NI 43-101 Technical Report on Resources

Tejamen Silver Property
Durango State, Mexico

Prepared for:

Oremex Silver Inc.
601-121 Richards St. West
Toronto, ON, Canada
M5H 2K1

Effective Date: December 10, 2015

Report Date: February 2, 2016

Prepared by:

GUSTAVSON ASSOCIATES
GEOLOGISTS · ENGINEERS · ECONOMISTS · APPRAISERS

274 Union Boulevard, Suite 450
Lakewood, CO 80228

Endorsed by:

Donald E. Hulse, P.E, SME-RM

Gordon Sobering, P.E, SME-RM

DATE AND SIGNATURE PAGES

DONALD E. HULSE, P.E.

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CERTIFICATE of AUTHOR

I, Donald E. Hulse do hereby certify that:

1. I am currently employed as Vice President Mining by Gustavson Associates, LLC at:

   274 Union Boulevard

   Suite 450

   Lakewood, Colorado 80228

2. I am a graduate of the Colorado School of Mines with a Bachelor of Science in Mining Engineering (1982), and have practiced my profession continuously since 1983.
3. I am a registered Professional Engineer in the State of Colorado (35269), and a registered member of the Society of Mining Metallurgy & Exploration (1533190RM).
4. I have worked as a mining engineer for a total of 32 years since my graduation from university; as an employee of a major mining company, a major engineering company, and as a consulting engineer. I have estimated the mineral resources of over 40 gold and silver deposits (mostly epithermal veins or stockworks) on 30 different properties as well as 11 base metals deposits including both porphyry copper and volcanogenic massive sulfides deposits on three continents, and a number of industrial minerals deposits, both evaporites and coastal sediments. During resource estimation and mine operation I have studied the geology of the deposits, working closely with site geologists to utilize geological controls of

mineralization to improve the mineral resource estimates. As a successful Resource Estimator with 33 years of experience in the mining industry, including teaching professional development classes at two universities, I have used and trained others to utilize geological inputs for mineral resource modeling.

5. I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI 43-101.

6. I am responsible for the preparation of the technical report entitled “NI 43-101 Technical Report on Resources Tejamen Silver Property”, dated February 2, 2016, with an effective date of December 10, 2015 (the “Technical Report”), with specific responsibility for Sections 1, 7 through 14, 17 and 18. I visited the property for 1 day on December 10, 2015.

7. I have not had prior involvement with the property that is the subject of this Technical Report.

8. I am independent of the issuer applying all of the tests in Section 1.5 of National Instrument 43-101.

9. I have read National Instrument 43-101 and Form 43-101, and the Technical Report has been prepared in compliance with that instrument and form.

10. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated this 2nd day of February, 2016

/s/ (Signature)

Signature of Qualified Person

Donald E. Hulse

Print name of Qualified Person

GORDON SOBERING, P.E

Principal Mining Engineer

Gustavson Associates, LLC
274 Union Boulevard, Suite 450
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Email: gsobering@gustavson.com

CERTIFICATE of AUTHOR

I, Gordon Sobering do hereby certify that:

1. I am currently employed as Principal Mining Engineer by Gustavson Associates, LLC at:

   274 Union Boulevard
   Suite 450
   Lakewood, Colorado 80228

2. I am a graduate of Lakehead University in Thunder Bay, Ontario, Canada with a Bachelor of Science degree in Geological Science (1985); and a Bachelor of Science degree in Mining Engineering from Montana College of Mineral Science and Technology (1990), in Butte, Montana and have practiced my profession continuously since 1985.

3. I am a registered Professional Engineer in the State of Colorado (49491), and a registered member of the Society of Mining Metallurgy & Exploration (4061917RM).

4. I have worked as a mining engineer for a total of 30 years since my graduation from university in the minerals industry including senior positions with major mining companies and as a consulting engineer. Initial experience in exploration and mine geology transitioned into numerous engineering and operations positions in both open pit and underground mines. I have executed scoping, prefeasibility and feasibility studies in addition to supervising site technical personnel and consultants across multiple disciplines.

5. I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI 43-101.

6. I am responsible for the preparation of the technical report entitled "NI 43-101 Technical Report on Resources Tejamen Silver Property", dated February 2, 2016, with an effective date of December 10, 2015 (the "Technical Report"), with specific responsibility for Sections 2 through 6, 15, 16, 19 and 20.

7. I have not had prior involvement with the property that is the subject of this Technical Report. I have not visited the property.

8. I am independent of the issuer applying all of the tests in Section 1.5 of National Instrument 43-101.

9. I have read National Instrument 43-101 and Form 43-101, and the Technical Report has been prepared in compliance with that instrument and form.

10. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated this 2nd day of February, 2016

/s/ (Signature)

Signature of Qualified Person

Gordon Sobering

Print name of Qualified Person

1 Summary (Item 1)

Gustavson Associates LLC (Gustavson) was commissioned by Oremex Silver Inc. (Oremex or the Company) to prepare an independent technical report on mineral resources for the Tejamen Project located near the town of Nuevo Ideal in the State of Durango, Mexico as shown in Figure 2-1. The purpose of this report is to present a revised mineral resource estimate containing new drilling information since the completion of the previous technical report was done in 2006. This technical report complies with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 14, 2014 and satisfies the requirements for the preparation and contents of a technical report under the Canadian National Instrument (NI) Form 43-101F.

Property Description and Location

The Tejamen Silver Property consists of 23 mineral concessions near the town of Tejamen in the municipality of Nuevo Ideal, State of Durango, Mexico. The property lies between latitude 24°45' and 24º50' north and between longitude 105°05' and 105°12' west.

Ownership

The claim titles are held in the name of Minera Montana S. de R.L. de C.V. ("Montana"). The concessions are located on a plan map (Figure 5-1). The data for claim corners and validity was provided by Oremex. The concessions are listed in Table 5-1.

Geology and Mineralization

The Tejamen Silver Property is located in the Sierra Madre Occidental physiographic and geological province (Figure 8-1) in an extensive volcanic plateau that has been affected by horst and graben structures with bounding normal faults. The eastern Sierra Madre Occidental is made up of two volcanic sequences separated by a period of no igneous activity. The Upper Volcanic Complex (UVC) and the Lower Volcanic Complex (LVC) contact is an irregular surface with local strong relief. The LVC is formed of andesite flows and pyroclastic units with more siliceous interlayered ignimbrites. The LVC is weakly deformed, altered and intensely faulted; it is the primary host rock for mineralization.

Mineralization at Tejamen is in the LVC which locally consists of andesite, rhyolite and dacite flows, from newest to oldest. Tensional structures formed after deposition of the LVC do appear to have strongly affected UVC rhyolitic ignimbrites that are mainly flat lying. The main fault structures are steeply dipping, trend NE and N-S and control the main vein zones in the Tejamen area. The mineralized zone in the Mantos area appears to parallel stratigraphy that dips easterly about 20° with steeper dip up to 40° caused by offset along normal faults. Fault structures with moderate to high angles have NW trends and are post-mineral.

The vein which was discovered and originally mined at Cerro Prieto is strong and crops out into the hill for which it is named. A halo of structure and alteration around the feeder veins contains most of the values in the Cerro Prieto area. Other identified high angle mineralized structures are the Jeronimo and Carnival feeders between the Los Mantos and the Cerro Prieto areas.

The Los Mantos area has similar mineralization and structure as the Cerro Prieto. The feeder veins encountered a favorable horizon striking north 40° east and dipping 20° to 40° east. In this structure the mineralization spread laterally, parallel to the bedding in the host LVC.

Mineralization in the area consists of galena, sphalerite, pyrite, and minor chalcopyrite, tetrahedrite and argentite in a gangue of mainly quartz and clay minerals. Native silver and free gold are reported to occur in strongly oxidized areas. Gold values are significantly higher in the Los Mantos area compared to Cerro Prieto.

Exploration Status

In 2003-2005 exploration has concentrated on drilling out the known deposits. These deposits are defined by the old workings, the shafts and adits used by the early workers.

In 2007 and 2008 10 diamond core holes were drilled as infill holes into the Cerro Prieto and Los Mantos deposits. The holes paralleled the existing drilling and in some locations metal grades in these holes differ from the original RC holes. No further work on the property has been done since 2008.

Mineral Resource Estimate

The resources at Tejamen are classified as an Inferred Mineral Resource according to the CIM Definition Standards for an Inferred Mineral Resource and adopted on May 10, 2014.

Gustavson has developed a three dimensional block model and mineral resource estimate for the Tejamen Project. The majority of silver mineralization occurs in the andesites, rhyolites and upper portion of the dacites of the LVC.

The silver and gold grades were estimated with a single search pass. The estimate requires 3 independent drill holes within approximately 110% of the variogram range to estimate grade within a given block.

Indicator shells at 10 and 50 g/t Ag group areas with similar grade orientations as quantified by the variography, however they were not used to limit estimation, only to orient the search. All blocks within the Cerro Prieto zone can use any composite data from Cerro Prieto zone for estimation.

All blocks from Los Mantos zone were estimated using any composite and a single search and variogram orientation.

The mineral resource estimate has been further restricted with the indicator shells created in the previous step. This has the consequence of not extending the estimate out of the limit of the deposit data.

Using ordinary kriging Gustavson estimates an Inferred Mineral Resource at a 15 g/t Ag cutoff in the two resource areas of 19.8 million tonnes containing 28.7 million troy ounces of silver at 45.0 g/t Ag and 15.7 thousand troy ounces of gold at 0.025g/t.

Mineral resources are not mineral reserves and may be materially affected by environmental, permitting, legal, socio-economic, marketing, political, or other factors.

Table 1-1 states the inferred mineral resources at Tejamen.

Table 1-1 Mineral Resource Estimate (effective December 10, 2015)

Inferred Mineral Resources						
	Cutoff g/t Ag	TONNES	Ag g/t	Ag Cont Oz	Au g/t	Au Cont Oz
Los Mantos	20	9,192,000	56.0	16,540,000	0.034	9,900
	15	**11,093,000**	**49.4**	**17,610,000**	**0.031**	**11,200**
	10	12,879,000	44.3	18,330,000	0.029	12,200
Cerro Prieto	20	5,152,000	35.1	5,820,000	0.017	2,700
Low Grade	**15**	**6,416,000**	**31.6**	**6,530,000**	**0.016**	**3,300**
	10	7,630,000	28.6	7,020,000	0.016	3,900
Cerro Prieto	20	2,319,000	61.2	4,560,000	0.016	1,200
High Grade	**15**	**2,329,000**	**61.0**	**4,570,000**	**0.016**	**1,200**
	10	2,338,000	60.8	4,570,000	0.016	1,200
Cerro Prieto	20	6,790,000	45.7	9,970,000	0.016	3,500
Total	**15**	**7,760,000**	**42.2**	**10,520,000**	**0.016**	**4,000**
	10	8,590,000	39.3	10,860,000	0.016	4,300
Both Deposits	20	16,663,000	50.2	26,923,000	0.026	13,900
Total	**15**	**19,838,000**	**45.0**	**28,706,000**	**0.025**	15,700
	10	22,847,000	40.7	29,928,000	0.023	17,200

Note: Ordinary Kriging was used to generate Table 14-7 with the aforementioned controls.
Numbers in the table may not precisely add up due to rounding errors

Conclusions and Recommendations

Tejamen is a significant silver occurrence that has a reasonable prospect for eventual economic extraction based on Gustavson's review of data and its mineral resource estimate. Section 1.1, Recommended Work, Programs, outlines the future work and an estimate of its cost to move the project forward.

The purpose of this report is to present a revised mineral resource estimate containing new drilling information since the previous technical report was done in 2006.

Although the project is well drilled and adequate to estimate global mineral resources, poor QA/QC procedures on all drilling as well as questions on drill logging and surveying standards have resulted in a mineral resource estimation at the Inferred Mineral Resource category, as supported by the 2014 CIM Definition Standards. Gustavson believes that the poor quality of data will cause local variability in the grade estimate but will not cause a bias in the resource estimate of the deposit as it is relatively broad in area and of low grade which, at the level of this study, does not adversely affect the global grade and tonnage of the deposit.

Gustavson feels that future work on the project should include implementing industry accepted procedures, including QA and QC programs that will confirm and support the geological data and interpretation thus significantly improving the confidence in the resource estimate.

Additional metallurgical test work is recommended to determine a representative metallurgical performance as well as the most efficient and economical processing flow. All prior testing has assumed cyanidation, possibly because in the past a cyanidation plant was on site.

Most importantly, a concentrated effort to mend relations with the community is vital to the success of the project. The relationship with the townspeople has been previously harmed and although personnel communication with Oremex personnel indicates that the mood has improved, a new commitment to community relations must be established in order to assure good relations before moving the project forward.

1.1 Recommended Work Programs

The recommended work program to confirm the value of the project should include the following elements:

- Community relations effort
- Project Management
- Re-assaying of existing drill holes
- New Core holes
- Re-logging of existing drill holes
- Review and correct data entry of existing drill holes
- Metallurgical Test Work

1.1.1 Estimated Costs

The cost estimate for the previous work description is detailed in Table 1-2.

Table 1-2 Estimated budget for Initial Work Program

Task	Description	Quantity	Units	Estimate
Re-assay Existing holes	5% of mineralized samples	400	assay	$20,000
Survey Collars				
Downhole Survey	Purchase tool and survey all open holes	3	man weeks	$65,000
Topographic Survey	Flight by Survey Drone	1	flight	$15,000
New Core holes	8 holes in Los Mantos 4 Holes in Cerro Prieto all @ 200m	2,400	meters	$500,000
Re-log Existing holes	Log 10% of mineralized intervals 2 men @ 4 weeks	800	meters	$25,000
Review and correct data entry	1 man @ 4 weeks			$10,000
Metallurgical Test Work	6 cyanidation tests 6 flotation tests			$75,000
Project Management				$60,000
Community relations effort	Staff + community events			$85,000
Total				**$855,000**

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2 Introduction (Item 2)

Gustavson Associates LLC (Gustavson) was commissioned by Oremex Silver Inc. (Oremex or the Company) to prepare an independent technical report on mineral resources for the Tejamen Project located near the town of Nuevo Ideal in the State of Durango, Mexico as shown in Figure 2-1. The purpose of this report is to present the mineral resource estimate and describe the geology of the Tejamen Project with respect to silver and gold mineralization.

This report was prepared to the CIM Definition Standards-for Mineral Resources and Mineral Reserves, adopted by the CIM Council on May 10, 2014. The effective date of this report is December 10, 2015.

Previous technical reports on the Tejamen Project include reports by Wardrop, Snowden, N. Tribe and Associates, and Peter Christopher PhD. which are listed in Section 19 (References) of this report.

Figure 2-1 Tejamen Location Map

3 Terms of Reference and Purpose of the Report

This report has been written at the request of Mr. Frank Högel, Director on the board of Oremex for the purpose of reviewing pertinent data, including QA/QC, geologic modelling, and statistical evaluation in order to estimate a mineral resource under Canadian National Instrument (NI) 43-101 standards.

3.1 Qualifications of Consultants (Gustavson)

This report has been prepared in accordance with NI 43-101, Standards of Disclosure for Mineral Projects dated June 30, 2011. The Qualified Persons responsible for this report are:

Donald E. Hulse, P.E., SME-RM, Vice-President of Mining and Principal Mining Engineer, Gustavson Associates LLC

Gordon Sobering, P.E., SME-RM, Principal Mining Engineer, Gustavson Associates LLC

Mr. Hulse is responsible for Sections 1, 7 through 14, 17 and 18 of this Technical Report.

Mr. Sobering is responsible for Sections 2 through 6, 15, 16, 19 and 20 of this Technical Report

3.1.1 Details of Inspection

Mr. Hulse, Principal Mine Engineer and Qualified Person according to NI 43-101 standards, visited the site area for one day on December 10, 2015 in the company of Oremex personnel. Mr. Hulse reviewed geologic data, cross sections and reports in the Oremex office in Durango, Mexico.

Due to problematic relations with the community, Mr. Hulse was unable to walk the surface of the project and review the mapping. Based on previous reports and air photos, Gustavson believes that this is sufficient to support an inferred mineral resource estimate.

3.2 Effective Date

The effective date of this report is December 10, 2015.

3.3 Units of Measure

All measurements used herein are metric units and all references to dollars are United States dollars. Metric tons are used throughout unless otherwise stated:

Common Units:

Above mean sea level...amsl
Cubic meter .... m^3
Day ....d
Degree...°
Degrees Celsius ....°C
Degrees Fahrenheit .... °F
Dollar US .... $ US$

Foot	ft
Gallon	gal
Gallons per minute (US)	gpm
Grams per metric ton	g/t
Greater than	>
Hectare	ha
Hour	h
Inch	in. "
Kilo (thousand)	k
Less than	<
Kilogram	kg
Liter	l
Mexican Peso	M.N. $Mex
Micrometre (micron)	µm
Milligram	mg
Metric ton	tonne
Metric ton (US)	t
Ounces per metric ton	oz/t
Parts per billion	ppb
Parts per million	ppm
Percent	%
Pound(s)	lb
Short ton (2,000 lb)	st
Metric ton	t
Specific gravity	SG
Square foot	feet2
Square inch	in2
Yard	yd
Year (US)	yr

Metric Conversion Factors (divided by):

Short tons to metric tons	1.10231
Pounds to metric tons	2204.62
Ounces (Troy) to metric tons	32,150
Ounces (Troy) to kilograms	32.150
Ounces (Troy) to grams	0.03215
Ounces (Troy)/short ton to grams/metric ton	0.02917
Acres to hectares	2.47105
Miles to kilometers	0.62137
Feet to meters	3.28084

Abbreviations:

Absolute Relative Difference	ARD
Adsorption Desorption Refining	ADR
Acid Rock Drainage	ARD
American Society for Testing and Materials	ASTM
Atomic Absorption Spectrometry	AAS
Canadian Institute of Mining and Metallurgy	CIM
Carbon-in-Column	CIC
Diamond Drill	DD

Environmental Assessment.. EA
Environmental Impact Statement .... EIS
Finding of No-Significant Impact .... FONSI
Fleet Performance Calculator.......................................FPC
Global Positioning System ....GPS
Gold Standard Royalty... GSR
Induced Polarization ....IP
Inductively Coupled Plasma..ICP
Internal Rate of Return..IRR
Metallic Screen Fire Assay.. MSFA
Mine and Quarry Engineering Services.......................MQes
Mine Development Associates.................................... MDA
Mount Diablo Base Meridian .... MDBM
National Environmental Policy Act of 1969................ NEPA
NI 43-101 .... NI 43-101
Nearest Neighbour..NN
Net Present Value..NPV
Net Smelter Royalty ....NSR
Ounces per short ton gold...................................... OPT Au
Preliminary Economic Assessment ....PEA
Probability Assigned Constrained Kriging .... PACK
Record of Decision.. ROD
Reverse Circulation... RC/RCV
Rock Quality Designation.. RQD
Selective Mining Unit .... SMU
Universal Transverse Mercator .... UTM

4 Reliance on Other Experts (Item 3)

4.1 Sources of Information

Gustavson relied on information provided by Oremex, including Michael R. Smith, R.G, consulting geologist, regarding property ownership and Mrs. Yolanda Rodriguez, Mining Consultant who maintains mineral titles and claim boundaries for Oremex (discussed in Section 5-2). The qualified person has not independently verified the status of the ownership of the property or the mineral titles.

5 Property Description and Location (Item 4)

Information in this section has been adapted from the technical report, "Mineral Resource Evaluation Report on the Tejamen Silver Property Durango State, Mexico", by N. Tribe & Associates (2005) with minor grammatical changes.

5.1 Property Description and Location

The Tejamen Silver Property consists of 23 mineral concessions near the town of Tejamen in the municipality of Nuevo Ideal, State of Durango, Mexico. The property lies between latitude 24°45' and 24º50' north and between longitude 105°05' and 105°12' west.

The 1,684.21 hectares of concession that form the Tejamen Property are summarized in Table 5.1 with claim name, title numbers, size, expiry date and most recent payment and work report. The claims are maintained by Mrs. Yolanda Rodriguez, a mining assessor. Figure 5-1 shows the claim boundaries, mineralized areas and the drill holes.

5.2 Mineral Titles

The claim titles are held in the name of Minera Montana S. de R.L. de C.V. ("Montana"). A wholly owned subsidiary of Oremex Silver acquired these rights from Mrs. Berta Jarvis (personal communication with M.R. Smith). The concessions are shown in Figure 5-1. The data for claim corners and validity was provided by Oremex. During the site visit Mr. Hulse spot checked the locations of the concessions and carefully reviewed the current validity in receipts of payment provided by Oremex in their offices in Durango. Surface rights are held by various private and communal landowners (ejidos) and agreements and compensation will have to be negotiated prior to mining. However, under Mexican Law, mineral rights take precedent over surface rights. Table 5-1 tabulates the mining claims of the Tejamen Property.

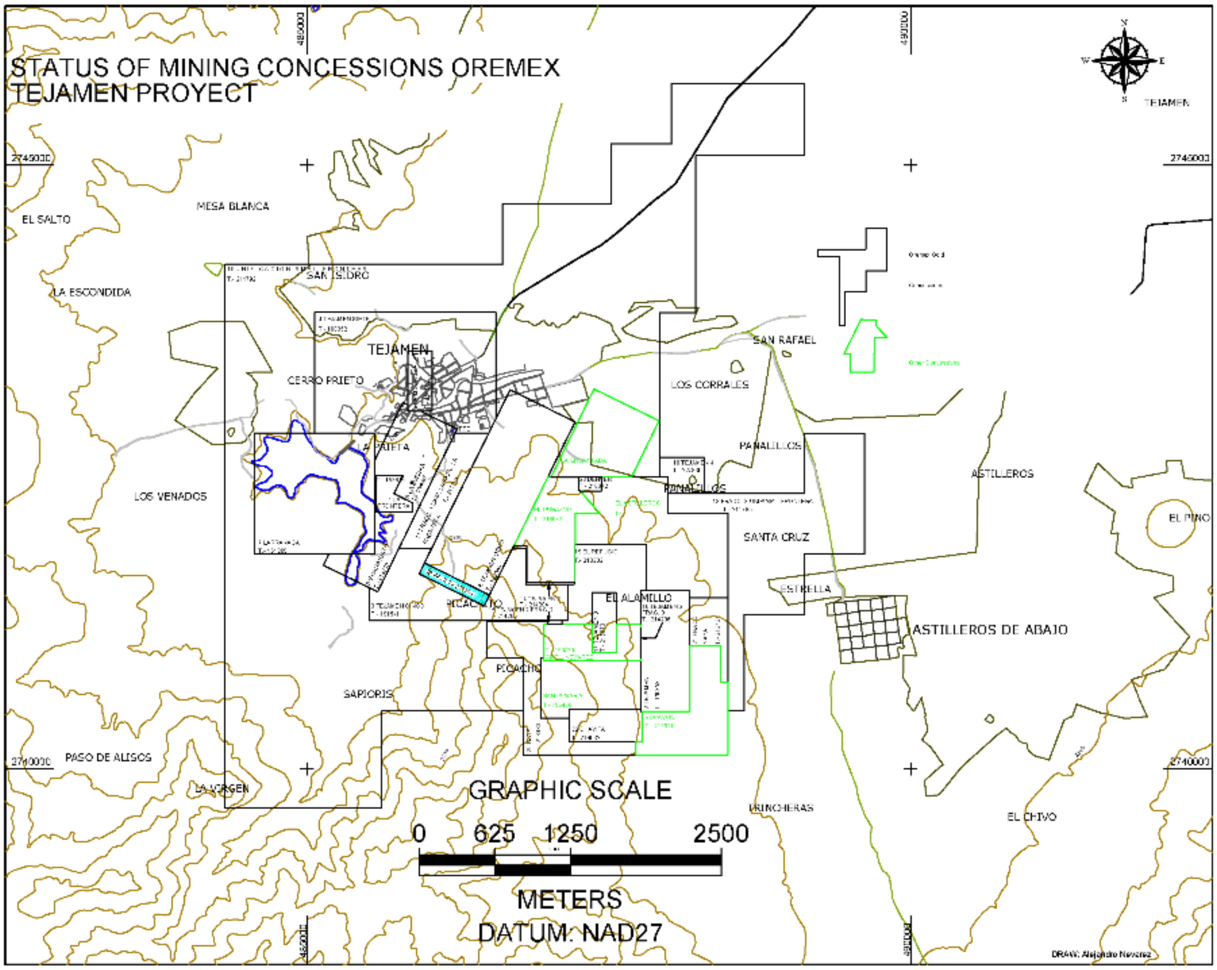

Figure 5-1 Mining concessions - Tejamen Project

Table 5-1 Mining Claims on Tejamen Project

PROYECTO TEJAMEN, NUEVO IDEAL, DGO.							
No.	Mining Concession	Title No.	Area (has.)	Filing Date	Expiration Date	Payment of duties	Work Reports
1	LA FRONTERA	153616	7.0832	28 Sep. 1970	2020	Jul-Dic. 2015	2014
2	TEJAMEN	160353	40.0000	30 July 1974	2024	Jul-Dic. 2015	2014
3	TEJAMEN CINCO	191541	48.0828	19 Dec. 1991	2016	Jul-Dic. 2015	2014
4	TEJAMEN SIETE	160352	147.9841	30 July 1974	2024	Jul-Dic. 2015	2014
5	TEJAMEN OCHO	199580	96.0000	29 April 1994	2044	Jul-Dic. 2015	2014
6	LA MUGROSA	161152	10.0000	28 Jan. 1975	2025	Jul-Dic. 2015	2014
7	LARRAÑAGA	161289	100.0000	18 Mar. 1975	2025	Jul-Dic. 2015	2014
8	LA EUREKA	158967	10.0000	14 Aug. 1973	2023	Jul-Dic. 2015	2014
9	GUANAJUATO	213212	42.7963	06 April 2001	2051	Jul-Dic. 2015	2014
10	UNIF. AMPL. FRONTERA	211792	887.9736	27 July 2000	2050	Jul-Dic. 2015	2014
11	UNIF. AMPL. FRONTERA FRAC. 1	211793	26.7997	27 July 2000	2050	Jul-Dic. 2015	2014
12	UNIF. AMPL. FRONTERA FRAC. 2	211794	5.9324	27 July 2000	2050	Jul-Dic. 2015	2014
13	UNIF. AMPL. FRONTERA FRAC. 3	211795	131.6600	27 July 2000	2050	Jul-Dic. 2015	2014
14	TEJAMEN 2	214204	1.2695	10 Aug. 2001	2051	Jul-Dic. 2015	2014
15	TEJAMEN 2, FRAC. 2	214205	0.8635	10 Aug. 2001	2051	Jul-Dic. 2015	2014
16	TEJAMEN 2, FRAC. 3	214206	0.1073	10 Aug. 2001	2051	Jul-Dic. 2015	2014
17	TEJAMEN 3	215873	10.0000	10 Mar.2002	2052	Jul-Dic. 2015	2014
18	TEJAMEN 4	227830	10.0937	22 Aug. 2002	2056	Jul-Dic. 2015	2014
19	EL REFUGIO	213202	35.0191	30 Mar.2001	2051	Jul-Dic. 2015	2014
20	NAYA	213433	39.2372	11 May 2001	2051	Jul-Dic. 2015	2014
21	NAYA FRACC.	213434	14.9136	11 May 2001	2051	Jul-Dic. 2015	2014
22	CHAVITA	216032	16.1270	02 April 2002	2052	Jul-Dic. 2015	2014
23	DENVER	238586	2.2679	23 Sep. 2011	2061	Jul-Dic. 2015	2014
			1684.2109				

There are no additional royalties, agreements or encumbrances on the property at the time of this writing, except royalties applied to all federal mining claims.

5.3 Permits

In Mexico, 7 distinct permits are required to construct and operate a mine. These are listed in Table 5-2.

Table 5-2 Typical Permits for Construction and Operation

Permit	Agency	When Required
Environmental Impact Statement (MIA)	Secretary of Environment and natural Resources (SEMARNAT)	Prior to construction
Risk Analysis (Mining)	SEMARNAT	Prior to construction
Land Use Change	SEMARNAT and Municipality of Nuevo Ideal	Prior to construction
Archaeological Release	National Institute of Archaeology and History (INAH)	Prior to construction
Water Use Registry	National Commission of Water (CNA)	Prior to utilization of water
Construction Permit	Municipality of Nuevo ideal	Prior to construction
Explosives Purchase and Use Permit (expansion)	National Defense Secretary (SEDENA)	Prior to Increased production

During the exploration program in 2008 Oremex had a valid MIA and Land Use Change for construction of 219 drill pads, roads, and operation of the equipment. All permits moving forward will require the standard application process. As Durango is known as a state favorable to mining, it is likely that these permits can be obtained. However, the two permits which require the consent of the municipality may be difficult to acquire due to the strained relationship with the local community

In the interim period of exploration and reclamation, Oremex has damaged the status of its Social License to Operate (SLO). This non-permit is based on the will of the nearby population to have an operating mine in the area. There is news that the animosity has decreased with time, and in Gustavson's opinion the SLO can be recovered though the process may be a challenge equal to the technical and economic operation of the project.

6 Accessibility, Climate, Local Resources, Infrastructure and Physiography (Item 5)

Information in this section has been adapted from the technical report, "Mineral Resource Evaluation Report on the Tejamen Silver Property Durango State, Mexico", by N. Tribe & Associates (2005) with minor grammatical changes.

The Tejamen Property is located in the eastern part of the Sierra Madre Occidental physiographic province in the Llanuras Altas (high plains) subdivision. Tejamen is approximately 150 road miles to the northwest of Durango City. Durango is the capital of the State of Durango and the commercial center for the district. Durango is a traditional mining area and goods, services and trained labor are available Durango has good air service with several flights per day to Mexico City and daily flights to Mazatlan, and Monterrey. Tejamen has some village stores and is connected to the electrical power grid with telephone and cell service.

The property is accessed by travelling from Durango for 56 km on Interstate Highway No. 45, a good all-weather paved two lane interstate highway, to the city of Guadalupe Aguilera turning left onto State Highway No. 23, another good paved highway and proceeding another 70 km to Nuevo Ideal. The village of Tejamen and the property is 15 km from Nuevo Ideal on a good all-weather gravel road.

Nuevo Ideal, a town of 3,000 people, is 15 km to the east of Tejamen on Highway No. 39 and provides most simple supplies and services. The town is located on a railroad (currently abandoned) and has stores, hotels and restaurants. Nuevo Ideal could provide a labor pool for a mining operation, with contractors and skilled professionals available in the city of Durango.

Elevations on the property average 2,200 m above sea level and ranges from 2,050 m in Quebrada Escondida to 2,500 m in the western part of the property. Elevations up to 3,230 m occur in the Sierra el Epazote Range to the west with basin and range features trending north-northwest. Existing underground workings on the Property include an abandoned shaft and drifts with no operating processing facilities on site. Safe access in not available to these workings.

Quebrada Escondida and its tributaries flow easterly into the Laguna Santiaguillo and drain the Tejamen area. A local dam provides a source of water for the village of Tejamen.

The region is semi-arid with a temperate climate. Cooler temperatures in the winter may produce some freezing rain and snow. A rainy season occurs between July and October. Vegetation in the area is dominated by mesquite with prickly pear, nopal and agave plants. Irrigation allows for the farming of beans and corn as well as fruit and nuts.

7 History (Item 6)

Information in this section has been taken from the technical report, “Mineral Resource Evaluation Report on the Tejamen Silver Property Durango State, Mexico”, by N. Tribe & Associates (2005) with minor grammatical changes.

Mineral exploration and exploitation has occurred in the Tejamen area since about 1885. In the early part of the 20th century, an 80-ton/day cyanidation plant was operated on the Tejamen Property. The deposits on the property have bulk tonnage potential with some of the zones trending into the Tejamen village. Moving some or all of the village homes may be necessary to realize a bulk mining operation for the Cerro Prieto portion of the project.

The Tejamen area was explored by gambusinos (small or informal miners) from 1885 to 1900. Mining companies Compania Minera La Eureka (1900) and El Duraznito (1906) were founded to work the La Eureka, Melchor Ocampo, Matilde, La Fama, Providencia, La Cuna, and El Duraznito mines. In 1908, the La Eureka Company installed a 50-ton/day cyanide mill and recovery plant; however mining was halted in 1910 because of the Mexican Revolution.

In the 1970s, the Cerro Prieto mine was in production at 30 tons per day with the ore shipped to the Parrilla concentrator owned by the Fidecomiso de Fomento Minero (Mining Development Trust). The Cerro Prieto mine was developed on 5 levels from a main vertical shaft 80 meters in depth.

From 1978 to 1981, Consejo de Recursos Minerales (Mineral Resource council) Carraco C., and Solis Y C., Luismin, and Tormex, S.A. conducted geological sampling programs on the Tejamen Property. Plans show that Tormex conducted a second sampling program in 1985 and Luismin conducted additional sampling and underground sampling in 1990 (Luismin Mining Corp.1991 Annual Report). From 1992 to 1994, EMISA explored the property with surface and underground sampling programs and geophysical surveys. Drilling included 12 reverse circulation holes totaling 2,030 meters and 24 diamond drill holes totaling 5,065 meters. The EMISA drilling demonstrated the presence of a large, low-grade silver-bearing system with some high-grade feeder veins.

Kobex Resources Ltd., a Vancouver based junior mining company, explored the property in 1998 and 1999 with an induced polarization geophysical survey and drilled four diamond drill holes totaling 997m. Single assays were as high as 860g/t.

8 Geological Setting and Mineralization (Item 7)

Information in this section is based on information from the technical report, "Technical Report on the Tejamen Silver Property, Durango State, Mexico", by P. Christopher PhD. (2003).

8.1 Regional Geologic Setting

The Tejamen Silver Property is located in the Sierra Madre Occidental physiographic and geological province (Figure 8.1) in an extensive volcanic plateau that has been affected by horst and graben structures with bounding normal faults. Fault structures generally have northerly or north-northwesterly trends. Caldera structures have been recognized north and south of Durango but have not been recognized in the Tejamen area. Tensional tectonic activity has resulted in numerous cross structures that may contain silver bearing veins with commercial values (for example Tayoltita).

The eastern Sierra Madre Occidental is made up of two volcanic sequences separated by a period of no igneous activity. An Upper Volcanic Complex (UVC) is composed of gently dipping rhyolitic ignimbrites and rhyodacite that range in age from 27 to 34 million years. The UVC is part of the largest known ignimbrite cover. An unconformity separates the UVC from intermediate composition volcanic rocks of the Lower Volcanic Complex (LVC). The contact between the UVC and LVC is an irregular surface with local strong relief. The LVC occurs as erosional windows in the UVC. The LVC is formed of andesite flows and pyroclastic units with more siliceous interlayered ignimbrites. The LVC is weakly deformed, altered and intensely faulted and is the primary host rock for mineralization. Quaternary alluvial and colluvial deposits cover the volcanic complex in some low-lying areas.

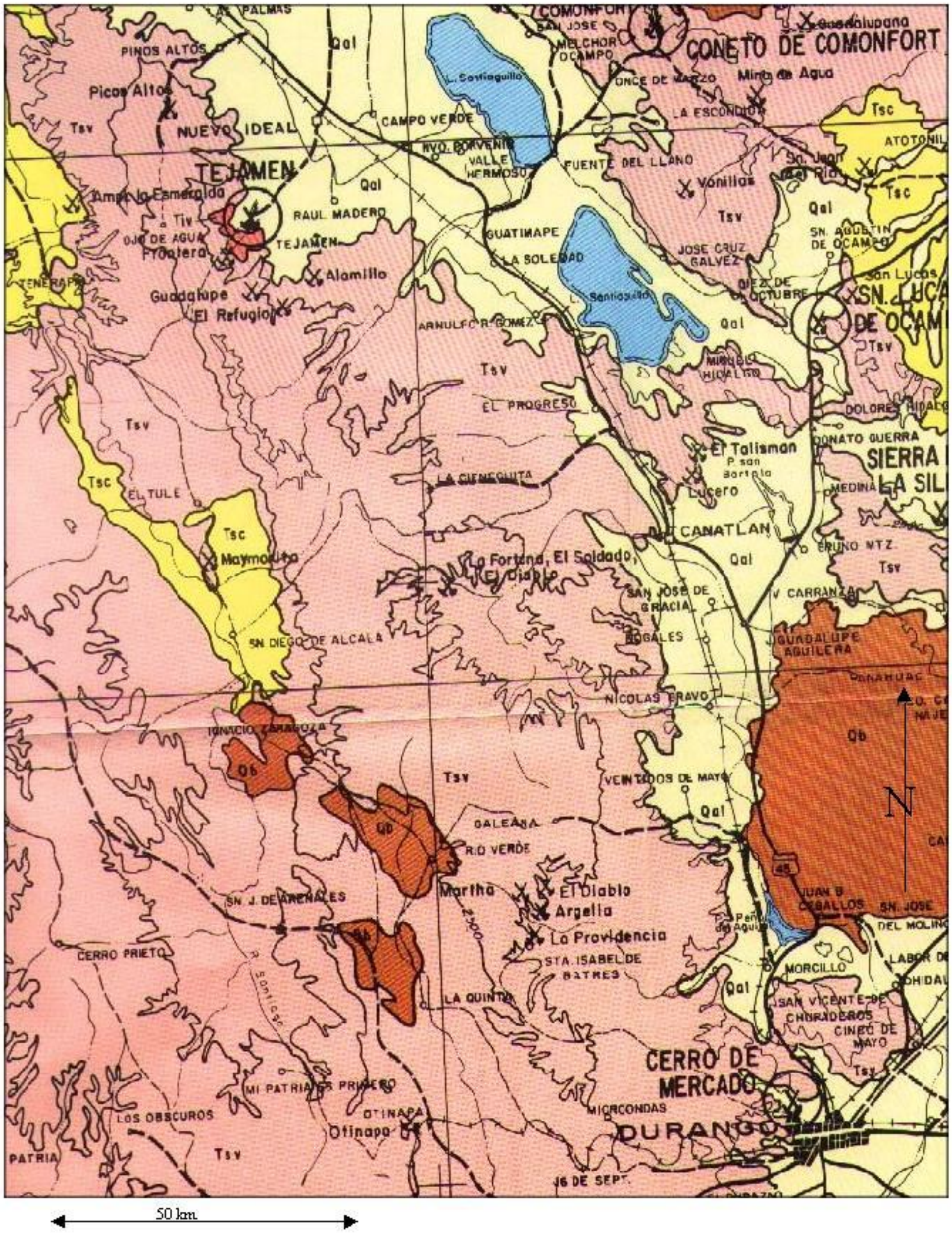

Figure 8-1 Regional Geology of Tejamen Area source INEGI (after Tribe)

8.2 Property and Local Geology

The Tejamen Property geology has been mapped by the Consejo de Recursos Minerales, a Mexican government organization, and augmented by company geologists working for Luismin, Tormex, Emisa and Kobex Resources with a simplified property geology map presented as Figure 8.2.

The geology of the area is well described by Christopher in his report dated April 30, 2003 and is quoted in the remainder of this section.

The rocks that outcrop on the Tejamen Property are volcanic rocks of the lower volcanic complex (LVC) of the eastern flank of the Sierra Madre Occidental. The andesitic to dacitic rocks are intruded by dacite porphyry and interlayered with dacitic and rhyolitic tuffs and ignimbrites. The main fault structures on the property are steeply dipping and trend northeast and north-south and control the main vein zones in the Tejamen area.

8.2.1 Lithology

Lithology is described from oldest to youngest below. The local geology can be described in terms of Quaternary colluvial and alluvial cover, extensive upper volcanic complex (UVC) acidic ignimbrites, and the LVC that is the main host of mineralization throughout the Sierra Nevada Occidental. The LVC locally consists of four units that are described below.

Dacite Porphyry

The oldest Tertiary unit on the property is dacite porphyry of the LVC. The unit is fine grained with argillized yellow-green plagioclase phenocrysts and partially chloritized hornblende. It contains disseminated euhedral pyrite, microveinlets of quartz-pyrite and calcite, and minor galena-sphalerite mineralization.

Dacite Tuff

The dacite tuff unit is pale green to grey-green with reddish tones along oxidized structures. It is fine to medium grained with sub-angular to sub-rounded fragments. The presence of large sub-rounded fragments gives parts of the unit the appearance of agglomerate. The dacite tuff unit also contains fine to medium grained disseminated euhedral pyrite. The unit contains some quartz microveinlets, and occasionally disseminated galena and sphalerite.

Rhyolite Tuff

The rhyolite tuff unit is greyish green to reddish green. It is fine to medium grained with phenocrysts of quartz, potassium feldspar and hornblende. Alteration of the unit consists of chloritization in bands and patches, weak to moderate argillization and pervasive potassic alteration. Oxidation and silicification intensity increases as structures are approached. The upper part of the unit is white with occasional yellow tones. In the oxidized zone near the Cerro Prieto vein structure, the rhyolite tuff unit is porous with quartz-lined druses and quartz microveinlets.

Andesite and Dacite Tuff

The dacite tuff unit is white with yellow tones and generally fine to medium grained. In the oxidized zone the dacite tuff is porous with limonite and manganese oxides coating fractures. The andesite tuff unit is grey-green with bleaching to light gray or yellow tones. The unit is generally fine grained with occasional zones of plagioclase phenocrysts and medium to course lithic tuff fragments.

The volcanic flows are interlayered in the Tejamen area. Figure 8-2 shows a schematic of lithology at Cerro Prieto and Figure 8-3 shows the lithology for the Los Mantos area.

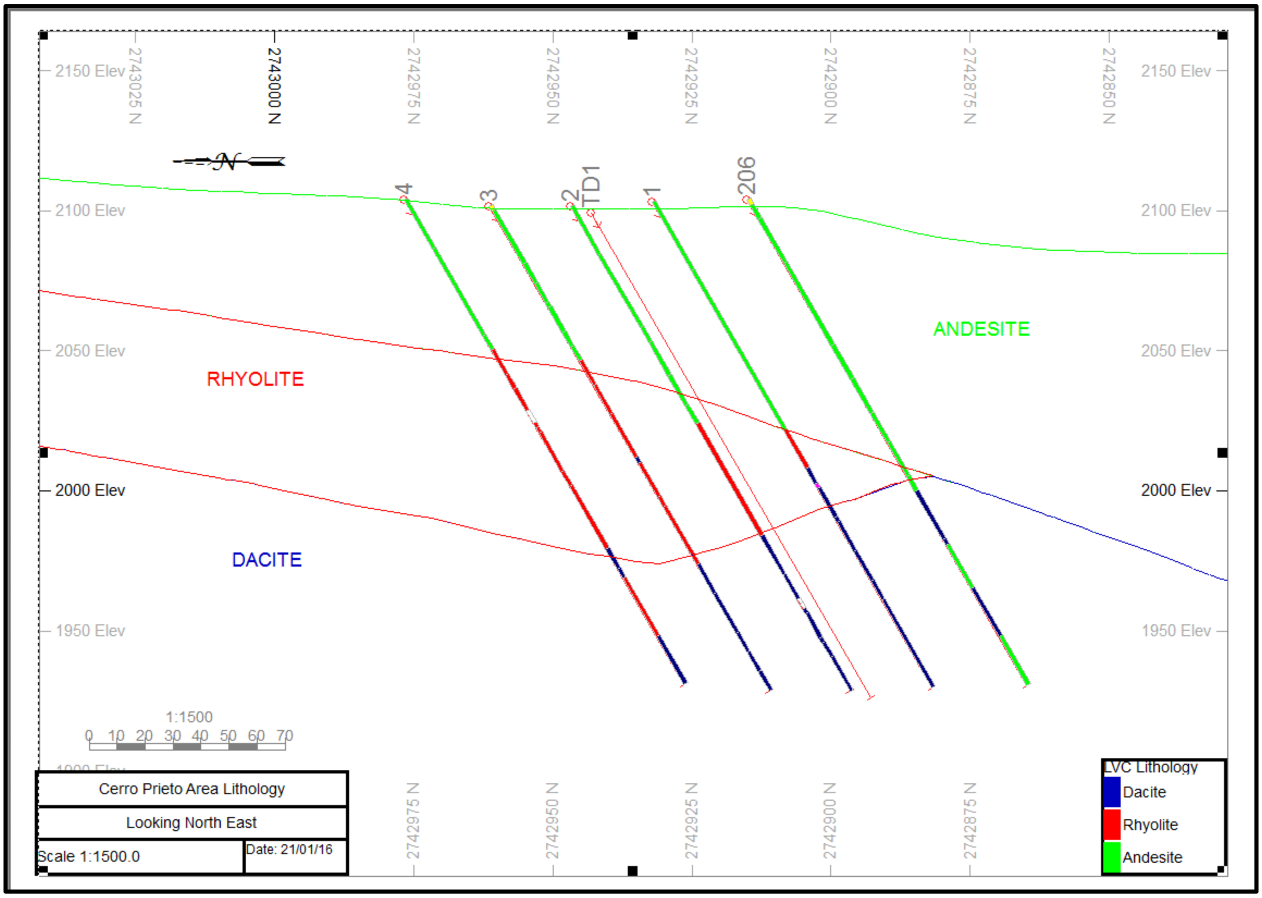

Figure 8-2 Section of Lithology of Cerro Prieto Looking NE

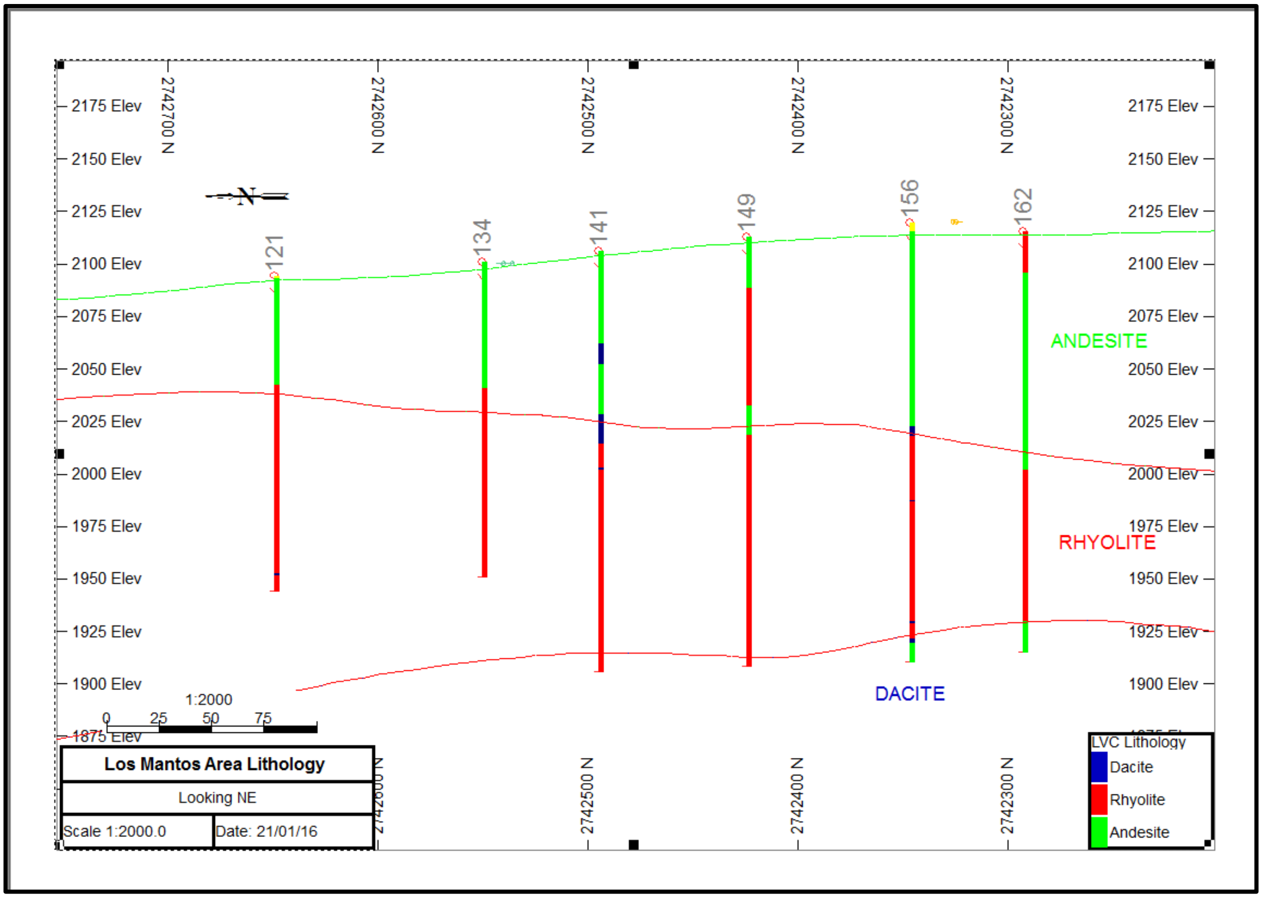

Figure 8-3 Section of Lithology of Los Mantos Looking NE

8.2.2 Structure

Tensional structures formed after deposition of the LVC, but do appear to have strongly affected UVC rhyolitic ignimbrites that are mainly flat lying. The main fault structures on the property trend NE and N-S and control the main vein zones in the Tejamen area. The mineralized zone in the Mantos area appears to parallel stratigraphy that dips easterly about 20° with steeper dip up to 40° caused by offset along normal faults. Fault structures with moderate to high angles have NW trends and are post-mineral. (After Christopher, 2003)

These orientations are visible in the grade cross sections as well as in both the metal variography and indicator variography of the data.

9 Deposit Type (Item 8)

Information in this section has been taken from the technical report, “Mineral Resource Evaluation Report on the Tejamen Silver Property Durango State, Mexico”, by N. Tribe & Associates (2005) with minor edits from new observations by Gustavson.

Vein type mineral deposits in volcanic rocks of the Sierra Madre Occidental are of low or moderate sulfidation epithermal type. Higher-grade mineralization generally occurs in a temperature sensitive zone related to boiling of mineralizing solutions. Solutions follow and mineralize structures but strong tectonic activity may cause expansion of the mineralized zones into the hanging and footwall of the feeder structures. In the Mantos area, higher angle vein feeder structures intersected lower angle structural zones, and shallow dipping mantos are formed. Propylitic alteration is widespread but argillic, potassic and siliceous alteration appears to occur in up to 80 metre wide envelopes around feeder vein structures (from Christopher, 2003).

9.1 Mineralization

A low angle mineralization system, dipping 15° to 25°, is present in the host rocks of both the Cerro Prieto and Los Mantos. This has been described by Tribe as flat faulting, although this is rare in the region (personal communication with H. Salas and A. Orozco). Some areas show significant mineralization along these flat faults but the low angle mineral continuity is most pronounced in the Los Mantos area.

The vein which was discovered and originally mined at Cerro Prieto is strong and crops out into the hill for which it is named. A halo of structure and alteration around the feeder veins contains most of the values in the Cerro Prieto area. Other identified high angle mineralized structures are the Jeronimo and Carnival feeders between the Los Mantos and the Cerro Prieto areas.

The Los Mantos area has similar mineralization and structure as the Cerro Prieto. The solution bearing veins encountered a favorable horizon striking north 40° east and dipping 20° to 40° east. In this structure the mineralization spread laterally parallel to the bedding in the host LVC.

Mineralization in the area consists of galena, sphalerite, pyrite, and minor chalcopyrite, tetrahedrite and argentite in a gangue of mainly quartz and clay minerals. Native silver and free gold are reported to occur in strongly oxidized areas. Gold values are significantly higher in the Los Mantos area as compared to Cerro Prieto.

10 Exploration (Item 9)

In 2003-2005 exploration has concentrated on drilling out the known deposits. These deposits are defined by the old workings, the shafts and adits used by the early workers. The drilling was designed to test these known deposits and extend them outward into the surrounding area (Tribe 2005).

In 2007 and 2008 10 diamond core holes were drilled as infill holes into the Cerro Prieto and Los Mantos deposits. The holes paralleled the existing drilling, Angled to the SE in Cerro Prieto and vertical in Los Mantos. In some locations these holes appear quite different from the original RC holes. Please note hole TD6 in Figure 10-1.

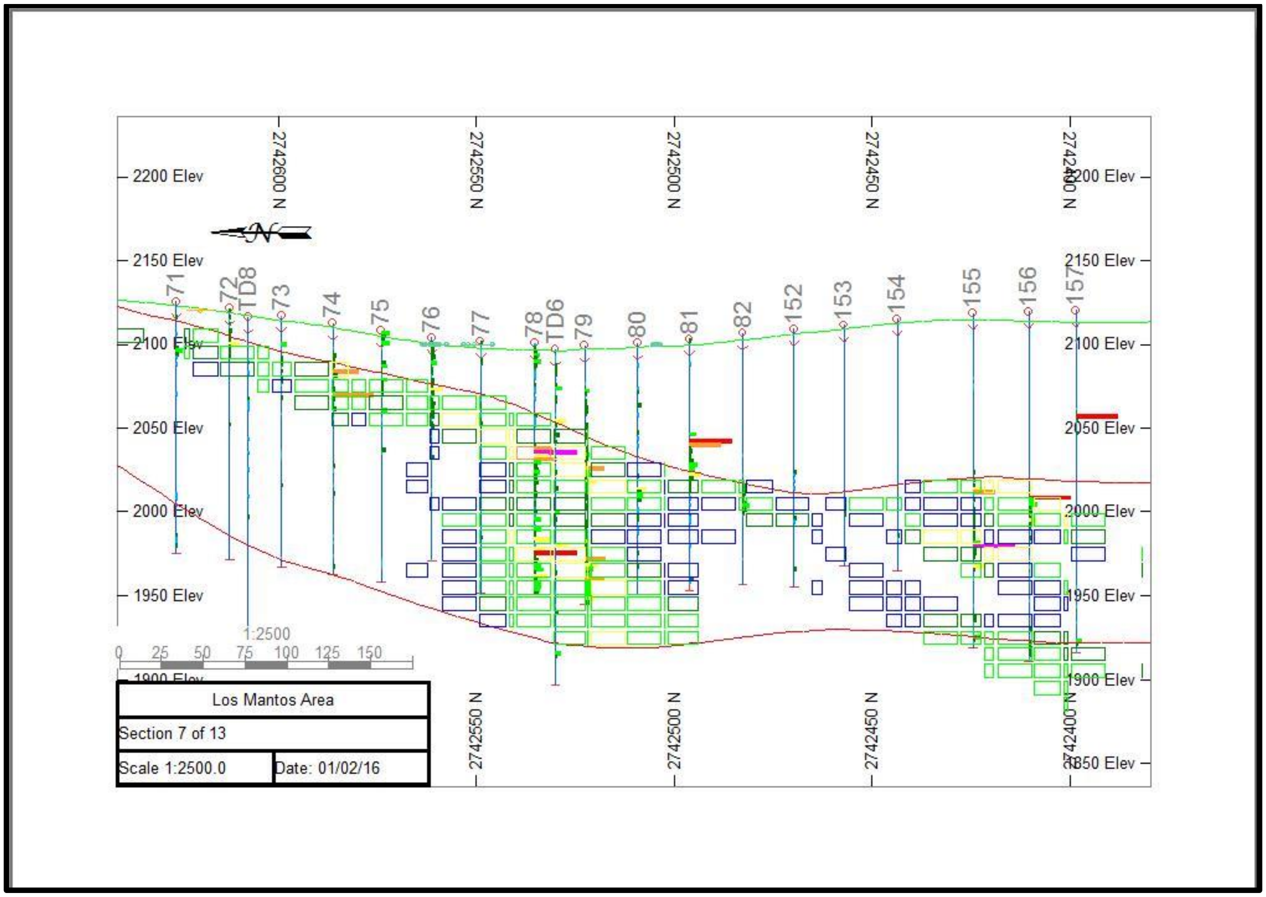

Figure 10-1 NW-SE Section Showing New Holes in Los Mantos

11 Drilling (Item 10)

Drilling prior to Oremex consisted of 24 diamond drill holes and 12 rotary percussion reverse circulation (RC) holes drilled by EMISA and 4 drilled by Kobex Resources in the 1970s (Tribe 2003). The information on this drilling was incomplete and hole locations and assay values are not supported by documentation. These data were not included in the estimate, but could potentially be validated and used in future work.

Oremex has drilled 215 RC holes for a total of 36,139 meters of drilling. The drilling was laid out on 50 meter lines with drill stations at every 30 meters. A line of infill holes between sections was drilled in 2005. Drill holes, inclined at 60° to the southeast, were drilled on Cerro Prieto. Vertical holes were drilled on Los Mantos and all holes were sampled at two-meter intervals. Due to the type of drilling being RC, no core angles are available to enable the true thickness of each intersection to be calculated (Wardrop 2005).

In 2007 and 2008 an additional 10 core holes were drilled, 4 in Cerro Prieto and 6 in Los Mantos. Those holes have been included in this resource estimate and are shown in Figure 11-1.

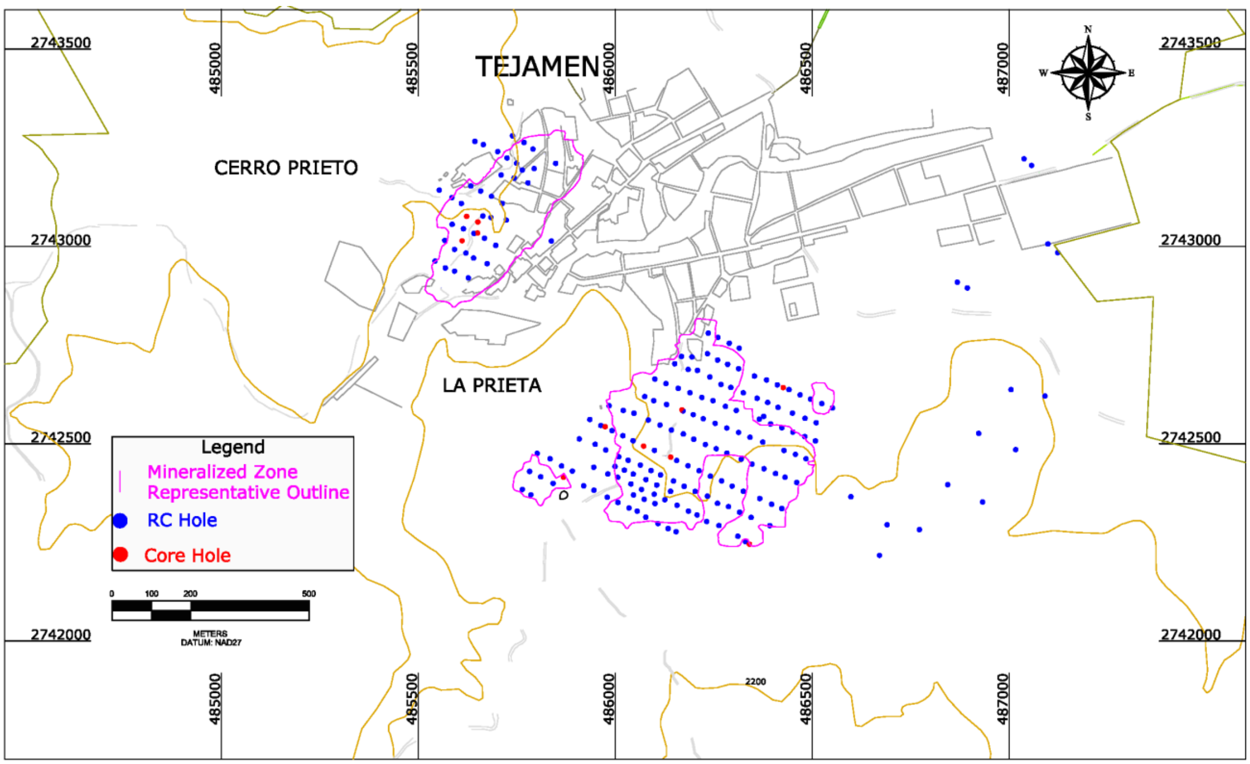

Figure 11-1 Drillhole Location Map

None of the holes were surveyed for downhole deviation. They were assumed to follow the collar orientation to the end of the hole. While this is unlikely, with no surveyed holes, it is difficult to estimate what this effect may be. In addition, some of the holes have unexpectedly high grade intercepts over significant lengths. A likely reason for this is that the hole obliquely entered a high grade structure and followed it for some distance. Without deviation surveys it is not possible to know if this is the case.

It may be possible to re-enter and survey some of the holes. There is no documentation of correct closure and abandonment of the holes although it is required by the environmental permit for the exploration project.

12 Sample Preparation, Analysis and Security

(Item 11)

The most recent work on the property was performed in 2008. There is no active drilling, mapping or sampling at this time. The procedures in use in 2005 were well documented by Wardrop.

Wardrop documented that approximately 47 holes were analyzed via induction coupled plasma (ICP) for 34 elements. These data were not provided to Gustavson, only gold and silver assays. The assay methods are described in Section 11.2. The 10 diamond core holes drilled by Oremex were analyzed by ICP with over limit assays analyzed via fire assay and was provided to Gustavson.

12.1 Methods

In 2005 Wardrop wrote *"Oremex personnel collected samples from the cyclone, which was weighed and then split at least three times in a Jones type riffle splitter and a final sample of approximately 4-kg was retained while the remainder was left at the drill site. The 4-kg sample was split again and half the sample was sent to the storage warehouse near Tejamen. This procedure was carried out for dry samples. A rotary splitter was used to obtain an approximate 4-kg sample after drilling had intersected the water table. This was then subdivided into 2-kg samples one of which is stored at the warehouse.*

Security Measures

The samples are stored in facility in the town of San Lucas where Oremex had another project. This facility is of stone construction with a good metal roof and is maintained with a secure lock. The core boxes are well organized and the chip trays from the reverse circulation holes are stored in a manner where it is easy to find most of the holes on demand.

The bags of sample coarse rejects are on pallets in the building with minimal organization. This is probably a result of moving the samples when work was halted on the project. These samples should be reorganized as the first stage of further work on the project, and a significant number should be re-assayed.

12.2 Sample Preparation and Analysis

In 2005 Wardrop wrote "*No samples were being processed at the time of the site visit as all logging and sampling of the drill holes used for the resource estimate had been completed prior to the site visit. A 2-kg sample was then sent to ALS Chemex in Guadalajara, Jalisco, Mexico, for drying crushing and pulverizing using the ALS Chemex PREP-31 process. Half the pulps were kept in storage in Guadalajara, and the other half of the pulp sample was sent to ALS Chemex in Vancouver, B.C., Canada, for final analysis.*

Two different types of assaying techniques have been used to calculate the grades for the Tejamen samples. Drill holes prior to MMT-183 were processed using ME-GRA21, whereas drill holes from MMT-183 onwards were processed using Au-AA23 for Au and ME-ICP41 for Ag. Results greater than 100 g/t Ag are re-analysed using ME-AA46."

"All samples were prepped according to ALS procedure PREP 31. They were crushed to 70% -10 mesh, split to 250g and pulverized to 85% - 200 mesh. Two different assay techniques were used on the samples. Early samples were analyzed by fire assay with a gravimetric finish (ALS ME-GRA21) (169 holes), and later samples (47 holes) by fire assay with an atomic absorption finish (Au-AA23 for Gold and ME-ICP41 for Silver). Silver assays greater than 100g/t were reanalyzed using an atomic absorption finish (ME-AA46)." Gustavson has no further information on these procedures.

Complete ICP analytical results were presented to Gustavson for the final 10 core holes. Based on this limited data, it is evident that there is positive correlation between silver and lead in the material as shown in Figure 12-1. In addition, Figure 12-1also shows that there are lead values up to and exceeding 1% (10,000 ppm) the upper limit of ICP analysis and could have a positive economic impact on the project.

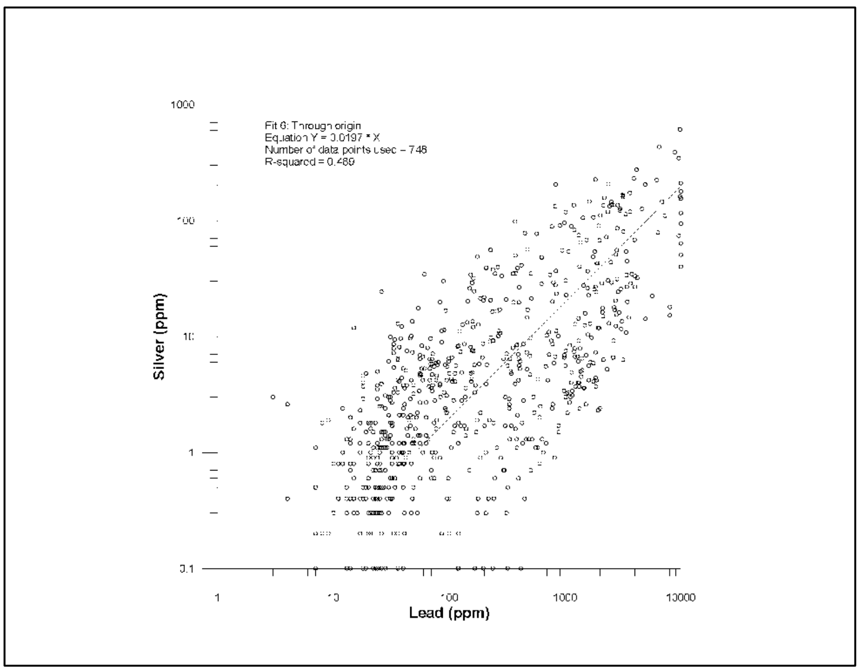

Figure 12-1 Silver vs Lead in 2007-2008 Drill Campaign

Sulfide minerals including pyrite, galena and sphalerite are present in most of the mineralized material with argentite the predominant silver mineral. In spite of the occurrence of galena and sphalerite in the material, only a few lead and zinc grades were received by Gustavson, ranging in grade from 0.2% to above 1% for lead and zinc. Based on 2016 metal prices, the value of lead may equal the value of silver in the rock. It may be valuable to investigate the potential to re-assay well mineralized samples for metals in addition to silver and gold.

12.2.1 Laboratories

All samples collected by Oremex were prepared in the ALS Chemex facility in Guadalajara, Mexico and assayed in the ALS Chemex facility in Vancouver, Canada. The ALS Chemex laboratory in Guadalajara is ISO 9001:2000 certified and the Vancouver facility is ISO 9001:2000 and ISO 17025 certified.

12.3 Results and QC Procedures

Wardrop reports that prior to 2005, Oremex sent 102 duplicate samples to the same ALS Chemex laboratories. Results from the duplicate samples, including detection limit samples, averaged about 10% greater than the original values.

In the latest 10 core holes, Standard Reference materials were included in the sample stream and duplicate samples were sent for assay. The results of the 22 duplicate samples are generally acceptable and are shown in Figure 12-2.

The standard reference samples were poorly documented and each hole seemed to use a unique standard. The provenance of the standards and the procedure to establish the value are not recorded. Gustavson reviewed the errors on a relative basis. Though differences in the gold values are excessive, the gold grades are low and do not make a significant economic contribution to the Tejamen project. Thus these data were disregarded in this study. Figure 12-3 shows relative silver errors; 5 of 15 assays shown have greater than 20% relative difference to the expected value and 9 of 15 have greater than 10% difference. This is of concern and should be remedied in the future and is discussed further in Section 18, Interpretations and Conclusions.

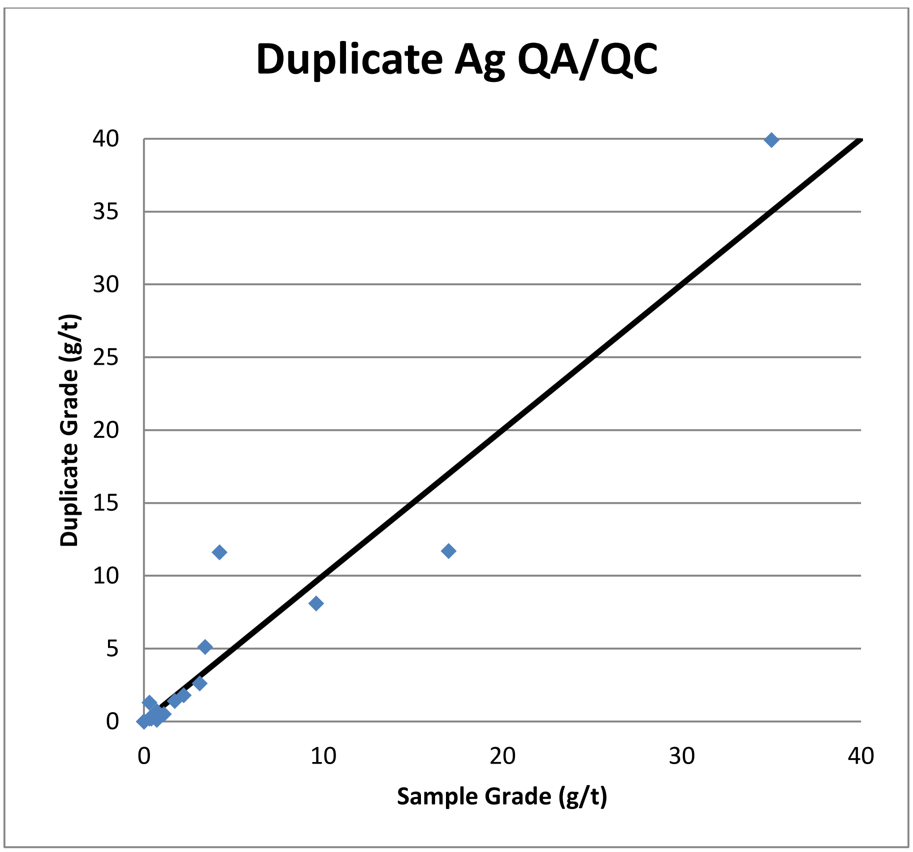

Figure 12-2 Duplicate Assays from 2007-2008 Campaign

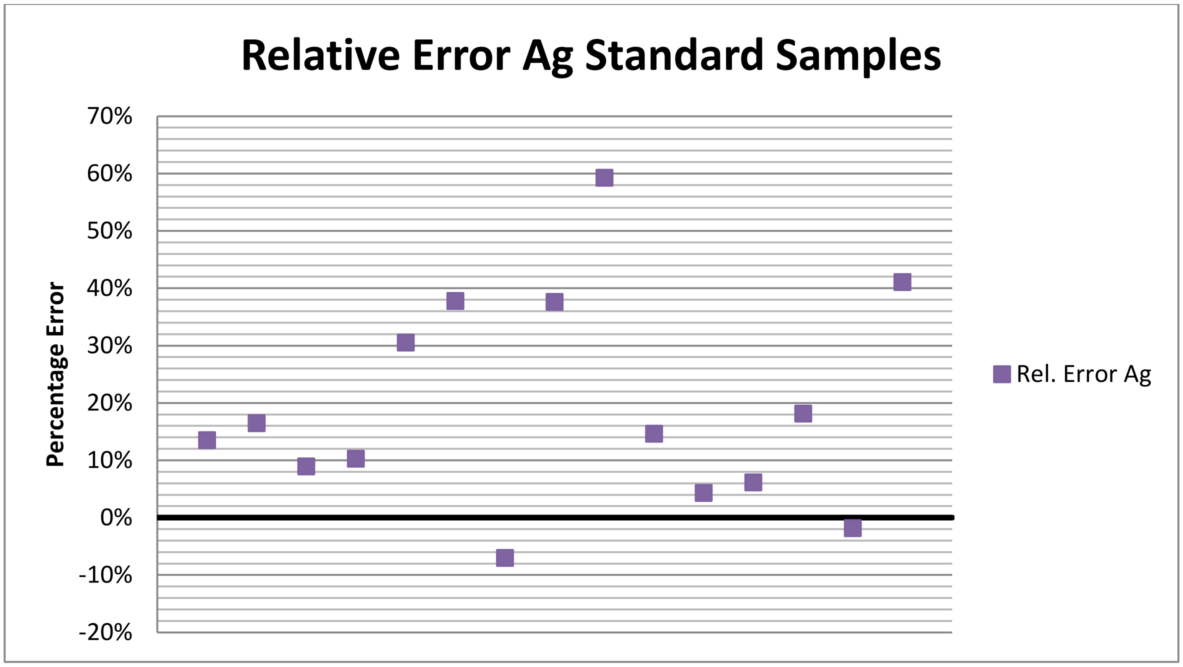

Figure 12-3 Relative Error of Standard Ag Assays

12.4 QA Actions

It is not documented if any action was taken to re-assay the batches of samples with poor performance on the QC tests. Based on the state of the documentation, Gustavson believes that no action was taken and the checks were put in place with no complete plan.

12.5 Opinion on Adequacy

Gustavson believes that the database is adequate to produce an inferred mineral resource estimate as per the CIM Definitions of Standards for Mineral Resources and Mineral Reserves adopted on May 10, 2014.

Appropriate sampling and other measurements are sufficient to demonstrate data integrity, geological and grade continuity of an Indicated Mineral Resource however Gustavson considers that quality assurance and quality control does not meet industry norms for the disclosure of an Indicated Mineral Resource.

Gustavson believes that this will cause local variability in the grade but will not cause a bias. As the deposit is a relatively broad area of low grade mineralization near surface which may be amenable to bulk surface extraction, at the level of this study does not adversely affect the global grade and tonnage of the deposit.

13 Data Verification (Item 12)

Due to the limited access to the project site and the general disorder of the sample rejects in the storage facility, new witness samples were not taken by Gustavson in 2015.

13.1 Procedures

In 2003, Peter Christopher PhD collected 13 samples at sites previously sampled by Luismin. Although the second samples were generally of a higher grade than the originals, all mineralized samples had mineralized check samples. This is shown in Figure 13-1.

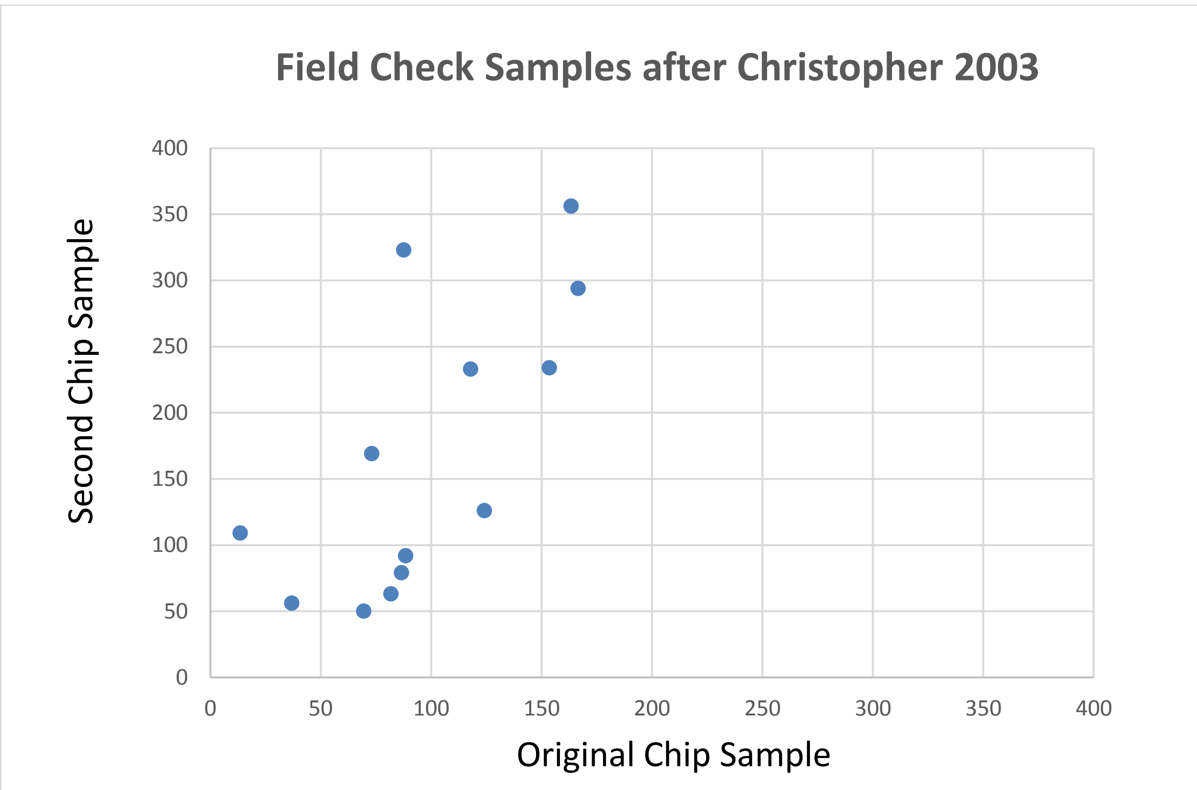

Figure 13-1 Check Samples by Christopher (2003)

Gustavson reviewed core and chip samples and compared them with the recorded grade in drill logs. This work included 3 core holes and 4 reverse circulation holes in multiple mineralized intervals and appeared reasonable from a visual inspection.

Christopher also collected 15 coarse splits from the drill cuttings of three reverse circulation holes. These assays are represented in Table 13-1.

Table 13-1 Coarse Rejects Samples by Christopher 2003

#	HOLE	INTERVAL	Au g/t	Ag g/t	Checks	Comments
178651	MMT078	62-64m	<0.034	94.7		Py cubes & pos. Sph.
178652	“	64-66m	0.034	1946.6		>>grey sulp. & sil.
178653	“	66-68m	0.137	33.0		
178654	“	68-70m	0.480	262.4		>> black sulp
178655	“	70-72m	0.103	31.4		
178656	MMT079	144-146m	0.069	60.5		
178657	“	146-148m	0.206	67.7		
178658	“	148-150m	0.137	110.6		
178659	“	150-152m	0.103	83.1		>>black sulp
178660	“	152-154m	<0.034	29.3		<black sulp; py cubes
178661	MMT059	02-04m	0.069	<3.4		
178662	“	04-06m	<0.034	115.8		
178663	“	06-08m	0.034	49.3		
178664	“	12-14m	<0.034	9,7		
178665	“	14-16m	0.069	<3.4		

13.2 Limitations

Wardrop noted that the assay method used on the original 183 holes is most effective for high grade silver samples. In addition the ICP method used as a screen for the later samples tends to underestimate silver due to the occasional incomplete digestion of silver in the aqua regia solution. Both of these errors can contribute to an underestimation of silver grades.

13.3 Data Adequacy

Gustavson believes that the database is adequate to produce an inferred mineral resource estimate as per the CIM Definitions of Standards for Mineral Resources and Mineral Reserves adopted on May 10, 2014. Drill collar locations have been confirmed by comparison with logs done during drilling. Although the project is well drilled, poor QA/QC results on even the most recent drill holes suggest that a significant proportion of the remaining core and rejects should be re-assayed prior to moving the project forward. In addition a core drilling program is needed to establish the confidence level in both the grade and position of the samples of historical reverse circulation drilling.

Gustavson believes that variability in the control assays will result in local variability in the grade but will not cause a grade bias. As the deposit is relatively broad in area and of low grade mineralization near surface, the quality of the data at this level of this study will not adversely affect the global grade and tonnage of the deposit.

14 Mineral Processing and Metallurgical Testing

(Item 13)

Four campaigns of metallurgical testing have been conducted on Tejamen material as shown in Table 14-1below.

Table 14-1 Metallurgical Testwork on Tejamen material

Lab	Location	Test	Date	Number of Samples
Mc Clelland Inc.	Sparks, NV USA	Bottle Roll	March 2005	6
Mc Clelland Inc.	Sparks, NV USA	Column Leach	Nov 2005	2
Wardrop Engineering	Cripple Creek, CO, USA	Column Leach	2000	3
Mexican Geological Service	Chihuahua, Chih, Mexico	Bottle Roll	Sep. 2007	4

Samples were tested for silver recovery via cyanidation. Although sulfides are present in the ore there has been no flotation testing.

14.1 Testing and Procedures

The only clear documentation on the test procedures was received for the work performed at McClelland Inc. Other procedures are referred to in summary documents but original descriptions were not available during the time allowed to prepare this report. Table 14-2 summarizes the labs and test procedures on the Tejamen material.

Table 14-2 Metallurgical Test Procedures on Tejamen material

Lab	Test	Crush Size	Average Silver Recovery
Mc Clelland Inc.	Bottle Roll	80% -200 mesh	54.8%
Mc Clelland Inc.	Column Leach	RC chips (nominal 3/8")	67.5%
Wardrop Engineering	Column Leach	N/A (assumed chips)	68%
Mexican Geological Service	Bottle Roll	100% -10 mesh	67%

There is limited information on the location of the samples and it is uncertain if these samples can be said to characterize the bulk of the deposit.

14.2 Relevant Results

Silver recoveries range from 46% to 79%, and are shown graphically in figure 14-1. There is some relation between grade and recovery, although more work should be done to differentiate recoveries by oxidation state and by mineralization type (feeder vein vs. disseminated halo). The existing test work shows that cyanide recovery of the silver is possible, however it does not address the most economic process for the project. Additional metallurgical testing needs to be done in an organized fashion. Both low and high grade material must be tested from various parts of the deposit. It is recommended that mineralogical studies be done to thoroughly understand the mineral relationships and that work on both cyanidation and floatation processing test work be done for different rock types and over a range of grades.

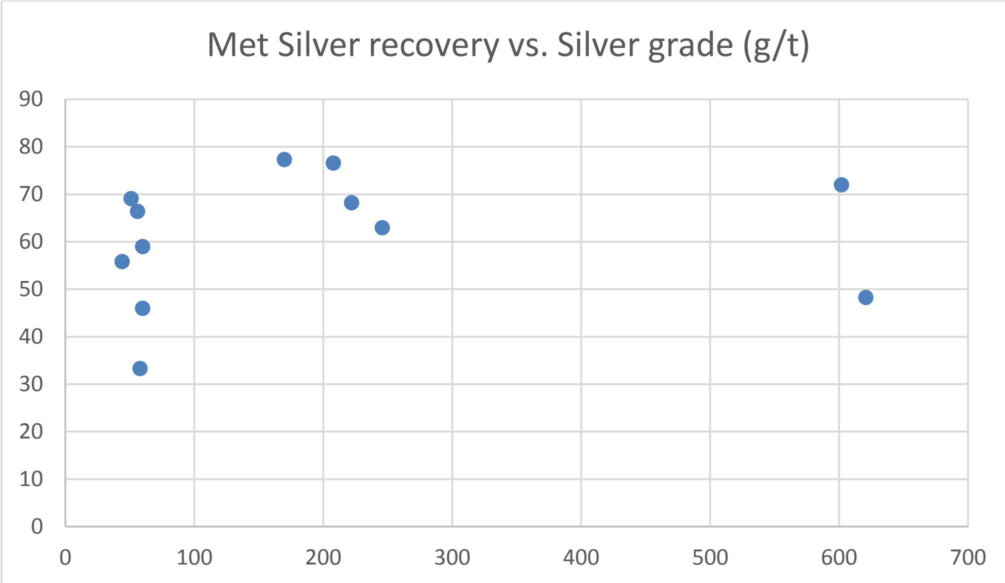

Figure 14-1 Metallurgical Recovery vs Sample Silver Grade

14.3 Recovery Estimate Assumptions

Silver recoveries in this test work averaged 61% for cyanidation. There may be potential to increase total metal recoveries with milling and flotation.

14.4 Sample Representativeness

The distribution and representativeness of the samples tested cannot be accurately determined.

14.5 Significant Factors

As the lead value may equal the silver value in the rock, and as flotation may increase silver recoveries in comparison to cyanidation, it may be valuable to consider this as a sulfide flotation project rather than as a cyanide heap leach project. Additional metallurgical test work would be required to quantify flotation recoveries.

14.6 Adequacy

Because this report is limited to a mineral resource report on Inferred Mineral Resources, Gustavson believes that the metallurgical test work is adequate for this report.

15 Mineral Resource Estimate (Item 14)

Gustavson has developed a three dimensional block model and mineral resource estimate for the Tejamen Project. The previous resource model was built by Wardrop in 2005 and was considered an inferred mineral resource due to questions concerning the quality control of the sampling and assaying process.

15.1 Basis for Estimate

Gustavson was provided with the drill hole database in a series of text files. Files provided included:

- Drill Collar Locations
- Gold Assays
- Silver Assays
- Lithology Codes

The database contains 225 holes of which at least 10 are diamond core holes and 215 are assumed to be reverse circulation. The database maintenance is poor. Drill hole names have been changed since the original logs were completed.

Alteration and contained minerals were logged on paper but never converted to electronic format. Because nearly all of the drilling was performed using reverse circulation methods, details of the geology and structure are difficult to interpret.

Original assay certificates were reviewed in Oremex's office in Durango and compared to the computer database. No errors were found by Gustavson during this review. Gustavson has spot checked approximately 5 percent of the assay certificates and the data entry. The quality control issues described in section 11 limit the usefulness of the data to estimation of an inferred mineral resource.

Figure 15-1 shows the drill hole locations at Tejamen.

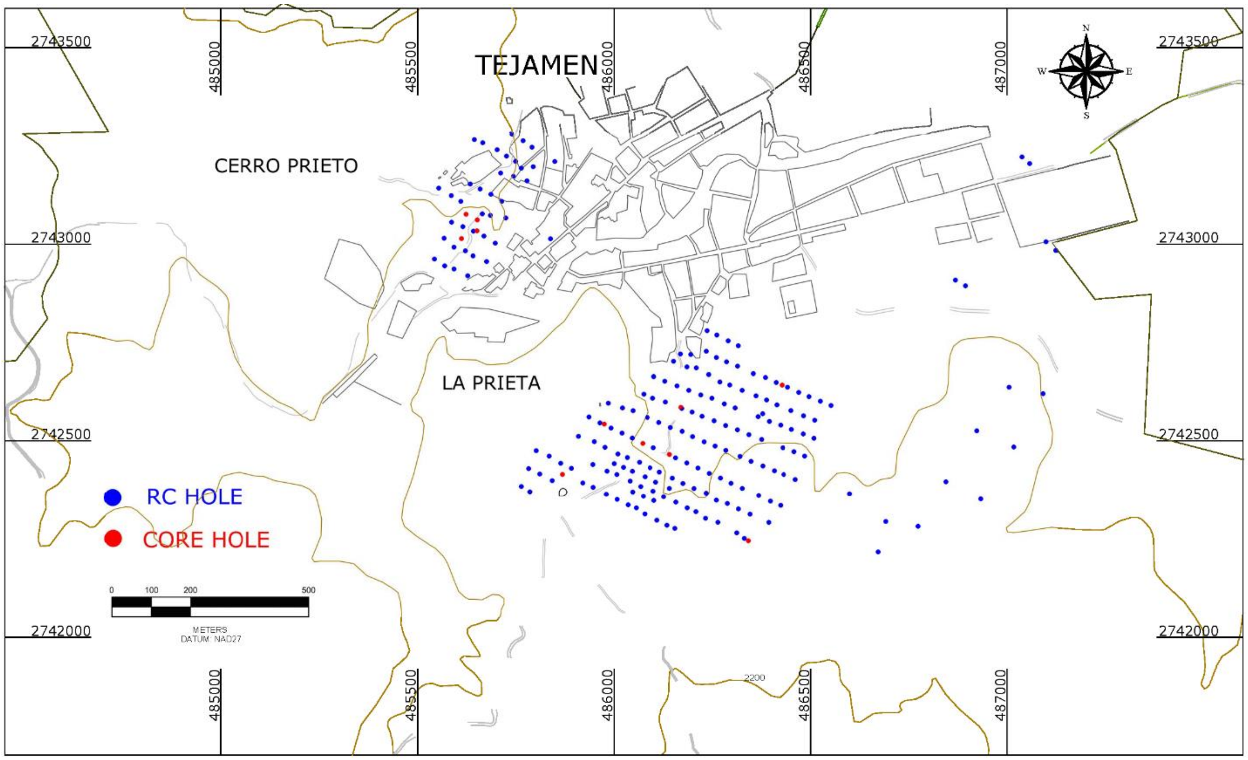

Figure 15-1 Tejamen Drill Hole Locations

Gold values at Tejamen are low, and silver is considered to be the metal of primary interest. Base metals were only assayed occasionally and were not provided in the drill database.

15.2 Relevant Factors

The majority silver mineralization is contained in the andesites, rhyolites and upper portion of the dacites of the LVC. The lithologies were given numeric codes in the database. Basic statistics are shown in Table 15-1.

Table 15-1 Silver Statistics by Lithology

Lithology	Rock Code	Rock No.	Missing	Samples	Median	Max	Mean	Variance
Andesite	ANDE	10	1	2282	9.00	1330.0	28.82	5463.3
Dacite	DAC	20	0	905	5.00	6770.0	28.46	70338.
Fault	FLT	30	1	85	6.00	276.00	17.86	1683.4
Overburden	OB	50	0	77	9.80	112.00	19.24	552.18
Porphyry	PR	60	0	3	6.50	8.00	7.000	0.800
Rhyolilte	RHY	80	2	4820	9.20	3560.0	32.98	13491.
Sandstone	SS	100	0	9	1.15	2.90	1.500	0.701

Figure 15-2 shows the comparative relationship of the cumulative frequencies of silver grades between the three volcanic lithologies. Inspection of the cross sections shows that the silver within the dacites is near the rhyolite/dacite contact in the upper part of the Dacite, lending credence that it is silver within fracture structures which has permeated from the rhyolites and the feeder zones.

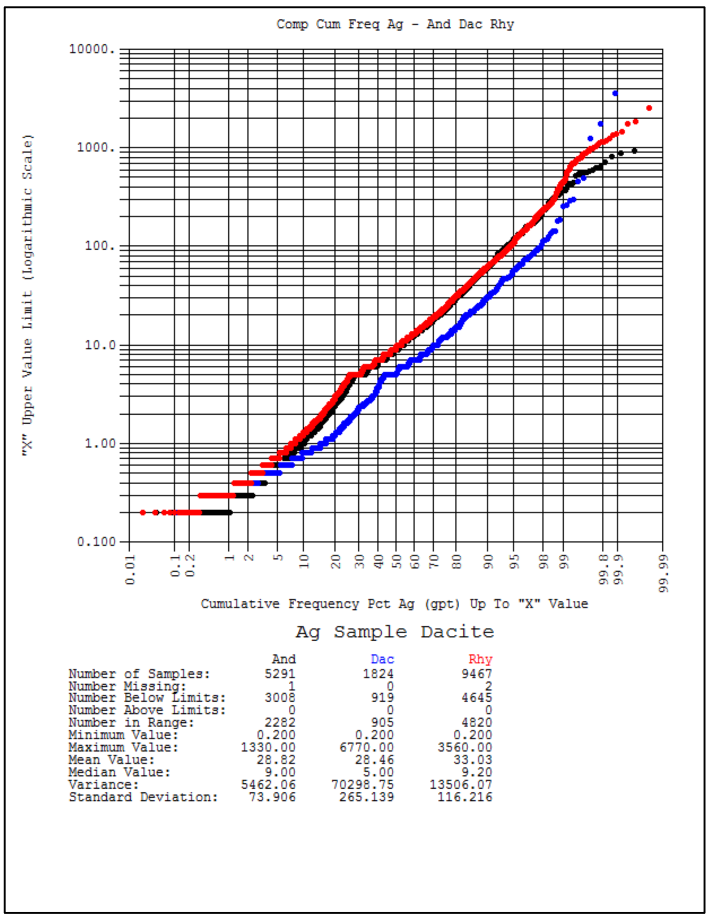

Figure 15-2 Comparison of Silver in Volcanics

15.2.1 Lithology Modeling

To constrain the grade estimation, Gustavson created a three dimensional model of the litholigies logged by Oremex. The model was created in Geo-reka software by Mr. Mark Shutty and reviewed and approved by Mr. Donald E. Hulse, the qualified person for the resource estimate. Cross sections of this model are shown in Figures 8-2 and 8-3.

The two principal resource areas, Cerro Prieto and Los Mantos were defined in the estimation process as being restricted to two rectangular areas as shown in Tables 15-2 and 15-3.

Table 15-2 Area Defining Cerro Prieto

	Min	Max	Min	Max
Column / East	1	39	485,200.0	485,980.0
Row / North	57	84	2,742,820.0	2,743,880.0

Table 15-3 Area Defining Los Mantos

	Min	Max	Min	Max
Column / East	25	95	485,680.0	487,100.0
Row / North	25	56	2,742,180.0	2,842,820.0

Statistics were calculated for each lithology in each zone of Tejamen, Cerro Prieto and Los Mantos (Figures 15-3 and 15-4). The three principal lithologies are very similar in grade, though silver is predominantly found in the rhyolites at Los Mantos and in the andesites at Cerro Prieto. Although overall the Dacite has a lower median grade, the mean grades are similar and there was no indication that the three lithologies (andesite, dacite, and rhyolite) should be separated in the estimation process.

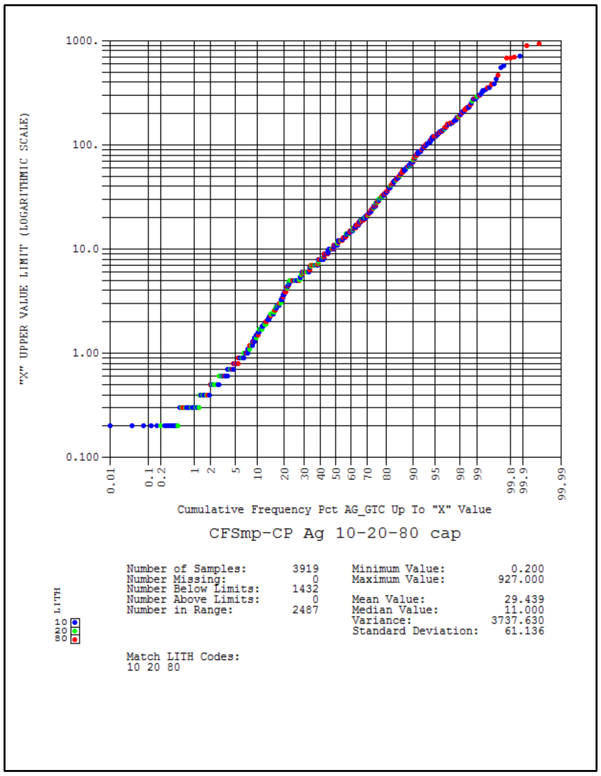

Figure 15-3 Frequency Plot of Silver Cerro Prieto

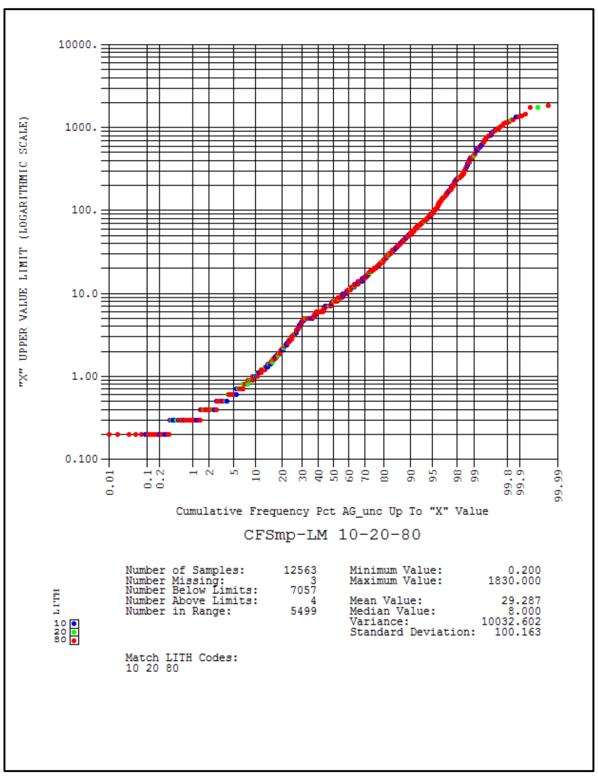

Figure 15-4 Frequency Plot of Silver Los Mantos

15.2.2 Compositing

To investigate the effect of different composite lengths on grade dilution and variability, Gustavson ran a compositing study. The results are shown in Figure 15-5. A 5m composite interval results in diluting some of the highest grades but retains the vertical variability of the samples, helping to define the top and bottom of the mineralized zone during resource estimation.

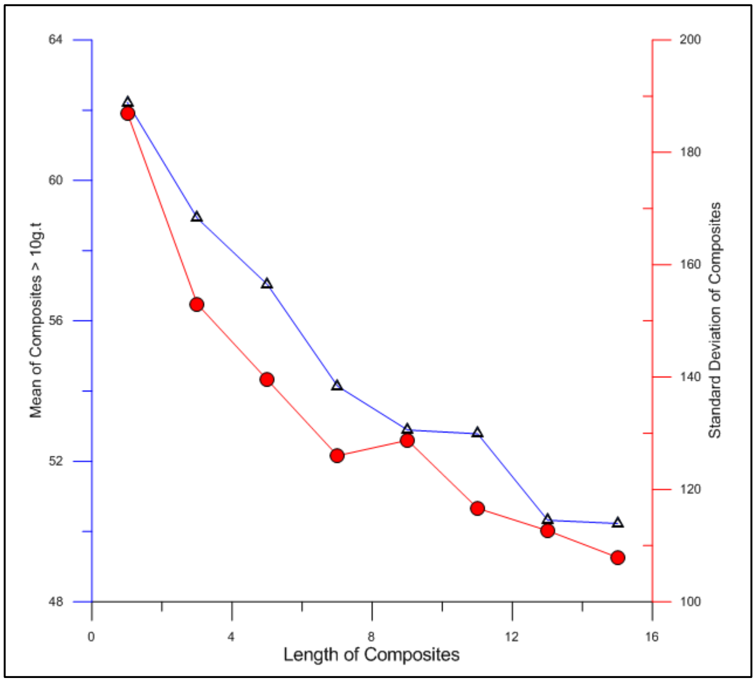

Figure 15-5 Tejamen Compositing Study

15.2.3 Capping

Capping values were selected based in the cumulative frequency plots. The levels selected are detailed in Table 15-4.

Table 15-4 Sample Capping Values

Area	Indicator	Capping Value (g/t)
Cerro Prieto	Ag	400.0
Cerro Prieto	Au	1.50
Los Mantos	Ag	800.0
Los Mantos	Au	1.50

15.2.4 Mineral Domains – Indicator Shells

Both Christopher and Tribe report low angle mineralized structures (possibly thrust faults) in the Tejamen area. These low angle structures are sub-parallel to the deposition of the layers of the volcanic pile. Both low angle and high angle zones are visible in the cross sections. To investigate this Gustavson ran a series of indicator (or discriminator) variograms at different silver grades including 10 g/t, 20 g/t, 50 g/t, 75 g/t and 100 g/t. There are definite changes in continuity between the 10 g/t indicator and the higher values (50, 75 and 100). In general the variography at the higher grades appears to show higher vertical continuity while the lower grade indicator shows continuity parallel to the low-angle system and the deposition. Sample indicator variograms for Cerro Prieto and Los Mantos are shown in Figures 15-6 and 15-7.

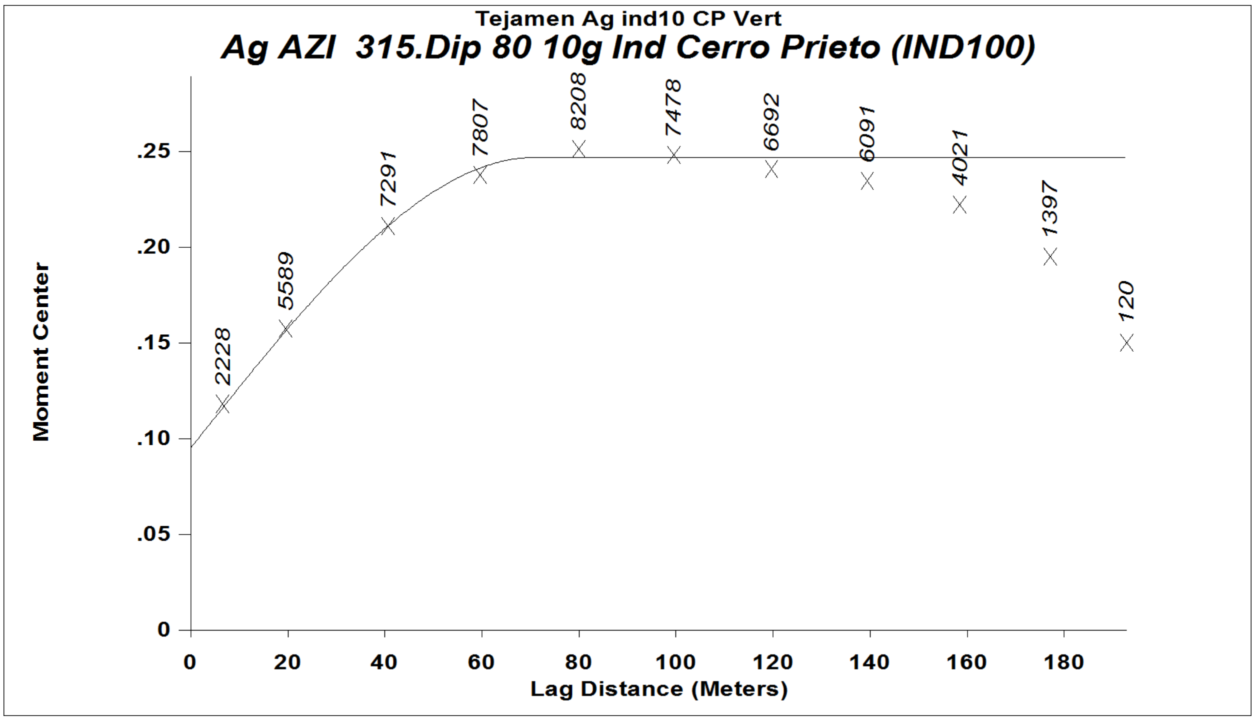

Figure 15-6 Variogram Cerro Prieto 10g/t Indicator

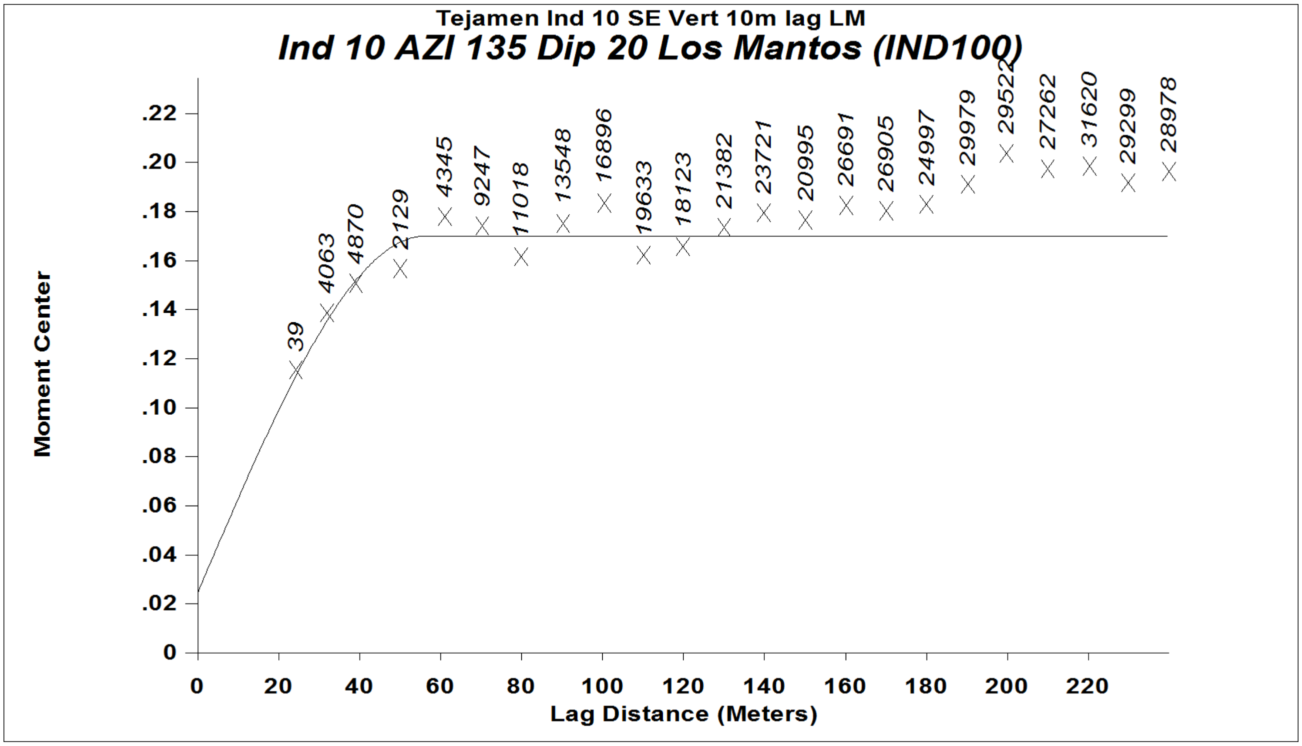

Figure 15-7Variogram Cerro Prieto 10g/t Indicator

The modeled ranges for 10g/t Ag and 100g/t Ag indicators are shown in Table 15-5.

Table 15-5 Principal Mineralized Zone Indicator Variogram Models

	Azimuth Major Axis	Dip Inter Axis	Nugget	Major Range	Inter Range	Minor Range	Sill
Cerro Prieto Indicator 10g/t	315°	20°	0.10	65m 150m	65m 150m	20m 25m	0.04 0.10
Cerro Prieto Indicator 50g/t	315°	70°	0.20	40m	40m	25m	0.30
Los Mantos Indicator 10g/t	315°	60°	0.025	40m	40m	25m	0.14
Los Mantos Indicator 50g/t	135°	20°	0.20	45m	45m	20m	0.30

Gustavson estimated indicator models at 10g/t and 50 g/t Ag for both the Cerro Prieto and Los Mantos areas. These were then compared to the drill hole cross sections to determine a probability level that created a cohesive structure and matched the grade distribution in the drill holes. There was no cohesive zone in Los Mantos compared to the 50 g/t Ag Indicator. These thresholds are shown in Table 15-6.

Table 15-6 Indicator Model Limits

Area	Indicator	Probability Threshold	Zone code
Cerro Prieto	< 10 g/t	0	520
Cerro Prieto	10 g/t	0.5	21
Cerro Prieto	50 g/t	0.4	22
Los Mantos	< 10 g/t	0	510
Los Mantos	10 g/t	0.5	11
Los Mantos	50 g/t	N/A	12

The composites falling within these zones were coded from their position relative to the blocks in the model. Statistics for the composites are shown in Figures 15-8 and 15-9.

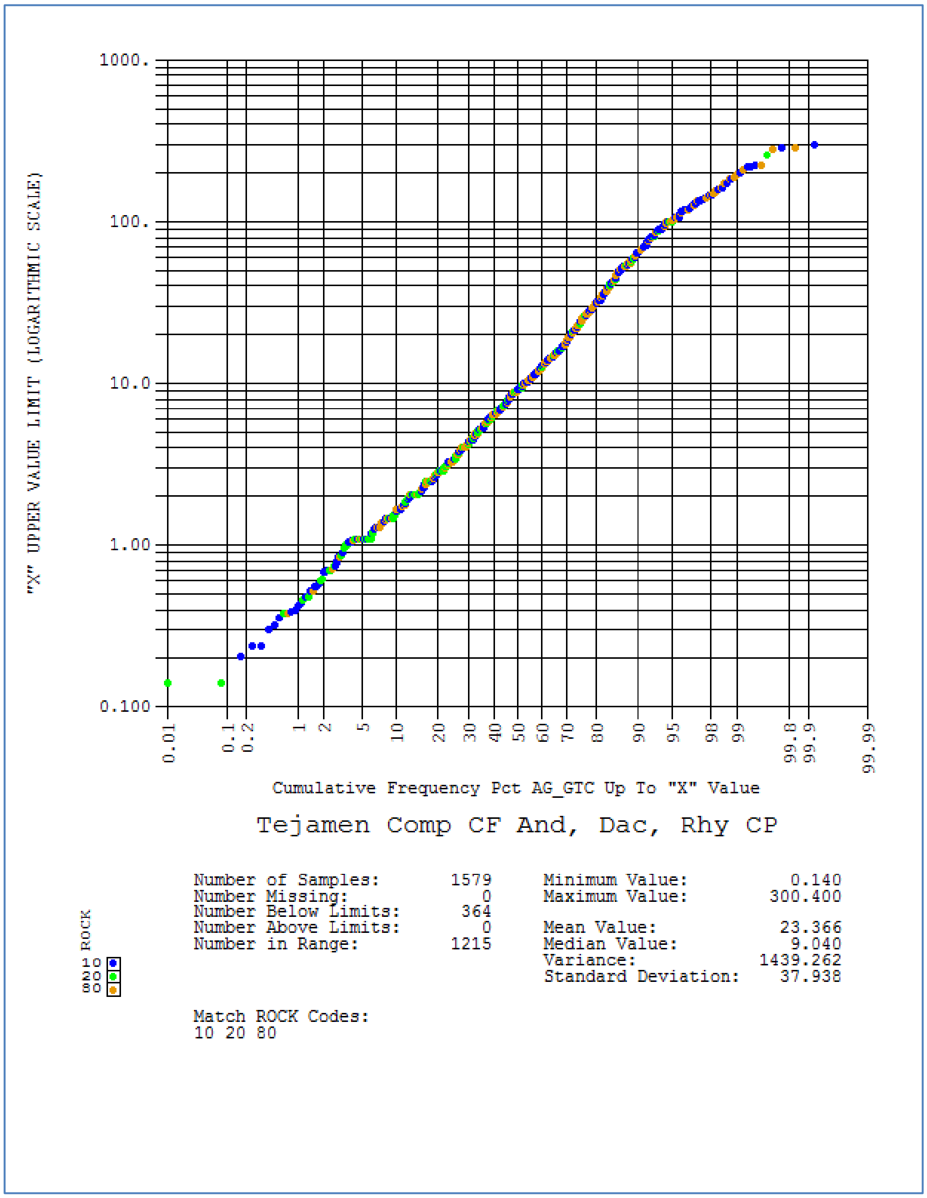

Figure 15-8 Cumulative Frequency for Composites at Cerro Prieto

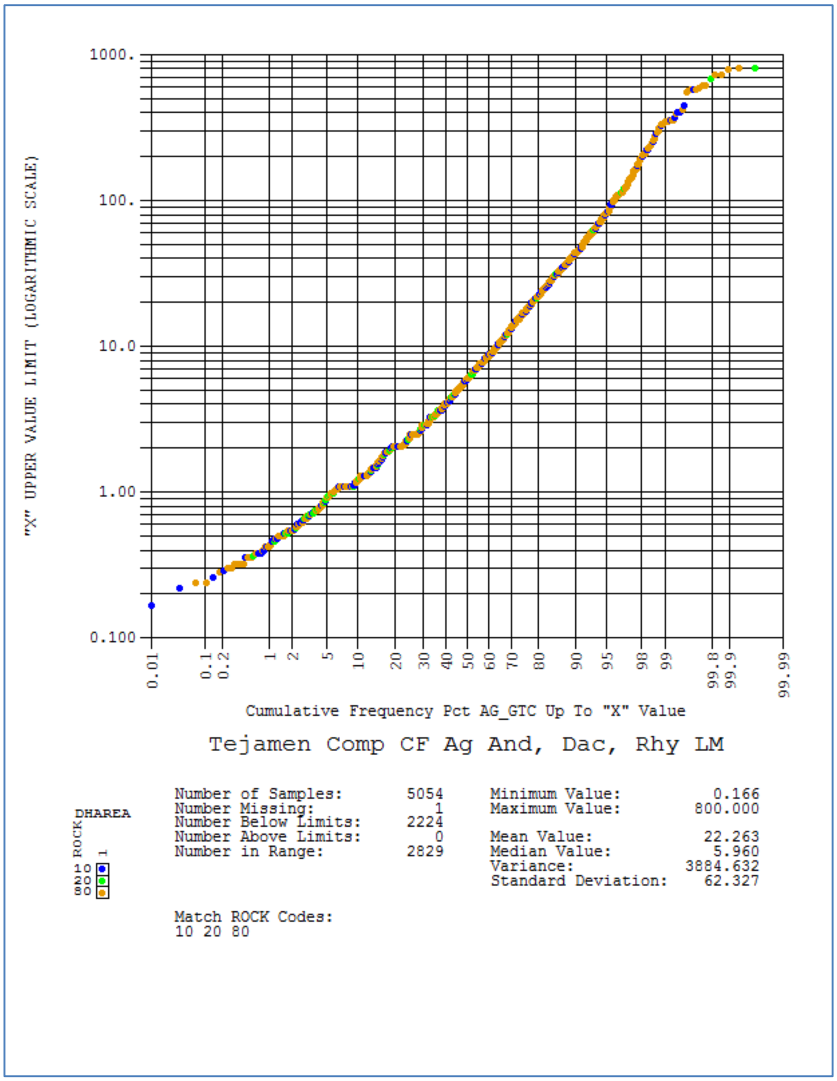

Figure 15-9 Cumulative Frequency for Composites at Los Mantos

15.2.5 Variography

Semivariograms, often noted simply as variograms, are a summary of a direct representation of the spatial continuity between data points in a given direction.

Silver and gold grades were analyzed using pairwise relative variograms. Relative variograms smooth an experimental variogram by scaling γ(h) using the mean squared of each pair of points. This smooths the graph, making interpretation easier. Indicator variograms were analyzed at various silver grades and used to interpret ore zone continuity. Sample silver variograms are shown in Figures 15-10 to 15-13.

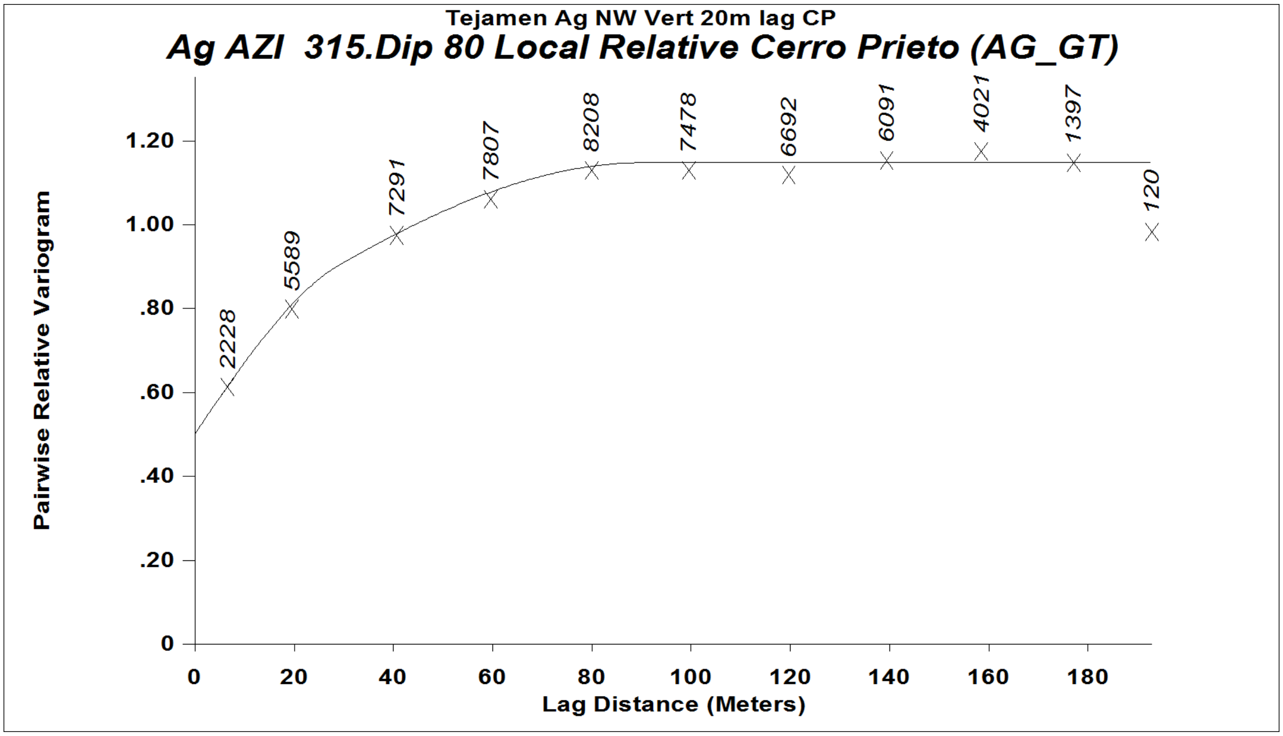

Figure 15-10 Silver Variogram Cerro Prieto

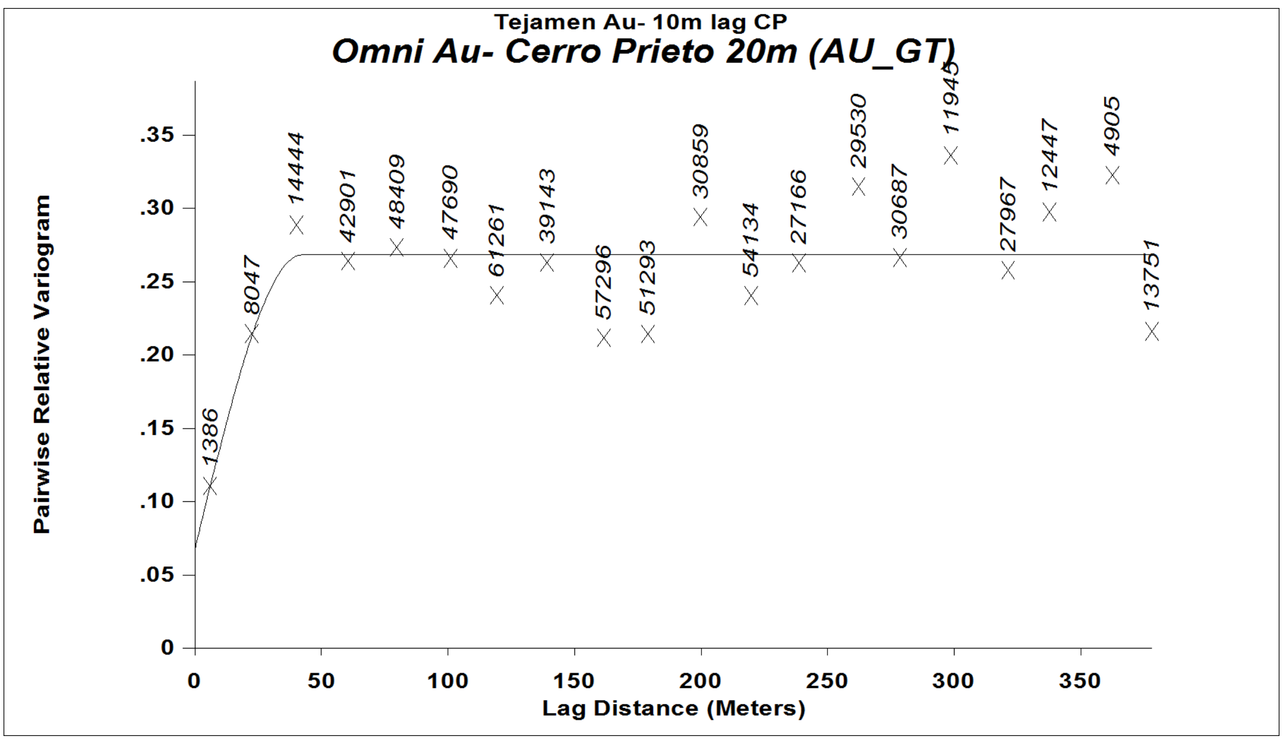

Figure 15-11 Omnidirectional Silver Variogram Cerro Prieto

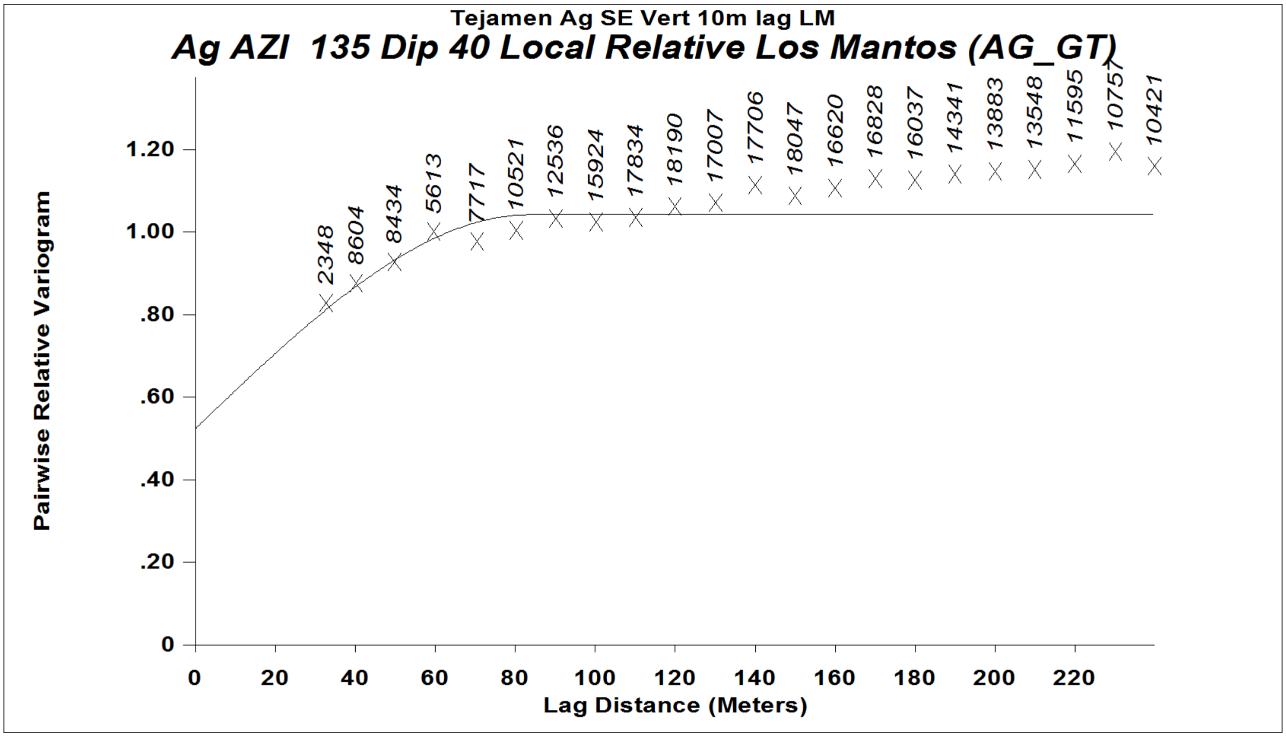

Figure 15-12 Silver Variogram Los Mantos

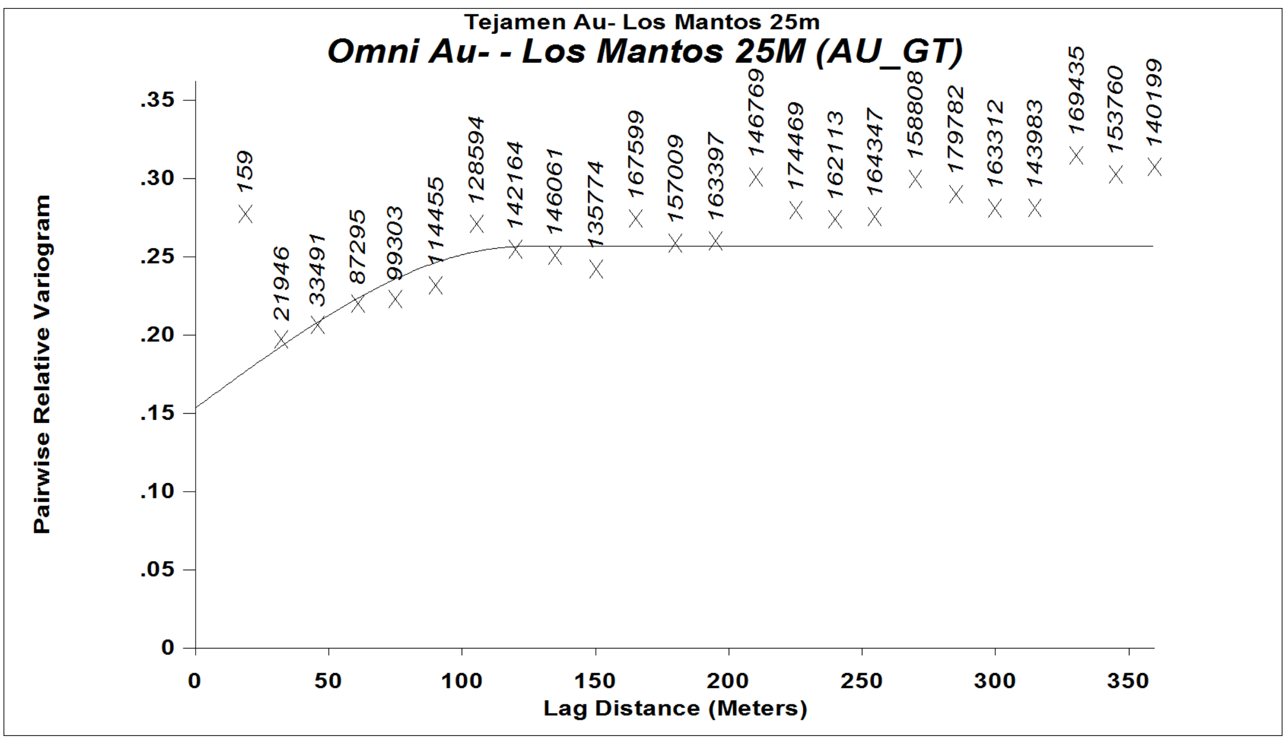

Figure 15-13 Omnidirectional Silver Variogram

The modeled ranges for gold and silver are shown in Table 15-7 below.

Table 15-7 Principal Mineralized Zone Variogram Models

	Azimuth Major Axis	Dip Inter Axis	Nugget	Major Range	Inter Range	Minor Range	Sill
Cerro Prieto Silver	315°	20°	0.50	30m 90m	30m 90m	25m 53m	0.25 0.36
Cerro Prieto Gold	135°	30°	0.10	50m	50m	20m	0.15
Los Mantos Silver	135°	20°	.52	85m	85m	60m	.51
Los Mantos Gold	135°	30°	0.15	100m	100m	50m	.10

15.3 Block Model

A three dimensional block model covering the Tejamen project area was built in the Mexican UTM NAD-27 coordinate system in meters using Micro Model mining software program. The dimensions of the blocks are 20 m x 20 m x 10 m. Block model limits are listed in Table 15-8.

Table 15-8 Tejamen Block Model Limits

	Minimum	Maximum	Number	Size (m)
East	485,200	487,800	130	20
North	2,741,700	2,743,800	105	20
Elev	1,800	2,300	50	10

Modelled blocks are approximately one half of the average drill hole spacing. Smaller blocks could have been used will not change the overall grade estimates. When drill hole surveys can be confirmed, a model with tighter controls can be considered.

Further mapping and additional surveyed core holes may better define the location of the mineralization improving the block model.

15.3.1 Topography

Topography was provided by Oremex in an electronic format and was used to limit the vertical extent of the mineral resource model.

15.3.2 Acid Rock Drainage Model

Although sulfides (principally pyrite) are found in the rocks at Tejamen, limited assays for these metals were provided resulting in a poor understanding of sulfur concentrations on the property. Based on visible staining of the areas below existing waste dumps and adits (personal communication with M.R. Smith), Gustavson believes these areas have generated some acidic drainage. Gustavson did not address sulfur or potential for acid rock drainage and recommends static acid base analysis (ABA) testing as part of future drilling and assaying campaigns to understand the potential.

15.4 Grade Model

Gold grades were estimated and reported using Ordinary Kriging (OK). The reported tonnages have been spatially restricted by indicator envelopes to give confidence to the extent of the potentially economic mineralization.

15.4.1 Estimation Plan

The silver and gold grades were estimated with a single search pass. The estimate requires 3 3 independent drill holes within approximately 110% of the variogram range to estimate grade in a block.

The 10 and 50 g/t Ag indicator shells were not used to constrain estimation. All blocks within Cerro Prieto zone can use any composite data from Cerro Prieto zone for estimation. There is a difference in search and variograms orientation between the 10 g/t and the 50 g/t shell based on the orientation of the variograms.

All blocks from Los Mantos zone were estimated using any composite and a single search and variograms orientation. In Los Mantos there was no cohesive zone developed with the 50 g/t Indicator.

The estimate has been further restricted with the indicator shells created in the previous step. This has the consequence of not extending the estimate out of the limit of the deposit data. There is additional mineralization estimated outside of the 10 g/t indicator shell, however the lower continuity of grades in this fringe area limits the mining potential for this material.

15.4.1 Estimation of Bulk Density

During the modeling exercise performed by Wardrop in 2005, significant attention was paid to the estimation of the in place bulk density. The Wardrop report states "*During the site visit of Kevin Palmer of Wardrop, 14 rock samples representing the most common rock types were collected from the property".* These samples give an average density of 2.08, 2.11 and 2.21 for Andesite, Dacite and Rhyolite respectively.

This is a very low density for solid volcanic rocks. Wardrop utilized original sample weights from the drill logs and compared these to the volume of 20 reverse circulation drill holes to calculate in place specific gravities of lithologies, resulting in a mean bulk density of 2.40. This is much closer to the expected value, although this should be thoroughly checked with new and existing core samples to be certain that surface weathering was not affecting the earlier samples.

Gustavson used a bulk density of 2.40 for all tonnage calculations in this report.

15.4.1 Classification of Resource

Gustavson has used a conservative approach to the mineral resource estimate at Tejamen resulting in classifying the entire resource as inferred. Based on the variability of the grades between adjacent drill holes, and to avoid over projecting high grades from single holes, Gustavson required 3 independent drill holes to estimate a resource block. Because of the relatively close drill spacing for this stage of the project (20m x 30m) this was sufficient to estimate all resource blocks within the drilled area.

Gustavson utilized the 10g/t Ag indicator (discriminator) shell described in Section15.2.4 to represent the continuity of grade above a silver grade in each area of the deposit. These limits were used for mineral resource reporting as they were a good measure of where contiguous areas of mineralization occur and imply a reasonable prospect for eventual economic extraction. Significant grades outside of these shells generally occur in isolated drill samples. Gustavson's use of indicator shells compares well to a Lerchs Grossman analysis of the pits based on a 2013 silver price of $US25.00. In the Los Mantos area an economic limit pit at $US15.00 silver incorporates the Inferred Mineral Resource while at Cerro Prieto a small portion of the Inferred Mineral Resource at depth is not included.

15.5 Model Checks

Gustavson performed a check of the resource models created, using several methods. This included using the variogram parameters to calculate the expected variance of the deposit based on the point to block variance.

15.5.1 Statistical Checks

The variance of the estimated blocks was plotted as a cumulative frequency against the capped composites. These analyses are shown in Figures 15-14 and 15-15. The variance reduction in each area is shown in Table 15-9.

Table 15-9 Measured Variance Reduction through Estimation

Zone	Variance of Composites	Variance of Blocks	Expected Variance
Cerro Prieto Silver	1430	480	500
Los Mantos Silver	3900	1800	2300

The variance reduction in Cerro Prieto is nearly as expected, though in Los Mantos the model may be slightly smoothed. This will not affect the global average grade and tonnage. Gustavson believes that there may be other structures contributing to short range variance, although with the current data this cannot be defined. Gustavson believes that the mineral resource model is an adequate estimate of the global grade and tonnage at Tejamen.

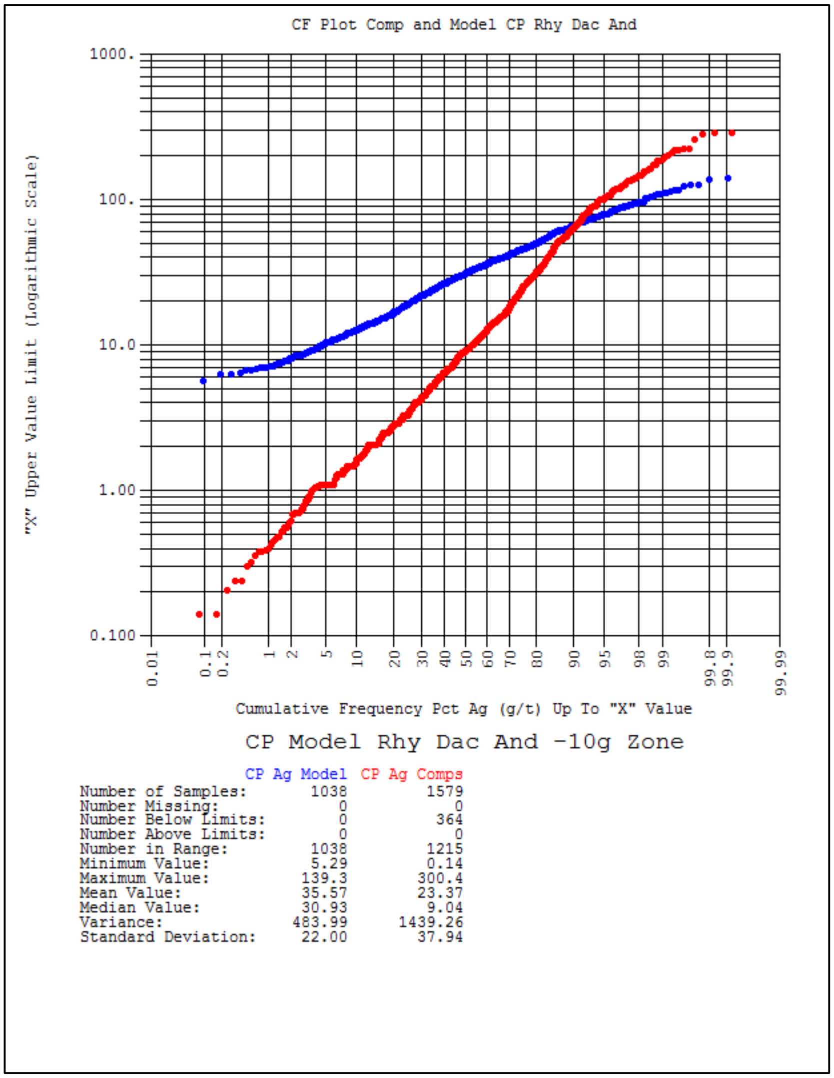

Figure 15-14 Cumulative Frequency Comparison Cerro Prieto

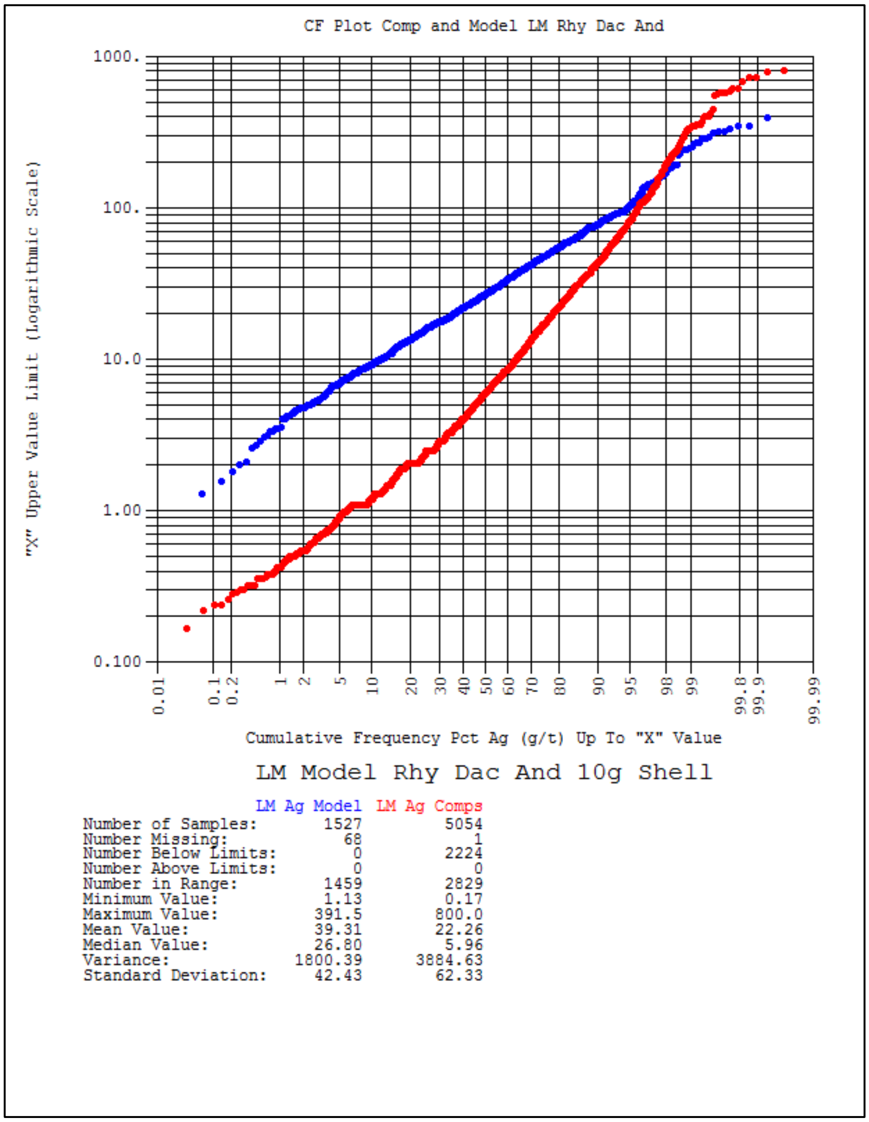

Figure 15-15 Cumulative Frequency Comparison Los Mantos

Based on the cross sectional comparison of the model with the drill holes and on the variance of the estimated grades within the model, the OK model was selected as an adequate representation of the data at this time.

15.5.2 Visual Inspection of Models

The resource model was plotted on plan and in section to compare estimated grade to the drill hole location and grades. Examples of the cross sections are shown in Figures 15-16 and 15-17. In figure 15-16 it is possible to see the steep higher grade zone passing between holes 204, 7, TD2, 8 and TD3 in both the drilling and the model. Figure 15-17 shows 3 distinct mantos parallel to the orientation of the rhyolite (red outline).

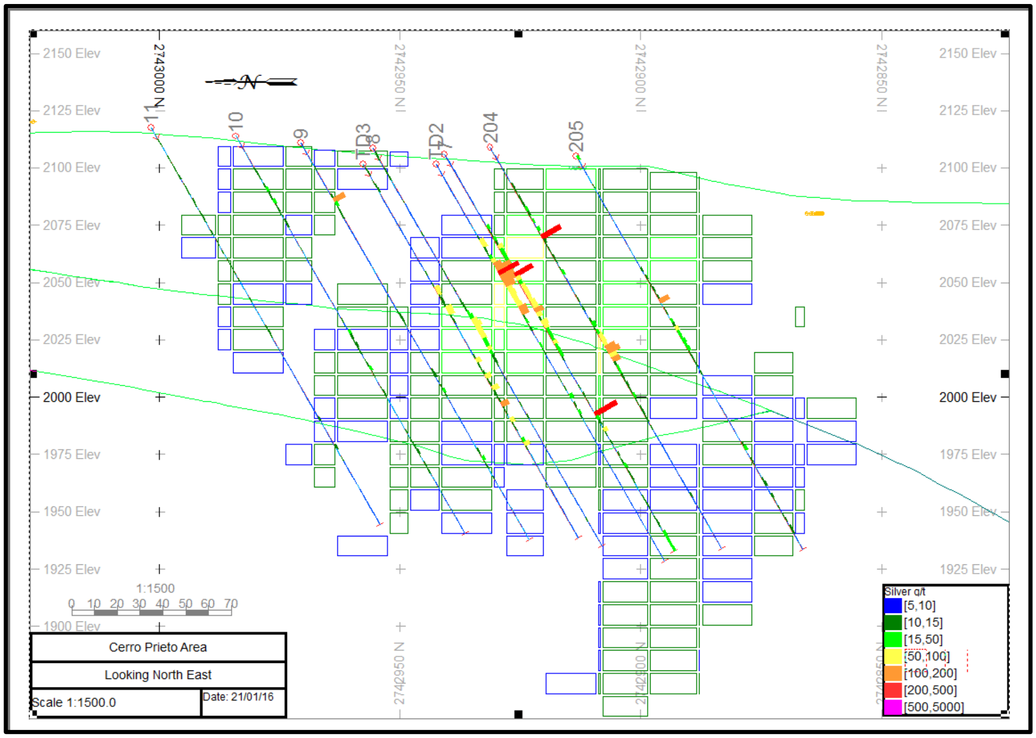

Figure 15-16 Cross Section of Model and Drill Holes at Cerro Prieto

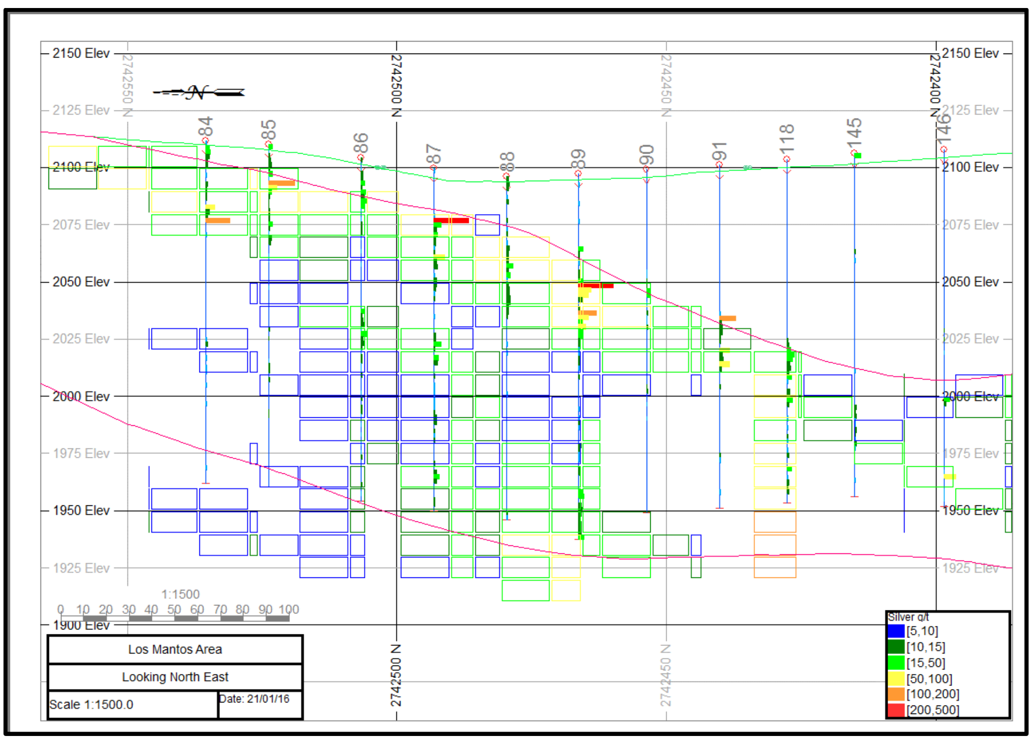

Figure 15-17 Cross Section of Model and Drill Holes at Los Mantos

15.6 Mineral Resource Estimate

The Tejamen Mineral Resources are classified as Inferred as per the CIM Definitions of Standards for Mineral Resources and Mineral Reserves adopted on May 10, 2014.

Using ordinary kriging Gustavson estimates a mineral resource at a 15 g/t Ag cutoff in the two resource areas of 19.8 million tonnes containing 28.7 million troy ounces of silver at 45.0 g/t Ag and 15.7 thousand troy ounces of gold at 0.025g/t. The cutoff was chosen based on a bulk cyanide heap leach operation at an operating cost of US$5 per leached tonnes using a silver price of $15.00/oz. Ag. Table 15-10 summarizes Gustavson’s Tejamen Inferred Mineral Resource Estimate at several cutoff grades. Gustavson believes that it is valuable to report at a cutoff grade below the economic cutoff to demonstrate the sensitivity of the deposit to potential future price increases. A 10 g/t Ag is a reasonable cutoff grade at a silver price of $US20.00/oz.

Mineral resources are not mineral reserves and may be materially affected by environmental, permitting, legal, socio-economic, marketing, political, or other factors.

There are concerns about each of the major inputs to the resource estimate, principally sample location, sample grades, and geologic interpretation. These matters should be addressed by updating downhole survey and collar survey databases, by a re-assay and quality control program designed to confirm assay grades, and by refining the geologic model for the mineralization. Additional core drilling and possible re-logging of existing core and chips will lead to a better understanding of the mineralization controls in the deposits, adding confidence to the resource estimate.

These above concerns have resulted in Gustavson stating the Tejamen mineral resources at an inferred category only.

Section 18.2 (Significant Risks and Uncertainties) discusses other relevant factors which could materially affect the mineral resource estimate.

Table 15-10 Mineral Resource Estimate

Inferred Mineral Resources (effective December 10, 2015)						
	Cutoff g/t Ag	TONNES	Ag g/t	Ag Cont Oz	Au g/t	Au Cont Oz
Los Mantos	20	9,192,000	56.0	16,540,000	0.034	9,900
	15	**11,093,000**	**49.4**	**17,610,000**	**0.031**	**11,200**
	10	12,879,000	44.3	18,330,000	0.029	12,200
Cerro Prieto	20	5,152,000	35.1	5,820,000	0.017	2,700
Low Grade	**15**	**6,416,000**	**31.6**	**6,530,000**	**0.016**	**3,300**
	10	7,630,000	28.6	7,020,000	0.016	3,900
Cerro Prieto	20	2,319,000	61.2	4,560,000	0.016	1,200
High Grade	**15**	**2,329,000**	**61.0**	**4,570,000**	**0.016**	**1,200**
	10	2,338,000	60.8	4,570,000	0.016	1,200
Cerro Prieto	20	6,790,000	45.7	9,970,000	0.016	3,500
Total	**15**	**7,760,000**	**42.2**	**10,520,000**	**0.016**	**4,000**
	10	8,590,000	39.3	10,860,000	0.016	4,300
Both Deposits	20	16,663,000	50.2	26,923,000	0.026	13,900
Total	**15**	**19,838,000**	**45.0**	**28,706,000**	**0.025**	15,700
	10	22,847,000	40.7	29,928,000	0.023	17,200

Note: Ordinary Kriging was used to generate Table 15-10 with the aforementioned controls. Numbers in the table may not precisely add up due to rounding errors

15.6.1 Mineral Resource Cut-off Grade

Cutoff grades used in this report are based on the value of the rock correspond to the mining potential for a bulk cyanide heap leaching system at an operating cost of $5 / tonne. At today's silver price of $14.00 to $15.00/oz., a one half Troy ounce or 15 g/t Ag cutoff is appropriate for an inferred mineral resource. This is based on silver grades without contribution of gold.

16 Adjacent Properties (Item 23)

There are mineral concessions controlled by third parties adjacent to the concessions controlled by Oremex. Gustavson has reviewed these claim boundaries and neither the drilling used to define these mineral resources nor an economic pit limit based on these resources are impacted by the adjacent claims.

17 Other Relevant Data and Information (Item 24)

Gustavson is not aware of any other relevant data or information which would impact the resource estimate reported herein.

18 Interpretation and Conclusions (Item 25)

18.1 Results

Tejamen is a significant silver occurrence that has a reasonable prospect for eventual economic extraction based on Gustavson's review of data and its mineral resource estimate. The purpose of this report is to present a revised mineral resource estimate containing new drilling information since the completion of the previous technical report was done in 2006.

There are weaknesses in the drilling, the assays and the projected metallurgical recoveries. As a result of Gustavson's concerns in drilling and assay quality control, Gustavson has limited the resource estimate to an Inferred Mineral Resource category only which is supported by the CIM Definition Standards for Mineral Resources and Mineral Reserves adopted on May 10, 2014. Gustavson believes that deficiencies in the data will cause local variability in the grade but will not cause a bias to the mineral resource estimate as a whole, since the deposit is relatively broad in area and of low grade which, at the level of this study, does not adversely affect the global grade and tonnage of the deposit.

18.2 Significant Risks and Uncertainties

18.2.1 Exploration

Principal risks from exploration can be mitigated by drilling additional holes, preferably diamond core holes, and surveying the deviation of these holes. Surveying the collars and deviation of any open holes from past drilling programs would improve the database and possibly improve the mineral resource model of Tejamen.

A detailed re-assay and quality control program is needed. Concerns exist about both the variance and bias in the assay methods used.

Other bodies within the claim area, commonly reported to be smaller, have been historically exploited by underground methods. Depending on their size, grade and location, these could have a positive contribution to the project.

18.2.2 Mineral Resource Estimate

There are concerns about each of the major inputs to the resource estimate, principally sample location, sample grades, and geologic interpretation. These matters should be addressed by updating downhole survey and collar survey databases, by a re-assay and quality control program designed to confirm assay grades, and by refining the geologic model for the mineralization. Additional core drilling and possible re-logging of existing core and chips will lead to a better understanding of the mineralization controls in the deposits, adding confidence to the resource estimate.

These above concerns have resulted in Gustavson downgrading the deposit to an inferred category as supported by the CIM Definition Standards for Mineral Resources and Mineral Reserves adopted on May 10, 2014.

18.2.3 Metallurgy and Processing

Previous metallurgical test work was minimal and was focused on a single processing method. This may not maximize metal recovery nor optimize the project's economics. In future studies representative material should be analyzed to determine the best processing path prior to performing economic studies.

18.2.4 Social License to Operate

One of the greatest risks to the project is the current relationship between Oremex and the local community, known as Social License to Operate (SLO). Gustavson was unable to speak with any of the local community members due to the strained relations. Personal communications with two representatives of Oremex indicates that it is difficult to inspect the project site. The relationship with the townspeople has been harmed as the result of negative actions and attitudes based on poor communications during the Company's drilling programs.

Recent conversations between Carlos Pacheco, Oremex Director of Community Relations and Mexico Country Manager from 2009 until 2012, and persons in the town of Tejamen have indicated a softening of this position by the community (personal communication with Carlos Pacheco), though to move the project forward successfully, a new commitment to community relations must be established and a relationship of mutual trust developed prior to starting new work on site.

18.2.5 Projected Economic Outcomes

Based on the current data, there would be a risk in correctly projecting the economic outcome of the project. With some basic technical and social work this risk can be quantified.

18.2.6 Foreseeable Impacts of Risks

Although there are definable risks to mineral exploration, the resource model, processing costs and metal recoveries there are also opportunities for improvement. The SLO has the potential to delay or halt the project if this situation is not remedied.

19 Recommendations (Item 26)

Although the project is well drilled, poor QA/QC results on even the most recent drill holes as well as questions on drill logging and surveying suggest that an effort to confirm and support the geological data and interpretation could significantly improve confidence in the resource estimate.

Metallurgical test work is recommended to determine a representative metallurgical performance as well as the most efficient and economical processing flow. All prior testing has assumed cyanidation, possibly because past processing of ores used a cyanidation plant on site.

Finally, a concentrated effort to mend relations with the community is needed. This consent is vital to the future potential of the Tejamen project.

19.1 Recommended Work Programs

A work program to confirm the value of the project includes the following elements:

- Re-assay

  Re-assay approximately 5% of the mineralized intervals. This is insufficient to completely confirm the quality of the mineral resource estimate, however it will quantify if the assay variance is causing a high risk.

  The following elements are not expensive and will support the overall quality of the database. Accurate drill hole locations and direction will greatly reduce the risk in the resource estimate and production plan

  - Survey Collars
  - Downhole Survey
  - Topographic Survey

- New Core holes

  Core drilling should be spread across the two deposits. There are currently 10 drill sections on each deposit; the Cerro Prieto drill lines are approximately 250m long and the Los Mantos lines 500m. Adding 12 holes insures that each line at Los Mantos has one core hole and each two lines at Cerro Prieto have a core hole. This will not eliminate risk but will quantify the risk moving forward.

- Re-log Existing holes

  Approximately 5% of the mineralized intervals should be re-logged, focusing on the core drilling.

- Review and correct data entry

  In conjunction with a re-assaying and re-logging program, the complete database should be checked, including compiling the old records and matching the drill names and coordinates in all locations.

- Metallurgical Test Work

  Metallurgical work should test the individual lithologies (andesite, rhyolite and dacite) in each deposit, with attention to both vein and disseminated mineralization. It is valuable to test both cyanidation for silver recovery and flotation which may improve silver recovery and will also recover lead and zinc.

- Project Management

  An experienced exploration/development project manager, will be needed to supervise the re-logging and re-assaying of existing data, design and manage future exploration programs and improve community relations in order to prepare the project for the next phase, a complete pre-feasibility study.

- Community relations effort

  An experienced community relations professional should be included in project management to re-establish a relationship of trust with the local community. This must be done is such a manner that it demonstrates a long-term commitment to the community.

19.1.1 Costs

The cost estimate for the Recommend Work Program is detailed in Table 19-1.

Table 19-1 Estimated Budget for Initial Work Program

Task	Description	Quantity	Units	Estimate
Re-assay	5% of mineralized samples	400	assay	$20,000
Survey Collars				
Downhole Survey	Purchase tool and survey all open holes	3	man weeks	$65,000
Topographic Survey	Flight by Survey Drone	1	flight	$15,000
New Core holes	8 holes in Los Mantos 4 Holes in Cerro Prieto all @ 200m	2400	meters	$500,000
Re-log Existing holes	Log 10% of mineralized intervals 2 men @ 4 weeks	800	meters	$25,000
Review and correct data entry	1 man @ 4 weeks			$10,000
Metallurgical Test Work	6 cyanidation tests 6 flotation tests			$75,000
Project Management				$60,000
Community relations effort	Staff + community events			$85,000
Total				**$855,000**

20 References (Item 27)

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21 Glossary

21.1 Mineral Resources

The mineral resources and mineral reserves have been classified according to the "CIM Definition Standards on Mineral Resources and Reserves- for Mineral Resources and Mineral Reserves" adopted by the CIM Council on May 10, 2014. Accordingly, the Resources have been classified as Measured, Indicated or Inferred, the Reserves have been classified as Proven, and Probable based on the Measured and Indicated Resources as defined below.

A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

21.2 Mineral Reserves

A Mineral Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.

The public disclosure of a Mineral Reserve must be demonstrated by a Pre-Feasibility Study or Feasibility Study.

21.3 Glossary

The following general mining terms in Table 20-1 may be used in this report.

Table 21-1 Glossary

Term	Definition
Assay:	The chemical analysis of mineral samples to determine the metal content.
Capital Expenditure:	All other expenditures not classified as operating costs.
Composite:	Combining more than one sample result to give an average result over a larger distance.
Concentrate:	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore.
Crushing:	Initial process of reducing ore particle size to render it more amenable for further processing.
Cut-off Grade (CoG):	The grade of mineralized rock, which determines as to whether or not it is economic to recover its gold content by further concentration.
Dilution:	Waste, which is unavoidably mined with ore.
Dip:	Angle of inclination of a geological feature/rock from the horizontal.
Fault:	The surface of a fracture along which movement has occurred.
Footwall:	The underlying side of an orebody or stope.
Gangue:	Non-valuable components of the ore.
Grade:	The measure of concentration of gold within mineralized rock.
Hangingwall:	The overlying side of an orebody or slope.
Haulage:	A horizontal underground excavation which is used to transport mined ore.
Hydrocyclone:	A process whereby material is graded according to size by exploiting centrifugal forces of particulate materials.
Igneous:	Primary crystalline rock formed by the solidification of magma.
Kriging:	An interpolation method of assigning values from samples to blocks that minimizes the estimation error.
Level:	Horizontal tunnel the primary purpose is the transportation of personnel and materials.
Lithological:	Geological description pertaining to different rock types.
LoM Plans:	Life-of-Mine plans.

Term	Definition
LRP:	Long Range Plan.
Material Properties:	Mine properties.
Milling:	A general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product.
Mineral/Mining Lease:	A lease area for which mineral rights are held.
Mining Assets:	The Material Properties and Significant Exploration Properties.
Ongoing Capital:	Capital estimates of a routine nature, which is necessary for sustaining operations.
Ore Reserve:	See Mineral Reserve.
Pillar:	Rock left behind to help support the excavations in an underground mine.
RoM:	Run-of-Mine.
Sedimentary:	Pertaining to rocks formed by the accumulation of sediments, formed by the erosion of other rocks.
Shaft:	An opening cut downwards from the surface for transporting personnel, equipment, supplies, ore and waste.
Sill:	A thin, tabular, horizontal to sub-horizontal body of igneous rock formed by the injection of magma into planar zones of weakness.
Smelting:	A high temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte or doré phase and separated from the gangue components that accumulate in a less dense molten slag phase.
Stope:	Underground void created by mining.
Stratigraphy:	The study of stratified rocks in terms of time and space.
Strike:	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction.
Sulfide:	A sulfur bearing mineral.
Tailings:	Finely ground waste rock from which valuable minerals or metals have been extracted.
Thickening:	The process of concentrating solid particles in suspension.
Total Expenditure:	All expenditures including those of an operating and capital nature.
Variogram:	A statistical representation of the characteristics (usually grade).

21.4 Definition of Terms

The following abbreviations in Table 20-2 may be used in this report.

Table 21-2 Abbreviations

Abbreviation	Unit or Term
A	ampere
AA	atomic absorption
A/m^2	amperes per square meter
ANFO	ammonium nitrate fuel oil
Ag	silver
Au	gold
AuEq	gold equivalent grade
°C	degrees Centigrade
CCD	counter-current decantation
CIL	carbon-in-leach
CoG	cut-off grade
cm	centimeter
cm^2	square centimeter
cm^3	cubic centimeter
cfm	cubic feet per minute
ConfC	confidence code
CRec	core recovery
CSS	closed-side setting
CTW	calculated true width
°	degree (degrees)
dia.	diameter
EIS	Environmental Impact Statement
EMP	Environmental Management Plan
FA	fire assay
ft	foot (feet)
ft^2	square foot (feet)
ft^3	cubic foot (feet)
g	gram
gal	gallon
g/L	gram per liter
g-mol	gram-mole
gpm	gallons per minute
g/t	grams per tonne
ha	hectares
HDPE	Height Density Polyethylene
hp	horsepower
HTW	horizontal true width
ICP	induced couple plasma
ID2	inverse-distance squared
ID3	inverse-distance cubed
IFC	International Finance Corporation
ILS	Intermediate Leach Solution
kA	kiloamperes

Abbreviation	Unit or Term
kg	kilograms
km	kilometer
km^2	square kilometer
koz	thousand troy ounce
kt	thousand tonnes
kt/d	thousand tonnes per day
kt/y	thousand tonnes per year
kV	kilovolt
kW	kilowatt
kWh	kilowatt-hour
kWh/t	kilowatt-hour per metric tonne
L	liter
L/sec	liters per second
L/sec/m	liters per second per meter
lb	pound
LHD	Long-Haul Dump truck
LLDDP	Linear Low Density Polyethylene Plastic
LOI	Loss On Ignition
LoM	Life-of-Mine
m	meter
m^2	square meter
m^3	cubic meter
masl	meters above sea level
MARN	Ministry of the Environment and Natural Resources
MDA	Mine Development Associates
mg/L	milligrams/liter
mm	millimeter
mm^2	square millimeter
mm^3	cubic millimeter
MME	Mine & Mill Engineering
Moz	million troy ounces
Mt	million tonnes
MTW	measured true width
MW	million watts
m.y.	million years
NGO	non-governmental organization
NI 43-101	Canadian National Instrument 43-101
OSC	Ontario Securities Commission
oz	troy ounce
%	percent
PLC	Programmable Logic Controller
PLS	Pregnant Leach Solution
PMF	probable maximum flood
ppb	parts per billion
ppm	parts per million
QA/QC	Quality Assurance/Quality Control
RC	rotary circulation drilling
RoM	Run-of-Mine
RQD	Rock Quality Description

Abbreviation	Unit or Term
SEC	U.S. Securities & Exchange Commission
sec	second
SG	specific gravity
SPT	standard penetration testing
st	short ton (2,000 pounds)
t	tonne (metric ton) (2,204.6 pounds)
t/h	tonnes per hour
t/d	tonnes per day
t/y	tonnes per year
TSF	tailings storage facility
TSP	total suspended particulates
µm	micron or microns
V	volts
VFD	variable frequency drive
W	watt
XRD	x-ray diffraction
y	year