ASX Release
30 December 2019

CEL Receives Further Outstanding High-Grade Assay Results from First Drilling at the Hualilan Gold Project

Highlights

- **Next three drill holes from the Hualilan Gold Project all encounter near surface high-grade gold mineralisation and extend the high-grade results a further 500 metres south along strike**
- **High-grade results include** (refer Table 1 for details)**:**
  - **10.3m at 12.9 g/t AuEq - 10.4 g/t Gold, 28 g/t Silver, 4.6% Zinc (GNDD-009)** (including 4.2m at 21.9 g/t Gold, 58 g/t Silver, 8.7% Zinc from 115 metres)
  - **2.6m at 25.5 g/t AuEq - 22.8 g/t Gold, 218 g/t Silver, 0.7% Zinc (GNDD-008A)**
  - **3.0m at 20.5 g/t AuEq - 17.7 g/t Gold, 143 g/t Silver, 2.5% Zinc (GNDD-010)**
- **Hole GNDD-009 tested the southern limit of the known mineralisation. It significantly upgrades the lightly explored southern end of the project and opens a new priority for resource extension drilling**
- **Drill hole GNDD-010 further supports the possibility of improving grades and continuity at depth as a result of encountering high-grade gold mineralisation below a fence of historical drill holes that had indicated mineralisation was weakening along strike**
- **CEL has now intersected high-grade gold mineralisation over a strike length of 1.7km with the mineralisation remaining open in all directions**
- **Next phase of the drilling program on track to commence in January**

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

> *"We are delighted with these results from our Hualilan Gold Project. The project continues to surprise on the upside. All holes returned intercepts well above the grade of the historical foreign resource [(4)] and importantly each significantly extended the known mineralisation.*
>
> *Of note is hole GNDD-009 which was somewhat of a wildcat hole designed to test the southern extension of the historical resource. Only 2 of 188 holes have been drilled further south. This hole encountering 10.3 meters of high-grade gold mineralisation was a pleasant surprise and it significantly upgrades the entire southern end of the project.*

Challenger Exploration (**ASX: CEL**) ("**CEL**" or the "**Company**") is pleased to report drilling results from its Hualilan Gold Project in Argentina. The Company has received results from its next 3 drill holes all of which were located on the Cerro Sur section of the Hualilan Gold Project. CEL has the right to earn 75% of the Hualilan Gold Project, comprising 15 granted mining licences and an exploration licence application covering the surrounding 26sq kms.

The initial 2,000 metre drilling program was previously designed to comprise of two 1,000 metre sub-campaigns separated by 4-6 weeks. The first campaign was expanded to 10 holes for approximately 1,500 metres based on the encouraging mineralisation visible throughout the majority of holes. The Company now intends to extend the second half of the program similarly based on the results for these first 10 holes.

Results from the next three drill holes of the program extended the existing mineralisation in multiple directions. Notably all three holes returned results better than the average historical drill intercept [3] of 2.6 m at 10.0 g/t gold, 36 g/t silver and 2.7% zinc (11.7 g/t Au Eq).

There are a number of highlights from the program including:

- Hole GNDD-009 ***(10.3m at 10.4 g/t Gold, 28 g/t Silver, 4.6% Zinc - 12.9 g/t AuEq including 4.2m at 21.9 g/t Gold, 58 g/t Silver, 8.7% Zinc - 26.4 g/t AuEq)*** was drilled 500 metres south of drill holes GNDD-050 to GNDD-008 and GNDD-010 at the southern limit of the known mineralisation in an old mining area known as Sentazon.
- Only two of the 188 historical drill holes at the Hualilan project have been drilled further south than GNDD-009. The hole has confirmed mineralisation remains strong and open to the south along strike and at depth.
- GNDD-009 significantly upgrades the potential of Sentazon which currently comprises only a small part of the historical foreign resource.
- It is now believed that the earlier drilling in the Sentazon zone is likely to have under-reported both the grade and width of mineralisation.
- Hole GNDD-010 ***(3.0m at 17.7 g/t Gold, 143 g/t Silver, 2.5% Zinc - 20.5 g/t AuEq)*** not only extended the high-grade mineralisation 60 metres deeper and 25 metres along strike it supports the potential for increasing grades and continuity at depth.
- GNDD-008 ***(*****2.6m at 22.8 g/t Gold, 218 g/t Silver, 0.7% Zinc - 25.5 g/t AuEq**) extended the high-grade mineralisation in the Magnata vein 50 metres up-dip from drill hole GNDD-007 and confirmed that historical drilling, which had previously downgraded the potential in this area, has likely materially understated the grade of mineralisation.
- The mineralisation and alteration mineral assemblage in drill hole GNDD-009 is the same as CEL drill hole GNDD-003 **(previously reported 6.1m at 34.6 g/t Gold, 21.9 g/t Silver, 2.9% Zinc - 36.2 g/t AuEq).**
- These two holes are located approximately 1.7km along strike from each other. This reaffirms that the Hualilan project comprises a lightly explored zinc-sliver skarn with high-grade gold covering at least 1.7km of strike which remains open in all directions. (see Photo 1 and Photo 2 for comparison of typical skarn mineralisation intersected).

Drill hole (#)		From (m)	To (m)	Total (m)	Gold (g/t)	Ag (g/t)	Zn (%)	Au Equiv (g/t)
GNDD-008A	from	96.6	99.3	**2.6m**	22.8	218	0.7	**25.5 g/t AuEq**
	and	105	115	**10.0m**	0.6	28.2	0.7	**1.2 g/t AuEq**
GNDD-009	from	100.0	103.0	**3.0m**	0.9	50	0.9	**1.4 g/t AuEq**
	and	109.1	119.4	**10.3m**	10.4	28	4.6	**12.9 g/t AuEq**
	incl	115.2	119.4	**4.2m**	21.9	58	8.7	**26.4 g/t AuEq**
GNDD-010	from	30.0	32.0	**2.0m**	**0.9**	**37**	**0.1**	**1.4 g/t AuEq**
	and	34.0	35.0	**1.0m**	**0.9**	**7.6**	**0.1**	**1.0 g/t AuEq**
	and	55.0	56.3	**1.3m**	**1.1**	**30**	**0.8**	**1.8 g/t Au Eq**
	and	139.0	142.0	**3.0m**	**17.7**	**143**	**2.5**	**20.5 g/t AuEq**

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

Hole_id	East (UTM)	North (UTM)	Elevation	Dip	Direction	Depth
GNDD-008	504625.047	6600198.059	1822.484	-60	184	109.4
GNDD-008A	504625.080	6600199.718	1822.552	-60	184	169.0
GNDD-009	504412.848	6599638.914	1793.317	-55	115	147.0
GNDD-010	504621.652	6600196.048	1822.557	-68	165	146.5

Table 2: Details of holes completed at initial Hualilan diamond drill program

(1) *Gold equivalent values were calculated using a price of US$1450 for Gold, US$16 for Silver, US$2200t Zinc, recoveries were not factored into the calculation given metallurgical test work is preliminary in nature.*

(2) *Results of all historical Hualilan drill holes are available In CEL's ASX release dated 25 February 2019.*

(3) *Calculated on weighted average basis using all historical drill intercepts which were above the historical resource cut-off grade. Historical Hualilan drill holes are available In CEL's ASX release dated 25 February 2019*

(4) *See page 12 of this release for details of the foreign non-JORC compliant resource and disclosure under LR 5.12*

(5) *Drill results are reported at 1 g/t AuEq cut-off*

DISCUSSION OF RESULTS

Drill hole GNDD-008

GNDD-008A was designed to extend the Magnata mineralisation up-dip from hole GNDD-007 which returned a previously reported ***6.7m at 14.3 g/t gold, 140 g/t silver and 7.3% zinc***. The hole was a near twin of La Mancha hole 03_HD_1A which returned ***1.7 m at 2.1 g/t gold, 37.4 g/t silver and 2.4% zinc*** to test the theory that this La Mancha hole had significantly understated gold grade due to poor core recovery. The holes were collared within 5m of each other with both drilled at an inclination of 60 degrees and a similar direction.

GNDD-008A was a success on two levels:

- It successfully extended the high-grade Magnata mineralisation 60 metres up-dip from drill hole GNDD-007 (Figure 1) intersecting ***2.64m at 22.8 g/t gold, 218 g/t silver, 0.68 % zinc*** which is double the grade of the historical resource.
- It also confirmed that La Mancha Hole 03-HD-1A had significantly understated grade with hole GNDD-008 recording gold grades a factor of 10 times higher gold grade than the intersection in historical hole 03-HD-1A.

Drill hole GNDD-008 required re-drilling following technical difficulties from approximately 90 metres downhole which caused the hole to be abandoned at 109.4 metres downhole when it intersected a natural cavity in the limestone and became wedged. It was successfully re-drilled as GNDD-008A to target depth.

GNDD-008 also encountered some lower grade zones of mineralisation near surface including ***1.0m at 1.7 g/t gold, 6.2 g/t silver***, from 37m and ***1.6m at 1.7 g/t gold, 8.4 g/t silver*** from 43.4m and ***1.2m at 1.2 g/t gold, 16.0 g/t silver, 0.6% zinc*** from 47.9m. This corresponds to a second zone of near surface mineralisation recorded in some historical drill holes. The lower section of GND-008 was affected by poor core recovery however the hole also encountered a high-grade zone at 90 meters returning ***1m at 49.1 g/t gold, 557 g/t silver and 1.2 % zinc***.

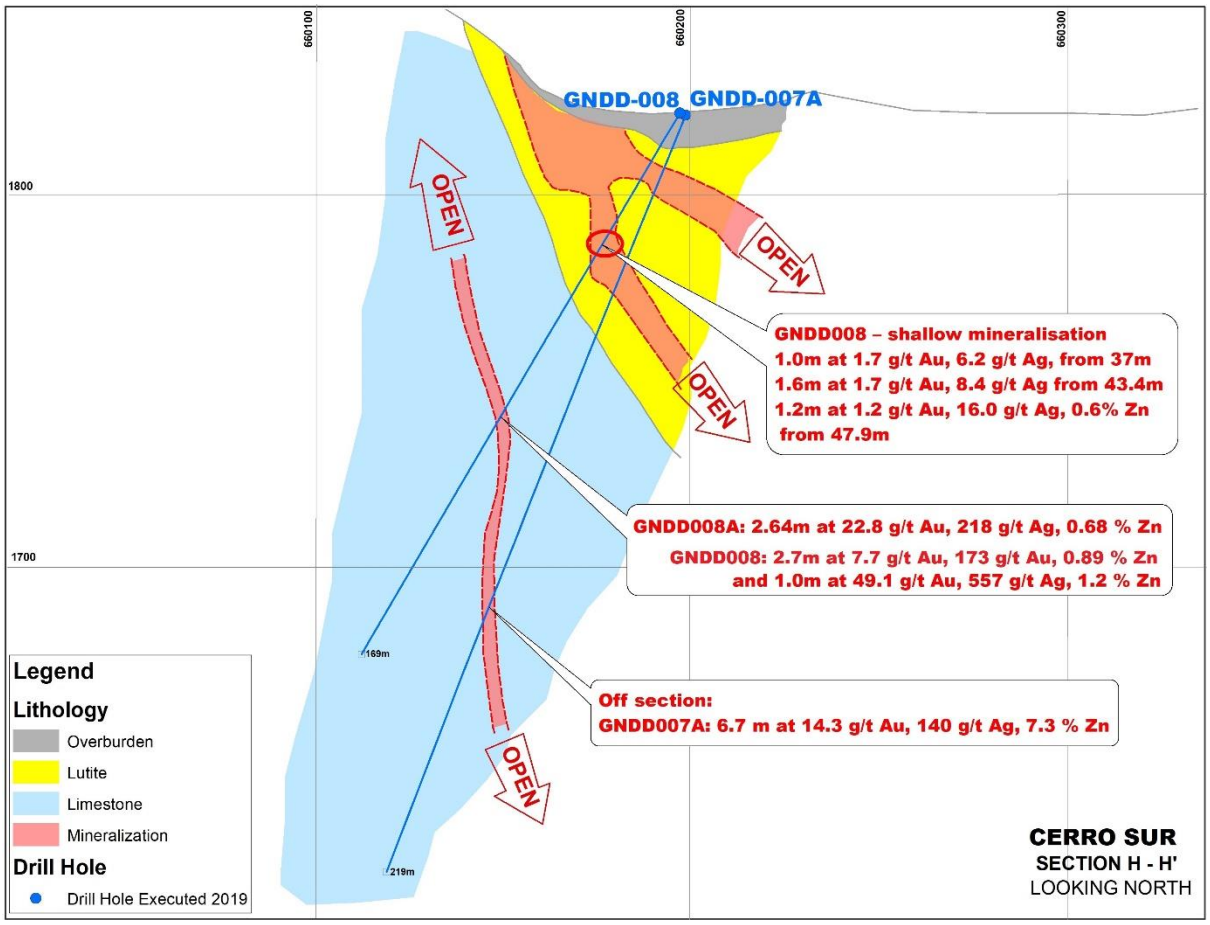


Figure 1 - Cross Section showing GNDD-008A

Drill hole GNDD-009

Drill hole GNDD-009 which returned ***10.3m at 10.4 g/t Gold, 28 g/t Silver, 4.6% Zinc (12.9 g/t AuEq)*** including ***4.2m at 21.9 g/t Gold, 58 g/t Silver, 8.7% Zinc (26.4 g/t AuEq)*** is one of the most significant holes drilled in the first phase of this drill program. This hole has materially upgraded the grade and tonnage potential beyond the southern limit of the historical resource. The hole was an exploration focussed hole drilled to test the Sentazon mineralisation and was located 500 metres south along strike from CEL drill holes GNDD-005 to GNDD-008. Only two of the 188 historical drill holes at the Hualilan project have been drilled to the south of CEL drill hole GNDD-009.

The Sentazon mineralisation strikes north-south and dips moderately to the west and is close to bedding parallel in the upper parts. It was formed by the replacement of limestone with skarn alteration and sulphide mineralisation. Sentazon is the southernmost zone included in the historical foreign non-JORC resource and comprises a very small part of this historical foreign resource. Previous drilling at Sentazon by La Mancha, was predominantly clustered around and under the Sentazon shaft as shown in Figure2 and Figure 4. This historical drilling had returned encouraging results although it had failed to intersect any broad high-grade zones. A complete list of historical Sentazon intercepts in given in Table 3.

Typical historical Sentazon intercepts include results such as ***6.8 m at 8.6 g/t gold, 117.1 g/t silver, 9.1 % zinc*** and ***2.5m at 7.6 g/t gold, 75.6 g/t silver, 11.5% zinc*** (hole 04-HD-16) and ***5.6 m at 2.8 g/t gold, 19.9 g/t silver and 1.2 % zinc*** (hole 04-HD-05).

It is now considered likely that at least some of the historical drill holes in the Sentazon area may have materially understated grade due to the drilling problems and poor core recoveries experienced in La Mancha's first 19 drill holes. GNDD-009 was drilled using triple-tube to maximise core recovery 10 metres up-dip from La Mancha drill hole 04-HD-06 which returned ***7.6m at 1.8 g/t gold, 5.0 g/t silver 1.2 % zinc*** from 104.5m plus another ***1.0 m at 16.4 g/t gold, 23.1 g/t silver, 7.7 % zinc*** three metres below compared to the much higher ***10.3m at 12.9 g/t AuEq*** encountered in GNDD-009.

It is expected that at least two holes will be drilled in the Phase 2 1500 metre campaign to extend the mineralisation encountered in GNDD-009 at depth and along strike.

Drill hole (#)		Interval From	To	Total (m)		Gold (g/t)		Ag (g/t)		Zn (%)		Au Equiv (g/t)
04-HD-05	from	80.3	82.3	2.0	m @	0.9	g/t Au +	42.7	g/t Ag +	0.0	% Zn	1.4
	and	97.5	99.3	1.8	m @	1.9	g/t Au +	35.0	g/t Ag +	0.0	% Zn	2.3
	and	102.0	103.0	1.0	m @	1.3	g/t Au +	42.1	g/t Ag +	0.0	% Zn	1.8
	and	106.0	107.0	1.0	m @	0.7	g/t Au +	28.0	g/t Ag +	0.1	% Zn	1.1
	and	108.0	113.6	5.6	m @	2.8	g/t Au +	19.9	g/t Ag +	1.2	% Zn	3.7
04-HD-06	from	65.4	66.6	1.2	m @	46.6	g/t Au +	846.0	g/t Ag +	0.5	% Zn	56.7
	and	75.0	76.0	1.0	m @	1.0	g/t Au +	2.9	g/t Ag +	0.0	% Zn	1.0
	and	104.5	112.1	7.6	m @	1.8	g/t Au +	5.0	g/t Ag +	1.2	% Zn	2.6
	and	115.1	116.0	1.0	m @	16.4	g/t Au +	23.1	g/t Ag +	7.7	% Zn	21.3
04-HD-07	from	98.3	100.5	2.2	m @	1.4	g/t Au +	32.5	g/t Ag +	0.9	% Zn	2.3
04-HD-16C	from	107.5	114.3	6.8	m @	8.6	g/t Au +	117.1	g/t Ag +	9.1	% Zn	15.4
	incl	108.5	109.5	1.0	m @	29.0	g/t Au +	468.0	g/t Ag +	21.8	% Zn	47.4
	and	111.8	114.3	2.5	m @	7.6	g/t Au +	75.6	g/t Ag +	11.5	% Zn	15.4
	and	144.9	145.8	0.9	m @	9.1	g/t Au +	31.2	g/t Ag +	5.5	% Zn	12.7
	and	171.1	171.5	0.4	m @	0.5	g/t Au +	9.4	g/t Ag +	1.7	% Zn	1.6
04-HD-17	from	134.9	135.6	0.7	m @	2.5	g/t Au +	14.3	g/t Ag +	4.1	% Zn	5.1
	and	139.1	139.6	0.5	m @	10.5	g/t Au +	9.4	g/t Ag +	0.2	% Zn	10.7
	and	199.6	199.8	0.2	m @	0.8	g/t Au +	3.5	g/t Ag +	5.9	% Zn	4.4
	and	202.1	204.0	1.9	m @	4.5	g/t Au +	1.5	g/t Ag +	0.7	% Zn	4.9
04-HD-24	from	72.0	74.0	2.0	m @	2.5	g/t Au +	3.2	g/t Ag +	0.0	% Zn	2.6
	and	83.0	85.0	2.0	m @	3.1	g/t Au +	25.3	g/t Ag +	0.0	% Zn	3.4
	and	94.0	98.2	4.2	m @	0.7	g/t Au +	21.2	g/t Ag +	0.1	% Zn	1.0
04-HD-25	from	92.0	93.7	1.7	m @	2.4	g/t Au +	51.5	g/t Ag +	6.3	% Zn	6.8

Table 3 - Historical drilling at Sentazon

(#1) ***Drill collar locations, hole dip and direction are available in this ASX Release see- JORC Table 1 Section 1***

(#2) ***Drill results are reported at 1 g/t AuEq cut-off***

(#3) ***Gold equivalent values were calculated using a price of US$1450 for Gold, US$16 for Silver, US$2200t Zinc, recoveries were not factored into the calculation given metallurgical test work is preliminary in nature.***

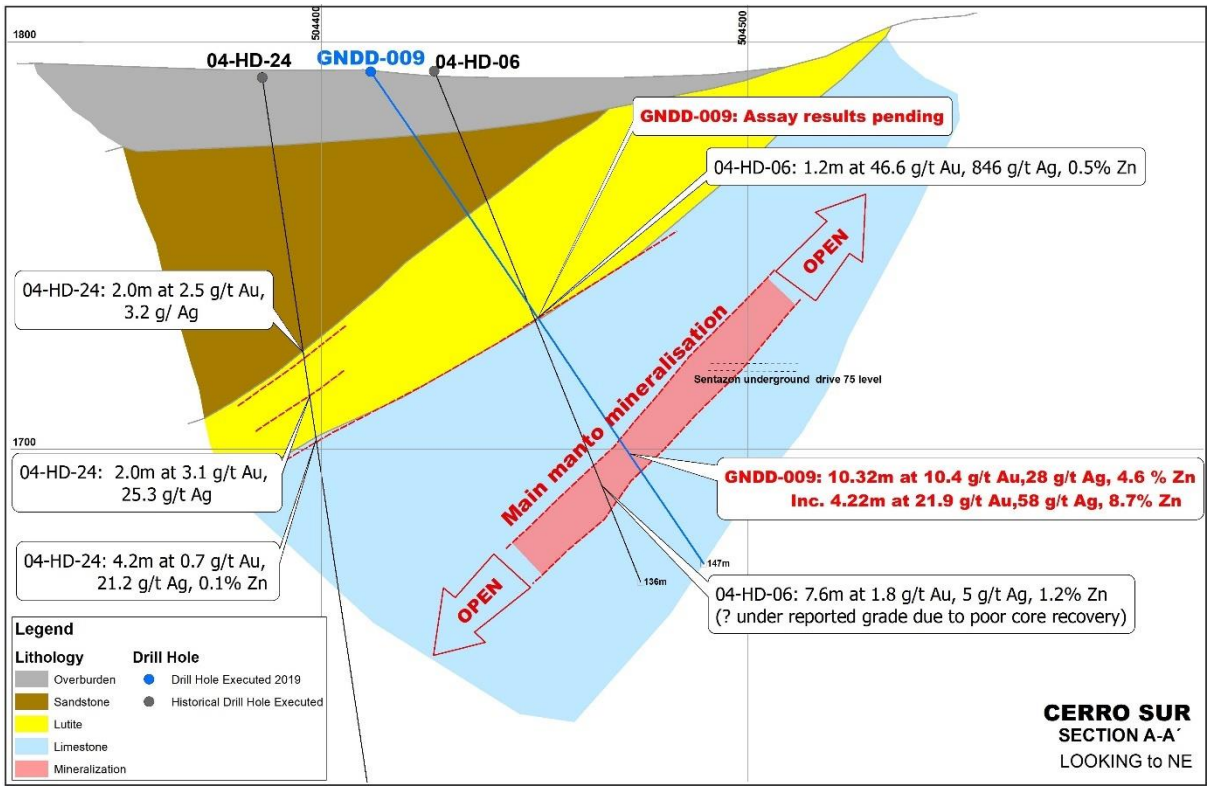


Figure 2 - Cross Section showing GNDD-009

Drill hole GNDD-010

Drill hole GNDD-010 was designed to step approximately 50 metres below a fence of holes drilled by La Mancha which had returned thin low-grade intersections on the Magnata Vein to the east drill hole GNDD-007 (Figure 3 and Figure 5). This fence of historical drill holes had significantly downgraded the potential of the Magnata vein to the east of hole GNDD-007.

GNDD-010 returned strong mineralisation intersecting ***3.0m at 17.7 g/t Gold, 143 g/t Silver, 2.5% Zinc (20.5 g/t AuEq)*** almost double the historical resource grade and significantly higher than the overlying historical drill holes.

The results not only successfully extended the Magnata mineralisation 25 metres along strike and 60 metres at depth they support the potential for increasing grades at depth and the under-reporting of grades in the early La Mancha drill holes. A review of the core logs for La Mancha Holes 04-HD-10, 04-HD-19, and 04-HD-20 confirms that these historical drill holes recorded poor core recoveries in parts of the mineralised zones and as such they may have understated grade.

Drill hole GNDD-010 confirmed that the Magnata vein mineralisation remains open, and strong, both to the east of drill hole GNDD-070 and at depth. This unlocks a further target for resource extension drilling.

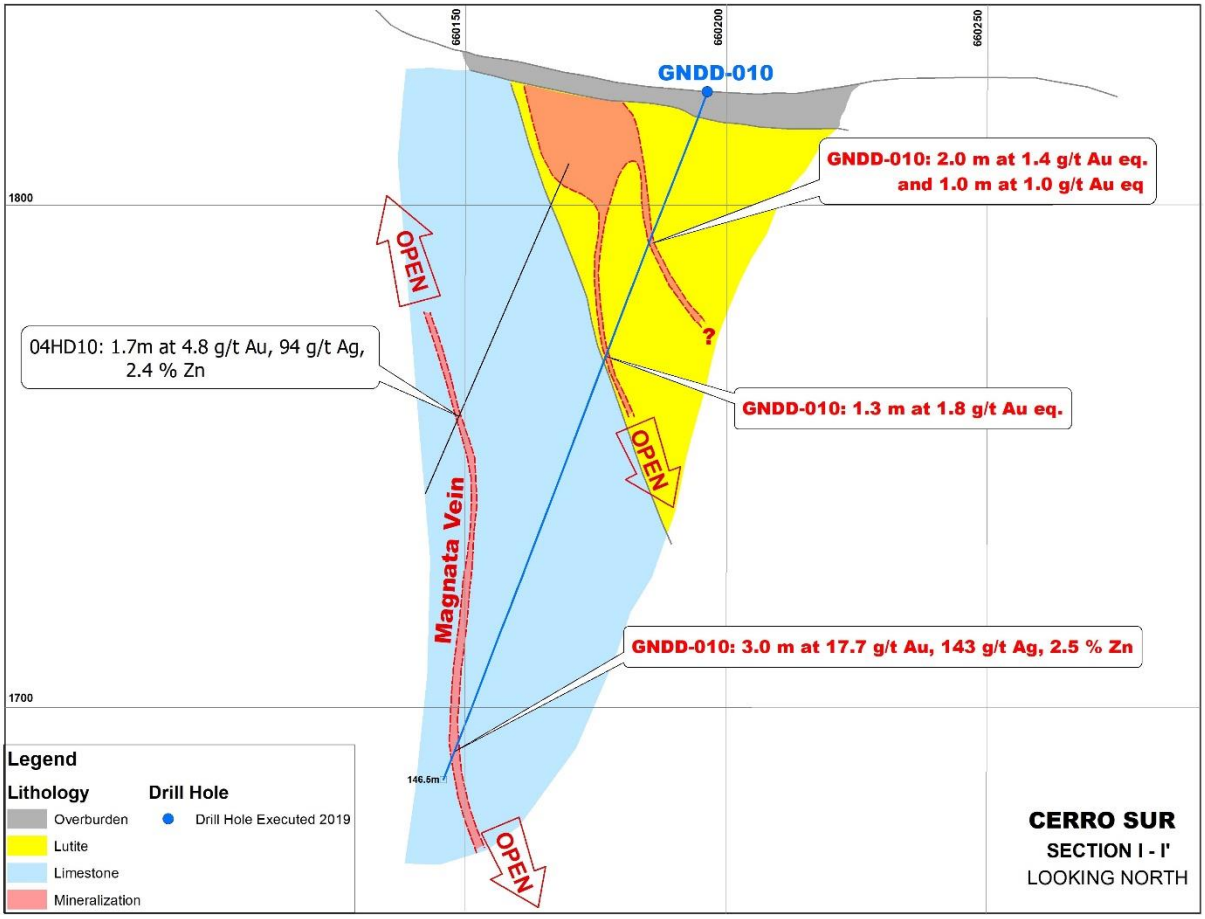


Figure 3 Cross Section Showing drill hole GNDD-010

This announcement was approved by the board.

Further location figures and core comparison photos follow.

Ends

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

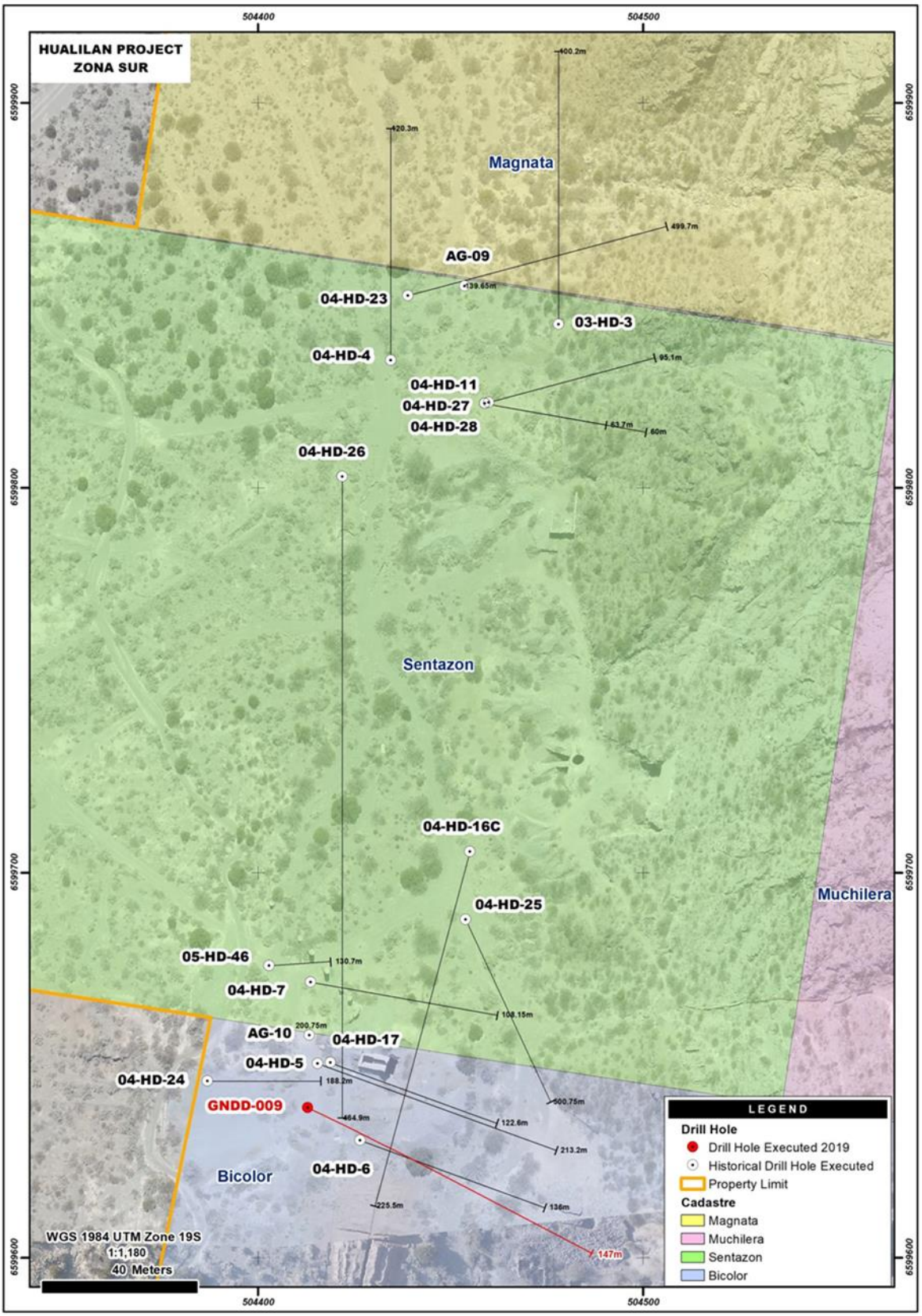


Figure 4 - Showing drill hole GNDD-009 and historical drilling

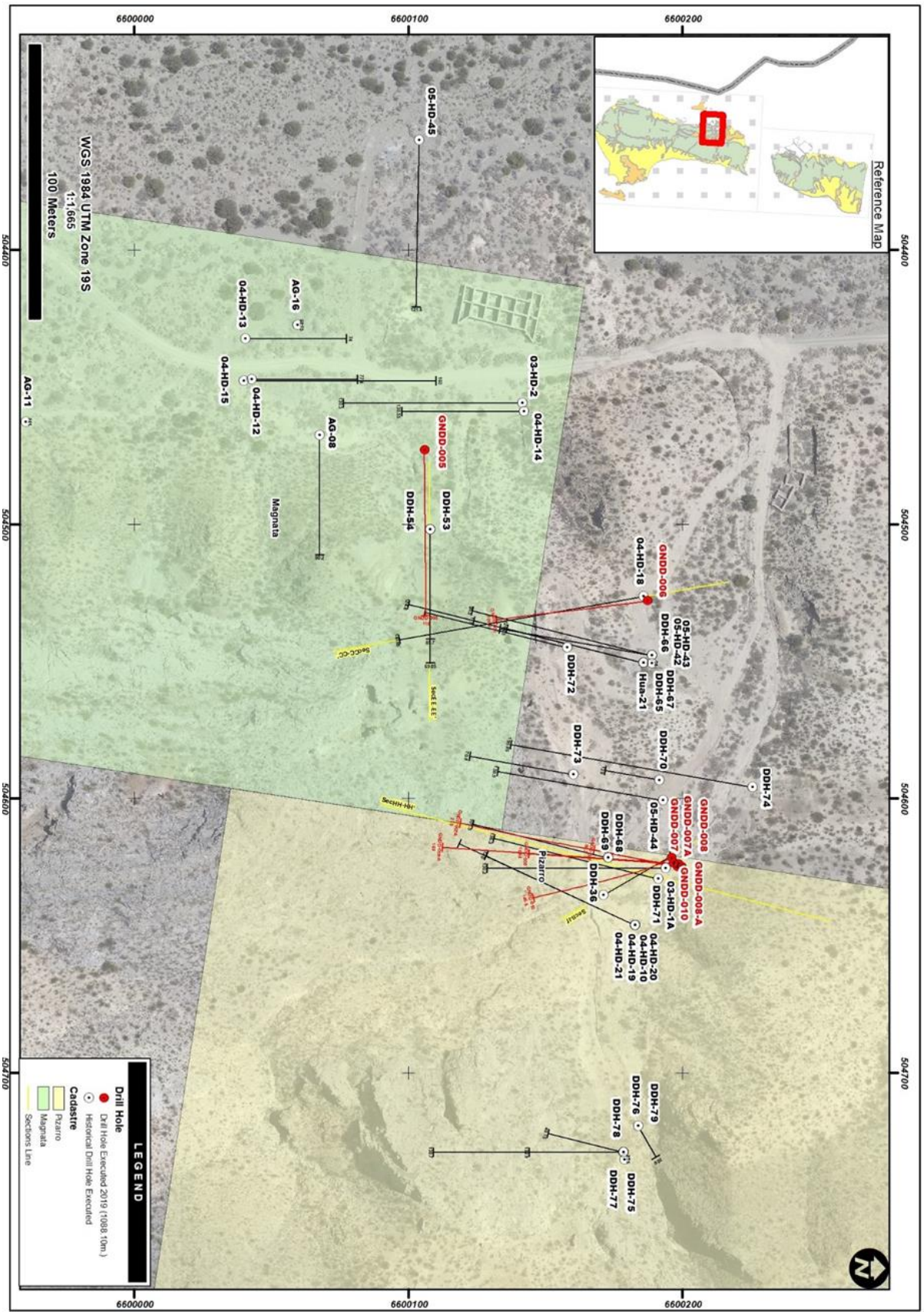
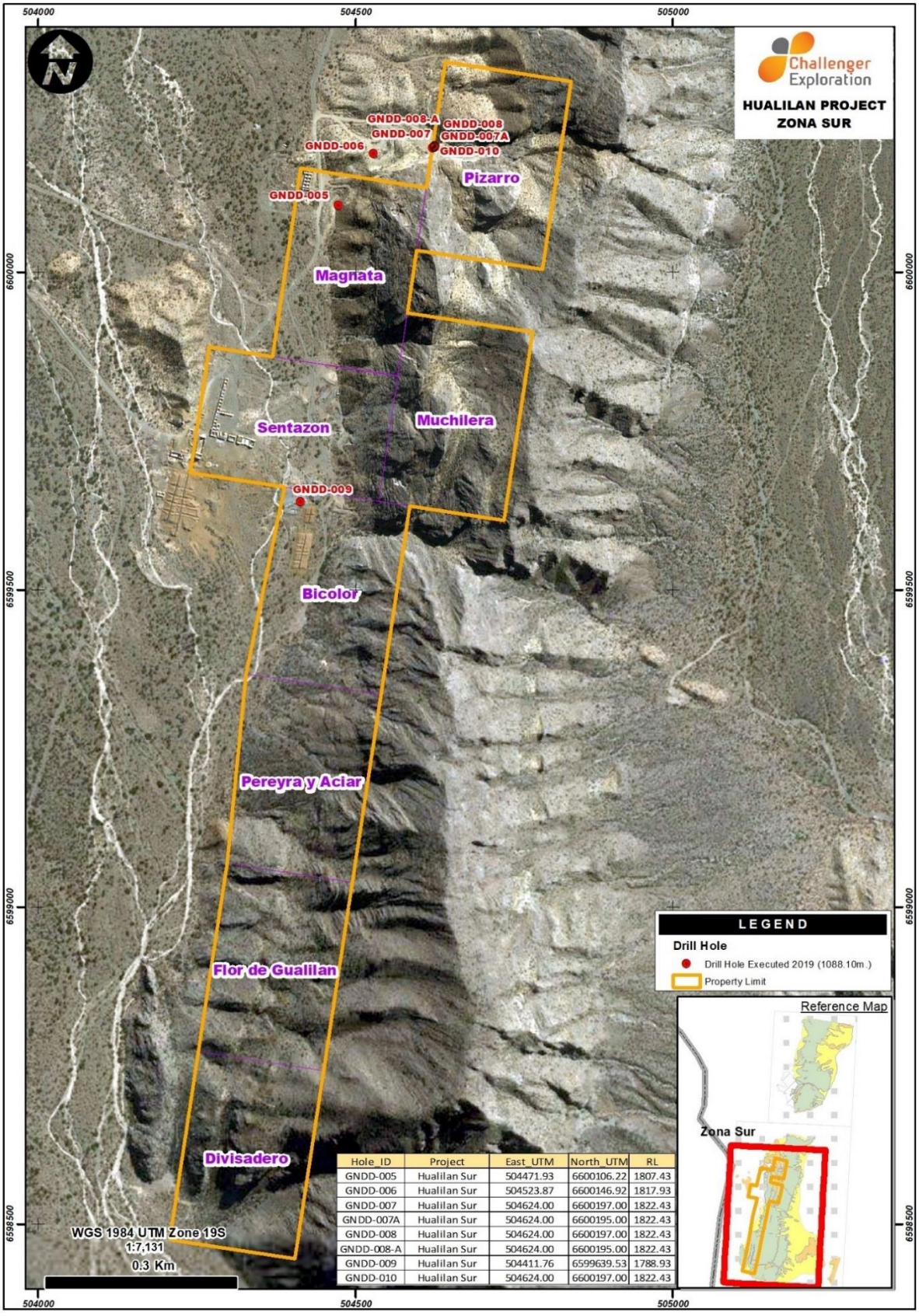


Figure 5 - GNDD-008 and GNDD-010 and historical drilling



Hole_ID	Project	East_UTM	North_UTM	RL
GNDD-005	Hualilan Sur	504471.93	6600106.22	1807.43
GNDD-006	Hualilan Sur	504523.87	6600146.92	1817.93
GNDD-007	Hualilan Sur	504624.00	6600197.00	1822.43
GNDD-007A	Hualilan Sur	504624.00	6600195.00	1822.43
GNDD-008	Hualilan Sur	504624.00	6600197.00	1822.43
GNDD-008-A	Hualilan Sur	504624.00	6600195.00	1822.43
GNDD-009	Hualilan Sur	504411.76	6599639.53	1788.93
GNDD-010	Hualilan Sur	504624.00	6600197.00	1822.43

Figure 6 - Showing location of Phase 1 Cerro Sur drilling

Photo 1 - Core from GNDD-003 - 59.45m (interval 59.0 – 60.0m assay: 65.6 g/t Au, 26.5 g/t Ag, 5.2 % Zn)

Photo 2 - Core from GNDD-009 - 116.2m (interval 115.9 – 117.2m assay: 45.6 g/t Au, 60.8 g/t Ag, 10.2 % Zn)

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 22 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 22, 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 -Hualilan Project

(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.*	Diamond core (HQ3) was cut longitudinally on site using a diamond saw. Samples lengths are from 0.5m to 2.0m in length (average 1m), taken according to lithology, alteration and mineralization contacts. Core samples were crushed to approximately 85% passing 2mm. A 500g sub-sample was taken and pulverized to 85% passing 75um. A 50g charge was analysed for Au by fire assay with AA determination. Where the fire assay gold grade returned was > 10 g/t a 50g charge was analysed for Au by Fire assay with gravimetric determination. A 10g charge was analysed for 48 elements by 4-acid digest and ICP-MS determination. Elements determined were Ag, As, Ba, Be, Bi, Ca, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, In, K, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb Sc, Se, Sn, Sr, Ta, Te, Th, Ti, Tl, U, V, W, Y, Zn and Zr. Ag > 100 g/t, Zn, Pb and Cu > 10,000 ppm and S > 10% were re-analysed by the same method using a different calibration. Sample intervals were selected according to geological boundaries. There was no coarse gold observed in any of the core.
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).*	Drilling of HQ3 core (triple tube) was done using a LM90, truck mounted drill machine that is operated by Foraco Argentina S.A. (Mendoza). Where possible the core is being oriented using a Reflex tool. The following drill holes have been completed in the current drill program for a total of 1,497.40 metres drilled.

Criteria	JORC Code explanation	Commentary

Hole_id	East	North	Elevation	Dip	Azimuth	Depth
GNDD001	504803.987	6601337.067	1828.402	-57	115	109.0
GNDD002	504793.101	6601312.095	1828.506	-60	115	25.6
GNDD002A	504795.405	6601311.104	1828.399	-60	115	84.5
GNDD003	504824.427	6601313.623	1826.880	-70	115	90.2
GNDD004	504994.416	6601546.302	1834.457	-60	115	100.0
GNDD005	504473.042	6600105.922	1805.549	-55	90	110.0
GNDD006	504527.975	6600187.234	1816.959	-55	170	100.9
GNDD007	504623.738	6600196.677	1822.552	-68	190	86.3
GNDD007A	504624.021	6600198.394	1822.484	-68	190	219.0
GNDD008	504625.047	6600198.059	1822.562	-60	184	109.4
GNDD008A	504625.080	6600199.718	1822.369	-60	184	169.0
GNDD009	504412.848	6599638.914	1793.317	-55	115	147.0
GNDD010	504621.652	6600196.048	1822.557	-68	165	146.5

Hole_id	East (UTM)	North (UTM)	Dip	Direction	Depth
04-HD-5	504420.9	6600256.8	-68	110	122.6
04-HD-6	504428.6	6600236.6	-68	110	136.0
04-HD-7	504415.7	6600277.7	-63	100	108.2
04-HD-16C	504457.1	6600311.7	-65	195	225.5
04-HD-17	504417.5	6600256.6	-72	110	213.2
04-HD-24	504389.0	6600252.0	-81	90	188.2
04-HD-25	504456.0	6600294.0	-84	155	500.8

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*	Drill core is placed into wooden boxes by the drillers and depth marks are indicated on wooden blocks at the end of each run. These depths are reconciled by CEL geologists when measuring core recovery. Triple tube drilling has been being done to maximise core recovery. A possible relationship has been observed between sample recovery and Au, Ag or Zn

Criteria	JORC Code explanation	Commentary
	have occurred due to preferential loss/gain of fine/coarse material.	grade whereby low core recoveries have resulted in underreporting of grade. Insufficient information is not yet available to more accurately quantify this. Core recovery is influenced by the intensity of natural fracturing in the rock. A positive correlation between recovery and RQD has been observed. The fracturing is generally post mineral and not directly associated with the mineralisation.
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.*	All the core is logged for recovery, RQD, weathering, lithology, alteration, mineralization and structure to a level that is suitable for geological modelling, resource estimation and metallurgical test work. Where possible logging is quantitative. Geological logging is done in MS Excel in a format that can readily be transferred to a database which holds all drilling, logging, sample and assay data.
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.*	Competent drill core is cut longitudinally using a diamond saw for sampling of ½ the core. Soft core is split using a wide blade chisel. The geologist logging the core indicates on the drill core where the saw cut is to be made to ensure half-core sample representivity. Sample intervals are selected based on lithology, alteration and mineralization boundaries. Sample lengths average 1.16m. No second-half core samples have been submitted. The second half of the core samples has been retained in the core trays for future reference. The sample preparation technique is considered appropriate for the style of mineralization present in the Project. Sample sizes are appropriate for the mineralisation style and grain size of the deposit.
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.*	The MSA laboratory used for sample preparation in San Juan has been inspected by Stuart Munroe (Exploration Manager) and Sergio Rotondo (Country Manager) prior to any samples being submitted. The laboratory procedures are consistent with international best practice and are suitable for samples from the Project.

Criteria	JORC Code explanation	Commentary
	- *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 accuracy (i.e. lack of bias) and precision have been established.*	Internal laboratory standards were used for each job to ensure correct calibration of elements. CEL submitted blank samples which were strategically placed in the sample sequence immediately after samples that were suspected of containing high grade Au, Ag, Zn or Cu to test the lab preparation contamination procedures. 7 blanks were submitted with samples of drill core from GNDD008 – GNDD010. One of the blanks returned value that suggest mild contamination from a preceding high-grade sample at some stage during the sample preparation process. Two different Certified Standard Reference pulp samples (CRM) with known values for Au, Ag, Pb, Cu and Zn have been submitted with samples of drill core from GNDD008 – GNDD010 to test the precision and accuracy of the analytic procedures and determination of the MSA laboratory in Canada. 5 reference samples were analysed. As highlighted below, all analyses are within 2SD of the expected value. The standards demonstrate suitable precision and accuracy of the analytic process. No systematic bias is observed.
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*	Significant intersections have not yet been independently verified by an alternative laboratory. Final analyses for GNDD008 – GNDD010 have been checked by MSA Laboratories and have been received by digital file in PDF and CSV format. The original files are backed-up,

CRM 1	Au (ppm)	Ag (ppm)
Cert. Value	**4.76**	**126**
2SD	**0.21**	**10**
1	4.869	133

CRM 3	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)
Cert. Value	**0.995**	**11.6**	**0.692**	**0.049**	**0.80**
2SD	**0.088**	**1.3**	**0.028**	**0.003**	**0.04**
3	1.021	11.08	0.696	0.048	0.78
3	0.959	10.8	0.700	0.046	0.77
3	0.959	10.8	0.685	0.047	0.78
3	1.011	11.28	0.691	0.047	0.78

Criteria	JORC Code explanation	Commentary
	procedures, data verification, data storage (physical and electronic) protocols. - *Discuss any adjustment to assay data.*	and the data copied into a drill hole database for geological modelling. Assay results summarised in the context of this report have been rounded appropriately. 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.* - *Specification of the grid system used.* - *Quality and adequacy of topographic control.*	Following completion of drilling, collars are surveyed using a differential GPS (DGPS) relative into the Argentinian SGM survey. The locations have been surveyed in POSGAR 2007, zone 2 and converted to WGS84, UTM zone 19s. The drill machine is set-up on the drill pad using hand-held equipment according to the proposed hole design. Drill holes are surveyed at 30-40m intervals down hole using a Reflex tool. All current and previous drill collar sites, Minas corner pegs and strategic surface points have been surveyed using DGPS to provide topographic control for the Project.
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.*	No regular drill hole spacing has been applied at this stage of the exploration. The current drilling is designed to check previous exploration and provide some information to establish controls on mineralization and exploration potential. No Mineral Resource Estimate to JORC 2012 reporting standards has been made at this time. Samples have not been composited.
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.*	As far as is currently understood, the orientation of sampling achieves unbiased sampling of structures and geology controlling the mineralisation. Drilling has been designed to provide an unbiased sample of the geology and mineralisation targeted.
Sample security	- *The measures taken to ensure sample security.*	Samples were under constant supervision by site security and senior personnel prior to delivery to the preparation laboratory in San Juan.
Audits or reviews	- *The results of any audits or reviews of sampling techniques and data.*	There has not yet been any independent reviews of the sampling techniques and data.

Challenger Exploration Limited
ACN 123 591 382
ASX: **CEL**

Issued Capital
470.1m shares
94.6m options
120m perf shares
16m perf rights

Australian Registered Office
Level 1
1205 Hay Street
West Perth WA 6005

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

Contact
T: +61 8 6380 9235
E: admin@challengerex.com.au

www.challengerex.com.au

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 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.*	The current Hualilan project comprises 15 Minas (equivalent of mining leases) and 2 Demasias (mining lease extensions). This covers approximately 4 km of strike and includes all of the currently defined mineralization. There are no royalties on the project. CEL is earning a 75% interest in the Project by funding exploration to a Definitive Feasibility Study (DFS). ***Granted mining leases (Minas Otorgadas) at the Hualilan Project***

Name	Number	Current Owner	Status	Grant Date	Area (ha)
Cerro Sur					
Divisadero	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Flor de Hualilan	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Pereyra y Aciar	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Bicolor	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Sentazon	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Muchilera	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Magnata	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Pizarro	5448-M-1960	Golden Mining S.R.L.	Granted	30/04/2015	6
Cerro Norte					
La Toro	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6
La Puntilla	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6

Criteria	JORC Code explanation	Commentary

Pique de Ortega	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6
Descrubidora	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6
Pardo	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6
Sanchez	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6
Andacollo	5448-M-1960	CIA GPL S.R.L.	Granted	30/04/2015	6

Mining Lease extensions (Demasias) at the Hualilan Project

Name	Number	Current Owner	Status	Grant date	Area (ha)
Cerro Sur					
North of "Pizarro" Mine	195-152-C-1981	Golden Mining S.R.L.	Granted	05/12/2014	1.9
Cerro Norte					
South of "La Toro" Mine	195-152-C-1981	CIA GPL S.R.L.	Granted	05/12/2014	1.9

Additional to the Minas and Demasias, an application for an Exploration Licence covering 26 km2 surrounding the 15 Minas has been accepted by the San Juan Department of Mines and is currently being processed.

Exploration licence application surrounding the Minas and Demasias at the Hualilan Project

Name	Number	Status	Grant Date	Expiry Date	Area (ha)
Josefina	30.591.654	Pending	-	5 year application	2,570

There are no know impediments to obtaining the exploration license or operating the Project.

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 information and data including sampling, geologic maps, reports, trenching data, underground workings, drill

Criteria	JORC Code explanation	Commentary
		hole results, geophysical surveys, resource estimates plus property examinations and detailed studies by several geologists. Prior to the current exploration, 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 data, 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) totaling 2,040m - 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 1,700m RC program - 2003 – 2005 – La Mancha (TSE Listed) undertook 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, intervals and custody procedures were used.
Geology	- *Deposit type, geological setting and style of mineralisation.*	Mineralisation occurs in all rock types, but it preferentially replaces limestone, shale and sandstone and occurs in fault zones. The mineralisation has previously been classified as a Zn-Cu distal skarn (or manto-style skarn) with vein-hosted Au-Ag mineralisation. It has been divided into three phases – prograde skarn, retrograde skarn and a late quartz–galena event The evolution of the hydrothermal system and mineral paragenesis is the subject of more detailed geometallurgical work. 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,

Criteria	JORC Code explanation	Commentary
		steeply dipping, siliceous, quartz-dominated veins that cross the bedding at a high angle. The veins have thicknesses of 1–4 m and contain abundant sulphides. The intersection between the bedding-parallel mineralisation and 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.*
		The following drill holes are reported here:
		
		Hole_id / East / North / Elevation / Dip / Azimuth / Depth
		GNDD008 / 504625.047 / 6600198.059 / 1822.562 / -60 / 184 / 109.4
		GNDD008A / 504625.080 / 6600199.718 / 1822.369 / -60 / 184 / 169.0
		GNDD009 / 504412.848 / 6599638.914 / 1793.317 / -55 / 115 / 147.0
		GNDD010 / 504621.652 / 6600196.048 / 1822.557 / -68 / 165 / 146.5
		
		GNDD008 was abandoned prior to reaching target depth. Samples were taken from both GNDD008 and GNDD008A.
		
		The following significant assay results have been received, reported to a cut-off of 1 g/t Au (equivalent) unless otherwise indicated:
		
		Hole_id / Interval / From / Au (g/t) / Ag (g/t) / Zn (%) / Au eq (g/t)
		GNDD008 / 1.00 / 37.00 / 1.7 / 6.2 / 0.08 / 1.8
		GNDD008 / 1.63 / 43.37 / 1.7 / 8.4 / 0.14 / 1.9
		GNDD008 / 1.15 / 47.85 / 1.2 / 16 / 0.56 / 1.7
		GNDD008 / 1.00 / 90.00 / 49.1 / 557 / 1.2 / 55.8 (1)
		GNDD008 / 2.70 / 94.00 / 7.7 / 173 / 0.89 / 10.1 (1)
		GNDD008 / 1.00 / 99.70 / 0.9 / 43 / 0.52 / 1.6
		GNDD008A / 2.64 / 96.60 / 22.8 / 218 / 0.68 / 25.5 (1)
		GNDD008A / 10.00 / 105.00 / 0.6 / 28.2 / 0.71 / 1.2
		GNDD009 / 3.00 / 100.00 / 0.85 / 50 / 0.02 / 1.4
		GNDD009 / 10.32 / 109.10 / 10.4 / 28 / 4.6 / 12.9
		inc / 4.22 / 115.20 / 21.9 / 58 / 8.7 / 26.7 (1)
		GNDD010 / 2.00 / 30.00 / 0.91 / 37 / 0.14 / 1.4
		GNDD010 / 1.00 / 34.00 / 0.92 / 7.6 / 0.09 / 1.0

Criteria	JORC Code explanation	Commentary
		GNDD010 1.30 55.00 1.1 30 0.80 1.8 GNDD010 3.00 139.00 17.7 143 2.5 20.5 (1) (1) cut-off of 10 g/t Au equivalent
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.*	Weighted average significant intercepts are reported to a gold grade equivalent. Results are reported to cut-off grade of 1.0 g/t Au equivalent, allowing for up to 2m of internal waste between samples above the cut-off grade. The following metals and metal prices have been used to report gold grade equivalent: Au US$ 1,450 / oz, Ag, US$16 /oz and Zn US$ 2,200 /t. No metallurgical or recovery factors have been applied to the metal equivalent grades as there has been insufficient work done at this stage of the exploration to establish these factors. No top cuts have been applied to the reported grades
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 mineralisation is moderately or steeply dipping and strikes strike NNE and ENE. There is insufficient information in most cases to confidently establish the true width of the mineralized intersections at this stage of the exploration program. Apparent widths may be thicker in the case where bedding-parallel mineralisation may intersect ENE-striking cross faults and veins.
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.*	Representative maps and sections are provided in the body of report.
Balanced reporting	- *Where comprehensive reporting of all Exploration Results is not practicable,*	All available data have been reported.

Criteria	JORC Code explanation	Commentary
	representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	
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.*	Geological context and observations about the controls on mineralisation, where these have been made are provided in the body of the report. 229 specific gravity measurements have been taken from the drill core recovered during the drilling program. These data are expected to be used to estimate bulk densities in future resource estimates.
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 and drilling as required; • Detailed interpretation of known mineralized zones; • Geophysical tests for undercover areas. • Structural interpretation and alteration mapping using high resolution satellite data and geophysics 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 the preceding section 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.*	Geological logging completed by previous explorers was done on paper copies and transcribed into the drill hole database. The data was checked for errors. Checks can be made against the original logs and core photographs. Assay data is received in digital format. Backup copies are kept and the data is copied into the drill hole database. The drill hole data is backed up and is updated periodically by a Company GIS and data team.
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.*	Site visits during the current drilling program have been undertaken from 3 to 16 October 2019 and 15 to 30 November 2019. The performance of the drilling program, collection of data and sampling procedures were initiated during these visits.
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 at the time 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

Criteria	JORC Code explanation	Commentary
		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 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 skarn 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.*	For the historic 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*	The historic resource estimation techniques are considered 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 in AutoCad directly from the longitudinal sections. Check assaying by PG Consulting returned values in the check assay sample which were 3.4% and 13% greater for Au and Ag than the original assays. A number pf previous resource estimates were available to check the 2006 resource estimate when

Criteria	JORC Code explanation	Commentary
	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.* - *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 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. 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 within skarn and associated vein deposits. Detailed cross section and plan maps were prepared for these domains with their shapes used in controlling the resource estimate. Long sections of the veins and skarn 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.
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 at the time of the estimate.
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*	The Mineral Resource Estimate considered the assumptions outlined below which are considered appropriate; - Metal prices: Au US$550 Oz, Ag US$10 Oz

Criteria	JORC Code explanation	Commentary
	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.	- 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 the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	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	- *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.*	Densities of 2.7 t/m3 were used for mineralised veins and 2.6 t/m3 for wall rock. No data of how densities were determined is available. The bulk densities used in the evaluation process are viewed as appropriate at this stage of the Project.

Criteria	JORC Code explanation	Commentary
	- *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	
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) 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

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>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

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</td></tr>
<tr><td>Audits or reviews</td><td>- The results of any audits or reviews of Mineral Resource estimates.</td><td>The historic 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.</td></tr>
<tr><td>Discussion of relative</td><td>- 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</td><td>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.</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
accuracy/ confidence	*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.*	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