



Challenger Exploration Limited (CEL.ASX)

Drilling to Redefine Hualilan

Disclosure

The analyst does not own CEL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own CEL securities.

Cranport Pty Ltd does not own CEL securities.

Refer to end of report for details.

Recommendation	Speculative Buy
Previous	N/A
Risk	High
Price Target	N/A
Previous Target	N/A
Share Price (A\$)	\$ 0.165
ASX Code	CEL
52 week low - high (A\$)	0.031-0.20
Valuation (A\$), risked	N/A
Valuation Methodology	N/A
Capital structure	
Shares on Issue (M)	536
Market Cap (A\$M)	88
Net Cash/(Debt) (A\$M)	6
EV (A\$M)	82
Options and warrants (M)	32
12mth Av Daily Volume ('000)	2,121
Board	
Fletcher Quinn	Non-Executive Chairman
Kris Knauer	Managing Director
Scott Funston	Executive Director
Major Shareholders	
Kris Knauer	7.9%
Share Price Graph	



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Talking Point mostly discusses stocks for which Foster Stockbroking does not provide formal research coverage. It combines both a market view and basic research analysis. The aim is to offer clients additional investment ideas that lie outside the firm's universe of formally covered stocks.

Event:

- Coverage of Challenger Exploration Ltd (CEL.ASX).

Analysis:

- **Challenger Exploration (CEL)** is a gold-copper explorer with two assets: 1) 75% interest earn-in in the Hualilan gold-silver project in Argentina and 2) 100% interest earn-in in the El Guayabo gold-copper project in Ecuador.
- **Argentinian advanced exploration – Hualilan mineralisation remains open in most directions and at depth.** Positive results from maiden drilling have been successful in extending mineralisation in multiple directions and in confirming high grades.
- **Continued drilling to extend mineralisation.** The company has started a second drilling campaign (7,500 metre, ~60 holes) to extend mineralisation. Assays from the initial second drilling campaign are imminent. The company intends to sustain a systematic drilling campaign to address historical under-drilling of target structure.
- **Historical Hualilan resource to be brought up to JORC compliance later this year.** The historical non-JORC resource at Hualilan stands at 627koz at 13.7g/t Au, and prior metallurgical test work has indicated 80% recovery. There is potential for upside risk to the Resource, dependent on drilling results from recent campaigns. The company also intends to release a JORC compliant resource by the end of CY20.
- **El Guayabo is CEL's Ecuadorean asset, a copper-gold project at the exploration stage with near surface porphyry/breccia targets.** CEL has undertaken extensive exploration over the last year to generate drilling targets, as well as land acquisition to increase tenement nine times to 35km². Results from assaying historical core samples are pending. The company is generating drilling targets for 1H 21 and then extensive drilling program is slated to be in 2H21 and 1H22.
- **Cash of \$6M at March 2020 quarter end and no debt.** The company anticipates it is fully funded for exploration objectives, having previously forecast a cash position of \$2.4M at the completion of the programs.

Earnings and Valuation:

- We do not forecast earnings or derive a valuation for CEL at this stage.

Recommendation:

- We recommend CEL as a **Speculative Buy**. We hold the view that should CEL demonstrate exploration success and delineate a larger and JORC compliant resource, its equity valuation could significantly exceed its current market capitalisation.
- **Hualilan is the clear near term focus for CEL;** further drilling continues in earnest to prove up the resource, while we expect a series of drill results to support a JORC compliant update to resource by year end.
- **Catalysts for the stock** include: 1) further drill and assay results at both Hualilan and El Guayabo; 2) Hualilan resource updates; and 3) JORC compliant resource for Hualilan.