

CEL receives additional assay results and defines new zones of high-grade mineralisation at the Hualilan Gold Project

Highlights

- Results from the Hualilan Gold Project continue to confirm the high-grade historical mineralisation. Results include (refer Table 1 for details):
 - 38.8 g/t gold, 242 g/t silver and 2.3% zinc - bulk sample Muchilera;
 - 20.8 g/t gold, 99 g/t silver and 0.9% zinc - bulk sample Sentazon.
- The average grade of all 70 bulk samples was 15.0 g/t gold, 75.5 g/t silver and 6.8% zinc. This exceeds the gold grades in the foreign resource estimate by approximately 20%.
- Underground sampling at Cerro Norte has identified a potential new high-grade zone below the deepest known mineralisation defined by a number of samples including 110 g/t gold and 44 g/t silver (sample 485149) and 77 g/t gold and 125 g/t silver (sample 485140).
- Underground sampling has defined two previously undrilled zones at Cerro Sur covering at least 250m of strike with grades of up to 132 g/t gold and 65 g/t silver (sample 485121).
- Re-assaying of the three zinc samples that exceeded the 30% detection limit returned - 42.5% zinc, 37.7% zinc and 34.1% zinc.
- Focus at Hualilan has shifted to CEL's maiden drilling program with the rig expected to arrive on site in the next 2 weeks.

Challenger Exploration (ASX: CEL) ("CEL" or the "Company") is pleased to report additional high-grade results from its underground channel sampling program. This program was designed to test the historical mineralisation at the Hualilan Gold Project in Argentina. The company has received results from 4 additional bulk samples at Cerro Sur as well as re-assays for the 3 samples which were above the 30% zinc detection limit. Additionally, the interpretation of the channel sampling results has defined a number of new zones of high-grade gold mineralisation which have never been drilled.

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

"Our initial underground sampling program has successfully validated the historically reported mineralisation at the Hualilan Gold project.

In addition, it has also discovered a number of exciting new high-grade zones which will be included in our coming drilling programs.

The average grades we are seeing have been consistently above the reported historical grades.

Our focus has now turned to our maiden drilling program at the Hualilan Gold Project, which remains open in both directions along strike, laterally, and at depth."

SAMPLE PROGRAMME RESULTS

Results have now been received for all 70 bulk samples, submitted for assay from the preliminary underground sampling program. The final samples include four additional samples taken from Cerro Sur and the re-assaying of the 3 samples from Cerro Norte, which exceeded the 30% detection limit for zinc.

The recently received assay results are shown in Table 1 below. A complete listing of all sample result for the program provided in Enclosure 1.

Sample Number	Location	Sample Type	Sample Length (m)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au Equiv (g/t)
485213	Sentazon	Bulk	-	1.2	9.0	9.09	0.05	0.06	6.9
485214	Sentazon	Bulk	-	20.8	99.0	0.91	0.36	0.13	22.7
485215	Sentazon	Bulk	-	0.1	8.0	8.84	0.39	0.10	5.7
485216	Muchilera	Bulk	-	38.8	242.0	2.28	0.22	0.03	43.0
485135	Doña Justa Pit (re-assay)	Channel	1	0.3	0.0	37.69	0.27	0.70	23.8
485141	Main Manto (re-assay)	Channel	1	0.0	66.0	42.53	0.71	4.00	31.9
485148	Main Manto (re-assay)	Channel	1	4.4	22.0	34.15	2.15	0.87	26.4

Table 1: Recent Sampling results from 2019 Hualilan Gold Project Sampling Programme

- (1) Gold equivalent values were calculated using a price of US\$1300 for Gold, US\$15 for Silver, US\$2500t Zinc, US\$6000t Copper. Recoveries were not factored into the calculation of Gold equivalents given metallurgical test work is preliminary in nature)
- (2) Location and other data given in JORC Table 1

DISCUSSION OF RESULTS

The average of all 70 bulk samples taken at the Hualilan project from this validation program is **15.0 g/t gold, 75.5 g/t silver, and 6.8% zinc**. This compares favourably to the grades in the foreign resource estimate. In their Foreign Resource estimate of 2004 TSE listed La Mancha Resources reported a combined resource for the Hualilan Gold Project grading 13.7 g/t gold equivalent (*Source: La Mancha Resources Toronto Stock Exchange Release dated 14 May 2003.*)

New Zone of Mineralisation - Cerro Norte

Eight channel samples taken in the main all decline returned significant mineralisation as outlined in Table 2. These samples define a high-grade zone of new mineralisation beneath the deepest known mineralisation which extends at least 100m down plunge and remains open.

Figure 2 shows the location of the underground channel samples in relation to the existing mineralisation and historical drilling. An exploration hole to test this new zone will be drilled in the CEL's maiden 2000m drilling program.

Results include sample #485149 which returned 110 g/t gold, 41.0 g/t silver and 0.8% zinc which has a true width of 1.5m. Sample #485146 which returned 21.4 g/t gold, 106 g/t silver, 18.2% zinc and

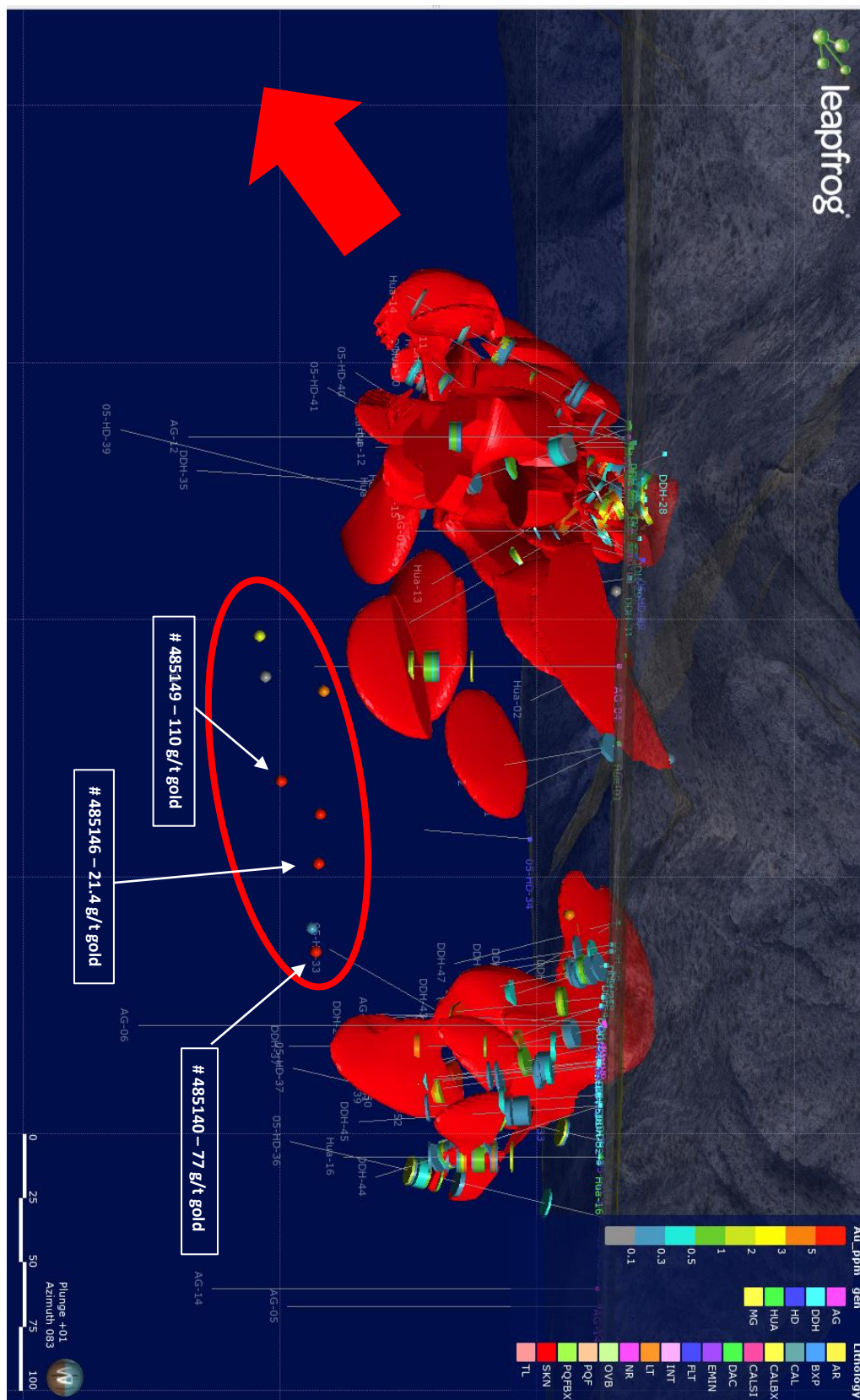


Figure 1 - Cerro Norte looking east : Showing new zone defined by the underground sampling

Sample Number	Location	Sample Type	Sample Length (m)	Au (g/t)	Ag (g/t)	Zn %	Pb %	Cu %	Au Equiv (g/t)
485140	Main Manto	Channel	1.2	77.7	125.0	2.13	1.64	0.12	80.6
485141	Main Manto	Channel	1	0.0	66.0	42.53	0.71	4.00	31.9
485142	Main Manto	Channel	1.	2.0	89.0	7.18	0.35	3.26	12.0
485145	Main Manto	Channel	1	0.2	48.0	9.45	0.68	0.78	7.5
485146	Main Manto	Channel	1	21.4	106.0	18.20	5.87	1.75	36.0
485147	Main Manto	Channel	1	13.4	17.0	7.33	0.06	0.23	18.3
485148	Main Manto	Channel	1	4.4	22.0	34.15	2.15	0.87	26.4
485149	Main Manto	Channel	1	110.0	41.0	0.77	1.07	0.05	111.0

Table 2 - Showing Channel Sample results beneath Cerro Norte Mineralisation

- (1) Gold equivalent values were calculated using a price of US\$1300 for Gold, US\$15 for Silver, US\$2500t Zinc, US\$6000t Copper. Recoveries were not factored into the calculation of Gold equivalents given metallurgical test work is preliminary in nature)
- (2) Location and other data given in JORC Table 1

5.9% lead had a true width of 4m. Sample #485140 was taken in the P7 decline across a 1.2m true width section and returned 77.7 g/t gold, 125 g/t silver, 2.1% zinc and 1.6% lead.

New Zones of Mineralisation - Sentazon Cerro Sur

Sample number 485214 which returned 20.8 g/t gold, 99.0 g/t silver and 0.91% zinc and samples #485213 and #485215 are bulk samples from Sentazon at Cerro Sur. **The average grade of all 11 samples from Sentazon taken by CEL is 17.3 g/t gold, 35 g/t silver, 3.9% zinc and 2.7% copper.**

Currently, Sentazon has seen relatively few drill holes. Additional drilling is expected to extend the known mineralisation. CEL's underground sampling program at Sentazon has discovered two new previously undrilled zones of mineralisation covering 250m of strike which may join to form one larger zone. These two zones are defined by:

- I. Samples 485121-485125 define a north-south trend which covers 50m of strike and remains open in all directions and has not been drilled. CEL's sampling in this zone returned grades of up to 132 g/t gold and 65 g/t silver (sample 485121).
- II. Samples 485127-485130 define a north-south trend which covers 60m of strike and remains open in all directions which also has never been drilled. CEL's sampling in this zone returned grades of up to 31.7 g/t gold and 133 g/t silver (sample 485127).

Re-assay of zinc grades above 30% detection limit

Samples (4851135, 485141, and 485148) reported; 37.7% Zinc, 42.5 % Zinc and 34.1% Zinc respectively. These highest zinc values tend to correlate with, and offset, lower gold grades at Cerro Norte, and should be important given historical metallurgical test-work has demonstrated an economic route to recover the zinc mineralisation by float concentration.

Muchilera Zone, Cerro Sur

Sample 485216, which returned 38.8 g/t gold, 242 g/t silver and 2.3% zinc was taken from the Muchilera zone. This zone is poorly explored, has yet to be drilled and provides a compelling target.

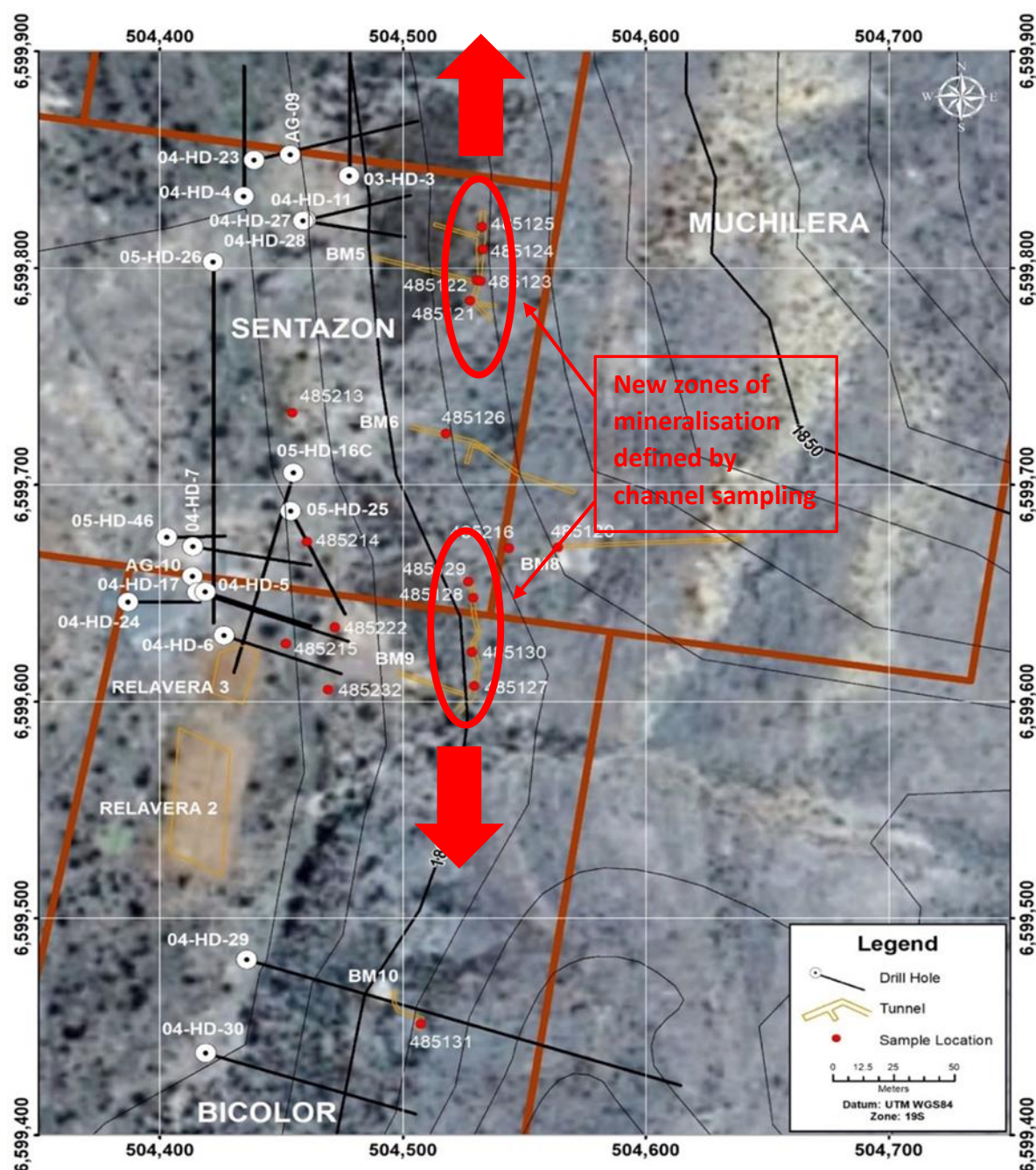


Figure 2 – Plan View Sentazon Zone Sample Locations

ABOUT THE HUALIAN GOLD PROJECT SAMPLE PROGRAM

This preliminary underground sampling program was designed to test the historically reported mineralisation. Underground channel sampling and sampling of the underground ore stockpiles and mine dumps was designed to provide a representative grade of the mineralisation. Where possible, the program re-sampled the historical underground channel sampling points used in the preparation of the historical non-JORC resource. The sampling was conducted over the majority of the known

zones of mineralisation. For the location of these zones within the larger Hualilan Project, refer to Figures 2 and 3.

CEL has the rights to earn up to 75% of the Hualilan Gold Project which comprises 15 mining licences and an exploration licence application covering the surrounding 26sq kms.

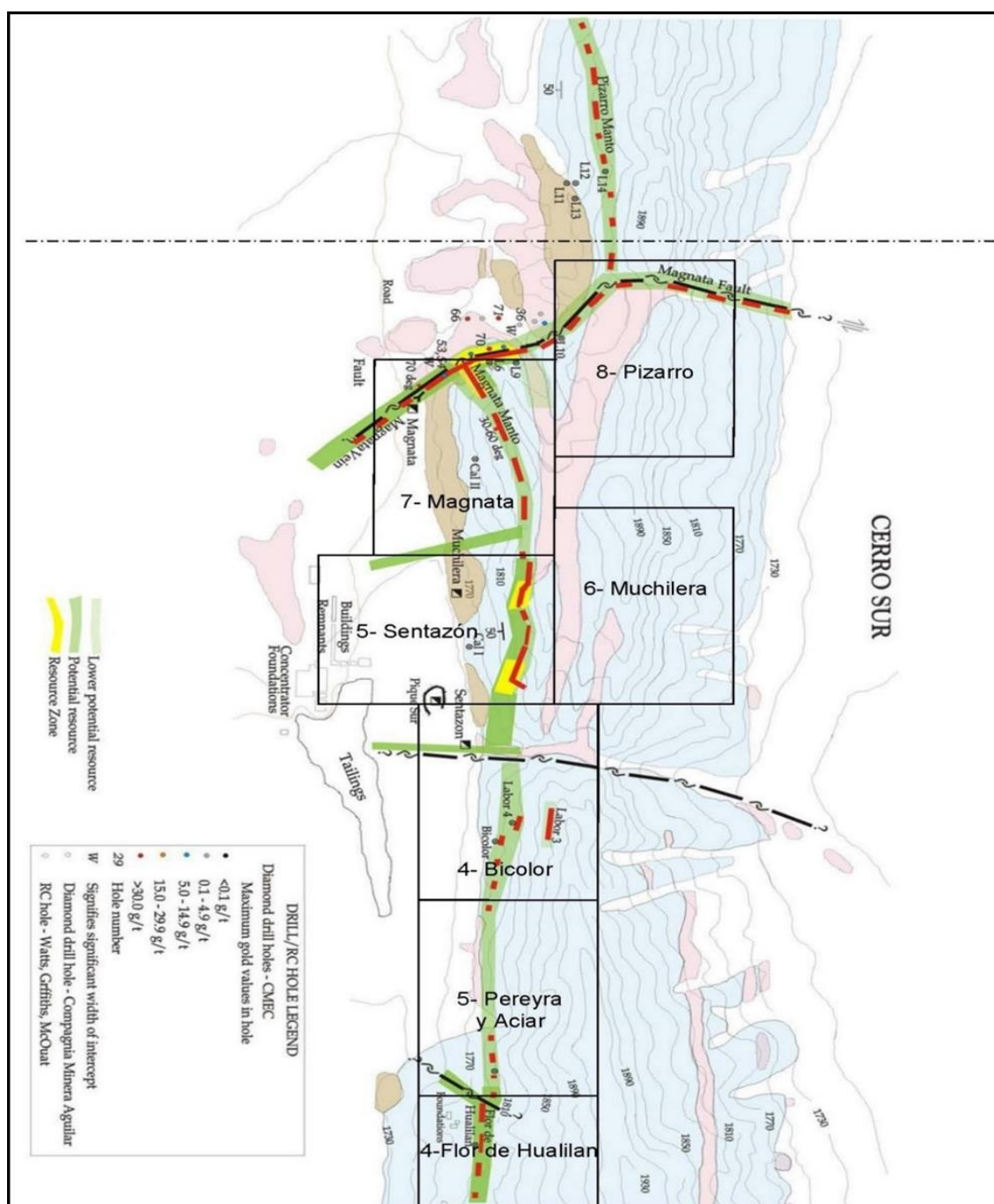


Figure 3 – Showing Cerro Sur (southern half of Hualilan Project)

(Note the entire area covered by the application sits within CEL's 26km² Exploration Licence application)

For further information contact:

Kris Knauer
Managing Director
+61 411 885 979
kris.knauer@challengerex.com

Scott Funston
Chief Financial Officer
+61 413 867 600
scott.funston@challengerex.com

About Challenger Exploration

Challenger Exploration Limited (ASX: CEL) is developing two key gold/copper projects in South America.

1. **Hualilan Project**, located in San Juan Province Argentina, is a near term development opportunity. It has extensive historical drilling with over 150 drill-holes and a Non-JORC historical resource ^(#1) of >600,000 Oz @ 13.7 g/t gold which remains open in most directions. In the 15 years prior to being acquired by CEL the project was dormant. CEL's focus over the coming 12 months will be to redefine the scope of the Hualilan Project to better determine the best means of development to seek to achieve early cash-flows.
2. **El Guayabo Project** was last drilled by Newmont Mining in 1995 and 1997 targeting gold in hydrothermal breccias. Historical drilling has demonstrated potential to host significant copper and associated gold and silver mineralisation. Historical drilling has returned a number of 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.
3. **Karoo Basin** provides a wildcard exposure to 870,000 acres shale gas application in the world class Karoo Basin in South Africa in which Shell is the largest application holder in the basin.

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

#1 For details of the foreign non-JORC compliant resource and to ensure compliance with LR 5.12 please refer to the Company's ASX Release dated 25 February 2019. These estimates are foreign estimates and not reported in accordance with the JORC Code. A competent person has not done sufficient work to clarify the foreign estimates as a mineral resource in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as a mineral resource. The company is not in possession of any new information or data relating to the foreign estimates that materially impact on the reliability of the estimates that materially impacts on the reliability of the estimates or CEL's ability to verify the foreign estimates estimate as minimal resources in accordance with Appendix 5A (JORC Code). The company confirms that the supporting information provided in the initial market announcement on February 25 2019 continues to apply and is not materially changed

Competent Person Statement – Exploration results

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 by Mr John King who is a full-time employee of JRK Consulting Pty Ltd. Mr King is a member of the Mining and Metallurgical Society of America and a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code.

Mr King 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, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this report of the matters based on information in the form and context in which it appears. The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

Competent Person Statement – Historical resources

The information in this release provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The information that relates to Mineral Resources has been compiled by Mr John King who is a full-time employee of JRK Consulting Pty Ltd. Mr King is a member of the Mining and Metallurgical Society of America and a senior fellow of the Society for Economic Geologists in the USA. This is a Recognised Professional Organisation (RPO) under the Joint Ore Reserves Committee (JORC) Code.

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Enclosure 1 - Showing all of CEL's underground Sampling results

Sample Number	Location	Sample Type	Sample Length (m)	Au (g/t)	Ag (g/t)	Zn %	Pb %	Cu %	Au Equiv (g/t)
485104	Magnata	Channel	0.9	0	10	0.152	0.0181	0.0024	0.2
485105	Magnata	Channel	3	1.37	14	3.4	0.314	0.0256	3.6
485106	Magnata	Chip	-	0.76	0	0.0381	0.024	0.0092	0.8
485107	Magnata	Channel	1	11.05	105	6.42	0.0432	0.347	16.6
485108	Magnata	Channel	1	36.9	302	10.6	0.0446	0.182	47.0
485109	Magnata	Channel	1	201	1560	3.25	0.0501	0.0278	221.0
485110	Magnata	Channel	1	4.76	38	3.21	0.0422	0.0381	7.2
485111	Magnata	Channel	1	7.45	47	6.82	0.0378	0.0955	12.2
485112	Magnata	Channel	1.4	7.09	54	3.55	0.052	0.134	10.0
485113	Magnata	Channel	2.8	10.3	41	7.73	0.416	0.155	15.6
485114	Magnata	Channel	0.4	81.7	162	2.36	3.74	0.163	85.2
485115	Magnata	Channel	0.4	0.08	0	0.165	0.0125	0.0025	0.2
485116	Magnata	Channel	0.3	0	0	0.0707	0.0054	0.0015	0.0
485117	Magnata	Channel	1	14.3	76	0.496	0.1095	0.124	15.7
485118	Magnata	Channel	1.5	5.66	234	0.408	2.27	1.67	11.0
485119	Magnata	Channel	1	0.21	22	0.0394	0.0808	0.0106	0.5
485120	Murchilera	Channel	1.5	0.2	0	9.02	0.715	1.795	8.2
485121	Sentazon	Channel	0.6	132	65	0.743	0.799	0.0901	133.3
485122	Sentazon	Channel	0.4	0.19	6	3.63	0.1615	16.1	25.5
485123	Sentazon	Channel	1.1	2.94	86	1.995	1.515	0.182	5.4
485124	Sentazon	Channel	1.1	2.01	20	5.47	1.875	6.84	15.3
485125	Sentazon	Channel	0.6	10.05	44	0.914	0.588	0.308	11.5
485126	Sentazon	Channel	0.25	0	0	0.0844	0.0416	0.0083	0.1
485127	Bicolor	Channel	1	31.7	133	3.71	0.0233	0.483	36.1
485128	Bicolor	Channel	0.3	0.12	0	6.29	0.0069	0.0269	3.9
485129	Bicolor	Channel	0.5	0	0	0.0536	0.0065	0.0034	0.0
485130	Bicolor	Channel	1	0.63	0	8.15	0.0892	1.08	7.1
485131	Bicolor	Channel	1	0.84	10	1.87	0.0088	0.0469	2.1
485132	Doña Justa Pit	Channel	1	14.65	0	8.28	0.0613	0.669	20.6
485133	Doña Justa Pit	Channel	1	0	0	19.05	0.0176	0.703	12.4
485134	Doña Justa Pit	Channel	1	0	7	26.5	0.0276	3.42	20.8
485135	Doña Justa Pit	Channel	1	0.28	0	37.69	0.271	0.695	23.8
485136	Doña Justa Pit (Porphyry)	Channel	1	0	0	0.411	0.0074	0.0344	0.3
485137	Doña Justa Pit	Channel	1.3	0	0	5.76	0.0571	0.0456	3.5
485138	Doña Justa Pit	Channel	1	6.26	99	0.265	0.323	0.0254	7.6
485139	Doña Justa Pit (Porphyry)	Channel	1	0.16	15	0.119	0.0053	0.0207	0.4

Sample Number	Location	Sample Type	Sample Length (m)	Au (g/t)	Ag (g/t)	Zn %	Pb %	Cu %	Au Equiv (g/t)
485140	Main Manto	Channel	1.2	77.7	125	2.13	1.64	0.115	80.6
485141	Main Manto	Channel	1	0	66	42.53	0.711	4	31.9
485142	Main Manto	Channel	1.	2	89	7.18	0.354	3.26	12.0
485143	North Magnata (Porphyry)	Chip	-	0.46	0	0.0474	0.0184	0.0063	0.5
485144	North Magnata (Porphyry)	Chip	-	0	0	0.476	0.0241	0.0589	0.4
485145	Main Manto	Channel	1	0.2	48	9.45	0.683	0.776	7.5
485146	Main Manto	Channel	1	21.4	106	18.2	5.87	1.745	36.0
485147	Main Manto	Channel	1	13.35	17	7.33	0.0563	0.23	18.3
485148	Main Manto	Channel	1	4.43	22	34.15	2.15	0.872	26.4
485149	Main Manto	Channel	1	110	41	0.77	1.065	0.048	111.0
485150	Main Manto	Bulk	-	9.47	66	7.48	0.971	0.368	15.2
485151	Main Manto	Bulk	-	12.5	32	5.45	0.209	0.273	16.5
485152	Main Manto	Bulk	-	12.8	33	8.04	0.445	0.644	18.9
485204	Main Manto	Channel	0.4	9.09	72	4.97	2.14	0.529	13.7
485205	Main Manto	Channel	0.8	10.3	105	19.3	2.96	0.726	24.1
485206	Main Manto	Channel	1.2	4.74	9	3.21	0.872	0.502	7.5
485207	Main Manto	Channel	1.1	4.56	64	11.9	1.555	1.835	15.0
485208	Cerro Norte	Bulk	-	0.12	8	18.1	0.0538	0.475	11.7
485209	Cerro Norte	Bulk	-	0.21	10	4.7	0.0483	0.426	3.7
485210	Cerro Norte	Bulk	-	0.1	10	16.95	0.0572	0.345	10.8
485211	Waste Dumps	Bulk	-	0.06	9	0.613	0.0584	0.1815	0.8
485212	Waste Dumps	Bulk	-	1.11	5	5.47	0.34	0.453	5.1
485213	Sentazon	Bulk	-	1.23	9	9.09	0.0489	0.0575	6.9
485214	Sentazon	Bulk	-	20.8	99	0.911	0.359	0.1265	22.7
485215	Sentazon	Bulk	-	0.13	8	8.84	0.393	0.103	5.7
485216	Muchilera	Bulk	-	38.8	242	2.28	0.215	0.0336	43.0
485217	Manata Vein	Channel	1	30.87	248	4.45		0.18	36.7
485218	Manata Vein	Channel	1	26.81	192	2.46		0.11	30.7
485219	Manata Vein	Channel	1	9.63	66.6	3.9		0.053	12.8
485220	Manata Vein	Channel	1	6.26	33.9	9.31		0.073	12.3
485221	Manata Vein	Bulk	n/a	13.32	61	6.42		0.139	18.1
485222	Sentazon	Bulk	n/a	16.16	22.8	2.96		3.78	23.6
485223	Sentazon	Bulk	n/a	4.52	22.7	8.11		2.21	12.8
485224	Manata Vein	Bulk	n/a	5.4	193	1.52		0.336	9.0

- (1) Gold equivalent values were calculated using a price of US\$1300 for Gold, US\$15 for Silver, US\$2500t Zinc, US\$6000t Copper. Recoveries were not factored into the calculation of Gold equivalents given metallurgical test work is preliminary in nature)
- (2) Location data given in JORC Table 1
- (3) Samples 485106 and 485131 were reported previously and are Included as they are discussed in the context of bulk low-grade potential

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> - <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> - <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> - <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> - <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> - Channel samples from underground workings were taken over widths of 12-15cm to depths of 2.5 cm and sampling was non-selective and designed to provide a representative grade of the mineralisation. - Samples were collected dry and consisted of multiple chips dislodged and fractured by a geological pick. - Samples were between a nominal 1-3kg weight and placed directly in to numbered calico bags at the collection point. - Bulk samples of dumps and ore stockpiles were a minimum of 1kg, and sampling was non-selective and designed to provide a representative grade of the dump/stockpile
Drilling techniques	<ul style="list-style-type: none"> - <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> - n/a
Drill sample recovery	<ul style="list-style-type: none"> - <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> - <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> - <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> - n/a
Logging	<ul style="list-style-type: none"> - <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource</i> 	<ul style="list-style-type: none"> - The channel sampling has been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource

Criteria	JORC Code explanation	Commentary
	<p><i>estimation, mining studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> - <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> - <i>The total length and percentage of the relevant intersections logged.</i> 	<p>estimation.</p> <ul style="list-style-type: none"> - Logging was quantitative for both channel and bulk sample the following logging information is recorded in the database. Date sampled, samplers' details, sample coordinates, general location description, summary and comments on visual mineralisation and alteration, Azimuth, Dip Direction and true width of structure being sampled, length and azimuth of the channel sample. A photo was taken of each sample location - 100% of sampled intervals were logged
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> - <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> - <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> - <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> - <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> - <i>Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.</i> - <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> - n/a - n/a - The sample preparation technique is considered appropriate - Standard quality control procedures were implemented - 20% of samples were duplicates - Sample sizes were appropriate for the mineralisation style and grain size of the deposit... <ul style="list-style-type: none"> • The sample length was based on lithologic and mineralised units and where warranted samples as small as 10 cm were taken. This is appropriate for deposits of this nature
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> - <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> - <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> - <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> - The nature, quality and appropriateness of the assaying and laboratory procedures used were of high quality with appropriate QA/QC and chain of custody and are considered appropriate. - assays were undertaken by ALS Laboratories. Samples were assayed by Au 25g fire assay ICP-MS (Au, Pt, Pd); 4-acid digest ICP-OES (Al, Ca, Cr, Cu, Fe, K, Mg, Mn, Na, Ni, P, S, Sc, Ti, V, Zn); 4-acid digest ICP-MS (Ag, As, Ba, Be, Bi, Cd, Ce, Co, Cs, Ga, Ge, Hf, In, La, Li, Mo, Nb, Pb, RB, Re, Sb, Se, Sn, Sr, Ta, Te, Th, Tl, U, W, Y, Zr). Ore grade re-assays were done where the Au, Ag, Cu, Pb, and Zn assays that were above the measuring limit for the 100ppm for Au and Ag and 1% for Cu, Pb, Zn

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> - Internal laboratory standards were used for each job to ensure correct calibration of elements. - Only relevant and material element results are reported. - Standard industry practices have been employed in the collection and assaying of samples. Internal laboratory standards and checks have passed control thresholds. The assay data has sufficient quality for the reporting of Exploration Results.
Verification of sampling and assaying	<ul style="list-style-type: none"> - <i>The verification of significant intersections by either independent or alternative company personnel.</i> - <i>The use of twinned holes.</i> - <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> - <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> - Assay results summarised in the context of this report have been rounded appropriately. - No assay data have been adjusted.
Location of data points	<ul style="list-style-type: none"> - <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> - <i>Specification of the grid system used.</i> - <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> - Sample locations were surveyed by a hand-held GPS +/-5m and underground laser scanner with an accuracy of 4mm - Coordinates reported are WGS-84_19S. - Location data is considered to be of sufficient quality for reporting of exploration results
Data spacing and distribution	<ul style="list-style-type: none"> - <i>Data spacing for reporting of Exploration Results.</i> - <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> - <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> - Data spacing was controlled by underground access and the location of previous sampling points which were being validated - n/a - yes
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> - <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> - <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> - Unless otherwise stated the orientation of sampling achieves unbiased sampling of structures - n/a
Sample security	<ul style="list-style-type: none"> - <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> - Samples were under 24 hour supervision of senior personnel prior to be delivered to lab

Criteria	JORC Code explanation	Commentary
Audits or reviews	- The results of any audits or reviews of sampling techniques and data.	- n/a

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> - Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. - The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> - The current Hualilan project comprises 15 Minas (equivalent of mining leases) and 2 Demasias as illustrated in as listed in the table below and shown in Figure 2-2. This covers approximately 4 km of strike and includes all of the currently defined mineralization. There are no royalties on the project at CEL is earning a 75% interest in the project by funding a DFS. Additionally an application for an Exploration Licence covering 26sqkms surrounding the 15 Minas has been accepted by the San Juan Department of Mines and is currently being processes.
Exploration done by other parties	<ul style="list-style-type: none"> - Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> - Intermittent sampling dating back over 500 years has produced a great deal of data including sampling data, geologic maps, reports, trenching data, underground workings, drill hole results, geophysical surveys, resource estimates plus property examinations and detailed studies by several geologists although no work has been completed since 2006. - There is 6 km of underground workings that pass through mineralised zones. Records of the underground geology and sampling are currently being compiled and digitised, as are sample data, geological mapping, trench and adit exposures, and drill hole results. Geophysical surveys exist but have largely yet to be check located and digitised. - Drilling on the Hualilan Project (Cerro Sur and Cerro Norte combined) extends to over 150 drill holes. The key historical exploration drilling and sampling results are listed below. - 1984 – Lixivia SA channel sampling & 16 RC holes (AG1-AG16) for 2040m

Criteria	JORC Code explanation	Commentary									
<ul style="list-style-type: none">o dip and azimuth of the holeo down hole length and interception deptho hole length. <p>- If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</p>	485104	504560.36	6600127.26	1804.00	185	60_W	0.8	Channel	0.9	95	
	485105	504578.00	6600087.00	1825.00	220	70_NW	5.0	Channel	3.0	140	
	485106	504564.00	6600103.00	1825.00	95	85_SE	3?	Chip	-	-	
	485107	504559.41	6600070.97	1744.00	170	50_SW	5.0	Channel	1.0	260	
	485108	504559.76	6600070.98	1744.00	170	50_SW	5.0	Channel	1.0	260	
	485109	504560.18	6600070.98	1744.00	170	50_SW	5.0	Channel	1.0	260	
	485110	504560.63	6600070.97	1744.00	170	50_SW	5.0	Channel	1.0	260	
	485111	504561.08	6600070.97	1744.00	170	50_SW	5.0	Channel	1.0	260	
	485112	504561.26	6600063.63	1744.00	175	50_SW	3.0	Channel	1.4	300	
	485113	504562.51	6600063.64	1744.00	175	50_SW	3.0	Channel	2.8	300	
	485114	504559.40	6600053.77	1744.00	180	65_W	0.4	Channel	0.4	270	
	485115	504557.85	6600053.87	1744.00	180	65_W	0.4	Channel	0.4	270	
	485116	504555.67	6600033.97	1744.00	190	65_NW	0.3	Channel	0.3	270	
	485117	504556.72	6600080.98	1744.00	230	85_NW	>10	Channel	1.0	45	
	485118	504569.16	6600088.69	1744.00	260	80_NW	-	Channel	1.5	80	
	485119	504573.19	6600089.11	1744.00	190	50_NW	-	Channel	1.0	260	
	485120	504564.00	6599671.00	1759.00	30	55_E	4.5	Channel	1.5	100	
	485121	504527.82	6599784.81	1769.00	200	50_NW	0.6	Channel	0.6	120	
	485122	504530.50	6599794.33	1769.00	195	50_NW	0.15	Channel	0.4	280	
	485123	504532.05	6599794.02	1769.00	165	50_SW	0.7	Channel	1.1	280	
	485124	504532.99	6599808.62	1769.00	185	40_SW	0.8	Channel	1.1	330	
	485125	504532.63	6599819.03	1769.00	185	40_NW	0.4	Channel	0.6	270	
	485126	504517.85	6599723.55	1702.00	180	50_W	0.25	Channel	0.25	280	

Criteria	JORC Code explanation	Commentary								
	485127	504529.54	6599607.04	1695.00	195	65_NW	1.0	Channel	1.0	280
	485128	504529.07	6599647.66	1695.00	180	50_W	0.3	Channel	0.3	270
	485129	504526.97	6599655.31	1695.00	280	75_N	0.5	Channel	0.5	180
	485130	504528.63	6599622.65	1695.00	-	-	-	Channel	1.0	180
	485131	504507.52	6599451.11	1701.00	195	50_NW	1.0	Channel	1.0	260
	485132	504992.04	6601559.43	1802.00	100	50_NW	-	Channel	1.0	210
	485133	505002.19	6601559.71	1802.00	160	90_SE	FZ	Channel	1.0	290
	485134	505010.43	6601557.96	1802.00	-	-	-	Channel	1.0	260
	485135	505018.18	6601556.59	1802.00	100	45_SW	-	Channel	1.0	130
	485136	505013.70	6601547.90	1802.00	-	-	-	Channel	1.0	350
	485137	505003.98	6601514.93	1802.00	85	30_SE	1.0	Channel	1.3	20
	485138	504948.00	6601440.00	1820.00	120	50_SW	3.0	Channel	1.0	200
	485139	504948.00	6601442.00	1824.00	50	70_SE	0.0	Channel	1.0	210
	485140	504879.01	6601357.98	1688.11	50	50_SE	1.2	Channel	1.2	3.2
	485141	504873.75	6601465.15	1668.38	300	70_NE	1.2	Channel	1.0	180
	485142	504876.67	6601481.51	1666.06	50	60_SE	2.0	Channel	1.	320
	485143	504686.00	6600404.00	1819.00	-	-	-	Chip	-	-
	485144	504676.00	6600310.00	1814.00	-	-	-	Chip	-	-
	485145	504877.46	6601367.03	1686.58	40	70_SE	1.5	Channel	1.0	180
	485146	504888.79	6601393.74	1688.92	220	40_NW	4.0	Channel	1.0	40
	485147	504914.78	6601416.29	1688.92	210	60_NW	2.0	Channel	1.0	10
	485148	504979.58	6601472.63	1688.92	210	60_NW	1.5	Channel	1.0	290
	485149	504894.54	6601426.81	1674.23	50	90.00	1.5	Channel	1.0	120

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ASX: **CEL**

Issued Capital
465.6m shares
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17 Castlereagh Street
Sydney NSW 2000

Directors
Mr Kris Knauer, MD and CEO
Mr Scott Funston, Finance Director
Mr Fletcher Quinn, Chairman

Contact
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E: admin@challengerex.com.au

Criteria	JORC Code explanation	Commentary								
	485150	504891.15	6601257.13	1706.00	-	-	-	Bulk	-	-
	485151	504835.31	6601276.52	1706.00	-	-	-	Bulk	-	-
	485152	504832.97	6601345.70	1706.00	-	-	-	Bulk	-	-
	485204	504875.05	6601322.47	1787.00	190	75W	0.4	Channel	0.4	280
	485205	504875.04	6601322.91	1787.00	175	80W	0.8	Channel	0.8	270
	485206	504854.55	6601346.15	1787.00	130	60SE	1.20	Channel	1.2	210
	485207	504862.80	6601370.52	1787.00	180	50W	1.10	Channel	1.1	80
	485208	504879.51	6601261.17	1787.00	-	-	-	Bulk	-	-
	485209	504880.32	6601251.20	1787.00	-	-	-	Bulk	-	-
	485210	504881.13	6601241.24	1787.00	-	-	-	Bulk	-	-
	485211	504828.20	6601612.32	1776.00	-	-	-	Bulk	-	-
	485212	504805.33	6601526.92	1776.00	-	-	-	Bulk	-	-
	485213	504454.68	6599733.17	1702.00	-	-	-	Bulk	-	-
	485214	504460.59	6599673.76	1695.00	-	-	-	Bulk	-	-
	485215	504451.91	6599626.59	1695.00	-	-	-	Bulk	-	-
	485216	504543.71	6599670.64	1759.00	-	-	-	Bulk	-	-
	485217	504559.07	6600074.92	1744.00	175	60_SW	3.0	Channel	1.0	120
	485218	504558.01	6600074.97	1744.00	175	60_SW	3.0	Channel	1.0	190
	485219	504556.84	6600074.96	1744.00	175	60_SW	3.0	Channel	1.0	80
	485220	504559.41	6600068.52	1744.00	175	60_SW	3.0	Channel	1.0	120
	485221	504558.64	6600066.12	1744.00	-	-	-	Bulk	-	-
	485222	504472.06	6599634.20	1695.00	-	-	-	Bulk	-	-
	485223	504469.37	6599605.40	1695.00	-	-	-	Bulk	-	-

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Mr Fletcher Quinn, Chairman

Contact
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E: admin@challengerex.com.au

Criteria	JORC Code explanation	Commentary									
		485224	504450.16	6600103.98	1744.00	-	-	-	Bulk	-	-
Data aggregation methods	<ul style="list-style-type: none">- <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i>- <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>- <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	<ul style="list-style-type: none">- n/a- n/a- n/a									
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none">- <i>These relationships are particularly important in the reporting of Exploration Results.</i>- <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i>- <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg ‘down hole length, true width not known’).</i>	<ul style="list-style-type: none">- The mineralised bodies are generally steeply dipping, strike approximately north-south and east-west and have a true width of 1-4 metres. Where the north-south striking bedding-parallel manto mineralisation and the east-striking cross veins intersect mineralisation width may increase beyond 4 metres.- True widths of the sampled structures have been recorded and are reported with the assay results									
Diagrams	<ul style="list-style-type: none">- <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	<ul style="list-style-type: none">- In body of report									
Balanced reporting	<ul style="list-style-type: none">- <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high</i>	<ul style="list-style-type: none">- All data have been reported.									

Criteria	JORC Code explanation	Commentary	
		<i>grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	
Other substantive exploration data	- <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	Sample Number	SUMMARY COMMENTS OF MINERALIZATION
		485104	50% Fe Ox. 10% Hem?
		485105	80% Fe Ox. Cct 10%, Mal? around 1%,
		485106	1% Hem, 50% Fe Ox.
		485107	20% Qtz, 20% Fe Ox.
		485108	3%Py, 2% Shp
		485109	3%Py, 2% Shp
		485110	50%Qtz, 3%Cp
		485111	50% Ox. Fe, 2% Py
		485112	2% Py, 2% Cp
		485113	50% Fe Ox., 2% Py, 1% Cp
		485114	80% Fe Ox. (Gt around 50%)
		485115	<1% Fe Ox.
		485116	<1% Fe Ox.
		485117	80% Fe Ox., <1% Cu Ox.
		485118	2% Py, 3%Cp, 10% Cu Ox.
		485119	60% Fe Ox. 10% Hem?
		485120	60% Fe Ox. 20% Cu Ox.
		485121	40% Fe Ox. 1% Cu Ox. And garnets

Criteria	JORC Code explanation	Commentary
		485122 20% Cu Ox, 10% Fe Ox
		485123 20% Fe oxides, 15 Cu Oxides, 1% Mn oxides and 2% garnets
		485124 50% Fe Ox, 10% Cu Ox, 30% Mn Oxides
		485125 30% Fe Ox, 10% Cu oxides
		485126 40% Limonites
		485127 20%Qtz, 5%Py, 3%Cp, 1% Cu Ox and 50% Fe Ox.
		485128 5% Fe Ox
		485129 5% Fe Ox
		485130 10% Cu Ox, 30%Mn Ox. And 50% Iron Oxides
		485131 50% Fe Ox, 1% CaCO3, 10% Garnets, 1% Hem and <1% Cu Ox
		485132 5% CaCO3, 20% Cu Ox, 10% Fe Ox and 30% Mn-Cu? Ox
		485133 2% CaCO3, 20% Cu Ox, 10% Fe Ox and 30% Mn Ox
		485134 20% Cu Ox, 40% F Ox and !0% Mn Ox
		485135 Breccia shows like: 30% Mn Ox, 20% Cu Ox and 10% Fe Oxides
		485136 40% Fe Ox, 30% Mn Ox
		485137 50% Fe Ox, 40% Mn Ox
		485138 50% Fe Ox, 10% Jar, 2% Hem and 1% Cu Ox
		485139 30% Fe Ox, 20% leached Jar, 1% Cu oxides
		485140 70% Fe Ox and 10% Cu Ox
		485141 30% Fe Ox, 30% Cct and 30% Mal
		485142 40% Cu Ox, 40% Fe Ox
		485143 30% Fe Ox, 2% Cu Ox
		485144 30% Fe Ox, 2% Cu Ox

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Criteria	JORC Code explanation	Commentary
		485145 60% Fe Ox and 30% Cu Ox
		485146 80% Fe Ox, 20% Cu Ox
		485147 70% Fe Ox, 5% Cu Ox, 10% Cp, 5% Py
		485148 20% Cu Ox, 30% Fe Ox, 5% CaCO3
		485149 40% Fe Ox, 20% Qtz
		485150 30% Cu Ox, 40% Fe Ox, 10% Py and 5% Cp
		485151 30% Cu Ox, 40% Fe Ox, 10% Py and 5% Cp
		485152 30% Cu Ox, 40% Fe Ox, 10% Py and 5% Cp
		485204 15%CuOx, Fe Ox 20%
		485205 10%CuOx, Fe Ox 15%
		485206 5%CuOx, Fe Ox 20%
		485207 2% Cu Ox, 15% Fe Ox
		485208 5% CuOx, 10% Fe Ox
		485209 10% Cu Ox, 15% Fe Ox
		485210 8% Cu Ox, 10 Fe Ox
		485211 black breccia HG road float
		485212 black breccia in Lms
		485213 red and black UG ore float
		485214 -
		485215 -
		485216 -
		485217 10% PY, 5% CP, 3% Gn, 1% Sp
		485218 10% PY, 5% CP, 3% Gn, 1% Sp

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Criteria	JORC Code explanation	Commentary												
		<table><tr><td>485219</td><td>10% PY, 5% CP, 3% Gn, 1% Sp</td></tr><tr><td>485220</td><td>10% PY, 5% CP, 3% Gn, 1% Sp</td></tr><tr><td>485221</td><td>20% PY, 10% CP, 3% Gn, 2% Sp</td></tr><tr><td>485222</td><td>40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp</td></tr><tr><td>485223</td><td>40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp</td></tr><tr><td>485224</td><td>-</td></tr></table>	485219	10% PY, 5% CP, 3% Gn, 1% Sp	485220	10% PY, 5% CP, 3% Gn, 1% Sp	485221	20% PY, 10% CP, 3% Gn, 2% Sp	485222	40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp	485223	40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp	485224	-
485219	10% PY, 5% CP, 3% Gn, 1% Sp													
485220	10% PY, 5% CP, 3% Gn, 1% Sp													
485221	20% PY, 10% CP, 3% Gn, 2% Sp													
485222	40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp													
485223	40% Cu Ox, 30% Fe Ox, 10% Py and 2% Cp													
485224	-													
Further work	<ul style="list-style-type: none">- The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).- Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	<ul style="list-style-type: none">• CEL Plans to undertake the following over the next 12 months<ul style="list-style-type: none">• Additional data precision validation as required;• Detailed interpretation of known mineralized zones;• Structural interpretation and alteration mapping using high resolution satellite data – to better target extensions of known mineralisation.• Field mapping program targeting extensions of known mineralisation.• Investigate further drilling requirements to upgrade both the unclassified mineralisation and mineralisation in the existing historical resources to meet JORC 2012 requirements;• Initial drill program comprising verification (twin holes) and targeting extensions of the historically defined mineralisation;• Metallurgical test work.												

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

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www.challengerex.com.au

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> - Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. - Data validation procedures used. 	<ul style="list-style-type: none"> - The drill hole data is stored in a drop box database is and currently being loaded into a new database. The database has been previously split into original paper components and electronic components. - The owner's representatives have reviewed and confirmed the database structure and integrity.
Site visits	<ul style="list-style-type: none"> - Comment on any site visits undertaken by the Competent Person and the outcome of those visits. - If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> - A 4-day site visit was undertaken from Wednesday Jan 17, 2018 to Saturday 20 January 2018. During this visit: <ul style="list-style-type: none"> - a number of the historical drill collars were located, and their location confirmed - The mineralisation was inspected and sampled in the main underground workings and also in a number of waste dumps associated with exploration adits. - The visual investigation of the mineralisation confirmed the historically reported mineralisation, - Assay results of representative samples from the underground workings and dumps also confirmed the tenor of the reported resource grades of the various styles of mineralisation. - In addition, SRK undertook a site visit 30 August 2018 where they reviewed much of the above. Their review confirmed the results of the first site visit <p>In addition, the Competent person was on site for 3 weeks during the underground channel and bulk sampling which is the subject of this release</p>
Geological interpretation	<ul style="list-style-type: none"> - Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. - Nature of the data used and of any assumptions made. - The effect, if any, of alternative interpretations on Mineral Resource estimation. - The use of geology in guiding and controlling Mineral Resource estimation. - The factors affecting continuity both of grade and geology. 	<ul style="list-style-type: none"> - The interpretation is considered appropriate given the stage of the project and the nature of activities that have been conducted. The interpretation captures the essential geometry of the mineralised structure and lithologies with drill data supporting the findings from the initial underground sampling activities. - The most recent resource calculation (2006 and 2003 – La Mancha) used all core drilling and detailed underground channel sampling collected by EPROM, CMEC and La Mancha. Overlying assumptions included a reduction of the calculated grade in each resource block by a factor of 10% to account for possible errors in the analyses and samples. An arbitrary reduction factor was applied to the 2006 resource whereby the net reported tonnage was reduced by 25% for indicated resource blocks, 50% for inferred resource blocks, and 75% of potential mineral

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		<p>resource blocks. The reason for the application of these tonnage reduction factors was not outlined in the resource report. It is noted that at the time of this report La Mancha was in a legal dispute concerning the project with its joint venture partner and given the acquisition of a 200,000 Oz per annum producing portfolio the project was likely no longer a core asset for La Mancha at that time. Additionally, under the original acquisition agreement La Mancha had to issue additional acquisition shares based on resource targets.</p> <ul style="list-style-type: none"> - The effect of removing the assumptions relating to application of the arbitrary tonnage reduction factors applied increases the overall resource tonnage by in excess of 50%. Removing these correction factors would bring the overall tonnage and grade close the earlier (2003, 1999, and 1996) tonnage and grade estimates albeit in different categories (lower confidence) which are considered more appropriate. - The mineralisation is defined to the manto and vein bodies detailed cross section and plan maps were prepared for these bodies with their shapes used in controlling the resource estimate. - The structure of the area is complex, and a detailed structural interpretation is recommended as this may provide a better understanding of the continuity of mineralisation and possible extensions to it. The deposit contains bonanza gold values and while very limited twinning has indicated acceptable repeatability a rigorous study of grade continuity needs to be undertaken as part of future resource calculations.
Dimensions	<ul style="list-style-type: none"> - <i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i> 	<ul style="list-style-type: none"> - No reliable information has been provided to the owner however through further ongoing investigation is being conducted by the owner to address this information gap.
Estimation and modelling techniques	<ul style="list-style-type: none"> - <i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i> - <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i> 	<ul style="list-style-type: none"> - The estimation techniques are appropriate. The 2003 and 2006 resources used a longitudinal section polygonal method was used for estimating resources, with individual blocs representing weighted averages of sampled underground and/or areas of diamond drill pierce points with zones of influence halfway to adjacent holes. The area of the block was calculated using AutoCad directly from the longitudinal sections. • As outlined in Section 2 check assaying by PG Consulting returned values in the check assay sample which were 3.4% and 12.99% greater for Au and Ag than the original assays. A number pf previous resource estimates were available to check

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	<ul style="list-style-type: none"> - <i>The assumptions made regarding recovery of by-products.</i> - <i>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</i> - <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i> - <i>Any assumptions behind modelling of selective mining units.</i> - <i>Any assumptions about correlation between variables.</i> - <i>Description of how the geological interpretation was used to control the resource estimates.</i> - <i>Discussion of basis for using or not using grade cutting or capping.</i> - <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available</i> 	<p>the 2006 resource estimate when the arbitrary tonnage reduction factors are removed brings the overall tonnage and grade close the earlier (2003, 1999, and 1996) tonnage and grade estimates albeit indifferent categories which are considered more appropriate.</p> <ul style="list-style-type: none"> • It was assumed only gold silver and zinc would be recovered and that no other by products would be recovered. This is viewed as conservative given metallurgical data pointing to the production of a salable zinc concentrate. • Based on the preliminary metallurgy estimation of deleterious elements or other non-grade variables of economic significance was not required • The minimum mining width of 0.8m was assumed for veins less than 0.6m and for wider widths a dilution of 0.2m was used to calculate the grade. • No assumptions were made regarding correlation between variables • The mineralisation is defined to the manto and vein bodies. Detailed cross section and plan maps were prepared for these bodies with their shapes used in controlling the resource estimate Long sections for the veins and mantos were taken and sampling was plotted, and the blocks outlined considering this. • Grade cutting was not used in the calculation of the resource and no discussion was given as to why it was not employed. It is recommended that a study be undertaken to determine if an appropriate top cut need be applied • No data is available on the process of validation.
Moisture	<ul style="list-style-type: none"> - <i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i> 	<ul style="list-style-type: none"> - No data is available. There is unlikely to be any significant difference between dry and natural moisture results.
Cut-off parameters	<ul style="list-style-type: none"> - <i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i> 	<ul style="list-style-type: none"> - The Mineral Resource Estimate is above a cut-off grade of 3.89 g/t Au. This is based on the assumed mining cost
Mining factors or assumptions	<ul style="list-style-type: none"> - <i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be</i> 	<ul style="list-style-type: none"> - The Mineral Resource Estimate considered the assumptions outlined below which are considered appropriate <ul style="list-style-type: none"> - Metal prices: Au US\$550 Oz, Ag US\$10 Oz - Metallurgical Recovery; Au – 80%, Ag – 70% Zn - nil - Operating cost: US\$55t based on underground cut and fill mining and flotation and cyanidation combined - The minimum mining width of 0.8m was assumed for veins less than 0.6m and for

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	<i>reported with an explanation of the basis of the mining assumptions made.</i>	wider widths a dilution of 0.2m was used to calculate the grade.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> - <i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i> 	<ul style="list-style-type: none"> - Historical metallurgical test-work is currently under review however the assumptions used (80% Au recovery, 70% Ag and no zinc recovery) seem conservative. The most recent test work was conducted in 2000 and was a preliminary assessment only. This work was conducted at Lakefield Labs (cyanidation) and CIMM Labs (flotation) in Chile. While this work is preliminary it indicates recoveries for differential flotation in conjunction with a Knelson concentrator at 80% each for gold and silver and 50% for zinc regardless of the type of material (sulphide or oxidized).
Environmental factors or assumptions	<ul style="list-style-type: none"> - <i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i> 	<ul style="list-style-type: none"> - It is considered that there are no significant environmental factors, which would prevent the eventual extraction of gold from the project. Environmental surveys and assessments will form a part of future pre-feasibility.
Bulk density	<ul style="list-style-type: none"> - <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> - <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i> - <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i> 	<ul style="list-style-type: none"> - Densities of 2.7 m³/MT were used for mineralised veins and 2.6 m³/MT for wall rock - No data of how densities were determined in available - The bulk densities used in the evaluation process are viewed as appropriate at this stage
Classification	<ul style="list-style-type: none"> - <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> - <i>Whether appropriate account has been taken of all relevant</i> 	<ul style="list-style-type: none"> - The Mineral Resource Estimate has both Indicated and Inferred Mineral Resource classifications under the National Instrument 43-101 code and is considered

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	<p><i>factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i></p> <ul style="list-style-type: none"> - <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> 	<p>foreign. These classifications are considered appropriate given the confidence that can be gained from the existing data and results from drilling.</p> <ul style="list-style-type: none"> - The reliability of input data for the 2003 and 2006 resources is acceptable as is the confidence in continuity of geology and metal values, quality, quantity and distribution of the data. Appropriate account has been taken of all relevant factors with the exception of studies into the appropriateness of the application of a top cut. - The reported 2006 NI43-101 (non-JORC Code compliant Measured and Indicated) estimate for the Hualilan Project is measured resource of 164,294 tonnes averaging 12.6 grams per tonne gold and 52.1 g/t silver and 2.5% zinc plus an indicated resource of 51,022 tonnes averaging 12.4 grams per tonne gold and 36.2 g/t silver and 2.6% zinc plus an inferred resource of 213,952 tonnes grading 11.7 grams per tonne gold and 46.6 g/t silver and 2.3% zinc. (Source La Mancha resources Toronto Stock Exchange Release April 7, 2007 - Interim Financials) – See Table 1 - The 2006 estimate did not include the east-west mineralised Magnata Vein despite the known mineralisation in the Magnata Vein being drilled on a 25 x 50-metre spacing. The 2003 NI43-101 (non-JORC Code compliant) estimate attributed approximately half of its measured and indicated tonnage to the Magnata Vein. The 2006 estimate also included arbitrary tonnage reduction factors of 25% for indicated category, 50% for inferred category and 75% for potential category. - The 2006 estimate also included a significant tonnage of Potential Category Resources which have not been reported. - The reported 2003 NI43-101 (non-JORC Code compliant) estimate for the Hualilan project is a measured resource of 299,578 tonnes averaging 14.2 grams per tonne gold plus an indicated resource of 145,001 tonnes averaging 14.6 grams per tonne gold plus an inferred resource of 976,539 tonnes grading 13.4 grams per tonne gold representing some 647,809 ounces gold. (Source La Mancha resources Toronto Stock Exchange Release May 14, 2003 - Independent Report on Gold Resource Estimate) – See Table 1 - The 2003 Mineral Resource classification and results appropriately reflect the

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		<p>Competent Person’s view of the deposit and the current level of risk associated with the project to date.</p> <p>Historic 2003 NI43-101 (non-JORC Code compliant)</p> <table><tr><th>CATEGORY</th><th>TONNES</th><th>Au (g/t)</th><th>Ag (g/t)</th><th>Zn%</th></tr><tr><td>Measured</td><td>299,578</td><td>14.2</td><td></td><td></td></tr><tr><td>Indicated</td><td>145,001</td><td>14.6</td><td></td><td></td></tr><tr><td>Inferred</td><td>976,539</td><td>13.4</td><td></td><td></td></tr></table> <p>Historic 2006 NI43-101 (non-JORC Code compliant)</p> <table><tr><th>CATEGORY</th><th>TONNES</th><th>Au (g/t)</th><th>Ag (g/t)</th><th>Zn%</th></tr><tr><td>Measured</td><td>164,294</td><td>12.5</td><td>52.1</td><td>2.5</td></tr><tr><td>Indicated</td><td>51,022</td><td>12.4</td><td>36.2</td><td>2.6</td></tr><tr><td>Inferred</td><td>213,952</td><td>11.7</td><td>46.6</td><td>2.3</td></tr></table>	CATEGORY	TONNES	Au (g/t)	Ag (g/t)	Zn%	Measured	299,578	14.2			Indicated	145,001	14.6			Inferred	976,539	13.4			CATEGORY	TONNES	Au (g/t)	Ag (g/t)	Zn%	Measured	164,294	12.5	52.1	2.5	Indicated	51,022	12.4	36.2	2.6	Inferred	213,952	11.7	46.6	2.3
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Audits or reviews	<ul style="list-style-type: none">- The results of any audits or reviews of Mineral Resource estimates.	<ul style="list-style-type: none">- The most recent Mineral Resource Estimate has not been audited.- The earlier (1996 and 2000) Mineral Resource Estimates were audited and re-stated in a 2003 resource report. This independent report was done to NI-43-101 standard and the results of this report were released to the TSX. This report concluded that “Detailed resource calculations made by three different groups are seen to be realistic.																																								
Discussion of relative accuracy/ confidence	<ul style="list-style-type: none">- Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.- The statement should specify whether it relates to global or	<ul style="list-style-type: none">- There is sufficient confidence in the data quality, drilling methods and analytical results that they can be relied upon. The available geology and assay data correlate well. The approach or procedure are deemed appropriate given the confidence limits. The main two factors which could affect relative accuracy is grade continuity and top cut.- Grade continuity is variable in nature in this style of deposit and has not been demonstrated to date and closer spaced drilling is required to improve the understanding of the grade continuity in both strike and dip directions. It is noted that the results from the twinning of three holes by La Mancha are encouraging in																																								

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	<p><i>local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></p> <ul style="list-style-type: none"> - <i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i> 	<p>terms of grade repeatability</p> <ul style="list-style-type: none"> - The deposit contains very high grades, and there is a potential need for the use of a top cut. It is noted that an arbitrary grade reduction factor of 10% has already been applied to the resource as reported. - No production data is available for comparison