

Challenger Secures a \$22 Million Investment from Large North American Listed Resource Fund at a 30% Premium to Market

Highlights

- Queen's Road Capital to invest US\$15m (~A\$22.1m¹) via unsecured Convertible Debentures
- Debentures convert into CEL shares at a price of \$0.25 - a 30% premium to 5-day VWAP²
- QRC is well known as a long-term resource investor with a track record of successful investments
- Additionally, CEL's largest shareholder commits to a \$2.6m investment pro-rata to its 12% shareholding
- The combined \$24.7m funding, which is expected to close on September 14, allows CEL to complete:
 - a Scoping Study for the Hualilan Gold Project to be based on an updated Mineral Resource Estimate ("MRE") incorporating the recently completed 204,000 metre drill program
 - 50,000 metres additional drilling at Hualilan which will likely result in a further MRE update
 - an additional 25,000 metres drilling at the El Guaybo Project in Ecuador designed to allow the reporting of a maiden MRE on the main GY-A discovery zone at the El Guaybo Project, Ecuador
 - an additional \$2.6m discretionary spending which is yet to be allocated

Challenger Exploration (ASX: CEL) ("CEL" the "Company") is pleased to announce that it has entered into binding agreements for a US\$15m (A\$22.1m) private placement of unsecured convertible debentures (the "Debentures") with Queen's Road Capital Investment Ltd ("QRC"). The Debentures are convertible into fully paid ordinary shares in CEL ("Shares") at a price of **\$0.25**, a 30% premium to the 5-day volume weighted average price ("VWAP") prior to 2 September 2022. Additionally, the Company's largest institutional shareholder has committed to invest pro-rata to its 12% shareholding via a \$2.6m placement at 5-day VWAP, increasing combined funds raise to \$24.7m from two parties.

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

The funding allows the completion of several important and value accretive milestones including; an updated Mineral Resource Estimate and Scoping Study at Hualilan; an additional 50,000m of drilling at Hualilan; and an additional 25,000m drilling and a maiden Mineral Resource Estimate at El Guaybo in Ecuador. Importantly, the pro-rata at market participation of CEL's largest shareholder provides discretionary expenditure of \$2.6m which, is yet to be allocated, and extends CEL's runway into 2024.

¹ AUD = 0.68 USD

² 5-day VWAP prior to September 2. Placement price rounded to nearest 0.5 cent

Commenting on the investment CEL Managing Director, Mr Kris Knauer, said

"I am delighted to have QRC make an investment in CEL. QRC is a recognised long-term investor with a track record of successful investments in the resource sector. QRC undertook extensive due diligence including a Hualilan site visit and their investment is an endorsement of CEL's progress and potential. Our largest shareholder has been an active buyer on market and their pro-rata participation increases the amount raised to almost \$25 million and extends our runway well into 2024.

CEL is now funded to deliver on several important milestones including an updated Mineral Resource Estimate and Scoping Study at Hualilan, plus a maiden Mineral Resource Estimate at El Guaybo. The additional 50,000 metres drilling at Hualilan will double the drill metres in the current resource estimate.

It is a great outcome to achieve the funding required to complete this series of significant and value accretive milestones from a two long term investors, at a significant premium to a traditional placement and the current market price."

Terms of the Debentures

The Company and QRC have entered into a binding Debenture Agreement (the "**Agreement**") with the Debentures convertible at the holder's option into Shares at a conversion price of **A\$0.25**, representing a 30% premium to the 5-day **VWAP** of Shares on the Australian Securities Exchange ("**ASX**") prior to 2 September 2022.

The Agreement is subject to a condition precedent that a material adverse event has not occurred in respect of the Company's Hualilan Gold Project prior to settlement, however, is not otherwise subject to any other conditions precedent and is expected to close on or around 14 September 2022, with the full US\$15 million payable to the Company on closing. The Debentures will be issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1. Following entry into the Agreement, the Company intends to seek the approval of its shareholders (**Shareholders**), at the Company's Annual General Meeting in November 2022 (**AGM**), for the ratification of the Debentures (and all interest accruing thereunder) for the purpose of ASX Listing Rule 7.4 (**Debenture Resolution**).

The Debentures are unsecured with a coupon (interest) rate of 9% (7% payable in cash and 2% payable in either cash or Shares, at QRC's election) payable quarterly in arrears. The Share price used to calculate the number of Shares to be issued for the interest component payable in Shares is the 20 day VWAP ending three trading days prior to the interest being payable. The debentures will have a four-year term from closing and will be repayable by the Company upon expiry of that period to the extent not otherwise converted earlier into Shares. The Debentures are expected to be refinanced as part of the development funding for the Hualilan Gold Project should they not be converted.

Upon closing, the Company will pay to QRC an establishment fee equal to 3% of the principal amount of the Debentures in cash or shares. QRC has notified the Company that it has elected for the establishment fee to be paid in Shares which will be issued at the same price of \$0.19 as the At Market Placement. These shares will be issued under the Company's LR7.1 placement capacity.

At Market Placement

The Company's largest shareholder has committed to participating pro-rata to its 12% shareholding via the placement of 13,684,213 shares at a price of 19.0 cents. This placement price represents the 5-day VWAP prior to September 2 rounded to the nearest half cent. The placement will be done under the Company's existing LR7.1 placement capacity with settlement of the placement component expected to occur on or around September 14.

Director's Voting Intentions & Recommendation

The Board intends to vote all Shares which they own or control (which, collectively, represent approximately 16.7% of the Company's Shares) in favour of the Debenture Resolution and to unanimously recommend in the relevant notice of meeting ("**NOM**") that Shareholders vote in favour of the Debenture Resolution.

Further details in respect of the Agreement will be set out in the NOM.

About Queen's Road Capital Investment Limited

QRC listed on the TSX in 2020. The company is a resource-focused investment company, making investments in privately held and publicly traded resource companies. The company acquires and holds securities for long-term capital appreciation, with a focus on convertible debt securities and resource projects in advanced development or production located in safe jurisdictions.

QRC's executive management team is led by CEO, Warren Gilman and President, Alex Granger who have over 60 years' collective experience of financing projects in the global resources sector. QRC is well funded and backed by a number of significant investors, including two of Australia's most successful entrepreneurs, Jack Cowin (Competitive Foods) and Andrew Forrest (Fortescue Metals) who both hold 25% of QRC.

Since its Listing on the Toronto Stock exchange in 2020 QRC has made several significant investments in resource companies via convertible debentures ranging in size from US\$5m to US\$20m. In addition to all of these debentures still currently being retained by QRC the company has a history of making follow on investments in its Investee companies.

Ends

This ASX announcement was approved and authorised by the Board.

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Investor Webinar

Challenger Exploration (ASX: CEL) (“**Challenger Exploration**” or “**Company**”) is pleased to invite shareholders and investors to a webinar on Friday 09 September 2022 at 11:00am AEST / 9:00am AWST, where Managing Director and CEO Kris Knauer, will provide a company overview and engage in a Q&A session.

Details of the event are as follows:

Event: CEL Investor Webinar

Presenters: Managing Director and CEO, Kris Knauer

Time: Friday 09 September 2022 at 11:00am AEST / 9:00am AWST

Where: Zoom Webinar, details to be provided upon registration. To register your interest for the webinar, please click through to the link below.

Registration link:

https://janemorganmanagement-au.zoom.us/webinar/register/WN_5ILCRKSJSTq_IU3okyeOVQ

After registering your interest, you will receive a confirmation email with information about joining the webinar. Participants will be able to submit questions via the panel throughout the presentation, however we encourage shareholders and investors to send questions via email beforehand to jm@janemorganmanagement.com.au

Ends

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About Challenger Exploration

Challenger Exploration Limited's (ASX: CEL) aspiration is to become a globally significant gold producer. The Company is developing two complementary gold/copper projects in South America with a maiden **2.1 million ounce gold resource** recently announced for the Hualilan Gold Project in San Juan, Argentina. Three rigs are currently drilling at Hualilan with 2-rigs operating at the Company's El Guayabo project in Ecuador.

The Company strategy is for the 100% owned Hualilan Gold Project to provide a high-grade low capex operation in the near term while it prepares for much larger bulk gold operations at both Hualilan and El Guayabo in Ecuador.

1. **Hualilan Gold Project**, located in San Juan Province Argentina, is a near term development opportunity. It has extensive drilling with over 150 historical and 700 CEL drill-holes and the Company has released an Interim JORC 2012 Compliant resource of 2,133,065 ounces which remains open in most directions. This resource contains a Skarn component **6.3 Mt at 5.6 g/t AuEq for 1.1 Moz AuEq** and an intrusion/sediment-hosted component of **41.5Mt at 0.8 g/t AuEq for 1.0 Moz AuEq**. The resource was based on 126,000 metres of CEL's 264,000 metre drill program. The project was locked up in a dispute for the 15 years prior to the Company's involvement and as a consequence had seen no modern exploration until CEL acquired the project in 2019. In the past 2 years CEL has completed over 700 drill holes for more than 200,000 metres of drilling. Results have included **6.1m @ 34.6 g/t Au, 21.9 g/t Ag, 2.9% Zn, 67.7m @ 7.3 g/t Au, 5.7 g/t Ag, 0.6% Zn, and 63.3m @ 8.5 g/t Au, 7.6 g/t Ag, 2.8% Zn**. This drilling intersected high-grade gold over 3.5 kilometres of strike and extended the known mineralisation along strike and at depth in multiple locations. CEL's current program which is fully funded will include an additional 50,000 metres of drilling, an updated JORC Compliant Mineral Resource Estimate, and Scoping Study.
2. **El Guayabo Gold/Copper Project** covers 35 sq kms in southern Ecuador and is located 5 kilometres along strike from the 22-million ounce Cangrejos Gold Project². Prior to CEL the project was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling demonstrated potential to host significant gold and associated copper and silver mineralisation. Historical drilling has returned a number of intersections including 156m @ 2.6 g/t Au, 9.7 g/t Ag, 0.2% Cu and 112m @ 0.6 % Cu, 0.7 g/t Au, 14.7 g/t Ag which have never been followed up. CEL's maiden drilling program confirmed the discovery of a major Au-Cu-Ag-Mo gold system spanning several zones of significant scale. results from CEL's maiden drill program included **257.8m at 1.4 g/t AuEq** including **53.7m at 5.3 g/t AuEq** and **309.8m at 0.7 g/t AuEq** including **202.1m at 0.8 g/t AuEq**, and **528.7m at 0.5 g/t AuEq** from surface to the end of the hole including **397.1m at 0.6 g/t AuEq** from surface. The Company has drilled five of fifteen regionally significant Au-soil anomalies with over 500 metres of mineralisation intersected at all anomalies, confirming the potential for a major bulk gold system at El Guayabo. The Company has two rigs on site completing an additional 25,000 metres of diamond core drilling designed to allow the reporting of a maiden Mineral Resource Estimate in compliance with the JORC 2012 code for the main GY-A discovery zone.

² Source : Lumina Gold (TSX : LUM) July 2020 43-101 Technical Report

Mineralisation Style	Mt (0.25 g/t AuEq cut-off)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au Eq (g.t)
Skarn (limestone hosted)	6.3	4.4	19.4	2.0	0.2	5.6
intrusion/sediment hosted	41.4	0.6	4.0	0.2	0.04	0.8
Mineralisation Style	Contained Metal	Au (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Au Eq (koz)
Skarn (limestone hosted)		0.9	3.9	123	11	1.13
intrusion/sediment hosted		0.8	5.3	95	19	1.00
Total Contained metal		1.7	9.2	218	29	2.13

Table 1 Interim MRE reported as Skarn and Intrusion/sediment hosted components of mineralisation

Domain	Category	Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	AuEq (Mozs)
US\$1800 optimised shell > 0.25ppm AuEq	Indicated	18.7	1.1	5.4	0.41	0.07	1.3	0.80
	Inferred	25.0	1.0	5.6	0.39	0.06	1.2	1.00
Below US\$1800 shell >1.0ppm AuEq	Inferred	4.0	1.9	11.5	1.04	0.07	2.6	0.33
Total Indicated and Inferred		47.7	1.1	6.0	0.45	0.06	1.4	2.13

Note: Some rounding errors may be present

Table 2 Total Interim MRE (Combined skarn and Intrusion hosted domains)

COMPETENT PERSON STATEMENT – EXPLORATION RESULTS AND MINERAL RESOURCES

This announcement does not contain any new exploration results or mineral resource information.

The Mineral Resource Estimate for the Hualilan Gold Project was first announced on 1 June 2022. The Company confirms it is not aware of any information or date that materially affects the information included in the announcement and that the material assumptions and technical parameters underpinning the mineral resource continue to apply and have not materially changed.

Exploration results at the Company's El Guayabo Gold/Copper Project were announced on 4 July 2022, 22 April 2022, 9 March 2022 and 13 January 2022. The Company confirms it is not aware of any information or date that materially affects the information included in the announcements.