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Annual Report

For the 6 Month
Period Ended
31 December 2022

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Corporate Directory

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Company Directors

Fletcher Quinn
Non-Executive Chairman

Kris Knauer
Managing Director

Sergio Rotondo
Executive Director

Scott Funston
Executive Director,
Company Secretary
& Chief Financial Officer

Pini Althaus
Non-Executive Director
Appointed 8 February 2023

Company Secretary

Scott Funston

Registered Office

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1205 Hay Street
West Perth WA 6005

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Auditor

Ernst and Young (EY)

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Steinepreis Paganin

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16 Milligan Street
Perth WA 6000

T + 61 8 9321 4000

Share Registry

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Perth WA 6000

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International

Securities Exchange Listing

Australian
Securities Exchange

ASX Code: CEL

Website

challengerex.com

Chairmans Address

Dear Shareholder,

The past nine months to the end of March 2023 has seen significant progress made by the Company. That includes the commencement of a scoping study and the release of an updated Mineral Resource Estimate (MRE) at Hualilan, Argentina and significant assay results from our projects in Ecuador.

Challenger continues to make considerable progress on its growth strategy, with our updated MRE providing a solid platform for the commencement of a Scoping Study, and following that, a Pre-Feasibility Study as we aspire to become a mid-tier mining operation at Hualilan.

At our Argentinian Hualilan Gold Project, we achieved many significant outcomes:

- An updated MRE based on approximately 220,000 metres of drilling was completed in March 2023 which increased from 2.1 million ounces gold equivalent to 2.8 million ounces gold equivalent.
- Importantly, there is a significant high-grade component of this MRE, conveyed by the comparison of the 2022 MRE to the higher grade 2.1 Moz AuEq component in the 2023 MRE:
 - Upgraded 2023 MRE: **2.1 Moz at 3.1 g/t AuEq¹** (1.0 g/t AuEq cut-off)
 - Maiden 2022 MRE: **2.1 Moz at 1.4 g/t AuEq¹** (0.25 g/t AuEq cut-off)

- Drilling post CEL's Maiden Mineral Resource Estimate (MRE) of 2.1 million ounces (AuEq)¹ continued to significantly expand the mineralisation with results including:
 - 50.0m at 3.4 g/t AuEq¹ – 2.4 g/t Au, 16.8g/t Ag, 1.8% Zn from 441.0m including,
 - 40.0m at 4.2 g/t AuEq¹ – 2.9 g/t Au, 20.9 g/t Ag, 2.2% Zn from 441.0m including,
 - 22.5m at 7.0 g/t AuEq¹ – 4.8 g/t Au, 33.5 g/t Ag, 3.8% Zn from 456.5m (GNDD-316 ext)
 - 65.3m at 2.4 g/t AuEq¹ – 2.3 g/t Au, 1.7 g/t Ag, 0.2% Zn from 209.0m and
 - 12.2m at 11.0 g/t AuEq¹ – 10.1 g/t Au, 11.7 g/t Ag, 1.5% Zn from 324.9m(GNDD-684)
 - 16.5m at 5.9 g/t AuEq¹ – 4.1 g/t Au, 18.9 g/t Ag, 3.4% Zn from 53.0 including,
 - 10.5m at 9.3 g/t AuEq¹ – 6.5 g/t Au, 29.6 g/t Ag, 5.3% Zn from 59.1m (GNDD-670),
 - 94.0m at 0.7 g/t AuEq¹ – 0.6 g/t Au, 1.2 g/t Ag, 0.1% Zn from 17.0m and
 - 45.0m at 0.7 g/t AuEq¹ – 0.5 g/t Au, 6.3 g/t Ag, 0.2% Zn from 314.0m (GNDD-661);

- Advances at El Guayabo/Colorado V Gold/ Copper Projects – El Oro, Ecuador included:
 - 11 hole program targeting the final 8 regionally significant Au-soil anomalies completed with all holes intersecting mineralisation and discoveries on 4 of the 8 anomalies.
 - Phase 2 resource drilling commenced at the GY-A and GY-B anomalies with results from the programs including :
 - 778.2 m at 0.3 g/t AuEq²- 0.2 g/t Au, 0.6 g/t Ag, 0.01% Cu, 0.8 ppm Mo from 77.3m including;
 - 171.3m at 0.5 g/t AuEq² - 0.5 g/t Au, 0.9 g/t Ag, 0.01% Cu, 2.1 ppm Mo and;
 - 150.8m at 0.5 g/t AuEq² – 0.4 g/t Au, 0.6 g/t Ag, 0.02% Cu, 3.1 ppm Mo (GYDD-22-019)
 - (First hole CP-A Anomaly – new gold discovery)
- 638.2m at 0.6 g/t AuEq² – 0.3 g/t Au, 2.1 g/t Ag, 0.1 % Cu, 10.5 ppm Mo from 10.1m including;
 - 304.3m at 1.0 g/t AuEq² – 0.5 g/t Au, 3.4 g/t Ag, 0.3 % Cu, 14.5 ppm Mo from 344.0m including;
 - 108.5m at 2.4 g/t AuEq² – 1.3 g/t Au, 7.8 g/t Ag, 0.6% Cu, 20.0 ppm Mo from 344.0m including; 54.2 m at 4.0 g/t AuEq² – 2.2 g/t Au, 12.9 g/t Ag, 1.0% Cu, 24.7 ppm Mo (GYDD-22-024)
- (GY-B Phase 2 drilling – hole ending in mineralisation)

The remainder of 2023 will see Challenger move into our next phase of growth through continuing exploration activities, completion of the Scoping Study in the first half of 2023, and following that our first Feasibility Study.

Finally, I take this opportunity to thank all our shareholders, my fellow board members, the management team, and our dedicated employees for their continued support as we continue towards our goal to become a significant gold producer.

Yours Sincerely,



Fletcher Quinn
Chairman

Directors' Report

The Directors submit the financial report of Challenger Exploration Limited ("the Company") and the entities it controlled during the period ("the Group" or "Challenger"), for the 6 month period ended 31 December 2022.

Directors

The names and details of the Group's Directors who held office during the 6 month period ended 31 December 2022 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Fletcher Quinn

Non-Executive Chairman

Mr Quinn has over 35 years' experience in venture capital, corporate finance and investment banking. This includes extensive experience with both listed and unlisted companies, including public company development, management and governance. Mr Quinn was the founding Chairman for ASX entities Citadel Resource Group and Sirocco Resources.

Kris Knauer BSc Geol (Hons)

(Geological and Earth Sciences, Geosciences)

Managing Director

Mr Knauer 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 Resource Group Ltd, becoming the Managing Director for the first 18 months. Citadel completed a DFS on the Jabal Sayid copper project in Saudi Arabia before being taken over for \$1 billion.

Sergio Rotondo MCom, MBA

Executive Director

Mr Sergio Rotondo has an extensive background in managing billion-dollar construction projects from design through to completion and has partnered with some of Argentina's largest real estate developers and designers. Importantly, Sergio is also the founder of Golden Mining SA, the previous owner of Hualilan Gold Project.

Scott Funston B.Bus, CA, AGIA ACG

Executive Director, Company Secretary and Chief Financial Officer

Mr Funston is a qualified Chartered Accountant and Company Secretary with nearly 20 years' experience in the mining industry and accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr Funston possesses a strong knowledge of the Australian Securities Exchange requirements. Scott has assisted several resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities. Mr Funston has performed roles as an executive director, non-executive director, chief financial officer and company secretary for numerous ASX listed companies.

Pini Althaus MRb

Non-Executive Director
(appointed 8 February 2023)

Mr Althaus is based in New York and has been an Executive in the mining and resource sector since 2002. Mr Althaus was most recently the Founder and Chief Executive Officer of USA Rare Earth, which acquired and developed the Round Top heavy rare earth and critical minerals project in Texas.

As CEO Mr Althaus transformed USA Rare Earth from a resource startup to one of the highest-valued rare earth companies in North America. Under his tenure, USA Rare Earth opened the first rare earth and critical minerals processing facility in North America, located in Colorado, and acquired the only neodymium-iron-boron (NdFeB) permanent magnet manufacturing system in the Americas, formerly owned and operated in North Carolina by Hitachi Metals America, Ltd.

Additionally, Mr Althaus has experience in the gold sector as the former founder and CEO of Dominion Minerals Corp, which acquired and developed the Cerro Corcha Gold / Copper project in Panama. During his tenure as CEO, Dominion defined a significant open-ended gold and copper deposit with a project NPV in excess of US\$500 million.

Mr Funston is currently a Non-Executive Director of Koba Resources Limited (appointed 21 December 2021). Mr Fletcher, Mr Knauer, Mr Rotondo and Mr Althaus have not been a director of any other listed companies in the last 3 years.

Meetings of Directors

During the period, in addition to regular Board discussions, the number of meetings of directors held during the 6 month period ended 31 December 2022 and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr Fletcher Quinn	4	4
Mr Kris Knauer	4	4
Mr Sergio Rotondo	4	4
Mr Scott Funston	4	4
Mr Pini Althaus *	–	–

* Appointed on 8 February 2023 and thus was not a director during the 6 month period ended 31 December 2022

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Corporate Information

Challenger Exploration Limited is a public company listed on the ASX (Code: CEL) and is incorporated and domiciled in Australia.

Nature of Operations and Principal Activities

Challenger Exploration is a gold and copper exploration company. There have been no other significant changes in the nature of those activities during the 6 month period ended 31 December 2022.

Review of Operations

Highlights

- Commencement of Scoping Study for Hualilan Gold Project
- Sentazon Deeps Discovery at Hualilan Gold Project
- Finalisation of updated Mineral Resource Estimate at Hualilan Gold Project
- Further 50,000 metres drilling approved for Hualilan Gold Project
- Continued drilling results extending mineralisation at both Hualilan and El Guayabo Project, Ecuador
- Queens Road Capital Investment Ltd (QRC) financed the Company with a US\$15m private placement of unsecured convertible debentures.

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Company Projects

The Hualilan Gold Project – San Juan, Argentina (CEL 100%) is a high-grade gold and silver prospect associated with a multi-phase porphyry intrusive. It has extensive historical drilling with over 150 drill-holes dating back to the 1970s. There has been limited historical production reported despite having in excess of 6km of underground workings. Prior to the Company the property was last explored in 2006 by La Mancha Resources, a Toronto Stock Exchange listed company. Since July 2019, CEL has completed over 200,000 metres of drilling systematically which has significantly extended the high grade mineralisation and discovered an underlying intrusion-hosted system with significant scale. The high-grade mineralisation at Hualilan now covers 3 kilometres of strike and mineralisation has been defined from surface down to 1000 metres and remains open in all directions. The project has a rare combination of both grade and scale and is emerging as one of the more exciting South American gold discoveries in recent times.

El Guayabo Project Ecuador (CEL 100%): The El Guayabo Project is located in El Oro Province, southern Ecuador, and comprises three contiguous tenements, the El Guayabo, El Guayabo 2, and Colorado V tenements. The Company has drilled fourteen of fifteen regionally significant Au-soil anomalies with over 500 metres of mineralisation intersected in seven of these fourteen anomalies, confirming the potential for a major bulk gold system at the El Guayabo Project.

The Company has completed approximately 40,000 metres of drilling at the project and anticipates the release of a maiden Mineral Resource Estimate in the first half of CY2023.

The El Guayabo Copper-Gold Tenement – El Oro, Ecuador (CEL 100%) Prior to CEL the project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias which demonstrated potential to host significant gold and associated copper and silver mineralisation. 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 confirmed continuous mineralisation over 900 metres strike.

The Colorado V Copper-Gold Tenement – El Oro, Ecuador (CEL earning 50%) adjoins and has the same geology as the El Guayabo Project. The Geology comprises a metamorphic basement intruded by intermediate alkaline intrusives which range in age from 40 – 10 Ma (million years age). The intrusions are commonly overprinted by late porphyry dykes and intrusion breccia suggesting deeper, evolving magmatic systems are feeding shallower systems. The first drill holes by the Company at Colorado V, confirmed two significant Au-Cu-Ag-Mo discoveries. Results included 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 and 570.0m at 0.4 g/t AuEq from surface to the end of the hole including 306.0m at 0.5 g/t AuEq.

The El Guayabo 2 Tenement – El Oro, Ecuador (CEL earning 80%) has the same and continuous geology as CEL's adjoining El Guayabo and Colorado V tenements which are believed to contain a "Low Sulphide" porphyry gold copper system." Limited historical exploration has been undertaken on the tenement, with the work that has been done undertaken by local Ecuadorian groups that targeted high-grade gold. Historical exploration reports record gold mineralisation in intrusive rocks in outcrop.

“ The project has a rare combination of both grade and scale”

Company Projects Highlights

Hualilan Gold Project – San Juan, Argentina

- Drilling post CEL's Maiden Mineral Resource Estimate (MRE) of 2.1 million ounces (AuEq)¹ continued to significantly expand the mineralisation with results Including (Table 4);
 - **50.0m at 3.4 g/t AuEq¹ – 2.4 g/t Au, 16.8g/t Ag, 1.8% Zn from 441.0m including, 40.0m at 4.2 g/t AuEq¹ – 2.9 g/t Au, 20.9 g/t Ag, 2.2% Zn from 441.0m including, 22.5m at 7.0 g/t AuEq¹ – 4.8 g/t Au, 33.5 g/t Ag, 3.8% Zn from 456.5m (GNDD-316 ext)**
 - **65.3m at 2.4 g/t AuEq¹ – 2.3 g/t Au, 1.7 g/t Ag, 0.2% Zn from 209.0m and 12.2m at 11.0 g/t AuEq¹ – 10.1 g/t Au, 11.7 g/t Ag, 1.5% Zn from 324.9m(GNDD-684)**
 - **16.5m at 5.9 g/t AuEq¹ – 4.1 g/t Au, 18.9 g/t Ag, 3.4% Zn from 53.0 including, 10.5m at 9.3 g/t AuEq¹ – 6.5 g/t Au, 29.6 g/t Ag, 5.3% Zn from 59.1m (GNDD-670),**
 - **94.0m at 0.7 g/t AuEq¹ – 0.6 g/t Au, 1.2 g/t Ag, 0.1% Zn from 17.0m and 45.0m at 0.7 g/t AuEq¹ – 0.5 g/t Au, 6.3 g/t Ag, 0.2% Zn from 314.0m (GNDD-661);**
 - Additional 50,000 metre drill program (to take total metres at Hualilan to 250,000 metres) more than 50% complete (assays pending)
 - An updated MRE based on approximately 220,000 metres of assays was completed in March 2023 which increased from 2.1 million ounces gold equivalent to 2.8 million ounces gold equivalent as shown in Table 3. There was a significant the high-grade component of this MRE conveyed by the comparison of the 2022 MRE to the higher grade 2.1 Moz AuEq component in the 2023 MRE¹ (Table 2):
 - Upgraded 2023 MRE: **2.1 Moz at 3.1 g/t AuEq¹** (1.0 g/t AuEq cut-off)
 - Maiden 2022 MRE: **2.1 Moz at 1.4 g/t AuEq¹** (0.25 g/t AuEq cut-off)
 - Scoping Study commenced with Mining Plus appointed as managers for the Study.

¹Gold 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 (see JORC Table 1 Section 3 Metallurgical assumptions) based on metallurgical test work.
- 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.

El Guayabo/Colorado V Gold/Copper Projects – El Oro, Ecuador

- 11 hole program targeting the final 8 regionally significant Au-soil anomalies completed with all holes intersecting mineralisation and discoveries on 4 of the 8 anomalies. Phase 2 resource drilling commenced at the GY-A and GY-B anomalies with results from the programs including (Table 5):
 - 778.2 m at 0.3 g/t AuEq² – 0.2 g/t Au, 0.6 g/t Ag, 0.01% Cu, 0.8 ppm Mo from 77.3m including;
 - 171.3m at 0.5 g/t AuEq² – 0.5 g/t Au, 0.9 g/t Ag, 0.01% Cu, 2.1 ppm Mo and;
 - 150.8m at 0.5 g/t AuEq² – 0.4 g/t Au, 0.6 g/t Ag, 0.02% Cu, 3.1 ppm Mo (GYDD-22-019)
 - (First hole CP-A Anomaly – new gold discovery)
 - 638.2m at 0.6 g/t AuEq² – 0.3 g/t Au, 2.1 g/t Ag, 0.1 % Cu, 10.5 ppm Mo from 10.1m including;
 - 304.3m at 1.0 g/t AuEq² – 0.5 g/t Au, 3.4 g/t Ag, 0.3 % Cu, 14.5 ppm Mo from 344.0m including;
 - 108.5m at 2.4 g/t AuEq² – 1.3 g/t Au, 7.8 g/t Ag, 0.6% Cu, 20.0 ppm Mo from 344.0m including;
 - 54.2 m at 4.0 g/t AuEq² – 2.2 g/t Au, 12.9 g/t Ag, 1.0% Cu, 24.7 ppm Mo (GYDD-22-024)
 - (GY-B Phase 2 drilling – hole ending in mineralisation)

²Gold Equivalent (AuEq) values - Requirements under the JORC Code

- Assumed commodity prices for the calculation of AuEq is Au US\$1780 Oz, Ag US\$22 Oz, Cu US\$9,650/t, Mo US\$40,500/t
- Metallurgical recoveries are estimated to be Au (85%), Cu (85%), Ag (60%) Mo (50%) across all ore types.
- The formula used: $AuEq (g/t) = Au (g/t) + [Ag (g/t) \times (22/1780)] + [Cu (\%) \times (9650/100 \times 31.1/1780)] + [Mo (\%) \times (40500/100 \times 31.1/1780)]$
- CEL confirms that it is the Company's opinion that all the elements included in the metal equivalents calculation have reasonable potential to be recovered and sold.



Corporate

The Group has changed its financial year from 30 June to 31 December and will hold an Annual General Meeting by the end of May 2023. The subsequent financial years for Challenger and its subsidiaries will run from 1 January to 31 December.

Queens Road Capital Investment Ltd (QRC) financed the Group with a US\$15m private placement of unsecured convertible debentures ("**Debentures**"). The Debentures are convertible into fully paid ordinary shares in CEL ("**Shares**") at a price of **\$0.25**, a 30% premium to the 5-day volume weighted average price ("**VWAP**") prior to 2 September 2022. Additionally, the Group's largest institutional shareholder invested pro-rata to its 12% shareholding via an AUD\$2.6m placement at \$0.19.

QRC is a leading resource-focused investment company based in Hong Kong and listed on the main board of the Toronto Stock Exchange ("**TSX**"). QRC acquires and hold securities for long-term capital appreciation, with a focus on convertible debt securities and resource projects in advanced development or production located in safe jurisdictions.

The funding allows the completion of several important and value accretive milestones including; an updated Mineral Resource Estimate and Scoping Study at Hualilan; an additional 50,000m of drilling at Hualilan; and an additional 25,000m drilling and a maiden Mineral Resource Estimate at El Guaybo in Ecuador.

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Hualilan Gold Project, Argentina

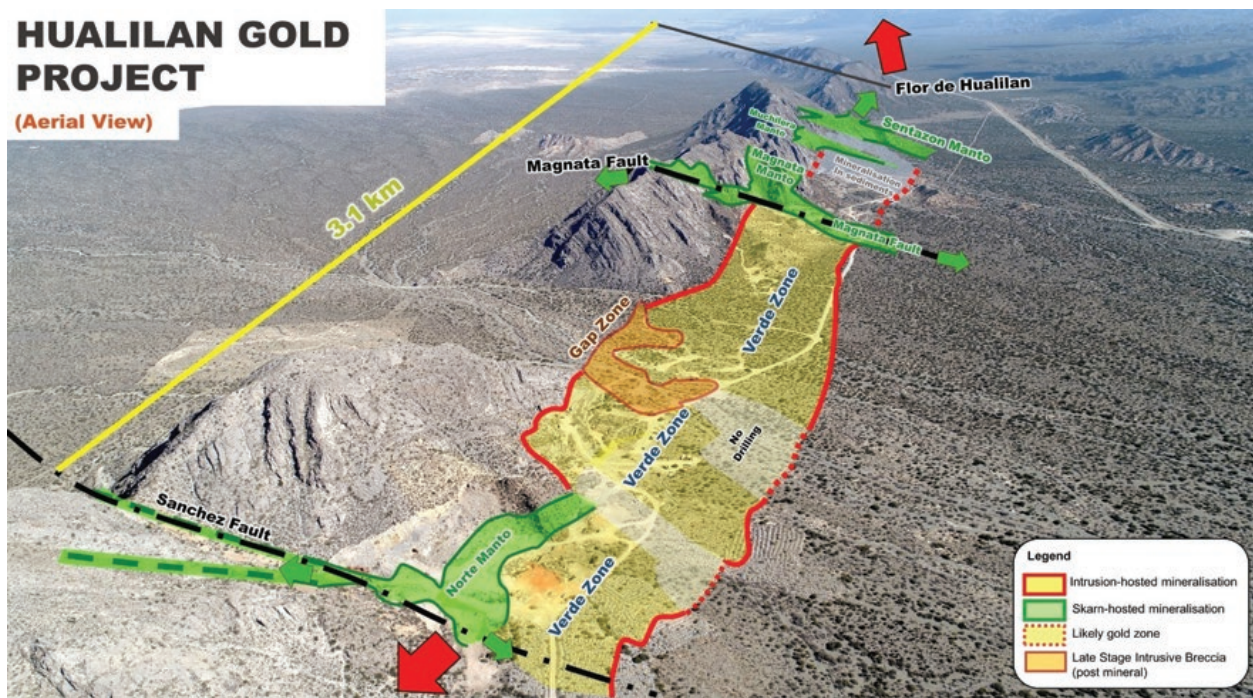


Figure 1 – Hualilan Project and surrounds

During the period, the Group released results from the ongoing drill program targeting extensions to the 2020 2.1 million ounce AuEq¹ Mineral Resource Estimate (“MRE”). Highlights from the results reported during the period comprised the first drilling at Sentazon Deeps, a new high-grade zone of mineralisation below the main Manto and Footwall Zone, mineralisation; extension drilling at Sentazon; holes targeting extensions on the Magnata Fault; and both infill and extension drilling on the Verde Zone.

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Growth Potential from Drill intercepts that have not impacted the MRE

The 2022 MRE was based on approximately 125,000 metres of drilling. In March 2023 CEL upgraded MRE which significantly increased both total ounces and the high-grade component of the MRE. Total ounces increased from 2.1 million ounces gold equivalent to 2.8 million ounces gold equivalent as shown in Table 1.

The high-grade component of the included 2.1 million ounces at 3.1 g/t AuEq (reported at a 1.0 g/t AuEq cut-off) which includes a high-grade core of 1.6 million ounces at 5.0 g/t AuEq (reported at a 2.0 g/t AuEq cut-off) which will drive economics and provide significant flexibility (Table 3).

Importantly mineralisation has not been closed off and mineralisation remains open in most directions and there is clear potential for the MRE to continue to grow via extension drilling.

The Company was most pleased with the significant increase in the high-grade component of MRE. This significant increase in the grade, and the quality of the updated 2023 MRE is evident when the higher grade 2.1 Moz AuEq in 2023 MRE is compared to the 2022 MRE.

- **2022 MRE: 2.1 million ounces at 1.4 g/t AuEq** (reported at a 0.25 g/t AuEq cut-off)
- **2023 MRE: 2.1 million ounces at 3.1 g/t AuEq** (reported at a 1.0 g/t AuEq cut-off)

Upgrading a significant portion of the Mineral Resource to Indicated Category is a crucial part of progressing the Scoping Study. The 2023 MRE was based on an additional 92,000 metres of diamond core drilling of which approximately 50% (45,000 metres) comprised infill drilling. This change in strategy to significantly increase the amount of infill drilling was successful with 81% (1.9 million ounces AuEq of the current 2.3 million ounces AuEq) of the in-pit component of the MRE now in Indicated Category. A total of 67% of the 2.8 Moz upgraded MRE is in the Indicated category compared to 38% of the 2022 MRE. This will provide the Company the option to move seamlessly from Scoping Study to a Prefeasibility Study (PFS).



Domain	Category	Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	AuEq (Moz)
US\$1800 optimised shell > 0.25ppm 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

Table 1 – Upgraded Hualilan MRE, March 2023

Note: Some rounding errors may be present

¹Gold 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 (see JORC Table 1 Section 3 Metallurgical assumptions) based on metallurgical test work.
- 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.

Comparison of 2022 MRE to Upgraded 2023 MRE

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

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

Note: Some rounding errors may be present

²Gold Equivalent (AuEq) values - Requirements under the JORC Code

- Assumed commodity prices for the calculation of AuEq is Au US\$1780 Oz, Ag US\$22 Oz, Cu US\$9,650/t, Mo US\$40,500/t
- Metallurgical recoveries are estimated to be Au (85%), Cu (85%), Ag (60%) Mo (50%) across all ore types.
- The formula used: $AuEq (g/t) = Au (g/t) + [Ag (g/t) \times (22/1780)] + [Cu (\%) \times (9650/100 \times 31.1/1780)] + [Mo (\%) \times (40500/100 \times 31.1/1780)]$
- CEL confirms that it is the Company's opinion that all the elements included in the metal equivalents calculation have reasonable potential to be recovered and sold.

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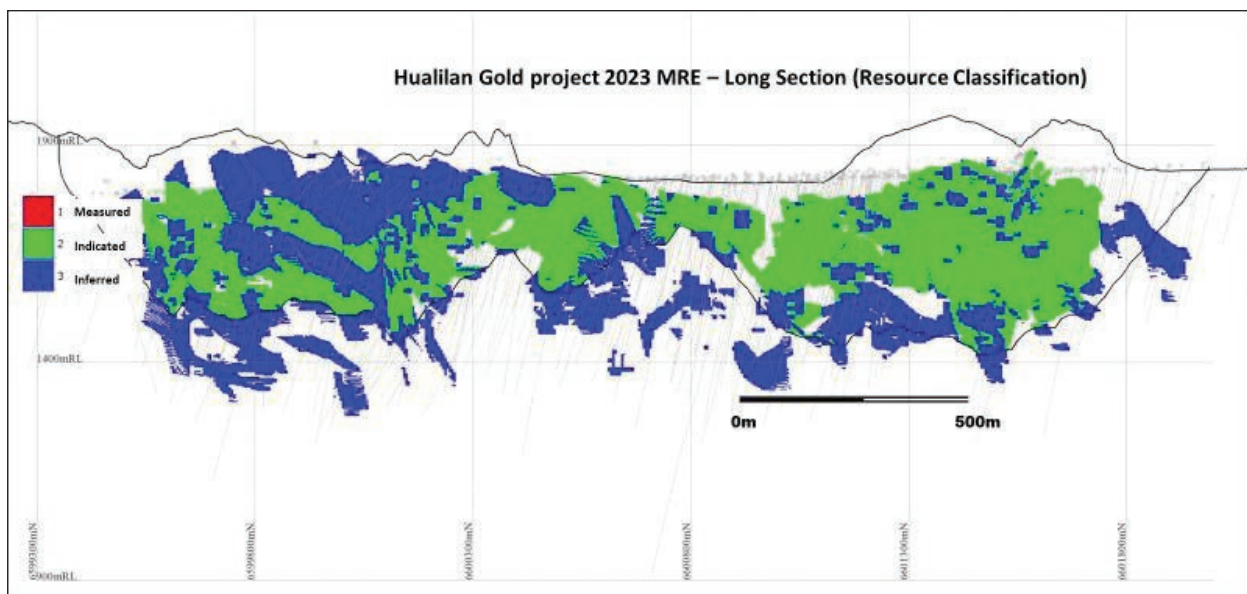


Figure 1 – Long section (MRE Classification)

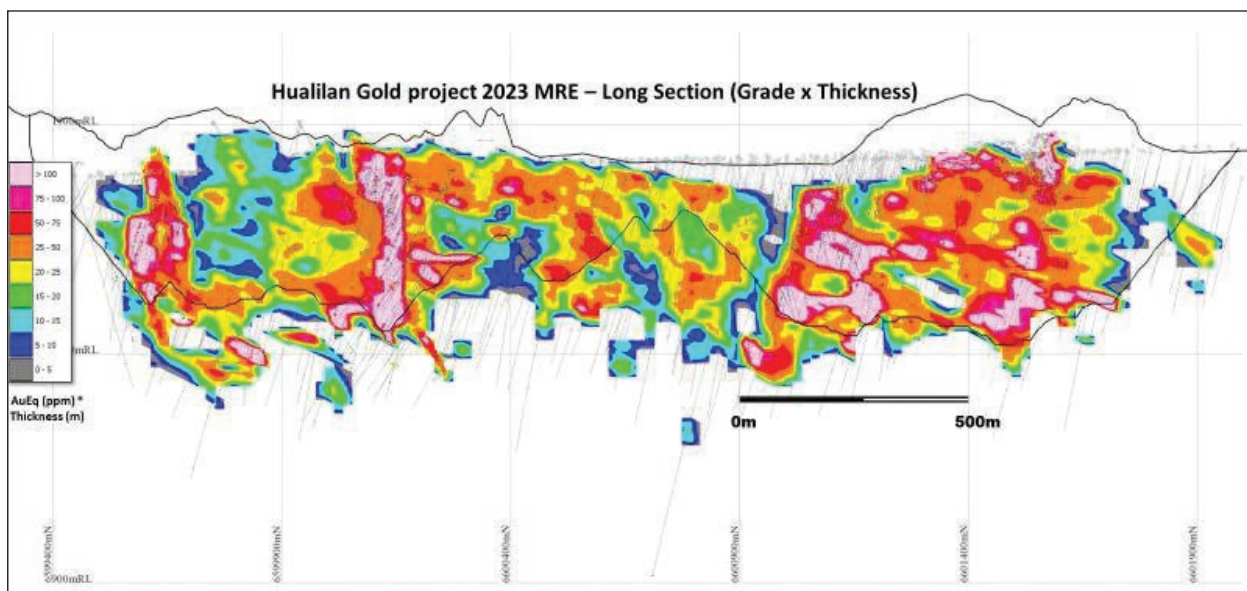


Figure 2 – Long Section (MRE block model)

Grade Tonnage Distribution

The high retention of metal as the cut-off grade is lifted for the upgraded MRE is illustrated in the grade tonnage relationship for the overall MRE (Table 3). Key highlights showing Resource Estimate at higher grade cut-offs are:

- **2.6 Moz at 1.8 g/t AuEq – 44.53Mt at 1.4 g/t Au, 6.2 g/t Ag, 0.6% Zn, 0.07% Pb** (0.45 g/t AuEq cut-off)
- **2.4 Moz at 2.2 g/t AuEq – 33.5Mt at 1.8 g/t Au, 7.1 g/t Ag, 0.7% Zn, 0.08% Pb** (0.6 g/t AuEq cut-off)
- **2.1 Moz at 3.1 g/t AuEq – 21.1Mt at 2.5 g/t Au, 8.7 g/t Ag, 1.0% Zn, 0.10%Pb** (1.0 g/t AuEq cut-off)
- **1.8 Moz at 4.1 g/t AuEq – 13.6Mt at 3.4 g/t Au, 10.9 g/t Ag, 1.3% Zn, 0.12% Pb** (1.5 g/t AuEq cut-off)
- **1.6 Moz at 5.0 g/t AuEq – 9.9Mt at 4.3 g/t Au, 13.1 g/t Ag, 1.6% Zn, 0.13% Pb** (2.0 g/t AuEq cut-off)
- **1.3 Moz at 6.3 g/t AuEq – 6.4Mt at 5.9 g/t Au, 16.5 g/t Ag, 2.0% Zn, 0.15% Pb** (3.0 g/t AuEq cut-off)

This grade tonnage distribution provides the Hualilan Gold project with significant flexibility to respond to a changing gold price or costs. It also provides the opportunity to evaluate a staged startup using a higher grade material. As can be seen in Figure 3 (MRE block model in Long Section showing grade distribution) there are distinct near surface higher-grade zones of mineralisation in several locations. These zones of high-grade near surface mineralisation occur at Sentazon, Muchilera, Magnata Manto The Magnata Fault Zone, the main Norte Manto and the Sanchez Fault Zone.

Cut-off (g/t AuEq)	Mt	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au Eq (g/t)	Moz (AuEq)
0.10	94,439,377	0.77	3.79	0.31	0.04	0.98	2,960,631
0.20	74,280,292	0.95	4.50	0.37	0.05	1.20	2,869,259
0.25	67,550,352	1.03	4.85	0.40	0.05	1.30	2,819,993
0.30	60,649,096	1.13	5.19	0.44	0.06	1.41	2,758,935
0.40	49,131,477	1.33	5.82	0.52	0.06	1.67	2,630,081
0.45	44,470,807	1.43	6.21	0.56	0.07	1.79	2,565,915
0.50	40,314,159	1.54	6.50	0.60	0.07	1.93	2,503,463
0.60	33,508,271	1.77	7.10	0.69	0.08	2.21	2,383,116
0.70	29,139,726	1.96	7.52	0.77	0.09	2.45	2,292,046
0.80	25,745,239	2.14	7.98	0.84	0.09	2.67	2,210,537
0.90	23,143,665	2.31	8.34	0.91	0.10	2.88	2,139,855
1.00	21,101,103	2.46	8.66	0.97	0.10	3.06	2,077,276

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Cut-off (g/t AuEq)	Mt	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au Eq (g/t)	Moz (AuEq)
1.10	19,040,313	2.66	9.07	1.04	0.10	3.28	2,007,852
1.20	17,311,011	2.86	9.62	1.11	0.11	3.49	1,944,038
1.30	15,751,481	3.08	10.07	1.18	0.11	3.72	1,881,326
1.40	14,636,049	3.25	10.53	1.24	0.11	3.90	1,832,800
1.50	13,589,295	3.43	10.85	1.30	0.12	4.08	1,784,294
1.60	12,742,712	3.60	11.27	1.36	0.12	4.25	1,741,963
1.70	11,837,943	3.80	11.76	1.42	0.12	4.45	1,694,016
1.80	11,155,252	3.97	12.13	1.47	0.13	4.62	1,655,499
1.90	10,440,768	4.17	12.61	1.52	0.13	4.81	1,613,244
2.00	9,881,761	4.34	13.06	1.57	0.13	4.97	1,578,019
2.10	9,407,542	4.49	13.41	1.62	0.13	5.12	1,547,054
2.20	8,953,342	4.66	13.83	1.67	0.14	5.27	1,515,540
2.30	8,523,129	4.83	14.23	1.72	0.14	5.42	1,484,369
2.40	8,092,822	5.01	14.66	1.77	0.14	5.58	1,451,837
2.50	7,733,492	5.17	15.04	1.82	0.14	5.73	1,423,675
2.60	7,421,006	5.33	15.44	1.86	0.14	5.86	1,398,119
2.70	7,185,284	5.46	15.62	1.89	0.15	5.97	1,377,965
2.80	6,913,664	5.62	15.92	1.92	0.15	6.09	1,353,882
2.90	6,641,224	5.78	16.24	1.97	0.15	6.22	1,328,928
3.00	6,443,251	5.90	16.45	1.99	0.15	6.33	1,310,235

Table 3 – Total MRE at various cut off grades – Note: Some rounding errors may be present

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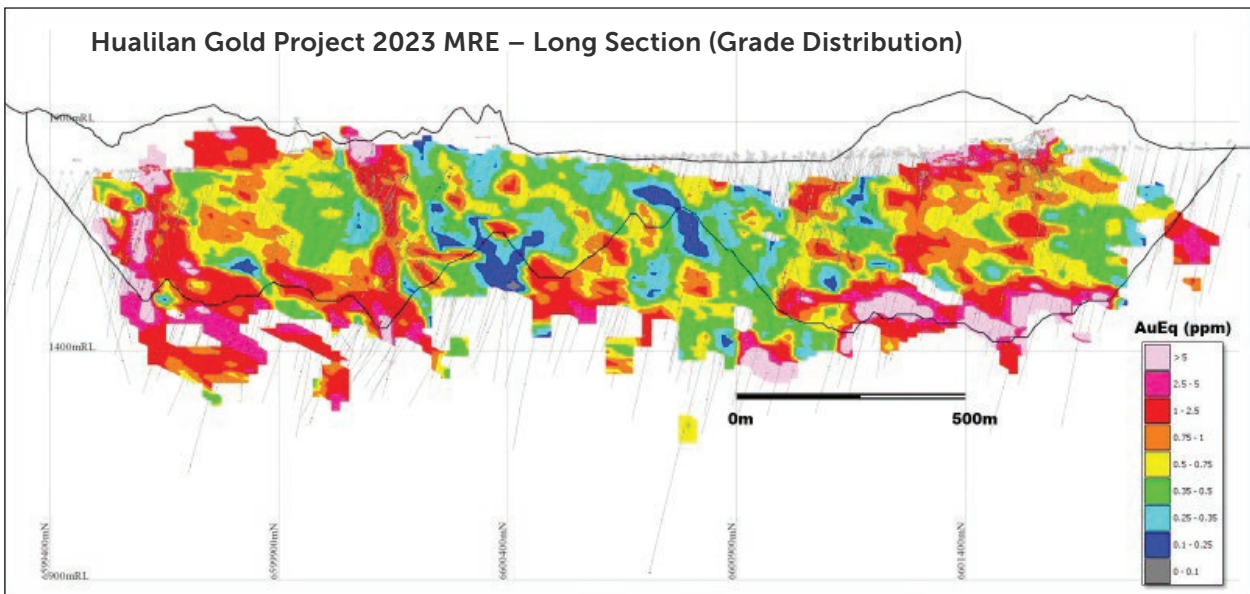


Figure 3 – Long Section of the upgraded MRE showing grade distribution in



Hualilan Gold Project and Geology

The Hualilan (local indigenous name for “land of gold”) Gold Project is located in San Juan province Argentina. All of the upgraded 2023 MRE is located on Mina’s or Mining Licenses while the overall Hualilan Gold Project consists of a district scale 600 square kilometres of tenements (Figure 4).

This is held via a combination of

- 235 square kilometres granted to the Company containing the upgraded 2023 MRE; and strike extensions 5 kilometres north and south; and
- 329 square kilometres pending formal grant to the Company which has been registered to CEL in the Mining Cadastre of San Juan.

Access to the project is excellent with a double lane sealed highway covering the 120 kilometres from San Juan City, the regional capital and major mining hub, to within 400 metres from the project. San Juan City has several drilling, geophysical, and mining services companies, assay laboratories, a base of skilled mining workers contractors, and direct rail access to Rosario Port 650 kilometres away which has bulk materials handling facilities. The project is at 1200 metres elevation and both drilling and field exploration can proceed all year round.

Geology of Hualilan Gold Project

The Project is the site of extensive zinc skarn mineralisation with a gold overprint which makes it a somewhat unique style of mineralisation.

Commonly zinc skarns occur in continental settings associated convergent tectonic plate margins as is the case at Hualilan, located in the pre-cordillera of the western South American convergent plate margin. Zinc skarns commonly contain high grade zinc, lead, and silver although zinc is usually dominant. Mineralisation and skarn alteration at Hualilan occurs in all three main rock types.

1. Limestone (San Juan Formation of Ordovician age) contains high grade mineralisation (manto style) controlled by bedding parallel faults, cross faults, and contacts with other rock types.
2. Shale and sandstone (of Silurian age) contains lower grade replacement style skarn mineralisation which preferentially occurs parallel to bedding with 30m of the Limestone contact.
3. Dacitic intrusions (of Mid-Miocene age) contain stockwork fracture and locally breccias which host lower grade skarn mineralisation.

In all host rocks, the zinc skarn mineralisation is overprinted by a slightly later phase of gold – silver mineralisation. This second phase of mineralisation is mesothermal to deep epithermal and may be related to but is separate from the zinc skarn. Importantly, the gold mineralisation is deposited in the same reactivated faults and fractures as the zinc skarn. Precise mineral paragenesis and hydrothermal evolution of the deposit is the subject of on-going work which is being used to guide exploration and detailed geometallurgical test work.

The dacitic intrusions which are part of the host rock sequence at Hualilan may be related to the hydrothermal activity that formed the skarn, although the timing relationships have not been determined. At this stage, we use the term “intrusion-hosted” rather than “endoskarn” to describe the skarn mineralisation in the dacite.

Gold occurs in native form as inclusions with sulphide (predominantly pyrite) and in pyroxene-garnet skarn alteration. The mineralisation commonly occurs with pyrite and the zinc skarn assemblage of sphalerite and galena with rare chalcopyrite, pyrrhotite and magnetite. Importantly, mineralisation contains very low levels of arsenic, mercury, and other deleterious metals.

Complete oxidation of the surface rock due to weathering is thin. A partial oxidation/fracture oxidation layer near surface is 1 to 40m thick and has been modelled from drill hole intersections. Where oxidation is more intense, native gold can be observed. This oxide mineralisation has been the subject of past mining at Hualilan with an unknown amount of gold having been extracted by washing and more recently by vat leach.

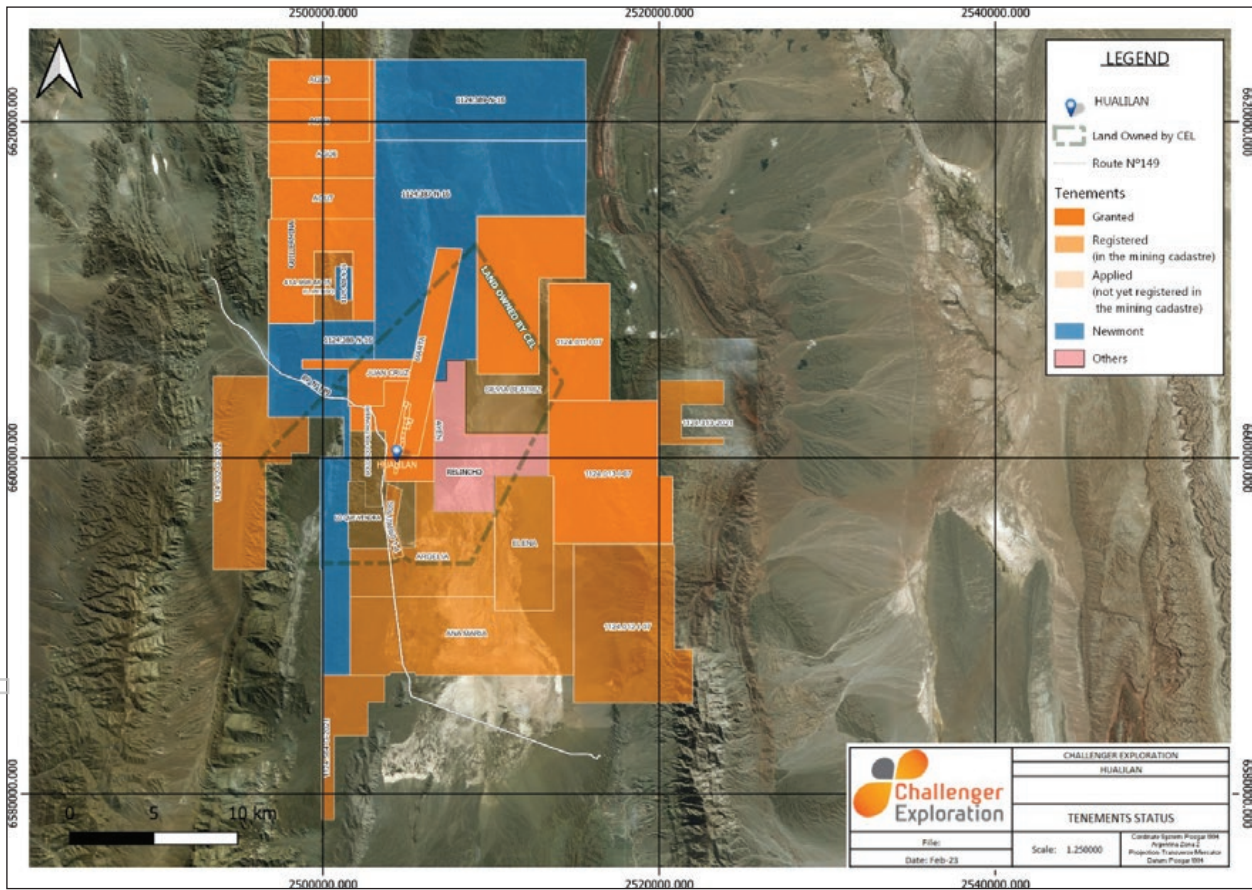


Figure 4 – Hualilan Gold Project Tenement Map

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Hualilan Camp at night with Magnata in the background

Growth Potential

The MRE includes data from 790 of the Company's drill holes however there remains a body of significant intercepts that are located well outside the MRE boundary or where mineralisation appears strong and open downdip and/or along strike. A selection of the more significant intersections which remain open are listed in table 4 with Cross Sections provided for context.

Drillhole	Intercept (AuEq)	Comment	Gram Metres
FHNV10-1B	9.2m at 5.1 g/t AuEq (channel) inc 4.6 m at 9.5 g/t AuEq	located 600 metres south of the MRE boundary	47.2
FHNV10-02	13.0m at 15.5 g/t AuEq (channel) inc 8.5m at 21.9 g/t AuEq	located 600 metres south of the MRE boundary	201.3
FHNV10-03	12.7m at 4.4 g/t AuEq (channel)	located 600 metres south of the MRE boundary	56.0
FHNV10-04	4.2m at 8.1 g/t AuEq (channel)	located 600 metres south of the MRE boundary	34.6
FHNV10-05	1.7m at 16.4 g/t AuEq (channel)	located 600 metres south of the MRE boundary	27.4
FHNV10-06	3.8m at 14.6 g/t AuEq (channel)	located 600 metres south of the MRE boundary	55.8
GNDD-308e	4.0m at 5.8 g/t AuEq* from 1009m	Verde Zone – located 600 metres below the upgraded MRE (Deepest hole drilled with hole ending in mineralisation)	23.2
GNRC-104	4.0m at 12.0 g/t AuEq from 104.0m	Norte manto – Requires additional drilling	48.0
GNDD-675	1.7m at 2.4 g/t AuEq from 371.0m 21.1m at 2.7 g/t AuEq from 409.2m inc 3.8m at 6.5 g/t AuEq	Sentazon Deeps – mineralisation open down dip	4.0 56.2 24.9
GNDD-763	8.9m at 3.7 g/t AuEq from 383.8m inc 3.3m at 9.6 g/t AuEq	Verde Zone – mineralisation open down dip	32.6 31.4
GNDD-711	42.0m at 5.9 g/t AuEq from 319.0m inc 1.9m at 125.0 g/t AuEq	Verde Zone – mineralisation open down dip	246.8 237.4
GNDD-550	4.4m at 3.1 g/t AuEq from 373.3m 2.1m at 4.8 g/t AuEq from 425.0m 5.5m at 2.1 g/t AuEq from 337.5m	Verde Zone – mineralisation open down dip	13.8 10.1 11.7
GNDD-790	32.5m at 3.5 g/t AuEq from 438.8m inc 15.1m at 7.4 g/t AuEq	Verde Zone – mineralisation open down dip	124.7 111.3
GNDD-685	8.4m at 5.5 g/t AuEq from 364.2m inc 2.6m at 17.4 g/t AuEq 20.1m at 1.1 g/t AuEq from 409.0m inc 5.5m at 2.7 g/t AuEq 1.9m at 23.3 g/t AuEq from 651.2m	Magnata Fault – mineralisation open at depth	46.4 45.2 21.7 14.3 43.1
GNDD-536	24.2m at 0.9 g/t AuEq from 188.9m 6.6m at 6.3 g/t AuEq from 552.0m inc 1.8m at 21.9 g/t AuEq	Verde Zone – mineralisation open down dip	20.8 41.5 39.4
GNDD-134	20.0m at 1.5 g/t AuEq from 519.0m inc 2.9m at 9.8 g/t AuEq	Magnata Fault – mineralisation open at depth	30.0

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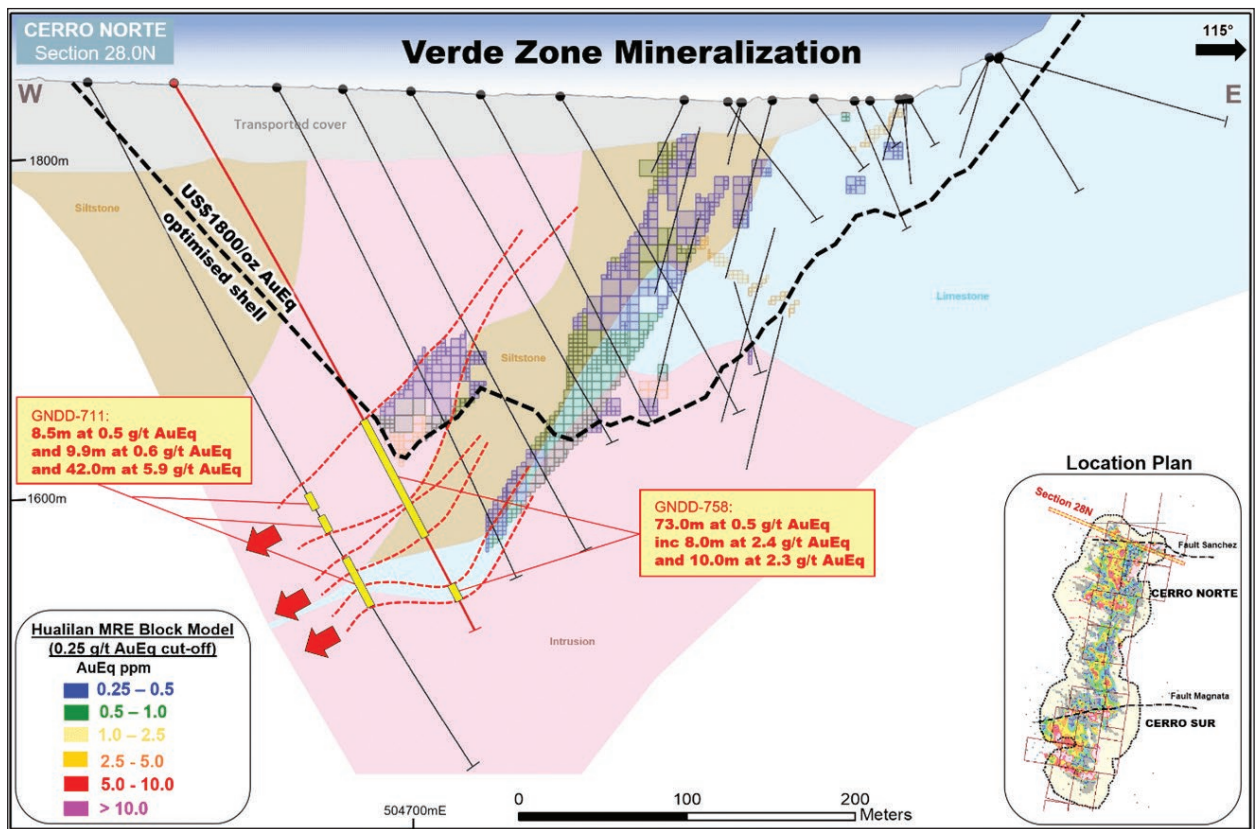


Figure 5 – Typical Cross Section showing recent deeper drilling northern Verde Zone

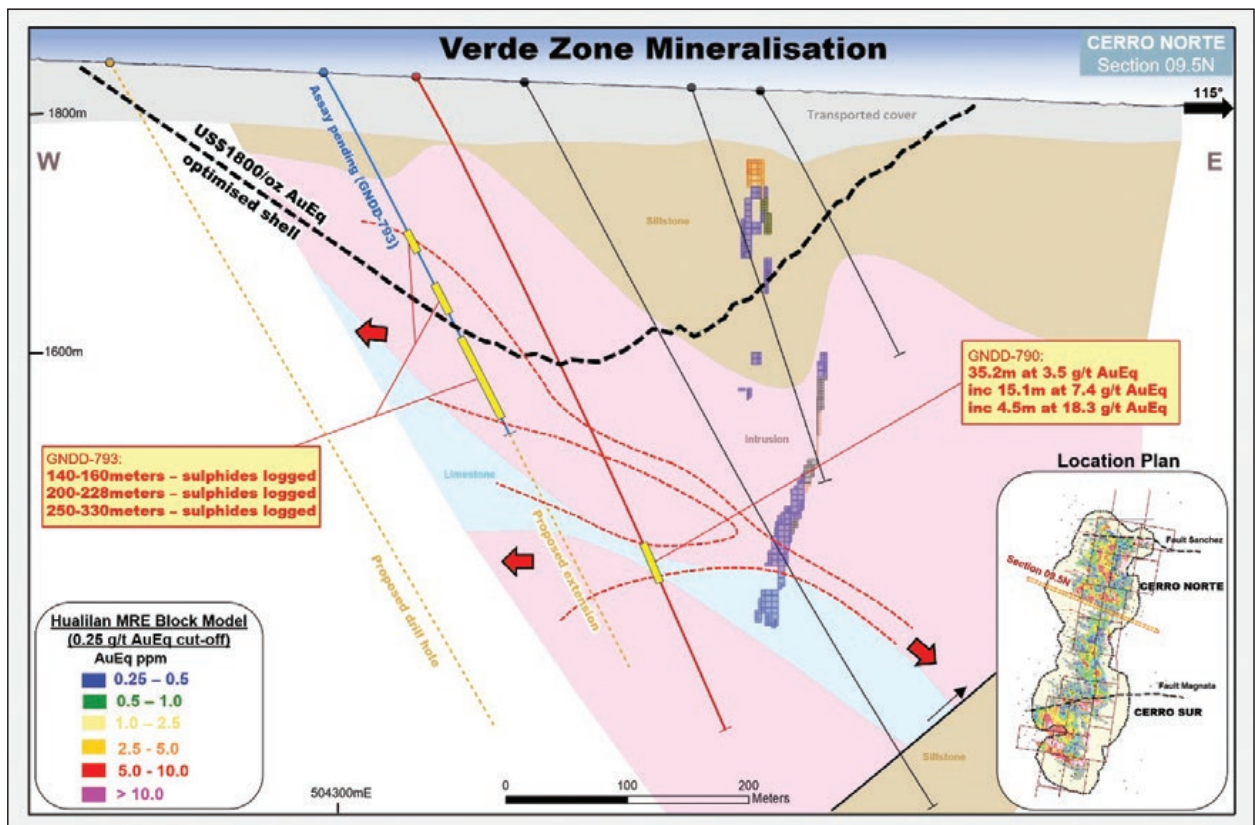


Figure 6 – Typical Cross Section showing New Zone discovery in GNDD-790 – Verde Zone

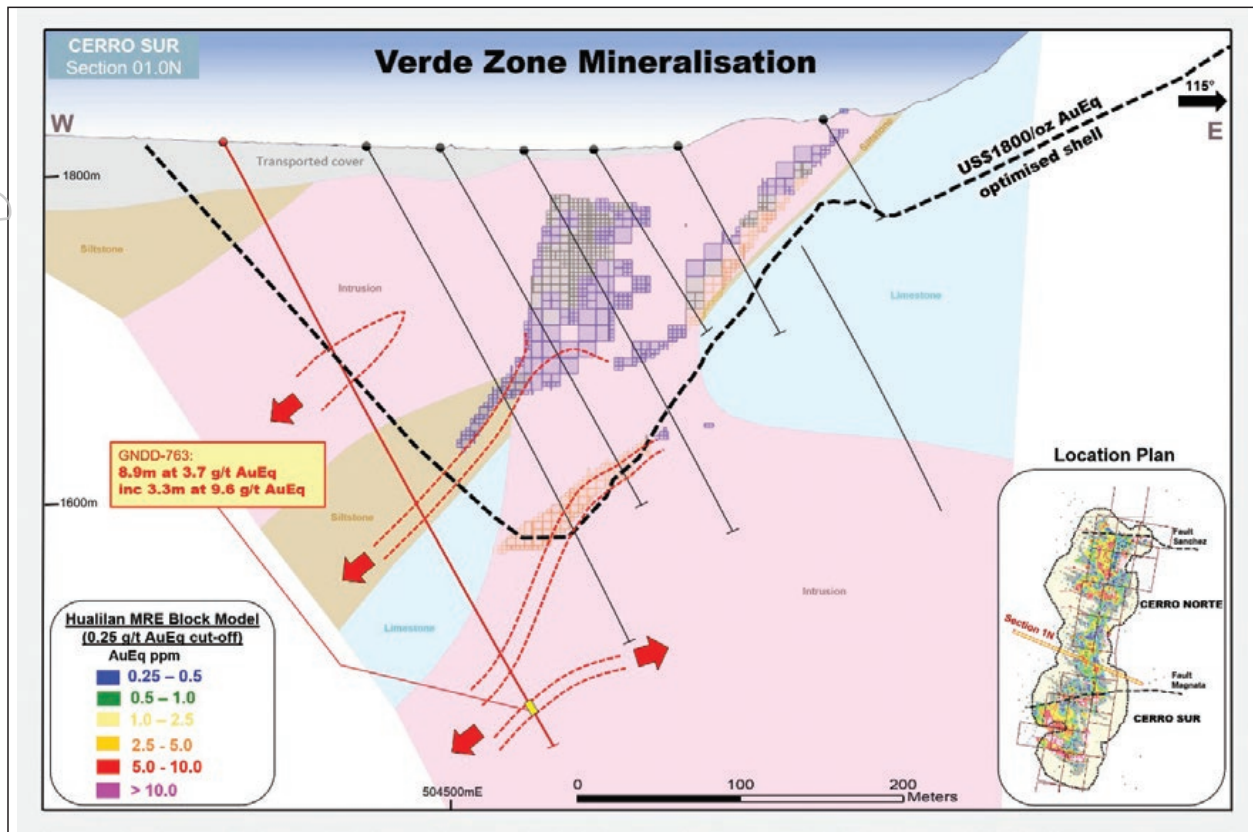


Figure 7 – Typical Cross Section showing New Zone discovery In GNDD-763 – Verde Zone

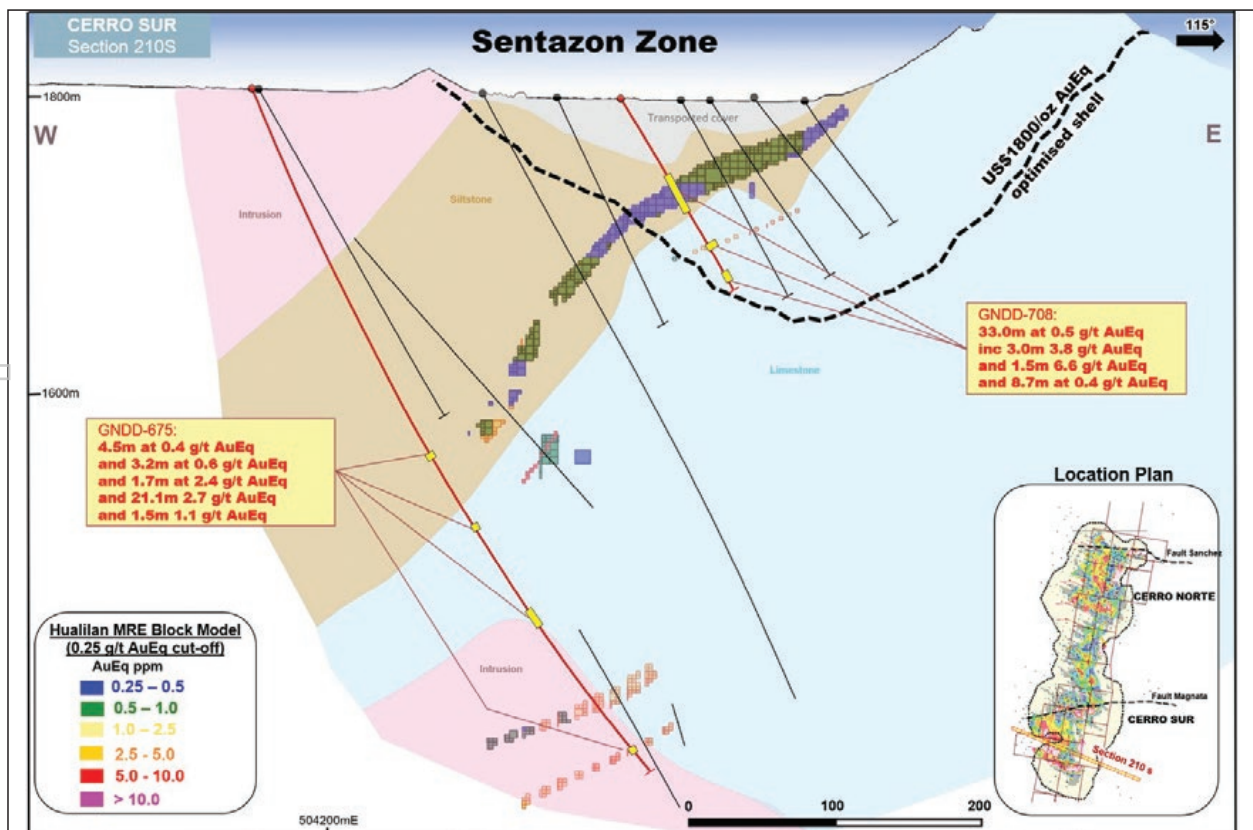


Figure 8 – Typical Cross Section showing recent extension drilling at Sentazon Deeps Discovery

Next steps

One drill rig is currently operating on site. This rig's focus is on extension down-dip of recent high-grade intersections that remain open and testing outlier targets. With the rig count being reduced from 9 to 1 the exploration team has been split into northern and southern regional exploration teams as the Company's focus shifts, for the first time, towards looking for the next Hualilan.

Regional exploration will be aimed at the 30 kilometres of prospective strike which remains unexplored. Early results are encouraging with alteration and surface mineralisation (assays pending) mapped in outcrop in several locations up to 5 kilometres away from the existing mineralisation. The single rig on site will be sufficient to test new regional exploration targets as they are identified and matured for drilling.



From new road to the Top of the Magnata Fault looking north across the Verde Zone to Cerro

El Guayabo Gold and Colorado V Gold/Copper Project – Ecuador

During the period the Group announced results from the remainder of its Phase 1 drilling program which targeted eight of the nine remaining regionally significant Au-Ag-Cu soil anomalies in the greater El Guayabo Project area².

Additionally, the Group has received the results from its first four Phase 2 drill holes on the GY-B Anomaly on the 100% owned El Guayabo concession. The results confirm the potential of the greater El Guayabo project to produce one of South America’s next significant gold discoveries.

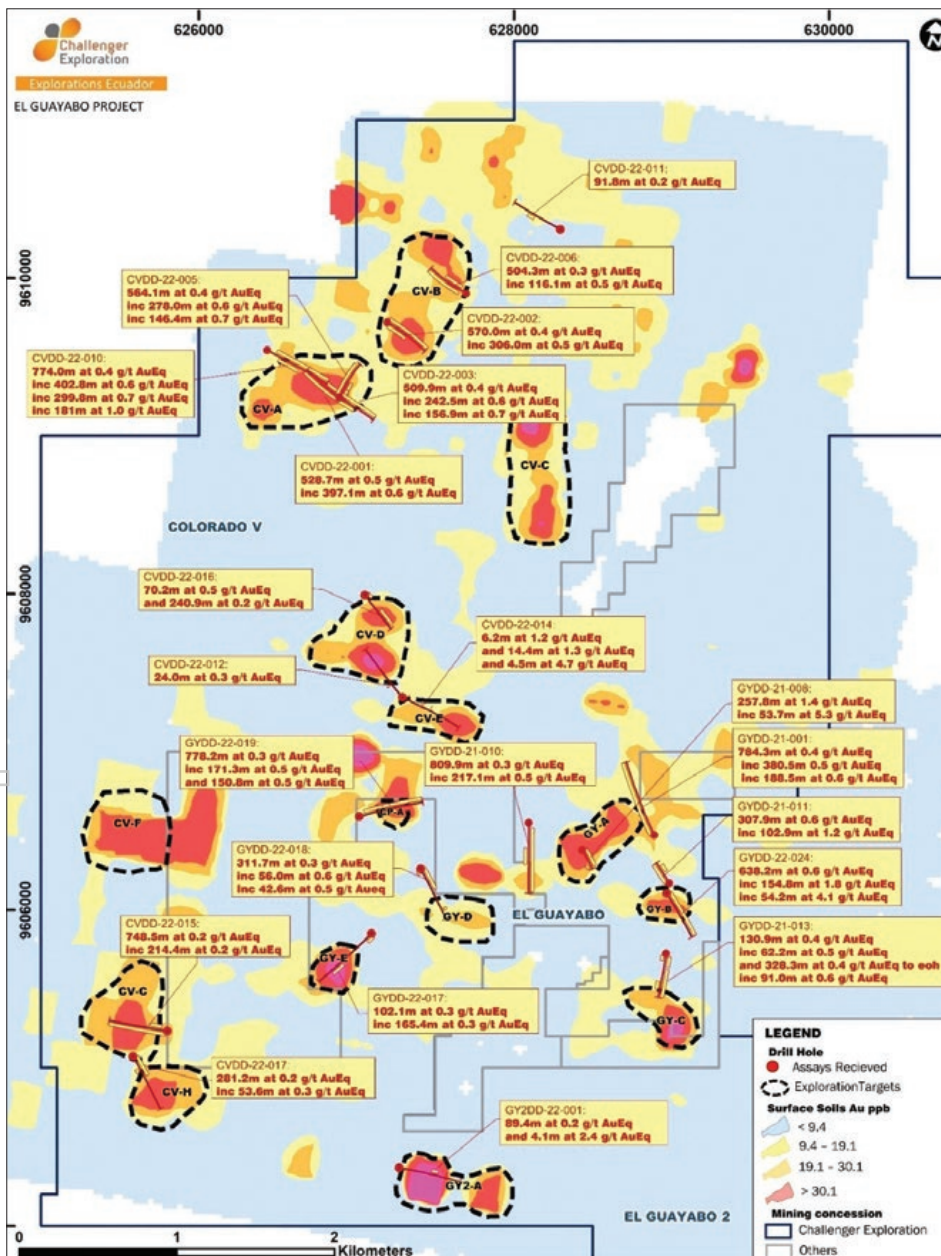


Figure 9 – Regional view of the Greater El Guayabo Gold Project drilling

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Phase 1 Regional Exploration Drilling

Drill Hole (#)	From (m)	To (m)	Interval (m)	AuEq (g/t)	Anomaly	Gram Metres
CVDD-22-011	363.2	455.0	91.8	0.2	Geophysical target 500m NE of CV-A	18.2
inc	397.7	433.7	36.0	0.3	(Colorado V)	11.7
CVDD-22-012	215.4	239.4	24.0	0.3	CV-D anomaly	6.3
and	413.9	429.7	15.8	0.2	(Colorado V)	3.8
CVDD-22-013	227.0	472.8	245.8	0.2	Gap between the CV-A and CV-B	48.1
incl.	396.0	449.9	53.9	0.3	anomalies (Colorado V)	15.1
CVDD-22-014	256.8	271.2	14.4	1.3	CV-E anomaly	18.3
and	401.1	405.6	4.5	4.7	(Colorado V)	21.3
CVDD-22-015	9.1	757.6	748.5	0.2	CV-G anomaly (Colorado V)	128.0
incl.	77.4	233.7	156.3	0.3	ended in mineralisation	39.2
CVDD-22-016	10.8	81.0	70.2	0.5	CV-D anomaly	37.5
from	275.0	515.9	240.9	0.2	(Colorado V)	39.1
and	397.5	436.5	39.0	0.3		10.0
CVDD-22-017	20.3	301.5	281.2	0.2	CV-H anomaly	47.1
incl.	168.0	221.5	53.6	0.3	(Colorado V)	13.4
GYDD-22-017	8.0	110.1	102.1	0.3	GY-E anomaly	26.1
and	406.1	443.8	37.8	0.3	(El Guayabo concession)	10.9
and	521.3	686.7	165.4	0.3		45.7
incl.	591.0	621.3	30.3	0.5		15.6
GYDD-22-018	4.0	734.1	730.1	0.2	GY-D anomaly	151.3
incl.	4.0	315.7	311.7	0.3	(El Guayabo concession)	79.0
incl.	4.0	60.0	56.0	0.6		31.8
and	583.9	626.5	42.6	0.5	ended in mineralisation	23.3
GYDD-22-019	77.3	855.5	778.2	0.3	CP-A anomaly	202.3
and	328.1	499.5	171.3	0.5	(Cerro Pelado concession)	84.0
incl.	328.1	426.5	98.4	0.7		64.7
incl.	688.2	839.0	150.8	0.5		71.8
incl.	796.5	839.0	42.5	1.4		60.4
GYDD-22-020	119.2	200.8	81.6	0.3	Geophysical target and northern	21.0
and	290.5	445.5	155.0	0.2	extension of the Ecuaba Vein system	37.4
and	385.0	433.5	48.5	0.3	(El Guayabo concession)	16.9
and	623.5	750.0	126.5	0.4		47.2
incl.	635.5	661.0	25.5	0.9	ended in mineralisation	23.5
GY2DD-22-001	191.00	202.20	11.2	0.9	GY2-A Anomaly	10.50
and	403.10	492.50	89.4	0.2	(El Guayabo 2 concession)	19.9
and	592.60	596.68	4.1	2.4		9.7

Table 5 – Summary of Regional Exploration Results

#2 The greater El Guayabo Gold Project area comprises the following concessions:

1. El Guayabo concession (281 Ha) – 100% owned
2. Colorado V concession (2331 Ha) – earning 50%
3. El Guayabo 2 concession (957 Ha) – earning 80% with option to move to 100%
4. Cerro Pelado 1, 2 and 3 concessions (64 Ha combined) – earning 80% with option to move to 100%

The results of the additional Phase 1 exploration drilling reported during the period is summarised in Table 5 (previous page). These 11 drill holes tested eight of the nine remaining regionally significant Au-Cu-soil anomalies in the project as shown in Figure 9. All holes intersected mineralisation with all 14 regionally significant Au-Cu soil anomalies drilled in the greater El Guayabo Gold Project having produced significant gold intercepts with seven of these 14 anomalies now regarded as high-priority targets for resource drilling by the Group.

The seven high-priority drill targets consist of the main GY-A discovery trend and GY-B which are currently the subject of a resource infill drilling program. GY-C and GY-D are also within the 100% owned El Guayabo concession. CV-A and CV-B are located in the Colorado V concession where the Group is earning a 50% interest, and CP-A is located in the Cerro Pelado concession.

GYDD-22-018 – GY-D Anomaly, El Guayabo concession

GYDD-22-018 was the first hole drilled to test the GY-D Au-Cu soil anomaly which is located on the greater GY-A discovery trend approximately 700 metres west along strike from all GY-A drilling.

The hole intersected **730.1 m at 0.2 g/t AuEq² (0.1 g/t Au, 0.7 g/t Ag, 0.03% Cu, 5.8 ppm Mo)** from 4.0m including **311.7m at 0.3 g/t AuEq² (0.2 g/t Au, 0.7 g/t Ag, 0.03% Cu, 7.4 ppm Mo)** from 4.0m including **56.0m at 0.6 g/t AuEq² (0.5 g/t Au, 0.7 g/t Ag, 0.02% Cu, 5.7 ppm Mo)** from 4.0m and **42.6m at 0.5 g/t AuEq² (0.4 g/t Au, 1.0 g/t Ag, 0.1% Cu, 5.4 ppm Mo)** from 583.9m.

The intersection significantly upgrades the El Guayabo Project as it supports the interpretation of a 1.4 kilometre zone of continuous mineralisation along the trend that contains the GY-A (main discovery zone which has produced intersections including 257.8m at 1.4 g/t AuEq) and GY-D anomalies. The Group has drilled two holes on the trend between the bulk of the GY-A drilling and GYDD-22-018, including GYDD-21-010 targeting a geophysical anomaly which intersected **809.9m at 0.3 g/t AuEq** from 70.2m, including **217.1m at 0.5 g/t AuEq** and GYDD-21-007 a 200 metre step-out to the west of GY-A which intersected **360.1m at 0.3 g/t** from 149.5m including **43.0m at 0.6 g/t AuEq** from 450.2m.

GYDD-22-019 – CP-A Anomaly, Cerro Pelado concession

GYDD-22-019 was the first hole to be drilled on the small Cerro Pelado concession which lies between El Guayabo and Colorado V. The Group has entered into an agreement with the local artisanal mining association that owns the three Cerro Pelado concessions where it can farm in to earn an initial 80% interest with the option to move to 100% ownership. The local mining association is currently working narrow high-grade veins which occur through-out the bulk porphyry/Intrusive breccia hosted mineralisation down to a depth of almost 900 metres.

The intersection of **778.2 m at 0.3 g/t AuEq² (0.2 g/t Au, 0.6 g/t Ag, 0.01% Cu, 0.8 ppm Mo)** from 77.3m including **277.7m at 0.4 g/t AuEq (0.3 g/t Au, 0.7 g/t Ag, 0.01% Cu, 2.6 ppm Mo)** from 292.3m including 171.3m at **0.5 g/t AuEq² (0.5 g/t Au, 0.9 g/t Ag, 0.01% Cu, 2.1 ppm Mo)** including 98.4m at **0.7 g/t AuEq² (0.6 g/t Au, 0.6 g/t Ag, 0.01% Cu,**

2.3 ppm Mo) from 328.1m and a higher grade zone of **42.0m at 0.9 g/t AuEq (0.8 g/t Au, 0.4 g/t Ag, 0.01% Cu, 3.1 ppm Mo)** including 24.0m at **1.3 g/t AuEq (1.3 g/t Au, 0.5 g/t Ag, 0.02% Cu, 3.5 ppm Mo)**. Additionally, the main intercept includes a deeper higher-grade zone of **167.3m at 0.4 g/t AuEq² (0.4 g/t Au, 0.5 g/t Ag, 0.02% Cu, 3.7 ppm Mo)** from 688.2m including **150.8m at 0.5 g/t AuEq² (0.4 g/t Au, 0.6 g/t Ag, 0.02% Cu, 3.1 ppm Mo)** from 688.2m including **42.5m at 1.4 g/t AuEq² (1.3 g/t Au, 1.2 g/t Ag, 0.1% Cu, 2.4 ppm Mo)** including 22.5m at **2.4 g/t AuEq² (2.3 g/t Au, 1.9 g/t Ag, 0.1% Cu, 2.4 ppm Mo)**.

The CP-A anomaly is part of a circular gold in soil feature approximately 600 metres long and 500 metres wide. The results of this first hole on the anomaly coupled with the extensive artisanal workings which have been mapped by the Group indicate an extensive gold discovery.



Phase 2 Drilling GY-B Anomaly

Prior to the Phase 2 resource drilling program on the main GY-A discovery zone a series of four holes were drilled on the GY-B anomaly to follow up CEL drillhole GYDD-21-009 which intersected 692.7m at 0.3 g/t AuEq including a higher grade zone of 220.5m at 0.6 g/t AuEq including 20.7m at 1.0 g/t AuEq and 80.5m at 0.9 g/t AuEq. This drilling has significantly upgraded the GY-B target with all four holes intersecting more than 150 grams x metres of mineralisation from near surface and three of the four holes ending in mineralisation.

As can be seen in Figure 11, which shows the main GY-A Discovery Zone and the GY-B anomaly, the Group is eagerly awaiting the results of Drillhole GYDD-22-025 as this is testing the potential for the GY-A and GY-B anomalies to join forming a greater 1-1.2 kilometre wide zone of mineralisation. The only drilling to target this gap between GY-A and GY-B was hole GYDD-21-011 which was drilled from GY-B north and targeted to test 250 metres under the GYDD-21-001 discovery hole on GY-A. This hole was abandoned at 311 metres downhole when the drill pipe became stuck however the hole returned an intersection of 307.9m at 0.6 g/t AuEq from 3.0m to the end of the hole.



GYDD-22-024 – GY-B Anomaly, El Guayabo concession

GYDD-22-024 was the highlight of this drilling returning an outstanding intersection from near surface to the end of the hole including a significant and coherent high-grade zone. The hole intersected **638.2m at 0.6 g/t AuEq (0.3 g/t Au, 2.1 g/t Ag, 0.1% Cu, 10.5 ppm Mo)** from 10.1m including **304.3m at 1.0 g/t AuEq (0.5 g/t Au, 3.4 g/t Ag, 0.3 % Cu, 14.5 ppm Mo)** from 344.0m including **154.8m at 1.8 g/t AuEq (0.9 g/t Au, 5.7 g/t Ag, 0.5 % Cu, 19.0 ppm Mo)** from 332.2m. This included a discrete high-grade zone of **108.5m at 2.4 g/t AuEq (1.3 g/t Au, 7.8 g/t Ag, 0.6% Cu, 20.0 ppm Mo)** from 344.0m including **54.2 m at 4.1 g/t AuEq (2.2 g/t Au, 12.9 g/t Ag, 1.0% Cu, 24.7 ppm Mo)** from 369.3m.

The high-grade zone of **54.2 m at 4.1 g/t AuEq** is pervasive and consistent with the intercept containing a highest grade internal split of 1.5 metres at 15.1 g/t AuEq with 33 of the 35 splits that comprise this intercept grading over 1 g/t AuEq. The intercept extends the high-grade mineralisation intersected in historical drillhole GY-02 (156m at 3.0 g/t AuEq) some 100 metres along strike and confirms the presence of a coherent high-grade core to the GY-B mineralisation. This high-grade zone of mineralisation in GY-B is interpreted as forming a sub-vertical zone. Cross Section 10145 shows that earlier historical drill holes were likely not drilled deep enough to intersect the zone of high-grade mineralisation.

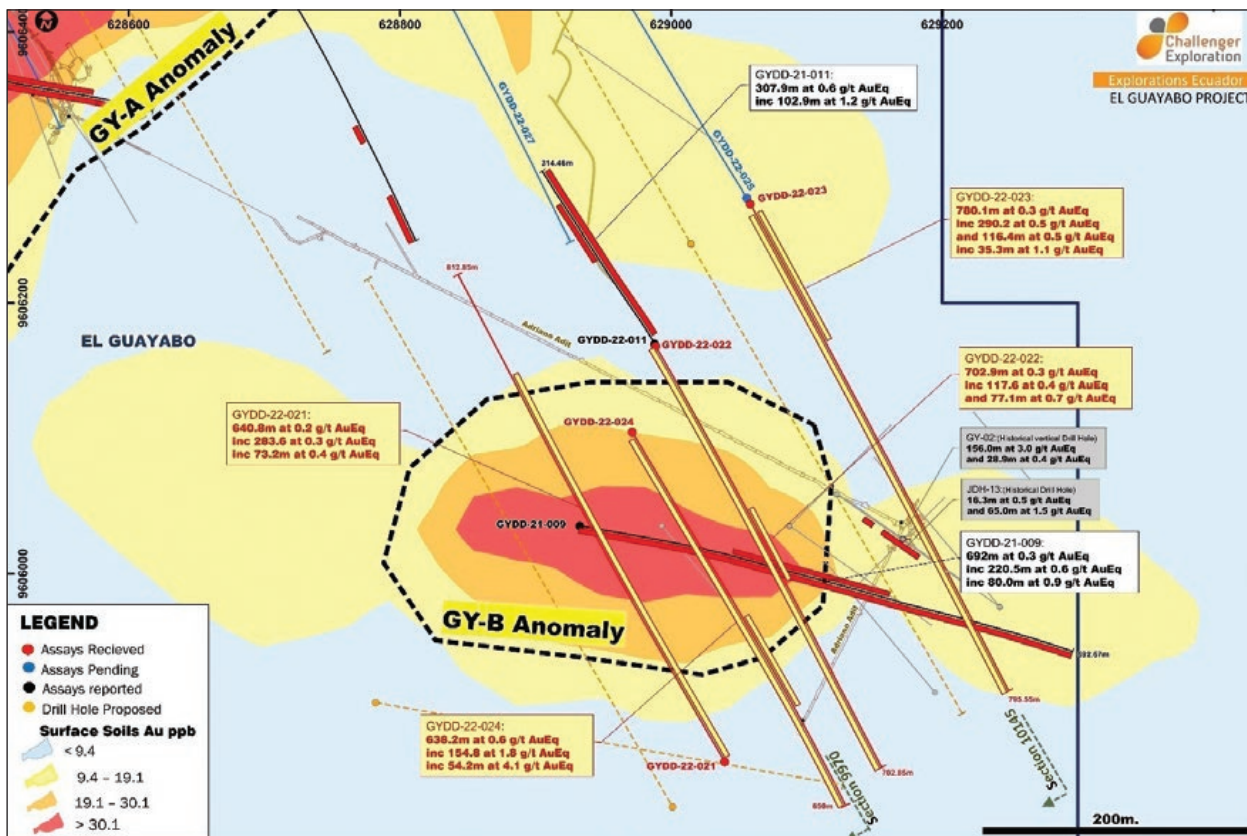


Figure 10 – Plan view GY-B Anomaly showing Phase 1 and Phase 2 drilling

GYDD-22-023 – GY-B Anomaly, El Guayabo concession

GYDD-22-023 was drilled on the eastern margin of GY-B approximately 150 metres east of GYDD-22-024. The hole intersected **780.1 m at 0.3 g/t AuEq (0.2 g/t Au, 2.1 g/t Ag, 0.04% Cu, 6.4 ppm Mo)** from 15.5m to the end of the hole including **290.2m at 0.5 g/t AuEq (0.3 g/t Au, 2.7 g/t Ag, 0.04% Cu, 5.1 ppm Mo)** from 15.5m including **54.2 m at 0.9 g/t AuEq (0.7 g/t Au, 4.7 g/t Ag, 0.1% Cu, 10.7 ppm Mo)** from 228.8m and **116.4 m at 0.5 g/t AuEq (0.3 g/t Au, 4.0 g/t Ag, 0.1% Cu, 4.4 ppm Mo)** from 441.5m including **32.3m at 1.1 g/t AuEq (0.7 g/t Au, 6.8 g/t Ag, 0.1% Cu, 6.6 ppm Mo)** from 510.6m.

The intersection correlates with the high-grade historical Intersections in GY-02 (156m at 3.0 g/t AuEq) and JDH-013 (65.0m at 1.5 g/t AuEq) with this higher-grade zone in GY-B trending sub-vertically.

This hole is the most easterly hole on the GY-B anomaly drilled by the Group and indicates that GY-B mineralisation remains strong and open to the east and at depth.

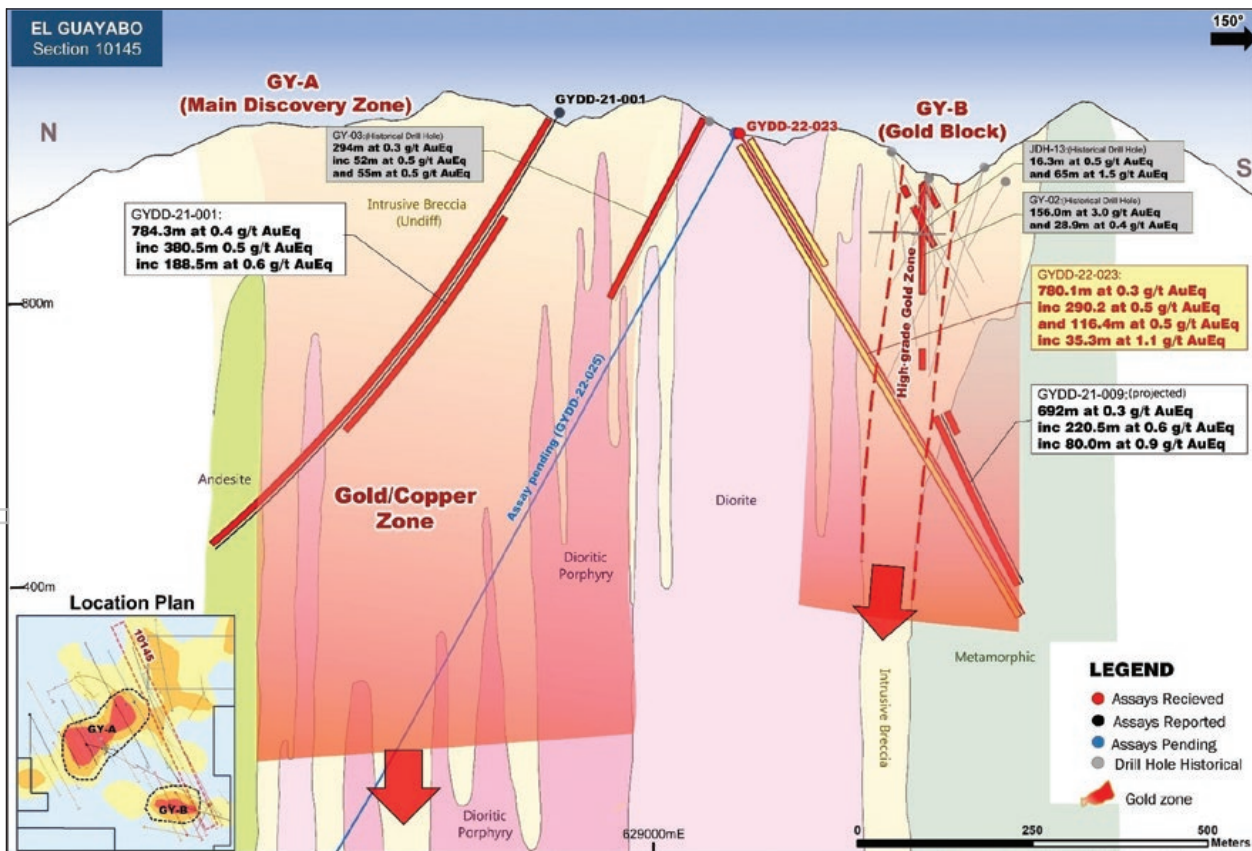


Figure 11 – Section 10145 showing GY-A and GY-B Anomalies and Phase 1 and 2 drilling

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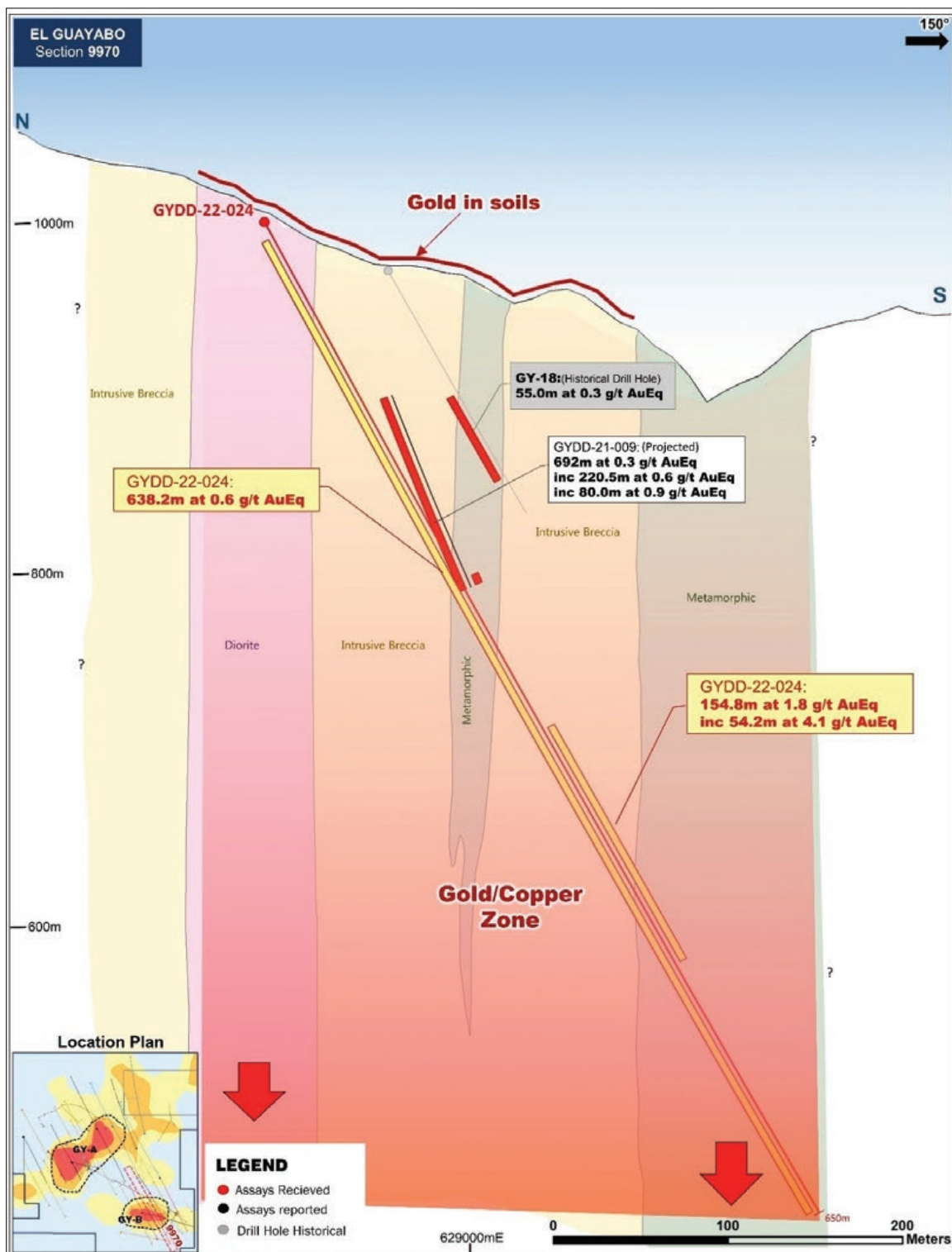


Figure 12 – Cross Section 9970, Drillhole GYDD-22-024 GY-B Anomaly

GYDD-22-024 (sample number)	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Mo (ppm)	AuEq (G/t)
EX52001	369.25	370.75	1.50	0.707	61.000	1.88500	6.12	4.643
EX52003	370.75	372.25	1.50	1.914	36.200	1.23600	16.7	4.457
EX52004	372.25	373.75	1.50	7.672	28.500	4.19100	13.4	15.100
EX52005	373.75	375.25	1.50	3.963	20.600	2.50400	6.28	8.444
EX52006	375.25	376.75	1.50	4.339	76.000	3.25500	18.35	10.779
EX52007	376.75	378.25	1.50	2.374	11.100	1.34700	3.84	4.785
EX52008	378.25	379.75	1.50	1.019	4.270	0.74820	3.89	2.336
EX52009	379.75	381.25	1.50	1.648	17.200	1.39400	150.47	4.317
EX52010	381.25	382.75	1.50	1.352	6.830	0.63180	3.98	2.504
EX52011	382.75	384.25	1.50	2.318	7.930	2.11700	15.21	5.996
EX52013	384.25	385.75	1.50	1.852	5.320	1.04600	10.5	3.689
EX52014	385.75	387.25	1.50	0.733	2.620	0.62910	14.23	1.836
EX52015	387.25	388.75	1.50	0.808	2.570	0.55580	14.88	1.787
EX52016	388.75	390.25	1.50	2.236	8.520	1.58400	5.88	5.016
EX52017	390.25	391.75	1.50	3.284	9.210	1.51200	63.34	5.992
EX52018	391.75	393.25	1.50	0.947	10.900	0.90760	19.11	2.625
EX52019	393.25	394.75	1.50	1.561	8.310	1.14800	10.6	3.607
EX52020	394.75	396.25	1.50	2.631	4.740	0.35400	18.84	3.300
EX52021	396.25	397.75	1.50	4.241	7.230	1.12500	7.4	6.232
EX52023	397.75	399.25	1.50	6.065	3.250	0.26980	21.19	6.575
EX52024	399.25	400.75	1.50	2.948	1.360	0.11060	31.6	3.174
EX52025	400.75	402.25	1.50	0.966	8.590	0.49470	28.28	1.926
EX52026	402.25	403.75	1.50	2.057	3.140	0.30720	13.52	2.623
EX52027	403.75	405.25	1.50	1.397	8.430	0.57670	4.66	2.477
EX52028	405.25	406.75	1.50	0.735	2.230	0.46240	3.64	1.545
EX52029	406.75	408.25	1.50	0.319	2.610	0.44730	5.5	1.109
EX52030	408.25	409.75	1.50	0.619	16.100	0.92370	33.72	2.399
EX52031	409.75	411.25	1.50	1.485	3.550	1.18200	84.57	3.582
EX52033	411.25	412.75	1.50	1.230	2.060	0.59230	81.51	2.312
EX52034	412.75	414.25	1.50	4.383	41.800	1.91600	8.11	8.136
EX52035	414.25	415.75	1.50	2.744	28.100	1.17300	82.37	5.127
EX52036	415.75	417.25	1.50	5.546	6.840	0.33570	5.38	6.200
EX52037	417.25	418.75	1.50	1.767	3.500	0.25390	62.57	2.283
EX52038	418.75	420.25	1.50	0.200	1.720	0.07964	4.67	0.359
EX52039	420.25	421.75	1.50	0.703	1.260	0.08581	6.95	0.868
EX52040	421.75	423.43	1.68	0.768	2.470	0.18450	9.7	1.116

Table 6 – Showing assay results for high-grade zone in Drillhole GYDD-22-024

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GYDD-22-022 – GY-D Anomaly, El Guayabo concession

GYDD-22-022 was an infill hole drilled between GYDD-22-024 and GYDD-22-023. The hole intersected mineralisation from near surface to the end of the hole. Intersecting **702.9m at 0.3 g/t AuEq (0.2 g/t Au, 2.7 g/t Ag, 0.1 % Cu, 6.7 ppm Mo)** from surface including **28.1m at 0.6 g/t AuEq (0.2 g/t Au, 30.4 g/t Ag, 0.04 % Cu, 1.4 ppm Mo)** from 23.9 and **117.6m at 0.4 g/t AuEq (0.2 g/t Au, 3.2 g/t Ag, 0.1 % Cu, 5.7 ppm Mo)** from 278.2m and **77.1m at 0.7 g/t AuEq (0.4 g/t Au, 2.7 g/t Ag, 0.1 % Cu, 5.7 ppm Mo)** from 446.5m including **28.4 m at 1.0 g/t AuEq (0.6 g/t Au, 3.6 g/t Ag, 0.2% Cu, 9.6 ppm Mo)** from 492.0m. The hole confirms the continuity of the GY-B mineralisation across the GY-B anomaly.

GYDD-22-021 – GY-D Anomaly, El Guayabo concession

GYDD-22-021 was drilled 60 metres to the west of GYDD-22-024 and is the most westerly hole drilled on the GY-B Target. The hole intersected **640.8m at 0.2 g/t AuEq (0.1 g/t Au, 1.9 g/t Ag, 0.1 % Cu, 9.4 ppm Mo)** from 5.2m including **283.6m at 0.3 g/t AuEq (0.1 g/t Au, 2.0 g/t Ag, 0.1 % Cu, 6.2 ppm Mo)** from 56.1m including a higher-grade component of **73.2m at 0.4 g/t AuEq (0.2 g/t Au, 2.1 g/t Ag, 0.1 % Cu, 8.3 ppm Mo)** from 56.1m. Additionally, the hole intersected a second zone of mineralisation near the end of the hole intersecting **57.0m at 0.2 g/t AuEq (0.1 g/t Au, 1.0 g/t Ag, 0.04% Cu, 14.4 ppm Mo)** from 703m.

This intersection successfully extends the GY-B mineralisation 60 metres west along strike and confirms that the GY-B mineralisation remains open to the west. A follow up hole is planned to test another 100 metres west of GYDD-22-021.

Next steps

Both drill rigs remain on site, now completing the Phase 2 drill program on the GY-A anomaly designed to allow the reporting of a maiden Mineral Resource Estimate in accordance with the JORC 2012 Code. Six holes have been completed on GY-A (assays pending) for 4,900 metres of drilling with two holes in progress and an additional eight holes programmed. At least one additional hole is programmed on GY-B with two further GY-B holes being considered.

Colorado V Drill program

During the period the Group released the additional results from its results from Phase 1 drilling targeting the CV-A and CV-B Au-Ag-Cu soil anomalies in the Colorado V concession ("Colorado V", the "Project") in El Oro Province, Ecuador. The results build on the first five CV-A and CV-B drill holes, all of which intersected over 450 metres of mineralisation, and confirm two Au-Cu-Ag-Mo discoveries of significance in Colorado V. Three of the five drill holes reported during the period intersected over 500 metres of, and ended in, mineralisation.

The results include an intersection of 181.0 metres at 1.0 g/t AuEq including 62.5 metres at 1.8 g/t AuEq within a broader intersection of 402.8 metres at 0.6 g/t AuEq and 774 metres at 0.4 g/t AuEq to the end of the hole. This intersection confirms that the mineralisation at CV-A has a true width of over 600 metres and extends from surface to almost 800 metres and remains open at depth. Importantly, this is the first indication of wide zones of higher-grade mineralisation in the Group's drilling at Colorado V.

The Colorado V concession adjoins CEL's 100% owned El Guayabo concession to the south and the Cangrejos concession to the north which hosts the 17-million ounce Cangrejos Gold Project¹. The CV-A and CV-B discoveries have similar scale to Cangrejos with both the CV-A and CV-B Au-soil anomalies being 1 kilometre long and 500 metres wide. Drilling by the Group has now intersected mineralisation over 500 metres of strike length in both the CV-A and CV-B anomalies (Figure 9).

CV-A Anomaly

The CV-A anomaly is an Au-Ag-Cu soil anomaly 1 kilometre long and 500 metres wide which forms part of a greater 3 kilometre linear trending gold in soil feature at Colorado V. The CV-A anomaly, like the other fifteen regionally significant Au-Ag-Cu-soil anomalies across the Group's 35.7 km² tenement package has a peak gold value some 50 times background. Additionally, it is coincident with significant underlying magnetic anomalies indicative of porphyry systems.

Limited historical drilling had been undertaken outside the CV-A soil anomaly targeting vein and breccia mineralisation which is currently being exploited by small scale mining. Results included 248 metres at 0.5 g/t AuEq including 114 metres at 0.7 g/t AuEq, in drillhole ZK16-2 located on the northwest flank of the CV-A anomaly and 112 metres at 0.5 g/t AuEq within a zone of 454m at 0.3 g/t AuEq over the entire length of drillhole ZK0-4 located outside the southern boundary of the CV-A soil Anomaly. These historic results had not been followed up with drilling which directly targeted the CV-A anomaly prior to the Group's current program of which CVDD-22-001 was the first hole.

CEL's first three holes to test the CV-A anomaly all intersected over 500 metres of mineralisation. Results included 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 (CVDD-22-001) and 564.1 m at 0.4 g/t AuEq from 8.1m including 278.0 m at 0.6 g/t AuEq (CVDD-22-005). These first three holes and the drilling during the period has confirmed an Au-Ag-Cu-Mo discovery of significance.

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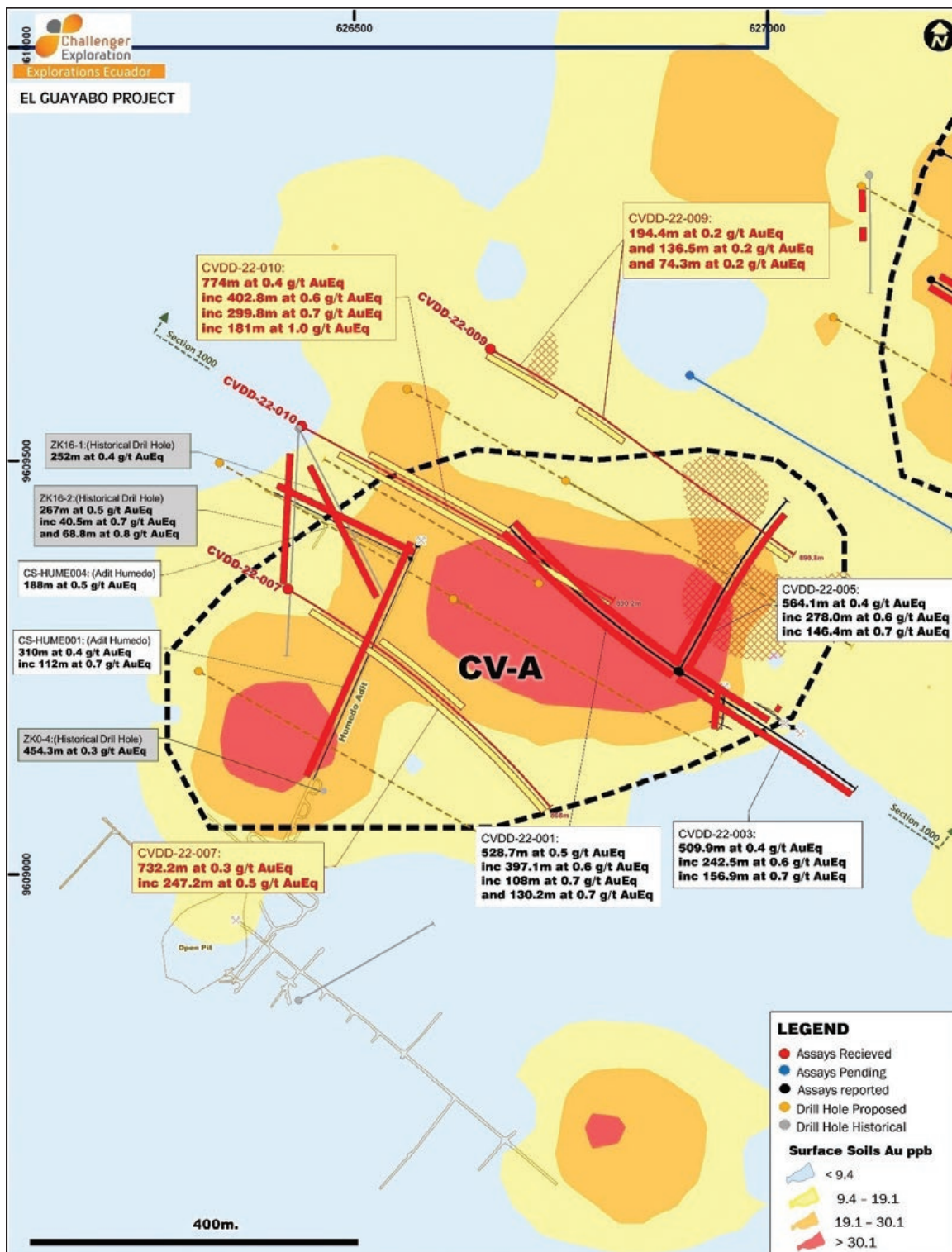


Figure 13 – CV-A Au-soil anomaly with new drilling results for CVDD-22-007, 009 and 010 at Colorado V

CVDD-22-007

CVDD-22-007 was collared on the CV-A anomaly some 250 metres southwest along strike of CVDD-22-001, the first hole drilled to test the CV-A anomaly. The hole was drilled in the reverse orientation of CVDD-21-001 from outside the northern boundary of the CV-A anomaly back under the CV-A anomaly. The results extended the CV-A mineralisation 250 metres southwest along strike from CVDD-22-001 and confirmed that the mineralisation in this portion of the CV-A anomaly has a true width of at least 400 metres.

The hole intersected **732.3 metres at 0.3 g/t AuEq (0.2 g/t gold, 1.2 g/t silver, 0.04% copper, 8.0 ppm molybdenum)** from 73.9m to the end of

CVDD-22-009

CVDD-22-009 was collared on the northern margin of the CV-A anomaly to test the northeastern limit of the CV-A anomaly (Figure 13). The three lower tenor intersections of **194.4 metres at 0.2 g/t AuEq (0.1 g/t gold, 1.2 g/t silver, 0.04% copper, 11.1 ppm molybdenum)** from surface and **136.5 metres at 0.2 g/t AuEq (0.1 g/t gold, 1.1 g/t silver, 0.06% copper, 12.4 ppm molybdenum)** from 259.3m and **74.3 metres at 0.2 g/t AuEq (0.1 g/t gold, 0.6 g/t silver, 0.04% copper, 13.0 ppm molybdenum)** from 812.5m confirm that the CV-A mineralisation is constrained within the northern boundary of the CV-A anomaly.

the hole including **338.3 metres at 0.4 g/t AuEq (0.3 g/t gold, 1.5 g/t silver, 0.1% copper, 6.8 ppm molybdenum)** from 251.0m including **247.2 metres at 0.5 g/t AuEq (0.4 g/t gold, 1.7 g/t silver, 0.1% copper, 5.8 ppm molybdenum)** from 251.0m. This intersection included higher grade zones of **50.7 metres at 0.9 g/t AuEq (0.8 g/t gold, 1.8g/t silver, 0.1% copper, 5.1 ppm molybdenum)**, from 251.0m and **15.8 metres at 0.7 g/t AuEq (0.6 g/t gold, 1.6 g/t silver, 0.1% copper, 4.0 ppm molybdenum)**, from 422.5m.

CVDD-22-009 extends the CV-A mineralisation another 200 metres northeast along strike to the margin of the CV-A soil anomaly with a combined intersection of over 400 metres of mineralisation. A follow up drill hole CVDD-22-013 has been collared 200 metres northeast along strike from CVDD-22-009, midway between the CV-A and CV-B anomalies, to test if the mineralisation extends between the two anomalies.

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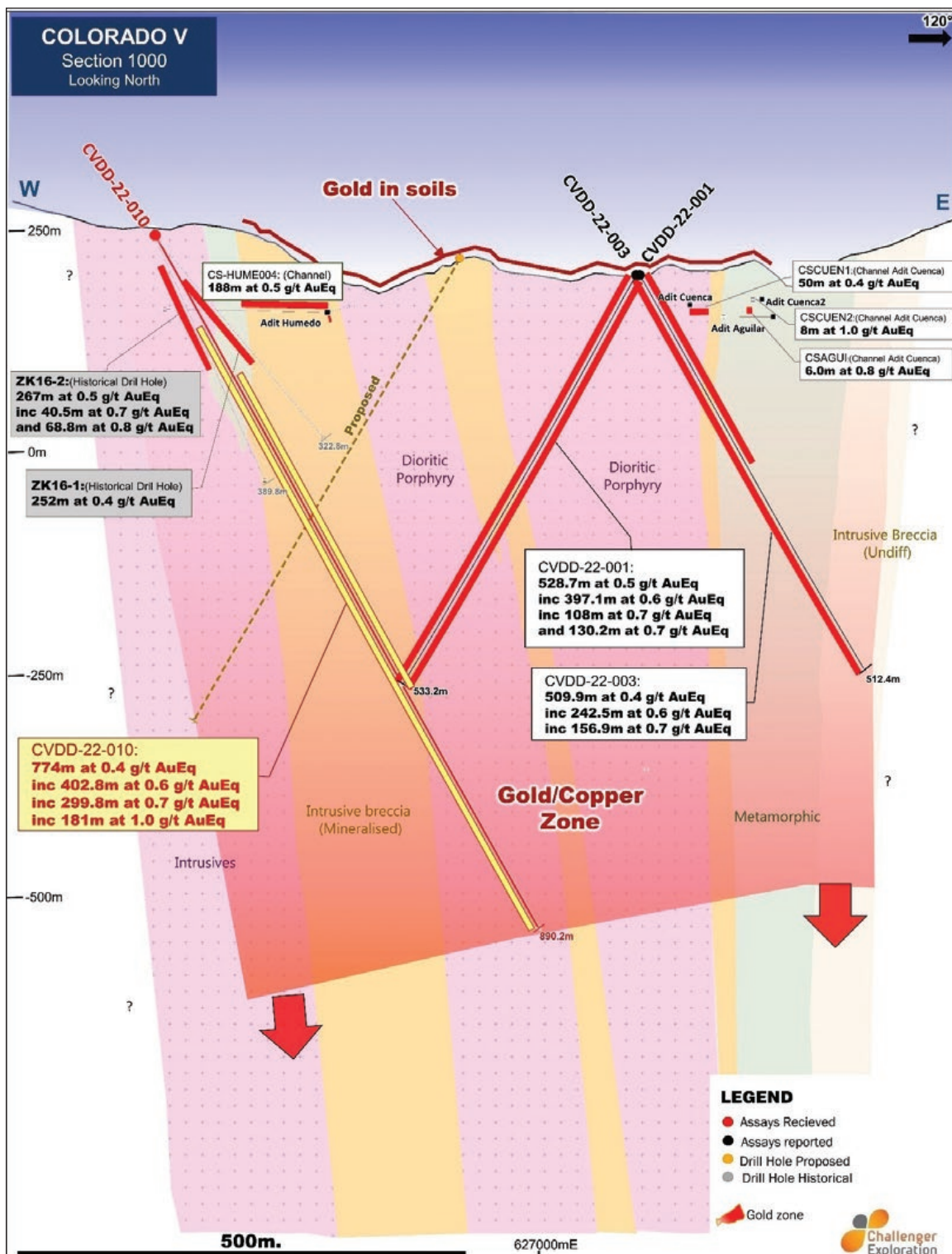


Figure 14 – Cross Section across central CV-A Au in soil anomaly with scissor hole CVDD-22-010 intercept

CVDD-22-009

CVDD-22-010 was collared on the same fence of drill holes as CVDD-22-001, 500m to the north-west of CVDD-22-001 and drilled in the reverse orientation as CVDD-22-001 (Figure 14). The hole was designed to test the northern half of the CV-A anomaly as CVDD-22-001 had tested the southern half of the CV-A anomaly on this drill section. Additionally, the hole was drilled as a scissor hole to CVDD-22-001 to determine if the CV-A mineralisation is one large pervasive zone of porphyry style mineralisation and associated intrusive breccias.

CVDD-22-010 intersected **774.0 metres at 0.4 g/t AuEq (0.3 g/t gold, 1.3 g/t silver, 0.1 % copper, 11.8 ppm molybdenum)** from 114.5m to the end of the hole including **402.8 metres at 0.6 g/t AuEq (0.4 g/t gold, 1.7 g/t silver, 0.1 % copper, 10.9 ppm molybdenum)** from 182.3m. This intersection included a higher-grade core of **299.8 metres at 0.7 g/t AuEq (0.5 g/t gold, 1.8 g/t silver, 0.1 % copper,**

11.7 ppm molybdenum) from 182.3m including **180.9 metres at 1.0 g/t AuEq (0.7 g/t gold, 2.4 g/t silver, 0.1 % copper, 9.5 ppm molybdenum)** from 182.3m. Within this the hole intercepted a consistent high-grade zone of **62.4 metres at 1.8 g/t AuEq (1.5 g/t gold, 2.7 g/t silver, 0.1 % copper, 7.0 ppm molybdenum)** from 182.3m.

The individual 1.5-2.0 metre sample assay results for this high-grade zone are included in Table 7. As is the case with the majority of the CV-A and CV-B intersections, the mineralisation in this 62.4 metre high-grade zone is extremely consistent and pervasive and does not rely on a few isolated narrow high-grade zones to carry the overall high grade. Additionally, the results of CVDD-22-010 confirm that the CV-A mineralisation is a significant system with the mineralisation having a true width of over 600 metres and extending from surface to almost 800 metres vertically and remaining open at depth.

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CV-B Anomaly

The CV-B anomaly is a Au-Ag-Cu soil anomaly 1 kilometre long and 500 metres wide which, with CV-A, forms part of a greater 3 kilometre linear trending gold in soil feature at Colorado V. Similar to CV-A, the anomaly is also coincident with significant underlying magnetic anomalies indicative of porphyry systems.

Limited historical drilling had been undertaken on the flanks of the CV-B anomaly with historical results including 276.0 metres at 0.4 g/t AuEq, including 69.0 metres at 0.7 g/t AuEq (SAZK2-1) and 105.0 metres at 0.7 g/t AuEq, including 55.0 metres at 0.9 g/t AuEq (SAZK0-2A). These historic results had not been followed up with drilling which directly targeted the CV-B anomaly prior to the Group's current program of which CVDD-22-002 was the first hole.

CEL's first two holes to test the CV-B anomaly both intersected over 450 metres of mineralisation. Results included 570.0m at 0.4 g/t AuEq from surface to the end of the hole, including 306.7m at 0.5 g/t AuEq from surface (CVDD-22-002).

CVDD-22-006: CV-B Anomaly

CVDD-22-006 intersected **504.3 metres at 0.3 g/t AuEq (0.3 g/t gold, 1.4 g/t silver, 0.1% copper, 1.8 ppm molybdenum)** from 94.6m to the end of the hole including **276.1 metres at 0.4 g/t AuEq (0.25 g/t gold, 1.5 g/t silver, 0.1% copper, 1.9 ppm molybdenum)** from 97.9m, including **116.1 metres at 0.5 g/t AuEq (0.4 g/t gold, 2.6g/t silver, 0.1% copper, 2.0 ppm molybdenum)**, from 257.9m.

CVDD-22-006 was collared on the CV-B Anomaly some 500 metres northeast of CVDD-22-002 (306.7m at 0.5 g/t AuEq) the first hole drilled to test the CV-B anomaly (Figure 13). CVDD-22-006 extends the strike length over which mineralisation has been intersected on the CV-B anomaly to 500 metres and confirms that the mineralisation has a true width of at least 400 metres in this part of the CV-B anomaly.

CVDD-22-010 (sample number)	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Mo (ppm)	AuEq (G/t)
EX26728	182.3	184.3	2.0	1.0	2.0	0.10	4.0	1.2
EX26729	184.3	186.3	2.0	6.3	2.1	0.09	20.2	6.5
EX26730	186.3	188.3	2.0	1.0	1.2	0.05	11.2	1.1
EX26732	188.3	190.3	2.0	1.4	1.0	0.04	7.8	1.5
EX26733	190.3	192.3	2.0	1.0	1.6	0.07	5.9	1.2
EX26734	192.3	194.3	2.0	1.8	1.0	0.04	8.6	1.8
EX26735	194.3	196.3	2.0	0.5	0.7	0.02	4.5	0.6
EX26736	196.3	197.6	1.3	1.0	1.8	0.06	5.5	1.1
EX26737	197.6	198.9	1.3	0.9	1.6	0.04	5.8	1.0
EX26738	198.9	200.2	1.3	0.9	12.1	0.28	16.7	1.5
EX26739	200.2	201.7	1.5	0.3	2.8	0.08	4.0	0.5
EX26740	201.7	203.2	1.5	0.1	2.0	0.06	4.8	0.3
EX26742	203.2	204.7	1.5	1.1	1.5	0.06	10.7	1.3
EX26743	204.7	206.2	1.5	1.5	2.3	0.10	6.8	1.7
EX26744	206.2	207.7	1.5	0.8	3.6	0.16	9.1	1.1
EX26745	207.7	209.2	1.5	1.4	2.4	0.12	7.7	1.6
EX26746	209.2	210.7	1.5	2.9	2.3	0.13	6.6	3.1
EX26747	210.7	212.2	1.5	1.1	1.5	0.08	6.9	1.3
EX26748	212.2	213.7	1.5	1.5	1.4	0.08	4.1	1.7
EX26749	213.7	215.2	1.5	2.8	2.3	0.10	3.4	3.0
EX26750	215.2	216.7	1.5	3.5	4.0	0.25	7.6	3.9
EX26752	216.7	218.2	1.5	3.3	3.5	0.33	18.0	3.9
EX26753	218.2	219.7	1.5	3.0	2.9	0.27	4.7	3.4
EX26754	219.7	221.2	1.5	3.7	3.6	0.20	3.9	4.1
EX26755	221.2	222.7	1.5	2.8	2.5	0.12	3.5	3.0
EX26756	222.7	224.2	1.5	0.9	2.0	0.10	8.4	1.1
EX26757	224.2	225.4	1.3	3.8	9.2	0.42	3.9	4.6
EX26758	225.4	226.7	1.3	2.0	4.3	0.19	2.5	2.3

CVDD-22-010 (sample number)	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Mo (ppm)	AuEq (G/t)
EX26759	226.7	228.2	1.5	0.6	2.6	0.11	4.3	0.9
EX26760	228.2	229.7	1.5	0.9	6.4	0.21	5.7	1.4
EX26762	229.7	231.2	1.5	0.4	6.0	0.16	11.2	0.8
EX26763	231.2	232.7	1.5	0.3	3.0	0.08	8.3	0.4
EX26764	232.7	234.2	1.5	0.1	1.4	0.04	2.2	0.2
EX26765	234.2	235.7	1.5	0.2	1.5	0.04	3.5	0.3
EX26766	235.7	237.2	1.5	0.5	1.3	0.06	9.5	0.6
EX26767	237.2	238.7	1.5	0.6	2.3	0.09	5.8	0.8
EX26768	238.7	240.2	1.5	0.8	3.6	0.16	5.0	1.2
EX26769	240.2	241.7	1.5	2.7	4.4	0.16	3.4	3.0
EX26770	241.7	243.2	1.5	0.3	1.2	0.04	5.0	0.3
EX26772	243.2	244.7	1.5	1.1	1.0	0.03	3.1	1.2

Table 7 – Showing assay results for high-grade zone in CVDD-22-010

CVDD-22-008: CV-B Anomaly

CVDD-22-008 was collared 400 metres northwest of CVDD-22-006 on the northern end of the CV-B anomaly. The hole intersected **49.5 metres at 0.25 g/t AuEq (0.2 g/t gold, 0.7 g/t silver, 1.3 ppm molybdenum)** from 129.8m and **17.7 metres at 0.25 g/t AuEq (0.15 g/t gold, 1.2 /t silver, 4.0 ppm molybdenum)**, from 431.1m.

The low tenor intersection in CVDD-22-008 is interpreted as confirming that the CV-B mineralisation is constrained within the northern margin of the CV-B anomaly (Figure 13). The intersection extends the mineralisation another 150 metres north of CVDD-22-006 to the northern margin of the CV-B anomaly. Mineralisation has been intersected over all 500 metres of strike of CV-B drilled to date

Karoo Basin, South Africa

The Group continues to pursue its application for shale gas exploration rights in South Africa. As previously reported, the Department of Mineral Resources is progressing a new petroleum resources development bill, and the Minister reportedly indicated during his address in the debate on the Presidential State of the Nation Address in June that the bill will soon undergo public participation, as part of the cabinet and parliamentary approval processes.

Mineral Resource Estimate – Hualilan Gold Project

Domain	Category	Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	AuEq (Moz)
US\$1800 optimised shell > 0.25ppm 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

Hualilan MRE, March 2023

¹Gold 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 (see JORC Table 1 Section 3 Metallurgical assumptions) based on metallurgical test work.
- 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 by 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 and updated 29 March 2023. 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.



Events Subsequent to Balance Date

There were no events subsequent to balance date.

Results of Operations

The net profit after tax for the 6 month period ended 31 December 2022 for the Group was \$24,684,970 (12 months at 30 June 2022: \$25,785,965). Significant items contributing to the 6 month period include the following: gain on convertible debenture of \$2,448,501, gain on net monetary position of \$19,333,616, gain on blue chip swaps of \$7,865,549 and loan facility expenses of \$1,136,618.

Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group during the period and up to the date of this report, other than as set out in this report.

Likely Developments and Expected Results

Likely developments in the operations of the Group are set out in the above review of operations in this annual financial report. Any future prospects are dependent upon the results of future exploration and evaluation.

Environmental Regulations

The Group carries or carried out operations that are subject to environmental regulations under legislation in Ecuador and Argentina. The Group has formal procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

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Remuneration Report (Audited)

Remuneration Policy

The remuneration policy of the Group has been designed to align Director objectives with shareholder and business objectives by providing a fixed remuneration component that is assessed on an annual basis in line with market rates.

The Board of Challenger Exploration believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors to run and manage the Group, as well as create goal congruence between directors and shareholders. The remuneration policy, setting the terms and conditions for executive and non-executive directors and other senior staff members, was developed and approved by the Board. The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives is as follows:

In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that Executive Directors and Senior Executives remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. All Executive Directors and Senior Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and may be issued options or performance shares from time to time.

The Group is currently an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, Executive Directors and Senior Executives are paid market rates associated with individuals in similar positions within the same industry. Options and other performance incentives may be issued particularly if the Group moves from exploration towards a

producing entity and key performance indicators such as market capitalisation and production and reserves growth can be used as measurements for assessing executive performance.

Options and other performance rights are valued using the Black-Scholes methodology, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total remuneration, it should be noted that the Executive Directors and Senior Executives have not received this amount and the option may have no actual financial value unless the share price achieves the option exercise price.

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Group, and they do not receive performance shares or options, however, to align non-executive Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group.

In accordance with the Company's constitution, the aggregate fee remuneration for Non-Executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

The Group may engage remuneration consultants from time to time. The Group will ensure any recommendation from a remuneration consultant will be made free from undue influence from any members of Key Management Personnel. The Group did not engage remuneration consultants for the 6 month period ended 31 December 2022.

Key Management Personnel

(a) Details of Key Management Personnel

Fletcher Quinn

Non-Executive Chairman

Kris Knauer

Managing Director

Sergio Rotondo

Executive Director

Scott Funston

Executive Director, Company Secretary
and Chief Financial Officer

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(b) Compensation of Key Management Personnel

Remuneration of Key Management Personnel is set out below.

The value of remuneration received or receivable by Key Management Personnel for the period ended 31 December 2022 is as follows:

6 month period ended 31 December 2022	Primary		Equity Compensation	Post-employment		Total	Performance Related %
	Base Salary and Fees	Bonus and Non Monetary Benefits	Value of Performance Rights	Superannuation Contributions	Termination Benefits		
	\$	\$	\$	\$	\$		
Directors							
Fletcher Quinn	30,000	-	-	-	-	30,000	-
Kris Knauer	147,500	-	-	-	-	147,500	-
Sergio Rotondo	107,712	-	-	-	-	107,712	-
Scott Funston	122,500	-	48,949	-	-	171,449	28.6%
Total 2022	407,712	-	48,949	-	-	456,661	-

12 months ended 30 June 2022	Primary		Equity Compensation	Post-employment		Total	Performance Related %
	Base Salary and Fees	Bonus and Non Monetary Benefits	Value of Performance Rights	Superannuation Contributions	Termination Benefits		
	\$	\$	\$	\$	\$		
Directors							
Fletcher Quinn	60,000	-	-	-	-	60,000	-
Kris Knauer	295,000	-	-	-	-	295,000	-
Sergio Rotondo	205,257	-	-	-	-	205,257	-
Scott Funston	245,000	-	(48,949)	-	-	196,051	(24.9%)
Total 2022	805,257	-	(48,949)	-	-	756,308	-

(c) Compensation Options

No options were granted to Key Management Personnel of the Group during the 6 month period ended 31 December 2022.

(d) Share, Option and Performance Rights holdings

Options and Performance Rights may be issued to Key Management Personnel as part of their remuneration to increase goal congruence between Executives, Executive Directors and Shareholders. Options and Performance Rights are not issued to Non-Executive Directors.

During the 2020 financial year Mr Funston received 5,000,000 Class A Performance Rights and 5,000,000 Class B Performance Rights following shareholder approval on 28 November 2019.

Class A Performance Rights have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- ii. a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- iii. a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent.

Class B Performance Rights will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

(e) Employment Contracts of Key Management Personnel

The Managing Director Mr Kris Knauer entered into an agreement on 5 July 2021 pursuant to which Mr Knauer was continued as Managing Director of the Group. The material terms and conditions of the agreement are set out below:

- (a) (Commencement Date): 5 July 2021.
- (b) (Term): Two (2) years from the Commencement Date or until validly terminated.
- (c) (Remuneration): Mr Knauer receives a base salary of \$295,000 per annum.
- (d) (Incentives): Mr Knauer is eligible to receive Securities under the Group's Incentive Option Plan and Performance Rights Plan. No Securities were granted under the Group's Incentive Option Plan and Performance Rights Plan during the period ended 31 December 2022 to Mr Knauer.
- (e) (Accrued Entitlements): All entitlements that have accrued to Mr Knauer prior to the date of this agreement will be honoured by the Group.
- (f) (Termination): The Group may terminate the agreement by providing six (6) months' written notice.
- (g) (Expenses): Mr Knauer is entitled to reimbursement for all reasonable travelling expenses, accommodation and general expenses incurred in the performance of his duties under the agreement.

Executive Director, Chief Financial Officer and Company Secretary, Mr Scott Funston entered into an agreement on 5 July 2021, pursuant to which Mr Funston continued as Executive Director, Company Secretary and Chief Financial of the Group.

The material terms and conditions of the agreement are set out below:

- (a) (Position): Company Secretary, Chief Financial Officer and Finance Director
- (b) (Commencement Date): 5 July 2021.
- (c) (Term): Two (2) years from the Commencement Date or until validly terminated.
- (d) (Remuneration): Mr Funston receives a base salary of \$245,000 per annum.
- (e) (Incentives): Mr Funston is eligible to receive Securities under the Group's Incentive Option Plan and Performance Rights Plan. No Securities were granted under the Group's Incentive Option Plan and Performance Rights Plan during the 6 month period ended 31 December 2022 to Mr Funston.
- (f) (Accrued Entitlements): All entitlements that have accrued to Mr Funston prior to the date of this agreement will be honoured by the Group.
- (g) (Termination): The agreement may be terminated by either party by providing three (3) months written notice.
- (h) (Expenses): Mr Funston is entitled to reimbursement for all reasonable travelling expenses, accommodation and general expenses incurred in the performance of his duties under the agreement.

(f) Shares held by Key Management Personnel

	Balance at 1.7.22	Shares Purchased	Net Change Other	Balance at 31.12.22
Directors				
Fletcher Quinn	24,078,637	–	–	24,078,637
Kris Knauer	52,278,666	–	–	52,278,666
Sergio Rotondo	89,000,000	–	–	89,000,000
Scott Funston	7,160,417	–	–	7,160,417
	172,517,720	–	–	172,517,720

No shares were issued by the Group during or since the 6 month period ended 31 December 2022 as a result of the exercise of an option or conversion of a performance right.

(g) Options held by Key Management Personnel

There are no options held by Key Management Personnel.

(h) Performance Shares held by Key Management Personnel

	Balance at 1.7.2022	Shares Purchased	Net Change Other	Balance at 31.12.22	Total Vested	Total Exercisable
Directors						
Fletcher Quinn	–	–	–	–	–	–
Kris Knauer ^(a)	37,000,000	–	–	37,000,000	–	–
Sergio Rotondo	–	–	–	–	–	–
Scott Funston	–	–	–	–	–	–
	37,000,000	–	–	37,000,000	–	–

(a) Mr Knauer was issued these consideration performance shares in 2019 as part of the Group's acquisition of AEP Corporation Pty Ltd disclosed in the Prospectus document dated 16 May 2019. They consist of 18,500,000 Performance A Shares and 18,500,000 Performance B Shares. These consideration performance shares were not issued for Mr Knauer's remuneration. Details of Performance Shares are disclosed in Note 14 of the financial report.

(i) Performance Rights held by Key Management Personnel

	Balance at 1.7.22	Shares Purchased	Net Change Other	Balance at 31.12.22	Total Vested	Total Exercisable
Directors						
Fletcher Quinn	-	-	-	-	-	-
Kris Knauer	-	-	-	-	-	-
Sergio Rotondo	-	-	-	-	-	-
Scott Funston ^(a)	10,000,000	-	-	10,000,000	-	-
	10,000,000	-	-	10,000,000	-	-

(a) Please refer to (d) Compensation of Key Management Personnel, above for details of performance rights issued to Mr Funston during the 2020 financial year.

(j) Other Transactions with Key Management Personnel

Mr Quinn is a director of Seco Resources Pty Ltd ("Seco"). Seco has provided his services as Chairman to a value of \$30,000 (12 months ended 30 June 2022: \$60,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. \$5,000 (30 June 2022: \$10,000) was outstanding at period end.

Mr Knauer is a director of Greenfield Securities Pty Ltd ("Greenfield"). Greenfield has provided his services as Managing Director and CEO to a value of \$147,500 (12 months ended 30 June 2022: \$295,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. \$24,583 (30 June 2022: \$49,167) was outstanding at period end.

Mr Funston is a director of Resourceful International Consulting Pty Ltd ("Resourceful"). Resourceful has provided his services as Executive Director, Company Secretary and CFO to a value of \$122,500 (12 months end 30 June 2022: \$245,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. \$20,417 (30 June 2022: \$40,833) was outstanding at period end.

(k) Amounts owing to Key Management Personnel

A total of \$50,000 was outstanding to Key Management Personnel as at 31 December 2022 (30 June 2022: \$100,000), as noted above.

End of Remuneration Report

Options

At the date of this report, 10,000,000 unlisted options over new ordinary shares in the Group were on issue:

Type	Date of Expiry	Exercise Price	Number Under Option
Unlisted	14 April 2025	\$0.45	10,000,000

No ordinary shares have been issued during or since the end of the period and up to the date of this report upon the exercise of options.

Debentures

At the date of this report, convertible debentures with a principal amount of USD \$15 million to be converted into shares at a share price of \$0.25 per share expiring on the 12 September 2026.

Performance Shares

At the date of this report, 120,000,000 Performance Shares over new ordinary shares in the Group were on issue. These Performance Shares were issued as part of the Group's acquisition of AEP Corporation Pty Ltd disclosed in the Prospectus document dated 16 May 2019.

Type	Number
Performance A	60,000,000
Performance B	60,000,000

Class A Performance Shares have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- ii. a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- iii. a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent.

Class B Performance Shares will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

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Performance Right

At the date of this report, 16,000,000 Performance Rights over new ordinary shares in the Group were on issue

Type	Number
Class A	8,000,000
Class B	8,000,000

Class A Performance Rights have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- ii. a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- iii. a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent.

Class B Performance Rights will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

Incentive Performance Rights

At the date of this report, 8,772,427 Incentive Performance Rights over new ordinary shares in the Group were on issue:

Type	Number
Incentive Performance Rights ^(a)	267,027
Incentive Performance Rights ^(a)	8,505,400

(a) Incentive Performance Rights have the following vesting condition, where the holder must remain employed or engaged by the Group.

No ordinary shares were issued upon the vesting of performance rights or performance shares during or since the end of the period ended 31 December 2022.

Indemnification and Insurance of Directors and Officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, auditor or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by them in their capacity as an officer, auditor or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Group, including officers of the Group's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

Indemnification of Auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the period.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the 6 month period ended 31 December 2022.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst and Young, to provide the Directors of the Company with an independence declaration in relation to the audit of the financial report.

The lead auditor's independence declaration is set out on page 39 and forms part of the Directors' Report for the 6 month period ended 31 December 2022.

Non-Audit Services

Ernst and Young did not provide any non-audit services during the 6 month period ending 31 December 2022.

This report is made in accordance with a resolution of the Directors.



Kris Knauer
Managing Director

31 March 2023

Sustainability, Governance and Accountability

Challenger Exploration understands that sustainability, governance, and accountability are not limited to the company's performance alone. Rather, there is a need to recognize the interconnectedness of all stakeholders including shareholders, communities, suppliers, government organizations, and employees, and to create value for all. The Company's Corporate Social Responsibility strategy is centered around sustainability and the creation of value for all stakeholders.

Sustainability

Challenger Exploration's sustainability strategy is founded on a set of values that fully encapsulate our organization. These values are as follows:

- Integrity and honesty,
- Building high-performance teams.
- Being a good neighbor, generating local development
- Environmental responsibility and,
- Diversity and inclusion and

Environment – Impact and Performance

Challenger Exploration is committed to conducting future operations in a way that will benefit the livelihoods of our host communities.

Throughout the year, our Company has prioritized reducing our environmental impact by addressing past activities of previous operators through remediation efforts, working on the preservation of archaeological sites around our operations, and complying with environmental regulations in each of the countries where we operate.

In 2022, Challenger Exploration made noteworthy efforts toward the treatment of drinking water provided to the Hualilan and El Guayabo nearby communities. As a result, many families who would have otherwise been exposed to contaminated water were able to access safe drinking water thanks to these initiatives.

In 2023, Challenger Exploration is taking steps to reduce and compensate for its carbon emission. In Ecuador, the Company is actively calculating its

carbon footprint in order to identify areas where emissions can be reduced, as well as exploring opportunities for carbon offsetting to help mitigate the environmental impact of its operations. This commitment to sustainability is a key part of Challenger Exploration's approach to responsible corporate citizenship and we plan to have carbon emissions measured for Argentina in 2024.

Some of the highlights of our Environmental program included:

"El Guayabo" project has a history of environmental damage resulting from contaminated run-off and acid mine drainage caused by past owners and artisanal mining. However, since acquiring the project, Challenger Exploration has taken action to address these issues. Specifically, a special-purpose water treatment plant has been implemented to treat all water used for mining operations, ensuring that it is safe and recycled into the local network. This has been a critical step in mitigating the environmental impact of historical activities at the site.



Fast Facts

206,452.80M³

of water treated
by the Company at the El Guayabo
Project, Ecuador during 2022

2,000+

Families from Ullum community
benefited from drinking water
well, which represents more
than USD\$30,000 of investment.

Challenger's Community program has provided a strong Social Licence
to develop the Hualilan Gold Project

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Social - People and Culture, and Community Engagement

Challenger Exploration has made significant efforts to establish itself as a trusted and valued member of the local communities where it operates, across its various projects in Argentina and Ecuador. The Company has been successful in executing its operating plan by proactively engaging with local communities early on, in order to establish a strong social license to operate for the long term. This approach has been crucial to building sustainable relationships with local stakeholders and ensuring the Company's continued success.

Jobs

+450	Direct and indirect jobs created in Argentina & Ecuador	+120	Geology Students trained via our local internship program with assistance from our scholarship program in both countries
+40	New local businesses supported via CEL's local supplier development plan in Argentina & Ecuador	95%	Locals employed with a 95% retention rate

Winner, Annual ESG Award, Argentina Mining 2022

Community Engagement

+150	Hours of dialogue and coordination with communities around our projects in Argentina & Ecuador	+60	Community women associated with local service ventures in Ecuador, within the gender equity program
+90	Students visiting our projects in Argentina & Ecuador to learn about mining and our environmental management model.	+10	Winners of the Entrepreneur program in Argentina to help their financing. (60% were women within the gender equity program)
+175	Children benefited from educational programs in Argentina and the repowering of a community school in Ecuador.	+20	Special needs students were sponsored to participate in the Ullum science fair in Argentina
+1478	Children who received Christmas gift packs in local communities surrounding El Guayabo and Hualilan projects		

We built our sustainability strategy for the next 5 years, Argentina & Ecuador

The San Juan Mining Ministry confirms that Challenger Exploration and Barrick Gold are the only exploration companies operating in San Juan that meet the government's +80% local employment quota.

Governance – Commitment

Challenger Exploration Limited is dedicated to upholding high standards of corporate citizenship and conducting its operations with honesty, integrity, and professionalism. The Company is committed to treating all stakeholders with respect and to operating in compliance with all applicable laws and regulations. This approach reflects Challenger Exploration’s commitment to responsible and ethical business practices, which are fundamental to its long-term success.

All members of Challenger Exploration’s Board of Directors and Senior Management team are significant shareholders in the Company. As such, they are fully aligned with the interests of all Company shareholders, including those of the community, supply chain, and end-user customer stakeholders. This alignment reflects the Company’s commitment to responsible and sustainable business practices, as well as its focus on creating long-term value for all participants.



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Auditor's Independence Declaration



**Building a better
working world**

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Auditor's independence declaration to the directors of Challenger Exploration Limited

As lead auditor for the audit of the financial report of Challenger Exploration Limited for the six month period ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Challenger Exploration Limited and the entities it controlled during the six month period ended 31 December 2022.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'V L Hoang' in a cursive style.

V L Hoang
Partner
31 March 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the 6 month period ended 31 December 2022

	Note	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Other income	2	11,307,082	18,988,173
Gain on net monetary position	1 ^(d)	19,333,616	16,247,563
Accounting and audit fees		252,634	133,277
Consultants' and directors' fees		516,912	818,330
Legal and compliance		201,873	132,125
Investor relations, conferences, and corporate advice		554,848	244,840
Employee expenses		83,688	138,128
Travel expenses		225,653	33,766
Public company and administration expenses		596,181	1,238,267
Employee share-based payments	17	252,920	2,179,473
Depreciation		69,275	62,920
Foreign exchange losses		–	376,717
Finance costs		1,136,618	145,905
Other		102,132	392,092
Profit before income tax		26,647,964	29,339,896
Income tax expense	3	(1,962,994)	(3,553,931)
Net profit for the year		24,684,970	25,785,965
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(20,721,267)	(1,227,303)
Income tax on other comprehensive income		–	–
Other comprehensive loss for the year		(20,721,267)	(1,227,303)
Total comprehensive income for the year		3,963,703	24,558,662
Basic earnings per share	20	2.38	2.69
Diluted earnings per share	20	2.36	2.67

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current Assets			
Cash and cash equivalents	4	15,426,824	10,415,522
Other receivables	5	181,300	140,783
Prepayments	6	733,525	815,294
Total Current Assets		16,341,649	11,371,599
Non-Current Assets			
Other receivables	5	7,970,637	8,149,755
Deferred exploration and evaluation expenditure	7	154,145,647	133,675,262
Property, plant and equipment	8	870,053	534,092
Total Non-Current Assets		162,986,337	142,359,109
Total Assets		179,327,986	153,730,708
Current Liabilities			
Trade and other payables	9	1,948,499	3,997,695
Interest bearing liabilities	11	12,228,566	1,220,000
Derivative liabilities	11	6,855,647	-
Provisions	10	103,133	95,292
Total Current Liabilities		21,135,845	5,312,987
Non-Current Liabilities			
Deferred tax liabilities	3	8,695,550	6,639,276
Interest bearing liabilities	11	259,309	-
Total Non-Current Liabilities		8,954,859	6,639,276
Total Liabilities		30,090,704	11,952,263
Net Assets		149,237,282	141,778,445
Equity			
Issued capital	12	123,620,259	120,378,045
Reserves	13	(20,542,207)	(73,860)
Retained profits		46,159,230	21,474,260
Total Equity		149,237,282	141,778,445

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes In Equity

For the 6 month period ended 31 December 2022

	Issued Capital	Accumulated (Losses)/ Profits	Share Based Payment Reserve	Foreign Exchange Reserves	Option Reserves	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	120,378,045	21,474,260	3,828,443	(3,903,087)	784	141,778,445
Profit for the period	-	24,684,970	-	-	-	24,684,970
Other comprehensive income	-	-	-	(20,721,267)	-	(20,721,267)
Total comprehensive income for the period	-	24,684,970	-	(20,721,267)	-	3,963,703
Issue of shares in lieu of finance costs	109,375	-	-	-	-	109,375
Issue of shares in lieu of fees	716,345	-	-	-	-	716,345
Issue of shares for cash	2,600,000	-	-	-	-	2,600,000
Share based payments	-	-	252,920	-	-	252,920
Share issue costs	(183,506)	-	-	-	-	(183,506)
Balance at 31 December 2022	123,620,259	46,159,230	4,081,363	(24,624,354)	784	149,237,282
Balance at 30 June 2022	120,378,045	21,474,260	3,828,443	(3,903,087)	784	141,778,445
Balance at 1 July 2020	80,631,294	(4,311,705)	1,648,970	(2,675,784)	784	75,293,559
Profit for the period	-	25,785,965	-	-	-	25,785,965
Other comprehensive loss	-	-	-	(1,227,303)	-	(1,227,303)
Total comprehensive loss for the period	-	25,785,965	-	(1,227,303)	-	24,558,662
Issue of shares for project acquisition	36,300,000	-	-	-	-	36,300,000
Issue of shares in lieu of fees	51,962	-	-	-	-	51,962
Shares issued on conversion of options	3,465,778	-	-	-	-	3,465,778
Shares issued on conversion employee rights	21	-	-	-	-	21
Share based payments	-	-	2,179,473	-	-	2,179,473
Share issue costs	(71,010)	-	-	-	-	(71,010)
Balance at 30 June 2022	120,378,045	21,474,260	3,828,443	(3,903,087)	784	141,778,445

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the 6 month period ended 31 December 2022

	Note	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(2,756,341)	(2,697,447)
Interest received		24,426	1,888
Net Cash From (Used In) Operating Activities	4	(2,731,915)	(2,695,559)
Cash Flows From Investing Activities			
Receipts from Blue Chip Swaps transactions		6,776,715	15,399,749
Expenditure on exploration		(22,451,317)	(51,550,354)
Expenditure on property, plant, and equipment		(113,241)	(166,579)
Net Cash Used In Investing Activities		(15,787,843)	(36,317,184)
Cash Flows From Financing Activities			
Loans received	11	21,835,078	-
Repayment of loans	4	(1,220,000)	(2,280,000)
Proceeds from share issue		2,600,000	3,465,778
Costs of loan facility		(841)	(145,905)
Share issue costs		(199,107)	117,202
Net Cash Provided by Financing Activities		23,015,130	1,157,075
Net (Decrease)/ Increase in Cash And Cash Equivalents		4,495,372	(37,855,668)
Cash and cash equivalents at beginning of the year		10,415,522	47,490,314
Effect of movements in exchange rates on cash held		515,930	780,876
Cash and Cash Equivalents at End Of Year	4	15,426,824	10,415,522

The accompanying notes form part of these financial statements.

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Notes to The Financial Statements for the 6 month period ended 31 December 2022

1. Statement of Significant Accounting Policies

a. Basis of preparation

Challenger Exploration Limited is a for-profit listed public company limited by shares that is incorporated and domiciled in Australia. The Group has operations in Ecuador and Argentina and its principal activities are exploration for gold and copper.

The financial report is a general purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial information has been prepared on the accruals basis and is based on historical costs with the exception of any financial instruments measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The financial report was authorised for issue on the date of the signing of the Directors' Declaration.

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Change in Financial Year End Date

The Company obtained approval from the Australian Securities and Investments Commission ("ASIC") to change its financial year end date from 30 June to 31 December. As a result, the current financial year of the Group is the 6 month period 1 July 2022 to 31 December 2022. As such, the amounts presented in the financial report are not entirely comparable as the comparatives are 12 months from 1 July 2021 to 30 June 2022.

The following is a summary of the accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

b. Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2022

In the 6 month period ended 31 December 2022, the Directors have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review the Group has not identified any material changes that need to be applied.

Standards and Interpretations issued and not yet adopted

The Directors are in the process of reviewing all Standards and Interpretations in issue not yet adopted for the 6 month period ended 31 December 2022. Based on the review to date, the Directors do not expect that there is material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change will be expected to the Group's accounting policies.

c. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has a net current liability position of \$4,794,196 at 31 December 2022 (30 June 2022: net current asset position of \$6,058,612) and a net cash outflow from operating and investing activities of \$2,731,915 and \$15,787,843 respectively for the 6 month period ended 31 December 2022 (30 June 2022: \$2,695,559 and \$36,317,184 respectively). The net current liability position as at 31 December 2022 is due to the carrying value of the debenture issued during the period and the associated embedded derivatives totalling \$19,045,473 being recognised as a current liability. As disclosed in note 11, even though the debenture is not due until 12 September 2026, they can be converted to equity at any time at the option of the Debenture holder during their term, resulting in the current classification of all debenture related liabilities. The Group has cash and cash equivalents of \$15,426,824 at 31 December 2022 (30 June 2022: (\$10,415,522).

The Group will require further funding to progress its exploration projects. Based on the Group's cash flow forecast for the period ended 31 March 2024, the Board of Directors is aware of the Group's need to access additional capital in the next 12 months to enable the Group to continue its normal business activities to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration interests.

Based on the Group's demonstrated ability to successfully raise capital from multiple sources, the directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to raise additional funding, either from debt or equity markets to enable it to pay its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis.

In the event that all the funding options available to the Group do not transpire and the Group is unable to meet its liabilities by their respective due dates, there is material uncertainty as to whether the Group can continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements.

The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Group not be able to continue as a going concern.

d. Hyperinflation

The Group's accounting policy in relation to the adoption of AASB 129 Financial Reporting in Hyperinflationary Economies (AASB 129) applied in relation to its subsidiary, Golden Mining SA (Argentine peso) is disclosed below:

AASB 129 requires that the financial statements of entities whose functional currency is that of a hyperinflationary economy to be adjusted for the effects of changes in a suitable general price index and to be expressed in terms of the current unit of measurement at the closing date of the reporting period.

For the purposes of concluding on whether an economy is categorised as high inflation under AASB 129, the standard details a series of factors to consider, including a cumulative inflation rate over three years that is close to or exceeds 100%. Based on these factors, the Argentine economy has been considered a high inflation economy for accounting period ending on or after 1 July 2018.

In accordance with AASB 129, the financial statements of an entity that reports in the currency of a high-inflation economy must be reported in terms of the unit of measure in effect at the date of the financial statements. All amounts in the statement of financial position that are not indicated in terms of the current unit of measure at the date of the financial statements must be restated by applying a general price index. All the components of the income statement must be indicated in terms of the unit of measurement updated at the date of the financial statements, applying the change in the general price index that has occurred since the date on which the income and expenses were originally recognised in financial statements.

The Argentine Securities Commission established that the series of indexes to be used in the AASB 129 application is the one established by the Argentine Federation of Professional Councils in Economic Sciences. The inflation was 95.0% and 64.0% in the periods ended 31 December 2022 and 30 June 2022, respectively. The effects of the application of AASB 129 are detailed below:

Statement of financial position

- i. The monetary items (those with a fixed face value in local currency) are not restated as these are stated in the current measurement unit at the closing date of the reported period. In an inflationary period, keeping monetary assets causes the loss of purchasing power and keeping monetary liabilities causes gain in purchasing power as long as those items are not tied to an adjustment mechanism compensating those effects. The monetary loss or gain is included in the statement of profit or loss and other comprehensive income for the reported period.
- ii. Non-monetary items that are measured at their current values at the end of the reported period are not restated. However, an adjustment process must be completed to determine the impact to the statement of profit or loss and other comprehensive income for holding these non-monetary items at a uniform measurement unit instead of a current measurement unit. There were no non-monetary items measured at current values as at 30 June 2022 and 31 December 2022.

- iii. Non-monetary items at historical cost or measured at current values based on previous dates to the reported period are restated at rates to reflect the movement that has occurred from the acquisition or current value date until the reported period date. The amounts restated for these assets are then compared with the corresponding recoverable values. As a result, depreciation and amortisation are determined in accordance with the new restated amounts. Non-monetary items at historical cost are property, plant and equipment, exploration and evaluation assets and deferred tax liabilities.

Statement of profit or loss and other comprehensive income

- iv. Income and expenses, which includes interest and currency exchange differences are restated from the original date of recognition. This is except for items such as depreciation and amortisation as explained above in (d)iii. Where there is income or losses arising from using two different measurement units i.e., items measured at different dates, it is necessary to identify the compared amounts, separately restate them and compare them again, but with amounts already restated.
- v. The income or losses arising due to the exposure to the change in purchasing power of currency due to the holding of monetary assets and liabilities is shown in a separate item in the statement of profit or loss and other comprehensive income for the period.
- vi. The restatement of non-monetary assets in the terms of the current unit of measurement at the end of the reporting period without an equivalent adjustment for tax purposes, results in a temporary taxable difference and the recognition of a deferred tax liability. The movement in any deferred tax balances is recognised through the statement of profit or loss and other comprehensive income.

Statement of changes in equity

- vii. All components of equity are restated by applying the general prices index as from the beginning of the period. Movements in relation to the components of equity is determined based on the original recognition date with the exception of share capital which is maintained at its nominal value.

Assets, liabilities, equity items, income (excluding comparatives) of the subsidiary in Argentina whose functional currency is the currency of a hyperinflationary economy is translated into the AUD presentation currency at the closing rate at the date of the most recent statement of financial position.

The Group's comparative balances and amounts were presented in a stable currency and therefore are not adjusted for subsequent changes in the price level or exchange rates. This resulted in a difference, arising on the adoption of hyperinflation accounting, between the closing equity of the previous year and the opening equity of the current year. The Group recognised this difference directly in the foreign currency translation reserve in the statement of changes in equity.

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e. Basis of Consolidation

The consolidated financial statements comprise of the separate financial statements of Challenger Exploration Limited ("Company" or "Parent") and its subsidiaries as at 31 December each year (the "Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

Business combinations have been accounted for using the acquisition method of accounting. Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the parent entity, and do not impact the cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interest even if it results in a deficit balance.

f. Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, as at the end of the reporting period.

Deferred income tax is provided on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, as at the end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

g. Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (a) the rights to tenure of the area of interest are current; and
- (b) at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of asset used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

h. Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured and are usually paid within 30 to 45 days of recognition.

i. Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purpose of the statement of cash flows, cash consists of cash and cash equivalents as defined above, net of bank overdrafts.

j. Other Receivables

All receivables are held at amortised cost less any expected credit loss. An expected credit loss provision, when applicable, is made to reflect changes in credit risk since the initial recognition.

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k. Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Group are United States Dollars (USD), Argentinian Peso's, South African Rand (ZAR) and Australian Dollars (AUD). The presentation currency is Australian Dollars (AUD).

As at reporting date the assets and liabilities of the non-hyperinflationary subsidiaries are translated into the presentation currency of Challenger Exploration Limited at the rate of exchange ruling at the end of the reporting period and income and expenses are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

l. Earnings Per Share ("EPS")

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of shares and dilutive potential shares, adjusted for any bonus element.

m. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

n. Trade and Other Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

o. Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

p. Other Income

The following specific recognition criteria must also be met before income is recognised:

Interest

Interest income is recognised as the interest accrues on the related financial asset. Interest is determined using the effective interest rate method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the related financial asset.

Gain on Foreign Exchange Conversion

Blue chip swaps are bought in USD and sold in Argentinian Peso's on the same day. The income is recognised on the day of the sale.

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q. Property, Plant & Equipment

Property, plant & equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis on all property, plant and equipment over 3 to 10 years . The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

r. Share-based Payment Transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black & Scholes option-pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Challenger Exploration Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, measured at the modification date.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

s. Financial Liabilities

Financial liabilities are measured at fair value on recognition and are subsequently measured at amortised cost using the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit or loss statement.

The effective interest method, is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Where the movement in fair value is due to a change in the entity's credit risk, such gain / loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value, net of any transaction costs incurred. These balances are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the term of the liability using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Convertible Debentures

The component of convertible debentures that exhibit characteristics of a liability is recognised as a financial liability in the balance sheet, net of transaction costs being the debt component. On issuance of convertible debentures, the amount initially attributed to the debt component equals the discounted cashflows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. This amount is carried as a short-term liability on an amortised basis until extinguished on conversion or redemption. The increase in liability due to the passage of time is recognised as a finance cost.

On issuance of the convertible debenture, the conversion component is recognised as a derivative financial liability at fair value. This is recognised as a financial liability designated at fair value through profit or loss remeasured at each balance date.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another liability on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

t. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

u. Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

v. Significant accounting judgements, estimates and assumption

The application of accounting policies requires the Group's management to make estimates and assumptions that affect the carrying values of assets and liabilities that are not readily apparent from other sources. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions and expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Estimates and underlying assumptions are evaluated on an ongoing basis.

Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Estimates and assumptions*Share-based Payments*

The Group measures the cost of equity-settled transactions with employees and consultants, where the fair value of the services provided cannot be reliably measured by reference to the fair value at grant date using the Black & Scholes formula, taking into account the terms and conditions upon which the instruments were granted as well as the probability that various non-market vesting conditions are being met. The assumptions used are detailed in Note 17.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Fair value of derivative financial liability

Estimating fair value for the derivative financial liability requires the determination of the most appropriate valuation model and the determination of the most appropriate inputs to the valuation model. The assumptions used for estimating the fair value of the derivative financial liability are disclosed in Note 11.

w. Parent Entity Disclosures

The financial information for the parent entity, which is the legal parent Challenger Exploration Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the parent entity, and do not impact the cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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2. Other Income

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Fair value gain on derivative liability – see note 11	2,448,501	–
Gain on Blue Chip Swaps (a)	7,865,549	18,986,285
Foreign exchange gain	968,606	–
Interest received	24,426	1,888
	11,307,082	18,988,173

(a) In 2019, the Argentine government reinstated exchange controls restricting the purchase of foreign currencies. As a result of these exchange controls, the Group use a legal trading mechanism commonly known as the Blue Chip Swap in which the Argentinian subsidiary, Golden Mining SA, buys Argentinian securities in USD, who then sells the securities in Argentina for Argentinian Peso on the same day. This is to enable the Group to fund working capital in its Argentinian operations. The Blue Chip Swap rate has diverged significantly from Argentina's official exchange rate resulting in the Group recognising a gain from Blue Chip Swap transactions.

The Blue Chips Swaps are financial instruments where the gain or loss associated with the trading of these financial instruments are treated as other income or other expenses. The Group holds no Blue Chip Swaps at 31 December 2022 (30 June 2022: nil) and never holds Blue Chip Swaps overnight.

3. Income Tax

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current tax	–	–
Deferred tax	1,962,994	3,555,931
Income tax expense	1,962,994	3,555,931
The prima facie tax benefit on profit before income tax is reconciled to the income tax expense as follows:		
Net profit before income tax	26,647,964	29,339,896
Prima facie tax benefit on result before income tax at 30% (2021: 30%)	7,994,389	8,801,969
Add:		
• Share based payments	75,876	653,842
• Non assessable income – hyper inflation	(7,243,864)	(6,976,183)
• Non taxable fair value gain	(734,550)	–
• Differences in tax rate of subsidiaries operating in different jurisdictions	1,323,383	1,607,624
• Other deferred tax assets not recognised relating to tax losses	547,760	188,479
• Prior year overprovision	–	(723,257)
• Other	–	1,457
Income tax expense	1,962,994	3,553,931
The following tax deferred tax balances have been recognised:		
Deferred tax assets / (liabilities)		
Gain on blue chip swaps	(7,211,674)	(6,883,231)
Hyperinflation adjustments	(2,325,007)	(1,033,039)
Tax losses	4,301,479	3,939,562
Unrecognised tax losses	(3,460,348)	(2,662,568)
	(8,695,550)	(6,639,276)

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Group continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the Group in utilising the benefits.

Tax consolidation

i. Members of the tax consolidated group and the tax sharing arrangement

Challenger Exploration Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2020. Challenger Exploration Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have not entered into a tax sharing agreement, as in Australia the group has nominal taxable income, however has an arrangement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote. A Tax Sharing Agreement and a Tax Funding Agreement may be entered into in the future.

ii. Tax effect accounting by members of the tax consolidated group up

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

Effectively, each entity is treated as though it is a separate division of the consolidated group, and transactions between entities that are part of the same consolidated group are ignored for Australian income tax purposes. However, entities that form part of a consolidated group for Australian income tax purposes remain separate legal entities. As such, they are still required to maintain, among other items, separate accounts and records. The asset-based model determines the tax cost base of assets held by a subsidiary member when it joins a consolidated group. The tax cost base to the head company of the joining entity's assets is determined through the allocation of the allocable cost amount ("ACA") to the entity's underlying assets. There is no resetting of the tax cost of assets held by the head company of a consolidated group.

4. Cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on a daily bank deposit rate.

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Cash at Bank	15,426,824	10,415,522
Reconciliation of net profit after tax to the net cash flows from operations:		
Net profit	25,785,965	3,258,568
Non cash items:		
Deferred Tax Liability	1,962,994	3,553,931
Depreciation	69,275	62,920
Finance costs – non cash component relating to Debentures	606,500	–
Foreign exchange losses / (gains)	(453,077)	(780,777)
Creditors settled for equity	–	25,221
Share based payments	252,920	2,179,473
Fair value adjustment – convertible debenture	(2,448,501)	–
Movements in Hyperinflation	(19,333,616)	(18,154,500)
Gain on sale of Blue Chip Swaps	(7,865,549)	(15,399,749)
Changes in assets and liabilities		
Decrease / (Increase) in receivables and prepayments	(41,252)	3,517
Increase / (Decrease) in payables and accruals	(166,579)	28,440
Net cash flows used in from operating activities	(2,731,915)	(2,695,559)

Changes in liabilities arising from financing activities – refer to note 11.

5. Trade & Other Receivables

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current		
GST receivable	39,429	34,175
Other receivables	141,871	106,608
Closing balance	181,300	140,783
Non current		
VAT receivable	7,970,637	8,149,755

VAT receivable relates to exploration and evaluation expenditure in Argentina. The Secretary of Mining in Argentina allows the Group to present the VAT recovery only two times during the year and to present claims after 14 months from the date of invoices. All the relevant invoices are currently in the process of being recovered with the Secretary of Mining.

6. Prepayments

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current		
Other pre-payments	733,525	815,294

7. Deferred Exploration and Evaluation Expenditure

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Non-current		
Exploration and evaluation phase	154,145,647	133,675,262
Opening balance	133,675,262	32,587,630
Exploration and evaluation expenditure (including foreign exchange differences)	20,470,385	64,787,632
Acquisition costs – equity based settlement	36,300,000	36,300,000
Closing balance	154,145,647	133,675,262

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

8. Property, Plant and Equipment

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Property, Plant and Equipment		
Cost	1,110,048	694,972
Accumulated depreciation	(239,995)	(160,880)
Net carrying amount	870,053	534,092

9. Trade & Other Payables

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current		
Trade creditors and accruals	1,948,499	3,997,695

Terms and conditions:

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

10. Provisions

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current		
Employee benefits	103,133	95,292
The provision for employee benefits represents accrued annual leave entitlements.		
Movements in Provisions:		
Employee benefits		
At beginning of the period	95,292	47,004
Additions	7,841	48,288
	103,133	95,292

11. Interest Bearing and Derivative Financial Liability

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Current		
Unsecured loan ¹	–	1,220,000
Motor vehicle loan ¹	38,740	–
Debentures – loan component ²	12,189,826	–
	12,228,566	1,220,000
Derivative financial liability – conversion component	6,855,647	–
Non-current		
Motor vehicle loan ¹	259,309	–

Movements interest bearing and derivative financial liability:

	Unsecured loan \$	Debentures – loan component ² \$	Derivative financial liability – conversion component ² \$
At beginning of the period	1,220,000	–	–
Advance from Convertible Debentures	–	21,835,078	–
Payment of unsecured loan	(1,220,000)	–	–
Recognition of derivative financial liability – conversion component	–	(9,304,148)	9,304,148
Accrued interest	–	441,496	–
Foreign exchange gain	–	(170,673)	–
Fair value movement	–	–	(2,448,501)
	–	12,801,753	6,855,647
Deferred transaction costs	–	(611,927)	–
Total	–	12,189,826	6,855,647

1 In the previous period under a funding agreement RiverFort Global Capital Ltd, a London based UK Institutional Investment Manager focusing on high-growth companies, advanced the Group a total AUD \$3.5 million. The remaining balance relating to the loan was fully repaid in July 2022.

In the current period, a loan funding arrangement was entered into to purchase four motor vehicles. The liability is denominated in Argentinian Peso at nominal interest rate of 91.00%. The Group is not exposed to the nominal interest rate as it maintains almost all of its cash in USD in Argentina, negating the effect of a hyperinflation-based interest rate.

2 Convertible Debentures

The Group issued a USD \$15 million 9% convertible debenture on 6 September 2022. The Debentures are convertible into fully paid equity securities in the share capital of the Group, at the option of the debenture holder, subject to and in accordance with the terms and conditions of the Debenture Agreement between the Group and the debenture holder.

The Debentures are unsecured with a coupon (interest) rate of 9% (7% payable in cash and 2% payable in either cash or Shares, at the debenture holder's election) payable quarterly in arrears. The Share price used to calculate the number of Shares to be issued for the interest component

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payable in Shares is the to 20 day VWAP ending three trading days prior to the interest being payable. The Debentures have a four-year term from closing and will be repayable by the Group upon expiry of that period to the extent not otherwise converted earlier into Shares. Therefore, amounts relating to the Convertible Debentures are classified as current.

Upon closing, the Group paid the debenture holder an establishment fee equal to 3% of the principal amount of the debenture in shares (\$667,557 – refer to note 17). The establishment fee is deferred over the life of the debenture.

The Debenture gives the holders option to convert the debenture into equity (being a call option) and the associated potential issue of shares give rise to a variable amount, in Australian dollars, of equity that would be issued by the Group and therefore the debenture fails to meet the requirements to be classified as equity. It was concluded that the Derivative Financial liability – conversion component is not clearly and closely related to the debt host contract and is therefore bifurcated and measured separately. The Derivative Financial liability – conversion component has therefore been accounted as fair value through profit and loss, with the conversion feature dependant on foreign exchange rates and other factors as set out below.

In relation to the conversion feature of the Debenture, Management performed a valuation at fair value on initial recognition and at the balance date with the movement in the fair value recognised in the profit or loss. The loan component of Debentures is measured at fair value on recognition and are subsequently measured at amortised cost using the effective interest rate method.

Valuation of Derivative Financial liability – conversion component

The derivative financial liability – conversion component at balance date 31 December 2022 and recognition date of 12 September 2022 was valued using a Binomial pricing model as follows:

Share Price: CEL's share price based on the company's closing share price as at 31 December 2022 and recognition date 12 September 2022;

Volatility: Calculated using implied volatility of 70% for the CEL share price at 31 December 2022 (70% at 12 September 2022);

Risk free rate: The Australian 3.75 year bond rate of 3.51% (3.23% at 12 September 2022);

Dividend yield: Assumed that the Company will not pay a dividend during the life of the debenture;

Foreign Exchange: the interpolated RBA conversion rate of \$0.6775 was used as the conversion rate from USD to AUD (\$0.6843 at 12 September 2022).

12. Issued Capital

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
(a) Issued Capital	123,620,259	120,378,045

Movement in ordinary shares on issue	Consolidated 6 months ended 31 December 2022		Consolidated 12 months ended 30 June 2022	
	No.	\$	No.	\$
At start of period	1,027,713,580	120,378,045	808,681,440	80,631,294
Shares issued for cash	13,684,213	2,600,000	–	–
Shares issued on conversion employee rights	–	–	210,379	21
Shares issued as consideration for Hualilan Gold Project	–	–	114,000,000	31,350,000
Shares issued as consideration for El Guayabo Gold Copper Project	–	–	18,000,000	4,950,000
Shares issued on exercise of options	–	–	86,644,444	3,465,778
Shares issued in lieu of cash	4,417,246	825,720	177,317	51,962
Transaction costs relating to issued shares	–	(183,506)	–	(71,010)
	1,045,815,039	123,620,259	1,027,713,580	120,378,045

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

(b) Options

At the date of this report 10,000,000 unlisted options (30 June 2022: 10,000,000) over new ordinary shares in the Company were on issue:

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted	14 April 2025	\$0.45	10,000,000

No ordinary shares were issued upon the exercise of options during or since the end of the period ended 31 December 2022 and up to the date of this report.

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Debentures

At the date of this report, convertible debentures with a principal amount of USD \$15 million to be converted into shares at a share price of \$0.25 per share expiring on the 12 September 2026.

Performance Shares

At the date of this report, 120,000,000 Performance Shares over new ordinary shares in the Group were on issue. These Performance Shares were issued as part of the Group's acquisition of AEP Corporation Pty Ltd disclosed in the Prospectus document dated 16 May 2019.

Type	Number
Performance A	60,000,000
Performance B	60,000,000

Performance A Shares have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- ii. a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- iii. a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent.

Performance B Shares will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

The relevant interests held by each Director in shares, options and performance shares and rights of the Company at the date of this report are included in the Remuneration Report.

The performance shares were measured at fair value and recognised as part of the original acquisition value of the Hualilan Project. These performance shares were issued as consideration to the shareholders of the seller to the Company.

No ordinary shares were issued upon the vesting of performance shares during the period.

Performance Rights

At the date of this report, 16,000,000 Performance Rights over new ordinary shares in the Group were on issue:

Type	Number
Class A	8,000,000
Class B	8,000,000

Class A Performance Rights have the following vesting conditions:

A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- i. a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- ii. a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- iii. a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent.

Class B Performance Rights will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

Incentive Performance Rights

At the date of this report, 8,772,427 Incentive Performance Rights over new ordinary shares in the Group were on issue:

Type	Number
Incentive Performance Rights ^(a)	267,027
Incentive Performance Rights ^(a)	8,505,400

(a) Incentive Performance Rights have the following vesting condition, where the holder must remain employed or engaged by the Group.

No ordinary shares were issued upon the vesting of performance rights or performance shares during or since the end of the period ended 31 December 2022.

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13. Reserves

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Option reserve	784	784
Share based payments reserve	4,081,363	3,828,443
Foreign currency translation reserve	(24,624,354)	(3,903,087)
	(20,542,207)	(73,860)
(a) Movements in Reserves		
Share based payments reserve		
Opening balance	3,828,443	1,648,970
Share based payment expense	252,920	2,179,473
	4,081,363	3,828,443

The share based payment reserve is used to recognise share based payments in relation to those provided to directors, executives and employees as part of their remuneration and non-employees for their services. Refer to note 17 for further details of the share based payments during the period.

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Foreign currency translation reserve		
Opening balance	(3,903,087)	(2,675,784)
Foreign currency translation	(20,721,267)	(1,227,303)
	(24,624,354)	(3,903,087)

The foreign exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(k). The reserve is recognised in profit and loss when the net investment is disposed of.

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14. Performance Shares

At the date of this report, 120,000,000 Performance Shares over new ordinary shares in the Company were on issue. These Performance Shares were issued as part of the Group's acquisition of AEP Corporation Pty Ltd disclosed in the Prospectus document dated 16 May 2019. Refer to note 12 for details.

No ordinary shares were issued upon the vesting of performance shares during the period.

15. Performance Rights

At the date of this report, 16,000,000 Performance Rights over new ordinary shares in the Company were on issue. Refer to note 12 for details.

Class A Performance Rights have been measured using a Black Scholes model assuming a probability of 100% and expected vesting date. At the date of this report, these performance rights have not been vested.

Class B Performance Rights will vest on the completion and announcement by Challenger (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either the Hualilan Project or the El Guayabo Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

The relevant interests held by each Director in shares, options, performance shares and performance rights of the Company at the date of this report are included in the Remuneration Report above.

Class B Performance Rights have been measured using a Black Scholes model assuming a probability of 0% based on the certainty of meeting the vesting conditions by an expected vesting date. At the date of this report, these performance rights have not vested. The probability and vesting date is reassessed at each reporting date.

No ordinary shares were issued upon the vesting of performance rights during the period.

16. Incentive Performance Rights

At the date of this report, 8,772,427 Incentive Performance Rights over new ordinary shares in the Company were on issue. Refer to note 12 for details.

210,379 ordinary shares were issued during the 12 months period ended 30 June 2022 relating to the incentive performance rights. No ordinary shares were issued upon the vesting of performance rights or performance shares during or since the end of the period ended 31 December 2022.

The relevant interests held by each Director in shares, options, performance shares and performance rights of the Company at the date of this report are included in the Remuneration Report above.

17. Share Based Payments

Recognised share-based payment transactions

Share based payment transactions recognised as operating expenses in the statement of profit or loss and other comprehensive income during the period were as follows:

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Recognised as part of capitalised exploration and evaluation		
Supplier share based payment	48,788	51,962
Recognised as part of interest bearing liabilities		
3% establishment fee – convertible debenture – see note 11	667,557	–
Operating expenses		
Employee share based payments	252,920	2,179,473
2% interest – convertible debenture – see note 11	109,375	–
	1,078,640	2,231,435

Employee share based payment plan

The Group has established an Employee Incentive Plan ('Plan'). The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of Challenger Exploration Limited. Under the Plan, the Directors may invite individuals acting in a manner similar to employees to participate in the Plans and receive options and / or performance rights. An individual may receive the options and / or performance rights or nominate a relative or associate to receive the options and / or performance rights. The Plan is open to directors, executive officers, nominated consultants and employees of Challenger Exploration Limited.

The fair value at grant date of performance rights granted during previous reporting periods was determined using the Company's share price on the grant date. The table below summaries performance rights granted under Incentive Performance Rights Plan:

Grant Date	Expiry date	Balance at	Granted	Balance at	Vested and
		30 June 2022		31 December 2022	exercisable at
		Number	Number	Number	31 December 2022
					Number
16 March 2020	4 July 2026	267,027	–	267,027	267,027
9 September 2021	4 July 2026	8,505,400	–	8,505,400	8,505,400
Total		8,772,427	–	8,772,427	8,772,427

There were no performance rights forfeited or cancelled during the period. The performance rights are issued for Nil consideration and have an exercise price of \$0.0001. Nil performance rights were exercised during the period.

18. Key Management Personnel Emoluments

(a) Details of Key Management Personnel

Fletcher Quinn:	Non Executive Chairman
Kris Knauer:	Managing Director
Scott Funston:	Executive Director, Company Secretary and Chief Financial Officer
Sergio Rotondo:	Executive Director

Directors' remuneration and other terms of employment are reviewed annually by the non-executive Directors having regard to performance against goals set at the start of the period, relative comparative information and independent expert advice, as appropriate.

(b) Compensation of Key Management Personnel

The aggregate compensation paid to Directors and other members of key management personnel is out below:

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
Short-term employee benefits	407,712	805,257
Share-based payments	48,949	(48,949)
	456,661	756,308

Further details of key management personnel remuneration have been included in the Remuneration Report section of the Directors' Report.

(c) Other Transactions with Key Management Personnel

Mr Quinn is a director of Seco Resources Pty Ltd. Seco has provided his services as Chairman to a value of \$30,000 (12 months ended 30 June 2022: \$60,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. \$5,000 (30 June 2022: \$10,000) was outstanding at period end.

Mr Knauer is a director of Greenfield Securities Pty Ltd. Greenfield has provided his services as Managing Director and CEO to a value of \$147,500 (12 months ended 30 June 2022: \$295,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. \$24,583 (30 June 2022: \$49,167) was outstanding at period end.

Mr Funston is a director of Resourceful International Consulting Pty Ltd. Resourceful has provided his services as Director, Company Secretary and CFO to a value of \$122,500 (12 months end 30 June 2022: \$245,000) to Challenger during the period on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. \$20,417 (30 June 2022: \$40,833) was outstanding at period end.

(d) Amounts owing to Key Management Personnel

A total of \$50,000 was outstanding to Key Management Personnel as at 31 December 2022 (30 June 2022: \$100,000), as noted above.

19. Segment Information

The Group is organised into one business segment, being exploration operations with three geographies. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Maker ("CODM") in assessing performance and in determining the allocation of resources.

	Australia \$	Ecuador \$	Argentina \$	Consolidated \$
30 June 2022				
Interest income	24,426	-	-	24,426
Other income	3,417,107	-	7,865,549	11,282,656
Segment income	3,441,533	-	7,865,549	11,307,082
Segment profit / (loss) before income tax	429,529	(77,586)	26,296,021	26,647,964
Segment assets	66,136,219	21,367,869	91,823,898	179,327,986
Segment liabilities	19,403,356	645,856	10,041,492	30,090,704
Included within segment assets				
Cash at bank	14,434,571	715,834	276,419	15,426,824
Plant and equipment and exploration expenditure	51,667,044	20,551,906	82,796,750	155,015,700
30 June 2021				
Interest income	1,888	-	-	1,888
Other income	-	-	18,986,285	18,986,285
Segment income	1,888	-	18,986,285	18,988,173
Segment profit / (loss) before income tax	828,316	(29,128)	28,540,708	29,339,896
Segment assets	60,304,718	15,446,406	77,979,584	153,730,708
Segment liabilities	1,767,018	727,302	9,457,943	11,952,263
Included within segment assets				
Cash at bank	8,625,821	1,068,439	721,262	10,415,522
Plant and equipment and exploration expenditure	51,663,672	14,332,337	68,213,345	134,209,354

20. Earnings Per Share

	Consolidated 6 months ended 31 December 2022 \$	Consolidated 12 months ended 30 June 2022 \$
The following reflects the loss and share data used in the calculation of basic earnings per share (EPS):		
Profit used in calculation of basic EPS	24,684,970	25,785,965
	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS	1,037,756,808	958,308,551
The following reflects the loss and share data used in the calculation of diluted earnings per share (EPS):		
Profit used in calculation of diluted EPS	24,684,970	25,785,965
	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS	1,046,529,235	967,080,978

In considering the diluted earnings per share, the 10,000,000 Riverfort options and the shares in relation to the convertible debentures have no impact as these instruments are out of the money however could have a potential dilutive impact in future periods.

21. Related Party Disclosure

Interest in subsidiaries

The consolidated financial statements include the financial statements of Challenger Exploration Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of equity interest held by the Group	
		31 December 2022	30 June 2022
AEP Corporation Pty Ltd	Australia	100%	100%
Bundu Oil & Gas Exploration Pty Ltd *	South Africa	95%	95%
Challenger Exploration Argentina Pty Ltd **	Australia	100%	100%
Ecuador Mining Pty Ltd	Australia	100%	100%
Golden Mining SA ***	Argentina	100%	100%
Ecuador Mining SA ***	Ecuador	100%	100%
Torata Mining SA ***	Ecuador	100%	100%

* The assets Bundu Oil & Gas Exploration (Bundu) are not material and Bundu does not have a material non-controlling interest in the Group.

** Previously named Afro-Asian Resources Pty Ltd

*** These entities hold exploration tenements in Argentina and Ecuador.

22. Auditor's Remuneration

	Consolidated 6 months ended 31 December 2022	Consolidated 12 months ended 30 June 2022
	\$	\$
Fees to Ernst & Young Australia		
Fees for the audit and review of the financial reports of the Group and any controlled entities	50,000	62,500
Total fees to Ernst & Young Australia	50,000	62,500
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	129,369	100,770
Total fees to overseas member firms of Ernst & Young (Australia)	129,369	100,770
Total auditor's remuneration	179,369	163,270

23. Financial Instruments

(a) Financial risk management and risk policies

The Group's principal financial instruments comprise of cash, short-term deposits, loans, convertible debentures and payables. The main purpose of these financial instruments is to hold funds for the entity's operations. The entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

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(c) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

31 December 2022	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$		\$
Financial Assets					
Non-interest bearing	914,825	–	–	–	914,825
Variable interest rate instruments	15,426,824	–	–	–	15,426,824
	16,341,649	–	–	–	16,341,649
Financial Liabilities					
Non-interest bearing trade payables	(1,948,499)	–	–	–	(1,948,499)
Fixed rate interest bearing liabilities	–	–	–	(12,189,826)	(12,189,826)
Fixed rate derivative liability	–	–	–	(6,855,647)	(6,855,647)
Motor vehicle loan	–	–	(38,740)	(259,309)	(298,049)
Net Financial Assets	14,393,150	–	(38,740)	(19,304,782)	(4,950,372)
30 June 2022					
Consolidated	\$	\$	\$		\$
Financial Assets					
Non-interest bearing	140,783	–	–	–	140,783
Variable interest rate instruments	10,415,522	–	–	–	10,415,522
	10,556,305	–	–	–	10,556,305
Financial Liabilities					
Non-interest bearing	(3,997,695)	–	–	–	(3,997,695)
Fixed interest rate instruments	(1,220,000)	–	–	–	(1,220,000)
Net Financial Assets	5,338,610	–	–	–	5,338,610

Interest Rate Sensitivity Analysis

At reporting date, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post-tax loss for the 6 months to 31 December 2022. The impact on equity would have been the same.

Given rate of interest being fixed for financial liabilities, there was minimal exposure to interest rate risk for the six months period ended 31 December 2022 (30 June 2022: Nil).

(d) Fair value disclosure of financial assets and liabilities

The fair value of a financial asset or a financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of cash and cash equivalents, trade and other receivables, interest bearing liabilities and trade and other payables approximate their carrying values, as a result of their short maturity.

The valuation techniques used have not changed for each of these financial instruments from the prior period.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

Refer to note 11 for further disclosure considerations for the inputs used to determine fair value for the derivative financial liability at fair value.

The below is a quantitative sensitivity analysis as at 31 December 2022 relating to the derivative financial liability categorised as level 3 of the fair value hierarchy are shown below:

31 December 2022	Significant unobservable input	Sensitivity of the input to fair value
Derivative financial liability	Volatility	5% increase (decrease) would result in an increase (decrease) of \$515,460 (decrease of \$531,341)

(e) Credit risk exposures

The Group's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for expected credit loss, of those assets as indicated in the statement of financial position. The maximum credit risk exposure on receivables of the Group at 31 December 2022 is \$141,871 (30 June 2022: \$106,608). There are no impaired receivables at 31 December 2022.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. Most of the Group's cash is with reputable banks in Australia with strong credit ratings. The Group measures credit risk on a fair value basis.

Concentration of Credit Risk

The Group is not exposed to any individual customer.

The Group's VAT receivable is a statutory asset held with the Argentinian authorities and not considered a financial asset as defined under AASB 9.

(f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. All associated financial assets and liabilities are classified as current.

(g) Foreign exchange risk management

The Group is exposed to US Dollar (USD) and South African Rand (ZAR) currency fluctuations. At 31 December 2022, there would have been an immaterial change in the post-tax operating loss for the 6 month period ended as a result of a 10% change in the Australian Dollar (AUD) to the USD and ZAR. The impact to equity would be the same.

The Group use a legal trading mechanism commonly known as the Blue Chip Swap in which the Argentinian subsidiary, Golden Mining SA, buys Argentinian securities in USD, then sells the securities in Argentina for Argentinian Peso on the same day. This is to enable the Group to fund working capital in its Argentinian operations. See Note 2 for further information.

(h) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being gold exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

24. Contingent Assets and Liabilities

There are no known contingent liabilities or contingent assets.

25. Commitments for Expenditure

There are no commitments for expenditure as at 31 December 2022 (30 June 2022: \$Nil).

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26. Parent Entity Disclosures

Information relating to Challenger Exploration Limited, the legal Parent entity, is detailed below:

Financial position	31 December 2022 \$	30 June 2022 \$
Assets		
Current assets	14,469,210	8,653,747
Non-current assets	128,291,628	112,205,120
Total assets	142,760,838	120,858,867
Liabilities		
Current liabilities	19,052,843	1,416,489
Non-current liabilities	-	-
Total liabilities	19,052,843	1,416,489
Net Assets	123,707,995	119,442,378
Equity		
Issued capital	153,665,831	150,423,617
Accumulated losses	(36,583,055)	(37,353,538)
Reserves	6,625,219	6,372,299
Total equity	123,707,995	119,442,378
Financial performance		
Loss for the year	770,483	(822,237)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	770,483	(822,237)

27. Subsequent Events

There were no events subsequent to balance date.

Directors' Declaration

1. The Directors of the Company declare that:
 - a. the financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the 6 month period then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
 - b. Subject to the achievement of matters detailed in note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the 6 month period ended 31 December 2022.

This declaration is signed in accordance with a resolution of the Board of Directors.



Kris Knauer
Managing Director

31 March 2023

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Independent Auditor's Report



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Independent auditor's report to the members of Challenger Exploration Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Challenger Exploration Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the six month period ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(c) in the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report for the current six month period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>At 31 December 2022, the Group held exploration and evaluation assets of \$154,145,647, representing 86% of the Group’s total assets.</p> <p>The carrying value of exploration and evaluation assets is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation assets may exceed their recoverable amount.</p> <p>The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgements including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Group did not identify any impairment indicators as at 31 December 2022.</p> <p>Refer to Note 1(g) and 7 in the financial report for exploration and evaluation asset balances and related disclosures.</p> <p>This was considered a key audit matter because of the significant judgment involved in determining whether any impairment indicators were present for the Group’s capitalised exploration and evaluation asset balances.</p>	<p>We evaluated the Group’s assessment as to whether there were any indicators of impairment to require the carrying value of exploration and evaluation assets to be tested for impairment. In performing our procedures, we:</p> <ul style="list-style-type: none"> ▶ Considered whether the Group’s right to explore was current, which included obtaining and assessing supporting documentation such as license agreements; ▶ Considered the Group’s intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group’s approved cash flow forecast and enquiring of senior management and the directors as to their intentions and the strategy of the Group; ▶ Assessed whether any exploration and evaluation data existed to indicate that the carrying value of exploration and evaluation assets is unlikely to be recovered through development or sale; and ▶ Assessed the adequacy of the disclosures in Note 1 (g) and Note 7 of the financial report.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the six month period ended 31 December 2022 other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current six month period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the six month period ended 31 December 2022.

In our opinion, the Remuneration Report of Challenger Exploration Limited for the six month period ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

V L Hoang
Partner
Perth
31 March 2023

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 27 March 2023.

Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001:

Shareholder	Number	%
Sergio Rotondo	89,000,000	8.52
Black Rock Group	140,756,653	13.47
Kris Knauer	52,278,666	5.00

Distribution of Shareholders

	Ordinary Shares		
	Number of Holders	Number of Shares	% Issued Share Capital
1 – 1,000	134	35,192	0.00%
1,001 – 5,000	487	1,466,708	0.14%
5,001 – 10,000	327	2,635,174	0.25%
10,001 – 100,000	953	39,955,514	3.82%
100,001 and over	657	1,001,722,451	95.78%
Total	2,558	1,045,815,039	100.00%

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction.

Top 20 Shareholders

The names of the twenty largest holders of each class of quoted equity security, the number of equity security each holds and the percentage of capital each hold is as follows:

Rank	Holder Name	Units	
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	144,228,323	13.79%
2	SERGIO ROTONDO	89,000,000	8.51%
3	CITICORP NOMINEES PTY LIMITED	38,471,621	3.68%
4	MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C>	32,954,167	3.15%
5	PISTON SECURITIES PTY LTD	20,954,167	2.00%
6	MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C>	15,208,332	1.45%
7	BELAIR AUSTRALIA PTY LTD <CAPRI INVESTMENT A/C>	14,414,334	1.38%
8	E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	14,312,500	1.37%
9	BROOKAVA PTY LTD	14,299,467	1.37%
10	DOMAEVO PTY LTD <THE JCS A/C NO2>	13,353,886	1.28%
11	LQ SUPER PTY LTD <LQ SUPERFUND A/C>	13,000,000	1.24%
12	JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	11,060,000	1.06%
13	STRANDLINE INVESTMENTS PTY LTD	10,764,341	1.03%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,699,750	1.02%
15	SANPEREZ PTY LTD <P CHALMERS PARTNERSHIP A/C>	10,033,943	0.96%
16	BOND STREET CUSTODIANS LIMITED <WJ8 - D72533 A/C>	9,199,666	0.88%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	9,079,174	0.87%
18	MR JAMES HENDERSON ALLEN	9,000,000	0.86%
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,993,242	0.86%
20	FALERNO INVESTMENTS PTY LTD	8,788,000	0.84%
TOTAL		497,814,913	47.60%

Performance Shares

Class	Number	Holders with more than 20%
Performance Rights A	60,000,000	Moneybung Pty Ltd <Moneybung Family A/C> – 18,500,000
Performance Rights B	60,000,000	Moneybung Pty Ltd <Moneybung Family A/C> – 18,500,000

Interests in Tenements Held

Project	Property Name	Tenure Title Holder	Interest %	Area (ha)	DNPM No of Area	Status of Tenure
El Guayabo	El Guayabo	Torata Mining Resources S.A	100%	281	COD225	Granted
El Guayabo	Colorado V	Goldking Mining Company S.A	earning 50%	2331	COD3363.1	Granted
El Guayabo	El Guayabo 2	Mr. Segundo Ángel Marín Gómez	earning 80%	957	COD300964	Granted
Hualilan	Divisadero	Golden Mining S.R.L.	100%	6	5448-M-1960	Granted
Hualilan	Flor de Hualilan	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pereyra y Aciar	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Bicolor	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Sentazon	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Muchilera	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Magnata	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pizarro	Golden Mining S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	La Toro	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	La Puntilla	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pique de Ortega	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Descrubidora	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Pardo	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Sanchez	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	Andacollo	CIA GPL S.R.L.	as above	6	5448-M-1960	Granted
Hualilan	North of "Pizarro" Mine	Golden Mining S.R.L.	as above	1.9	195-152-C-1981	Granted
Hualilan	South of "La Toro" Mine	CIA GPL S.R.L.	as above	1.9	195-152-C-1981	Granted
Hualilan	Josefina	Golden Mining S.R.L.	as above	2570	30.591.654	Granted
Hualilan		Armando J. Sanchez	100% Option	721.90	414-998-M-05	Granted
Hualilan	Guillermina	Armando J. Sanchez	100% Option	2,921.05	1124-045-S-19	Granted
Hualilan	Agu 3	Armando J. Sanchez	100% Option	1,500.00	1124-114-S-14	Granted
Hualilan	Agu 5	Armando J. Sanchez	100% Option	1443.50	1124-343-S-14	Granted
Hualilan	Agu 6	Armando J. Sanchez	100% Option	1500.00	1124-623-S-17	Granted
Hualilan	Agu 7	Armando J. Sanchez	100% Option	1459.00	1124-622-S-17	Granted
Hualilan	El Petiso	Armando J. Sanchez	100% Option	18.00	2478-C-71	Granted

ASX Waivers

The ASX granted the Company a waiver from ASX Listing Rule 7.3.2 to permit the notice of meeting (the "Notice") seeking shareholder approval for the issue of up to 245,000,001 fully paid ordinary shares in the Company ("Waiver Securities") upon the Company satisfying the milestones in relation to each of the Projects ("Milestones") not to state that the Waiver Securities will be issued within 3 months of the date of the shareholder meeting.

The Waiver Securities must be issued no later than 60 months after the date of reinstatement of the Company's securities to official quotation.

All Waiver Securities agreements were amended, received shareholder approval and have been issued.

Performance Shares

The Company has 60,000,000 Class A Performance Shares and 60,000,000 Class B Performance Shares on Issue.

A summary of the terms and conditions of the Performance Shares are as follows: The Performance Shares shall automatically convert into Shares, provided that if the number of Shares that would be issued upon such conversion is greater than 10% of the Company's Shares on issue as at the date of conversion, then that number of Performance Shares that is equal to 10% of the Company's Shares on issue as at the date of conversion under this paragraph will automatically convert into an equivalent number of Company Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

No Conversion if Milestone not Achieved: If the relevant Milestone is not achieved by the required date (being seven years from the date of the Proposed Acquisition or such other date as required by ASX), then all Performance Shares held by each Holder shall lapse.

After Conversion: The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion (subject to complying with any restriction periods required by the ASX).

Milestones: The Performance Shares will, convert upon the satisfaction of the following milestones:

Class A: A JORC Compliant Mineral Resource Estimate of at least Inferred category on either Project of the following:

- a minimum 500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 6 grams per tonne Gold Equivalent; or
- a minimum 1,500,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 2.0 grams per tonne Gold Equivalent; or
- a minimum 3,000,000 ounces of gold (AU) or Gold Equivalent (in accordance with clause 50 of the JORC Code) at a minimum grade of 1.0 grams per tonne Gold Equivalent;

Class B: The Class B Performance Shares held by the holder will convert into an equal number of Shares upon the Company:

- Completion and announcement by CEL (subject to the provision of information allowable at the time of completion) of a positive Scoping Study (as defined in the JORC Code) on either Project by an independent third-party expert which evidences an internal rate of return of US Ten Year Bond Rate plus 10% (using publicly available industry assumptions, including deliverable spot commodity / mineral prices, which are independently verifiable) provided that the total cumulative EBITDA over the project life is over US\$50m.

Class A Milestones have been met and 60 million ordinary shares were issued on 14 April 2023.

No Class B Milestones have been met.





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