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**ANNUAL INFORMATION FORM  
for the year ended December 31, 2002**

**As at July 18, 2003**

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## EXETER RESOURCE CORPORATION

### PRELIMINARY NOTES

Incorporated by reference herein and forming part of this Annual Information Form (the "**Annual Information Form**") are the Issuer's information circular dated May 09, 2003 in connection with the Issuer's annual general meeting held on June 10, 2003, the audited consolidated financial statements for Exeter Resource Corporation (the "**Issuer**") for the period ended December 31, 2002 together with the auditor's report thereon.

The disclosure of a technical nature in this Annual Information Form is, unless otherwise stated, based upon independent reports on the La Cabeza property dated October 24, 2002 and a report dated April 25, 2003 on the Estelar properties both prepared by Ruben S. Verzosa, P. Eng. and filed under the Issuer's profile at [www.sedar.com](http://www.sedar.com).

All financial information in this Annual Information Form is prepared in accordance with accounting principles generally accepted in Canada.

### CORPORATE STRUCTURE

#### Name and Incorporation

The Issuer was incorporated under the name of Square Gold Explorations Inc. on February 10, 1984 under the laws of the Province of British Columbia with authorized capital of 20,000,000 Common Shares without par value. On July 13, 1987, the Issuer changed its name to Glacier Resources Inc. and on August 19, 1988 changed its name to Golden Glacier Resources Inc.

At the June 10, 2002 Annual General Meeting of the Issuer, the shareholders approved special resolutions to consolidate the share capital of the Issuer on a ten (10) old for one (1) new shares (the "**Consolidation**"), increase the authorized post-consolidation share capital from 2,000,000 to 100,000,000 common shares, and to change the name of the Issuer to "Exeter Resource Corporation". The Consolidation and name change were made effective October 10, 2002.

The head office of the Issuer is located at Suite 2103 - 808 Nelson Street, Vancouver, British Columbia, V6Z 2H2. The address for service and the registered and records office of the Issuer is located at 10th Floor - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

#### Intercorporate Relationships

The Issuer presently owns 50% of Cognito Ltd. ("**Cognito**"), a British Virgin Islands company that holds an option on the La Cabeza project in Argentina, and has an option to acquire the remaining 50% of Cognito. The Issuer has also entered into an agreement, subject to regulatory approval, to purchase 100% of Estelar Limited, a British Virgin Islands company, which owns four mineral properties in Argentina. The Issuer is in the process of dissolving Golden Glacier Finance Limited and Golden Glacier Investments Ltd., both incorporated under the laws of the British Virgin Islands, and 100% owned by the Issuer, neither of which have assets or liabilities.

See "Significant Acquisitions and Significant Dispositions".

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The Issuer is engaged in the business of acquiring, developing, conducting exploration on and, if warranted, natural resource projects.

Over the course of the past three years, the Issuer has undergone a corporate consolidation: reducing operations and relinquishing or selling its project interests based on high retention costs of projects, and management's belief that the recovery of the mineral resource sector would not be rapid.

Pursuant to an agreement dated December 2, 1997, the Issuer granted an [arm's length] third party the right to acquire a 100% interest in eighty-nine (89) of the mineral claims and the real estate property at Tenmile in Humboldt County, Nevada, for total consideration of US\$750,000, of which US\$350,000 was paid on closing under the agreement. The balance of the purchase price is payable by advance minimum royalty payments of US\$20,000 per year, commencing December 1, 1998, and a net smelter return royalty of 3% from lands that are free of underlying royalty burden. The annual advance minimum royalty payments were subsequently renegotiated and reduced to US\$10,000 per year due to the low gold prices. The Issuer received two minimum royalty payments totalling US\$30,000 and sold the remaining royalty and property interests in December 2000 to Sweeney Mining Rock & Sand LLC ("**Sweeney**") of Winnemucca Nevada USA. for a cash payment of USD\$37,000 and the assumption of all land reclamation responsibilities by Sweeney.

During fiscal 2000, the Issuer abandoned its projects in Costa Rica as a result of extended delays in permitting environmental clearances for exploration and development and the value of the Issuer's investments in Nevada and Costa Rica were written down to zero.

By agreement with Lapland Goldminers AB ("**Goldminers**") of Sweden dated May 28, 1999 (amended June 16, 1999 and December 23, 2000) the Issuer sold its 60% interest in Lapland Guld Prospektering AB which held approximately 1500 square kilometres of mineral concessions and in a newly discovered gold bet in Vasterbotton County, Sweden, for consideration of CAD\$16,910 equivalent in Swedish currency "SEK" payable upon signing the of the agreement (received), CAD\$42,795 equivalent payable on or before November 19, 1999 (received), and 357,413 shares in the capital stock of Goldminers at a deemed value of approximately CAD\$2.54 per share (in aggregate CAD\$794,000 accrued at December 31, 2000). The Goldminers shares were sold at various times starting in April 2001 and the last shares were sold in February 2003. The total proceeds were \$182,434.52. The Issuer currently has no interest in Goldminers.

In November, 1999, the Issuer paid \$150,000 to acquire an option to purchase the assets of North American Methane LLC, an Illinois-based oil and gas company. The option was exercisable by the issuance of shares of the Issuer at a deemed price of \$0.15 per share based on a technical report and valuation by a qualified engineer. The option expired unexercised after the Issuer was unable to obtain satisfactory due diligence material and a valuation for the assets.

On March 6, 2003 the Issuer received acceptance for filing by the TSX Venture Exchange of an agreement with arm's length parties to acquire 50% of the shares of Cognito. Cognito holds an option to acquire a 75% or 100% interest (at its election) in the La Cabeza gold project in Argentina. No insider or promoter of the Issuer has held any interest in the La Cabeza project or in Cognito during the past three years. One of the vendors of the Cognito interest, Mr. Bryce Roxburgh, was subsequently appointed to the Board of the Issuer on March 20, 2003. See Item 3.2 "Significant Acquisitions and Significant Dispositions" and item 4 "Narrative Description of the Business".

On March 6, 2003, the Issuer completed a private placement of 350,000 units at \$0.15 per unit, each unit comprising one common share and one share purchase warrant to raise \$52,500. A finders fee consisting of 17,000 shares of the issuer was paid to an arm's length party.

On March 31, 2003 the Issuer completed a further 155,000 unit private placement at \$0.165 per unit, each unit consisting of one common shares and one share purchase warrant with an exercise price of \$0.22 for a period of two years. No finders fee was paid on the placement. Proceeds of both private placements were used for working capital.

On April 3, 2003 the Issuer completed a shares for debt settlement. \$189,641 of debt was settled for 1,149,343 shares at a deemed price of \$0.165 per share, of which 866,980 were issued to insiders in settlement of related party debt. The debt settlement together with the earlier private placements eliminated the debts of the Issuer.

On June 9, 2003 the Issuer announced that it had negotiated, subject to regulatory approval, a private placement of 1,200,000 units at \$0.25 per unit, an option to acquire the remaining 50% of Cognito and an agreement to acquire Estelar Resources Ltd. The private placement was subsequently increased to 1,290,000 units, for gross proceeds of \$322,500. All of the transaction have received conditional acceptance of the TSX Venture Exchange. Each unit to be issued in the private placement consists of one common share and one warrant which entitles the holder to purchase an additional share for \$0.25 for a period of one year.

## **Significant Acquisitions and Significant Dispositions**

### Significant Dispositions

The Issuer has not completed any significant disposition during its most recently completed financial year.

### Significant Acquisitions

#### Acquisition of Cognito / La Cabeza Project

In March, 2003, the Issuer acquired 50% of the shares of Cognito (the "**Original Cognito Option**") by issuing 400,000 shares of the Issuer (total 800,000 shares) to each of the beneficial owners of Cognito, Mr. Bryce Roxburgh and Mr. John Haggman both of Makati, Philippines (the "**vendors**") at a fair value of \$0.15 per share, for aggregate value of \$120,000 and by incurring expenditures and assuming Cognito's commitments pursuant to an underlying option agreement between Cognito and the titleholders of the La Cabeza gold project in Mendoza Province, Argentina (the "**Carotti-Cognito agreement**"). The cost to the vendors of the underlying option was the initial USD\$5,000 payment under the Cognito-Carotti agreement.

Mr. Bryce Roxburgh was subsequently appointed to the board of directors of the Issuer. See "Conflicts of Interest".

The Issuer's expenditure requirements to maintain the Original Cognito Option were as follows:

- (i) US\$150,000 within twelve (12) months of TSX Venture Exchange ("**Exchange**") acceptance of the acquisition;
- (ii) a further US\$500,000 within twenty-four (24) months of Exchange acceptance; and

- (iii) total cumulative expenditures of US\$3,000,000 and a completed a positive bankable feasibility study by the end of the third year.

The Issuer is entitled to terminate the Original Cognito Option at any time by giving ninety (90) days notice to the vendor and re-assigning 50% of the shares in Cognito to Rowen.

Upon issuance of the 800,000 shares assumable upon Exchange acceptance of the acquisition, Mr. Roxburgh and Mr. Haggman became insiders of the Issuer, each holding 16.8% of the issued and outstanding shares of the Issuer. Mr. Roxburgh was subsequently appointed to the board of directors of the Issuer.

In May, 2003 the Issuer entered into a further option agreement (the "**Second Cognito Option**") with Rowen Company Limited ("**Rowen**") which holds the Cognito shares as nominee for the vendors to acquire the remaining 50% of Cognito by the issuance of 400,000 shares each to the vendors, Mr. Bryce Roxburgh and Mr. John Haggman, at a deemed price of \$0.25 per share for an aggregate cash payment of \$200,000 and a cash value of CDN \$25,000 as partial reimbursement of costs.

To exercise the option on the remaining 50% of Cognito, the Issuer must pay an additional CDN \$2,500,000 in cash or, at its option, shares and make the required payments and expenditures under the Original Cognito Option, including expenditures of an aggregate of USD \$3,000,000 on further exploration of the property within four years. Mr. Roxburgh is a director of the Issuer and did not vote on matters concerning the Second Cognito Option.

The Second Cognito Option also amended the Original Cognito Option as follows:

- (a) the total cumulative expenditures of US\$3,000,000 required to be made can be spent on exploration in the manner determined by the Company. A bankable feasibility study is no longer required to be completed.
- (b) the period during which the cumulative US\$ 3million is require to be spent is extended from three to four years; and
- (c) Cumulative expenditures of US\$1.5 million must be made before the end of Year 3.

#### *Cognito - Carotti Agreement Obligations*

Pursuant to the Cognito–Carotti Agreement dated effective May 28, 2002, Mr. M. Carotti and Ms. C. Rubenstein ("**Carotti et al**"), both Argentine nationals, granted Cognito the right to earn a 75% interest in the La Cabeza Property by either: a) making annual cash payments up to November 28, 2014; or b) by completing a positive feasibility study prior to November 28, 2014. All payments would cease upon Cognito giving notice to Carotti et al of completion of a positive feasibility study. Cognito is entitled to elect to increase its interest in the La Cabeza project to 100% by converting the 25% participating interest of Carotti et al in the project to a net smelter return royalty ("**NSR**"). If Cognito makes the election, Carotti et al will be entitled to a 3.5% NSR. Carotti et al are entitled to make their own election to convert their 25% participating interest into a NSR, in which case the applicable NSR will be 3%.

The following cash payments are required to be made to maintain the Cognito – Carotti Agreement (and will be assumed by the Issuer pursuant to the Cognito Option):

Date of Payment	Amount of Payment
May 28, 2002	US\$5,000 (Paid)
November 28, 2002	US\$5,000 (Paid)
November 28, 2003	US\$15,000
November 28, 2004	US\$25,000
November 28, 2005	US\$35,000
November 28, 2006	US\$45,000
November 28, 2007	US\$50,000 and annually thereafter to November 28, 2012

Under the Cognito-Carotti Agreement the periodic payments cease upon exercise of the underlying option by Cognito which must happen prior to November 28, 2014. Upon exercise of the underlying option project equities shall be Cognito 75% and Carotti et al 25%, unless Cognito or Carotti et al elect to convert the 25% Carotti et al interest into a NSR, in which case Cognito would then hold 100% of project equity (of which the Issuer would hold a 50% indirect equity interest as a result of its interest in Cognito).

#### Acquisition of Estelar Resources Ltd.

In May, 2003, the Issuer also entered into an agreement with two arm's length parties, Sofisco Nominees and Yale Simpson, to purchase, subject to regulatory approval, a 100% interest in the British Virgin Islands company Estelar Resources Ltd. ("**Estelar**") in consideration for 1,000,000 shares of the Issuer (Yale Simpson as to 713,000 shares and Sofisco Nominees (Ron Scarlet and Paul Brown of Monaco) as to 287,000 shares) at a deemed price of \$0.235 per share for a total cash value consideration of CDN \$235,000. The Exchange has conditionally accepted the filing in respect of the Estelar acquisition. There is a 2% NSR royalty on the Estelar properties payable to Argentina Mineral Development. Estelar owns the mineral rights to four additional properties in Argentina, namely Quispe, Rosarita, Dolores and Llanos Rios. Estelar has a registered branch office, exploration equipment and supplies in Argentina, which will facilitate the commencement of exploration on both the La Cabeza and the Estelar projects. Subsequent to negotiation of the Estelar agreement, Mr. Yale Simpson, one of the vendors of Estelar, was elected to the board of Issuer at the Issuer's annual general meeting.

The La Cabeza project and the Estelar properties are each the subject of 43-101 Reports prepared by Ruben S. Verzosa, P.Eng. See "Narrative Description of Business".

#### **Trends**

The Issuer has selected the gold sector of the resource industry, and South America, particularly Argentina, for investment where management of the Issuer believes that an exploration/development resource investment will attract financing both at the corporate and project levels.

The Issuer has limited financial resources. Advancement of the La Cabeza project and the ability of the Issuer to exercise Cognito Option and the underlying Cognito-Carotti Agreement option is dependent upon the Issuer obtaining further financing. There is no assurance that the Issuer will be able to obtain such financing on terms acceptable to the Issuer or at all. An equity financing could result in substantial dilution to existing shareholders.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **General**

Over the past few years, the Issuer has disposed of its interests in projects requiring ongoing capital investments, and has successfully sold its Tenmile project in Nevada, and its 60% equity in the Lapland Goldminers project. The Issuer has abandoned all other gold projects in Nevada and Costa Rica, due to relatively high maintenance costs during the downturn in the resource sector.

Management of the Issuer believes that its investment in the La Cabeza project may lead to expeditious development of shallow open pit mines on certain of the already defined vein systems in the La Cabeza goldfield. The proposed purchase of Estelar Limited will increase the company's properties in Argentina and provide infrastructure for further exploration in Argentina.

### **Financial and Operational effects of Environmental Protection Requirements**

Issuer's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Issuer intends to comply with environmental regulations in Argentina.

### **Employees**

The Issuer does not have any employees. As at the Issuer's year-end, December 31, 2002, Douglas Scheving and Paul Ray, both directors of the Company each received \$36,000 (\$3,000 per month) for administrative and management services. The Issuer engages consultants on a contract basis, if and when required.

### **Risks Associated with Foreign Operations**

Substantially all of the Issuer's assets are in Argentina. Mineral exploration and mining activities in Argentina may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Issuer and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Argentina's status as a developing country may make it more difficult for the Issuer to obtain financing for exploration of development. The Issuer may also be subject to foreign currency fluctuations which may materially affect the Issuer's financial position and results. In addition, the Issuer may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. See also "Risk Factors" below.

## LA CABEZA GOLD PROJECT - ARGENTINA

The following information is extracted from and is qualified entirely by the more detailed disclosure in the La Cabeza Report on the La Cabeza Gold Property prepared by Mr Ruben S. Verzosa, P.Eng., an independent qualified person under National Instrument 43-101 (the "**La Cabeza Report**"). A full copy of the La Cabeza Report has been filed and is available for viewing under the Issuer's profile at [www.sedar.com](http://www.sedar.com).

### Property Description and Location

The La Cabeza Property is located 370 km (500 km by road) south of the city of Mendoza, the capital of Mendoza province, in central-western Argentina as shown in Figure 1. The project area is geographically centered at approximately 36°17'30" south latitude and 68° 22' 30" west longitude.

The La Cabeza Property comprises seven titles covering the main La Cabeza prospects; 461-C-1996; 462-C-1996, 486-C-1996, 502-C-1996, 503-C-1996, 1914-C-1998, 1915-C-1998 covering approximately 100 square kilometres. The project area is divided into parcels of different categories and listed in Table 1.

#### List of Tenements and Mineral Rights

File Numbers			Entitled	Area
461	C	1996	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'BEATRIZ'.	La Cabeza
462	C	1996	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'NORA'.	La Cabeza
486	C	1996	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina "ARISTARCO".	La Cabeza
502	C	1996	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'HELIOS'.	La Cabeza
503	C	1996	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'HERAION'.	La Cabeza
1914	C	1998	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'MABEL'.	La Cabeza
1915	C	1998	CAROTTI MARTIN S/Manifestación de Cobre en Dpto. San Rafael. La denomina 'ANALIA'.	La Cabeza

A specific area referred to as "mensura" covers gold mineralisation and has been the subject of a mining lease application with the Argentine government. The term "mensura" refers to the last stage in the application process for mineral rights in Argentina. It is granted after exploration work has determined the existence of a mineral resource.

The La Cabeza Report includes as an Appendix a title opinion prepared by Argentine attorney on the La Cabeza Property.

The Argentine mineral application process is described below.

### Mineral Property Application Process in Argentina

There is no ground staking for mineral rights in Argentina. Mineral rights are acquired by application with the government for concessions to seek, own and sell minerals located within a specified parcel of land. Generally, all persons or entities qualified to acquire and possess real estate can obtain mineral rights. There are 3 levels of mineral rights and titles and are as follows:

- (1) **"Cateo"** - Before work in an area can commence, an exclusive exploration permit known as the "Cateo" must be obtained. Once an application is submitted all rights to any mineral discoveries on a Cateo by third parties belong to the applicant. A Cateo is measured in 500 ha units and can range in size from a minimum of 1 unit (500 ha) to a maximum of 20 units (10,000 ha). The approval of a Cateo specifies the area and the term of the Cateo. A one-time fee of \$0.80 per ha is due within 5 days of approval. The rights of the Cateo holder is subject to surface rights.

During the term of a Cateo which begins 30 days after approval, periodic relinquishment of ground is made such that after 300 days of approval 50% of the area in excess of 4 units must be relinquished and after 700 days, 50% of the remaining area must be relinquished. A Cateo of 1 unit has a duration of 150 days and for each additional unit, its duration is increased by 50 additional days.

- 2) **"Manifestacion de Descubrimiento"** - A Cateo will expire if within its specified term or duration, no mineral discovery is reported by the Cateo holder. Any mineral discovery, upon verification and approval by the authorities entitles the holder to apply for a "Manifestacion de Descubrimiento" for mining rights to a maximum of 3,000 ha. Once the application is approved, the cateo holder must elevate his "Manifestacion ...") to the "Mensura" stage in preparation for the application for a mining lease.
- 3) **"Mensura"** - The term means measurement. After the size and configuration of a Manifestacion de Descubrimiento are determined, a part or all of it is surveyed and the area applied for a "Mina" or Mining Lease. This is usually done after the results of exploration indicate a potential ore body.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The La Cabeza Property is accessible from Mendoza City, the capital of Mendoza province. Mendoza has an international airport served by regular commercial jet service from Buenos Aires and Santiago, Chile. The major centres in close proximity to the project area are San Rafael (pop.175,000), 220 km by road to the north; General Alvear (pop. 45,000), 200 km by road to the northeast; and Malargue (pop. 25,000), 175 km by road to the northwest. Road access from each of these centres is via a combination of paved and all-weather gravel roads. A network of local farm roads and tracks provide reasonable access to all areas of interest within the project area.

#### Local Resources and Infrastructure

The immediate vicinity of the La Cabeza Property is sparsely populated. Farm stations or 'puestos' consisting of one to a few houses dot the country side, occurring several kilometres apart. The chief occupation is raising a few heads of cattle, goat and sheep. Although there is, reportedly, a large potential for near-surface water, irrigation has not been developed to stimulate agriculture. Northwest of the project area are a number of producing gas and oil fields.

The nearest major centres are San Rafael (pop.175,000) 220 km by road to the north, General Alvear (pop. 45,000) 200 km by road to the northeast and Malargue (pop. 25,000) 175 km by road to the northwest of the project area. The national power grid serves these three major centres. A small but well maintained gravel airstrip is located near the settlement of Agua Escondida some 20 km to the northeast of the La Cabeza Property.

### Climate and Physiography

The climate is semi-arid resulting in sparse vegetation of scrub grass and stunted trees. Precipitation is generally confined to isolated summer thunderstorms between November and February. Only occasional light to moderate snowfall may occur in the winter months. Consequently, exploration activity can be conducted on a year-round basis.

The local topography is characterized by gentle to rolling hills with elevations averaging 1100 m above sea level. In the prospect area, relief ranges from 1195 m in the river flood plains to 1295 m at the highest promontory on the property. The creeks are ephemeral, most of which join a major tributary that drains north to northeast towards the Agua Escondida area. Local ridges and cliffs are formed in unaltered volcanics or silicified rock units.

### **History**

There is no record of previous ownership of the La Cabeza Property prior to acquisition by Carotti et al.

The Agua Escondida district has been the site of prospecting and small scale mining. Showings of manganese, fluorite, quartz and to a lesser extent copper, lead, silver, molybdenum and tungsten were the sites of exploration and mining activities. The abandoned mines of the Mina Ethel and Mina Santa Cruz, both 50 km and 25 km respectively northwest of the La Cabeza Property produced small amounts of fluorite and manganese. Until recently, quartz was mined for flux at Mina Olivia, 6 km to the east. Old workings in fluorite and copper showings indicate previous activity some 5 km to the southwest.

In the late 1960's to early 1970's, the United Nations under their "Plan Mendoza" project designated the general Agua Escondida region that includes the La Cabeza Property a zone of interest for further exploration. No geological results are available on work conducted under the "Plan Mendoza" but it appears that the area was selected on the basis of fluorite and manganese occurrences.

Within the vicinity of the La Cabeza Property, the only evidence of previous activity is restricted to small diggings in manganese breccias and mining for quartz near what is now the La Mandibula deposit. The quartz was reportedly rejected for flux due to excessive sulphide.

In late 1994, N.A Degerstrom Inc. (Minera Andes) entered an option agreement with Carotti et al over Cateos in Cerro Azufre, an area that included the La Cabeza Property. The following year Minera Andes completed a semi-regional stream-sediment sampling program, collecting thirty samples over a 150km<sup>2</sup> area. The results of the regional work did not encourage the Issuer to continue work and consequently, they withdrew from the option agreement.

Between June 1996 and December 1998, AMD conducted an extensive exploration programme on the La Cabeza Property. The work included the following:

#### Regional evaluation of Landsat TM colour anomalies

- Regional airborne magnetometer survey and ground follow up
- Regional air photo interpretation (geology & regolith studies)
- Regional lag geochemistry and reconnaissance IP
- Regional geological mapping (1:50,000 scale)
- Regional petrographic and mineragraphic examination
- La Cabeza air photo survey for topographic map control and construction)
- La Cabeza establishment of 50m x 50m grid.
- La Cabeza geological mapping (1:5000, 1:2500 & 1:1000 scales)
- La Cabeza rockchip and channel sampling
- La Cabeza IP (induced polarisation) surveys
- La Cabeza ground magnetometer surveys
- La Cabeza ground radiometric surveys
- La Cabeza diamond drilling (DDH) and reverse circulation drilling (RC)

The results of the different work phases are compiled in a final report by the Issuer comprising 16 volumes which include the Report Text (volume 1), 10 volumes of Appendices (volumes 2 - 11), 3 volumes of Plans (volumes 12 - 14) and 2 volumes of Drill Sections (volumes 15 - 16).

### **Geological Setting**

#### Regional Geology

Regional mapping by AMD encompassed an area near the eastern edge of a regional sedimentary basin east of the Andean cordillera. The region is mainly characterized by a thick succession of sedimentary units starting from Precambrian metasediments and younger volcanics to Quaternary basalts. Regional dips are shallow and the dominant faults are normal, generally trending west to northwest. Within the region is the Agua Escondida area where several mineral occurrences are found including the gold showings at the La Cabeza Property.

#### Local Geology

In the Agua Escondida area, Precambrian granites and metasediments of the greenschist-amphibolite facies and Tertiary to Quaternary basalts chiefly underlie the Agua Escondida area. Precambrian rocks occupy the southeastern part of the map area while basalts occur on the northwestern part of the map area. Together with the Precambrian rocks, younger granites of probable Carboniferous age form the basement complex upon which units of the Choiyoi Formation, followed by the much younger basalts, were deposited. East of Agua Escondida, basal siltstone and sandstone of the Choiyoi Formation overlie the granite.

The Choiyoi Formation comprises shallow marine and non-marine sediments, including quartzite, sandstone, siltstone, greywacke, conglomerate with minor inter-bedded limestone, trachybasalts, rhyolite, ignimbrite and late stage felsic intrusives. The sedimentary sequence, including the volcanics (greywackes) at the base of the Choiyoi Formation suggest alternating environments of transgressive and regressive seas. The deposition of limestone and greywacke was during a period of transition followed by rapid subsidence and peneplanation of the dominantly igneous hinterland resulting in a thick accumulation of volcanics. The trachyandesites and trachybasalts occurring in the vicinity of Agua Escondida and thought to be at the upper part of the sedimentary sequence could very well be a basal facies of the succeeding rhyolite and ignimbrite sequence.

The rhyolite and ignimbrite, combined as one mappable unit are extensively exposed on the south central and northwest part of the map area. The unaltered ignimbrites are dark maroon to grey, with abundant K-feldspar, plagioclase and quartz phenocrysts. They outcrop as massive although extensively fractured units forming the rolling to rugged topography in the immediate vicinity of the La Cabeza prospect area.

The Tertiary and Quaternary basalts that cover extensive areas in the central and western part of the Agua Escondida area appear associated with volcanic cones that abound nearby. The basalts show strong magnetic response in airborne surveys. The flood plains and small valleys are covered with thick alluvium and colluvium that contain appreciable amounts of magnetite rendering ground magnetic surveys difficult if not impossible to interpret.

The sedimentary units in the Choiyoi Formation show shallow dips. In the Agua Escondida area, the distribution of progressively younger rocks toward the northwest may be coincident with a northwesterly regional dip. This observation is also consistent with the interpretation of the area having been a small re-entrant along the eastern margin of a regional northerly basin during the Permian. The structural features in the Agua Escondida region is dominated by northwesterly normal faults and the intrusion of numerous felsic dykes. A schematic stratigraphic summary of the Agua Escondida area is shown in Figure 5.

### Property Geology

At the south central part of the La Cabeza Property lies a smaller block referred to as the La Cabeza Prospect. Here, detailed exploration work including drilling defined 8 areas of significant gold mineralisation. These areas of mineralisation are the Cachete, Cuello, Labio East, Labio South, Labio West Luna, Mandibula and Ojo (Figure 6).

The rocks underlying the La Cabeza Prospect are limited to the upper part of the Choiyoi Formation. Only the ignimbrite and its various phases are exposed while the underlying volcanoclastics have been intersected in drill holes. In detail the ignimbrite includes, in decreasing abundance, magmatic phases of felsic porphyry, breccia, monzonite, trachyandesite/basalt, and crystal vitric tuff. These different phases are thought to have accompanied periodic pulses of eruption resulting in inter-lensing relationships within the main rhyolitic unit. In particular, the breccia zones occurring as discontinuous lenses of rhyolitic ejecta appear concordant and in sequence with the enclosing ignimbrite making their occurrence depositional rather than structural. Their attitudes as determined by surface mapping and drill hole intersections reflect the attitude of the entire ignimbrite sequence, at least within the vicinity of the prospect area. The felsic porphyry phase which commonly occurs near the base of the ignimbrite and close to the contact with the underlying volcanoclastics appear to be preferentially mineralized in some deposits. In the Mandibula and Labio deposits, the breccia close to the underlying volcanoclastics is the preferred host. The contact zone with the volcanoclastics presents an excellent guide to additional ore.

The general structural trends within the prospect area is north to northwesterly and east-west. The vein systems and recognized faults follow this same general trend. Based on the attitude of the breccia in the Mandibula, the rhyolite-ignimbrite sequence in the La Cabeza prospect strikes northwesterly with an average dip of 65 degrees northeast. Other structural features like chilled contacts and flow banding are indicative of recurring episodes of volcanic extrusion.

### Deposit Types

All of the gold deposits in the La Cabeza Prospect are either quartz vein fillings or quartz replacements in shear and/or breccia zones in volcanics. The veins are generally discontinuous and lenticular, pinching and swelling within short distances. The thickness of the individual veins range from a typical 2m to a

maximum 15 m at the Cuello deposit. The longest vein is found at Mandibula where it follows the footwall of a breccia zone for some 800 m.

The altered volcanics and sediments in the La Cabeza Property host widespread occurrences of anomalous gold values. Detailed exploration including drilling of the alteration zone identified ten prospects within a 2km<sup>2</sup> area. The prospects are El Cuello, El Ojo, La Luna, La Mandibula, El Labio East, El Labio West, El Labio South, El Cachete, La Barbilla & La Oreja. In general the individual prospects occur as veins along or close to recognizable regional and northwesterly structural trends. The preferred hosts for gold mineralisation are the ignimbrites and the fine and coarse-grained porphyries, particularly at or close to contact zones.

## **Mineralization**

Mineralisation in the La Cabeza Prospect is essentially a gold-silver, silica-sericite/illite-adularia low sulphidation epithermal system with low pyrite (<2%), minor clay alteration, and minor base metal mineralisation. Variations in style and mineral assemblages between the individual deposits seem to indicate multiple phases of mineralisation within their immediate area. In general, mineralisation appears to be stratigraphically controlled, preferring horizons between the various volcanic phases and the contact with the underlying volcanoclastics. Gold values do not, as a rule, extend into the wall rock.

The prospects vary in styles of mineralisation depending on local structure, stratigraphy and alteration. The various styles of mineralisation include breccia-hosted, colloform epithermal veins, massive quartz veins, sheeted quartz veins, quartz stockworks, and disseminated. Some of the prospects are multi-veined while others are segmented by cross faults.

### *El Cuello Prospect*

The El Cuello prospect comprises three sub-parallel and steeply dipping northerly veins in ignimbrites or at the contact of the ignimbrite and porphyry. The two other veins are on the hanging wall side of the main vein and are associated with shear zones in the ignimbrite and volcanoclastics. The three-vein zone has been drilled over a strike length of 300m. Geophysical and geochemical results indicate possible geological extensions to the vein zone under alluvium. The main El Cuello vein (No. 1 Vein) varies rapidly in thickness from 1.5m to 21m. The style of mineralisation at the El Cuello Prospect is one or more of quartz veining, massive quartz and sheeted quartz veins accompanied by intense silicification.

### *El Ojo Prospect*

Mineralisation at *El Ojo* comprises quartz-limonite (after pyrite?) micro-veinlets, stockworks and "poddy" veins hosted in volcanics, porphyry and sediments but preferentially developed in fine grained porphyry as halo to a coarse grained porphyry plug. Drilling has defined mineralisation over an area 100m x 200m in the main prospect area.

### *La Luna Prospect*

This prospect comprises three mineralized zones in an extensive area of epithermal quartz veins, stockwork veins, silicification and brecciation hosted in fine-grained porphyry and ignimbrites. The primary hosts for gold mineralisation are a sequence of silicified porphyry and ignimbrite underlain by the basal Choiyoi Formation. The best mineralisation is on the eastern part of the prospect area occurring as massive veins, stockwork veining and silicification in both fine grained porphyries and ignimbrites, with better grades developed in the upper part of the porphyry and basal section of the overlying ignimbrite. The La Luna is prospective for a bulk mineable low grade deposit.

### La Mandibula Prospect

A northwesterly ridge of silicified, quartz-veined and brecciated ignimbrite and possible rhyolitic lavas extending for over 1100m dominates the La Mandibula prospect. Mineralisation is mainly of silica-pyrite in breccias and appears stratigraphically confined in the ignimbrite. Geological extensions indicated by previous geophysical and geochemical surveys remain untested.

### El Labio East Prospect

This prospect is a north-south steeply dipping vein of up to 3m wide in fine-grained porphyry and silicified ignimbrite and traceable for 350m along strike. Mineralisation is mainly a colloform banded quartz vein in sharp contact with the wall rock. The El Labio is prospective for a small high grade and near-surface deposit.

### El Labio West Prospect

The *El Labio West* prospect is a 150m long northerly silicified zone in altered ignimbrite, crystal tuff and fine-grained porphyry. Mineralisation occurs as quartz-adularia veins and pervasive silicification near the base of the ignimbrite sequence, discrete well developed sheeted veins in underlying volcanoclastic sandstones and weak silicification in underlying quartzites.

### El Labio South Prospect

The *El Labio South* prospect is a zone of brecciation and silicification extending along strike for 150m to 200m. The style of mineralisation is similar to that at *El Labio West*, with sheeted quartz veins and extensive silicification in ignimbrite.

### El Cachete Prospect

This prospect includes all the areas of quartz veining southwest of La Mandibula and west of La Barbilla. The host is a thick sequence of ignimbrites which occasionally contain volcanic clasts. Alteration shows strong to pervasive silica-sericite with minor pyrite. Mineralisation is mostly associated with isolated pods and discontinuous veins containing varying amounts of quartz, magnetite, chlorite, amphibole, and fluorite. The quartz veining covers an area 600m x 300m.

### La Barbilla Prospect

This prospect comprises northerly, steeply dipping quartz and quartz-magnetite veins in a zone of altered ignimbrites. The veins form a steep ridge for approximately 125m along strike. The vein zone is up to 5m wide although the individual veins rarely exceed 2m.

### La Oreja Prospect

Altered ignimbrites and fine-grained porphyry underlie the La Oreja prospect comprising an eastern and western zone. Mineralisation is contained in quartz veins, silicified zones and locally brecciated volcanics.

## **Exploration By AMD (1996 – 1998)**

The initial regional surveys conducted by AMD comprised primarily of Landsat imagery, aerial photo studies and airborne magnetic surveys with ground follow up, lag geochemistry and geological mapping.

The results of these initial surveys pointed to an area of significant gold mineralisation referred to as the La Cabeza Prospect within which a number of individual gold deposits were eventually outlined. At the prospect area a grid system was established for map control. The results of the following work are summarized and compiled in Figure 7.

### Geological Mapping

Geological mapping on the La Cabeza Property by AMD during the period 1996 - 1998 were conducted on scales of 1:1000, 1:2500 and 1:5000 as follows:

- 1:1000 Scale: El Cuello, El Ojo, La Mandibula, La Luna, El Cachete and El Cuello.
- 1:2500 Scale: Mapping over the terrain containing the La Cabeza gold prospects.
- 1:5000 Scale: Mapping over the remainder of the La Cabeza Grid.

### Geophysics

A number of ground geophysical exploration surveys have been undertaken in the La Cabeza area with varying success. The most useful method proved to be radiometrics, with thorium "lows" coinciding with zones of mineralisation and detailed gradient array IP surveys that outlined structures and zones of prospective host rocks. Other geophysical methods used to survey the area include ground magnetometer surveys and IP dipole-dipole resistivity and chargeability surveys. AMD personnel using company-owned equipment conducted all geophysical surveys. The survey results are from the AMD 1999 Final Report are reproduced in the La Cabeza Report.

### **Drilling**

Towards the end of 1998 a total of 16,070.33 metres of drilling in 126 drill holes was completed of which 2,273.33 metres was done by diamond core drilling and 13,797 metres by reverse circulation drilling.

In 1997, a diamond drilling contract was let to Silverstar Drilling of Argentina for 1000m of HQ core. Silverstar utilized a modular skid-mounted Longyear 38 and a truck-mounted Longyear 44. In this programme, one hole had the core size reduced to NQ on account of difficult ground.

In 1997 Bolland & Cia. S.A. of Argentina was let a minimum of 4000m of reverse circulation drilling utilizing a DrillTech D25K rig capable of a 5-inch sampling diameter. Bolland completed 4,664 m in 45 holes in difficult ground.

In 1998 Major Perforaciones of Argentina was let a minimum of 6,000m of combined diamond drilling and percussion drilling. Major utilized a UDR650 multi-purpose machine that had the flexibility of recovering either core or cuttings. The UDR650 was later replaced by a skid-mounted Boyles 37 to complete the drilling programme. A total of 1252.65m of predominantly HQ core in 13 holes were completed.

In 1998 Major Perforaciones S.A. of Argentina was again awarded a contract to drill a minimum of 6000m of combined diamond and reverse circulation drilling. In addition, Major provided an Ingersoll Rand T3 blast hole percussion drill. With 2 drill rigs operating Major completed a total of 9,133m in 57 holes of 5-inch sampling diameter.

Drilling at La Cabeza was adversely affected by hard fractured siliceous ground and high water tables that prevented a number of percussion holes reaching their objective. In percussion holes encountering strong water flow, significant amounts of finer material were lost in the sludge.

A summary of drill hole data is contained in Appendix II of the La Cabeza Report.

### **Mineral Resource And Mineral Reserve Estimates**

The resource estimate in the La Cabeza Report was completed by AMD. The procedures, methodology and parameters used in the estimates were reviewed in detail by the author of the La Cabeza Report and were found conforming to accepted standards.

AMD manually calculated the mineral resource of the La Cabeza Property using the cross section method. Cross sections on a scale of 1:500 were constructed incorporating all drill data including assays and surface geology for each of the individual prospects. On the basis of the geological information, projections were made to establish the configuration of the deposits.

The parameters used to establish the individual resource blocks are the following:

- A minimum 2 metre true width for the 1.0 and 2.0gpt Au cut-off estimates (except for the Labio East prospect where high grades have been intersected over narrower intervals).
- A minimum 3 meter true width for the 0.2 and 0.5gpt Au cut-off estimate.
- An S.G. of 2.6 (based on limited field measurements of drill core and surface samples).
- Ore blocks were projected midway between cross sections and from the shallowest hole intersection to the surface where geological information was available, otherwise blocks were projected midway to the surface. Similarly ore blocks were projected 25 meters below the deepest drill hole intersection on a section and in some instances greater where geological extensions were strongly indicated.
- Ore blocks were projected from 25 to 50 metres beyond end sections depending on the surface geology and the confidence in the geological interpretation.

Using cut-off values of 0.2gpt, 0.5gpt, 1.0gpt and 2.0gpt Au the total estimated resource of the La Cabeza Prospect is summarized as follows:

<b>Cut-off (gpt Au)</b>	<b>Tonnes (T)</b>	<b>Grades (gpt Au)</b>	<b>Ounces Gold (Ozs)</b>
0.2	24,732,000	1.10	889,000
0.5	11,976,000	1.83	718,000
1.0	6,816,000	2.82	628,000
2.0	3,398,000	4.28	475,000

The resource estimates for each of the eight prospects at different cut-off grades are shown in Appendix IV of the La Cabeza Report.

The calculated resource is under the 'inferred mineral resource' classification according to the CIM Standards on Mineral Resources and Reserves Definitions (August 20, 2000).

"An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling, and reasonably assumed, but not verified geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes"

Due to the favourable geology of the individual deposits, it is the opinion of the author of the La Cabeza Report and experience that only a few in-fill holes would be required to elevate the 'Inferred Mineral Resource' category to the 'Indicated Mineral Resource' category under CIM guidelines.

The author of the La Cabeza Report indicates that he is not aware of any environmental, permitting, legal, title, taxation, socio-economic or political issues that may adversely affect the mineral resource described in the report.

### ***Recommendations***

The La Cabeza Report contains the following conclusions and recommendations:

1. The large amount of technical data and the confirmation of a significant gold resource renders the La Cabeza property ready for a preliminary feasibility study. This study will be directed towards the open pit mining and heap leaching of the near surface gold resources already outlined on the Luna, Ojo, Cuello, and Mandibula prospects. All prospects are located close to each other and appear ideally situated to conduct a single heap leach operation. The study should be conducted in two stages; the first stage to confirm the geologic model for Luna and Ojo. Prior exploration was designed primarily to expand the resources, and the density of drilling at these two prospects requires infill to improve confidence in the geologic modeling for the resources.
2. Potential exists to expand the known resources for higher grade underground reserves below the proposed open pit mines by reconnaissance drilling, and to locate new gold systems within the La Cabeza goldfield. A systematic program of reconnaissance prospecting, geologic mapping and rock geochemistry focusing on the contact region of the ignimbrites and the underlying volcanoclastic units of the Choiyoi Formation occurring over the entire property to be followed by more detailed work to locate drill targets is recommended.

Details of the proposed program, which consists of a Stage 1: Preliminary Feasibility Stage and Stage 2: Detailed Feasibility, are contained in the La Cabeza Report.

### **ESTELAR GOLD/COPPER PROJECT - ARGENTINA**

The following information is extracted from and is qualified entirely by the more detailed disclosure contained in a report on the properties held by Estelar Limited prepared by Mr. Ruben S. Versoza, P.Eng., an independent qualified person under National Instrument 43-101 (the "**Estelar Report**"). A full copy of the Estelar Report has been filed and is available for viewing on the Issuer's profile at [www.sedar.com](http://www.sedar.com).

Estelar owns mineral concessions covering gold and copper prospects in Catamarca and San Juan provinces in west central Argentina. The prospects are the Quispe located in southwestern Catamarca Province and the El Salado-Llanos Ricos, Dolores and Rosarita all located in San Juan Province, west central Argentina. Estelar acquired the mineral concessions from Argentina Mineral Development S.A.

("AMD") under an agreement dated August 2001. In the agreement AMD transferred all of its rights to the concessions making Estelar a 100 percent beneficial owner. AMD retains a two percent Net Smelter Return of future production from any of the concessions. Estelar is a British Virgin Islands company which maintains offices in Mendoza City where it carries out its exploration activities in Argentina. The exploration status of the prospects range from grass roots as in the case of the Dolores to an advanced stage as in the case of the El Salado, where extensive exploration work was conducted including the completion of 16 reverse circulation percussion holes and 14 diamond drill holes. No further work on any of the concessions has been done since the author visited the various prospects in September 2000.

### *Sources of Information*

The Estelar Report summary is largely based on information provided by Argentina Mineral Development S.A. ("AMD") and on the author's observations during his site visits to the different prospects in September 2000. The information consists of the results of exploration on the various prospects by AMD as well as by other third parties. The author was unable to visit the Quispe Prospect due to inclement weather and lack of time. His geological discussion and conclusions on the prospect is therefore based entirely on information provided by AMD as well as on geological projections from related areas in which he has become familiar. Additional information on the regional geology and stratigraphy is based on literature in the public domain. Various unpublished technical reports by AMD staff as well as reports by third parties referenced in the report were also examined by the author.

### **Property Description and Location**

The Quispe Prospect is located in Catamarca Province in northwestern Argentina. The Uspallata Prospects comprising the El Salado, Llanos Ricos and Dolores are located some 200km northwest of San Juan City, the capital of San Juan Province, Argentina.

The Rosarita Prospect is located 110km west northwest of San Juan City. The five prospects showing their locations relative to well-known gold deposits in Argentina and Chile are shown in Figure 1 of the Estelar Report at page 3 which is incorporated by reference herein

See above "La Cabeza Gold Project - Property Description and Location - permitting system in Argentina" for an overview of the Argentine system of permitting mining rights and titles.

### **Property Description**

Under an agreement with Argentina Mineral Development SA ("AMD"), Estelar became 100 percent beneficial owner of certain permit applications in the Quispe, El Salado-Llanos Ricos, Dolores and Rosarita concession groups. AMD retains a two percent Net Smelter Return royalty of production from any of the permits. The permits covering individual mineral prospects are detailed as follows:

Prospect	Core Properties	Peripheral Properties	Concession Area Km <sup>2</sup>
Quispe	MD 24-T-96 MD 262-G-95	MD 257-H-95 MD 258-T-95 MD-259-H-95 MD 139-G-96	79.6

El Salado	Cateo MD 546077-G-94	MD 546324-G-94 MD 546450-H-94 MD 546479-G-94	132.4
Llanos Ricos	MD 1139-F18-95 MD 1141-F18-95	Cateo 545911-A-94 Cateo 561-F18-95 Cateo 545862-H-94	
Dolores	None	Cateo 545666-A-94	48.0
Rosarita	MD 1307-F18-95	Cateo 545861-H-94 Cateo 1308-F18-95 Cateo 1295-F18-95	124.7
<b>Total</b>			<b>384.7 km<sup>2</sup></b>

The individual concessions are shown in Figures Q-2, SL-2 and R-2 at pages 3b, 3c, and 3d in the Estelar Report. The Quispe Prospect is located in southwestern Catamarca Province whereas the El Salado-Llanos Ricos, Dolores and Rosarita prospects are located in the western part of San Juan Province near the international boundary with Chile.

#### *Royalties and Liabilities*

Third parties have lodged competing permit applications over parts of permit 546077-G-94 which covers the El Salado copper prospect. These competing applications were lodged after AMD's permit application and are considered to be without merit. AMD has lodged objections to these third party applications.

The provincial government may levy a mine-mouth royalty of up to 3% of production and AMD will retain a 2% Net Smelter Return royalty from any production from the permits.

Other than the competing applications referred to above, no other royalties, overrides or back-in rights, payments or encumbrances to which the projects are subject. There are no known environmental liabilities at this time.

#### **Accessibility, Climate and Physiography, Local Resources and Infrastructure**

##### *Access*

All of the prospects of the Uspallata Property are accessible by four-wheel drive vehicle and all are located within 25km of maintained highway. The principal access to the property is via Mendoza City's international airport served by regular commercial jet from Buenos Aires and Santiago, Chile.

The Quispe Prospect is accessible by 15km of bulldozer tracks that branch off Highway 60 some 80km west of the town of Fiambala. Paved roads connect Fiambala with the provincial capital of San Fernando Del Valle de Catamarca.

Access to the El Salado-Llanos Ricos prospects is by 25km of dirt tracks that branch off Route 424 some 8km west of Maliman de Abajo. The unpaved Route 424 has recently been upgraded by Barrick Gold to provide all- weather access to their Pascua Lama gold project.

The easiest access to the Rosarita Prospect is via 15km of good gravel road that branches off Route 412 at Villa Coral some 13km by road north of Calingasta.

#### *Local Resources and Infrastructure*

The high altitude and cold climate in the immediate vicinity of the Quispe Prospect limits land use to exploration and mining activities. The nearest town of Fiambala some 50km to the east can provide basic services and supplies such as fuel, food, hotel accommodations and telephone. The larger town of Tinogosta, 50km farther south can provide better services including the use of an airstrip.

In the region, from Rosarita northwards to the El Salado- Llanos Ricos Prospects, land use is currently confined to sporadic grazing for sheep, goat and cattle. The land is generally rocky and bare owing largely to the arid climate. From El Salado, the nearest town of any size is San Jose de Jachal where basic supplies and services can be sourced. The future development of the large Pascua Lama and Veladero gold projects some 70km to the northwest would have a positive impact on the future development of El Salado and Llanos Ricos. For the Rosarita a Prospect, the provincial capital of San Juan 110km to the east should be able to provide most essential services needed by a mining operation.

#### *Climate and Physiography*

The Estelar concessions are located on the eastern margin of the Andean Cordillera. The area varies in elevation from 2600m (Rosarita) to 4400m (Quispe) and in topography from hilly (Llanos Ricos) to rugged (Quispe).

The climate at Rosarita, El Salado-Llanos Ricos and Dolores is semi-arid to arid with precipitation generally confined to isolated summer thunderstorms between November and February and occasional snow in the winter months. Summers are warm while winters are cool to cold. Due to the semi-arid climate and elevation, vegetation is restricted to sub-alpine grass and small hardy shrubs and bushes. Watercourses are dry for most of the year but can briefly flood after heavy thunderstorms. The climate and easy access allow for year-round exploration activity on the three concessions groups.

The climate at Quispe is relatively cold due to its higher elevation, with typically light snowfalls between May and October. Much of the terrain is devoid of vegetation with alpine shrubs and grasses limited to protected slopes and adjacent to drainage channels. Due to the climatic conditions and altitude, exploration activity is currently limited to between the months of November and April. With appropriate infrastructure, the exploration season could be extended.

## **History**

### Quispe Prospect

There is no evidence of previous mining activity within the immediate Quispe project area. The small, abandoned Los Aparejos copper mine is located approximately 15km to the west. The old trail to this copper mine passes immediately to the north of the Quispe prospect and is still usable for access.

Prior to AMD acquiring the Quispe concessions in 1995, the main prospect area was held by Solitario Resources. No record or field indications exist to suggest any previous work by Solitario.

More recent work by AMD comprised geological mapping, rock chip and stream sediment sampling, ground magnetometer and induced polarization surveys and airborne magnetometer and radiometric survey; and by Newcrest Minera Argentina S.A comprised of regional geological mapping, rock chip and soil sampling and bulldozer trenching. The results of these recent works are described in later sections in this report.

### Uspallata Prospects

#### *El Salado*

There has been a small amount of historical mining activity within the El Salado Prospect. Small pits and trenches are located on outcropping oxide copper mineralisation at the main El Salado prospect, however any production is unlikely to have been greater than several tens of tonnes.

Approximately 3 kilometres east of Estelar's El Salado prospect, lead- zinc-silver mineralisation has been exploited from several quartz-carbonate veins. The abandoned mines are also named El Salado. Details on production and the dates they took place are not known although the old workings and existing ancillary facilities suggest several thousand tonnes of ore could have been mined.

Oxide copper mineralisation in narrow veins occurs some 2-3km southwest of the main El Salado prospect. A number of small workings on the veins suggest limited production of only a few hundred tonnes.

The El Salado prospect was identified as a colour anomaly on Landsat imagery. Subsequent ground follow-up proved the colour anomaly to be related to pervasive potassic alteration and mineralisation characteristic of a porphyry system. Work by AMD comprised reconnaissance mapping and geochemical sampling. At Llanos Ricos, AMD undertook some limited geological reconnaissance.

In 1995-96, the El Salado and Llanos Ricos concessions were farmed out under a Joint Venture agreement to Puma Minerals Exploration, a subsidiary of Bema Corporation. Both prospect areas were covered by an airborne magnetic survey. At El Salado, Puma conducted geological mapping, rock chip sampling, ground IP and magnetometer geophysical surveys and petrographic studies followed by an extensive programme of Reverse Circulation percussion

drilling and diamond drilling. At Llanos Ricos, Puma completed geological mapping, soil and rock chip geochemical sampling, gradient array IP geophysical surveys and diamond drilling. Puma withdrew from the Joint Venture in December 1996. Full details of Puma's work are discussed in later sections of this report.

#### *Llanos Ricos*

Some small workings are located on base metal showings to the southwest of the Llanos Ricos Prospect. No records are available pertaining to the workings.

#### *Rosarita Prospect*

The Mina Marina Antonio and Mina Rosario located within the Rosarita concession are old mining sites. No record is available of past production. More recent exploration work by AMD, Puma Minerals and Battle Mountain Gold Exploration on the Rosita concessions is described in a later section of this report.

#### *Dolores Prospect*

The Dolores Prospect area is entirely covered by alluvium. Other than the prospect's inclusion in the airborne geophysical survey of the El Salado-Llanos Ricos areas, no other record exists of any previous exploration in the Dolores.

### **Geological Setting**

#### *Regional Geology*

#### *Quispe Prospect*

The Quispe project area is located within a largely north-south trending belt of Upper Palaeozoic sediments and volcanoclastics and Tertiary to Quaternary volcanics on the eastern margin of the Argentine Andes. The Paleozoic sequence comprises Carboniferous non-marine coarse clastics and shales and Permian to Permo-Triassic marine and non-marine calcareous sediments, limestone, tuff and basaltic conglomerates. The Permo-Triassic sequence is intruded by porphyritic stocks and dykes of probably Triassic to Tertiary andesites, dacites, diorites and rhyolites. Tertiary and Quaternary basalts cover overlie older units to the west.

The dominant regional structures trend northwest to northeast. The Quispe concessions lie within a northwest lineament that extends into the Maricunga mineral district in Chile.

Numerous small occurrences of intrusive-related mineralisation are located within the Palaeozoic sequence, the nearest occurrence being the Los Aparejos skarn copper mine approximately 15 kilometres to the west of Quispe.

#### *Uspallata Prospects*

El Salado- Llanos Ricos, Dolores and Rosarita all lie within the Uspallata graben. The graben is a northerly regional structure extending over 350 kilometres and up to 50 kilometres wide. The

graben is underlain and bounded by Cambro-Ordovician sediments and ultramafics, Carboniferous sediments, Permo-Triassic felsic volcanics, intrusives and sediments, Tertiary lacustrine sediments and acid intrusives and Quaternary basalts and andesites. The area forms part of an extensive Permo-Triassic magmatic arc that extends from northernmost Chile to southern Argentina.

A number of centres of porphyry and epithermal mineralisation occur over the extent of the Uspallata Graben. These include the Paramillos Sur (Cu-Mo-Au), Yalguaraz (Cu-Au) and San Jorge (Cu-Au) prospects in the southern section of the graben, the Casposo (Au-Ag), Castano Nuevo (Au) and Chito (Cu) prospects in the central portion of the graben and the recent AMD discovery of El Salado (Cu-Au) at the northern end of the graben.

The Rosarita and the Dolores Prospects are situated at the center and northern half of the graben, respectively.

Northwesterly cross-faults are important in focusing intrusives and associated hydrothermal activity both within and outside the graben. The world-class Pascua-Lama and Veladero high sulphidation epithermal gold deposits are located on one such structure 40-50km northwest of El Salado.

### Prospect Geology

#### *Quispe*

The Quispe Prospect area is underlain by a sequence of northeasterly Permian quartz sandstones with minor arkose and conglomerate that have been intruded by a multi-phase igneous complex. The igneous phases include an early microdiorite and later dykes/stocks of quartz feldspar porphyry, hornblende dacite porphyry and andesite porphyry. The intrusive complex, which is approximately 2.5km in diameter, appears to be located at the intersection of northwest to northeast regional structures.

The microdiorite phase occupies the central portion of the intrusive complex and outcrops over an area approximately 2km x 1.5km. The intrusive is strongly magnetic with abundant fine-grained magnetite. The microdiorite is the probable source of the strong airborne magnetic anomaly located over the Quispe prospect. Breccias with abundant magnetite in the matrix locally occur at the margins of the microdiorite. In general, the microdiorite is only slightly propylitized with some quartz and magnetite veining.

Quartz-feldspar porphyry outcrops over a 400m x 500m area in the northern part of the prospect where it intrudes both the sedimentary sequences and the microdiorite. Pyrite occurs as disseminations and stringers in the quartz-feldspar porphyry, which locally can be as much as seven percent of the rock. Quartz-tourmaline breccias and veins occur in the intruded sedimentary rocks.

At the southern end of the prospect, hornblende dacite porphyry stocks up to 150 metres across intrude the sedimentary sequence resulting in strong alteration haloes of widespread sericite and clay-silica. Quartz veining and secondary copper mineralisation have been observed in the intrusive rock.

Andesite porphyry outcrops on the eastern and western margins of the prospect and is most likely a later phase of the microdiorite.

The prospect area is intensely faulted with a conjugate set of northwest and northeast faults. Several east-west structures also occur within portions of the prospect.

### *El Salado*

The El Salado concessions are largely underlain by a Permo-Triassic granodiorite stock, felsic and mafic dyke swarms and Tertiary intermediate intrusives. There are minor areas of Carboniferous marine and continental sediments and Permo-Triassic acid volcanics on the margins of the project area.

The main El Salado Prospect is underlain by a variably altered quartz-biotite-hornblende feldspar granodiorite porphyry stock of Tertiary age that has intruded older Permo-Triassic coarse-grained granodiorite and mafic/felsic dykes. The Tertiary granodiorite is distributed over an area approximately 2300m x 2000m (4.6 sq. km). Structural orientations are from northwest to east west.

Alteration of the Tertiary stock progresses from argillic to phyllic towards a central core comprising secondary biotite, K-spar, magnetite and quartz stockworks. This core of potassic alteration covers an area approximately 1000m x 800m. The magnetite occurs as dissemination, blebs and veinlets. An increase in sericite and decrease in secondary Kspar defines an outer potassic alteration zone. Phyllic to argillic alteration occurring as a shell surrounding the potassic alteration core comprises quartz-clay-pyrite + sericite. At surface much of the pyrite has been leached leaving a silica-clay rock. The recessive potassic alteration zone forms a depression rimmed by the relatively more resistant quartz-rich phyllic alteration zone.

Copper and minor gold mineralisation at El Salado is predominantly associated with the potassic alteration zone with higher grades in quartz stockworks with lesser magnetite. Primary minerals comprise chalcopyrite and pyrite while secondary minerals include chalcocite, covellite, malachite, azurite, chalcocite, brochantite and minor native copper. Gold is consistently present in low quantities and minor molybdenum has been noted.

Approximately 3km east of the El Salado galena, sphalerite and chalcopyrite has been mined from quartz-calcite-barite-siderite and pyrite veins. The veins are up to 500m long and between 0.5 and 1.0m wide.

### *Llanos Ricos*

The Llanos Ricos Prospect area is underlain by Devonian marine sediments, Carboniferous continental and marine sediments, Permian acid to intermediate intrusives, Lower-Mid Tertiary intrusives, Upper Tertiary volcanics and sediments and Quaternary conglomerates, sandstones and gravels.

The central portion of the prospect comprises a Tertiary intermediate- felsic igneous complex approximately 15 kilometres in diameter that has been intruded into highly indurated Carboniferous mudstones and greywackes. Gravel conceals a large portion of the intrusive

complex, which has a prominent airborne magnetic signature. The intrusives are extensively altered, showing propylitic, argillic and potassic alteration. The alteration is accompanied by quartz veining and flooding, specular hematite, magnetite and tourmaline occurring in veins, stockworks and breccia matrix. In places, tourmalinisation is pervasive exhibiting massive bodies of quartz-tourmaline breccia.

In the southeast portion of the prospect area (East Pass prospect), quartz-tourmaline bodies within argillic and potassic dioritic intrusives contain anomalous gold. Geological mapping and Induced Polarization surveys indicate this alteration zone to be 4000 metres long by 600 metres wide. Limited drilling confirmed potassic alteration of the diorite and granodiorite. Pyrite is associated with the argillic alteration occurring as disseminations and as stringers comprising up to five percent of the rock.

### *Dolores*

The immediate area of the Dolores Prospect is entirely covered with alluvium. However, the Dolores being within the Uspallata graben and only a short distance south of El Salado would suggest that Paleozoic sediments intruded by granitic plutons similar to those at El Salado would underlie the prospect. A very pronounced airborne magnetic anomaly covers the Dolores concession.

### *Rosarita*

The Rosarita property is underlain by Carboniferous quartzites intruded by Permo-Triassic dioritic rocks resulting in the development of hornfels along the intrusive contact. Minor narrow white quartz veins with Cu-Pb-Zn mineralisation are present in the quartzites but they are not considered to be of economic significance. These steeply dipping veins trend from northwest to north.

On the western portion of the property, the quartzites are covered by a volcanic–pyroclastic sequence of the Permo-Triassic Choiyoi Group. The sequence comprises a lower unit of andesitic flows and greenish andesitic tuff overlain by rhyolitic flows, pyroclastic breccias and rhyolitic ignimbrites. These felsic units are southerly extension of similar rocks that host the gold-silver mineralization at Battle Mountain's Casposo property adjoining the Rosarita to the north.

North-south and east-west trending rhyolitic dykes between 20-30 metres wide and up to several kilometres long have intruded all the above units. Other aphanitic andesitic dikes up to 5 metres wide are present in the area.

## **Deposit Types and Mineralisation**

### *Quispe Prospect*

There are two styles of alteration and mineralisation recognized at Quispe. These are gold mineralisation in shear zones in sediments and porphyry copper gold-molybdenum mineralisation associated with the hornblende dacite porphyry phase of the intrusive complex. The two styles of mineralisation are probably related.

Most of the sandstone which caps much of the intrusive complex shows strong sericite+pyrite + silica alteration. Mapping shows this alteration to occur over a 2000m by 500-1000m area although colluvial material probably masks the full extent of the alteration zone. Within the sedimentary sequence, structurally controlled gold mineralisation is associated with strongly altered shear zones and breccias. Gold values up to 14ppm have been obtained from rock chip samples of siliceous and quartz-veined shear zones. Elsewhere, the sericite-silica-pyrite altered sediments are only weakly anomalous in gold with values up to 100ppb Au. Where the structures cut microdiorite, alteration is mainly propylitic with chlorite-epidote + quartz- magnetite veins where gold grades are generally low. Structurally controlled quartz veins within the more felsic quartz-feldspar porphyry carry gold values up to 2ppm suggesting gold deposition preferring quartz-rich lithologies.

Porphyry-style copper mineralisation occurs in one poorly exposed outcrop of hornblende dacite porphyry located approximately 500 metres to the south of the gold zones. Parts of the porphyry have undergone potassic alteration comprising biotite, K-feldspar and magnetite occurring as veins and irregular patches. Shear zones within the porphyry show intense argillic alteration with abundant disseminated specular hematite.

A quartz stockwork zone with malachite and azurite occurs over a width of 100 metres but most of which is concealed by overburden. In general, the gold grade of the stockwork zone is low (<200ppb Au); however gold grades up to 1 ppm have been found to occur in shear zones in the porphyry. Gold appears to be evenly distributed in the stockwork zone and does not vary with changes in copper content. Base metal veins containing galena, sphalerite and molybdenite were exposed in trenching adjacent to the copper mineralisation.

### *El Salado-Llanos Ricos Prospects*

Both porphyry style and vein type of deposits are present at El Salado. Copper and minor gold mineralisation is predominantly associated with the potassic alteration zone with higher grades in quartz stockworks with lesser magnetite. Primary minerals comprise chalcopyrite and pyrite while secondary minerals include chalcocite, covellite malachite, azurite, chalcocite, brochantite and minor native copper. Gold is consistently present in low quantities and minor molybdenum has been noted.

Approximately 3km east of the El Salado galena, sphalerite and chalcopyrite has been mined from quartz-calcite-barite-siderite and pyrite veins. The veins are up to 500m long and between 0.5 and 1.0m wide.

At the Llanos Ricos, the mineralisation and alteration although less pervasive than El Salado, potential exists for a porphyry copper deposit in Tertiary intrusives as well as for low sulphidation epithermal gold associated with Permo-Triassic intrusives and felsic volcanics.

#### *Dolores Prospect*

The Dolores Prospect is at the grass roots stage of exploration awaiting ground follow-up. The magnetic signature over the prospect from an earlier airborne survey suggests a porphyry system similar to the El Salado.

#### *Rosarita Prospect*

There are two occurrences of known mineralisation within Estelar's Rosarita property. Both of these occurrences are covered by small mining leases held by third parties. At Mina Maria Antonio, a north-south argillized shear zone up to 20 metres wide and 200 metres long occurs within fresh granodiorite. Secondary copper (gold) mineralisation in association with silicification, quartz veining and tourmaline alteration is localized where the shear zone is intersected by northwest-southeast structures. At Mina Rosario (Mina Rosarita), a quartz vein in sediments close to the contact with a granodiorite intrusive has been mined for secondary copper mineralisation. The north trending vein, which is between 0.5-5.0 metres wide also contains anomalous lead and zinc values.

### **Exploration**

#### *Recent Exploration*

At the northwest corner of the Rosarita concession, an extensive zone of weak propylitic alteration surrounds narrow zones of argillic and minor silicic alteration. These argillic zones are southeast extensions of the silicified alteration zones hosting gold and silver mineralisation at Intrepid's (formerly Battle Mountain) Casoso project adjoining the Rosarita concession to the north.

AMD is the former owner of the five prospects described in this report. The original concessions covering the prospects were acquired on the results of preliminary regional studies by AMD of that part of Argentina utilizing Landsat imagery and airborne geophysical surveys. On the basis of the preliminary studies other companies entered joint venture agreements with AMD and each individually carried out exploration programmes on the concessions. The companies that carried out major programmes were Puma Minerals Exploration (1995-1996), Newcrest Minera Argentina, SA (1997) and Battle Mountain Gold Exploration (1999-2000). The type of surveys conducted and the results of the surveys are summarized in the following sections. Puma Minerals is a subsidiary of Bema Corporation.

#### *Exploration by AMD (1995-96)*

##### *Quispe Prospect*

Regional exploration by AMD comprised reconnaissance geological mapping and prospecting, regional stream sediment sampling and completion of an airborne magnetometer and radiometric

survey. Exploration on the main Quispe prospect included geological mapping, rock chip and stream sediment sampling, ground magnetometer and Induced Polarization surveys.

#### Airborne Magnetometer Survey

A 5200 line-km airborne magnetometer/radiometric survey was completed over the original Quispe concession area. The survey, which was undertaken by World Geoscience Inc. was flown in a north-south direction and covered approximately 930 square kilometres. Line spacing was 500 metres and the flying height was 137 metres. The survey showed a prominent magnetic anomaly over the main Quispe prospect located at the intersection of northeast and northwest structures. The magnetic anomaly coincides with a weakly altered to fresh microdiorite intrusive containing localized magnetite in veining and in breccia matrix associated with later alteration. There is a strong magnetic signature over andesitic pyroclastics in the eastern portion of the concession. Several 'magnetic lows' within a plateau of elevated magnetic readings may be related to alteration accompanied by the destruction of magnetite.

#### Regional Geochemical Sampling

As part of a regional reconnaissance programme of the entire Quispe project area, a total of 32 BLEG stream samples and 28 rockchip samples were collected from various parts of the concessions. No significant anomaly was found.

#### Geological Mapping

AMD completed 1:10,000 scale mapping over an approximate 3km by 2km area. Details of the geology of the Quispe prospect have been discussed above.

#### Rockchip Geochemical Sampling

Twenty-eight rock chip samples were collected from areas of quartz veining and alteration from both the gold and copper zones. Gold values from quartz vein material ranged from 0.23 to 1.7ppm Au. A bulk sample taken over a 100m x 30m area assayed 0.37ppm Au. No significant gold was found in the microdiorite porphyry.

Sampling of secondary copper mineralisation associated with quartz stockworks in the hornblende dacite porphyry copper target area returned values up to 2.6% Cu and 0.1ppm Au. Molybdenum values were up to 196ppm.

#### Stream Geochemical Sampling

A total of 34 BLEG and 16 80-mesh stream sediment samples were collected from streams draining the immediate intrusive complex area. Streams draining the known gold zones assayed up to 10.8ppb Au. The stream sampling also highlighted potential for additional gold zones up to 1 kilometer to the north of and east of the known gold mineralisation with BLEG values to 22ppb Au and 80-mesh sample values to 73ppb Au. Subsequent rockchip sampling by Newcrest identified new zones of outcropping gold mineralisation.

## Ground Geophysical Surveys

Using company-owned geophysical equipment, AMD undertook a grid based ground magnetometer survey, a gradient array induced polarisation (IP) survey and several lines of dipole-dipole IP.

A total of 12.8 line-km of ground magnetometer outlined the unaltered microdiorite and a number of northeast and northwest structures; however, there does not appear to be an obvious magnetic response over defined zones of gold mineralisation.

A total of 12.8 line-kilometres of gradient array IP were surveyed using 200 meter spaced lines and a 100 meter receiver station spacing. The data shows a zone of high to very high chargeabilities (30Mv/V-60Mv/V) extending over a minimum northerly strike of 1000 m with the chargeability anomaly open to the south. The zone of high chargeability overlies, at least in part, the outcropping phyllic (quartz-sericite-pyrite) altered sediments and would indicate a sulphide content of 4-5%. The area of outcropping secondary copper mineralisation and quartz stockworks is associated with a resistivity high surrounded by the chargeability high suggesting a zoned hydrothermal system with the peripheral chargeability anomalies relating to pyritic phyllic alteration. The strongest zone of chargeability (+60Mv/V) is peripheral to the outcropping copper mineralisation.

Five lines of 100- meter dipole-dipole IP were surveyed across the zones of strongest chargeability to better define the gradient array anomalies. Chargeability values up to 99Mv/V were recorded in the southwestern portion of the surveyed area. Geological interpretation at Quispe strongly suggests a copper porphyry system.

### *El Salado-Llanos Ricos Prospects*

The El Salado area was initially selected to investigate a number of colour anomalies evident on enhanced Landsat imagery. In particular, a very strong circular alteration anomaly associated with what is now the El Salado porphyry copper prospect was selected for further evaluation. Ground follow up in mid-1994 revealed that the circular colour anomaly was due to strong phyllic (quartz-clay-pyrite) alteration associated with a stock of Tertiary granodiorite that had intruded Permian granodiorite. Oxide copper mineralisation was located in the central eroded portion of the stock. AMD subsequently undertook a programme of reconnaissance geological mapping and some rockchip sampling of the El Salado prospect.

## Reconnaissance Geological Mapping

The geology of El Salado prospect comprises a stock of Tertiary porphyritic granodiorite some 2 kilometres in diameter that has intruded a Permian granodiorite. Phenocrysts within the Tertiary granodiorite porphyry include quartz, feldspar and biotite. The Permian intrusives have also been intruded by mafic and felsic dykes of probable Permo- Triassic age. The Tertiary intrusive stock, which forms a circular body some 2 kilometres in diameter, appears to have been controlled and emplaced along a northwesterly trending structure. The granodiorite has undergone hydrothermal alteration showing a central potassic alteration zone comprising secondary biotite + magnetite veins, k- feldspar veining/flooding and quartz stockworks surrounded by a halo of strong phyllic alteration including the development of gossan. The potassic zone covers an area approximately

one square kilometer. Copper mineralisation comprising malachite, azurite, atacamite with minor chalcocite and cuprite is associated with quartz-sulphide stockwork and sheeted veins within sections of the potassic alteration zone.

### Geochemical Sampling

AMD completed rockchip sampling and some limited BLEG stream geochemical sampling on the El Salado porphyry prospect. Sampling from the altered and mineralized porphyry (19 samples) returned maximum values of 7.44% copper, 0.57ppm gold and 559ppm molybdenum. Average assay values for the 19 samples were 1.39% copper 0.28ppm gold and 47ppm molybdenum. Limited sampling (2 samples) of the unaltered Permian granodiorite host returned maximum values of 140ppm copper, 0,02ppm gold and 3ppm molybdenum.

A single BLEG stream sample taken from the creek immediately draining the porphyry alteration system returned anomalous values of 5.8ppm Cu, 7.9ppb Au and 50ppb Ag.

### *Rosarita Prospect*

The Rosarita area was initially selected to investigate a number of colour anomalies evident on Landsat imagery. Ground evaluation in 1994 identified areas of intense argillic alteration, moderate silicification and some evidence of sulphides in porphyritic felsic units, however very limited rock chip sampling (3 samples) failed to identify any significant anomaly. Sampling of old workings at Mina Rosario returned values up to 2.8% Cu, 2.7% Pb and 8800ppm Zn with negligible gold or silver values. Sampling of quartz vein material at Mina Maria Antonio some 1800 metres north of Mina Rosario returned values up to 0.72ppm Au, 28ppm Ag, 1.05% Cu, 3740ppm Pb, 2300ppm Zn and 8.5% As.

### Exploration by Newcrest (1997)

#### *Quispe Prospect*

In January 1997, Newcrest Argentina S.A. took an option on the Quispe property. Newcrest completed regional mapping and geochemical sampling over most of the concession. On the main Quispe prospect, Newcrest completed geological mapping, geochemical sampling and bulldozer trenching. The results of their work are summarized as follows:

#### Regional Geological Mapping & Sampling

Newcrest completed regional reconnaissance mapping including ground follow up of Landsat colour and airborne magnetic anomalies. In addition, Newcrest collected 127 rock chip samples and 4 BLEG stream samples. Apart from the main Quispe prospect the only other prospect warranting further appraisal was Punco Norte.

Punco Norte, located approximately 7km east of Quispe is underlain by a sequence of quartzite, calcareous sandstones and limestones that has been intruded by stocks and dykes of hornblende andesite porphyry. The calcareous units have undergone sericite limonite alteration while the sandstones and quartzites had developed in them stockworks of quartz and pyrite stringers and occasional magnetite-pyrite veins. Rock chip sampling of the magnetite-pyrite veins returned

gold assays to 200ppb Au while samples of the quartz-pyrite stockworks returned up to 110ppb Au.

### Geochemical Sampling

Newcrest undertook a systematic rock chip sampling programme. Initially, samples of outcrop, sub-outcrop and coarse talus were taken on an approximate 50m x 50m grid 16 pattern. Areas of interest were followed up with more detailed sampling. In addition soil and/or fine talus samples were collected from selected areas. A total of 276 rockchip samples and 57 soil/fine talus samples were collected.

The geochemical sampling confirmed previous sampling by AMD and delineated a number of new zones of anomalous gold geochemistry. Several of these new zones are the source of anomalous gold stream geochemistry identified in AMD's exploration. Sixty-one rock samples returned gold values in excess of 100ppb Au with 23 samples assaying greater than 500ppb Au. The maximum value rock chip assay is 14.49ppm Au.

### Trenching

Newcrest completed 1915 metres of bulldozer trenching in eight trenches testing five separate gold target areas. The trenches are shown on the rockchip geochemical assay map.

Not all trenches succeeded in reaching bedrock. Newcrest collected 428 channel samples over average sampling widths of 2.85metres. Trench assays are as follows:

T1	6 m @ 0.36g/t Au
T1A	15 m @ 0.43g/t Au and 39 m @ 0.56g/t Au (Note: mineralized intervals separated by 30m of colluvial scree)
T2	8 m @ 0.31g/t Au and 46 m @ 0.20g/t Au
T3	42 m @ 0.33% Cu, 0.21g/t Au
T4	No significant results
T5	39 m @ 1.22g/t Au include 6m @ 1.77g/t Au and 6m @ 4.12g/t Au
T6	No significant results
T7	11 m @ 0.76g/t Au
T8	18 m @ 0.21g/t Au, 15 m @ 0.30g/t Au and 9 m @ 0.32g/t Au

All trenches were designed to test gold anomalies from previous rockchip sampling. Several zones of highly anomalous gold were not trenched due to steep topography. These include a 150-meter zone located 200 metres north of Trench 5 with gold values between 0.12-14.49ppm Au and a 500-meter zone located 750 metres south west and 250 metres topographically above the copper zone with gold values between 0.28-0.74ppm.

### Exploration by Puma Minerals (1995/96)

On the El Salado concession, most of Puma's exploration effort was focused on evaluation of the El Salado copper porphyry prospect. Here, Puma conducted geological mapping, rock chip sampling, ground IP and magnetometer surveys, petrography plus an extensive programme of Reverse Circulation percussion drilling and diamond drilling.

At Llanos Ricos, Puma concentrated on the evaluation of an intense, large magnetic anomaly associated with altered Tertiary intrusives where geological mapping, soil and rockchip sampling, gradient array IP geophysical surveys and diamond drilling were completed.

The evaluation of the Dolores Prospect was limited to its inclusion in the airborne magnetometer survey.

### Airborne Magnetic Survey

Airborne magnetometer survey identified a strong discrete magnetic anomaly coinciding with the El Salado potassic alteration zone. This anomaly appears associated with magnetite veining.

A large and intense 15km by 10km magnetic anomaly overlies outcropping and gravel covered Tertiary intermediate to felsic intrusives in the central portion of the Llanos Ricos concession.

A number of weak but discrete magnetic anomalies that occur elsewhere in the El Salado-Llanos Ricos area were briefly evaluated with little success.

### El Salado Prospect

The El Salado porphyry copper-gold prospect was the subject of a comprehensive exploration effort by Puma Minerals over a two- year period.

### Geological Mapping

Puma completed geological mapping at 1:5000 scale over the main prospect area). This work largely confirmed previous reconnaissance mapping by AMD. The geology, alteration and mineralisation resulting from this work were fully discussed in a previous section. The more prospective potassic alteration zone probably covers an area approximately 1000m x 800m area with roughly 60% obscured by talus and gravel.

### Rockchip Geochemical Sampling

Puma collected a total of 302 rockchip samples taken from outcrops mainly in the potassic zone of alteration where the best mineralisation occurs. Most samples were five-metre composites with some specific character samples of stockwork vein material. The highest assays of 3.48% copper and 0.61ppm gold were obtained from individual chip samples of quartz-sulphide veins.

The average assays from all composite sampling (297 samples/1428 metres) were 0.25% copper and 0.21ppm gold. Excluding a weakly mineralized hydrothermal breccia zone which may not be related to the altered, mineralized intrusive, the average surface grade is 0.27% copper and

0.23ppm gold. These assays are lower than the average assays indicated by AMD's sampling and obviously reflects the accuracy of a larger and more systematic sampling programme. In general, higher gold values occur with higher copper values.

### Ground Geophysical Surveys

Puma contracted Quantec Geophysics (Chile) to complete a gradient array IP, dipole-dipole IP and ground magnetometer surveys over the prospect area. The gradient array IP survey totaling 26 line-kilometres were undertaken on 200-meter spaced north south lines with a 100-meter reading interval. The survey covered an approximate 2000m x 2400m area. Several lines were subsequently extended to close off anomalies. In addition, a single line of dipole-dipole IP using a 100-meter dipole was surveyed over 2400 metres of the E-W baseline.

### Ground Magnetometer Survey

Ground magnetometer surveys were conducted over the same grid as the IP survey. The survey defined a very strong anomaly coincident with the potassic alteration zone previously described and confirming the airborne anomaly over the concession area. From the limited drilling that followed, it may appear that better copper mineralisation is peripheral to the magnetic high.

### IP Chargeability

The IP survey show a broad halo of higher chargeability up to 28msecs around the potassic alteration zone reflecting the elevated sulphide content of the phyllic zone. There is no apparent correlation between chargeability and copper mineralisation.

### IP Resistivity

The resistivity survey highlighted a strong response over the phyllic alteration zone reflecting the high silica content with a relative resistivity low over the central zone of potassic alteration. The resistivity survey does not appear to detect the quartz veining within the potassic zone; however this could be a function of the line and station spacing.

### *Llanos Ricos Prospect*

Work undertaken by Puma at Llanos Ricos included geological reconnaissance, gradient array and dipole-dipole IP surveys, prospect geological mapping, soil and rockchip sampling and diamond drilling.

### Geological Characteristics

The Llanos Ricos area is characterized by an intrusive complex forming a circular chain of high mountains around a basin-like gravel-covered plain 4km in diameter. The intrusion of Carboniferous sediments resulted in low-grade metamorphism (hornfels) and in places higher levels of hydrothermal alteration. On the southern margin of the basinal feature, outcropping diorite shows propylitic and argillic alteration with specular hematite, magnetite and tourmaline stockworks and veining. Metamorphism extends several hundreds of metres from the intrusive contacts. Propylitic and argillic alteration accompanied by iron oxides, quartz veining and silica

flooding appears to be structurally controlled in zones up to 1000 metres long and 100 metres wide.

The airborne magnetic signature over the intrusive complex forms an east-west ovoid approximately 13km by 9km covering an area of 117 square kilometres. The central basin is associated with a magnetic 'low' covering an area 3 km by 1.5km.

### Induced Polarisation Surveys

Puma conducted an extensive gradient array IP survey over the airborne magnetic low in the center of the basin feature, the exposed alteration zones and adjacent areas of gravel cover. Approximately 100 line kilometres of gradient array IP were surveyed over a 15 square kilometer area using a line spacing of 200 metres and station spacing of 100 metres. The IP work identified two target areas, i.e., the Northwest and East Pass Prospects.

#### *Northwest Prospect*

The Northwest IP target is a zone of elevated chargeability with associated low resistivity covering a 5.5km by 3.5km area. The anomaly, which trends roughly northwest, is coincident with the airborne magnetic "low" anomaly. The IP anomaly is largely covered by gravel with sparse outcrops of unaltered arkosic wackes. Puma completed two lines of dipole-dipole IP over the gradient array anomaly to provide better definition. This work indicated that the gradient array IP anomaly is possibly related to two northwesterly structural zones close to largely unaltered sediment.

Puma collected 44 rockchip samples of the outcropping sediments and obtained a best result of 200ppb gold from a weakly iron-stained graywacke.

#### *East Pass Prospect*

The East Pass prospect is located approximately five kilometres southeast of the Northwest IP target. The prospect is defined by a coincident airborne magnetic high, gradient array chargeability anomaly and hydrothermal alteration and further characterized by abundant silica +/- tourmaline breccias and stockworks within argillized black shales and diorites outcropping over a 1000 meter by 300 meter zone.

### IP Survey

The area of exposed alteration is approximately 1000 metres by 300 metres; however the gradient array IP surveys suggest the outcropping alteration is part of a larger zone extending over a 4000 meter by 500-1200 meter area. A single line of dipole-dipole IP survey using both 50m and 100m dipoles confirmed a coincident chargeability high and resistivity low anomaly extending over a width of 600 metres on the line surveyed.

### Geochemical Survey

Puma collected 40 rockchip samples from outcrops in the vicinity of the tourmaline breccias. Twenty samples carried gold values between 30-100ppb while another five samples carried gold

values greater than 100ppb with a maximum value of 17.1 ppm from a quartz breccia in argillized intrusive. Detectable gold was obtained from all altered rock samples including arkosic wackes, diorite, hornblende porphyry, quartz tourmaline breccia, quartz tourmaline stockworks and sugary silica-tourmaline rock.

In addition, Puma collected 86 soil samples on 5 lines. Line spacing was 100-200 metres with sample intervals of 25 metres. The soil sampling returned anomalous gold assays to 180ppb in the vicinity of silicified tourmaline breccias and altered monzonite intrusive.

### *Rosarita*

#### Airborne Magnetometer Survey

Puma's airborne magnetometer survey identified a strong magnetic anomaly in the central-eastern portion of the license area. Ground follow up showed the anomaly to be due to a largely unaltered body of granodiorite. The intrusive is cut by quartz- feldspar porphyry dykes with occasional parallel structural zones displaying variable argillic and silicic alteration and local copper-oxide mineralisation.

Twenty rock chip samples from the granodiorite and diorite attributed to the airborne magnetic anomaly failed to identify any geochemical anomaly.

#### Rosarita Norte Prospect

This prospect is located at the northwest corner of the property and is underlain by a sequence of acid crystal and lapilli tuffs showing extensive propylitic alteration with lesser, restricted zones of clay -sericite and silica alteration. This alteration forms part of a much larger body of altered volcanics that extends northwesterly from Estelar's concession into Intrepid's Casposo project.

Rockchip sampling of silicic alteration and quartz veining by Puma returned gold values up to 600ppb with anomalous mercury and barium. Soil sampling returned sporadic gold values to 520ppb with the better results at the extreme northern end of the concession boundary.

Puma completed a small gradient array IP geophysical survey over the prospect with inconclusive results.

### *Rosarita Oeste Prospect*

This prospect is located about 1500-2000 metres south of Rosarita Norte on the western flank of the large aeromagnetic anomaly defined in the airborne magnetic survey. The prospect is characterized by a 1500 meter by 500- meter area of argillic and pyrite altered andesite porphyry flows including a pyritic and highly fractured quartz- feldspar porphyry intrusive.

Rock chip and stream sediment sampling failed to define a geochemical anomaly.

Puma completed a gradient array IP survey and two lines of dipole-dipole IP survey. These surveys identified the sulphide bearing altered intrusive porphyry and andesitic volcanics but due

to the low gold values from rock chip and stream sediment sampling, Puma elected not to proceed with further work on the prospect.

## **Drilling**

### *El Salado Prospect*

Between May-June 1995, Puma drilled 16 RC percussion holes (ES 95-1 to ES 95-16) on the El Salado prospect totaling 2242 metres. Holes were sited to test geological, geochemical and/or geophysical targets mainly within the potassic alteration zone. The vertical and angled percussion holes tested the porphyry target to a maximum vertical depth of 165 metres (average vertical depth of 125 metres).

Between December 1995-November 1996, Puma drilled 14 diamond core holes (ES 95-17 to ES 96-30) totaling 2940 metres to further evaluate the deposit. The core drilling tested the prospect to an average vertical depth of 195 metres with one hole being drilled to 329 metres below surface. One core hole (ES 95-17) twinned an earlier RC percussion hole (ES 95-1) to determine possible grade variations between the two drilling methods.

In total, 30 holes for 5182 metres have tested the El Salado prospect to an average vertical depth of 160 metres over an approximate 1000m x 800m area. Hole spacing vary between 100 metres and 400 metres. Depending on elevation and location, the depth of oxidation varies between 5-60 metres below surface averaging approximately 40m. Leaching of copper and to a lesser extent, gold, has occurred in parts of the prospect.

From the drilling, metal values average 0.25-0.30% copper and 0.15-0.2ppm gold. Many holes ended in mineralisation including the deepest hole that was drilled to a vertical depth of 329 metres below surface. Supergene enrichment appears to be restricted to narrow intervals on the current water table with the best intersections being 9 metres grading 1.04% copper, 0.73ppm gold in hole ES 96-26 and 13.5 metres grading 1.02% copper, 0.53ppm gold in hole ES 96-27. Drill hole results are presented in the Table below.

Comparison of results between the twinned diamond drill holes and Reverse Circulation percussion holes showed copper values from core drilling exceeding those from percussion drilling by about 10 percent. The variations occur mainly below water table.

**Table 1: El Salado Prospect - Drilling Results**

<u>Hole No</u>	<u>From (m)</u>	<u>To (m)</u>	<u>Intercept (m)</u>	<u>Cu (%)</u>	<u>Au (g/t)</u>
ES95-1	0	152.4	152.4	0.35	0.23
ES95-2	0	152.4	152.4	0.29	0.26
ES95-3	0	152.4	152.4	0.23	0.21
ES95-4	0	158.5	158.5	0.29	0.13
ES95-6	0	158.5	158.5	0.39	0.15
ES95-9	62.5	181.4	118.9	0.21	0.14

ES95-12	29.0	164.6	135.6	0.20	0.17
	incl 53.3	164.6	111.3	0.29	0.19
ES95-13	33.5	146.3	112.8	0.31	0.16
	incl 61.0	108.2	47.2	0.37	0.19
ES95-14	4.6	54.5	49.9	0.27	0.26
	incl 6.1	27.4	21.3	0.38	0.31
ES95-15	6.1	152.4	146.3	0.31	0.12
	incl 25.9	71.6	45.7	0.53	0.11
ES95-16	9.1	170.7	161.6	0.27	0.13
	incl 30.5	89.9	59.4	0.37	0.14
ES95-17	0	227.5	227.5	0.32	0.20
ES95-18	4.0	141.5	137.5	0.27	0.19
ES96-20	9.0	251.0	243.0	0.23	0.16
ES96-21	1.0	225.0	224.0	0.24	0.18
ES96-24	9.0	201.0	192.0	0.19	0.17
ES96-25	30.5	96.5	66.0	0.19	0.12
ES96-26	50.0	150.0	100.0	0.25	0.25
	incl 50.0	59.0	9.0	1.04	0.73
ES96-27	24.0	209.0	185.0	0.26	0.26
	incl 62.0	75.5	13.5	1.02	0.53
ES96-29	2.0	210.8	208.8	0.22	0.15
	incl 72.0	128.0	56.0	0.37	0.19
ES96-30	3.0	350.0	347.0	0.18	0.11

### *Llanos Ricos Prospect*

Puma completed four diamond core holes totaling 889 metres on the East Pass prospect to test a zone of altered intrusives with a geochemical anomaly. All holes intersected strong phyllic alteration in diorite and granodiorite over their entire length. There is local strong potassic K-spar alteration with zones of tourmaline veining and lenses. Pyrite is associated with the argillic alteration occurring as disseminations and stringers comprising up to 5% of the rock, which would explain an IP anomaly from a previous survey. The drilling generally encountered barren rock with the exception of an isolated intersection of 1.5 metres grading 2.44gpt Au in Hole EP 96-4.

### *Rosaria*

Puma completed a 2011 meter combined diamond and Reverse Circulation percussion drilling programme in 14 holes within an area 1000m by 600m. Most holes intersected propylitically altered volcanics with insignificant gold values. Several holes at the northern end of the prospect intersected zones of variable argillic and silica alteration with occasional brecciation; however gold grades were low with the best intersection being 0.22ppm Au over 1.5 metres in hole RN 95-1. It appears that the gold anomalies from previous surveys may have been transported from the Casoso project area.

### *Battle Mountain Gold Exploration (1999-2000)*

#### *Rosarita Prospect*

In 1999, Battle Mountain Gold under an agreement with AMD investigated the Estelar's Rosarita Prospect for extensions and repetitions of epithermal gold and silver mineralisation of their Casoso deposit some 400-500 metres to the north. Battle Mountain conducted geological mapping, rockchip and stream sediment sampling, an airborne EM-Magnetometer and ground CSAMT surveys.

#### Geological Mapping

Regional geological and structural mapping was conducted over 70% of the concessions at a scale of 1:10,000. Felsic volcanics predominating at the northwestern portion of the concessions are intruded by felsic dykes. The new mapping confirmed the three previously defined areas of alteration at Rosarita Norte, Rosarita Oeste and Rosarita Central (Mina Maria Antonio).

#### Geochemical Survey

Sixteen stream sediment samples from drainages on the northwest part of the property indicated elevated arsenic and mercury values associated with zones of alteration. Gold values were low.

In addition, ninety-six rock chip samples were collected from selected zones of alteration. At Rosarita Norte and Rosarita Oeste, sampling showed anomalous mercury and/or arsenic although with generally low gold values. At Rosarita Central (Mina Maria Antonio), anomalous gold values to 2.95g/t with associated anomalous As, Ag, Cu, Pb, Zn and Hg were obtained from samples of quartz veining and silicification.

### Airborne Geophysical Survey

A combined helicopter-borne magnetometer and electromagnetic survey was conducted over a 10 square kilometer area in the NW portion of the Rosarita. A total of 109 line-km were flown at an average line spacing of 200 metres. The survey was part of a larger programme flown by Battle Mountain over its Casposo project.

On the Rosarita concession, a broad northwesterly zone of high resistivity coincides with the felsic volcanics that underlie much of the northwest portion of the property. It would appear that the felsic volcanics are southeast extension of similar rocks that host gold and silver at Intrepid's Casposo deposit to the north.

### CSAMT Ground Geophysical Survey

Seven lines of ground CSAMT geophysical survey totaling 14.04 kilometres were completed in the northwest corner of the Rosarita property. These surveys were undertaken to better define the resistivity anomalies outlined in the airborne survey thought to relate to zones of silicification and to evaluate areas of alteration delineated by geological mapping. The survey using Zonge equipment was undertaken by Geodatos S.A., a Chilean company. The ground CSAMT has defined a number of northwesterly resistivity anomalies, which are coincident with zones of alteration and elevated base metals. These resistivity anomalies, which are between 300-2000 metres long indicate silicification, the type of which is associated with gold and silver mineralisation at Casposo.

The only drilling operations on the prospects were those conducted by Puma Minerals at the El Salado, Llanos Ricos and Rosarita between 1995 and 1996.

### **Sampling Method and Approach**

The author is familiar only of the sampling methods of AMD, which to his knowledge represents industry standards in the exploration for precious metals. It is the author's opinion that Puma Minerals, Newcrest and Battle Mountain utilized sampling procedures more or less similar to AMD's methods. The absence of a well-developed soil horizon in the Uspallata Graben area made rock chip sampling the preferred method of geochemical surveys. Excerpts from one of AMD's geological reports describing their sampling, analytical and quality control, which the author has verified and agrees with, are as follows:

“...Rock geochemistry included selective rock and vein sampling, composite chip sampling and channel sampling. Composite sampling at La Cabeza was over 4m, 10m or 25m intervals. This method consists of collecting rock chips at measured 0.5m spacing over the total sampling width to make up the required 4-5kg samples. The chips collected at each 0.5m spacing represent the total sampling width. In order to minimize a bias on the overall sampling, vein material was sampled and analyzed separately...All rockchip samples were assayed for gold (50g Au F.A/A.A finish, 10ppb detection limit) and for a 37-element ICP analysis including Ag, Al, As, B, Ba, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, K, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Sb, Sc, Sn, Sr, Ta, Te, Th, Ti, U, V, W, Zn Zr. In addition Hg was assayed by the cold vapour method with a 10ppb detection limit. Sample preparation and gold assay were done by American Assay Laboratories (AAL) in

Mendoza while the ICP analysis was done at their laboratory in Reno, Nevada. Chemical standards prepared by Geostandards Pty Ltd and Gannet Laboratories Ltd., both of Australia were routinely inserted at 20-sample intervals in the rockchip sample series.”

“... The drill cores were placed in wooden core boxes and transported to a core shed near the camp for logging and splitting. The drill cuttings were logged and sampled at the drill site...Average recoveries for both diamond drilling and percussion drilling were 95% and 70% respectively...After the cores were logged the sampling interval were split lengthwise using a diamond saw. In 1997 the sampling interval was either 1 metre or 2 metres depending on geological features but the following year a uniform sampling interval of 2 metres was adopted. One half of the cores were submitted for analysis with the other halves stored for future reference. The core samples were placed in plastic bags, sealed and readied for the assay laboratory.

The sampling of drill cuttings utilized a cyclone and splitter arrangement at the drill collar to collect cuttings at 1-metre intervals. Depending on the geology, most samples were usually combined in a single sample bag to represent 2 or 3- metre assay composites. Sample weights including the composites varied between 7 and 12kg. Sample rejects were stored for future reference.”

### **Sample Preparation, Analysis and Security**

Similarly, the sampling procedures and quality control established by AMD are quoted from their 1999 Final Report.

*“All 1997 core samples were sent to American Assay Laboratories (AAL) in Mendoza for sample preparation and gold analyses (50g F.A/A.A finish, 10ppb detection). For further verification purposes selected samples were re-assayed for gold by fire assay in 1998 at AAL in Mendoza, AAL in Reno and ALS-Chemex in Mendoza.*

*All 1998 core samples were sent to ALS-Chemex Laboratories in Mendoza for sample preparation and gold analyses by fire assay (50gm, 0.01ppm detection). Original pulps from all samples with grade intervals > 1.0gpt Au were re-assayed by ITS-Bondar Clegg in La Serena for gold by fire assay (50gm, 5ppb detection) as part of quality control measures.*

*All 1997 drill cuttings samples were sent to American Assay Laboratories (AAL) in Mendoza for sample preparation and gold analyses. Assays were completed for gold-only (50g F.A/A.A finish, 10ppb detection). Selected samples were re-assayed for gold by fire assay in 1998 at AAL in Mendoza, AAL in Reno and ALS-Chemex in Mendoza.*

*All 1998 drill cuttings samples were sent to ALS-Chemex in Mendoza for sample preparation and gold analysis by fire assay (50gm, 0.01ppm detection). Original pulps from all samples with grade intervals > 1.0gpt Au were re-assayed by ITSBondar Clegg in La Serena for gold by fire assay (50gm, 5ppb detection) for check assays.*

*Quality control was maintained by use of geochemical standard samples inserted into the assay sequence at a frequency of 1 in 20. In addition, for the 1998 percussion drilling programme, duplicate samples were taken on site at a frequency of 1 in 20 samples.*

*In the drilling programme, acceptable assay values were maintained by the use of geochemical standards, sample duplicates and check assays. Laboratory geochemical standards supplied by Australian Geostandards Pty Ltd and Gannet Laboratories (Australia) were used in all of AMD's geochemical sampling programmes at La Cabeza.*

*In 1997, standards were inserted into both the rockchip sampling and drilling assay series at a frequency of 1 in 20 to 1 in 30 samples. In the 1998 rock chip and drilling programmes, a standard is included within the sampling series at a frequency of 1 in 20 samples. Laboratories were given explicit instructions on the use and handling of the standard. In general, a laboratory assay value for a standard within 15% of the accepted value was considered to be acceptable.*

*In the 1997 drilling programmes, large numbers of samples were submitted to the laboratory (AAL-Mendoza) in one batch. These batches often included between 3-6 standards. If there were 1 or 2 standards with laboratory assay values  $>+15\%$  of the accepted value, and the remaining standard assays were acceptable, then the overall batch of assays was accepted provided the routine repeat assaying by the laboratory was also acceptable. On account of unacceptable values, check assaying involving approximately 10% of the 1997 drill assays were instigated using AAL (Mendoza), AAL (Reno) and ALS-Geolab (Mendoza). Comparing the results from each laboratory ALS-Chemex showed better accuracy. In the 1998 drilling programme, ALS-Chemex with some exceptions, provided good to very good accuracy with assaying of standards. Of 186 standards assayed, 120 (64%) were within 5% of the accepted value; 167 (90%) were within 10% of the accepted value and 178 (95%) were within 15% of the accepted value.*

*The use of duplicate samples was employed in the 1998 percussion drilling programme. Duplicates collected on site were inserted in the sampling series at a frequency of 1 in 20 in between geochemical standards. Since the duplicate samples were not intentionally made to coincide with mineralisation many of the assays were below the detection value of 0.01 gpt Au. In general, variations in sampling rather than analytical procedures is thought to cause any difference between the values of duplicate samples. In cases where the difference exceeded 20% in assays greater than 0.10 gpt Au then check assaying became an option.*

*Check assaying was carried out at the at the completion of the 1997 and 1998 drilling programmes. Pulp samples with original values greater than 1.0 gpt Au were re-assayed by a second independent laboratory.*

*AMD selected a number of drill hole intersections grading  $> 1.0\text{gpt Au}$  from the 1997 RC-drilling programme which had originally been assayed as 3m composites. The individual 1m samples making up the original composites were re-sampled and submitted for assaying. The aim was to evaluate the distribution of gold within the 3m interval and*

*to compare the weighted average of the three individual 1m assays to the original assay of the 3m composite. A total of 83 samples were submitted to American Assay Laboratories (AAL) in Mendoza for preparation and analysis for gold (50gm fire assay, 10ppb detection). The pulps were submitted to ALS-Chemex for check assaying (50gm fire assay, 0.01ppm detection). While gold values in some holes were relatively evenly spread through each of the 3m intervals, values in other holes were heavily weighted by a single 1m high-grade assay. In some cases these narrow but high- grade interval carried across two 3m intervals.*

*Comparison of the overall gold grades indicates, with one exception, a grade reduction of between 2-36% (av.-16%) in the 1m assay intervals compared to the original 3m-assay interval. This variation in grade only affirms the typical erratic distribution of gold in most deposits”.*

### Data Verification

Except for the Quispe prospect, the author conducted a field examination of the El Salado, Llanos Ricos, Dolores and Rosarita prospects noting down the rock types, mineralisation and alteration associated with known gold and copper values. The drill sites at El Salado, Llanos Ricos and Rosarita were also visited. At the AMD office in Mendoza City, several days were spent examining exploration results and drilling records.

### **Mineral Resource and Mineral Reserve Estimate**

Estelar’s entire mineral prospects in Argentina are in the initial stages of exploration and therefore, no mineral resource estimates have been prepared.

### ***Interpretation and Conclusions***

#### *Quispe Prospect*

Preliminary exploration on the Quispe Prospect indicates a potential for a porphyry copper-gold system associated with multi-phase igneous complex intruding Permian sediments. Copper mineralisation associated with potassic alteration and quartz magnetite veining in hornblende dacite porphyry occurs at low elevations at the southern end of the prospect. Trenching of the copper zone returned 0.33% Cu and 0.21ppm Au over a sampling length of 42 metres. Topographically above the copper zone, shear zones within strongly altered sediments (sericite-pyrite + tourmaline); contain highly anomalous gold values up to 14.5ppm Au. Trenching of selected zones returned anomalous gold including 39m @ 1.2ppm Au, 39m @ 0.6ppm Au and 11m @ 0.8ppm Au. The altered sediments are thought to be roof pendants in the intrusive with the gold-bearing shear zones possibly representing the upper part of a porphyry alteration system.

The main Quispe prospect has a prominent airborne magnetic signature related to unaltered microdiorite and quartz-magnetite veining in potassic-altered hornblende porphyry intrusive. Several other discrete magnetic anomalies are located on favorable structures within the project area that may represent buried intrusive systems similar to the Quispe intrusive complex. In addition, anomalous gold geochemistry to 200ppb Au is associated with sericite-limonite altered

calcareous sandstones and quartz magnetite quartz-pyrite veining in quartzites at the Punco Norte prospect, some 7km east of the main Quispe prospect.

### *El Salado-Llanos Ricos*

Exploration by AMD and Puma Minerals at the El Salado prospect has outlined significant but currently sub-economic copper-gold mineralisation in an altered Tertiary granodiorite stock. Metal values average 0.25-0.3% copper and 0.15-0.2ppm gold. The mineralisation, which is mainly associated with potassic alteration comprising quartz-K feldspar-biotite + magnetite mineralogy, has been tested to an average vertical depth of 160 metres over a 1000 meter by 800 meter area by 30 drill holes totaling in excess of 5000 metres. Mineralisation has been shown to extend to at least 325 metres below surface. Primary copper ore comprises chalcopyrite and pyrite while secondary copper minerals include chalcocite and covellite. Copper oxides include malachite, azurite, chalcocite, brochantite and minor native copper. Secondary enrichment has occurred with copper and gold values up to 1% and 0.7ppm respectively; however drilling to date indicates the zone of enrichment may be restricted.

Drilling primarily focused on evaluation of the potassic alteration zone. Using the classic porphyry copper deposit model, potential remains to locate higher grade primary mineralisation closer to the boundary of the potassic and phyllic alteration zones which has had limited drilling. There is also potential to identify zones of secondary enrichment, especially in proximity to the contact of the heavily leached quartz-pyrite phyllic alteration zone.

At Llanos Ricos, exploration including geological mapping, IP surveys and drilling identified two large areas of hydrothermal alteration associated with Tertiary acid to intermediate intrusives. Other IP anomalies lie over large areas covered by alluvial material. These anomalies are inferred to be associated with sulphide-bearing hydrothermal alteration. One anomaly previously referred to as the Northwest IP covers an area 5.5 km by 3.5km and is coincident with a 'magnetic low'. Limited sampling of sparse outcrop returned gold values to 200ppb.

The East Pass target at Llanos Ricos is characterized by an extensive IP chargeability anomaly associated with sparse outcrops of intrusives showing strong potassic, argillic and phyllic alteration. Quartz-tourmaline veining and breccias are anomalous in gold with values up to 17gpt. The extent of alteration observed from sparse outcroppings covers an area 1000m by 300m, however the IP anomaly extends over an area 4000m by 500- 1200m indicating that the alteration zones continue under alluvial cover. Limited drilling by Puma over a small portion of the anomaly encountered strong porphyry style alteration.

### *Rosarita*

Exploration by AMD, Bema Corporation and, more recently, Battle Mountain Gold, has confirmed the potential of the Rosarita property to host low sulphidation epithermal gold silver mineralisation similar to that outlined by Battle Mountain at their Casposo prospect some 800 metres north of the Rosarita property boundary. To date, Battle Mountain has outlined a resource of more than 500,000 ounces of gold and 5,000,000 ounces of silver at a grade of 12gpt Au and 5.6 opt Ag respectively.

The western portion of the Rosarita property is underlain by felsic and intermediate volcanic pyroclastics and flows. These types of rocks are host to the mineralisation at Casposo. The structures controlling the mineralisation at Casposo and associated alteration zones extend into the AMD property. Work to date including geological, geophysical and geochemical surveys has identified three prospective areas of potential gold and silver mineralisation.

## **Exploration and Development**

### Recommendations

#### *Quispe*

The main Quispe prospect is at the drilling stage and a minimum 1000 metres of drilling is required to investigate the several IP anomalies. Gradient array IP surveys should be completed to the south of the existing survey area to determine if the porphyry alteration system extends to the south beneath colluvial cover.

Further assessment of a number of airborne magnetic anomalies and the Punco Norte alteration anomaly is required locate additional porphyry targets. Work should include geological mapping, geochemical sampling, IP and ground magnetic surveys and, if warranted, drilling.

#### *El Salado-Llanos Ricos*

Further drilling is warranted on the El Salado prospect to explore for zones of higher-grade primary mineralisation and zones of secondary enrichment. In addition, evaluation of subtle magnetic anomalies defined in the airborne survey is warranted to locate additional centers of porphyry alteration and mineralisation.

At Llanos Ricos, bedrock sampling beneath the extensive gravel cover is recommended using RAB drilling equipment at the IP anomalies at both East Pass and Northwest IP. Detailed ground magnetometer survey would be useful to help locate concealed areas of alteration.

#### *Rosarita*

Additional detailed geological mapping and rock chip sampling would help further define drill targets within the three potential areas of gold mineralisation.

## **RISK FACTORS**

### *Foreign Countries and Regulatory Requirements*

Upon completion of the Acquisition substantially all of the Issuer's assets will be located outside of North America and its mineral project in Argentina. Mineral exploration and mining activities in Argentina may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of Issuer and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Argentina's status as a developing

country may make it more difficult for Issuer to obtain any required exploration, development and production financing for Argentinian projects.

Argentina returned to a multiparty democracy in 1983 ending nearly half a century of military intervention and political stability. The Carlos Menem government initiated serious economic reforms including the privatization of many state companies. Menem implemented the Convertibility Plan, which fixed the Argentine peso to the US dollar at par fully backed by the reserves of foreign exchange, gold and dollar-denominated bonds of the Central Bank of Argentina. Results of the reforms were positive. Argentina's gross domestic product grew at up to 8% per annum in the early 1990's and inflation dropped to between 1% and 3% per annum. However, following a serious recession in 1999 and 2000, a severe political crisis occurred in late 2001. In early 2002, with five presidents in less than five weeks, the current President, Eduardo Duhalde, chose to devalue the Peso, first to US\$1.00 to Peso\$1.40, before allowing the Peso to float in February 2002. The economic reforms associated with the devaluation of the Peso included the conversion of all US dollar denominated contracts into Pesos on a one-to-one basis and all US dollar bank accounts in Pesos. At the end of December 2002, the Peso stands at Peso\$3.33 to the US\$1.00.

#### *Exploration and Mining Risks*

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of Issuer's properties has proven or estimated reserves or known body of commercial ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Issuer has relied on and may continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold, copper and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Issuer has a history of losses and it has no producing mines at this time. The remoteness and restrictions on access of certain of the properties in which Issuer has an interest will have an adverse effect on profitability in that infrastructure costs will be higher.

#### *Financing Risks and Liquidity*

Management believes that the proceeds of the Private Placement currently awaiting acceptance for filing will be adequate to meet the Issuer's financial needs for the next six months. The Issuer will need to raise additional funds by way of equity financings and/or commercial credit facilities in order to finance its additional working capital requirements beyond this point and to maintain the Cognito Option. .

Issuer has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Issuer will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the loss of the Cognito Option and forfeiture of

its investment therein. The Issuer has no earnings or dividend record and it does not anticipate paying dividends in the foreseeable future.

#### *Uninsurable Risks*

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Resulting Issuer may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Resulting Issuer.

#### *No Assurance of Titles*

Although a title opinion has been obtained on the La Cabeza and Estelar projects, there is no guarantee that title to these concessions will not be challenged or impugned. The properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The Issuer is satisfied, however, that evidence of title to La Cabeza project is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on that property.

#### *Permits and Licenses*

The operations of Issuer in Argentina may require licenses and permits for various governmental authorities. There can be no assurance that Issuer will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

#### *Metal Prices*

Factors beyond the control of Issuer may affect the marketability of any gold, copper or other minerals discovered. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors cannot accurately be predicted.

#### *Competition*

The mineral industry is intensely competitive in all its phases. Issuer competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims,

#### *Assets Outside Canada*

Since all or a substantial portion of the Issuer's assets are or will be located outside Canada there may be difficulties in effectively enforcing judgments against the Issuer obtained in Canadian courts.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Summary of Annual Financial Information

The following financial information is extracted from the Issuer's financial statements for the last three completed fiscal years and is qualified entirely by such financial statements and notes thereto filed under the Issuer's profile on www.sedar.com:

	December 31, 2002	December 31, 2001	December 31, 2000
Interest Income	\$104	\$496	\$173
General and administrative costs	\$175,324	\$160,764	\$145,678
Write-down of mineral properties	\$Nil	\$Nil	\$858,874
Loss for the period	\$460,756	\$380,884	\$973,658
Loss per share	\$0.38	\$0.03	\$0.08
Fully diluted loss per share	\$0.38	\$0.03	\$0.06
Fully diluted number of shares outstanding	1,200,994 (1)	12,254,939 (1)	15,694,939
Total Assets	\$61,709	\$407,033	\$869,018

(1) The authorized and issued common share capital of the Issuer was consolidated on a ten (10) old for one new basis effective October 10, 2002.

### Dividends

The Issuer has not in the past declared any dividends on its shares. Cash which might otherwise be available for distribution will generally be re-invested in the Issuer's properties.

## FORM 44-101F2 DISCLOSURE

### Summary of Quarterly Financial Information

The following table sets forth selected quarterly financial information of the Issuer. The quarterly data presented below is unaudited and has not been restated to reflect changes in accounting policy, or audit adjustments made in the preparation of audited financial statements at year end.

	<b>2001</b>			
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Total Revenue				
Income (Loss) from Operations	\$253,760	\$34,080	\$54,676	\$38,368
Net Income (Loss) / Share (basic)	\$0.02	\$0.00	\$0.00	\$0.00
Net Income (Loss) / Share (fully diluted)	\$0.02	\$0.00	\$0.00	\$0.00
Weighted Average Shares Outstanding	12,009,939	12,009,939	12,009,939	12,009,939

	<b>2002</b>			
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Total Revenue				
Income (Loss) from Operations	\$269,652	\$39,029	\$139,349	\$12,726
Net Income (Loss) / Share (basic)	\$0.22	\$0.00	\$0.01	\$0.00
Net Income (Loss) / Share (fully diluted)	\$0.22	\$0.00	\$0.01	\$0.00
Weighted Average Shares Outstanding	1,200,994	12,009,939	12,009,939	12,009,939

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion of the operating results and financial position of the Issuer should be read in conjunction with the consolidated financial statements and related notes thereto.

As at December 31, 2002, the Issuer had due related expenses owing to Douglas Scheving and Paul Ray, both directors of the Issuer, of \$124,725 as compared to \$52,477 in due related party expenses as at December 31, 2001, an increase of \$72,248. These amounts are cash advances to the Issuer, expenses paid on behalf of the Issuer and fees accrued but not paid to both directors. In March Of 2003 all of the liabilities of the Company were settled in either cash or through stock for debt settlements. The Issuer has been dependent for its survival upon the directors to accrue amounts owed and advance funds for payment of bills. There is no certainty that the directors will continue to fund the Issuer in the future.

### **Results of Operations**

The Issuer is incorporated under the laws of British Columbia and its principal business activities include the acquisition and development of mineral properties. The recoverability of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Issuer to obtain the necessary financing to successfully complete exploration and development and upon future profitable production.

During fiscal years 2001 and 2002 the Issuer did not incur any mineral property expenditures.

The Issuer incurred general and administrative expenses of \$175,324 during fiscal 2002 compared with \$160,764 in fiscal 2001. Since July 1993, the Issuer paid to the President and Chairman, Paul Ray or to a company controlled by Mr. Ray Cdn\$36,000 per year. Mr. Ray manages the Issuer's European office as

well as reviewing and directing the exploration of projects and negotiates the Issuer's financings. Since July 1993, the Issuer paid \$36,000 per year to a director, Douglas Scheving. Mr. Scheving manages the Issuer's Canadian office and administers the day to day affairs of the Issuer. The major cost differences were the result of increased legal fees ( up \$10,861) and increased filing fees (up \$5000.) all of which relate to the costs associated with the La Cabeza acquisition. Transfer fees increased by \$2,700 and audit fees increased by \$2700.

### **Liquidity and Working Capital**

At December 31, 2002 the Issuer had a working capital deficiency of \$126,008. Working capital at December 31, 2001 was \$43,018. This increase of approximately \$82,990 was primarily due to the write down of the value of Goldminers shares at the end of 2002 to their cash value. The remaining shares were sold for a cash consideration of \$34,800 in 2003

As the Issuer's shares have been trading below 10 cents, the Issuer recommended to shareholders at the Annual General Meeting on June 10, 2002, that shares be consolidated to one new share for every 10 old shares held, to facilitate new financing. The consolidation was approved by shareholders and became effective on October 10, 2002.

The Issuer has an option on a 50% interest in the La Cabeza Project in Argentina. It has just received TSX Venture approval to acquire the remaining 50% interest in the La Cabeza project. The Issuer is currently seeking acceptance for filing on the purchase of the Estelar Limited holdings in Argentina. In the first seven months of 2003 the Issuer has completed a private placement of 350,000 units at \$0.15 per unit to net \$52,500, a second private placement of 155,000 units at \$0.165 per unit to net \$25,575 and is currently awaiting regulatory approval on a third private placement of 1,290,000 units at \$0.25 per unit to net \$322,500.

As at December 31, 2002, the Issuer had a working capital deficiency of \$126,008. This is comprised of cash in the bank of \$22,921 (after receipt of \$26,250 for 50% of the placement) and liabilities of \$103,087

The Issuer's liabilities as at December 31, 2002 are \$148,929 and are comprised of current arms-length payables of \$24,204 (to transfer agent, auditor, legal, telephones and other suppliers) and due related party expenses of \$124,725. The due related party expenses are to Douglas Scheving, a director of the Issuer, as to a total of \$68,817 comprised of \$63,000 accrued for wages and \$5,817 for company expenses paid by Mr. Scheving and \$55,908 is owing to Paul Ray, a director and Chairman of the Issuer, comprised of \$45,000 accrued for wages and \$10,908 for company expenses and cash advances to the Issuer. In March of 2003 the Issuer eliminated all of its liabilities through a stock for debt settlement or payment in cash.

The Issuer has arranged for a private placement of 1,290,000 units at \$0.25 for gross proceeds of \$322,500. These funds will be used to pay arms-length payables and the cost of the acquisition plus property payments. The balance of the funds will be used to maintain the Issuer and to commence exploration on the La Cabeza and Estelar properties. Some of the funds will be used to make presentations to various groups who have expressed interest in funding the project once it is in a public company. The Issuer is continuing to seek financing for its projects.

### **MARKET FOR SECURITIES**

The Issuer's Common Shares are listed for trading on the TSX-V as a "Tier 2" Issuer under the trading symbol "XRC".

## DIRECTORS AND OFFICERS

### Name, Address and Occupation

The names and municipalities of residence, present positions with the Issuer and principal occupations during the past five years of the directors and officers of the Issuer are as follows:

Name, Municipality of Residence and Position Held	Principal Occupation during the past five years	First and Present Position with the Issuer
<b>Paul A. Ray</b> Monaco <i>Chairman, President, Chief Executive Officer and Director</i>	Junior resource executive and exploration consultant; Director of Golden Dynasty Resources Limited since October 1996. Chairman and chief executive of Heritage Petroleum Plc. Since February 2001.	Director, July 16, 1993 to present
<b>Douglas W. Scheving<sup>(1)</sup></b> Vancouver, BC <i>Secretary, Treasurer and Director</i>	Junior resource executive and metallurgical consultant/contractor; and Director of Golden Dynasty Resources Limited since October 1996.	Director, July 16, 1993 to present
<b>Bryce Roxburgh</b> Makati, Philippines <i>Director</i>	Professional geologist, 10 years exploration manager Climax mining (Australia)	Appointed March 2003 to present
<b>Andrew Gourlay<sup>(1)</sup></b> Bowen Island, BC <i>Director</i>	Professional geologist, 22 years employment with various mining companies.	Director, March 29, 1999 to present
<b>Yale Simpson</b> North Vancouver, BC <i>Director</i>	Professional Geologist	Elected June 10, 2003 to present

(1) Members of the audit committee.

(2) All directorships terminate at Issuer's next annual meeting.

### Committees of the Board of Directors

The Issuer has an audit committee and does not currently have an Executive Committee.

### Control of Securities

As at the date of this Annual Information Form, the Issuer's directors and senior officers, as a group, beneficially hold a total of 1,833,713 shares, directly or indirectly, representing 45% of the Issuer's common shares. Upon the approval of the private placement and the Estelar transaction currently being reviewed by the TSX Venture exchange, these holdings will increase to 2,621,713 shares representing an estimated aggregate of 41.2% of the Issuer's then estimated outstanding shares.

### **Corporate Cease Trade Orders and Bankruptcies**

To the knowledge of the directors and officers of the Issuer, no current director, or officer, or shareholder holding a sufficient number of shares to affect materially the control of the Issuer is, or within the ten years prior to the date hereof has been, a director or officer of any other issuer that, while that person was acting in the capacity of a director or officer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

To the knowledge of the directors and officers of the Issuer, no current director or officer, or shareholder holding sufficient securities to materially affect control of the Issuer, has been subject to any penalties or sanctions imposed by a court or entered into a settlement agreement with a Canadian securities regulatory.

### **Personal Bankruptcies**

To the knowledge of the directors and officers of the Issuer, other than as set out below, no current director or officer has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of the Issuer are required by law to act honestly and in good faith with a view to the best interest of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Issuer will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

Mr. Bryce Roxburgh, a director of the Issuer was one of the two vendors under the Original Cognito Option and the Second Cognito Option. Mr. Roxburgh has received 800,000 shares of the Issuer under the option agreements and may receive an additional CDN \$2,500,000 in cash or shares of the Issuer if the Cognito option is exercised.

Mr. Yale Simpson was one of the vendors of the Estelar property to the Issuer and will receive subject to regulatory approval 713,000 shares of the Issuer in consideration for his interest. Mr. Simpson became a director of the Issuer subsequent to the Issuer entering into the agreement to acquire Estelar.

To the best of the Issuer's knowledge, except as disclosed wherein there are no known existing or potential conflicts of interest among the Issuer, its promoters, directors, officers or other members of management of the Issuer as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Issuer will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers in accordance with the *Company Act* (British Columbia) will disclose all such conflicts and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **ADDITIONAL INFORMATION**

The Issuer will upon request to the Secretary of the Issuer, provide to any person or company:

- (a) When the securities of the Issuer are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,
  - (i) one copy of the AIF of the Issuer, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,
  - (ii) one copy of the comparative financial statements of the Issuer for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Issuer that have been filed, if any, for any period after the end of its most recently completed financial year,
  - (iii) one copy of the information circular of the issuer in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate, and
  - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (i), (ii) or (iii); or
- (b) at any other time, one copy of any documents referred to in clauses (a)(i), (ii) and (iii), provided that the issuer may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the issuer.

Additional financial information is provided in the Issuer's comparative audited consolidated financial statements for the years ended December 31, 2002 and December 31, 2001 copies of which are incorporated by reference herein. Additional information concerning directors and officer's remuneration, principal holders of the Issuer's securities and options is available in the issuer's information circular dated May 09, 2003, in connection with the Issuer's annual general meeting held on June 10, 2003 which is also incorporated by reference herein. A copy of such documents may be obtained upon request from the Issuer at its corporate head office.