ANNUAL REPORT 2020

FULLY FUNDED FOR HIGH IMPACT EXPLORATION PROGRAMS

Challenger Exploration

CORPORATE DIRECTORY

DIRECTORS
Fletcher Quinn (Non-Executive Chairman)
Kris Knauer (Managing Director)
Scott Funston (Executive Director)

COMPANY SECRETARY
Scott Funston

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Challenger Exploration:

Argentina and Ecuador Gold/Copper Projects

CHAIRMANS' ADDRESS

Dear Shareholder,

The past year has been a significant year for your company. Since re-listing on 4 July 2019, we have seen the company's share price grow from $0.03 to a high of $0.28 on 1 June 2020.

A total of $26.5m was raised through a series of well-supported equity issues.

Our land position increased significantly in Ecuador and the initial 25% was earnt in the Hualilan Gold Project in Argentina.

On behalf of shareholders, I am grateful for the considerable efforts made by our management, employees and consultants in response to the challenges that were overcome during the year.

They have built a quality and cohesive team and in turn are laying robust foundations in rapidly progressing the projects. The COVID-19 pandemic created significant challenges. The health and safety of our employees, consultants and the communities in which we operate is always our first priority. As a result, we implemented measures to protect our people and maximise our ability to continue operating in line with all government recommendations. This has resulted in no reported cases of COVID-19 up to the date of this report.

At our Argentinian Hualilan Gold Project we achieved many significant outcomes;

- Discovery of a large scale intrusion-hosted gold system underlying the historical high-grade mineralisation;
- Extensions of mineralisation, with a strike length now exceeding 2 km;
- Extension of the historical high-grade mineralisation by 100 meters to 400 meters at Cerro Norte;
- Numerous significant high-grade gold intersections from drilling;
- A committed 45,000 metre drilling program; and
- Advancement towards an initial JORC Resource.

With the many positive elements identified from the recent exploration initiatives, the Company has embarked on redefining the scope of the Hualilan Gold Project to better understand the best options for development.

The Company remains excited at the potential scale of the Hualilan Gold Project and notes the discovery of two distinct styles of mineralisation which both remain open in all directions.

Further, in Ecuador the use of the historical exploration has significantly reduced the lead time for a discovery at the El Guayabo Gold Copper Project .

Advances at El Guayabo include;

- An increase in tenement position by 830% in January 2020;
- Further increases in tenement position to 3,545 hectares (35.5 square kilometres) in the first quarter of 2020;
- Identification of broad zones and intrusive breccia hosted mineralisation;
- 56 holes (> 21,000 metres) of historical drilling identified for re-assay and re-logging, resulting in a confirmed bulk gold discovery (the company completed 4380 metres for re-assay, with excellent results); and
- Detailed surface mapping, rock chip and regional soil sampling.

As we continue into our next twelve months, I believe Challenger Exploration is extremely well positioned for further expansion and significant growth of our resource base during a period of a strong gold price.

I take this opportunity to thank all of our stakeholders for your support over the past year and I look forward to updating you as we continue towards our goal of continued growth.

Yours Sincerely

Fletcher Quinn

Chairman

Challenger Exploration

59 holes totalling 6,487 metres completed with samples from 42 holes submitted for assay during 2020

Five rigs drilling on site now

SUSTAINABILITY

Challenger is committed to ensuring long term sustainability to the host countries, states and local communities in which it operates and firmly believes that the health and safety of those communities and its Company employees are of the highest priority.

Employ local contractors and employees

Food Kits to 94 Families in COVID-19 affected areas

Initiation of health and wellbeing programs at all projects

Zero Reported COVID-19 for employees and contractors

Donation of medical supplies and protection equipment to local community

Challenger continues to drive and provide meaningful employment opportunities for the local communities in which we operate. Wherever possible, depending on experience and skill requirements, people are employed from the local towns. Examples have included;

- Local drilling contractors;
- Employment of local people, full-time and casual;
- Cleaning and laundry service from the Community Women's Association;
- Training the Community Women's Association to provide food service to the project;
- Co-ordinating environmental training for students; and
- Co-ordinating with medical dispensary for community health issues training.

The initiation of the Health Training at the Hualilan Project is provided in collaboration of the Ministry of Mining Development in San Juan Argentina. Sustainable Mining and Health for all guarantees a health system with health strategies focused on prevention.

Challenger provides a sanitary truck available to the San Juan province to bring health to all corners of San Juan. The truck guarantees and brings health care to the entire province, providing 3-day weekly care according to the needs of each location visited. The Ministry of Mining has the responsibility for the maintenance, insurance and logistics of the truck provided by Challenger.

The Sanitary Truck is equipped with:

- A rear Sector, with provision of water and energy, suitable for the installation of a laboratory;
- A central Sector, with equipment for the use of health personnel;
- A front sector, with a large storage place for the deposit of supplies and a complete sound equipment for conferences; and
- A sector tent for 70 people, with the necessary elements on board the truck for its assembly and disassembly.

In addition, the trailer is equipped with a tank with a capacity for 400 litres of water, a roof suitable for solar panels, two air conditioning units and its own generator set. The 19 municipalities will be responsible for lodging and feeding the medical and technical team in attendance.

During the COVID-19 pandemic, Challenger has donated 300 surgical masks, 100 long-sleeved robes, 40 biosecurity suits, 40 disposable glove boxes, 10 nylon saturates and 10 gallons of quaternary ammonium.

The Directors submit the financial report of the Group, consisting of Challenger Exploration Limited ("the Company") and the entities it controlled during the period, for the financial year ended 30 June 2020.

DIRECTORS

The names and details of the Company's Directors who held office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities

Fletcher Quinn
Non-Executive Chairman. Appointed 4 July 2019.

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 Limited and Sirocco Resources.

Kris Knauer BSc Appl Geol (Hons)
Managing Director. Appointed 4 July 2019.

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 Limited, 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. In the past 5 years, Mr Knauer was also a Director of Medibio Limited (ASX: MEB), resigning as a Director on 13 October 2017.

Scott Funston B.Bus CA ACIS
Executive Director and Company Secretary. Appointed 4 July 2019.

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.

Michael Fry, B.Com, F.FINSIA
Non-Executive Chairman. Resigned 4 July 2019.

Mr Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of Financial Services Institute of Australasia and is a past member of the Australian Securities Exchange ("ASX"). Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies.

Robert Willes, BA (Hons)
Executive Director. Resigned 4 July 2019.

Mr Robert Willes has an honours degree in Geography from Durham University in the UK. He has completed executive education programs at Harvard Business School in the USA and Cambridge University in the UK. Robert has held several senior roles in BP including General Manager of the North West Shelf LNG Project, overall accountability for BP's interests in the Browse LNG and Greater Gorgon LNG Projects, and business development activities in the Asia Pacific. More recently, Robert was Chief Executive Officer of Eureka Energy Limited. He is a graduate of the Australian Institute of Company Directors, a member of the Association of International Petroleum Negotiators, and was formerly a director of the Australian Petroleum Production and Exploration Association (APPEA). Robert is a Non-Executive Director of Buru Energy Limited.

Clinton Carey, B.Com (Fin., Econ.)
Non-Executive Director. Resigned 4 July 2019.

Mr Carey has over 25 years of management and Director level experience in listed companies specializing in mining, oil and gas and technology. Mr Carey was a director of Roper River Resources Limited when it completed a reverse take over of Webjet Limited. He has worked for mining companies in Russia, Brazil, Canada, Australia and England.

Directorships of other listed companies in the last 3 years are as follows:

Name	Company	Period of Directorship
Fletcher Quinn	None	N/A
Kris Knauer	Medibio Limited	2 July 2014 to 13 October 2017
Scott Funston	None	N/A
Michael Fry	Brookside Energy Limited Norwest Energy NL Technology Metals Australia Limited	20 April 2004 to date 8 June 2009 to date 20 May 2016 to date
Robert Willes	Buru Energy Limited	2 July 2014 to date
Clinton Carey	Red Sky Energy Limited	12 January 2015 to date

FORMER COMPANY SECRETARY

Robert Lees, B.Bus (UTS), Grad. Dip. DP (UTS), CA, AGIA. Appointed 27 September 2018, resigned 4 July 2019.

Mr Lees has over 35 years of experience in the accounting profession and 17 years of experience as a Company Secretary for ASX listed companies.

MEETINGS OF DIRECTORS

The Directors held 5 meetings during the financial year, and all meetings were attended by Mr Quinn, Mr Knauer and Mr Funston. Mr Fry, Mr Willes and Mr Carey were not eligible to attend any meetings during the financial year.

CORPORATE INFORMATION

Challenger Exploration Limited is a public company listed on the ASX (Code: CEL) and is incorporated and domiciled in Australia. Challenger Exploration Limited and the entities it controlled during the period are collectively referred to as Challenger Exploration, Challenger, or the Group, as the context requires.

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 year.

Corporate Highlights

- Successful Reinstatement to Official Quotation on ASX with the completion of the transaction with AEP Corporation Pty Ltd on 4 July 2019
- Completion of $5M Capital Raising at 3 cents per share on 4 July 2019, completion of $6.5M Capital Raising at 10 cents per share on 17 January 2020, completion of $20M Capital Raising at 20 cents per share on 16 July 2020, all funds were used or will be used to progress exploration of the Hualilan Gold Project, Argentina and the El Guaybo Copper-Gold Project, Ecuador
- Appointment of experienced exploration and mining executives Fletcher Quinn, Kris Knauer and Scott Funston
- Fully Funded for High Impact Exploration Programs over the next 2 years
- Strong financial position with cash at bank of $21.7 million (28 July 2020)
- Proceeds from the equity raising will be used to:
    - expedite a 45,000-metre drilling program, scoping study, expand the tenement position, and additional studies (mining and geophysics) at its flagship Hualilan gold project in San Juan, Argentina; and
    - deliver a 5,000-metre drilling program at Colorado V designed to allow the reporting of a JORC compliant resource.
- Key Management take up to 100% of their remuneration for the rest of 2020 in shares at the capital raising price of $0.20

[1] to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 25 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impact on the reliability of the estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 25 2019 continues to apply and is not materially changed. Refer to Slide 22 for Foreign Resource Estimate

[2] Source Lumina Gold NI 43-101 Technical Report Cangrejos Project July 2020

COMPANY PROJECTS

CEL is a South American focussed gold company with two key projects.

The Hualilan Gold Project – Argentina

CEL has the rights to earn up to 75% of the Project which comprises 15 mining licences and an exploration licence application covering the surrounding 26kms^2 in San Juan Provence, Argentina. The project 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. The property was last explored in 2006 by La Mancha Resources, a Toronto Stock Exchange listed company. La Mancha's work resulted in a NI43-101 (non-JORC) resource estimate of 627,000 Oz @ 13.7 g/t gold[1] that remain open in most directions.

In the 15 years prior to being acquired by CEL the project was locked up in a dispute so it had seen no modern exploration. The Company's maiden 1500m drilling program, in late 2019, intersected high grade gold over 1.7 km of strike and extended the known mineralisation along strike and at depth in multiple locations. Results included 6.1m @ 34.6 g/t gold, 21.9 g/t silver, 2.9% zinc, 6.7m @ 14.3 g/t gold, 140 g/t silver, 7.3% zinc and 10.3m @ 10.4 g/t gold, 28 g/t silver, 4.6% zinc.

A follow up 7,500 metres drill program this year further extended the high-grade skarn mineralisation and discovered a significant underlying intrusion-hosted gold system with intercepts including 116m at 1.0 g/t gold. The Company has started a 5-rig 45,000 metre drill program to expand the high-grade resource and test the underlying intrusion-hosted gold system. The current program will also include metallurgical test work of key ore types, an initial JORC Compliant Resource and scoping study.

El Guayabo Project - Ecuador

The Company's El Guayabo project in southern Ecuador covers 35 km^2 and comprises three contiguous tenements, the El Guaybo, El Guaybo 2, and Colorado V tenements.

The El Guayabo Copper-Gold Tenement - El Oro, Ecuador was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has returned a number of ore grade intersections including 156m @ 2.6 g/t gold, 9.7 g/t silver, 0.2% copper and 112m @ 0.7 g/t gold, 14.7 g/t silver, 0.6% copper which have never been followed up. The Company completed a 3D MT survey covering 20 km^2 which outlined a number of potential porphyry and intrusive breccia systems all within 400 metres of surface. The Project has multiple targets including breccia hosted mineralization, an extensive flat-lying late-stage vein system and an underlying porphyry system target none of which have been validly drill tested. CEL owns 100% of the project.

The Colorado V Copper-Gold Tenement - El Oro, Ecuador adjoins and has the same geology as the El Guayabo Gold and Copper Project. It 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 concession contains a 500-metre long zone of underground workings where narrow veins are currently being exploited on a small scale. The current owner of the Colorado V concession had previously drilled several diamond core holes immediately along strike and down dip targeting extensions to this mineralisation. These drill holes were not systematically logged or assayed for bulk tonnage gold or base metal mineralisation. Sampling and assaying by the Company has confirmed a bulk gold system surrounding these narrow veins with results including 146 metres at 1.5 g/t gold, 1.8 g/t silver. Surface mapping and sampling designed to test south-east along strike from this 500-metre long zone defined by narrow underground workings has defined a further 2-kilometre strike extension of this zone which is undrilled. The Company is earning 50% of the Colorado V concession.

The El Guayabo 2 Tenement - El Oro, Ecuador 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.

Project Highlights - 2020 Exploration Program

Hualilan Gold Project - San Juan, Argentina

- 59 holes totalling 6,487 metres completed with samples from 42 holes submitted for assay during 2020 including 23 diamond core and 18 reverse circulation holes totalling 4,043 metres completed during the second quarter 2020.
- Intrusion-Hosted gold discovery with drill holes GNDD-025 and GNDD-032 intersecting **88 metres at 0.9 g/t gold, 2.2 g/t silver and 0.1 % zinc** and **116 metres at 1.1 g/t gold, 4.0 g/t silver and 0.2 % zinc** in altered dacite porphyry one kilometre apart (refer Table 2).
- Results include (refer Table 3 for details):
  - **8.3 metres at 17.7 g/t gold, 257 g/t silver and 0.3% zinc (GNDD-020)**
  - (including 5.5m at 26.0 g/t gold, 355 g/t silver and 0.4% zinc from 74 metres)
  - **3.8 metres at 7.1 g/t gold, 78 g/t silver, 3.6% zinc (GNDD-018)**
  - (including 2.6m at 10.3 g/t gold, 114 g/t silver and 4.9% zinc from 64 metres)
  - **69.0m at 3.4 g/t gold, 8.1 g/t silver, 2.8% zinc (GNRC-068)**
  - (including 27.0m at 7.9 g/t gold, 16.0 g/t silver, 7.0% zinc from 9 metres)

Colorado V Gold/Copper Projects - El Oro, Ecuador

- Initial assay results confirm the discovery of large-scale gold system in the Colorado V Project with intersections of (refer Table 4 for full details):
  - **151 metres at 0.9 g/t gold and 3.8 g/t silver** from 225 metres
  - (including 134 metres at 1.0 g/t gold and 4.1 g/t silver from 227 metres)
  - **146 metres at 1.5 g/t gold and 1.8 g/t silver,** from 211 metres
  - (including 87 metres at 2.1 g/t gold and 1.9 g/t silver from 253 metres)
- The mineralisation is located on a 500-metre long trend defined by small scale underground mine workings
- Assay results received from drill holes located on the margins of a series of 1 kilometre long gold-copper soil anomalies which are believed to represent porphyry Au-Cu targets
  - All drill holes which penetrated the edges of these anomalies returned ore grade intersections which significantly upgrade these large targets.
  - Interpretation suggests the mineralisation has similar geology, grades, and surface footprint as the Tier 1 Cangrejos Gold Project located five kms to the northeast.
  - To assist shareholders, appreciate the scale of the opportunity CEL presents an Exploration Target reporting according to the JORC Code (2012).

HUALILAN GOLD PROJECT - ARGENTINA

Metallurgical test work

During the second quarter of 2020 the Company's Phase 1 metallurgical testing program commenced with the delivery of a 150kg bulk sample to SGS in Lakefield, Ontario. The test work is designed to confirm, and improve upon, the historical metallurgy which was completed in 1999. This historical metallurgical testing confirmed base case recoveries of approximately 80% for gold and silver by rougher flotation, which is a simple and robust process route involving the production of a high-grade gold-silver and a separate zinc concentrate.

The Phase 1 testing program will involve grind testing, gravity recovery tests and a suite of rougher flotation tests examining variables, including primary grind size, reagent scheme, and pulp density. The Phase 2 program will be conducted after evaluation of the Phase 1 results. Phase 2 will include, Bond ball mill grindability and Bond abrasions tests as well as a suite of cleaner flotation and cleaner variability tests. This testing will provide a clear and early view on recovery and composition of separate gold and zinc concentrates and also any improvements that may not have been available twenty years ago.

The testing is designed to allow the company to research processing options and have initial discussions with concentrate off-takers and better target additional metallurgical testing that will be required as part of a Pre-Feasibility Study.

The bulk sample was collected by the drilling of four dedicated metallurgical holes. These were designed to provide a bulk sample containing grades and mineralogy representative of the project. Accordingly, the metallurgical holes were not drilled targeting the wider and higher-grade portions of the orebody. The four holes were located at Main Manto, Cerro Norte (GNDD-039 and GNDD-043), Sentazon (GNDD-0040), and the Magnata Vein (GNDD-041). Assays for the metallurgical holes have been received with results including (refer table 1):

- **5.1 metres at 13.1 g/t AuEq[2] - 7.9 g/t gold, 83 g/t silver, 7.9%zinc (GMDD-041) and**
  2.0 metres at 21.7 g/t AuEq[2] - 20.0 g/t gold, 29 g/t silver, 1.2% zinc,
- **8.7 metres at 6.8 g/t AuEq[2] - 5.5 g/t gold, 12 g/t silver, 2.2% zinc (GNDD-040), including**
  2.9 metres at 14.2 g/t AuEq[2] - 11.8 g/t gold, 24 g/t silver, 4.2% zinc

Drill hole GMDD-040 was drilled to take a sample primarily of the M2 Magnata zone. The hole successfully sampled the M2 intersecting **5.1 metres at 7.9 g/t gold, 83 g/t silver, 7.9% zinc**. The hole also successfully intersected a zone of high grade mineralisation in the M1 (upper Magnata Fault) that was not evident in the drill core returning 2.9 metres at 11.8 g/t gold, 24 g/t silver, 4.2% zinc..

CEL has implemented a policy of 100% assaying given recent high-grade results such as **8.3 metres at 17.7 g/t gold and 257 g/t silver,** in drill hole GNDD-020 and the recent gold in the intrusives which were not evident visually. Hole GMDD-043 deviated significantly during drilling which resulted in the bottom hole location being off the interpreted down plunge extension of the Main Manto in that location. Given sufficient samples were already acquired, it was not deemed necessary to re-drill this hole.

Drill hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au Eq [1] (g/t)
GMDD-039	from	18.0	26.0	**8.0**	0.2	1.9	0.60	0.1	**0.5 g/t AuEq** [2]
(Main Manto)	and	67.6	68.6	**1.0**	24.5	58	3.9	1.8	**28.1 g/t AuEq**
GMDD-040	from	116.7	125.4	**8.7**	5.5	12	2.2	0.0	**6.8 g/t AuEq**
(Sentazon)	inc	122.5	125.4	**2.9**	11.8	24	4.2	0.0	**14.2 g/t AuEq**
GMDD-041	from	31.0	47.0	**16.0**	2.6	4.9	0.3	0.3	**2.9 g/t AuEq** [2]
(Magnata)	and	41.7	43.7	**2.0**	20.0	29	1.2	1.7	**21.7 g/t AuEq**
	and	63.5	68.6	**5.1**	7.9	83	7.9	0.21	**13.1 g/t AuEq**
GMDD-043	from	18.0	28.0	**10.0**	0.1	1.7	0.5	0.1	**0.4 g/t AuEq** [2]
(Main Manto)	inc	70.5	70.8	**0.3**	25.9	81	9.4	3.1	**33.0 g/t AuEq**

Table 1: Significant Intercepts from dedicated metallurgical holes

1 test work performed by Lakefield Research Chile S.A., reported to INGEOMA S.A. (1999).

2 intercepts calculated using a cut-off of 0.2 g/t AuEq cut-off. Other intercepts calculated using a 1.0 g/t AuEq cut-off

3 Gold Equivalent (AuEq) values - Requirements under the JORC Code
- Commodity prices for the calculation of AuEq is Au US$1450 Oz, Ag US$16 Oz, and Zn US$2,200 /t
- Metallurgical recoveries for Au, Ag and Zn are assumed to be the same (see JORC Table 1 Section3)
- AuEq (g/t) = Au (g/t) + Ag (g/t)x (16/1450) + Zn (%) x 2.12

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.

New Discovery of Intrusion Hosted Gold

Subsequent to the end of the financial year, the Company announced the discovery of a new style of intrusion-hosted gold mineralisation contiguous to the historical high-grade gold hosted in limestone units or faults. Drill hole GNDD-025 intersected **88 metres at 0.9 g/t gold, 2.2 g/t silver and 0.1 % zinc** including **50 metres at 1.4 g/t gold, 3.4 g/t silver, 0.15 % lead and 0.17 % zinc** from 53 metres, under cover in dacite porphyry containing weak iron oxide, silica, and pyrite alteration. This was followed by Drill hole GNDD-032 which intersected **116 metres at 1.1 g/t gold, 4.0 g/t silver, 0.2 % zinc *(1.2 g/t AuEq)*** from 49 metres, in dacite porphyry containing weak iron oxide, silica, pyrite and skarn alteration.

The Company defined a near surface conceptual intrusion-hosted target covering 1 kilometre of strike and up to 100 metres wide following the GNDD-025 discovery hole (Figure 1). This is defined by the limited historical drilling, mapping of the surface exposure of the altered dacite porphyry and recent CEL drill holes. The current northern end of this target is defined by CEL drill hole GNDD-025, with the current southern end of the target defined by CEL drill holes GNDD-032 and GNDD-031.

The Company also notes the recent discovery of extensive surface veining and alteration in porphyry dacite in outcrop to the north of drill hole GNDD-032 which will be tested by drilling. GNDD-047 returned **38.5 m at 1.3 g/t gold, 1.2 g/t silver,** including **6.0m at 6.3 g/t gold, 3.5 g/t silver**) a further 300 metres south along strike from GNDD-025. It now appears that the intrusives contain both significant high-grade endoskarn mineralisation, generally in the prognosed position of the skarn associated manto mineralisation, and bulk gold mineralisation over at least 1.5 kilometres of strike.

The Company will complete a number of holes to test the intrusion-hosted gold target during the second half of 2020 as part of its expanded 45,000 metre drilling program following the successful completion of the $20 million (before costs) capital raising in July this year. As Figure 2 shows there are expected to be major synergies from an exploration and mine development perspective as the porphyry hosted gold is contiguous to and underlies, the existing high-grade mineralisation.

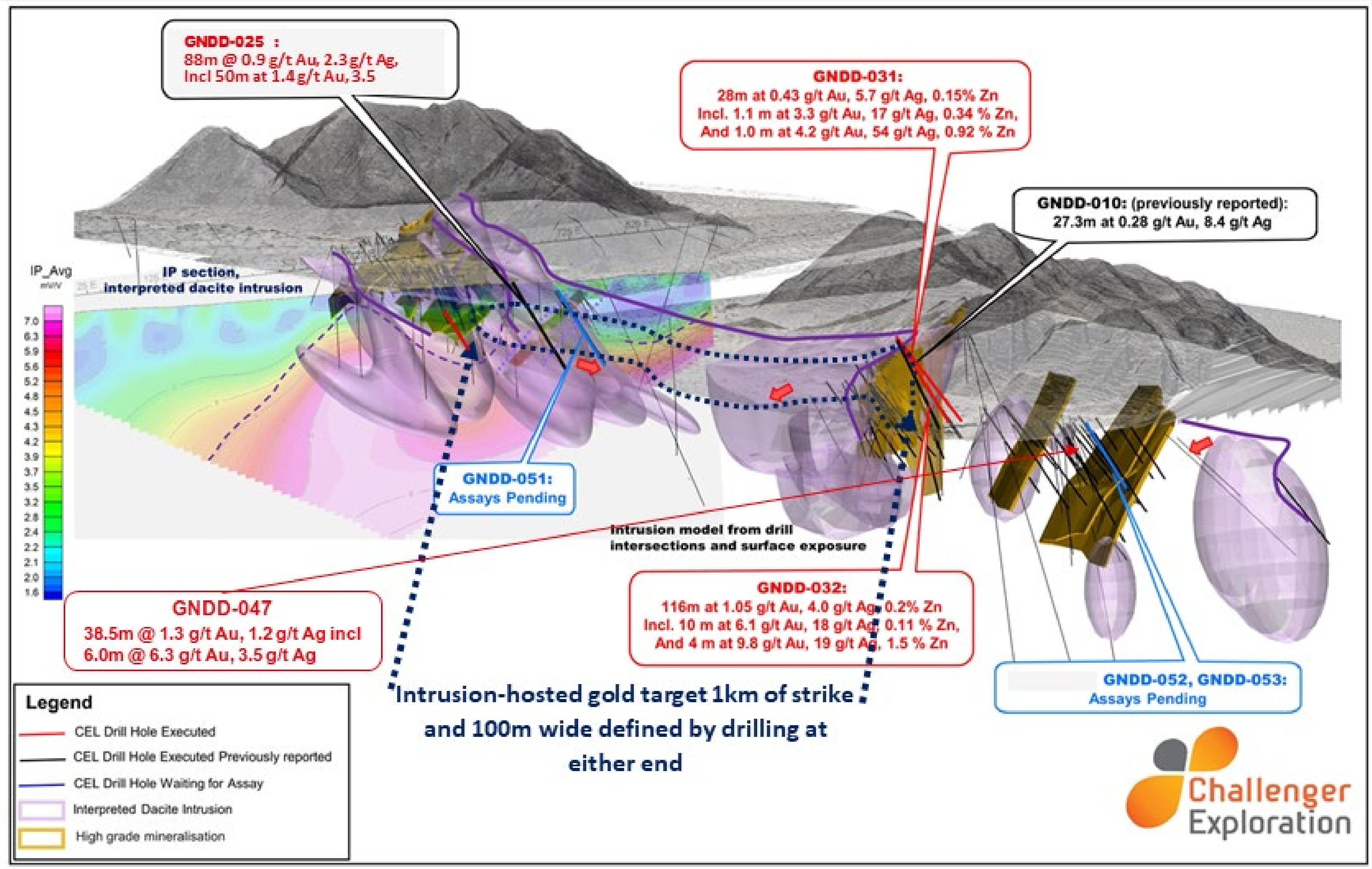

Figure 1 - Showing distribution of dacite intrusives beyond the conceptual intrusion-hosted gold target in the Gap Zone.

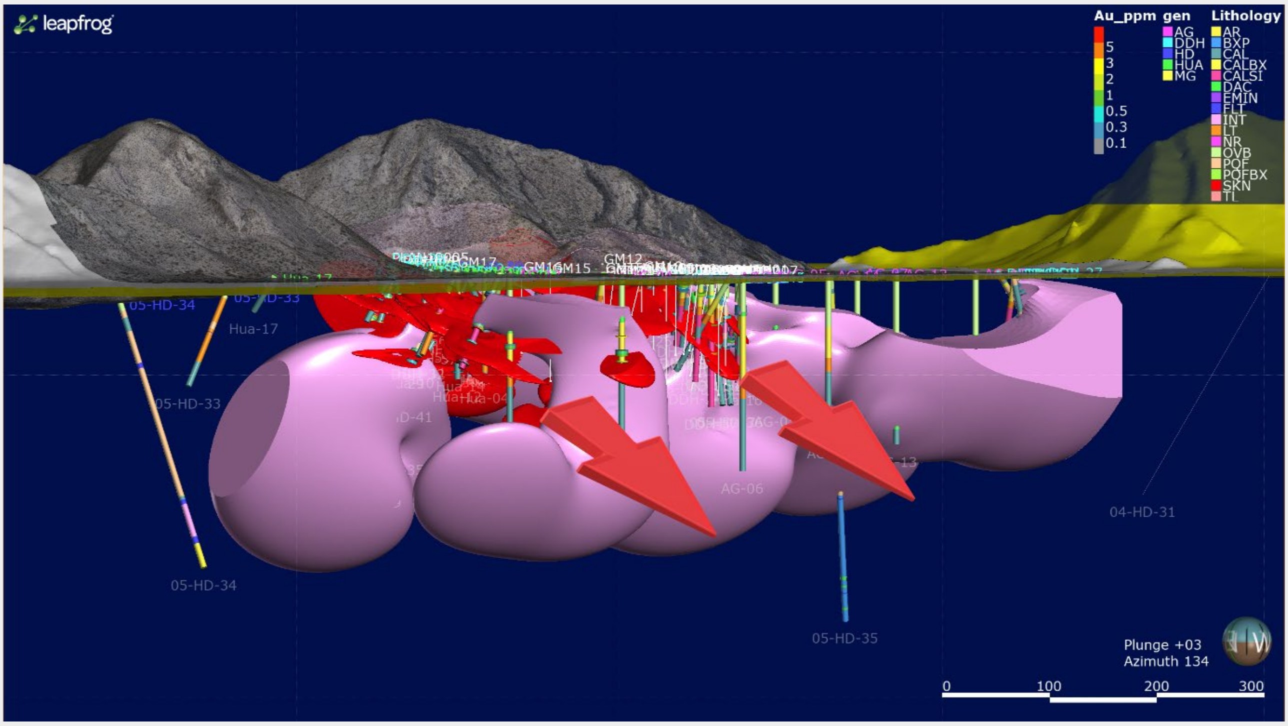

Figure 2 Showing distribution of the high-grade skarn mineralisation and adjacent porphyry at Cerro Norte.
Note the "high-grade skarn" is red and the "porphyry" is pink.

It is believed that the high-grade skarn mineralisation at the Hualilan Gold Project lies above, and wraps around, this intrusion-hosted gold mineralisation although this will be confirmed with additional drilling

The limit of dacite porphyry at depth is governed by a lack of drill data

The higher-grade zones of mineralisation in drill hole GNDD-032 contains a component of skarn alteration similar to that seen in the high-grade mineralisation in the Magnata Vein and the Manto's (limestone). The location of the higher grade zones in GNDD-032; **specifically 6 metres at 9.6 g/t gold, 18.7 g/t silver 0.15% zinc** and **4 metres at 9.8 g/t gold, 18.5 g/t silver, 1.5% zinc**; is believed to coincide with the projected location of the M1 Upper Magnata Fault at this location.

The high-grade east-west striking Magnata Vein is controlled by the M1 and M2 faults which are regional, steeply dipping, strike-slip faults with up to 200 metres of apparent lateral movement. The east-west faults were conduits for mineralising fluids with high-grade veins (Magnata and Sanchez Veins) forming along these faults. Typical results from the Company's historical drilling of the Magnata Vein are shown on Figure 3 and include 6.70 metres at 14.3 g/t Au, 140 g/t Ag, 7.3 % Zn (GNDD-007) 3 metres at 17.7 g/t Au, 143 g/t Ag, 2.5 % Zn (GNDD-010).

The extension of this high-grade skarn mineralisation into the intrusives significantly expands the scope of the Project to contain additional high-grade gold beyond the historical mineralisation. The historical interpretation was that the porphyry dacite intrusives overprinted the high-grade skarn mineralisation thus sterilising the possibility of high-grade mineralisation, and accordingly, the intrusives were generally not assayed in the historical drilling. This now appears not to be the case.

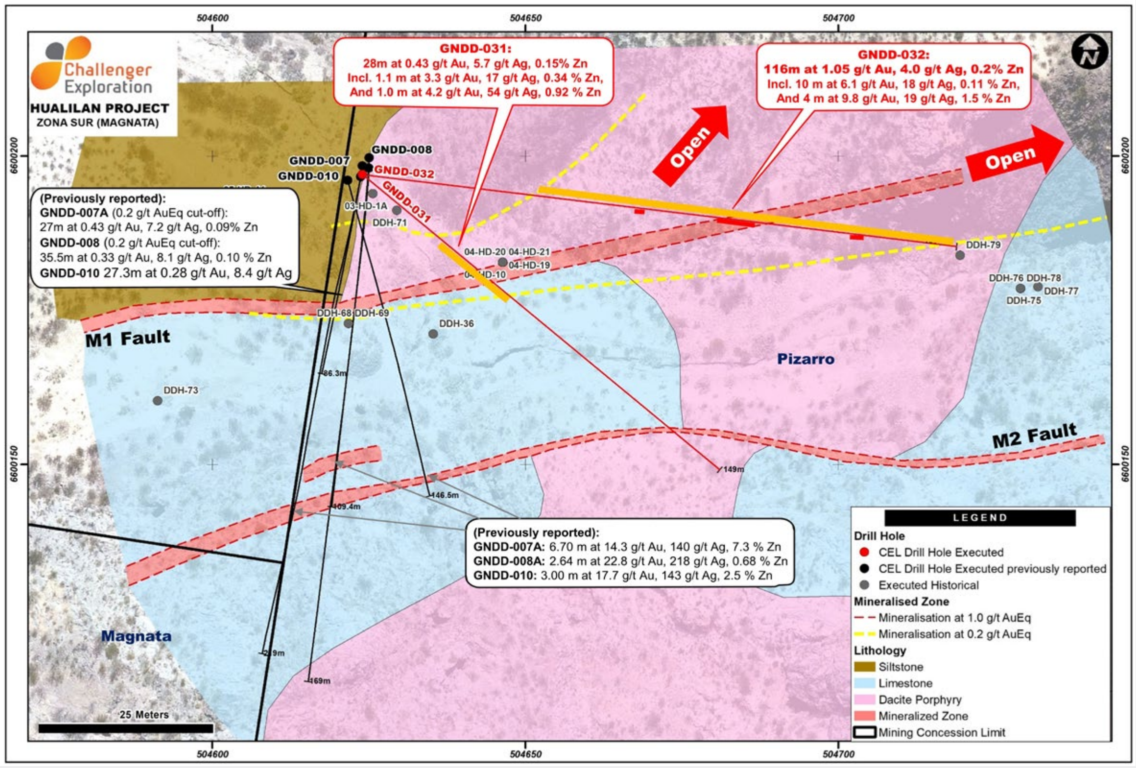

Figure 3 - Plan view showing CEL drilling Magnata Vein

Hole_id		From (m)	Interval (m)	Au (g/t)	Ag (g/t)	Zn (%)	AuEq (g/t)	Note
DNDD-025	from	53.0	**88.0***	0.94	2.3	0.1	**1.0**	0.2 g/t AuEq cut
GNDD-031	from	32.0	**28.0**	0.43	5.7	0.15	**0.6**	0.2 g/t AuEq cut
GNDD-032	from	49.0	**116.0**	1.05	4.0	0.20	**1.2**	0.2 g/t AuEq cut
	including	77.0	**3.0**	0.93	33.7	2.10	**2.3**	1.0 g/t AuEq cut
	and	101.0	**10.0**	6.1	18.1	0.11	**6.4**	1.0 g/t AuEq cut
	including	101.0	**6.0**	9.6	18.7	0.15	**9.9**	10.0 g/t AuEq cut
	and	136.0	**4.0**	9.8	18.5	1.5	**10.7**	1.0 g/t AuEq cut
GNDD-047	from	61.00	**38.50**	1.3	1.2	0.0	**1.3**	0.2 g/t AuEq cut
	inc	62.50	**6.00**	6.3	3.5	0.2	**6.4**	1.0 g/t AuEq
	and	74.10	**1.50**	1.0	1.9	0.0	**1.0**	1.0 g/t AuEq
	and	83.55	**0.45**	7.3	12	0.0	**7.4**	1.0 g/t AuEq
	and	98.50	**1.00**	1.2	0.82	0.0	**1.2**	1.0 g/t AuEq

Table 2 - Significant assay results for the Intrusion-hosted gold discovery, Hualilan Project

(1) Intercepts calculated using a using a 0.2 g/t AuEq cut-off, 1.0 g/t and 10 g/t AuEq cut-off as indicated
(2) See [3] under Table 1 for information regarding AuEq's reported under the JORC Code

Hualilan 7,500 metre Drill Program

During the final quarter of 2020, the focus at Hualilan was the 7,500 metre drilling program designed to extend the existing mineralisation and support a maiden JORC Resource. The Company had completed 41 holes (23 diamond core and 18 reverse circulation) totalling 4,043 metres by June 30 2020 with the full 7500 metre program being completed during August. This program transitioned seamlessly into the current 5-rig 45,000 metre program. Assay results were reported for the first 55 holes of the 70 hole 7500 metre program.

Sentazon

GNDD-011, GNDD-013 and GNDD-014 and GNDD-016 were the initial four holes designed to test the Sentazon Zone following the success of hole GNDD-009 in CEL's first drilling program. GNDD-009 returned ***10.3 metres at 10.4 g/t gold, 28 g/t silver, 4.6% zinc - 12.9 g/t AuEq***. The hole was an exploration focussed hole drilled 500 metres further south than any of CEL's existing drill holes to test the lightly explored Sentazon Manto. The Sentazon mineralisation is the southernmost zone included in the historical foreign non-JORC resource and comprises a small part of this historical foreign resource estimate. Previous drilling at Sentazon by La Mancha, was predominantly clustered around and under the Sentazon shaft. Following GNDD-011, GNDD-013 and GNDD-014 and GNDD-016, all of which intersected mineralisation, CEL plans to drill a number of additional holes at Sentazon as the mineralisation remains open in all directions.

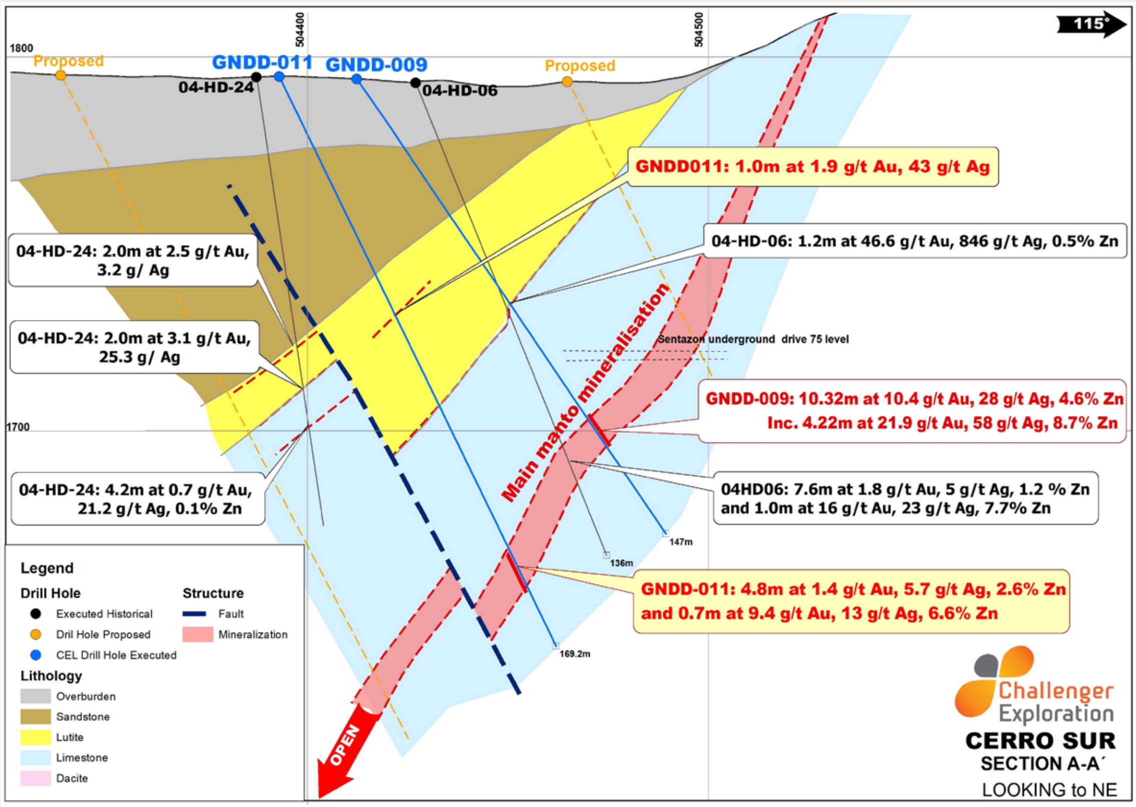

Figure 4 - Cross Section showing GNDD-009 and GNDD-011 and proposed holes

Drill Hole GNDD-011

Drill hole GNDD-011 was designed to extend the mineralisation encountered in GNDD-009 approximately 40 metres down dip. The hole encountered 12 metres of manto mineralisation from 139 metres downhole which was visually similar to the mineralisation encountered in GNDD-009. While the mineralisation encountered in GNDD-011 is of ore grade it is lower in grade than GNDD-009. This lower grade is believed to result from the higher-grade shoots of mineralisation at Sentazon appearing to be controlled by a plunge component which will be tested in future holes.

Drill hole GNDD-013

Drill hole GNDD-013 intersected ***6.9 metres at 1.3 g/t gold, 12 g/t silver, 2.7% zinc - 2.7 g/t AuEq*** including 0.83 metres at 9.9 g/t AuEq. The hole is the southernmost hole drilled by CEL and extends the mineralisation encountered in drill hole GNDD-009 a further 25 metres south along strike and confirms that mineralisation remains open to the south. Follow up holes are planned down-dip and up-dip from GNDD-013 as well as further south along strike.

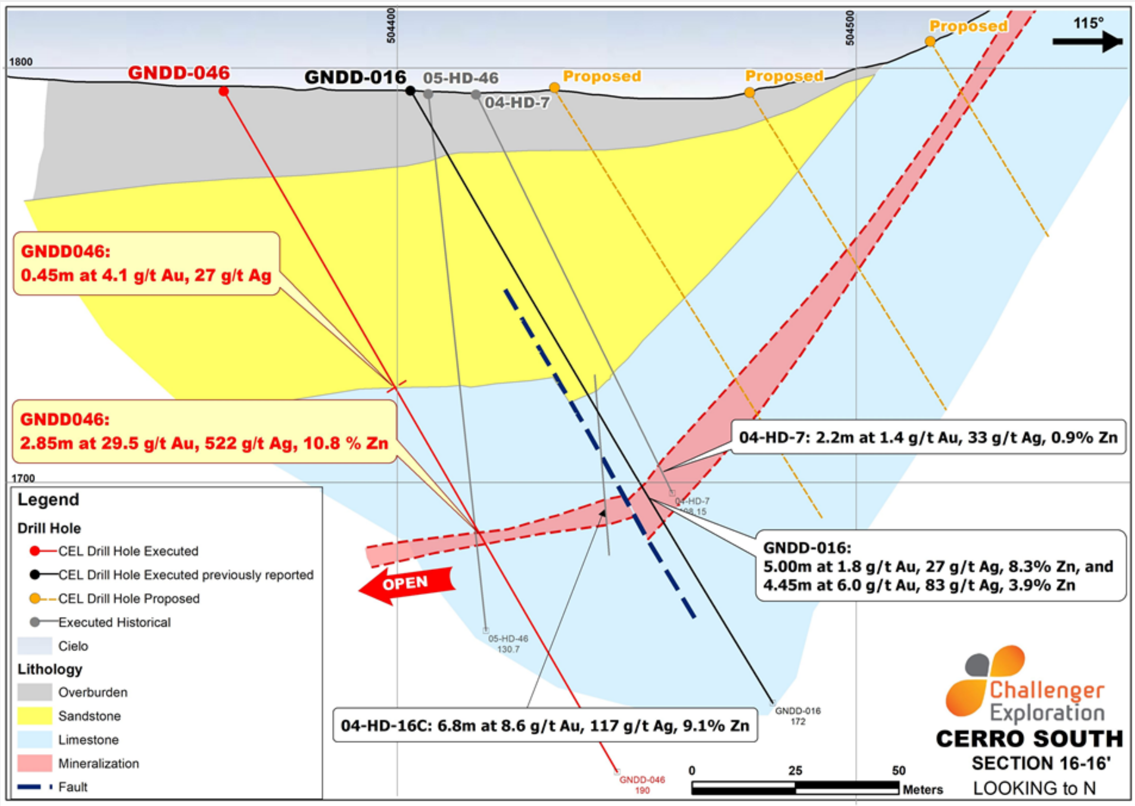

Figure 5 - Cross Section Showing GNDD-016, GNDD-046 and proposed drilling

Drill hole GNDD-014

GNDD-014 was drilled as a twin hole to La Mancha hole 05-HD-05, which returned 5.6m at 2.8 g/t gold, 19.9 g/t silver, 1.2% zinc, for JORC purposes. GNDD-014 returned ***7.55 metres at 2.4 g/t gold, 15 g/t silver, 3.6 % zinc - 4.4 g/t AuEq***. The intercept encountered in GNDD-014 was some 35% wider and 16% higher in grade (on a gold equivalent basis) than that encountered in the historical result. This confirms that the initial La Mancha historical drill holes have understated grade and width. A number of holes are planned to test up-dip and along strike (down plunge) and down-dip of GNDD-014. The hole had a secondary objective to test a deeper intercept of 1.9 m at 4.51 g/t gold, 15 g/t silver, 0.7% zinc encountered in historical drill hole 04-HD-17 however the hole was terminated due to drilling conditions. This potential deeper repeat of the Sentazon Manto will be tested in follow up drilling.

Drill hole GNDD-016

GNDD-016 intersected almost 10 metres of mineralisation in the Sentazon manto comprising ***4.5 metres at 6.0 g/t gold, 83 g/t silver, 3.9% zinc -8.9 g/t AuEq and 5.0 metres at 1.8 g/t gold, 27 g/t silver, 8.3% zinc -6.2 g/t AuEq*** separated by 2 metres of barren limestone. GNDD-016 successfully extended the Sentazon mineralisation 40 metres north along strike from CEL hole the GNDD-009, the discovery hole, and confirmed that the Sentazon Manto remains open and strong to the north along strike. GNDD-045 (assays pending) has been drilled to test 40 metres down dip from GNDD-016 and a series of holes are planned to extend the mineralisation intersected in GNDD-016 up-dip.

Drill Hole GNDD-046

Drill hole GNDD-046 was designed to extend the mineralisation encountered in GNDD-016 approximately 50 metres down dip. The hole returned substantially higher grades than GNDD-016 returning **2.9 m at 29.5 g/t gold, 522.0 g/t silver, 10.8% zinc (40.3 g/t AuEq)** which is the best intersection to date at Sentazon. It demonstrates that the Sentazon Manto remains open at depth and strong at this location.

CEL is encouraged by the substantially higher-grades encountered in GNDD-046, compared to drill hole GNDD-016 up dip. This higher grade at depth is believed to result from GNDD-046 successfully intersecting one of the higher-grade plunging shoots of mineralisation. Higher grades at Sentazon appear to be controlled by a plunge component which will be further tested in future holes.

Magnata Fault

Drill holes GNDD-015, GNDD-018 and GNDD-020 were designed to test the western ends of the Magnata vein. The Magnata vein is believed to be controlled by an east-west orientated strike slip fault which dips from 60 degrees to the north to near vertical. The Magnata Fault is believed to be one of the key structures controlling mineralisation at Hualilan with mineralising fluids migrating up the fault forming the east-west Magnata Vein and, where this fault intersects permeable limestone beds, replacing these limestone beds with north-south orientated massive sulphide Manto bodies.

Drill hole GNDD-015

Drill hole GNDD-015 was designed to test the 100 metres of undrilled strike between CEL holes GNDD-005 (5.0m at 10.9 g/t gold, 101 g/t silver, 1.5% zinc) and GNDD-006 (3.8m at 6.8 g/t gold, 34.0 g/t silver, 0.4% zinc). The hole successfully intersected the Magnata Fault with the fault evident in the drill core and an intersection of **1.9 metres at 3.0 g/t AuEq**. It Is believed that the steepening of the Magnata Fault in the immediate vicinity of where it was intersected by GNDD-015 may have reduced the open space available for mineralisation to form in this location. Accordingly, the plan is to test up-dip and along strike (down plunge) and down-dip of GNDD-015.

Drill hole GNDD-020

Drill hole GNDD-020 was drilled as an up-dip test of GNDD-015 where it was believed open space allowing mineralisation was impacted by the M1 Magnata Fault steepening in the immediate vicinity of GNDD-015. The hole strongly supported this model with GNDD-020 returning ***8.3 metres at 17.7 g/t gold, 257 g/t silver, 0.3% zinc - 21.1 g/t AuEq*** including ***5.5 metres at 26.0 g/t gold, 355 g/t silver, 0.4% zinc***. GNDD-020 successfully extended the high-grade Magnata Vein mineralisation 40 metres to the north-east along strike towards drill hole GNDD-006. Importantly, this hole unlocks the potential of structurally controlled high-grade shoots of mineralisation extending along strike and down-plunge which have yet to be tested.

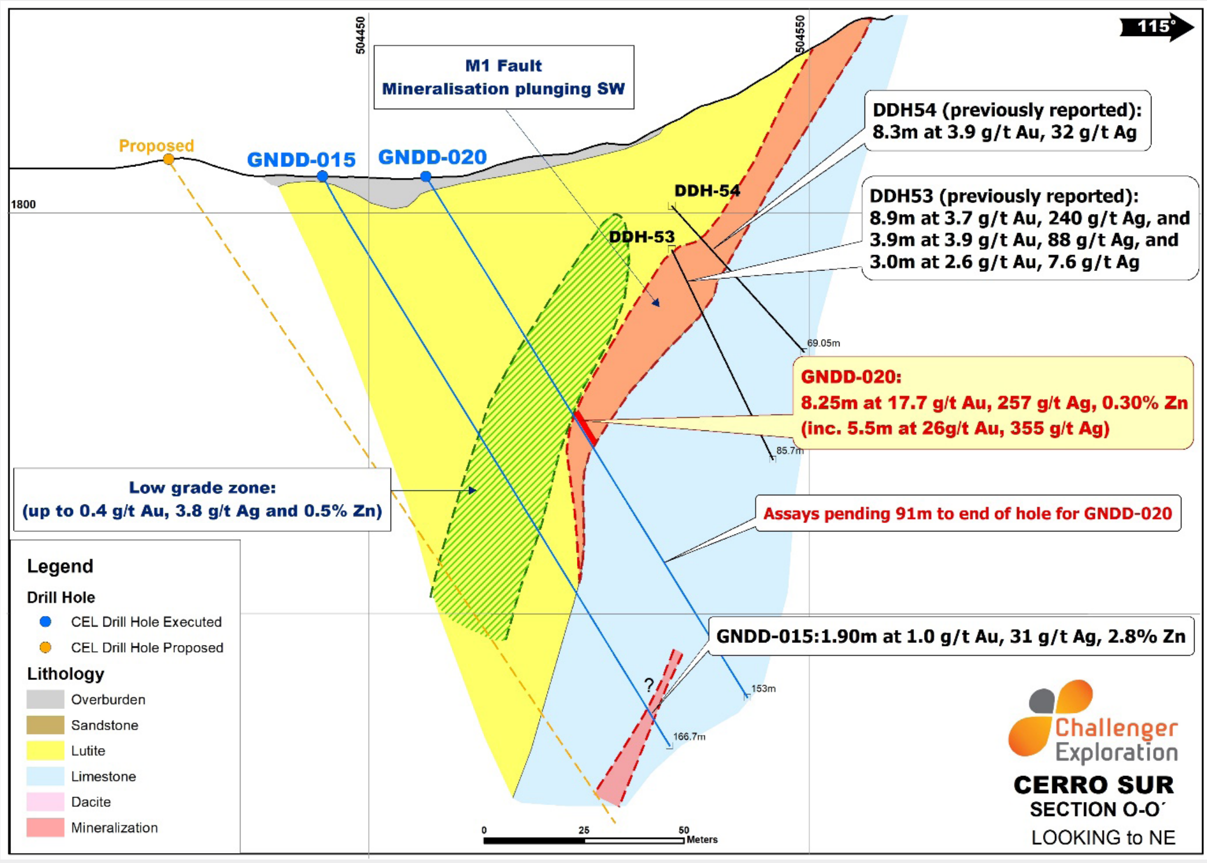

Figure 6 - Cross Section Showing GNDD-015 and GNDD-020 and proposed drilling

Drill hole GNDD-018

GNDD-018 was designed to extend the Magnata mineralisation south-west along strike from hole GNDD-005 which returned 5.0 metres at 10.9 g/t gold, 101 g/t silver, 1.5 % zinc at the extreme western end of the Magnata Vein. GNDD-018 returned ***3.8 metres at 7.1 g/t gold, 78 g/t silver, 3.6% zinc -11.6 g/t AuEq*** including a higher-grade section of ***2.6 metres at 10.3 g/t gold, 114 g/t silver, 4.9% zinc - 16.7 g/t AuEq.*** The hole successfully extended the Magnata Vein a further 20 metres along strike and confirmed the high-grades and continuity of the Magnata Vein mineralisation.

Muchilera Manto

Drill hole GNDD-012 was the first hole drilled at Muchilera. Underground inspection and channel sampling by previous explorers and followed up by CEL in 2019 (CEL announcement 16 July 2019) map a 2-3m thick, bedding-parallel mineralised zone. GNDD-012 was collared immediately outside the entrance to the main Muchilera adit. The drill hole intersected skarn alteration in the limestone but bid not return a significant intersection. The hole did intersect ***1.0 metre at 6.3 g/t gold and 290 g/t silver, 0.18% Cu, 1.2% Pb and 0.12% Zn - 10.3 g/t AuEq*** in shale further up hole suggesting there may be a second target. Results are pending for additional drill holes targeting mineralisation in the limestone at Muchilera.

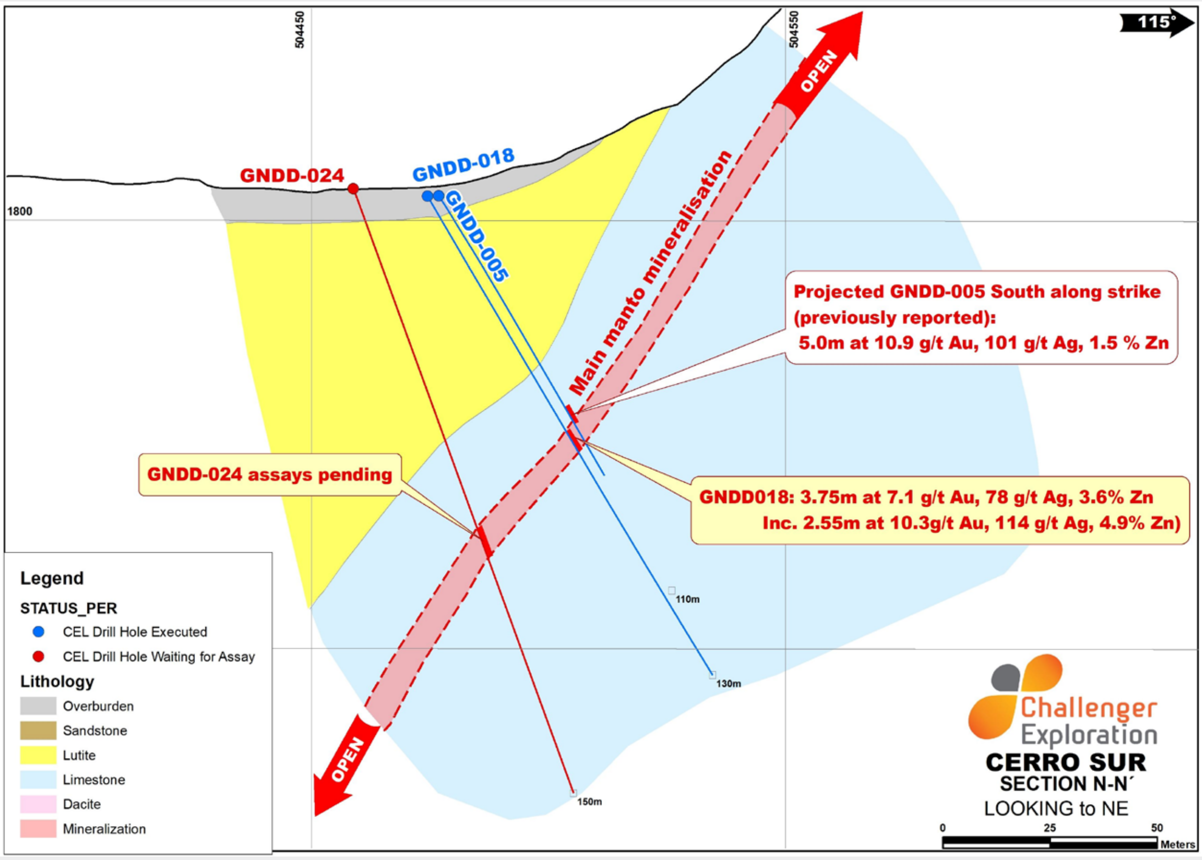

Figure 7 - Cross Section Showing GNDD-018 and GNDD-024 (pending) and proposed drilling

Cerro Norte

Drillhole GNDD-035

Drill hole GNDD-035 intersected **5.75 metres at 9.5 g/t gold, 29 g/t silver, 3.5 % zinc (11.5 g/t AuEq) from 88.75 metre**s including a higher grade zone of **3.15 metres at 17.1 g/t gold, 29 g/t silver 5.6 % zinc (20.1 g/t AuEq)**. The mineralisation is typical of the historical high-grade skarn mineralisation and is believed to be a southerly extension of the high-grade Main Manto mineralisation at Cerro Norte.

The hole is located 100 metres south of CEL drill hole GNDD-003, the previous southern-most intersection of high grade mineralisation at Cerro Norte, which returned 6.1m at 34.6 g/t Gold, 21.9 g/t Silver, 2.9% Zinc. GNDD-035 was drilled 70 metres south of a fence of historical drill holes, that had marked the southern limit of the historical resource at Cerro Norte. These historical holes (05-HD-36, DDH-44, HUA-16) failed to encounter high grade zones of mineralisation leading to the historical interpretation that the Main Manto mineralisation may weaken to the south.

Thus GNDD-035 is one of CEL's more significant holes at the Hualilan Gold project. It has extended the strike extent of Cerro Norte, which accounts for approximately half of the foreign historical 627,000 ounce resource[1], by twenty five percent. It also intersected high-grade mineralisation at Cerro Norte south of the previous southern-most drill holes which returned lower grade results. Demonstrating that the high-grade Main Manto mineralisation at Cerro Norte remains strong and open to the south into the largely unexplored 1.2 kilometre Gap one between Cerro Sur and Cerro Norte. Mineralisation at Cerro Norte remains open to the north and south along strike and at depth.

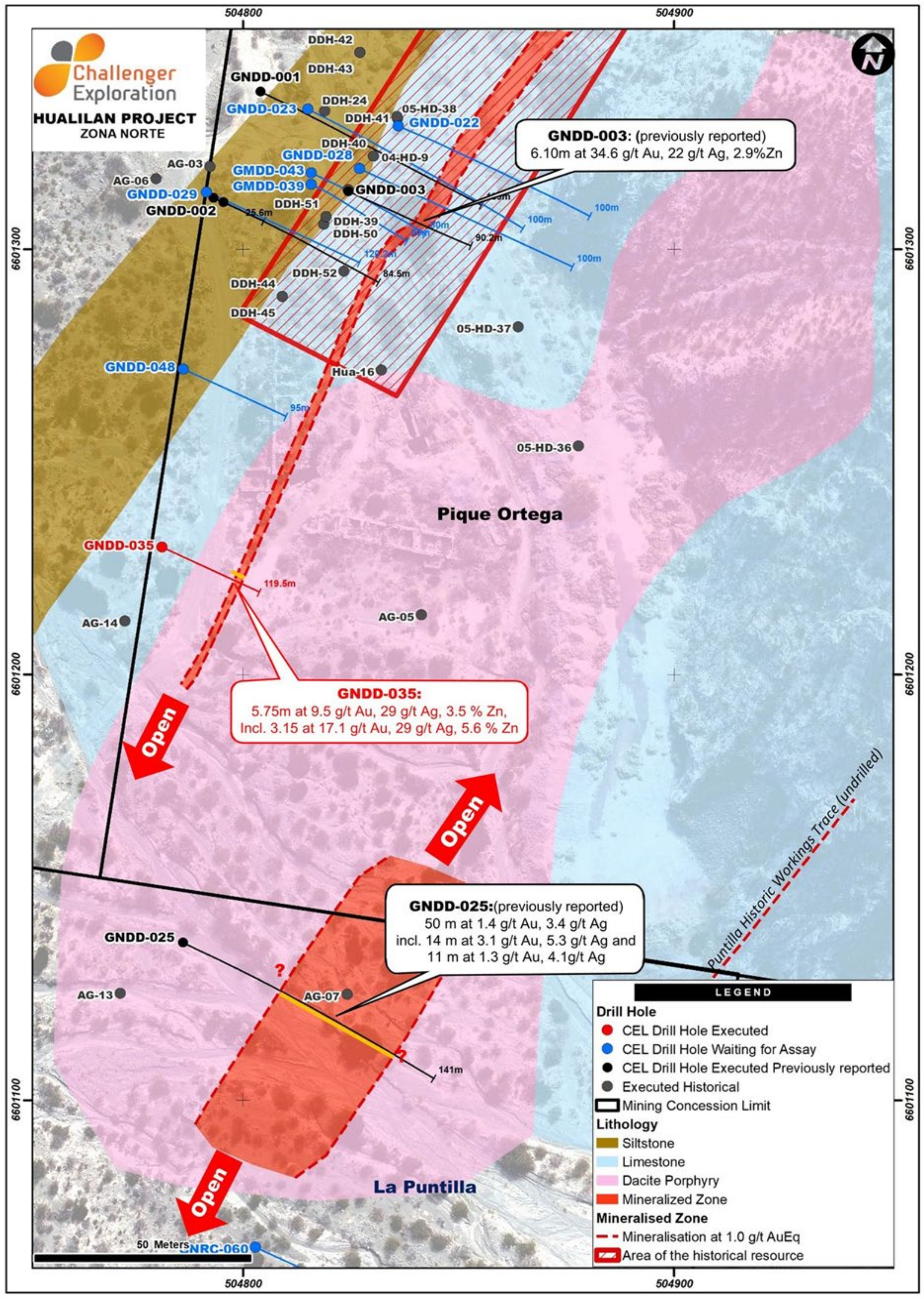

Figure 8 - Plan view showing Interpreted geology and Drilling Cerro Norte

The Company will complete a number of holes, in addition to those currently programmed (Figure 8), to further extend the high-grade Main Manto mineralisation to the south into the Gap Zone as well as up and down dip of GNDD-035. This will form part of its expanded 45,000 metre drilling program following the completion of the $20 million (before costs) capital raising.

Sanchez Zone

Subsequent to the year end the Company received the results for drill hole GNRC-068 which was the first drill hole designed to test the Sanchez Zone. GNRC-068 intersected a far wider zone of mineralisation than expected returning **69.0m at 3.4 g/t gold, 8.1 g/t silver, 2.8% zinc (4.8 g/t AuEq)** including a broad high grade zone of **27.0m at 7.9 g/t gold, 16.0 g/t silver, 7.0% zinc (11.4 g/t AuEq)** containing a bonanza grade zone of **4.0m at 41.7 g/t gold, 54.2 g/t silver, 12.0% zinc (48 g/t AuEq)**, all from near surface.

The Sanchez Zone is believed to be controlled by an east-west orientated fault which dips steeply to the south. The Sanchez Fault, similar to the Magnata Fault Zone at Cerro Sur, is believed to be one of the key structures controlling mineralisation at Hualilan. The mineralising fluids migrating within the fault forming east-west oriented mineralisation and, where this fault intersects permeable limestone beds, replacing these limestone beds with north-south orientated massive sulphide Manto bodies.

The Sanchez Fault has been mapped in outcrop over 500 metres of strike across the main Cerro Norte hill. As illustrated in Figure 9 the steep terrain along the Sanchez Zone made drill pad location difficult. As such the Sanchez Fault has historically only been drilled to 50 metres sub-surface over less than 100 metres of strike. It remains open at depth and under cover in both directions along strike.

The Sanchez Zone was a high priority target as the Company's experience with its drilling of the Magnata Fault Zone is that the mineralisation is generally:

- high-grade;
- laterally and vertically continuous;
- extensive at depth, with the Magnata Vein open below 160 metres; and
- likely to extend under cover along strike beyond the limits of the main outcrop.

Nearby historical drill hole DDH-61 recorded a bonanza grade intercept of 5 metres at 94 g/t gold, 57 g/t silver from 5 metres which was believed to be an isolated pod of extremely high-grade material. This correlates with the bonanza zone section in GNRC-068, which is now interpreted as a potential near vertical high-grade core at the centre of the Sanchez Fault. This interpretation is further supported by historical drill hole 05-HD-40, which recorded 2 metres of no recovery, likely to be an old stope, 40 metres below GNRC-068. Additionally, DDH-61 reported a 4-metre zone of no recovery above 4.7 metres of 1.8 g/t gold, 9.1 g/t Ag at the end of the hole. (Figure 9).

Neither of DDH-61 or 05-HD-40 are believed to be valid test of the Sanchez Fault structure as both holes reported wide zones of extremely poor core recovery, as low as 30%, across the interpreted downdip extension below GNRC-068. The Company has previously twinned historical holes which reported low grade mineralisation corresponding with zones of poor core recovery and returned high-grade mineralisation. Significantly the 5 metres at 94 g/t gold in DDH-61 occurs in a zone of good core recovery. The Company has immediately programmed an RC hole which will twin 05-HD-40. A series of holes are also programmed to test the Sanchez Fault along strike to the west under cover and below GNRC-068.

GNDD-035 (88 to 93m) - 5.75m at 9.5 g/t Au, 29 g/t Ag, 3.5 % Zn from 88.8m

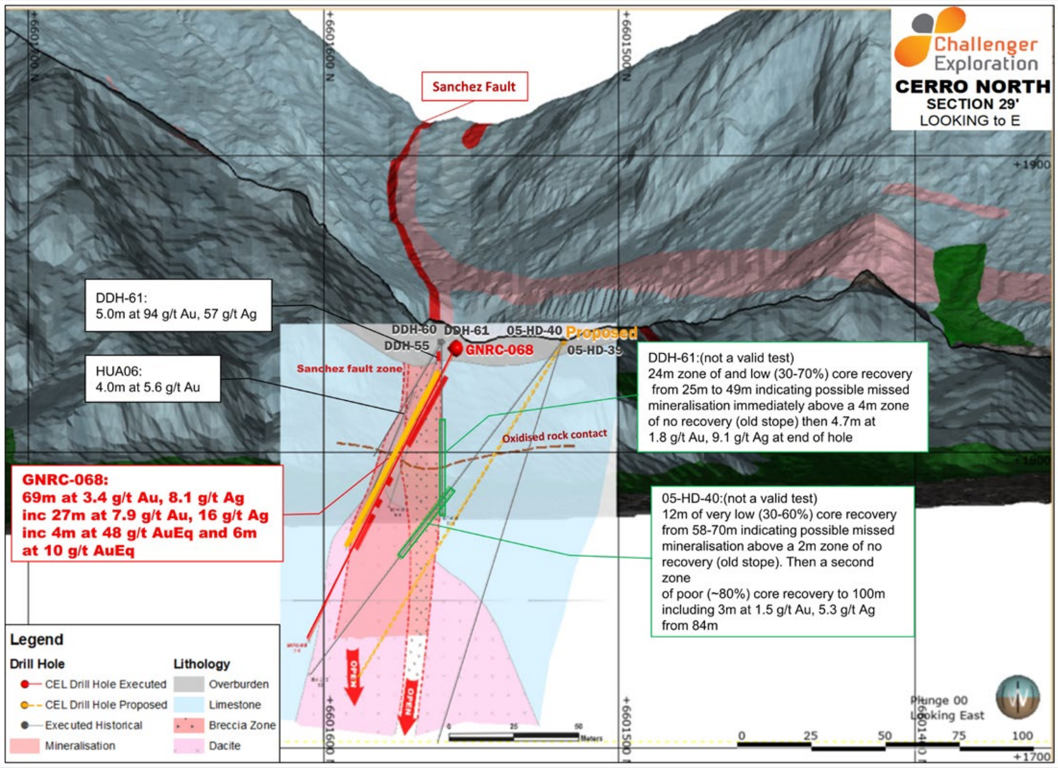

Figure 9 – Cross Section showing Interpreted Geology Sanchez Zone, Cerro Norte

Drill hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au Eq [1] (g/t)
GNDD-011	from	81.0	82.0	**1.00**	1.9	43	0.1	0.1	**2.5 g/t AuEq**
	and	139.8	144.6	**4.80**	1.4	5.7	2.6		**2.7 g/t AuEq**
	and	147.2	147.9	**0.70**	9.4	13	6.6		**12.7 g/t AuEq**
	and	151.4	151.9	**0.50**	1.2	5.5	0.2		**1.4 g/t AuEq**
GNDD-012	from	40.7	41.7	**1.00**	6.3	290	0.1	1.2	**10.0 g/t AuEq**
GNDD-013	from	116.4	123.3	**6.93**	1.3	12	2.7	.2	**2.7 g/t AuEq**
	inc	122.5	123.3	**0.83**	4.0	61	10.1	1.2	**9.9 g/t AuEq**
GNDD-014	from	118.5	126.1	**7.55**	2.4	15	3.6	.2	**4.4 g/t AuEq**
GNDD-015	from	54.0	55.0	**1.00**	0.7	8.6	0.4	0.2	**1.1 g/t AuEq**
	and	156.0	157.9	**1.90**	1.0	31	2.8	0.8	**3.0 g/t AuEq**
GNDD-016	from	64.0	65.0	**1.00**	0.80	27	0.0		**1.2 g/t AuEq**
	and	109.5	114.5	**5.00**	1.8	27	8.3	0.0	**6.2 g/t AuEq**
	and	116.6	121.0	**4.45**	6.0	83	3.9	0.0	**8.9 g/t AuEq**
GNDD-018	from	37.8	38.6	**0.85**	1.1	3.6	0.1	0.1	**1.2 g/t AuEq**
	and	63.2	67.0	**3.75**	7.1	78	3.6	3.6	**11.6 g/t AuEq**
	and	64.4	67.0	**2.55**	10.3	114	4.9	5.2	**16.7g/t AuEq**
GNDD-020	from	71.3	79.5	**8.25**	17.7	257	0.3	0.7	**21.1 g/t AuEq**
	inc	74.0	79.5	**5.50**	26.0	355	0.4	0.2	**30.3 g/t AuEq**
	and	83.3	84.0	**0.65**	0.03	2.7	0.0	10.7	**5.1 g/t AuEq**

GNDD-035	From	88.75	94.5	**5.75**	9.5	29.0	3.5	11.5	**11.5 g/t AuEq**
	incl	88.75	91.0	**3.15**	17.1	29.0	5.6	20.1	**20.1 g/t AuEq**
GNDD-046		82.90	0.45	4.1	4.1	27	0.06		4.5 g/t AuEq
		124.15	2.85	29.5	29.5	522	10.8		40.3 g/t AuEq
GNRC-068	from	9.9	69.0	3.4	3.4	8	2.8		4.8 g/t AuEq
	inc	9.9	27.0	7.9	7.9	16	7.0		11.4 g/t AuEq
	inc	14.0	4.0	41.7	41.7	54.2	12.0		48.0 g/t AuEq
	inc	24.0	6.0	5.2	5.2	21.0	10.7		10.5 g/t AuEq
	and	51.0	1.0	1.0	1.0	40	0.9		1.9 g/t AuEq
	and	59.0	1.0	1.3	1.3	5	0.1		1.4 g/t AuEq
	and	66.0	2.0	1.6	1.6	1	0.0		1.7 g/t AuEq
	and	72.0	4.0	1.9	1.9	3	0.1		1.9 g/t AuEq

Table 3: Significant Intercepts from 2020 7500 metre Drill Programme

Completion of Earn-in of the first 25% of Hualilan Project

During the final quarter of 2020 the Company earned an initial 25% interest in the Hualilan Gold Project, under the Earn-in Agreements for Cerro Sur (including the 26km^2 surrounding the EL) and Cerro Norte. The Company earned an initial 25% of the project by spending a minimum of A$1 million, previously issuing 3.334 million ordinary full paid CEL shares in 2019, and a further 5 million ordinary fully paid CEL shares ("**Shares**") to the owners of the Cerro Norte and 6.67 million Shares to the owners of the Cerro Sur Project. Challenger Exploration is committed to completing the remaining Earn-in Agreement Milestone, which will see the Company's ownership increase from 25% to 75%, following the completion of a Definitive Feasibility Study within 5 years from the commencement date, and the issue of a further 50 million ordinary full paid CEL shares to the owners of the Cerro Norte and Cerro Sur Projects.

IP Geophysics

Collection of data from a trial Induced Polarisation (IP) geophysical survey covering 77 hectares at Cerro Norte was completed by San Juan-based Geofisica Argentina S.A. The survey consists of 8 lines, each 1 km in length over Cerro Norte spaced at 100 metre intervals with a 50-metre dipole spacing. The survey has been designed to model the geology, including under cover so as to define extensions to the sulphide dominant mineralisation and assist with drill targeting. More specifically the survey is expected to provide high resolution coverage down to a vertical depth of approximately 300 metres. The current foreign historical resource at Hualilan is located within 125 metres of surface.

During the quarter, some interpretation of the data was completed involving raw data reprocessing and inversion. The preliminary review of the survey data is encouraging and shows co-incident resistivity conductors with low IP response that is continuous between the sections and able to provide a 3D model. Possible downdip extensions of the mineralisation are interpreted and will be followed up with drill testing. A further announcement will be made once the re-processing of the IP and recently acquired ground magnetic data has been finalised and interpretation completed.

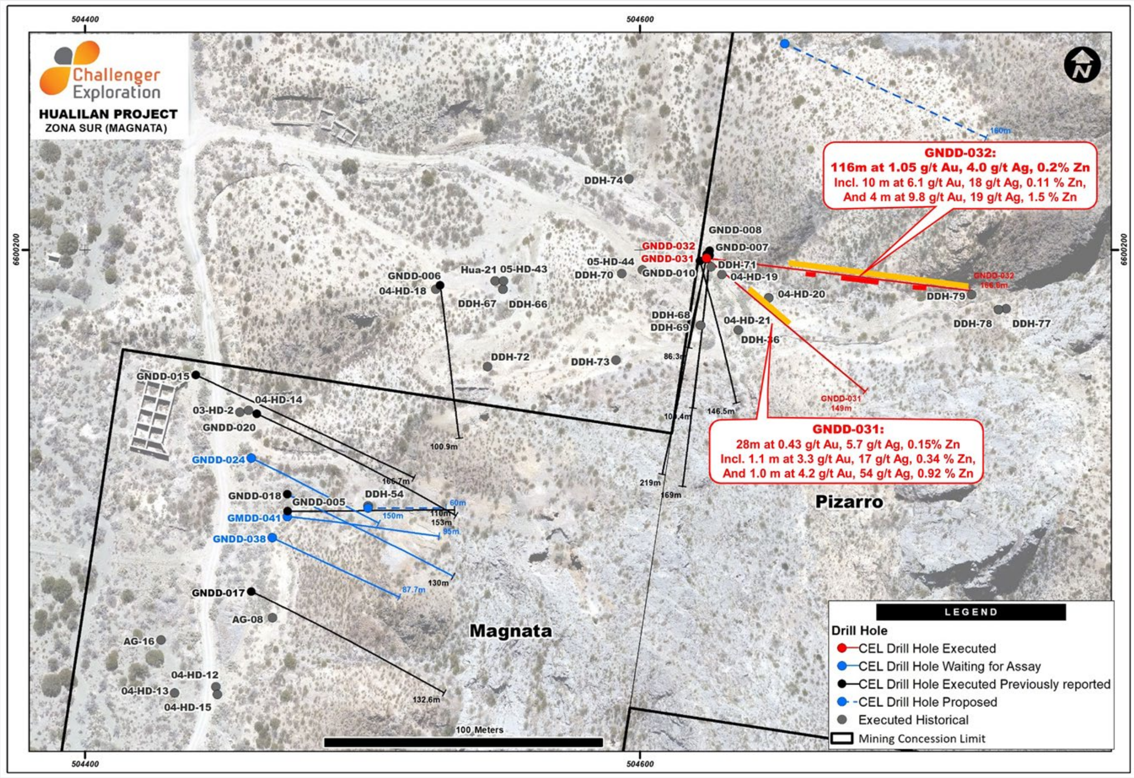

Figure 10 - Plan view showing drilling Magnata Vein

EL GUAYABO GOLD COLORADO V GOLD/COPPER PROJECT - ECUADOR

Discovery of large-scale Gold System - Colorado V

During the final quarter of 2020, results from the first drill hole submitted for assay from the recently acquired Colorado V concession in Ecuador confirmed the discovery of large-scale gold system in the Colorado V Project in Ecuador. This was followed, subsequent to the end of the financial year, by results for an additional 3 drill holes, all of which encountered over 100 metres of mineralisation, reinforcing the discovery of a large-scale gold system. Results are given in Table 4.

The drill holes are from a series of 60 historical holes drilled by CEL's farm-in partner targeting extensions to narrow high-grade vein hosted gold mineralisation they are currently exploiting. These historical drill holes were not systematically logged or assayed for bulk tonnage gold or base metal mineralisation. The majority of the holes, including the first four holes assayed by the Company, were drilled on a 500 metre northwest-southeast trend defined by under-ground mine workings.

Drill hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Silver (g/t)
ZK0-1	from	9.4	37.5	**28.1m**	**0.4**	**1.0**
	and	66.5	89.5	**23.0m**	**0.9**	**4.7**
	and	105.7	129.7	**24.0m**	**0.3**	**1.0**
	and	167.5	214.0	**46.5m**	**0.4**	**7.1**
ZK1-3	from	46.0	103.7	**57.7m**	**0.5**	**1.9**
	(incl)	*56.0*	*85.7*	***29.7m***	***0.8***	***3.1***
	from	127.0	163.0	**36.0m**	**0.5**	**3.5**
	and	290.5	421.0	**130.5m**	**0.5**	**3.1**
	(incl)	*302.5*	*380.5*	***78.0m***	***0.7***	***3.5***
ZK1-5	from	211.4	355.0	**145.6m**	**1.5**	**1.7**
	(incl)	*253.0*	*340.0*	***87.0***	***2.1***	***1.9***
ZK0-2	from	13.3	108.2	**94.9m**	0.3	1.7
	(incl)	75.7	108.2	**32.5m**	0.4	2.6
	and	172.7	193.1	**20.4m**	0.3	2.1
	and	224.6	376.0	**151.4m**	**0.9**	**3.8**
	(incl)	227.1	361.1	**134.0m**	**1.0**	**4.1**
	(incl)	227.4	290.5	**63.1m**	**1.6**	**5.1**

Table 4: Assay results from Colorado V re-logging and re-sampling program

Drill hole ZK0-2 encountered over 250 metres of gold mineralisation in three zones. Highlights include **151 metres at 0.9 g/t gold and 3.8 g/t silver** from 225 metres containing a higher-grade core of **134 metres at 1.0 g/t gold + 4.1 g/t silver**, including **63 metres at 1.6 g/t gold and 5.1 g/t silver.** ZK-02 is located on the northern end of a 500-metre northwest-southeast trend defined by small scale underground mine workings. Figure 11 is a cross section showing drill holes ZK0-2 and ZK0-1. ZK0-1 was drilled largely above the main diorite unit which contains the mineralisation however the hole still intersected over 100 metres of mineralisation including **23 metres at 0.9 g/t gold, 4.7 g/t silver** and **46 metres at 0.4 g/t gold, 7.1 g/t silver.**

ZK1-5 Box 50 (From273.40m-278.60m)

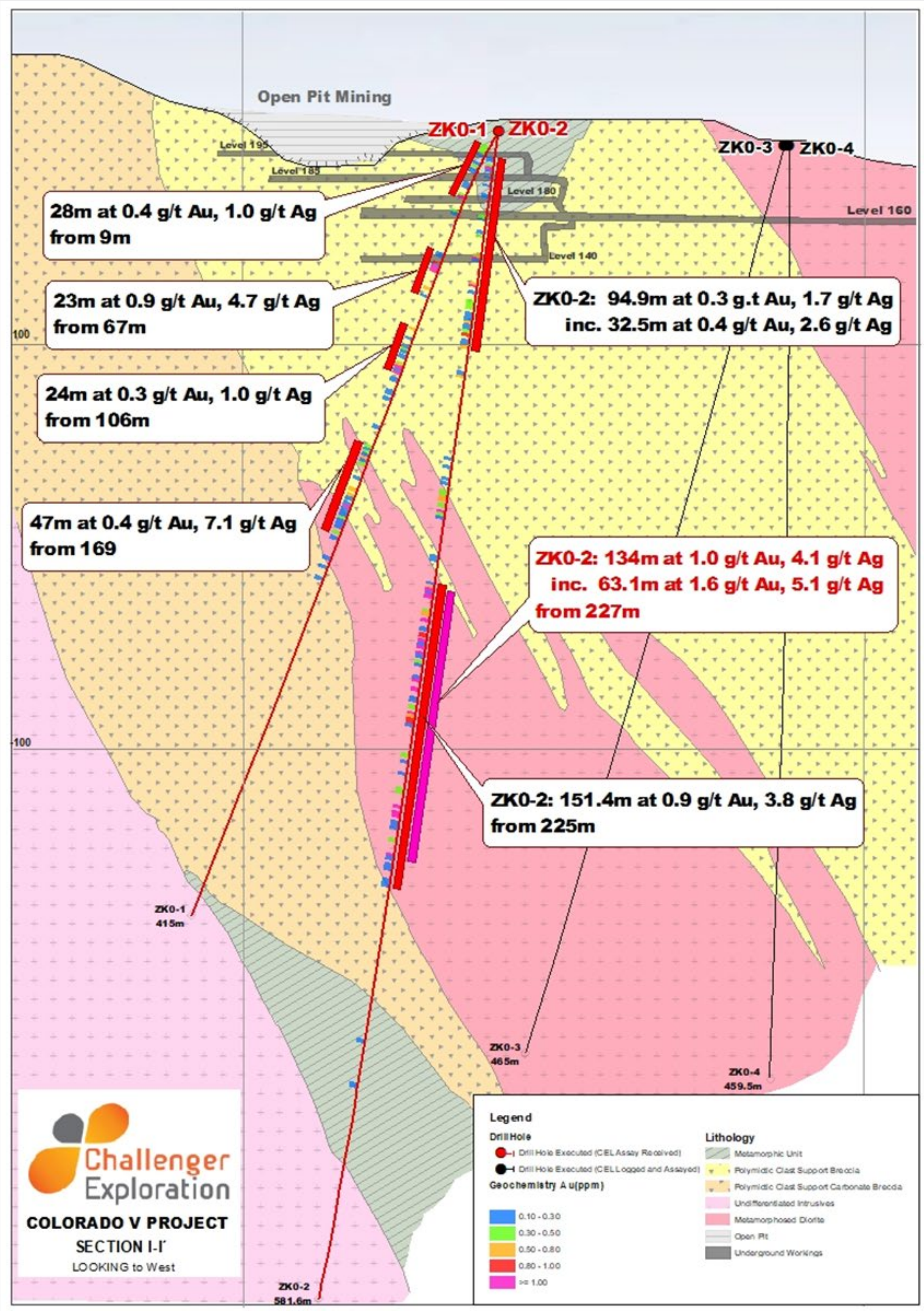

Figure 11 - Cross Section showing ZK0-2 and ZK0-1

Drill Hole ZK1-5 returned **146 metres at 1.5 g/t gold, 1.8 g/t silver,** that contains a higher-grade core of **87 metres at 2.1 g/t gold, 1.9 g/t silver**. Drill hole ZK1-5 is located 80 metres along strike from, and correlates with, the ZK0-2 discovery hole which returned **151 metres at 0.9 g/t gold and 3.8 g/t silver** and also contained a higher-grade core of **63 metres at 1.6 g/t gold and 5.1 g/t silver**. ZK1-5 was drilled across the mineralisation and the intercept is believed to represent near true width.

Drill Hole ZK1-3 intersected 225 metres of mineralisation comprising **58 metres at 0.5 g/t gold, 1.9 g/t silver** from near surface (including **30 metres at 0.8 g/t gold, 3.1 g/t silver)**, plus a zone of **131 metres at 0.5 g/t gold, 3.1 g/t silver** (including **78 metres at 0.7 g/t gold, 3.5 g/t silver)**. ZK1-3 Is located on the same section as ZK1-5 and is believed to have been drilled nearer the margins of the mineralised domain.

Figure 12 shows the location of ZK1-3 and ZK1-5, and the other ZK series of drill holes which are yet to be logged and assayed. It shows antimony in soil which does appear to image the mineralisation due to the strong correlation of antimony with the intrusion related gold in the four holes assayed to date. As Figure 12 which shows combined Au-Cu-Mo in soil geochemistry, the current 500-metre-long zone of mineralisation shows relatively little geochemical expression, possibly masked by the larger gold-copper in soil anomalies believed to relate to gold-copper porphyry mineralisation.

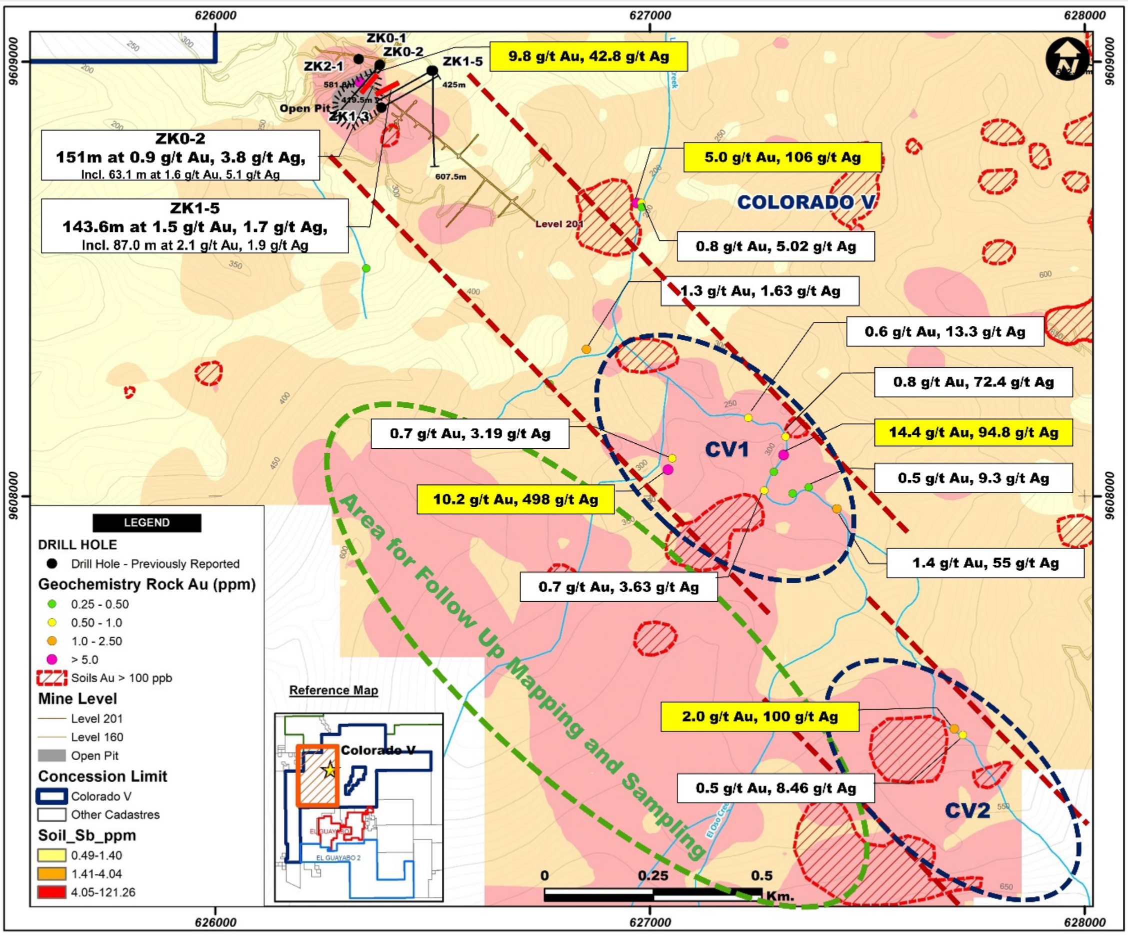

Figure 12 - Antimony in soil, and coincident gold, anomalies and new targets along strike

The mineralisation encountered in ZK1-5, ZK1-3 and ZK0-1 is consistent with that encountered in the ZK0-2 discovery hole. The mineralisation is primarily contained within a diorite and metamorphosed diorite unit. The mineralisation is defined by a 500-metre northwest-southeast belt of under-ground mine workings which is parallel to a main structural trend in the region. The diorite unit that hosts the mineralisation is some 200 metres wide and appears to dip to the northeast at 50-70 degrees. There is also a second zone of mineralisation, as yet not well defined, located in an overlying intrusive breccia unit.

In addition to the 500 meter strike extent defined by the underground workings and historical drilling there are two larger antimony in soil anomalies, with coincident gold in soil anomalies, along strike to the southeast which were not recognised prior to the Company's farm-in. Mapping and sampling of the creek exposures in these anomalies has defined a 2-kilometre strike extent of high-grade gold and silver mineralisation at surface with assays ranging from 14.35 to 0.1 g/t gold, 498 to 0.3 g/t silver. The mineralisation, alteration, and structural controls to mineralisation appear to be directly spatially related to the large soil anomalies. This extends the potential strike of the recently announced bulk gold discovery at Colorado V by 500 percent to 2.5 kilometres. The much broader zone of anomalous soil geochemistry to the south-east of CV1 and CV2 will also be the subject of follow-up.

Figure 13 shows composite gold-copper-molybdenum in soils. This map highlights a number of large coincident gold-copper-molybdenum soil anomalies which were the Company's main targets prior to the ZK0-2 intrusion related gold discovery hole. Each anomaly covers approximately 1 km^2 and the limited historical drilling only tested the margins of these anomalies. While the focus has switched to prioritising the assay of drill holes on the current discovery trend the Company remains excited by, and committed to, assaying the holes which were drilled on the flanks of soil anomalies A, B and C. Each of these anomalies has the scale to support a significant discovery and are located less than 5km along strike from Lumina Gold's 17 million-ounce Cangrejos gold discovery[1] which is currently going through permitting.

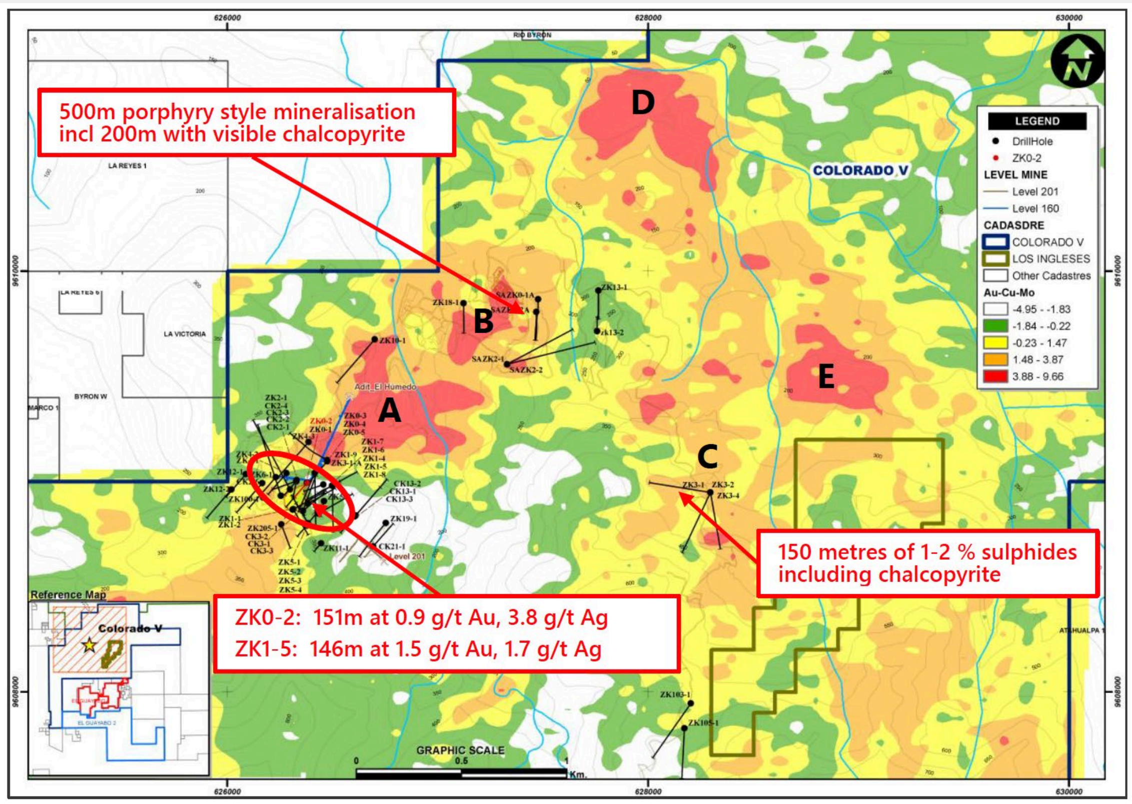

Figure 13 - Colorado V gold/copper/molybdenum soil geochemistry and historical drill holes

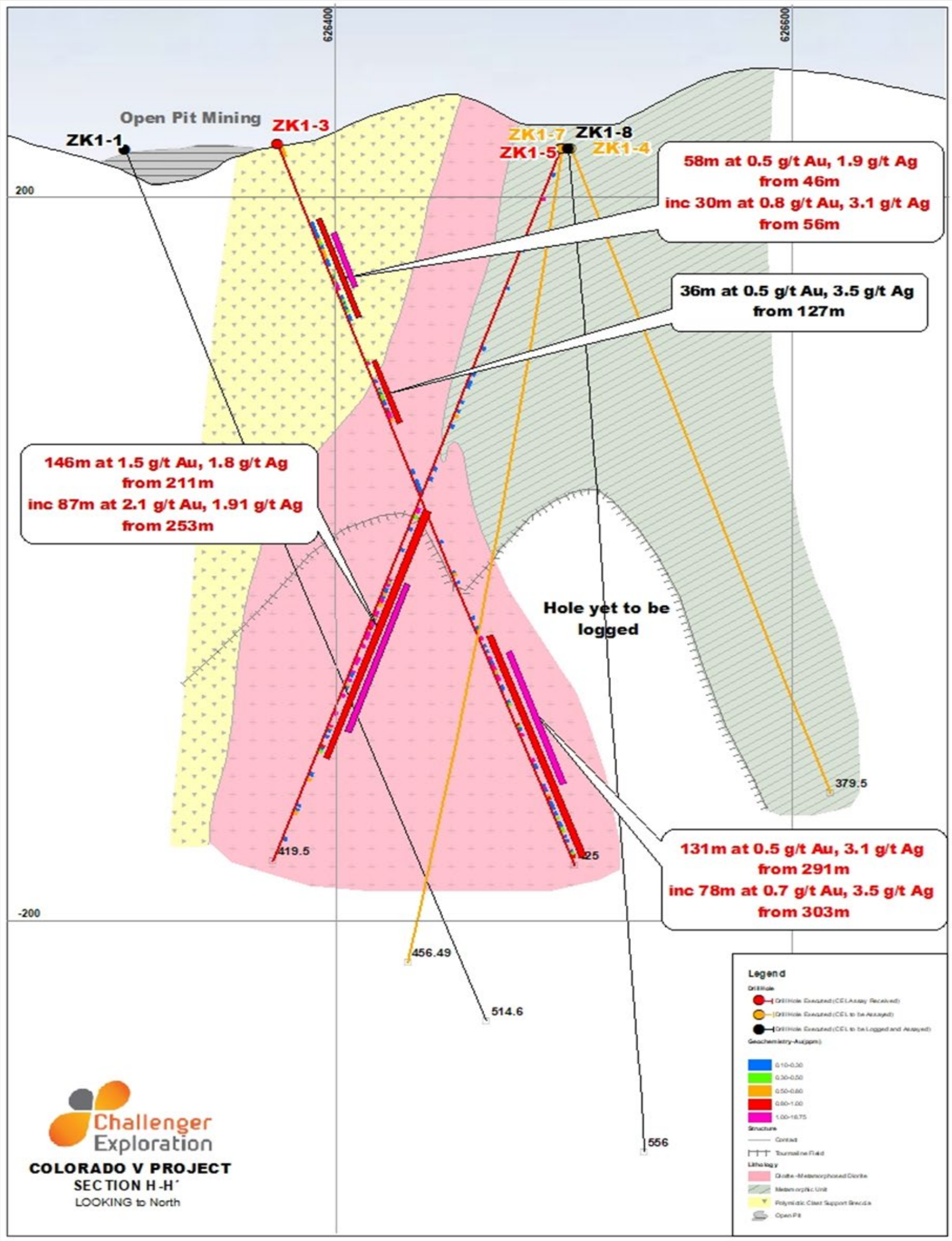

Figure 14 - Cross Section showing ZK1-3 and ZK1-5

Discovery of large-scale Gold-Copper Porphyry Targets - Colorado V

Assay results have been received from drill holes located on the margins of a series of gold-copper soil anomalies, 1 kilometre long, believed to represent porphyry Au-Cu targets.

The drill holes are from the series of 60 historical holes drilled by CEL's farm-in partner targeting extensions to narrow high-grade vein hosted gold mineralisation they are currently exploiting. These historical drill holes were not systematically logged or assayed for bulk tonnage gold or base metal mineralisation. As the focus of the current owner of Colorado V was supplying high grade feed to their existing processing plant these soil anomalies were not a priority and consequently poorly explored.

All drill holes which penetrated the edges of these anomalies returned ore grade intersections which significantly upgrade these large targets.

Interpretation suggests the mineralisation has similar geology, grades, and surface footprint as the Tier1 Cangrejos Gold Project[1] located five kms to the northeast.

To assist shareholders, appreciate the scale of the opportunity CEL presents an Exploration Target reporting according to the JORC Code (2012). Highlights include (refer Table 5):

Anomaly A

- Drill hole ZK0-5, drilled across the extreme south-eastern margin of the anomaly returned **51 m at 0.7 g/t gold, 1.4 g/t silver** within a broader zone of **84 metres at 0.5 g/t gold, 1.2 g/t silver**
- This anomaly is one kilometre long and only tested by ZK0-5, ZK10-1 (pending) and panel sampling in the main adit, which averaged **1.5 g/t gold and 0.15% copper.**

Anomaly B:

- SAZK2-1 returned **63m at 0.6 g/t gold, 2.1 g/t silver and 0.1% copper** to the edge of the anomaly and SAK0-2 (located so the bottom 50 metres of the hole penetrated Anomaly B) returned **55m at 0.7 g/t gold, 1.5 g/t silver and 0.1% copper** with grade increasing at depth
- The anomaly is almost one kilometre in length and tested by only three drill holes, all located near its edge, all of which encountered significant mineralisation

None of these holes were valid tests of the anomalies with most being drilled off the anomalies, or at best, into the edge of the anomalies (see Figure 15). However, those holes which did intersect the edges of Soil Anomaly A and B returned significant results.

The results demonstrate that these anomalies are compelling targets of significant scale. The grades in the few holes which did penetrate the margins of the anomalies are in line with those in the Tier 1 Cangrejos Project [(2)] located approximately 5 kilometres along strike.

The only other assay data within this Anomaly is the limited panel sampling in the main Humedos Mine Adit completed by the Company. This panel sampling covered 40 metres of the adit with the panel samples averaging **1.5 g/t gold, 3.5 g/t silver and 0.15% copper**. These higher grades are now interpreted as being consistent with the location of these samples nearer to the centre of Anomaly A. The company has mapped 300 metres of porphyry style mineralisation in this adit and intends to rock saw channel sample this entire adit.

The geology and surface extent of the anomalies is similar to Cangrejos and of sufficient size to host a major gold discovery.

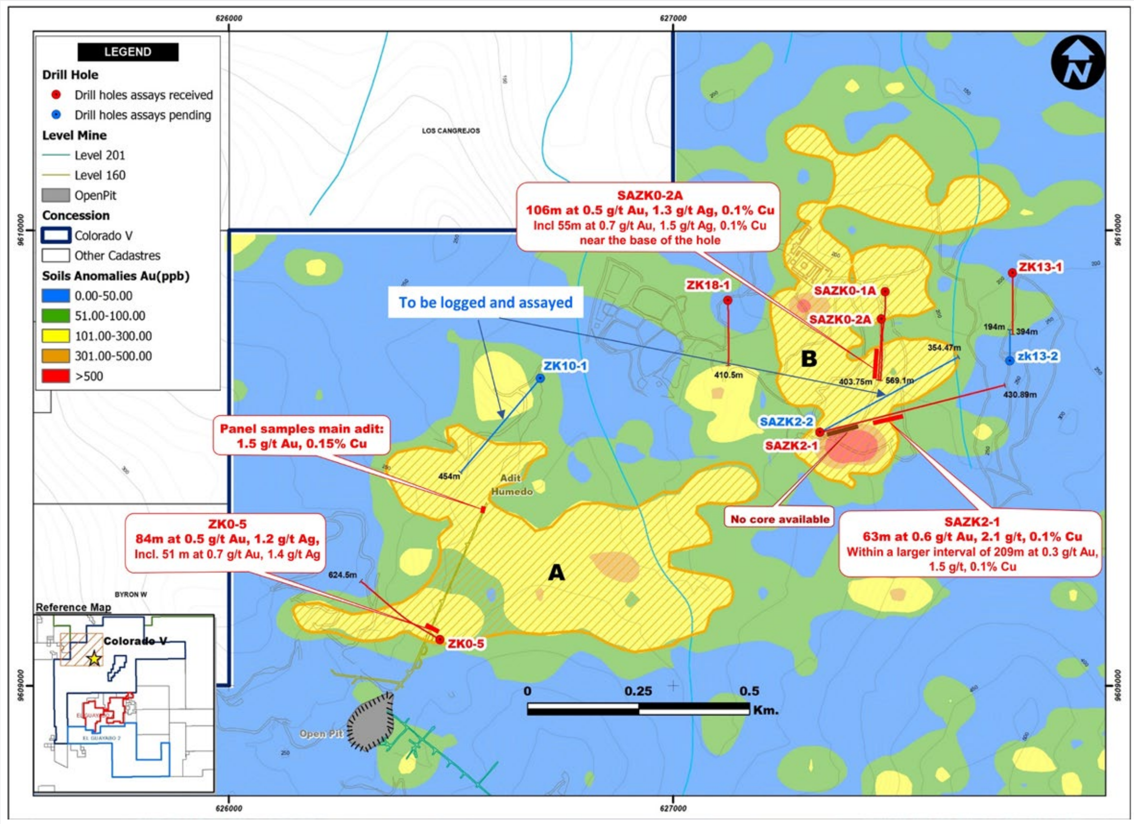

Figure 15 - Showing location of drilling and Anomaly A and B (>100ppb gold in soil)

Potential Size of the Exploration Targets

Anomaly A and Anomaly B, combined, define an Exploration Target ranging between 442 to 468 million tonnes grading from 0.5 to 1.0 g/t gold, 1.5 to 2.5 g/t silver, plus copper credits.

It should be noted that the potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to determine a mineral resource, and there is no certainty that further exploration work will result in the determination of mineral resources.

A detailed explanation of the basis for the statement, including specific description of the level of exploration activity already completed is available below.

- Surface area defined by a 100 ppb gold soil anomaly which coincides with a 0.1 g/t gold cut-off in drill hole assays and the panel sampling in the adit
- Depth extent of 400 metres assumed based on a reasonable depth extent for surface mining operation of a large steeply plunging low grade Au-Ag-Cu deposit. Current intersections in holes assayed by the Company which demonstrate mineralisation persist with depth, and is open below 400 metres sub-surface
- Density estimates of 2,600 – 2,750 kg/m^3 are based on typical expected values for diorite, schist and diorite-schist breccia intersected in the drilling, in the adit, and observed on surface. The assumed density is not supported by sample density measurements.
- Gold, Silver and Copper grade estimates are based on drill intersections that coincide with the volume defined by the gold in soil anomaly to a depth of 400m below surface. A grade range of 0.5 to 1.0 g/t gold and 1.5 to 2.5 g/t silver has been used in the Exploration Target estimate.
- The proportion above cut-off (0.2 g/t gold) is an estimate based on the variability of grade from drilling and adit panel sampling. A range of 70-90% has been used.

Exploration Target Anomaly A	High estimate	Low estimate
Tonnage (Mt)	**275**	**260**
Gold Grade (g/t)	1.0	0.5
Silver Grade (g/t)	2.5	1.5
% tonnage above cut-off	90%	70%
Exploration Target Anomaly B	**High estimate**	**Low estimate**
Tonnage (Mt)	**193**	**182**
Gold Grade (g/t)	1.0	0.5
Silver Grade (g/t)	2.5	1.5
% tonnage above cut-off	90%	70%
Totals	**High estimate**	**Low estimate**
Tonnage (Mt)	**468**	**442**
Gold Grade (g/t)	**1.0**	**0.5**
Silver Grade (g/t)	**2.5**	**1.5**

Table 5 - Exploration Target

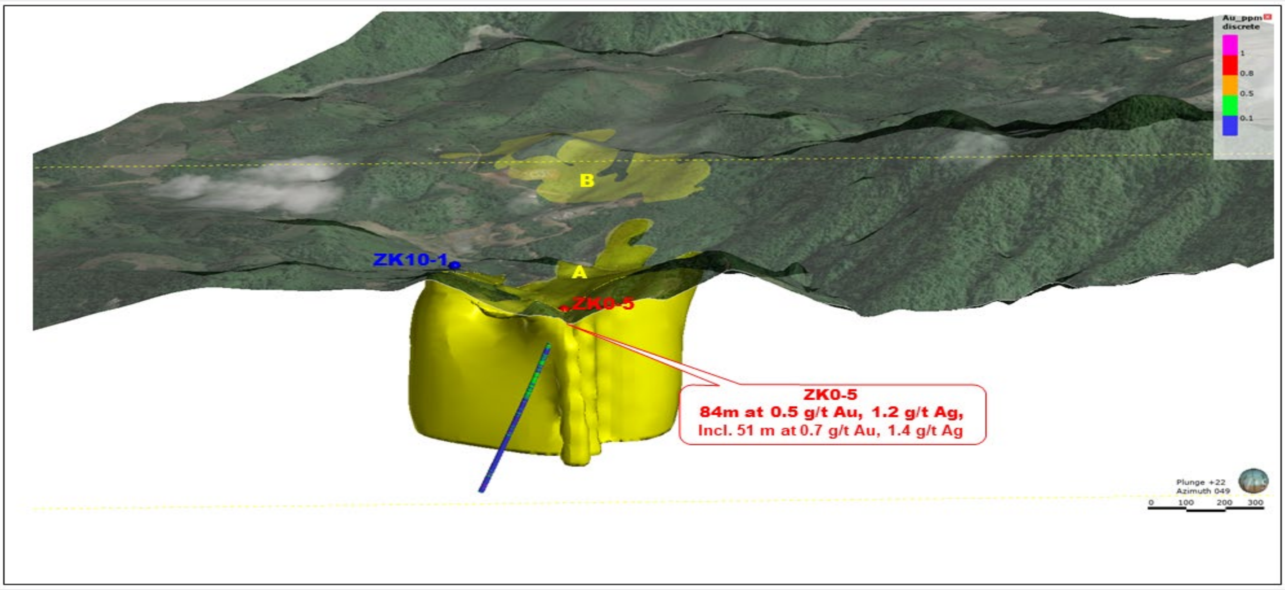

Figure 16 - 3D Image showing Anomaly A (sub-surface projection) and drilling

Anomaly A (Figure 16) represents a significant target with the surface area defined by the 100ppb gold contour covering 250,000 square metres. Projecting this shape down to 400 metres sub surface defines a shape containing 260-275 million tonnes. Drilling and underground panel sampling has demonstrated this target has grades above 1 g/t gold near its centre and 0.5 g/t gold near its margins and has not been validly drill tested.

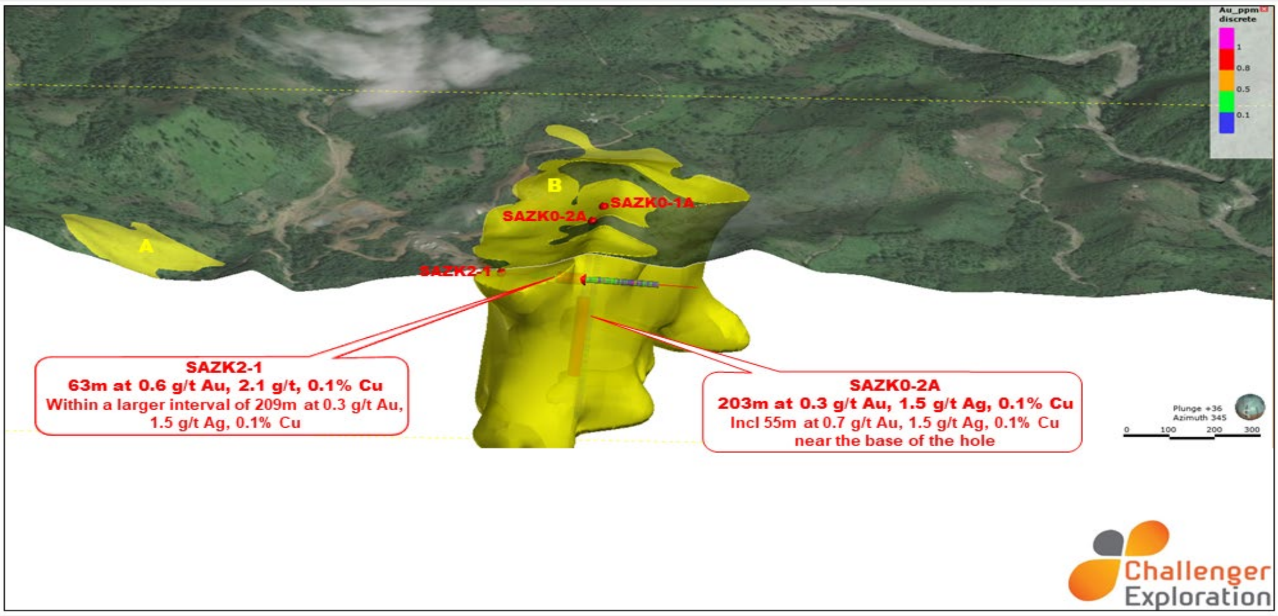

Figure 17 - 3D Image showing Anomaly B (sub-surface projection) and drilling

Anomaly B (Figure 17) represents a significant target with the surface area defined by the 100ppb gold contour covering 175,000 square metres. Projecting this shape down to 400 metres subsurface defines a shape containing 182-193 million tonnes. This target has been tested by only three drill holes, all located near its edge, all of which encountered significant widths of better than 0.5 g/t gold mineralisation with significant silver and copper credits.

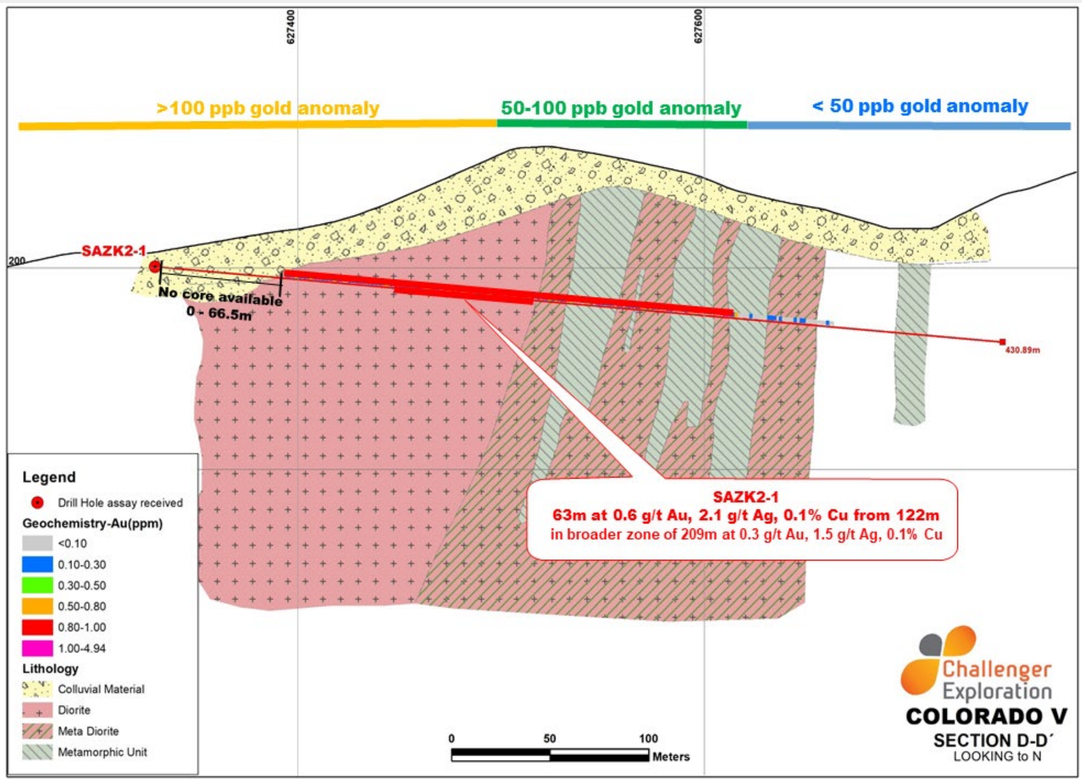

Figure 18 - Cross Section showing drill hole SAZK2-1

Forward Exploration Program to test the Exploration Targets

The Company has contracted MPX geophysics to undertake a 50 square kilometre helicopter magnetic survey in October - November 2020. The survey will be flown on east-west lines with a line spacing of 50-metres. The results of this survey will be used to better define structural controls and map the intrusions and alteration in 3D to better define the potential porphyry targets. It is anticipated this data will be received and processed in December 2020.

The Company has commenced an infill and extension soil sampling program to verify the historical Colorado V soil data, integrate the data with the Company's soil data over the El Guayabo concession, and tighten up the Colorado V soil anomalies. The Company will continue with its program of assaying all of the historical drill holes including the remaining holes drilled in the vicinity of soil Anomalies A, B and C.

These activities are expected to be completed in this year. Once this data has been integrated with the existing geological model, the Company will make a decision on exploration drilling in Ecuador to test these new Exploration Targets and drill infill/twin holes on the ZK0-2 discovery trend. The Company notes drilling contract rates in Ecuador are at historical lows due to a marked downturn in exploration as a result of COVID-19.

Re-assaying Program El Guayabo Concession

The historical drill core at El Guayabo was subjected to a limited assay program when the holes were drilled 25 years ago. The first five holes were assayed for gold only with subsequent holes only assayed for gold, silver, copper, zinc, lead, molybdenum, and arsenic. CEL undertook a program of re-assaying the historical El Guayabo core prior to starting work on the Colorado V historical core. This program involved re-assaying approximately 1,000 metres of the total 7,600 metres of historical drill core.

The aims of the program were to provide multi element assay data to better vector on the porphyry targets and to validate the historical assay data. Due to the desire to keep at least quarter core for future reference, the sections re-assayed were constrained to subsections within the larger historical intercepts. The results included intercepts of (refer Table 5 for full details:

- **62 metres at 5.2 g/t gold, 21.3g/t silver and 0.25% copper from 40 metres, and**
- **57 metres at 1.2 g/t gold and 3.4 g/t silver and 0.18% copper from 114 metres**

available samples from drill hole GGY-02 within a broader historical intercept of

- **156 metres at 2.6 g/t gold, 9.7 g/t silver and 0.16% copper from 76 metres**
- **42.7 metres at 2.1 g/t gold, 2.8 g/t silver and 0.05% copper from 112 metres**

available samples from drill hole GGY-02 within a broader historical intercept of

- **65 metres at 1.4 g/t gold, 2.8 g/t silver and 0.06% copper from 89 metres**

The results validated the historical assays with the re-assays being within 3% of the historical results for gold and 7% for silver. The re-assays returned copper results averaging 22% lower across the 1,000 metres. Inspection of the discrepancies indicates that most are likely related to missing sections of core. The higher-grade copper zones, unlike the higher-grade gold zones, are visual and as such, the material with the higher copper grades may have been taken and processed over the past 25 years by artisanal miners.

Of note are the re-assays for 2 sections of drill hole GY-02 and drill hole JDH-013. Drill hole GY-02 reported a historical intercept of **156 metres at 2.6 g/t gold, 9.7 g/t silver and 0.16% copper** from 76 metres. The section from 40-102 metres re-assayed by CEL returned **62 metres at 5.2 g/t gold, 21.3 g/t silver and 0.25% copper** compared to historical assays of 4.8 g/t gold, 20.0 g/t silver and 0.23% copper over the same interval. Re-assays for JDH-013 returned **42.7 metres at 2.1 g/t gold, 2.8 g/t silver and 0.05% copper** from 112 metres compared to the historical result of 2.0 g/t gold, 3.7 g/t silver and 0.08% copper over the same interval.

Interestingly the high-grade gold zone encountered in drill holes GY-02 and JDH-13 shows a similar association with arsenic and antimony as seen in the gold zone in the recently assayed ZK0-2 drill hole from the Colorado V concession. Drill holes GGY-02 and JDH-13 are located approximately 4 kilometres south-east of ZK0-2 directly in line with the structure believed to control the mineralisation encountered in ZK0-2. This spatial association on trend will be investigated with detailed mapping once the program of logging and assaying of Colorado V drill core is complete.

The re-assays also confirm that the copper dominant mineralisation at El Guayabo in drill holes such as JDH-009 (historical intercept **112 metres at 0.7 g/t gold, 14.6 g/t silver and 0.6% copper**, importantly appears to represent a distinct second, and separate target.

Karoo Basin - South Africa

The Company 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.

COVID-19

Following a brief suspension of all activities in Argentina and Ecuador, due to COVID-19 restrictions, CEL has recommenced all exploration programs with strict COVID-19 protocols in place. The Company continues to work with all levels of government and local communities in relation to COVID-19. To date no employee or contractor has tested positive to COVID-19.

The Company's priority remains the health and wellbeing of all its staff and contractors and their families. A copy of the Company's COVID-19 protocols is available on our website.

Foreign Resource Estimate Hualilan Project

La Mancha Resources 2003 foreign resource estimate for the Hualilan Project

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

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

For details of the foreign non-JORC compliant resource and to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 25 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 25 2019 continues to apply and is not materially changed.

Competent Person Statement – Exploration Results and Exploration Target

The information that relates to sampling techniques and data, exploration results and geological interpretation and Exploration Targets has been compiled 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. 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.

Competent Person Statement – Foreign Resource Estimate

The information in this release provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The information that relates to Mineral Resources 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 and has sufficient experience which is relevant to the style of ineralization and type of deposits under consideration to qualify as Competent Person as defined in the 2012 Edition of the JORC Code for Reporting of, Mineral Resources and Ore Reserves. 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.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 23 July 2020, the Company issued 100,000,000 shares at 20 cents per share, raising $20M before costs of $1.3M.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and while there has been no material impact financially for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

RESULTS OF OPERATIONS

The net loss after tax for the financial year ended 30 June 2020 for the Group was $1,735,299 (2019: $5,834,974).

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 financial year 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.

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 Company, 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's policy for determining the nature and amount of remuneration for board members 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 remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. All 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.

All remuneration paid to Executive Directors and Senior Executives is valued at the cost to the Company and expensed. 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 options achieve their 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 Company, 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 Company.

The Company may engage remuneration consultants from time to time. The Company will ensure any recommendation from a remuneration consultant will be made free from undue influence from any members of Key Management Personnel. The Company did not engage remuneration consultants for the year ended 30 June 2020.

KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Fletcher Quinn – Non-Executive Chairman[a]
Kris Knauer – Managing Director[a]
Scott Funston – Executive Director[a]
Michael Fry – Non-Executive Chairman[b]
Robert Willes – Managing Director[b]
Clinton Carey – Non-Executive Director[b]
[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

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 year, and relative comparative information.

Except as detailed in Notes (b) – (d) below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

(b) Compensation of Key Management Personnel

Remuneration Policy

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. Remuneration of Key Management Personnel is set out below.

The value of remuneration received or receivable by Key Management Personnel for the financial year ended 30 June 2020 is as follows:

	Primary		Equity Compensation	Post-employment			Performance Related %
	Base Salary and Fees $	Bonus and Non Monetary Benefits $	Value of Performance Rights / Shares $	Superannuation Contributions $	Termination Benefits $	TOTAL $	
Directors							
Fletcher Quinn[a]	43,000	-	-	-	-	43,000	-
Kris Knauer[a]	268,296	-	-	-	-	268,296	-
Scott Funston[a]	211,250	37,500[d]	154,815[e]	-	-	403,565	38.36
Michael Fry[b]	-	-	-	-	-	-	-
Robert Willes[b][c]	-	-	-	-	-	-	-
Total 2020	522,546	37,500	154,815	-	-	714,861	21.65

[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019

[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

[c] Mr Willes remains a consultant to the Company, however, is no longer a member of Key Management Personnel

[d] Mr Funston received shareholder approval on 28 November 2019 to receive 937,500 ordinary shares in lieu of cash consideration for services on the reverse acquisition that closed on 4 July 2019.

[e] Performance rights have been valued on a company share price on date of issue and value is bought to account over the vesting period.

2019	Primary		Equity Compensation	Post-employment			Performance Related %
	Base Salary and Fees $	Bonus and Non Monetary Benefits $	Value of Performance Rights / Shares $	Superannuation Contributions $	Termination Benefits $	TOTAL $	
Directors							
Fletcher Quinn[a]	-	-	-	-	-	-	-
Kris Knauer[a]	-	-	-	-	-	-	-
Scott Funston[a][c]	25,000	-	-	-	-	25,000	-
Michael Fry[b]	-	-	-	-	-	-	-
Robert Willes[b]	18,265	-	-	1,735	-	20,000	-
Total 2019	43,265	-	-	1,735	-	45,000	-

(c) Compensation Options

No options were granted to Key Management Personnel of the Group during the year.

There have been no alterations to the terms and conditions of options granted as remuneration since their grant date.

(d) Share, Option and Performance Rights holdings

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

During the 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 4 July 2019 pursuant to which Mr Knauer was appointed as Managing Director of the Company. The material terms and conditions of the agreement are set out below:

(a) (Commencement Date): The date of the Company's re-admission to the Official List.

(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 (including superannuation).

(d) (Incentives): Mr Knauer is eligible to receive Securities under the Company's Incentive Option Plan and Performance Rights Plan.

(e) (Accrued Entitlements): All entitlements that have accrued to Mr Knauer prior to the date of this agreement will be honoured by the Company.

(f) (Termination): The Company 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.

Effective January 2020, the salary component of remuneration for Mr Knauer in his capacity as Managing Director was increased to $295,000.

The Finance Director, CFO and Company Secretary, Mr Scott Funston entered into an agreement on 4 July 2019, pursuant to which Mr Funston was appointed as Company Secretary, Chief Financial Officer and Finance Director of the Company. 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): One (1) day after the Company's re-admission to the Official List.

(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 (including superannuation).

(e) (Incentives): Mr Funston is eligible to receive Securities under the Company's Incentive Option Plan and Performance Rights Plan.

(f) (Accrued Entitlements): All entitlements that have accrued to Mr Funston prior to the date of this agreement will be honoured by the Company.

(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.

Effective January 2020, the salary component of remuneration for Mr Funston in his capacity as Finance Director, CFO and Company Secretary was increased to $245,000, with his employment increased to a full-time basis.

Pursuant to an agreement executed on 20 August 2008, Mr Michael Fry provided services to the Group as a Non-Executive Chairman. The broad terms of this agreement include remuneration payable of $60,000 per annum. The agreement may be terminated by either party by providing 3 months written notice and upon payment of any outstanding fees for services rendered.

Effective 21 June 2018, Mr Fry agreed to forego all fees yet to be paid for his capacity as non-executive chairman of the Company up to and including the date of his resignation on 4 July 2019.

On 3 April 2013, the Group entered into an executive services agreement with Mr Robert Willes under which Mr Willes received a salary package of $375,000 per annum inclusive of superannuation for Mr Willes' services as Managing Director of the Group. The agreement could have been terminated by either party by providing 3 months written notice and, in the case of termination by the Company without reason, upon payment of three months' salary. Further provisions applied in respect of any unissued Retention Shares and/or unvested Incentive Shares.

As part of his remuneration package, and as approved by shareholders at the EGM held 22 August 2013, Mr Willes would have been issued 4,000,000 fully paid ordinary shares ("Retention Shares") in the Company in equal 6 monthly instalments of 666,667 Retention Shares for a period of 36 months. The issue of Retention Shares was conditional on Mr Willes remaining an employee of the Company as at the date the respective Retention Shares were to be issued. The final two instalments of shares required to be issued for 1,333,334 shares in total are yet to be issued at the date of this report and will not be issued.

Effective 21 June 2018, components of remuneration for Mr Willes in his capacity as Managing Director were altered.

These changes included:

- foregoing $518,750 of fees yet to be paid for his capacity as Managing Director up to and including 31 May 2018;
- receiving $200,000 of fees yet to be paid for his capacity as Managing Director in cash at the time the Company completes a further capital raising of at least $1,000,000;
- waive any entitlement to receive fees (as Managing Director) on and from 1 June 2018 until such time as the Company completes the pro-rata non-renounceable entitlement offer as announced on 13 June 2018 (Rights Issue); and
- on and from completion of the Rights Issue, receive remuneration of $10,000 per month for a three-month term, such amount to be revisited at the end of this three-month period.

Mr Willes agreed to forgo all remuneration that may be payable to him under his agreement up to the date of his resignation on 4 July 2019.

Under an established Performance Rights Plan, Mr Willes had been issued 16,000,000 Performance Rights in the following tranches and subject to the following vesting conditions:

- Tranche 1 – 4,000,000 Performance Rights (fair value of $69,593 – refer to Note 11 for further details) vest on completion of 12 months continuous employment with the Company and the Company having or achieving a market capitalisation of $100m or greater by no later than 7 April 2016. These Performance Rights have expired.
- Tranche 2 – 4,000,000 Performance Rights (fair value of $1,707) vest on completion of 24 months continuous employment with the Company and the Company having or achieving a market capitalisation of $200m or greater by no later than 7 April 2018. These Performance Rights have expired.
- Tranche 3 – 4,000,000 Performance Rights (fair value of $308,000) vest on completion of 36 months continuous employment with the Company and the Company having or achieving a 3P resource in excess of 1TCF by no later than 7 April 2018. These Performance Rights have expired.
- Tranche 4 – 4,000,000 Performance Rights (fair value of $308,000) vest on completion of 36 months continuous employment with the Company and either the Company by no later than 7 April 2020:
    - announcing that its interests in the Karoo Basin, South Africa can be commercially developed; or
    - receiving an independent reserves certification containing proved reserves; or
    - having or achieving a market capitalization of $500m or greater.

  It is not currently considered probable the Tranche 4 Performance Rights will vest.

At the completion of the consolidation of the issued capital on a 1 for 5 basis, Mr Willes held 800,000 performance rights at 30 June 2019 under the Tranche 4 Performance Rights. These performance rights expired during the financial year.

(f) Shares held by Key Management Personnel

	Balance at 1.7.19	Shares Purchased	Net Change Other	Balance at 30.06.20
Directors				
Fletcher Quinn[(a)(c)]	10,328,637	13,000,000	-	23,328,637
Kris Knauer[(a)]	42,195,332	-	-	42,195,332
Scott Funston[(a)]	3,666,667	1,137,500	-	4,804,167
Michael Fry[(b)]	366,593	-	(366,593)	-
Robert Willes[(b)]	533,333	-	(533,333)	-
Clinton Carey[(b)]	50,000	-	(50,000)	-
	57,140,562	14,137,500	(949,926)	70,328,136

(a) Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
(b) Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019
(c) Subsequent to the financial year and up to the date of this report, Mr Quinn purchased an additional 500,000 ordinary shares.

No shares were issued by the Company during or since the financial year ended 30 June 2020 as a result of the exercise of an option or performance right.

(g) Options held by Key Management Personnel

	Balance at 1.7.19	Options Expired	Options Issued	Balance at 30.06.20	Total Vested	Total Exercisable
Directors						
Fletcher Quinn[a]	500,000	(500,000)	-	-	-	-
Kris Knauer[a]	9,734,167	(880,000)	-	8,854,167	8,854,167[e]	-
Scott Funston[a]	2,000,000	-	-	2,000,000	2,000,000[e]	-
Michael Fry[b]	-	-	-	-	-	-
Robert Willes[b]	-	-	-	-	-	-
Clinton Carey[b]	-	-	-	-	-	-
	12,234,167	(1,380,000)	-	10,854,167	10,854,167	-

[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019
[c] Mr Knauer and Mr Funston were issued options in Challenger pursuant to the Additional Offers in Section 6 of the Prospectus dated 15 May 2019
[d] Shareholders approved a consolidation of capital on a 1 for 5 basis at a General Meeting held on 29 April 2019
[e] Unexercisable options are subject to escrow under ASX Listing Rules up to 4 July 2021

(h) Performance Shares held by Key Management Personnel

	Balance at 1.7.19	Received as Remuneration	Performance Shares Expired	Net Change Other	Balance at 30.06.20	Total Vested	Total Exercisable
Directors							
Fletcher Quinn[a]	-	-	-	-	-	-	-
Kris Knauer[a][c]	37,000,000	-	-	-	37,000,000	-	-
Scott Funston[a]	-	-	-	-	-	-	-
Michael Fry[b]	-	-	-	-	-	-	-
Robert Willes[b]	800,000	-	-	(800,000)	-	-	-
Clinton Carey[b]	-	-	-	-	-	-	-
	37,800,000	-	-	(800,000)	37,000,000	-	-

[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019
[c] Mr Knauer was issued performance shares in Challenger. They consist of 18,500,000 Performance A Shares and 18,500,000 Performance B Shares. Details of Performance Shares are disclosed in Note 14 of the financial report.

(i) Performance Rights held by Key Management Personnel

	Balance at 1.7.19	Received as Remuneration	Performance Shares Expired	Net Change Other	Balance at 30.06.20	Total Vested	Total Exercisable
Directors							
Fletcher Quinn[a]	-	-	-	-	-	-	-
Kris Knauer[a][c]	-	-	-	-	-	-	-
Scott Funston[a]	-	10,000,000	-	-	10,000,000	-	-
Michael Fry[b]	-	-	-	-	-	-	-
Robert Willes[b]	-	-	-	-	-	-	-
Clinton Carey[b]	-	-	-	-	-	-	-
	-	10,000,000	-	-	10,000,000	-	-

[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

Please refer to (b) Remuneration of Key Management Personnel, above for the value of performance rights issued to MR Funston during the financial year.

(j) 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 $43,000 (2019: Nil) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $20,000 (2019: Nil) was outstanding at year 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 $268,296 (2019: Nil) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $98,333 (2019: Nil) was outstanding at year 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 $211,250 (2019: $25,000) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $36,250 (2019: Nil) was outstanding at year end.

(k) Amounts owing to Key Management Personnel

A total of $154,583 was outstanding to Key Management Personnel as at 30 June 2020 (2019: Nil).

END OF REMUNERATION REPORT

OPTIONS

At the date of this report, 86,644,444 unlisted options over new ordinary shares in the Company were on issue:

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted	30 June 2022	$0.04	86,644,444

1,000,000 ordinary shares were issued upon the exercise of options during the financial year ended 30 June 2020 and 6,950,000 unlisted options exercisable at 25 cents on or before 30 June 2020 expired, unexercised.

PERFORMANCE SHARES

At the date of this report, 120,000,000 Performance Shares over new ordinary shares in the Company were on issue:

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

Performance A 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.

Performance B 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.

PERFORMANCE RIGHTS

At the date of this report, 16,000,000 Performance Rights over new ordinary shares in the Company 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, 5,250,000 Incentive Performance Rights over new ordinary shares in the Company were on issue:

Type	Number
Incentive Performance Rights	5,250,000

Incentive Performance Rights have the following vesting condition:

The holder must remain employed or engaged by the Company for a minimum period of twelve months from 28 November 2019.

No ordinary shares were issued upon the vesting of performance rights or performance shares during or since the financial year ended 30 June 2020.

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 Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company'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.

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 year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, 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 40 and forms part of the Directors' Report for the year ended 30 June 2020.

NON-AUDIT SERVICES

HLB Barnett Chown (South Africa), an overseas affiliated HLB firm, provided statutory compliance non-audit services of $Nil during the year ended 30 June 2020 (2019: $2,636).

HLB Mann Judd (WA Partnership) did not provide any non-audit services during the financial year but did provide services for the Independent Limited Assurance Report included in the Prospectus dated 15 May 2019 of $12,000.

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

Kris Knauer

Managing Director

11 September 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Challenger Exploration Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**B G McVeigh**
11 September 2020	**Partner**

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Photo showing old workings in the Magnata Manto

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Other income	2	**348,258**	**300,028**
Accounting and audit fees		(63,506)	(80,132)
Consultants' and directors' fees		(666,948)	(85,523)
Legal and compliance		(141,721)	(98,239)
Investor relations, conferences, and corporate advice		(270,804)	-
Employee expenses		(24,421)	-
Travel expenses		(228,827)	-
Administration expenses		(230,777)	-
Share based payments		(511,695)	-
Depreciation		(4,785)	-
Foreign exchange losses		14,923	-
Listing premium on acquisition	23	-	(5,822,719)
Other		(2,021)	(1,364)
Loss before income tax		**(1,782,324)**	**(5,787,949**
Income tax expense	3	**47,025**	**(47,025**
Net loss for the year		**(1,735,299)**	**(5,834,974)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(326,109)**	**-**
Income tax on other comprehensive income/(loss)		**-**	**-**
Other comprehensive loss for the year		**(326,109)**	**-**
Total comprehensive loss for the year		**(2,061,408)**	**(5,834,974)**
Basic and diluted loss per share	16	**(0.35)**	**(6.50)**

The accompanying notes form part of these financial statements.

	Note	Consolidated 2020 $	Consolidated 2019 $
CURRENT ASSETS			
Cash and cash equivalents	4	3,801,292	5,043,935
Trade and other receivables	5	115,536	87,941
Prepayments	6	43,515	827
TOTAL CURRENT ASSETS		**3,960,343**	**5,132,703**
NON-CURRENT ASSETS			
Other Receivables	5	316,276	-
Deferred exploration and evaluation expenditure	7	11,653,007	3,277,843
Plant and equipment	8	46,337	-
TOTAL NON-CURRENT ASSETS		**12,015,620**	**3,277,843**
TOTAL ASSETS		**15,975,963**	**8,410,546**
CURRENT LIABILITIES			
Trade and other payables	9	1,157,129	729,027
Provisions	10	24,990	-
Borrowings	11	-	467,780
TOTAL CURRENT LIABILITIES		**1,182,119**	**1,196,807**
NON-CURRENT LIABILITIES			
Deferred Tax Liability	3	-	47,025
TOTAL NON-CURRENT LIABIITIES		**-**	**47,025**
TOTAL LIABILITIES		**1,182,119**	**1,243,832**
NET ASSETS		**14,793,844**	**7,166,714**
EQUITY			
Issued capital	12	22,177,747	13,000,904
Reserves	13	186,370	784
Accumulated losses		(7,570,273)	(5,834,974)
TOTAL EQUITY		**14,793,844**	**7,166,714**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

Consolidated 2020	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve	Foreign Exchange Reserves	Option Reserves $	Total $
Balance at 1 July 2019	**13,000,904**	**(5,834,974)**	**-**	**-**	**784**	**7,166,714**
Loss for the year	-	(1,735,299)	-		-	(1,735,299)
Other comprehensive loss	-		-	(326,109)	-	(326,109)
Total comprehensive loss for the year	**-**	**(1,735,299)**	**-**	**(326,109)**	**-**	**(2,061,408)**
Issue of share capital	6,639,500	-	-	-	-	6,639,500
Issue of deferred consideration shares	2,826,667	-	-		-	2,826,667
Share based payments	-	-	511,695	-	-	511,695
Shares issued on conversion of options	40,000	-	-	-	-	40,000
Share issue costs	(329,324)	-	-	-	-	(329,324)
Balance at 30 June 2020	**22,177,747**	**(7,570,273)**	**511,695**	**(326,109)**	**784**	**14,793,844**
Balance at 1 July 2018	-	-	-		-	-
Loss for the year	-	(5,834,974)	-		-	(5,834,974)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**(5,834,974)**	**-**	**-**	**-**	**(5,834,974)**
Issue of share capital under prospectus	5,180,000	-	-	-	-	5,180,000
Issued and paid up capital of AEP	2,258,740	-	-	-	-	2,258,740
Shares issued on reverse acquisition at fair value of the Company	5,113,048	-	-	-	-	5,113,048
Shares issued on conversion of loans	1,050,000	-	-	-	-	1,050,000
Issue of options	-	-	-	-	784	784
Share issue costs	(600,884)	-	-	-	-	(600,884)
Balance at 30 June 2019	**13,000,904**	**(5,834,974)**	**-**	**-**	**784**	**7,166,714**

The accompanying notes form part of these financial statements.

	Note	Consolidated 2020 $	Consolidated 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,343,043)	(657,124)
Other income		342,799	-
Interest received		3,249	28
NET CASH USED IN OPERATING ACTIVITIES	4	**(996,995)**	**(657,096)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on exploration		(5,543,857)	(2,521,846)
Expenditure on property, plant, and equipment		(47,558)	-
Investment in subsidiary net of cash acquired	27	-	1,002
NET CASH USED IN INVESTING ACTIVITIES		**(5,591,415)**	**(2,520,844)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		-	1,217,780
Repayment of loans	11	(467,780)	-
Proceeds from share issue		6,540,500	7,004,095
Share issue costs		(741,876)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**5,330,844**	**8,221,875**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,257,566)**	**5,043,935**
Cash and cash equivalents at beginning of the year		5,043,935	-
Effect of movements in exchange rates on cash held		14,923	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**3,801,292**	**5,043,935**

The accompanying notes form part of these financial statements.

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 and does not take into account changing money values. 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 Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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 30 June 2020

In the year ended 30 June 2020, 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 applied AASB 16 from 1 July 2020.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to the Group's accounting policies.

AASB 16

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods as the short term lease exemption in AASB 16 was utilised.

(c) 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 30 June each year (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On 27 June 2019 Challenger Exploration Limited announced that all conditions precedent for the completion and acquisition of AEP Corporation Pty Ltd through an off-market takeover bid for all of the ordinary shares in AEP Corporation Pty Ltd on the basis of 1 Challenger Exploration Limited share for every 1 AEP Corporation Share.

As such the consolidation of these two companies was on the basis of the continuation of AEP Corporation with no fair value adjustments, whereby AEP Corporation was deemed to be the accounting parent and Challenger the legal parent.

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

All intercompany balances and transactions, income and expenses, and profits and losses from intra-group transactions are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(i) 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), 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 subsidiaries are translated into the presentation currency of Challenger Exploration 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.

(j) **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.

(k) **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.

(l) **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.

(m) **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.

(n) **Revenue**

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

Interest

Interest revenue is recognised when control of the right to receive the interest payment.

Capital 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.

(o) **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 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 in the cost of sales line item.

(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.

(p) 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.

(q) 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.

(r) 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.

(s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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. 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.

(t) 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. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID19 pandemic on the position of the Group at 30 June 2020 and its operations in future periods.

(u) 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 parent entity's financial statements.

(v) Reverse Asset Acquisition

On 25 February 2019 Challenger Exploration Limited (formerly Challenger Energy Limited) announced a binding Heads of Agreement to acquire 100% of the issued capital in AEP Corporation Pty Ltd. For accounting purposes, the acquisition of AEP by Challenger has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "Business Combination" notwithstanding that the Company is the legal parent of the Group. Consequently, the historical financial information presented in this Report for the year ended 30 June 2019 is the historical information of AEP Corporation Pty Ltd.

The legal structure of the Group subsequent to the acquisition of Challenger Exploration Limited is that Challenger is the legal entity. However, the principles of reverse acquisition accounting are applicable where the owner of the acquired entity (in this case, the Challenger) obtain control of the acquiring entity (in this case, AEP) as a result of the business' combination.

Under reverse acquisition accounting, the consolidated statements are issued under the name of the legal parent (Challenger) but are a continuation of the financial statements of the legal subsidiary (AEP), with assets and liabilities of the legal subsidiary being recognizes and measured at their pre-combination carrying amounts rather than their fair values.

	Consolidated 2020 $	Consolidated 2019 $

2. REVENUE

	Consolidated 2020 $	Consolidated 2019 $
Capital gain from loan forgiveness	-	300,000
Government cash flow boost	21,202	-
Capital gain on foreign exchange conversion	323,807	-
Interest received	3,249	28
	348,258	**300,028**

3. INCOME TAX

The prima facie tax benefit on profit/(loss) before income tax is reconciled to the income tax expense as follows:

	Consolidated 2020 $	Consolidated 2019 $
Net loss before income tax	**(1,782,324)**	**(5,787,949)**
Prima facie tax benefit on result		
before income tax at 30% (2019: 27.5%)	(534,697)	(1,591,686)
Add:		
- Listing premium on acquisition	-	1,601,248
- Share based payments	153,509	49,500
- Movements in provisions, accruals and prepayments	-	6,862
- Non-deductible entertainment	1,812	-
- Other non-deductible expenses	427,003	-
- Change in tax rate	153,316	-
- Differences in tax rate of subsidiaries operating in different jurisdictions	(30,648)	-
- Other deferred tax assets and tax liabilities not recognised	(183,302)	
Less:		
- Black hole expenditure deductions	(12,078)	(33,049)
- Non-assessable, non exempt income	24,431	-
- Benefit of tax losses and other temporary differences not brought to account	654	14,150
Income tax expense	**-**	**47,025**
The following deferred tax balances have not been recognised:		
Deferred tax assets / (liabilities) at 30% (2019: 27.5%):		
Carry forward revenue losses	3,298,644	917,983
Capital raising costs	36,233	33,049
Accrued expenses	12,296	(6,862)
Foreign exchange	(4,477)	-
Capitalised exploration costs	(1,544,171)	(901,407)
	1,798,525	**42,763**

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.

4. CASH AND CASH EQUIVALENTS

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 2020 $	Consolidated 2019 $
Cash at Bank	**3,801,292**	**5,043,935**
Reconciliation of net loss after tax to the net cash flows from operations:		
Net loss	(1,735,299)	(5,834,974)
Non cash items:		
Deferred Tax Liability	(47,025)	47,025
Listing premium on acquisition	-	5,822,719
Depreciation	4,785	-
Foreign exchange gains	(14,923)	-
Creditors settled for equity	139,000	-
Share based payments	511,695	-
Changes in assets and liabilities		
Decrease / (Increase) in receivables and prepayments	18,658	(88,762)
Increase / (Decrease) in payables and accruals	126,114	(603,104)
Net cash flows used in from operating activities	**(996,995)**	**(657,096)**
Changes in liabilities arising from financing activities:		
Opening balance	467,780	-
Loans received	-	1,217,780
Loan repayments	(467,780)	-
Loans converted to equity	-	(750,000)
Net cash from financing activities	(467,780)	467,780
Closing balance	-	**467,780**

		Consolidated 2020 $	Consolidated 2019 $
5.	**TRADE & OTHER RECEIVABLES**		
	Current		
	GST receivable	15,958	-
	Other receivables	99,578	87,941
		115,536	**87,941**
	Non-Current		
	VAT receivable	**316,276**	**-**

These amounts arise from the usual operating activities of the Group and are non-interest bearing. The debtors do not contain any overdue or impaired receivables.

		Consolidated 2020 $	Consolidated 2019 $
6.	**PREPAYMENTS**		
	Current		
	Other pre-payments	**43,515**	**827**

These amounts arise from the usual operating activities of the Group and are non-interest bearing.

		Consolidated 2020 $	Consolidated 2019 $
7.	**DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**		
	Non-current		
	Exploration and evaluation phase	**11,653,007**	**3,277,843**
	Opening balance	3,277,843	-
	Exploration and evaluation expenditure	5,063,274	3,086,608
	Acquisition costs	3,311,890	191,235
	Closing balance	11,653,007	3,277,843

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.

		Consolidated 2020 $	Consolidated 2019 $
8.	**PLANT AND EQUIPMENT**		
	Plant and Equipment		
	Cost	29,6 91	-
	Accumulated depreciation	(2,968)	-
	Net carrying amount	**26,723**	-
	Computer Equipment and Software		
	Cost	12,834	-
	Accumulated depreciation	(1,741)	-
	Net carrying amount	**11,093**	-
	Furniture, Fixtures and Fittings		
	Cost	8,569	-
	Accumulated depreciation	(48)	-
	Net carrying amount	**8,521**	-
	Total Plant and Equipment	**46,337**	-

	Consolidated 2020 $	Consolidated 2019 $
Movements in Plant and Equipment		
Plant and Equipment		
At beginning of the period	-	-
Additions	26,163	-
Net exchange differences on translation	3,528	-
Depreciation charge for the year	(2,968)	-
	26,723	-
Computer Equipment and Software		
At beginning of the period	-	-
Additions	12,790	-
Net exchange differences on translation	44	-
Depreciation charge for the year	(1,741)	-
	11,093	-
Furniture, Fixtures and Fittings		
At beginning of the period	-	-
Additions	8,604	-
Net exchange differences on translation	(35)	-
Depreciation charge for the year	(48)	-
	8,521	-

9. TRADE & OTHER PAYABLES

	2020 $	2019 $
Current		
Trade creditors and accruals	**1,157,129**	**729,027**

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

10. PROVISIONS

	2020 $	2019 $
Current		
Employee benefits	**24,990**	**-**

The provision for employee benefits represents accrued annual leave entitlements.

	2020 $	2019 $
Movements in Provisions:		
Employee benefits		
At beginning of the period	-	-
Additions	24,990	-
	24,990	**-**

11. BORROWINGS

	2020 $	2019 $
Current		
Unsecured loans	-	**467,780**

The Company previously entered into an unsecured loan facility on arm's length terms from a non-related party to Challenger for the amount of $467,780 to pay for incurred exploration expenditure between 31 March 2019 and 30 June 2029. The repayment of this amount came from the proceeds of the Public Offer from the Prospectus dated 15 May 2019 and was repaid during the financial year.

	Consolidated 2020 $	Consolidated 2019 $
12. ISSUED CAPITAL		
(a) Issued Capital	22,177,747	13,000,904

Movement in ordinary shares on issue	Consolidated 2020 No	Consolidated 2020 $	Consolidated 2019 No	Consolidated 2019 $
At start of period	465,560,126	13,000,904	-	-
Existing shares of AEP post consolidation	-	-	180,000,000	2,258,740
Elimination of historical numbers of AEP shares	-	-	(180,000,000)	-
Existing shares of Challenger post-consolidation	-	-	11,893,459	32,017,360
Elimination of historical value of Challenger	-	-	-	(32,017,360)
Shares issued to acquire AEP	-	-	180,000,000	5,113,048
Shares issued for cash	65,002,000	6,500,500	166,666,667	5,000,000
Conversion of AEP loan facility	-	-	25,000,000	750,000
Conversion of loans from various lenders	-	-	10,000,000	300,000
Shares issued to lead manager	-	-	6,000,000	180,000
Shares issued as deferred consideration for Hualilan Gold Project	15,000,001	2,826,667	-	-
Shares issued on exercise of options	1,000,000	40,000		
Shares issued in lieu of cash	2,162,500	139,000		
Transaction costs relating to issued shares	-	(329,324)	-	(600,884)
	548,724,627	**22,177,747**	**465,560,126**	**13,000,904**

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, 86,644,444 unlisted options over new ordinary shares in the Group were on issue:

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted	30 June 2022	$0.04	86,644,444

1,000,000 ordinary shares were issued upon the exercise of options during the financial year ended 30 June 2020 (2019: Nil). 6,950,000 options exercisable at $0.25 expired during the financial year (2019: Nil).

	Consolidated 2020 $	Consolidated 2019 $
13. RESERVES		
Option reserve	784	784
Share based payments reserve	511,695	-
Foreign currency translation reserve	(326,109)	-
	186,370	**784**
(a) Movements in Reserves		
Option reserve		
Opening balance	784	784
Movement during the financial year	-	-
	784	784

Options reserve is used to record the proceeds of issued share options.

Share based payments reserve		
Opening balance	-	-
Share based payment expense	511,695	-
	511,695	-

The share based payment reserve is used to record the value of equity benefits 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 financial year.

Foreign currency translation reserve		
Opening balance	-	-
Foreign currency translation	(326,109)	-
	(326,109)	-

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(i). The reserve is recognised in profit and loss when the net investment is disposed of.

14. PERFORMANCE SHARES

At the date of this report, 120,000,000 Performance Shares over new ordinary shares in the Company were on issue:

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 rights of the Company at the date of this report are included in the Remuneration Report above.

No ordinary shares were issued upon the vesting of performance rights during or since the financial year ended 30 June 2019.

15. PERFORMANCE RIGHTS

At the date of this report, 16,000,000 Performance Rights over new ordinary shares in the Company 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.

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.

16. INCENTIVE PERFORMANCE RIGHTS

At the date of this report, 5,250,000 Incentive Performance Rights over new ordinary shares in the Company were on issue:

Type	Number
Incentive Performance Rights	5,250,000

Incentive Performance Rights have the following vesting condition:

The holder must remain employed or engaged by the Company for a minimum period of twelve months from 28 November 2019.

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.

No ordinary shares were issued upon the vesting of performance rights or performance shares during or since the financial year ended 30 June 2020.

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 2020 $	Consolidated 2019 $
Operating expenses		
Employee share based payment	**511,695**	-

Employee share based payment plan

The Group has established an Employee Share Option Plan and an Incentive Performance Rights Plan ('Plans'). The objective of the Plans are to assist in the recruitment, reward, retention and motivation of employees of Challenger Exploration Limited. Under the Plans, 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 Plans are open to directors, executive officers, nominated consultants and employees of Challenger Exploration Limited.

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

Grant Date	Expiry date	Balance at 30 June 2019 Number	Granted Number	Balance at 30 June 2020 Number	Vested and exercisable at 30 June 2020 Number
3 December 2019	4 July 2026	-	16,000,000	16,000,000	-
16 March 2020	4 July 2026	-	5,250,000	5,250,000	-

There were no performance rights exercised, forfeited or cancelled during the period.

18. KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Details of Key Management Personnel

Fletcher Quinn – Non Executive Chairman[a]
Kris Knauer – Managing Director[a]
Scott Funston – Executive Director[a]
Michael Fry – Non-Executive Chairman[b]
Robert Willes – Managing Director[b]
Clinton Carey – Non-Executive Director[b]

[a] Mr Quinn, Mr Knauer and Mr Funston were appointed 4 July 2019
[b] Mr Fry, Mr Willes and Mr Carey resigned 4 July 2019

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 2020 $	Consolidated 2019 $
Short-term employee benefits	522,546	43,265
Short-term employee benefits in lieu of cash consideration	37,500	-
Post-employment benefits	-	1,735
Share-based payments	154,815	-
	714,861	**45,000**

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 $43,000 (2019: Nil) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $20,000 (2019: Nil) was outstanding at year 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 $268,296 (2019: Nil) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $98,333 (2019: Nil) was outstanding at year 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 $211,250 (2019: $25,000) to Challenger during the year on normal commercial terms. This amount is included the Remuneration Report section of the Directors Report. $36,250 (2019: Nil) was outstanding at year end.

(d) Amounts owing to Key Management Personnel

A total of $154,583 was outstanding to Key Management Personnel as at 30 June 2020 (2019: Nil).

19. SEGMENT INFORMATION

The Group is organised into one segment, being exploration operations. 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 Makers ("CODM")) in assessing performance and in determining the allocation of resources.

	Australia $	Ecuador $	Argentina $	Consolidated $
30 June 2020				
Interest income	3,249	-	-	3,249
Other income	21,202	-	323,807	345,009
Segment income	24,451	-	323,807	348,258
Segment loss before income tax	(1,470,663)	(2,878)	(308,783)	(1,782,324)
Segment assets	3,777,636	5,655,760	6,542,567	15,975,963
Segment liabilities	400,817	199,309	581,993	1,182,119

30 June 2020	Australia $	Ecuador $	Argentina $	Consolidated $
Included within segment assets				
Cash at bank	3,735,765	14,219	51,308	3,801,292
Plant and equipment and exploration expenditure	-	5,540,075	6,112,932	11,653,007
Cash flow information				
Net cashflow outflows from operating activities	(685,334)	(2,878)	(308,783)	(996,995)
Net cashflow outflows from investing activities	-	(2,892,747)	(2,698,668)	(5,591,415)
Net cashflow inflows from financing activities	5,330,844	-	-	5,330,844
30 June 2019				
Interest Income	28			28
Loan Forgiveness	300,000	-	-	300,000
Segment income	300,028	-	-	300,028
Segment loss before income tax	(5,674,719)	(67,935)	(45,295)	(5,787,949)
Segment assets	5,132,703	3,101,229	176,614	8,410,546
Segment liabilities	1,052,597	191,235	-	1,243,832
Included within segment loss				
Listing premium on acquisition	5,822,719	-	-	5,822,719
Included within segment assets				
Cash at bank	5,043,935	-	-	5,043,935
Exploration expenditure	-	3,101,229	176,614	3,277,843
Cash flow information				
Net cashflow outflows from operating activities	(598,037)	(13,764)	(45,295)	(657,096)
Net cashflow outflows from investing activities	-	(2,344,230)	(176,614)	(2,520,844)
Net cashflow inflows from financing activities	8,221,875	-	-	8,221,875

	Consolidated 2020 $	Consolidated 2019 $
20. EARNINGS / LOSS PER SHARE		
The following reflects the loss and share data used in the calculation of basic and diluted earnings / loss per share (EPS):		
Loss used in calculation of basic and diluted EPS	**(1,735,299)**	**(5,834,974)**
	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS [(i)]	**495,389,099**	**88,991,176**

(i) There are no dilutive impacts on EPS.

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 2020	2019
AEP Corporation Pty Ltd	Australia	100%	100%
Bundu Oil & Gas Exploration (Pty) Ltd	South Africa	95%	95%
Afro-Asian Resources Pty Ltd	Australia	100%	-
Ecuador Mining Pty Ltd	Australia	100%	-

Bundu Oil & Gas Exploration does not have a material non-controlling interest in the Group.

	Consolidated 2020 $	Consolidated 2019 $
22. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditor:		
- HLB Mann Judd (WA Partnership) - audit or review of the financial reports of the Company	41,725	37,500
Amounts received or due and receivable by overseas separate firms:		
- HLB Mann Judd (WA Partnership) – Independent Limited Assurance Report for Prospectus	-	12,000
- HLB Barnett Chown (South Africa) – statutory compliance services	-	2,636
	41,725	**52,136**

23. FINANCIAL INSTRUMENTS

(a) Financial risk management and risk policies

The Group's principal financial instruments comprise of cash and short-term deposits. 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 trade 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.

(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. The Group does not have short or long term debt, and therefore this risk is minimal.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

Consolidated	Rate	Less than 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Total $
2020						
FINANCIAL ASSETS						
Non-interest bearing		3,865,336	-	-	-	3,865,336
Variable interest rate instruments	0.01%	411,283	-	-	-	411,283
		4,276,619	**-**	**-**	**-**	**4,276,619**
FINANCIAL LIABILITIES						
Non-interest bearing		(1,182,119)	-	-	-	(1,182,119)
NET FINANCIAL ASSETS		**3,094,500**	**-**	**-**	**-**	**3,094,500**
2019						
FINANCIAL ASSETS						
Non-interest bearing		88,768	-	-	-	88,768
Variable interest rate instruments	0.01%	5,043,935	-	-	-	5,043,935
		5,132,703	**-**	**-**	**-**	**5,132,703**
FINANCIAL LIABILITIES						
Non-interest bearing		(729,027)	-	(467,780)	-	(1,196,807)
Variable interest rate instruments		-	-	-	-	-
NET FINANCIAL ASSETS		**4,403,676**	**-**	**(467,780)**	**-**	**3,935,896**

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 variable held constant, there would have been an immaterial change in post-tax loss for the year. The impact on equity would have been the same.

There was no exposure to interest rate risk in 2020 (2019: Nil).

(d) Net fair values of financial assets and liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.
Receivables, payables and borrowings: The carrying amount approximates fair value.

(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 allowance for doubtful debts, of those assets as indicated in the statement of financial position. The maximum credit risk exposure on receivables of the Group at 30 June 2020 is $431,812 (2019: $87,941). There are no impaired receivables at 30 June 2020.

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. The Group measures credit risk on a fair value basis.

Concentration of Credit Risk

The Group is not exposed to any individual customer.

(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. The Group does not have any bank debt.

(g) Foreign exchange risk management

The Group is exposed to US Dollar (USD) and South African Rand (ZAR) currency fluctuations. At 30 June 2020, there would have been an immaterial change in the post-tax operating loss for the year 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.

(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 30 June 2020 (2019: $Nil).

26. PARENT ENTITY DISCLOSURES

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

	2020 $	2019 $
Financial position		
Assets		
Current assets	3,752,021	5,297,464
Non-current assets	16,664,981	7,841,190
Total assets	**20,417,002**	**13,138,654**
Liabilities		
Current liabilities	50,312	378,025
Total liabilities	50,312	378,025
Net Assets	**20,366,690**	**12,760,629**
Equity		
Issued capital	52,223,319	43,046,471
Accumulated losses	(34,912,180)	(32,829,698)
Reserves	3,055,551	2,543,856
Total equity	**20,366,690**	**12,760,629**

	Consolidated 2020 $	Consolidated 2019 $
Financial performance		
Profit/(Loss) for the year	(2,257,263)	2,862,018
Other comprehensive income	174,738	-
Total comprehensive income/(loss)	**(2,082,525)**	**2,862,018**

27. REVERSE ACQUISITION ACCOUNTING

On 27 June 2019 Challenger Exploration Limited announced that all conditions precedent for the completion and acquisition of AEP Corporation Pty Ltd through an off-market takeover bid for all of the ordinary shares in AEP Corporation Pty Ltd on the basis of 1 Challenger Exploration Limited share for every 1 AEP Corporation Share. Additionally, 78,444,444 consideration options and 120,000,000 consideration performance shares were issued on a post consolidation basis.

Under the Acquisition, Challenger Exploration Limited acquired all the shares in AEP Corporation Pty Ltd by issuing 180,000,000 shares in Challenger Exploration to AEP Corporation shareholders, giving AEP Corporation (accounting parent) a controlling interest in Challenger Exploration (accounting subsidiary) and equating to a controlling interest in the combined entity. AEP Corporation was thus been deemed the acquirer for accounting purposes as it owned 69.80% of the consolidated entity. The acquisition of AEP Corporation by Challenger Exploration is not deemed to be a business combination, as Challenger Exploration is not considered to be a business under AASB 3 Business Combinations.

As such the consolidation of these two companies was on the basis of the continuation of AEP Corporation with no fair value adjustments, whereby AEP Corporation was deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction was to account for it under AASB 2 Share Based Payments, whereby AEP Corporation is deemed to have issued shares to Challenger Exploration Shareholders in exchange for the net assets held by Challenger Exploration.

In this instance, the value of the Challenger Exploration shares provided was been determined as the notional number of equity instruments that the shareholders of AEP Corporation would have had to issue to Challenger Exploration to give the owners of Challenger Exploration the same percentage ownership in the combined entity. It has been deemed to be $5,113,048.

The pre-acquisition equity balances of Challenger Exploration are eliminated against this increase in Share Capital of $5,113,048 on consolidation and the balance is deemed to be the amount paid for the listing status of Challenger Exploration, being $5,822,719 (recognised as a share-based payment in the statement of profit or loss).

Details of the pre-combination carrying amounts of the assets and liabilities of the acquire are as follows:

	$
Net Assets Acquired:	
Cash and cash equivalents	42,708
Trade and other receivables	77,782
Exploration and evaluation assets	191,325
Creditors and Borrowings	(1,021,486)
Net Assets	**(709,671)**
Listing expense:	
Acquisition consideration	5,113,048
Add: Net liabilities of Challenger Exploration Limited	709,671
Total	**5,822,719**

Reconciliation of cash and cash equivalents to net cash acquired:

Cash and cash equivalents at 27 June 2019 – Challenger	42,708
Proceeds from acquisition	(41,706)
Total	**1,002**

28. SUBSEQUENT EVENTS

On the 23 July 2020, the Company issued 100,000,000 shares, raising $20,000,000 before costs of $1.3M.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while there has been an immaterial impact financially for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 30 June 2020 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;

   b. 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 financial year ended 30 June 2020.

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

Mr Kris Knauer

Managing Director

11 September 2020

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 controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; 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* ("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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of Deferred Exploration and Evaluation Expenditure **Note 7 of the financial report**	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore together with subsequent exploration and evaluation expenditure and applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the deferred exploration and evaluation expenditure, because this is one of the most significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of deferred exploration and evaluation expenditure may exceed its recoverable amount.	Our procedures included but were not limited to the following: - We obtained an understanding of the key processes associated with management's review of the carrying value of deferred exploration and evaluation expenditure; - We considered the Directors' assessment of potential indicators of impairment; - We obtained evidence that the Group has current rights to tenure of its areas of interest; - We examined the exploration budget for 2021 and discussed with management the nature of planned ongoing activities; - We enquired with management and reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its areas of interest; and - We examined the disclosures made in the financial report.

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 Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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, 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 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 judgement 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.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Challenger Exploration Limited for the year ended 30 June 2020 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
11 September 2020

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 2 September 2020.

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	%
Kris Knauer	42,195,332	6.6

Distribution of Shareholders

	Ordinary Shares		
	Number of Holders	Number of Shares	% Issued Share Capital
1 - 1,000	119	38,868	0.01%
1,001 - 5,000	383	1,210,822	0.19%
5,001 - 10,000	225	1,866,678	0.29%
10,001 -100,000	814	35,478,272	5.47%
100,001 and over	644	610,129,987	94.05%
TOTAL	2,185	648,724,627	100.00%

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	MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C>	24,100,000	3.72%
2	EASTERN CAPITAL GROUP LLC	19,100,000	2.94%
3	MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C>	15,208,332	2.34%
4	LQ SUPER PTY LTD <LQ SUPERFUND A/C>	13,000,000	2.00%
5	CITICORP NOMINEES PTY LIMITED	12,881,448	1.99%
6	STRANDLINE INVESTMENTS PTY LTD	12,740,000	1.96%
7	JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>	11,060,000	1.70%
8	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,630,601	1.64%
9	BROOKAVA PTY LTD	9,543,859	1.47%
10	LEON SUPERANNUATION PTY LTD <THE LEON SUPER FUND A/C>	7,900,000	1.22%
11	SANPEREZ PTY LTD <P CHALMERS PARTNERSHIP A/C>	6,858,334	1.06%
12	BOLLENBACH INVESTMENTS LP	6,666,667	1.03%
13	ELIAS SAHAD	6,666,667	1.03%
14	BEGLEY SUPERANNUATION PTY LTD <BEGLEY SUPERANNUATION A/C>	6,500,000	1.00%
15	MR PINCHAS ALTHAUS	6,000,000	0.92%
16	MR JAMES HENDERSON ALLEN	6,000,000	0.92%
17	DOMAEVO PTY LTD <THE JCS A/C NO2>	5,979,969	0.92%
18	LQ SUPER PTY LTD <LQ SUPERFUND A/C>	5,833,260	0.90%
19	E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	5,656,667	0.87%
20	JACQUELINE KAY PTY LTD <STAFF S/F A/C>	5,512,684	0.85%
TOTAL		**208,507,552**	**32.14%**

Restricted Securities

The following securities are restricted securities:

	Ordinary Shares
Escrowed 24 months from listing date (4 July 2019)	100,666,667

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction.

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	earning 100%	281	COD225	Granted
El Guayabo	Colorado V	Goldking Mining Company S.A	earning 50%	2331	COD3363.1	Granted
El Guayabo	El Guaybo 2	Mr. Segundo Ángel Marín Gómez	earning 80%	957	COD300964	Granted
Hualilan	Divisadero	Golden Mining S.R.L.	earning 75%	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	G ranted
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	Pending

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 (4 July 2019).

3,333,334 Securities were issued on 17 September 2019.

11,666,667 Securities were issued on 30 June 2020.

The total Earn-In Shares will be issued progressively subject to the achievement of the following milestones:

El Guayabo Project Milestones

Project Interest	Cumulative Interest	Project Milestones
19.9%	19.9%	Existing interest in the project
15.1%	35%	Minimum expenditure on project of A$2m - ~1 Year after relisting
16%	51%	Minimum expenditure on project of A$3m - ~3 Years after relisting
49%	100%	180m CEL shares payable at the sole discretion of the Board of CEL. Shares to be issued no later than 15 December 2022.

Hualilan Project Milestones

- A payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) to Cerro Sur owners for assignment of Cerro Norte farmin due no later than one month after re-listing on the ASX.
- A milestone payment of 1.667 million shares (being shares in CEL assuming the Transaction completes) due on 22 June 2019.
- Minimum expenditure of A$1 million on the Hualilan Project.
- The issue of a 11.667 million shares (being shares in CEL assuming the Transaction completes) no later than 1 July 2020 to acquire a 25% interest in the project.
- Completion of a Definitive Feasibility Study within five years and the issue of 50 million shares (being shares in CEL assuming the Transaction completes) to move from 25% to 75% of the project.

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.

No Performance Milestones have been met.

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CHALLENGER EXPLORATION LIMITED

ACN 123 591 382

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