PROJECT SUMMARY

GUANACO MINE RE-OPENING PROJECT

FEASIBILITY STUDY REPORT

AUGUST 2010

NOTICE TO READER

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The Consultant has, in preparing the cost estimates within its scope of Work as set out in the Agreement, followed methodology and procedures, and exercised due care consistent with the intended level of accuracy, using its professional judgment and reasonable care, and is thus of the opinion that there is a high probability that actual costs will fall within the specified error margin. However, Consultant offers no warranty as to the accuracy of estimates or assumptions, data, and information provided by others. Unless expressly stated otherwise, assumptions, data, and information supplied by, or gathered from other sources (including the Owner, other consultants, testing laboratories, and equipment suppliers) upon which the Consultant's opinion, as set out herein, is based have not been verified by the Consultant.

Signed By: Rene Burgos B., Project Manager

Signature:

Date: 10 August, 2010 – Rev 3

1.0 SCOPE

The scope of the study for the Guanaco mine re-opening project covers the activities required to design and build a facility to produce metal doré as the final product. The plant is designed for an average production capacity of 1,000 tpd of ore containing gold and silver.

Process facilities include mine infrastructure, crushing plant, heap loading and leaching, agitation leaching and CCD plant, tailings filter plant, ADR plant, and electro-winning, and dry tailings deposition facilities.

Infrastructure facilities include power supply and distribution, water supply and distribution, platforms and access roads, construction camp, buildings and ancillaries.

The project will be developed in two stages:

Stage 1

This stage consists of the refurbishing and construction of facilities to allow the operation of the Phase III heap leach which will process ore from the existing Phase II leach pad and the open pit. This material will be processed in the existing crushing plant, leached on the new heap, and the resulting solutions will be treated in the new ADR plant. Facilities and work in this stage include:

- Underground mine access ramp (pre-mining activities)
- Existing crushing plant refurbishing
- Existing ADR plant reconditioning
- Phase III heap construction
- Pond and solution handling system construction
- Electrical distribution system refurbishing and new power generation facilities
- Existing infrastructure refurbishing.

Existing facilities will be used to the greatest possible extent, refurbishing existing facilities and replacing equipment where the process requires additional capacity.

Stage 2

This is the construction of new facilities to process underground mine ore (of higher grade) in a grinding, agitation leach, CCD circuit, and filter plant followed by dry tailings deposition. The integrated operation is expected to start up in late 2011 and operate at least until 2016.

Facilities included are:

- Grinding plant
- Agitation leach and CCD plant
- Tailings filter plant
- Dry tailings deposit
- Reagent system
- Additional power generation and distribution.

2.0 MINERAL RESOURCES[1]

AMEC estimated the Mineral Resource tonnage and grade for the five deposits and the leach pads. Mineral Resources are reported in compliance with the Canadian National Instrument NI 43-101 and the Australian JORC Code. They are reported separately for open pit, underground and leach pads (Table 1 to Table 3).

AMEC determined reasonable prospects of economic extraction by applying preliminary economic filters which are different for the open pit and underground mining methods. For the open pits, Mineral Resources are reported within a Lerchs-Grossman (LG) optimized pit shell using Whittle® software with parameters as stated in Table 4.

For the underground mines, Mineral Resources are reported within a 1 g/t Au grade-shell designed by GCM for the Cachinalito Central, Cachinalito West and Dumbo West deposits. For Defensa and Perseverancia, where GCM had modelled a 0.5 g/t Au grade-shell, AMEC modelled another grade-shell at 1 g/t Au included within the 0.5 g/t grade-shell with a minimum stope width of 2 m and a minimum stope height of 10 m. All resources are reported below using the latest updated topography.

Only the mineralization within the grade-shells is reported.

The reporting cut-off grade for open pit Mineral Resources is 0.4 g/t Au, consistent with the long term price and cost assumptions included in Table 4. Similarly, the underground Mineral Resources are reported with a cut-off grade of 1.0 g/t Au.

The price assumptions are not consistent between the underground and the open-pit mine. A higher long term gold price for underground was agreed after the open pit mine planning had been carried out. Consequently, the open pit Mineral Resources could be increased by bringing the open pit price to the same level as the underground price and re-running the Lerchs-Grossman optimization.

[1] Guanaco Compañía Minera Resource Statement Updated, AMEC MEMO 2181-03, August 2, 2010

No cut-off grade was used for leach pad resources as this material cannot be treated selectively and all the leach pad material is a priori economic. This pad material will have lower costs than mined material and its average grade is above the expected operational cut-off of 0.4 g/t Au.

Mineral Resources are reported using a specific gravity of 2.5 g/cc^3. It should be noted that there is an inconsistency in the Mineral Reserves which were estimated and reported using a default specific gravity of 2.4 g/cc^3. This discrepancy is due to the fact that density values were re-analyzed after the mine plan had been completed. AMEC was able to update the Mineral Resources but not the mine plan and the Mineral Reserves by the time of completion of this report.

Table 1: Statement for Open Pit Resources for Guanaco Compañía Minera (0.4 g/t Au cut-off)

Category	Deposit	Ore Type	Tonnage (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au Metal (oz)	Ag Metal (oz)	Cu Metal (t)
Measured	Defensa	Oxide	233	1.36	14.18	0.03	10,187	106,464	61
		Sulphide	111	2.27	20.49	0.30	8,085	72,988	336
	Perseverancia	Oxide	245	1.71	14.10	0.05	13,471	111,090	115
		Sulphide	67	1.87	12.59	0.06	4,051	27,309	38
	Total	**Oxide**	**479**	**1.54**	**14.14**	**0.04**	**23,658**	**217,554**	**176**
		Sulphide	**178**	**2.12**	**17.50**	**0.21**	**12,136**	**100,297**	**373**
Indicated	Defensa	Oxide	246	1.26	12.15	0.04	9,964	96,027	93
		Sulphide	71	1.64	19.05	0.43	3,736	43,491	303
	Perseverancia	Oxide	315	1.35	11.31	0.05	13,718	114,629	148
		Sulphide	134	1.92	10.63	0.14	8,275	45,734	181
	Total	**Oxide**	**561**	**1.31**	**11.68**	**0.04**	**23,681**	**210,655**	**242**
		Sulphide	**205**	**1.82**	**13.55**	**0.24**	**12,011**	**89,224**	**484**
Measured + Indicated	Defensa	Oxide	479	1.31	13.14	0.03	20,151	202,491	154
		Sulphide	182	2.02	19.93	0.35	11,821	116,478	639
	Perseverancia	Oxide	560	1.51	12.53	0.05	27,188	225,719	263
		Sulphide	201	1.90	11.28	0.11	12,326	73,042	218
	Total	**Oxide**	**1,040**	**1.42**	**12.81**	**0.04**	**47,339**	**428,209**	**417**
		Sulphide	**383**	**1.96**	**15.39**	**0.22**	**24,147**	**189,521**	**857**
Inferred	Defensa	Oxide	2	1.42	14.29	0.03	111	1,118	1
		Sulphide	0	0	0	0	0	0	0
	Perseverancia	Oxide	13	1.67	9.52	0.09	699	3,979	12
		Sulphide	0	0	0	0	0	0	0
	Total	**Oxide**	**15**	**1.63**	**10.27**	**0.08**	**810**	**5,097**	**12**
		Sulphide	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 2: Statement for Underground Resources for Guanaco Compañía Minera (1 g/t Au Cut-Off)

Category	Deposit	Tonnage (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au Metal (oz)	Ag Metal (oz)	Cu Metal (t)
Measured	Cachinalito Central	515	5.25	3.40	-	86,923	56,234	-
	Cachinalito Oeste	288	3.14	3.18	-	29,052	29,395	-
	Dumbo Oeste	149	3.10	10.16	0.78	14,872	48,733	1,168
	Defensa	78	2.06	20.91	0.45	5,188	52,602	351
	Perseverancia	234	1.92	17.68	0.18	14,470	133,115	422
	Total	**1,264**	**3.70**	**7.88**	**-**	**150,506**	**320,078**	**1,940**
Indicated	Cachinalito Central	728	4.28	3.75	-	100,166	87,832	-
	Cachinalito Oeste	524	2.84	3.47	-	47,904	58,460	-
	Dumbo Oeste	540	2.78	10.38	0.99	48,215	180,268	5,348
	Defensa	418	2.35	18.79	0.39	31,588	252,638	1,623
	Perseverancia	596	1.71	20.54	0.30	32,646	393,209	1,757
	Total	**2,806**	**2.89**	**10.78**	**-**	**260,519**	**972,407**	**8,728**
Measured + Indicated	Cachinalito Central	1,243	4.68	3.61	-	187,089	144,066	-
	Cachinalito Oeste	812	2.95	3.36	-	76,957	87,855	-
	Dumbo Oeste	689	2.85	10.33	0.95	63,087	229,001	6,517
	Defensa	497	2.30	19.12	0.40	36,776	305,240	1,973
	Perseverancia	830	1.77	19.73	0.26	47,116	526,324	2,178
	Total	**4,070**	**3.14**	**9.88**	**-**	**411,025**	**1,292,485**	**10,668**
Inferred	Cachinalito Central	328	3.52	4.30	-	37,091	45,369	-
	Cachinalito Oeste	115	2.59	3.93	-	9,631	14,599	-
	Dumbo Oeste	1,010	2.24	15.08	1.07	72,822	489,432	10,785
	Defensa	74	1.92	16.60	0.49	4,570	39,466	360
	Perseverancia	166	1.62	11.14	0.10	8,608	59,363	159
	Total	**1,693**	**2.44**	**11.91**	**-**	**132,722**	**648,229**	**11,304**

Table 3: Statement for Leach Pad Resources for Guanaco Compañía Minera (All Material Reported since All Material is Above the 0.4 g/t Cut-Off)

Category	Deposit	Tonnage (kt)	Au (g/t)	Ag (g/t)	Cu (%)	Au Metal (oz)	Ag Metal (oz)	Cu Metal (t)
Measured	Phase 1	3,898	0.51	2.77	0.03	64,159	346,733	1,013
	Phase 2	4,437	0.57	2.56	0.04	81,590	365,441	1,597
	Total	**8,334**	**0.54**	**2.66**	**0.03**	**145,748**	**712,175**	**2,611**
Inferred	Phase 1	939	0.51	2.77	0.03	15,458	83,540	244
	Phase 2	1,838	0.57	2.56	0.04	33,803	151,406	662
	Total	**2,777**	**0.55**	**2.63**	**0.03**	**49,261**	**234,946**	**906**

Table 4: Economic Parameters for Resource Reporting

Parameter	Open Pit	Underground
Slope Angle	40°	NA
Minimum Stope Width	NA	2 m
Metallurgical Au Recovery	60%	93%
Metallurgical Ag Recovery	40%	NA
Mining Cost	2.0 US$/t	14.6 US$/t
Processing Cost	6.5 US$/t	15.0 US$/t
Gold Marketing Cost	3.0 US$/oz	10 US$/oz
Gold Price	890 US$/oz	1,000 US$/oz
Silver Price	12.65 US$/oz	NA
Copper Price	2.07 US$/lb	NA

3.0 MINERAL RESERVES

Underground Reserves

GCM reserves were modelled and classified by GCM, and verified by AMEC. Guanaco has underground reserves of 205,164 oz of gold, mainly from the Cachinalito Central mine. The reserves are summarized in Table 5. For design purposes an 85% recovery factor was assumed considering losses in pillars and floors. This recovery should improve when the drifts are opened and better information is available and pillars can be left in waste or in low grade ore, therefore reserves could be higher than 205,164 oz of gold.

Table 5: Underground Reserves

Area	Category	Grade (g/t)		Tonnes	Ounces	
		Au	Ag		Au	Ag
Cachinalito Central	Probable	5.10	3.35	771,004	126,360	83,074
Cachinalito West	Probable	3.09	3.09	429,886	42,712	42,712
Dumbo West	Probable	3.62	6.60	310,063	36,091	65,801
Total	**Probable**	**4.22**	**3.94**	**1,510,953**	**205,164**	**191,587**

Open Pit and Heap Leach Pads Reserves

The Guanaco mine was previously operated with a heap leach pad that contains partially leached material. Due to constraints for new leach pad areas and positive recovery testwork on the partially leached ore, some of the old heap leach material will be removed from the pad, re-crushed, and placed on the new pad for re-leaching. The old area are called the Phase I and II heaps and the new area is called the Phase III heap. The Phase I and Phase II heaps were drilled in regular grid using sonic technology, modelled and classified as a resource by Eduardo Magri Consultores in 2017 and verified by AMEC. This material is included in the reserve statement.

The GCM Guanaco property open pit reserve statement is based on the block models developed by GCM and verified by AMEC as described in the report. Three block models were developed by GCM for the proposed Defensa, Perseverancia, and Dumbo open pit areas, however, after a careful study it was determined that only the Defensa and Perseverancia areas would be mined by open pit methods and the Dumbo deposit would be mined by underground methods.

AMEC determined that the Defensa and Perseverancia open pits, and Phases I and II heap leach pads contain a combined, estimated probable mineral reserve of 9 million tonnes of ore with an average grade of 0.62 g/t Au, 3.18 g/t of silver and contain an estimated 178,658 oz of gold and 925,267 oz of silver as indicated in Table 6. There is an estimated 3 million t of waste resulting in a strip ratio of 0.34.

Table 6: Probable Mineral Reserve (Effective Date July 21, 2010, Douglas Chapman, P.E.)

Area	Category	Tonnage (kt)	Au (g/t)	Ag (g/t)	Au Metal (oz)	Ag Metal (oz)
Defensa	Probable	**322**	**1.37**	**10.65**	**14,192**	**110,256**
Perseverancia	Probable	**370**	**1.57**	**8.63**	**18,717**	**102,662**
Phase 1	Probable	**3,898**	**0.51**	**2.77**	**64,159**	**347,152**
Phase 2	Probable	**4,437**	**0.57**	**2.56**	**81,590**	**365,197**
TOTAL		**9,026**	**0.62**	**3.18**	**178,658**	**925,267**

4.0 PRODUCTION PLAN

The production plan from the open pits, underground mines and the leach pads is shown in Figure 1.

The total gold, silver, and doré production is shown in Figure 2.

Figure 1: Mine Production Plan

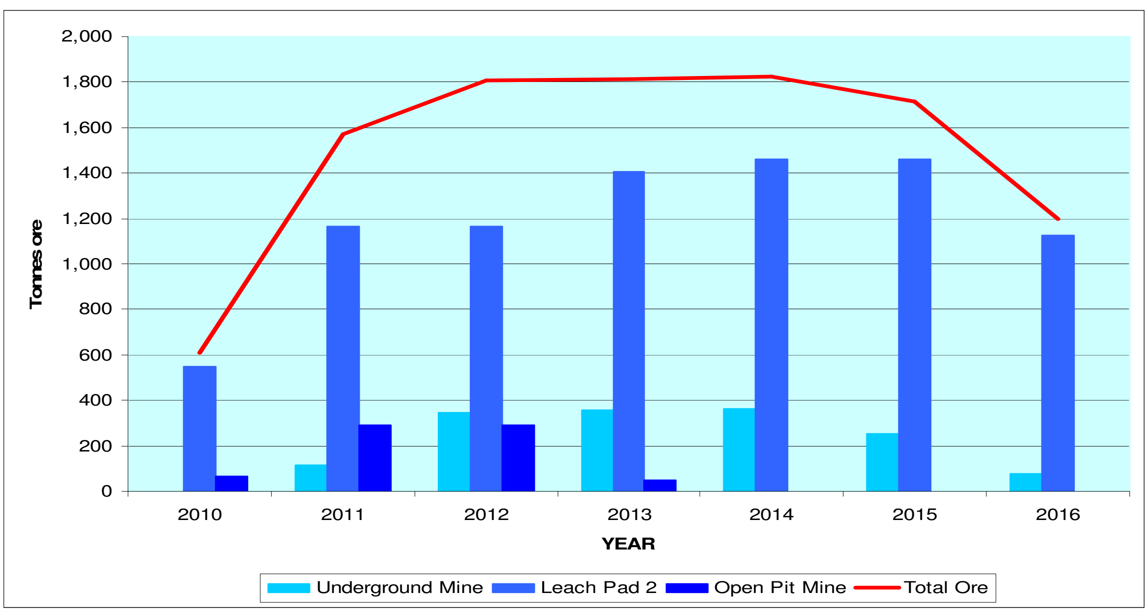
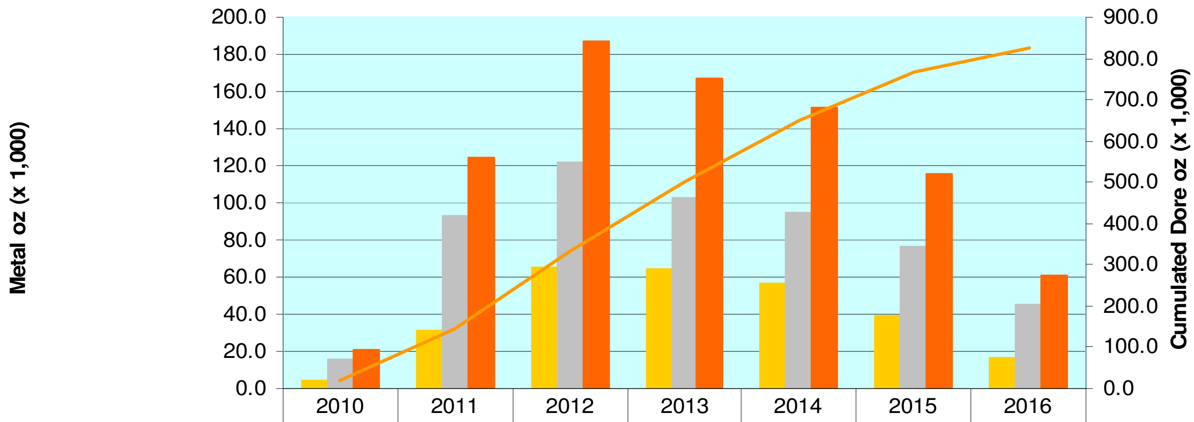


Figure 2: Gold, Silver, and Doré Production



	2010	2011	2012	2013	2014	2015	2016
Gold	4.76	31.13	65.12	64.43	56.95	39.00	16.15
Silver	15.93	93.34	121.97	102.42	94.74	76.60	45.05
Dore	20.69	124.47	187.09	166.85	151.69	115.60	61.20
Cumulated Dore	20.69	145.16	332.25	499.10	650.79	766.39	827.59

YEAR

5.0 CAPITAL COST

The capital cost was estimated from four components; sunk costs (Stage 1), project capital costs, sustaining costs, and closure costs. The sunk costs in this case are the capital costs expended by GCM on the Stage 1 refurbishment at Guanaco and were not included in the financial model. The capital costs are those estimated to be required for Stage 2 project.

The sunk costs are shown in Table 7.

Table 7: Sunk Capital

Area	Description	Amount (US$)
100	Mine	3,360,847
200	Crushing	3,945,333
250	Heap Leach Pad	3,044,336
600	Carbon Adsorption Circuit	1,346,645

Area	Description	Amount (US$)
650	Elution & Regeneration	440,365
670	EW & Gold Room	170,391
1100	Indirect Costs	826,062
	Total	**13,133,979**

The estimated capital cost for Stage 2 by area is provided in Table 8. The total capital cost including contingency is US$51,775,000.

Table 8: Capital Cost Estimate

Area	Description	Amount (US$)
000	General	148,278
100	Mine	9,474,000
200	Crushing	410,245
250	Heap Leach Pad	179,883
300	Grinding & Thickening	7,242,796
400	Agitation Leach	2,130,361
500	CCD	2,010,350
600	Carbon Adsorption Circuit	486,718
650	Elution & Regeneration	245,955
700	Filtration & Tailings	4,034,665
750	Tailings Deposit	848,377
800	Reagents	887,698
900	Site, Utilities & Infrastructure	4,681,420
1100	Indirect Cost	14,381,784
	Subtotal	47,162,530
	Contingency	4,611,986
	Total	**51,775,000**

The estimated sustaining capital is associated with underground development and is shown in Table 9.

Table 9: Sustaining Capital

Description	Year	Amount (US$)
Underground Mine	2012	4,305,000
Underground Mine	2113	77,000

The closure costs were estimated at US$ 2,140,000 calculated as a variable percentage of the installation cost. There is an estimated salvage value of US$3.2 million included in the model.

6.0 FINANCIAL ANALYSIS

The financial analysis for the Guanaco project using a discount rate of 8% indicates that the after tax project NPV is US$32.9 million and the IRR is 36.9%. The cumulative undiscounted cash flow value for the project is US$57.4 million and the payback period is 3 years. The after tax financial results are summarized in Table 10 for life of mine (LOM). C1 cash costs are as defined by Brook Hunt and are shown as costs per ounce of payable gold.

Table 10: Summary of Financial Results (after tax)

Item	Unit	LOM
Gold payable	Koz	278
Silver payable	Koz	550
Total cash costs	$/oz	586.90
Silver credit	$/oz	(30.02)
Cash costs net of credits (C1 Net Direct Cash Cost)	$/oz	556.88
Cumulative net cash flow	$M	57.4
Internal rate of return	%	36.9%
Net present value @ 8%	$M	32.9
Mine life	Years	5.5
Payback period	Years	3.0
Total start-up capital	$M	56.2
Total LOM capital (inc. closure cost and salvage)	$M	55.1

This analysis uses a constant silver price and a reverting price curve for gold. These prices are shown in Table 11.

Table 11: Metal Prices

	Year	2010	2011	2012	2013	2014	2015	2016
Gold	**(US$/oz)**	1,127	1,075	1,038	1,010	990	974	962
Silver	**(US$/oz)**	15.15	15.15	15.15	15.15	15.15	15.15	15.15

The annual cash flows and cumulative cash flow are shown in the Figure 3. As can be seen, payback occurs in the fourth year after the start of the project. Figure 4 shows the project rate of return before tax and after tax.

The project is most sensitive to changes in metal price, less so to changes in operating costs, and least sensitive to capital cost changes.

The results of the economic analysis represent forward-looking information that are subject to a number of known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those presented here.

Figure 3: After Tax Cash Flow (Undiscounted)

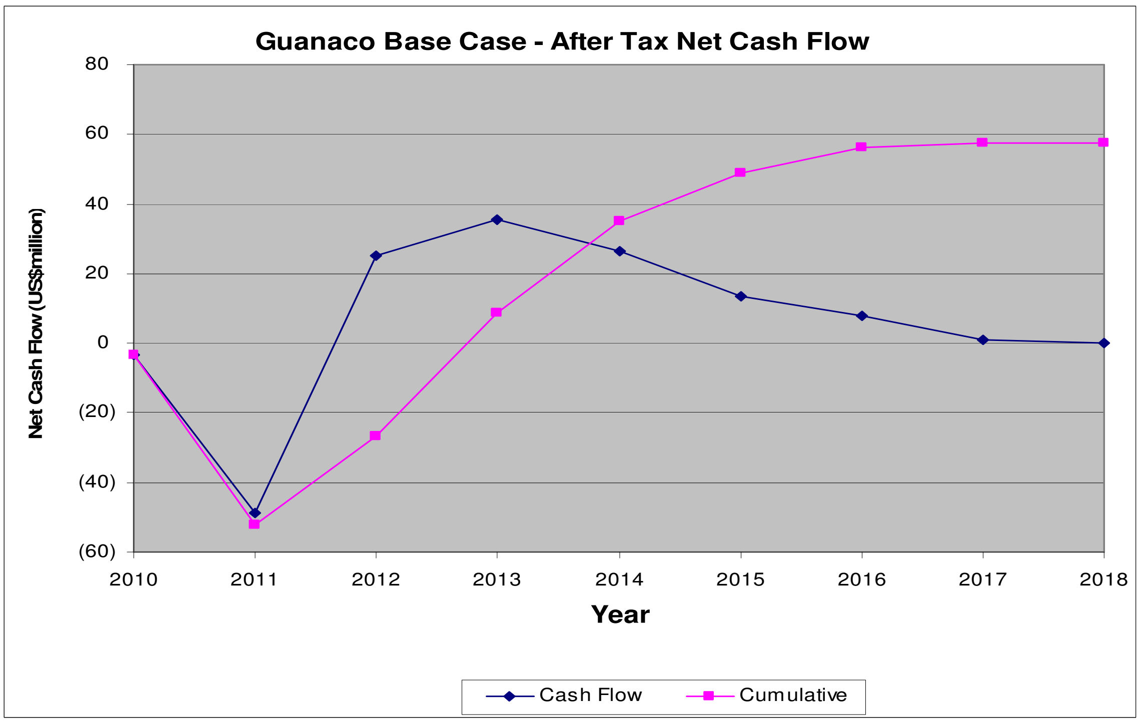
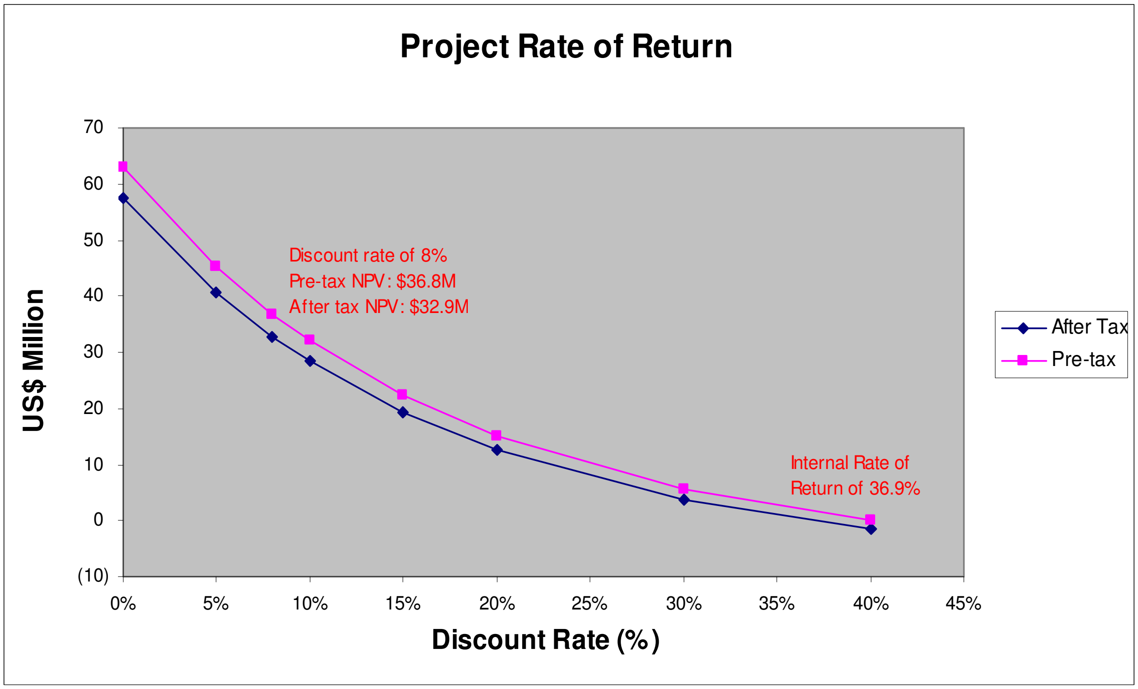


Figure 4: Project Rate of Return



The financial analysis of the Guanaco project was carried out using a discounted cash flow (DCF) approach. This method of valuation requires projecting yearly cash inflows (or revenues) and subtracting yearly cash outflows (such as operating costs, capital costs, royalties, and taxes). The resulting net annual cash flows are discounted back to the date of valuation and totalled in order to determine the Net Present Value (NPV) of the project at selected discount rates.

The internal rate of return (IRR) is expressed as the discount rate that yields an NPV of zero.

The payback period is the time calculated from the start of project cash flows until all initial capital expenditures have been recovered.

This economic analysis includes sensitivities to variations in operating costs, capital costs, and metal prices.

All monetary amounts are presented in United States dollars (US$). For discounting, cash flows are assumed to occur at the end of each period.

C1 Cash Costs, as defined by Brook Hunt are displayed in Table 12. The life of mine cash cost per ounce of payable gold is US$556.88.

Table 12: Summary of Cash Costs

Item	LOM total (kUS$)	Cost per tonne milled (US$/t)	Cost per ounce Au payable (US$/oz)
Cash costs			
Mining	55,969	5.31	201.66
Process	98,913	9.38	356.39
G&A	7,053	0.67	25.41
Smelter costs	75	0.01	0.27
Refining costs	485	0.05	1.75
Dore transport	396	0.04	1.43
Sub-total	162,891	15.45	586.90
Credits			
Silver	(8,333)	(0.79)	(30.02)
Sub-total	(8,333)	(0.79)	(30.02)
Adjusted cash costs			
Total	**154,775**	**14.68**	**556.88**

Table 13 shows the post-tax Internal Rates of Return and Net Present Values for a range of gold and silver prices.

Table 13: Sensitivity to Metal price Changes

Item	Base Case	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
Gold (US$/oz)	Variable	1,000	800	900	1,100	1,200	1,300
Silver (US$/oz)	15.15	15.15	14.00	16.00	17.00	18.00	20.00
Internal Rate of Return (%)	36.9%	32.5%	3.7%	18.7%	47.0%	62.5%	79.9%
Cumulative Net Cash Flow (MUS$)	57	55	6	32	76	97	118
Net Present Value 5% (MUS$)	41	38	(2)	19	55	73	90
Net Present Value 8% (MUS$)	33	30	(6)	13	46	61	77
Net Present Value 10% (MUS$)	28	26	(8)	10	40	55	69

7.0 RISK ANALYSIS

GCM has adopted a risk-based approach for the project. During the feasibility study risk management activities started with the process of identifying risk factors (risk assessment), further analyzing and quantifying those factors (risk analysis), mitigating the impact of the factors on project performance and developing a risk management plan (risk mitigation), and implementing the risk management plan (risk control).

A total of four main risks and 18 events were evaluated for the project. The four main risks are:

1. Increase of the project CAPEX
2. Delay in the implementation of the project
3. Damage to health and safety during construction, start-up and operation
4. Impact during operations.

A GCM owner was assigned to each risk to control and be responsible for further action, due dates were established and will be followed up until completion.

8.0 ENVIRONMENTAL AND PERMITS

The project was submitted to the Chilean Environmental Impact Evaluation System (SEIA) as an Environmental Impact Statement, given the project will not generate any of the effects, characteristics, or circumstances stated in Article 11 of the Environmental Law. A favourable environmental qualification for the project was granted by the Region II COREMA as Resolution of Environmental Qualification 0251 dated July 15 2009.

Water needed for the project will be obtained from the following sources:

- A source located 30 km east of the site, where Guanaco Mining Company has the rights to 4.84 L/s registered in the Register of Water Properties of Taltal (Conservador de Bienes Raíces) for Pastos Largos, Varitas, Vega Larga, Vega Quemada, Punta del Viento, Varas Norte, Varas Sur, and Las Mulas.
- Groundwater for which the company has rights to 11.75 L/s, granted by Dirección General de Aguas (General Water Directorate - DGA) Resolutions, II Region of Antofagasta, dated 2008, and Public Works Ministry (Ministerio de Obras Públicas), constituted the rights of consuming use of underground waters in favour of Guanaco Compañía Minera Limitada, in the community of Taltal, province of Antofagasta, according to Article 4 of Law No. 20.017/2005.

The surface water rights available total 4.84 L/s, the underground waters rights total 11.75 L/s for a total of 16.59 L/s.