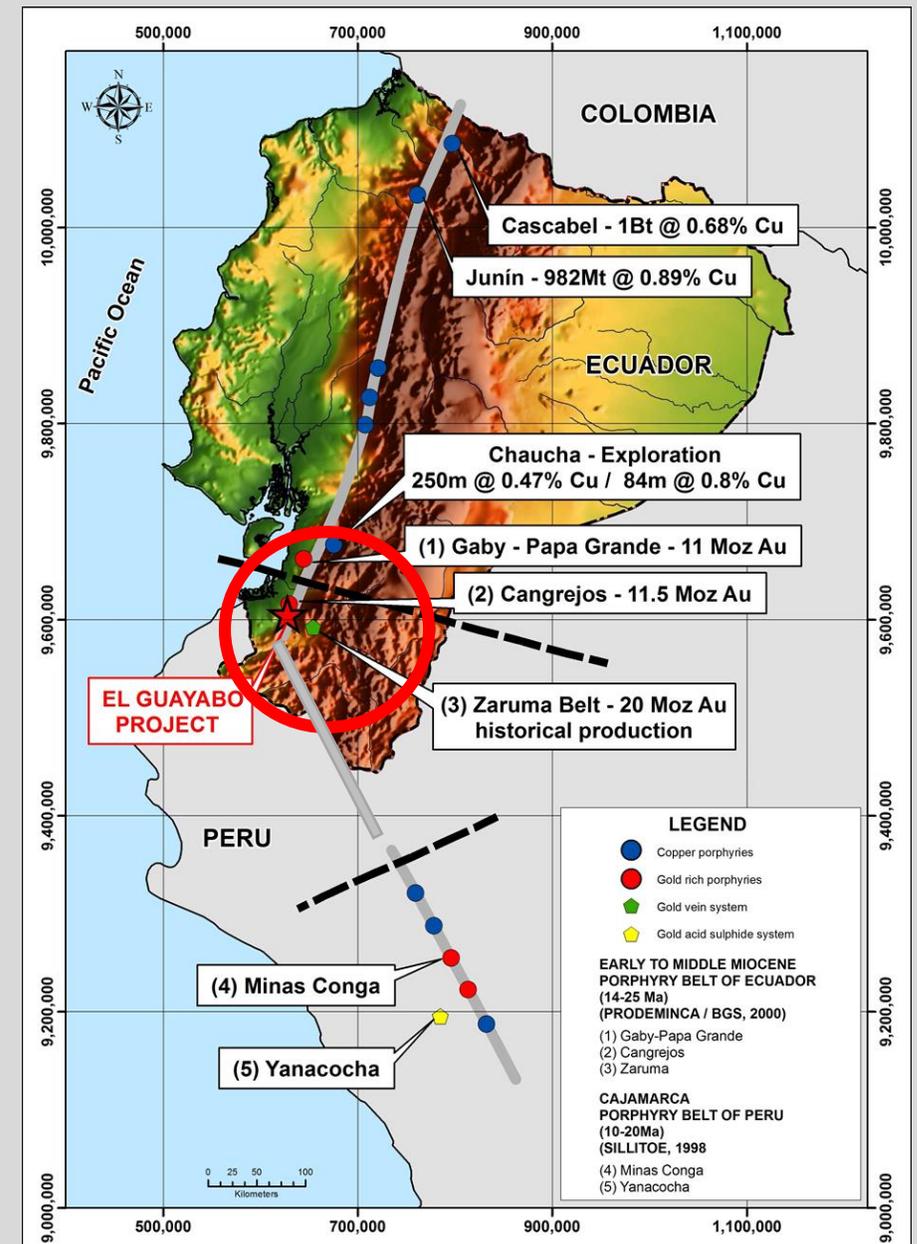


**CERRO SUR  
SECTION H-H**

# 4(a). El Guayabo Gold/Copper Project – Project Overview

## El Guayabo Project – Ecuador (earning 100%)

- 10km along strike from a 10 million ounce orebody
- A scout drilling program 25 years ago defined multiple targets which were never followed up:
  - Additional high-grade breccia hosted mineralisation at depth
  - Extensive flat lying late stage vein system (1-3m at 10-20g/t Au) never drilled
  - Porphyry system never tested at depth – near surface
- Substantial historical drilling results including:
  - ✓ 156m @ 2.6 g/t Au + 9.7 g/t Ag + 0.2% Cu
  - ✓ 112m @ 0.6 % Cu + 0.7 g/t Au + 14.7 g/t Ag
  - ✓ 116m @ 0.4% Cu + 0.6 g/t Au + 8.9 g/t Ag
  - ✓ 215m @ 0.4% Cu + 0.2 g/t Au + 9.6 g/t Ag
- Extensive exploration over the past 12 months to generate targets for drilling post IPO:
  - ✓ Re-logged 5000m core (re-assayed 1000m)
  - ✓ Extensive mapping and sampling program
  - ✓ 16 km<sup>2</sup> soil and MMI survey – Feb 2019
  - ✓ 16 km<sup>2</sup> 3D MT survey (plus IP) – April 2019



# 4(b). El Guayabo Gold/Copper Project – Historical Exploration

## Sufficient historical exploration to confirm opportunity

- Newmont (1994-95) and Odin (1996-97) were focused on open cut gold and elsewhere
- Programs were designed and directed by local geologists with no porphyry experience
- Logs not of a standard expected in exploration
- Many of the holes terminated prior to target and many ended in ore grade mineralisation
- Three drill holes ended in +3 g/t gold mineralisation which was never followed up
- Initial holes assayed for gold only (250m @ 0.4g/t Au + logged chalcopyrite never followed up)
- Only 3 of 33 holes were deep enough to tag the top of the porphyry – all mineralised
- Drilling 100-250m with the deepest hole 352m – best Cangrejos intersections +400m

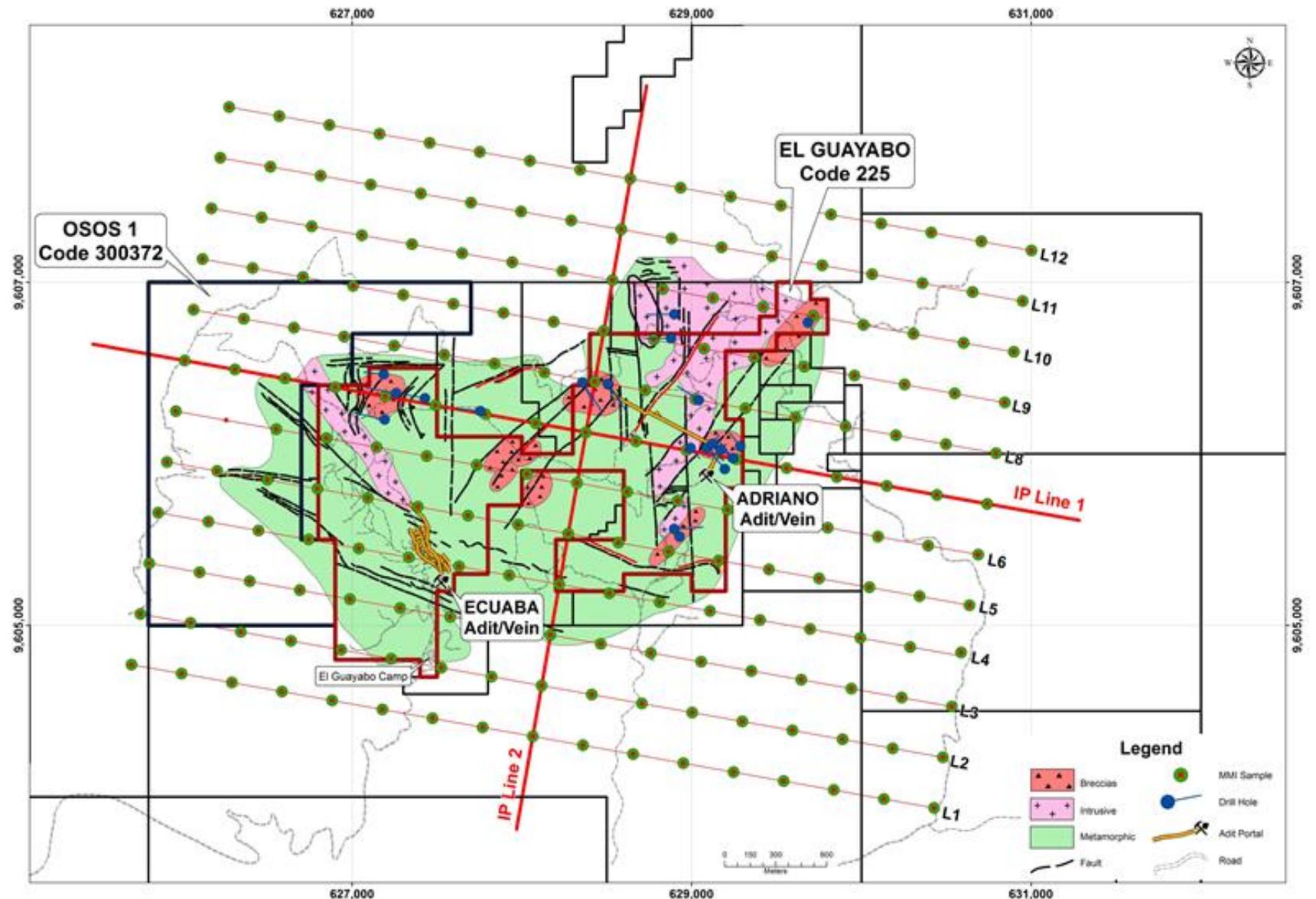
Table Showing Selected Drilling Results from Newmont Exploration

Drillhole (#)		Mineralised Inter		Total (m)	Gold (g/t)	Ag (g/t)	Cu (%)
		From	To				
JDH-002	from	7.6	152.9	<b>145.3 m @</b>	<b>0.4 g/t Au +</b>	<b>not assayed</b>	
	and	199	243	<b>44.0 m @</b>	<b>0.4 g/t Au +</b>	<b>not assayed</b>	
JDH-006	from	164.8	281	<b>116.2 m @</b>	<b>0.6 g/t Au +</b>	<b>8.9 g/t Ag</b>	<b>0.40 % Cu</b>
	and	227.8	281.09	<b>53.3 m @</b>	<b>1.2 g/t Au +</b>	<b>13.2 g/t Ag</b>	<b>0.62 % Cu</b>
JDH-009	from	10.3	122.03	<b>111.7 m @</b>	<b>0.7 g/t Au +</b>	<b>14.6 g/t Ag</b>	<b>0.58 % Cu</b>
	inc	34.6	91.54	<b>56.9 m @</b>	<b>0.2 g/t Au +</b>	<b>19.1 g/t Ag</b>	<b>0.82 % Cu</b>
JDH-013	from	53.35	69.6	<b>16.3 m @</b>	<b>0.5 g/t Au +</b>	<b>1.2 g/t Ag</b>	<b>0.01 % Cu</b>
	and	89.9	154.9	<b>65.0 m @</b>	<b>1.4 g/t Au +</b>	<b>2.8 g/t Ag</b>	<b>0.06 % Cu</b>
	inc	114.32	142.76	<b>28.4 m @</b>	<b>2.8 g/t Au +</b>	<b>4.9 g/t Ag</b>	<b>0.10 % Cu</b>
GGY-002	from	9.7	166	<b>156.3 m @</b>	<b>2.6 g/t Au +</b>	<b>9.7 g/t Ag</b>	<b>0.16 % Cu</b>
	inc	27	102	<b>75.0 m @</b>	<b>4.6 g/t Au +</b>	<b>19.1 g/t Ag</b>	<b>0.22 % Cu</b>
GGY-005	from	12	162	<b>150.0 m @</b>	<b>0.4 g/t Au +</b>	<b>11.0 g/t Ag</b>	<b>0.30 % Cu</b>
	inc	14	54	<b>40.0 m @</b>	<b>0.6 g/t Au +</b>	<b>25.5 g/t Ag</b>	<b>0.60 % Cu</b>
GGY-010	from	0	69	<b>69.0 m @</b>	<b>1.6 g/t Au +</b>	<b>2.3 g/t Ag</b>	<b>0.03 % Cu</b>
	inc	21	50	<b>29.0 m @</b>	<b>2.9 g/t Au +</b>	<b>2.7 g/t Ag</b>	<b>0.03 % Cu</b>
GGY-011	from	14	229	<b>215.0 m @</b>	<b>0.2 g/t Au +</b>	<b>9.6 g/t Ag</b>	<b>0.36 % Cu</b>
	inc	14	97	<b>83.0 m @</b>	<b>0.2 g/t Au +</b>	<b>14.9 g/t Ag</b>	<b>0.50 % Cu</b>
	inc	202	229	<b>27.0 m @</b>	<b>0.4 g/t Au +</b>	<b>15.2 g/t Ag</b>	<b>0.80 % Cu</b>

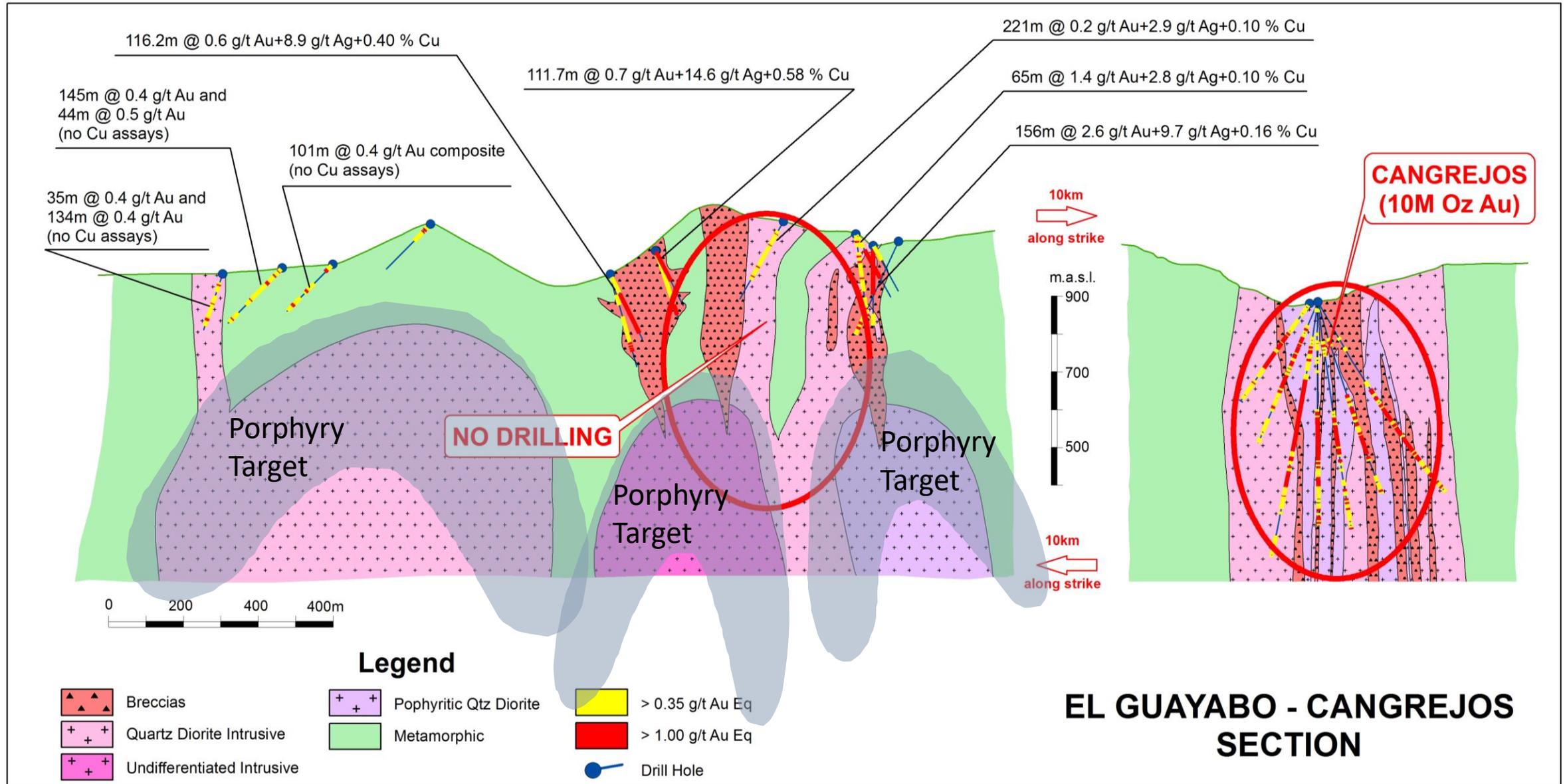
# 4(c). El Guayabo Gold/Copper Project – Recent Exploration

## Recent Exploration work

- 3D MT Survey (with IP test lines) covering 16 km<sup>2</sup> completed in April 2019
- MMI sampling program covering 16 km<sup>2</sup> completed in June 2019
- Extensive surface and alteration mapping program along the MT and MMI lines:
  - resulted in new geological model
  - identified a number of targets for follow up
  - identified surface mineralisation above geophysical anomalies
  - large backlog of assay results pending
- This work has allowed better targeting of additional ground for acquisition



# 4(c). El Guayabo Gold/Copper Project – Geological Model

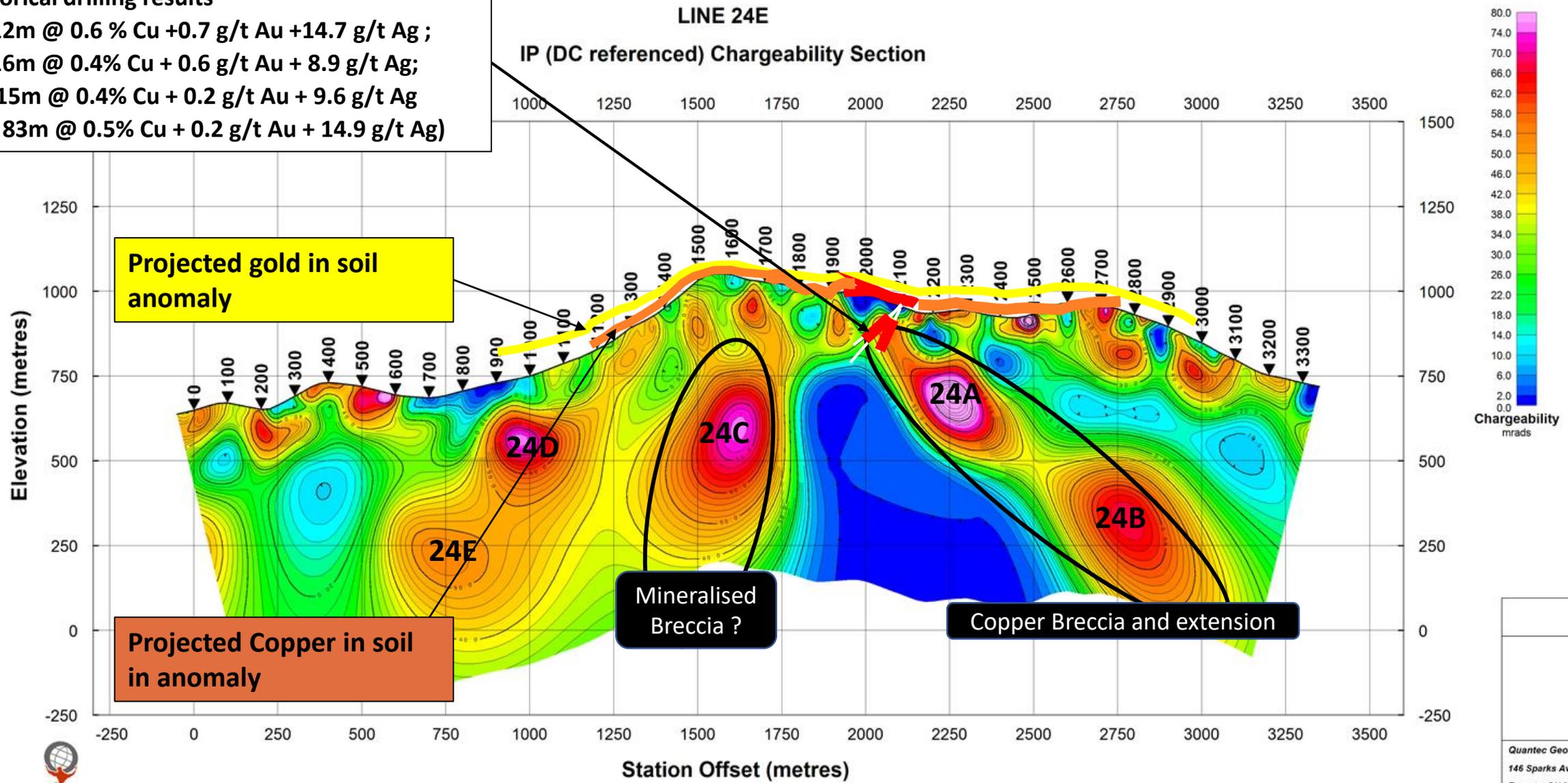


# 4(c). El Guayabo Gold/Copper Project – Geophysics Program

**Historical drilling results**

- 112m @ 0.6 % Cu + 0.7 g/t Au + 14.7 g/t Ag ;
- 116m @ 0.4% Cu + 0.6 g/t Au + 8.9 g/t Ag;
- 215m @ 0.4% Cu + 0.2 g/t Au + 9.6 g/t Ag  
(inc 83m @ 0.5% Cu + 0.2 g/t Au + 14.9 g/t Ag)

**LINE 24E**  
IP (DC referenced) Chargeability Section



**Projected gold in soil anomaly**

**Projected Copper in soil in anomaly**

**Mineralised Breccia ?**

**Copper Breccia and extension**

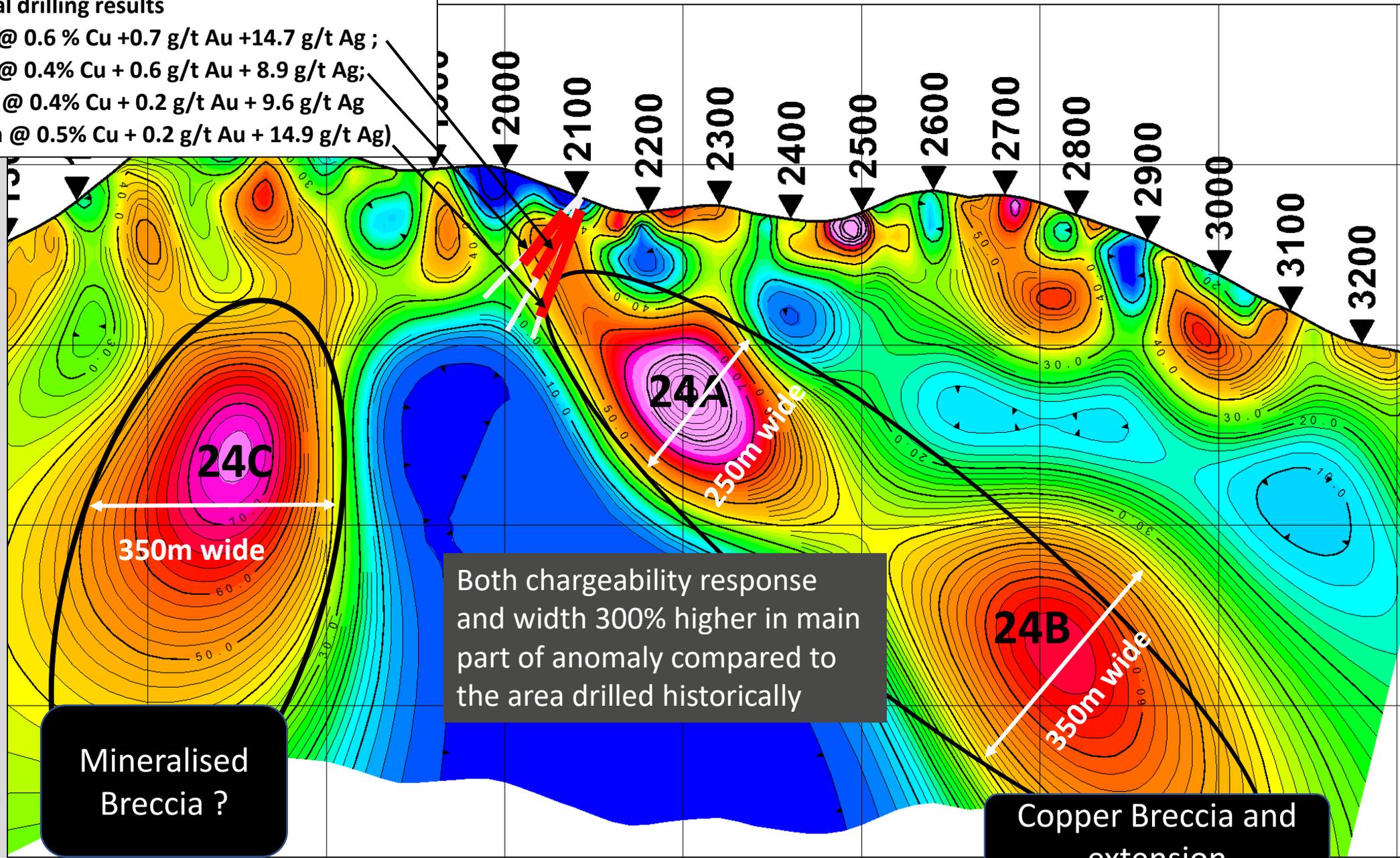


Quantec Geo:  
146 Sparks Av  
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# 4(c). El Guayabo Gold/Copper Project – Recent Exploraiton

## Historical drilling results

- 112m @ 0.6 % Cu + 0.7 g/t Au + 14.7 g/t Ag ;
- 116m @ 0.4% Cu + 0.6 g/t Au + 8.9 g/t Ag;
- 215m @ 0.4% Cu + 0.2 g/t Au + 9.6 g/t Ag  
(inc 83m @ 0.5% Cu + 0.2 g/t Au + 14.9 g/t Ag)



Mineralised Breccia ?

Both chargeability response and width 300% higher in main part of anomaly compared to the area drilled historically

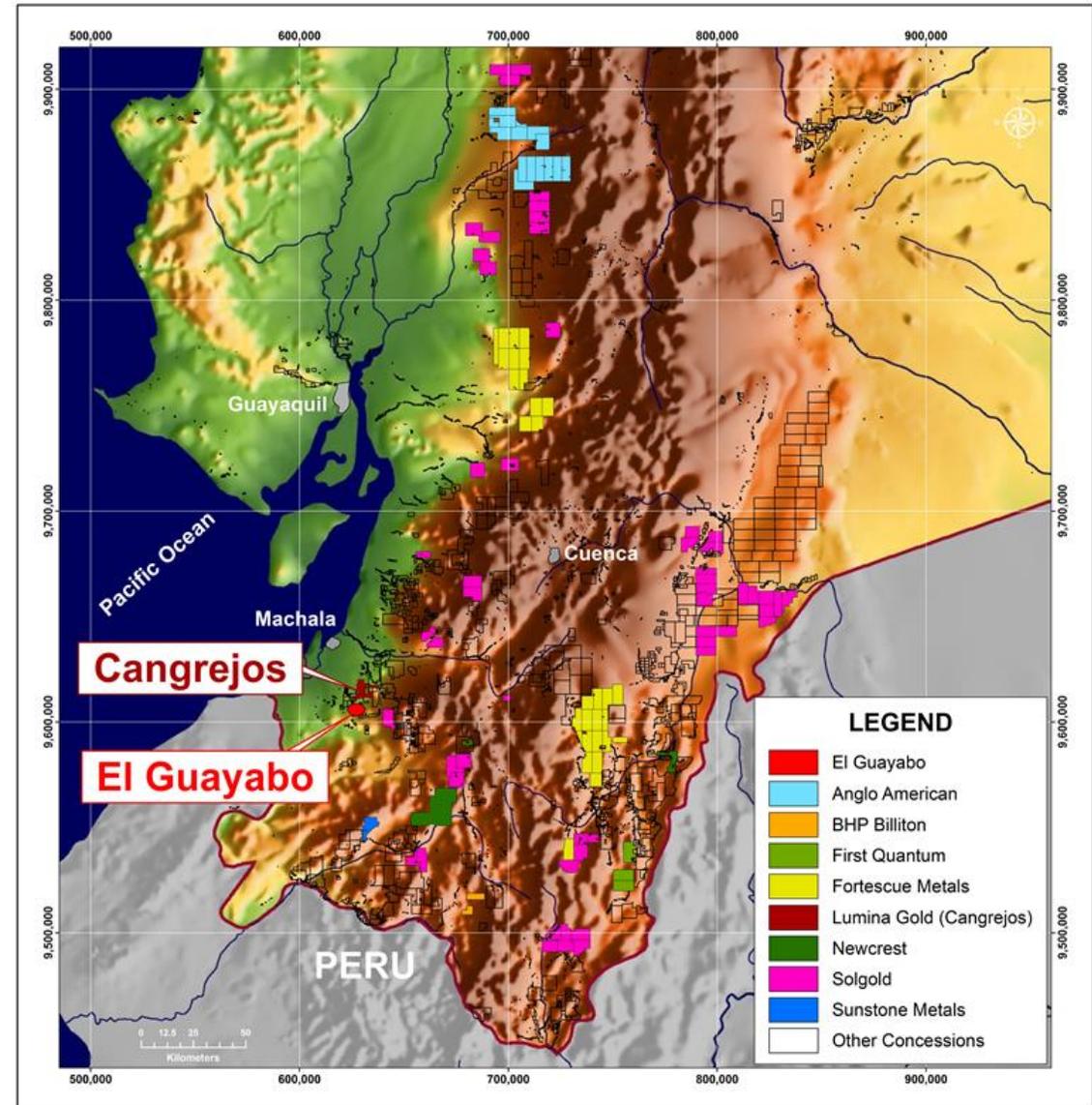
Copper Breccia and extension

# 4(d). El Guayabo Gold/Copper Project – Project Execution

## El Guayabo Gold/Copper Project

### Define targets and complete first drilling

- ✓ Channel sampling of the adit and artisanal workings > 1km of underground exposure of the system which has never been systematically mapped or sampled
- ✓ Program of acquisition to significantly increase ground position – **advanced discussions ongoing**
- Sampling of additional breccia bodies – only 2 of the 11 known breccias have been systematically defined and properly sampled - **ongoing**
- Systematic channel sampling of newly identified high grade gold target – **results pending**
- Advanced geophysical modelling including constrained inversions - **underway**
- Rock saw/surface trenching of key zones of interest – **Q4 CY2019**
- Program of follow-up IP prior to drilling – **Q4 CY2019**
- First drilling program – **late CY2019/early 2020**

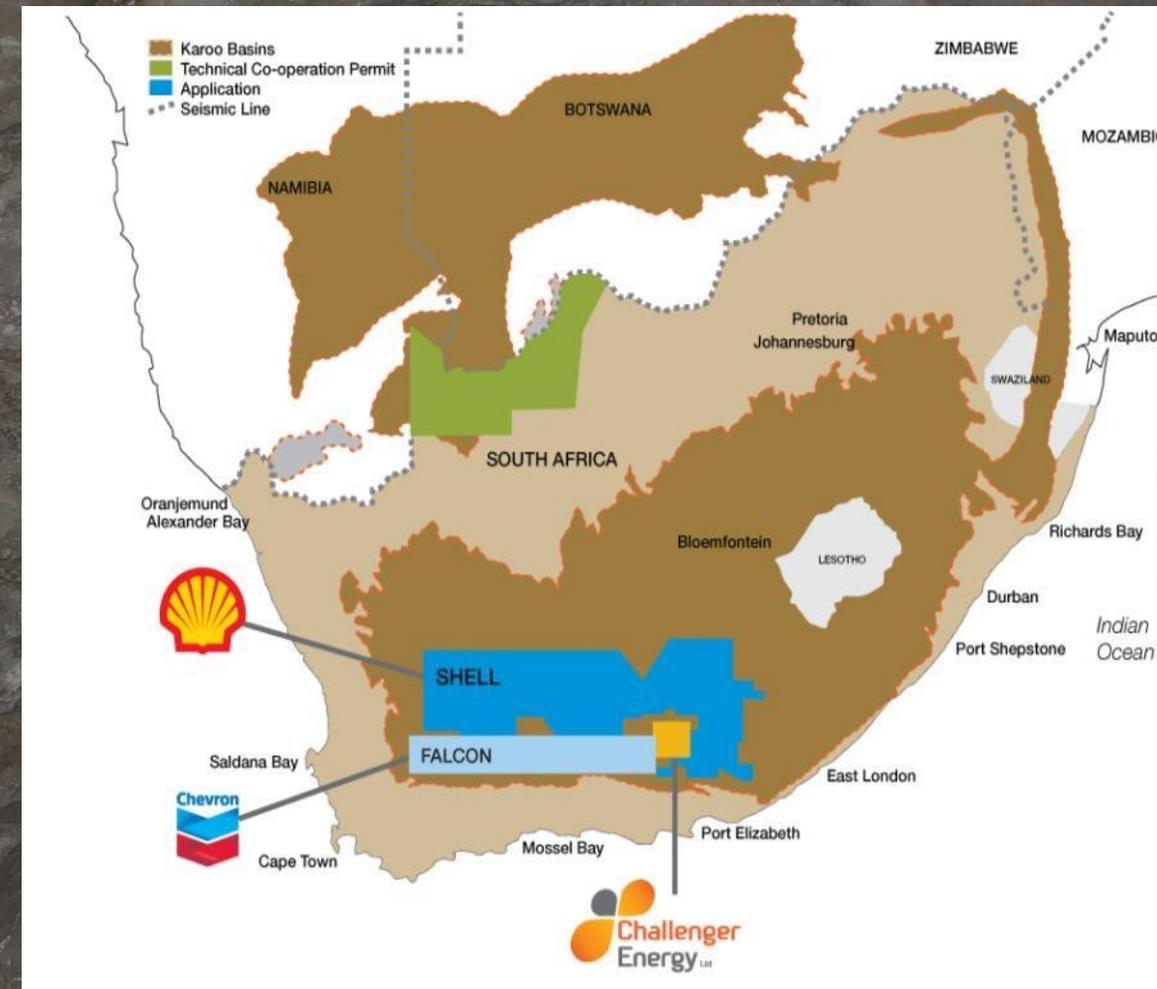


# 5. Karoo Basin Gas Project – Project Overview

## Karoo Basin Project - (Shale Gas) South Africa – 100%

- World-class shale gas province
  - recoverable resource estimate: 390 trillion cubic feet (tcf) (US EIA, June 2013)
  - ranked eighth-largest basin for shale gas reserves globally
- Significant Gas Resource
  - EIA study implies **>7 tcf risked recoverable in CEL's permit area**
  - Woodside's Pluto LNG project has reserves of 5 tcf
- Challenger had first mover advantage
  - 1 million acre application centred on the 1968 discovery well
  - Only other applicants in the fairway are Shell and Chevron

**zero cost wildcard asset**



## 6. Summary



- Three world class projects with significant potential
- Historical resource, exploration potential and in place infrastructure at Hualilan Gold Project
- Targeting near term cashflows at Hualilan Gold Project
- Exciting near surface Porphyry targets at El Guayabo
- Wild card gas play in South Africa

**Near term catalysts at Hualilan and El Guayabo projects**



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