Audit of resources and reserves

Pimenton Mine

V Region, Chile

Prepared for
Compañía Minera Pimentón
Subsidiary of
South American Gold and Copper Company Ltd.

Author of the Report

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AUDIT OF RESOURCES_RESERVES IN PIMENTON MINE. OBSERVATIONS REGARDING THE CHANGES OF THE PIMENTON MINE PROJECT TECHNICAL REPORT (June 2002)

3. SUMMARY

RESERVES

Compañía Minera Pimentón requested Metálica Consultores to revise and update the estimation of resources and reserves of the Pimenton mine, prepared by the team of the Mine, which is summerized in the following chart:

Reserves	Proven	Probable		Average width
Tons	19380	64319		0.89 meters

Grades	Proven	Probable		Average
Au g / t	18.49	19.05		18.83
Cu %	1.45	1.44		1.44
Au Eq g / t	20.34	20.88		20.75

The present estimation uses the same blocks, procedures and methodology which was applied in 2002 to arrive at the inventory of resources and reserves.

As in the original estimation, the proven blocks are derived from the measured resources, which are estimated with an extension of 5 meters upward and downward from a level, on which channel samples have been taken, every two meters along the vein. The probable blocks are derived from the indicated resources using 20 additional meters upward or downward of a measured block compared to the previous 15 meter projection used in 2002.

The measured grade is estimated from the sampled grades in the channel sample multiplied by the width of the vein.

The volumes are estimated by the traditional formula (width) * (length) * (height of the block), which are converted to metric tons by multiplying by a density of 3.0 tons/cubic meter.

The conversion of Resources (measured and indicated) to Mineral Reserves (proven and probable) is made by using a coefficient of recovery and a mining dilution of the resources.

The vein width is diluted to a minimum mining width of 80 centimeters.

RESOURCES

	Tonnes	**Au g/t**	**Cu%**
Inferred Class A	**37,121**	**18.57**	**1.43**
Inferred Class B	**283,982**	**14.44**	**1.24**

Class A Inferred refers to a 20 meter extension of the existing probable ore in the vertical sense,

conditions allowing. It is given a fairly high probability of being converted to Probable classification in the future.

The Class B Inferred is the projection of the known veins down to below the 3185 level using a combination of existing drill holes and the reserve grades as a guide. The Class B uses the same parameters as the previous 2002 resource estimates but is modified by adding dilution to a minimum mining width of 80 cm from 55cm and using a SG of 3.0. Assuming the added 25cm of minimum width runs 0.5 g/t Au and 0.1% Cu

In order to fulfill the objectives of this Report, the Consultant carried out a visit to the Pimenton mine, on December 8, 2008. The mine, sample preparation and assay laboratory were reviewed as well as geological plans and sections of the principle veins.

The principal conclusion is that the Pimenton mine uses standard methodologies for the estimation of the narrow vein/high grade type gold deposits, conducive to reliable resources, which can be used in the mid to long-term mine planning.

Signature: Marco Antonio Alfaro

Mining Civil Engineer, University of Chile
Ph: D. on Geostatistics, Paris School of Mines
QP (Qualified Person) AusIMM, No. 229692

Canadian Code NI 43-101, under Nº 8.1

I, Marco Antonio Alfaro Sironvalle, residing in Waterloo 529, Las Condes, Santiago, Chile, certifies that:

1. I work in the company Metalica Consultores.
2. I have a degree in Mining Civil Engineering from the University of Chile, obtained in the year 1971. I have a Doctorate in the Paris School of Mines. I have worked since the year 1971 in resource estimation and reserves.
3. My resume is attached. Included in my recent activities are:
    (a) Reserves Superintendent, Codelco Chuquicamata Mine.
    (b) Senior Mining Engineer BHP Consulting, Santiago Office
    (c) Principal Geostatistician, SRK Consulting, Santiago, Chile
    (d) Director Resources-Reserves. Metálica Consultores.
4. I am a registered engineer in the Institute of Mining Engineers of Chile and in the Australasian Institute of Mining & Metallurgy, QP by the AusIMM, with the number 229692.
5. I am a “qualified person” for the purposes of the NI 43-101.
6. I have checked the resources-reserves of the Pimenton mine since October 2008. I visited the mining property in December, 2008, for a period of one day.
7. I am the author of the present Report. I have checked the calculation of resources and reserves of Pimenton, obtaining similar results.
8. I am independent of the Company, according to 1.5 of the NI 43-101.
9. I have read the NI 43-101 and this report has been prepared according to this code.

4. INTRODUCTION AND TERMS OF REFERENCE

a) Terms of Reference
- The format of this report complies with Form 43-101F1, part of Canadian National Instrument 43-101, Standard of Disclosure for Mineral Projects.

- The Pimenton Mine is owned by South American Gold and Copper Company Ltd. (SAGC), a company listed on the Toronto Stock Exchange.

- Compañía Minera Vizcachas and Compañía Minera Pimenton are subsidiary companies of SAGC.

- BTX is a company formed by M. Bernstein and D. Thomson, which identified Pimenton in the early 1980's, and later acquired control.

- ENAMI (Empresa Nacional de Minería) an enterprise owned by the government of Chile. ENAMI operates two custom copper smelters in Chile. One, Ventanas, is located about 192 kilometres from Pimenton.

- SERNAGEOMIN (National Mining Service). The entity that oversees mining activity in Chile, with particular emphasis on safety and permitting of projects.

- All monetary amounts are in US Dollars $, or Chilean Pesos CHP unless otherwise indicated.

- All measurements are in metric units unless otherwise indicated. The term tonne or tonnes refers to a metric tonne (1,000 kg or 2,205 lbs).

- Gold amounts may be referred to in terms of grams/tonne or in ounces.
(1 ounce troy = 31.1035 grams).

- Mining levels are named by approximate elevation in meters above sea level.

- Geographic locations are expressed in terms of the Universal Transverse Mercator (UTM) System, Band Nº 19, based on the CANOA Survey of 1956. All mining claim surveys in Chile are referred to this system of coordinates, which is linked to the Geodetic survey of Chile.

- Adits are mining tunnels driven from the surface usually with a slight grade (1%) towards the portal to drain water by gravity.

- Drifts are tunnels driven along a vein or mineralized structure.

- Crosscuts are tunnels driven in waste rock at oblique angles to the direction (strike) of mineralized veins.

- Raises are vertical openings, often driven between levels following a vein to prove continuity of the vein.

- Stopes are extraction openings formed by drilling, blasting and removing ore for recovery of valuable metals in process plants.

- Overhand stull stoping, is a system consisting or drilling and blasting a sequence of overhand cuts, removing the ore with scrapers or mechanical loaders and leaving behind "stulls" (timber) as supports for drilling and access.

- Cut-off Grade: the minimum metal content (or breakeven value), expressed in grams of gold per tonne, required to pay all costs of operation, including exploration, mining, processing, and delivery to market via smelting and refining. Copper assays are converted to gold equivalents by a formula, which considers relative metal prices, mill recoveries, and smelter terms.

5. DISCLAIMER

In the preparation of this report, the Qualified Person (QP) has relied on PA&H report dated 2003 report on the general geology and description of the sampling procedures being applied as well as a review of the Ore Reserves by John Selters in 2005. This is in addition to discussions with supervisors. The QP has relied on the sample data and mine maps provided by SAGC.

Date : December 12, 2008 Marco Antonio Alfaro

6. DESCRIPTION OF PROPERTY

No change in this section from the 2002 Technical Report**.**

7. ACCESSES, WEATHER, LOCAL RESOURCES AND INFRASTRUCTURE

No change in this section from the 2002 Technical Report**.**

8. HISTORY

No change in this section from the 2002 Technical Report**.**

9. GEOLOGIC SETTING

No change in this section from the 2002 Technical Report**.**

10. DEPOSIT TYPES No change in this section from the 2002 Technical Report**.**

11. MINERALIZATION

No change in this section from the 2002 Technical Report**.**

12. EXPLORATION

Within this Resource Estimate, the primary work has been the advance of a new adit to

provide access to vein extensions below the Lucho/Leyton/Michelle area. The adit is oriented as a cross-cut to the vein systems and was started from a portal constructed at the 3375 elevation.

This adit has cut one new structure (Angeline) near the portal and at year-end 2008 had a total advance of 850 meters. 630 meters in the 3375 cross cut, 170 meters on the Lucho Structure and 80 meters on the Michele structure

13. DRILLING

With regard to the Pimenton Mine Resource estimate, there has been no change in this section from the 2002 Technical Report. No additional exploration drilling has been conducted in the Mine area per se. Although a new drill program was underway during the mine visit, the results will not be available in time for this review.

There has been additional drilling in connection with exploration of a bulk mineable porphyry target, which is outside the scope of this Audit.

14. SAMPLING METHOD AND APPROACH

The in-stope sampling methods are essentially the same as described in the 2002 Technical Report. In the stopes observed, the sample channels are being cut with impact hammers (electric and/or pneumatic). The channels cross the vein structures at approximately 90 degrees to the dip. Approximately 5 kilos are taken from each sample. In the stopes, the channels are cut at 2.0 meter intervals (horizontal) along the stope face, and this sampling pattern is repeated after every fifth cut, which translates into a vertical spacing of approximatly 6 meters.
The channel locations are surveyed by instrument to locate all samples in 3-D UTM coordinates. This information is included in the computer database on Excel spreadsheets, for eventual three dimensional analysis in the Datamine software.

In the raises and drifts, the channels are cut across the vein and wall rock at intervals of 2.0 meters along the vein structure.

Each channel is normally segmented with three samples; one over the mineralized vein itself, and one sample from the lower grade wall-rock on either side (dilution material).

The cut sample material is collected on a canvas sheet and transferred to plastic bags which are tagged with a unique sample number and stapled. The sampling crew is led by a geologist and/or a experienced sample boss, who deliver the sample bags directly to the preparation laboratory at site.

As a control of “as-mined” grade during the extraction, each truckload or loader bucket of broken mineral coming from a given stope or workplace is sampled by taking one shovel full at random

from the exposed content each load coming out of the mine portal. These samples are place in individual barrels marked for the active workplaces.

15. SAMPLE PREPARATION, ANALYSIS, SECURITY

Sample preparation and analysis is performed on site. The assay lab has been moved to a new site providing good opportunity to improve procedures and protocols.

16. DATA VERIFICATION

As the scope of this audit was defined as a review of the Resource and Reserve **estimate methodology**, no independent sampling or data verification was undertaken. The QP opinion is that not much would be accomplished by random independent sampling.

A review of the stope sampling records indicates that the primary high-grade vein structures have widths from 5 centimeters up to 70 centimeters with perhaps the most typical being 20 to 30 centimeters of sulfide vein. The sublevel sampling has in most cases verified the sampling of the actual vein width in the drifts below.

To date the ultimate check has been the payable amounts of gold and copper contained in the concentrates sold to Enami. The geologic staff and managers of Minera Pimenton are concerned about perfecting their sampling and volumetric measurement of materials mined and those amounts remaining in the Reserves.

The data base of duplicated grades of the “Lucho” vein was revised, corresponding to the Pimenton Laboratory and to the ACT Laboratory in La Serena. The figures 3(a) and 3(b) show the results for the Au and Ag (in green, the straight line y=x):

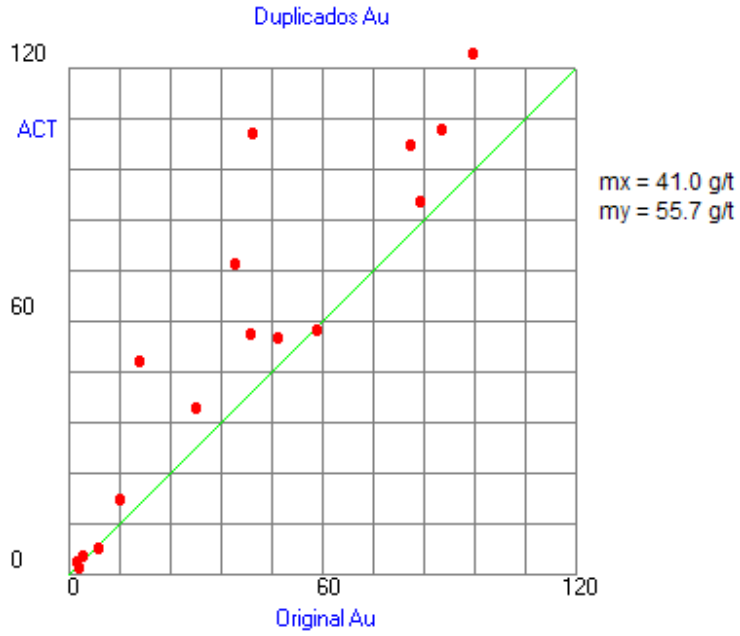

Figure 3(a): In the scatter, it is observed that the Laboratory ACT provides systematically higher grades than the Pimenton Laboratory.

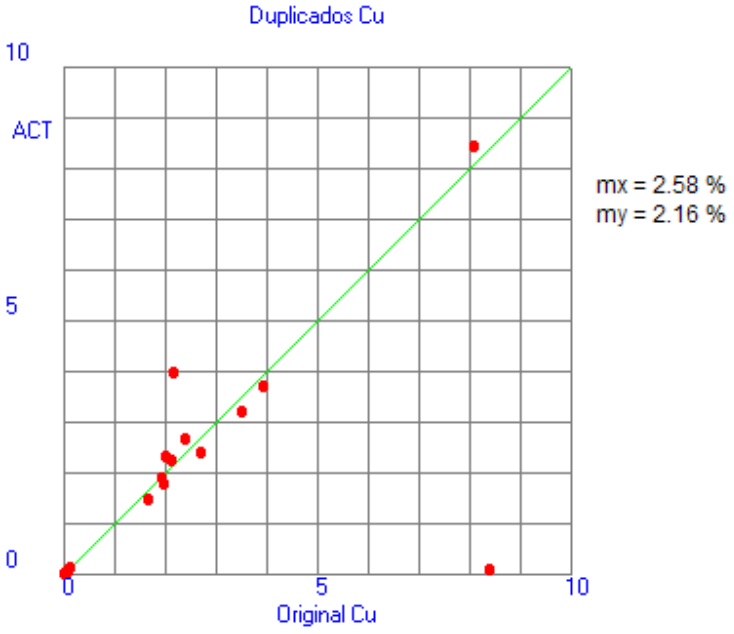

Figure 3(b): In the scatter it is observed the presence of 2 outliers. If they were not present, there would be very good results.

The above results show that the procedures of the Pimenton Laboratory need to be studied and improved.

17. VARIOGRAMS

A representative zone of the deposit was chosen, which appears in figure 1(a) and 1 (b) in a projection in plant and profile (in red, the Au laws higher than 7 gr/ton and in blue, the lower ones).

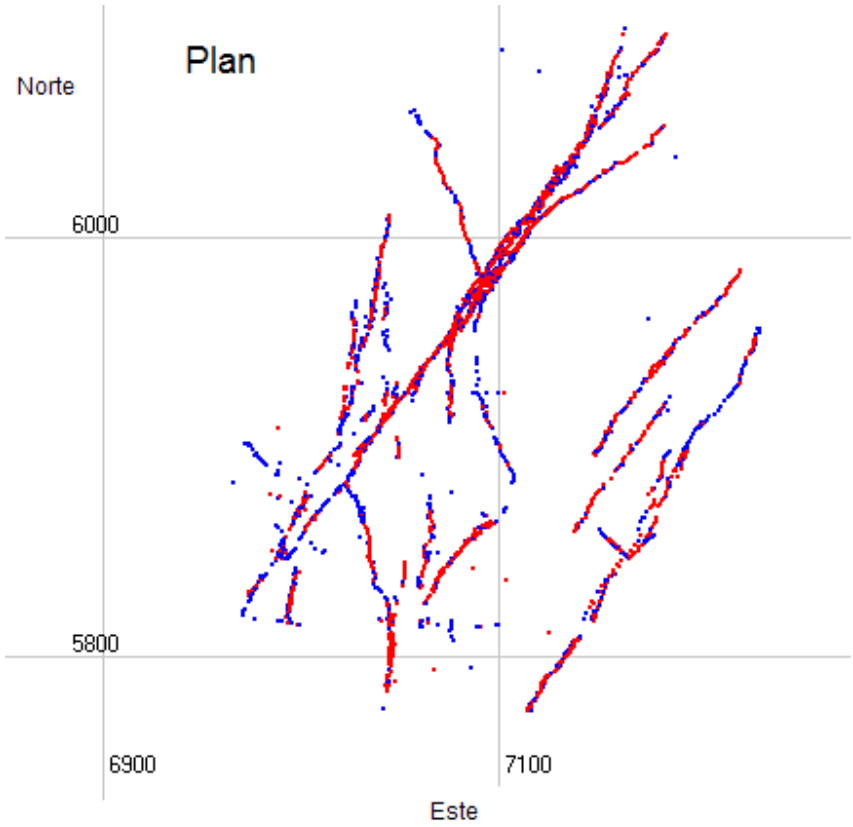

Figura 1(a): Planta

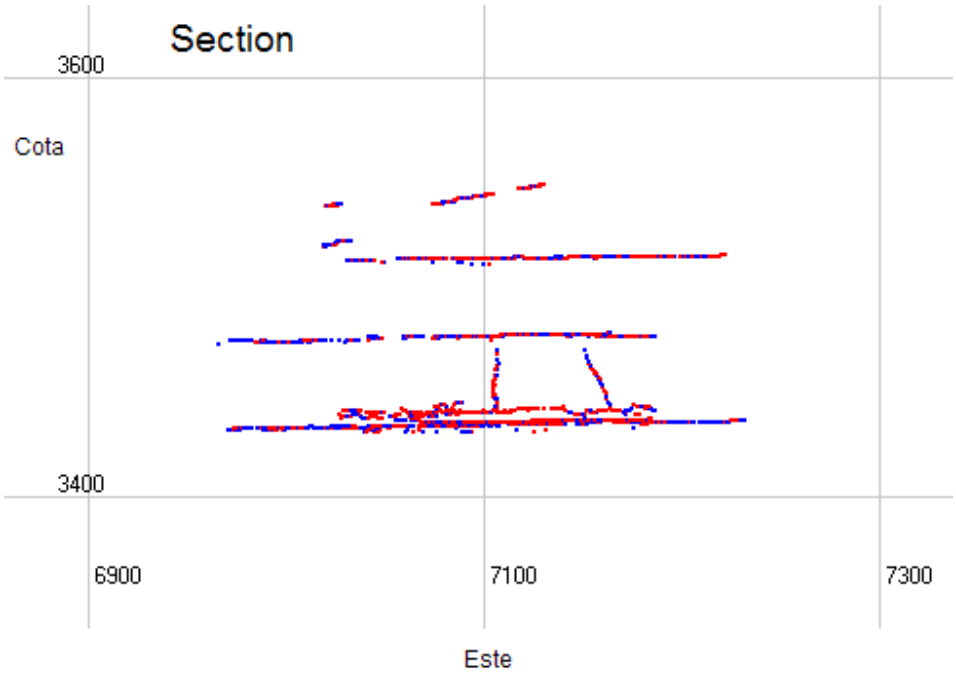

Figura 1(b): Perfil

In this zone the **variograms** of the Au variable were calculated according to the direction of the veins (azimuth of the rank of 30º) and in the vertical direction. The figures 2(a) and 2(b) show the results:

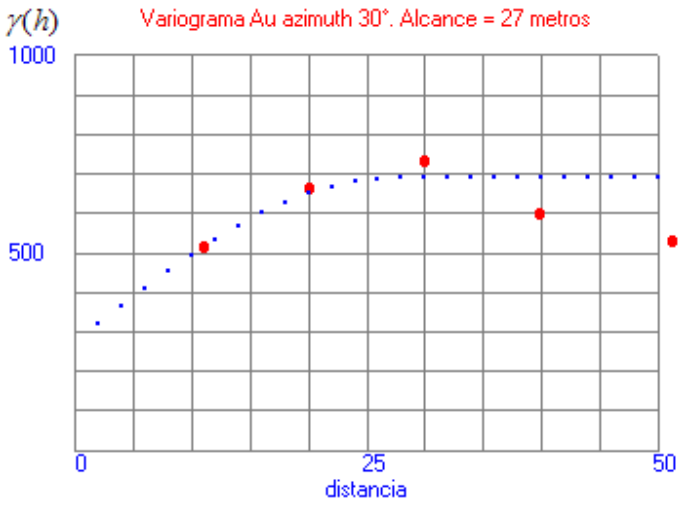

Figure 2(a): Variogram azimuth 30°, Au.

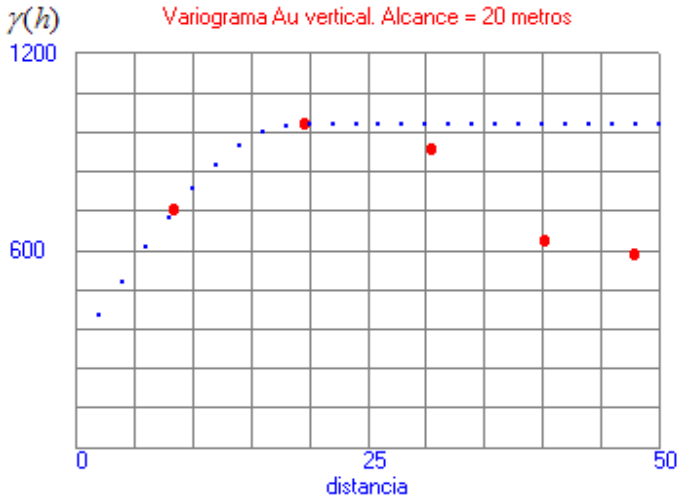

Figure 2(b): Variogram vertical, Au.

We can observe ranges between 20 and 27 meters and the presence of a pit effect, which is normal in this type of deposits. It is necessary to have more information, but this result shows that the categorization critieria used by Pimenton (± 5 meters Proven and ± 20 meters Probable) is acceptable. The figure 3 shows a section of the new reserves on the Lucho vein (measured=red, indicated=blue, inferred “A”=green):

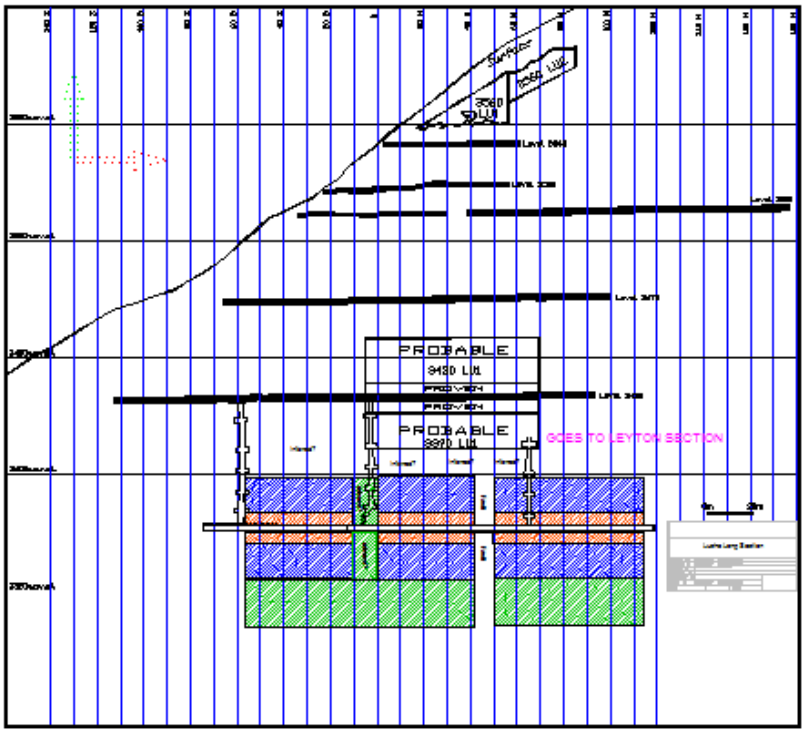

Figure 3: Categorization of the new resources of the Lucho vein.

Any future diamond drilling for reserves at Pimenton would use a grid spacing of less than 27 meters in the strike of the vein and 20 meters in the dip of the vein.

18. ADJACENT PROPERTIES

No change in this section from the 2002 Technical Report**.** There are no significant changes in nearby or adjacent properties which have relevance to high-grade narrow vein mineral resources which are the subject of this audit.

19. MINERAL PROCESSING AND METALLURGICAL TESTING

The basic parameters of mineral processing assumptions have been confirmed by the operations data and concentrate sales during the second half of 2004. However, full confidence in these performance figures will only be possible with improved systems of measuring tonnage input (by accurate belt scale) and grades of gold and copper in the plant heads, tails, and concentrates (automatic sampling systems), the latter of which has now been installed.

Mill Recoveries are reported at 93% and 91% for Gold and Copper respectively, versus the 91 % projected in the 2002 Technical Report. These recoveries are tied back to the concentrate sales figures.

The Knelson gravity concentrator has been installed for direct recovery of 50 to 60% of the gold and the mill capacity has been firmed up to over 200 tonnes per day by refinements to the secondary crushing system. and implementation of concentrate regrinding to improve the copper grade of the concentrate. Refinements to the milling operation yet to be completed include improved sampling systems, improved accuracy of the belt scale.

20. MINERAL RESOURCE AND RESERVE ESTIMATES

The estimate uses the same reserve blocks, procedures, and methodology which were applied in June 2002 and march 2005 to arrive at the Mineral Reserve for restarting the Pimenton Mine, the main changes are the following: Specific gravity is changed from 2.75 to 3.0 ton / m^3 and the Probable category is extended from 15 meters to 20 meters due to more information.

A major supposition of the past estimate was the vertical continuity of the vein thickness and grades between the levels, which needed to be proved by driving raises.

Raises driven from the levels were reported to have generally confirmed the vertical continuity of the veins between 3375 level and 3540 level, improving the confidence level of the estimate. However, some of the sample data on those raises was not available, and has not been incorporated in the estimate as of December 15, 2008.

In some cases, probable reserve blocks might have been upgraded to proven status by the

completion of raises. In that sense, continuing with the prior block classification is prudent though somewhat conservative. Other raises encountered vein splits, vein thinning and lean zones which had to be left as pillars.

Sampling data being taken as the stopes move upwards has been incorporated in the Datamine model with 3-D coordinates established by instrument survey. However, this data is not yet being fully incorporated in the modeling and projection of mineral reserves.

The mill-head sample is now being tested for specific gravity every shift; results shown in Attachment H give an average of 2.95 tonnes per cubic meter.

For the 2008 Mineral Reserve estimate 3.0 tonnes per cubic meter was used since average S.G of 2.95 included low grade development muck.

Cutoff Grade

The Cutoff Grade assumed for Blocks included the Mineral Reserve estimate is 6.81 grams of Gold (Au Eq) per tonne. This is based on the estimate that a unit cost of $ 152 per ton of ore mined can be achieved at an operating rate of 4500 tons milled per month.

Au Eq is calculated using 700 US$/ ounce of gold, and a copper price of US$ 1.35 per pound. Using these prices, corrected for mill and smelter recovery factors, the Gold equivalent grade is calculated as follows: 1 % Cu = 1.27 grams gold
AuEq (grams)= Au grade (gpt) + 1.27 * Cu grade (% Cu T).

The concept of Cutoff grade is complex at the moment because of number of variables which are not yet well established:

• The cost per tonne of ore is distorted by uncapitalized expenses related to plant modifications incurred during the startup period and substantial repair costs to mine equipment. The mine manager stated that the monthly total costs are currently about US$ 450,000.
.
• The cost per tonne is extremely sensitive to the rate of milling. This is because a high portion of the current costs are effectively fixed costs (month to month). In terms of mining/milling costs, going from 2500 tpm to 4500 tpm can be done with a few more drillers and additional consumables.

Furthermore, while the matter of mine dilution is of concern, the fact that excess mill capacity is available makes taking the additional dilution rock through the mill possible with little increase in the overall monthly cost. The key point is to assure getting the planned amount gold from the “reserve tonnage” processed.

The following charts show the Pimenton reserves, whose summary is at the beginning of this report, for the Manterola, Michelle, Leyton and Lucho veins:

21. CONCLUSIONS

The most important conclusions derived from the study are:

The calculation methods for the estimation of reserves are consistent with the ones carried out in previous years (2002, 2005). More information has been aggregated, incorporating it where necessary. It can be concluded that the methodology used by Pimenton corresponds to standards of high grade gold mining in narrow veins.

At the present time, the density used is of 3.0 ton//m^3.

The ranges of the variograms for gold are higher than 20 meters.

The laboratory produces gold grades lower than the ACT laboratory in La Serena. The presence of outliers is observed in the copper grades.

22. RECOMMENDATIONS

The most important recommendations are:

To continue with the geostatistic analysis to obtain more reliable variograms. The present variograms determined in this study show that the range of the projection is in the order of 20 meters in the vertical sense, therefore the categorization of Pimenton Mine is conservative and can be replaced.

To do a detailed study of the laboratory procedures for preparation and analyisis and improve the present situation, which in the case of gold, has a conservative bias and the case of copper grades there are outliers.

Carry out a study of ore densities at the mine and plant, in order to obtain more precise reserve tonnage estimates**.**

Review the sampling method by chip sampling, using duplicate channels at several points of one vein.

23. REFERENCES

- Due Diligence on Restart of the Pimenton Mine, Central Chile. Pincock Allen & Holt, 2003
- Audit of Mineral Reserve Estimate Pimenton Mine. John J. Selters, 2005
- Audit of Mineral Reserve Estimate Pimenton Mine. John J. Selters, 2002