

Stock Commentary

Subject: Challenger Exploration Limited

Best intersection to date at El Guayabo, Ecuador

Significant High-Grade Mineralisation Intersected in a Now Recognised Major Gold-Copper dominated Polymetallic Mineralised System

FRIENDLY REMINDER: New Resource Estimate for Hualilan Gold Project, Argentina, Now Expected Early April 2022

Background

Challenger Exploration Limited (ASX:CEL) announced on 9th March 2022 assay results from sampling of another hole (Hole # GYDD-21-008) drilled in late 2021 at the Company's 100% owned El Guayabo Gold-Copper Project located in southwest Ecuador.

Results include:

- **257.3m grading 1.4gpt AuEq** (0.8gpt Au, 7.9gpt Ag, 0.3% Cu) from 5.3m Including:
 - **79.0m grading 3.8gpt AuEq** (2.4gpt Au, 17.4gpt Ag, 0.7% Cu) from 184.1m Including:
 - **53.7m grading 5.3gpt AuEq** (3.5gpt Au, 23.9gpt Ag, 0.9% Cu) from 209.4m Including:
 - **6.8m grading 20.6gpt AuEq** (16.9gpt Au, 50.1gpt Ag, 1.8% Cu) from 248.8m

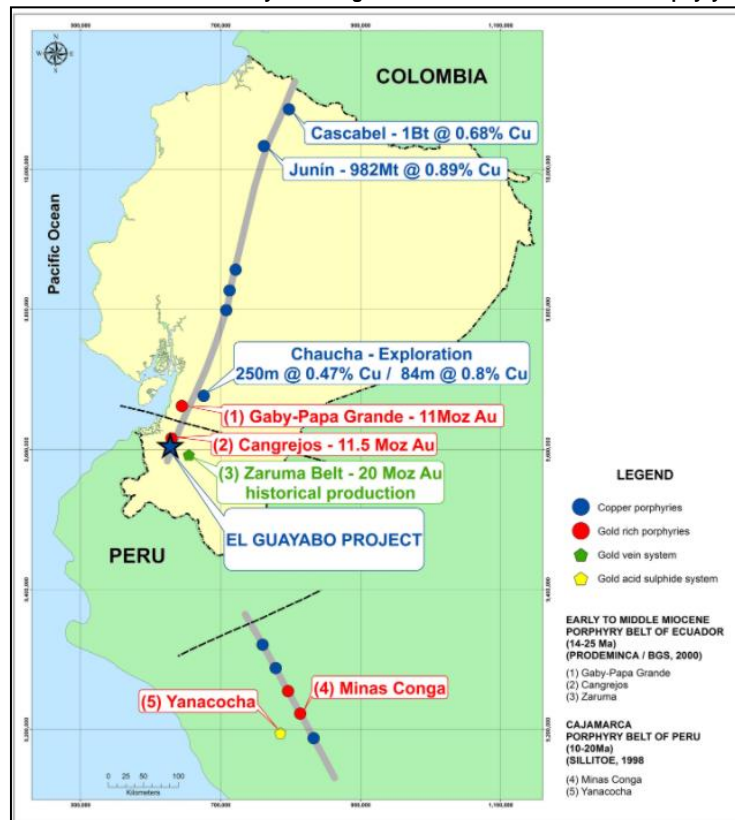
CEL management believe this high grade intersection now confirms El Guayabo as a significant second project.

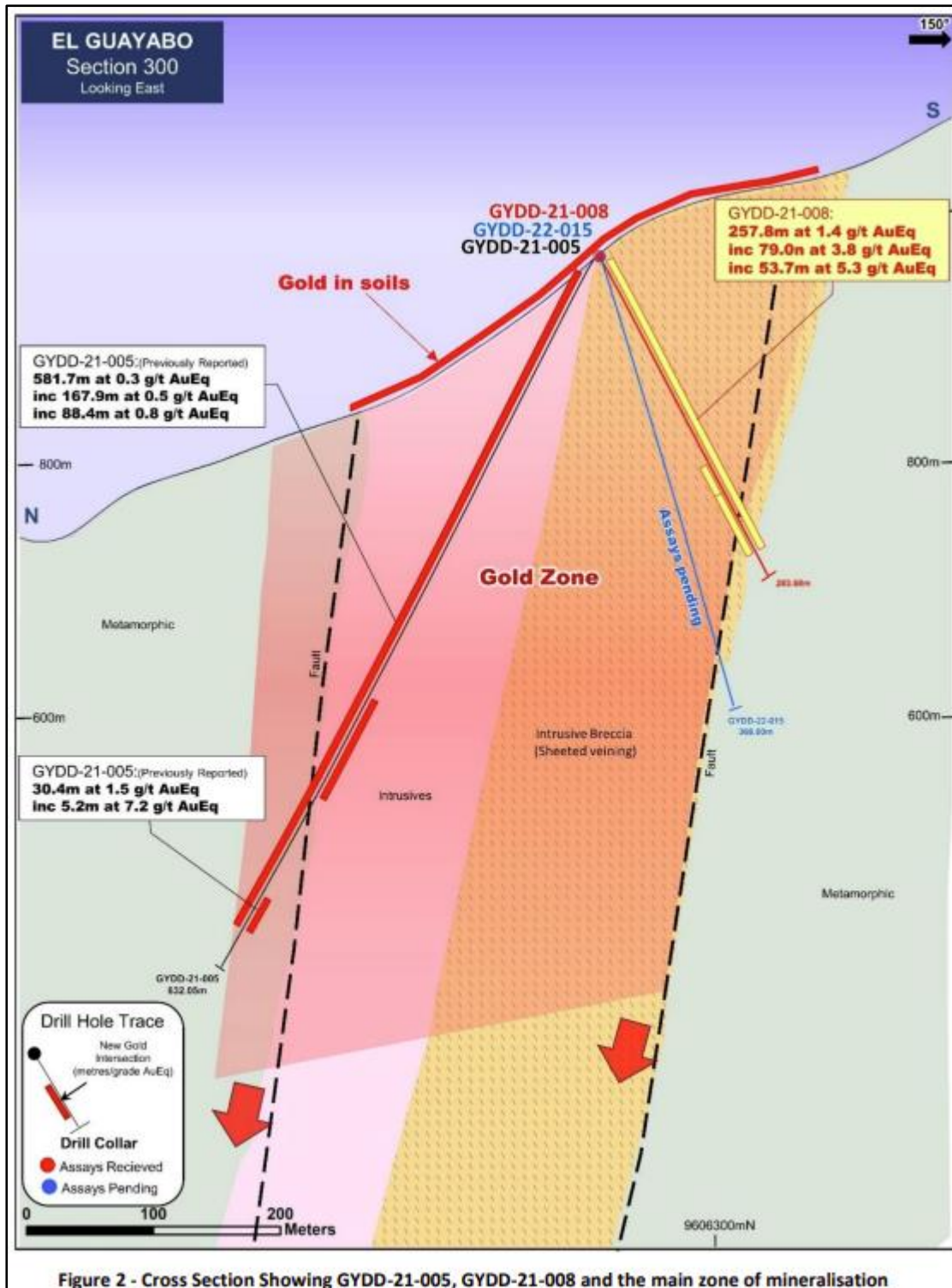
Key Takeaway Points

- 1) After the Company indicated in a previous announcement that the then yet to be sampled CEL drilled holes looked visually promising, we have certainly not been disappointed with the result. The Company announced today a *best intersection to date* at the El Guayabo project with a solid result of multiple high grade zones within 257.3m grading 1.4gpt Au from only 5.3m below surface.
- 2) This is a tremendous result and is of key significance in that not only has this hole demonstrated, for the first time, high-grade mineralisation commencing just below surface, the newly defined mineralisation in relation to mineralisation intersected in previous holes (CELs plus historical holes) has also now defined a continuous zone of higher grade gold-copper-silver mineralisation of meaningful size and thus passes the Company's threshold to declare that El Guayabo is now considered a significant second project.
- 3) We note and acknowledge CEL management comments that the now discovered high grade near surface mineralisation has strong potential to support a high grade zone of *starter mineralisation*. This is important in that large mining projects often hugely benefit from a zone of higher grade near surface to improve early cashflow and payback. We are encouraged CEL management recognise the importance of this, even this early on in the projects life.
- 4) We note the mineralisation, even at this early stage, has now been confirmed to extend to 275m in depth, 100-150m thick, has a strike length in excess of 150m and remains completely open along strike and at depth.

- 5) El Guayabo, last drilled by Newmont in 1997, is considered highly prospective for large gold-copper deposits hosted in very large mineralised systems and has justifiably attracted the attention of the Majors, past and present. This new intersection should raise renewed interest.
- 6) El Guayabo is, in our view, a very interesting project for CEL from a market perspective. Discussed on page 4 of our Initiating Research report dated 16th November 2021, we believe that despite the enormity of the project and its prospectivity to host multiple large deposits, the market currently places a “net zero” value on it. At that time we took a strong view that, should any exploration success be forthcoming in the current 20,000m drilling campaign, this success would completely surprise the market on the upside. We believe our view is starting to play out.
- 7) To make an early comparison of the current tenure of the mineralisation intercepted in the first hole we note that the Company points out that just across the tenement boundary is Lumina Gold’s recent Cangrejos discovery, which currently hosts 17 million ounces at a grade equivalent of 0.7gpt Au.
- 8) Finally, we understand from CEL management that the eagerly awaited announcement on the maiden resource estimate for Hualilan in Argentina, which has been delayed due to market forces beyond the control of the Company, is now scheduled for release early April 2022. **The reader of this commentary is strongly encouraged to view our current valuation estimates and recommendations on CEL in our research paper dated 16th November 2021 prior to that release date.**

Figure 1 Below: Location of El Guayabo along the Well Endowed Ecuadorian Porphyry Corridor





The reader of this Stock Commentary is strongly encouraged to obtain a copy of Peloton Capital's Initiating Coverage Research report on CEL dated 16th November 2021 which provides more detail on CEL and its projects including our market view and recommendations.

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