



CHALLENGER EXPLORATION LIMITED

ABN 45 123 591 382

Interim Consolidated Financial Report
for the half-year ended
31 December 2021

Challenger Exploration Limited

CORPORATE DIRECTORY

Directors

Mr Fletcher Quinn (Non-Executive Chairman)

Mr Kris Knauer (Managing Director)

Mr Scott Funston (Executive Director)

Mr Sergio Rotondo (Executive Director)

Company Secretary

Mr Scott Funston

Registered Office

Level 1

1205 Hay Street

West Perth, WA 6005

Telephone: +61 8 6380 9235

Website: www.challengerex.com

Share Registry

Automic Registry Services

Level 2

267 St Georges Terrace

Perth WA 6000 Australia

Telephone: 1300 288 664 (within Australia)

Telephone: + 61 2 9698 5414 (international)

Auditors

Ernst and Young (EY)

21 Mounts Bay Road

Perth WA 6000

Telephone: + 61 8 9429 2222

Lawyers

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

Perth WA 6000

Telephone: + 61 8 9321 4000

Securities Exchange

The Company's securities are quoted
on the official list of the Australian Securities
Exchange Limited, the home branch being Perth.
ASX Code: CEL

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DIRECTORS' REPORT

The Directors of Challenger Exploration Limited ("CEL" or the "Company") submit the Interim Consolidated Financial Report of the Group for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

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

Results of Operations

The profit after tax for the half-year ended 31 December 2021 was \$4,490,982 (half-year ended 31 December 2020: \$1,546,953), primarily due to other income of \$7,778,906 (half-year ended 31 December 2020: \$2,688,313), as disclosed in note 3 and gain on net monetary position of \$3,277,495 (half-year ended 31 December 2020: \$857,671) as disclosed in note 1.4e and 1.3.

HIGHLIGHTS

- **Corporate**
 - CEL received shareholder approval to acquire 100% ownership of its flagship Hualilan Gold Project (was previously earning up to 75%). The Company issued 50 million CEL shares for 50% (previously contingent on completion of a DFS) and 64 million CEL shares and payment of US\$3.69 million for the final 25% of the Project
 - The Company entered into agreements to acquire a package of Exploration Licences adjacent to the Company's existing Hualilan Gold Project. The Cordon del Peñon tenements cover 97.5 square kilometres and are located 3 kilometres north of Challenger's existing Hualilan Project concessions which cover approximately 80 square kilometres.
- **Hualilan Gold Project, Argentina**
 - Follow up metallurgical testing on the lower-grade intrusion hosted mineralisation significantly increased concentrate grade whilst maintaining gold recoveries above 90%
 - Drilling extended the high-grade Magnata Fault mineralisation
 - Confirmation of a second deeper zone of high grade mineralisation at Sentazon
 - Verde Zone extended to 1.5km of continuous mineralisation
- **El Guayabo Gold Copper Project**
 - Drilling commenced on El Guayabo Project with initial results confirming the confirm the discovery of a significant intrusion hosted gold-copper-silver-molybdenum system

CORPORATE

Challenger is in a strong financial position, with approximately \$27.6m cash at bank at the end of the half-year. Exploration spend during the half-year was \$26.3m of which approximately \$2.7m relates to Argentinian Value Added Tax which will be recouped. During the half-year, Challenger adopted AASB 129 *Financial Reporting in hyperinflationary economies* requiring a prior period restatement as disclosed in Note 1.3.

COVID-19

The Company continues to work with all levels of government and local communities in relation to COVID-19.

All drilling contractors on site operate in strict COVID-19 bubbles to minimise any risk of spread. The Company has also split the drill program over several drilling contractors to minimise the potential impact of COVID-19. All of the company's employees from Ecuador and Argentina are fully 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

The Hualilan Gold Project is a high-grade gold and silver project associated with a multi-phase porphyry intrusive. It had 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 that remain open in most directions. Exploration by La Mancha attempted to assess the continuity of mineralisation across the property but did not test the project by systematic drilling. CEL has 100% of the Project comprises 15 mining licences and an exploration licence covering the surrounding 26kms². Additionally CEL has increased its landholding around the project to 177.5 square kilometres. The Company has completed in excess of 15,000 metres of drilling to date, with approximately 54,000 metres to be completed of the 120,000 metre resource drilling program. The Company intends to release a maiden, and interim, Resource Estimate during this current Half Year.

Highlights

Continued to return outstanding results during the half-year, with results significantly expanding mineralisation.

Next round of drilling at Sentazon returned best result received at Hualilan on a gram x metres basis breaking the previous record from DDH-71 (10.0m at 39.7 g/t AuEq), by more than 50%.

- **63.3m at 9.8 g/t AuEq² - 8.5 g/t Au, 7.9 g/t Ag, 2.9% Zn from 108.3m including;
24.1m at 23.3 g/t AuEq² - 20.4 g/t Au, 15.9 g/t Ag, 6.2% Zn from 113.60m and;
1.9m at 17.2 g/t AuEq² - 13.5 g/t Au, 23.1g/t Ag, 7.8% Zn from 168.7m (GNDD-378).**

The first holes drilled with the portable rig targeting up-dip extensions of the high-grade mineralisation in the Hualilan Hills returned outstanding results including:

- **5.0m at 19.9 g/t AuEq² - 17.3 g/t Au, 30.1 g/t Ag, 5.1% Zn from 15.0m including;
3.0m at 32.5 g/t AuEq² - 28.2 g/t Au, 49.8 g/t Ag, 8.3% Zn (GNDD-397).**
- **5.4m at 28.7 g/t AuEq² - 28.6 g/t Au, 11.1 g/t Ag from 24.4m inc
2.4m at 60.2 g/t AuEq² - 60.0 g/t Au, 20.4 g/t Ag from 26.0m within
67.6m at 2.6 g/t AuEq² - 2.5 g/t Au, 2.6 g/t Ag from 24.4m (GNDD-434)**
- Drilling on the Magnata Fault extended the high-grade Magnata Fault mineralisation to 520 metres strike and 500 metres vertically with mineralisation still open in all directions.
- **4.2m at 16.1 g/t AuEq² - 10.4 g/t Au, 61.5g/t Ag, 11.4% Zn from 330.8m (GNDD-370)**
- **4.0m at 16.9g/t Au from 240.0m (silver and base metal results pending) (GNDD-416).**
- Drillhole GNDD-450 testing the prognosed position of the Verde Zone across the Magnata Fault approximately 400 metres south of the known Verde mineralisation intercepted:
 - **97.8m at 2.2 g/t AuEq² - 1.7 g/t Au, 11.9g/t Ag, 0.9% Zn from 313.5m including
16.8 at 9.7 g/t AuEq² - 7.1 g/t Au, 50.7 g/t Ag, 4.4% Zn from 376.2m including
4.8m at 30.0 g/t AuEq² - 21.6 g/t Au, 9.3 g/t Ag, 0.2% Zn from 376.2 (GNDD-450)**

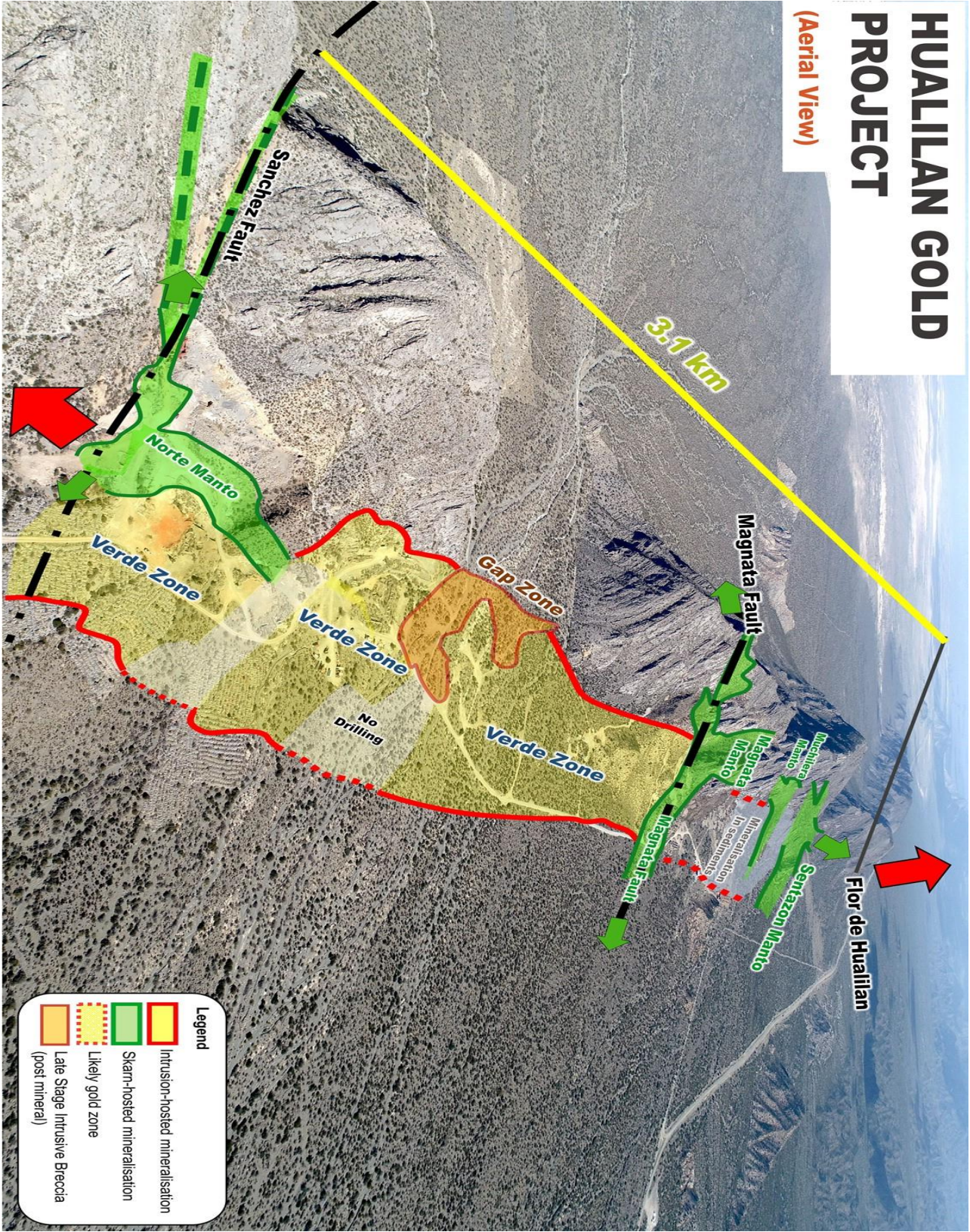


Figure 1 - Hualilan Gold Project Location Map (looking south-east)

SENTAZON EXTENSION DRILLING PROGRAM

Sentazon is the southernmost mineralisation that was defined historically with its location shown in Figure 1. 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 at Sentazon intersected mineralisation over 150 metres of strike and 300 metres down 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.

The Sentazon extension drill program has been expanded several times due to the continuing high-grade results. The expanded program at Sentazon now includes a minimum of 24 additional drill holes of which 15 have been completed (assays pending), one hole is in progress, and eight more are planned.

During the half-year, the Company received assays results for GNDD-378 which was drilled to test 40 metres down-dip of earlier drill hole GNDD-106, which had intersected 25 metres at 0.7 g/t AuEq including 4 metres at 2.6 g/t AuEq and 1.1 metres at 1.6 g/t AuEq (Figure 2). GNDD-378 was effectively a redrill of one of the Company's earliest Sentazon drill holes, GNDD-013, which intersected 6.9 metres at 2.7 g/t in the main Sentazon Manto and was terminated prior to reaching the, then undiscovered, underlying Footwall Zone at Sentazon.

GNDD-378 intersected **63.3 metres at 9.8 g/t AuEq (8.5 g/t gold, 7.9 g/t silver, 2.9% zinc)** from 108.3m including **24.1 metres at 23.3 g/t AuEq (20.4 g/t gold, 15.9 g/t silver, 6.2% zinc)** from 113.60m and; **1.9 metres at 17.2 g/t AuEq (13.5 g/t gold, 23.1g/t silver 7.8% zinc)** from 168.7m.

Definition of new consistent wide zone of high-grade mineralisation at Sentazon

This 63-metre intersection in GNDD-378 (true width approximately 40 metres) correlates with the intercept in GNDD-142, located in the same stratigraphic position 25 metres north along strike. GNDD-142 intersected 11.5m at 6.5 g/t AuEq from 81.5m, plus 40.0m at 6.2 g/t AuEq from 152.0m (including 10.7m at 13.3 g/t AuEq) within a larger zone of 110.5 metres at 3.0 g/t AuEq. This confirms a thick high-grade zone of mineralisation is present where the structures that control the main Sentazon Manto (which dips at approximately 45 degrees) and the steeper underlying Footwall Zone (which dips at approximately 60 degrees) intersect.

The mineralisation in GNDD-378 is consistent, pervasive, and high-grade. The core was sampled for assaying in 1 to 1.5 metre intervals, with the 63.3 metre intercept comprising 51 splits.

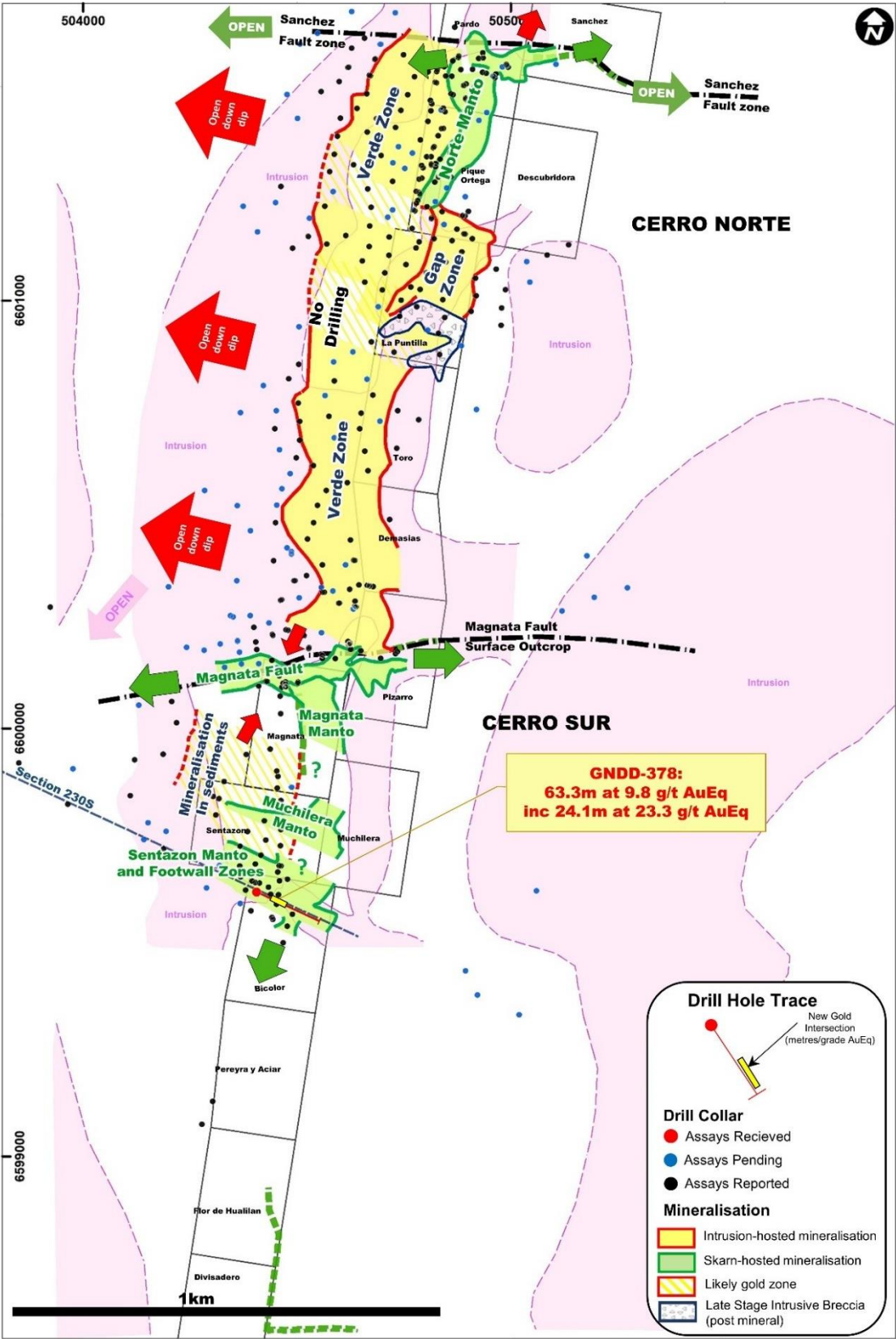


Figure 2 - Plan View Sentazon mineralisation and current drilling

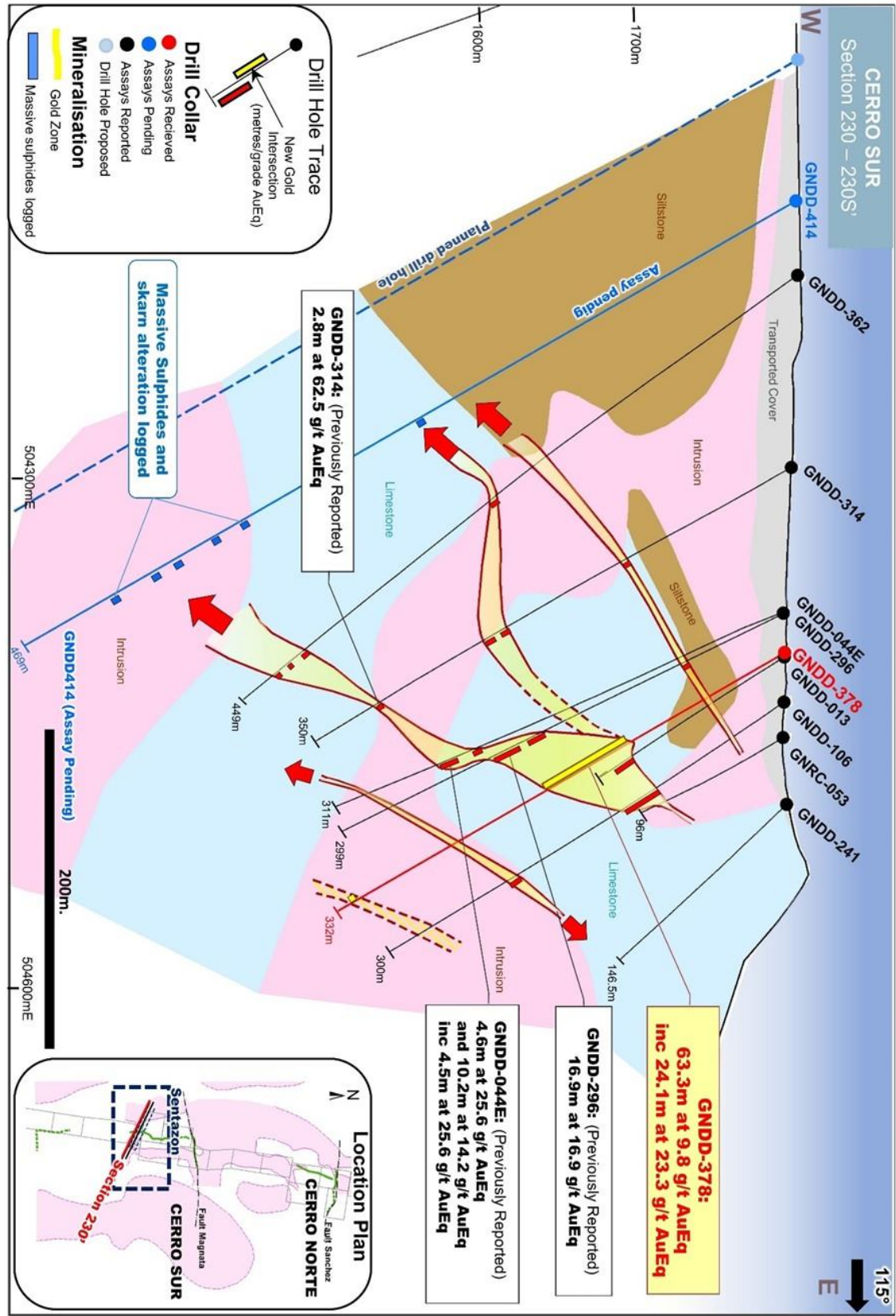


Figure 3 - Cross Section showing the location of GNDD-378

Sixteen of the 51 samples returned grades above 10 g/t AuEq, with 11 splits above 20 g/t AuEq and the two highest grade splits returning: **124.5 g/t AuEq (119.8 g/t gold, 68.6 g/t silver, 8.7% zinc)** and **142 g/t AuEq (131.1 g/t gold, 52.8 g/t silver, 23.6% zinc)**.

Additionally, GNDD-296 (16.9 metres at 16.9 g/t AuEq), GNDD-044e (4.6 metres at 25.6 g/t plus 10.2m at 14.2 g/t AuEq), and GNDD-314 (2.8m at 62.5 g/t AuEq), collectively stepping 160 metres downdip from GNDD-378, demonstrate the significant scale of the high-grade gold mineralisation at Sentazon.

Record Hualilan Gold Project Intercept

GNDD-378 is the best drill hole recorded at the project exceeding the previous best hole DDH-71 (10.0m at 39.7 g/t AuEq), by more than 50% on a gram x metres basis. Ongoing results demonstrate that these types of intercepts are not uncommon as Hualilan continues to grow into a discovery of significance. Fifteen of the 341 CEL drill holes for which assays have been received have intercepted more than 200 gram x metres with 37 of 341 (approximately 11%) of CEL drill holes returning more than 100 gram x metres.

DRILL PROGRAM IN THE HUALILAN HILLS USING PORTABLE RIG

During the half-year, the Company released the results are from a series of holes drilled using a track mounted portable rig into the Hualilan Hills. Previous drilling by the Company has consisted of a series of drill holes collared on the plain surrounding the Hualilan Hills, targeting the down-dip extensions of the historically defined high-grade mineralisation. The Hualilan Hills extend up to 200 metres above the plains and while mineralisation was historically mapped outcropping up into the hills, drilling had not been possible due to access issues. Additionally, drilling in the Hualilan Hills was not deemed high-priority prior to the excellent results of the channel sampling, which indicated the presence of bonanza grades up-dip from drilling.

GNDD-397

Photo 1 shows, GNDD-397 the first in series of additional holes in progress stepping progressively higher into the Hualilan Hills at Cerro Norte, along a recently completed access road. GNDD-397 was collared approximately 25 metres vertically above the plain some 50 metres up-dip from previous CEL drilling. GNDD-434 was collared at the end of this access road.

The hole successfully intersected the prognosed up-dip extension of the main Cerro Norte Manto, intersecting **5.0 metres at 19.9 g/t AuEq (17.3 g/t gold, 30.1 g/t silver, 5.1% zinc)** from 15.0m including; **3.0 metres at 32.5 g/t AuEq (28.2 g/t gold, 49.8 g/t silver, 8.3% zinc)**. Additionally, the hole encountered two deeper zones of mineralisation, intersecting **4 metres at 0.4 g/t AuEq** from 50.0m and **4 metres at 0.6 g/t AuEq** from 98.0m. Both these deeper zones are hosted in intrusives and correlate with the prognosed position of the Gap Zone mineralisation, approximately 250 metres south.

GNDD-397 was located 80 metres up-dip of CEL drill hole GNRC-078 (1 metre at 1.2 g/t AuEq) and 50 metres up-dip of GNRC-064 (1 metre at 1.6 g/t AuEq and 1 metre at 1.7 g/t AuEq). Additionally, GNDD-397 is located approximately 30 metres up-dip from channel sample RNNV12-01 (35.2 metres at 6.9 g/t AuEq) and 20 metres north along strike of RNNV12-10 (8.7 metres at 15.0 g/t AuEq). Drill holes GNRC-064 and GNRC-078 and channel sample RVNN12-01, recorded significantly lower grades than were intersected in drillhole GNDD-397. This supports the interpretation of better grades, as the Company continues the program of drilling higher into the Hualilan hills.

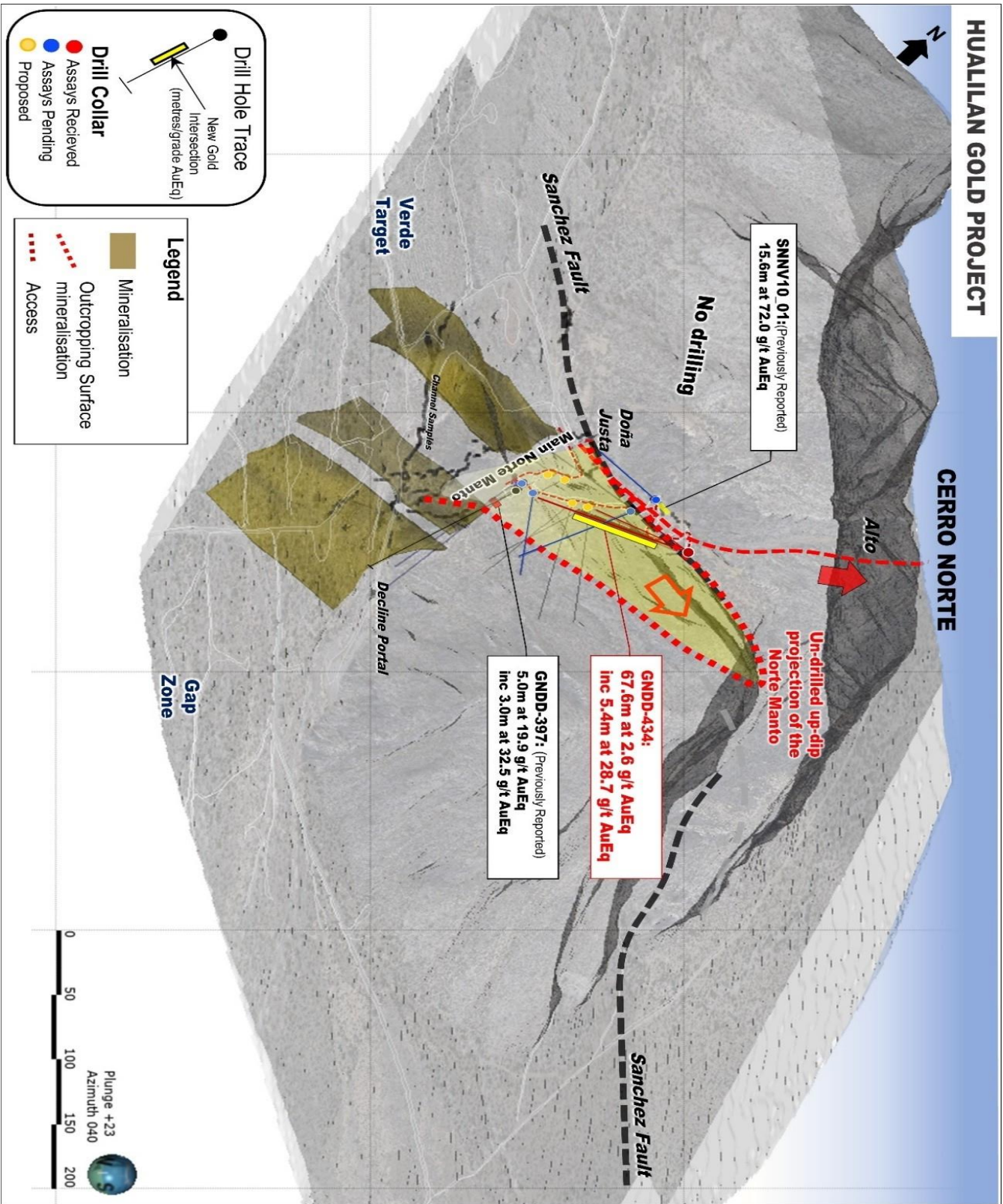


Figure 4 - 3D view of Cerro Norte showing the location of GNDD-397 and additional portable rig drilling



Photo 1 (looking north) - GNDD-397 drilling and road to up-dip drill pads including GNDD-434

The Company's current drilling has intersected high-grade manto mineralisation, from surface to 200-300 metres down-dip and there is an additional 200-300 metres up-dip potential to the top of the Hualilan Hills.

# drill holes	Location	Target
26	Cerro Norte	up-dip extensions of high-grade skarn mineralisation
5	Sentazon	up-dip extensions of high-grade skarn mineralisation
11	Magnata	up-dip extensions of high-grade skarn mineralisation
2	Flor de Hualilan	up-dip extensions of high-grade skarn mineralisation
8	Pizzaro	up-dip extensions of Verde Intrusion-hosted mineralisation

Table 1 - Summary of current drill program with the track-mounted drill rig

MAGNATA FAULT EXTENSION DRILLING

During the Reporting Period, the Company released the results are from a series of drill holes 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 18 drill holes intersecting mineralisation and the footprint of the high-grade Magnata Fault mineralisation extended significantly.

Highlights from the program included GNDD-416 (**4.0m at 16.9g/t Au** from 240.0m and **1.1m at 44.5 g/t Au** from 530.7m) and GNDD-422 (**29.0m at 5.3g/t AuEq** including **2.6m at 24.7 g/t AuEq**). Both these holes intersected strong mineralisation below earlier holes which recorded limited intercepts. These holes confirm the Magnata Fault mineralisation remains strong and open at depth with GNDD-416 extending mineralisation to 500 metres below surface.

GNDD-370 (**4.2m at 16.1 g/t AuEq** and **18.9 metres at 3.1 g/t AuEq** including **6.6m at 6.6 g/t AuEq**) intersected two zones of mineralisation. The upper zone associated with the Magnata Fault follows the Limestone contact

which demarcates the Magnata fault at that location. The lower zone is hosted in limestone and is a new domain of massive sulphide (manto) north of the Magnata Fault.

GNDD-348, which was collared 120 metres west of previous drilling on the Magnata Fault, successfully extended the Magnata Fault mineralisation 120 metres along strike. GNDD-348 intersected 23 metres of mineralisation from 227 metres until the end of the hole with the last two samples grading 6.0 g/t Au and 0.2 g/t Au. The hole has subsequently been extended with assays for the extension pending. Each of drill holes GNDD-343, GNDD313, GNDD-318, and GNDD-351, all collared west of GNDD-290 (the previous most westerly drill hole on the Magnata Fault), intersected mineralisation confirming the extension of consistent mineralisation another 120 metres west along the Magnata Fault. The mineralisation remains open along strike and at depth.

Additionally, drilling intersected a broad zone of near surface mineralisation in intrusive both above and surrounding the high-grade the Magnata Fault mineralisation. Examples include **21.7m at 1.1 g/t AuEq** and **63m at 0.5 g/t AuEq** (GNDD-408) and **55.0m at 0.7g/t AuEq** (GNDD 343). This confirms earlier intersections of substantial widths of near surface mineralisation above the Magnata Fault. This has the potential to be economically significant in the context of an open pit mining scenario.

Magnata Fault Zone

The Magnata and Sanchez Faults are two large east-west sub-vertical strike strip faults. The faults can be seen in outcrop and in magnetic data extending for tens of kilometres to the east and west of Hualilan. The Magnata Fault Zone is located at Cerro Sur 1.5 kilometres south of the Sanchez Fault and separates into the M1 and M2 Magnata Faults, both of which host high-grade mineralisation.

The Magnata and Sanchez Faults were historically recognised as major controls of the mineralisation at Hualilan. The mineralising fluids were interpreted to have migrated from a source below or along strike, within the faults forming steeply dipping zones of mineralisation within the Magnata and Sanchez Faults. These fluids migrating up the faults are also responsible for replacement massive sulphide Manto-style high grade bodies, oriented parallel to the limestone beds, dipping to the west adjacent to the faults.

This program of extension drilling on the Magnata Fault was designed as a series of fences of holes spaced at 40 metres along the Magnata Fault. The holes on each fence were collared to intersect the Magnata Fault approximately 40 metres below the previous hole. The drilling is targeting higher grade, thicker shoots within the fault zones.

GNDD-370

GNDD-370 was collared approximately 100 metres north of the Magnata Fault and drilled as a wildcat test in an area of limited drilling. The hole intersected two new zones of mineralisation. The upper zone returned **18.9m at 3.1 g/t AuEq (2.7 g/t gold, 9.9 g/t silver, 0.6% zinc)** from 245.8m including **6.6m at 6.6 g/t AuEq (5.8 g/t gold, 17.9 g/t silver, 1.3% zinc)** and **4.9m at 2.3 g/t AuEq (2.0 g/t gold, 10.1 g/t silver, 0.3% zinc)**. This mineralisation is associated with the contact between the sediments and intrusives with this boundary believed to be the Magnata Fault in this location.

The deeper intersection of **4.2m at 16.1 g/t AuEq (10.4 g/t gold, 61.5g/t silver, 11.4% zinc)** from 330.8m consists of high-grade skarn mineralisation hosted in limestone. A follow up hole GNDD-447 (assays pending) had been drilled to test 50 metres down dip from GNDD-370 and in other areas where this mineralisation may extend. This limestone hosted mineralisation occurs at a similar stratigraphic position as the Main Magnata Manto south of the Magnata Fault however additional drilling will be required to better define this new mineralised domain.

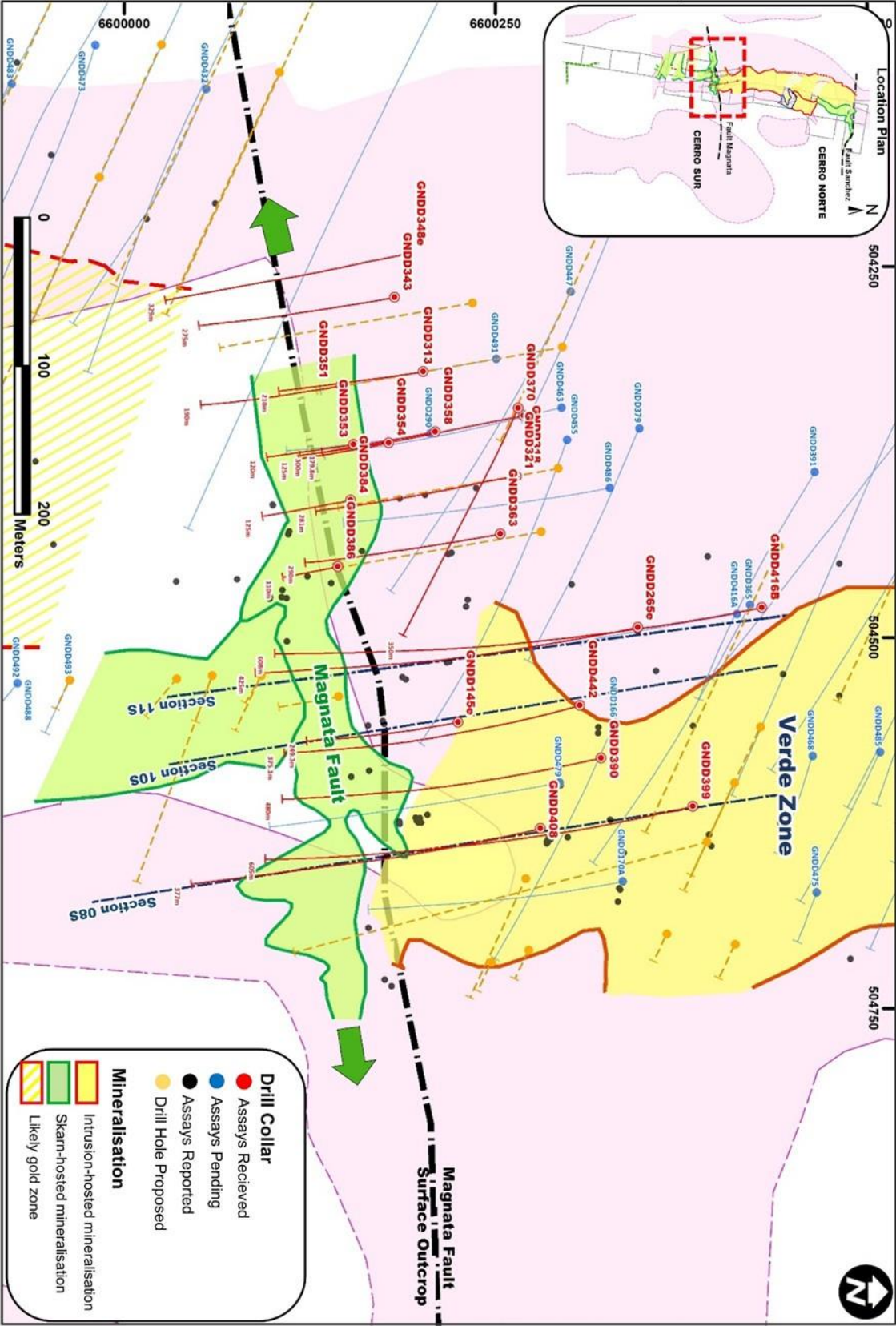


Figure 5 – Plan View showing current and pending Magnata Fault drilling

GNDD-442

GNDD-442 is one of the more significant holes in the current program. As Figure 6 illustrates the hole was drilled underneath hole GNDD-175 (8.5 metres at 0.2 g/t AuEq) which had potentially indicated that mineralisation may be closing at depth in the central part of the Magnata Fault. The intersection in GNDD-442 of **29.0 metres at 5.3 g/t AuEq (3.2 g/t gold, 44.6 g/t silver, 3.6% zinc)** from 306.0m including **2.6 metres at 24.7 g/t AuEq (17.6 g/t gold, 218.0 g/t silver, 10.1% zinc)** extended Magnata Fault high-grade mineralisation over 120 metres vertically below GNDD-221 (8.2 metres at 2.0 g/t AuEq) and 75 metres below GNDD-145. It confirms that thicker, higher grade mineralised shoots remains strong and open at depth in the central part of the Magnata fault as it does in the entire Magnata Fault.

Additionally, GND-442 intersected a number of zones of mineralisation above the Magnata Fault including **13.1 metres at 0.4 g/t AuEq (0.3 g/t gold, 1.4 g/t silver, 0.2% zinc)** from 125.9 metres, **1.0 metres at 1.8 g/t AuEq (1.8 g/t gold, 4.0 g/t silver)** from 229.0 metres, and **2.9 metres at 1.9 g/t AuEq (1.8 g/t gold, 1.9 g/t silver, 0.1% zinc)** from 251.4.

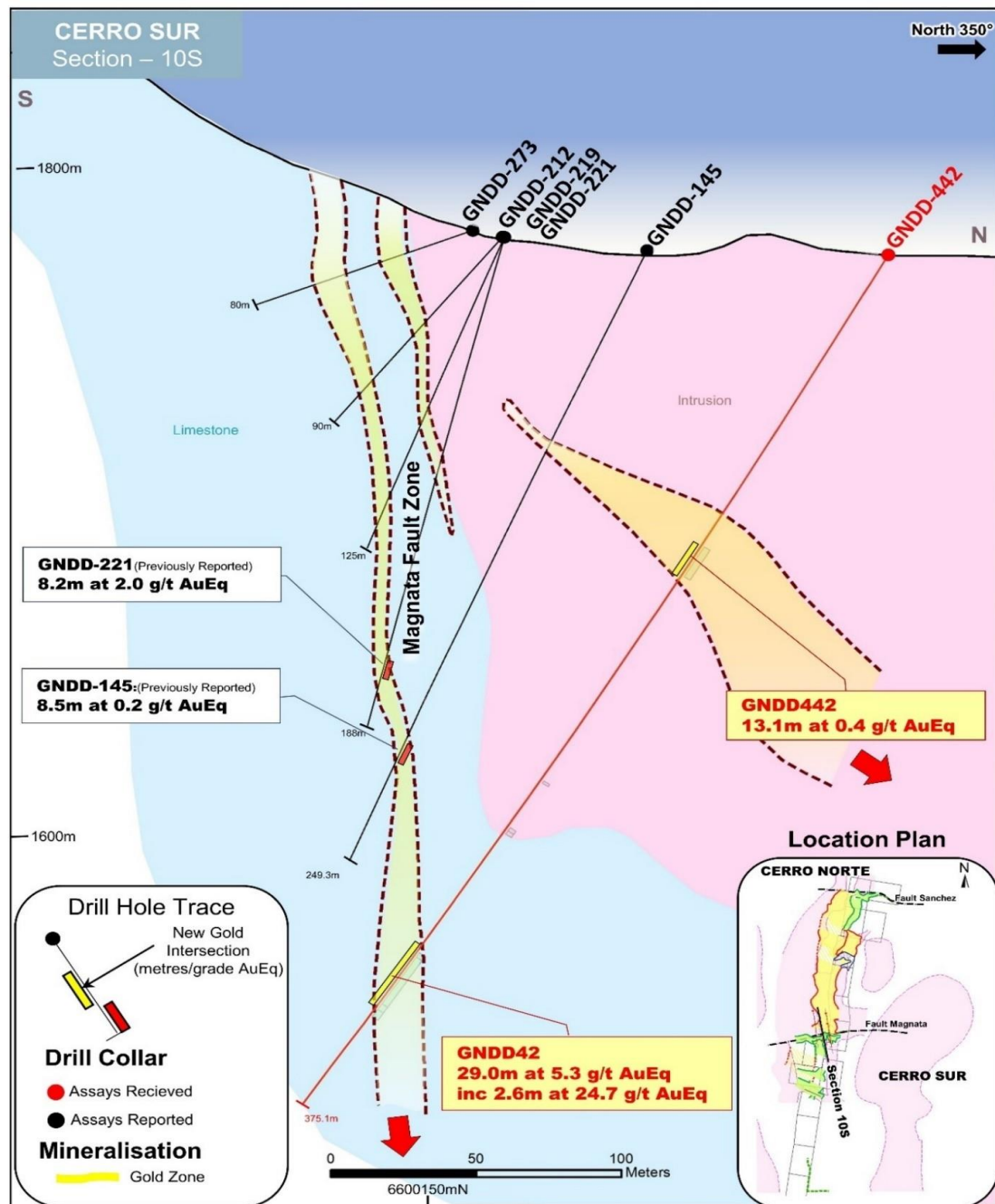


Figure 6 - Magnata Fault Cross Section 10S Showing GNDD-442 and earlier drilling

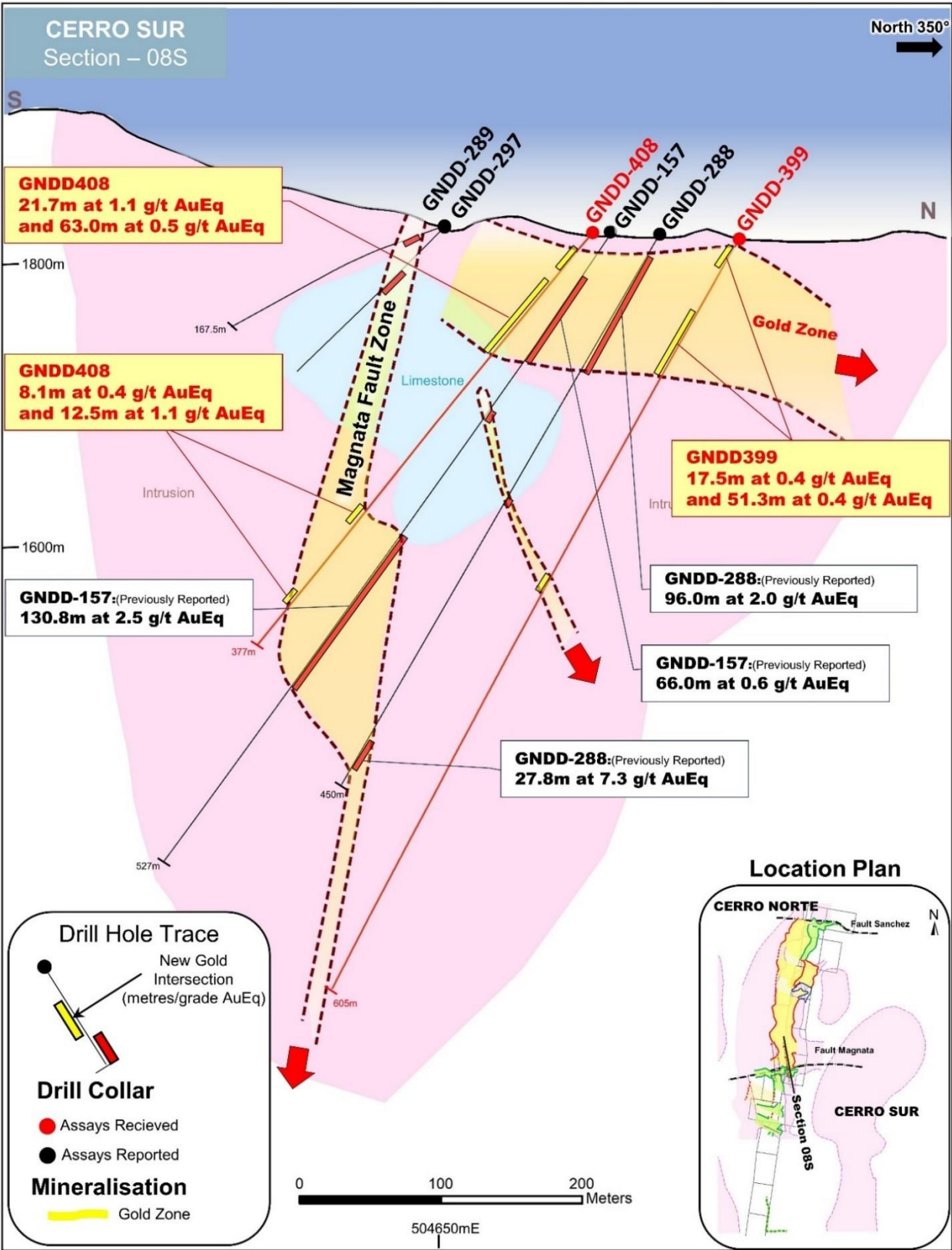


Figure 7 - Magnata Fault Cross Section 10 Showing GNDD-399 and GNDD-408

EXPLORATION DRILLING TEST NEW CONCEPTS

During the half-year in conjunction with resource drilling, CEL has completed a series of exploration holes designed to test new concepts and extend mineralisation away from existing boundaries. The program was highly successful with several significant intersections extending mineralisation well beyond its current boundaries and opening several new and material targets for drilling including:

- possible third high-grade east-west fault 400 metres north of the Sanchez Fault in GNDD-394 (**5.0m at 8.7g/t AuEq including 3.0m at 14.3 g/t AuEq**)
- A new high-grade target on a second magnetic trend west of the current Hualilan mineralisation in GNDD-326 (**2.0m at 7.5 g/t AuEq**)
- An extension of the high-grade Verde Zone mineralisation 400 metres south of the existing mineralisation in GNDD-450 (**97.8m at 2.2 g/t AuEq including 16.8m at 9.7 g/t AuEq**)
- A new zone of high-grade mineralisation over 1000 metres downhole below the Verde Zone with GNDD-308e ending in **4.0m at 5.8 g/t AuEq**

Extension of Verde Zone south of the Magnata Fault (GNDD-450, GNDD-432)

GNDD-450 and GNDD-432 were drilled as a downdip test of GNDD-311 (22.0 metres at 0.5 g/t AuEq and 21.0 metres at 0.3 g/t AuEq) which had intersected lower grade mineralisation in sediments. This low-grade mineralisation in GNDD-311 was interpreted as being analogous to the lower grade sediment hosted halo mineralisation seen above the Verde Zone. Drillholes GNDD-311, GNDD432, and GNDD-450 form a fence of drill holes located on the projected extension of the Verde Zone approximately 400 metres south of the existing Verde Zone mineralisation on the southern side of the Magnata Fault Zone.

GNDD-432 was collared to test 100 metres downdip of GNDD-311 and intersected two main zones of mineralisation. The upper zone, hosted in intrusives, returned an intersection of **48 metres at 0.5 g/t AuEq (0.4 g/t gold, 7.9g/t silver, 0.1% zinc)** from 50.0m. The lower intersection of **37.4 metres at 0.8 g/t AuEq (0.7 g/t gold, 6.2g/t silver, 0.1% zinc)** from 246.0m was predominantly hosted in sediments. This zone is interpreted as being low-grade halo mineralisation in sediments seen above the higher-grade intrusion hosted mineralisation, albeit better developed than the mineralisation in GNDD-311 up-dip, as it is closer to the intrusion-hosted mineralisation.

GNDD-450 was collared to test 100 metres below GNDD-432, and successfully intersected a significant and wide zone of Verde style intrusion-hosted mineralisation. The hole intersected **97.8 metres at 2.2 g/t AuEq (1.7 g/t gold, 11.9g/t silver, 0.9% zinc)** from 313.5m including **16.8 metres at 9.7 g/t AuEq (7.1 g/t gold, 50.7 g/t silver, 4.4% zinc)** from 376.2m including **4.8 metres at 30.0 g/t AuEq (21.6 g/t gold, 9.3 g/t silver, 0.2% zinc)** from 376.2m. As can be seen in Figure 8 (cross section) this possible extension of the Verde Zone is open and mineralisation appears to be getting stronger at depth.

GNDD-513 (in progress at 33 metres in transported cover) has been collared to test a further 100 metres down dip of GNDD-450. Additionally, several holes (completed assays pending) have been collared to test the 400 metres of strike north and south of GNDD-450 with several holes programmed to further test this new zone of mineralisation.

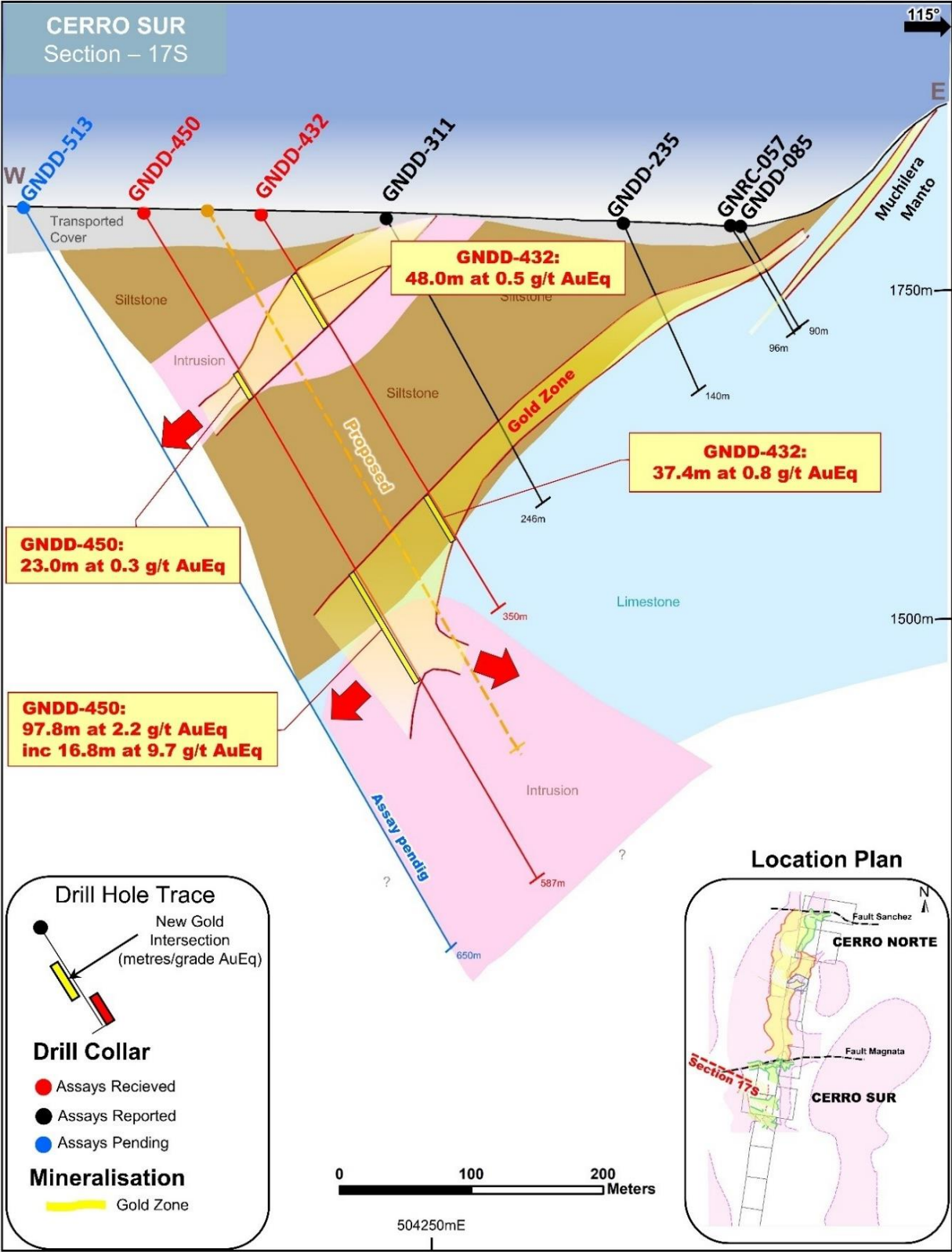


Figure 8 - Cross Section Showing GNDD-450 and potential Verde Zone southern extension

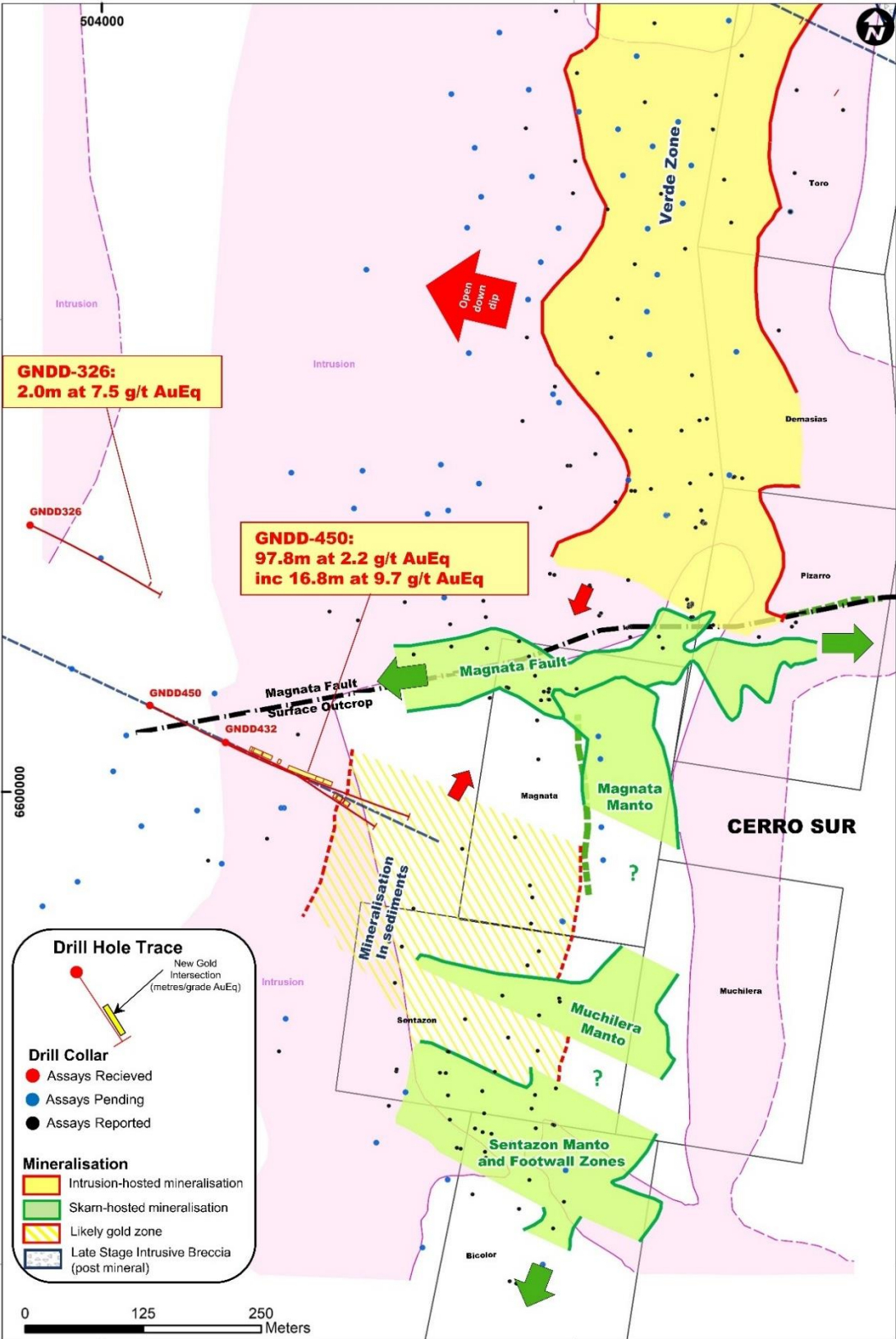


Figure 9 - Plan View showing GNDD-450 and GNDD-326 in relation to existing mineralisation

New zone of mineralisation on second north-south trending magnetic anomaly (GNDD-326)

GNDD-326 was collared west of previous drilling as an exploration hole designed to test a potential IP anomaly. The hole intersected **2.0 metres at 7.5 g/t AuEq (7.5 g/t gold, 1.4 g/t silver)** from 288.0m confirming the presence of high-grade skarn mineralisation almost 400 metres west of other drilling by the Company.

The mineralisation was hosted in shale, within a package of shale and intrusives showing the Magnetic Analytical Signal, GNDD-326 is located at the south of a second major magnetic high with the same north-south orientation as the Hualilan mineralisation. The hole is programmed to be deepened to at least 600 metres to test the flanks of this magnetic high, as earlier drilling has indicated that mineralisation is associated with the demagnetised flanks of the magnetic highs rather than the magnetic high.

Extension of high-grade mineralisation 400 metres north of the Sanchez Fault (GNDD-394)

GNDD-394 was collared 400 metres north of the Sanchez Fault, the previous limit of the high-grade skarn mineralisation, as an exploration hole designed to test a potential IP anomaly. The hole intersected **5.0 metres at 8.7g/t AuEq (7.3 g/t gold, 29.4 g/t silver, 2.4% zinc)** from 224.0m including a higher-grade zone of **3.0 metres at 14.3 g/t AuEq (12.0 g/t gold, 46.4 g/t silver, 3.9% zinc)** from 224.0m.

The intersection is hosted at the shale - limestone contact in a fault breccia, which is typical at the contact. The mineralised contact is an indication of hydrothermal fluid flow from the west and down dip, providing a further exploration target. The magnetic data shows an east-west structure in the location of GNDD-394, which could be interpreted as another east-west feeder fault similar to the Magnata and Sanchez Faults. A series of five additional holes are planned to test this new zone of high-grade mineralisation. GNDD-394 has increased the strike extent of the high-grade mineralisation at the Hualilan Gold Project from 3.1 to 3.5 kilometres with mineralisation remaining open in both directions along strike.

New zone of mineralisation below the Verde Zone (GNDD-308 extended)

Drillhole GNDD-308e was extended as the hole ended in mineralisation at 300 metres downhole. The hole intersected Verde Zone mineralisation and associated alteration in intrusives and limestones over 400 metres from 258 to 677 metres downhole indicating the significant scale of the mineralising system at Hualilan. Intercepts included **36.8 metres at 0.6g/t AuEq (0.5 g/t gold, 1.6 g/t silver, 0.2% zinc)** from 224.0m and **45.0 metres at 0.4g/t AuEq (0.3 g/t gold, 1.2 g/t silver, 0.2% zinc)** from 640.0m including **27.0 metres at 0.6 g/t AuEq (0.5 g/t gold, 1.3 g/t silver, 0.2% zinc)**. It should be noted that other holes in this section of the Verde Zone have generally recorded lower grade results indicating the 200 metres of strike surrounding GNDD-308e seems to be a lower grade section of the Verde Zone.

The hole was continued to 1013 metres downhole, the limit of drilling depth for HQ3 core, to gather deep stratigraphic information. The hole drilled out of the package of intrusive and limestone which hosts the Verde mineralisation into a deeper sequence of sandstone, previously not intersected at Hualilan, but exposed at surface on the eastern side of the Hualilan Hills. From 1009 metres downhole the hole was logged as intersecting a breccia or shear zone containing garnet alteration and 3% pyrite-sphalerite and possible clast of intrusives. This section returned intercept of **4.0 metres at 5.8 g/t AuEq (3.7 g/t gold, 44.9 g/t silver, 3.7% zinc)** from 1009m to end of hole including **3.0m at 7.7 g/t AuEq (4.8 g/t gold, 58.9 g/t silver, 4.9% zinc)** from 1010m to end of hole.

At this early stage it is not possible to determine the true width or orientation of this new deeper zone of mineralisation. The Company is, however, extremely encouraged by the intersection of mineralisation almost twice as deep as the previous deepest mineralisation as it again indicates the substantial scale of the mineralising system at Hualilan.

EL GUAYABO GOLD COPPER PROJECT

The El Guayabo Gold Copper Project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has demonstrated potential to host significant gold and associated copper 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. CEL has an agreement under which it can earn 100% of the project.

MAIDEN DRILL PROGRAM

The Company released the first results from the first two drillholes in maiden drill program in Ecuador. The results confirm the discovery of a significant intrusion hosted gold-copper-silver-molybdenum system with both holes encountering wide zones of mineralisation associated with intrusives and intrusive breccias. The first two holes have intersected two zones of mineralisation extending over 800 metres of strike on a 1.8 kilometre long gold in soil anomaly.

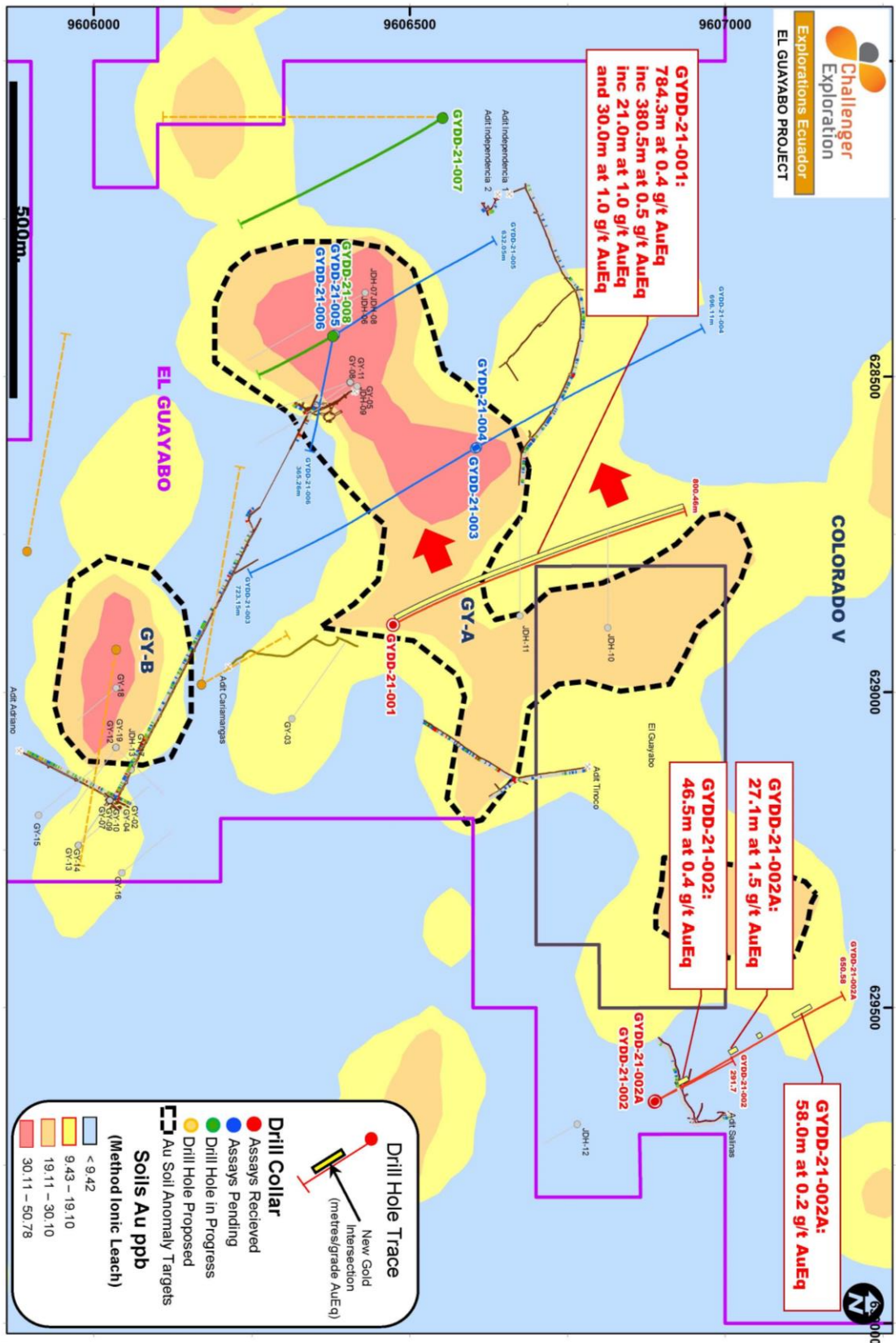
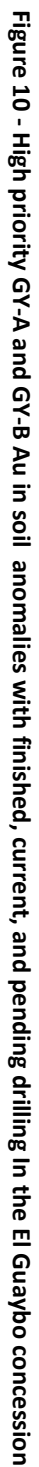
The Company now has two HC 5000 drill rigs on site with a depth capacity of 1,200 metres using NQ core rods. The second rig was mobilised to site after the completion of the third drill hole, GYDD-21-003, due to the broad and consistent zones of mineralisation noted during logging. The Company is currently completing GYDD-21-007 and GYDD-21-008 with average drill metres per shift steadily increasing. Additionally, assay turn-around times in South America have improved significantly since December.

GYDD-21-001

GYDD-21-001 was collared to test a 1.8 kilometre long gold in soil anomaly defined in the Company's 100% owned El Guayabo concession. The hole encountered a significant zone of mineralisation from near surface to the end of the hole intersecting **784.3 metres at 0.4 g/t AuEq (0.2 g/t Au, 1.6 g/t Ag, 0.1 % Cu, 12 ppm Mo)** from 16.2m. This mineralisation is hosted in intrusives and intrusive breccia and is consistent and pervasive throughout the length of the drill hole. The mineralisation included a higher grade core **of 380.5 metres at 0.5 g/t AuEq (0.3 g/t Au, 2.0 g/t Ag, 0.1 % Cu, 18 ppm Mo)** from 167.5m including **188.5 metres at 0.6 g/t AuEq (0.4 g/t Au, 2.3 g/t Ag, 0.1 % Cu, 30 ppm Mo)** from 359.5m. This 188.5 metres central core containing higher-grade components of **21.0 metres at 1.1 g/t AuEq (0.8 g/t Au, 3.0 g/t Ag, 0.2 % Cu, 139 ppm Mo)** from 403.0m and **30.0 metres at 1.1 g/t AuEq (0.8 g/t Au, 2.6 g/t Ag, 0.2 % Cu, 25 ppm Mo)** from 468.5m.

As Figure 10 (over the page) shows GYDD-21-001 was located in a lower priority section of a 1.8 km long gold in soil anomaly with the high-grade 550 metre core of the anomaly starting 100 metres to the south-west of GYDD-21-001. The high-priority section of this 1.8 kilometre anomaly is being tested in following drillholes GYDD-21-003, GYDD-21-004, GYDD-21-005, GYDD-21-006 (assays pending) and GYDD-21-007 and GYDD-21-008 (in progress). The Company took the decision to start the program with two lower priority drill holes given these pad locations provided the easiest access. Additionally, the geochemical anomaly currently being tested is the first of nine similar anomalies which will be tested. Drilling on the highest priority of these targets, located in Colorado V, is programmed to start before the end of March 2022.

In the context of its location, off the main high-grade section of the underlying gold in soil anomaly, drill hole GYDD-21-001 delivered an outstanding result. The mineralisation reflects the underlying soil geochemistry with consistent mineralisation across the hole and a higher-grade core that correlates with the central part of the soil anomaly in this location. The gold in soil values on the GDD-21-001 location is approximately 30ppb with drill holes GYDD-003 and GYDD-004 (assays pending located 200 metres south-west along strike) and GYDD-005 and GYDD-006 (assays pending located a further 250 metres south-west along strike) all collared over gold in soil values near double that of GYDD-21-001.



GYDD-21-002

GYDD-21-002 was drilled targeting underground workings in the Salinas Mine adit, where underground sampling of the historical workings has returned a channel sample interval of **69.4 metres at 0.3g/t AuEq (0.2 g/t Au, 8 g/t Ag, 0.1 % Cu, 4 ppm Mo)**, including **31.6 metres at 0.6g/t AuEq (0.3 g/t Au, 14 g/t Ag, 0.1 % Cu, 5 ppm Mo)** with a central core of **10 metres at 0.9g/t AuEq (0.2 g/t Au, 36 g/t Ag, 0.2 % Cu, 4 ppm Mo)**.

GYDD-21-002 intersected several zones of mineralisation including **46.5 metres at 0.4 g/t AuEq (0.3 g/t Au, 4.0 g/t Ag, 0.04 % Cu, 6 ppm Mo)** from 85.0m and **27.1 metres at 1.5 g/t AuEq (1.5 g/t Au, 0.8 g/t Ag, 0.02 % Cu, 2 ppm Mo)** from 279.5m including **1.5 metres at 19.2 g/t AuEq (19.1/t Au, 1.9 g/t Ag, 0.03 % Cu, 3 ppm Mo)** within a greater mineralised interval of **320.0 metres at 0.3 g/t AuEq (0.3 g/t Au, 1.2 g/t Ag, 0.02 % Cu, 2 ppm Mo)** from 83.5m. This represents a new zone of mineralisation and is interpreted to lie stratigraphically above the mineralisation intersected in GYDD-21-001.

The decision was made to extend GYDD-21-002 to 650 metres to collect stratigraphic and structural information on the north-eastern extension of zone drilled in GYDD-21-001 (Figure 10). The extension of GYDD-21-002 was prognosed to intersect this zone 800 metres north-east of GYDD-21-001 at the extreme north-eastern end of the greater 1.8 kilometre long gold in soil anomaly tested in GYDD-21-001. Importantly, this extension of GYDD-21-002 encountered a zone of mineralisation hosted in intrusive breccia intersecting **58.0 metres at 0.2 g/t AuEq (0.1 g/t Au, 0.3 g/t Ag, .01 % Cu, 2 ppm Mo)** from 499.8m containing several splits greater than 0.5 g/t AuEq.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the Directors of the company with an Independence Declaration in relation to the review of the Interim Consolidated Financial Report for the half-year ended 31 December 2021. This Independence Declaration is set out on page 22 and forms part of this report.

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



Kris Knauer

Managing Director

Perth, Western Australia

16 March 2022

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 22 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially 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 22 February 2019 continues to apply and is not materially changed.

Competent Persons Statements

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 sampling techniques and data, exploration results and geological interpretation 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 This announcement was approved by the board.

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

- Assumed commodity prices for the calculation of AuEq is Au US\$1897 Oz, Ag US\$24.3 Oz, Cu US\$6,546 /t, Mo \$17,852t
- Metallurgical recoveries for Au, Ag, Cu, Mo are assumed to be the same
- The formula used: $AuEq (g/t) = Au (g/t) + Ag (g/t) \times 0.1281 + Cu (\%) \times 1.5967 + Mo (\%) \times 4.35449$
- 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

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

As lead auditor for the review of the half-year financial report of Challenger Exploration Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Challenger Exploration Limited and the entities it controlled during the financial period.



Ernst & Young



V L Hoang
Partner
16 March 2022

**Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2021**

		Consolidated Half-year ended	
	Notes	31 December 2021 \$	31 December 2020 Restated* \$
Other income	3	8,173,736	2,720,518
Gain on net monetary position	1.4e, 1.3	3,277,495	857,611
General and administration		657,643	318,937
Public company costs		95,673	49,004
Accounting and audit fees		29,380	10,744
Legal fees		75,628	54,651
Consultants fees		374,768	387,431
Depreciation		30,285	12,094
Finance costs		92,594	-
Employee costs		69,270	20,351
Marketing expenses		114,000	120,583
Share-based payments	13	1,840,506	567,664
Other expenses		105,966	304,122
Total expenses		3,485,713	1,845,581
Profit before income tax		7,965,518	1,732,548
Income tax expense	11	(3,474,536)	(185,595)
Profit for the half-year		4,490,982	1,546,953
Other comprehensive loss net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		802,061	(1,694,270)
Total comprehensive profit/ (loss) for the half-year		5,293,043	(147,317)
Basic earnings per share (cents per share)	4	0.49	0.24
Diluted earnings per share (cents per share)	4	0.46	0.22

*For disclosure around restatement, see note 1.3

The accompanying notes form part of these Interim Consolidated Financial Statements.

**Interim Consolidated Statement of Financial Position
as at 31 December 2021**

Consolidated			
		31 December 2021	30 June 2021
	Notes	\$	Restated* \$
Assets			
Current Assets			
Cash and cash equivalents	5	27,588,897	47,490,314
Trade and other receivables		608,154	309,910
Pre-payments		8,614	14,145
Total Current Assets		28,205,665	47,814,369
Non-Current Assets			
Other receivables	6	5,552,100	2,851,222
Deferred exploration and evaluation expenditure	7	97,083,763	32,587,630
Plant and equipment		465,989	410,039
Total Non-Current Assets		103,101,852	35,848,891
Total Assets		131,307,517	83,663,260
Liabilities			
Current Liabilities			
Trade and other payables	9	2,438,262	1,736,543
Provisions		70,837	47,004
Borrowings	8	2,020,000	-
Total Current Liabilities		4,529,099	1,783,547
Non-Current Liabilities			
Deferred Tax Liabilities	11	6,560,690	3,086,154
Borrowings	8	-	3,500,000
Total Non-Current Liabilities		6,560,690	6,586,154
Total Liabilities		11,089,789	8,369,701
Net Assets		120,217,728	75,293,559
Equity			
Issued capital	10	118,421,914	80,631,294
Reserves		1,616,537	(1,026,030)
Retained earnings/(Accumulated losses)		179,277	(4,311,705)
Total Equity		120,217,728	75,293,559

*For disclosure around restatement, see note 1.3

The accompanying notes form part of these Interim Consolidated Financial Statements.

Challenger Exploration Limited

Interim Consolidated Statement of Changes in Equity for the half-year ended 31 December 2021

Consolidated							
		Issued capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserves	Share-based payment Reserves	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2021		80,631,294	(6,972,010)	(2,136,320)	784	1,648,970	73,172,718
Restatement of opening balance	1.3	-	2,660,305	(539,464)	-	-	2,120,841
Balance at 1 July 2021 restated		80,631,294	(4,311,705)	(2,675,784)	784	1,648,970	75,293,559
Profit for the half-year		-	4,490,982	-	-	-	4,490,982
Other comprehensive gain		-	-	802,061	-	-	802,061
Total comprehensive income for the period		-	4,490,982	802,061	-	-	5,293,043
Shares issued during the period		37,845,762	-	-	-	-	37,845,762
Share issue costs		(55,142)	-	-	-	-	(55,142)
Share-based payments		-	-	-	-	1,840,506	1,840,506
Balance at 31 December 2021		118,421,914	179,277	(1,873,723)	784	3,489,476	120,217,728
Balance at 1 July 2020		22,177,747	(7,570,273)	(326,109)	784	511,695	14,793,844
Profit for the half-year (restated)		-	1,546,953	-	-	-	1,546,953
Other comprehensive loss (restated)		-	-	(1,694,270)	-	-	(1,694,270)
Total comprehensive income / (loss) for the period		-	1,546,953	(1,694,270)	-	-	(147,317)
Shares issued during the period		20,620,464	-	-	-	-	20,620,464
Share issue costs		(1,345,664)	-	-	-	-	(1,345,664)
Share based payments		-	-	-	-	567,664	567,664
Balance at 31 December 2020 (restated)		41,452,547	(6,023,320)	(2,020,379)	784	1,079,359	34,488,991

The accompanying notes form part of these Interim Consolidated Financial Statements.

Challenger Exploration Limited

Interim Consolidated Statement of Cash Flows for the half-year ended 31 December 2021

		Consolidated	
		Half-year ended	
		31 December 2021	31 December 2020
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,279,279)	(770,371)
Interest received		1,320	2,745
Net cash used in operating activities		(1,277,959)	(767,626)
Cash flows from investing activities			
Receipts from Blue Chip Swaps transactions		7,197,565	2,491,812
Payments for deferred exploration and evaluation expenditure		(26,246,075)	(8,677,844)
Payments for property, plant and equipment		(56,934)	(140,591)
Net cash used in investing activities		(19,105,444)	(6,326,623)
Cash flows from financing activities			
Proceeds from issue of shares		1,519,000	20,000,000
Repayment of Loan		(1,480,000)	-
Payments for costs associated with loan		(83,594)	-
Receipts / (Payments) for share issue costs		133,070	(1,345,664)
Net cash provided by financing activities		88,476	18,654,336
Net increase/(decrease) in cash and cash equivalents		(20,294,927)	11,560,087
Cash and cash equivalents at beginning of period		47,490,314	3,801,292
Effect of movements in exchange rates on cash held		393,510	(226,797)
Cash and cash equivalents at the end of the period	5	27,588,897	15,134,582

* Gain on blue chip swaps has been recognised in net cash flows used in operating activities in the Group's most recent Appendix 5B

The accompanying notes form part of these Interim Consolidated Financial Statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Consolidated Financial Statements of Challenger Exploration Limited and its controlled entities (the Group) for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 16 March 2022.

Challenger Exploration Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

1.1 Basis of Preparation

The Interim Consolidated Financial Statements for the half-year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The accounting policies and methods of computation adopted by the Group in these Interim Consolidated Financial Statements are consistent with those applied by the Group in its consolidated annual financial statements as at and for the financial year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021 disclosed in Note 1.2 and the adoption of AASB 129 *Financial Reporting in hyperinflationary economies* ("AASB 129") disclosed in Note 1.3 and 1.4.

These Interim Consolidated Financial Statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made by Challenger Exploration Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period. The Interim Consolidated Financial Statements has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

1.2 New and revised Standards and Interpretations

Standards and Interpretations applicable to 31 December 2021

The Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the half-year ended 31 December 2021. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business.

Challenger Exploration Limited
Notes to the Interim Consolidated Financial Statements
for the half-year ended 31 December 2021

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the group and, therefore, no change is necessary to Group accounting policies.

1.3 Prior period restatement

The Group identified that AASB 129 had not been applied in relation to its subsidiary, Golden Mining SA (Argentine peso). There was no material impact to the Consolidated Statement of Financial Position at 1 July 2020.

The Group has restated each of the affected financial statement line items in the consolidated statement of financial position for the corresponding prior period, 30 June 2021 as shown below.

Consolidated Statement of Financial Position	Note	As previously reported at 30 June 2021 \$	Adjustments \$	As restated \$
Deferred exploration and evaluation expenditure	1.4c	29,497,231	3,090,399	32,587,630
Plant and equipment	1.4c	314,686	95,353	410,039
Total non current assets		32,663,139	3,185,752	35,848,891
Total assets		80,477,508	3,185,752	83,663,260
Deferred tax liabilities	1.4c	2,021,243	1,064,911	3,086,154
Total non-current liabilities		5,521,243	1,064,911	6,586,154
Total liabilities		7,304,790	1,064,911	8,369,701
Reserves	1.4g	486,566	(539,464)	(1,026,030)
Accumulated losses	1.4	6,972,010	2,660,305	(4,311,705)
Total equity		73,172,718	2,120,841	75,293,559

Challenger Exploration Limited
Notes to the Interim Consolidated Financial Statements
for the half-year ended 31 December 2021

The Group has restated each of the affected financial statement line items in the interim consolidated statement of profit or loss and other comprehensive income for the corresponding prior period, 31 December 2020 as shown below:

Interim consolidated statement of profit or loss and other comprehensive income	Note	As previously reported at 31 December 2020 \$	Adjustment \$	As restated \$
Other income	1.4d	2,494,557	225,961	2,720,518
Gain (loss) on net monetary position	1.4e	-	857,611	857,611
Total expenses	1.4d	(1,774,180)	(71,401)	(1,845,581)
Profit before income tax		720,377	1,012,171	1,732,548
Income tax expense	1.4f	-	(185,595)	(185,595)
Profit for the half-year		720,377	826,576	1,546,953
Exchange differences on translation of foreign operations	1.4d	(1,488,775)	(205,495)	(1,694,270)
Total comprehensive profit/ (loss) for the half-year		(768,398)	621,081	(147,317)
Basic earnings per share (cents per share)		0.11	0.13	0.24
Diluted earnings per share (cents per share)		0.10	0.12	0.22

1.4 Accounting policy – hyperinflation

The Group's accounting policy in relation to the adoption of AASB 129 is disclosed below.

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

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

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

The Argentine Securities Commission established that the series of indexes to be used in the AASB 129 application is the one established by the Argentine Federation of Professional Councils in Economic Sciences.

Challenger Exploration Limited
Notes to the Interim Consolidated Financial Statements
for the half-year ended 31 December 2021

The inflation was 20.4% and 19.8% in the six-month periods ended 31 December 2021 and 31 December 2020, respectively. The effects of the application of AASB 129 are detailed below:

Statement of financial position

- a. The monetary items (those with a fixed face value in local currency) are not restated as these are stated in the current measurement unit at the closing date of the reported period. In an inflationary period, keeping monetary assets causes the loss of purchasing power and keeping monetary liabilities causes gain in purchasing power as long as those items are not tied to an adjustment mechanism compensating those effects. The monetary loss or gain is included in the statement of profit or loss and other comprehensive income for the reported period.
- b. Non-monetary items that are measured at their current values at the end of the reported period are not restated. However, an adjustment process must be completed to determine the impact to the statement of profit or loss and other comprehensive income for holding these non-monetary items at a uniform measurement unit instead of a current measurement unit. There were no non-monetary items measured at current values as at 31 December 2021 and 30 June 2021.
- c. Non-monetary items at historical cost or measured at current values based on previous dates to the reported period are restated at rates to reflect the movement that has occurred from the acquisition or current value date until the reported period date. The amounts restated for these assets are then compared with the corresponding recoverable values. As a result, depreciation and amortisation are determined in accordance with the new restated amounts. Non-monetary items at historical cost are property, plant and equipment, exploration and evaluation assets and deferred tax liabilities.

Statement of profit or loss and other comprehensive income

- d. Income and expenses, which includes interest and currency exchange differences are restated from the original date of recognition. This is except for items such as depreciation and amortisation as explained above in 1.4(c). Where there is income or losses arising from using two different measurement units ie items measured at different dates, it is necessary to identify the compared amounts, separately restate them and compare them again, but with amounts already restated.
- e. The income or losses arising due to the exposure to the change in purchasing power of currency due to the holding of monetary assets and liabilities is shown in a separate item in the statement of profit or loss and other comprehensive income for the period.
- f. The restatement of non-monetary assets in the terms of the current unit of measurement at the end of the reporting period without an equivalent adjustment for tax purposes, results in a temporary taxable difference and the recognition of a deferred tax liability. The movement in any deferred tax balances is recognised through the statement of profit or loss and other comprehensive income.

Statement of changes in equity

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

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

Significant accounting judgements and key estimates

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.

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.

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.

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2. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed primarily by the location of its projects. Operating segments are therefore determined on the same basis.

	Australia	Ecuador	Argentina	Consolidated
	\$	\$	\$	\$
31 December 2021				
For the half-year ended 31 December 2021				
Other income	394,830	-	7,778,906	8,173,736
Gain on net monetary position	-	-	3,277,495	3,277,495
Total segment revenue	-	-	-	-
Total segment expense	(2,639,243)	(14,138)	(832,332)	(3,485,713)
Segment net profit/ (loss) before tax	<u>(2,244,413)</u>	<u>(14,138)</u>	<u>10,224,069</u>	<u>7,965,518</u>
At 31 December 2021				
Total segment assets	76,398,455	9,256,925	45,652,137	131,307,517
Total segment liabilities	<u>(2,515,044)</u>	<u>(115,888)</u>	<u>(8,458,857)</u>	<u>(11,089,789)</u>
31 December 2020				
For the half-year ended 31 December 2020				
Other income (restated)	32,205	-	2,688,313	2,720,518
Gain on net monetary position	-	-	857,611	857,611
Total segment revenue	-	-	-	-
Total segment expense (restated)	(1,471,572)	(17,927)	(356,082)	(1,845,581)
Segment net profit /(loss) before tax	<u>(1,439,367)</u>	<u>(17,927)</u>	<u>3,189,842</u>	<u>1,732,548</u>
At 31 December 2020				
Total segment assets (restated)	22,059,360	3,772,213	10,033,500	35,865,073
Total segment liabilities	<u>(144,021)</u>	<u>(147,922)</u>	<u>(1,084,139)</u>	<u>(1,376,082)</u>

3. OTHER INCOME

	Consolidated	
	Half-year ended	Year ended
	31 December	31 December
	2021	2020
	\$	\$ Restated
Interest	1,320	2,745
Gain on Blue Chip Swaps	7,778,906	2,688,313
Government cashflow boost	-	29,460
Foreign exchange gain	393,510	-
Other Income	8,173,736	2,720,518

In 2019, the Argentine government reinstituted exchange controls restricting the purchase of foreign currencies. As a result of these exchange controls, the Group use a legal trading mechanism commonly known as the Blue Chip Swap in which the Group buys Argentinian securities in USD, transfer the bonds to its Argentinian subsidiary who sells the securities in Argentina for Argentinian Peso on the same day. This is to enable the Group to transfer working capital to its Argentinian operations. The Blue Chip Swap rate has diverged significantly from Argentina's official exchange rate resulting in the Group recognising a gain from Blue Chip Swap transactions. The Group holds no Argentinian securities at 31 December 2021 (30 June 2021: nil) and never holds Argentinian securities overnight.

4. EARNINGS PER SHARE

The following reflects the data used in the calculations of basic and diluted earnings per share after tax attributable to the shareholders of the Company.

	Consolidated	
	Half-year ended	Half-year
	31 December	31 December
	2021	2020
	\$	\$ Restated
Net profit from continuing operations	4,490,982	1,546,953
Weighted average number of ordinary shares for basic earnings per share (number)	922,021,589	637,646,698
Basic earnings per share (cents per share)	0.49	0.24
Weighted average number of ordinary shares for diluted earnings per share (number)	972,854,083	713,527,241
Diluted earnings per share (cents per share)	0.46	0.22

For fully diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options, performance shares and performance rights.

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2021	2021
	\$	\$
Cash comprises of:		
Cash at bank	27,588,897	47,490,314
Cash and cash equivalents	27,588,897	47,490,314

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are invested over varying periods between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

6. OTHER RECEIVABLES (Non-Current)

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2021	2021
	\$	\$
VAT Receivable	5,552,100	2,851,222
Other receivables (Non-Current)	5,552,100	2,851,222

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

7. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2021	2021
	\$	\$ Restated
<i>Exploration and evaluation phase</i>		
Carrying amount at the beginning of period	32,587,630	11,653,007
Acquisition costs	40,646,435	-
Exploration expenditure during the period	23,849,698	20,934,623
Carrying amount at the end of period	97,083,763	32,587,630

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. During the period, the Group issued 114 million CEL shares and a payment of US\$3.69 million to take the Group's interest in the Hualilan Gold Project to 100%. In addition, the Group issued 18 million CEL shares during the half-year to get a 100% interest in the El Guayabo project. The share issuance for both acquisitions was approved by the shareholders at a general meeting on 3 September 2021.

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8. BORROWINGS

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2021	2021
	\$	\$
Current		
Unsecured loans	2,020,000	-
Non-Current		
Unsecured loans	-	3,500,000
	2,020,000	3,500,000

During the year ended 30 June 2021, RiverFort Global Capital Ltd, a London based UK Institutional Investment Manager focusing on high-growth companies, advanced the Company a loan with principal of \$3.5 million. The loan has an interest rate of 6% p.a. and is repayable by 15 July 2022 thus classifying the loan as current at 31 December 2021. The loan was partially paid during the half-year.

9. TRADE AND OTHER PAYABLES

	Consolidated	
	Half-year ended	Year ended
	31 December	30 June
	2021	2021
	\$	\$
Current		
Trade payables and accruals	2,438,262	1,736,543
	2,438,262	1,736,543

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

Challenger Exploration Limited
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10. ISSUED CAPITAL

	Consolidated Half-year ended		Consolidated Year ended	
	31 December 2021		30 June 2021	
	No.	\$	No.	\$
Issued and fully paid	978,753,758	118,421,914	808,681,440	80,631,294

10.1 Movements in ordinary shares on issue

	Consolidated Half-year ended		Consolidated Year ended	
	31 December 2021		30 June 2021	
	No.	\$	No.	\$
At beginning of the period	808,681,440	80,631,294	548,724,627	22,177,747
Shares issued for cash	37,975,001	1,519,000	250,500,000	62,140,000
Shares issued as deferred consideration*	132,000,000	36,300,000	-	-
Shares issued on conversion of employee rights	-	-	4,772,594	477
Shares issued on exercise of options	-	-	-	-
Shares issued in lieu of cash	97,317	26,762	4,684,219	718,114
Share issue costs	-	(55,142)	-	(4,405,044)
At the end of the period	978,753,758	118,421,914	808,681,440	80,631,294

*Shares issued relate to acquisitions disclosed in Note 7.

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.

11. INCOME TAX

	Consolidated	
	Half-year ended	
	31 December	31 December
	2021	2020
	\$	\$ Restated
Current income tax expense	-	-
Deferred income tax expense relating to origination and reversal of temporary differences	(3,474,536)	(185,595)
Income tax expense recognised in statement of profit or loss	(3,474,536)	(185,595)

The deferred tax liabilities relate to the Group's operations in Argentina where the tax effected temporary differences arising from exploration and evaluation assets exceed the carried forward tax losses by \$6,560,690 (30 June 2021: \$3,086,154).

12. RELATED PARTY TRANSACTIONS

During the period, the total aggregate related party transactions for directors' fees, consulting services and reimbursements as provided by key management personnel and their related parties for the half-year ended 31 December 2021 totalled \$300,000 (half-year ended 31 December 2020 \$379,584). The outstanding balance relating to the above transactions at 31 December 2021 was \$50,000 (31 December 2020: \$13,750).

These transactions have been entered into on normal commercial terms.

13. SHARE BASED PAYMENT PLAN

13.1 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 Half-year ended	
	31 December 2021 \$	31 December 2020 \$
Operating expenses		
Employee share based payments	1,840,506	567,664

13.2 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 (no options were granted) during the reporting period was determined using the share price at grant date and the term of the performance rights up to an estimated vesting date. The table below summarises performance rights granted under the Incentive Performance Rights Plan:

Grant Date	Expiry date	Exercise price	Balance at 30 June		Number Exercised	Balance at 31 December		Vested and exercisable at 31 December
			2021 Number	Granted Number		2021 Number	2021 Number	2021 Number
3 December 2019	4 July 2026	\$0.001	16,000,000	-	-	16,000,000	-	-
16 March 2020	4 July 2026	\$0.001	5,250,000	-	(4,772,594)	477,406	477,406	477,406
9 September 2021*	4 July 2026	\$0.001	-	8,505,400	-	8,505,400	5,505,400	5,505,400

*Value per grant was \$0.275 measured using the Black Scholes model

There were no performance rights exercised, forfeited or cancelled during the period. On the 14 March 2022, the Company issued 210,379 ordinary fully paid shares on exercise of performance rights at \$0.0001 per right, raising \$21.

14. FAIR VALUE MEASUREMENT

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

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

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

15. DIVIDENDS

No dividends have been paid or provided for during the half-year ended 31 December 2021 (half-year ended 31 December 2020: nil).

16. SUBSEQUENT EVENTS

On the 14 March 2022, the Company issued 18,585,417 ordinary shares on exercise of options at \$0.04 per option raising \$743,417. An additional 210,379 ordinary fully paid shares were issued on exercise of performance rights at \$0.0001 per right, raising \$21.

17. CONTINGENCIES

The Directors are of the opinion that there are no contingent liabilities or contingent assets as at 31 December 2021.

Directors' Declaration

DIRECTORS' DECLARATION

In the opinion of the Directors of Challenger Exploration Limited ('the Company'):

1. The Interim Consolidated Financial Statements and notes thereto of the Group, as set out on pages 23 to 39, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Kris Knauer
Managing Director
Perth, Western Australia
16 March 2022

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

Conclusion

We have reviewed the accompanying half-year financial report of Challenger Exploration Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2021, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Ernst & Young



V L Hoang
Partner
Perth, Australia
16 March 2022

ASX Waivers

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

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

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

Performance Shares

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

A summary of the terms and conditions of the Performance Shares are as follows:

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

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

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

(Milestones):

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

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

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

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

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

No Performance Milestones were met during the half-year.