# *Challenger Exploration Limited*

*ABN 45 123 591 382*

# *Annual Financial Report*

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*For the Financial Year ended 30 June 2021*

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# CORPORATE DIRECTORY

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

**COMPANY SECRETARY**
Scott Funston

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**SECURITIES EXCHANGE LISTING**
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ASX Code: CEL

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# DIRECTORS' REPORT

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 2021.

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

**Kris Knauer B.ASc. (Geological and Earth Sciences, Geosciences)**
**Managing Director**
Mr Knauer started his career as an exploration geologist before moving into investment banking, initially as a mining analyst. He is an experienced listed company CEO. He led the listing of a package of copper/gold assets in Saudi Arabia to create Citadel Resource Group Ltd, becoming the Managing Director for the first 18 months. Citadel completed a DFS on the Jabal Sayid copper project in Saudi Arabia before being taken over for $1 billion..

**Scott Funston B.Bus CA ACIS**
**Executive Director and Company Secretary**
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.

The Directors have not been a director of other listed companies in the last 3 years.

## 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.

## 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.

## REVIEW OF OPERATIONS

### Corporate Highlights

- **Completion of $62,140,000 in Capital Raisings. 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**
- **BlackRock, the largest resource investor in the world, welcomed as a substantial shareholder with a $20m investment.**
- **Fully Funded for High Impact Exploration Programs at Hualian, Colorado V and El Guayabo**
- **Strong financial position with cash at bank of $47.5m (30 June 2021)**

- **Largely proceeds from the equity raising will be used to:**

    - **expedite a 120,000-metre drilling program taking total metres drilled at Hualilan by CEL to 204,000 metres, 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 20,000-metre drilling program at El Guayabo.**

## Company Projects

***The Hualilan Gold Project – San Juan, Argentina*** is a high-grade gold and silver prospect associated with a multi-phase porphyry intrusive. It has extensive historical drilling with over excess of 150 drill-holes dating back to the 1970s. There has been limited historical production reported despite having in excess of 6km of underground workings. Prior to the Company the property was last explored in 2006 by La Mancha Resources, a Toronto Stock Exchange listed company. La Mancha's work resulted in NI43-101 (non-JORC) resource estimates. . Since July 2019, CEL has completed nearly 100,000 metres of drilling systematically which has significantly extended the high grade mineralisation and discovered an underlying intrusion-hosted system with significant scale. The high-grade mineralisation at Hualilan now covers 3 kilometres of strike and mineralisation has been defined from surface down to 500 metres, and remains open in all directions. The project has a rare combination of both grade and scale and is emerging as one of the more exciting gold discoveries in recent times.

***El Guaybo Project Ecuador***

The El Guayabo Project is located in El Pro Provence, southern Ecuador, and comprises three contiguous tenements, the El Guaybo, El Guaybo 2, and Colorado V tenements.

***The El Guayabo Copper-Gold Tenement - El Oro, Ecuador (CEL 100%:)*** was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has demonstrated the potential to host significant copper and associated gold and silver mineralisation. Historical drilling has returned a number of ore grade intersections of plus 100m of intrusion-related breccia and vein hosted mineralisation. The Project has multiple targets including breccia hosted mineralization, an extensive flat-lying late-stage vein system and an underlying porphyry system target neither of which has been drill tested.

***The Colorado V Copper-Gold Tenement - El Oro, Ecuador (CEL earning 50%):*** adjoins and has the same geology as the El Guayabo Gold and Copper Project. The Geology comprises a metamorphic basement intruded by intermediate alkaline intrusives which range in age from 40 – 10 Ma (million years age). The intrusions are commonly overprinted by late porphyry dykes and intrusion breccia suggesting deeper, evolving magmatic systems are feeding shallower systems. The current gold production comes from a combination of veins and intrusive breccias similar to those identified at El Guayabo.

***The El Guayabo 2 Tenement - El Oro, Ecuador (CEL earning 80%):*** has the same and continuous geology as CEL's adjoining El Guayabo and Colorado V tenements which are believed to contain a "Low Sulphide" porphyry gold copper system."

Limited historical exploration has been undertaken on the tenement, with the work that has been done undertaken by local Ecuadorian groups that targeted high-grade gold. Historical exploration reports record gold mineralisation in intrusive rocks in outcrop.

**Company Projects Highlights**

- **Hualilan Gold Project - San Juan, Argentina**
    - Exploration continued to return outstanding results and results significantly expanding mineralisation.
    - Increase in the Company's ground position at the Hualilan Gold Project four-fold to 80sqkm and binding agreements executed for CEL to move to 100% of Hualilan.
    - Subsequent to year end, CEL passed the milestone of 75,000 metres drilled.
    - The Company is on track to complete the remaining 129,000 metres of drilling in the next 11 months with no less than 8 rigs programmed to be on site during this program.
    - Drilling on the recently discovered Verde Zone has indicated it is likely a continuous zone of mineralisation at least 1.5 kilometres long with results including (Table 1):

- **69.2m at 3.4 g/t AuEq[2] - 3.3 g/t gold, 4.8 g/t silver, 0.1% zinc from 9.0m including;**
- **155.5m at 0.7 g/t AuEq[2] - 0.6 g/t gold, 2.1 g/t silver, 0.1% zinc from 201.5m including; 59.0m at 1.0 g/t AuEq[2] - 0.9 g/t gold, 1.0 g/t silver, 0.1% zonc from 137m;**
- **55.5m at 1.2 g/t AuEq[2] - 1.0g/t gold, 1.5g/t silver, 0.4% zinc from 35m**
- **96.0 m at 2.0 g/t AuEq[2] - . 1.8g/t gold, 2.9g/t silver, 0.3% zinc from 13.0m**

- Rock saw channel sampling extended the high-grade mineralisation 1km to the south and defined a zone of bonanza grade mineralisation with results including (Table 2-3):
  - **15.6m at 71.7 g/t AuEq[2] - 70.9 g/t gold, 59.1 g/t silver, 0.2% zinc including; 4.0m at 203.8 g/t AuEq[2] - 201.6 g/t gold, 172.0 g/t silver, 0.1% zinc;**
  - **64.8m at 28.3 g/t AuEq[2] - 23.4 g/t gold, 104.1 g/t silver, 8.3% zinc including; 8.8m at 49.3 g/t AuEq[2] - 45.2 g/t gold, 88.7 g/t silver, 6.8% zinc and; 26.5 m at 34.4 g/t AuEq[2] - 29.3 g/t gold, 114.4 g/t silver, 8.2% zinc**
  - **24.1 m at 19.8 g/t AuEq[2] - 16.9 g/t gold, 37.8 g/t silver, 5.8% zinc including; 13.8 m at 27.4 g/t AuEq[2] - 23.3 g/t gold, 59.0 g/t silver, 7.8% zinc.**
- Drilling has doubled the footprint of Magnata Fault mineralisation along strike and at depth with the deepest hole drilled to date on the Magnata fault intercepting some of the highest grades recorded to data (Table 6):
  - **27.8m at 7.3 g/t AuEq[2] - 5.5 g/t gold, 12.9g/t silver, 3.9% zinc from 399.0 including; 2.0m at 53.4 g/t AuEq2 - 49.4 g/t gold, 77.4 g/t silver, 7.8% zinc;**
- Deeper drilling signirficantly extended the mineralisation at Sentazon which now looks like it will add material high-grade ounces to the mineral endowment of the Hualilan Gold Project with results including (Table 7):
  - **16.9m at 16.9 g/t AuEq[2] - 14.1 g/t gold, 18.3 g/t silver, 5.8% zinc from 193.0m including; 7.1m at 32.2 g/t AuEq[2] - 28.1 g/t gold, 36.1 g/t silver, 8.3% zinc from; and**
  - **2.8m at 62.5 g/t AuEq[2] - 59.0 g/t gold, 25.8 g/t silver, 7.2% zinc from 296.9m;**
- Ongoing metallurgical testwork continued to produce outstanding results with excellent gold and silver recoveries into a high grade concentrate with no deleterious elements.

- **El Guayabo/Colorado V Gold/Copper Projects - El Oro, Ecuador**
  - Soil geochemistry and surface mapping across the Company's 35 square kilometres of concessions was completed with results expected to be available subsequent to year end.
  - Logging and sampling of the remaining historical drill core was completed, as was follow up rock saw channel sampling of the underground adits/workings.
  - As at the end of the year the Company was ranking its drill prospects to determine which would be tested during the maiden 20,000m drill program commencing in August.
  - An exploration target was generated at Colorado V to demonstrate the scale of the

**CORPORATE**

The year was a watershed for the Company. CEL received formal notification of the direct award of the 20.6 square kilometre "Ayen" Exploration Licence which surrounds the existing Hualilan Mining Licenses and a four-fold increase in its ground position at Hualilan. The increase to approximately 80 square kilometres is a combination of:

- The award of three new Exploration Licenses which cover 12.6 square kilometres adjoining the Company's newly awarded "Ayen" Exploration Licence, and
- A farm-in deal concluded over a package of 46 square kilometres of concessions which captures the strike extent of the Hualilan trend to the north and south of the new Ayen Concession.

CEL completed an agreement and received shareholder approval on 3 September 2021 to acquire 100% ownership of its flagship Hualilan Gold Project (was previously earning up to 75%). This agreement will be completed via two transactions to move from the current 25% interest to 100%, the issue of 50 million CEL shares for 50% (previously contingent on completion of a DFS) and the issue of 64 million CEL shares and payment of US$3.69 million (paid in July 2021) for the final 25% of the Project. The move to 100% ownership is strategically important in the context of:

- Recent results which include 15.6m at 71.7 g/t AuEq[2] (inc 4.0m at 204 g/t AuEq) and 110.5m at 3.0 g/t AuEq from CEL exploration concentrated over 2km of the Hualilan Gold Trend; and
- The exploration potential of this strategic footprint which covers 80 square kilometres and contains 18 kilometres of the main Hualilan Gold Trend which is largely unexplored.

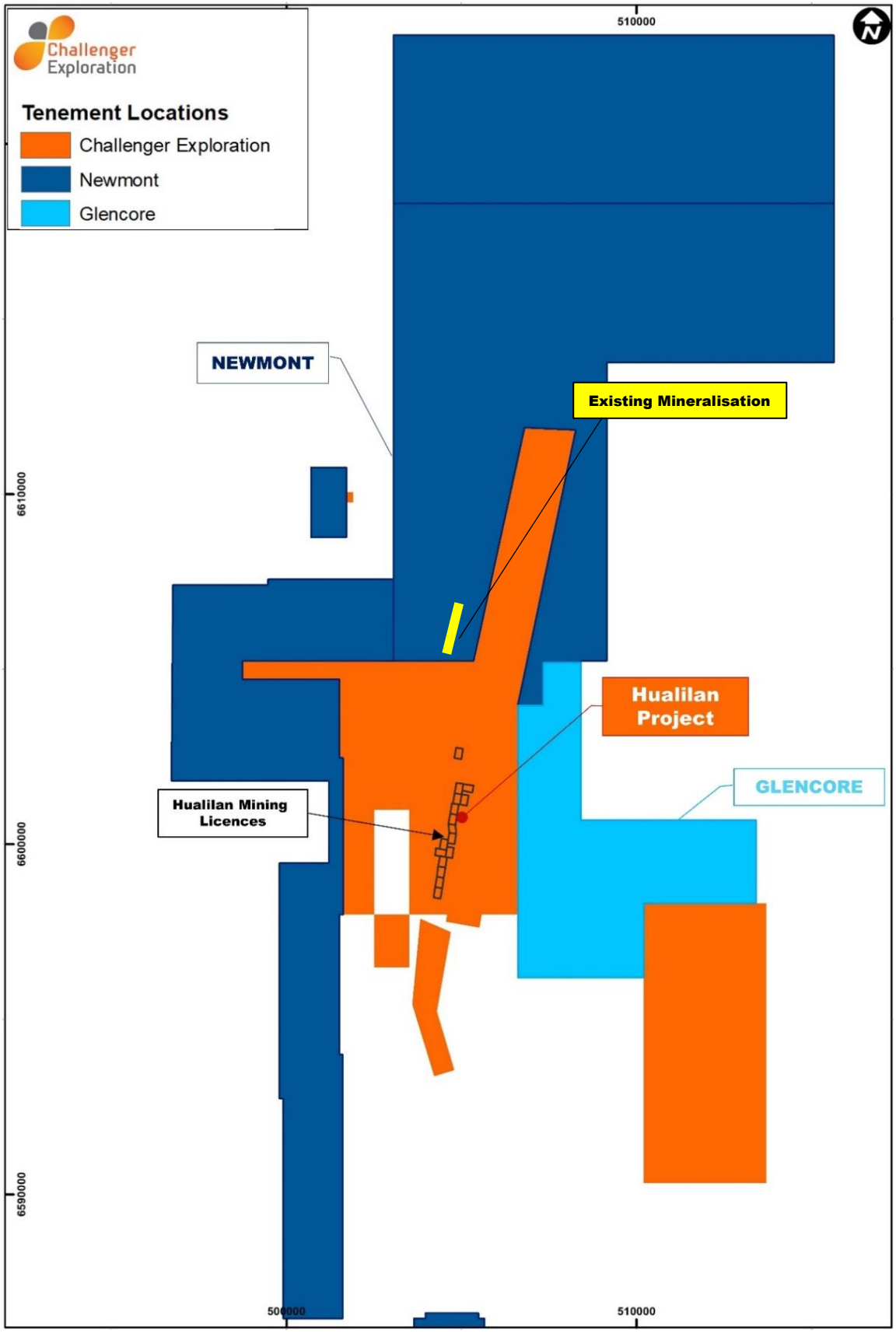


**Figure 1 - Hualilan Project and surrounds Tenement Map**

Challenger is in a strong financial position, with cash at the end of the year of $47.5m, following a successful capital raising of $42.1m in May 2021. The Company completed the placement to sophisticated, professional and institutional investors at an issue price of A$0.28 per share.The Placement was strongly supported by domestic and international institutions, both new and existing, and as part of the placement CEL welcomed BlackRock, the largest resource investor in the world, as a substantial shareholder with a $20m investment.

Under a funding agreement RiverFort Global Capital Ltd, a London based UK Institutional Investment Manager focusing on high-growth companies, has advanced the Company $3.5 million which will be repaid from the proceeds of Options, with the Options due to be exercised on or before 30 June 2022 and other cash reserves.
The Placement funds will be applied to;

- 100,000m drill program (resource) and 20,000m drill program (regional exploration) which has seen three new rigs added to the five rigs on site with a ninth rig due to arrive shortly;
- Scoping & Pre-Feasibility Study;
- Geological/Geophysical/Heritage Studies ahead of DFS; and
- An additional 10,000m in the Company's maiden drill program at the El Guayabo Project in Ecuador.

COVID-19

The Company continues to work with all levels of government and local communities in relation to COVID-19. In addition to its regular community support activities during COVID-19, which include the donation of fortnightly food packs to the 100 most needy families in its local community in around the El Guayabo Project, the Company completed the donation a four oxygen bottles and four intensive care beds to the Santa Rosa community hospital at the request of the local mayor.

During the year there were 7 cases of COVID-19 at the Company's projects; three drill contractors at Hualilan and 4 staff in Ecuador; all of who have fully recovered and are back working. All of the company's employees from Ecuador are now vaccinated for 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

## HUALILAN GOLD PROJECT - ARGENTINA

### VERDE ZONE DRILLING

Verde is a recent discovery targeted using the Company's surface magnetics and IP (Induced Polarization) test lines at Cerro Norte. The IP and magnetics indicated a possible second trend of mineralised intrusives under cover with the same north-south orientation as the Gap Zone mineralisation. The three discovery holes (ASX release 2 March 2021) returned 125.5m at 1.1 g/t AuEq including 71.0m at 1.8 g/t AuEq (GNDD-169), 37 metres at 1.0 g/t AuEq (GNDD-164) and 45 metres at 0.5 g/t AuEq (GNDD-163).

Mineralisation at Verde is primarily hosted in intrusives, however there is a lower grade halo of mineralisation that extends into the overlying sedimentary rocks. The sedimentary rocks above the intrusives have been brecciated by the intrusion creating a second west dipping zone of mineralisation which is a useful exploration guide to deeper intrusive-hosted mineralisation. The overlying mineralisation in the sedimentary rocks dips to the west at 30-40 degrees and is up to 50 metres thick. Verde has similar dimensions to the mineralisation in the Gap Zone being 50-100 metres wide, steeply dipping, and starting below the surface cover.

**Photo 1 showing the Hualilan new core processing facility the afternoon it was completed**

The follow up drilling at Verde consisted of fences of drill holes spaced 40-80 metres apart covering 500 metres strike south of the Verde discovery holes. The next 500 metres of strike south from the discovery hole was partially tested with 1-2 holes drilled every 50-100 metres along strike. Drill holes, GNDD-292 and GNDD-305 GNDD-196 and GNDD-202 headline limited drilling over the southern 500 metres of Verde. Figure 2 shows the location of this drilling.

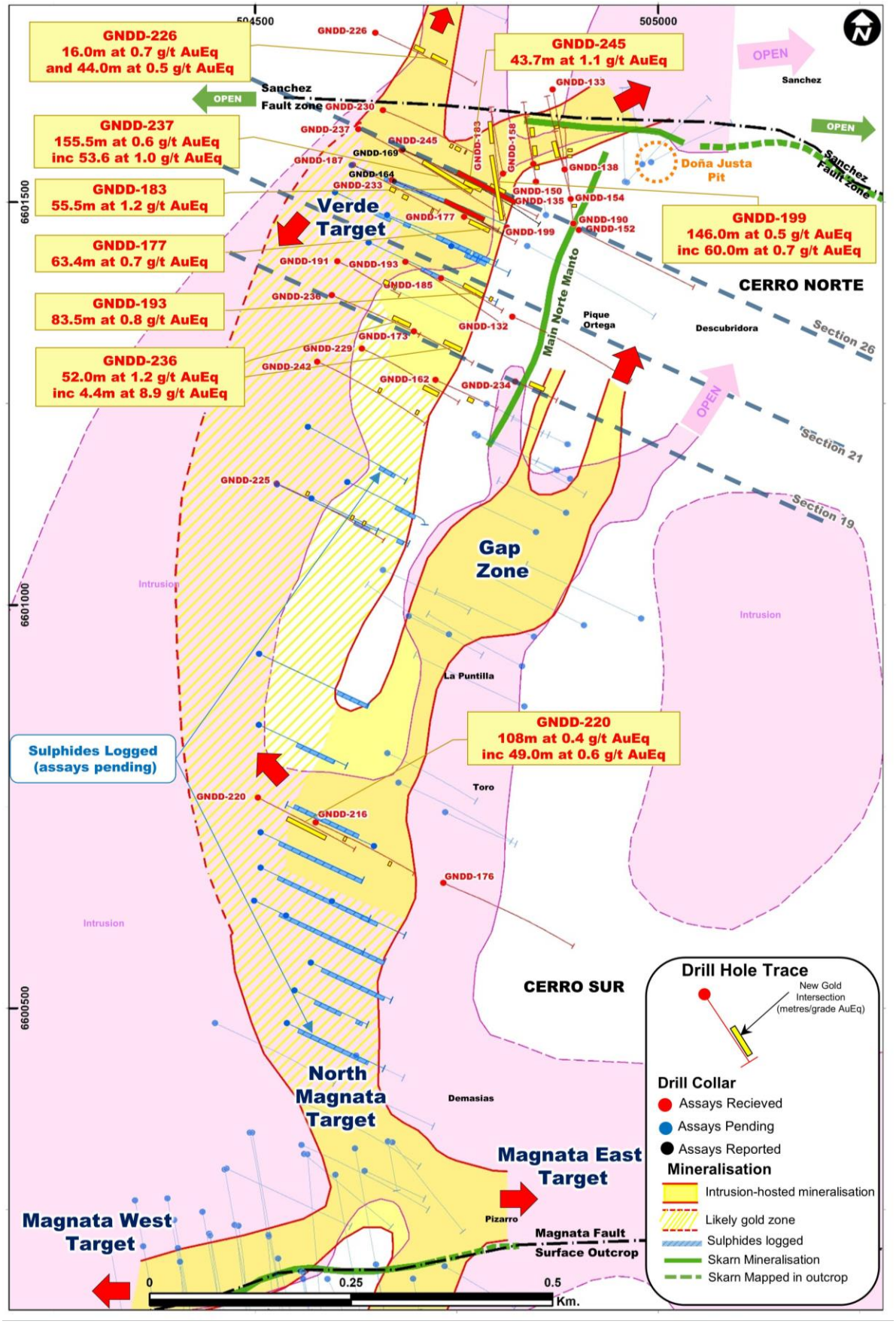


**Figure 2 - Plan view of Verde showing drill holes reported this release and pending drilling only**

This follow-up program at Verde was an overwhelming success. All drill holes intersected mineralisation (Table 1) and drilling intersected broad zones of mineralisation up to one kilometre south along strike, with several holes in the intervening 500 metres (assays pending) encountering broad zones of sulphide mineralisation. Drillholes GNDD-292 and GNDD-305 (assays pending located another 100 and 200 metres south) also intersected sulphide mineralisation including zones of massive sulphides. GNDD-196 and GNDD-202 collared another 100 metres further south intersected significant mineralisation. This encourages the Company that ongoing extension and infill drilling at Verde will demonstrate that it forms one continuous zone of mineralisation at least 1.5 kilometres in length from the Sanchez Fault in the north to the Magnata Fault in the south.

Figure 3 shows Cross Section 26 on the main GNDD-169 discovery hole. GNDD-245 was drilled to test above GNDD-169 and intersected **43.7m at 1.1 g/t AuEq (1.0 g/t gold, 1.8 g/t silver 0.3% zinc**) from 139 metres with GNDD-183 (**55.5m at 1.2 g/t AuEq (1.0 g/t gold, 1.5 g/t silver 0.4% zinc**) from 35 metres another 50 metres up-dip. GNDD-183 also encountered a deeper zone of limestone hosted mineralisation (**24 metres at 0.7 g/t AuEq** including **1.2 metres at 11.3 g/t AuEq)** which correlates with the down-dip position of the main Cerro Norte Manto mineralisation. GNDD-237 was collared to test 50 metres downdip of GNDD-169 and confirmed mineralisation remains strong and open at depth intersecting **155.5 metres at 0.7 g/t AuEq (0.6 g/t gold, 2.1 g/t silver, 0.1% zinc)** from 201.6 metres including **59.0 metres at 0.9 g/t AuEq (0.9 g/t gold, 1.0 g/t silver, 0.1% zinc)** from 298m. A hole is programmed to extend the Verde mineralisation another 50 metres down-dip of GNDD-237.

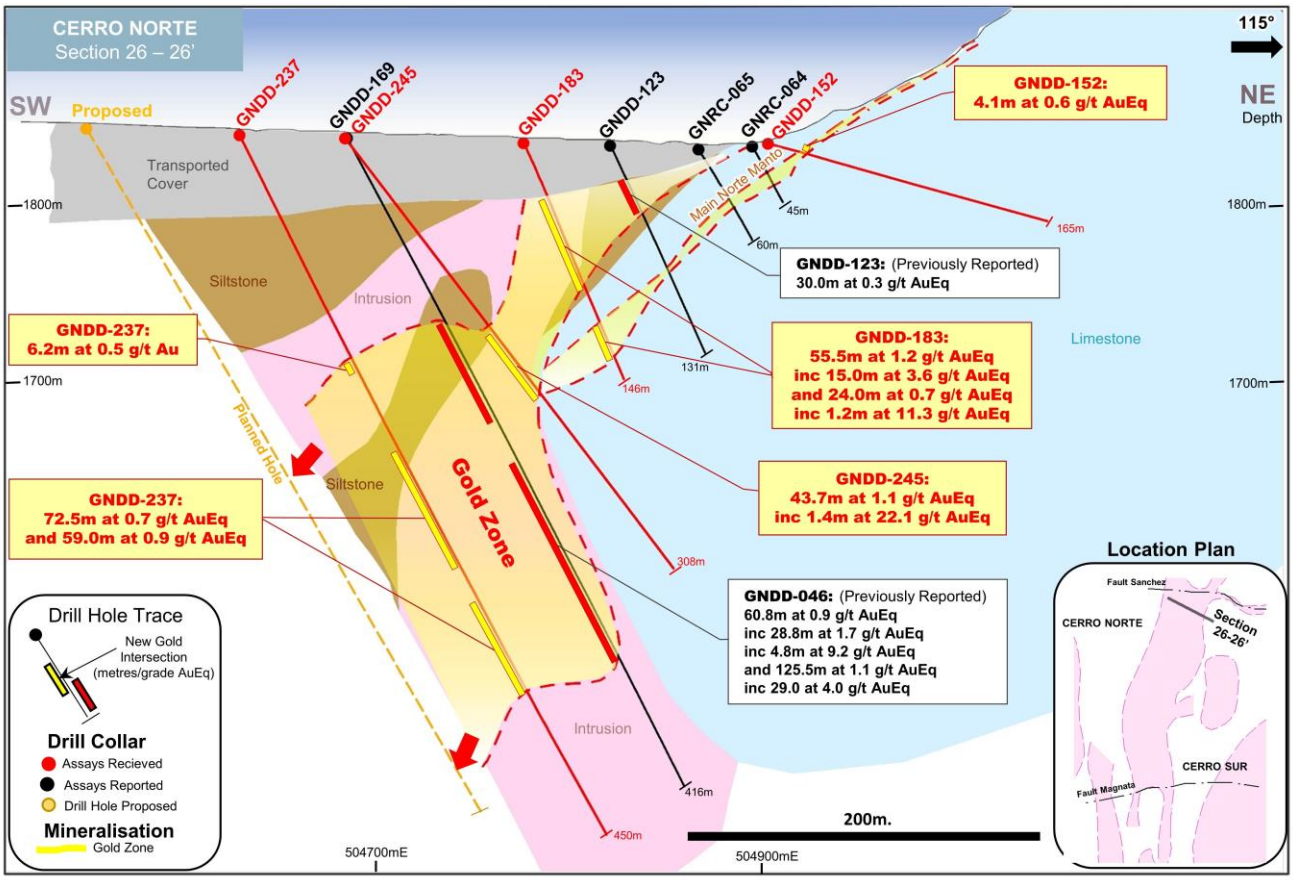


**Figure 3 - Cross Section 26 Main Verde mineralisation across the GNDD-169 discovery hole**

Section 21 (Figure 4 over the page) is located south along strike from Section 26 (Figure 3). The mineralisation intersected in GNRC-091 (24.0 metres at 0.5 g/t AuEq and previously announced) is interpreted to be the top of Verde. It is possible GNRC-091 was terminated above the high-grade Cerro Norte manto which it was targeting. GNDD-185 was collared to test underneath GNRC-091 and intersected **60.0 metres at 0.7 g/t AuEq (0.6 g/t gold, 1.5g/t silver, 0.3% zinc)** from 59 metres in the main Verde Zone. GNDD-185 also intersected **7.1 metres at 1.6 g/t AuEq (1.0 g/t gold, 8.9g/t silver, 1.1% zinc)** from 138 metres in limestone which, like GND-183 on Section 26, correlates with the down dip position of the main Cerro Norte Manto.

GNDD-193 was collared to test 50 metres down-dip of GNDD-185 and successfully extended the Verde mineralisation down dip returning **83.5 metres at 0.8 g/t AuEq (0.7 g/t gold, 1.3g/t silver, 0.2% zinc)** from 96.3 metres including four higher-grade zones averaging 1.5 g/t AuEq. The hole also intersected mineralisation deeper in the hole in the downdip

location of the main Cerro Norte manto. GNDD-298 (assays pending) has been completed downdip of GNDD-193 and encountered sulphides.

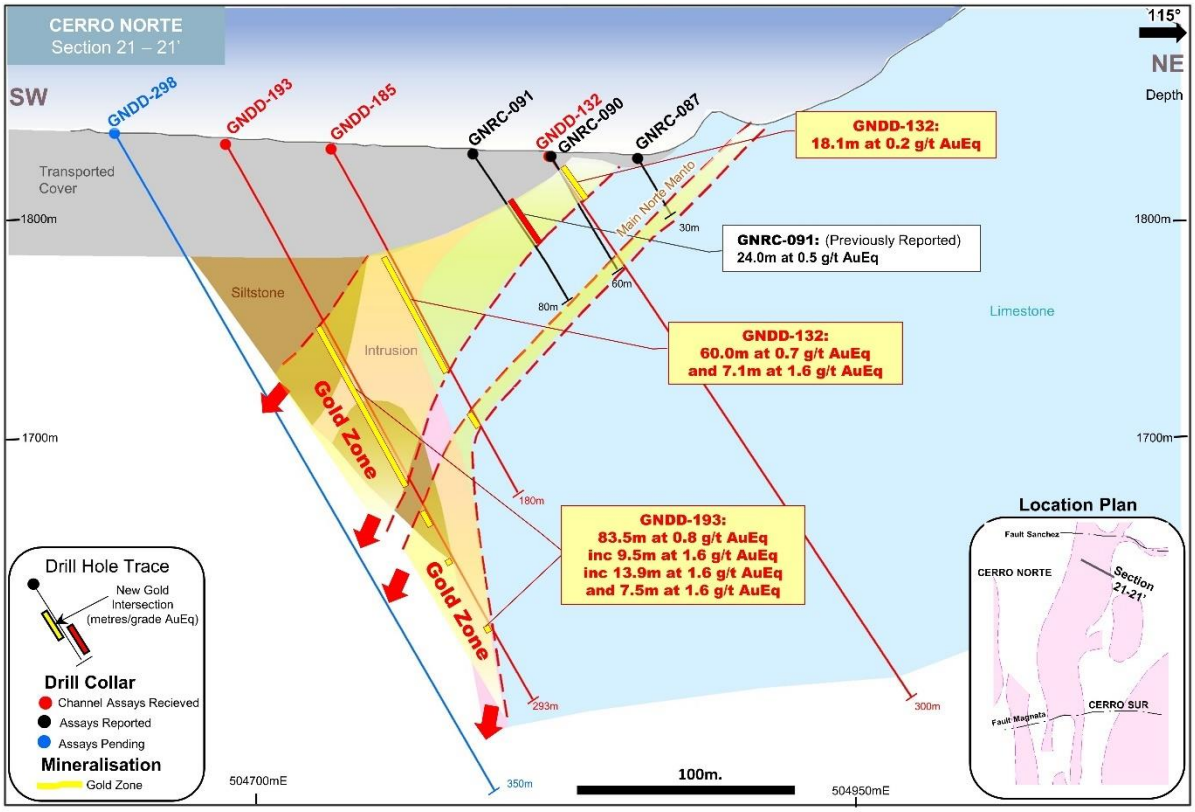


**Figure 4- Cross Section 26 Main Verde mineralisation**

Cross Section 19 (Figure 5 over the page) illustrates the lower grade mineralisation hosted in sedimentary rocks which was encountered in GNDD-173 and returned **66.0 metres at 0.6 g/t AuEq (0.5 g/t gold, 3.1 g/t silver, 0.1 zinc)** from 83.0 metres. Drill hole GNDD-236 was collared to test 100 metres downdip of GNDD-173 and confirmed the Company's model intersecting the underlying intrusives returning **52.0 metres at 1.2 g/t AuEq (1.1 g/t gold, 3.1 g/t silver, 0.3% zinc)** from 175.0 metres including **4.4 metres at 8.9 g/t AuEq (8.4 g/t gold, 33.6 g/t silver, 0.2% zinc).**

GNDD-229 was collared 50 metres south of section 19 and intercepted **38.3 metres at 0.9 g/t AuEq (0.7 g/t gold, 6.5 g/t silver, 0.3% zinc)** from 167 metres. The mineralisation occurred in sedimentary rocks and is interpreted as being above the main zone of Verde intrusives. Drilling is programmed to test underneath GNDD-229. Drillhole GNDD-162 was collared up dip of GNDD-229 too far to the east to intersect the Verde Zone. The hole encountered mineralisation in limestone and intersected **14.8 metres at 2.2 g/t AuEq (2.0 g/t gold, 3.5 g/t silver, 0.3% zinc)** from 98.0 metres including **6.9 metres at 4.2 g/t AuEq (3.9 g/t gold, 6.4 g/t silver, 0.5% zinc)** in the down-dip position of the main Cerro Norte manto mineralisation. This continues the trend of drilling at Verde intercepting deeper limestone hosted mineralisation in the down-dip position of the high-grade skarn mineralisation.

**Photo 2 showing the core processing facility 24 hours later in full use**

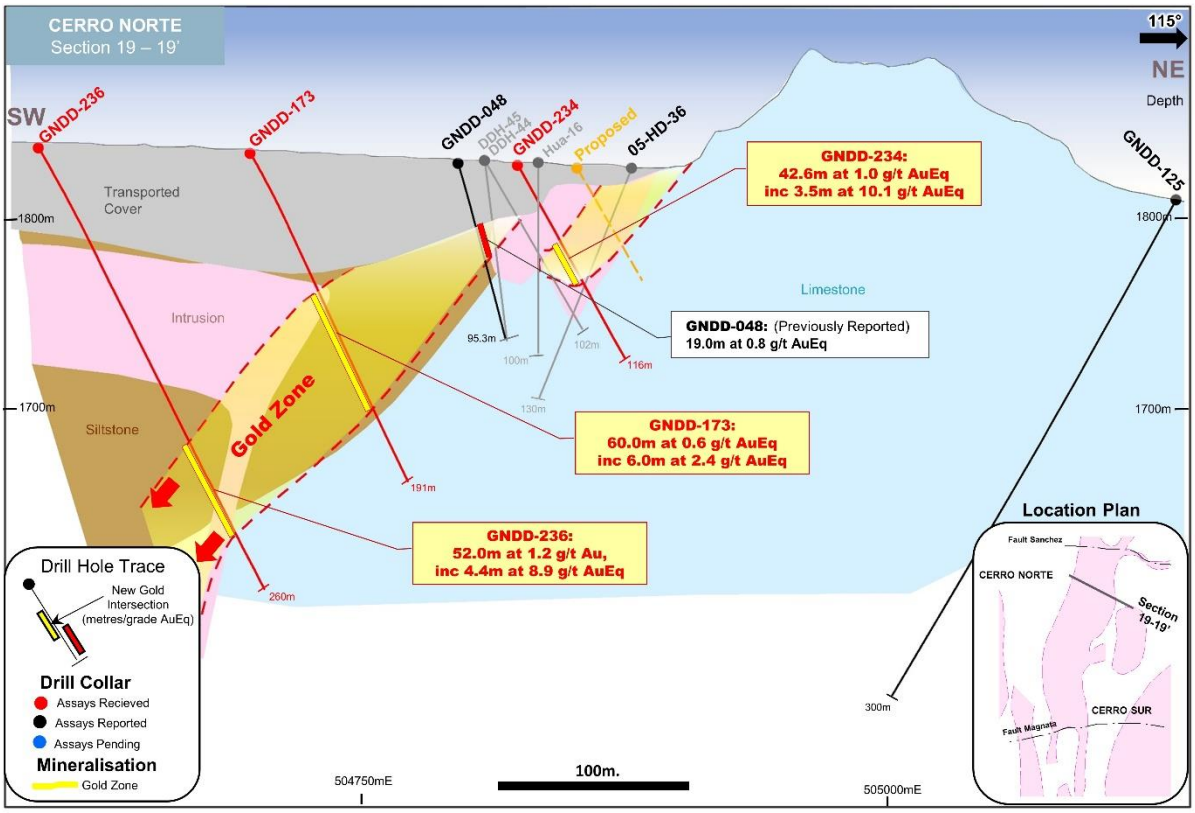


**Figure 5 - Cross Section 19 Main Verde mineralisation GNDD-236 and GND-173**

GNDD-177 was collared between Section 26 and Section 21 up-dip of GNDD-164 (22 metres at 0.5 g/t AuEq, 10.0 metres at 0.5 g/t AuEq, and 37.0 metres at 1.0 g/t AuEq). GNDD-177 extended the Verde zone 50 metres up-dip intercepting **63.4m at 0.7 g/t AuEq (0.6g/t gold, 1.8g/t silver, 0.2% zinc)** from 41.5 metres including **11.2m at 2.4 g/t AuEq (2.1 g/t gold, 3.0g/t silver, 0.6% zinc)** in sediments and intrusives. GNDD-187 intersected a combined 37 metres of mineralisation in three zones hosted in sediments and limestones downdip of GNDD-164 and is interpreted as not extending deep enough to intersected the underlying intrusives. The same is believed to have occurred with GNDD-233 on the same section. GNDD-254 (assays pending), which was collared to test downdip of GNDD-187 and GNDD-233 appears to have successfully penetrated the underlying intrusives with the hole logged as encountering over 150 metres of sulphide mineralisation in intrusives and thin interbedded sediments.

Analogous to GNDD-177, drill hole GNDD-225 (**9.2 metres at 0.2 g/t AuEq, 2 metres at 4.3 g/t AuEq, and 9.2 metres at 1.0 g/.t AuEq)** predominantly encountered sediments and limestone with the mineralisation interpreted as being the halo above the main intrusion-hosted system. This appears to have been confirmed by and GNDD-285 (assays pending). GNDD-285 was drilled at a higher angle to test below GNDD-225 and intercepted intrusives under the limestone with two zones logged as containing strong sulphides in a series of baked limestones and intrusives. The system is interpreted as being deeper in this location with GNDD-285 likely still only intersecting the top of the mineralised system. Additional drilling to test down dip of GNDD-285 is programmed.

**GNDD-220 - Southern Extent of Verde**

GNDD-216 and GNDD-220 were drilled to follow up earlier drillholes GNDD-137 ( 38 metres at 0.4 g/t AuEq and 1.4 metres at 11.6 g/t AuEq) and GNDD-122 (18.1 metres at 0.7 g/t AuEq and21m at 0.5 g/t AuEq, 1.5 metres at 5.1 g/t AuEq) at Toro in the southern end of the Gap Zone. Both holes tested magnetic highs prior to CEL determining that the intrusion-hosted mineralisation is located on the flanks of a positive magnetic anomaly due to demagnetisation by alteration of the intrusions associated with the mineralisation. Accordingly, any extension of the Verde or Gap Zone intrusion-hosted mineralisation was interpreted to be further west of GNDDD-122 and GNDD-137.

GNDD-220 was collared 175 metres west of GNDD-137 and intersected **108 metres at 0.4 g/t AuEq (0.4 g/t gold, 1.6 g/t silver, 0.1% zinc)** from 86 metres including **49 metres at 0.6 g/t AuEq (0.6 g/t gold, 1.3 g/t silver, 0.1% zinc)** from 137 metres. This is interpreted as the southern extension of Verde 1 kilometre south. As Figure 6 shows several drill holes (all assays pending) both north and south of GNDD-220 are logged as intersecting significant sulphide mineralisation in intrusives and sediments which is interpreted as the extension of Verde to 1.2 kilometres in strike.

Noteworthy are drillholes GNDD-287, GNDD-292, and GNDD-305 (assays pending) collared 100, 150, and 200 metres south of GNDD-220. Each has been logged as encountering strong mineralisation. GNDD-292 (Photos 3-5) is logged as intersecting 100 metres of intrusives containing sulphides including 5 zones of mineralisation over 1-3 metres downhole containing 15-30% pyrite and 5-30% sphalerite which is indicative of strong skarn mineralisation. This skarn alteration and massive sulphide mineralisation intersected in GNDD-292 (assays pending) is consistent with mineralised intervals in other drill holes for which high-grade gold assays have been received.


**Photo 3 : GNDD-292 sulphide interval 233 metres downhole (skarn alteration 15% pyrite 5% sphalerite)**

**Verde and Gap Zone drilling at night (taken August 10th 2021)**


**GNDD-292 - sulphide Interval 197-198m**

**GNDD-292 - sulphide Interval 218-219m**

**GNDD-196**

GNDD-196 was collared approximately 50 metres south of GNDD-287 and 1.2 kilometres south of the GNDD-169 discovery hole (Figure 6). The intersection in GNDD-196 of **69.2m at 3.4 g/t AuEq (3.3 g/t gold, 4.8 g/t silver, 0.1% zinc**) from 9.0m including **12.0m at 1.8 g/t AuEq (1.7 g/t gold, 0.7 g/t silver, 0.1% zinc)** from 17.0m and **9.2m at 22.2 g/t AuEq (21.9 g/t gold, 16.0 g/t silver, 0.4% zinc)** from 69.0m has confirmed that the intrusion hosted mineralisation remains strong and open to the north. The broader gold zone is composed of higher grade and lower grade mineralised shoots typical of the intrusion-hosted mineralisation at Hualilan.

**GNDD-202**

GNDD-202 was collared to test 100 metres down-dip of drill hole GNDD-196. The intersection of **110m at 0.4 g/t AuEq (0.3 g/t gold, 3.1 g/t silver, 0.1% zinc**) from 33.0 metres including **59.3m at 0.5 g/t AuEq (0.4g/t gold, 4.7 g/t silver,**

**0.2% zinc** from 71.8m confirmed the extension of a broad zone of intrusion-hosted mineralisation 100 metres down-dip from GNDD-196.

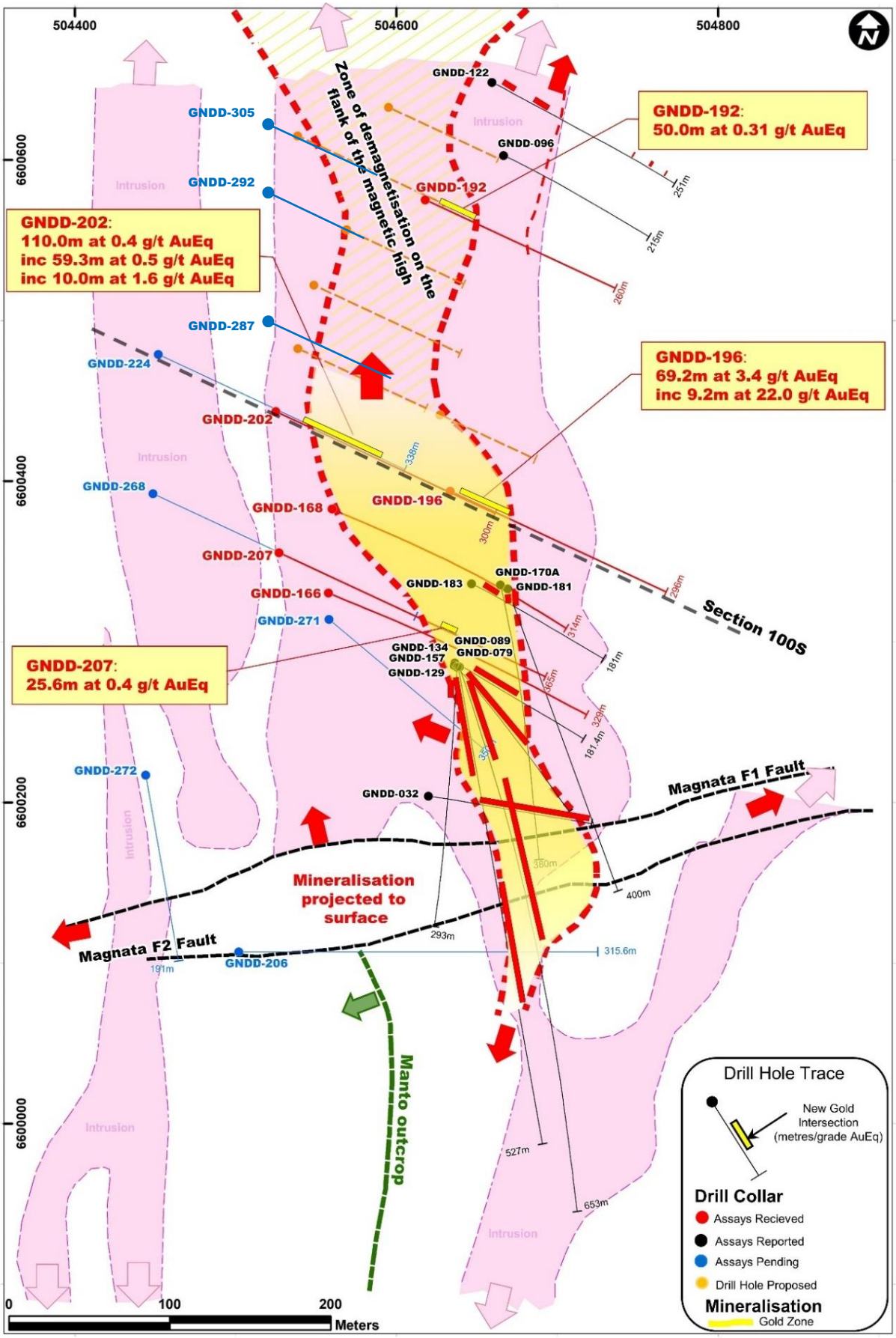


**Figure 6 - Intrusion-hosted mineralisation North Magnata now interpreted as southern Verde**

**Ongoing Verde Program**

The Company will continue extensional drilling at Verde with at least three of the current eights drill rigs on site continuing to expand and infill the existing mineralisation at Verde. This program will involve the continuation of 50 metre spaced fences of holes over the remaining 900 metres of strike and step-out drilling north and south along strike where mineralisation remains open. Additionally, a series of holes will be collared further west to test another 50-100 metres below the existing drilling at Verde with scout drilling programed further west to test Verde at depth.

## GAP ZONE INFIL DRILLING PROGRAM

The intrusive hosted mineralisation in the Gap Zone had been defined over approximately 300 metres of strike and, unlike the mineralisation north and south which dips to the west, the Gap Zone mineralisation dips to the east. The mineralisation was likely capped by a west-dipping zone of mineralisation in the shale which has since been eroded and covered. Remnants of the mineralised cap have been intersected in holes drilled west of the Gap Zone. Earlier drilling such as GNDD-155 (209.0m at 1,1 g/t AuEq) was oriented parallel to the dip of the mineralisation so the true width of the mineralisation, was yet to be determined.

Drillholes GNDD-200, GNDD-204, GNDD-208, GNDD-211, GNDD-215 and GNDD-218 were the first in a series of 16 holes which has been drilled in the reverse orientation of the earlier drilling in order to drill back across the Gap Zone mineralisation to better define the width of the mineralisation. This series of holes have been designed to not only infill the existing mineralisation but to test for extensions south along strike and downdip and to allow more precise resource estimation. The results confirm the Company's view that the Gap Zone will make a meaningful contribution to the mineral endowment of the Hualilan Gold Project and still remains open.

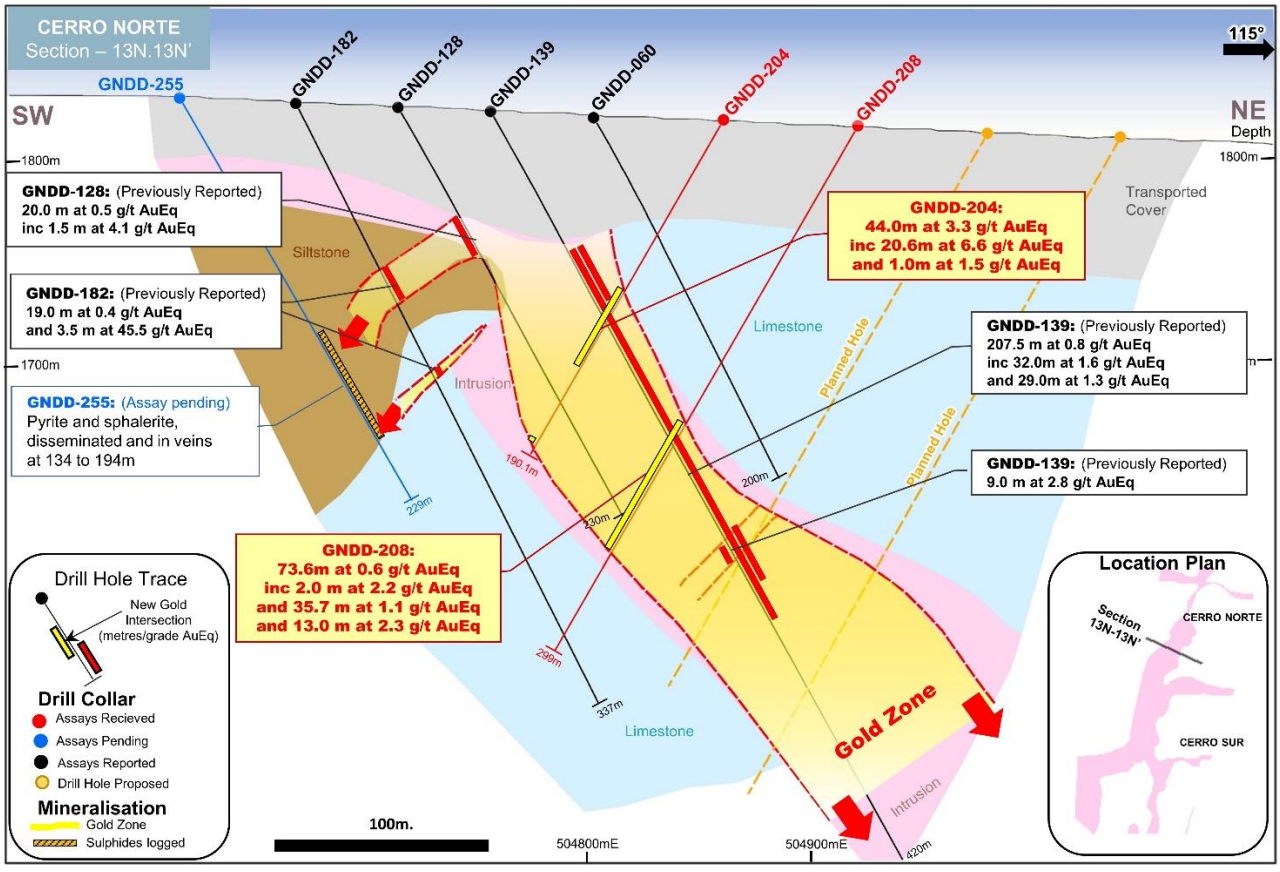


**Figure 7 - Cross Section Gap Zone Mineralisation**

**GNDD-204**

GNDD-204 was drilled back across the upper part of GNDD-139 (207.5m at 0.8 g/t AuEq). The hole encountered the gold zone mineralisation over 89 metres down hole, which indicates an approximate true width of 60-70. The drill hole intersected 20 metres of barren limestone interpreted as a limestone block within the intrusives. Including the 20 metres of barren limestone as waste GNDD-204 returned an intercept across the entire mineralised zone of intrusives, and barren limestone, of **89 metres at 1.7 g/t AuEq**. This broader gold zone intercept includes **44.0m at 3.3 g/t AuEq (3.2 g/t gold,**

**4.5 g/t silver 0.1 % zinc)** from 95 metres and contains a higher grade zone of **20.6m at 6.6 g/t AuEq (6.4 g/t gold, 6.4 g/t silver 0.1 % zinc)** in the upper part of the gold zone intercept.

GNDD-204 was drilled back across the lower grade upper portion of the intercept in GNDD-139 in what was believed to be lower grade part of the Gap Zone mineralisation based on the earlier drilling. Thus, the high-grade results in GNDD-204 were unexpected and indicates that the high grade shoots within the intrusives may be more pervasive than first anticipated and may have more than one orientation.

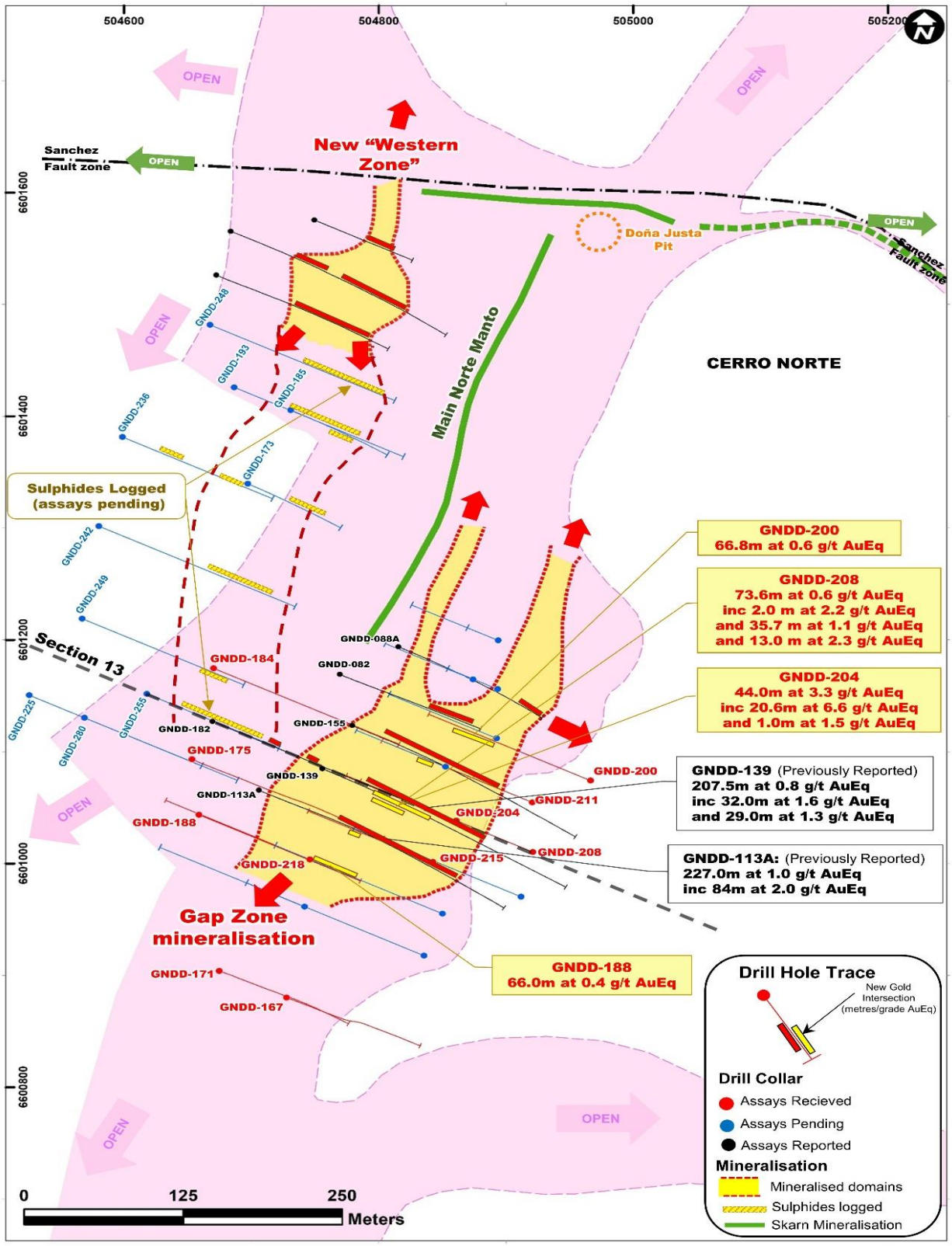


**Figure 8 - Gap Zone Mineralisation and drilling Plan View**

**GNDD-208**

GNDD-208 was drilled to intercept the gold zone approximately 75 metres down dip of GNDD-204. The hole intercepted **73.7m at 0.6 g/t AuEq (0.5 g/t gold, 1.4 g/t silver 0.2 % zinc)** from 170.0 metres with a higher-grade intercept of **35.7m at 1.1 g/t AuEq (0.8 g/t gold, 2.6 g/t silver 0.4 % zinc**) including **13.0m at 2.3 g/t AuEq (1.9 g/t gold, 5.0 g/t silver 0.8 % zinc)** in the lower part of the gold zone intercept. The higher-grade part of the intercept in GNDD-208 is interpreted to join to the higher grade intercept in GNDD-204 to form a steeply dipping, higher-grade zone of mineralisation within the broader gold zone. This mineralisation is controlled by a swarm of steeply dipping narrow veins observed in the drill core.

GNDD-204 and GNDD-208 both intersected GNDD-139 at points of lower grade within the intercept of 207.5m at 0.8 g/t AuEq. As such the high-grades in GNDD-204 and GNDD-208 were unexpected. This is important because this demonstrates that the high-grade shoots within the intrusive in the Gap Zone are possibly more extensive than the Company had first anticipated.

**GNDD-211**

GNDD-211 was collared 40m along strike, north of GNDD-208. The hole intersected **23.2m at 0.6 g/t AuEq (0.5 g/t gold, 0.8 g/t silver 0.1 % zinc)** at a lower grade portion of the intersection with GNDD-155 (209.0m at 1.1 g/t AuEq). As demonstrated in the section for GNDD-204 and GNDD-208, the gold zone is grade-variable and it is believed that GNDD-211 intersected a lower grade part of the zone lacking fractures where more mineralisation is deposited. Drill hole GNDD-277 (assays pending) intersected the gold zone approximately 80 metres up dip of GNDD-211 which has been logged as intersecting intrusives with strong alteration and sulphide mineralisation over 83 metres from 59m downhole.

**GNDD-215**

GNDD-215 is located 40m south of GNDD204 and is drilled back across the upper part of GNDD-113A (314m at 0.8 g/t AuEq). Two mineralised intersections within GNDD-215 were found with only low grades intersected where the hole crossed GNDD-113A. An upper zone of **14.6m at 1.6 g/t AuEq (1.4 g/t gold, 2.4 g/t silver, 0.3% zinc)** in shale, and a lower zone of **41.0m at 0.2 g/t AuEq (0.2 g/t gold, 3.1 g/t silver, 0.1% zinc)** in intrusion indicate that GNDD-215 intersected the uppermost part of the gold zone. Approximately 80m down-dip from GNDD-215, hole GNDD-262 has intersected approximately 70 metres of mineralisation in intrusion and breccia with assays pending. The highest grade intersection within GNDD-113A is a further 60 metres down dip from GNDD-262 and is targeted for future drilling.

**GNDD-234**

Drillhole GNDD-234 returned **42.6 metres at 1.0 g/t AuEq (0.9 g/t gold, 4.1 g/t silver, 0.3 zinc)** from 33.4 metres including **6.5 metres at 10.1 g/t AuEq (9.2 g/t gold, 20.8 g/t silver, 1.5% zinc)** hosted in intrusives. This is interpreted as the northern extension of the intrusion-hosted mineralisation in the Gap Zone and extends the Gap Zone mineralisation 50 metres north along strike.

**GNDD-200**

GNDD-200 intercepted **66.8m at 0.7 g/t AuEq (0.6g/t gold, 0.6 g/t silver, 0.1% zinc)** from 60.8 metres including **7.2m at 1.1 g/t AuEq (1.0g/t gold, 0.6 g/t silver) and 6.0m at 1.1 g/t AuEq (1.1g/t gold, 0.6 g/t silver)** and **1.0m at 5.3 g/t AuEq (4.7g/t gold, 5.6 g/t silver, 1/3% zinc).** The mineralisation intersected in GND-200 bridges exactly the space between GNDD-077 and GNDD-082. This confirms the true width of the mineralisation at the north of the Gap Zone at approximately 60 metres. The gold zone at this location remains open down dip and is an obvious follow-up target in this area with GNDD-082, which encountered mineralisation in intrusives in three zones, ending in mineralisation grading 0.7 g/t gold.

**UNDERGROUND ROCK SAW CHANNEL SAMPLING**

The Company announced the results from the ongoing underground Rock Saw Channel Sampling program from Cerro Sur and the first continuous channel samples taken above ground level in the Hualilan Hills covering approximately 300 metres of strike at Cerro Norte.

The program has been designed to allow the inclusion of the component of the historical high-grade mineralisation which is up-dip of the Company's drilling in a resource estimate that can be reported according to JORC. This includes the majority of the mineralisation within 40 metres of surface and the extensions of mineralisation up into the hills at Cerro Norte and Cerro Sur. In historical foreign (non JORC compliant) resource calculations this mineralisation was included based on the results of underground mapping and selective channel sampling. Importantly, this near surface component of the mineralisation generally exhibits high-grades.

The sampling was done using a rock saw to cut and recover a continuous channel measuring approximately 40cm x 40cm, with sample weight averaging 4.8 kg per metre. Samples were logged, and submitted for assay with QAQC samples (blanks and standards) using the same procedure as drill core. The channel sample is analogous to a drill core sample. It is expected that the data can be incorporated into a resource estimation in the same way as drilling results.

This is the first time a systematic program of sampling has been conducted in many of the underground tunnels and the first time the Flor de Hualilan workings have been sampled. The results were some of the more significant released by the Company with the highlights including:

**New access road into the Hualilan Hills at Cerro Norte for the man portable drill rig to test the bonanza zone**

1. Bonanza Zone in the Hualilan Hills

The sampling in the Hills returned the highest-grade recorded at Hualilan of **2 metres at 301.5 g/t gold, 220 g/t silver, 0.1 g/t zinc** with several other samples grading over 100 g/t gold. This supports the Company's model that the highest-grade mineralisation at Hualilan occurs in the 200 metres above ground level in the Hualilan Hills which has yet to be drilled. High-grade mineralization has been mapped in outcrop in the Hualilan Hills over 300 meters of strike at Cerro Norte, 600 meters between the Magnata Fault and Sentazon and 500 metres south of Flor de Hualilan. Should high-grade mineralisation extend 200-300 metres up-dip from CEL drilling over this 1.4 kilometres mapped in outcrop it has the

potential to add material high-grace ounces. Subsequent to the end of the year CEL acquired a man portable, rig which will allow the drill out of this significant zone of potential bonanza grade mineralisation.

2. Extension of the strike of high-grade mineralisation by 50%

The Cerro Sur sampling includes results from the Flor de Hualilan exploration drive which is located 550 metres south of the southernmost drill hole at Hualilan to intersect mineralisation. Sampling of the Flor de Hualilan Adit, which is believed to date from the 1800s, returned a number of high-grade intercepts with six of the eight channels returning high-grade mineralisation including **13.0m at 15.5 g/t AuEq, 9.2m at 5.1 g/t AuEq** including **4.6m at 9.5 g/t AuEq, and 3.8m at 14.6 g/t AuEq.** These high-grade results and broad zones of mineralisation in the Flor de Hualilan Adit was not expected by the Company as the gold is not visible.

3. Historical indicating high-grade mineralisation over 500 metres south of Flor De Hualilan

In addition to the Flor De Hualilan channel sampling results, which extend the known mineralisation 550 metres south, historical mapping which was previously discounted, indicates sulphide mineralisation outcropping over approximately 500 metres strike south of the Flor de Hualilan Adit. Reconnaissance by the Company has confirmed what appears to be weathered skarn mineralisation at surface well south of the Flor de Hualilan Adit. ***This extends the potential strike extent of the high grade skarn mineralisation by approximately 50% from 2.1 to 3.1 kilometres.***

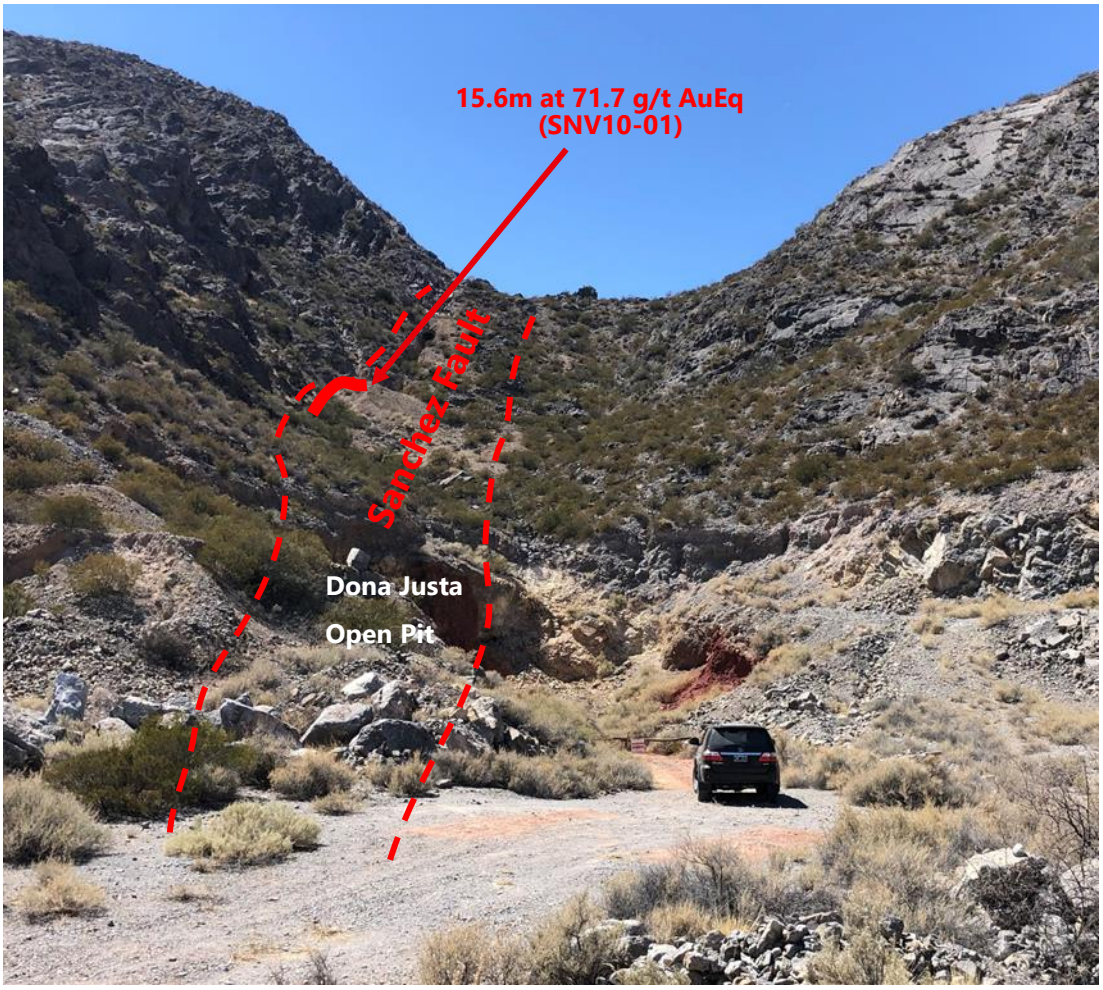


**Photo 7 - Showing location of channel sampling on the Sanchez Fault**

**Hualilan Hills Sampling**

**Sanchez Fault**

The Sanchez Fault is one of the main east-west feeder structures believed to control the high-grade mineralisation at Hualilan. The Sanchez Fault has been mapped in outcrop over 500 metres in the Hualilan Hills however, due to the topography, limited drilling has been completed by CEL testing the Sanchez Fault. Accordingly, it remains a key and under-drilled target at Hualilan, with CEL's current plan to test the Sanchez fault with a man portable rig and from the eastern side of the Hualian Hills now the Ayen Exploration Licence has been formally granted.

Sampling along the Sanchez Fault produced bonanza grades returning **15.6m at 71.7 g/t AuEq (70.9 g/t gold, 59.1 g/t silver, 0.2% zinc)** including **4.0m at 203.8 g/t AuEq (201.6 g/t gold, 172.0 g/t silver, 0.1% zinc)** and **6.3 metres at 44.0 g/t AuEq (43.4 g/t gold, 22.6 g/t silver, 0.2 % zinc)** in SNV10-01. Channel SNV10-02 returned **12.5m at 3.0 g/t AuEq (2.3 g/t gold, 12.4 g/t silver, 1.3% zinc)**. As Photo 7 shows the channel sampling in the Sanchez Fault is the highest point in the Hualilan hills to be channel sampled by the Company to date and supports the view that the highest-grade mineralisation is in the Hualilan hills above ground level.

**Main Manto**

At Cerro Norte the Main Manto covers at least 400 metres of strike (north south), dips at 30-40 degrees to the west and is generally 2-12 metres thick. The Main Manto includes a number of thicker
and higher-grade plunging shoots within its mineralised envelope which plunge to the south-west. In addition to cutting across the high-grade shoots the Main Decline, constructed in 1999 and rehabilitated for the channel sampling, also cuts, and has provided access to, a number of the historical (estimated 1890's) old workings and access drives.

**RNVV-11 and 12 levels (up-dip Cerro Norte)**

Channels RNVV-11 and 12 are taken in crosscuts accessed from the main decline to the east which is in the up-dip location. This section returned higher grades than the downdip portion (RNVV-9 series and earlier channels). Notable intercepts in the channel sampling in the up-dip portion of the Main Cerro Norte manto included:

- **64.8 metres at 28.3 g/t AuEq (23.4 g/t gold, 104.1 g/t silver, 8.3% zinc)** including **8.8 metres at 49.3 g/t AuEq (45.2 g/t gold, 88.7 g/t silver, 6.8% zinc)** and **26.5 metres at 34.4 g/t AuEq (29.3 g/t gold, 114.4 g/t silver, 8.2% zinc)** including **3.3 metres at 76.0 g/t AuEq (67.7 g/t gold, 268.2 g/t silver, 11.5% zinc)** - RNNV12-05.
- **55.3 metres at 8.4 g/t AuEq (4.7 g/t gold, 172.1 g/t silver, 3.6% zinc)** including 20.6 **metres at 13.8 g/t AuEq (7.9 g/t gold, 351.9 g/t silver, 3.3% zinc)** - RNNV11-02
- **5.4 metres at 35.6 g/t AuEq (30.9 g/t gold, 83.9 g/t silver, 8.4% zinc)** RNNV12-09
- **21.1 metres at 16.3 g/t AuEq (12.7 g/t gold, 37.7 g/t silver, 7.16% zinc)** including **5.2 metres at 21.8 g/t AuEq (13.4 g/t gold, 41.0 g/t silver, 18.2% zinc)** and **6.5 metres at 31.8 g/t AuEq (29.1 g/t gold, 51.3 g/t silver, 4.7% zinc** - RNNV12-04
- **19.8 metres at 16.3 g/t AuEq (13.7 g/t gold, 101.7 g/t silver, 3.0% zinc)** RNNV12-12

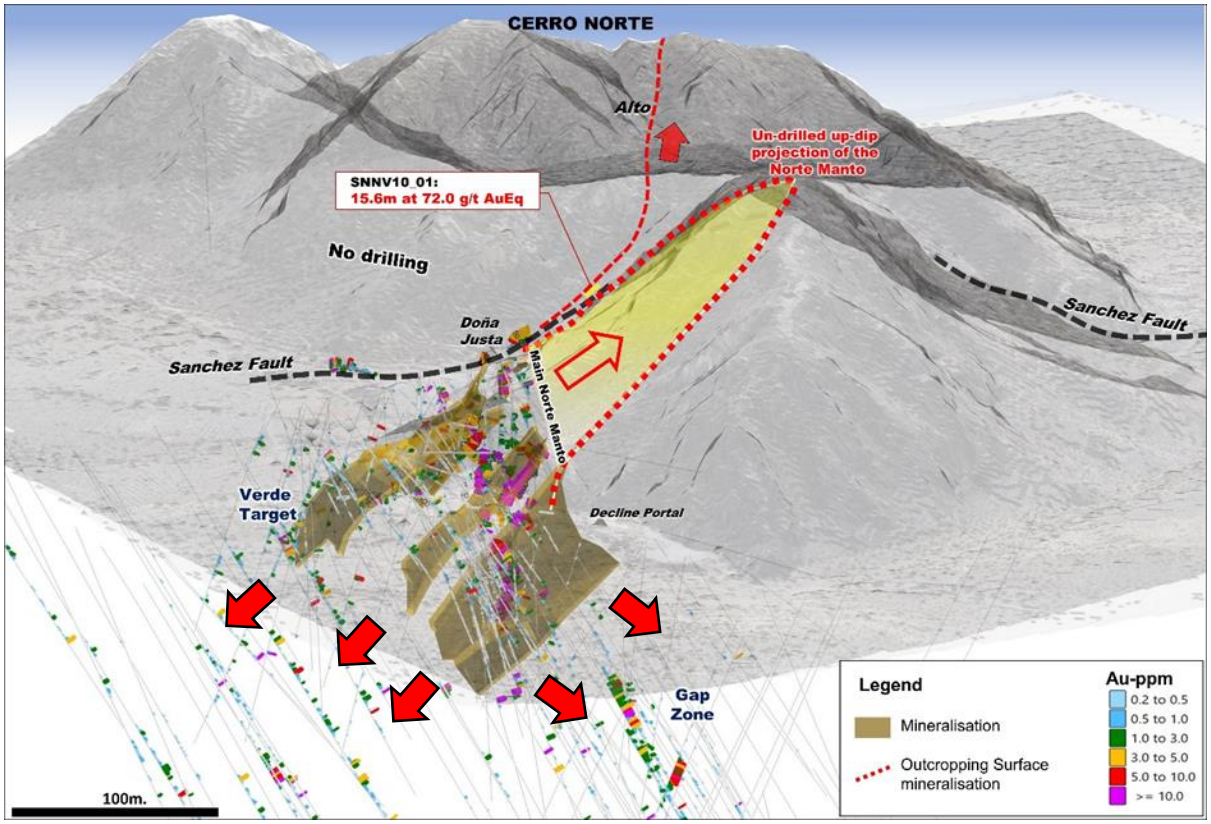


**Figure 9 showing existing mineralisation at Cerro Norte and undrilled up-dip potential**

The results confirm the lateral continuity of and the high-grades in the Main Manto over a significant plunge extent up-dip above all drilling. They also confirm the significant strike extend defined by drilling down-dip with the channels retuning high-grade mineralisation over the entire 300 metres of strike sampled.

**Cerro Sur Sampling**

**Flor De Hualilan Adit**

The Flor de Hualilan adit, like the majority of the old workings, is believed to date back to at least the late 1800's. It is located at the southern end of the Hualilan Gold Project approximately 550 metres south of GNRC-052 (6m at 1.7 g/t gold, 4.4 g/t silver, 0.3% zinc), the southernmost drill hole at Hualilan to intersect mineralisation.

Prior to this sampling conducted by CEL, the Flor de Hualilan workings had not been sampled. In light of the recent results from this program, notably the broader zones of mineralisation which appear to have been missed by the selective historical sampling, the underground channel sampling program was extended to include all underground workings and exploration adits including those located outside of the footprint of the known mineralisation such as the Flor de Hualilan workings.

As listed in Table 4, the Flor de Hualilan channel sampling program returned a number of high-grade results including **13.0 metres at 15.5 g/t AuEq (12.0 g/t gold, 80.2 g/t silver, 5.7 % zinc, 4.8% lead)** including **8.5 metres at 21.9 g/t AuEq (17.8 g/t gold, 113.7 g/t silver, 6.2% zinc, 6.9 % lead)** and **3.8 metres at 14.6 g/t AuEq (3.8 g/t gold, 155.8 g/t silver, 20.2% zinc, 4.2% lead)**.

The results extend the known high-grade skarn mineralisation a further 550 metres south of the southernmost drill intersection. Additionally, historical mapping, which was previously discounted by the Company, indicates sulphide mineralisation in outcrop over an additional 500 metres of strike south of the Flor de Hualilan Adit. Reconnaissance field mapping by the Company has now confirmed what appears to be weathered skarn mineralisation at surface well south of the Flor de Hualilan Adit. This has the potential to extend the strike extent of the high-grade skarn mineralisation by approximately 50% from 2.1 kilometers to 3.1 kilometers.

| Channel Sample (#) | From (m) | To (m) | Total (m) | Gold (g/t) | Ag (g/t) | Zn (%) | Cu (%) | Pb (%) | Au Equiv (g/t) | Comments |
|---|---|---|---|---|---|---|---|---|---|---|
| FHNV10-01A | 6.4 | 8.2 | 1.8 | 0.1 | 2.9 | 0.4 | 0.0 | 0.0 | 0.3 | 0.2 g/t AuEq cut |
| FHNV10-01B | 0.0 | 9.2 | 9.2 | 3.0 | 89.6 | 2.2 | 0.1 | 3.5 | 5.1 | 0.2 g/t AuEq cut |
| inc | 1.9 | 6.5 | 4.6 | 5.6 | 175.1 | 3.8 | 0.2 | 6.8 | 9.5 | 1.0 g/t AuEq cut |
| FHNV10-02 | 0.0 | 13.0 | 13.0 | 12.0 | 80.2 | 5.6 | 0.4 | 4.8 | 15.5 | 0.2 g/t AuEq cut |
| inc | 0.0 | 8.5 | 8.5 | 17.8 | 113.7 | 6.2 | 0.5 | 6.9 | 21.9 | 1.0 g/t AuEq cut |
| FHNV10-03 | 0.0 | 12.7 | 12.7 | 2.1 | 64.2 | 3.5 | 0.3 | 1.6 | 4.4 | 0.2 g/t AuEq cut |
| FHNV10-04 | 0.0 | 4.2 | 4.2 | 3.1 | 135.5 | 7.7 | 0.6 | 7.0 | 8.1 | 0.2/g/t AuEq cut |
| FHNV10-05 | 0.0 | 1.7 | 1.7 | 6.4 | 359.7 | 12.7 | 0.7 | 9.7 | 16.4 | 0.2 g/t AuEq cut |
| FHNV10-06 | 0.0 | 3.8 | 3.8 | 3.8 | 155.7 | 20.2 | 0.6 | 4.2 | 14.6 | 0.2 g/t AuEq cut |
| FHNV10-07 | 3.4 | 4.5 | 1.0 | 0.1 | 1.3 | 0.5 | 0.0 | 0.0 | 0.3 | 0.2 g/t AuEq cut |

**Table 4 - Flor de Hualilan channel significant channel sampling results**
**(See Table 3 below for information regarding AuEq's reported under the JORC Code)**

The Company also notes the same historical surface mapping indicates, not only mineralisation in outcrop over 400 metres along strike south of Flor de Hualilan, but also 400 metres up dip. This opens significant potential for additional high-grade mineralisation to the south. Several new holes are programmed to test this previously unrecognised zone of mineralisation in the south.

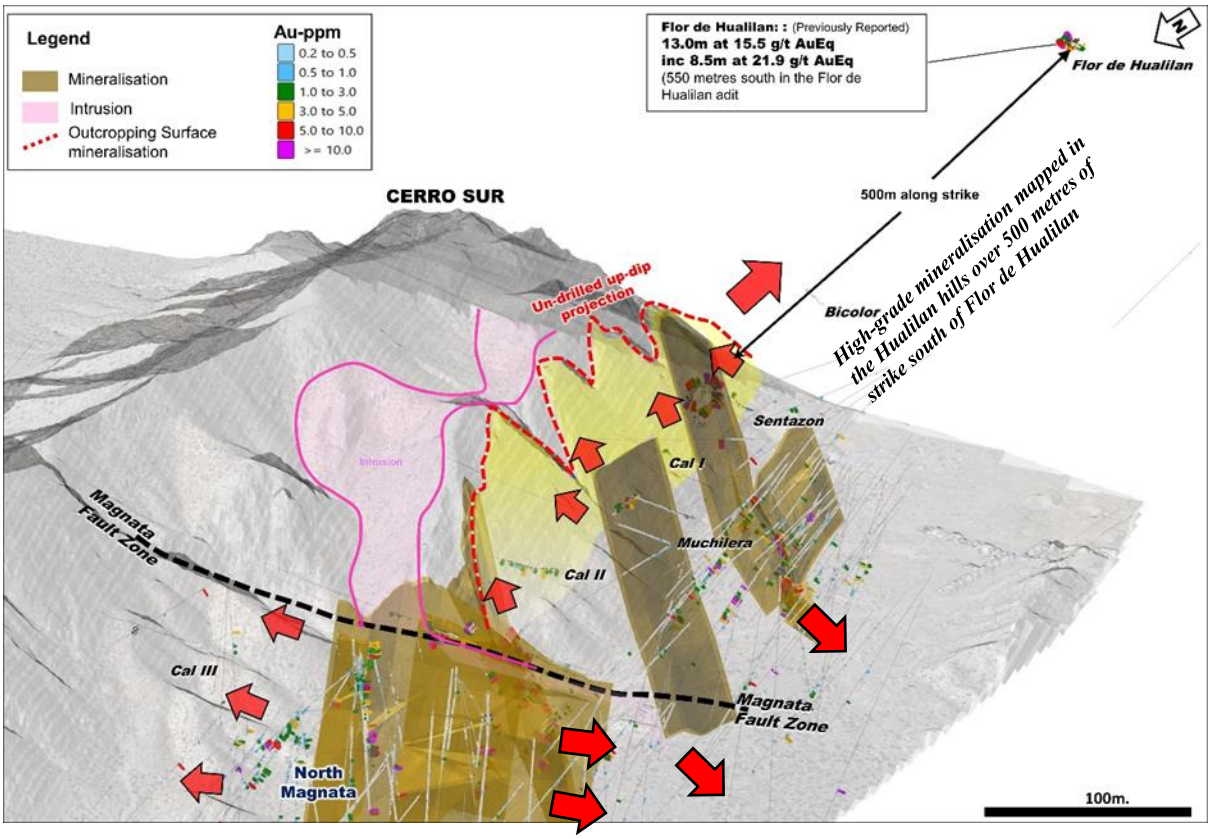


**Figure 11 showing existing mineralisation at Cerro Sur and undrilled up-dip potential**

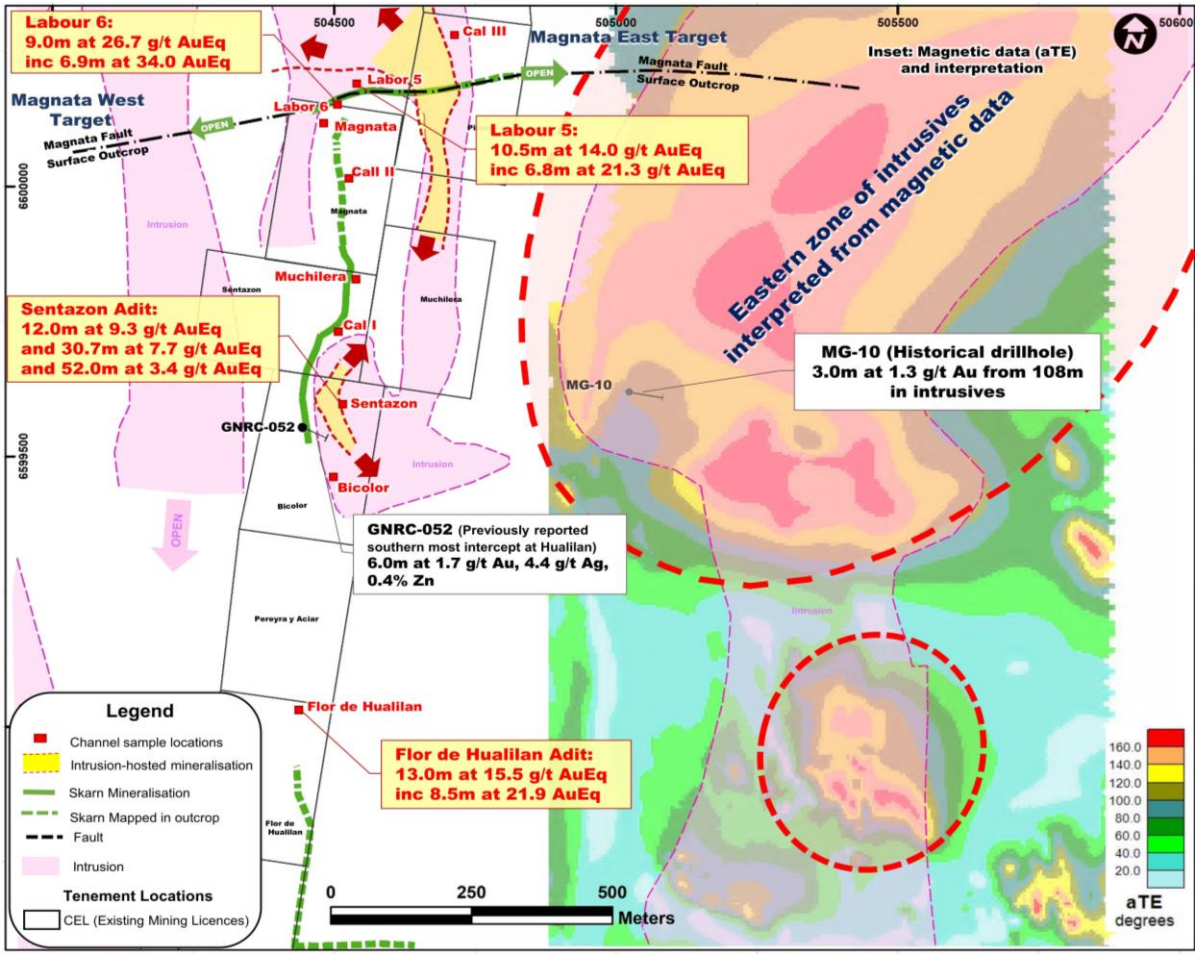


**Figure 12 - Location map of Cerro Sur channel sampling with Magnetic (aTE) data to the east**

**Magnata to Sentazon**

All of the adits and old workings covering the 600 metres of strike between the Magnata Fault and Sentazon were sampled. This included five adits in addition to the Magnata and Muchilera Adits for which results have been previously announced. The significant new results are listed in Table 5 with the locations of the Adits channel sampled shown in Figure 12.

| Channel Sample (#) | From (m) | To (m) | Total (m) | Gold (g/t) | Ag (g/t) | Zn (%) | Cu (%) | Pb (%) | Au Equiv (g/t) | Comments |
|---|---|---|---|---|---|---|---|---|---|---|
| MGNV10-09 | 0.0 | 6.5 | 6.5 | 5.5 | 44.3 | 6.4 | 0.1 | 0.1 | 8.9 | 0.2 g/t AuEq cut |
| MGNV10-10 | 0.0 | 1.0 | 1.0 | 1.1 | 3.3 | 0.9 | 0.0 | 0.1 | 1.6 | 0.2 g/t AuEq cut |
| L5NV10-01 | 8.6 | 18.0 | 9.4 | 0.3 | 5.5 | 0.1 | 0.0 | 0.0 | 0.4 | 0.2 g/t AuEq cut |
| L5NV10-02 | 0.0 | 6.3 | 6.3 | 1.7 | 32.8 | 0.5 | 0.0 | 0.1 | 2.3 | 0.2 g/t AuEq cut |
| inc | 2.0 | 6.3 | 4.3 | 2.4 | 42.7 | 0.3 | 0.0 | 0.1 | 3.1 | 1.0 g/t AuEq cut |
| L5NV10-03 | 0.0 | 1.4 | 1.4 | 1.2 | 11.3 | 0.1 | 0.0 | 0.5 | 1.3 | 0.2 g/t AuEq cut |
| L5NV10-04 | 0.0 | 9.0 | 9.0 | 26.0 | 50.8 | 0.1 | 0.0 | 1.1 | 26.7 | 0.2 g/t AuEq cut |
| inc | 2.2 | 9.0 | 6.8 | 33.1 | 60.9 | 0.1 | 0.0 | 1.2 | 34.0 | 1.0 g/t AuEq cut |
| L5NV10-05 | 0.0 | 2.7 | 2.7 | 20.1 | 267.8 | 0.1 | 0.0 | 1.0 | 23.5 | 0.2 g/t AuEq cut |
| L6NV10-01 | 0.0 | 5.2 | 5.2 | 10.4 | 19.1 | 0.2 | 0.0 | 0.5 | 10.7 | 0.2 g/t AuEq cut |
| inc | 2.0 | 3.8 | 1.8 | 27.3 | 39.3 | 0.2 | 0.0 | 0.8 | 27.9 | 1.0 g/t AuEq cut |
| L6NV10-02 | 0.0 | 3.8 | 3.8 | 0.7 | 4.5 | 0.4 | 0.0 | 0.1 | 0.9 | 0.2 g/t AuEq cut |
| and | 14.4 | 24.9 | 10.5 | 11.2 | 215.3 | 0.3 | 0.0 | 1.0 | 14.0 | 0.2 g/t AuEq cut |
| inc | 18.1 | 24.9 | 6.8 | 17.0 | 328.7 | 0.2 | 0.0 | 1.5 | 21.3 | 1.0 g/t AuEq cut |
| CIINV10-01A | 1.8 | 8.8 | 7.0 | 0.9 | 17.9 | 0.3 | 0.0 | 0.2 | 1.2 | 0.2 g/t AuEq cut |
| CIINV10-01B | 0.0 | 7.0 | 7.0 | 1.4 | 79.3 | 0.2 | 0.0 | 0.3 | 2.6 | 0.2 g/t AuEq cut |
| CIINV10-03 | 0.0 | 26.9 | 26.9 | 0.8 | 43.2 | 0.2 | 0.0 | 0.2 | 1.4 | 0.2 g/t AuEq cut |
| inc | 8.2 | 21.8 | 13.5 | 1.1 | 76.6 | 0.3 | 0.0 | 0.3 | 2.2 | 1.0 g/t AuEq cut |
| CIIINV10-01 | 0.0 | 81.0 | | | | | | | nsi | |

**Table 5 - Significant underground channel sample results Magnata-Sentazon**
**(See Table 3 for information regarding AuEq reported under the JORC Code)**

All the Adits, with the exception of Cal III, which is located north of the Magnata fault returned, significant high-grade mineralisation. Highlights include **9.0 metres at 26.7 g/t AuEq (26.1 g/t gold, 50.8 g/t silver, 0.1% zinc)** including **6.9 metres at 34.0 g/t AuEq (33.1 g/t gold, 60.9 g/t silver, 0.1 % zinc**) in Labor 5. Results of **10.5 metres at 14.0 g/t AuEq (11.2 g/t gold, 215.3 g/t silver, 1.0% zinc**) including **6.8 metres at 21.3 g/t AuEq (17.0 g/t gold, 328.7 g/t silver, 1.5 % zinc**) in Labor 6, and **6.5 metres at 8.9 g/t AuEq (5.5 g/t gold, 44.3 g/t silver, 6.4 % zinc**) from additional sampling at Magnata.

These significant and extensive high-grade results, coupled with the previously reported high-grade underground channel sample results from the Magnata and Muchilera Adits, which included results such as 12.0 metres at 16.5 g/t AuEq including 3.7m at 38.9 g/t AuEq and 22.5 metres at 12.9 g/t AuEq, support the likelihood of a continuous zone of high-grade mineralisation extending over at least 600 metres from Magnata in the north to Sentazon in the south.

**Sentazon**

The location of the Sentazon channel sampling in relation to the drilling at Sentazon is shown in Figure 3. The results which include **12.0 metres at 9.3 g/t AuEq (8.3 g/t gold, 28.9 g/t silver, 1.4% zinc), 25.7 metres at 5.5 g/t AuEq (2.0 g/t gold, 8.1 g/t silver, 7.7% zinc),** including **6.2 metres at 8.5 g/t AuEq (7.0 g/t gold, 17.0 g/t silver, 3.0% zinc)** and **30.7 metres at 7.7 g/t AuEq (0.9 g/t gold, 70.2 g/t silver, 13.5% zinc)** are shown in Table 4.

The channel sampling has confirmed the extension of the Sentazon Manto 100 metres up-dip from the Company's drilling (Figure 13), and demonstrated excellent continuity of the skarn mineralisation over the entire 50 metre strike extent covered by the Sentazon Adit.

Additionally, channel sampling confirmed the presence of broad zones of remnant lower grade mineralisation including **52.0 metres at 3.4 g/t AuEq (1.3 g/t gold, 7.9 g/t silver, 4.5% zinc)** including **25.7 metres at 5.5 g/t AuEq (2.0 g/t gold, 8.1 g/t silver, 7.7% zinc)** and **30.4 metres at 2.2 g/t AuEq (1.2 g/t gold, 8.8 g/t silver, 1.9% zinc)**. These broad zones of halo mineralisation surround the higher-grade mineralisation and were missed by the selective historical sampling; however, they may be important in the context of potential open pit mining given the near surface location.

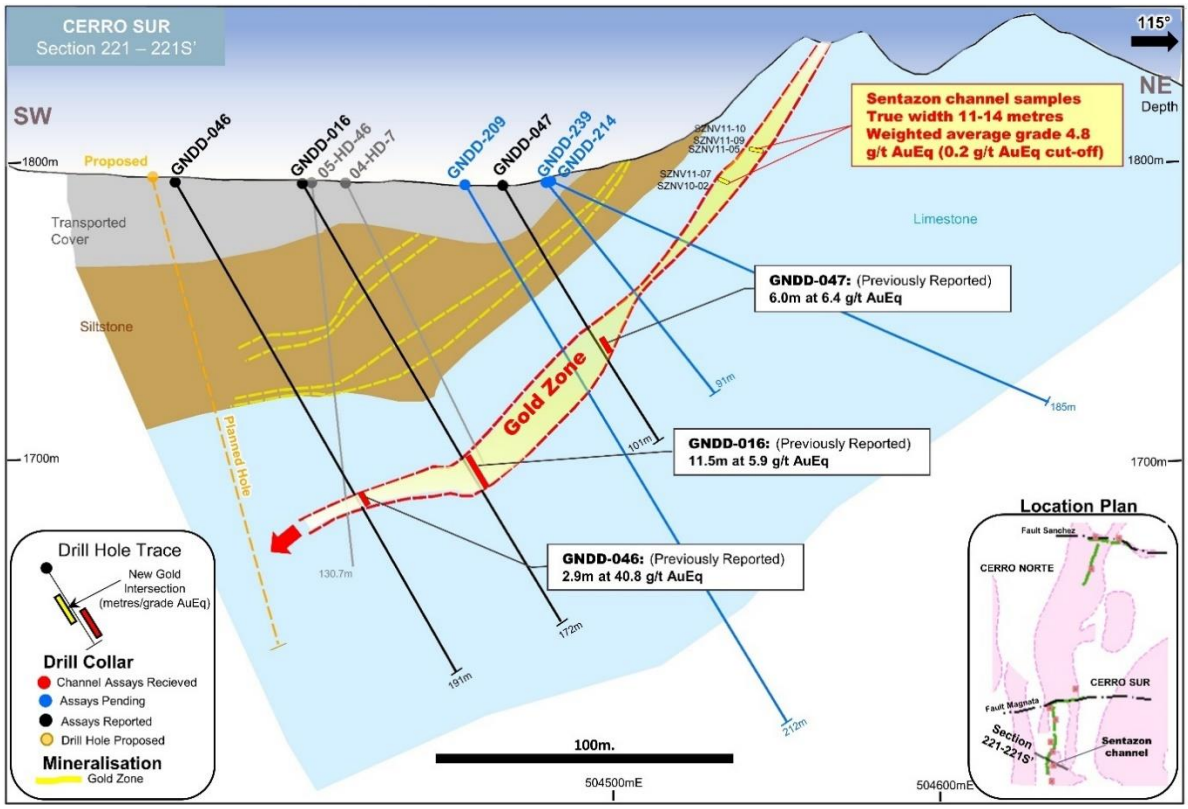


**Figure 13 - Cross section showing the location of Sentazon Channel Sampling and drilling**

## MAGNATA FAULT ZONE EXTENSION DRILLING

Subsequent to the year end the Company announced the results from the first half of drilling designed to test for extensions of high-grade mineralisation on the Magnata Fault at depth and along strike. The program was particularly pleasing with all 33 drill holes intersecting mineralisation and the footprint of the high-grade Magnata Fault mineralisation being doubles both vertically and along strike. The results are included in Table 6 and following this drilling the Magnata Fault mineralisation remains open in all directions. Highligts from the program included:

GNDD-288 which intersected a combined **422 gram metres** over three zones from near surface to 427 metres downhole and was the second best hole ever drilled at Hualilan behind historical hole DDH-61 which intersected **5.4m at 95.4 g/t AuE**q for 515 gram metres. Additionally, GNDD-288 is the deepest hole drilled to test the Magnata Fault and the intersection of **27.8m at 7.3 g/t (5.5 g/t gold, 12.9g/t silver, 3.9% zinc) from 399.0m** including **2.0m at 53.4 g/t AuEq (49.4 g/t gold, 77.4 g/t silver, 7.8% zinc)** is more than 100 metres vertically below GNDD-203 (**21.8m at 4.5 g/t AuEq** including **3.6m at 16.2 g/t AuEq**) the previous deepest intersection on the Magnata Fault. GNDD-288 was collared to test below GNDD-157 and confirmed the previously reported intersection in GNDD-157 (**12.0m at 20.9 g/t AuEq**) is a new, and third, zone of east-west trending high-grade mineralisation associated with the Magnata Fault. Mineralisation on this new zone and the main Magnata Fault zone is open below 400 metres (Figure 14).

GNDD-217 which intersected **21.1m at 7.6 g/t AuEq (5.7g/t gold, 32.1 g/t silver, 3.4% zinc)** from 111.0m including **4.4m at 29.9 g/t AuEq (23.1 g/t gold, 139 g/t silver, 11.7% zinc)** and GNDD-227 which intersected **8.0m at 5.7 g/t AuEq (4.2g/t gold, 53.6 g/t silver, 1.7% zinc) from 222.0m.** These holes were drilled to test the Magnata Fault underneath earlier CEL drillhole GNDD-006 (6.5m at 4.6 g/t AuEq from 78.5m). Drillholes GNDD-217 and GNDD-227 extended the high grade Magnata fault Mineralisation 150 metres vertically below GNDD-006.

The drilling confirmed that a significant halo of lower grade mineralisation surrounds the high-grade Magnata Fault mineralisation. This is illustrated by;

- the top of GNDD-288 which intersected **96.0m at 2.0 g.t AuEq (1.8g/t gold, 2.9g/t silver, 0.3% zinc)** from 13.0m around a high grade zone of **4.3m at 30.6 g/t AuEq (27.6 g/t gold, 35.4 g/t silver, 5.9% zinc)** from 98.2m which is a continuation of the Verde Zone south; and

- GNDD-272 which intersected **51.6m at 4.5 g/t AuEq** (3.9 g/t gold, 11.8 g/t silver, 1.0% zinc) from 96.5m around a high grade zone of **11.1m at 20.0 g/t AuEq[2] (17.4 g/t gold, 51.1 g/t silver, 4.5% zinc)** with a second zone of mineralisation 22 metres thick from 35.0m downhole above the main zone.

The surrounding halo of lower grade mineralisation was not recognised in the historical drilling and has the potential to add significant ounces and be important economically in an open cut development scenario.

Given the encouraging results, a further 30 holes have been programmed to continue to extend and infill the mineralisation to the west on the Magnata Fault with 18 of these completed (assays pending).

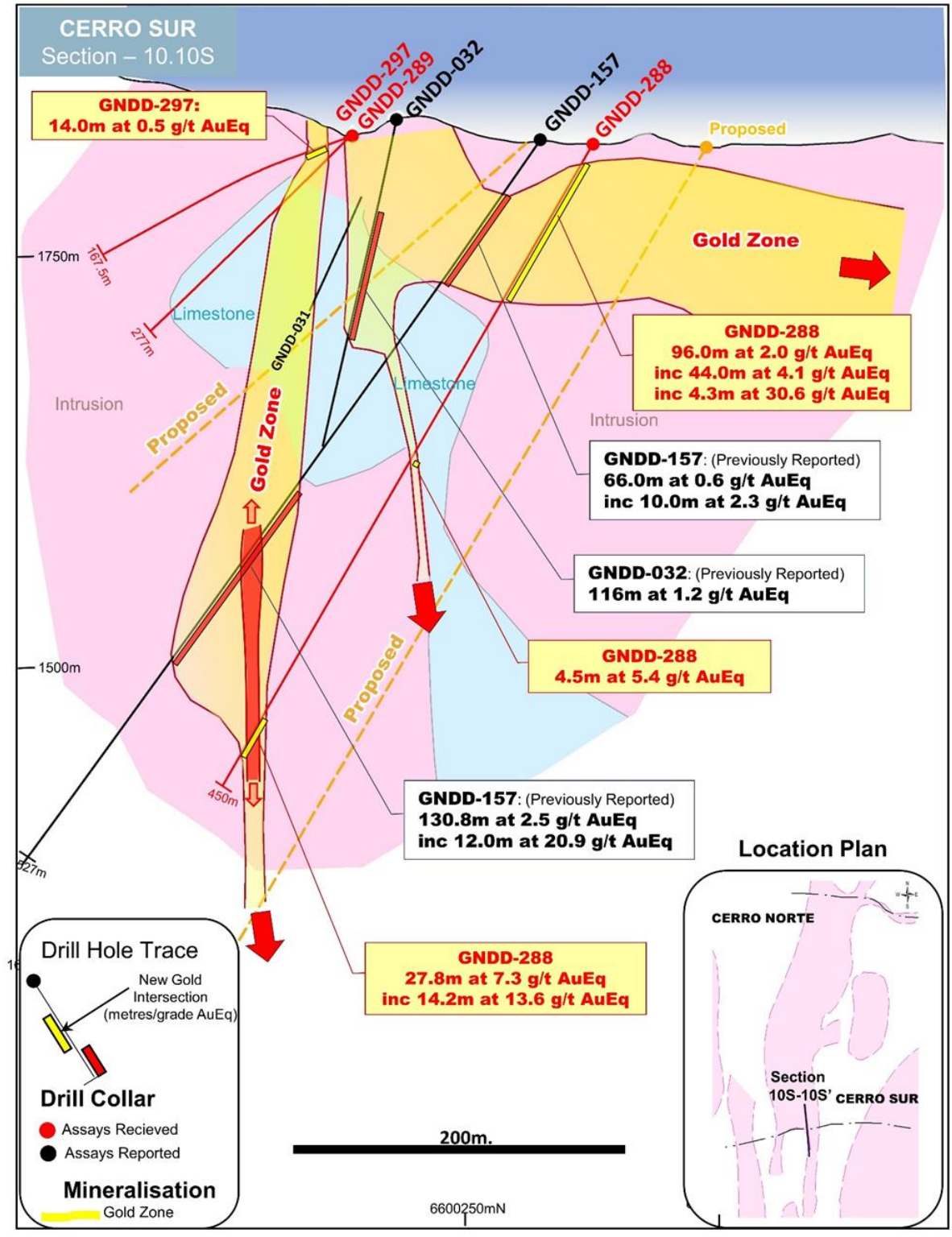


**Figure 14 - Cross section showing Magnata Fault deeper drilling**

**SENTAZON EXTYENSION DRILLING**

Sunsequent to the year end the Company announced the results from the first 14 holes from the Company's follow up drill program at Sentazon which has now been expanded to 32 holes.

Sentazon is the southernmost mineralisation that was defined historically with its location shown in Figure 12. Mineralisation as Sentazon was described historically as;

*"Manto-style" high grade lenses, oriented parallel to the limestone beds, caused by the replacement of the limestone beds with massive sulphides. The Sentazon Manto is one of three en-echelon manto zones at Cerro Sur, over a strike interval of 330 metres, the others being Muchilera and Magnata both to the north. This mineralisation is lensoid in shape, trending northerly, dipping 40 to 70 degrees west with thickness of 1 to 4 metres ranging to 8 metres and open at depth."*

Previous drilling by CEL intersected mineralisation over 150 metres of strike and 100 metres of dip at Sentazon with the mineralisation open along strike, at depth, and up-dip into the Hualilan Hills. Additionally, GNDD-142 had intersected a broad zone of high-grade mineralisation 50 metres below the Sentazon Manto returning an intercept of **40.0 metres at 6.2 g/t AuEq** in limestones and intrusives.

These early results (Table 7) contain a number of high-grade intersections such as **16.9 metres at 16.9 g/t AuEq (14.1 g/t gold, 18.3 g/t silver, 5.8% zinc)** including two higher grade zones of **7.1 metres at 32.2 g/t AuEq (28.1 g/t gold, 36.1 g/t silver, 8.3% zinc)** and **2.9 metres at 18.8 g/t AuEq (13.1 g/t gold, 13.0g/t silver, 12.6% zinc) in** GNDD-296 and **3.8 metres at 24.8 g/t AuEq AuEq (22.1 g/t gold, 125.3 g/t silver, 2.6% zinc)** in GNDD-214. This drilling has doubled the dip extent of the high-grade mineralisation at Sentazon to 200 metres with mineralisation remaining open both up-dip into the Hualilan Hills and at depth.

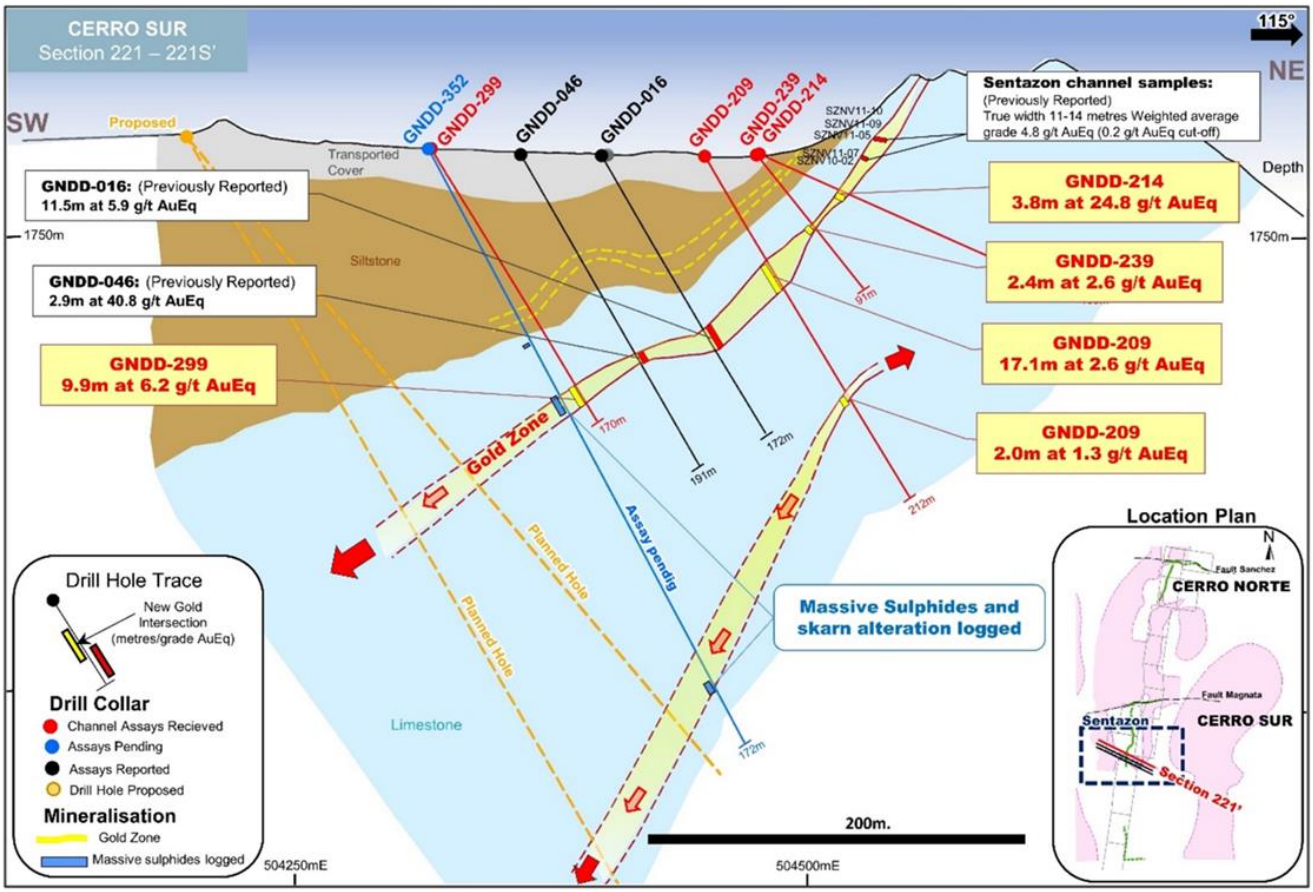


**Figure 15 - Cross section showing Sentazon mineralisation and new underlying Footwall Zone**

**New Discovery – Sentazon Footwall Zone**

The drilling confirmed the intercept in GNDD-142 as a significant new zone of high-grade gold mineralisation in the footwall below the existing high-grade mineralisation at Sentazon. Intercepts in intrusive such as **50.0 metres at 1.9g/t AuEq (1.8g/t gold, 1.0g/t silver, 0.1% zinc)** including **2.4 metres at 17.3 g/t AuEq (17.2 g/t gold, 3.76 g/t silver, 0.3% zinc)** in GNDD-253 demonstrate this new zone of footwall mineralisation below Sentazon has significant true width.

The results from the first of several deep holes at Sentazon GNDD-314 then confirmed a significant extension to the new Footwall Zone with an intersection of **2.8 metres at 62.5 g/t AuEq (59.0 g/t gold, 25.8 g/t silver, 7.2% zinc)** from 296.9m. This intercept extends the new Footwall Zone at Sentazon 75 metres below the two previous deepest intersections in this zone.

This new Footwall Zone of mineralisation has substantial down-dip extent with a number of deeper drill holes in the program (assays pending – Photo 9 to 11) intercepting zones of massive sulphides in limestone containing pyrite-sphalerite-galena-pyrrhotite with garnet-silica-pyroxene (skarn) alteration up to 200 metres down dip of the current results. This alteration style and mineral assemblage is consistent with other mineralised intervals in the limestone where high-grade gold results were received.

**Photo 8 - GNDD-314 Footwall Zone mineralisation from 297-300 metres (2.8m at 62.5 g/t AuEq)**

**Photo 9 - Footwall Zone mineralisation from 425-427 metres in GNDD-362 (assays pending)**

**Photo 10 - Close up of the Footwall Zone mineralisation from 324-326 metres in GNDD-352 (assays pending)**

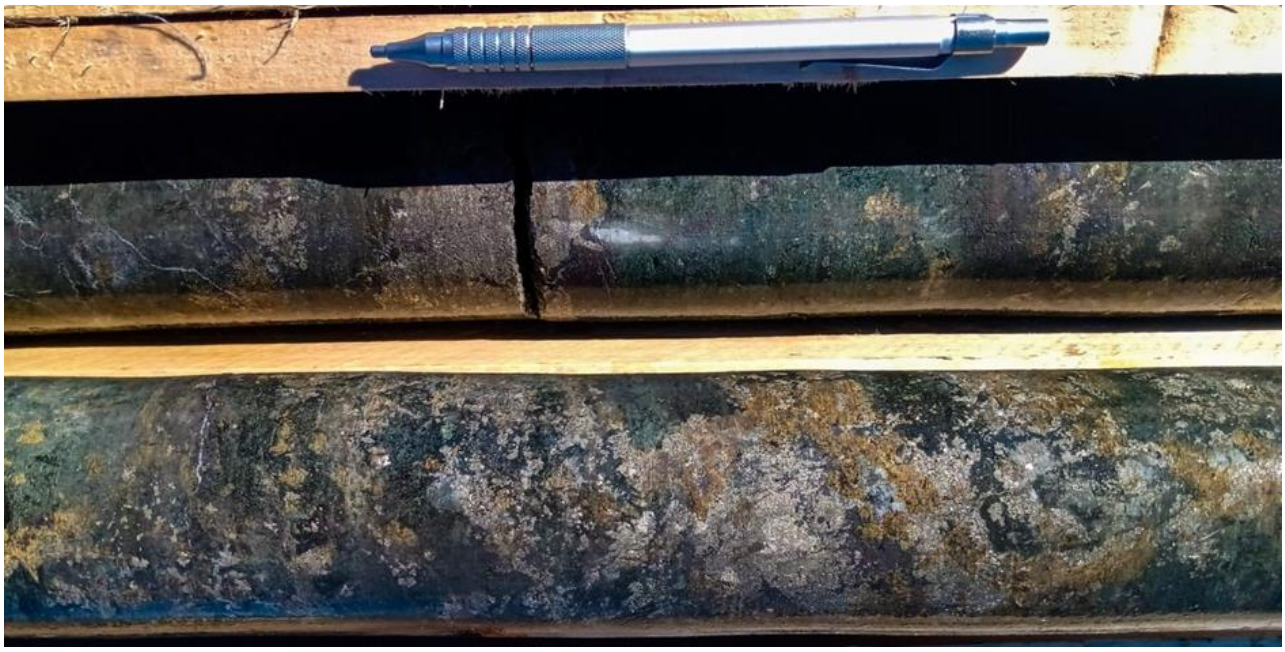

**Photo 11 - Close up of the Main Manto mineralisation from 113.5-137.5 metres in GNDD-378 (assays pending)**

## METALURGICAL TESTWORK

The Company received outstanding results from Phase 1 of its metallurgical testing program on the lower-grade intrusion hosted with follow up results received subsequent to yar end. The Company received the results from the Analysis of the concentrate produced from the high-grade skarn material which has shown it is exceptionally clean and likely to have high payability. Additionally, the results of cyanide leach testing on the float tails from the skarn material were received showing the potential to significantly increase gold recoveries into the high 90 percent level

### Bulk Sample

The first test was conducted on a 4 kilogram sub-sample of a 55.6 kg bulk sample of quarter core from 4 drill holes across the project; GNDD-113, GNDD113A, GNDD155 (Gap Zone) and GNDD157 (Magnata). The bulk sample provides material which has a grades and composition representative of the low-grade intrusion-hosted mineralisation intersected to date. Assays for holes used for the metallurgical bulk sample are shown in Table 8. The weighted average grade of the bulk sample is 1.1 g/t gold, 7.0 g/t silver, 0.01% copper, 0.03% lead and 0.09% zinc.

| Drill hole (#) | From (m) | To (m) | Total (m) | Au (g/t) | Ag (g/t) | Zn (%) | Cu (%) | Pb (%) | weight (kg) |
|---|---|---|---|---|---|---|---|---|---|
| GNDD113 | 154.00 | 161.50 | 7.50 | 0.86 | 32.0 | 0.18 | 0.06 | 0.13 | 10.95 |
| GNDD113A | 352.00 | 360.00 | 8.00 | 1.06 | 0.90 | 0.02 | 0.00 | 0.01 | 12.88 |
| GNDD155 | 195.00 | 200.00 | 5.00 | 0.92 | 1.26 | 0.10 | 0.00 | 0.02 | 10.38 |
| GNDD155 | 248.00 | 253.00 | 5.00 | 1.39 | 0.95 | 0.07 | 0.00 | 0.01 | 10.06 |
| GNDD157 | 345.00 | 352.00 | 7.00 | 1.27 | 0.53 | 0.11 | 0.00 | 0.00 | 11.38 |

**Table 8: Grades and weights of core samples that contributed to metallurgical sample**

### Initial Floatation Test result: intrusion-hosted mineralisation

The first test on the intrusion-hosted material (Test F7) was a repeat of the Test F5 test conducted on the higher-grade material, which produced excellent recoveries from a combination of gravity separation and single stage bulk sulphide float. It was conducted at a slightly finer $P_{80}$ = 80 micron grind. Gravity separation recovered 65.9% of the gold into a gravity concentrate grading 283 g/t gold and 693 g/t silver. As in the tests done on the higher-grade material gravity separation consisted of a Knelson Concentrator followed by a Mozely Table.

The tailings grades of 0.04 g/t Au and 0.90 g/t Ag are exceptionally low and correspond to a combined gravity and bulk rougher gold recovery of 96.4%. A single cleaning stage was added after the bulk sulphide float which was extremely

effective. This produced a small (1.5%) reduction in recovery from 96.4% to 94.9% (gold) and 91.6% to 86.9% (silver) at a significantly lower mass pull of 3.1%, down from 7%. The end concentrate, from the combination of the gravity and first cleaner float concentrate, produced a concentrate containing 31.5 g/t gold, 274 g/t silver, 0.5% copper, 0.5% lead, 2.7% zinc and 32% sulphur. Recoveries were **94.9% (Au), 86.8% (Ag), 62.2% (Cu), 62.9% (Pb), 85.6% (Zn).**

The production of a single stage bulk concentrate will be the lowest capital and operating expenditure option on a per tonne throughput basis when compared to other processes. It is a significant positive that these high recoveries from Phase 1 testing have been achieved without the need for fine grinding.

| Product | Weight | | Assays | | | | | Distribution | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | g | % | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) | Au (%) | Ag (%) | Cu (%) | Pb (%) | Zn (%) |
| Mozley Conc | 9.7 | 0.2 | 283 | 693 | | | | 16.9 | | | | |
| 1st Clnr Conc | 116.2 | 2.9 | 10.4 | 239 | 0.55 | 0.59 | 2.95 | 69.9 | 62.2 | 62.9 | 85.6 | 94.78 |
| 1st Clnr Tails | 154.0 | 3.8 | 0.41 | 12.1 | 0.01 | 0.021 | 0.059 | 4.7 | 1.5 | 3.0 | 2.3 | 1.8 |
| Ro Tails | 3722.0 | 93.0 | 0.04 | 0.90 | <0.01 | <0.01 | 0.013 | 8.4 | 36.3 | 34.1 | 12.1 | 3.4 |
| | | | | | | | | | | | | |
| Head (calc) | 4001.9 | 100.0 | 1.04 | 9.92 | 0.03 | 0.03 | 0.10 | 100 | 100 | 100 | 100 | 100 |
| Head (direct) | | | 1.72 | 11.2 | 0.02 | 0.06 | 0.10 | | | | | |

**Table 9 -test F7 Metallurgical Balance Table**

**Follow up Floatation Test result: intrusion-hosted mineralisation**

**Test F8**

Test F8 was a repeat of the first test conducted on the intrusion-hosted material Test F7, which involved simple gravity separation followed by single stage sulphide flotation at a $P_{80}$ = 76 micron grind, with the addition of regrind of the rougher concentrate to $P_{80}$ = 17 microns followed by two stages of cleaning. The test was undertaken using a 4kg sample of the intrusion hosted composite.

The results were outstanding producing a high-grade concentrate containing **53.6 g/t gold** and **284 g/t silver** with recoveries of **93.4% (gold)** and **70.4% (silver).** The fine regrind and addition of the second cleaning stage produced a small (1.4%) reduction in gold recovery at a significantly lower mass pull of 2.1%, down from 3.1% in test F7 where the fine regrind and second cleaning stage were not utilised.

Similar to all testing at the Hualilan Gold Project, the recovery via simple initial gravity separation was impressive. Gravity separation consisted of a Knelson Concentrator followed by a Mozely Table, recovering 71.8% of the gold in test F8.

The final rougher concentrate tailings grade of 0.03 g/t gold and 0.80 g/t silver are exceptionally low and correspond to a combined gravity and bulk rougher gold recovery of 97.8% (gold) and 91.5% (silver). The bulk of the copper (65.4%), lead (67.8%) and zinc (82.3%) were recovered into the bulk rougher concentrate, however testing is yet to target recoveries of the base metal credits from the intrusion-hosted material. The low (8%) mass pull into the bulk rougher concentrate was in line with the earlier testing. Accordingly, the regrind of the rougher concentrate to $P_{80}$ = 17 microns prior to cleaning will only require a small regrind circuit.

The increase in the gold grade of in the concentrate by approximately by 20 g/t is material and preliminary discussions with off-takers have indicated this will increase payability from approximately 80% for the F7 concentrate to above 90% inclusive of all treatment charges and penalties. The 70% increase in the concentrate grade is expected to materially decrease the concentrate transport cost which can be a significant component of cash cost when a concentrate is produced.

The trade-off from the production of a higher grade concentrate is small with a 1.4% reduction in recovery. Additionally, the recovery of residual gold and silver in the cleaner concentrate tails via a cyanide leach has the potential to offset this. Should the cyanide leach testing of the various cleaner float tails from the intrusion hosted material (testing has commenced) return similar results to the high-grade material the theoretical recovery from Test F8 would be 96.4% (gold) and 85.2% (silver).

| Product | Weight | | Assays, % | | | | | | Distribution, % | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Au | Ag | Cu | Pb | Zn | S | Au | Ag | Cu | Pb | Zn | S |
| | g | % | (g/t) | (g/t) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| **Gravity Conc** | 7.6 | 0.2 | 464 | | | | | | 71.8 | 0.0 | | | | |
| **2nd Clnr Conc** | 78.1 | 2.0 | 13.6 | 312 | 0.78 | 0.83 | 3.86 | 45.6 | 21.6 | 70.4 | 57.6 | 56.9 | 69.4 | 79.9 |
| **2nd Clnr Tails** | 34.1 | 0.9 | 1.57 | 46.3 | 0.05 | 0.062 | 0.43 | 6.28 | 1.1 | 4.6 | 1.7 | 1.9 | 3.4 | 4.8 |
| **1st Clnr Tails** | 207.0 | 5.2 | 0.78 | 27.7 | 0.03 | 0.05 | 0.2 | 2.41 | 3.3 | 16.6 | 6.1 | 9.1 | 9.5 | 11.2 |
| **Ro Tails** | 3662.2 | 91.8 | 0.03 | 0.80 | 0.01 | 0.01 | 0.021 | 0.05 | 2.2 | 8.5 | 34.6 | 32.2 | 17.7 | 4.1 |
| **Head (calc)** | 3989.0 | 1000 | 1.23 | 8.68 | 0.03 | 0.03 | 0.11 | 1.12 | 100 | 100 | 100 | 100 | 100 | 100 |
| | | | | | | | | | | | | | | |
| **Product** | **Weight** | | **Assays, %** | | | | | | **Distribution, %** | | | | | |
| | **g** | **%** | **Au** | **Ag** | **Cu** | **Pb** | **Zn** | **S** | **Au** | **Ag** | **Cu** | **Pb** | **Zn** | S |
| **Gravity Conc** | 7.6 | 0.2 | 464 | | | | | | 71.8 | | | | | |
| **Gravity Conc & 2nd Clnr Conc** | **85.7** | **2.1** | **53.6** | **284.3** | **0.71** | **0.76** | **3.52** | **41.6** | **93.4** | **70.4** | **57.6** | **56.9** | **69.4** | **79.9** |
| **Gravity Conc & 1st Clnr Conc** | 119.8 | 3.0 | 38.8 | 216.6 | 0.52 | 0.56 | 2.64 | 31.5 | 94.5 | 75.0 | 59.3 | 58.8 | 72.8 | 84.7 |
| **Gravity Conc & Bulk Ro Conc** | 326.8 | 8.2 | 14.7 | 96.9 | 0.21 | 0.24 | 1.09 | 13.1 | 97.8 | 91.5 | 65.4 | 67.8 | 82.3 | 95.9 |

**Table 10 -test F8 Metallurgical Balance Table**

**Test F10**

Test F10 was similar to test F8 with a simple gravity separation and single stage sulphide flotation at a $P_{80}$ = 76 micron grind followed by the regrind of the rougher concentrate to $P_{80}$ = 19 microns. However, F10 was was undertaken using a larger (12 kg) sample with the 2nd cleaner circuit in F10 set up with three incremental cleaner stages to give a guide to floatation kinetics.

Gravity separation was again impressive with gravity separation recovering **61.7% (gold)**, **15.5% (silver)**, and **41.4% (lead)** into a gravity concentrate grading **418 g/t gold**, **1037 g/t silver** and **15.5% lead**. The rougher concentrate tailings grades of 0.03 g/t gold and 0.80 g/t silver were the same as test F8 which is exceptionally low and corresponds to a combined gravity and bulk rougher gold recovery of 97.4% (gold) and 93.1% (silver). The majority of the **copper (64.5%)**, **lead (84.5%)** and **zinc (78.2%)** credits were recovered into the combination of the bulk rougher and gravity concentrate. The mass pull at 7.6% was slightly lower than the results of F8 and confirmed that should this process route be used the regrind circuit required will be small and relatively inexpensive.

Combining the gravity and final cleaner concentrate after the first increment of the second cleaner stage produced a high-grade concentrate containing **46.8 g/t gold** and **375 g/t silver,** with recoveries of **91.5% (gold)** and **74.2% (silver)** at a 2.1% mass pull**.** Combining the gravity and cleaner concentrate after the second increment of the second cleaner produced a concentrate containing **40.3 g/t gold** and **346 g/t silver** with recoveries of **94.2% (gold)** and **81.8% (silver),** at a 2.5% mass pull. The use of all three incremental second cleaner concentrates increased recoveries to **94.6% (gold)** and **83.4% (silver)** with the higher mass pull from only a single cleaning stage reducing the concentrate grades to **38.6 g/t gold** and **337 g/t silver.**

Test F10 produced similar recoveries compared to the 4 kg test in F8, although the final concentrate grade was slightly lower in test F10 than in test F8. The bulk sample of the intrusion hosted material has a low head grade and testing is sensitive to the mass recovery, particularly the gravity recovery. At this low head grade and a small decrease in gravity recovery will have an impact on the concentrate grade. The finer regrind in test F8 (P80 = 17 microns in F8, $P_{80}$ = 19 microns in F10) may have resulted in the slightly better recoveries and grade in test F8. This will be evaluated in further testing.

| Product | Weight | | Assays, % | | | | | | Distribution, % | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Au | Ag | Cu | Pb | Zn | S | Au | Ag | Cu | Pb | Zn | S |
| | g | % | (g/t) | (g/t) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Gravity Conc | 18.3 | 0.2 | 418 | 1,037 | 0.13 | 15.5 | 0.18 | 45.9 | 61.7 | 15.5 | 0.8 | 41.5 | 0.3 | 5.8 |
| 2nd Clnr Conc 3 | 224.5 | 2.0 | 16.5 | 321 | 0.71 | 1.08 | 3.01 | 45.1 | 29.9 | 58.7 | 53.6 | 35.5 | 53.6 | 70.2 |
| 2nd Clnr Conc 2 | 47.3 | 0.4 | 6.93 | 197 | 0.32 | 0.48 | 2.86 | 28.9 | 2.6 | 7.6 | 5.1 | 3.3 | 10.7 | 9.5 |
| 2nd Clnr Conc 1 | 13.5 | 0.1 | 3.76 | 148 | 0.21 | 0.30 | 1.95 | 17.3 | 0.4 | 1.6 | 1.0 | 0.6 | 2.1 | 1.6 |
| 2nd Clnr Tails | 86.7 | 0.8 | 1.57 | 30.6 | 0.02 | 0.077 | 0.23 | 2.95 | 1.1 | 2.2 | 0.6 | 1.0 | 1.6 | 1.8 |
| 1st Clnr Tails | 478.7 | 4.2 | 0.46 | 19.3 | 0.02 | 0.037 | 0.26 | 2.03 | 1.8 | 7.5 | 3.4 | 2.6 | 9.9 | 6.7 |
| Ro Tails | 10,559 | 92.4 | 0.03 | 0.80 | 0.01 | 0.01 | 0.026 | 0.06 | 2.6 | 6.9 | 35.5 | 15.5 | 21.8 | 4.4 |
| Head (calc) | 11,428 | 100.0 | 1.09 | 10.7 | 0.03 | 0.06 | 0.11 | 1.26 | 100 | 100.0 | 100.0 | 100 | 100 | 100 |
| | | | | | | | | | | | | | | |
| **Product** | **Weight** | | **Assays, %** | | | | | | **Distribution, %** | | | | | |
| | **g** | **%** | **Au** | **Ag** | **Cu** | **Pb** | **Zn** | **S** | **Au** | **Ag** | **Cu** | **Pb** | **Zn** | **S** |
| Gravity Conc | 18.3 | 0.2 | 418 | | | | | | 61.7 | | | | | |
| **Gravity Conc & Increment #1 of** | **242.8** | **2.1** | **46.8** | **375.0** | **0.67** | **2.17** | **2.80** | **45.2** | **91.5** | **74.2** | **54.4** | **77.0** | **53.9** | **76.0** |
| Gravity Conc & Increments 1 & 2 of 2nd Clnr | 290.1 | 2.5 | 40.3 | 345.9 | 0.61 | 1.89 | 2.81 | 42.5 | 94.2 | 81.8 | 59.5 | 80.4 | 64.7 | 85.5 |
| Gravity and all 2nd Clnr Concs | 303.6 | 2.7 | 38.6 | 337.1 | 0.59 | 1.82 | 2.77 | 41.4 | 94.6 | 83.4 | 60.5 | 81.0 | 66.7 | 87.1 |
| Gravity Conc & 1st Clnr Conc | 390.3 | 3.4 | 30.4 | 269.1 | 0.47 | 1.43 | 2.20 | 32.8 | 95.7 | 85.6 | 61.1 | 81.9 | 68.3 | 88.9 |
| Gravity Conc & Bulk Ro Conc | 869.0 | 7.6 | 13.9 | 131.5 | 0.22 | 0.66 | 1.13 | 15.9 | 97.4 | 93.1 | 64.5 | 84.5 | 78.2 | 95.6 |

**Table 11 -test F10 Metallurgical Balance Table**

Should the exploratory cyanide leach testing of the various cleaner float tails from the intrusion hosted material, which has commenced, return similar results to the high-grade material the theoretical recovery from Test F10 producing the high-grade (46.8 g/t gold and 375 g/t silver) concentrate, would be 95.6% (gold) and 87.4% (silver).

The results of Test F10, similar to Test F8, are extremely encouraging resulting in high gold recoveries into a high-grade gold concentrate that will have excellent payability. The results suggest that the use of the second cleaner circuit, where adding incremental cleaner flotation stages allows us to increase the final concentrate grade with very low changes in overall gold recovery, will be helpful to achieve a specific concentrate grade target. This is likely to allow the Company to optimise Hualilan concentrate gold grades to ensure an optimum economic trade-off between gold payabilities, recovery, and concentrate transportation costs, providing a significant economic advantage in marketing and selling a final concentrate product.

## ANALYSIS OF THE CONCENTRATE FROM THE HIGH-GRADE MATERIAL

Detailed analysis of the composition of the concentrate produced from the high-grade skarn mineralisation (namely the combination of the first cleaner concentrate and the gravity concentrate from the high-grade material test F5 - see metallurgical balance below) has demonstrated that the concentrate has significant advantages over most concentrates. The composition of the concentrate is shown in Table 12.

Of particular note is the arsenic content, below the 30 ppm (g/t) detection level which is rare for a gold concentrate, and all other deleterious elements being well below the level at which they would incur smelter penalties. This significantly expands the number of potential treatment routes.

Preliminary discussions with potential offtake partners and concentrate traders have indicated that this concentrate is likely to be highly sought and will attract a significant premium to most similar grade gold concentrates. Early indicative payabilities show that the sale of a concentrate from the combined gravity and single stage float is an attractive and robust option to use to evaluate the economics of the project. The Company will also continue to advance the production and sale of separate zinc, copper, and lead concentrate streams.

| Ag g/t | Al g/t | As g/t | Ba g/t | Be g/t | Bi g/t | Ca g/t | Cd g/t | Cl g/t | Co g/t | Cr g/t | Cu g/t |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (%) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) |
| 113 | 1,510 | < 30 | 7.5 | 0.28 | < 20 | 4.6 | 1,130 | 20 | < 5 | 65 | 0.6 |
| | | | | | | | | | | | |
| **Fe g/t** | **F %** | **Hg g/t** | **K g/t** | **Li g/t** | **Mg g/t** | **Mn g/t** | **Mo g/t** | **Na g/t** | **Ni g/t** | **P g/t** | **Pb g/t** |
| (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (%) |
| 30.3 | 22 | < 0.3 | 344 | < 40 | 2,460 | 7,130 | < 5 | 185 | < 20 | < 200 | 1.4 |
| | | | | | | | | | | | |
| **Sb g/t** | **Se g/t** | **Sn g/t** | **Sr g/t** | **Ti g/t** | **Tl g/t** | **U g/t** | **V g/t** | **Y g/t** | **Zn g/t** | **Au** | |
| (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (ppm) | (%) | (ppm) | |
| < 30 | < 30 | < 20 | 32.6 | 60.1 | < 30 | < 50 | < 4 | 1.7 | 11.6 | 54.2 | |

**Table 12 - Composition of combined gravity and first cleaner concentrate test F5 (high-grade skarn)**

## EXPLORATORY CYANIDE LEACH OF THE FLOAT TAILS

For completeness, the Company undertook an exploratory cyanide leach of the F5 concentrate tails produced in the flotation testing of the high-grade skarn material. Some 9.4% of the gold from the higher grade sample is lost into the float tails in the combined gravity single stage float with the float tails grading 2.1 g/t gold and less than 10 g/t silver. Additionally, the first cleaner float tails contain 3.7% of the gold at a grade of 7.5 g/t.

Given that historical bulk sample bottle roll testing, which was used to determine the effectiveness of cyanide to recover the gold at Hualilan, had produced recoveries of 20-40% it was not expected that cyanide would recover a significant portion of the residual gold In the float tails.

Testing was conducted on a 1.34 kg sample of the F5 float tails over a 48 hour leach duration. Surprisingly, the testing resulted in the recovery of 70% of the gold and 72% of the silver. The cyanide consumption of 4.25 kg/t NaCn was at the higher end, however it represents a viable option to significantly increase recoveries. Additionally, no attempt has been made to further clean the float tails to remove the residual zinc and copper which are likely to be responsible for the majority of the cyanide consumption.

The likelihood of the recovery of the majority of any residual gold and silver in the concentrate tails provides not only improved recoveries and most likely a better outcome. It also provides the flexibility to target a higher grade concentrate without significantly reducing overall recoveries.

## EL GUAYABO GOLD AND COLORADO V GOLD/COPPER PROJECT - ECUADOR

### PREPARATION FOR MAIDEN DRILL PROGRAM

The Company has now completed its program of logging and assaying of historical drill holes. The drill holes are from a series of 60 historical holes drilled by CEL's farm-in partner. These holes were drilled targeting extensions to narrow high-grade vein hosted gold mineralisation currently exploited on a small scale. These historical drill holes were not systematically logged or assayed for bulk tonnage gold or base metal mineralisation. The final assays are currently pending.

Additionally, the Company has completed its rock-saw channel sampling program in the adits and underground workings at Colorado V and El Guaybo and El Guayabo 2 with approximately 2,000 metres of channel sampling in the El Guayabo concession at the Adriano and Ecuaba Adits. This program was extended and final assays are pending. Similarly a soil geochemistry program expanding the Company's initial soil grid to cover the Colorado V and El Guaybo 2 concession was completed, with results pending.

This data together with the external processed 50 square kilometre airborne magnetic survey and other geophysical data has been integrated to produce a significant number of high priority drill targets. These drilling targets are currently being ranked internally prior to the finalisation of the Company's maiden drill program.
A drill contact for 20,000 metres of drilling was entered into, which will involve 2 rigs on site. Land access agreements are currently being finalised with drilling commencing in August.

**COLORADO V EXPLORATION TARGET**

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

**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
- 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, 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, 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

**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 13: Exploration Target**

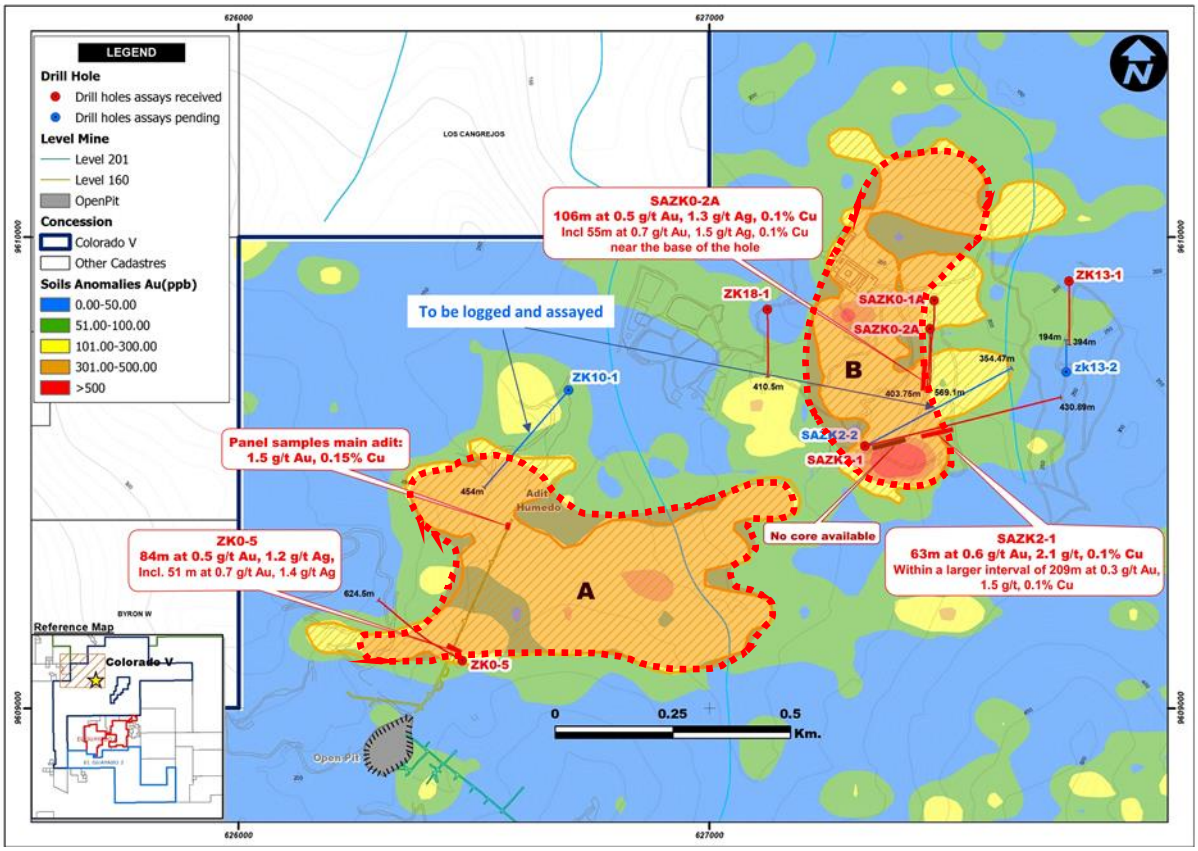


**Figure 16 : Showing location of drilling and Anomaly A and B (>100ppb gold in soil)**

## 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.


**Part of the Hualilan Gold Project team on site - Core Logging Facility Hualilan**

**Table 1 Hualilan Gold project Drill results reported during the final quarter of 2021**

| Drill Hole (#) | From (m) | To (m) | Interval (m) | Gold (g/t) | Ag (g/t) | Zn (%) | Au Equiv (g/t) | Comments |
|---|---|---|---|---|---|---|---|---|
| GNDD133 | 95.7 | 100.0 | **4.3** | **1.3** | **2.2** | **0.2** | **1.4** | 0.2 g/t AuEq cut |
| inc | 95.7 | 96.8 | **1.1** | **3.8** | **5.3** | **0.5** | **4.1** | 1.0 g/t AuEq cut |
| and | 163.0 | 174.5 | **11.5** | **0.3** | **1.0** | **0.0** | **0.3** | 0.2 g/t AuEq cut |
| GNDD135 | 31.0 | 53.6 | **22.6** | **0.4** | **1.1** | **0.1** | **0.5** | 0.2 g/t AuEq cut |
| inc | 41.0 | 43.0 | **2.0** | **1.6** | **0.7** | **0.1** | **1.7** | 1.0 g/t AuEq cut |
| and | 78.0 | 105.2 | **27.2** | **0.5** | **2.6** | **0.4** | **0.7** | 0.2 g/t AuEq cut |
| inc | 79.6 | 83.0 | **3.4** | **1.4** | **3.9** | **0.3** | **1.6** | 1.0 g/t AuEq cut |
| inc | 95.0 | 97.0 | **2.0** | **1.9** | **2.0** | **0.2** | **2.0** | 1.0 g/t AuEq cut |
| inc | 104.3 | 105.2 | **0.9** | **0.1** | **5.3** | **3.2** | **1.5** | 1.0 g/t AuEq cut |
| GNDD138 | 43.0 | 97.0 | **54.0** | **0.4** | **2.4** | **0.2** | **0.5** | 0.2 g/t AuEq cut |
| GNDD150 | 40.0 | 62.0 | **22.0** | **0.3** | **0.9** | **0.1** | **0.3** | 0.2 g/t AuEq cut |
| and | 76.0 | 111.9 | **35.9** | **0.2** | **2.6** | **0.4** | **0.5** | 0.2 g/t AuEq cut |
| and | 180.3 | 181.6 | **1.3** | **16.8** | **26.1** | **2.9** | **18.4** | 1.0 g/t AuEq cut |
| GNDD154 | 125.9 | 128.5 | **2.6** | **4.6** | **34.6** | **3.0** | **6.3** | 1.0 g/t AuEq cut |
| and | 146.0 | 168.0 | **22.0** | **0.2** | **1.0** | **0.0** | **0.2** | 0.2 g/t AuEq cut |
| inc | 146.0 | 147.0 | **1.0** | **1.8** | **12.6** | **0.1** | **2.0** | 1.0 g/t AuEq cut |
| GNDD158 | 107.0 | 126.0 | **19.0** | **0.6** | **1.0** | **0.1** | **0.7** | 0.2 g/t AuEq cut |
| inc | 120.1 | 121.0 | **1.0** | **2.8** | **4.2** | **0.3** | **2.9** | 0.2 g/t AuEq cut |
| and | 139.0 | 145.0 | **6.0** | **0.4** | **0.8** | **0.3** | **0.6** | 0.2 g/t AuEq cut |
| GNDD-162 | 98.0 | 112.8 | **14.8** | **2.0** | **3.5** | **0.3** | **2.2** | 1.0 g/t AuEq cut |
| | 102.1 | 109.0 | **6.9** | **3.9** | **6.4** | **0.5** | **4.2** | 1.0 g/t AuEq cut |
| GNDD173 | 83.0 | 149.0 | **66.0** | **0.5** | **3.1** | **0.1** | **0.6** | 0.2 g/t AuEq cut |
| inc | 87.0 | 93.0 | **6.0** | **2.0** | **18.8** | **0.3** | **2.4** | 1.0 g/t AuEq cut |
| inc | 116.0 | 122.0 | **6.0** | **1.4** | **2.8** | **0.1** | **1.5** | 1.0 g/t AuEq cut |
| inc | 130.4 | 131.0 | **0.6** | **8.9** | **23.9** | **0.1** | **9.3** | 1.0 g/t AuEq cut |
| GNDD176 | 73.9 | 76.9 | **3.0** | **0.9** | **3.3** | **0.2** | **1.0** | 0.2 g/t AuEq cut |
| inc | 76.1 | 76.9 | **0.8** | **2.5** | **1.7** | **0.2** | **2.6** | 1.0 g/t AuEq cut |
| and | 247.2 | 248.5 | **1.3** | **0.3** | **98.9** | **0.1** | **1.6** | 1.0 g/t AuEq cut |
| GNDD177 | 41.5 | 104.9 | **63.4** | **0.6** | **1.8** | **0.2** | **0.7** | 0.2 g/t AuEq cut |
| inc | 55.0 | 56.3 | **1.3** | **1.3** | **3.5** | **0.1** | **1.4** | 1.0 g/t AuEq cut |
| inc | 60.0 | 62.0 | **2.0** | **1.0** | **1.2** | **0.2** | **1.1** | 1.0 g/t AuEq cut |
| inc | 71.8 | 72.3 | **0.5** | **1.3** | **7.3** | **0.2** | **1.5** | 1.0 g/t AuEq cut |
| inc | 86.0 | 97.2 | **11.2** | **2.1** | **3.0** | **0.6** | **2.4** | 1.0 g/t AuEq cut |
| GNDD183 | 35.0 | 90.5 | **55.5** | **1.0** | **1.5** | **0.4** | **1.2** | 0.2 g/t AuEq cut |
| inc | 37.0 | 39.0 | **2.0** | **1.1** | **1.0** | **0.1** | **1.1** | 1.0 g/t AuEq cut |
| inc | 57.0 | 59.0 | **2.0** | **1.0** | **0.4** | **0.1** | **1.0** | 1.0 g/t AuEq cut |
| inc | 72.0 | 87.0 | **15.0** | **3.2** | **3.5** | **0.9** | **3.6** | 1.0 g/t AuEq cut |
| and | 112.0 | 136.0 | **24.0** | **0.2** | **6.8** | **1.1** | **0.7** | 0.2 g/t AuEq cut |
| inc | 119.0 | 120.2 | **1.2** | **2.6** | **95.1** | **17.1** | **11.3** | 1.0 g/t AuEq cut |
| GNDD185 | 59.0 | 119.0 | **60.0** | **0.6** | **1.5** | **0.3** | **0.7** | 0.2 g/t AuEq cut |
| inc | 67.0 | 71.5 | **4.5** | **1.8** | **3.3** | **0.4** | **2.0** | 1.0 g/t AuEq cut |
| inc | 83.0 | 93.0 | **10.0** | **1.0** | **1.7** | **0.2** | **1.1** | 1.0 g/t AuEq cut |
| inc | 114.0 | 119.0 | **5.0** | **1.4** | **2.0** | **1.1** | **1.9** | 1.0 g/t AuEq cut |
| and | 138.0 | 145.1 | **7.1** | **1.0** | **8.9** | **1.1** | **1.6** | 1.0 g/t AuEq cut |
| GNDD187 | 145.0 | 161.0 | **16.0** | **0.4** | **0.6** | **0.1** | **0.5** | 0.2 g/t AuEq cut |
| inc | 149.0 | 151.0 | **2.0** | **1.6** | **2.5** | **0.6** | **1.9** | 1.0 g/t AuEq cut |
| and | 192.0 | 207.0 | **15.0** | **0.5** | **0.9** | **0.2** | **0.5** | 0.2 g/t AuEq cut |
| and | 302.5 | 308.0 | **5.5** | **1.7** | **26.0** | **0.7** | **2.4** | 1.0 g/t AuEq cut |
| inc | 302.5 | 305.0 | **2.5** | **3.7** | **55.9** | **1.2** | **5.0** | 1.0 g/t AuEq cut |
| GNDD190 | 47.3 | 55.0 | **7.7** | **0.1** | **4.6** | **4.9** | **2.3** | 1.0 g/t AuEq cut |
| and | 161.1 | 163.0 | **1.9** | **0.2** | **5.7** | **0.2** | **0.4** | 0.2 g/t AuEq cut |
| and | 186.0 | 191.0 | **5.0** | **0.2** | **0.1** | **0.0** | **0.2** | 0.2 g/t AuEq cut |
| and | 200.0 | 204.0 | **4.0** | **0.3** | **0.1** | **0.0** | **0.3** | 0.2 g/t AuEq cut |
| GNDD191 | 188.4 | 209.5 | **21.2** | **0.5** | **3.2** | **0.4** | **0.7** | 1.0 g/t AuEq cut |
| and | 217.4 | 217.9 | **0.5** | **2.5** | **16.8** | **2.5** | **3.8** | 1.0 g/t AuEq cut |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| and | 238.0 | 240.0 | **2.0** | **0.4** | **3.5** | **0.8** | **0.8** | 0.2 g/t AuEq cut |
| GNDD193 | 96.3 | 179.8 | **83.5** | **0.7** | **1.3** | **0.2** | **0.8** | 0.2 g/t AuEq cut |
| inc | 96.3 | 105.8 | **9.5** | **1.5** | **2.7** | **0.1** | **1.6** | 1.0 g/t AuEq cut |
| inc | 121.4 | 135.2 | **13.9** | **1.3** | **1.7** | **0.5** | **1.6** | 1.0 g/t AuEq cut |
| inc | 147.8 | 149.0 | **1.2** | **0.9** | **1.8** | **1.9** | **1.7** | 1.0 g/t AuEq cut |
| inc | 160.5 | 171.6 | **11.1** | **1.0** | **2.1** | **0.4** | **1.2** | 1.0 g/t AuEq cut |
| and | 191.0 | 198.5 | **7.5** | **1.3** | **9.3** | **0.5** | **1.6** | 0.2 g/t AuEq cut |
| inc | 194.7 | 198.5 | **3.8** | **2.1** | **16.6** | **0.9** | **2.7** | 1.0 g/t AuEq cut |
| and | 218.0 | 219.5 | **1.5** | **0.1** | **72.3** | **0.1** | **1.0** | 1.0 g/t AuEq cut |
| and | 251.0 | 252.9 | **1.9** | **1.1** | **7.6** | **0.2** | **1.3** | 1.0 g/t AuEq cut |
| GNDD199 | 26.0 | 172.0 | **146.0** | **0.4** | **1.1** | **0.2** | **0.5** | 0.2 g/t AuEq cut |
| inc | 26.0 | 86.0 | **60.0** | **0.6** | **1.5** | **0.2** | **0.7** | 0.2 g/t AuEq cut |
| inc | 36.0 | 38.0 | **2.0** | **1.6** | **1.3** | **0.1** | **1.6** | 1.0 g/t AuEq cut |
| inc | 44.0 | 45.0 | **1.0** | **1.8** | **5.4** | **0.2** | **1.9** | 1.0 g/t AuEq cut |
| inc | 58.0 | 68.0 | **10.0** | **1.4** | **1.2** | **0.2** | **1.5** | 1.0 g/t AuEq cut |
| inc | 169.0 | 172.0 | **3.0** | **1.0** | **7.9** | **1.8** | **1.9** | 1.0 g/t AuEq cut |
| and | 187.0 | 228.0 | **41.0** | **0.2** | **0.7** | **0.1** | **0.2** | 0.2 g/t AuEq cut |
| GNDD216 | 81.0 | 85.0 | **4.0** | **0.3** | **0.3** | **0.0** | **0.3** | 0.2 g/t AuEq cut |
| and | 204.0 | 206.0 | **2.0** | **0.6** | **3.5** | **0.2** | **0.8** | 0.2 g/t AuEq cut |
| GNDD220 | 86.0 | 194.0 | **108.0** | **0.4** | **1.6** | **0.1** | **0.4** | 0.2 g/t AuEq cut |
| inc | 88.0 | 90.0 | **2.0** | **1.1** | **10.5** | **0.5** | **1.4** | 1.0 g/t AuEq cut |
| inc | 137.0 | 186.0 | **49.0** | **0.6** | **1.3** | **0.1** | **0.6** | 0.2 g/t AuEq cut |
| inc | 146.0 | 150.0 | **4.0** | **1.2** | **1.4** | **0.1** | **1.2** | 1.0 g/t AuEq cut |
| inc | 158.3 | 162.0 | **3.7** | **1.8** | **1.9** | **0.0** | **1.8** | 1.0 g/t AuEq cut |
| inc | 182.0 | 184.0 | **2.0** | **1.7** | **2.8** | **0.0** | **1.7** | 1.0 g/t AuEq cut |
| GNDD225 | 79.0 | 88.2 | **9.2** | **0.2** | **0.8** | **0.0** | **0.2** | 0.2 g/t AuEq cut |
| and | 207.0 | 209.0 | **2.0** | **4.3** | **1.1** | **0.0** | **4.3** | 1.0 g/t AuEq cut |
| and | 235.0 | 244.2 | **9.2** | **0.9** | **0.6** | **0.0** | **1.0** | 1.0 g/t AuEq cut |
| GNDD226 | 109.0 | 125.0 | **16.0** | **0.5** | **2.4** | **0.3** | **0.7** | 0.2 g/t AuEq cut |
| inc | 116.0 | 123.4 | **7.4** | **0.7** | **4.0** | **0.5** | **1.0** | 1.0 g/t AuEq cut |
| and | 146.0 | 190.0 | **44.0** | **0.5** | **0.7** | **0.1** | **0.5** | 0.2 g/t AuEq cut |
| inc | 170.0 | 172.0 | **2.0** | **1.3** | **0.8** | **0.1** | **1.4** | 1.0 g/t AuEq cut |
| inc | 188.0 | 190.0 | **2.0** | **3.8** | **1.1** | **0.2** | **3.9** | 1.0 g/t AuEq cut |
| GNDD229 | 167.0 | 205.3 | **38.3** | **0.7** | **6.5** | **0.3** | **0.9** | 0.2 g/t AuEq cut |
| inc | 171.0 | 177.0 | **6.0** | **1.7** | **30.1** | **1.5** | **2.7** | 1.0 g/t AuEq cut |
| inc | 204.5 | 205.3 | **0.8** | **4.8** | **5.9** | **0.3** | **5.0** | 1.0 g/t AuEq cut |
| GNDD230 | 211.0 | 217.0 | **6.0** | **0.2** | **2.5** | **0.0** | **0.2** | 0.2 g/t AuEq cut |
| and | 227.0 | 242.0 | **15.0** | **0.2** | **1.1** | **0.1** | **0.2** | 0.2 g/t AuEq cut |
| and | 256.0 | 260.0 | **4.0** | **0.5** | **0.7** | **0.1** | **0.5** | 0.2 g/t AuEq cut |
| GNDD233 | 113.0 | 115.0 | **2.0** | **0.5** | **0.6** | **0.1** | **0.6** | 0.2 g/t AuEq cut |
| and | 180.1 | 182.5 | **2.4** | **0.4** | **0.5** | **0.0** | **0.4** | 0.2 g/t AuEq cut |
| GNDD234 | 33.40 | 76.00 | **42.60** | **1.08** | **4.8** | **0.65** | **1.4** | 0.2/g/t AuEq cut |
| inc | 50.00 | 56.00 | **6.00** | **6.8** | **16.0** | **3.6** | **8.6** | 1.0 g/t AuEq cut |
| inc | 53.25 | 54.30 | **1.05** | **25.5** | **51.9** | **0.35** | **26.3** | 10.0 g/t AuEq cut |
| GNDD236 | 175.0 | 227.0 | **52.0** | **1.1** | **4.1** | **0.3** | **1.2** | 0.2/g/t AuEq cut |
| inc | 177.0 | 179.0 | **2.0** | **2.9** | **9.6** | **0.4** | **3.3** | 1.0 g/t AuEq cut |
| inc | 201.0 | 221.0 | **2.0** | **1.0** | **5.6** | **1.9** | **1.9** | 1.0 g/t AuEq cut |
| inc | 216.6 | 151.0 | **4.4** | **8.4** | **33.6** | **0.2** | **8.9** | 1.0 g/t AuEq cut |
| GNDD237 | 139.0 | 357.0 | **12.0** | **0.3** | **1.2** | **0.3** | **0.5** | 0.2/g/t AuEq cut |
| and | 201.6 | 270.0 | **155.5** | **0.6** | **2.1** | **0.1** | **0.7** | 0.2/g/t AuEq cut |
| inc | 201.6 | 243.0 | **72.5** | **0.6** | **3.8** | **0.2** | **0.7** | 0.2/g/t AuEq cut |
| inc | 234.0 | 256.3 | **9.0** | **1.2** | **14.2** | **0.2** | **1.5** | 1.0 g/t AuEq cut |
| inc | 254.5 | 351.6 | **1.8** | **6.7** | **10.8** | **0.5** | **7.1** | 1.0 g/t AuEq cut |
| inc | 298 | 357.0 | **59.0** | **0.91** | **1** | **0.05** | **1.0** | 1.0 g/t AuEq cut |
| inc | 302 | 304.0 | **2.0** | **3.3** | **0.32** | **0** | **3.3** | 1.0 g/t AuEq cut |
| inc | 349.65 | 351.6 | **1.95** | **17.5** | **2.9** | **0** | **17.5** | 1.0 g/t AuEq cut |
| GNDD242 | 185.5 | 194.0 | **8.6** | **0.5** | **0.5** | **0.1** | **0.6** | 0.2 g/t AuEq cut |
| inc | 185.5 | 187.1 | **1.6** | **1.0** | **1.2** | **0.3** | **1.1** | 1.0 g/t AuEq cut |
| and | 306.5 | 307.2 | **0.7** | **2.3** | **0.9** | **0.0** | **2.3** | 1.0 g/t AuEq cut |
| GNDD245 | 139.0 | 182.7 | **43.7** | **1.0** | **1.8** | **0.4** | **1.1** | 0.2 g/t AuEq cut |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| inc | 143.0 | 145.0 | **2.0** | **3.6** | **3.0** | **0.8** | **4.0** | 1.0 g/t AuEq cut |
| inc | 181.3 | 182.7 | **1.4** | **18.7** | **38.0** | **6.8** | **22.1** | 1.0 g/t AuEq cut |
| GNDD192 | 15.00 | 65.00 | **50.00** | **0.3** | **0.6** | **0.1** | **0.3** | 0.2/g/t AuEq cut |
| inc | 28.00 | 48.00 | **20.00** | **0.4** | **0.6** | **0.1** | **0.5** | 0.2/g/t AuEq cut |
| and | 107.45 | 109.20 | **1.75** | **0.5** | **8.2** | **0.1** | **0.7** | 0.2/g/t AuEq cut |
| and | 176.00 | 176.60 | **0.60** | **1.2** | **24.8** | **7.0** | **4.6** | |
| GNDD196 | 9.00 | 78.20 | **69.20** | **3.3** | **4.8** | **0.1** | **3.4** | 0.2/g/t AuEq cut |
| inc | 17.00 | 29.00 | **12.00** | **1.7** | **0.7** | **0.1** | **1.8** | |
| inc | 69.00 | 78.20 | **9.20** | **21.9** | **16.0** | **0.4** | **22.2** | |
| inc | 69.00 | 70.30 | **1.30** | **136.5** | **47.6** | **0.2** | **137.2** | 10/g/t AuEq cut |
| and | 279.50 | 280.10 | **0.60** | **2.0** | **0.2** | **0.0** | **2.0** | |
| GNDD202 | 33.00 | 143.00 | **110.00** | **0.3** | **3.1** | **0.1** | **0.4** | 0.2/g/t AuEq cut |
| inc | 71.75 | 131.00 | **59.25** | **0.4** | **4.7** | **0.2** | **0.5** | 0.2/g/t AuEq cut |
| inc | 98.00 | 108.00 | **10.00** | **1.0** | **21.7** | **0.7** | **1.6** | |
| inc | 127.00 | 129.00 | **2.00** | **1.2** | **1.1** | **0.0** | **1.2** | |
| GNDD207 | 114.00 | 114.90 | **0.90** | **2.0** | **1.9** | **0.1** | **2.1** | |
| and | 122.55 | 125.00 | **2.45** | **8.5** | **15.5** | **1.0** | **9.1** | |
| and | 169.50 | 173.00 | **3.50** | **0.2** | **68.2** | **0.1** | **1.1** | 0.2/g/t AuEq cut |
| inc | 170.70 | 173.00 | **2.30** | **0.2** | **98.2** | **0.2** | **1.5** | |
| and | 217.40 | 243.00 | **25.60** | **0.4** | **0.9** | **0.0** | **0.4** | 0.2/g/t AuEq cut |
| inc | 233.00 | 237.00 | **4.00** | **1.4** | **0.6** | **0.0** | **1.4** | |
| and | 269.35 | 271.30 | **1.95** | **1.7** | **3.4** | **0.3** | **1.9** | |
| Gap Zone | | | | | | | | |
| GNDD167 | NSI | | | | | | | |
| GNDD171 | 126.00 | 136.75 | **10.75** | **0.4** | **1.9** | **0.1** | **0.5** | 0.2/g/t AuEq cut |
| inc | 134.00 | 135.40 | **1.40** | **1.1** | **5.9** | **0.8** | **1.5** | |
| and | 193.00 | 196.90 | **3.90** | **0.3** | **0.4** | **0.0** | **0.3** | 0.2/g/t AuEq cut |
| and | 270.00 | 270.50 | **0.50** | **1.3** | **2.5** | **0.7** | **1.6** | |
| and | 327.00 | 329.60 | **2.60** | **1.9** | **6.1** | **1.1** | **2.4** | |
| GNDD175 | 176.00 | 182.00 | **6.00** | **0.3** | **6.3** | **0.1** | **0.5** | 0.2/g/t AuEq cut |
| GNDD184 | NSI | | | | | | | |
| GNDD188 | 198.00 | 264.00 | **66.00** | **0.3** | **6.6** | **0.1** | **0.4** | 0.2/g/t AuEq cut |
| inc | 212.00 | 216.00 | **4.00** | **0.9** | **21.9** | **0.2** | **1.3** | |
| inc | 252.00 | 256.55 | **4.55** | **1.1** | **4.5** | **0.4** | **1.3** | |
| GNDD200 | 168.25 | 235.00 | **66.75** | **0.6** | **0.6** | **0.1** | **0.6** | 0.2/g/t AuEq cut |
| inc | 176.45 | 183.60 | **7.15** | **1.0** | **0.6** | **0.0** | **1.1** | |
| inc | 208.00 | 214.00 | **6.00** | **1.1** | **0.6** | **0.1** | **1.1** | |
| inc | 232.00 | 233.00 | **1.00** | **4.7** | **5.6** | **1.3** | **5.3** | |
| GNDD204 | 95.00 | 139.00 | **44.00** | **3.2** | **4.5** | **0.1** | **3.3** | 0.2/g/t AuEq cut |
| inc | 97.38 | 118.00 | **20.62** | **6.4** | **6.4** | **0.1** | **6.6** | |
| and | 183.00 | 184.00 | **1.00** | **1.2** | **6.7** | **0.4** | **1.5** | |
| GNDD208 | 170.00 | 243.65 | **73.65** | **0.5** | **1.4** | **0.2** | **0.6** | 0.2/g/t AuEq cut |
| inc | 180.00 | 182.00 | **2.00** | **2.2** | **0.9** | **0.0** | **2.2** | |
| inc | 208.00 | 243.65 | **35.65** | **0.8** | **2.6** | **0.4** | **1.1** | 0.2/g/t AuEq cut |
| inc | 212.00 | 225.00 | **13.00** | **1.9** | **5.0** | **0.8** | **2.3** | |
| GNDD211 | 168.80 | 192.00 | **23.20** | **0.5** | **0.8** | **0.1** | **0.6** | 0.2/g/t AuEq cut |
| inc | 177.10 | 181.45 | **4.35** | **1.5** | **2.0** | **0.3** | **1.6** | |
| GNDD215 | 126.20 | 140.80 | **14.60** | **1.4** | **2.4** | **0.3** | **1.6** | 0.2/g/t AuEq cut |
| inc | 132.50 | 140.80 | **8.30** | **2.1** | **2.1** | **0.4** | **2.3** | |
| and | 159.00 | 200.00 | **41.00** | **0.2** | **3.1** | **0.1** | **0.2** | 0.2/g/t AuEq cut |
| GNDD218 | 198.00 | 203.05 | **5.05** | **0.4** | **0.2** | **0.0** | **0.4** | 0.2/g/t AuEq cut |

**Table 2 - Channel Sampling results Cerro Norte results as reported.**

| Drill Hole (#) | From (m) | To (m) | Total (m) | Gold (g/t) | Ag (g/t) | Zn (%) | Au (g/t) | Comments |
|---|---|---|---|---|---|---|---|---|
| RNNV09- | 0.00 | 12.34 | **12.34** | **12.0** | **34.9** | **0.51** | **12.7** | 1.0 g/t AuEq cut |
| inc | 2.00 | 10.41 | **8.41** | **17.2** | **39.5** | **0.41** | **17.8** | 10 g/t AuEq cut |
| RNNV09- | 0.00 | 13.94 | **13.94** | **3.5** | **29.8** | **0.80** | **4.2** | 1.0 g/t AuEq cut |
| inc | 10.04 | 11.98 | **1.95** | **15.0** | **84.0** | **2.5** | **17.2** | 10 g/t AuEq cut |
| RNNV09- | 0.00 | 24.11 | **24.11** | **16.9** | **37.8** | **5.8** | **19.8** | 1.0 g/t AuEq cut |
| inc | 6.24 | 20.03 | **13.79** | **23.3** | **59.0** | **7.8** | **27.4** | 10 g/t AuEq cut |
| RNNV09- | 0.00 | 8.16 | **8.16** | **10.0** | **23.3** | **0.68** | **10.6** | 1.0 g/t AuEq cut |
| inc | 0.00 | 6.56 | **6.56** | **12.4** | **21.9** | **0.77** | **13.0** | 10 g/t AuEq cut |
| RNNV09- | 0.00 | 4.77 | **4.77** | **0.84** | **15.5** | **3.1** | **2.4** | 1.0 g/t AuEq cut |
| RNNV09- | 0.00 | 3.55 | **3.55** | **7.1** | **45.5** | **1.1** | **8.2** | 1.0 g/t AuEq cut |
| RNNV11- | 2.0 | 57.3 | **55.3** | **4.7** | **172.1** | **3.59** | **8.4** | 1.0 g/t AuEq cut |
| inc | 3.9 | 24.5 | **20.6** | **7.9** | **351.9** | **3.29** | **13.8** | 10 g/t AuEq cut |
| RNNV11- | 0.0 | 10.2 | **10.2** | **0.19** | **6.4** | **3.21** | **1.7** | 1.0 g/t AuEq cut |
| RNNV11- | 0.0 | 5.4 | **5.4** | **2.3** | **6.6** | **4.87** | **4.5** | 1.0 g/t AuEq cut |
| RNNV11- | 0.0 | 4.7 | **4.7** | **3.7** | **24.6** | **4.20** | **5.9** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 35.2 | **35.2** | **3.2** | **18.2** | **8.0** | **6.9** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 6.0 | **6.0** | **1.9** | **41.4** | **10.5** | **6.9** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 12.8 | **12.8** | **8.7** | **16.9** | **5.2** | **11.2** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 21.1 | **21.1** | **12.7** | **37.7** | **7.1** | **16.3** | 1.0 g/t AuEq cut |
| inc | 0.0 | 5.2 | **5.2** | **13.4** | **41.0** | **18.2** | **21.8** | 10 g/t AuEq cut |
| inc | 14.7 | 21.1 | **6.5** | **29.1** | **51.3** | **4.7** | **31.8** | 10 g/t AuEq cut |
| RNNV12- | 0.0 | 64.8 | **64.8** | **23.4** | **104.1** | **8.3** | **28.3** | 1.0 g/t AuEq cut |
| inc | 7.6 | 16.4 | **8.8** | **45.2** | **88.7** | **6.8** | **49.3** | 10 g/t AuEq cut |
| inc | 20.1 | 46.6 | **26.5** | **29.3** | **114.4** | **8.2** | **34.4** | 10 g/t AuEq cut |
| inc | 49.7 | 52.8 | **3.1** | **13.3** | **337.4** | **13.1** | **23.3** | 10 g/t AuEq cut |
| inc | 56.9 | 60.1 | **3.3** | **67.7** | **268.2** | **11.5** | **76.0** | 10 g/t AuEq cut |
| RNNV12- | 0.0 | 5.0 | **5.0** | **1.3** | **155.6** | **7.5** | **6.6** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 3.1 | **3.1** | **10.9** | **19.4** | **4.8** | **13.3** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 3.5 | **3.5** | **17.6** | **37.3** | **0.31** | **18.2** | 1.0 g/t AuEq cut |
| RNNV12- | 0.0 | 5.4 | **5.4** | **30.9** | **83.9** | **8.4** | **35.6** | 10 g/t AuEq cut |
| RNNV12- | 0.0 | 8.7 | **8.7** | **3.8** | **836.7** | **1.4** | **15.0** | 10 g/t AuEq cut |
| RNNV12- | 0.0 | 2.3 | **2.3** | **29.7** | **70.8** | **0.86** | **30.9** | 10 g/t AuEq cut |
| RNNV12- | 0.0 | 19.8 | **19.8** | **13.7** | **101.7** | **3.0** | **16.3** | 10 g/t AuEq cut |
| CHNV10- | 0.00 | 9.94 | **9.94** | **8.0** | **6.6** | **0.38** | **8.3** | 1.0 g/t AuEq cut |
| inc | 5.10 | 8.20 | **3.09** | **21.6** | **12.7** | **0.61** | **22.0** | 10 g/t AuEq cut |
| CHNV10- | 1.70 | 8.97 | **7.27** | **1.4** | **3.2** | **1.1** | **2.0** | 0.2 g/t AuEq cut |
| inc | 3.32 | 8.97 | **5.65** | **1.6** | **3.7** | **1.4** | **2.3** | 1.0 g/t AuEq cut |
| CHNV10- | 0.00 | 19.30 | **19.30** | **0.69** | **8.6** | **0.95** | **1.2** | 0.2 g/t AuEq cut |
| inc | 0.00 | 2.92 | **2.92** | **0.89** | **34.6** | **4.8** | **3.4** | 1.0 g/t AuEq cut |
| inc | 9.16 | 12.37 | **3.21** | **0.87** | **4.2** | **0.55** | **1.2** | 1.0 g/t AuEq cut |
| inc | 16.07 | 17.68 | **1.60** | **1.9** | **15.0** | **0.31** | **2.2** | 1.0 g/t AuEq cut |
| CHNV10- | 0.00 | 3.94 | **3.94** | **0.40** | **2.0** | **0.50** | **0.6** | 0.2 g/t AuEq cut |
| inc | 3.21 | 3.94 | **0.73** | **1.3** | **1.4** | **0.70** | **1.6** | 1.0 g/t AuEq cut |
| CHNV10- | 0.00 | 7.96 | **7.96** | **2.0** | **8.5** | **1.1** | **2.6** | 1.0 g/t AuEq cut |
| DJNV10- | 0.00 | 59.54 | **59.54** | **2.2** | **11.2** | **5.1** | **4.5** | 1.0 g/t AuEq cut |
| inc | 57.49 | 59.54 | **2.06** | **15.7** | **49.7** | **2.1** | **17.2** | 10 g/t AuEq cut |
| DJNV10- | 4.14 | 24.37 | **20.23** | **0.06** | **2.6** | **0.32** | **0.23** | 0.2 g/t AuEq cut |
| CINV10- | 0.00 | 5.27 | **5.27** | **0.69** | **4.4** | **0.07** | **0.78** | 0.2 g/t AuEq cut |
| inc | 3.33 | 5.27 | **1.94** | **1.5** | **5.3** | **0.08** | **1.6** | 1.0 g/t AuEq cut |
| SNV10-01 | 0.00 | 15.55 | **15.6** | **70.9** | **59.1** | **0.18** | **71.7** | 1.0 g/t AuEq cut |
| inc | 0.00 | 4.00 | **4.0** | **201.6** | **172.0** | **0.07** | **203.8** | 10 g/t AuEq cut |
| inc | 8.19 | 14.49 | **6.3** | **43.7** | **22.6** | **0.15** | **44.0** | 10 g/t AuEq cut |
| SNV10-02 | 0.00 | 12.52 | **12.5** | **2.3** | **12.3** | **1.36** | **3.0** | 1.0 g/t AuEq cut |

**Table 3 - Complete Channel Sampling results Cerro Sur reported during the final quarter of 2021**

| Channel Sample (#) | From (m) | To (m) | Total (m) | Gold (g/t) | Ag (g/t) | Zn (%) | Cu (%) | Pb (%) | Au (g/t) | Comments |
|---|---|---|---|---|---|---|---|---|---|---|
| SZNV10-01 | 2.0 | 32.4 | 30.4 | 1.2 | 8.8 | 1.9 | 0.1 | 0.0 | 1.9 | 0.2 g/t AuEq |
| inc | 23.6 | 32.4 | 8.7 | 3.9 | 28.8 | 6.3 | 0.2 | 0.0 | 6.3 | 1.0 g/t AuEq |
| SZNV10-02 | 0.0 | 52.0 | 52.0 | 1.3 | 7.9 | 4.5 | 0.4 | 0.1 | 4.5 | 0.2 g/t AuEq |
| inc | 0.0 | 6.3 | 6.3 | 2.6 | 27.5 | 1.9 | 0.3 | 0.1 | 1.9 | 1.0 g/t AuEq |
| inc | 11.3 | 37.0 | 25.7 | 2.0 | 8.1 | 7.7 | 0.5 | 0.1 | 7.7 | 1.0 g/t AuEq |
| inc | 18.7 | 24.9 | 6.2 | 7.0 | 17.0 | 3.0 | 0.1 | 0.1 | 3.0 | 10/g/t AuEq |
| inc | 41.5 | 43.3 | 1.8 | 0.0 | 0.3 | 3.2 | 0.1 | 0.0 | 3.2 | 1.0 g/t AuEq |
| SZNV10-03 | 0.0 | 4.4 | 4.4 | 8.2 | 63.2 | 0.8 | 0.1 | 0.1 | 0.8 | 1.0 g/t AuEq |
| SZNV10-04 | 0.0 | 3.5 | 3.5 | 9.1 | 27.4 | 3.7 | 0.2 | 0.1 | 3.7 | 1.0 g/t AuEq |
| SZNV11-01 | 0.0 | 14.9 | 14.9 | 0.3 | 2.3 | 4.0 | 0.2 | 0.0 | 4.0 | 0.2 g/t AuEq |
| inc | 0.0 | 11.2 | 11.2 | 0.4 | 2.3 | 5.0 | 0.2 | 0.0 | 5.0 | 1.0 g/t AuEq |
| SZNV11-02 | 0.0 | 3.4 | 3.4 | 4.0 | 27.5 | 2.5 | 0.4 | 0.0 | 2.5 | 1.0 g/t AuEq |
| SZNV11-03 | 0.0 | 9.3 | 9.3 | 2.1 | 34.1 | 2.4 | 0.5 | 0.1 | 2.4 | 0.2 g/t AuEq |
| inc | 1.0 | 9.3 | 8.3 | 2.3 | 37.6 | 2.5 | 0.6 | 0.1 | 2.6 | 1.0 g/t AuEq |
| SZNV11-04 | 0.0 | 6.1 | 6.1 | 0.1 | 2.0 | 7.6 | 0.3 | 0.0 | 7.6 | 0.2 g/t AuEq |
| inc | 0.0 | 4.3 | 4.3 | 0.1 | 1.4 | 10.3 | 0.2 | 0.0 | 10.3 | 1.0 g/t AuEq |
| SZNV11-05 | 0.0 | 3.3 | 3.3 | 0.5 | 20.1 | 4.0 | 0.7 | 0.1 | 4.1 | 0.2 g/t AuEq |
| inc | 2.0 | 3.3 | 1.3 | 1.2 | 44.9 | 8.6 | 0.9 | 0.2 | 8.7 | 1.0 g/t AuEq |
| SZNV11-06 | 0.0 | 17.2 | 17.2 | 0.1 | 5.0 | 11.4 | 0.7 | 0.1 | 11.5 | 0.2 g/t AuEq |
| SZNV11-07 | 0.0 | 3.8 | 3.8 | 0.0 | 1.2 | 8.9 | 0.5 | 0.1 | 8.9 | 0.2 g/t AuEq |
| SZNV11-08 | 0.0 | 7.1 | 7.1 | 3.8 | 18.7 | 9.6 | 0.6 | 1.2 | 10.1 | 0.2 g/t AuEq |
| SZNV11-09 | 0.0 | 30.7 | 30.7 | 0.9 | 70.2 | 13.5 | 0.7 | 0.7 | 13.8 | 0.2 g/t AuEq |
| SZNV11-10 | 0.0 | 3.1 | 3.1 | 0.4 | 55.8 | 14.8 | 0.5 | 0.2 | 14.9 | 0.2 g/t AuEq |
| SZNV11-11 | 0.0 | 4.6 | 4.6 | 0.3 | 9.1 | 12.6 | 1.0 | 0.2 | 12.7 | 0.2 g/t AuEq |
| inc | 0.0 | 3.6 | 3.6 | 0.3 | 11.2 | 15.9 | 1.3 | 0.2 | 16.0 | 1.0 g/t AuEq |
| SZNV11-12 | 0.0 | 12.0 | 12.0 | 8.3 | 28.9 | 1.4 | 0.1 | 0.1 | 1.5 | 0.2 g/t AuEq |
| | | | | | | | | | | |
| BCNV10-02 | 2.8 | 4.7 | 1.9 | 0.3 | 2.2 | 0.4 | 0.0 | 0.0 | 0.5 | 0.2 g/t AuEq |

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

- Assumed commodity prices for the calculation of AuEq is Au US$1780 Oz, Ag US$24 Oz, Zn US$2,800 /t
- Metallurgical recoveries for Au, Ag and Zn are estimated to be 89%, 84% and 79% respectively (see ***JORC Table 1 Section 3 Metallurgical assumptions)*** based on metallurgical test work.
- The formula used: AuEq (g/t) = Au (g/t) + [Ag (g/t) x (24/1780) x (0.84/0.89)] + [Zn (%) x (28.00*31.1/1780) x (0.79/0.89)]
- *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.*

**Table 6: New intercepts reported.**

| Drill Hole (#) | From (m) | To (m) | Interval (m) | Gold (g/t) | Ag (g/t) | Zn (%) | AuEq (g/t) | Comments | Total intercept (gram metres) |
|---|---|---|---|---|---|---|---|---|---|
| GMDD041E | 31.00 | 47.00 | 16.00 | **2.60** | **4.93** | **0.27** | **2.78** | 0.2 g/t AuEq cut | **44.5** |
| inc | 41.70 | 43.70 | 2.00 | **19.96** | **28.52** | **1.21** | **20.85** | 1.0 g/t AuEq cut | **41.7** |
| and | 63.50 | 68.60 | 5.10 | **7.86** | **83.32** | **7.86** | **12.33** | 1.0 g/t AuEq cut | **62.9** |
| and | 306.10 | 307.70 | 1.60 | **8.05** | **9.19** | **3.59** | **9.72** | 1.0 g/t AuEq cut | **15.6** |
| and | 338.40 | 343.00 | 4.60 | **0.09** | **1.65** | **0.45** | **0.31** | 0.2 g/t AuEq cut | **1.4** |
| GNDD179 | 76.00 | 84.00 | 8.00 | **0.12** | **4.53** | **0.47** | **0.38** | 0.2 g/t AuEq cut | **3.1** |
| GNDD206 | 31.55 | 42.00 | 10.45 | **3.6** | **6.3** | **0.06** | **3.7** | 0.2 g/t AuEq cut | **38.8** |
| inc | 34.65 | 38.55 | 3.90 | **9.5** | **14.9** | **0.03** | **9.7** | 1.0 g/t AuEq cut | **37.9** |
| and | 263.00 | 265.00 | 2.00 | **0.88** | **0.37** | **0.10** | **0.93** | 0.2 g/t AuEq cut | **1.9** |
| and | 277.00 | 281.00 | 4.00 | **0.54** | **0.65** | **0.01** | **0.55** | 0.2 g/t AuEq cut | **2.2** |
| GNDD210 | 8.00 | 10.00 | 2.00 | **0.86** | **17.9** | **0.02** | **1.1** | 1.0 g/t AuEq cut | **2.2** |
| and | 28.00 | 34.00 | 6.00 | **0.04** | **1.4** | **0.47** | **0.26** | 0.2 g/t AuEq cut | **1.6** |
| and | 308.00 | 310.00 | 2.00 | **1.3** | **3.8** | **0.71** | **1.6** | 1.0 g/t AuEq cut | **3.2** |
| GNDD212 | 15.00 | 16.80 | 1.80 | **0.5** | **1.1** | **0.12** | **0.53** | 0.2 g/t AuEq cut | **1.0** |
| and | 42.20 | 43.60 | 1.40 | **1.2** | **8.1** | **0.08** | **1.4** | 1.0 g/t AuEq cut | **1.9** |
| GNDD217 | 111.00 | 132.00 | 21.00 | **5.7** | **32.1** | **3.4** | **7.6** | 0.2 g/t AuEq cut | **158.9** |
| inc | 114.65 | 126.35 | 11.70 | **10.1** | **54.8** | **5.9** | **13.3** | 1.0 g/t AuEq cut | **156.1** |
| inc | 116.7 | 121.00 | 4.35 | **23.1** | **139** | **11.7** | **29.9** | 1.0 g/t AuEq cut | **130.3** |
| GNDD219 | 12.00 | 20.00 | 8.00 | **0.13** | **0.46** | **0.02** | **0.15** | 0.2 g/t AuEq cut | **1.2** |
| and | 68.90 | 108.25 | 39.35 | **0.04** | **10.8** | **0.08** | **0.22** | 0.2 g/t AuEq cut | **8.6** |
| GNDD221 | 82.80 | 84.00 | 1.20 | **1.1** | **6.7** | **0.10** | **1.2** | 1.0 g/t AuEq cut | **1.4** |
| and | 156.85 | 165.00 | 8.15 | **1.5** | **7.5** | **0.83** | **2.0** | 1.0 g/t AuEq cut | **16.2** |
| GNDD223 | 26.00 | 28.00 | 2.00 | **0.60** | **0.41** | **0.02** | **0.61** | 0.2 g/t AuEq cut | **1.2** |
| GNDD227 | 81.00 | 83.00 | 2.00 | **0.77** | **0.52** | **0.0** | **0.78** | 0.2 g/t AuEq cut | **1.6** |
| and | 179.15 | 182.85 | 3.70 | **1.2** | **16.8** | **1.6** | **2.1** | 0.2 g/t AuEq cut | **8.0** |
| inc | 181.95 | 182.85 | 0.90 | **4.2** | **64.5** | **6.6** | **7.9** | 1.0 g/t AuEq cut | **7.1** |
| and | 222.00 | 230.00 | 8.00 | **4.2** | **53.6** | **1.7** | **5.7** | 0.2 g/t AuEq cut | **45.2** |
| inc | 223.40 | 230.00 | 6.60 | **5.1** | **64.2** | **2.1** | **6.8** | 1.0 g/t AuEq cut | **44.9** |
| GNDD240 | 114.00 | 116.00 | 2.00 | **1.4** | **0.31** | **0.01** | **1.5** | 1.0 g/t AuEq cut | **2.9** |
| and | 167.00 | 170.45 | 3.45 | **2.7** | **50.2** | **2.9** | **4.6** | 0.2 g/t AuEq cut | **15.9** |
| inc | 169.20 | 170.45 | 1.25 | **6.6** | **116.0** | **7.6** | **11.3** | 10 g/t AuEq cut | **14.2** |
| GNDD243 | 136.00 | 143.10 | 7.10 | **2.2** | **27.2** | **2.6** | **3.6** | 0.2 g/t AuEq cut | **25.7** |
| inc | 138.00 | 143.10 | 5.10 | **2.1** | **25.9** | **2.5** | **3.5** | 1.0 g/t AuEq cut | **17.8** |
| inc | 142.00 | 143.10 | 1.10 | **9.0** | **126.0** | **14.0** | **16.7** | 10 g/t AuEq cut | **18.4** |
| GNDD258 | 250.00 | 252.00 | 2.00 | **0.26** | **17.7** | **2.9** | **1.7** | 1.0 g/t AuEq cut | **3.5** |
| GNDD261 | 22.00 | 26.00 | 4.00 | **1.1** | **5.2** | **0.56** | **1.4** | 0.2 g/t AuEq cut | **5.5** |
| inc | 22.00 | 22.50 | 0.50 | **7.5** | **17.6** | **4.2** | **9.6** | 1.0 g/t AuEq cut | **4.8** |
| GNDD264 | 70.00 | 72.40 | 2.40 | **0.16** | **6.1** | **1.0** | **0.66** | 0.2 g/t AuEq cut | **1.6** |
| inc | 71.50 | 72.40 | 0.90 | **0.36** | **12.0** | **2.0** | **1.4** | 1.0 g/t AuEq cut | **1.3** |
| and | 104.95 | 127.00 | 22.05 | **1.4** | **16.7** | **1.7** | **2.3** | 1.0 g/t AuEq cut | **51.2** |
| GNDD265 | 56.00 | 60.00 | 4.00 | **0.57** | **1.3** | **0.08** | **0.63** | 0.2 g/t AuEq cut | **2.5** |
| and | 152.00 | 166.00 | 14.00 | **0.20** | **1.1** | **0.11** | **0.26** | 0.2 g/t AuEq cut | **3.6** |
| and | 237.00 | 238.00 | 1.00 | **8.97** | **19.7** | **2.48** | **10.30** | 10 g/t AuEq cut | **10.3** |
| GNDD266 | 34.00 | 50.00 | 16.00 | **0.4** | **9.0** | **0.6** | **0.8** | 0.2 g/t AuEq cut | **12.3** |
| inc | 38.82 | 44.00 | 5.18 | **0.9** | **23.1** | **1.6** | **1.9** | 1.0 g/t AuEq cut | **10.0** |
| GNDD269 | 6.00 | 12.00 | 6.00 | **1.1** | **12.2** | **0.1** | **1.3** | 0.2 g/t AuEq cut | **7.9** |
| inc | 10.00 | 12.00 | 2.00 | **2.8** | **34.4** | **0.3** | **3.4** | 1.0 g/t AuEq cut | **6.8** |
| and | 48.00 | 50.00 | 2.00 | **0.2** | **87.3** | **0.4** | **1.5** | 1.0 g/t AuEq cut | **3.1** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| and | 86.00 | 96.00 | 10.00 | **0.3** | **1.1** | **0.0** | **0.3** | 0.2 g/t AuEq cut | **2.7** |
| GNDD272 | 35.00 | 57.00 | 22.00 | **0.17** | **2.7** | **0.1** | **0.25** | 0.2 g/t AuEq cut | **5.4** |
| and | 96.50 | 148.10 | 51.60 | **3.9** | **11.8** | **1.0** | **4.5** | 0.2 g/t AuEq cut | **232.5** |
| inc | 137.00 | 148.10 | 11.10 | **17.4** | **51.1** | **4.5** | **20.0** | 1.0 g/t AuEq cut | **222.3** |
| inc | 139.00 | 146.90 | 7.90 | **23.8** | **65.2** | **6.0** | **27.2** | 10 g/t AuEq cut | **215.2** |
| GNDD273 | 31.50 | 34.00 | 2.50 | **0.61** | **3.6** | **0.8** | **1.0** | 0.2 g/t AuEq cut | **2.5** |
| inc | 31.50 | 32.37 | 0.87 | **1.47** | **6.5** | **2.0** | **2.4** | 1.0 g/t AuEq cut | **2.1** |
| and | 50.33 | 59.50 | 9.17 | **0.07** | **5.9** | **0.6** | **0.4** | 0.2 g/t AuEq cut | **3.9** |
| GNDD274 | 298.00 | 317.00 | 19.00 | **0.74** | **9.6** | **0.5** | **1.1** | 0.2 g/t AuEq cut | **20.2** |
| inc | 305.00 | 307.00 | 2.00 | **6.58** | **48.8** | **3.5** | **8.7** | 1.0 g/t AuEq cut | **17.4** |
| GNDD276 | 49.00 | 50.45 | 1.45 | **0.76** | **9.1** | **0.48** | **1.1** | 1.0 g/t AuEq cut | **1.6** |
| and | 112.15 | 115.00 | 2.85 | **0.38** | **0.57** | **0.02** | **0.39** | 0.2 g/t AuEq cut | **1.1** |
| and | 139.00 | 153.90 | 14.90 | **0.47** | **1.9** | **0.18** | **0.57** | 0.2 g/t AuEq cut | **8.5** |
| inc | 143.00 | 145.00 | 2.00 | **1.3** | **2.5** | **0.22** | **1.5** | 1.0 g/t AuEq cut | **2.9** |
| and | 188.30 | 193.15 | 4.85 | **0.32** | **0.59** | **0.13** | **0.38** | 0.2 g/t AuEq cut | **1.8** |
| and | 212.00 | 216.00 | 4.00 | **0.46** | **1.8** | **0.25** | **0.60** | 0.2 g/t AuEq cut | **2.4** |
| GNDD278 | 221.00 | 232.75 | 11.75 | **0.43** | **1.0** | **0.09** | **0.48** | 0.2 g/t AuEq cut | **5.6** |
| inc | 223.00 | 224.00 | 1.00 | **1.0** | **1.3** | **0.07** | **1.1** | 1.0 g/t AuEq cut | **1.1** |
| inc | 228.00 | 229.00 | 1.00 | **1.4** | **1.9** | **0.19** | **1.5** | 1.0 g/t AuEq cut | **1.5** |
| GNDD279 | 49.00 | 59.30 | 10.30 | **0.66** | **1.7** | **0.08** | **0.71** | 0.2 g/t AuEq cut | **7.4** |
| inc | 50.65 | 52.00 | 1.35 | **1.04** | **0.6** | **0.0** | **1.1** | 1.0 g/t AuEq cut | **1.4** |
| inc | 58.00 | 59.30 | 1.30 | **1.81** | **9.1** | **0.5** | **2.1** | 1.0 g/t AuEq cut | **2.8** |
| GNDD281 | 42.50 | 66.00 | 23.50 | **1.1** | **8.9** | **0.27** | **1.3** | 0.2 g/t AuEq cut | **30.5** |
| inc | 42.50 | 60.00 | 17.50 | **1.3** | **11.3** | **0.29** | **1.6** | 1.0 g/t AuEq cut | **27.8** |
| and | 196.30 | 198.90 | 2.60 | **1.1** | **26.2** | **3.1** | **2.8** | 0.2 g/t AuEq cut | **7.2** |
| inc | 196.30 | 197.95 | 1.65 | **1.4** | **37.7** | **4.7** | **4.0** | 1.0 g/t AuEq cut | **6.6** |
| and | 224.00 | 236.00 | 12.00 | **0.28** | **4.9** | **0.37** | **0.51** | 0.2 g/t AuEq cut | **6.1** |
| inc | 231.10 | 232.35 | 1.25 | **0.72** | **16.0** | **3.0** | **2.2** | 1.0 g/t AuEq cut | **2.8** |
| and | 292.00 | 293.20 | 1.20 | **3.0** | **80.4** | **0.32** | **4.2** | 1.0 g/t AuEq cut | **5.0** |
| and | 309.00 | 312.85 | 3.85 | **0.43** | **4.3** | **0.10** | **0.53** | 0.2 g/t AuEq cut | **2.0** |
| and | 426.00 | 427.55 | 1.55 | **0.27** | **24.6** | **1.6** | **1.3** | 1.0 g/t AuEq cut | **2.0** |
| GNDD282 | 11.00 | 19.00 | 8.00 | **0.20** | **1.7** | **0.07** | **0.25** | 0.2 g/t AuEq cut | **2.0** |
| and | 187.00 | 197.00 | 10.00 | **0.45** | **1.7** | **0.02** | **0.48** | 0.2 g/t AuEq cut | **4.8** |
| and | 216.50 | 224.00 | 7.50 | **0.20** | **2.7** | **0.11** | **0.28** | 0.2 g/t AuEq cut | **2.1** |
| GNDD283 | 7.00 | 11.00 | 4.00 | **2.9** | **17.8** | **0.15** | **3.2** | 0.2 g/t AuEq cut | **12.8** |
| inc | 8.50 | 9.70 | 1.20 | **9.4** | **49.7** | **0.26** | **10.1** | 10 g/t AuEq cut | **12.2** |
| GNDD286 | 95.00 | 101.00 | 6.00 | **0.22** | **1.5** | **0.27** | **0.36** | 0.2 g/t AuEq cut | **2.2** |
| and | 112.10 | 115.90 | 3.80 | **0.38** | **0.57** | **0.02** | **0.40** | 0.2 g/t AuEq cut | **1.5** |
| and | 169.00 | 179.20 | 10.20 | **4.2** | **52.5** | **3.0** | **6.2** | 0.2 g/t AuEq cut | **63.4** |
| inc | 169.00 | 176.45 | 7.45 | **5.8** | **71.4** | **4.0** | **8.4** | 1.0 g/t AuEq cut | **62.8** |
| inc | 174.25 | 176.45 | 2.20 | **11.5** | **170.5** | **11.1** | **18.5** | 10 g/t AuEq cut | **40.7** |
| GNDD288 | 13.00 | 109.00 | 96.00 | **1.8** | **2.9** | **0.31** | **2.0** | 0.2 g/t AuEq cut | **194.0** |
| inc | 65.00 | 109.00 | 44.00 | **3.7** | **4.6** | **0.63** | **4.1** | 1.0 g/t AuEq cut | **178.8** |
| inc | 98.20 | 102.50 | 4.30 | **27.6** | **35.4** | **5.9** | **30.6** | 10 g/t AuEq cut | **131.7** |
| and | 216.00 | 220.50 | 4.50 | **3.3** | **31.2** | **4.0** | **5.4** | 0.2 g/t AuEq cut | **24.2** |
| inc | 217.76 | 219.66 | 1.90 | **7.6** | **68.7** | **8.7** | **12.2** | 1.0 g/t AuEq cut | **23.2** |
| inc | 218.55 | 219.66 | 1.11 | **11.7** | **101.0** | **12.5** | **18.4** | 10 g/t AuEq cut | **20.4** |
| and | 399.00 | 426.80 | 27.80 | **5.5** | **12.9** | **3.9** | **7.3** | 0.2 g/t AuEq cut | **203.7** |
| inc | 403.00 | 407.00 | 4.00 | **1.3** | **2.1** | **0.62** | **1.6** | 1.0 g/t AuEq cut | **6.4** |
| inc | 410.00 | 424.20 | 14.20 | **10.1** | **20.6** | **7.3** | **13.6** | 1.0 g/t AuEq cut | **192.7** |
| GNDD289 | 23 | 62.2 | 39.2 | **0.2** | **2.1** | **0.1** | **0.3** | 0.2 g/t AuEq cut | **12.2** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| inc | 27 | 29 | 2 | **1.0** | **16.9** | **0.1** | **1.3** | 1.0 g/t AuEq cut | **2.5** |
| inc | 60.9 | 62.2 | 1.3 | **0.3** | **7.1** | **2.6** | **1.5** | 1.0 g/t AuEq cut | **2.0** |
| and | 132 | 136 | 4 | **0.7** | **0.4** | **0.0** | **0.7** | 0.2 g/t AuEq cut | **2.8** |
| and | 165 | 179 | 14 | **0.3** | **1.6** | **0.0** | **0.3** | 0.2 g/t AuEq cut | **4.2** |
| and | 201 | 207 | 6 | **0.2** | **1.7** | **0.2** | **0.3** | 0.2 g/t AuEq cut | **1.7** |
| GNDD290 | 27.45 | 36.00 | 8.55 | **0.20** | **6.0** | **0.07** | **0.30** | 0.2 g/t AuEq cut | **2.6** |
| and | 70.00 | 74.00 | 4.00 | **0.71** | **13.4** | **1.1** | **1.4** | 0.2 g/t AuEq cut | **5.4** |
| inc | 70.00 | 72.00 | 2.00 | **1.0** | **16.1** | **2.0** | **2.1** | 1.0 g/t AuEq cut | **4.1** |
| and | 139.50 | 151.16 | 11.66 | **0.31** | **12.1** | **0.82** | **0.82** | 0.2 g/t AuEq cut | **9.6** |
| inc | 139.50 | 141.60 | 2.10 | **1.4** | **25.3** | **2.1** | **2.7** | 1.0 g/t AuEq cut | **5.6** |
| and | 162.60 | 166.56 | 3.96 | **1.9** | **19.9** | **5.5** | **4.6** | 1.0 g/t AuEq cut | **18.0** |
| GNDD294 | 35.83 | 45 | 9.17 | **0.3** | **4.1** | **0.2** | **0.4** | 0.2 g/t AuEq cut | **3.9** |
| GNDD297 | 16 | 30 | 14 | **0.5** | **5.1** | **0.0** | **0.5** | 0.2 g/t AuEq cut | **7.7** |
| inc | 20 | 22 | 2 | **1.4** | **21.6** | **0.0** | **1.7** | 1.0 g/t AuEq cut | **3.3** |
| and | 71 | 74.6 | 3.6 | **0.1** | **34.0** | **0.0** | **0.6** | 0.2 g/t AuEq cut | **2.0** |

**See below for information regarding AuEq's reported under the JORC Code.**

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

- Assumed commodity prices for the calculation of AuEq is Au US$1780 Oz, Ag US$24 Oz, Zn US$2,800 /t
- Metallurgical recoveries for Au, Ag and Zn are estimated to be 89%, 84% and 79% respectively (see ***JORC Table 1 Section 3 Metallurgical assumptions)*** based on metallurgical test work.
- The formula used: AuEq (g/t) = Au (g/t) + [Ag (g/t) x (24/1780) x (0.84/0.89)] + [Zn (%) x (28.00*31.1/1780) x (0.79/0.89)]
- *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.*

**Table 7: New intercepts reported at Sentazon.**

| Drill Hole (#) | From (m) | To (m) | Interval (m) | Gold (g/t) | Ag (g/t) | Zn (%) | AuEq (g/t) | Comments | Total intercept (gram metres) |
|---|---|---|---|---|---|---|---|---|---|
| GNDD201 | 99.00 | 102.00 | **3.00** | **0.48** | **7.9** | **0.17** | **0.66** | 0.2 g/t AuEq cut | **2.0** |
| and | 130.20 | 130.80 | **0.60** | **1.4** | **2.6** | **0.07** | **1.5** | 1.0 g/t AuEq cut | **0.9** |
| GNDD205 | 214.20 | 214.90 | **0.70** | **15.2** | **7.1** | **4.2** | **17.1** | 1.0 g/t AuEq cut | **12.0** |
| GNDD209 | 33.60 | 38.00 | **4.40** | **0.18** | **14.2** | **0.08** | **0.40** | 0.2 g/t AuEq cut | **1.7** |
| and | 45.65 | 46.40 | **0.75** | **0.77** | **10.7** | **1.4** | **1.5** | 1.0 g/t AuEq cut | **1.1** |
| and | 65.00 | 82.10 | **17.10** | **1.9** | **16.2** | **1.1** | **2.6** | 1.0 g/t AuEq cut | **44.5** |
| and | 148.00 | 150.00 | **2.00** | **1.0** | **28.5** | **0.01** | **1.3** | 1.0 g/t AuEq cut | **2.7** |
| GNDD214 | 48.25 | 52.00 | **3.75** | **22.11** | **125.3** | **2.6** | **24.8** | 1.0 g/t AuEq cut | **93.2** |
| GNDD232 | 139.85 | 142.35 | **2.50** | **0.65** | **15.2** | **0.56** | **1.1** | 0.2 g/t AuEq cut | **2.7** |
| GNDD239 | 13.00 | 19.00 | **6.00** | **0.25** | **1.8** | **0.10** | **0.31** | 0.2 g/t AuEq cut | **1.9** |
| and | 26.40 | 27.25 | **0.85** | **3.3** | **54.7** | **2.5** | **5.1** | 1.0 g/t AuEq cut | **4.3** |
| and | 47.00 | 49.35 | **2.35** | **1.9** | **7.3** | **1.5** | **2.6** | 0.2 g/t AuEq cut | **6.2** |
| inc | 48.30 | 49.35 | **1.05** | **4.2** | **16.2** | **0.71** | **4.7** | 1.0 g/t AuEq cut | **4.9** |
| GNDD241 | NSI | | | | | | | | **0.0** |
| GNDD246 | 179.50 | 182.00 | **2.50** | **4.5** | **9.0** | **2.9** | **5.9** | 0.2 g/t AuEq cut | **14.8** |
| inc | 179.50 | 180.35 | **0.85** | **12.7** | **25.0** | **7.8** | **16.4** | 1.0 g/t AuEq cut | **13.9** |
| GNDD250 | 80.00 | 110.00 | **30.00** | **0.26** | **3.5** | **0.17** | **0.38** | 0.2 g/t AuEq cut | **11.4** |
| inc | 98.00 | 103.00 | **5.00** | **0.88** | **9.2** | **0.63** | **1.3** | 1.0 g/t AuEq cut | **6.3** |
| GNDD253 | 112.00 | 114.00 | **2.00** | **1.0** | **1.1** | **0.1** | **1.0** | 1.0 g/t AuEq cut | **2.0** |
| and | 133.00 | 183.00 | **50.00** | **1.8** | **1.0** | **0.1** | **1.9** | 0.2 g/t AuEq cut | **93.6** |
| inc | 139.00 | 177.00 | **38.00** | **2.2** | **1.2** | **0.2** | **2.3** | 1.0 g/t AuEq cut | **88.7** |
| inc | 151.55 | 153.92 | **2.37** | **17.2** | **3.7** | **0.3** | **17.3** | 10 g/t AuEq cut | **41.0** |
| and | 201.40 | 226.53 | **25.13** | **0.8** | **0.3** | **0.0** | **0.9** | 0.2 g/t AuEq cut | **21.6** |
| inc | 211.00 | 214.64 | **3.64** | **2.4** | **1.3** | **0.1** | **2.4** | 1.0 g/t AuEq cut | **8.8** |
| inc | 220.00 | 222.00 | **2.00** | **3.4** | **0.5** | **0.0** | **3.4** | 1.0 g/t AuEq cut | **6.8** |
| GNDD296 | 59.00 | 72.00 | **13.00** | **0.31** | **5.0** | **0.10** | **0.42** | 0.2 g/t AuEq cut | **5.5** |
| inc | 70.00 | 72.00 | **2.00** | **1.7** | **21.5** | **0.09** | **2.0** | 1.0 g/t AuEq cut | **4.1** |
| and | 173.00 | 183.00 | **10.00** | **0.39** | **1.6** | **1.2** | **0.95** | 1.0 g/t AuEq cut | **9.5** |
| and | 193.00 | 209.90 | **16.90** | **14.1** | **18.3** | **5.8** | **16.9** | 1.0 g/t AuEq cut | **285.0** |
| inc | 194.20 | 201.30 | **7.10** | **28.1** | **36.1** | **8.3** | **32.2** | 1.0 g/t AuEq cut | **228.8** |
| inc | 207.05 | 209.90 | **2.85** | **13.1** | **13.0** | **12.6** | **18.8** | 1.0 g/t AuEq cut | **53.5** |
| GNDD299 | 141.00 | 142.00 | **1.00** | **1.1** | **9.5** | **0.88** | **1.6** | 1.0 g/t AuEq cut | **1.6** |
| and | 147.50 | 157.35 | **9.85** | **3.4** | **44.0** | **5.25** | **6.2** | 1.0 g/t AuEq cut | **61.4** |
| GNDD-302 | NSI | | | | | | | | **0.0** |
| GNDD314 | 102.00 | 106.00 | **4.00** | **0.34** | **11.8** | **0.22** | **0.58** | 0.2 g/t AuEq cut | 2.3 |
| and | 115.35 | 118.00 | **2.65** | **1.5** | **13.8** | **0.06** | **1.7** | 2 g/t AuEq cut | 4.5 |
| inc | 116.59 | 118.00 | **1.41** | **2.4** | **21.3** | **0.08** | **2.7** | 1.0 g/t AuEq cut | 3.8 |
| and | 205 | 210.50 | **5.50** | **1.6** | **25.1** | **4.6** | **4.0** | 1.0 g/t AuEq cut | 21.8 |
| and | 216 | 222.50 | **6.50** | **0.51** | **9.6** | **2.4** | **1.7** | 2 g/t AuEq cut | 11.0 |
| inc | 217 | 222.50 | **5.50** | **0.56** | **10.5** | **2.7** | **1.9** | 1.0 g/t AuEq cut | 10.3 |
| and | 284 | 286.00 | **2.00** | **0.83** | **0.2** | **0.01** | **0.84** | 2 g/t AuEq cut | 1.7 |
| and | 296.9 | 299.65 | **2.75** | **59.0** | **25.8** | **7.2** | **62.5** | 10.0 g/t AuEq cut | 171.8 |

**See over the page for information regarding AuEq's reported under the JORC Code.**

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

- Assumed commodity prices for the calculation of AuEq is Au US$1780 Oz, Ag US$24 Oz, Zn US$2,800 /t
- Metallurgical recoveries for Au, Ag and Zn are estimated to be 89%, 84% and 79% respectively (see ***JORC Table 1 Section 3 Metallurgical assumptions)*** based on metallurgical test work.
- The formula used: AuEq (g/t) = Au (g/t) + [Ag (g/t) x (24/1780) x (0.84/0.89)] + [Zn (%) x (28.00*31.1/1780) x (0.79/0.89)]
- *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.*

## 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 44ineralization 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**

During July and August 2021, 34,675,001 options with an expiry date of 30 June 2022 were exercised at 4 cents per share, raising $1,387,000. On 16 July 2021 and 5 August 2021, the Company repaid $1,200,000 and $180,000 respectively of the Riverfort Facility from the proceeds of the exercise of the options.

On 3 September 2021, shareholders approved the 100% acquisition of the Hualilan Project in Argentina and the amendment to purchase 100% of the El Guayabo Project in Ecuador. Subsequently the Company issued 114,000,000 ordinary shares for the acquisition of the Hualilan Gold Project and 18,000,000 ordinary shares for the consideration of the El Guayabo Gold Copper Project.

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 2021, 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 profit or (loss) after tax for the financial year ended 30 June 2021 for the Group was $2,619,506 (2020: ($1,735,299).

**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 2021.

## KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel

Fletcher Quinn – Non-Executive Chairman
Kris Knauer – Managing Director
Scott Funston – Executive Director

Directors' remuneration and other terms of employment are reviewed annually by the Directors having regard to 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 2021 is as follows:

| **2021** | **Primary** | | **Equity Compen-sation** | **Post-employment** | | | **Perform-ance Related %** |
|---|---|---|---|---|---|---|---|
| | **Base Salary and Fees** | **Bonus and Non Monetary Benefits[a]** | **Value of Performance Rights** | **Superannuation Contributions** | **Termin-ation Benefits** | **TOTAL** | |
| | **$** | **$** | **$** | **$** | **$** | **$** | |
| **Directors** | | | | | | | |
| Fletcher Quinn | 30,000 | 30,000 | - | - | - | 60,000 | - |
| Kris Knauer | 147,500 | 147,500 | - | - | - | 295,000 | - |
| Scott Funston[(b)] | 122,500 | 122,500 | 156,516 | - | - | 401,516 | 38.98 |
| Total 2021 | 300,000 | 300,000 | 156,516 | - | - | 756,516 | 20.69 |

(a) Mr Quinn, Mr Knauer and Mr Funston received shareholder approval on 23 November 2020 to receive ordinary shares in lieu of cash consideration for services for the period 1 July 2020 to 31 December 2020 as described in the Explantory Statement of the Notice of Annual General Meeting dated 21 October 2020.

(b) The value attributable to Mr Funstons performance rights relate to those rights issued during the previous financial year which are being brought to account over the vesting period.

| **2020** | **Primary** | | **Equity Compen-sation** | **Post-employment** | | | **Perform-ance Related %** |
|---|---|---|---|---|---|---|---|
| | **Base Salary and Fees $** | **Bonus and Non Monetary Benefits $** | **Value of Performance Rights $** | **Superannuation Contributions $** | **Termin-ation Benefits $** | **TOTAL $** | |
| **Directors** | | | | | | | |
| Fletcher Quinn[a] | 43,000 | - | - | - | - | 43,000 | - |
| Kris Knauer[a] | 268,296 | - | - | - | - | 268,296 | - |
| Scott Funston[a][c] | 211,250 | 37,500[d] | 154,815[e] | - | - | 403,565 | 38.36 |
| Michael Fry[b] | - | - | - | - | - | - | - |
| Robert Willes[b] | - | - | - | - | - | - | - |
| 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 based on the company share price on date of issue and the value is brought to account over the vesting period.

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

Class A Performance Rights have the following vesting conditions:

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

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

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

**(e) Employment Contracts of Key Management Personnel**

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

(a) (Commencement Date): 5 July 2021.

(b) (Term): Two (2) years from the Commencement Date or until validly terminated.

(c) (Remuneration): Mr Knauer receives a base salary of $295,000 per annum (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.

The Finance Director, CFO and Company Secretary, Mr Scott Funston entered into an agreement on 5 July 2021, pursuant to which Mr Funston continued 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): 5 July 2021.

(a) (Term): Two (2) years from the Commencement Date or until validly terminated.

(c) (Remuneration): Mr Funston receives a base salary of $245,000 per annum (including superannuation).

(d) (Incentives): Mr Funston 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 Funston prior to the date of this agreement will be honoured by the Company.

(f) (Termination): The agreement may be terminated by either party by providing three (3) months written notice.

(g) (Expenses): Mr Funston is entitled to reimbursement for all reasonable travelling expenses, accommodation and general expenses incurred in the performance of his duties under the agreement.

**(f) Shares held by Key Management Personnel**

| | Balance at 1.7.20 | Shares Purchased | Net Change Other | Balance at 30.06.21 |
|---|---|---|---|---|
| **Directors** | | | | |
| Fletcher Quinn | 23,328,637 | 750,000 | - | 24,078,637 |
| Kris Knauer[(a)] | 42,195,332 | 1,229,167 | - | 43,424,499 |
| Scott Funston[(a)] | 4,804,167 | 356,250 | - | 5,160,417 |
| | 70,328,136 | 2,335,417 | - | 72,663,553 |

[(a)] Subsequent to the financial year and up to the date of this report, Mr Knauer received 8,854,167 and Mr Funston received 2,000,000 ordinary shares upon exercising 8,854,167 and 2,000,000 $0.04 unlisted options with an expiry date of 30 June 2022.

No other shares were issued by the Company during or since the financial year ended 30 June 2021 as a result of the exercise of an option or conversion of a performance right.

### (g) Options held by Key Management Personnel

| | Balance at 1.7.20 | Options Expired | Options Issued | Balance at 30.06.21 | Total Vested | Total Exercisable |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Fletcher Quinn | - | - | - | - | - | - |
| Kris Knauer[(a)] | 8,854,167 | - | - | 8,854,167 | 8,854,167 | - |
| Scott Funston[(a)] | 2,000,000 | - | - | 2,000,000 | 2,000,000 | - |
| | 10,854,167 | - | - | 10,854,167 | 10,854,167 | - |

[(a)]Subsequent to the financial year and up to the date of this report, Mr Knauer received 8,854,167 and Mr Funston received 2,000,000 ordinary shares upon exercising 8,854,167 and 2,000,000 $0.04 unlisted options with an expiry date of 30 June 2022.

### (h) Performance Shares held by Key Management Personnel

| | Balance at 1.7.20 | Received as Remuneration | Performance Shares Expired | Net Change Other | Balance at 30.06.21 | Total Vested | Total Exercisable |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Fletcher Quinn | - | - | - | - | - | - | - |
| Kris Knauer[(a)] | 37,000,000 | - | - | - | 37,000,000 | - | - |
| Scott Funston | - | - | - | - | - | - | - |
| | 37,000,000 | - | - | - | 37,000,000 | - | - |

[(a)] 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 1.7.20 | Received as Remuneration | Performance Shares Expired | Net Change Other | Balance at 30.06.21 | Total Vested | Total Exercisable |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Fletcher Quinn | - | - | - | - | - | - | - |
| Kris Knauer | - | - | - | - | - | - | - |
| Scott Funston[(a)] | 10,000,000 | - | - | - | 10,000,000 | - | - |
| | 10,000,000 | - | - | - | 10,000,000 | - | - |

[(a)] Please refer to (b) Compensation of Key Management Personnel, above for the value of performance rights issued to Mr Funston during the previous 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 $60,000 (2020: $43,000) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. $5,000 (2020: $20,000) 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 $295,000 (2020: $268,296) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors' Report. $24,583 (2020: $98,333) 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 $245,000 (2020: $211,250) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. $20,417 (2020: $36,250) was outstanding at year end.

### (k) Amounts owing to Key Management Personnel

A total of $50,000 was outstanding to Key Management Personnel as at 30 June 2021 (2020:$154,583), as noted above.

**END OF REMUNERATION REPORT**

**OPTIONS**

At the date of this report, 61,969,443 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 | 51,969,443 |
| Unlisted[(a)] | 14 April 2025 | $0.40 or $0.45 | 10,000,000 |

[(a)] The exercise price of each option is $0.40 on or before 14 July 2022 and $0.45 thereafter.

No ordinary shares were issued upon the exercise of options during the financial year ended 30 June 2021. Since the end of the financial year ended 30 June 2021 up to the date of this report, 34,675,001 ordinary shares were issued upon the exercise of options.

**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:

Vesting conditions of these rights are out in the Remuneration Report above.

**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, 477,406 Incentive Performance Rights over new ordinary shares in the Company were on issue:

| Type | Number |
|---|---|
| Incentive Performance Rights | 477,406 |

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.

4,772,594 ordinary shares were issued upon the vesting of performance rights or performance shares during the financial year ended 30 June 2021. No ordinary shares were issued upon the vesting of performance rights or performance shares since the end of the financial year ended 30 June 2021.

**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 2021.

**NON-AUDIT SERVICES**

HLB Barnett Chown (South Africa), an overseas affiliated HLB firm, provided statutory compliance non-audit services of $3,848 during the year ended 30 June 2021 (2020: $Nil).

HLB Mann Judd (WA Partnership) did not provide any non-audit services during the financial year.

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

Kris Knauer
Managing Director

20 September 2021

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 2021, 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**
**20 September 2021**

**B G McVeigh**
**Partner**

## *CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*
## *For the year ended 30 June 2021*

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| Other income | 2 | **6,320,981** | **348,258** |
| Accounting and audit fees | | (46,764) | (63,506) |
| Consultants' and directors' fees | | (761,016) | (666,948) |
| Legal and compliance | | (162,445) | (141,721) |
| Investor relations, conferences, and corporate advice | | (213,718) | (270,804) |
| Employee expenses | | (46,593) | (24,421) |
| Travel expenses | | (6,594) | (228,827) |
| Public company and administration expenses | | (802,689) | (230,777) |
| Share based payments | | (1,234,925) | (511,695) |
| Depreciation | | (30,878) | (4,785) |
| Foreign exchange (losses) / gains | | (88,790) | 14,923 |
| Loan facility expenses | | (303,589) | - |
| Other | | (3,474) | (2,021) |
| **Profit / (Loss) before income tax** | | **2,619,506** | **(1,782,324)** |
| **Income tax expense** | 3 | **(2,021,243)** | **47,025** |
| **Net profit / (loss) for the year** | | **598,263** | **(1,735,299)** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **(1,810,211)** | **(326,109)** |
| Income tax on other comprehensive income / (loss) | | **-** | **-** |
| **Other comprehensive loss for the year** | | **(1,810,211)** | **(326,109)** |
| **Total comprehensive income / (loss) for the year** | | **(1,211,948)** | **(2,061,408)** |
| **Basic earnings/ (loss) per share** | 20 | **0.09** | **(0.35)** |
| **Diluted earnings / (loss) per share** | 20 | **0.08** | **(0.35)** |

*The accompanying notes form part of these financial statements.*

# *CONSOLIDATED STATEMENT OF FINANCIAL POSITION*
## *As at 30 June 2021*

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 4 | 47,490,314 | 3,801,292 |
| Trade and other receivables | 5 | 309,910 | 115,536 |
| Prepayments | 6 | 14,145 | 43,515 |
| **TOTAL CURRENT ASSETS** | | **47,814,369** | **3,960,343** |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | 5 | 2,851,222 | 316,276 |
| Deferred exploration and evaluation expenditure | 7 | 29,497,231 | 11,653,007 |
| Property, plant and equipment | 8 | 314,686 | 46,337 |
| **TOTAL NON-CURRENT ASSETS** | | **32,663,139** | **12,015,620** |
| **TOTAL ASSETS** | | **80,477,508** | **15,975,963** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | 1,736,543 | 1,157,129 |
| Provisions | 10 | 47,004 | 24,990 |
| **TOTAL CURRENT LIABILITIES** | | **1,783,547** | **1,182,119** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred Tax Liability | 3 | 2,021,243 | - |
| Loan Facility | 11 | 3,500,000 | - |
| **TOTAL NON-CURRENT LIABIITIES** | | **5,521,243** | **-** |
| **TOTAL LIABILITIES** | | **7,304,790** | **1,182,119** |
| **NET ASSETS** | | **73,172,718** | **14,793,844** |
| **EQUITY** | | | |
| Issued capital | 12 | 80,631,294 | 22,177,747 |
| Reserves | 13 | (486,566) | 186,370 |
| Accumulated losses | | (6,972,010) | (7,570,273) |
| **TOTAL EQUITY** | | **73,172,718** | **14,793,844** |

*The accompanying notes form part of these financial statements.*

# *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*
## *For the year ended 30 June 2021*

| **Consolidated 2021** | **Issued Capital $** | **Accumulated Losses $** | **Share Based Payment Reserve $** | **Foreign Exchange Reserves $** | **Option Reserves $** | **Total $** |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **22,177,747** | **(7,570,273)** | **511,695** | **(326,109)** | **784** | **14,793,844** |
| Profit for the year | - | 598,263 | - | - | - | 598,262 |
| Other comprehensive loss | - | - | - | (1,810,211) | - | (1,810,211) |
| **Total comprehensive income for the year** | **-** | **598,263** | **-** | **(1,810,211)** | **-** | **1,211,949** |
| Issue of share capital | 62,140,000 | - | - | - | - | 62,140,000 |
| Issue of shares in lieu of salary | 620,464 | - | - | - | - | 620,464 |
| Share based payments | 97,650 | - | 1,137,275 | - | - | 1,234,925 |
| Shares issued on conversion employee rights | 477 | - | - | - | - | 477 |
| Share issue costs | (4,405,044) | - | - | - | - | (4,405,044) |
| **Balance at 30 June 2021** | **80,631,294** | **(6,972,010)** | **1,648,970** | **(2,136,320)** | **784** | **73,172,718** |
| | | | | | | |
| **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** |

*The accompanying notes form part of these financial statements.*

# *CONSOLIDATED STATEMENT OF CASH FLOWS*
## *For the year ended 30 June 2021*

| | | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (1,709,038) | (1,343,043) |
| Other income | | 6,317,507 | 342,799 |
| Interest received | | 3,474 | 3,249 |
| **NET CASH FROM (USED IN) OPERATING ACTIVITIES** | 4 | **4,611,943** | **(996,995)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Expenditure on exploration | | (21,278,602) | (5,543,857) |
| Expenditure on property, plant, and equipment | | (322,751) | (47,558) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(21,601,353)** | **(5,591,415)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans received | 11 | 3,500,000 | - |
| Repayment of loans | | - | (467,780) |
| Proceeds from share issue | | 62,140,477 | 6,540,500 |
| Costs of loan facility | | (280,000) | - |
| Share issue costs | | (4,593,255) | (741,876) |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | **60,767,222** | **5,330,844** |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **43,777,812** | **(1,257,566)** |
| Cash and cash equivalents at beginning of the year | | 3,801,292 | 5,043,935 |
| Effect of movements in exchange rates on cash held | | (88,790) | 14,923 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 4 | **47,490,314** | **3,801,292** |

*The accompanying notes form part of these financial statements.*

***Notes to The Financial Statements for the Year Ended 30 June 2021***

## 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 2021*

In the year ended 30 June 2021, the Directors have adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review the Group has not identified any changes that need to be applied.

*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 2021. 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.

### (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.

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), Argentinian Peso's, South African Rand (ZAR) and Australian Dollars (AUD). The presentation currency is Australian Dollars (AUD).

As at reporting date the assets and liabilities of the 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 2021 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.

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **2. OTHER INCOME** | | |
| Government cash flow boost | 29,460 | 21,202 |
| Capital gain on foreign exchange conversion | 6,288,047 | 323,807 |
| Interest received | 3,474 | 3,249 |
| | **6,320,981** | **348,258** |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **3. INCOME TAX** | | |
| The prima facie tax benefit on profit/(loss) before income tax is reconciled to the income tax expense as follows: | | |
| Net loss before income tax | **2,619,506** | **(1,782,324)** |
| Prima facie tax benefit on result before income tax at 30% (2020: 30%) | 785,852 | (534,697) |
| Add: | | |
| - Share based payments | 370,478 | 153,509 |
| - Movements in provisions, accruals and prepayments | (3,003) | - |
| - Non-deductible entertainment | 858 | 1,812 |
| - Other non-deductible expenses | 798,758 | 427,003 |
| - Change in tax rate | - | 153,316 |
| - Differences in tax rate of subsidiaries operating in different jurisdictions | (131,407) | (30,648) |
| - Other deferred tax assets and tax liabilities not recognised | (765,431) | (183,302) |
| Less: | | |
| - Black hole expenditure deductions | (31,837) | (12,078) |
| - Non-assessable, non exempt income | (674,471) | 24,431 |
| - Benefit of tax losses and other temporary differences not brought to account | 1,307,302 | 654 |
| - Recognition of previously unrecognised tax losses | (570,395) | - |
| Income tax expense | **2,021,243** | **-** |
| The following tax deferred tax balances have been recognised: | | |
| Deferred tax assets / (liabilities) at 30% (2020: 30%): | | |
| Carry forward revenue losses | (5,059,280) | - |
| Capitalised exploration costs | 3,038,038 | - |
| | **(2,021,243)** | - |
| The following tax deferred tax balances have been recognised: | | |
| Deferred tax assets / (liabilities) at 30% (2020: 30%): | | |
| Carry forward revenue losses | 4,340,727 | 3,298,644 |
| Capital raising costs | 24,155 | 36,233 |
| Accrued expenses | 9,293 | 12,296 |
| Foreign exchange | - | (4,477) |
| Capitalised exploration costs | (1,304,575 | (1,544,171) |
| | **3,069,601** | **1,798,525** |

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.

| Movement in deferred tax balances | Net balance at 1 July | Recognised in profit or loss | Balance at 30 June 2021 Deferred tax assets | Deferred tax liabilities | Net recognised deferred tax asset / (liability) |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Accrued expenses | 12,296 | (3,003) | 9,293 | - | - |
| Capital raising costs | 36,233 | (12,078) | 24,155 | - | - |
| Capitalised exploration costs | (1,544,174) | (4,819,681) | - | (6,363,855) | - |
| Foreign exchange | (4,477) | 4,477 | - | - | - |
| Tax losses | 3,298,644 | 4,080,121 | 7,378,765 | - | - |
| *Deferred tax assets/liabilities recognised* | - | - | 3,038,038 | (5,059,280) | (2,021,243) |
| *Deferred tax assets/liabilities not recognised* | 1,798,522 | (750,163) | 4,374,176 | (1,304,575) | - |
| **Net deferred tax balance** | **-** | **-** | **-** | **-** | **(2,021,243)** |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **4. CASH** | | |
| For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on a daily bank deposit rate. | | |
| Cash at Bank | **47,490,314** | **3,801,292** |
| Reconciliation of net loss after tax to the net cash flows from operations: | | |
| Net profit / (loss) | 598,263 | (1,735,299) |
| **Non cash items:** | | |
| Deferred Tax Liability | 2,021,243 | (47,025) |
| Depreciation | 30,878 | 4,785 |
| Foreign exchange gains | 88,790 | (14,923) |
| Creditors settled for equity | 341,817 | 139,000 |
| Share based payments | 1,234,925 | 511,695 |
| **Changes in assets and liabilities** | | |
| Decrease / (Increase) in receivables and prepayments | (21,740) | 18,658 |
| Increase / (Decrease) in payables and accruals | 317,768 | 126,114 |
| **Net cash flows used in from operating activities** | **4,611,943** | **(996,995)** |
| Changes in liabilities arising from financing activities: | | |
| Opening balance | - | 467,780 |
| Loans received | 3,500,000 | - |
| Loan repayments | - | (467,780) |
| Net cash from financing activities | 3,500,000 | (467,780) |
| **Closing balance** | **3,500,000** | **-** |
| **5. TRADE & OTHER RECEIVABLES** | | |
| **Current** | | |
| GST receivable | 225,905 | 15,958 |
| Other receivables | 84,005 | 99,578) |
| **Closing balance** | **309,910** | **115,536** |
| **Non current** | | |
| VAT receivable | **2,851,222** | **316,276** |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|

## 6. PREPAYMENTS

| | | |
|---|---|---|
| **Current** | | |
| Other pre-payments | **14,145** | **43,515** |

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

## 7. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | | |
|---|---|---|
| **Non-current** | | |
| Exploration and evaluation phase | **29,497,231** | **11,653,007** |
| | | |
| Opening balance | 11,653,007 | 3,277,843 |
| Exploration and evaluation expenditure | 17,844,224 | 5,063,274 |
| Acquisition costs | - | 3,311,890 |
| **Closing balance** | 29,497,231 | 11,653,007 |

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

## 8. PROPERTY, PLANT AND EQUIPMENT

| | | |
|---|---|---|
| **Property** | | |
| Cost | 69,124 | - |
| Accumulated depreciation | (6,774) | - |
| Net carrying amount | **62,350** | - |
| | | |
| **Plant and Equipment** | | |
| Cost | 233,054 | 29,691 |
| Accumulated depreciation | (17,171) | (2,968) |
| Net carrying amount | **215,883** | **26,723** |
| | | |
| **Computer Equipment and Software** | | |
| Cost | 38,992 | 12,834 |
| Accumulated depreciation | (9,684) | (1,741) |
| Net carrying amount | **29,308** | **11,093** |
| | | |
| **Furniture, Fixtures and Fittings** | | |
| Cost | 7,850 | 8,569 |
| Accumulated depreciation | (705) | (48) |
| Net carrying amount | **7,145** | **8,521** |
| | | |
| **Total Plant and Equipment** | **314,686** | **46,337** |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **Movements in Property, Plant and Equipment** | | |
| **Property** | | |
| At beginning of the period | - | - |
| Additions | 76,729 | - |
| Net exchange differences on translation | (7,605) | - |
| Depreciation charge for the year | (6,774) | - |
| | 62,350 | - |
| **Plant and Equipment** | | |
| At beginning of the period | 26,723 | - |
| Additions | 218,394 | 26,163 |
| Net exchange differences on translation | (15,031) | 3,528 |
| Depreciation charge for the year | (14,203) | (2,968) |
| | 215,883 | 26,723 |
| **Computer Equipment and Software** | | |
| At beginning of the period | 11,093 | - |
| Additions | 27,628 | 12,790 |
| Net exchange differences on translation | (1,470) | 44 |
| Depreciation charge for the year | (7,943) | (1,741) |
| | 29,308 | 11,093 |
| **Furniture, Fixtures and Fittings** | | |
| At beginning of the period | 8,521 | - |
| Additions | - | 8,604 |
| Net exchange differences on translation | (719) | (35) |
| Depreciation charge for the year | (657) | (48) |
| | 7,145 | 8,521 |

## 9. TRADE & OTHER PAYABLES

| | | |
|---|---|---|
| **Current** | | |
| Trade creditors and accruals | **1,736,543** | **1,157,129** |

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

## 10. PROVISIONS

| | | |
|---|---|---|
| **Current** | | |
| Employee benefits | **47,004** | **24,990** |

The provision for employee benefits represents accrued annual leave entitlements.

| | | |
|---|---|---|
| **Movements in Provisions:** | | |
| **Employee benefits** | | |
| At beginning of the period | 24,990 | - |
| Additions | 22,014 | 24,990 |
| | **47,004** | **24,990** |

## 11. BORROWINGS

| | | |
|---|---|---|
| **Non-Current** | | |
| Unsecured loans | **3,500,000** | **-** |

Under a funding agreement RiverFort Global Capital Ltd, a London based UK Institutional Investment Manager focusing on high-growth companies, has advanced the Company $3.5 million. The loan attracts an interest rate of 6% p.a. and is repaybale by 15 July 2022. The Company will utilise the proceeds of the Options, that are exercisable at $0.04 on or before 30 June 2022, together with other cash reserves to repay the loan.

## 12. ISSUED CAPITAL

| | | | |
|---|---|---|---|
| **(a)** | **Issued Capital** | **80,631,294** | **22,177,747** |

| **Movement in ordinary shares on issue** | **Consolidated 2021** | | **Consolidated 2020** | |
|---|---|---|---|---|
| | **No** | **$** | **No** | **$** |
| At start of period | 548,724,627 | 22,177,747 | 465,560,126 | 13,000,904 |
| Shares issued for cash | 250,500,000 | 62,140,000 | 65,002,000 | 6,500,500 |
| Shares issued on conversion employee rights | 4,772,594 | 477 | - | - |
| 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 | 4,684,219 | 718,114 | 2,162,500 | 139,000 |
| Transaction costs relating to issued shares | - | (4,405,044) | - | (329,324) |
| | **808,681,440** | **80,631,294** | **548,724,627** | **22,177,747** |

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, 61,969,443 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 | 51,969,443 |
| Unlisted[(a)] | 14 April 2025 | $0.40 or $0.45 | 10,000,000 |

[(a)] The exercise price of each option is $0.40 on or before 14 July 2022 and $0.45 thereafter.

No ordinary shares were issued upon the exercise of options during the financial year ended 30 June 2021. Since the end of the financial year ended 30 June 2021 and up to the date of this report, 34,675,001 ordinary shares were issued upon the exercise of options.

## 13. RESERVES

| | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| Option reserve | 784 | 784 |
| Share based payments reserve | 1,648,970 | 511,695 |
| Foreign currency translation reserve | (2,136,320) | (326,109) |
| | **(486,566)** | **186,370** |

### 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.

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Opening balance | 511,695 | - |
| Share based payment expense | 1,137,275 | 511,695 |
| | 1,648,970 | 511,695 |

The share based payment reserve is used to record the value of equity benefits for the Riverfort Facility, and those provided to directors, executives and employees as part of their remuneration and non-employees for their services. Refer to note 17 for further details of the share based payments during the financial year.

| | | |
|---|---|---|
| **Foreign currency translation reserve** | | |
| Opening balance | (326,109) | - |
| Foreign currency translation | (1,810,211) | (326,109) |
| | (2,136,320) | (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 the period.

## 15. PERFORMANCE RIGHTS

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

| 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, 477,406 Incentive Performance Rights over new ordinary shares in the Company were on issue:

| Type | Number |
|---|---|
| Incentive Performance Rights | 477,406 |

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.

4,772,594 ordinary shares were issued upon the vesting of performance rights or performance shares during the financial year ended 30 June 2021. No ordinary shares were issued upon the vesting of performance rights or performance shares since the end of the financial year ended 30 June 2021.

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

## 17. SHARE BASED PAYMENTS

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

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| *Operating expenses* | | |
| Supplier share based payment | 667,261 | - |
| Employee share based payment | 567,664 | 511,695 |
| | **1,234,925** | **511,695** |

**Supplier Share Based Payment**

Under a funding agreement RiverFort Global Capital Ltd (RGC), a London based UK Institutional Investment Manager focusing on high-growth companies, has advanced the Company $3.5 million which will be repaid from the proceeds of in the money Options, with the Options due to be exercised on or before 30 June 2022. Under the funding agreement RGC were issued 10,000,000 unlisted options. Refer to note 12(b) for further details regarding the options.

The Riverfort Facility Options were valued using a Monte Carlo simulations as follows:

i. 1,000 Monte Carlo simulations of CEL share price based on the company's closing share price at the 16th April 2021;
ii. Used the terminal price of the 1000 simulations that were higher than the exercise price of A$0.40 as at the end of 15 months as the input to a Black-Scholes model;
iii. Used the terminal price of the 1000 simulations as at the end of 4 year (1000 trading days) that were higher than the exercise price of A$0.45as the input to a Black-Scholes model; and
iv. Discounted the average value of those options back to the valuation date 16thApril 2021 using the applicable RBA bond rate;

***Volatility*****:** The Monte Carlo simulations were calculated using three-year historical volatility of 93.2% for the CEL share price.

***Discount rate***: To NPV the valuation to the 16th April 2021 a discount rate of 0.10% was used which represented the 3 year Australian Bond Rate

Additionally, a supplier received ordinary shares in the Capital of the Company in lieu of cash for services provided during the year.

**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 2020 Number | Granted / (Exercised) Number | Balance at 30 June 2021 Number | Vested and exercisable at 30 June 2021 Number |
|---|---|---|---|---|---|
| 3 December 2019 | 4 July 2026 | 16,000,000 | - | 16,000,000 | - |
| 16 March 2020 | 4 July 2026 | 5,250,000 | (4,772,594) | 477,406 | 477,406 |

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

## 18. KEY MANAGEMENT PERSONNEL EMOLUMENTS

### (a) Details of Key Management Personnel

Fletcher Quinn – Non Executive Chairman
Kris Knauer – Managing Director
Scott Funston – Executive Director

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 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Short-term employee benefits | 300,000 | 522,546 |
| Short-term employee benefits in lieu of cash consideration | 300,000 | 37,500 |
| Post-employment benefits | - | - |
| Share-based payments | 156,516 | 154,815 |
| | **756,516** | **714,861** |

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 $60,000 (2020: $43,000) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. $5,000 (2020: $20,000) 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 $295,000 (2020: $268,296) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. $24,583 (2020: $98,333) 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 $245,000 (2020: $211,250) to Challenger during the year on normal commercial terms. This amount is included in the Remuneration Report section of the Directors Report. $20,417 (2020: $36,250) was outstanding at year end.

### (d) Amounts owing to Key Management Personnel

A total of $50,000 was outstanding to Key Management Personnel as at 30 June 2021 (2020: $154,583), as noted above.

## 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.

***Notes to The Financial Statements for the Year Ended 30 June 2021***

| **30 June 2021** | **Australia $** | **Ecuador $** | **Argentina $** | **Consolidated $** |
|---|---|---|---|---|
| Interest income | 3,474 | - | - | 3,474 |
| Other income | 29,460 | - | 6,288,047 | 6,317,507 |
| **Segment income** | **32,934** | **-** | **6,288,047** | **6,320,981** |
| Segment profit / (loss) before income tax | (2,904,375) | (32,856) | 3,535,494 | 598,263 |
| Segment assets | 47,452,511 | 9,697,355 | 23,327,642 | 80,477,508 |
| Segment liabilities | 3,756,927 | 172,475 | 3,375,388 | 7,340,790 |
| *Included within segment assets* | | | | |
| Cash at bank | 47,451,344 | 205,577 | 59,296 | 47,490,314 |
| Property, plant and equipment and exploration expenditure | 1,170 | 9,431,360 | 20,379,387 | 29,811,917 |
| *Cash flow information* | | | | |
| Net cashflow inflows / (outflows) from operating activities | (1,524,428) | (32,856) | 6,169,227 | 4,611,943 |
| Net cashflow (outflows) from investing activities | - | (3,878,000) | (17,723,353) | (21,601,353) |
| Net cashflow inflows from financing activities | 60,767,222 | - | - | 60,767,222 |
| **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 |

| | **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 |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **20. EARNINGS / LOSS PER SHARE** | | |
| The following reflects the loss and share data used in the calculation of basic earnings / (loss) per share (EPS): | | |
| Profit / (Loss) used in calculation of basic EPS | **598,263** | **(1,735,299)** |
| | **Number** | **Number** |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS | **664,268,915** | **495,389,099** |
| The following reflects the loss and share data used in the calculation of diluted earnings / (loss) per share (EPS): | | |
| Profit / (Loss) used in calculation of diluted EPS | **598,263** | **(1,735,299)** |
| | **Number** | **Number** |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS | **751,390,765** | **495,389,099** |

## 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 | |
|---|---|---|---|
| | | 2021 | 2020 |
| AEP Corporation Pty Ltd | Australia | 100% | 100% |
| Bundu Oil & Gas Exploration Pty Ltd | South Africa | 95% | 95% |
| Afro-Asian Resources Pty Ltd | Australia | 100% | 100% |
| Ecuador Mining Pty Ltd | Australia | 100% | 100% |

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

## 22. AUDITOR'S REMUNERATION

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Amounts received or due and receivable by the auditor: | | |
| - HLB Mann Judd (WA Partnership) - audit or review of the financial reports of the Company | 35,000 | 41,725 |
| Amounts received or due and receivable by overseas separate firms: | | |
| - HLB Barnett Chown (South Africa) – statutory compliance services | 3,848 | - |
| | **38,848** | **41,725** |

## 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 has debt, repaybale from the exercise of deep in the money options and therefore this risk is minimal.

**2021**

| Consolidated | Rate | Less than 1 month $ | 1 to 3 months $ | 3 months to 1 year $ | 1 to 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | | |
| Non-interest bearing | | 50,665,591 | - | - | - | 50,665,591 |
| | | **50,665,591** | **-** | **-** | **-** | **50,665,591** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Non-interest bearing | | (1,783,547) | - | - | - | (1,783,547) |
| Fixed interest rate instruments | 6% | - | - | - | (3,500,000) | (3,500,000) |
| **NET FINANCIAL ASSETS** | | **48,882,044** | **-** | **-** | **(3,500,000)** | **45,382,044** |

**2020**

| Consolidated | Rate | Less than 1 month $ | 1 to 3 months $ | 3 months to 1 year $ | 1 to 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **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** |

*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 2021 (2020: 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 2021 is $3,161,132 (2020: $431,812). There are no impaired receivables at 30 June 2021.

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 2021 (2020: $Nil).

## 26. PARENT ENTITY DISCLOSURES

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

| ***Financial position*** | **2021 $** | **2020 $** |
|---|---|---|
| **Assets** | | |
| Current assets | 47,444,774 | 3,752,021 |
| Non-current assets | 32,655,518 | 16,664,981 |
| ***Total assets*** | **80,100,292** | **20,417,002** |
| | | |
| **Liabilities** | | |
| Current liabilities | (93,625) | 50,312 |
| Non-current liabilities | 3,500,000 | - |
| ***Total liabilities*** | 3,406,374 | 50,312 |
| **Net Assets** | **76,693,917** | **20,366,690** |
| | | |
| **Equity** | | |
| Issued capital | 110,676,866 | 52,223,319 |
| Accumulated losses | (38,175,775) | (34,912,180) |
| Reserves | 4,192,826 | 3,055,551 |
| **Total equity** | **76,693,917** | **20,366,690** |

| | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| ***Financial performance*** | | |
| (Loss) for the year | (2,849,077) | (2,257,263) |
| Other comprehensive income | 414,547 | 174,738 |
| Total comprehensive (loss) | **(3,263,594)** | **(2,082,525)** |

## 27. SUBSEQUENT EVENTS

During July and August 2021, 34,675,001 options with an expiry date of 30 June 2022 were exercised at 4 cents per share, raising $1,387,000. On 16 July 2021 and 5 August 2021, the Company repaid $1,200,000 and $180,000 respectively of the Riverfort Facility from the proceeds of the exercise of the options.

On 3 September 2021, shareholders approved the 100% acquisition of the Hualilan Project in Argentina and the amendment to purchase 100% of the El Guayabo Project in Ecuador. Subsequently the Company issued 114,000,000 ordinary shares for the acquisition of the Hualilan Gold Project and 18,000,000 ordinary shares for the consideration of the El Guayabo Gold Copper Project.

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 2021, 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.

## *DIRECTORS' DECLARATION*

1. The Directors of the Company declare that:
   a. the financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2021 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 2021.

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

Mr Kris Knauer
Managing Director

20 September 2021

**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 2021, the consolidated statement of profit or 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 2021 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.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying value of Deferred Exploration and Evaluation Expenditure**<br>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.<br><br>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:<br>- We obtained an understanding of the key processes associated with management's review of the carrying value of deferred exploration and evaluation expenditure;<br>- We considered the Directors' assessment of potential indicators of impairment;<br>- We obtained evidence that the Group has current rights to tenure of its areas of interest;<br>- We examined the exploration budget for 2022 and discussed with management the nature of planned ongoing activities;<br>- 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<br>- We examined the disclosures made in the financial report. |
| **Revenue recognition**<br>Notes 1n to the financial report | |
| The Group generates revenue predominantly from the trading of government bonds. The Group recognised sales revenue of $6,288,047 for the year (2020: $323,807).<br><br>Revenue recognition is considered to be a key audit matter given the significance of revenue to the Group's results as well as the fraud risk around cut-off including:<br>- An overstatement of revenues through premature revenue recognition or recording of fictious revenues.<br>- Revenue not being recognised when control is transferred to the customer, resulting in revenue not being recognised in the correct accounting period.<br>Revenue is recognised when control is transferred to the buyer and the amount of revenue can be reliably determined. | Our audit procedures included but were not limited to the following:<br>- We reviewed the Group's processes for revenue and controls in place around bond trading;<br>- We tested all bond trading transactions during the year to invoices and receipt of cash;<br>- We assessed the Group's policies for recognition of revenue against the requirements of the accounting standards and checked these were adequately disclosed in the financial statements; and<br>- We reviewed sales cut-off procedures focussing on sales in June 2021 and July 2021, testing a sample of transactions to underlying documentation and assessing the period in which they were recognised. |

*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 financial report for the year ended 30 June 2021, 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.

*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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2021.

In our opinion, the Remuneration Report of Challenger Exploration Limited for the year ended 30 June 2021 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 M McVeigh

**B G McVeigh**
**Partner**

**Perth, Western Australia**
**20 September 2021**

# 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 13 September 2021.

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

| Shareholder | Number | % |
|---|---|---|
| Sergio Rotondo | 89,000,000 | 9.16 |
| Black Rock Group | 71,733,253 | 7.38 |
| Kris Knauer | 52,278,666 | 5.38 |

**Distribution of Shareholders**

| | Ordinary Shares | | |
|---|---|---|---|
| | Number of Holders | Number of Shares | % Issued Share Capital |
| 1 - 1,000 | 122 | 36,795 | 0.00% |
| 1,001 - 5,000 | 533 | 1,611,759 | 0.17% |
| 5,001 - 10,000 | 365 | 2,963,241 | 0.30% |
| 10,001 -100,000 | 1,160 | 48,509,871 | 4.99% |
| 100,001 and over | 706 | 918,332,092 | 94.53% |
| TOTAL | 2,886 | 971,453,758 | 100.00% |

**On-Market Buy Back**
There is no current on-market buy back.

**Voting Rights**
All ordinary shares carry one vote per share without restriction.

**Top 20 Shareholders**
The names of the twenty largest holders of each class of quoted equity security, the number of equity security each holds and the percentage of capital each hold is as follows:

| RANK | HOLDER NAME | UNITS | |
|---|---|---|---|
| 1 | SERGIO ROTONDO | 89,000,000 | 9.16% |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 79,161,065 | 8.15% |
| 3 | MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C> | 32,954,167 | 3.39% |
| 4 | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 29,251,816 | 3.01% |
| 5 | CITICORP NOMINEES PTY LIMITED | 24,542,286 | 2.53% |
| 6 | PISTON SECURITIES PTY LTD | 20,954,167 | 2.16% |
| 7 | MONEYBUNG PTY LTD <MONEYBUNG FAMILY A/C> | 15,208,332 | 1.57% |
| 8 | LQ SUPER PTY LTD <LQ SUPERFUND A/C> | 13,000,000 | 1.34% |
| 9 | STRANDLINE INVESTMENTS PTY LTD | 11,825,633 | 1.22% |
| 10 | JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C> | 11,060,000 | 1.14% |
| 11 | BROOKAVA PTY LTD | 9,507,800 | 0.98% |
| 12 | MR JAMES HENDERSON ALLEN | 8,000,000 | 0.82% |
| 12 | LEON SUPERANNUATION PTY LTD <THE LEON SUPER FUND A/C> | 8,000,000 | 0.82% |
| 13 | ELIAS SAHAD | 7,600,000 | 0.78% |
| 14 | JAXL HOLDING PTY LTD <JAXL HOLDING A/C> | 7,300,000 | 0.75% |
| 15 | BELAIR AUSTRALIA PTY LTD <THE CAPRI INVESTMENT A/C> | 7,219,334 | 0.74% |
| 16 | MR FRANCIS SCOTT FUNSTON &MRS VICTORIA ALEXIS SUZANNE FUNSTON <THE FUNSTON INVESTMENT A/C> | 6,960,417 | 0.72% |
| 17 | SANPEREZ PTY LTD <P CHALMERS PARTNERSHIP A/C> | 6,858,334 | 0.71% |
| 18 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,546,617 | 0.67% |
| 19 | BEGLEY SUPERANNUATION PTY LTD <BEGLEY SUPERANNUATION A/C> | 6,500,000 | 0.67% |
| 20 | MR PINCHAS ALTHAUS | 6,000,000 | 0.62% |
| 20 | E & E HALL PTY LTD<E & E HALL P/L S/F A/ | 6,000,000 | 0.62% |
| 20 | ATANASIO HERNAN CELORRIO | 6,000,000 | 0.62% |
| **TOTAL** | | **419,449,968** | **43.18%** |

**Performance Shares**

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

**Interests in Tenements Held**

| Project | Property Name | Tenure Title Holder | Interest % | Area (ha) | DNPM No of Area | Status of Tenure |
|---|---|---|---|---|---|---|
| El Guayabo | El Guayabo | Torata Mining Resources S.A | 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 | Granted |
| Hualilan | Andacollo | CIA GPL S.R.L. | as above | 6 | 5448-M-1960 | Granted |
| Hualilan | North of "Pizarro" Mine | Golden Mining S.R.L. | as above | 1.9 | 195-152-C-1981 | Granted |
| Hualilan | South of "La Toro" Mine | CIA GPL S.R.L. | as above | 1.9 | 195-152-C-1981 | Granted |
| Hualilan | Josefina | Golden Mining S.R.L. | as above | 2570 | 30.591.654 | 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.

Waiver Securities and agreements have been amended as follows:

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

**El Guayabo Project Milestones (new milestones as approved by shareholders on 3 September 2021)**

| Project Interest | Cumulative Interest | Project Milestones |
|---|---|---|
| 19.9% | 19.9% | Existing interest in the project |
| 80.1% | 100% | The issue of 18,000,000 Shares (Earn in Shares) to the Vendors by 15 December 2022. |

14,000,000 Earn In Shares have been issued.

**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.

Subsequent to 30 June 2021, CEL announced that it has entered into binding agreements to move to 100% ownership of the Hualilan Gold Project.

**Key Terms of the transaction**
Table 1 and Table 2 show the previous terms of the Hualilan Gold Project Acquisition agreement and the new terms to move to 100%. The total consideration payable to each vendor is listed in Table 3 (paid July 2021).

**Table 1 - Previous Hualilan Gold Project Acquisition Terms**

| Project Interest | Cumulative Interest | Project Milestones |
|---|---|---|
| 25% | 25% | minimum spend of A$2 million within 2 years and issue of 15 million CEL shares |
| 50% | 75% | completion of a Definitive Feasibility Study (DFS) within 6 years and the issue of 50 million CEL shares |
| 25% | 100% | no agreement in place |

**Table 2 - New Hualilan Gold Project Acquisition Terms**

| Project Interest | Cumulative Interest | Project Milestones |
|---|---|---|
| 25% | 25% | completed June 30 2020 |
| 50% | 75% | issue of 50 million CEL shares (**50% Consideration Shares**) |
| 25% | 100% | issue of 64 million CEL shares (**25% Consideration Shares**) and cash payment of US$3.69 million |

**Table 3 - Consideration payable to the Vendors**

| Vendor | Cash ($US) | Shares |
|---|---|---|
| Sergio Rotondo | | 89,000,000 |
| Elias Sahad | $240,000 | 11,000,000 |
| Atanasio Hernan Celorrio | | 6,000,000 |
| Foxrock Investments Limited | | 3,400,000 |
| San Juan Inversiones SRL | | 4,600,000 |
| Ernesto Mario Giorgi | $1,797,795 | |
| Vicente Enrique Levia | $703,800 | |
| Ernesto Videla | $459,885 | |
| Guillermo Enrique Preisz | $488,520 | |
| **Total** | **$3,690,000** | **114,000,000** |

The Transaction was completed following shareholder approval on 3 September 2021. All Shares have been issued.

**Performance Shares**
The Company has 60,000,000 Class A Performance Shares and 60,000,000 Class B Performance Shares on Issue.
A summary of the terms and conditions of the Performance Shares are as follows:
The Performance Shares shall automatically convert into Shares, provided that if the number of Shares that would be issued upon such conversion is greater than 10% of the Company's Shares on issue as at the date of conversion, then that number of Performance Shares that is equal to 10% of the Company's Shares on issue as at the date of conversion under this paragraph will automatically convert into an equivalent number of Company Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

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

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

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

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

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

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

No Performance Milestones have been met.