INDEPENDENT TECHNICAL REPORT

LIAM GOLD – SILVER PROPERTY

DEPARTMENT OF CUSCO, PERU

Southwestern Resources Corp.

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1.0 EXECUTIVE SUMMARY

The Liam Gold-Silver Project (the "Project") of Southwestern Resources Corp. ("Southwestern") is located in the Department of Cusco, southern Peru at 14° 46'S latitude, 72° 23'E longitude, approximately 190 km northwest of the city of Arequipa. (Figure 4-1).

The Project is a 50/50 Joint Venture with Newmont Peru Limited (a wholly owned subsidiary of Newmont Mining Corporation) ("Newmont"). The project consists of over 282,292 hectares of claims in southern Peru. The region hosts a significant number of precious metal and base-metal occurrences and deposits, including several world-class copper, silver and gold-silver deposits.

The Project was originally comprised of three parts; the Liam Core Zone, the Liam Regional Zone and the Area of Interest. However, by an agreement dated October 19, 2005, the Liam Regional Venture ("LRV") Agreement, the Liam Core Zone was amalgamated with the Liam Regional Zone to form the Liam Regional Venture. The concessions in the Liam Regional Venture constitute the "Project Area" and are held by either Minera del Suroeste S.A.C. ("Misosa") an affiliate of Southwestern or Newmont Peru S.R.L. ("Newmont Peru"). The Project currently contains 282,292 hectares of exploration concessions.

Under the terms of the LRV agreement, Newmont and Southwestern each have a 50% working interest and will each contribute 50% of the exploration funding. Newmont can earn a 70% interest in those portions of the LRV that it advances to a bankable feasibility study by funding 100% of the costs to put a deposit into commercial production. Southwestern is manager of the LRV, however, the technical committee may appoint Newmont as manager on designated portions of the overall project.

Since inception of the Joint Venture in 2003, the partners have identified and evaluated 38 exploration prospects in the project area, nine of which have been drilled. The prospects and projects include high-sulphidation, low-sulphidation vein, low-sulphidation disseminated, carbonate-replacement, mesothermal vein, skarn and porphyry hydrothermal systems. The most advanced and significant projects in Liam are the Crespo and Queshca silver-gold and gold high-sulphidation systems.

The Project is located within the western slopes and the continental divide of the Cordillera Occidental (Western Cordillera) at an altitude of 4500 to 5300 m within the northwesterly-trending Southern Peru, Tertiary Volcanic Belt.

On a regional basis the oldest volcanic units are those of the Tacaza Formation which in turn are overlain by the intermediate to felsic flows and pyroclastics of the Miocene Alpabamba Formation which hosts the Liam gold-silver mineralization. The Project area appears to be centred on the vent area of a large volcanic edifice, which has been extensively altered by a period of hydrothermal activity. Following the hydrothermal event(s), andesitic flows of the Pleistocene age Barroso Group volcanics were extruded and covered the earlier units and to some extent the areas of hydrothermal alteration.

In the area of what was originally called the Core Zone, a large zone of argillic – siliceous alteration hosts the Liam gold-silver-bearing zone around an 800 m diameter, maar-like crater, which is thought to consist of three parts:

1) Cerro Crespo butte to the south, of the crater,
2) an area to the north and northeast of the crater, and
3) the Queshca area on the north side of the maar-like crater.

Cerro Crespo is a strongly silicified and mineralized diatreme/hydrothermal breccia zone surrounded by an argillic-siliceous-alunite alteration envelope sitting on the southern edge of the maar-like crater. Queshca on the north side of the crater consists of a sequence of mainly felsic crystal tuffs, pyroclastics and epiclastics that dip at low angles towards the crater and that have been variously argillized, silicified and mineralized. There are only limited exposures within the crater, however, work to date has identified crater-like sediments and intrusive breccias. The area in which gold-silver values of economic interest have been obtained extends about 2.5 km north-south from Queshca to Cerro Crespo and about 1.5 km east-west.

The Project represents a significant land position in a high interest area based on regional considerations and satellite imagery. In that part of the LRV outside of the original Liam Core Zone – Cerro Crespo and Cerro Queshca area, additional areas of mineralization of economic interest have been identified. Those at Astana, Astana South, Aluja, Carmen, Careli, and Pacobamba are of the high sulphidation type of epithermal gold-silver mineralization while those at Huacullo, Farallon, Ibel, Gran Leon are considered to be of the low sulphidation type of epithermal gold-silver mineralization. Numa, as well as Pacobamba is host to silver + lead + zinc, and gold + copper skarn mineralization associated with narrow structures.

Work to date at Farallon has generally returned low gold values while at the adjacent Astana zone drill hole AS-006 returned 72.45 m starting at 103.55 m, of 1.1 g/t gold and 42.0 g/t silver plus 3.1 g/t gold and 445.0 g/t silver over 3.10 m starting at 206.3 m. Hole AS-007 returned 0.8 g/t gold and 40.4 g/t silver over 38.0 m starting at a hole depth of 52.0 m.

Previous drilling at Huacullo by Newmont in 2006 resulted in several significant silver and gold intersections (see News Release dated December 4, 2006), which were highlighted by: 2.30 m of 91.50 g/t silver and 11.50 g/t gold, including 1.05 m of 22.40 g/t gold in HUA-008, 1.65 m of 133.50 g/t silver and 1.35 g/t gold in HUA-004, 0.45 m of 144 g/t silver and 3.20 g/t gold in HUA-002 and 0.90 m of 109 g/t silver in HUA-006.

Surface sampling at Gran Leon yielded gold values between 5.9 g/t and silver values from 0.2 g/t to 219.0 g/t in channel samples varying in length from 0.25 to 2.00 m. At Aluja a number of high sulphidation type gold-silver epithermal veins and breccia zones have been identified.

Numa is a silver and base-metal mineralized carbonate replacement system located in the northeastern part of the Liam Joint Venture area. Newmont has completed an 18-hole (3,097 m) first-phase drill program at Numa, with thirteen of the eighteen holes (NUM-001, NUM-002, NUM-004 through NUM-014) drilled at the principal carbonate-replacement mineralized system and five other holes (NUM-003, NUM-015 through NUM-018) drilled on three peripheral, skarn and carbonate-replacement, targets. The results from the 13 holes in the principal carbonate replacement mineralized zone are encouraging. Previous mapping and sampling indicates that the mineralization is distributed over two kilometers of strike-length. Mineralized thicknesses at depth are similar to widths seen in outcrop. Continuity between drill holes is not clear due to wide drill-spacing (up to 500 m) and "pinch and swell" geometries of the mineralized zones seen on surface. The project remains an exciting exploration project within the Liam Joint Venture. Mineralization is hosted in extensive breccia and stockwork-type replacement bodies in limestone which are from 5 to 50 m wide and extend in a north-south direction for approximately 2,500 m. A total of 163 rock chip samples returned 33 samples with values between 14.9 and 1865 g/t silver, 0.41% and 10.90% lead and 0.31% and 10.45% zinc. The samples were composed of rock chips collected over areas ranging in size from 1 square metre to 64 square metres. This is considered to be a significant zone of mineralization.

The Joint Venture is currently evaluating results from the drilling, as well as data from the rest of the project area to plan for ongoing work in 2008.

2.0 INTRODUCTION AND TERMS OF REFERENCE

2.1 Introduction

At the request of Southwestern Resources Corp. (“Southwestern”), Caracle Creek International Consulting Inc. (“CCIC”) has prepared this Report to provide a summary of exploration, scientific and technical data on the Liam Gold – Silver Property (“Property”). Information on the Property has been obtained from technical data provided by Southwestern and Newmont Peru. As part of the due diligence process, a property visit was completed by Mr. Joerg Kleinboeck of CCIC from February 23rd to 29th, 2008.

2.2 Terms of Reference

term: definition

Southwestern: Southwestern Resources Corp. is a TSX Exchange listed Canadian mining company trading under the symbol “SWG”. Southwestern’s head office is located in Vancouver, B.C.

GIS: Geographic Information System. A computer-based information management system that is geared to a geographic framework and that can efficiently manipulate different types of geographic-based geological information across scales. Conventional industry standard software programs include Arcview (ESRI) and MapInfo.

Newmont: Newmont is a NYSE listed American mining company trading under the symbol "NEM". Newmont also trades on the Australian and Toronto stock exchanges. Newmont's head office is located in Denver, Colorado.

Liam Gold – Silver Property or the **"Property":** The subject exploration property which is a joint venture between Southwestern and Newmont. Both Southwestern and Newmont have a 50% working interest in the property.

ppm: parts per million

ppb: parts per billion

2.3 Units

The Metric System is the primary system of measure and length used in this Report and is generally expressed in kilometres, metres and centimetres; volume is expressed as cubic metres, mass expressed as metric tonnes, area as hectares, and gold grades as grams per tonne. Conversions from the Metric System to the Imperial System are provided below and quoted where practical. Many of the geologic publications and more recent documents now use the Metric System but older documents almost exclusively refer to the Imperial System. Metals and minerals acronyms in this report conform to mineral industry accepted usage and the reader is directed to www.maden.hacettepe.edu.tr/dmmrt/index.html for a glossary.

Conversion factors utilized in this report include:

- 1 troy ounce/ton = 34.285714 grams/tonne
- 1 gram/tonne = 0.029167 troy ounces/ton
- 1 troy ounce = 31.103477 grams
- 1 gram = 0.032151 troy ounces

The term gram/tonne or g/t is expressed as "gram per tonne" where 1 gram/tonne = 1 ppm (parts per million) = 1000 ppb (parts per billion). The mineral industry accepted terms Au g/t and g/t Au are substituted for "grams gold per metric tonne" or "g Au/t". Other abbreviations include ppb = parts per billion; ppm = parts per million; oz/t = troy ounce per short ton; Moz = million ounces; Mt = million tonne; t = tonne (1000 kilograms); SG = specific gravity; lb/t = pound/ton; and, st = short ton (2000 pounds).

Dollars are expressed in Canadian currency (CAD$) unless otherwise noted. Gold and Silver prices are stated in US$ per troy ounce (US$/oz). Where quoted, Universal Transverse Mercator (UTM) coordinates are provided in the datum of Prov S Am 1956, Zone 18.

2.4 CCIC Qualifications

Caracle Creek International Consulting Inc. ("CCIC") is an international consulting company based in Sudbury, Ontario, Canada. CCIC provides a wide range of geological and engineering services to the mineral industry. With offices in Canada (Sudbury and Toronto, Ontario and Abbotsford, British Columbia) and South Africa (Johannesburg), CCIC is well positioned to service its international client base.

CCIC's mandate is to provide professional geological and engineering services to the mineral exploration and development industry at competitive rates and without compromise. CCIC's group of professionals have international experience in a variety of disciplines and offer services that include:

- Exploration Project Generation, Design and Management
- Data Compilation and Exploration Target Generation
- Property Evaluation and Due Diligence Studies
- Independent Technical Reports (NI43-101)/Competent Persons' Reports
- Mineral Resource/Reserve Modelling, Estimation and Audit, and Conditional Simulation
- 3D Geological Modelling, Visualization and Database Management

In addition, CCIC has access to the most current software for data management, interpretation and viewing, manipulation and target generation.

The Qualified Person for this Report is Joerg Kleinboeck, Consulting Geologist with CCIC and a geologist in good standing with the Association of Professional Geoscientists of Ontario (#1411). Mr. Kleinboeck has 8 years of experience in the mining industry including the generation and execution of early stage exploration programs, advanced exploration, deposit delineation, and the design and management of quality control-quality assurance programs.

3.0 RELIANCE ON OTHER EXPERTS

CCIC has conducted this independent technical assessment in accordance with the methodology and format outlined in National Instrument 43-101, companion policy NI43-101CP and Form 43-101F1. This Report is directed solely for the development and presentation of data with recommendations to allow for Puget to reach informed decisions. This Report was prepared by competent and professional individuals from Caracle Creek International Consulting Inc. on behalf of Southwestern, for their ability to raise funds to further explore and develop the Property. The information, conclusions and recommendations contained herein are based largely on a review of digital and hard copy data and information supplied to CCIC by Southwestern.

CCIC has relied on information provided by Southwestern regarding technical information and all of these sources appear to be of sound quality. CCIC is unaware of any technical data other than that presented by Southwestern or its agents. CCIC did not conduct an in-depth review of mineral title and ownership and the title ownership

and status of claims as outlined in this report. While title documents and option/purchase agreements were reviewed for this study as provided by Southwestern, it does not constitute, nor is it intended to represent, a legal, or any other opinion as to title.

All relevant information on the Property presented in this Report is based on data derived from reports written by geologists and/or engineers, whose professional status may or may not be known in relation to the NI43-101 definition of a Qualified Person. CCIC has made every attempt to accurately convey the content of those files, but cannot guarantee either the accuracy or validity of the work contained within those files. However, CCIC believes that these reports were written for internal purposes only, with the objective of presenting the results of the work performed without any promotional or misleading intent. In this sense, the information presented should be considered reliable, unless otherwise stated, and may be used without any prejudice by Southwestern.

4.0 PROPERTY LOCATION AND DESCRIPTION

4.1 LOCATION

The Liam Gold-Silver Project is located in southern Peru, within the western slopes and the continental divide of the Cordillera Occidental (Western Cordillera) of the Peruvian Andes in the Department of Cusco at 14° 46'S latitude, 72° - 23'W longitude, approximately 190 km northwest of the city of Arequipa (Figure 4-1) and 20 km north of the Arcata silver-gold mine. The elevation on the property varies in altitude from 4,500 to 5,300 m.

4.2 DESCRIPTION AND OWNERSHIP

The Liam Gold-Silver Project is comprised of 282,292 ha of exploration concessions within an Area of Interest as defined by the Agreements between Newmont Peru and Southwestern / Misosa (Figure 4-2).

The Liam Gold-Silver Project consists of the exploration concessions contained in the Liam Regional Venture and the Area of Interest. Currently, within the Area of Interest are mineral rights owned or controlled by either Misosa or Newmont Peru, which will be maintained in good standing for the benefit of the Joint Venture as per the Letter of Intent dated October 1, 2003. The concessions that form the various properties of the Liam Regional Venture are listed in Appendix 2 and are shown in Figure 4-2. None of the concessions has been legally surveyed.

On October 1, 2003 a letter of intent was executed by Newmont Delaware and Southwestern and then amended on October 9, 2003 (collectively the "Letter of Intent"). The Letter of Intent was subsequently formalized in two agreements: (1) an Option Agreement dated November 14, 2003 between Misosa and Newmont Peru regarding the Liam Core Zone; and (2) the Regional Joint Venture Agreement dated November 14, 2003 between Newmont Delaware and Southwestern, regarding the Liam Regional Zone.

Under the Option Agreement, Misosa granted Newmont Peru the option to earn an undivided 50% interest in the Liam Core Zone by spending a total of US$5 million over a three-year period, with a minimum annual expenditure of US$1 million, which must include 5,000 m of drilling. After earning an undivided 50% interest Newmont Peru had the second option to earn an additional undivided 10% interest in the Liam Core Zone by producing a positive feasibility study. In addition, Newmont Peru had the third option to earn a further undivided 10% interest in the Liam Core Zone, thereby increasing its interest to an undivided 70% interest, by funding all costs incurred to commencement of commercial production of mineral products from the Liam Core Zone. If Newmont Peru elected the third option, it was entitled to receive 90% of distributable profits until it had been reimbursed for all costs incurred during the third option, while the remaining 10% of profits was distributable to the parties pro rata.

Under the Regional Joint Venture Agreement, Southwestern and Newmont Delaware contributed certain mineral concessions and each had an undivided 50% participating interest in the Regional Joint Venture. The parties agreed to spend a total of US$5 million in the Area of Interest over a five-year period, with Southwestern as exploration manager. If the Technical Committee formed under the Regional Joint Venture determined that any project within the Area of Interest, based on a preliminary scoping study of its tonnage, or grade, initial metallurgy or initial economic valuation, constituted a viable exploration project then Newmont Delaware had the election to earn an additional 20% interest in that project by producing a feasibility study and by funding all costs incurred to the commencement of commercial production. Newmont Delaware also had similar preferential rights to distributable profits as those specified for the Liam Core Zone.

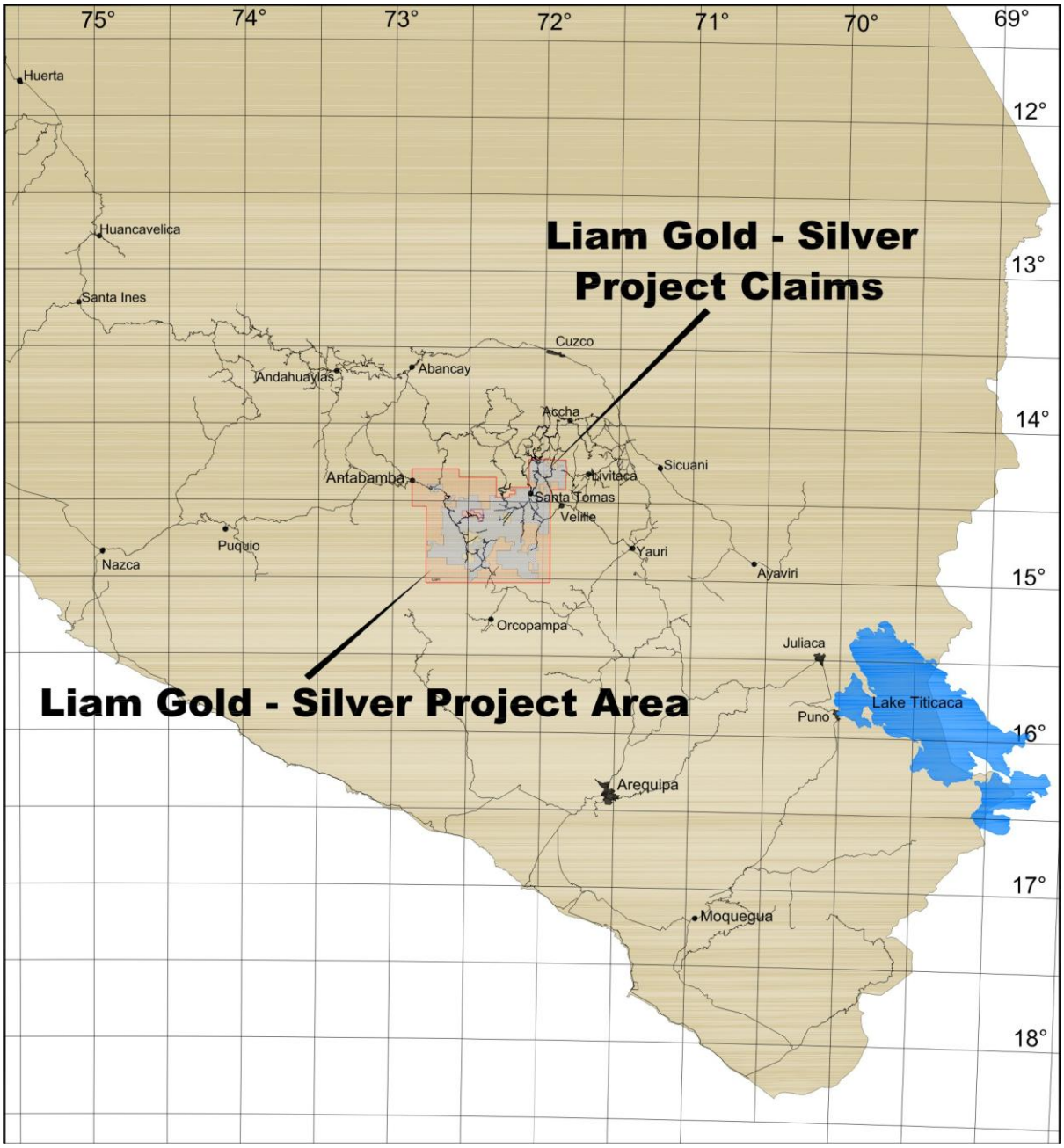

Figure 4-1: Location of Liam Gold-Silver Property, Department of Cusco, Peru.

By the Liam Regional Joint Venture Agreement (the LRV Agreement), dated October 19, 2006 Newmont Peru and Misosa agreed to terminate the Liam Core Zone agreement and to amalgamate the 3,500 hectares Core Zone area with the Liam Regional area. The amalgamated area is referred to in this report as the Liam Regional Venture (LRV), is comprised of the concessions in the former Regional Joint Venture plus the 3,500 hectares from the Core zone.

Under the terms of the Liam Regional Venture, Newmont and Southwestern each have a 50% working interest and will each contribute 50% of the exploration funding. Newmont can earn a 70% interest in those portions of the Liam Regional Venture that it advances to a bankable feasibility study by funding 100% of the costs to put a deposit into commercial production. Southwestern is manager of the LRV, however, the technical committee may appoint Newmont as manager on designated portions of the overall project. Apart from the terms outlined above, there are no additional royalties, overrides, back-in rights, payment or other agreements to which the Project is subject.

In the Liam Core Zone Area, within a large zone of argillic – siliceous alteration, the Liam high-sulphidation type epithermal gold-silver-bearing zone is thought to consist of three parts: Cerro Crespo butte to the south, an 800 metre diameter, maar-like crater immediately to the north and northeast, and the Queshca area on the north side of the maar-like crater. In addition to the Cerro Crespo – Queshca area, significant high-sulphidation type epithermal gold-silver mineralization is also being evaluated at Astana, Astana South and Astana Southwest, 8 km southwest of Cerro Crespo and at Careli, 35 km northeast of Cerro Crespo (Figure 8), and Aluja 30km northeast and 35km north respectively. Discoveries of low-sulphidation type gold-silver mineralization have been made and are being evaluated at Ibel, 28 km northeast of Cerro Crespo, Huacullo, 6 km southeast of Ibel, and at Gran Leon. Low-sulphidation type mineralization is also being evaluated at Farallon which is part of the Astana – Farallon zone. High grade silver-lead-zinc mineralization in limestones has recently been discovered and sampled at Numa West in the northeast corner of the Project Area.
There are no defined mineral reserves or resources for the Liam Gold-Silver Project and there are no mine workings, tailing ponds, waste disposal areas or natural features of significance or improvements in the area. There are no known environmental liabilities relative to any of the concessions. Exploration programs have been and are carried out under the appropriate category of permit which is determined by size of the proposed program.

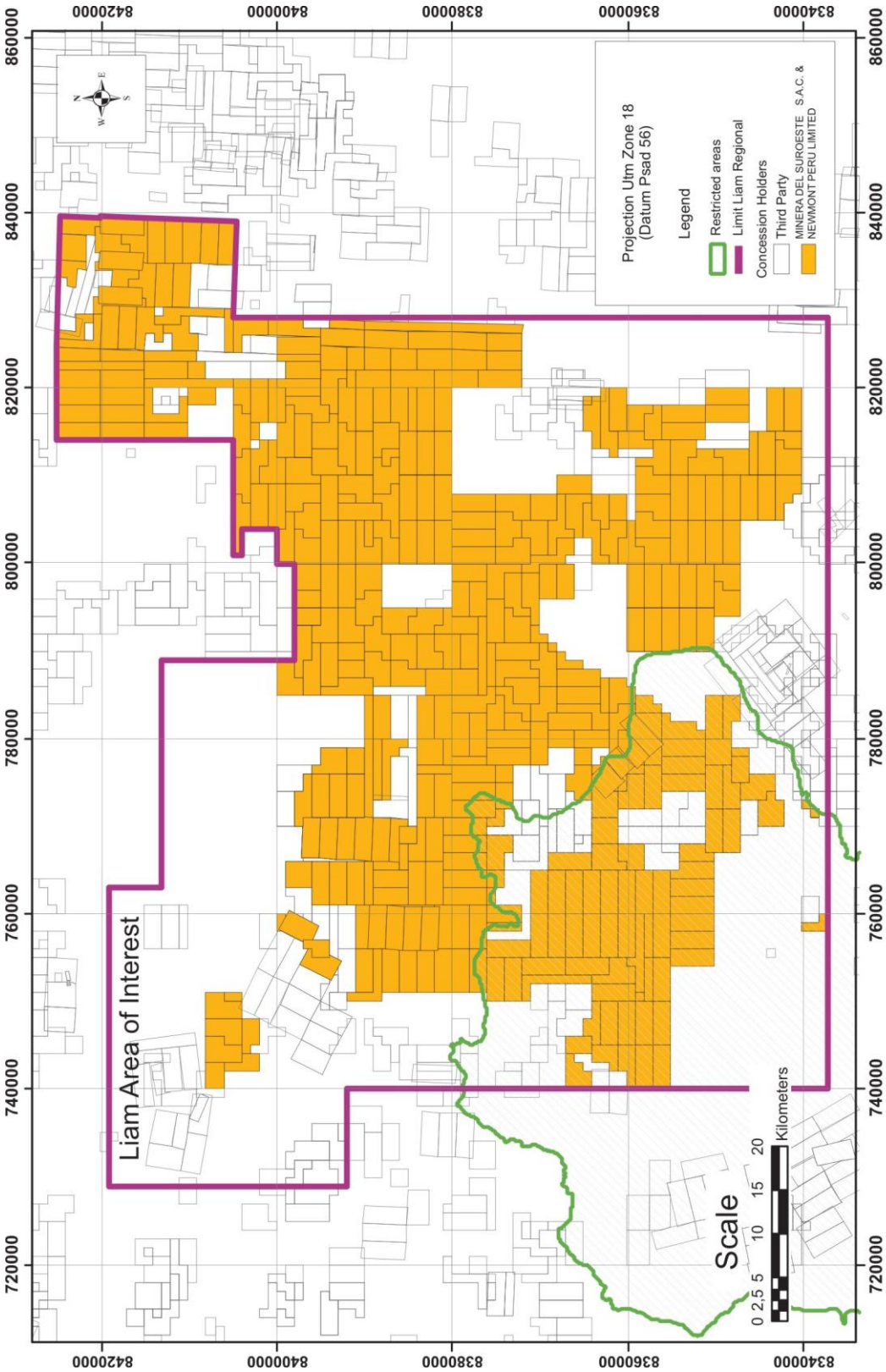

Figure 4-2: Mining Concessions, Liam Gold-Silver Property

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Project is located on the western slopes of, and on the continental divide of the Cordillera Occidental (Western Cordillera) of the Peruvian Andes. The area is well above tree line in the Altiplano which is an undulating high altitude plain of gentle to moderate slopes with elevations ranging from a high 5,371 m on Cerro Crespo in the central part of the Project Area to a low of 4,470 m along a creek to the northeast. The prominent Cerro Crespo butte which outcrops in the centre of the Core Zone Area has a flat top and very steep sides while generally in other areas, the slopes are gentle to moderate.

There are no trees at this elevation and the only vegetation consists of alpine-type plants and grasses, which mainly grow in the valleys. Some of these areas may be used on a short-term basis for grazing llamas, alpacas and sheep. The Project Area is above 4,000 m and has a high altitude tundra-type climate. The rainy season, which is from December through March, hinders road access and work during this period. Snowfalls are not uncommon during the rainy season and on some of the higher peaks, and may remain for considerable periods of time.

The Liam area can be reached by road from Arequipa via the communities of Puente Callari, Sibayo, Cailloma and Arcata. The 305 km trip from Arequipa to the Arcata mine site takes between 6 to 7 hours driving on moderate condition gravel roads. A secondary Arcata-constructed road continues north from the mine to a junction with the new Liam access road, 21 km and 45-minute travel time. A new road constructed by the Soteco Joint Venture advances from this point and continues north to the Liam drill and camp area, an additional 18.5 km and one hour travel time. The total distance by road from Arequipa to the Liam camp is roughly 340 km in 8.5 hours time.
A gravel airstrip exists in the village of Orcopampa located 45 km south of Liam at which light aircraft from Lima or Arequipa can land. It is a 4-hour drive from here through Arcata to Liam.

Apart from the small communities which provide accommodation and services to the mining operations at Orcopampa and Arcata there is limited infrastructure in the area. Gravel roads have been built north from Arcata to Liam and other nearby areas to provide access for mineral exploration work.

6.0 PROPERTY HISTORY

6.1 EXPLORATION HISTORY

The Liam Gold-Silver Project concessions were initially acquired by the Southwestern / Teck Corporation / Cominco Ltd. Joint Venture (“Soteco”) in January 1995 with Minera Teck Peru S.A. being the operator.

The following is a description of the history of exploration on the Project Area during the Soteco joint venture:

1995 Program

The Liam property was originally identified by Southwestern and staked based on a satellite image anomaly thought to represent hydrothermal alteration. Initial reconnaissance, 1:100,000 scale geological mapping and concurrent rock and stream sediment sampling were carried out by Minera Teck Peru S.A. on the original two Liam claims, Liam II and III (totaling 1,600 hectares) in May 1995. During the five-day helicopter-supported program a total of 24 rock samples were collected and a 4.5 by 2.0 km alteration zone of silicification and argillization was outlined. The geochemical analyses indicated low value precious metal anomalies with two samples returning greater than 100 ppb with a high of 167 ppb gold. Caeilles (1995) concluded that the Liam property hosted a low-sulphidation epithermal system and had a low priority. His recommendations were indecisive and inconclusive.

Also during 1995, Cominco carried out a brief first-pass program on their superimposed 1,000 hectare La Francia claim. Their mapping outlined high-sulphidation alteration, consisting of vuggy silica, alunite and advanced argillic alteration and a 450 metre by 350 metre breccia zone in the Cerro Crespo area. They collected a total of 101 samples comprising 47 rocks and 54 soils. Five rock samples were anomalous in gold with values up to one gram per tonne gold and two soil samples were anomalous in gold with values up to 1.9 g/t gold. The gold anomalies were coincident with anomalous silver and lead. The anomalous rock and soil samples were collected from the west side of Cerro Crespo, outside of the La Francia claim.

1996 Program

A second phase Minera Teck program consisting of 1:10,000 scale geological mapping and sampling was conducted in November 1996 with a total of 118 rock samples being collected. The program outlined five alteration zones (A-E) with zones “A” and “D” containing anomalous gold in rock values. Hydrothermal alteration consisted of silicification and argillization. Analyses of nine samples collected in Zone “A” returned gold values up to 553 ppb gold while analyses of four samples collected in zone “D” returned values up to 683 ppb gold. Both the zones contained coincident silver and epithermal indicator elements arsenic, antimony, bismuth and mercury as well as lead.

1997 Program

The June 1997, the Teck third phase program consisted of grid installation followed by 1:5,000 scale geological mapping with concurrent detailed grid rock and soil sampling and 33.25 line km of induced polarization (IP) and magnetic surveys on the Conejita grid. In October 1997, with the aid of a qualified mountain climber, detailed rock sampling was carried out over Cerro Crespo, where a total of 81 rock samples were collected. The grid work was concentrated over alteration and anomalous gold zones

"A" and "D" (now labeled "A" and "B" respectively) where an additional 675 samples were collected (567 rocks and 27 soils).

Analyses of the 567 grid rock samples included 2 samples ≥ 500 ppb gold, 14 samples ≥ 200 ppb gold, 22 samples ≥ 100 ppb gold, and 49 samples ≥ 50 ppb gold. Almost all of the anomalous gold values were restricted to the two anomalous zones and all had coincident silver and epithermal indicator elements (arsenic, antimony, mercury and bismuth) as well as lead anomalies. Zone "A" consisted of three individual anomalous gold zones measuring 50 m to 500 m by 200 m to 400 m, 250 m by 50 m and 300 m by 100 m respectively. The entire zone averaged 72 ppb gold in 17 rock samples with a high of 142 ppb gold. Zone "B", the largest gold zone, was 900 m by 400 m to 1,000 m and averaged 173 ppb gold in 39 rock chip and talus samples and was centred over Cerro Crespo with anomalous values exposed over a vertical extent of at least 150 m.

Geophysical surveys consisted of 12 line-km of IP (pole-dipole, a=50 m, n=1-6, time domain) on seven lines and 29.1 line-km of ground magnetics on 15 lines. The IP survey suggested a central zone of high resistivity (centred over Cerro Crespo and gold zone "B"). The magnetic survey showed a central part of the grid that suggested a possible deep-rooted magnetic anomaly coincident with the central resistivity high. This central zone of high resistivity was flanked by zones of high chargeability, often with associated high resistivities.

1998 Diamond Drilling Program

Completed between September 4 and November 8, 1998, the 1998 drill program consisted of twelve HQ- and NQ-diameter diamond drill holes totaling 1,781.2 m.

Prior to commencement of the drilling, 19 km of access road was constructed from the existing main road north of Arcata to the drill camp adjacent to Cerro Crespo. An additional 14 km of drill access roads was constructed to drill sites.

Of the 1,781.2 m drilled, 1,637.8 m was HQ diameter core and 143.4 m was NQ.diameter core. As two to three "up" holes were originally planned for Cerro Crespo (gold zone "B"), an underground LM75 rig was chosen due to its reported ability to drill "up-directed" holes. However, only one up-directed hole (hole LM98D02) was drilled and it was abandoned at a length of only 62.30 m.

A total of 747 core samples were collected during the 1998 drill program. All of the samples were pulverized by ALS Chemex Labs ("Chemex") in Lima, Peru and the pulps sent to Chemex Labs in Vancouver, Canada to be analyzed for gold by fire assay and atomic absorption finish and silver, copper, lead, zinc, arsenic, molybdenum, bismuth and antimony by aqua regia digestion and ICP-AES (inductively coupled plasma-atomic emission spectrometry) finish. Mercury was analyzed by flameless atomic absorption spectroscopy. Gold and silver results were included in the respective drill logs. Anomalous gold (> 0.1 g/t gold) values and weighted average gold and silver drill intersections were plotted on sections. In order to determine epithermal alteration zoning,

PIMA (portable infrared mineral analyzers) spectral analysis study was completed on holes 1B, 2, 3, 4, 5B, 6, 7 and 8. Core recovery was generally good, however, in some sections poor recovery was encountered. Details on the drilling are provided in Section 13 - Drilling.

After Teck decided not to contribute to the vigencia payments in June 2002, Misosa reviewed the results of the prior Liam Project work and concluded that it was still a target of merit and deserving of additional work. Consequently, Misosa carried out a detailed geological mapping and channel sampling program on the upper part of the Cerro Crespo butte from early September to early October 2003. A total of 325 channel samples ranging in length from 0.30 to 2.00 m were collected and the area was mapped at a scale of 1:500. From mid-May to early June 2003, Misosa completed the geological mapping of Cerro Crespo and collected an additional 85 samples from the south-southeast part of the butte.

Positive analytical results were received from the channel samples and in June 2003, Misosa commenced a drilling program consisting of 19 short diamond drill holes which totaled 3,197.55 m on Cerro Crespo. A summary of the drilling program is presented in Section 11.0 – Drilling.

6.2 Historical Resource Estimates

There is no known historical mineral resource or mineral reserve estimates for the Property.

6.3 Historical Production

There has been no known production from the Property.

7.0 GEOLOGICAL SETTING

7.1 Regional Geology

On a regional basis, the Liam Gold-Silver Project is located in the central part of the northwest-trending Tertiary Volcanic Belt of southern Peru. The volcanic belt has been developed on top of older, mainly sedimentary, Paleozoic and Mesozoic units, which in general lie to the southwest and northeast of the volcanic belt. Northwest-trending, belt-parallel zones of Cretaceous to Tertiary age felsic intrusives lie to the southwest and northeast of the central part of the Tertiary Volcanic Belt (Figure 7-1).

Dominant structural trends are northeast, northwest and to a lesser extent north-south. Base metal mineralization generally occurs associated with the intrusives as porphyry and a skarn-type mineralization. Gold-silver mineralization, usually of the high or low sulphidation epithermal type, tends to occur within a northwest-trending, belt-parallel zone, centrally located in the Tertiary Volcanic Belt. Examples are the Madrigal, Caylloma, Suckuytan, Orcopampa, Poracota, Ares and Arcata mines and prospects to the south, and Santa Rose and Selene to the northwest of Liam.

7.2 Property Geology

Within the Liam Regional Venture Area, the oldest volcanic units are those of the Tacaza Formation which in turn are overlain by the Late Miocene Alpabamba volcanics consisting of bedded, felsic to andesitic tuffs and lavas and associated re-worked units (Figure 7-2). It is the Alpabamba units which host the Cerro Crespo-Queshca gold-silver mineralization. Following the formation of the Alpabamba units they were hydrothermally altered and mineralized. The Liam Core site is considered to have been a volcanic centre and the site of on-going cratering, brecciation, alteration and mineralization.

The generally unaltered andesitic Barroso Group volcanics of Pleistocene age were extruded over the argillically altered Alpabamba volcanics. Quaternary alluvial and glacial deposits occur throughout the lower areas and valleys. Local structural trends appear to duplicate those that are present on a regional basis. The Aluja zone of high-sulphidation type mineralization is hosted by the Barroso volcanics.

Cerro Crespo butte is a high-level, complex, hydrothermal vent system located on the southern side of the maar-like crater and exhibiting several felsic diatreme/brecciation events. At a depth of 150 to 200 m some of these diatreme/breccia zones become narrow, fault-controlled feeder zones. The original rock textures have been almost completely destroyed by the hydrothermal and phreatomagmatic processes with three types of breccias currently being recognized: a hydrothermal breccia, a phreatomagmatic breccia and a weakly brecciated, very strongly silicified unit. In all these units, silicification is pervasive, multi-episodic and associated with alunite.

Work by Misosa has indicated that the underlying units in the area are flow-banded rhyolites, lapilli tuffs and dacitic crystal tuffs of the Miocene Alpabamba Formation. Rhyodacites were reported in the deeper parts of some of the Teck drill holes at Cerro Crespo.

These units are considered to be localized in the central vent area of a large volcanic complex composed of one or more craters with an 800 m diameter maar-like crater flanked by Cerro Crespo to the south and the larger Queshca crater to the north. These features are considered to occur in the central part of an extensive zone of high sulphidation argillic-siliceous alteration.

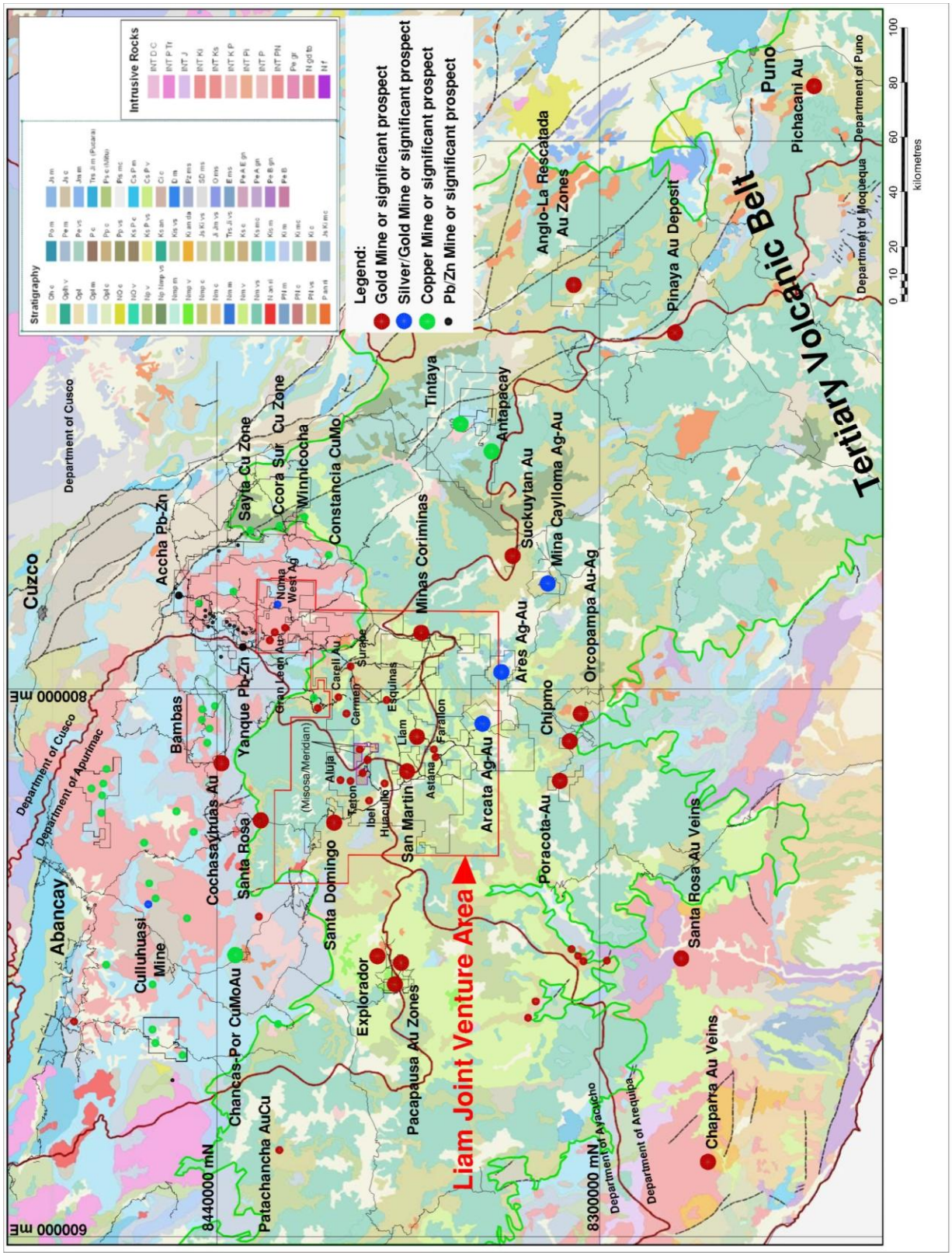

Figure 7-1: Regional Geology, Depertment of Cusco, Peru.

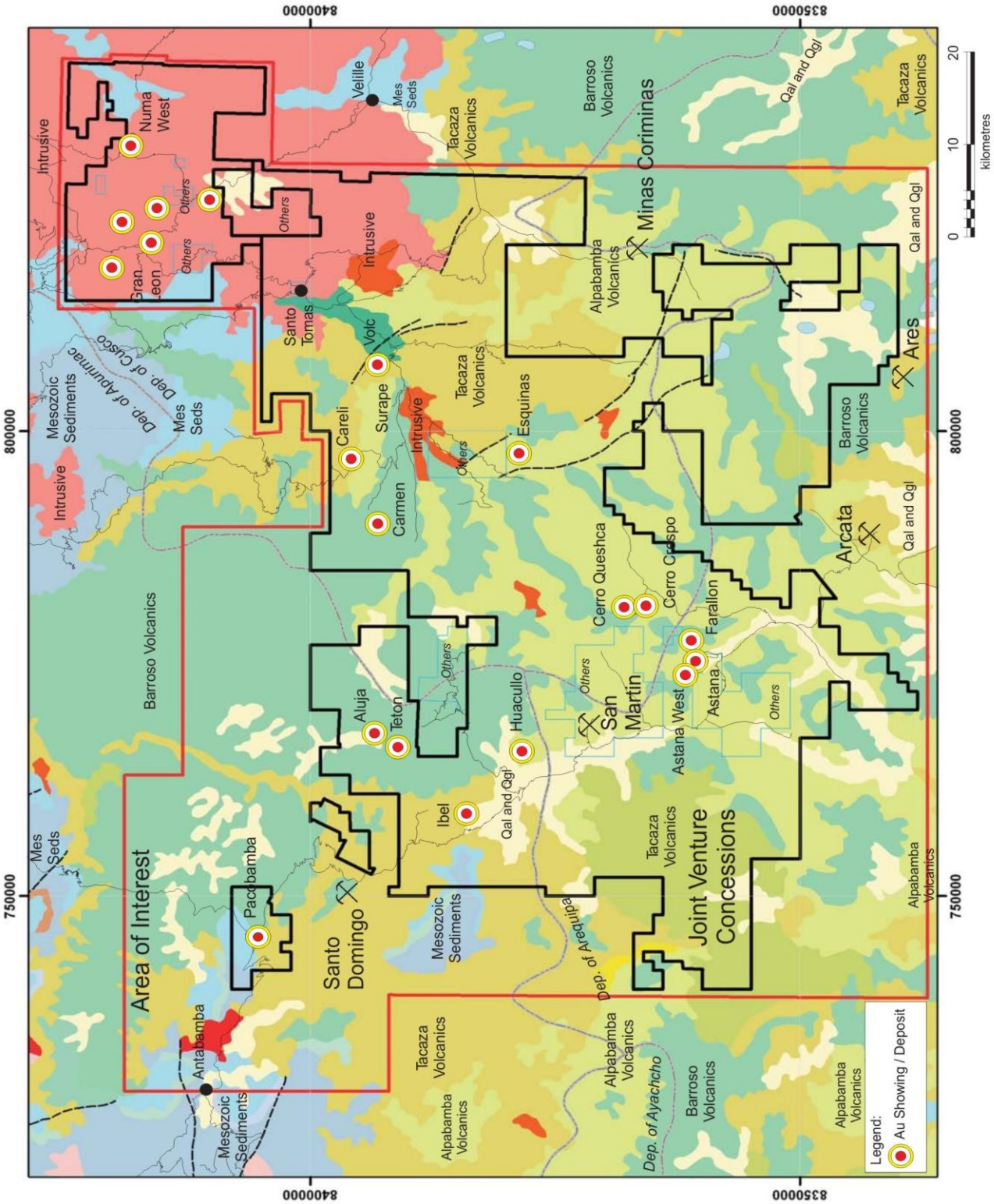

Figure 7-2: Geology of the Liam Gold-Silver Property.

On the lower southeast slope of Cerro Crespo are dacitic crystal tuffs intercalated with silica sinters and silicified ash flow tuffs and in places thin-bedded lacustrine sediments, which may have been deposited in small crater lakes. Lapilli tuffs have been mapped in contact with hydrothermal breccias in the northern, western and southwestern parts of Cerro Crespo and flow banded rhyolites occur on the northern end of Cerro Crespo. All these units are moderately to strongly silicified and argillized. In places limonite after sulphides is present and most units are strongly oxidized. These units appear to be sub-horizontal to north dipping (towards the maar-like crater). At Queshca, pyroclastic breccias and crystal tuffs dipping at low angles to the south (inwards) occur on the northern edge of the maar-like crater. Within the maar-like crater, thin-bedded crater-lake sediments and intrusive breccias have been mapped.

Preliminary structural interpretations by Misosa indicate the presence of northeast, north-south and northwest-trending structures. At Cerro Crespo, a set of east-west fault structures has been identified. These appear to generally have a left-handed displacement and to have produced five small fault blocks. These faults are syn-and post-mineralization and have controlled the emplacement of feeder structures and the breccia zones.

In summary, the Liam Core Zone area of mineralization is considered to be localized in a large volcanic complex consisting of several maar-like craters surrounded by sub-horizontal to inward dipping felsic volcaniclastics, flows and epiclastics which have been extensively faulted and fractured, pervasively silicified and argillized and intruded by multiple diatreme and hydrothermal breccias. Gold-silver mineralization appears to have been introduced in association with the introduction of the various breccia units (See Section 11 – Mineralization).

8.0 DEPOSIT TYPE

The Liam Regional Venture Project mineralization discovered to date consists of three types:

- high sulphidation type epithermal gold-silver mineralization;
- low sulphidation type epithermal gold-silver mineralization;
- silver-lead-zinc mineralization in limestones.

Over the last several years, high sulphidation type mineralization has come to be well recognized and constitutes the type of deposit that has been and is being exploited at a number of sites, particularly the circum-Pacific region. Notable deposits of this type are Yanacocha, Peru; Paradise Peak, Nevada, U.S.A.; Pueblo Viejo, Dominican Republic; La Coipa, Chile; El Indio, Chile; Nansatsu, Japan and Lepanto, Philippines. These illustrate the size range of high sulphidation epithermal deposits from Nansatsu at a few million tonnes of ore grading 30 g/t to 60 g/t gold to deposits such as Yanacocha and Pueblo Viejo with open pit reserves/resources greater than 200 million tonnes of ore and with grades greater than 1 g/t gold plus significant silver values.

The main characteristics of high sulphidation type epithermal gold-silver deposits are summarized in the following points (Panteleyev, 1996 and Sillitoe, 1993 and 1995):

- The main commodities produced are gold, silver and in some cases, copper.
- They are high-level hydrothermal systems, marked by acid-leached, advanced argillic, siliceous alteration.
- They are commonly associated with continental margin volcanic activity such as in the Western Cordillera where they occur in zones of high-level magmatic emplacement where strata volcanoes and other volcanic features are developed above plutons.
- Mineralization is generally Tertiary to Quaternary in age.
- The common host rocks are volcanic pyroclastic and flow rocks (subaerial andesite to dacite and rhyodacite) and their subvolcanic intrusive equivalents. Permeable epiclastic units can be sites of mineralization.
- The deposits may take the form of veins, replacement pods or lenses, stockworks, breccias and/or zones of multiple crosscutting veins. Host rock permeability and crosscutting structures may produce large irregularly shaped bodies of disseminated type mineralization.
- Vuggy silica produced as a residual product of acid leaching is characteristic.
- Two types of economic mineralization are common; enargite-pyrite-gold-silver and/or quartz-alunite-gold-silver.
- Pyrite and quartz and in some cases barite are the common gangue minerals.
- Advanced argillic alteration is characteristic and can be areally extensive and visually prominent, which is the case at Liam. Quartz occurs as fine-grained replacements and characteristically as vuggy, residual silica.
- Weathered rocks may contain abundant limonite, generally in a groundmass of kaolinite and quartz.
- Controls on mineralization are caldera ring and radial fractures in volcanic edifices, fracture sets, hydrothermal breccias and diatremes and permeable lithologies with less permeable capping.

Low sulphidation type epithermal gold-silver mineralization is considered to form in geothermal systems where surficial ground waters mix with deeper, heated, near neutral pH, chloride brines in lateral to sub-lateral flow regimes. Ore deposition usually occurs later than the host formations which range from rhyolitic to andesitic in composition. An intrusion at depth is possibly the heat source that drives the hydrothermal system. In general, the vertical and lateral dimensions of these deposits may be significant and are probably a reflection of the size of the intrusion and the permeability of the overlying host rocks. In addition, the physical characteristics of an area such as the density of faulting, the size of faults and the topography influence the distribution of mineralization. Examples of low sulphidation epithermal adularia-sericite vein deposits are Hishikari, Japan, Cerro Vanguardia and Esquel, Argentina, El Peñón, Chile, McLaughlin, California, Tonopah and Comstock, Nevada and Round Mountain, Nevada (Heald et al, 1987; Sillitoe, 1995 and Corbett, 2002). The dominant characteristics of low sulphidation type epithermal gold-silver deposits are summarized below.

- The mineral assemblage of this type of mineralization is quite distinctive with adularia and sericite typically being present.
- The gold-silver deposits characteristically occur as banded fissure veins and local veins/breccias comprised predominantly of colloform, banded chalcedony/quartz with adularia and some sulphidic material. Fissure veins formed at depths of up to 1 km generally are the main gold producers and these usually display well developed colloform banded quartz vein mineralization. Wavy crustiform banding is more typical in higher level environments.
- Many adularia-sericite epithermal gold-silver systems display a close association with extensional structures and subvolcanic felsic rocks may occur in the vicinity of the deposit.
- At near surface levels many deposits are capped by eruption (phreatic) breccias and sinter deposits. Some of the eruption breccia systems cap sheeted veins while others cap mineralized fissure veins.
- Adularia-sericite vein systems are generally silver-rich with gold/silver ratios generally being greater than 1:10. Anomalous copper values due to the presence of chalcopyrite are common.
- Wallrock alteration, formed as halos to veins, occurs as sericite (illite) grading to peripheral smectite clays with associated pyrite and chlorite and this alteration grades to more marginal chlorite-carbonate (propylitic) alteration.
- Structure and host rock competency are important ore controls in adularia-sericite vein systems. Generally only brittle rocks, which fracture well, host veins. Veins may be hosted within reactivated through-going regional structures, locally at structural dome intersections or subsidiary more dilatant fractures. High grade ore shoots often develop in dilational jogs or flexures in through-going veins where veins of greater thickness and higher gold grade develop and at the intersection of fault splays. Bonanza ores may also develop at preferred sites of fluid quenching at rock competency changes.

The Numa silver-lead-zinc and Pacobamba copper skarn mineralization in limestone is a common type of deposit in central Peru.

9.0 MINERALIZATION

The Soteco Joint Venture initially identified the Liam area as a zone of high sulphidation type epithermal gold-silver mineralization and in particular that the Cerro Crespo butte could represent a vent related diatreme-type body. Drilling at Cerro Crespo by Soteco was generally below the base of the butte (except for one, upward directed hole). The Soteco sampling showed that Cerro Crespo was anomalous in gold and silver; however, drilling marginal to and to some degree below Cerro Crespo produced only anomalous precious metal values.

Subsequently Misosa mapped and sampled in detail Cerro Crespo and Queshca and then carried out an initial diamond drilling program at Cerro Crespo. Detailed mapping and sampling in 2002 and 2003 resulted in the collection of 410 channel samples mainly on the top of Cerro Crespo and on its northern and eastern flanks. The mapping identified the various breccia units described above in Item 9, Liam Core Zone Geology, while the

sampling identified five areas, from northwest to southeast and referred to as Areas A, B, C, D, and E, of gold-silver mineralization with grades ranging from anomalous to being of economic interest. Results of this mapping and sampling have been reported (Winter, 2003).

The Misosa channel sampling at Cerro Crespo produced the following conclusions:

1) Cerro Crespo is a high level, complex volcanic hydrothermal vent system within an extensive high sulphidation alteration zone.
2) A significant gold-silver zone of mineralization is associated with the hydrothermal vent system.
3) High grade silver values with subordinate gold were found in Zones A, B and C in the upper part of the butte at elevations between 5,350 and 5,375 m, and also in Zone D at an elevation of 5,200 m suggesting 150 to 175 m of vertical continuity in the eastern part of the butte. In Zone E at 5,150 m silver values decrease but copper increases.
4) The upper part of Cerro Crespo is strongly oxidized, however, Misosa geologists consider that silver migration is generally in the order of centimetres.

In mid 2003, Misosa carried out two channel sampling programs at Queshca with the results being reported in press releases by Southwestern on September 23, 2003 and October 31, 2003 and summarized in Winter, 2003.

Queshca Zones 1 and 3 are at elevations between 5,125 and 5,150 m, while Zone 6 South is about 5,030 m, and Zone 6 North spans elevations from 4,950 to 5,000 m i.e. the lowest part of Zone 6 North is at least 175 m below Zones 1 and 3. It appears that the grade of the mineralization is increasing with depth in the stratigraphic sequence. The Queshca volcaniclastic units are dip south towards the maar crater. The distribution of the gold and silver values in this area may be related to the porosity and permeability of the volcaniclastic/epiclastic units in this sector and possibly the presence of more impermeable units, higher in the volcanic stratigraphy, which have produced a ‘cap rock’.

A second sampling campaign was undertaken to check the high gold values reported in the earlier sampling. This sampling program of 303 samples included the sampling of trenches 20 m in length with individual channel samples being two m in length. The assay results from this second set of samples confirmed the values obtained in the first sampling campaign.

In June 2003 Misosa commenced a drill program at Cerro Crespo, which resulted in 19 holes totaling 3,197.55 m being completed. The gold and silver values as reported in press releases by Southwestern are summarized in Winter, 2003.

From the mapping at Cerro Crespo as well as the diamond drilling, it is possible that the gold-silver mineralization at Cerro Crespo is confined to the brecciated and highly silicified zone of the butte, which is in turn surrounded by an argillic-siliceous alteration zone. The mineralized zone trends northwesterly, with a strike length in the order of 350 m, a width of

125 to 150 m and a vertical extent of approximately 150 m. The zone of better grade mineralization appears to be "V" shaped in cross-section with the zone being wider at the top of the butte and diminishing in width at depth as it passes into the feeder zones. The main areas of mineralization are on the two arms of the "V" with smaller, discontinuous areas within the upper mouth of the "V". This overall picture is distorted by the east-west faults and movement of the adjacent blocks.

It is possible that the work performed to date identified a high sulphidation, breccia-hosted and highly silicified zone of gold-silver mineralization at Cerro Crespo with the potential to be of economic significance. Additional drilling will be required to determine its overall form and grade.

Within the area outside of the original Liam Core Zone Area, the initial regional rock and geochemical sampling by Southwestern as operator resulted in the discovery of four gold-bearing zones; the A Zone, the B Zone, the Ibel Zone and the Teton Zone. Subsequently, the A and B Zones were re-named the Astana and Farallon respectively. Additional work suggests that Astana and Farallon may be parts of one zone and they are now combined as the Astana-Farallon Zone. The work in this area has also identified the Astana South and Astana Southwest zones of mineralization (See Figure 7-2 for the location of all the Liam Projects).

The on-going prospecting sampling and geological mapping outside of the original Core Zone has resulted in the discovery of six additional zones of gold-silver epithermal-type mineralization, the Esquinas, the Careli, the Huacullo, the Gran Leon, Pacobamba, and the Aluja. In addition, the Numa and Pacobamba skarn mineralization have been identified (Figure 7-2). This brings to 15 the number of mineralized zones identified and/or sampled to date within the Liam Regional Venture Agreement area.

The zones that exhibit characteristics of high sulphidation type epithermal gold-silver mineralization are: Cerro Crespo, Cerro Queshca, Astana, Astana South, Astana Southwest, Aluja, Carmen and Careli. Low sulphidation type epithermal gold-silver mineralization is present at Farallon, Ibel, Huacullo, and Gran Leon. At Numa West the mineralization is of the limestone-hosted silver-lead-zinc type, although it does show some characteristics associated with epithermal-type mineralization.

The Astana-Farallon zone lies approximately 8 km southwest of the Cerro Crespo butte. Work during 2005 outlined a large epithermal system over an area approximately 10 km long and up to 4.5 km wide. All mineralization is associated with extensive fracture systems containing druzy quartz, hematite and barite hosted by an altered rhyodacite. Crackle breccias and tectonic breccias are also present. The Astana zone measures approximately 300 m x 200 m while the Astana South is approximately 200 m x 100 m and the Astana Southwest is 600 m x 200 m. All of these zones are considered to be of the high sulphidation type mineralization. The Farallon zone which measures approximately 1,200 m x 800 m is considered to be of the low sulphidation type. The Astana and Farallon zones are approximately 3 km apart and the intervening area is mainly overburden covered.

The Aluja zone is located approximately 45 km north-northwest of Cerro Crespo. The mineralization is associated with high sulphidation type gold-silver epithermal veins and breccia zones hosted within the Barroso volcanics that cover an area of 2.0 km by 1.5 km. Alteration includes multiple phases of silica, including large areas of granular silica interpreted to be formed by upper level, vapor-phase alteration. Multiple gold-bearing hydrothermal breccia bodies cross-cut the granular silica zones.

The Careli zone is located approximately 35 km north-northeast of Cerro Crespo and consists of a poorly exposed zone of vuggy silica measuring approximately 700 m along strike and up to 200 m wide. The mineralization is possibly of the high sulphidation type with the general trend of the mineralization being northwest-southeast.

The Ibel zone, which is of the low sulphidation type, is located 28 km northwest of Cerro Crespo. Two areas of mineralization have been identified and sampled. These are the Huamancharpa Sur and the Huamancharpa Norte. At Huamancharpa Sur alteration and mineralization has been identified over an area measuring 1,200 m by 800 m. The host rocks are shales which have been silicified and moderately stockworked. Mineralization appears to consist on surface of limonite (after pyrite) and arsenopyrite within the quartz stockwork. At Huamancharpa Norte gold-silver mineralization is associated with hydrothermal veins and breccias. Four separate zones of veins and breccias have been identified which vary in length from 450 to 3,000 m and with widths ranging from 1 to 10 m.

The Huacullo zone is located 6 km southeast of Ibel and again consists of low sulphidation type epithermal mineralization. Mineralization consists of veins and hydrothermal breccias which extend for up to 1,200 m and range from 0.5 to 10 m in width. These gold-silver bearing veins are unusual in that the veins and breccias contain high molybdenum values ranging from 200 to 1,300 ppm. Four main breccia vein zones with a northwest-southeast trend have been identified with the largest being 2,000 m long and up to 20 m wide and hosting typical low sulphidation type mineralization. It is considered that the Huacullo zone is very similar to the low sulphidation mineralization being mined at the Arcata, Ares, Orcopampa deposits to the south as well as at the Milo property which is a joint venture between Southwestern and Meridian Gold.

The Gran Leon is another area of extensive low sulphidation type gold-silver mineralization lying approximately 65 km northeast of Cerro Crespo. Work on this property is of a preliminary nature, however, it suggests an extensive gold-rich system with over 50 veins being identified, the largest of which is 2 m wide and 2,500 m long. The initial sampling suggests that this system is significantly enriched in gold relative to silver.

The mineralization at Numa is associated with extensive breccia and stockwork type replacement bodies in limestone with the largest of the zones being the Numa West zone which extends for approximately 2,500 m north-south and varies in width from 5 to 50 m.

10.0 EXPLORATION

The exploration work carried out on the Liam Core Zone prior to June 2003 is summarized in Section 6.1 – Exploration History.
In late April 2004, Newmont began a drilling program in the Liam Core Project area with initial results being reported by Southwestern in a press release dated September 29, 2004. Southwestern made two additional press releases on the Liam Gold-Silver Project dated March 16, 2005 and September 14, 2005. The results from the drilling are summarized in Table 11-1. The mineralization at Cerro Queshca is associated with a major east-west, steeply-dipping shear zone. The results from the drilling are summarized in Tables 11-2.

The press release on March 16, 2005 reported that hole QS-015, drilled 150 m south of hole QS-010, intersected 46 m grading 2.1 g/t gold and 22.5 g/t silver. It was reported that the mineralization in QS-015 was confined to a unique volcanic lithology and that it was considered to be the same rock type as intersected in hole QS-010 (24.55 m at 6.0 g/t gold and 67.6 g/t silver). Above the collar of QS-015, extensive rock chip sampling by Newmont over a 40 metre section returned gold values generally greater than 1 gram per tonne. Twelve percent of the values were over 10 g/t gold. A fragmental volcanic unit, carrying high silver values, lies above the gold-bearing section and may be a cap rock to the mineralization. The high silver-bearing fragmental unit extends for about 800 m to the east of hole QS-015. The underlying gold-bearing section does not outcrop to the east. This area was covered by an IP survey by Newmont.

The results from the second phase drilling program at Cerro Queshca were reported in the September 14, 2005 press release. The purpose of this drill program was to expand the area of mineralization intersected in holes QS-010 and QS-015. Drill intersections of economic interest were reported for holes QS-017, QS-018 and QS-021 which were drilled in the area adjacent to holes QS-01- and QS-015. These 5 holes show gold-silver mineralization in an area extending approximately 200 m east-west and 150 m north-south and generally open in all directions.

At Astana – Farallon the area was initially evaluated by geological mapping and then extensive surface rock chip sampling program. As previously indicated, the Astana and Farallon zones are separated by about 3 km of overburden and in addition to this combined zone, the Astana South and Astana Southwest zones have also been identified. The areas with anomalous gold-silver values include Astana (300 m x 200 m), Farallon (1,200 m x 800 m), Astana South (200 m x 100 m) and Astana Southwest (600 m x 200 m). In all the area, the anomalous zones are defined by gold values ranging from 0.10 g/t to 12.1 g/t and with corresponding silver values from 1.0 g/t to 450 g/t. In the covered area between the Farallon and Astana zones, soil and rock chip sampling returned anomalous gold values and suggested the continuity between these two zones. This work was followed up by detailed soil sampling. Subsequently, preliminary drilling was carried out on the Astana and Farallon zones.

The Careli high sulphidation type epithermal gold-silver mineralization was initially discovered in the regional prospecting program. Subsequent sampling indicated a zone

approximately 700 m long and 200 m wide trending northwest-southeast. Surface samples from within the zone indicated that the central and southeastern part generally had gold grades between 0.2 g/t and 0.5 g/t while gold grades in the northwestern section were generally over 1 g/t. Two induced polarization surveys were carried out over the Careli zone and significantly expanded the size of the potential target. Based on the area of high resistivity indicated by the two IP surveys, the total strike length of the Careli zone is now considered to be 4,000 m in a northwest-southeast direction and up to 500 m wide. Scattered outcrops of vuggy silica and alunite within this area indicate the high sulphidation nature of the zone. A weaker zone of anomalous resistivity values, located northeast of the large anomaly extends for approximately 1,000 m and is associated with hydrothermal breccias in which the gold grades commonly register over 1 g/t.

On the Ibel prospect, sampling was carried out on two areas of mineralization, the Huamancharpa Sur and Huamancharpa Norte. At Huamancharpa Sur prospecting, geological mapping and sampling have indicated an altered and mineralized area extending for 1,200 m by 800 m in a silicified and moderately stock-worked shale. Over 400 rock chip samples have been collected with greater than 30% of the samples having gold values over 0.1 g/t with a maximum of 3.7 rams per tonne. At Huamancharpa Norte the main gold-silver mineralization is associated with hydrothermal breccias and veins as indicated by the mapping and sampling. Four separate zones of hydrothermal breccias and veins were identified and they vary in length from 450 to 3,000 m and with widths between 1.0 and 10 m. Rock chip sampling within the breccias returned gold values of generally less than 0.5 g/t.

At Huacullo, which is 6 km southeast of Ibel prospecting, geological mapping and sampling have identified four main zones of breccia and veining with a northwest-southeast trend. Rock chip sampling of the low sulphidation veins and breccias generally return gold values over 0.2 g/t gold and with several values in the 10 g/t to 19 g/t range. These veins and breccias are unusual and that they also carry high molybdenum values in the range between 200 ppm and 1,300 ppm. The largest of the four main breccia vein zones which trend northwest-southeast is 2,000 m long and up to 20 m wide and is similar to the mineralization currently being mined at the Arcada mine to the south. Fourteen hundred rock samples were collected with 10% showing values greater than one gram per tonne gold and up to 30 g/t silver. Twenty percent of the samples carried molybdenum values between 0.025% Mo and 0.24% Mo. A gradient array IP survey indicates the presence of a chargeable zone at depth which is considered to represent sulphides within the veins and breccias. No sulphides are present on surface probably due to their having been leached by the surface weathering processes.

During the first quarter of 2006 work in the Gran Leon area approximately 65 km northeast of Cerro Crespo identified a new extensive system of gold-rich veins. Fifty veins were identified with the largest vein being 2 m in width and extending for over 2,500 m. Preliminary rock chip sampling in these veins has returned gold values up to 62.4 g/t and 219.0 g/t silver over 0.5 m.

A total of 1,285 surface samples were collected on Carmen during 2006. A total of 1,215 surface samples (rock chip, channels, selective and soil) were collected in November, broken down as follows: 619 rock chips, 118 channels, 277 select, and 201 soils. A rhombic grid sampling (soil and rock chip) of 100X50m was finished. Fifteen of the samples analysed returned higher than 0.5 g/t Au, and up to 3.89 g/t Au (10 selective samples, 4 chips and 1 channel). These results are associated with hydrothermal breccias with silica-oxide-barite in matrix and silica pyrite in structures). Accumulate gold results show 235 samples higher than 50 ppb Au. A total area of surface gold anomaly higher than 50 ppb Au is 1270m x 400m. This follows a NW-SE strike.

A total of 2,353 samples were taken on Aluja during 2007. The sampling included 609 channel, 989 rock chips, 706 grabs, and 49 soil samples. Multiple hydrothermal breccia bodies cross-cut the granular silica zones and four grab samples from the breccia bodies contained from 4.0 to 54.0 g/t gold. Newmont completed a nine hole (2064.0 m) first-phase drill program at Aluja and assay results are provided in Table 11-7.

The Numa zone of silver-lead-zinc mineralization and in particular the Numa West zone is located in the northeastern sector of the Joint Venture area. The Numa West zone, which is the largest of the identified bodies, extends for approximately 2,500 m in a north-south direction and varies in width from 5 to 50 m. Mineralization occurs in extensive breccia and stockwork type replacement bodies in limestone. A total of 163 rock chip samples were collected with the highest silver values concentrated in the 2,500 m long Numa West zone.

A total of 2,087 samples were collected on Aluja during the 2007 field season. Sample types included channel, chips, grabs, and soils. Initial assay results from 652 samples were reviewed. Anomalous gold values were noted, with 12 samples returning higher than 100 ppb Au. Anomalous values of barium (>250ppm), molybdenum (>5ppm), arsenic (>30ppm) are spatially associated with the gold mineralization. Approximately 1968 linear metres of trenches were excavated during 2007 to facilitate sampling. Trenches were developed every 30m on areas with strong alteration and breccias.

A program of geological mapping, sampling, and trenching was completed in 2007 at Pacobamba. A total of 320 rock chip samples were collected. Twelve of the samples analysed returned values ranging from 137 ppb to 2410 ppb Au. The highest grades are related to floats of silicified tuff, which are cross-cut by hydrothermal breccias. Geophysical work was also completed and consisted of 103.2 km of magnetometer and 21.4 km of IP surveys.

11.0 DRILLING

There were two drilling programs carried out on the Liam Core Zone Area prior to the initial Newmont-Southwestern Joint Venture agreements in late 2003, one in September through November 1998 by the Soteco Joint Venture and a second one in June to early

November 2003 by Misosa. The Soteco drilling confirmed that the strong high sulphidation epithermal alteration zone observed on surface continued to depth, however, no intersections showing economic widths of precious metal mineralization were encountered. As a result of the work done by Misosa at Cerro Crespo, it is now apparent that the Soteco drill holes were being drilled below the main zone of mineralization at Cerro Crespo. It is of interest to note that one up-hole, LM98DOZ, drilled by Soteco intersected 159 g/t silver over 1.8 m, however, the hole was abandoned due to drilling problems. In total, Soteco completed 12 holes for a total of 1,781.2 m.

The drilling carried out by Misosa in 2003 consisted of a total of 3,197.55 m in 19 holes. This work indicated a significant zone of gold-silver mineralization with a strike length of about 350 m, a width of 125 m +/- and a vertical extent of about 150 m.

In late April 2004, Newmont Peru commenced a Phase 1 drilling program on the Liam Core Project. In a press release dated September 29, 2004 Southwestern reported the results from five holes drilled at Cerro Crespo and 11 holes drilled at Cerro Queshca (Table 4). Holes Li-021 and Li-022 drilled at Cerro Crespo were drilled 300 m south of the butte but no significant gold or silver mineralization was intersected (Figure 5).

Two holes, Li-023 and Li-024 identified a new gold-silver zone of mineralization on the northeast flank of Cerro Crespo butte. On March 16, 2005 the results for 3 additional holes, Li-028, Li-029 and Li-031 at Cerro Crespo were reported (Table 4 and Figure 5).

Holes Li-023, Li-024, Li-028 and Li-029 are all within the new zone of gold-silver mineralization northeast of Cerro Crespo and Li-031 is northwest of Cerro Crespo.
Holes Li-021 and Li-022 were collared about 300 m south of Cerro Crespo and contained no significant results.

The Cerro Queshca drilling has been very widely spaced, however, the initial results indicated that the better grade gold mineralization is controlled by a steeply-dipping, major, east-west-trending structure as indicated by hole QS-010 (Table 5– Figure 7). On March 16, 2005 Southwestern reported the results from additional drilling at Cerro Queshca with the best results being from QS-015 (Table 11-2) which was drilled about 150 m south of QS-010.

In the Phase 2 drilling program by Newmont at Cerro Queshca 3 additional holes QS-017, QS-018 and QS-021, adjacent to holes QS-010 and QS-015, intersected gold-silver mineralization of economic interest (Table 11-2). These 5 holes are within an area measuring approximately 200 m east-west by 150 m north-south.

Drill holes QS-012 to QS-014, QS-016, QS-019, QS-020 and QS-022 to QS-033 did not intersect any significant mineralization. The drill holes QS-001 to QS-007 and QS-011 intersected only sporadic anomalous gold and silver values.

All reported intersections are core intervals. Until the zones are better defined, the true widths of the mineralization cannot be stated.

Table 11-1: Assay highlights from the Cerro Crespo Area.

Hole No.	From (m)	Interval (m)	Gold (g/t)	Silver (g/t)
Li-020	86.00	24.00	0.10	14.00
Li-023	0.00	28.60	1.00	23.30
	60.50	5.50	0.60	21.20
Li-024	28.00	40.70	1.18	15.00
including	38.90	9.10	3.00	32.20
	180.00	33.75	0.50	4.80
	(bottomed in mineralization)			
Li-025	0.00	40.00	0.15	26.20
Li-028	38.00	20.00	0.70	5.30
Li-029	16.00	36.00	1.10	11.30
including	62.00	8.00	1.30	12.20
Li-031	24.00	56.00	0.30	46.10
	(hole bottomed in mineralization)			

Table 11-2: Assay highlights from the Cerro Queshca Area.

Hole No.	From (m)	Interval (m)	Gold (g/t)	Silver (g/t)
QS-008	51.90	4.15	0.45	6.70
	73.60	14.40	0.44	9.10
QS-009	24.00	8.00	0.90	5.60
QS-010	0.25	24.55	6.00	67.60
QS-15	10.00	46.00	2.10	2.30
including	22.00	22.00	3.10	3.40
QS-017	9.35	47.05	1.48	24.30
QS-018	70.10	31.90	2.93	4.40
QS-021	111.95	4.15	1.79	17.96
including	134.00	2.90	0.70	24.70

To date, Newmont has completed 33 (4,997 m) holes at Cerro Crespo and 33 at Cerro Queshca (4,617 m).

Apart from the original Liam Core Zone area of Cerro Crespo and Cerro Queshca, Southwestern has completed the following drilling to date on the Astana, Farallon, Carelli, Aluja, Pacobamba, Numa, and Huacullo Zones.

Astana – 10 holes totalling 1,785 m.
Farallon – 11 holes totalling 2,250 m.
Careli – 12 holes totalling 2,025 m.
Huacullo – 21 holes totalling 2376.4 m.
Aluja – 9 holes totalling 2064.0 m.
Pacobamba – 7 holes totalling 1384.6 m.
Numa – 18 holes totalling 3097.0 m.

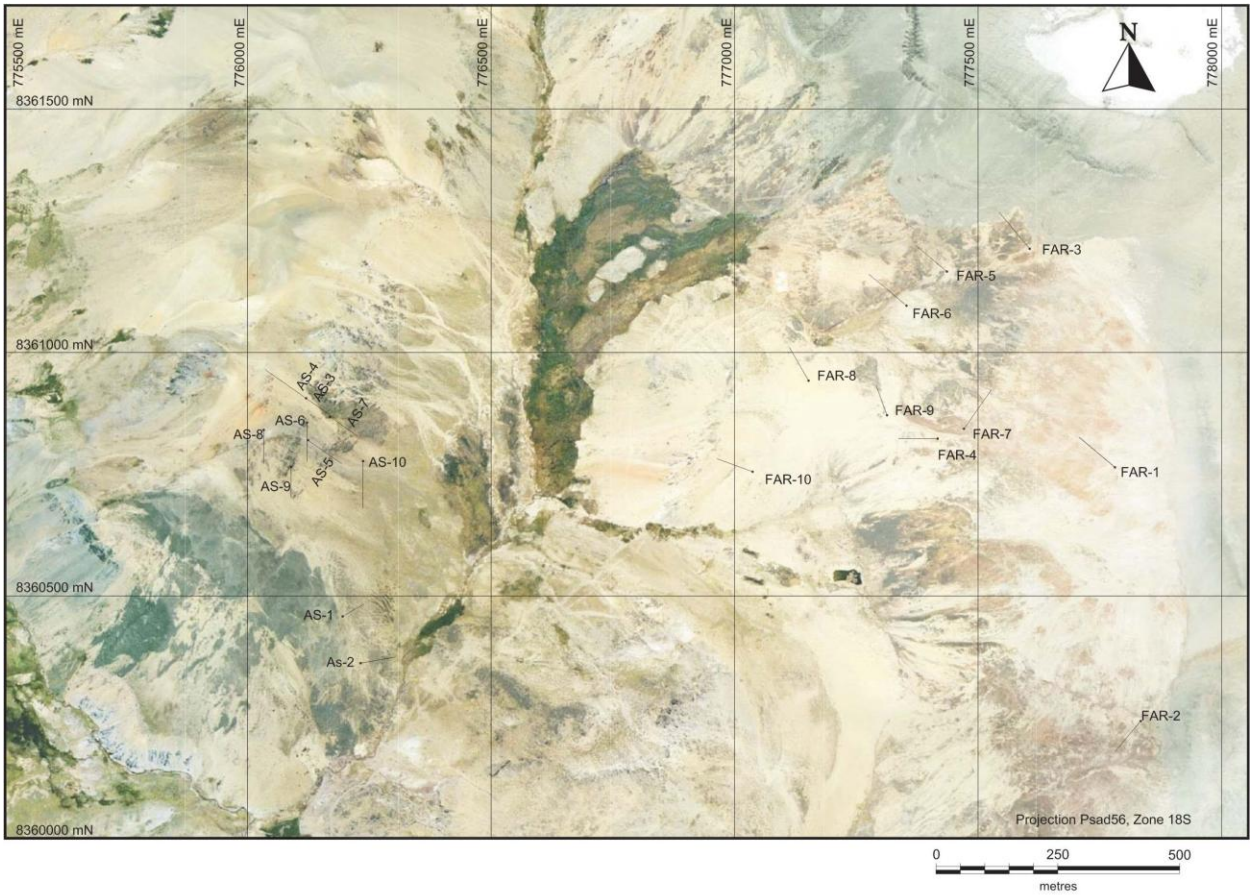

Figure 11-1: Drill Hole Locations, Astana and Farallon Areas.

extensive geochemical rock chip sampling. An initial, widely-spaced drill program comprised of 15 shallow holes was completed over a portion of this zone. Several holes contained thicker sections of anomalous gold with the main intersections listed in Table 11-3.

The Farallon Zone is considered to be low sulphidation type epithermal gold-silver mineralization whereas Astana is a high sulphidation type zone. The results to date are

of a preliminary nature, however, due to the size of the zone and the positive nature of this preliminary work additional drilling is warranted.

At Careli 12 holes totalling 2,025 m have been completed and the hole locations and results are shown in Figure 11-2.

Table 11-3: Assay highlights from the Farallon and Astana Areas.

Hole No.	From (m)	To (m)	Length (m)	Silver (g/t)	Gold (g/t)
FAR-003	64.00	75.30	11.30	39.20	0.83
FAR-010	4.00	29.30	25.30	24.30	0.13
AS-005	6.00	20.00	14.00	215.27	1.10
	92.00	104.20	12.20	27.30	0.60
	175.60	177.80	1.20	48.20	2.00
AS-006	103.55	176.00	72.45	1.10	42.00
	206.30	208.20	2.10	3.10	445.00
AS-007	52.00	82.00	30.00	0.80	40.40

Table 11-4: Assay highlights from the Careli Area

Hole No.	From (m)	To (m)	Length (m)	Gold (g/t)
CRL-001	0.00	24.00	24.00	0.58
	62.00	86.00	24.00	0.12
CRL-003	0.00	26.00	26.00	0.31
CRL-004	0.00	6.00	6.00	0.12
CRL-005	218.00	234.00	16.00	0.18
CRL-010	38.00	48.00	10.00	0.13
	78.00	108.00	30.00	0.15
	130.00	180.00	50.00	0.14
CRL-012	0.00	28.00	28.00	0.21

* drill holes CRL-002, -006, -007, -008, -009, and -011 reported no significant results.

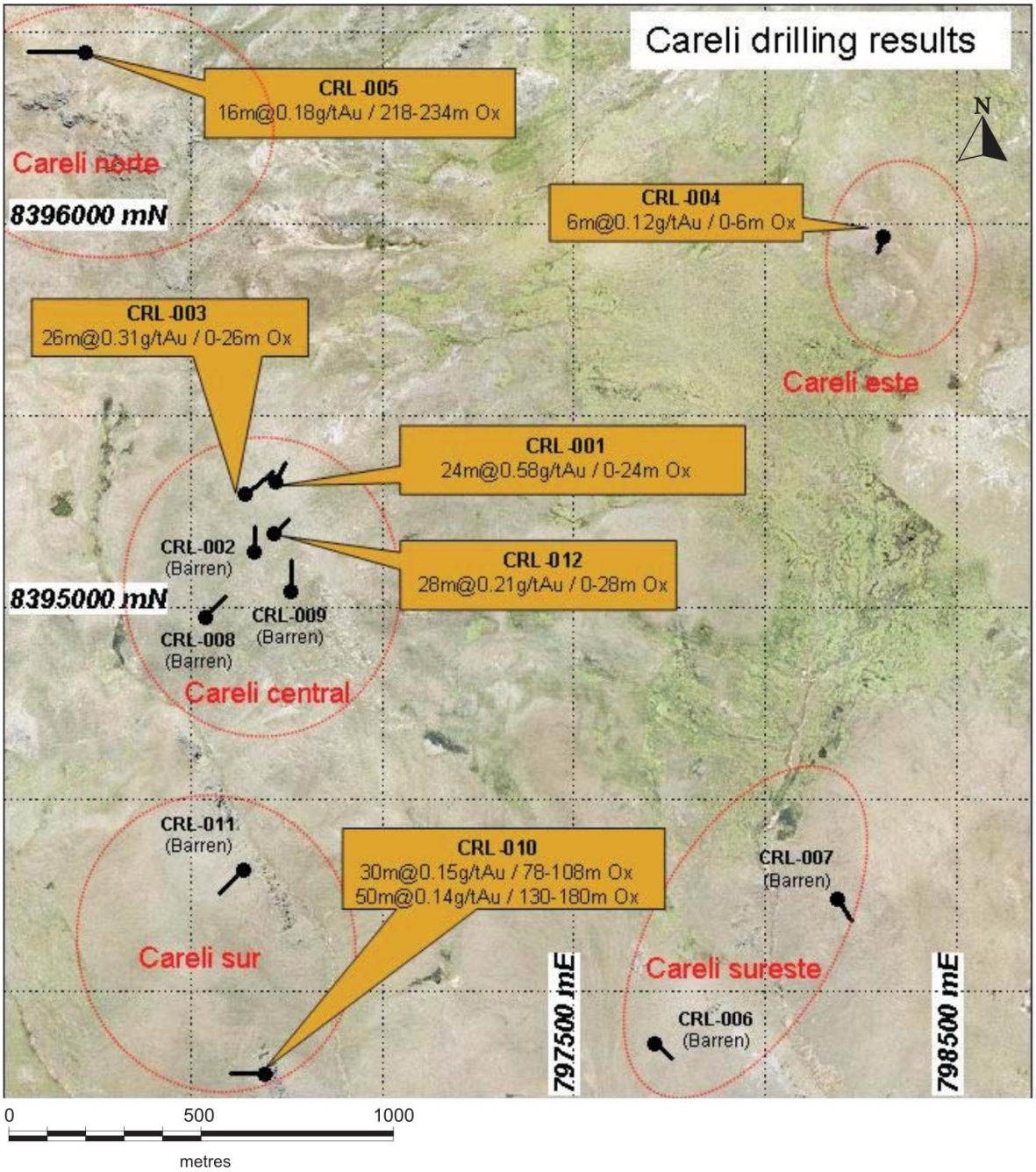

Figure 11-2: Drill hole locations, Careli Area.

Table 11-5: Assay highlights from the Numa Area.

Drill Hole No. (1)	Interval			Grade		
	From (m)	To (m)	Length (m)	Silver (g/t)	Lead (%)	Zinc (%)
NUM-001	7.10	46.60	33.50	167.33	0.74	1.72
	49.55	57.10	7.55	83.64	0.16	0.88
NUM-002	86.00	139.15	53.15	78.14	1.07	2.12
NUM-003	10.00	24.00	14.00	.075 G/T Au, 0.60% Cu		
NUM-004	0.00	69.25	69.25	50.54	0.43	1.94
including	31.20	52.00	20.80	114.88	0.57	3.74
NUM-005	4.00	16.55	12.55	96.03	0.33	0.35
including	9.20	14.95	5.75	180.13	0.51	0.57
NUM-006	27.00	31.40	4.40	87.76	0.08	0.08
	78.80	81.65	2.85	109.71	0.06	0.09
	85.20	104.95	19.75	74.77	0.04	0.07
NUM-007	5.00	10.00	5.00	68.54	0.72	2.39
	13.75	17.35	3.60	54.19	0.13	1.48
	124.95	132.00	7.05	274.80	2.54	3.85
NUM-008	0.00	51.00	51.00	30.12	0.31	1.14
including	20.00	29.60	9.60	82.51	0.76	2.58
including	8.00	34.55	26.55	43.58	0.49	1.88
NUM-009	98.00	108.10	10.10	57.87	0.22	0.22
	124.00	127.70	3.70	80.84	0.50	0.49
NUM-010	34.60	40.00	5.40	239.11	0.67	1.65
NUM-011	112.00	142.80	30.80	32.49	0.80	1.71
NUM-012	60.00	100.50	40.50	24.90	0.12	0.24
	108.00	109.60	1.60	141.17	0.11	0.22
including	62.65	64.50	1.85	145.00	1.47	1.80
including	108.00	109.60	1.60	482.00	0.20	0.25
NUM-013	3.75	6.60	2.85	16.78	0.40	1.00
	68.00	79.30	11.30	150.19	0.86	1.86

(1) Drill holes NUM-014 to NUM-018 reported no significant results.
(2) Interval reported is down-hole core length as true widths are not known at this time.

Numa is a silver and base-metal mineralized carbonate replacement system located in the northeastern part of the Liam Joint Venture area. Newmont has completed an 18-hole (3,097 m) first-phase drill program at Numa, with thirteen of the eighteen holes (NUM-001, NUM-002, NUM-004 through NUM-014) drilled at the principal carbonate-replacement mineralized system and five other holes (NUM-003, NUM-015

through NUM-018) drilled on three peripheral, skarn and carbonate-replacement, targets. Assay results from the first phase of drilling at Numa are listed in Table 8.

The results from the 13 holes in the principal carbonate replacement mineralized zone are encouraging. Previous mapping and sampling indicates that the mineralization is distributed over 2.5 km of strike-length. Mineralized thicknesses at depth are similar to widths seen in outcrop. Continuity between drill holes is not clear due to wide drill-spacing (up to 500 m) and "pinch and swell" geometries of the mineralized zones seen on surface. The project remains an exciting exploration project within the Liam Joint Venture. Additional work is needed to determine the significance of the mineralization. Three dimensional modeling, detailed structural mapping and interpretation and geophysical surveying are being considered for planning the next phase of drilling in the principal mineralized zone.

More field and interpretive work is planned to develop additional drill targets in the greater Numa area, as several other alteration zones have been identified and not drill-tested. Preliminary work suggests that structural blocks of limestone have been down-dropped into intrusive rocks, possibly preserving additional carbonate-replacement systems.

Huacullo is a low-sulphidation gold-silver vein project located 18 km northwest of Crespo/Quescha. Multiple veins outcrop at Huacullo and are present over at least 800 m of strike-length. Results from the five-hole (922 m) second drill phase at Huacullo are provided in Table 11-6.

Previous drilling at Huacullo by Newmont in 2006 resulted in several significant silver and gold intersections (see News Release dated December 4, 2006), which were highlighted by: 2.30 m of 91.50 g/t silver and 11.50 g/t gold, including 1.05 m of 22.40 g/t gold in HUA-008, 1.65 m of 133.50 g/t silver and 1.35 g/t gold in HUA-004, 0.45 m of 144 g/t silver and 3.20 g/t gold in HUA-002 and 0.90 m of 109 g/t silver in HUA-006. Results from the recent drilling are provided in table 11-6. Some interesting and appreciative silver and gold values were intersected. Additional field evaluations at will continue to test the size potential of the higher grade veins and possible shoots as well as test for additional veins.

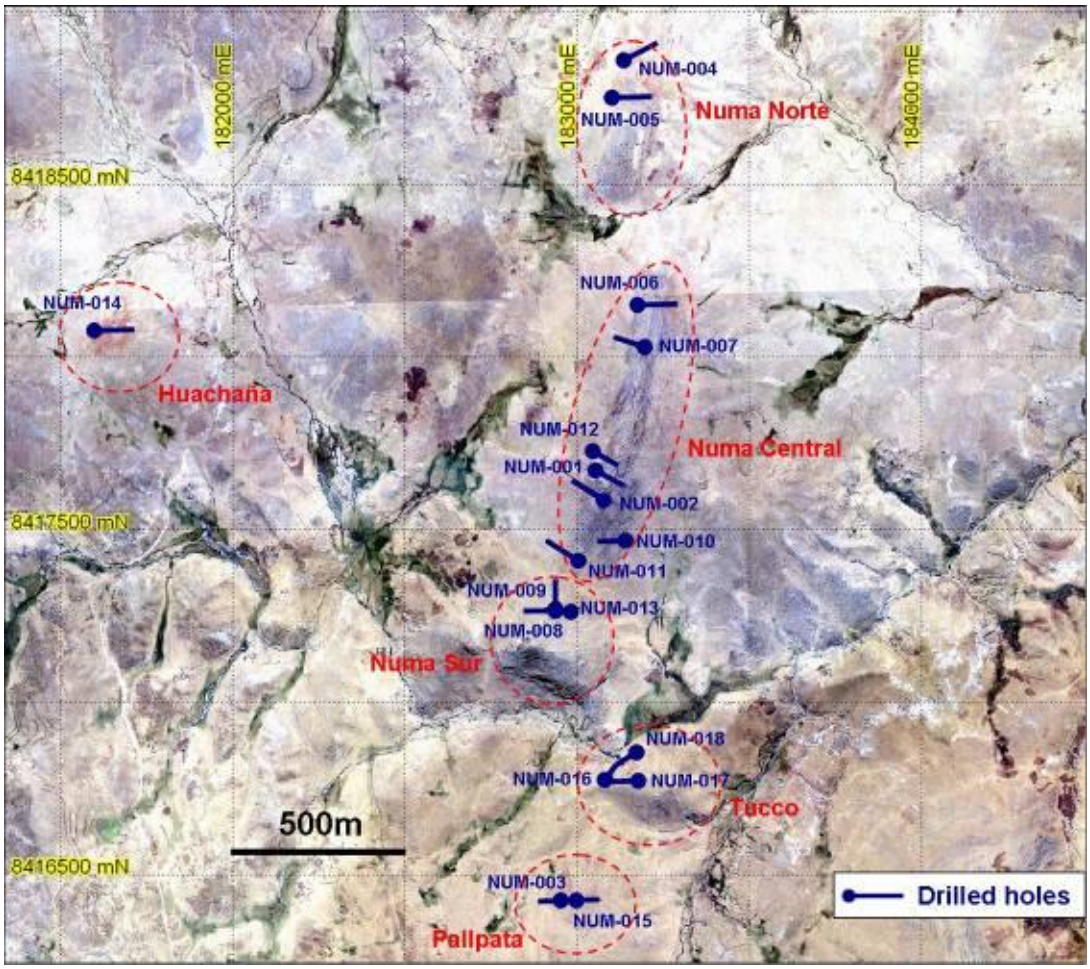

Figure 11-3: Drill hole locations for the Numa Area.

The Aluja Project is located 30 km northwest of Crespo/Quescha and is a strongly developed high-sulphidation gold system that covers 2.0 by 1.5 km. Aluja alteration includes multiple phases of silica, including large areas of granular silica interpreted to be formed by upper level, vapor-phase alteration. Multiple hydrothermal breccia bodies cross-cut the granular silica zones and four grab samples from the breccia bodies contained from 4.0 to 54.0 g/t gold. Newmont completed a nine hole (2064.0 m) first-phase drill program at Aluja and assay results are provided in Table 11-7.

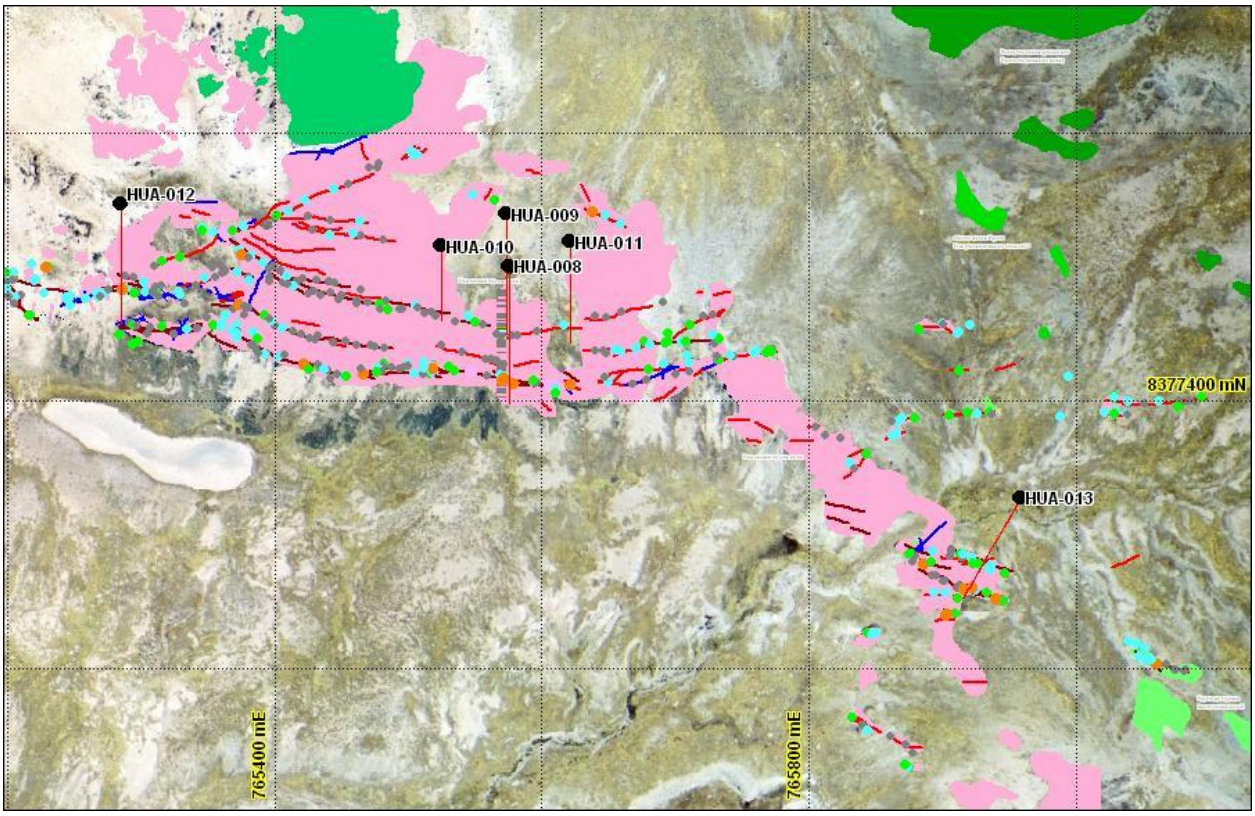

Figure 11-4: Drill hole locations for the Huacullo Area.

Table 11-6: Assay highlights from the Huacullo Area.

Hole No.	From (m)	To (m)	Length (m)	Silver (g/t)	Gold (g/t)
HUA-009	111.95	113.15	1.20	20.60	1.49
	131.85	146.00	14.15	6.70	0.24
including	141.50	142.25	0.75	35.10	0.88
including	143.65	144.00	0.35	38.10	0.86
HUA-010	127.20	131.10	3.90	33.10	1.05
including	129.70	130.10	0.40	73.20	4.20
HUA-011	114.25	126.00	11.75	3.56	0.74
including	114.25	114.80	0.55	22.40	1.03
including	118.90	120.00	1.10	1.74	1.27
including	123.80	126.00	2.20	5.05	1.46
	171.95	172.45	0.50	12.05	0.82
HUA-012	No significant results				
HUA-013	62.20	62.45	0.25	35.20	2.14

* Interval reported is down-hole core length as true widths are not known at this time.

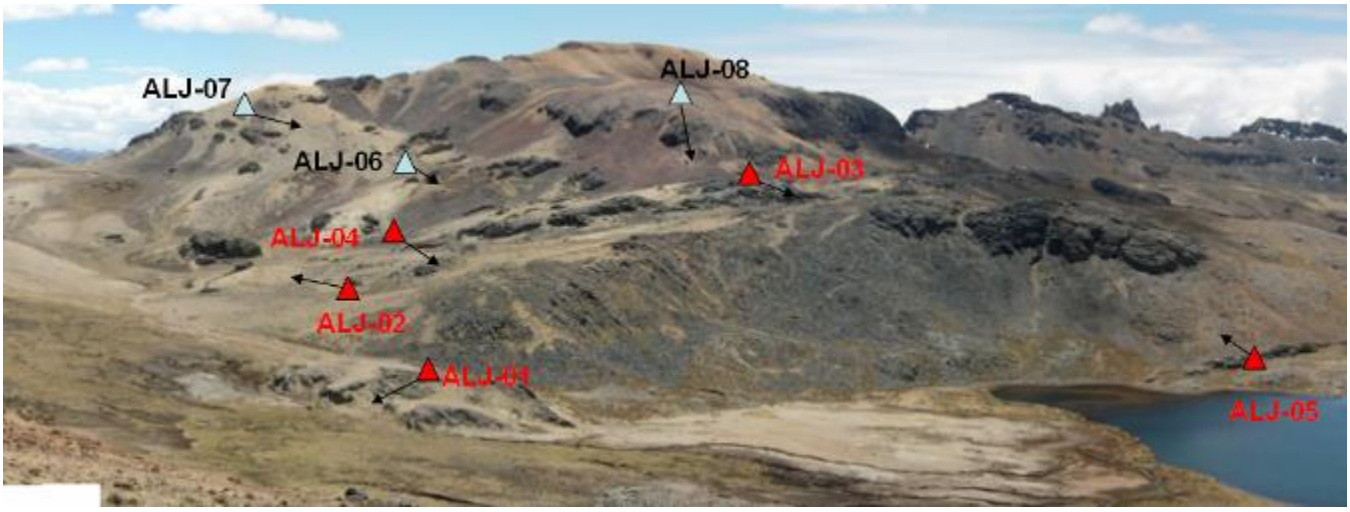

Figure 11-5: Photograph looking north showing completed drill holes in red, black holes are pending, Aluja Area.

Table 11-7: Assay highlights from the Aluja Area.

Hole No.	From (m)	To (m)	Length (m)	Silver (g/t)	Gold (g/t)
ALJ-001	6.00	7.50	1.50	4.13	1.82
	9.00	10.50	1.50	6.98	2.79
ALJ-002	8.50	10.00	1.50	0.08	0.66
	31.00	56.50	25.50	0.08	0.17
ALJ-003	28.00	43.00	15.00	2.19	0.40
including	34.00	35.50	1.50	0.91	1.82
ALJ-004	26.50	47.50	21.00	3.99	1.37
including	26.50	41.50	15.00	5.51	1.86
ALJ-005	12.00	16.00	4.00	4.72	0.25
ALJ-006	24.00	30.00	6.00	8.07	0.17
including	24.00	26.00	2.00	20.20	0.37

(1) Drill holes ALJ-007 to ALJ-009 reported no significant results.
(2) Interval reported is down-hole reverse circulation interval length as true widths are not known at this time.

Data review and additional field work is planned in 2008 to decide if further drilling is justified in 2008.

The Pacobamba project is located 50 km to the northwest of Crespo/Queshca and consists of two target zones: a 2,500 metre by 400 metre area of intensely altered hydrothermal breccias, volcanic rocks and limestone with 75 outcrop samples containing from 0.20 to 1.0 gram per tonne gold and 13 outcrop samples containing from 1.00 to 4.48 g/t gold and a skarn zone outcropping over an area of 1,600 by 150 m with 12 outcrop samples containing from 1.0 to 17.0 percent copper and 1.00 to 4.47 g/t gold. Southwestern completed seven holes in the first-phase drill program, with six of the seven holes in the gold target and the seventh hole in the skarn target. No significant assay results were received for the first six holes, while assay results for the seventh hole (skarn zone) are provided in Table 11-8.

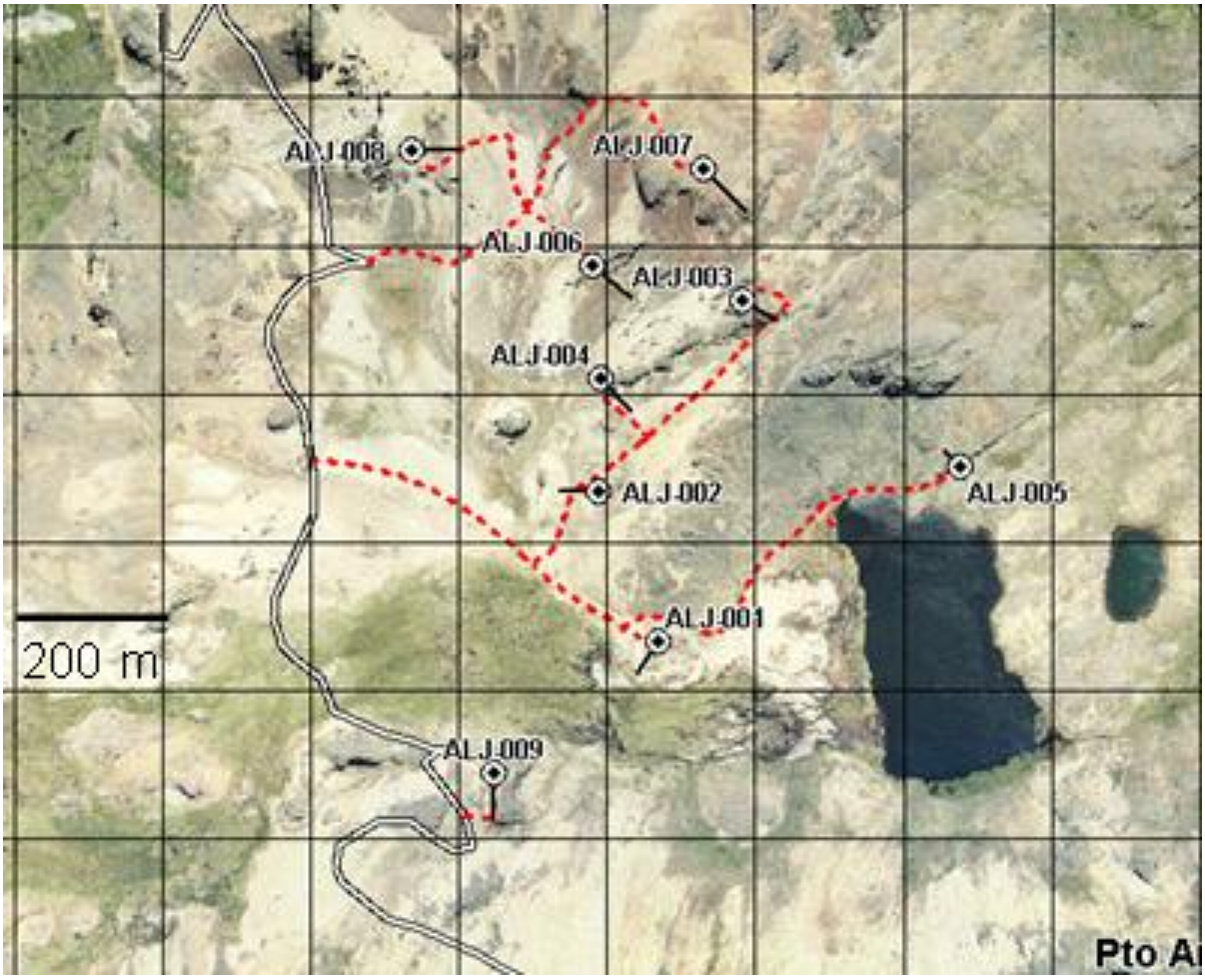

Figure 11-6: Drill Hole Locations for the Aluja Area.

Table 11-8: Assay Highlights from the Pacobamba Area.

Hole No.	From (m)	To (m)	Length (m)	Gold (g/t)	Copper (%)
PACO-007	52.50	69.00	16.50	0.34	0.57
including	60.00	67.00	7.00	0.60	1.09

(1) Interval reported in down-hole core length as true widths are not known at this time.

Additional field work is planned in the gold zone to determine if more drill targets can be developed and more mapping, sampling and possibly geophysics is planned in the skarn zone before additional drilling in 2008 is considered.

Figure 11-7. Photograph of RC Core, ALJ-07 , Newmont Peru Office, Lima. (CCIC, 2008).

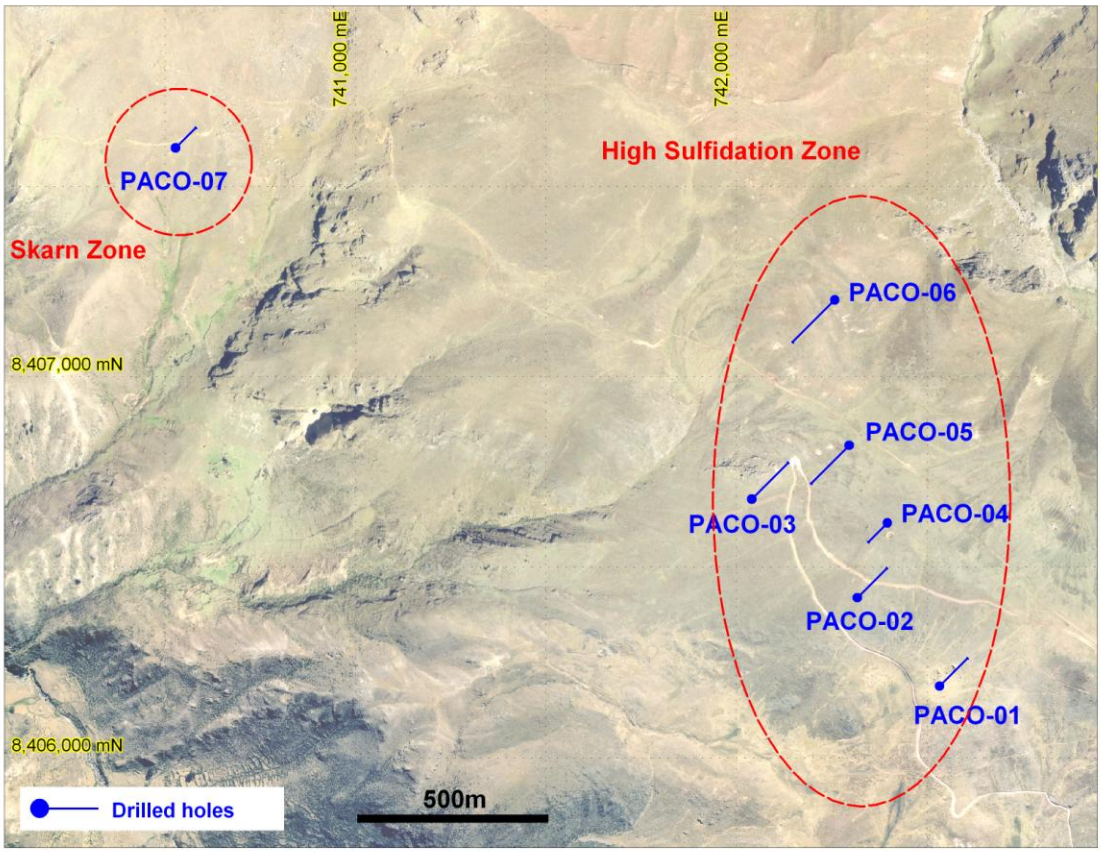

Figure 11-8: Drill hole locations, Pacobamba Area.

12.0 SAMPLING METHOD AND APPROACH

Within the Liam Property, both surface and drill core sampling are being utilized to develop the property.

Chip samples are taken from a 5m diameter area. For channel samples, the widths of the samples vary from 5-10cm, and up to 2.0m in length. Samples are normally taken perpendicular to lithologic and/or structural trends.

Each sample was collected in a plastic bag, following which it was ticketed, security sealed and its location and geological features recorded. Subsequently, individual sample bags were collected into a larger bag, sealed and transported by Misosa personnel for shipment to ALS Chemex in Lima, Peru for sample preparation.

The diamond drilling sampling process for Newmont Peru has been provided by Flores and Torres (2007). When a box of core is received from the drill, the first step is to check the depth markers (wooden blocks) to confirm that the sample depths are correct

and the direction of the core is correct. This is carried by a geologist and/or drilling supervisor both at the drill site and at the camp site. Next, the start and end of each box was noted by a junior geologist or technician following which the recovery between the depth markers was measured by a junior geologist. This information is then downloaded into an excel spreadsheet. The logging was performed by a geologist. During the logging, the type and amounts of various minerals were recorded, the type of silica is described and this information is used to define the alteration assemblage. Also the amount of iron oxide and sulphides is recorded as well as the rock texture and lithology. Every two boxes are photographed with the hole number, box numbers and the from and to meterages are indicated at the top of the photo.

Once the core has been photographed, it is cut and reduced to half its original size with the fines produced by the cut being returned to the core box. Sampling is carried out by a technician under the supervision of a geologist. The sample location or breaks are defined first by the geologist according to the lithology and/or alteration. Then the depth markers are located within the box indicating the To – From location and the sample number. Finally, half of the core is placed in a plastic bag with its respective sample number ticket.

After a number of samples are collected, they are combined into a larger container and shipped to ALS Chemex Lima with the respective sample submission sheet.

For the reverse circulation drilling, the sampling takes place on the drill platform. Samples are taken every 2 m using a micro-porous bag and information is collected as to percent recovery, water flow, sampling times, drilling type (dry or wet) as well as the lithology and alteration. In some cases, the recoveries are poor and in some intervals there may be no sample and hence no assay. The splitter is cleaned with water pressure every 6 m with a geologist being in charge of the drilling.

At this time, there are no known drilling, sampling or recovery factors that could affect the reliability of the initial results from the Liam Regional Project work.

13.0 SAMPLE SECURITY, PREPARATION AND ANALYSES

13.1 Sample Security

Samples were either shipped or delivered by a representative of the Newmont or Southwestern to ALS Chemex in Lima, Peru. Upon receipt of the samples, ALS Chemex checked the contents of each bag to ensure the samples inside matched the description of the sample submission sheet. ALS Chemex would then send a confirmation by email to Southwestern to indicate the samples were received and specify any discrepancies.

Figure 12-1. Photograph of sampled core from PACO-05 (CCIC, 2008).

13.2 Sample Preparation and Analyses

Upon receipt of the samples by ALS Chemex, the sample was logged, weighed and dried. Then the entire sample was crushed to greater than 70% less than 2 mm (10 mesh).

The sample was split to obtain approximately a 250 gram sub-sample with the reject (the rest of the sample being retained). Subsequently, the 250 gram sub-sample is pulverized to better than 85% less than 75 microns (200 mesh). Thereafter, a 30 g split for the crushed material was sent for analysis by fire assay.

Analyses are carried out by ALS Chemex in Lima with the following analyses being done as requested:

- Au-AA23, gold (5-10,000 ppb) by 30 gram fire assay and atomic absorption spectrometry analysis (AAS).
- Ag-AA45, silver (0.2-100 ppm) by aqua regia acid digestion and AAS analysis.

- AuCN-L102 and AgCN-L102, Newmont method, determination of gold and silver by cyanide leaching (0.3% NaCN) and analysis by AAS.
- Au-GRA21 and Ag-GRA21, gold (0.05-1,000 ppm) and silver (5-10,000 ppm), ore grade determination by 30 gram fire assay and gravimetric finish. Analysis when Au-AA23>5 ppm and/or Ag-AA45>100 ppm.
- Ag-AA46, ore grade determination by aqua regia acid digestion and AAS analysis.

The ALS Chemex Peru facility is registered to ISO9001:2000. ALS Chemex indicate they conduct analytical quality control with their results being available on their website. In addition, Newmont includes quality control samples (standards and blanks) as well as duplicate samples within the batches.

The author was able to review the QA/QC for the recently completed drilling at Aluja, Huacullo, Pacobamba, and Numa. Analysis of the control samples shows that the results fall within acceptable limits of plus or minus two standard deviations.

It is the writer's opinion that the sample preparation and security procedures as well as the analytical techniques and procedures are sufficient and appropriate for the work currently being carried out.

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14.0 DATA VERIFICATION

As part of the data verification process, CCIC visited the Southwestern and Newmont offices in Lima, Peru on February 23rd and 29th, 2008. At this time, CCIC undertook discussions with geologists that have worked on the Property, or are familiar with the property geology and styles of mineralization. In addition, CCIC has reviewed assay certificates, original drill logs, drill core, signed copies of agreements, QA/QC data, and other information relating to the Property. All available technical data supplied by Southwestern was reviewed by CCIC. CCIC is satisfied with the procedures taken in the field in regards to sampling, data entry, use of accredited laboratory facilities, and security where applicable.

15.0 ADJACENT PROPERTIES

Figure 4-2 shows the Liam Regional Venture concessions (claims) as well as the surrounding concessions held by third parties. The large area of concessions in the southern part of the figure encompasses the Arcata mine area.

16.0 MINERAL PROCESSING AND METALLURGICAL TESTING

Misosa prepared two composite samples from the rejects of the surface sampling. One was from rejects from Zone C (Cerro Crespo) samples and the other from Zones A and

B (Cerro Crespo) sample rejects. Bottle roll tests carried out at CIMM Peru S. A. laboratory reported the following extractions:

Sample Zones A and B: 90.82% gold and 76.18% silver;
Sample Zone C: 91.57% gold and 65.34% silver.

Column Leach Tests containing activated carbon were carried out on two samples collected from blasted material from the access road to the top of Cerro Crespo. At a grain size of 1.27 cm (1/2 inch) the extraction was:

Sample #2: 76.61% gold;
Sample #4: 89.67% gold.

Newmont completed bottle roll tests on nine composite core samples of various types of mineralization from Cerro Crespo and Cerro Queshca. Test work was carried out at Newmont's Metallurgical Research Department at the Yanacocha mine site. A total of 63 bottle roll tests were conducted on the nine composites. Results of the bottle roll tests on quarter inch material showed gold extractions ranged between 91 percent and 95 percent. Silver extractions are highly dependent on crush size and cyanide strength and ranged from 28 to 56% at a -10 mesh particle size. These results indicate that the Cerro Crespo – Cerro Queshca mineralization is amenable to heap leaching.

17.0 MINERAL RESOURCE AND RESERVE ESTIMATES

No mineral resource or mineral reserve estimates have been made for any of the indicated gold-silver mineralization. The Company has prepared a preliminary mineral resource estimate for Cerro Crespo, however, it is not currently compliant with the required CIM Standards for Resource estimation.

18.0 OTHER RELEVANT DATA AND INFORMATION

With regard to environmental matters and permits, there are no known pre-existing liabilities. All drilling completed by either Southwestern or Newmont has been done under the appropriate category of permit. Southwestern and Newmont have been working closely with all local communities in the active exploration areas to keep them informed of the Project and work programs. Local individuals are currently employed on the Project and the Joint Venture is carrying out assistance programs with the local municipalities.

19.0 INTERPRETATION AND CONCLUSIONS

The initial work in the Liam Core Zone by the Soteco Joint Venture and Misosa suggested the presence of a large, high-sulphidation epithermal system centred on a maar-type volcanic crater with extensive silicification, multiple stages of brecciation and

gold-silver mineralization over an area measuring approximately 2.5 km north-south by 1.5 km east-west.

The careful, detailed chip sampling as well as the drilling by Misosa indicated that Cerro Crespo hosts mineralized breccias with gold-silver values of economic interest in several zones over an area approximately 350 m by 125 m +/-, trending northwest, and to a depth in the order of 150 m. The Newmont drilling at Cerro Crespo has indicated additional mineralization on the northeast flank of the butte.

Approximately 800 m to the north is the Queshca area where six outcrop areas or zones have been mapped and sampled. Within these six zones, channel samples have yielded gold values from 0.03 g/t gold (30 ppb) to 73.50 g/t gold and 180 g/t silver across 0.85 m.

The drilling at Cerro Queshca by Newmont has indicated that the better grade mineralization may be associated with a major, steeply-dipping, east-west-trending structure. Five drill holes within an area 200 m east-west by 150 m north-south within the area of this structure have shown gold-silver mineralization of economic interest.

The Liam Regional Venture Project represents a significant land position in a high interest area based on regional considerations and satellite imagery. In that part of the Liam Regional Venture outside of the original Liam Core Zone – Cerro Crespo and Cerro Queshca area, an additional 13 areas of mineralization of economic interest have been identified. Those at Astana, Astana South, Carmen, Careli, and Aluja are of the high sulphidation type of epithermal gold-silver mineralization while those at Huacullo, Farallon, Ibel and Gran Leon are considered to be of the low sulphidation type of epithermal gold-silver mineralization.

Work to date at Farallon has generally returned low gold values while at the adjacent Astana zone drill hole AS-006 returned 72.45 m starting at 103.55 m, of 1.1 g/t gold and 42.0 g/t silver plus 3.1 g/t gold and 445.0 g/t silver over 3.10 m starting at 206.3 m. Hole AS-007 returned 0.8 g/t gold and 40.4 g/t silver over 38.0 m starting at a hole depth of 52.0 m.

At Huacullo, four widely spaced drill holes on the largest vein plus drill holes on other veins in the zone gave gold values from 0.10 g/t to 11.50 g/t and silver values from 16.32 g/t to 133.50 g/t over core lengths of 0.45 m to 2.35 m. (True widths are not known at this early stage of the work.)

Surface sampling at Gran Leon yielded gold values between 5.9 g/t and silver values from 0.2 g/t to 219.0 g/t in channel samples varying in length from 0.25 m to two m. At Aluja a number of high sulphidation type gold-silver epithermal veins and breccia zones were identified that cover an area of 2.0 km by 1.5 km. Alteration includes multiple phases of silica, including large areas of granular silica interpreted to be formed by upper level, vapor-phase alteration. Multiple hydrothermal breccia bodies cross-cut the

granular silica zones and four grab samples from the breccia bodies contained from 4.0 to 54.0 g/t gold.

In a press release dated July 17, 2006, Southwestern reported the discovery of areas of widespread silver-lead-zinc mineralization in limestone in the northeastern part of the Liam Regional Venture area. The largest of these, the Numa West Zone, consists of mineralization in extensive breccia and stockwork-type replacement bodies in limestone which are from 5 m to 50 m wide and extend in a north-south direction for approximately 2,500 m. A total of 163 rock chip samples returned 33 samples with values between 14.9 g/t silver and 1,865 g/t silver, 0.41% lead and 10.90% lead and 0.31% zinc and 10.45% zinc. The samples were composed of rock chips collected over areas ranging in size from 1 square metre to 64 square metres. This is considered to be a significant zone of mineralization.

Based on the work to-date, Huacullo and Aluja have the potential to host economic mineralization of economic significance. These are in addition to the gold-silver bearing zone at Cerro Crespo. The Numa West also appears to be a significant zone of mineralization with considerable economic potential.

20.0 RECOMMENDATIONS

The Liam Regional Venture Project is being carried out with Misosa as manager since October 2005, and in which Newmont and Southwestern each have a 50% interest and in which they are required to fund their respective interests. Newmont is the manager of the drilling programs.

Programs of geological mapping and prospecting, trenching and sampling and geophysics have been carried out in 2004, 2005, 2006, and 2007. In addition the Cerro Crespo, Cerro Queshca, Astana, Farallon, Careli and Huacullo, Pacobamba, Aluja, and Numa areas have been drilled.

The results have been encouraging, and further work is recommended to advance the prospects in appropriate and timely fashion.

21.0 STATEMENT OF AUTHORSHIP

This Report titled “Independent Technical Report, Liam Gold – Silver Property, Department of Cusco, Peru”, and dated March 24th, 2008 was prepared and signed by the following author:

_____

Joerg M. Kleinboeck, P.Geo.
Dated March 24th, 2008
Sudbury, Ontario

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CERTIFICATE OF AUTHOR

I, Joerg Kleinboeck, do hereby certify that:

1. I am consulting as a Project Manager with Caracle Creek International Consulting Inc. (CCIC).
2. I hold the following academic qualifications: B.Sc. Geology (2000) Laurentian University.
3. I am a member of the Association of Professional Geoscientists of Ontario (member # 1411).
4. I have been practicing my profession as a geologist for the past 8 years.
5. I have had no prior involvement with the Property that forms the subject of this Technical Report.
6. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
7. I am independent of the parties involved in the transaction for which this report is required, other than providing consulting services.
8. I have read NI-43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
9. I am responsible for the preparation of the Technical Report titled "Independent Technical Report, Liam Gold-Silver Property, Department of Cusco, Peru" (the "Technical Report") and dated March 24th, 2008.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public.

Dated 24th Day of March, 2008.

SIGNED AND SEALED

"Joerg Kleinboeck"

Joerg Kleinboeck, B.Sc., P.Geo.