ASX Release
15 October 2019

CEL Intersects Mineralisation in First Drill Hole at Hualilan Gold Project

Highlights

- **Drilling commenced at CEL's Hualilan Gold project on Friday October 11**
- **The first hole completed at 109 metres, as planned, after intersecting brecciation and veining with sulphide and strong fracture oxidation from 70-90 metres**
- **Current program consists of diamond drilling 9 holes for 1,055 metres which will be followed by a second 1,000 metre program**
- **Initial 9 holes comprise of 8 holes designed to extend the existing mineralisation with a twin hole to validate earlier results**
- **The first hole tested for extensions to the known mineralisation at Cerro Norte with pre-drill prognosis anticipating this extension to be encountered 70-90 metres downhole**
- **First hole to be delivered to MSA Laboratories in San Juan for assay by the end of the week**

Challenger Exploration (**ASX: CEL**) ("**CEL**" or the "**Company**") is pleased to report that it has commenced its maiden drilling program at the Hualilan Gold Project in Argentina. The initial 2,000 metre drilling program will be split into two campaigns separated by 4-6 weeks to allow evaluation and follow-up of results from the first campaign.

The initial 1,055 metre program is progressing extremely well, comprising 9 holes, with 4 holes at Cerro Norte and 5 holes at Cerro Sur. The program includes 8 holes designed to extend the existing mineralisation and a twin hole to validate earlier drilling.

The first hole GNDD-001 has been completed at 109m, in line with management's pre-drill prognosis, and the rig is on site at GNDD-002 and preparing to drill. GNDD-001 was designed to test for possible extensions of the main manto mineralisation at Cerro Norte approximately 25 metres down-dip from drill hole DDH-40. Pre-drilling prognosis was for the possible extensions of this mineralisation to be encountered from 70-90 metres downhole in GNDD-001. Preliminary logging has reported brecciation and veining with sulphide and strong fracture oxidation from 27-29m and 70-90 metres downhole in GNDD-001.

Detailed core logging is underway with the core from GNDD-001 expected to be logged, split, and half core delivered to MSA Laboratories in San Juan for assay by the end of the week.

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

> *"The drilling is off to a great start with the first hole completed and preliminary logging reporting mineralisation including brecciation, veining and sulphides over two zones in line with our pre-drilling prognosis. We will have samples submitted for assay by the end of this week and look forward to receiving first assay results in 2-3 weeks."*

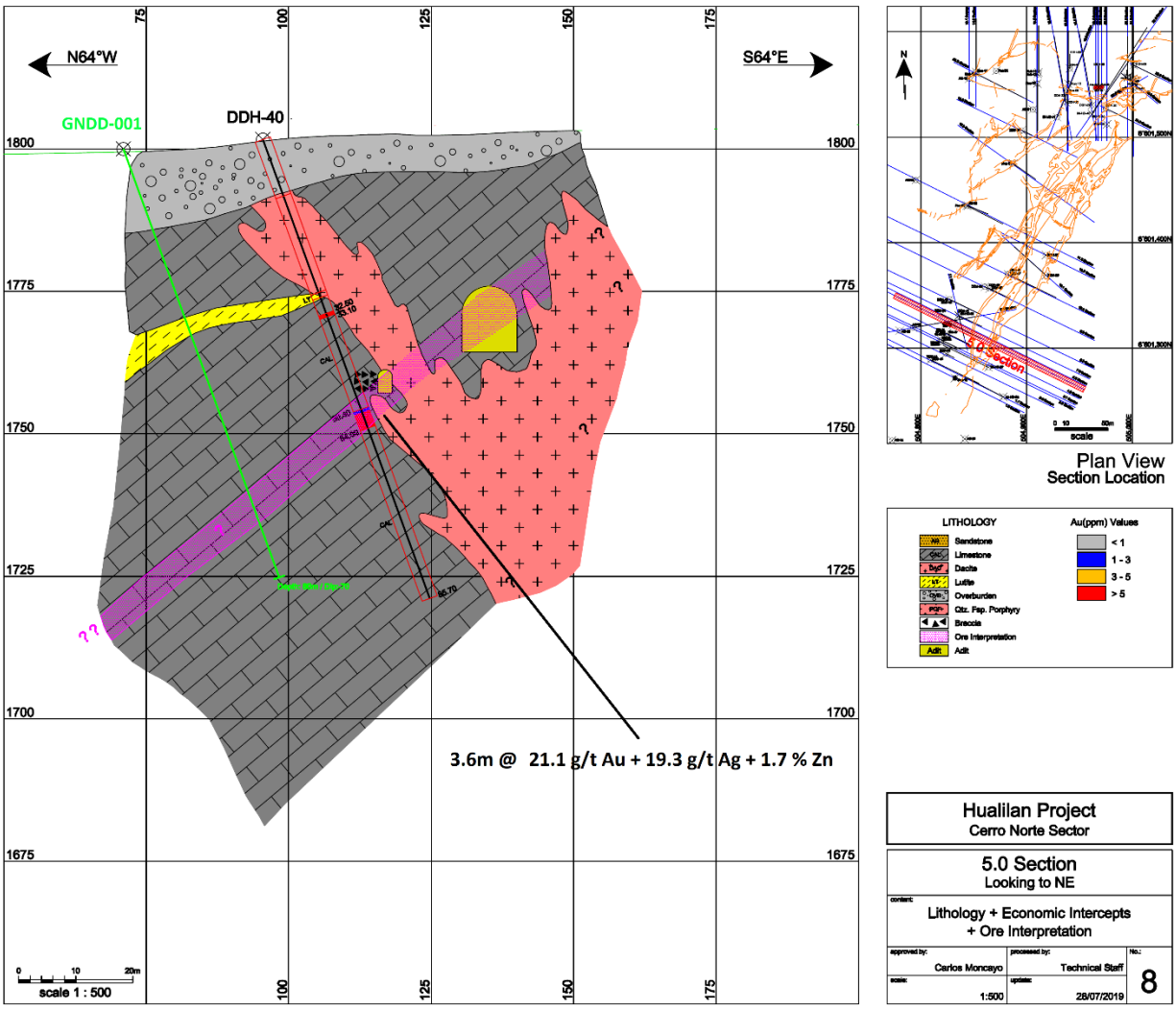

Figure 1 - Showing Location of GNDD-001

Drill hole (#)		Interval From	To	Total (m)		Gold (g/t)	Ag (g/t)	Zn (%)
DDH-40	from	41.7	44.6	**2.9 m**	**@**	**0.4 g/t Au**	**5.4 g/t Ag**	**1.1 % Zn**
	and	50.4	54.0	**3.6 m**	**@**	**21.1 g/t Au**	**19.3 g/t Ag**	**1.7 % Zn**
	inc	51.1	54.0	***2.9 m***	**@**	***25.5 g/t Au***	***22.5 g/t Ag***	***2.0 % Zn***
	and	62.1	66.6	**4.6 m**	**@**	**0.1 g/t Au**	**2.3 g/t Ag**	**2.6 % Zn**

Table 1 - Showing DDH-40 significant Intersections (refer ASX release - 25 Feb 2019 for complete results)

Drill hole	Zone	East_UTM	North_UTM	RL (m)	Dip	dip_dir	Depth (m)
GNDD-001	Cerro Norte	504808.00	6601332.92	1802.0	-57	115	109
DDH-40	Cerro Norte	504832.34	6601928.13	1801.7	-70	116	150

Table 2 - Location data DDH-40 and GNDD-001

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 627,000 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 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 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.

Competent Person Statement – Foreign Resource Estimate

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 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 and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration to qualify as Competent Person as defined in the 2012 Edition of the JORC Code for Reporting of, Mineral Resources and Ore Reserves. 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.

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	- *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.* - *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* - *Aspects of the determination of mineralisation that are Material to the Public Report.* - *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.*	- The diamond core for intervals of interest, ie. those that contained visible sulphides, brecciation, silicification and veining. - Sampled HQ half core will be submitted for analysis. Sample intervals will be based on lithology but in general will be 1m downhole lengths. - Drill sampling techniques are considered industry standard for triple tube drilling. - HQ half core will be submitted for analysis. Sample intervals will be based on lithology but in general are to be 1m where mineralisation was anticipated. - The diamond drill samples will be submitted to MSA Laboratories (MSA) is San Juan Argentina. - Assay suite is 50g FA + 32 element 4 acid digest with ICP determination, plus re-assaying for high Au, Zn, Cu or Ag (>10000 ppm). - The laboratory in San Juan is a preparation facility, with analysis of pulps to be done in MSA Canada. -
Drilling techniques	- *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).*	- HQ triple tube diamond core. Core orientation tool was used where possible
Drill sample recovery	- *Method of recording and assessing core and chip sample recoveries and results assessed.* - *Measures taken to maximise sample recovery and ensure representative nature of the samples.* - *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.*	- Diamond core recoveries are logged and recorded in a database - The company believes that there may be a historic relationship between sample recovery and grade whereby low core recovery results in a loss of grade. This relationship will be confirmed by twin drilling in the current program and triple tube drilling to maximise core recovery

Criteria	JORC Code explanation	Commentary
Logging	- *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* - *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* - *The total length and percentage of the relevant intersections logged.*	- Geological logging of samples followed Company and industry common practice. Qualitative logging of samples including, but not limited to, lithology, mineralogy, alteration, veining and weathering. Diamond core logging included additional fields such as structure and geotechnical parameters. - All logging is quantitative, based on visual field estimates. Systematic photography of the diamond core in the wet and dry form was completed. - 100% of sampled intervals are logged
Sub-sampling techniques and sample preparation	- *If core, whether cut or sawn and whether quarter, half or all core taken.* - *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* - *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* - *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* - *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.* - *Whether sample sizes are appropriate to the grain size of the material being sampled.*	- Half core for the HQ diameter diamond core was sampled on site using a diamond saw - The sample preparation technique is considered appropriate - Blanks and certified reference materials are submitted with the samples to the laboratory as part of the quality control procedure - the sample sizes are considered to be appropriate to correctly represent the sought mineralisation **For the Historical Drilling** - Standard quality control procedures were implemented - Sample sizes are appropriate for the mineralisation style and grain size of the deposit… – The sample length was based on lithologic and mineralised units and where warranted samples as small at 10 cm were taken. – This is appropriate for deposits of this nature
Quality of assay data and laboratory tests	- *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* - *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.* - *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of*	- No samples have been submitted for assay yet. - Assay suite is 50g Fire Assay + 32 element 4 acid digest with ICP determination. - For samples that returned in excess of 10,000 ppm for Zn, Cu or Pb the pulp was re-assayed with a detection limit of 0.1-30% by the same method. - Samples that return > 10 g/t Au will be re-assayed by 50g Fire Assay with gravimetric determination.

Criteria	JORC Code explanation	Commentary
	accuracy (i.e. lack of bias) and precision have been established.	- Blanks and certified reference materials are submitted with the samples to the laboratory as part of the quality control procedure. Blanks or standards will be inserted every 20 samples - - **Historical Drilling** - The nature, quality and appropriateness of the assaying and laboratory procedures used were of high quality and chain of custody is 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 - 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	- *The verification of significant intersections by either independent or alternative company personnel.* - *The use of twinned holes.* - *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* - *Discuss any adjustment to assay data.*	- Assay results summarised in the context of this report have been rounded appropriately. - The current program will include 1 twinned hole - No assay data have been adjusted.
Location of data points	- *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.*	- Collar locations are to be surveyed using a differential GPS. - Downhole surveying was conducted approximately every 30m

Criteria	JORC Code explanation	Commentary
	- *Specification of the grid system used.* - *Quality and adequacy of topographic control.*	downhole - Coordinates reported are UTM, zone 19S. - Location data is considered to be of sufficient quality for reporting of exploration results
Data spacing and distribution	- *Data spacing for reporting of Exploration Results.* - *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.* - *Whether sample compositing has been applied.*	- n/a
Orientation of data in relation to geological structure	- *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* - *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.*	- Unless otherwise stated the orientation of sampling achieves unbiased sampling of structures. Drilling is expected to be orthogonal to the controlling structure
Sample security	- *The measures taken to ensure sample security.*	- Samples are under 24 hour supervision of senior personnel prior to be delivered to laboratory
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	- *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*	- 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.

Criteria	JORC Code explanation	Commentary
	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.*	
Exploration done by other parties	- *Acknowledgment and appraisal of exploration by other parties.*	- 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 - 1995 - Plata Mining Limited (TSE: PMT) 33 RC holes (Hua- 1 to 33) + 1500 samples - 1998 – Chilean consulting firm EPROM (on behalf of Plata Mining) systematic underground mapping and channel sampling - 1999 – Compania Mineral El Colorado SA ("CMEC") 59 core holes (DDH-20 to 79) plus 1700m RC program - 2003 – 2005 – La Mancha (TSE Listed) 7447m of DDH core drilling (HD-01 to HD-48) - Detailed resource estimation studies were undertaken by EPROM Ltda. (EPROM) in 1996 and CMEC (1999,revised 2000) both of which were written to professional standards and La Mancha 2003 and 2006. - The collection of all exploration data by the various operators was of a high standard and had appropriate sampling techniques and intervals and custody procedures, and appropriate duplicates were used for determining assay accuracy.
Geology	- *Deposit type, geological setting and style of mineralisation.*	- Mineralisation occurs in all rock types, but it preferentially occurs in limestone and shale in fault zones.

Criteria	JORC Code explanation	Commentary
		- The mineralisation has previously been classified as Au + Zn-Cu Skarn manto-style (distal skarn) with vein-hosted mineralisation. - Gold occurs in native form, in tellurides (hessite) and as inclusions with pyrite and chalcopyrite. The mineralisation also commonly contains chalcopyrite, sphalerite and galena. - Mineralisation is either parallel to bedding, in bedding-parallel faults or in east-west striking, steeply dipping, quartz-dominated veins that cross the bedding at a high angle. The veins have thicknesses of 1–4 m and contain sulphides. The intersection between the bedding-parallel mineralisation and the east-striking cross veins seems to be important in localising the mineralisation.

Drill hole Information	- *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	- *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.*
		- GNDD001, 504808 E, 6601333N, 1802m RL, collar-57 degrees towards 115 True North, final depth 109.0m
		- GNDD002, 504797E, 6601318N, 1802m RL, collar -60 degrees towards 115 True North, in progress
		- Note: Collar locations are surveyed using hand-held GPS. Differential GPS collar locations have yet to be completed

Criteria	JORC Code explanation	Commentary
Data aggregation methods	- *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.* - *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.* - *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	- n/a - n/a - n/a
Relationship between mineralisation widths and intercept lengths	- *These relationships are particularly important in the reporting of Exploration Results.* - *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* - *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').*	- 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	- *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.*	- In body of report
Balanced reporting	- *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	- All data have been reported.

Criteria	JORC Code explanation	Commentary
Other substantive exploration data	- *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.*	
Further work	- *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.*	• CEL Plans to undertake the following over the next 12 months • 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 2000, drill program comprising verification (twin holes) and targeting extensions of the historically defined mineralisation; • Metallurgical test work. • Follow-up drilling contingent on results

Section 3 Estimation and Reporting of Mineral Resources

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

Criteria	JORC Code explanation	Commentary
Database integrity	- *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.*	- 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	- *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.*	- The Competent Person is currently on site: - 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.
Geological interpretation	- *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.*	- 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 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. - The effect of removing the assumptions relating to application of the arbitrary tonnage reduction factors applied increases the overall resource tonnage by in

Criteria	JORC Code explanation	Commentary
		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	- *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.*	- 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	- *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.* - *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* - *The assumptions made regarding recovery of by-products.* - *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* - *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* - *Any assumptions behind modelling of selective mining units.* - *Any assumptions about correlation between variables.*	- 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 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. • 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

Criteria	JORC Code explanation	Commentary
	- *Description of how the geological interpretation was used to control the resource estimates.* - *Discussion of basis for using or not using grade cutting or capping.* - *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available*	• 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	- *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	- No data is available. There is unlikely to be any significant difference between dry and natural moisture results.
Cut-off parameters	- *The basis of the adopted cut-off grade(s) or quality parameters applied.*	- 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	- *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 reported with an explanation of the basis of the mining assumptions made.*	- The Mineral Resource Estimate considered the assumptions outlined below which are considered appropriate
		  - 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 wider widths a dilution of 0.2m was used to calculate the grade.

Metallurgical factors or assumptions	- *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*	- 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

Criteria	JORC Code explanation	Commentary
	the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	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	- *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.*	- 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	- *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.* - *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.* - *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	- Densities of 2.7 m^3/MT were used for mineralised veins and 2.6 m^3/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	- *The basis for the classification of the Mineral Resources into varying confidence categories.* - *Whether appropriate account has been taken of all relevant 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).* - *Whether the result appropriately reflects the Competent Person's view of the deposit.*	- The Mineral Resource Estimate has both Indicated and Inferred Mineral Resource classifications under the National Instrument 43-101 code and is considered foreign. These classifications are considered appropriate given the confidence that can be gained from the existing data and results from drilling. - 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)

Criteria	JORC Code explanation	Commentary

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 Competent Person's view of the deposit and the current level of risk associated with the project to date.

Historic 2003 NI43-101 (non-JORC Code compliant)

CATEGORY	TONNES	Au (g/t)	Ag (g/t)	Zn%
Measured	299,578	14.2		
Indicated	145,001	14.6		
Inferred	976,539	13.4		

Criteria	JORC Code explanation	Commentary
		Historic 2006 NI43-101 (non-JORC Code compliant) **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
Audits or reviews	- *The results of any audits or reviews of Mineral Resource estimates.*	- 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	- *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 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.* - *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	- 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 terms of grade repeatability - 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