# Torex Gold Resources Inc.

## Media Luna Gold–Copper Project

Guerrero State, Mexico

NI 43-101 Technical Report


Submitted by:
Mr Mark Hertel, RM SME, P.Geo (AMEC)
Mr John Rust, RM SME (AMEC)



Prepared for: Torex Gold Resources Inc.
Effective Date: 13 September 2013

Project Number: 167627

## CERTIFICATE OF QUALIFIED PERSON

I, Mark P Hertel, SME Registered Member, am employed as a Principal Geologist with AMEC E&C Services Inc.

This certificate applies to the technical report titled Media Luna Gold–Copper Project Guerrero State, Mexico NI 43-101 Technical Report dated 13 September 2013 (the “technical report”) prepared for Torex Gold Resources Inc.

I am a Registered Member of the Society of Mining, Metallurgy and Exploration (# 4046984).

I graduated from Southern Illinois University, Carbondale, Illinois in 1978 with a B.S. degree in Geology and from Metropolitan State College, Denver Colorado, in 1987 with a B.S. degree in Mathematics. I have practiced my profession continuously since 1988 and have been involved in mining operations in Nevada and Arizona. I have been directly involved in exploration, resource and reserve estimation, geologic modeling and mine planning for a variety of commodities including uranium, oil, copper, cobalt, gold, silver and industrial minerals.

As a result of my experience and qualifications, I am a Qualified Person as defined in National Instrument 43–101 *Standards of Disclosure for Mineral Projects* (“NI 43–101”).

I visited the Media Luna Project from 7 to 10 April, 2013.

I am responsible for Sections 1–12 (excepting 1.8.8) and 14–27 (excepting 25.7 and 26.1.2) of the Technical Report.

I am independent of Torex Gold Resources Inc. as independence is described by Section 1.5 of NI 43–101.

I have been involved with the Media Luna Project since 2013 during preparation of the Technical Report. I have been involved since 2009 in preparing resource estimates on the nearby El Limon–Guajes project that is owned by Torex.

I have read NI 43–101 and those portions of the Technical Report for which I am responsible have been prepared in compliance with that Instrument.

As of the date of this certificate, to the best of my knowledge, information and belief, those portions of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated: 26 September 2013

“Signed and stamped”

Mark Hertel, RM SME, P.Geo

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## CERTIFICATE OF QUALIFIED PERSON

I, John Rust, RM SME, am employed as a Senior Metallurgist with AMEC E&C Services Inc.

This certificate applies to the technical report titled “Media Luna Gold–Copper Project Guerrero State, Mexico NI 43-101 Technical Report” that has an effective date of 13 September 2013 (the “technical report”) prepared for Torex Gold Resources Inc.

I am a Registered Member of the Society for Mining, Metallurgy and Exploration (#2796650).I graduated from the South Dakota School of Mines and Technology with a Bachelor of Science degree in Metallurgical Engineering in 1984.

I have practiced my profession for 23 years and have been involved in mining operations, preparation of scoping, pre-feasibility, and feasibility level studies for projects, and plant design. I have experience in assessing and reviewing metallurgical and geometallurgical domains and ore types and the processing methods applicable to those ore types and domains.

As a result of my experience and qualifications, I am a Qualified Person as defined in National Instrument 43–101 Standards of Disclosure for Mineral Projects (NI 43–101).

I have not visited the Media Luna property.

I am responsible for Sections: 1.8.8, 3, 13, 25.7 and 26.1.2 of the Technical Report.

I am independent of Torex Gold Resources Inc. as independence is described by Section 1.5 of NI 43–101.

I have been involved with the Project since 2013 during preparation of the Technical Report.

I have read NI 43–101 and those portions of the Technical Report for which I am responsible have been prepared in compliance with that Instrument.

As of the date of this certificate, to the best of my knowledge, information and belief, those portions of the Technical Report for which I am responsible contain all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

Dated: 26 September 2013

“Signed and stamped”

John Rust, RM SME

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**IMPORTANT NOTICE**

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# 1.0 SUMMARY

Torex Gold Resources Inc. (Torex) requested AMEC E&C Services Inc. (AMEC) prepare an initial Mineral Resource estimate and supporting technical report (the Report) on the wholly-owned Media Luna project (the Project), located in southern Mexico (Figure 2-1).

The Report was prepared to support the Torex press release dated 16 September 2013 and entitled "Torex Announces Maiden Media Luna Inferred Resource 5.84 Million Gold Equivalent Ounces".

Torex indirectly holds 100% of its Mexican operating company, Minera Media Luna, S.A. de C.V. (Minera Media Luna). In this Report, Torex is used interchangeably for the parent and subsidiary companies.

## 1.1 Project Description and Location

The Project is located in Guerrero State, Mexico, approximately 200 km south–southwest of Mexico City. The Project consists of a skarn-hosted copper–gold–silver deposit at Media Luna and a number of prospects. Approximate centroids for the Media Luna deposit are 422926.5079 E, 1984763.3095 N using the WGS 84 (zone 14 N) datum.

The Project is 100% indirectly held by Torex through its Mexican subsidiary, Minera Media Luna, S.A. de C.V. Torex holds three concessions within the Media Luna Project area, La Fe (20 ha), El Cristo (20 ha) and Reducción Morelos Norte (26,261.5. ha in total, of which 13,325 ha is in the Project area). The area considered as the Project comprises 13,365 ha. The concessions were granted for 50-year terms. As per Mexican requirements for grant of tenure, the concessions comprising the Project have been surveyed on the ground by a licensed surveyor.

At the effective date of this report, Torex holds no surface rights in the Project area. Right to use of the surface is a key milestone in any permitting stage for the Project since secure tenure must be demonstrated at the time the permit applications are made.

Legal opinion provided to AMEC supports Torex's view that valid and enforceable Temporary Occupation Agreements (which in effect are lease agreements) have been reached with Bertoldo Pineda Tapia, the holder of land parcel #121 and with the Ejido Puente Sur Balsas on land parcel #128. An agreement is also in force on common-use lands held by the Ejido Puente Sur Balsas. These temporary occupation agreements allow Torex to conduct exploration activities for three years in the case of the two land parcels and five years on the common-use land. Drilling completed at the Media Luna deposit to date has primarily been within lands held by the Ejido Puente Sur Balsas. There may be a risk to the Project if these agreements cannot be renewed as required.

A 2.5% royalty is payable to the Mexican government on minerals mined and sold from the Reducción Morelos Norte concession. A 2.5% net smelter return royalty is payable to Minas de San Luis SA de C.V. (formerly Minera Nafta SA de C.V.) on minerals mined and sold from the El Cristo concession. A proposal was made in March 2013 to amend the current Mexican mining law by imposing a new annual mining royalty (*compensación minera*) equivalent to 4% of the concession holders' taxable income. The proposed amendments were recently approved by the Lower House, but they are still subject to the approval of the Senate.

Exploration and drilling permits have been granted under the General Law for Ecological Equilibrium and the Protection of the Environment and the General Law of Sustainable Forestry Development.

Project development would require a number of key permits to be granted. Federal permits that are likely to be required for Project development include the Preventative Notice (Informe Preventivo, or IP), the Environmental Impact Assessment (Manifestación de Impacto Ambiental, or MIA), the Risk Study (Estudio de Riesgo, or ER) and the Permit for Change of Land Use in Forested Area issued by the State Delegations of SEMARNAT. State authorities may be involved through the State Delegations of SEMARNAT, which assist in the execution of federal requirements: both in the context of SEMARNAT's review of the IP, as well as in the review of the Permit for Change of Land Use in Forested Area; however, authorizations are issued by the Federal Government. Local authorities are involved in the permitting process in the issuance of Land Use, Construction and Municipal Solid Waste Generator permits, which are granted at the municipal level. A *Licencia Ambiental Unica (LAU*) must be granted for Project development by SEMARNAT. The LAU incorporates evaluation, approval and monitoring of all environmental obligations of industrial facilities under federal jurisdiction; these cover all procedures for environmental impact and risk, emissions to the atmosphere and the generation and handling of hazardous wastes administered by the General Office of Integrated Pollutant Management of SEMARNAT as well as water services.

Current project environmental liabilities are restricted to exploration site activities and access roads constructed to service exploration programs. AMEC notes that maps and plans show artisanal workings; there is an expectation that there will be surface disturbances and potentially contamination associated with these sites.

Torex advised AMEC that to the extent known, there are no other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

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

The project is located approximately 48 km south–southwest of Iguala and 13 km northwest of Mezcala. The closest village, Nuevo Balsas, is accessed by a narrow, paved highway from Iguala. The Media Luna deposit is accessed from Nuevo Balsas by crossing El Caracol water reservoir and then via a 4.5 km single-lane gravel road. Access to Media Luna can also be obtained using a gravel road from Mezcala.

The climate is considered to be sub-tropical and the region receives about 780 mm of annual rainfall, typically between June and September.

The Project is currently isolated from major public infrastructure. Exploitation of the deposits will require building a greenfields project with attendant infrastructure.

The nearest port to the Project is at Acapulco. The Project is located near established power and road infrastructure at Mezcala and near centers of supply for materials and workers at Chilpancingo, Iguala and Cuernavaca. Workforce for any future mining activity could be sourced from the local area; however, the workforce would require dedicated training programs.

For any future development in the Media Luna area, it would be expected that this access road from Mezcala would be improved to support mining and development activities. Power would be expected to be provided from the Mexican national grid, with the closest connection being at Mezcala. Potable water for any mining operation could come from wells. Application would need to be made to the Comisión Nacional del Agua for use of the water. Current site communications comprise satellite phones.

The general region is characterized by large limestone mountains that are separated by wide valleys. Elevations within the Project can range from about 470 masl to approximately 1,540 masl.

Due to the steeply-dissected terrain, there are physical limitations to land usage for agriculture and grazing. Typically the slopes and ridges are vegetated and the river valleys are farmed. Where agriculture is practiced, it is at subsistence level.

The QPs note that any future mining operations would be expected to operate year-round. Exploration activities can be curtailed by wet conditions. There is sufficient suitable land available within the Project area for location of future infrastructure such as process plants, tailings dams and waste rock storage facilities; however, actual infrastructure site selections may be limited by terrain considerations.

## 1.3 History

Initial work in the Morelos area commenced in 1998 through Minera Media Luna SA de CV (Minera Media Luna), a joint venture established between Teck Resources (Teck) and Miranda Mining Development Corporation. Under the joint venture, work completed included data review, regional geological mapping and reconnaissance, rock chip collection and silt sampling. A trenching program and a limited ground magnetic survey were completed at Media Luna in 2000–2001. Between 2002 and 2004, induced polarization and time-domain electromagnetic (TEM) geophysical surveys were undertaken over portions of the Media Luna and Naranjo areas. Drilling consisted of two core holes (496.8 m) in 1997 and 21 reverse circulation (RC) holes completed between 2000 and 2004 for 10,870.60 m.

It is not known who drilled the remaining 15 holes mentioned in Teck reports and although collar locations, depth drilled and drill azimuth data are known, the drill date, geological and assay information are not available.

Work in the Project area by Torex from 2010 to the present has included reconnaissance mapping, 1:5,000 scale geological mapping, systematic road-cut channel sampling, airborne ZTEM and magnetic surveys and diamond drilling on various targets south of the Balsas River.

## 1.4 Geological Setting

The Project is situated within the Mesozoic carbonate-rich Morelos Platform, which has, in the Project area, been intruded by Palaeocene granodiorite stocks. Sedimentary rocks within the Morelos Platform include basal crystalline limestone and dolomite of the Morelos Formation, silty limestone and sandstone of the Cuautla Formation and upper platformal to flysch-like successions of intercalated sandstones, siltstones and lesser shales of the Mezcala Formation.

The Media Luna area is characterized by a structurally complex sequence of Morelos Formation (marble and limestone) and Mezcala Formation (shale and sandstone) intruded by the El Limon granodiorite stock. The contact between the Morelos

Formation and the El Limon granodiorite stock is exposed in the northeastern sector of the area and Mezcala Formation sediments are present in the southern portion of the area. Morelos Formation limestone is typically converted to grey to white marble along dike and sill contacts, often accompanied by clay and iron-oxide. The Mezcala Formation is locally converted to biotite–hornfels where cut by dikes and sills.

Hydrothermal alteration at Media Luna is dominated by prograde and retrograde skarn formation. Prograde skarn alteration can also be described as exoskarn and endoskarn where it is developed in sedimentary wall rocks and intrusive rocks respectively. Exoskarn typically consists of massive coarse to fine-grained pyroxene and garnet. The contact between exoskarn and marble is typically sharp. Endoskarn alteration closest to the contact with exoskarn-altered rocks is typically massive garnet-pyroxene. Massive skarn quickly grades to garnet–pyroxene veins and veinlets with garnet cores and pyroxene halos. There is a clear association of gold, copper and other metals with retrograde chlorite/phlogopite, calcite ± quartz ± epidote alteration of the skarns. Intrusions show evidence of potassic and argillic alteration.

In the opinion of the QPs, knowledge of the deposit setting, lithologies and structural and alteration controls on mineralization in the Media Luna deposit is sufficient to support Mineral Resource estimation.

## 1.5 Exploration

Detailed mapping at a scale of 1:5,000 has been completed by Torex personnel at the Naranjo and Media Luna targets. Additional detailed mapping was completed by Torex consultants at Media Luna, Media Luna West and Todos Santos targets.

Torex carried out road-cut channel sampling programs at Media Luna and El Cristo in 2011, to help define possible drill targets.

During mid-2013 Geotech Ltd. carried out a helicopter-borne geophysical survey for Torex covering the entire Morelos concession. Results of the ZTEM and magnetic data collected by Geotech are currently being processed and interpreted. Preliminary results from the magnetics confirm previous magnetic anomalies and suggest possible additional anomalous areas.

Prospects which have had preliminary drill testing include Media Luna West, NW Media Luna, La Fe, Naranjo and El Cristo. Media Luna West and NW Media Luna are the most advanced areas at present, with both exhibiting several significant drill intersections of Au–Cu–Ag. Large areas of magnetic anomalism remain to be tested in these areas. The Todos Santos target is an untested magnetic anomaly considered to be analogous to the Media Luna and Media Luna West areas.

In the QPs' opinion, the exploration programs completed to date are appropriate to the style of the deposits and prospects within the Project. Prospects are at an earlier stage of exploration than Media Luna and the lithologies, structural and alteration controls on mineralization are currently insufficiently understood to support estimation of Mineral Resources. The prospects retain exploration potential and represent upside potential for the Project.

## 1.6 Mineralization

Mineralization identified within the Project is typical of intrusion-related gold and gold–copper skarn deposits.

Drilling to date has outlined a copper–gold–silver-mineralized skarn at Media Luna with approximate dimensions of 1.4 km x 1.2 km and ranging from 4 m to greater than 70 m in thickness.

The gold–copper–silver mineralization at Media Luna is associated with skarn alteration (pyroxene–garnet–magnetite) and later sulphides, which developed at the contact of granodiorite with marble. There is a clear association of gold, copper and silver with retrograde amphibole, phlogopite, chlorite, calcite ± quartz ± epidote alteration of exoskarn. This mineral assemblage can occur as pervasive replacement of skarn minerals, sometimes preserving garnet and pyroxene outlines, or as veinlets with black chlorite or phlogopite halos cutting across massive skarn bands.

Sulphidation of skarn assemblages is closely related to retrograde alteration and is extensively developed at Media Luna. Mineralization is primarily associated with sulphidized exoskarn and with zones of massive magnetite-sulphide. Mineralization does occur within endoskarn but is much less significant.

Skarn alteration and associated mineralization is open at Media Luna on the southeast, southwest, west and northwest margins of the deposit area.

## 1.7 Drilling

Drilling on the Project completed between 1997 and 13 September 2013 consists of a total of 307 drill holes (154,906.7 m), including 283 core holes (150,423.7 m) and 21 reverse circulation (RC) drill holes (4,483 m) Of this total 165 holes support the resource estimate at Media Luna.

A total of 41 holes (6,159 m) were drilled prior to Torex's Project interest. None of this legacy drilling supports Mineral Resource estimation as none of the legacy drill holes intersected the Media Luna skarn-hosted mineralization. In addition, no RC drill holes support the estimate.

Most Torex drill holes started using HQ sized core (63.5 mm core diameter) and reduced to NQ sized core (47.6 mm) at depth if necessary.

Logging was completed using hand-held computers. Logs recorded lithologies, skarn type, fracture frequency and orientation, oxidation, sulphide mineralization type and intensity and alteration type and intensity. For geotechnical purposes rock quality designations (RQD) and recovery percentages were also recorded. All core is photographed.

Drill core recoveries averaged 94.8% after the first 50 m. Statistical analysis of these core recoveries by Torex indicated that no bias was apparent using samples with recoveries that were less than 100%. For the some fault intervals recovery may locally decrease to 50%. Even when the recovery is good, the RQD is generally poor within the fault zone area.

Drill hole collars were initially surveyed using differential GPS. On drill hole completion, collars are surveyed using a Total Station instrument.

Torex used a Reflex instrument in areas with insignificant magnetite or pyrrhotite mineralization on 50 m down the hole increments. In areas of high magnetite or pyrrhotite, only an acid etch was used to record dip orientation on 50 m increments. The azimuth recorded at drill collar was used as the down hole survey location.

Drill holes are designed to intersect the mineralization in as perpendicular a manner as possible; reported mineralized intercepts are typically longer than the true thickness of the mineralization. Drill holes that orthogonally intersect the mineralized skarn will tend to show true widths. Drill holes that obliquely intersect the mineralized skarn will show mineralized lengths that are slightly longer than true widths. A majority of the drill holes at the Project have been drilled obliquely to the skarn mineralization.

In the opinion of the QPs, the quantity and quality of the logging, geotechnical, collar and down-hole survey data collected in the exploration and infill drill programs at

Media Luna are sufficient to support Mineral Resource estimation for copper, gold and silver.

## 1.8 Sampling and Analysis

### 1.8.1 Core Sampling

Core was typically be marked up in 1.5 to 3 m intervals adjusted for mineralization/waste contacts or major geological breaks where appropriate. Where core recovery is poor and insufficient material is available to prepare a sample, 2–3 m of core can be combined to make a composite sample. All drill log and sample data were maintained under the supervision of the project supervisor.

### 1.8.2 Density Determinations

A total of 244 Media Luna drill intervals have been measured by ALS in Tucson, Arizona for density, using the wax immersion method. A set of 12 core samples from the same (adjacent) intervals were sent to SGS in Tucson to check the ALS results and density was also determined using the wax immersion method.

While there are sufficient acceptable specific gravity determinations to support the specific gravity values utilized in tonnage interpolations, additional determinations to support more detailed studies are recommended.

A preliminary comparison of the ALS and SGS results show that the ALS results are biased high by an average of approximately 0.1 g/cm$^3$ across all rock types when compared to the SGS values. This bias equals about a 3.0% bias when comparing the difference to an average value of about 2.9 g/cm$^3$. When comparing the results by rock type, there is a very consistent bias of between 0.08 to 0.21 g/cm$^3$, with the only rock types not showing a significant bias being two of the porphyry types. Additional work is required to determine the source of this bias.

### 1.8.3 Analytical Laboratories

Torex drill samples were sent to the SGS laboratory in Nuevo Balsas, Guerrero, Mexico, where the samples were dried, crushed and pulverized. The sample preparation laboratory is owned by Torex and operated by SGS and is not accredited.

Prepared sample pulps were then sent to the SGS laboratories in Durango, Mexico; Toronto, Canada; and Vancouver, Canada for analysis. The SGS laboratories in Durango and Toronto are ISO-17025 accredited and are independent of Torex.

Drill samples for the first 11 drill holes completed at Media Luna were assayed by Acme Laboratories (Acme), of Vancouver, Canada. Acme is ISO-17025 accredited. Starting in July, 2012, drill samples were sent to SGS and Acme was retained as the check assay laboratory.

### 1.8.4 Sample Preparation

Torex drill samples were dried and crushed to 75% passing 2 mm prior to splitting a 600 g sub-sample at the SGS Nuevo Balsas sample preparation laboratory. The sub-sample was then pulverized to 90% passing 75 µm.

The preparation procedure is in line with industry-standard methods for polymetallic deposits.

### 1.8.5 Analysis

A 200 g split of the pulverized material for each sample was dispatched to the SGS laboratory in Durango, where Au was assayed by conventional 30 g fire assay with AA finish (SGS code FAA313). Samples returning greater than 3.0 g/t by this method were re-assayed by fire assay with gravimetric finish (SGS code FAG303). Starting in March 2013, copper and silver were assayed by aqua regia digestion atomic absorption (SGS code AAS10D) at the Durango laboratory, but these assays were not used for Mineral Resource estimation purposes.

Another 200 g split was dispatched to the SGS laboratory in Toronto or Vancouver and copper, silver and 36 other elements were determined by aqua regia digestion ICP or mass spectrometry (SGS codes ICP14B and IMS14B). Samples returning greater than 10 ppm silver were re-assayed by three-acid digestion AA (SGS code AAS21E) and high-grade silver samples were re-assayed by fire assay gravimetric finish (FAG313). Samples returning greater than 10,000 ppm (or 1%) copper were re-assayed by sodium peroxide fusion (SGS code ICP90Q).

The analyses used industry-standard methods for gold, copper and silver analysis.

### 1.8.6 Quality Assurance and Quality Control

Torex's QA/QC protocol includes the submission of blind certified reference materials (CRMs), blanks and check assays. Blind duplicate samples are not included, but Torex evaluates the results of internal SGS laboratory duplicates.

Through October 2012, Torex considered Media Luna an early-stage project and the QA/QC protocol was designed for a 2% insertion rate of control samples. Beginning in October 2012, the insertion rate was increased to 5% to support resource estimation.

Check assay programs have included a set of 1,501 early drill hole samples that were assayed at SGS after having been assayed initially at Acme and two sets of check assay samples sent to Acme for drilling from December, 2012 through February, 2013 (552 samples) and May, 2013 through July, 2013 (1,166 samples). The check assays from the early set of drill hole samples and the drilling from December, 2012 through February, 2013 were completed on coarse reject samples, where the check assays from the drilling from May, 2013 through July, 2013 were completed on pulps. Another set of check assay samples are currently being organized for the July, 2013 to August, 2013 drilling.

The QA/QC program results do not indicate any problems with the analytical programs, therefore the analyses from the core drilling are suitable for inclusion in Mineral Resource estimation.

### 1.8.7 Databases

Torex maintains the Media Luna exploration data in a Microsoft Access database. Verification is performed on all digitally-collected data on upload to the main database and includes checks on surveys, collar co-ordinates, lithology data and assay data. The checks are appropriate and consistent with industry standards.

### 1.8.8 Metallurgical Test Work

Three composites have been tested to date on the Media Luna deposit. High-, medium- and low-grade copper composites were compiled from existing core drilling. However, the composites were generated based solely on copper grade as no lithology information was available.

Rougher flotation tests and initial comminution tests were completed on the composited samples.

The mineralization was relatively soft as the ball mill work index was 11.5 kw-hr/t and it was not particularly abrasive with an abrasion index of 0.1885.

The flotation test results show the samples tested respond quite well to standard rougher flotation as recoveries of 92%, 71% and 72% on copper, gold and silver respectively were achieved. The sulphide concentrate was leached using sodium cyanide to enhance precious metal recovery resulting in an additional 16% gold recovery and an addition 5% silver recovery.

The initial testing does not indicate any potential issues with deleterious elements; however, this issue must be monitored as future test programs are developed. It is expected that a marketable copper concentrate will be produced through cleaner flotation. While this has not been tested to date, it is reasonable to assume cleaner flotation to be effective.

There is potential to produce a marketable magnetite concentrate and represents significant potential project upside. Additional testing is required to verify this potential.

### 1.8.9 Data Verification

AMEC performed data verification checks of the mineral resource database every month from October 2012 through August 2013 in support of the Media Luna mineral resource estimate. AMEC also reviewed the assay QA/QC results from Torex's drill programs in October 2012 and March, May and August 2013.

AMEC concluded that the Media Luna mineral resource database accurately represents the original source data and is acceptable for use in Mineral Resource estimation. Gold, copper and silver assays are acceptably accurate for purposes of mineral resource estimation, based upon blind CRM and check assay results. The precision of the gold, copper and silver assays is acceptable for purposes of mineral resource estimation, based upon internal laboratory duplicate results. There is no significant carryover contamination in the gold, copper and silver assays, based upon blind blank results.

## 1.9 Security of Samples

Sample security relied upon the fact that the samples were always attended or locked at the sample dispatch facility. Sample collection and transportation have always been undertaken by company or laboratory personnel using company vehicles. Chain of custody procedures consisted of filling out sample submittal forms that were sent to the laboratory with sample shipments to make certain that all samples were received by the laboratory. Current sample storage procedures and storage areas are consistent with industry standards.

## 1.10 Mineral Resource Estimates

The Media Luna mineral resource estimate was prepared using 3-D models in the commercial mine planning software MineSight®. Mineral Resources are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves and the 2003 CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines. Media Luna's mineral resource was interpolated with a focus toward underground mining. A block size of 2.5 m x 2.5 m x 2.5 m was selected.

Gold, silver and copper grades, within the Media Luna resource model, were estimated using a geologic skarn zone solid, upper and lower grade domains, skarn position variables, and lithological codes. The skarn zone solid was created from three contact surfaces: limestone–-exoskarn, exo–endoskarn, and endoskarn–granodiorite. Vertical, un-mineralized intrusive dykes were solid modeled. Ordinary kriging was used to interpolate grade.

AMEC reviewed underground conceptual mining methods, and concluded that, depending on mineralization thicknesses, a combination of cut-and-fill and transverse stoping methods are likely. The assumed mining method is from underground; depending on mineralization thicknesses, a combination of cut-and-fill and transverse stoping methods are likely.

The Media Luna mineral resource estimate and lithology model was prepared by Mark Hertel, RM SME., an AMEC employee, and the Qualified Person for the estimate. Mineral Resources in Table 1-1 are reported as undiluted and reporting uses a cut-off of 2.0 g/t AuEq. Table 1-2 illustrates the sensitivity of the Inferred Mineral Resource estimate to changes in cut-off grade. The base case at a cut-off grade of 2.0 g/t Au equivalent is highlighted in this table.

Factors which may affect the Mineral Resource statements include assumptions used for consideration of reasonable prospects of economic extraction (including metal prices, variations in local interpretations of mineralization geometry and continuity of mineralization zones that cannot be recognized at the current drill spacing, geotechnical, hydrogeological and operating cost assumptions); limited number of metallurgical testwork results supporting recovery percentage assumptions; permit delays or other issues in reaching agreements with local communities and obtaining surface rights.

**Table 1-1: Media Luna Deposit Inferred Mineral Resource Estimate at a 2.0 g/t Au Eq. Cut-off Grade.**

| Deposit | Resource Category | Tonnes (Mt) | Gold Eq. Grade (g/t) | Contained Gold Eq. (Moz) | Gold Grade (g/t) | Contained Gold (Moz) | Silver Grade (g/t) | Contained Silver (Moz) | Copper Grade (%) | Contained Copper (Mlb) |
|---|---|---|---|---|---|---|---|---|---|---|
| Media Luna | Inferred | 39.9 | 4.55 | 5.84 | 2.63 | 3.38 | 24.46 | 31.39 | 0.97 | 852.48 |

**Table 1-2: Sensitivity of Media Luna Inferred Mineral Resource Estimate to Cut-Off Grade (base case is highlighted)**

| Cut-off AuEq (g/t) | Tonnes (Mt) | AuEq (g/t) | Au (g/t) | Ag (g/t) | Cu (%) | Contained AuEq (Moz) | Contained Au (Moz) | Contained Ag (Moz) | Contained Cu (Mlb) |
|---|---|---|---|---|---|---|---|---|---|
| 1.50 | 48.9 | 4.03 | 2.27 | 22.82 | 0.89 | 6.35 | 3.57 | 35.92 | 956.51 |
| 1.75 | 44.2 | 4.29 | 2.45 | 23.69 | 0.93 | 6.10 | 3.47 | 33.66 | 904.64 |
| **2.00** | **39.9** | **4.55** | **2.63** | **24.46** | **0.97** | **5.84** | **3.38** | **31.39** | **852.48** |
| 2.25 | 35.7 | 4.84 | 2.83 | 25.39 | 1.01 | 5.56 | 3.26 | 29.18 | 795.94 |
| 2.50 | 32.2 | 5.11 | 3.01 | 26.43 | 1.06 | 5.29 | 3.12 | 27.36 | 749.26 |
| 3.00 | 26.6 | 5.60 | 3.36 | 28.06 | 1.13 | 4.80 | 2.88 | 24.03 | 665.24 |

Notes to accompany Mineral Resource tables

1. The qualified person for the estimate is Mark Hertel, RM SME, an AMEC employee. The estimate has an effective date of September 6th 2013
2. Au Equivalent = Au (g/t) + Cu % *(74.74/48.07) + Ag (g/t) * (0.85/48.07)
3. Mineral Resources are reported as undiluted; grades are contained grades
4. Mineral Resources are reported using a long-term gold price of US$1495/oz, silver price of US$26.45/oz, and copper price of US$3.39/lb. The metal prices used for the Mineral Resources estimates are based on AMEC`s internal guidelines which are based on long-term consensus prices
5. The assumed mining method is from underground; depending on mineralization thicknesses, a combination of cut-and-fill and transverse stoping methods are likely. Mining costs are assumed at US$27.68 per tonne and processing costs at US$17.00 per tonne. General and administrative costs are estimated at US$4.00 per tonne
6. Based on preliminary metallurgical testwork results, the metallurgical recoveries are estimated as gold 87%, silver 73%, and copper 89%
7. Inferred blocks are located within 110 m of two drill holes, approx. 100 m drill hole grid spacing
8. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

## 1.11 Conclusions

The Media Luna Project area retains significant exploration potential, both to increase the known mineralization at the Media Luna deposit, and to identify additional areas of skarn-hosted copper–gold–silver mineralization.

## 1.12 Recommendations

AMEC has provided a two-phase work program. The programs can be conducted concurrently, and are not dependent on the results of the other.

The first phase encompasses infill drilling from two proposed exploration declines and drilling to support additional metallurgical testwork, with the intention of providing sufficient information that classification of higher-confidence mineral resource categories can be supported. This phase is estimated at approximately $16.9 million.

The second phase consists of regional exploration on outlying magnetic and drill targets. Exploration would encompass drill testing of the Media Luna Southwest Extension, NW Media Luna and Media Luna West prospects, initial drill evaluation of the El Olvido and Todos Santos geophysical targets, and reconnaissance surface exploration of the of El Cristo, Naranjo, and La Fe targets. This phase is estimated at approximately $17.2 million.

# 2.0 INTRODUCTION

## 2.1 Terms of Reference

Torex Gold Resources Inc. (Torex) requested AMEC E&C Services Inc. (AMEC) prepare an initial Mineral Resource estimate and supporting technical report (the Report) on the wholly-owned Media Luna project (the Project), located in southern Mexico (Figure 2-1).

The Report was prepared to support the Torex press release dated 16 September 2013 and entitled “Torex Announces Maiden Media Luna Inferred Resource 5.84 Million Gold Equivalent Ounces”.

Torex indirectly holds 100% of its Mexican operating company, Minera Media Luna, S.A. de C.V. (Minera Media Luna). In this Report, Torex is used interchangeably for the parent and subsidiary companies.

This Report uses metric measurements. The currency used in the Report is U.S. dollars. The local currency of Mexico is the Mexican peso.

## 2.2 Qualified Persons

The Qualified Persons (QPs), as defined in NI 43–101 and in compliance with Form 43–101F1 Technical Report, responsible for the preparation of the Report are:

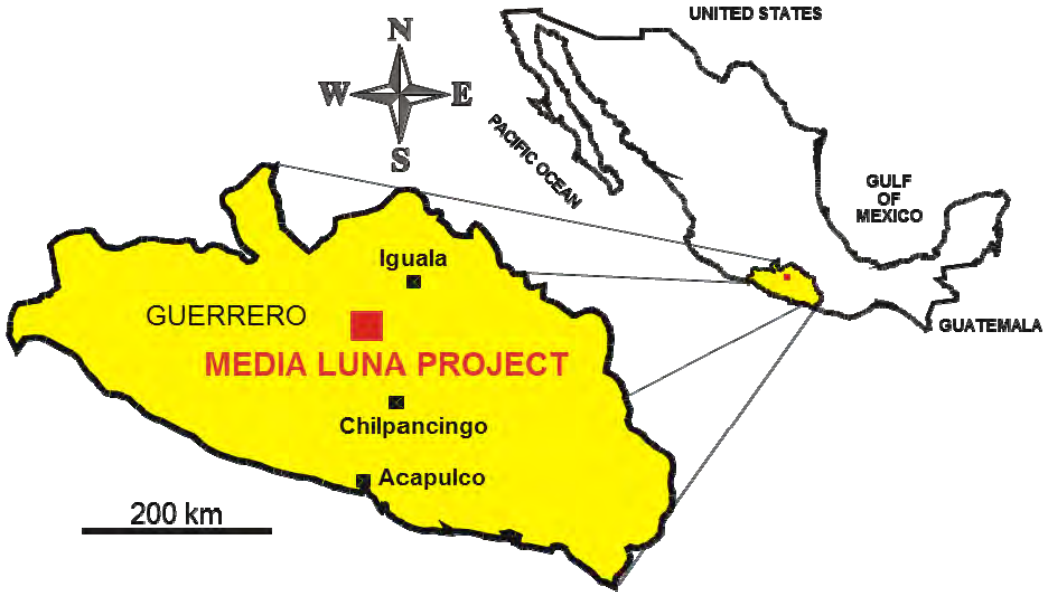
- Mr Mark Hertel, Registered Member, Society for Mining, Metallurgy and Exploration (RM SME), Principal Geologist, AMEC Phoenix
- Mr John Rust, RM SME, Consultant Metallurgist, AMEC Reno.

## 2.3 Site Visits and Scope of Personal Inspection

Mr Hertel visited the Project site from 7 to 10 April, 2013. During this visit, he reviewed the geology of selected drill holes, and compared the core to the geological logs and assay values for those holes. Mr Hertel also selected a number of drill holes at random, and visited the collar locations of those holes in the field with Torex staff. All of the drill collar locations visited were found to be clearly marked with azimuth and name of the drill hole on a permanent monument. Field visits were also paid to operating drilling sites to review the current drilling practices.

Mr Rust has not visited site.

**Figure 2-1: Project Location Plan**




Note: Figure courtesy Torex, 2013.

## 2.4 Effective Dates

- Date of supply of the latest information on mineral tenure and surface rights is 22 August 2013
- Date of closure of database that supports Mineral Resource estimation is 6 August 2013
- Date of the Mineral Resource estimate is 6 September 2013
- Date of last supply of exploration drill hole information is 13 September 2013. The exploration program is ongoing.

The Report effective date is the date of the last supply of information on the ongoing exploration program and is 13 September 2013.

## 2.5 Information Sources and References

AMEC has sourced information from reference documents as cited in the text and summarized in Section 27 of this Report. Additional information was sourced from, and provided by, Torex staff and Torex's third-party consultants, Western Mining

Services. AMEC has relied upon other experts in the fields of mineral tenure, surface rights, permitting and environmental studies as outlined in Section 3.

Figures included in Sections 7 to 10 were created during 2013 by Western Mining Services. Unless otherwise noted, all other figures were prepared during 2013 by AMEC.

## 2.6 Previous Technical Reports

The Media Luna Project area has been included in the former greater Morelos Project area, which has had the following technical reports filed by Torex:

- Neff, D.H., Drielick, T.L., Orbock, E.J.C., Hertel, M., Connolly, B., Susi, B., Levy, M., Habbu, P. and Ugorets, V., 2012: Morelos Gold Project, 43 -101 Technical Report Feasibility Study, Guerrero, Mexico: unpublished technical report prepared by M3 Engineering and Technology Corporation, AMEC E&C Services Inc, SRK Consulting Inc. and Golder Associates Inc. for Torex, effective date 4 September 2012
- Neff, D.H., Drielick, T.L., Orbock, E.J.C. and Hertel, M., 2012: Guajes and El Limon Open Pit Deposits Updated Mineral Resource Statement Form 43-101F1 Technical Report Guerrero, Mexico: unpublished technical report prepared by M3 Engineering and Technology Corporation and AMEC E&C Services Inc for Torex, effective date 13 June 2012
- Neff, D.H., Orbock, E.J.C. and Drielick, T.L., 2011: Torex Gold Resources Inc., Morelos Gold Project, Guerrero, Mexico, NI 43-101 Technical Report – Underground and Open Pit Resources: unpublished technical report prepared by M3 Engineering and Technology Corporation and AMEC E&C Services Inc for Torex, effective date 22 October 2010.

Under its former name of Gleichen Resources, Torex filed the following report:

- Orbock, E.J.C., Long, S., Hertel M. and Kozak, A., 2009: Gleichen Resources Ltd., Morelos Gold Project, Guerrero, Mexico, NI 43-101 Technical Report: unpublished technical report prepared by AMEC E&C Services Inc for Gleichen Resources Ltd., effective date 6 October 2009.

# 3.0 RELIANCE ON OTHER EXPERTS

The QPs state that they are qualified persons for those areas as identified in the appropriate QP "Certificate of Qualified Person" attached to this Report. The authors have relied upon and disclaim responsibility for information derived from the following reports pertaining to mineral or land tenure, surface rights and agreements.

## 3.1 Mineral Tenure

The QPs have fully relied upon and disclaim responsibility for, information supplied by Torex staff and experts retained by Torex for information relating to the mineral tenure as follows:

- Sánchez-Mejorada, Velasco y Ribé Abogados, 2012: Mining rights title report and opinion on the concessions held by Minera Media Luna, S.A. de C.V.: unpublished legal opinion letter prepared by Sánchez-Mejorada, Velasco y Ribé Abogados for Torex Gold Resources Ltd., 20 August 2012.

This information is used in Sections 4.2, 4.4 and 4.6 of this Report.

## 3.2 Surface Rights

The QPs have fully relied upon and disclaim responsibility for, information supplied by Torex staff and experts retained by Torex for information relating to the surface rights as follows:

- Sánchez-Mejorada, Velasco y Ribé Abogados, 2013: Legal Opinion Surface Rights Ejido Puente Sur Balsas final pst 22 Ago 13-10am.doc: Velasco y Ribé Abogados for Torex Gold Resources Ltd., 22 August 2013.

This information is used in Sections 4.5 and 4.6 of this Report.

# 4.0 PROPERTY DESCRIPTION AND LOCATION

The Project is located in Guerrero State, Mexico, approximately 200 km south–southwest of Mexico City.

The Project consists of a skarn-hosted copper–gold–silver deposit at Media Luna and a number of prospects. Approximate centroids for the Media Luna deposit are 422926.5079 E, 1984763.3095 N using the WGS 84 (zone 14 N) datum.

## 4.1 Property and Title in Mexico

Information in the sub-section which follows is based on Galicia y Robles, S.C. (2009), and Latin Lawyer (2013).

Article 27 of the Mexican Constitution provides that the Mexican Nation has direct ownership of mineral deposits within the national territory, which cannot be transferred. The use and exploitation of such national resources by private parties is only permitted if concessions are granted by the Federal Executive Branch, through its corresponding government agencies. Such concessions are subject to applicable laws and regulations and these must be complied with; non-compliance can result in cancelled concessions.

Government agencies may create national Mining Reserves over deposits that are considered essential to the Mexican Nation's future. Once incorporated into national mining reserves, the deposits are not subject to mining concessions or allotments, unless such zones are cancelled from the mining reserves through a decree issued by the Federal Executive. Such decrees can enable the Ministry of Economy to declare the zone as "free land" that can then be granted under a mining concession, or call for a bid to grant one or more mining concessions over such deposits.

### 4.1.1 Mineral Property Title

The Mexican Mining Law was promulgated in 1992 and amended in 1996 and 2005. The current Mining Regulations were published in 1999. A number of Government agencies have responsibility for administering the mining laws, including:

- Ministry of Economy: formulates and directs national mining policy and promotes the use and development of mineral resources
- General Coordination of Mines: entity under which the Ministry administers mining activities

- General Bureau of Mines: responsible for management and control of concessions, allotments and national mining reserves
- Public Registry of Mining: records concessions, allotments, agreements, arrangements and administrative actions that may affect mining rights
- Mexican Geological Service: responsible for identifying and quantifying potential mineral resources, inventorying national mineral deposits and furnishing public geological-mineral information, promoting research, identifying and promoting infrastructure works which foster the development of new mining districts, advising the Ministry regarding concessions and zones to be incorporated into or removed from national mineral reserves and assisting the Ministry of Economy in bids for land concessions with cancelled allotments and removed land from mineral reserves
- Commission of Appraisal of National Property: may become involved in mineral concessions when the owner of a concession requests the expropriation, temporary occupation, or creation of easements on certain land necessary to carry out work. The Commission determines the value of the land in order to quantify the indemnification to be provided to the landowner
- Mining Promotion Trust: established to support minerals exploration, extraction, processing and marketing, by providing technical advice and financial support to existing and new companies
- National Institute of Statistics, Geography and Information: compiles, processes, submits and distributes statistical and geographical information.

Mining concessions may only be granted to Mexican nationals and companies, ejidos, agrarian communities and communes and Indian communities. Foreign companies can hold mining concessions through Mexican-domiciled companies.

Mining concessions are granted over “free land”. Free land means any land within the Mexican Nation, except for the following:

- Land covered by existing or pending mining concessions and allotments
- Zones incorporated into mineral reserves
- Land covered by mining concessions granted through a bidding process, or alternatively, land covered by mining lots from which no concessions would be granted due to the cancellation of the bidding process.

There is no difference in Mexico between an exploration concession and a mining concession. All concessions run for a term of 50 years, with the term commencing on the date recorded in the Registry maintained by the Public Registry of Mining. A second 50-year term can be granted if the applicant has abided by all appropriate regulations and makes the application within five years prior to the expiration date.

Mining concession boundaries in Mexico are defined by referencing position relative to a legally-surveyed principal post. To stake a concession, a principal monument must be erected, painted and photographed by a registered mining expert and then applied to be registered before the relevant mining district office. Once accepted, an official surveyor must be contracted to provide a survey to locate the concession whereby the official survey is reviewed and taken into consideration. Once the relevant mining district office prepares a proposal of the mining concession title, such draft is sent to the General Mining Direction (Dirección General de Minas) and upon its issuance, the concession title is registered before the Public Registry of Mining (Registro Público de Minería).

Mining concessions confer rights with respect to all mineral substances as listed in the Registry document. The holder must commence exploration or exploitation within 90 days of the Registry date.

Mining concessions give the holder the right to mine within the concession boundary, sell the mining product, dispose of waste material generated by mining activities within the lease boundary and have access easements. Concessions can be transferred between companies and can be consolidated.

The main obligations which arise from a mining concession and which must be kept current to avoid its cancellation, are performance of assessment work, payment of mining taxes (technically called “duties”) and compliance with environmental laws.

The Regulations establish minimum amounts that must be spent; minimum expenditures may be substituted for sales of minerals from the mine for an equivalent amount. A report must be filed in May of each year that details the work undertaken during the previous calendar year.

Mining duties must be paid in advance in January and July of each year and are determined on an annual basis under the Mexican Federal Rights Law. Duties are based on the surface area of the concession and the number of years that have elapsed since the mining concession was issued.

Concessions are maintained on an annual basis by payment of appropriate fees, as determined by the Ministry of Economy each year. Holders must also supply the relevant Governmental department with reports on activities, including annual checking reports that are due May of each year.

### 4.1.2 Surface Rights Title

While a mining concession gives its holder the right to carry out mining work in the area covered by the concession and take ownership of any minerals found, it does not automatically grant any surface access rights. Such rights must be negotiated separately with the owner of the surface land. If no agreement can be reached with the surface owner (typically for the purchase or lease of the surface land), the Mining Law grants the concessionaire the right to apply to the General Mining Bureau for the expropriation or temporary occupation of the land, which will be granted to the extent that the land is indispensable for the development of the mining project. Compensation is set through an appraisal carried out by the federal government's National Goods' Appraisal Commission.

Consideration, payable on a one-time basis for expropriation and on a yearly basis for temporary occupation, is set based on an appraisal of the affected land. Typically, a verbal authorization with no consideration is granted for prospecting and sample gathering. A simple letter agreement or contract will be used for drilling, trenching, basic road building and similar more advanced exploration activities, with a small monetary consideration and/or the obligation to fix a road or fence, build an earth dam, paint the local town church or school, etc. Building and operating a mine requires a more formal agreement.

The existence in Mexico of a communal form of agrarian land ownership called "*ejidos*" and "*comunidades agrarias*" can present special problems for surface land use. *Ejidos* are communal farms where individuals have surface rights to specific plots of land, but most land-use decisions must be made by the members of the *ejido* as a whole. *Ejidos* and *comunidades* represent close to one-half of the Mexican territory.

### 4.1.3 Water Rights

Under the Federal Constitution, the ownership of all water within the boundaries of the Mexican territory resides in the Mexican Nation, including territorial seas, inland marine waters, the waters of lagoons connected with the sea, inland rivers, lakes and streams, underground waters and water extracted from mines.

The National Waters Law (the Waters Law), in force since 1992, sets forth the legal framework applicable to the use and exploitation of national waters by Mexican individuals and entities holding water concessions granted by the Mexican president, through the National Waters Commission (the Waters Commission). Water concessions may be granted for a minimum term of five years and up to 30 years. Terms can be extended.

Under the Mining Law, the owner of a mining concession is entitled to use the water extracted from the mine in connection with exploration and mining activities.

### 4.1.4 Environmental Regulations

The Mexican Federal Governmental department responsible for environmental matters is the Secretary of the Environment, Natural Resources and Fisheries (SEMARNAT), which has four sub-departments:

- National Institute of Ecology (INE): responsible for planning, research and development, conservation of national protection areas and promulgation of environmental standards and regulations.
- Federal Prosecutor for the Protection of the Environment (PROFEPA): responsible for enforcement, public participation and environmental education.
- National Water Commission (CAN): responsible for assessing fees related to waste water discharges.
- Federal delegation or state agencies of SEMARNAT, known as COEDE.

Mexico's environmental protection system is based on the General Law of Ecological Equilibrium and the Protection of the Environment (LGEEPA). Under LGEEPA, numerous regulations and standards for environmental impact assessment, air and water pollution, solid and hazardous waste management and noise have been issued.

Environmental laws require the filing and approval of an environmental impact statement for all exploitation work and for exploration work that does not fall within the threshold of a standard issued by the Federal Government for mining exploration. Environmental permitting for exploitation, absent any strong local opposition to the project, can be usually achieved in less than one year.

As part of concession grant, rehabilitation is required of all roads and exploration sites where a concession is not in production.

### 4.1.5 Taxation and Royalties

Mexico has been a party to the North American Free Trade Agreement (NAFTA) since 1994 and thus has a tax and trade regime comparable to the USA and Canada. It operates under western-style legal and accounting systems, with a contemporary taxation system.

Based on the assumptions used in the Morelos Project feasibility study (M3, 2013), the typical corporate income tax rate would be approximately 28%.

There is currently no government royalty levied in Mexico. However, in March 2013, the PRI party proposed a bill to amend the mining law by imposing a new annual mining royalty (*compensación minera*) equivalent to 4% of the concession holders' taxable income, after permitted deductions, excluding financial costs, taxes, depreciation and amortization. Holders of mining concessions who have suspended exploration or exploitation works during two years within a period of 11 years, would pay an additional 50% of the mining duties currently assessed based upon the size of the mining lot. The proposed amendment also provides for the payment of increased mining duties in the event the holder of the mining concession has not undertaken exploration and exploitation works for more than 20 years. The proposed amendments were recently approved by the Lower House, but they are still subject to the approval of the Senate (Latin Lawyer, 2013).

#### 4.1.6 Employment Requirements

Under Mexico's Federal Labour Law, at least 90% of any company's employees must be Mexican citizens. In the case of technicians and professionals, the general rule is that all employees must be Mexicans, unless no Mexican specialists are available, in which case employers are permitted to employ, on a temporary basis, up to 10% of non-Mexican specialists.

### 4.2 Project Ownership

The Project is 100% indirectly held by Torex through its Mexican subsidiary, Minera Media Luna, S.A. de C.V.

### 4.3 Project Definition

The discovery drill hole at Media Luna, ML-02, was completed on 25 March, 2012. With additional drilling, it became clear that Media Luna was likely to host a significant gold–copper–silver mineralizing system that was distinct from Torex's El Limon and Guajes deposits located north of the Balsas River.

Torex performed an initial review of the likely Project access routes, infrastructure routes including likely power line easements and potential sites for mining and processing infrastructure and determined that it would be more appropriate for Media Luna to be considered as an independent, totally stand-alone operation which would have no synergies with the El Limon and Guajes development. The likely access routes and conceptual area that may be used for infrastructure are as indicated in Figure 4-1 and Figure 4-2.

This interpretation of an independent, totally stand-alone operation is supported by the topographical divide between the two areas, including separation by the Balsas River and extremely rugged and steep topography (Figure 4-3).

For reporting purposes, Torex has divided the former Morelos Project into an area that is situated north of the Balsas River and will be termed the El Limon/Guajes Project area in this Report and the area south of the Balsas River, which is termed the Media Luna Project area in this Report (Figure 4-4).

## 4.4 Mineral Tenure

Torex holds three concessions within the Media Luna Project area. The area considered as the Project comprises 13,365 ha (refer to Figure 4-4).

The concessions were granted for 50-year terms as indicated in Table 4-1. As per Mexican requirements for grant of tenure, the concessions comprising the Project have been surveyed on the ground by a licensed surveyor.

Torex advised AMEC that duty payments for 2013 were made. The next payments are required in January 2014.

## 4.5 Surface Rights

At the effective date of this report, Torex holds no surface rights in the Project area. Right to use of the surface is a key milestone in any permitting stage for the Project since secure tenure must be demonstrated at the time the permit applications are made.

**Figure 4-1: Regional Project Access Plan**

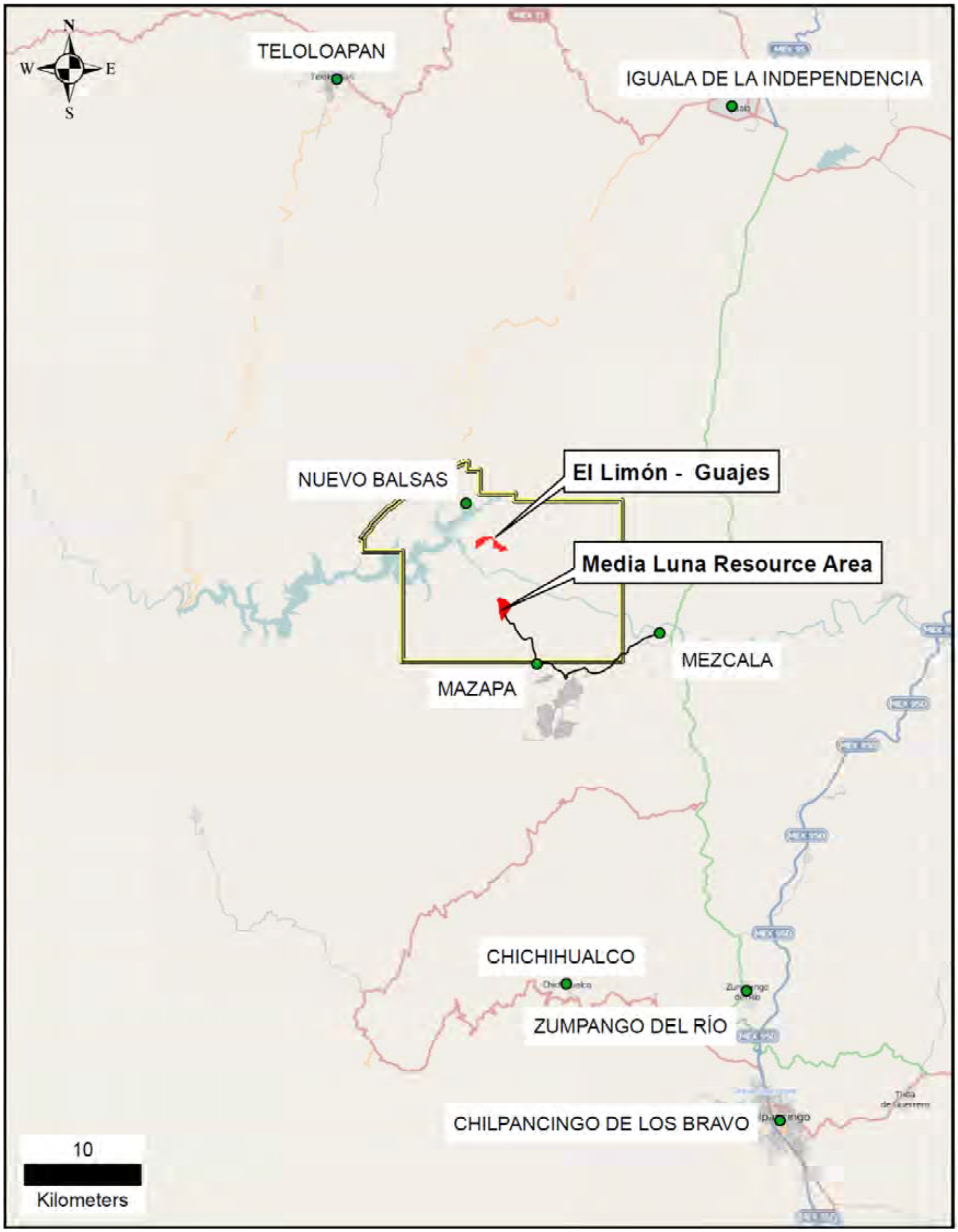



Figure courtesy Torex, 2013.

**Figure 4-2: Project Access Plan**

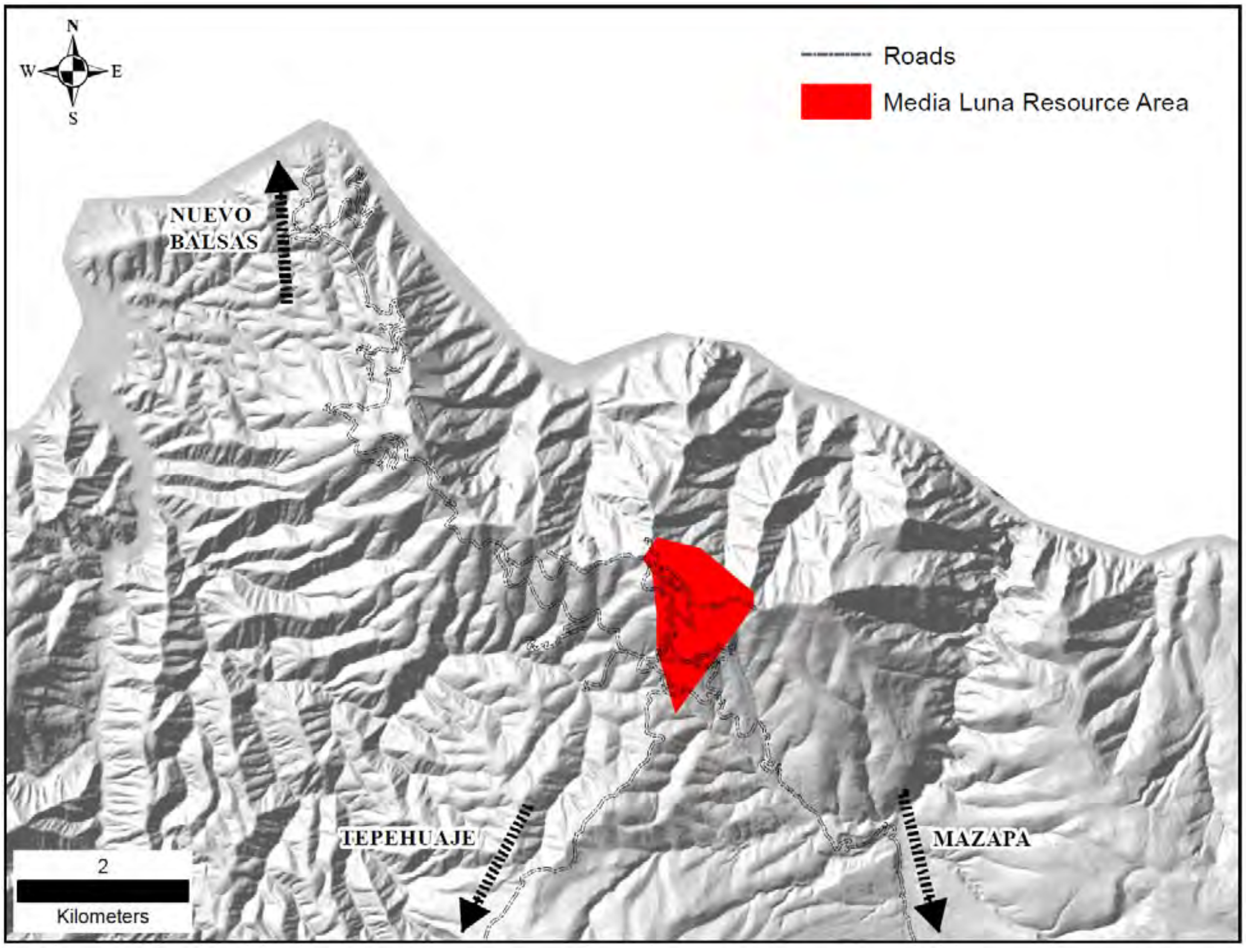
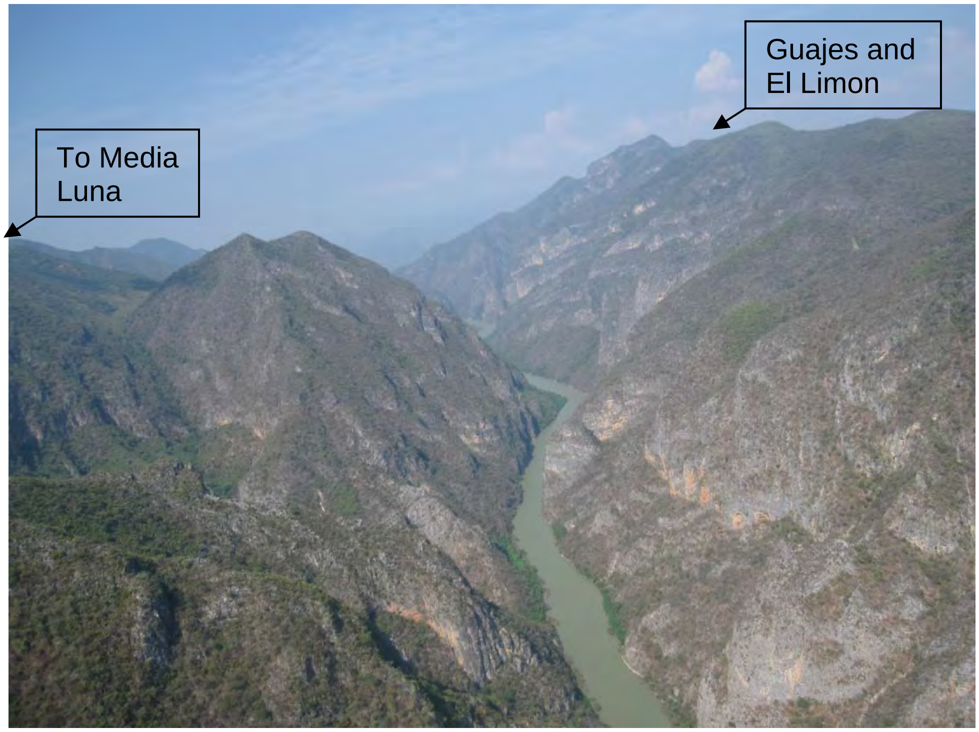


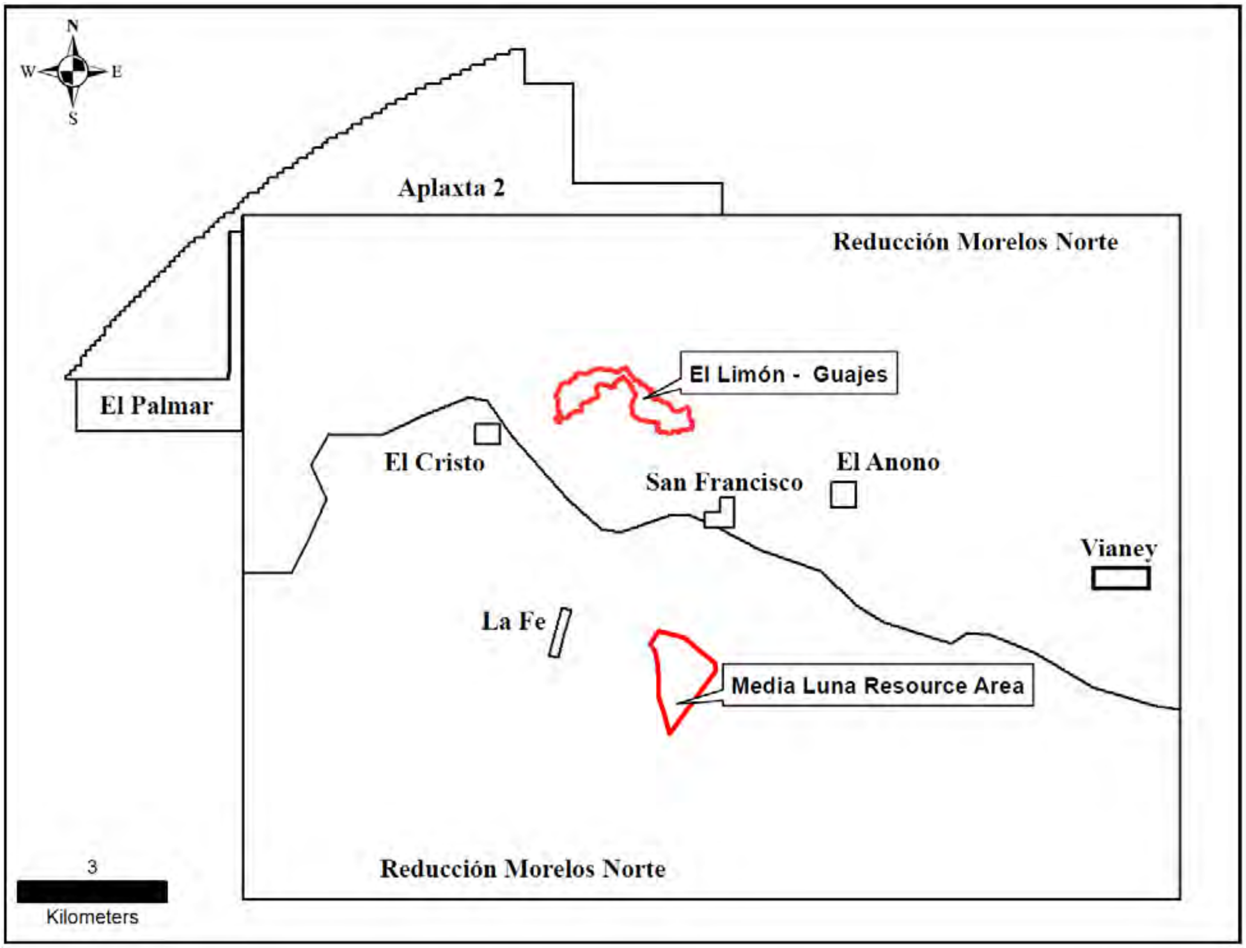

Figure courtesy Torex, 2013.

**Figure 4-3: Project Topographic Setting**




Photograph courtesy Torex, 2013. Photograph looks west. The Balsas River is approximately 90 m wide in the foreground of the photograph and provides an approximate scale. The Guajes and El Limon deposits are situated on the ridge top to the upper right hand side background of the photograph. The Media Luna deposit is located just off the image to the left-hand side.

**Figure 4-4: Project Definition Plan**




Note: Figure courtesy Torex, 2013. The northern sector of the Reducción Morelos Norte concession is known as the El Limon–Guajes Project, the sector south of the Balsas River is the Media Luna Project area. The Vianey tenement is held by third-parties and is excluded from the El Limon–-Guajes Project.

**Table 4-1: Mineral Tenure Summary Table**

| Tenure Name | Type of Tenure | Issuance Date | Expiration Date | Duration (years) | Area (ha) |
|---|---|---|---|---|---|
| La Fe | Mining Concession No. 188793 | November 30, 1990 | November 28, 2040 | 50 | 20 |
| El Cristo | Mining Concession No. 214331 | September 6, 2001 | September 5, 2051 | 50 | 20 |
| Reducción Morelos Norte | Mining Concession No. 224522 | May 17, 2005 | May 16, 2055 | 50 | 13,325 |
| | | | | | *13,365* |

Notes:

1. La Fe: This concession was transferred by Minera Teck S.A. de C.V. to Minera Media Luna S.A. de C.V. by agreement, which was registered before the Public Registry of Mining, under Book of Mining Agreements, Volume II , page 20, number 32, dated April 28, 2004.
2. El Cristo: This concession was registered before the Public Registry of Mining, under Book of Mining Agreements, Volume 321, page 96, number 191, dated September 5, 2001.
3. Reducción Morelos Norte: This concession was registered before the Public Registry of Mining, under Book of Mining Agreements, Volume 349, page 151, number 302, dated May 16, 2005.

## 4.6 Ejido Agreements

The surface rights ownership is summarized in Figure 4-5. Drilling completed at the Media Luna deposit to date has primarily been within lands held by the Ejido Puente Sur Balsas.

Legal opinion provided to AMEC supports Torex's view that valid and enforceable Temporary Occupation Agreements (which in effect are lease agreements) have been reached with Bertoldo Pineda Tapia, the holder of parcel #121 (refer to Figure 4-5) and with the Ejido Puente Sur Balsas on parcel #128. An agreement is also in force on common use lands held by the Ejido Puente Sur Balsas. The areas under agreement are summarized in Table 4-2.

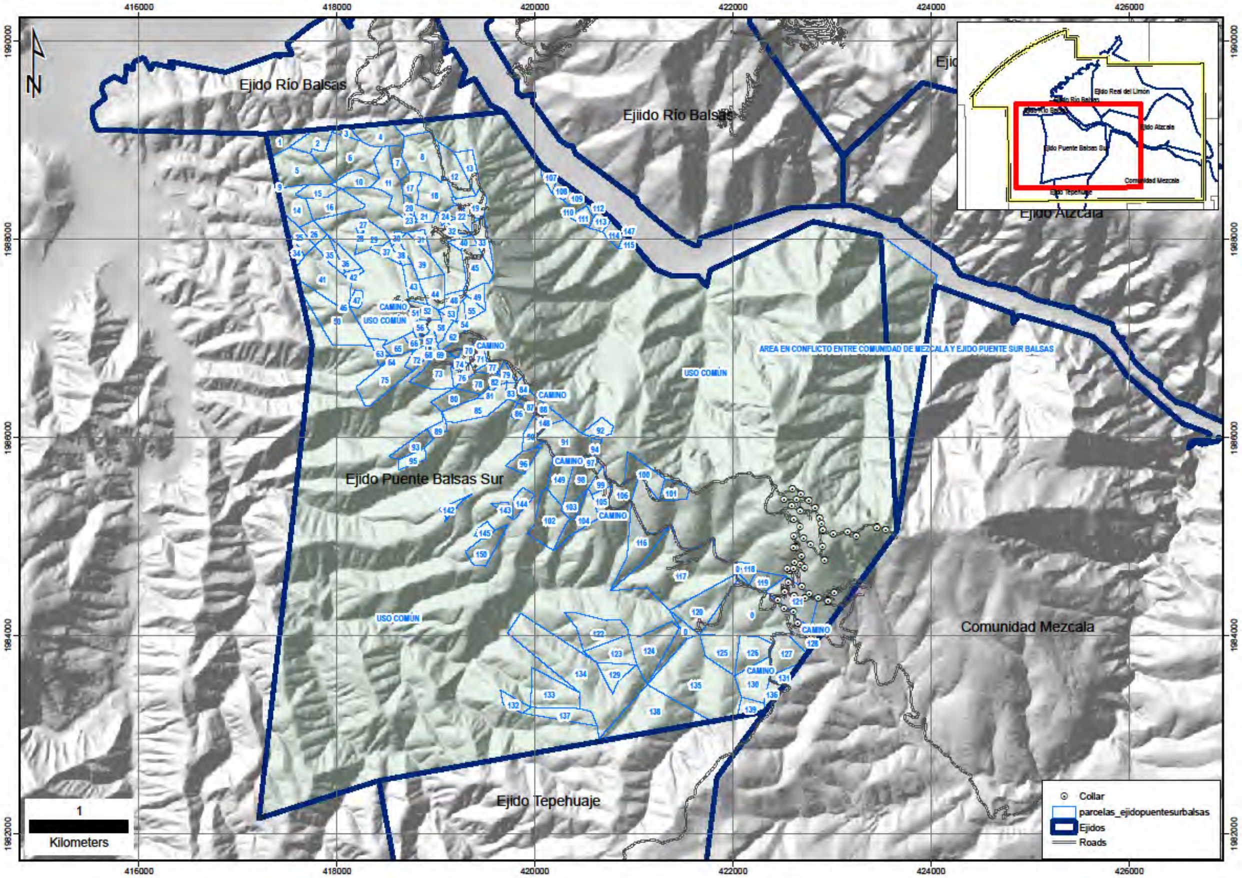
These temporary occupation agreements allow Torex to conduct exploration activities for three years in the case of the two land parcels and five years on the common use land. Torex has the right to terminate the agreements prior to the expiration period if necessary.

The amount to be paid for the use of parcel 121 is Mex$7,000 per month, for the use of parcel 128 it is $5,000 per month and for the use of the common use land, the rate is Mex$4,000,000 per year. In all cases, the rental payments will be increased annually by the rate of inflation.

Conditions attached to the agreements are that Torex must obtain all permits, authorizations and/or licenses necessary to carry out authorized activities in compliance with environmental and other statutory obligations.

If any party is found to be in breach of the agreement conditions and the breach is not remedied within 30 days as of its notice, the agreement may be rescinded or the affected party may request specific remediation. In case of any conflict, the parties are subject to the applicable courts in the State of Guerrero.

**Figure 4-5: Surface Rights Ownership Plan**




Note: Figure courtesy Torex, 2013

**Table 4-2: Agreements**

| Land Holder | Parcel Number | Area (ha) |
|---|---|---|
| Bertoldo Pineda Tapia | 121 | 12.48 |
| Ejido Puente Sur Balsas | 128 | 1.38 |
| Ejido Puente Sur Balsas | Common Use Land | 2,388.64 |
| Total | | 2,402.5 |

## 4.7 Royalties

A 2.5% royalty is payable to the Mexican government on minerals mined and sold from the Reducción Morelos Norte concession.

A 2.5% net smelter return royalty is payable to Minas de San Luis SA de C.V. (formerly Minera Nafta SA de C.V.) on minerals mined and sold from the El Cristo concession.

As noted in Section 4.1.5, a proposal was made in March 2013 to amend the mining law by imposing a new annual mining royalty (*compensación minera*) equivalent to 4% of the concession holders' taxable income, after permitted deductions, excluding financial costs, taxes, depreciation and amortization (Latin Lawyer, 2013).

## 4.8 Permits

Exploration and drilling permits have been granted under the General Law for Ecological Equilibrium and the Protection of the Environment and the General Law of Sustainable Forestry Development.

Project development would require a number of key permits.

Federal permits that are likely to be required for Project development include the Environmental Impact Resolution (*Resolucion de Impacto Ambiental*, or RIA), the Concession for Underground Water Extraction (*Concesion para la Extracción de Aguas Subterráneas)* and the Permit for Change of Land Use in Forested Area (*Permiso para el Cambio de Uso de Suelo* or CUS) issued by SEMARNAT.

State authorities may be involved through the State Delegations of SEMARNAT, which assist in the execution of Federal requirements: in the context of the review of the Permit for Change of Land Use in Forested Area; however, authorizations are issued by the Federal Government.

Local authorities are involved in the permitting process in the issuance of Land Use, Construction and Municipal Solid Waste Generator permits, which are granted at the municipal level.

The RIA and CUS must be granted for Project development by SEMARNAT. The RIA incorporates evaluation, approval and monitoring of all environmental obligations of industrial facilities under federal jurisdiction; these cover all procedures for environmental impact and risk, emissions to the atmosphere and the generation and handling of hazardous wastes administered by the General Office of Environmental Risk and Impact (DGIRA) of SEMARNAT. The CUS includes a detailed inventory of forestry vegetation and the mitigation measures to be undertaken as to rehabilitation of affected areas.

As part of this resolution and of this permit license, the following documents would need to be submitted for approval:

- MIA (Environmental Impact Analysis). Should include a comprehensive review of the significant and potential environmental impacts associated with all phases of the project, from construction through operation phases, based on scientific and technical baseline studies. The MIA should also describe the measures for avoiding/mitigating these environmental impacts
- ER (Risk Analysis). A detailed review covering the potential risks posed by the construction of the mining project and is required of all projects involving activities or substances designated as hazardous in LGEEPA. Should include at a minimum consideration of probability of occurrence of accidents involving explosions, fire or spills of pollutants, the area likely to be affected, the impact of the event and any mitigation plan
- ETJ (Change of Land Use in Forested Areas). Is complementary to the MIA and may be filed with it. The ETJ must be prepared by a forest engineer registered in the National Forest Inventory. SEMARNAT requires proof of land ownership or right to perform a forest land use change

Other Federal, state and municipal authorizations would also need to be obtained and at a minimum would include:

- Explosive use permit (Secretaría de la Defensa Nacional)
- Water extraction concession (Comisión Nacional del Agua)
- Archaeological land 'liberation', based on authorization by the Instituto Nacional de Antropología e Historia

- Notice to the state and municipal authorities (i.e., local construction permits, land use change, etc.).

## 4.9 Environmental Liabilities

Current project environmental liabilities are restricted to exploration site activities and access roads constructed to service exploration programs. AMEC notes that maps and plans show artisanal workings; there is an expectation that there will be surface disturbances and potentially contamination associated with these sites.

## 4.10 Social License

The Project is located in an economically depressed area. A number of historical events have caused migration within and from the Project area, including a lack of water in the Real del Limon area during the 1950s, establishment of the El Caracol hydroelectric dam which resulted in the flooding several villages along the Rio Balsas and villagers leaving for work opportunities in the USA.

Nuevo Balsas, the town built to accommodate villages inundated by the hydroelectric project, is the largest community in the region. The main industry is fishing in the dam. The surrounding land supports subsistence-level agriculture, primarily the growing of corn and beans and cattle grazing.

Personal security continues to be an issue due in part to the illegal drug growing and trafficking activities in this very poor region.

## 4.11 Significant Risk Factors

Project access and work programs require agreements with the ejidos. While there have been no issues to date, there may be a risk to the Project if these agreements cannot be renewed as required.

## 4.12 Comments on Section 4

In the opinion of the QPs, the following conclusions are appropriate:

- Information from legal experts support that the mining tenure held is valid and is sufficient to support declaration of Mineral Resources
- The mineral concessions have been surveyed in accordance with relevant Mexican regulations

- Annual claim-holding fees have been paid to the relevant regulatory authority and were current as of the Report effective date
- Torex currently holds no surface rights for the Project; this represents an unknown risk to the Project at present
- Permits obtained by the company to undertake exploration are sufficient to ensure that activities are conducted within the regulatory framework required by the Mexican Government
- Additional permits will be required for Project development, the key permit is the grant of the LAU
- At the effective date of this report, environmental liabilities are restricted to exploration sites and access roads constructed to service exploration programs. AMEC notes that maps and plans show artisanal workings; there is an expectation that there will be surface disturbances and potentially contamination associated with these sites
- Based on the permits and the current state of environmental knowledge for the Project, Mineral Resources can be declared
- Project access and work programs require agreements with the ejidos. While there have been no issues to date, there may be a risk to the Project if these agreements cannot be renewed as required
- Torex advised AMEC that to the extent known, there are no other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

# 5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

## 5.1 Accessibility

The project is located approximately 48 km south–southwest of Iguala and 13 km northwest of Mezcala. The closest village, Nuevo Balsas, is a small agricultural-based community with a population of approximately 1,000 people.

Nuevo Balsas is accessed by a narrow, paved highway from Iguala. The deposits are accessed from Nuevo Balsas by crossing El Caracol water reservoir and then via a 4.5 km single-lane gravel road. Access to Media Luna can also be obtained using a gravel road from Mezcala (refer to Figure 4-1).

## 5.2 Climate

No specific climate data are available for the Media Luna area. The climate is considered to be sub-tropical and the region receives about 780 mm of annual rainfall, typically between June and September. Short-term high-intensity rainfall events can occur, resulting in road damage, erosion and flash flooding.

Temperatures average from 23 to 29ºC. Wind directions are primarily from the north–northeast.

Any future mining operations would be expected to operate year-round. Exploration activities can be curtailed by wet conditions.

## 5.3 Local Resources and Infrastructure

The Project is currently isolated from major public infrastructure. Exploitation of the deposits will require building a greenfields project with attendant infrastructure.

The nearest port to the Project is at Acapulco. The Project is located near established power and road infrastructure at Mezcala and near centers of supply for materials and workers at Chilpancingo, Iguala and Cuernavaca.

Workforce for any future mining activity could be sourced from the local area; however, the workforce would require dedicated training programs.

The Project is currently accessed from Mezcala. For any future development in the Media Luna area, it would be expected that this access road would be improved to support mining and development activities.

Power would be expected to be provided from the Mexican national grid, with the closest connection being at Mezcala.

Potable water for any mining operation could come from wells. Application would need to be made to the Comisión Nacional del Agua for use of the water.

Current site communications comprise satellite phones.

## 5.4 Physiography

The general region is characterized by large limestone mountains that are separated by wide valleys (refer to Figure 4-2). Mountain slopes can range from flattened (5–10%) to extremely steep (>50%). Elevations within the Project can range from about 470 masl to approximately 1,540 masl.

Due to the steeply-dissected terrain, there are physical limitations to land usage for agriculture and grazing. Typically the slopes and ridges are vegetated and the river valleys are farmed. Where agriculture is practiced, it is at subsistence level.

Environmental data collected on a regional basis in support of development of the El Limon–Guajes Project to the north (Neff et al., 2012) suggests that while there is a number of flora and fauna species in the region, the majority of species are not endangered or threatened. A total of 28 species of mammals, 84 species of birds, 20 species of reptiles, four species of amphibians and four species of fish were identified by the regional surveys. The surveys indicate:

- One species of bat (*Leptonycteris curasoae)*, has an International Union for Conservation of Nature and Natural Resources (IUCN) designation as 'vulnerable'
- Three flora species have special conservation status: capire (*Sideroxylon capiri*) and tlamiyahua amapa (*Tabebuia impetiginosa*) are designated as 'threatened' and palo de rosa (*Dalbergia granadillo*) is designated as in 'danger of extinction' by SEMARNAT (2010).

## 5.5 Comments on Section 5

In the opinion of the QPs, the information discussed in this section supports the declaration of Mineral Resources through documentation of the availability of potential workforce, the existing power, water and communications facilities and the methods whereby goods could be transported to and from the Project area.

Any projected exploitation of the deposits would likely require building a greenfields project with attendant infrastructure.

There is sufficient suitable land available within Project area for location of future infrastructure such as process plants, tailings dams and waste rock storage facilities. The terrain is rugged, which can occasionally result in issues for selection of exploration drill pads.

# 6.0 HISTORY

In 1995, the former Morelos Mineral Reserve, created in 1983, was divided into a northern and southern portion and portions allocated to mining companies through lottery. A joint venture vehicle between Miranda Mining Development Corporation (MMC) and Teck Resources (Teck), called Minera Media Luna SA de CV (MML) submitted the winning bid for the Morelos Norte license in mid-1998.

In 1998, work conducted by the joint venture comprised data review, regional geological mapping, rock chip collection and silt sampling. During 1999, additional regional-scale reconnaissance work was undertaken, consisting of additional geochemical sampling and mapping. A trenching program and a limited ground magnetic survey were undertaken at Media Luna in 2000. During 2001, road building, geological mapping at more detailed scales and additional rock chip sampling was completed.

Between 2002 and 2004, induced polarization (IP) and time-domain electromagnetic (TEM) geophysical surveys were undertaken over portions of the Media Luna and Naranjo areas to identify areas of potential sulphide mineralization. Geological mapping and rock and soil sampling was conducted at the Lagunitas (now called El Olvido) magnetic anomaly target.

Teck completed two core holes (496.8 m) of drilling in 1997, six reverse circulation (RC) holes (630.8 m) in 2000, another six holes (2,873.5 m) in 2001 and a final nine hole program (2,873.5 m) in 2004. No drilling was conducted south of the Balsas River by previous owners after 2004.

An additional 15 drill holes, presumed to be RC, are in the Teck reports, although it is unclear who drilled the actual holes. While there are collar location, depth and azimuth data for these drill holes, there is no information on the drill hole completion date and no geological or assay information.

During 2004–2008, geophysical datasets were studied, re-processed and modeled, resulting in the identification of several prospective exploration target areas.

Work in the Project area by Torex during 2010 to present has included reconnaissance mapping, 1:5,000 scale geological mapping, systematic road-cut channel sampling and diamond drilling on various targets south of the Balsas River. In mid-2013, an airborne ZTEM and magnetic survey was conducted that covered the entire Project area.

This Report documents a first-time Mineral Resource estimate for Media Luna.

# 7.0 GEOLOGICAL SETTING AND MINERALIZATION

## 7.1 Regional Geology

The Project is situated in the Nukay district of the Morelos–Guerrero Basin of southern Mexico (Figure 7-1).

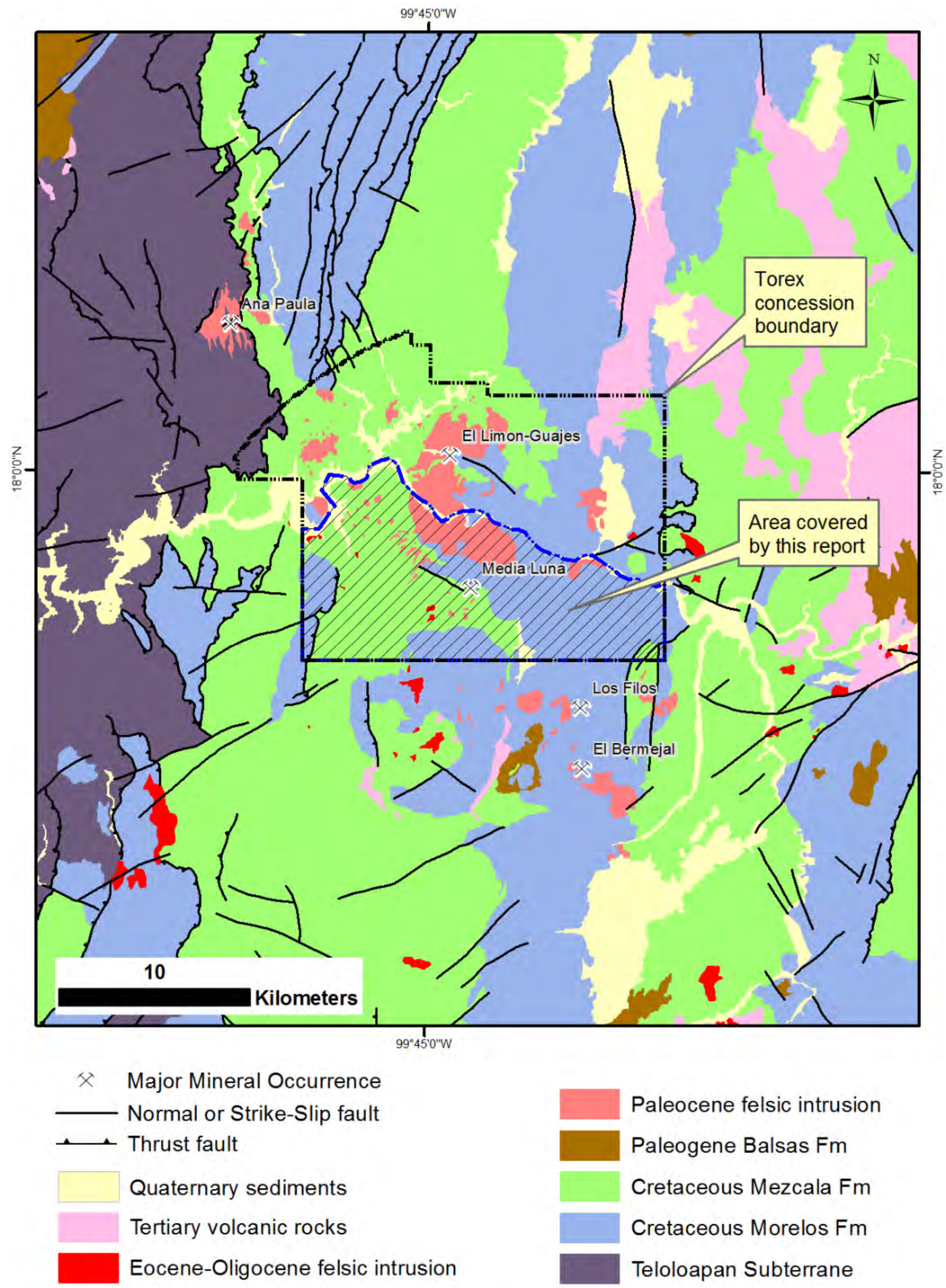
The roughly circular basin is occupied by a thick sequence of Mesozoic platform carbonate rocks successively comprising the Morelos, Cuautla and Mezcala Formations and has been intruded by a number of early Tertiary-age granitoid bodies. The basin is underlain by Precambrian and Palaeozoic basement rocks. The Cretaceous sedimentary rocks and granitoid intrusions are unconformably overlain by a sequence of intermediate volcanic rocks and alluvial sedimentary rocks (red sandstones and conglomerates) which partially cover the region.

The Mesozoic succession was folded into broad north–south-trending paired anticlines and synclines as a result of east-vergent compression during the Laramide Orogeny (80–45 Ma). The Project area lies at the transition between belts of overthrust rocks to the west and more broadly-folded rocks to the east.

Regional structures include sets of northeast- and northwest-striking faults and fractures which cut both the carbonate sequence and the intrusive rocks. The distribution of intrusive bodies in northwest-trending belts is thought to reflect the control on their emplacement by northwest trending faults (de la Garza et. al. 1996).

Regional mineralization styles comprise skarn-hosted and epithermal precious metal deposits and volcanogenic massive sulphide deposits. In Guerrero, these occur as two adjacent arcuate belts, with the gold belt lying to the east and on the concave margin of the massive sulphide belt. Both belts are approximately 30 km wide and over 100 km long, from northwest to southeast.

**Figure 7-1: Regional Geology of the Nukay District**



## 7.2 Project Geology

The Media Luna Project area is characterized by a structurally-complex sequence of Morelos Formation (marble and limestone) and Mezcala Formation (shale and sandstone) intruded by the El Limon granodiorite stock (Figure 7-2). The El Limon stock borders the sedimentary package at the north end of the Media Luna Project area and dips to the south–southwest beneath the sedimentary rocks. The sedimentary rocks and granodiorite are cut by felsic porphyry dikes and sills (Figure 7-3). Porphyry dikes are steeply dipping and have variable orientations. The granodiorite and porphyry intrusions are described in detail in Section 7.3.2.

The Morelos Formation comprises dark grey to black organic fossiliferous medium- to thickly-bedded finely-crystalline limestone and dolomite. Morelos Formation strata have generally low dips, but locally, large folds are developed. Analysis of fold orientation shows a consistent low plunge and nearly due south trend. In general the Morelos Formation dips gently to the southwest. Near contacts with granodiorite and feldspar porphyry dikes and sills, the Morelos Formation is massive grey to white recrystallized marble with local skarn alteration.

The Cuautla Formation transitionally overlies the Morelos Formation. It consists of a succession of thin- to medium-bedded silty limestones and sandstones with argillaceous partings and minor shale intercalations. The Cuautla Formation is not exposed in the Media Luna deposit area but has been intersected by drilling in the Naranjo exploration area.

The Mezcala Formation transitionally overlies the Cuautla Formation and consists of thin bedded, fine grained clastic rocks that are strongly folded and contain local thrust faults. Fold orientations are scattered but have a low plunge and a west–northwesterly trend. Along Media Luna ridge, the Mezcala Formation is metamorphosed to a biotite–pyroxene hornfels where proximal to granodiorite. South of mapped southwest- and east-striking normal faults, the Mezcala Formation is not metamorphosed.

**Figure 7-2: Geology of the Media Luna Project Area**

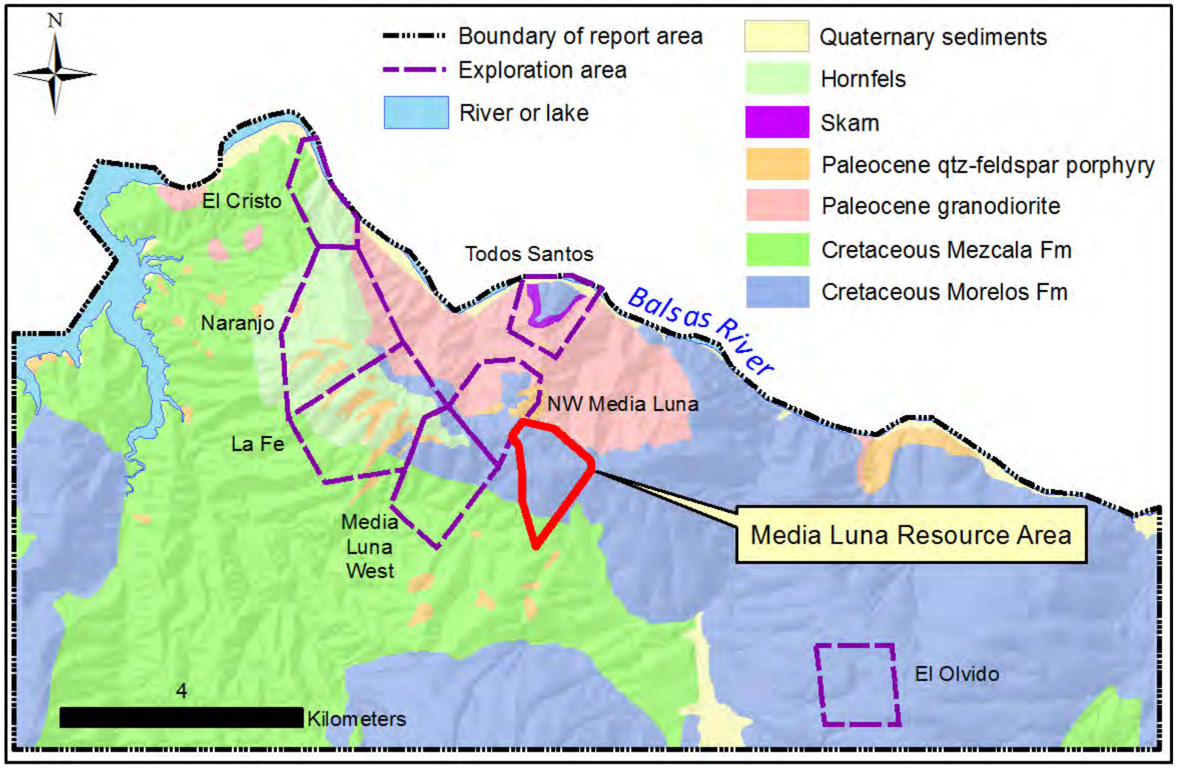
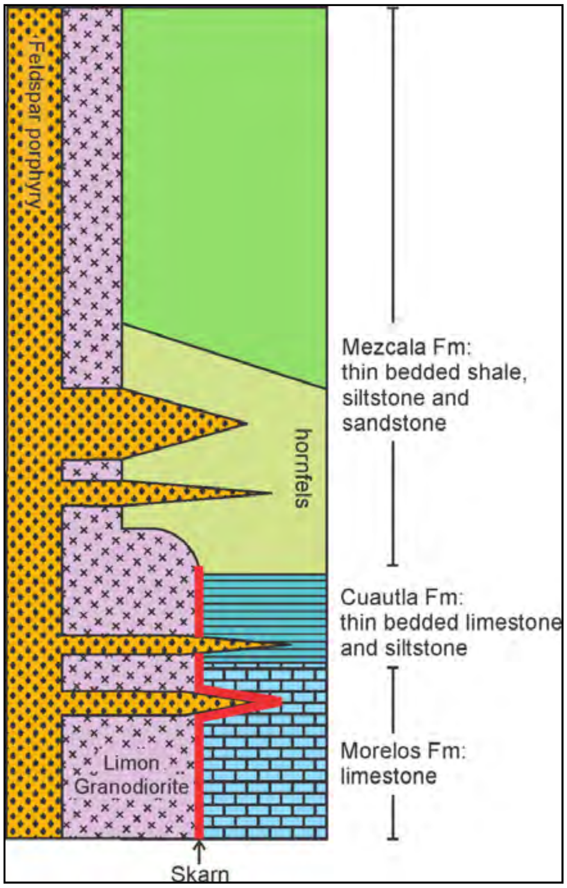


**Figure 7-3: Schematic Stratigraphic Column for the Media Luna Project Area**

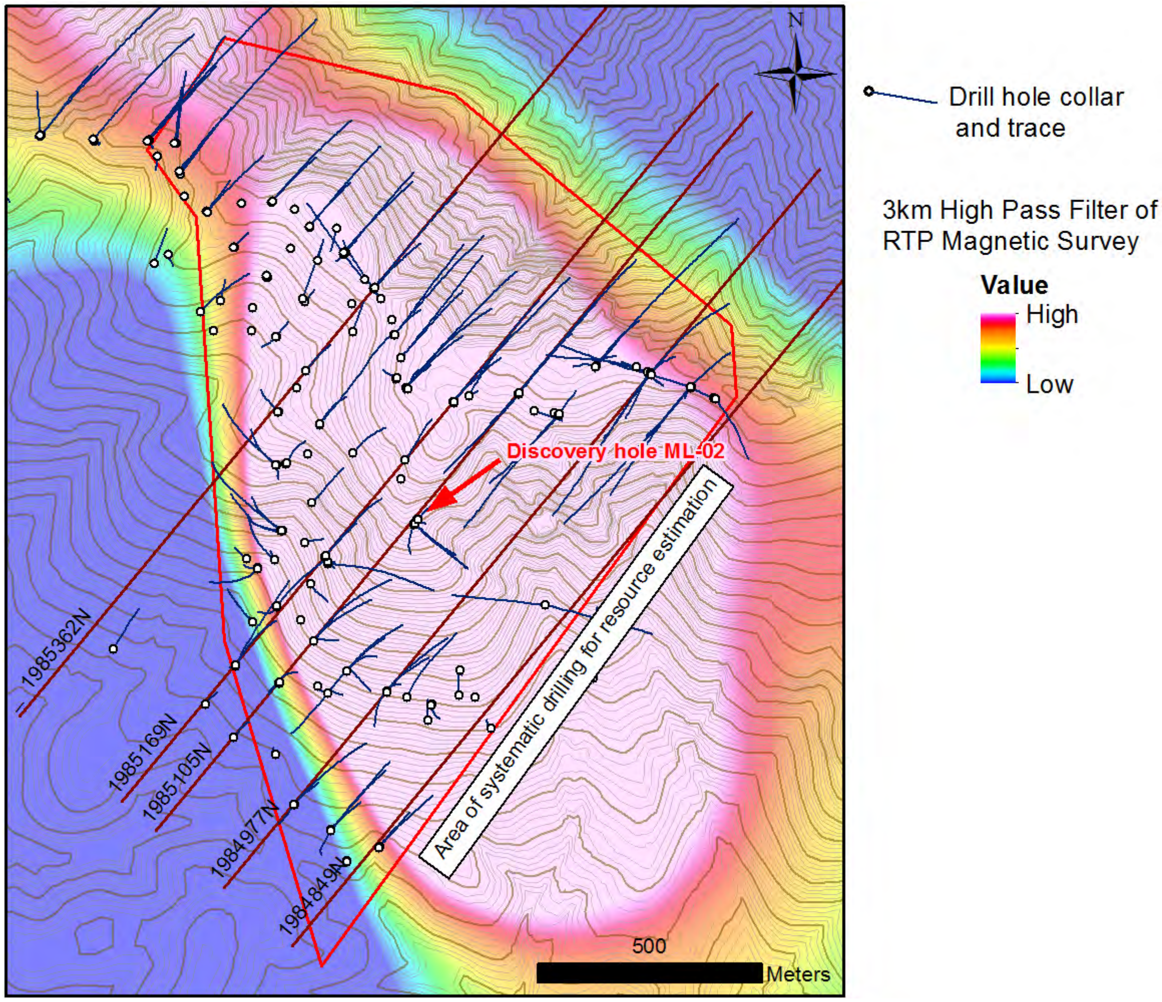



## 7.3 Media Luna Deposit

The Media Luna deposit is located on the south side of the Balsas River, 4.5 km from the village of Mazapa (see Figure 4-1). The area was prioritized for exploration in 2012 based on a detailed review of historical information, including geology, aeromagnetic data and surface and drill hole geochemistry.

Three initial diamond drill holes (ML-01, 02 and 08), completed in late March to early April, 2012, tested a large and strong airborne magnetic anomaly. The intercepts in ML-01, 02 and 08 were similar in that they contained massive magnetite with chalcopyrite, pyrite and pyrrhotite in garnet-pyroxene skarn with zones of retrograde phlogopite, amphibole, chlorite and epidote. The skarn alteration and mineralization was observed at the contact of Morelos Formation marble with granodiorite. Based on the correlation of magnetite and Au–Cu–Ag mineralization observed in the core, a systematic drill program was implemented, stepping-out from the ML-01, -02 and -08 collars using the magnetic anomaly outline as a guide (Figure 7-4).

**Figure 7-4: Media Luna Airborne Magnetic Anomaly Showing Area of Systematic Diamond Drilling (red polygon)**




As the drill program progressed with positive results, an area was defined, within which a roughly 100 m-spaced drilling grid was planned. The area was defined primarily on the basis of logistical and other access considerations (see Figure 7-4). Systematic drilling in the defined area has identified a copper–gold–silver-mineralized skarn with approximate dimensions of 1.4 km x 1.2 km and ranging from 4 m to greater than 70 m in thickness. This area is subject of the Inferred Mineral Resource estimate documented in Section 14 of this Report.

Skarn alteration and associated mineralization is open on the southeast, southwest, west and northwest margins of the area. The mineralized zone is exposed at the surface along the northeastern border of the area, although it has only been mapped in detail at one location due to extremely steep topography along this margin.

### 7.3.1 Geology

The surface geology of the Media Luna area is dominated by Morelos Formation limestone which is intruded by numerous feldspar porphyry dikes and sills (Figure 7-5). The contact between the Morelos Formation and the El Limon granodiorite stock is exposed in the northeastern sector of the area and Mezcala Formation sediments are present in the southern portion of the area.

Morelos Formation limestone is typically converted to grey to white marble along dike and sill contacts, often accompanied by clay and iron-oxide. The Mezcala Formation is locally converted to biotite–hornfels where cut by dikes and sills.

A concerted effort has been made to distinguish intrusive rock types and their timing based on surface and drill hole relationships. Intrusive rocks are described in Table 7-1 and their relative age relationships are shown in Figure 7-6. The relative age relationships and intrusion descriptions appear to apply to the entire district and not only the Media Luna area. Intrusive rocks from the Media Luna area have not yet been age-dated; however, a U–Pb date of 67 Ma is reported from the El Limon granodiorite in the area of the El Limon deposit, north of the Balsas River (Belanger, 2012).

Carbonate dissolution breccias and jasperoid breccias are common in drill core cutting marble and limestone above mineralized skarn at Media Luna. The breccias crop out along the Media Luna ridge and are exposed along drill roads (see Figure 7-5). They exhibit a variety of forms, oxidation states and clast types. Occasionally the breccias contain thin-bedded, clastic, geopetal layering and fragments of altered dikes.

The sedimentary rocks and their contact with the main granodiorite stock dip to the southwest at about 35º. Skarn alteration and mineralization formed at this contact have the same dip. The southwest-dipping surface is not uniform. There are at least two abrupt changes in skarn thickness, dip of the contact and elevation of the contact (Figure 7-7). These changes could be related to structural zones.

Only minor faulting is noted at surface. Feldspar porphyry dikes have northeast and northwest trends and steep dips, likely occupying prior faults or structural zones.

**Figure 7-5: Geology of the Media Luna Project (refer to Table 7-1 for intrusive rock descriptions)**

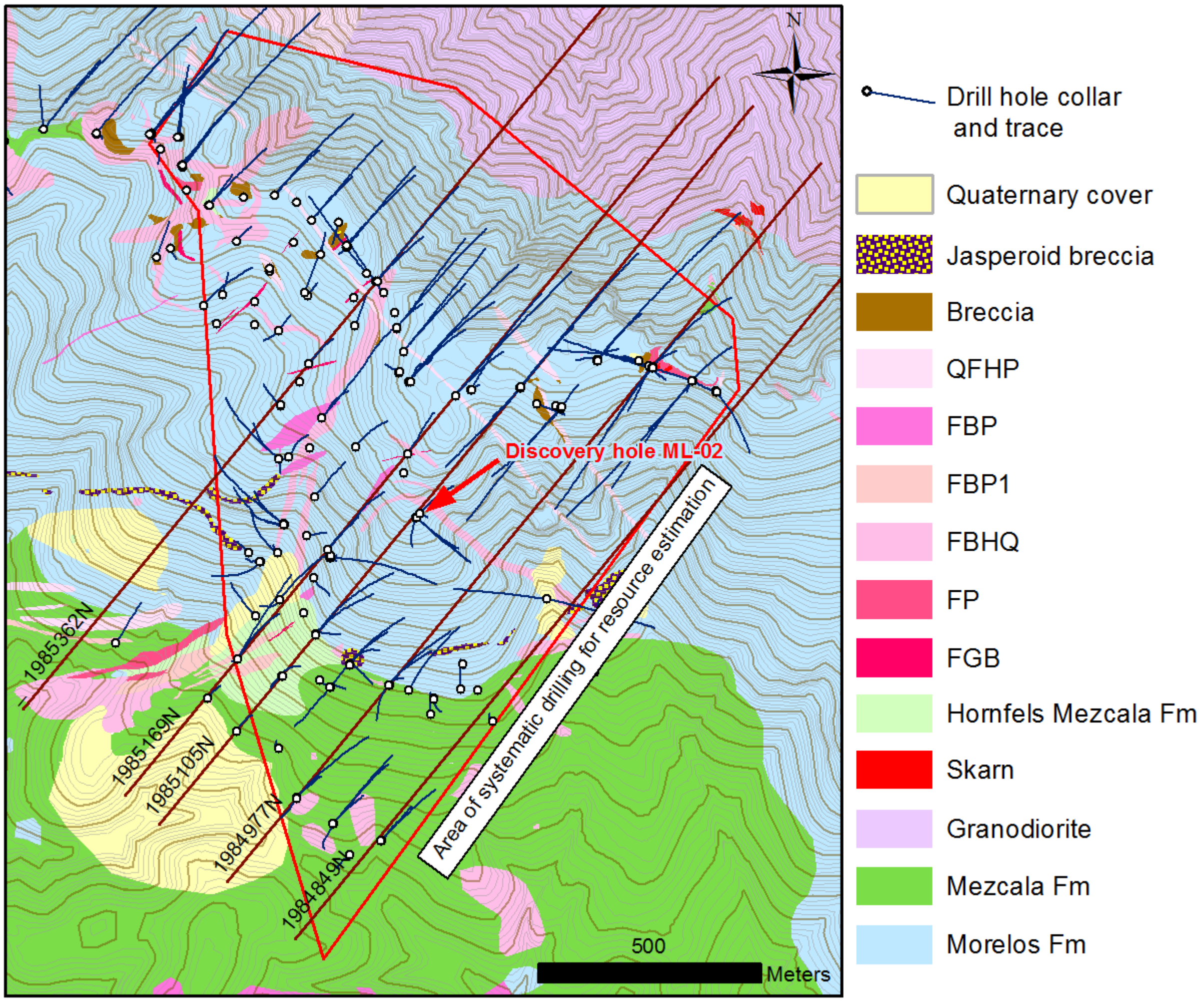


**Table 7-1: Description of Media Luna Intrusive Rocks (intrusive rocks listed from oldest to youngest as currently interpreted)**

| Intrusive Type | Code | Description |
|---|---|---|
| Granodiorite | GDI | Forms a 16 $km^2$ stock as the main intrusion in the center of the Morelos igneous complex (El Limon granodiorite) and appears to be one of the earliest phases; characterized by phaneritic texture and dominated by plagioclase; there appear to be multiple pulses of granodiorite emplacement |
| Fine-grained biotite-rich intrusion | FGB | Aphanitic texture with few phenocrysts; dominated by feldspar, biotite and hornblende; no quartz noted; appears to be a boarder phase of the granodiorite; it occurs as dikes and sills throughout the Media Luna area and may also be present at Limon–Guajes |
| Feldspar porphyry | FP | Porphyritic-aphanitic texture; is normally less crystal-rich than the other intrusive types; dominated by feldspar; appears to be a border phase of the granodiorite; it occurs as dikes and sills throughout the Media Luna area and is usually endoskarn-altered |
| Feldspar–biotite–hornblende–quartz porphyry | FBHQ | Porphyritic-aphanitic texture; crystal-rich and dominated by feldspar; the mineralogy is very similar to the granodiorite but the crowded porphyry texture is distinctive; it often has endoskarn alteration indicating it was emplaced before or during skarn formation |
| Feldspar–biotite porphyry | FBP (FBP1) | Porphyritic-aphanitic texture, is crystal-rich and dominated by plagioclase biotite and hornblende; occurs as dikes and sills, usually with a light brown color and occurs throughout the Media Luna area; FBP1 is a fine-grained version that appears to be a distinct phase but compositionally similar |
| Quartz–feldspar–hornblende porphyry | QFHP | Characterized by large poikilitic K-feldspar phenocrysts that constitute 2–3% of the rock by volume and by a small percentage of very large hornblende phenocrysts similar to those in feldspar–biotite–hornblende porphyry; unaltered QFHP dikes cut skarn at Media Luna, indicating it was emplaced after skarn formation |

**Figure 7-6: Interpreted chronology of intrusive rocks at Media Luna**

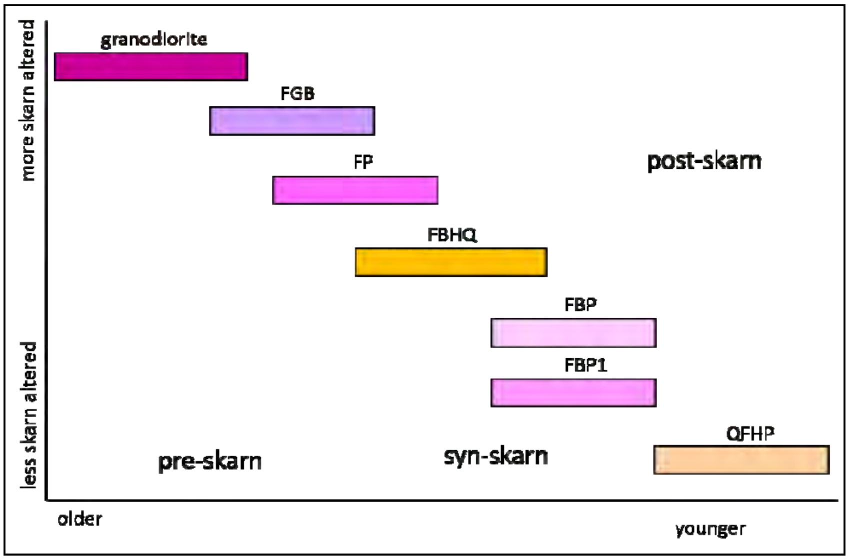
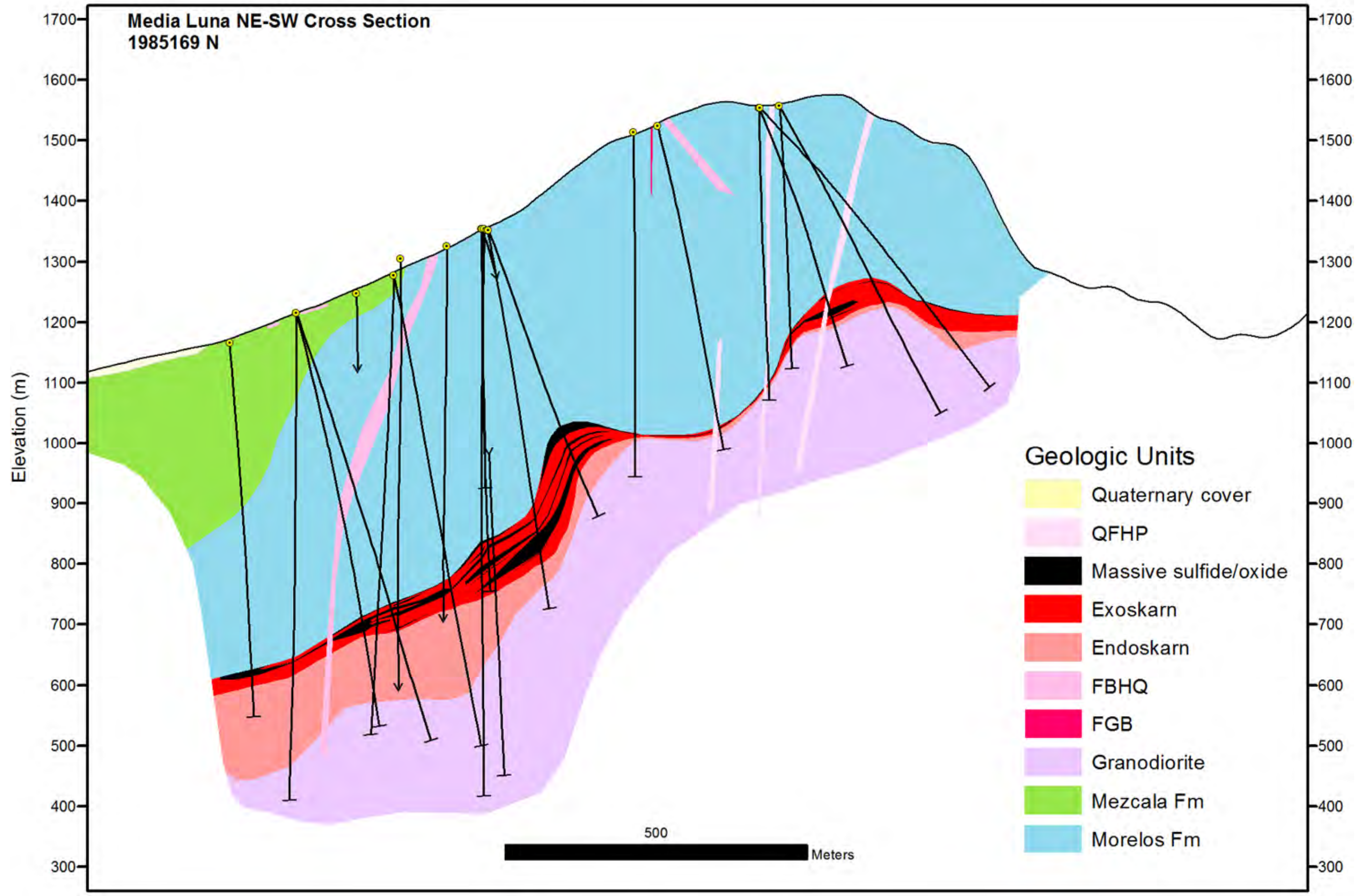


**Figure 7-7: Media Luna Cross-section 1985169 N, (looking NW; see Figure 7-5 for section location)**



### 7.3.2 Hydrothermal Alteration

Hydrothermal alteration at Media Luna is dominated by prograde and retrograde skarn formation. Prograde skarn alteration can also be described as exoskarn and endoskarn where it is developed in sedimentary wall rocks and intrusive rocks respectively. Pre- and post-skarn alteration is also documented but these are volumetrically less significant. A descriptive summary of the main alteration events at Media Luna is presented in Table 7-2. Figures 7-8 through 7-11 show geology and skarn alteration relationships in cross-section.

**Exoskarn**

Exoskarn and endoskarn at Media Luna are similar to that described by Chang (2007) for El Limon and Guajes (Figure 7-12) to the north. At Media Luna, exoskarn is best developed in marble (Morelos Formation) at the contact with the main granodiorite and along the edges of feldspar porphyry dikes near that contact (refer to Figure 7-7 to Figure 7-11). Exoskarn typically consists of massive coarse to fine-grained pyroxene and garnet. The contact between exoskarn and marble is typically sharp (Figure 7-13).

**Endoskarn**

Endoskarn is best developed at Media Luna in the main granodiorite and in feldspar porphyry dikes and sills near the granodiorite contact (refer to Figure 7-7 to Figure 7-11). Endoskarn alteration closest to the contact with exoskarn-altered rocks is typically massive garnet–pyroxene. Igneous texture is rarely preserved. Massive skarn quickly grades to garnet–pyroxene veins and veinlets with garnet cores and pyroxene halos in zones of tan to white intrusion with pervasive pyroxene ± wollastonite and altered plagioclase (Figure 7-14). Igneous textures are preserved in these zones. Endoskarn alteration farthest from the intrusive contact consists of veinlets of tan to white pyroxene/wollastonite. These veinlets occur individually or as dense anastomosing masses.

**Retrograde Alteration**

There is a clear association of gold, copper and other metals with phlogopite, amphibole, chlorite, calcite ± quartz ± epidote alteration of skarn (amphibole–calcite alteration) and other mafic minerals and sulphidation of skarn, mafic minerals and magnetite (Figure 7-15). This mineral assemblage can occur as pervasive replacement of skarn minerals sometimes preserving garnet grain outlines or as veinlets with black chlorite or amphibole halos cutting across massive skarn bands.

**Table 7-2: Summary of Hydrothermal Alteration Events at Media Luna**

| Stage | Description |
|---|---|
| Pre-skarn events | Includes biotite (potassic) alteration of granodiorite and early intrusions emplaced near granodiorite–marble contact; biotite–chalcopyrite veinlets and quartz–moly–cpy veins |
| Prograde skarn | Anhydrous skarn minerals dominated by pyroxene and garnet |
| Retrograde skarn | Early phlogopite associated with magnetite development, then amphibole, then chlorite–serpentine–calcite veins; most sulphides at this time |
| Post-skarn events | Quartz–adularia–carbonate veins and carbonate dissolution breccias; argillic alteration of dikes and sills around carbonate dissolution breccia |

**Figure 7-8: Media Luna Cross-section 1984849 N (looking NW; see Figure 7-5 for section location)**

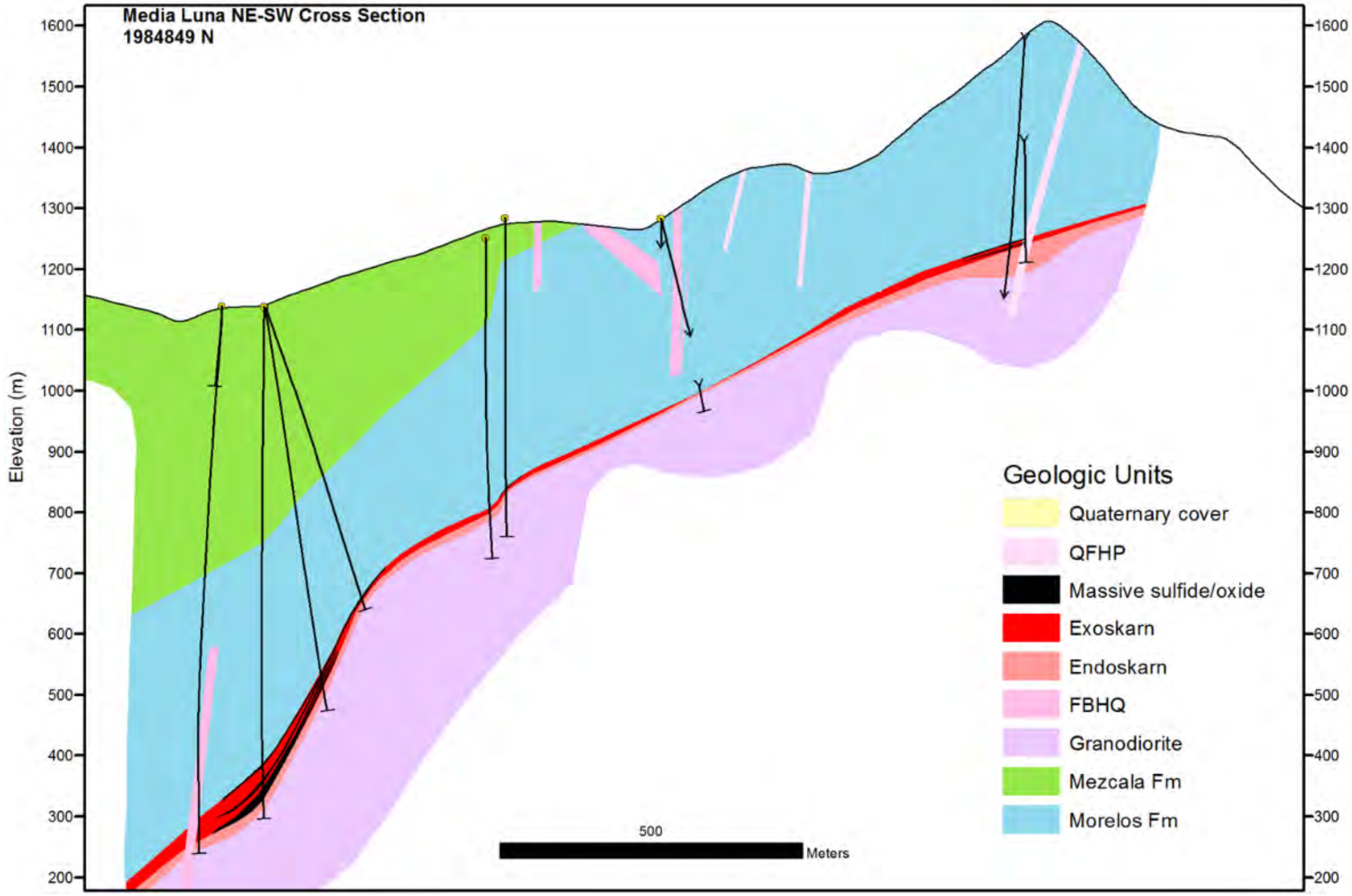


**Figure 7-9: Media Luna Cross-section1984977 N (looking NW; see Figure 7-5 for section location)**

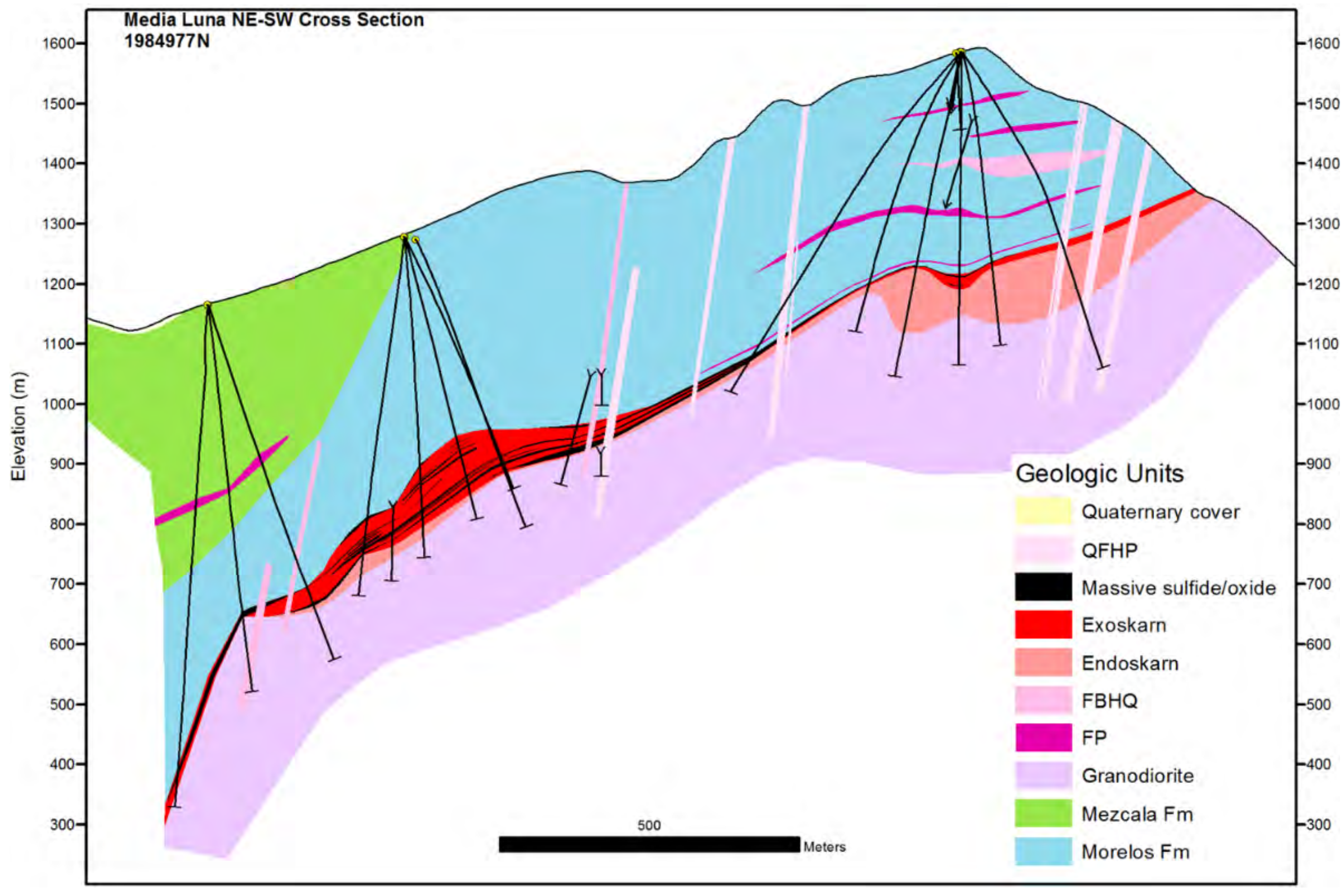


**Figure 7-10: Media Luna Cross-section 1985105N (looking NW; see Figure 7-5 for section location)**

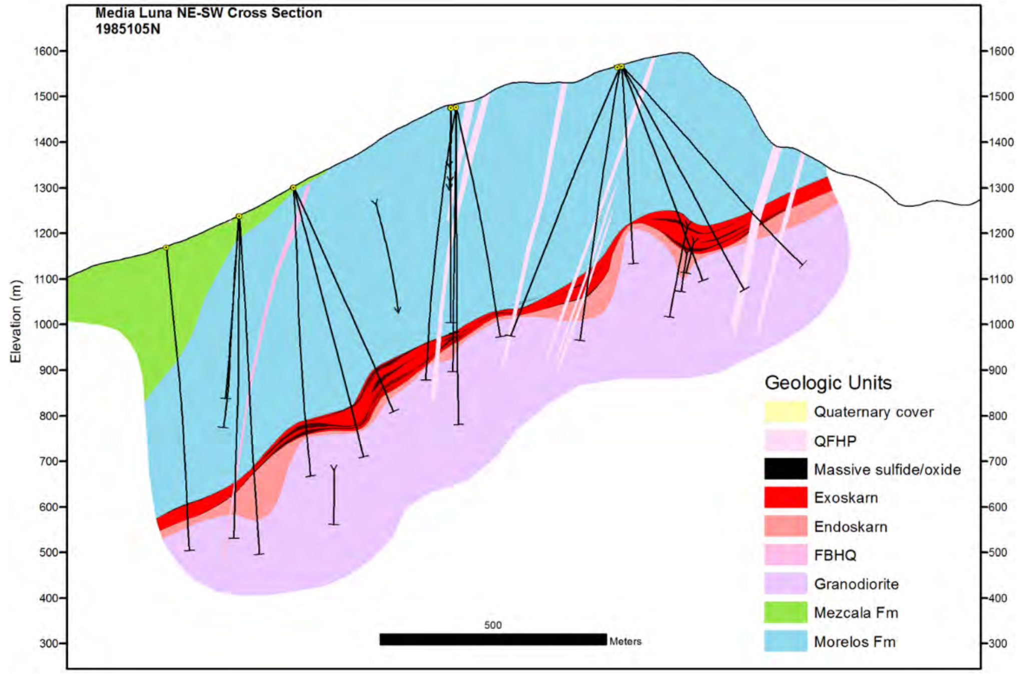


**Figure 7-11: Media Luna cross-section 1985362N (looking NW; see Figure 7-5 for section location)**

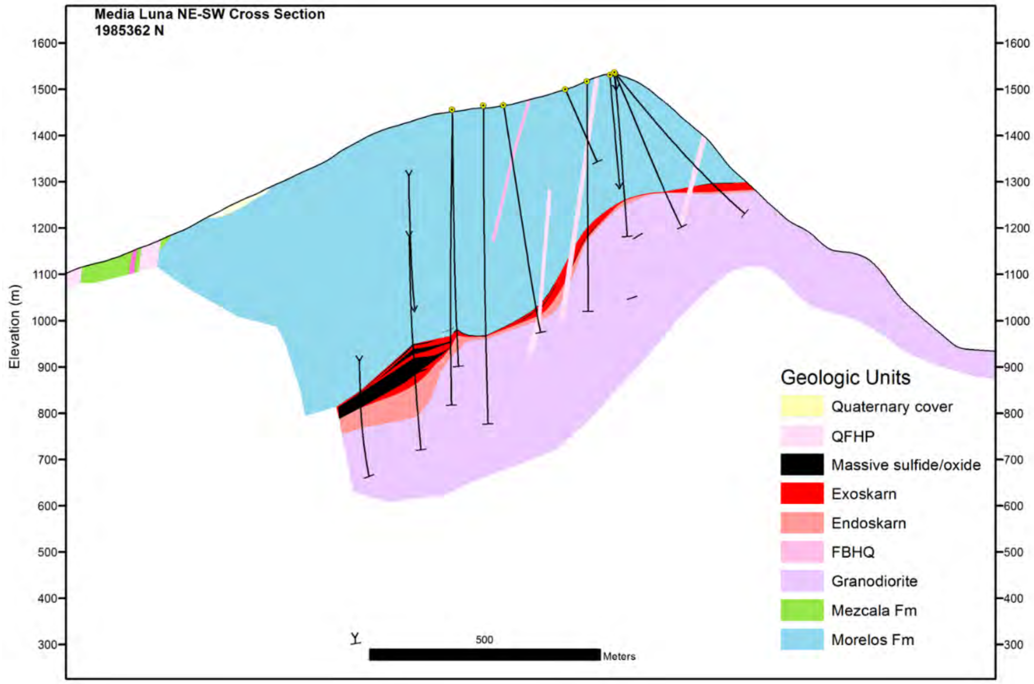


**Figure 7-12: Schematic Diagram of Typical Skarn Alteration (Chang, 2007)**

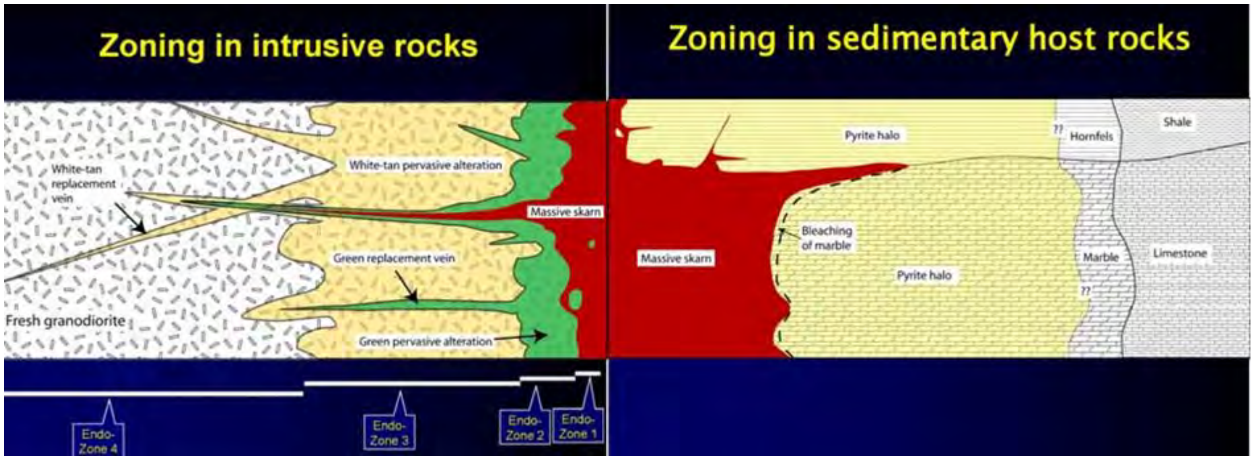
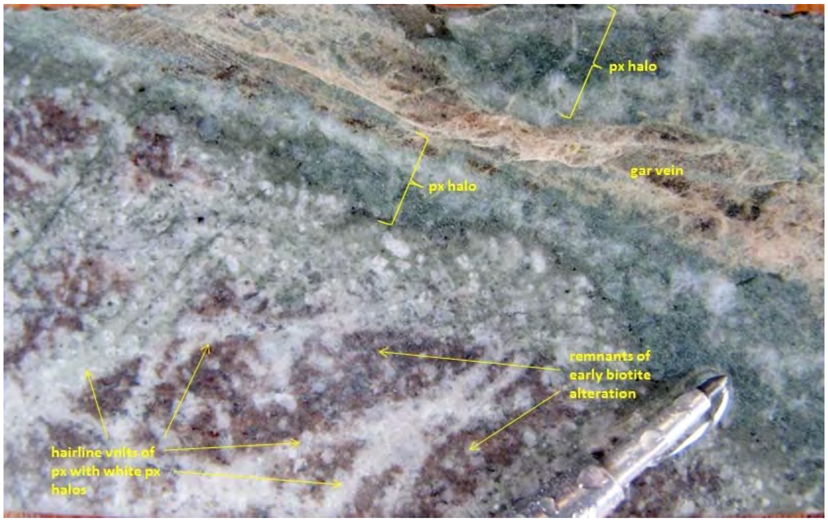



**Figure 7-13: Uncut Drill Core from Hole WZML-37 Showing Sharp Marble–Exoskarn Contact at 514.05 m**

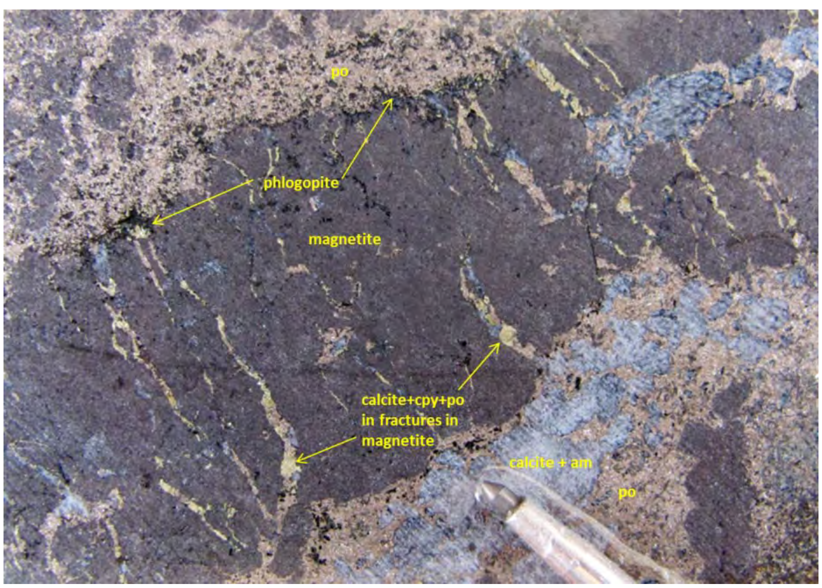

Note: Drill hole WZML-37 is situated at 422673.12 E,1984712.92 N and was completed at a depth of 891 m.

**Figure 7-14: Drill hole ML-01 at 343.35 m: Biotite-Altered Granodiorite Cut by Early Pyroxene Veinlets with White Pyroxene Halos, Then by Garnet Vein with Green Pyroxene Halo**




Note: scriber tip provided for scale. Drill hole ML-01 is situated at 423212.17 E, 1984572.47 N and was completed at a depth of 466.50 m.

**Figure 7-15: Drill Hole ML-01 at 401.15 m; Massive Magnetite Being Replaced By Chalcopyrite (cpy) and Pyrrhotite (po) accompanying Phlogopite–Amphibole (am)–Calcite Alteration of Skarn**




Note: scriber tip provided for scale. Drill hole ML-01 is situated at 423212.17 E, 1984572.47 N and was completed at a depth of 466.50 m.

Amphibole–calcite alteration and sulphidation of skarn and magnetite is lower temperature and is therefore retrograde compared to the prograde, higher-temperature skarn alteration.

**Potassic and Argillic Alteration**

In addition to skarn alteration, intrusions show evidence of potassic and argillic alteration. Potassic alteration consists of fine biotite replacing mafic minerals in ground mass and/or recrystallization of igneous biotite. Also present at Media Luna is development of potassium feldspar in groundmass and replacing other feldspars.

Argillic alteration occurs locally within porphyry dikes and sills and the main granodiorite and is characterized by alteration of feldspars and mafic minerals to clays and fine micas. In addition, late quartz–carbonate–adularia veins and veinlets are occasionally observed in association with fine silica and pyrite.

### 7.3.3 Mineralization

Gold–copper–silver mineralization at Media Luna is associated with skarn alteration (pyroxene–garnet–magnetite) and later sulphides, which developed at the contact of granodiorite with marble. There is a clear association of gold, copper and silver with retrograde amphibole, phlogopite, chlorite, calcite ± quartz ± epidote alteration of exoskarn. This mineral assemblage can occur as pervasive replacement of skarn minerals, sometimes preserving garnet and pyroxene outlines, or as veinlets with black chlorite or amphibole halos cutting across massive skarn bands. Sulphidation of skarn assemblages is closely related to retrograde alteration and is extensively developed at Media Luna. Mineralization is primarily associated with sulphidized exoskarn and with zones of massive magnetite-sulphide (Figure 7-16). Mineralization does occur within endoskarn but is much less significant.

The age and paragenesis of mineralization at Media Luna is under study and no further details are available at present.

**Massive Magnetite–Sulphide**

Drilling at Media Luna has intersected massive magnetite and massive magnetite-sulphide bands hosted by both marble without appreciable skarn and by pervasive pyroxene-garnet exoskarn (refer to Figure 7-7 to Figure 7-11 and Figure 7-16). Massive magnetite bands in marble without skarn exhibit sharp contacts (Figure 7-17).

**Figure 7-16: 3D View of the Media Luna Deposit Showing Zones of Skarn Alteration and Massive Magnetite–Sulphide Mineralization (view is approximately south to north and area shown corresponds to red polygon in Figure 7-5)**

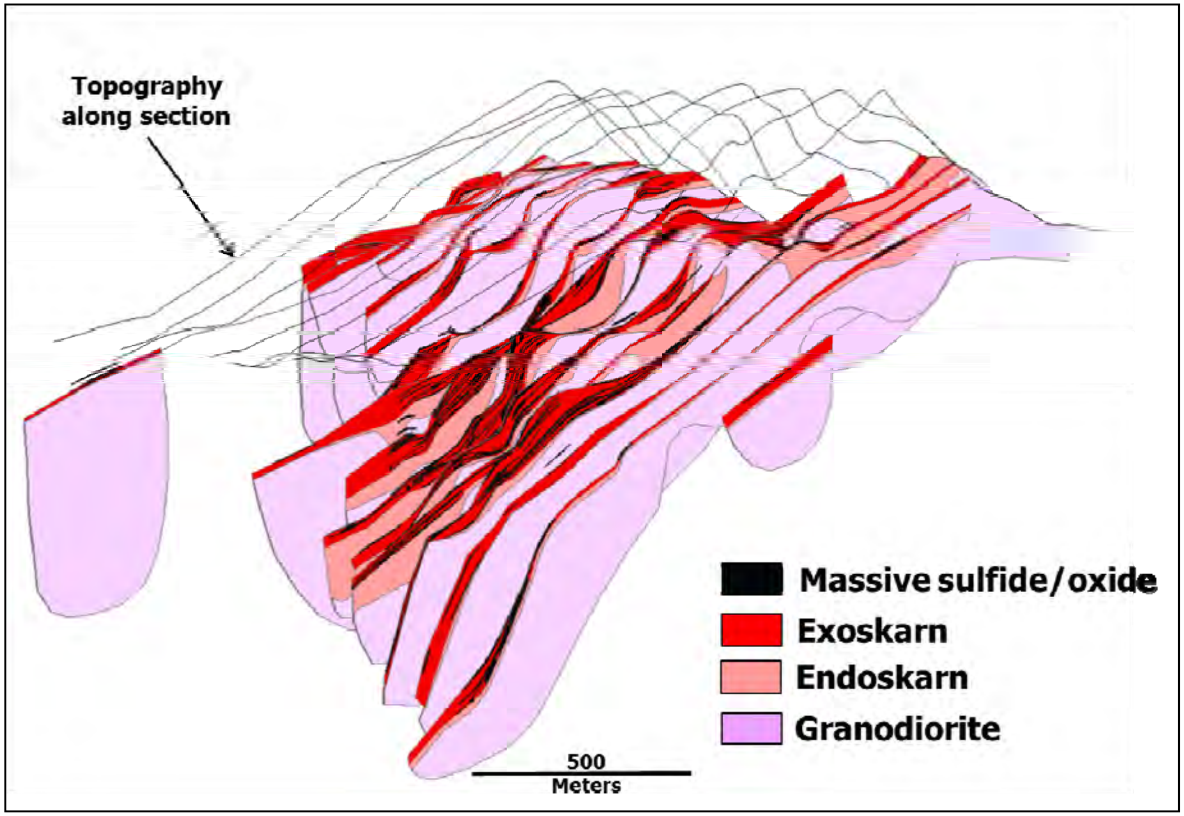
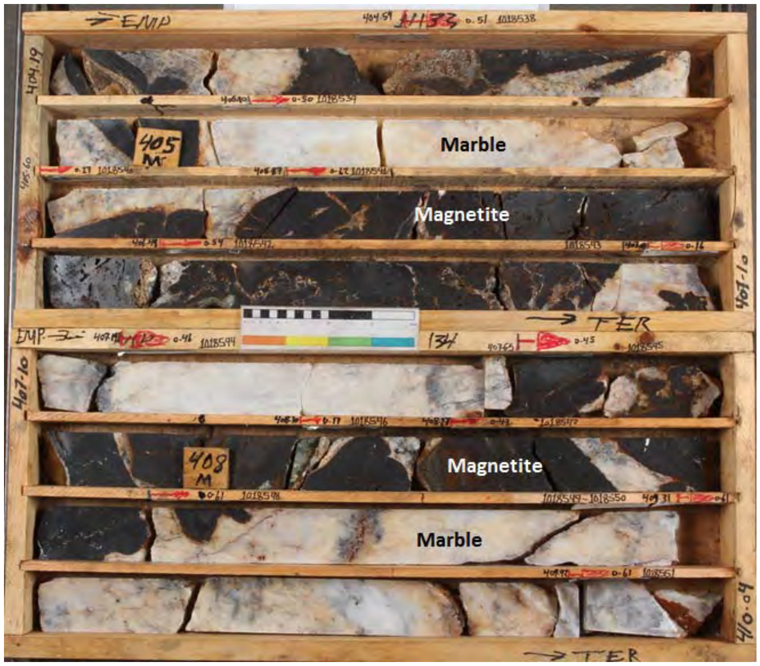


**Figure 7-17: Example of Massive Magnetite Bands in White Marble from Drill Hole ML-11A (404.19 m to 410.04 m)**




Note: Drill hole ML-11A is situated at 422880.15 E,1985083.45 N and was completed at a depth of 744 m.

Magnetite in massive bands is black to steel grey, equigranular and 2–4 mm in diameter. Some massive magnetite intersections include interstitial pyrite, pyrrhotite, chalcopyrite, arsenopyrite and/or bright green phlogopite. Increasing sulphide content (especially chalcopyrite) and amphibole–calcite appear to correlate with increasing gold content.

Some massive magnetite bands in marble occur with pyroxene–garnet skarn minerals. These bands are mineralized with gold and copper when iron sulphides, arsenopyrite, chalcopyrite and retrograde alteration minerals are present.

It is clear that part of the retrograde alteration process includes sulphidation of magnetite. There are very clear examples of magnetite being replaced by pyrrhotite and pyrrhotite in turn being replaced by arsenopyrite and chalcopyrite.

### Exoskarn

Exoskarn frequently hosts disseminated sulphide minerals, veinlets with sulphides, bands of massive or nearly massive sulphide and magnetite. Sulphides also occur interstitial to pyroxene and garnet grains. Sulphide minerals are present only with the retrograde alteration mineral assemblage described in Section 7.3.2. In general it appears that sulphides in exoskarn are replacing pyroxene and phlogopite/chlorite-replaced garnets, magnetite or other iron-rich minerals. Most sulphides of this style are fine grained.

Gold typically occurs with elevated levels of Bi and Te. Polished sections from some high-grade gold intervals show an association of gold with native bismuth and bismuth–telluride minerals (Figure 7-18). The relationship between trace elements, sulphide minerals and gold and copper concentration is currently being investigated.

### Endoskarn and Other Mineralization Styles

Significant mineralization in endoskarn is not common at Media Luna. However, the boundary between exoskarn and endoskarn is difficult to determine in many drill holes. When present, mineralization is hosted by retrograde-altered endoskarn with fine, disseminated grains of pyrrhotite, pyrite, chalcopyrite and/or arsenopyrite, aggregates of fine grains of the same sulphide minerals or with the same sulphides in hairline veinlets.

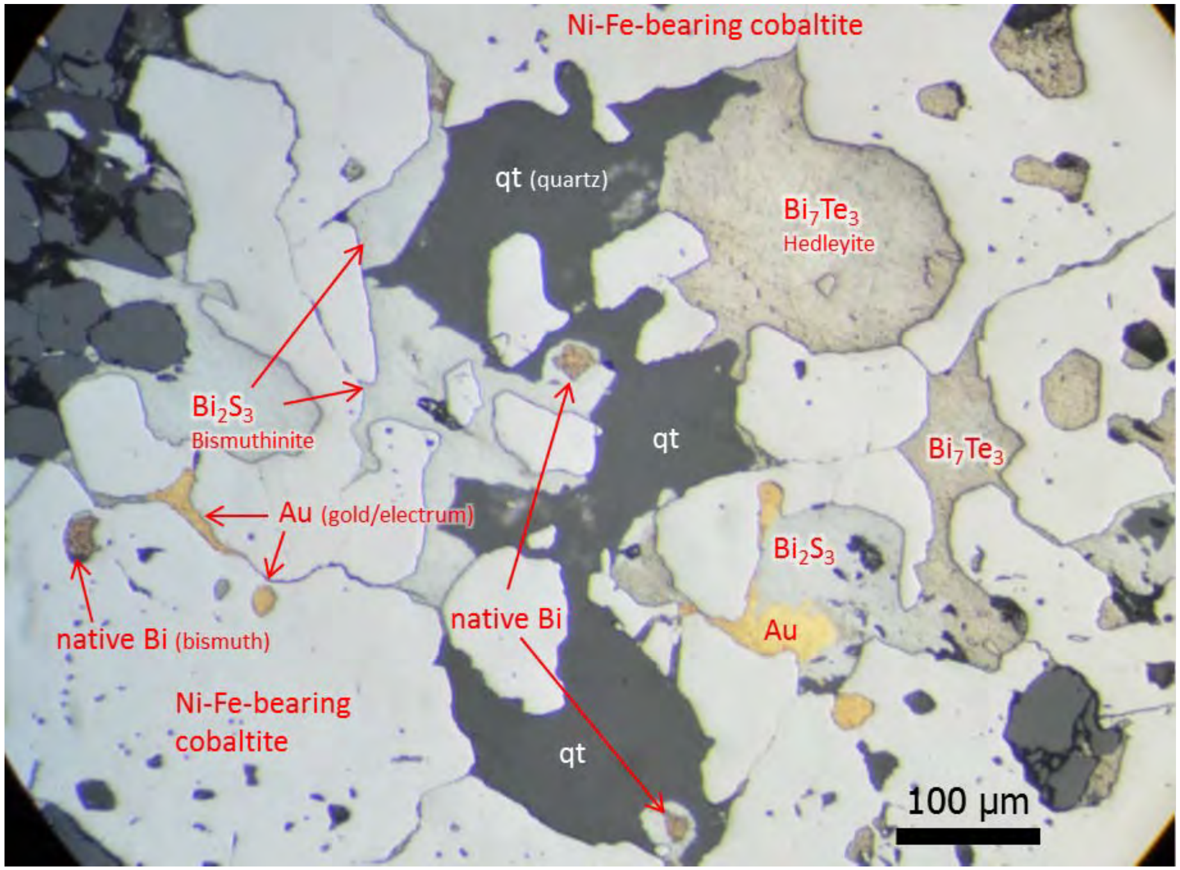
As noted in Section 7.3.2, argillic alteration frequently includes fine quartz and pyrite. The alteration is sometimes anomalous in gold and often strongly anomalous in arsenic, but arsenopyrite is rarely observed. It is possible that argillic alteration and associated sulphidation are a late and cooler stage of the gold and copper mineralizing event.

Also present, primarily in the main granodiorite, are quartz–K feldspar–molybdenite veinlets that may be the earliest mineralizing event. These veinlets and their halos are cut by pyroxene veinlets and therefore constitute pre-skarn mineralization.

## 7.4 Other Target Areas

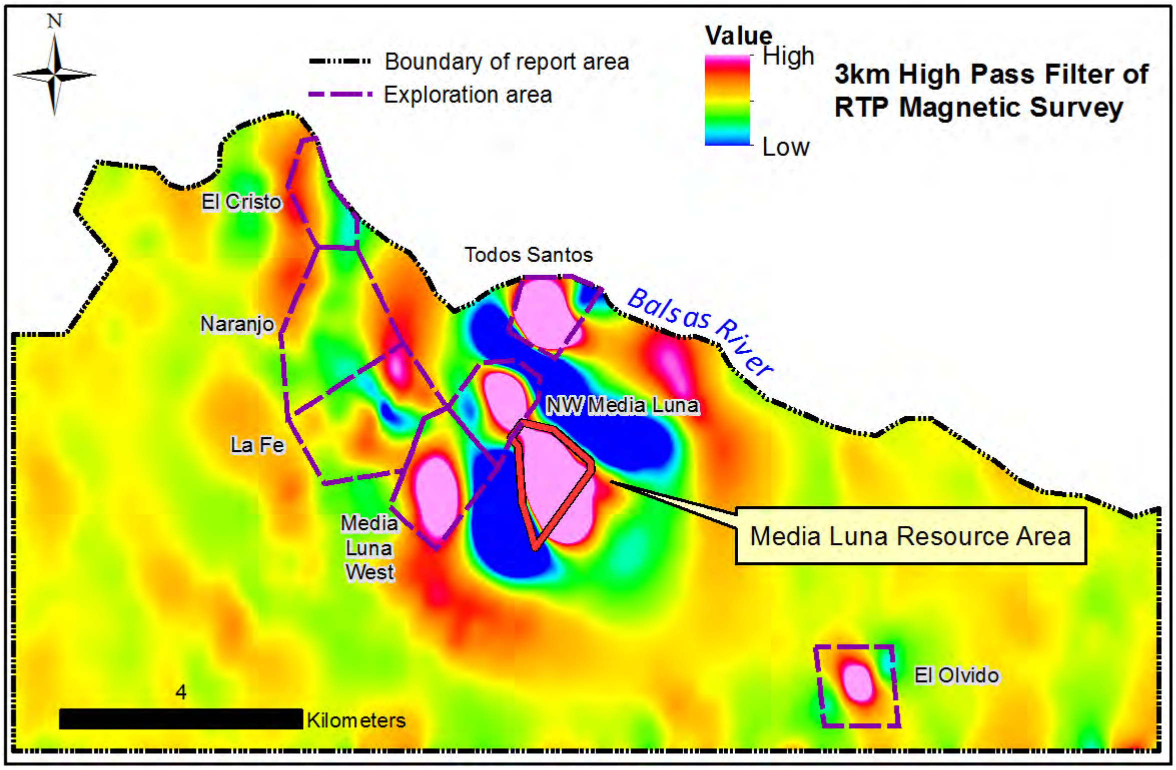
Exploration targets south of the Balsas River are prioritized based on a combination of geological, geophysical and logistical/access considerations. Following the discovery of mineralization associated with a magnetic anomaly at Media Luna, airborne magnetics has been a key tool for area prioritization (Figure 7-19). Core drilling was conducted during 2012–2013 at Media Luna West, NW Media Luna, La Fe, Naranjo and El Cristo target areas.

**Figure 7-18: Drill Hole WZML-7 at 507 m; Reflected Light Photomicrograph of Polished Section of Mineralized Exoskarn from Zone of High Gold Grade**




Note: Drill hole WZML-7 is situated at 422567.76 E, 1984654.95 N and was completed at a depth of 702 m.

**Figure 7-19: Priority Exploration Areas South of Balsa River**




### 7.4.1 Media Luna West

Media Luna West is a skarn-hosted gold–copper–silver discovery located 1.4 km west of Media Luna. The target is based on a magnetic anomaly that is approximately 1.2 km long and 700 m wide. The magnetic anomaly is evident but weak in standard reduced-to-pole (RTP) processing but is highlighted by application of a 3 km high-pass filter (Figure 7-20). The surface geology is mapped as Morelos and Mezcala Formations. Surface geochemistry is weak, with only minor gold anomalism reported.

Initial drill tests at Media Luna West discovered Au (Cu–Ag) mineralization associated with disseminated to massive magnetite–pyrrhotite at the contact of Morelos Formation marble with granodiorite (Figure 7-21). Skarn alteration is associated with massive magnetite–pyrrhotite mineralization. The skarn only rarely contains garnet. Talc and olivine are associated with massive magnetite zones.

**Figure 7-20: Media Luna West Magnetic Anomaly and Drill Collar Locations**

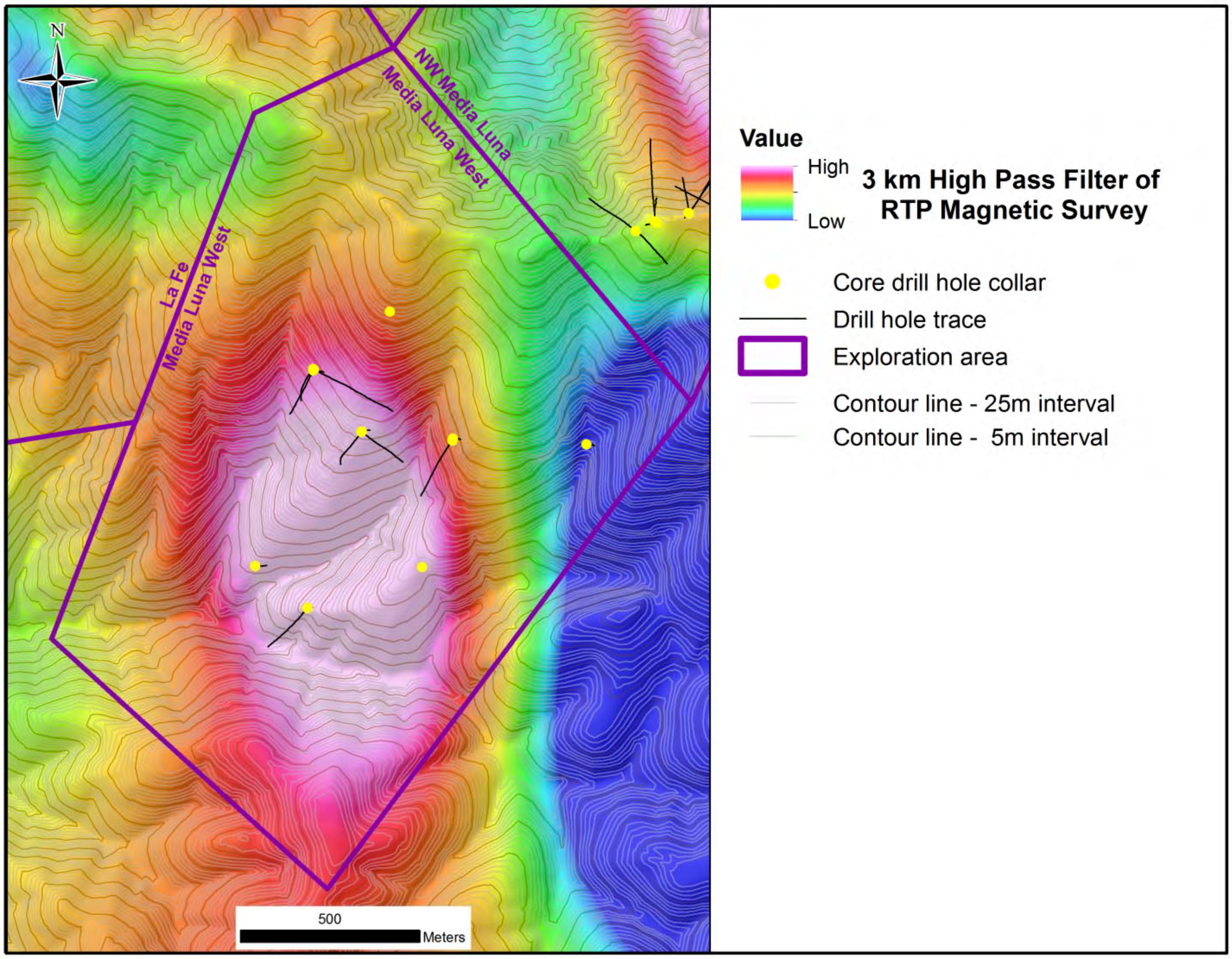
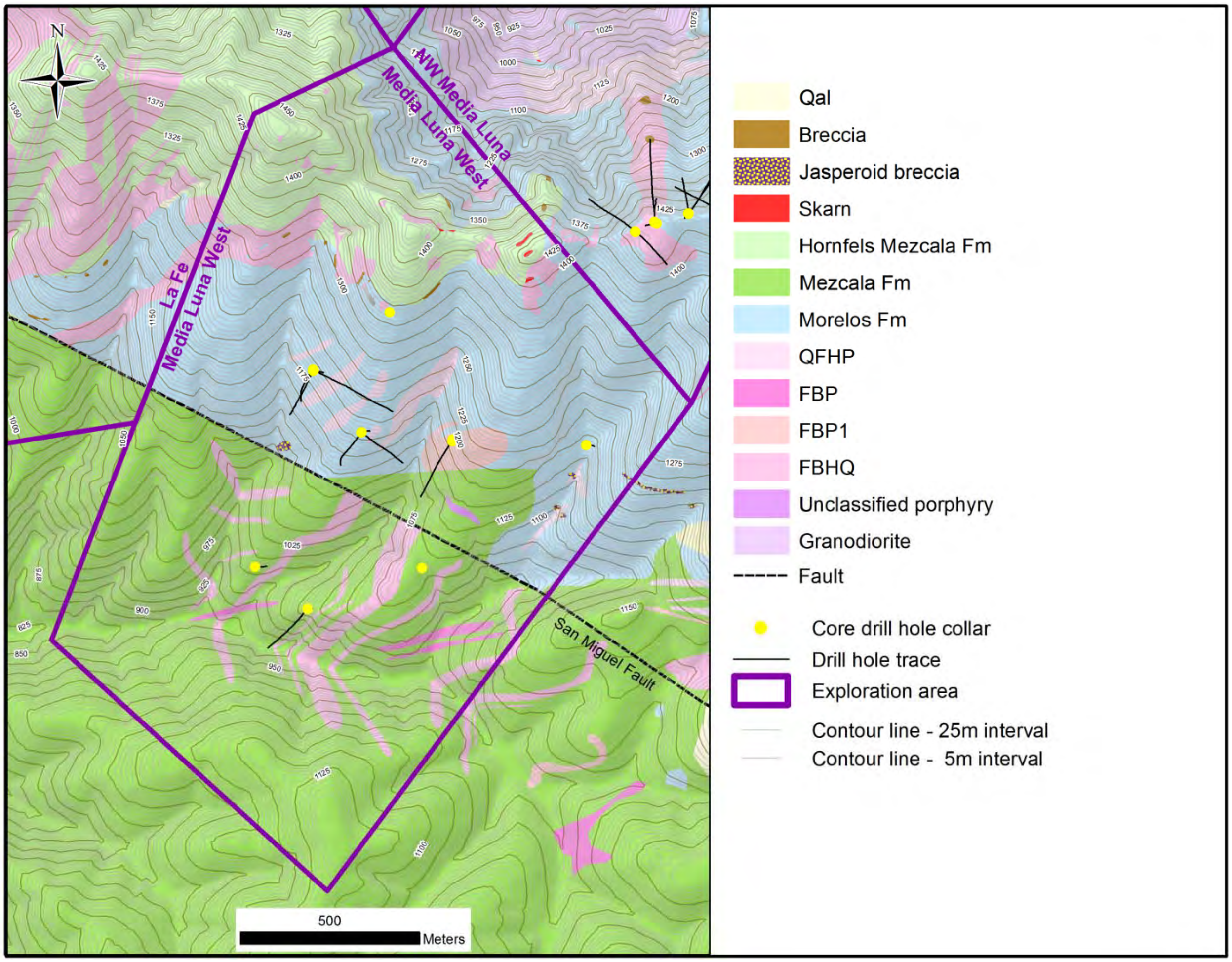


**Figure 7-21: Media Luna West Geology and Drill Collar Locations**




### 7.4.2 NW Media Luna

NW Media Luna is an extension of the geology, magnetic anomalism and mineralization that characterizes the main Media Luna area. Drilling in the NW Media Luna area has been limited by logistical issues related to topography. However, thick skarn alteration and Au–Cu–Ag mineralization similar in character to the Media Luna deposit has been intersected within an area of approximately 600 m x 600 m in dimension (Figure 7-22). Core drilling has been conducted at a regular spacing of about 200 m in this area. The remaining portion of the magnetic anomaly, approximately 700 m x 900 m in dimension, remains untested (Figure 7-23).

**Figure 7-22: NW Media Luna Geology and Drill Collar Locations**

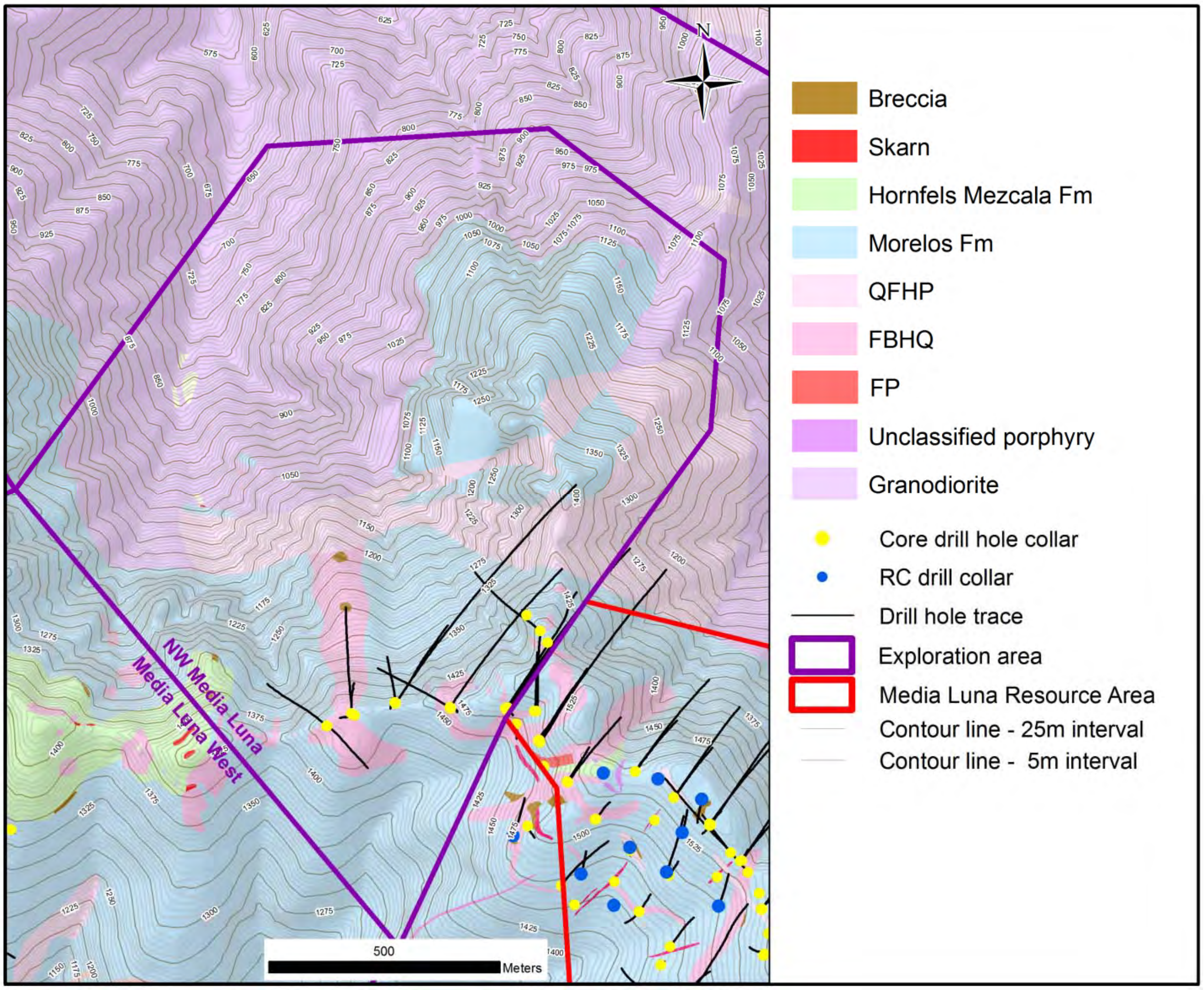
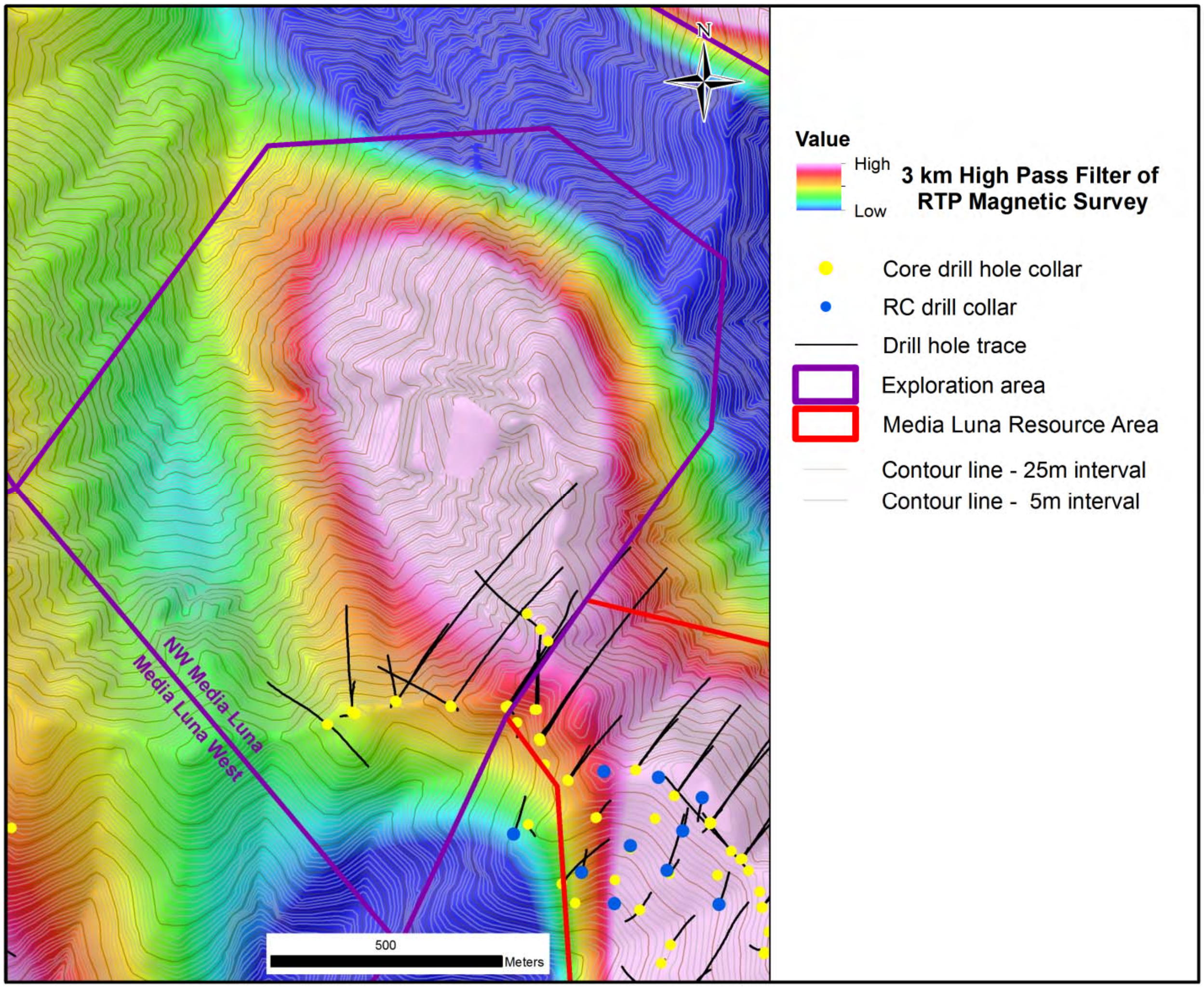


**Figure 7-23: NW Media Luna Magnetic Anomaly and Drill Collar Locations**




### 7.4.3 Todos Santos

The Todos Santos target covers approximately 107 ha and is characterized by an intense magnetic anomaly associated with outcropping skarn at its south end, south of the Balsas River (refer to Figure 7-19). Skarn is exposed in a roughly “V”-shaped pattern with a core of Morelos Formation marble and edges defined by contact with granodiorite. The skarn is generally pyroxene–garnet in composition. Four historical adits explore the skarn along the east side. Remnant dumps at the artisanal workings contain magnetite–pyrrhotite–pyrite–chalcopyrite–arsenopyrite mineralization with anomalous copper and gold associated with retrograde alteration of the skarn. Based on structural measurements and structure contours, the skarn dips gently to the northwest. No follow-up work has been done to date at Todos Santos.

### 7.4.4 Naranjo

The Naranjo target encompasses a large area of hornfelsed Mezcala Formation in contact with the El Limon granodiorite stock (see Figure 7-2). Significant exploration was conducted prior at Naranjo prior to acquisition of the area by Torex. Additional surface exploration and drilling was undertaken by Torex during 2010–2012.

In the northern portion of Naranjo, 28 drill holes test the contact of Morelos and Mezcala Formations with the main granodiorite intrusion. Most holes did not intersect gold-bearing skarn at that contact. Anomalous gold does occur within northeasterly-striking and steeply west-dipping structurally-controlled breccias exposed in trenches and road cuts. A drill program was planned and initiated in December 2011 to test the breccia in several places along a 350 m strike and to test the depth extent of the gold-bearing breccia. Thirteen drill holes were completed. Four of the drill holes intersected gold in the breccias; however, the mineralization has limited strike length and is sporadic, narrow in width and low grade.

The southern portion of Naranjo contains areas of untested gold anomalies in soil and rock geochemistry. In this area a complex package of hornfelsed Mezcala Formation is exposed and is cut by numerous felsic sills and dikes and by quartz veins.

A data review and re-assessment of the Naranjo area is being undertaken.

### 7.4.5 La Fe

The La Fe target comprises a complex package of hornfelsed Mezcala Formation near the contact with the El Limon granodiorite stock (see Figure 7-2). The Mezcala Formation is cut by numerous sills and dikes of variable composition. The contact zone between granodiorite and the sedimentary rocks is poorly understood. There are historic workings with gold mineralization in steeply-dipping structural zones adjacent to argillically-altered dikes and sills. There is a moderate magnetic anomaly in the northeastern portion of the target (see Figure 7-19). Four wide-spaced reconnaissance drill holes have been completed in the area by Torex. The drilling intersected local skarn alteration with zones of pyrrhotite and chalcopyrite but with low gold values.

### 7.4.6 El Cristo

El Cristo target area is located on the south side of the Balsas River to the north of Naranjo (see Figure 7-2). Skarn is present in outcrop along with a complex series of intrusive sills, dikes and vein breccias. Several prospects are known in the area.

Historical rock and soil geochemical sampling identified a significant gold anomaly in a portion of the area. Torex completed six drill holes in 2012; however, logistical issues prevented testing of the main geochemical anomaly. Results of completed drilling indicate only weak alteration and minor geochemical anomalism.

A data review and re-assessment of the El Cristo area is being undertaken.

### 7.4.7 El Olvido

El Olvido target is defined by the presence of an intense magnetic high in an area mapped as Morelos Formation limestone near the southern property boundary (see Figure 7-19). The area is formerly known as Lagunitas. Historical sampling detected moderately anomalous As and Sb but no gold. No work has been carried out on the target by Torex.

## 7.5 Comments on Section 7

In the opinion of the QPs, knowledge of the deposit setting, lithologies and structural and alteration controls on mineralization in the Media Luna deposit is sufficient to support Mineral Resource estimation.

The remaining prospects are at an earlier stage of exploration and the lithologies, structural and alteration controls on mineralization are currently insufficiently understood to support estimation of Mineral Resources. The prospects retain exploration potential and represent upside potential for the Project.

# 8.0 DEPOSIT TYPES

Mineralization identified within the Project to date is typical of intrusion-related gold and gold–copper skarn deposits. Such skarn-hosted deposits typically form in orogenic belts at convergent plate margins and are related to intrusions associated with the development of oceanic island arcs or back arcs (Ray, 1998; Meinart, 1992; Meinart et al, 2003).

Skarns develop in sedimentary carbonate rocks, calcareous clastic rocks, volcaniclastic rocks or (rarely) volcanic flows in close spatial association with high to intermediate-level stocks, sills and dykes of gabbro, diorite, quartz diorite, or granodiorite composition.

Skarns are classified according to the rock type in which they develop. Endoskarn is skarn developed in intrusions and exoskarn is skarn hosted by sedimentary, volcanic and metamorphic rocks. Metal deposits hosted by skarns are classified into various types based on metal content (Einaudi and Burt, 1982; Meinart, 1992).

Skarn-hosted base and precious metal mineralization frequently displays strong stratigraphic and structural controls. Deposits can form in exoskarn along sill–dike intersections, sill–fault contacts, bedding–fault intersections, fold axes and permeable faults or tension zones. Deposits range from irregular lenses and veins to tabular or stratiform bodies with lengths ranging up to many hundreds of meters. Mineral and metal zoning is common in the skarn envelope. When present, gold often occurs as micrometer-sized inclusions in sulphides or at sulphide grain boundaries.

## 8.1 Comments on Section 8

The deposits and occurrences in the Project area are considered to be examples of Au- and Au–Cu-type skarns. Most are hosted in exoskarn. Gold and copper concentrations are found primarily within exoskarn developed in Morelos Formation marble along the contact with El Limon granodiorite. Zones of coarse, massive, garnet-dominant skarn appear within and along the stock margin, with fine-grained pyroxene-dominant skarn zoned away from the contact with the stock. Common sulphides include pyrrhotite, pyrite, chalcopyrite, arsenopyrite and minor sphalerite, molybdenite, galena and bismuth minerals.

In the QPs' opinion, a skarn deposit type is an appropriate model for exploration within the Project area and for support of the geological model for Mineral Resource estimation.

# 9.0 EXPLORATION

Prior to the acquisition of the Project by Torex, Teck Corp. completed extensive exploration activities on the project that included regional and detailed mapping, rock, silt and soil sampling, trenching, reverse-circulation and diamond drilling, ground IP geophysical surveys and processing of a previously acquired aeromagnetic survey. This work is referred to as legacy data and is discussed in Section 6 of this Report.

In addition, historic small-scale mining activity had been undertaken by artisanal miners and local Mexican companies in some areas of the project.

Since commencing work in March 2010, Torex has carried out a variety of exploration activities at the Project including geologic mapping, rock (chip and channel) sampling and diamond drilling, as well as review of historic project data.

## 9.1 Grids and Surveys

The coordinate system used for all data collection and surveying is the Universal Transverse Mercator (UTM) system NAD 27 Zone 14N.

The topographical surface used to support the Mineral Resource estimate was generated from 5 m contour data gathered in 2007.

## 9.2 Geological Mapping

Detailed mapping at a scale of 1:5,000 has been completed by Torex personnel at the Naranjo and Media Luna targets. Additional detailed mapping was completed by Torex consultants at Media Luna, Media Luna West and Todos Santos targets. This mapping has been incorporated into the district map initially prepared by Teck Corp.

## 9.3 Geochemical Sampling

Torex carried out road-cut channel sampling programs at Media Luna and El Cristo in 2011, to help define possible drill targets. Channel samples were collected along existing roads after cleaning with a bulldozer. A total of 1,020 samples were collected for assay and represent a total length of 1,651 m. No additional significant surface sampling has been conducted since 2011.

## 9.4 Geophysics

Data from the 200 m line-spaced aeromagnetic survey acquired by Teck in the early 2000's was reprocessed by Teck consultants to create a 3D magnetic susceptibility model for the project area. This model was recently re-evaluated to help locate drill targets in the Media Luna and Media Luna West areas.

No geophysical data was acquired by Torex since acquisition of the property until the current year.

During mid-2013 Geotech Ltd. carried out a helicopter-borne geophysical survey for Torex covering the entire Morelos concession. The survey consisted of helicopter-borne AFMAG Z-axis Tipper electromagnetic (ZTEM) system and aero magnetics sensor using a caesium magnetometer. A total of 1,620 line kilometres of geophysical data were acquired during the survey.

The survey was flown in an east to west (N 90° E azimuth) direction, with a flight line spacing of 200 m. Tie lines were flown perpendicular to the traverse lines at a line spacing of 2000 m. The helicopter was maintained at a mean altitude of 249 m above the ground with a nominal survey speed of 80 km/hour for the survey block. This allowed for a nominal EM bird terrain clearance of 179 m and a magnetic sensor clearance of 194 m.

Results of the ZTEM and magnetic data collected by Geotech are currently being processed and interpreted. Preliminary results from the magnetics confirm previous magnetic anomalies and suggest possible additional anomalous areas.

## 9.5 Pits and Trenches

No trenching has been undertaken at Media Luna or surrounding target areas.

## 9.6 Petrology, Mineralogy and Research Studies

Igneous petrology and mineralogical and age-dating studies of hydrothermal alteration and mineralization at Media Luna are underway.

## 9.7 Geotechnical and Hydrological Studies

No geotechnical or hydrogeological studies have been performed at Media Luna or elsewhere in the Project area.

## 9.8 Metallurgical Studies

Metallurgical test work is at an initial stage, as discussed in Section 13 and no detailed metallurgical studies have been performed.

## 9.9 Exploration Potential

Drilling completed to date at Media Luna indicates that gold-copper-silver mineralization remains open on the southeastern, southwestern, western and northwestern margins of the area (see Figures 7-4 and 7-16). To the southeast, a significant portion of the magnetic anomaly remains to be drill-tested pending access agreements. Along the southwestern and western margins, drilling has intersected gold–copper–silver mineralization beyond the boundary of the magnetic anomaly. The northwestern margin of the area is contiguous with the NW Media Luna area, where mineralization has been intersected in wider-spaced drill holes.

Other exploration targets in project area are described in Section 7-4 and are shown on Figure 7-19. Media Luna West and NW Media Luna are the most advanced areas at present; with both exhibiting several significant drill intersections of gold–copper–silver (see Sections 7.4.1 and 7.4.2) mineralization. Large areas of magnetic anomalism remain to be tested in these areas. The Todos Santos target is an untested magnetic anomaly considered to be analogous to the Media Luna and Media Luna West areas. Additional targets in the project area remain prospective for skarn-hosted gold and gold–copper–silver deposits.

A revision and re-prioritization of targets in the Project area is underway, utilizing new geological and geochemical information from drilling and the new geophysical data.

## 9.10 Comments on Section 9

In the QP’s opinion, the exploration programs completed to date are appropriate to the style of the deposits and prospects within the Project. Additional exploration has a likelihood of generating further exploration successes particularly down-dip of known zones and along strike from the known deposit. There are a significant number of prospects and occurrences remaining to be drill tested and fully evaluated.

# 10.0 DRILLING

Drilling on the Project completed between 1997 and 13 September 2013 consists of a total of 307 drill holes (154,906.7 m), including 283 core holes (150,423.7 m) and 21 reverse circulation (RC) drill holes (4,483 m).

Drilling on the Project is summarized in Table 10-1. Of the 307 drill holes, 165 drill holes (94,206 m) support the Media Luna resource estimate. . Drill holes at Media Luna completed prior to 2010 were completed by Teck. Drill holes completed from 2010 to 13 September 2013 were completed by Torex. There are 15 drill holes drilled prior to Torex's interest in the Project for which there are collar location, depth, and azimuth data; however, there are no completion dates for these 15 holes, and no geological, or assay information is available. Drilling continues on the Project.

None of the drilling completed prior to Torex's drill programs (41 holes for 6,159 m) supports Mineral Resource estimation as none of the legacy drill holes intersected the Media Luna skarn-hosted mineralization.

Drill hole locations on a Project-wide basis are shown in Figure 10-1, and shows all drilling completed to 13 September 2013 on the Project, including legacy drill collars. Figure 10-2 shows the drill collar locations in the Media Luna area. Collar locations for drill holes completed on regional prospects are shown at a higher resolution in Figures 7-19 and 7-20 (Media Luna West), and in Figures 7-21 and 7-22 (NW Media Luna), in Section 7.4.

**Table 10-1: Drill Summary Table**

| Year | Operator | No. of Core Holes | Total Core Lengths (m) | No. of RC Holes | Total RC Lengths (m) | Total All Drilling by Program | Total All Core and RC Lengths By Program (m) |
|---|---|---|---|---|---|---|---|
| Unknown | Unknown | 15 | 1,179.1 | 0 | 0.0 | 15 | 1,179.1 |
| 1997 | Teck | 2 | 496.8 | 0 | 0.0 | 2 | 496.8 |
| 2000 | Teck | 0 | 0.0 | 6 | 630.8 | 6 | 630.8 |
| 2001 | Teck | 0 | 0.0 | 6 | 2,873.5 | 9 | 2,873.5 |
| 2004 | Teck | 0 | 0.0 | 9 | 978.7 | 9 | 978.7 |
| 2010 | Torex | 12 | 6,387.6 | 0 | 0.0 | 12 | 6,387.6 |
| 2011 | Torex | 24 | 7,711.4 | 0 | 0.0 | 24 | 7,711.4 |
| 2012 | Torex | 110 | 57,734.7 | 0 | 0.0 | 110 | 57,734.7 |
| 2013 | Torex | 135 | 76,914.2 | 0 | 0.0 | 135 | 76,914.2 |
| *Project Total* | | 283 | 150,423.7 | 21 | 4,483.0 | 307 | 154,906.7 |

Note: data in table are current to 13 September 2013.

**Figure 10-1: Project Drill Collar Location Plan**

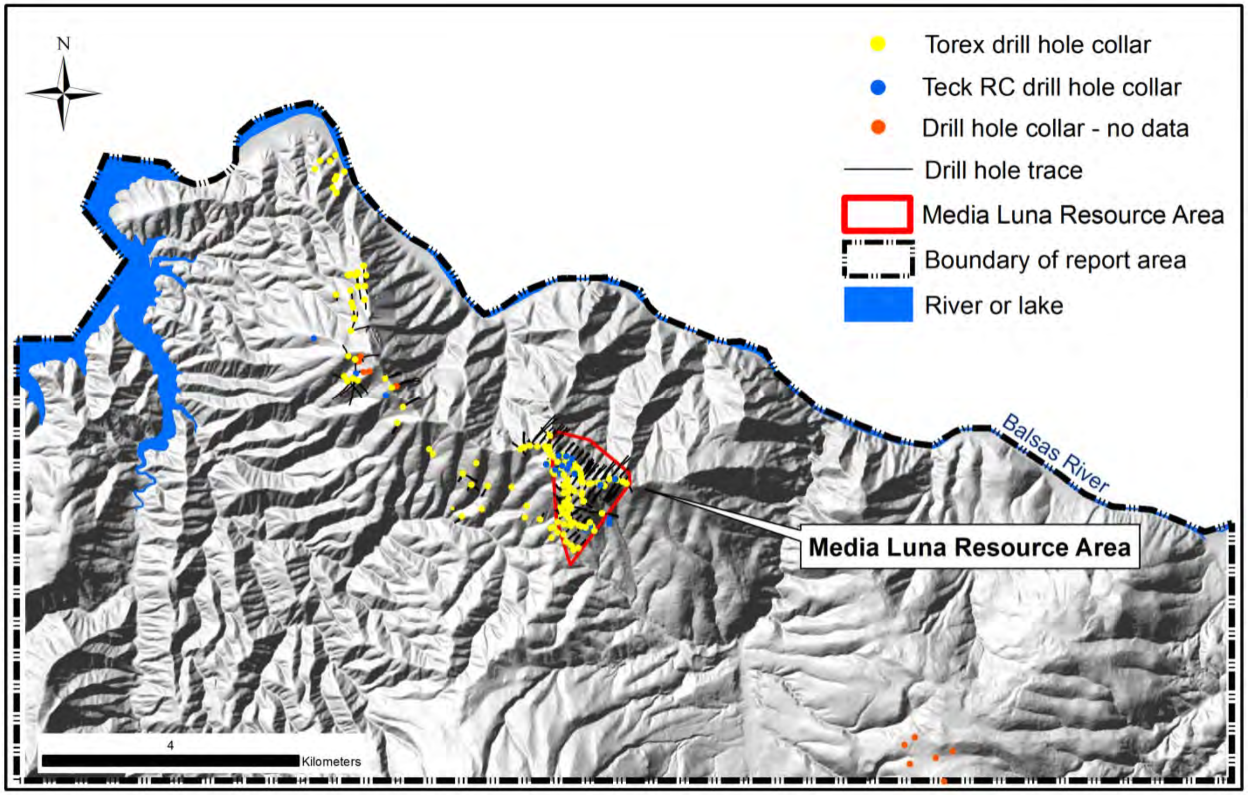
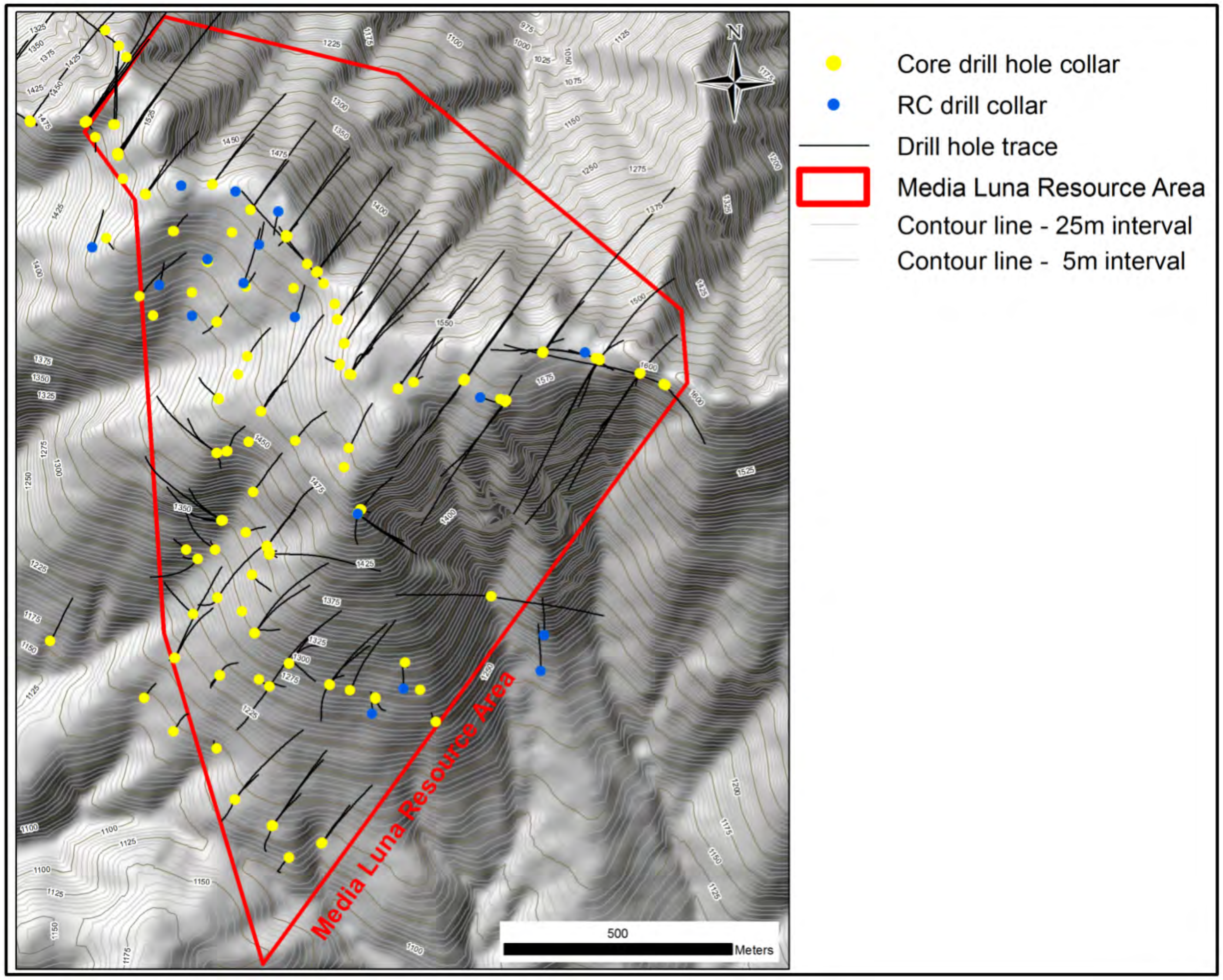


**Figure 10-2: Drill Collar Location Map of Media Luna Resource Area**



## 10.1 Drill Methods

There is no record of the drill contractors or drill rig types used in the legacy drill campaigns.

Torex drill campaigns have used the drill contractors summarized in Table 10-2. Most Torex drill holes started using HQ sized core (63.5 mm core diameter) and reduced to NQ sized core (47.6 mm) at depth if necessary.

## 10.2 Geological Logging

Logging was completed using hand-held computers. Logs recorded lithologies, skarn type, fracture frequency and orientation, oxidation, sulphide mineralization type and intensity, and alteration type and intensity.

A purpose-built and equipped photographic laboratory was used to photograph drill core. Two boxes are photographed at a time and each photograph is labelled by drill hole number and interval. All boxes of uncut core are photographed. All cut and samples core is photographed after sampling is complete. Core is wet when photographed.

For geotechnical purposes rock quality designations (RQD) and recovery percentages were also recorded. Intervals for measuring recovery generally do not correspond to assay intervals. No hydrogeological data were collected from exploration core drill holes.

## 10.3 Recovery

Recovery is measured using total core recovery (TCR) which is the ratio of core recovered (solid and non-intact) to the length of the core run.

RQD is also measured, and is the ratio of solid core pieces longer than 100 mm to length of core run. It is determined by measuring the core recovery percentage of core chunks that are greater than 100 mm in length.

If the core is broken by handling or by the drilling process (i.e., the fracture surfaces are fresh irregular breaks rather than natural joint surfaces), the fresh broken pieces are fitted together and counted as one piece, provided that they form the requisite length of 10 cm.

**Table 10-2: Drilling Contractors and Drill Rig Types**

| Drilling Contractor | Year | Rig Type | Number of Drill Rigs |
|---|---|---|---|
| Canz Drilling Sapi De C.V | 2013 | Cortech 1800 | 1 |
| G4 Drilling Mexico S.A. de C.V | 2012-2013 | HTM -2500 | 4 |
| Integración y Evaluación De Proyectos Mineros | 2012-2013 | Christensen C-14 | 2 |
| Landdrill International México, S.A. De C.V | 2012-2013 | ZUNET – A5 | 3 |
| Landdrill International México, S.A. De C.V | 2012-2013 | HTM -2500 | 2 |
| Moles Drilling De R. L. de C.V | 2013 | Cortech 1800 | 2 |

Drill core recoveries averaged 94.8% after the first 50 m. Statistical analysis of these core recoveries by Torex indicated that no bias was apparent using samples with recoveries that were less than 100%. For the some fault intervals recovery may locally decrease to 50%. Even when the recovery is good, the RQD is generally poor within the fault zone area.

## 10.4 Collar Surveys

Drill hole collars were initially surveyed using differential GPS. On drill hole completion, collars are surveyed using a Total Station instrument.

## 10.5 Downhole Surveys

Torex used a Reflex instrument in areas with insignificant magnetite or pyrrhotite mineralization on 50 m down the hole increments. In areas of high magnetite or pyrrhotite, only an acid etch was used to record dip orientation on 50 m increments. The azimuth recorded at drill collar was used at the down hole survey location.

## 10.6 Other Drilling

No drill holes specifically for geotechnical, hydrogeological or metallurgical purposes have been completed to date in the Project area.

## 10.7 Sample Length/True Thickness

Drill holes are designed to intersect the mineralization in as perpendicular a manner as possible; reported mineralized intercepts are typically longer than the true thickness of the mineralization. Drill holes that orthogonally intersect the mineralized skarn will tend to show true widths. Drill holes that obliquely intersect the mineralized skarn will show mineralized lengths that are slightly longer than true widths. A majority of the drill holes at the Project have been drilled obliquely to the skarn mineralization.

A series of section and plan maps for Media Luna are included in Section 7. These maps include drill hole traces and an interpretation of major geologic contacts. These figures show that drill orientations are generally appropriate for the mineralization style and have been drilled at orientations that are optimal for the orientation of mineralization for the bulk of the deposit area.

A selection of drill intercepts for Media Luna are included as Table 10-3 and illustrate the typical range of grades and thicknesses encountered within the deposit. Selected drill intercepts for the recent exploration drill programs are included as Table 10-4.

## 10.8 Comments on Section 10

In the opinion of the QPs, the quantity and quality of the logging, geotechnical, collar and down-hole survey data collected in the Torex exploration and infill drill programs are sufficient to support Mineral Resource estimation as follows:

- Core logging meets industry standards for exploration on polymetallic deposits
- Collar surveys have been performed using industry-standard instrumentation
- Down-hole surveys were performed using industry-standard instrumentation
- Drilling practices, logging, collar surveys and down-hole surveys have been reviewed (refer to Section 12)
- Recovery data from core drill programs are acceptable
- Drill holes are designed to intersect the mineralization in as perpendicular a manner as possible; reported mineralized intercepts are typically longer than the true thickness of the mineralization. Drill holes that orthogonally intersect the mineralized skarn will tend to show true widths. Drill holes that obliquely intersect the mineralized skarn will show mineralized lengths that are slightly longer than true widths. A majority of the drill holes at the Project have been drilled obliquely to the skarn mineralization.
- Drill orientations are generally appropriate for the mineralization style and have been drilled at orientations that are optimal for the orientation of mineralization for the bulk of the deposit areas
- Drill orientations are shown in the example cross-sections in Section 7 and can be considered to appropriately test the mineralization

- No factors were identified with the data collection from the drill programs that could affect Mineral Resource estimation.

**Table 10-3: Selected Drill Composite Intercepts, Media Luna**

| Drill Hole ID | Easting | Northing | Elevation | Azimuth (º) | Dip (º) | Depth of Top of Composite (m) | Depth of Base of Composite (m) | Composite Length (m) | Au Equivalent (g/t) | Au (g/t) | Cu (%) | Ag (g/t) | Rock Code |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CZML-02 | 422919.51 | 1985229.41 | 1185.88 | 40 | -78 | 357.11 | 364.20 | 7.09 | 5.57 | 3.15 | 1.37 | 17.18 | Massive Sulphides Oxides |
| CZML-03 | 423020.09 | 1985350.33 | 1300.62 | 40 | -48 | 274.88 | 379.93 | 105.05 | 2.57 | 2.00 | 0.26 | 8.83 | Endoskarn |
| CZML-16 | 422743.54 | 1985632.85 | 1266.35 | 40 | -52 | 334.9 | 344.29 | 9.39 | 3.46 | 0.79 | 1.01 | 62.06 | Exoskarn |
| CZML-24 | 423034.90 | 1985309.36 | 1280.21 | 40 | -46 | 331.5 | 381.95 | 50.45 | 3.43 | 2.26 | 0.63 | 10.52 | Marble/Limestone |
| ML-01 | 423026.69 | 1984591.34 | 913.42 | 275 | -62 | 412.26 | 415.00 | 2.74 | 3.05 | 1.21 | 0.92 | 23.92 | Endoskarn |
| ML-05A | 423280.46 | 1985130.89 | 1212.90 | 290 | -60 | 370.04 | 450.08 | 80.04 | 2.25 | 1.11 | 0.61 | 10.82 | Massive Sulphides Oxides |
| ML-07 | 422699.32 | 1985444.04 | 1252.67 | 320 | -55 | 327.18 | 343.84 | 16.66 | 3.40 | 1.89 | 0.73 | 20.89 | Exoskarn |
| ML-08 | 422946.57 | 1984620.12 | 885.21 | 90 | -62 | 515.64 | 526.30 | 10.66 | 3.65 | 2.58 | 0.63 | 5.45 | Endoskarn |
| ML-09A | 422608.25 | 1984737.25 | 835.54 | 0 | -90 | 464 | 530.10 | 66.10 | 3.61 | 2.42 | 0.60 | 15.10 | Endoskarn |
| ML-11A | 422863.92 | 1985090.77 | 1077.62 | 0 | -90 | 434.1 | 514.61 | 80.51 | 2.56 | 2.13 | 0.20 | 6.62 | Marble/Limestone |
| ML-152 | 423458.18 | 1985081.23 | 1213.98 | 0 | -90 | 353.08 | 391.63 | 38.55 | 2.08 | 1.21 | 0.42 | 11.87 | Exoskarn |
| ML-175 | 423324.79 | 1985102.39 | 1213.51 | 0 | -90 | 357 | 387.06 | 30.06 | 2.14 | 1.19 | 0.52 | 8.74 | Endoskarn |
| ML-20 | 422777.83 | 1985252.14 | 1188.72 | 0 | -90 | 314.9 | 341.77 | 26.87 | 3.53 | 2.02 | 0.77 | 17.66 | Endoskarn |
| ML-200 | 422673.87 | 1984640.52 | 758.57 | 40 | -78 | 499 | 556.74 | 57.74 | 2.93 | 1.67 | 0.60 | 18.68 | Massive Sulphides Oxides |
| ML-35 | 422589.08 | 1984554.51 | 714.03 | 0 | -90 | 537.65 | 591.36 | 53.71 | 12.97 | 11.86 | 0.50 | 19.04 | Exoskarn |
| ML-46A | 422735.74 | 1984669.77 | 801.63 | 0 | -90 | 505.79 | 599.00 | 93.21 | 2.81 | 0.71 | 0.98 | 32.71 | Massive Sulphides Oxides |
| ML-46M | 422722.88 | 1984665.02 | 750.67 | 0 | -90 | 599.8 | 606.87 | 7.07 | 3.60 | 0.46 | 1.32 | 61.61 | Exoskarn |
| ML-72 | 422661.71 | 1984535.16 | 740.85 | 0 | -90 | 543 | 584.93 | 41.93 | 3.15 | 1.05 | 1.05 | 26.28 | Marble/Limestone |
| ML-79 | 423362.35 | 1985136.02 | 1183.16 | 40 | -81 | 397 | 413.45 | 16.45 | 14.15 | 11.50 | 1.43 | 24.51 | Massive Sulphides Oxides |
| NEZML-02 | 423527.37 | 1985040.77 | 1229.25 | 220 | -84 | 350.96 | 363.09 | 12.13 | 2.06 | 1.11 | 0.52 | 7.91 | Exoskarn |
| NEZML-04A | 423280.27 | 1984776.78 | 1070.45 | 220 | -54 | 632.6 | 655.19 | 22.59 | 5.64 | 3.29 | 1.22 | 26.13 | Massive Sulphides Oxides |
| NEZML-10 | 423046.73 | 1984767.68 | 1012.29 | 220 | -58 | 621.5 | 639.16 | 17.66 | 2.21 | 1.35 | 0.51 | 4.23 | Endoskarn |
| NEZML-12 | 423288.25 | 1985207.21 | 1194.08 | 40 | -58 | 397 | 456.42 | 59.42 | 4.75 | 3.72 | 0.50 | 14.59 | Endoskarn |
| NEZML-15 | 423000.32 | 1984882.97 | 1026.02 | 220 | -66 | 575.98 | 594.04 | 18.06 | 2.05 | 1.11 | 0.46 | 12.42 | Exoskarn |
| NEZML-16 | 422995.55 | 1984824.10 | 1022.31 | 40 | -76 | 455.08 | 470.57 | 15.49 | 2.77 | 2.10 | 0.37 | 5.82 | Endoskarn |
| NEZML-18 | 423097.35 | 1985118.46 | 1197.68 | 40 | -68 | 374.81 | 381.45 | 6.64 | 2.30 | 2.19 | 0.05 | 1.60 | Endoskarn |
| NEZML-20 | 423206.33 | 1985246.15 | 1211.24 | 40 | -46 | 415.13 | 488.18 | 73.05 | 2.22 | 1.99 | 0.12 | 2.75 | Endoskarn |

| Drill Hole ID | Easting | Northing | Elevation | Azimuth (º) | Dip (º) | Depth of Top of Composite (m) | Depth of Base of Composite (m) | Composite Length (m) | Au Equivalent (g/t) | Au (g/t) | Cu (%) | Ag (g/t) | Rock Code |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NEZML-22 | 422931.24 | 1985109.31 | 1130.31 | 40 | -80 | 400.8 | 461.71 | 60.91 | 5.24 | 3.26 | 1.10 | 16.33 | Endoskarn |
| NEZML-24 | 423053.47 | 1985216.74 | 1226.27 | 40 | -54 | 384 | 410.20 | 26.20 | 4.21 | 4.13 | 0.04 | 1.19 | Exoskarn |
| NEZML-25 | 423094.02 | 1985273.39 | 1261.06 | 40 | -46 | 395.97 | 428.75 | 32.78 | 2.27 | 1.35 | 0.49 | 9.00 | Endoskarn |
| NEZML-27 | 423255.22 | 1985170.68 | 1148.44 | 40 | -68 | 434.88 | 459.54 | 24.66 | 4.09 | 1.71 | 1.19 | 30.20 | Exoskarn |
| SWZML-04 | 422957.02 | 1984142.79 | 658.09 | 40 | -70 | 500.9 | 510.61 | 9.71 | 2.78 | 0.37 | 1.28 | 24.46 | Massive Sulphides Oxides |
| WZML-03 | 422754.35 | 1985035.15 | 951.52 | 40 | -81 | 525 | 533.00 | 8.00 | 3.03 | 0.59 | 1.11 | 41.15 | Exoskarn |
| WZML-04 | 422808.41 | 1985105.85 | 1039.38 | 40 | -69 | 448.09 | 482.15 | 34.06 | 2.07 | 1.27 | 0.42 | 8.90 | Massive Sulphides Oxides |
| WZML-06 | 422614.09 | 1984867.92 | 884.92 | 220 | -86 | 516.04 | 561.52 | 45.48 | 3.80 | 1.04 | 1.39 | 33.85 | Massive Sulphides Oxides |
| WZML-07 | 422551.02 | 1984656.56 | 772.46 | 0 | -90 | 479.24 | 538.77 | 59.53 | 18.40 | 16.34 | 0.97 | 31.28 | Exoskarn |
| WZML-08 | 422698.17 | 1984812.17 | 915.87 | 40 | -88 | 414.15 | 511.14 | 96.99 | 3.27 | 1.30 | 1.01 | 22.29 | Massive Sulphides Oxides |
| WZML-16 | 422804.82 | 1984578.15 | 774.71 | 40 | -74 | 542.38 | 547.80 | 5.42 | 7.08 | 4.46 | 1.49 | 17.67 | Endoskarn |
| WZML-22 | 422640.07 | 1984421.34 | 686.95 | 40 | -85 | 542.76 | 561.29 | 18.53 | 4.24 | 1.85 | 1.18 | 31.53 | Endoskarn |
| WZML-24 | 422829.05 | 1984316.10 | 772.60 | 220 | -84 | 477.87 | 543.21 | 65.34 | 2.23 | 1.58 | 0.31 | 9.59 | Massive Sulphides Oxides |
| WZML-31 | 422587.87 | 1984524.99 | 702.27 | 40 | -74 | 507.6 | 543.12 | 35.52 | 4.40 | 2.89 | 0.74 | 20.32 | Massive Sulphides Oxides |
| WZML-33 | 422599.12 | 1984688.48 | 771.09 | 0 | -90 | 500 | 552.31 | 52.31 | 2.47 | 0.90 | 0.72 | 25.73 | Massive Sulphides Oxides |
| WZML-34 | 422553.05 | 1984733.52 | 825.02 | 310 | -82 | 448 | 509.52 | 61.52 | 2.51 | 0.41 | 1.06 | 25.27 | Massive Sulphides Oxides |
| WZML-35 | 422560.36 | 1984794.56 | 866.36 | 310 | -80 | 446.1 | 500.00 | 53.90 | 3.24 | 0.57 | 1.23 | 42.70 | Endoskarn |
| WZML-36 | 422558.79 | 1984941.05 | 896.59 | 310 | -82 | 495.93 | 565.07 | 69.14 | 2.68 | 0.96 | 0.86 | 22.10 | Massive Sulphides Oxides |
| WZML-47 | 422842.58 | 1984023.01 | 351.39 | 0 | -90 | 777 | 794.81 | 17.81 | 3.70 | 3.07 | 0.37 | 2.54 | Marble/Limestone |
| WZML-52 | 422707.67 | 1984016.67 | 378.63 | 220 | -85 | 780.02 | 783.27 | 3.25 | 3.24 | 3.04 | 0.11 | 1.94 | Marble/Limestone |

Note: Au Equivalent = Au (g/t) + Cu % *(74.74/48.07) + Ag (g/t) * (0.85/48.07). All intervals are required to be >2 g/t AuEq in value and > 2.5 m in length to be considered as a composite interval in resource modeling. Depth is calculated as at the base of the composite and represents the "to" depth; to obtain the composite depth from the top of the composite interval, the composite length is subtracted from the base of composite depth. The easting, northing and elevation are reported at the composite mid-point.

**Table 10-4: Selected Drill Intercepts, Current Exploration Program**

| Drill-Hole | Target Area | Easting (UTM-E m) | Northing (UTM-N m) | Elevation (m) | Azimuth (°) | Dip (°) | Total Length (m) | Intersection | From (m) | To (m) | Core Length (m) | Au g/t | Ag g/t | Cu % | AuEq g/t | Lithology |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NWZML-03 | Exploration - NWML | 422200.59 | 1985615.25 | 1460.63 | 0 | -90 | 809.65 | | 516.80 | 521.65 | 4.85 | 1.34 | 27.39 | 0.01 | 1.85 | Skarn |
| | | | | | | | | | 549.64 | 565.67 | 16.03 | 2.71 | 19.69 | 0.07 | 3.16 | Skarn |
| | | | | | | | | including | 560.26 | 564.84 | 4.58 | 3.62 | 24.21 | 0.05 | 4.12 | Skarn |
| | | | | | | | | | 573.27 | 577.88 | 4.61 | 2.21 | 4.74 | 0.04 | 2.36 | Skarn |
| | | | | | | | | | 659.40 | 672.00 | 12.60 | 0.36 | 8.53 | 0.35 | 1.06 | Skarn |
| NWZML-04 | Exploration - NWML | 422198.57 | 1985617.90 | 1460.97 | 40 | -58 | 755.50 | | 395.68 | 399.40 | 3.72 | 3.13 | 49.26 | 0.16 | 4.25 | Breccia |
| | | | | | | | | | 454.90 | 458.73 | 3.83 | 0.08 | 15.88 | 0.80 | 1.61 | Skarn |
| | | | | | | | | | 524.73 | 528.53 | 3.80 | 5.38 | 37.62 | 0.26 | 6.45 | Skarn |
| | | | | | | | | | 552.48 | 555.50 | 3.02 | 2.16 | 22.29 | 0.27 | 2.97 | Skarn |
| | | | | | | | | | 559.65 | 565.50 | 5.85 | 1.63 | 17.30 | 0.14 | 2.16 | Skarn |
| | | | | | | | | | 583.34 | 588.03 | 4.69 | 0.57 | 19.15 | 0.36 | 1.47 | Skarn |
| NWZML-05 | Exploration - NWML | 422080.56 | 1985626.81 | 1443.52 | 40 | -73 | 715.75 | | 308.83 | 314.50 | 5.67 | 0.08 | 25.42 | 0.31 | 1.00 | Skarn |
| | | | | | | | | | 544.26 | 562.50 | 18.24 | 7.45 | 16.46 | 0.42 | 8.39 | Skarn |
| | | | | | | | | including | 551.72 | 562.50 | 10.78 | 12.40 | 13.90 | 0.20 | 12.96 | Skarn |
| | | | | | | | | | 566.50 | 571.60 | 5.10 | 0.14 | 4.07 | 0.31 | 0.70 | Skarn |
| | | | | | | | | | 578.41 | 580.20 | 1.79 | 0.61 | 9.04 | 0.59 | 1.68 | Skarn |
| | | | | | | | | | 586.18 | 596.54 | 10.36 | 0.27 | 15.36 | 0.24 | 0.91 | Skarn |
| NWZML-06 | Exploration - NWML | 422081.00 | 1985627.34 | 1443.54 | 40 | -50 | 862.62 | | 407.27 | 412.65 | 5.38 | 0.47 | 13.71 | 0.04 | 0.78 | Skarn |
| | | | | | | | | | 536.63 | 540.24 | 3.61 | 0.20 | 68.58 | 1.76 | 4.15 | Skarn |
| | | | | | | | | | 590.51 | 597.74 | 7.23 | 0.96 | 12.71 | 0.20 | 1.49 | Skarn |
| | | | | | | | | | 732.18 | 736.72 | 4.54 | 0.08 | 24.71 | 0.47 | 1.25 | Skarn |
| | | | | | | | | | 758.45 | 762.47 | 4.02 | 0.27 | 17.12 | 0.39 | 1.18 | Skarn |
| | | | | | | | | | 770.95 | 781.61 | 10.66 | 3.98 | 46.57 | 1.05 | 6.43 | Skarn |
| | | | | | | | | including | 776.48 | 779.65 | 3.17 | 4.43 | 101.79 | 2.64 | 10.34 | Skarn |
| NWZML-07 | Exploration - NWML | 421932.72 | 1985577.10 | 1431.73 | 310 | -73 | 693.20 | | 630.89 | 634.00 | 3.11 | 0.98 | 16.55 | 0.69 | 2.35 | Skarn |
| NWZML-08 | Exploration - NWML | 421931.37 | 1985577.47 | 1431.72 | 130 | -80 | 713.50 | | 235.77 | 239.13 | 3.36 | 0.32 | 102.73 | 0.19 | 2.44 | Skarn |
| | | | | | | | | | 620.81 | 628.00 | 7.19 | 0.71 | 1.48 | 0.02 | 0.77 | Porphyry Dike |
| | | | | | | | | | 660.09 | 666.70 | 6.61 | 0.25 | 15.25 | 0.34 | 1.05 | Skarn |
| MLW- | Media | 421033.25 | 1985192.12 | 1192.73 | 220 | -75 | 926.65 | | 799.57 | 814.42 | 14.85 | 4.06 | 4.56 | 0.17 | 4.40 | Skarn |

| Drill-Hole | Target Area | Easting (UTM-E m) | Northing (UTM-N m) | Elevation (m) | Azimuth (°) | Dip (°) | Total Length (m) | Intersection | From | To | Core Length | Au | Ag | Cu | AuEq | Lithology |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | (m) | (m) | (m) | g/t | g/t | % | g/t | |
| 03A | Luna West | | | | | | | including | 799.57 | 803.20 | 3.63 | 7.11 | 6.56 | 0.11 | 7.40 | Skarn |
| | | | | | | | | and | 808.62 | 812.69 | 4.07 | 7.74 | 6.46 | 0.27 | 8.28 | Skarn |
| | | | | | | | | | 869.00 | 870.21 | 1.21 | 0.92 | 85.78 | 2.73 | 6.68 | Skarn |
| MLW-11 | Media Luna West | 421421.10 | 1984992.84 | 1186.07 | 220 | -70 | 691.50 | | 602.20 | 605.08 | 2.88 | 0.02 | 4.35 | 0.16 | 0.35 | Skarn |
| MLW-18 | Media Luna West | 421017.13 | 1984523.61 | 1017.59 | 0 | -90 | 797.70 | | 720.10 | 723.60 | 3.50 | 0.52 | 2.45 | 0.26 | 0.96 | Skarn |
| | | | | | | | | | 724.59 | 728.29 | 3.70 | 6.95 | 2.56 | 0.05 | 7.07 | Skarn |
| | | | | | | | | | 746.55 | 756.38 | 9.83 | 0.09 | 42.47 | 1.17 | 2.66 | Skarn |
| MLW-22 | Media Luna West | 421336.95 | 1984637.96 | 1090.53 | 0 | -90 | 611.40 | | 568.31 | 573.14 | 4.83 | 1.13 | 96.26 | 4.49 | 9.81 | Skarn |
| SS-07 | Exploration - La Fe | 420098.20 | 1986231.90 | 1340.22 | 56 | -65 | 776.30 | | 191.86 | 197.56 | 5.70 | 1.07 | 38.92 | 0.02 | 1.79 | Breccia |
| | | | | | | | | | 221.30 | 227.38 | 6.08 | 3.59 | 20.35 | 0.01 | 3.96 | Breccia |
| | | | | | | | | | 578.30 | 581.30 | 3.00 | 1.12 | 12.00 | 0.00 | 1.34 | Breccia |
| | | | | | | | | | Dike at the contact zone | | | | | | | |
| SS-08 | Exploration - La Fe | 419822.82 | 1986687.85 | 1429.85 | 70 | -70 | 830.50 | | 611.95 | 615.40 | 3.45 | 2.17 | 1.76 | 0.02 | 2.23 | Skarn |
| | | | | | | | | | 653.61 | 663.38 | 9.77 | 0.50 | 3.52 | 0.25 | 0.95 | Skarn |
| SS-26 | Exploration - La Fe | 420012.26 | 1985984.58 | 1314.77 | 203 | -75 | 913.50 | | 854.33 | 859.41 | 5.08 | 0.02 | 12.44 | 0.23 | 0.60 | Skarn |
| | | | | | | | | | 863.48 | 866.62 | 3.14 | 0.10 | 38.48 | 0.85 | 2.10 | Skarn |
| SS-27 | Exploration - La Fe | 419929.45 | 1986541.13 | 1452.54 | 63 | -65 | 1024.50 | | Dike at the contact zone | | | | | | | |

Notes: True thickness of the mineralized zone is unknown and is reported as drill hole length. The gold equivalent grade, including copper and silver values, is based on 100% metal recoveries. The gold grade equivalent calculation used is as follows: AuEq (g/t) = Au g/t + (Cu grade x ((Cu price per lb/Au price per oz) x 0.06857 lbs per oz x 10,000 g per %)) + (Ag grade x (Ag price per oz/Au price per oz)). The metal prices used were: gold, $1,495/oz; copper, $3.39/lb; and silver, $26.45/oz.

# 11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

## 11.1 Sampling Methods

### 11.1.1 Core

Torex drill supervisors or drilling contractors were present at the drill site daily to ensure the core was sequentially placed in each box and that the boxes were properly marked and labelled. Boxes were covered with a wooden cover at the site and core was transported each day by truck and by motorized dinghy to the core shack in Nuevos Balsas to await logging. A chain of custody was recorded for each box before entering the core shack.

Prior to logging, the core was cleaned and marked with a double line (red and blue) to assist with maintaining a correct core orientation as the core was handled. Each box was then individually photographed. A geologist was assigned to log a drill hole using an IPAQ hand held computer and software for core logging and sample descriptions. RQD and core recovery measurements were taken and any other required non-destructive testing was completed. The geologist marked up the assay intervals, inserted the appropriate sample tags for each interval in the core trays and recorded this sample information. Core was typically be marked up in 1.5 to 3 m intervals adjusted for mineralization/waste contacts or major geological breaks where appropriate. Where core recovery is poor and insufficient material is available to prepare a sample, two or three meters of core can be combined to make a composite sample.

The geologist ensured that sample tags were in place and sample numbers and footages were properly recorded. The geologist aligned core by matching broken ends so that core has same relative orientation and drew a line down the axis of the aligned core to ensure each piece was split along the same axis. Core will normally be split in two equal halves.

All drill log and sample data were maintained under the supervision of the project supervisor.

For the Media Luna drill programs, all geochemical samples to be assayed were double bagged after splitting and placed in grain bags (approximately 8 to 10 samples per grain bag) which were then sealed by a nylon zip-tie and stored on site in a secure location until they were shipped.

The remaining half-split was returned to the core box and stored at the core shack facilities onsite. All samples to be assayed were then transported on a daily basis by

Torex employees to the preparation laboratory that is operated by SGS, which is located a few blocks away from the Core Shack. All samples were under Torex's control during transport and until samples were collected in the preparation laboratory. A complete chain of custody was recorded for each sample before entering the laboratory.

## 11.2 Metallurgical Sampling

Only one metallurgical testing program has been completed to date. Three composites, containing a high, medium and low copper grade respectively were compiled from the available core (Table 11-1).

The composites were compiled using only copper grade information from assays and were completed before mineralogical and lithological information were included in the drill data base. Future test programs should incorporate mineralogical and lithological data as it becomes available in the model.

## 11.3 Density Determinations

A total of 244 Media Luna drill intervals were selected for density determination based on rock type and assay values and six-inch pieces of core were sent to ALS in Tucson, Arizona for density determination by the wax immersion method (ALS code OA-GRA08a). A set of 12 core samples from the same (adjacent) intervals were sent to SGS in Tucson to check the ALS results and density was determined using the wax immersion method (ASTM method C 914-79).

Table 11-2 summarizes the average results by rock type.

A preliminary comparison of the ALS and SGS results show that the ALS results are biased high by an average of approximately 0.1 g/cm$^3$ across all rock types when compared to the SGS values. This bias equals about a 3.0% bias when comparing the difference to an average value of about 2.9 g/cm$^3$. When comparing the results by rock type, there is a very consistent bias of between 0.08 to 0.21 g/cm$^3$, with the only rock types not showing a significant bias being two of the porphyry types (rock codes 62 and 63).

In AMEC's opinion, the ALS density determinations are adequate for use in the Media Luna Mineral Resource estimate. Additional work is required to determine the source of the bias between the results produced by ALS and SGS.

**Table 11-1: Drill Samples Used for Metallurgical Composites**

| Drill Hole ID | Easting | Northing | Elevation Azimuth | Dip (º) | Total Length (m) | Intercept From (m) | To (m) | Core Length (m) | Grade Au (g/t) | Ag (g/t) | Cu (%) | AuEq (g/t) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ML-05A | 423442.2742 | 1985095.961 | 1585.6926290 | -60 | 617.0 | 375.70 | 440.24 | 64.54 | 1.35 | 13.35 | 0.75 | 2.72 |
| | | | | | | 395.30 | 413.73 | 18.43 | 3.72 | 44.51 | 2.56 | 8.38 |
| ML-46A | 422725.9589 | 1984668.527 | 1353.93480 | -60 | 599.8 | 521.72 | 529.43 | 7.71 | 4.59 | 5.90 | 0.12 | 4.88 |
| | | | | | | 548.97 | 592.83 | 43.86 | 0.65 | 66.71 | 2.02 | 4.91 |
| ML-02 | 422925.152 | 1984763.548 | 1475.66870 | -90 | 696.0 | 500.90 | 516.70 | 15.80 | 2.05 | 12.14 | 0.550 | 3.10 |
| | | | | | | 503.05 | 507.43 | 4.38 | 4.27 | 9.26 | 0.780 | 5.61 |

**Table 11-2: Density Table**

| Rock Type | Rock Code | Number of Determinations | Mean Density Value ($g/cm^3$) |
|---|---|---|---|
| Exoskarn | 31 | 29 | 3.303 |
| Endoskarn | 32 | 30 | 3.005 |
| Undifferentiated Intrusive | 36 | 30 | 2.670 |
| Marble Limestone | 39 | 31 | 2.818 * |
| Massive Sulphide Oxide | 41 | 30 | 3.998 |
| Granodiorite | 60 | 30 | 2.662 |
| Quartz–feldspar–hornblende porphyry | 63 | 30 | 2.657 |
| Breccia | 34 | 7 | 2.808 |
| Hornfels | 37 | 2 | 3.007 |
| Feldspar Porphyry | 61 | 20 | 2.580 |
| Feldspar–biotite–hornblende–quartz porphyry | 62 | 3 | 2.553 |
| Mafic Dykes | 65 | 2 | 2.763 |

## 11.4 Analytical and Test Laboratories

Teck drill hole samples from the first two drill campaigns (2000 and 2001) were picked up at site by ALS Chemex (ALS) and transported to ALS's sample preparation facility in Guadalajara, Mexico. Sufficient pulp material for assay was sent to ALS's analytical laboratory in Vancouver, Canada for assay. Drill samples from subsequent Teck drill campaigns (2002 to 2004) were sent to the Lacme sample preparation facility in Guadalajara, Mexico for sample preparation. From there, 300 g pulverized subsamples were sent to Teck Cominco's in-house laboratory, Global Discovery Laboratory (GDL), in Vancouver, B.C. Canada for assay. The ALS laboratory in

Vancouver is ISO 17025 accredited and is independent of Teck. GDL (no longer in operation) was not accredited, but routinely participated in and received certification of proficiency in the CANMET administered Proficiency Testing Program for Mineral Analysis Laboratories. The GDL laboratory was an in-house laboratory as was not independent of Teck. The sample preparation laboratories used by Teck are not accredited.

Check assays on GDL original gold assays were performed by ALS, Assayers Canada and Acme Laboratories (Acme), all of Vancouver, Canada. Assayers Canada (now part of SGS) was not accredited during the time period that the check assays were performed. Acme is an ISO-17025 accredited laboratory.

Torex drill samples were sent to the SGS laboratory in Nuevo Balsas, Guerrero, Mexico, where the samples were dried, crushed and pulverized. Prepared sample pulps were then sent to the SGS laboratories in Durango, Mexico; Toronto, Canada; and Vancouver, Canada for analysis. The SGS laboratories in Durango and Toronto are ISO-17025 accredited and are independent of Torex. The sample preparation laboratory is owned by Torex and operated by SGS and is not accredited.

Drill samples for the first 11 drill holes completed at Media Luna were assayed by Acme. Starting in July, 2012, drill samples were sent to SGS and Acme was retained as the check assay laboratory.

## 11.5 Sample Preparation and Analysis

Teck samples from 2000 to 2001 were first crushed to greater than 60% passing a 10 mesh screen at the ALS sample preparation facility in Guadalajara, Mexico. A 300 g subsample was then split and pulverized to greater than 95% passing a 150 mesh screen. Sufficient pulp material for assay was sent to ALS's analytical laboratory in Vancouver, Canada for assay. There, samples were assayed for gold by 30 g fire assay with an atomic absorption finish. Samples returning assays greater than 10 g/t were assayed again by 30 g fire assay with a gravimetric finish. Silver, arsenic, copper and 31 additional elements were determined by aqua regia digestion followed by ICP-AES.

Teck samples were sent to the Lacme sample preparation facility in Guadalajara, Mexico from 2002 to 2004 for sample preparation. There, samples were dried and crushed to greater than 70% passing a 10 mesh screen. Samples were then split and a 300 g subsample pulverized to 95% passing a 150 mesh screen. The 300 g pulverized subsamples were then sent to Teck Cominco's in-house laboratory, Global Discovery Laboratory (GDL) (a.k.a. Exploration Research Laboratory), in Vancouver, B.C. Canada for assay. The GDL procedure was to first assay gold by aqua regia digestion with an atomic absorption finish. Samples returning greater than 200 ppb gold were assayed again by 30 g fire assay followed by an atomic absorption finish. Gold assays greater than 10 g/t by fire assay were, in turn, assayed again by fire assay followed by a gravimetric finish. Additional elements were determined by reverse aqua regia digestion ICP-AES.

Torex drill samples were dried and crushed to 75% passing 2 mm prior to splitting a 600 g sub-sample at the SGS Nuevo Balsas sample preparation laboratory. The sub-sample was then pulverized to 90% passing 75 µm.

A 200 g split of the pulverized material for each samples was then dispatched to the SGS laboratory in Durango, Mexico, where Au was assayed by conventional 30 g fire assay with AA finish (SGS code FAA313). Samples returning greater than 3.0 g/t by this method were re-assayed by fire assay with gravimetric finish (SGS code FAG303). Starting in March 2013, copper and silver were assayed by aqua regia digestion atomic absorption (SGS code AAS10D) at the Durango laboratory, but these assays were not used for Mineral Resource estimation purposes.

Another 200 g split was dispatched to the SGS laboratory in Toronto or Vancouver, Canada and copper, silver and 36 other elements were determined by aqua regia digestion ICP or mass spectrometry (SGS codes ICP14B and IMS14B). Samples returning greater than 10 ppm silver were re-assayed by three-acid digestion AA (SGS code AAS21E) and high-grade silver samples were re-assayed by fire assay gravimetric finish (FAG313). Samples returning greater than 10,000 ppm (or 1%) copper were re-assayed by sodium peroxide fusion (SGS code ICP90Q).

The remaining 200 g pulp was returned to site for archiving.

## 11.6 Quality Assurance and Quality Control

Torex's QA/QC protocol includes the submission of blind certified reference materials (CRMs), blanks and check assays. Blind duplicate samples are not included, but Torex evaluates the results of internal SGS lab duplicates.

Torex used nine different CRMs to monitor gold, copper and silver assay accuracy. All CRMs were sourced from CDN Resource Laboratories in Langley, British Columbia, Canada. Nine CRMs are certified for gold, five are certified for copper and four are certified for silver. The CRMs cover the grade range from 0.4 to 5.7 g/t gold, 0.2 to 0.8% copper and 25.0 to 274.0 g/t silver.

Torex used a blank sourced from CDN up until February 2013. It is certified blank for Au, Pt and Pd. Starting in February 2013, Torex used a coarse blank sample sourced from a marble quarry near to the project site. No significant carryover was observed for Au, Cu and Ag.

Through October 2012, Torex considered Media Luna an early stage project and the QA/QC protocol was designed for a 2% insertion rate of control samples. Beginning in October 2012, the project was raised to the resource estimation stage and as a result, the insertion rate was raised to 5%.

Check assay programs have included a set of 1,501 early drill hole samples that were assayed at SGS after having been assayed initially at Acme and two sets of check assay samples sent to Acme for drilling from December, 2012 through February, 2013 (552 samples) and May, 2013 through July, 2013 (1,166 samples). The check assays from the early set of drill hole samples and the drilling from December, 2012 through February, 2013 were completed on coarse reject samples, where the check assays from the drilling from May, 2013 through July, 2013 were completed on pulps. Another set of check assay samples are currently being organized for the July, 2013 to August, 2013 drilling.

## 11.7 Databases

Torex maintains the Media Luna exploration data in a Microsoft Access database.

Geological data were entered electronically directly into the system without a paper log step. Drill hole data for the Media Luna property is logged in the field and entered into an IPAQ and exported in *.txt* format and Excel spreadsheets by Torex. Drill hole logs are manually reviewed for discrepancies and inconsistencies in the sample interval column and the rock code column. Once the drill logs are cleared they are imported to MS-Access and transferred to the master database, which performs additional data validation checks.

Assays were received electronically from the laboratories and imported directly into the database. Drill hole collar data were manually entered into the database. Down-hole survey data were loaded into the database from digital files produced by the survey equipment.

Access permission for entering and editing data into the database is restricted to the Project Database Administrator. The database is hosted on the Torex server located in Nuevo Balsas and which is routinely backed up every day for protection from data loss due to potential drive failures or other technical issues.

## 11.8 Sample Security

Sample security was not generally practiced at Media Luna during the drilling programs, due to the remote nature of the site. Sample security relied upon the fact that the samples were always attended or locked at the sample dispatch facility. Sample collection and transportation have always been undertaken by company or laboratory personnel using company vehicles. Chain of custody procedures consisted of filling out sample submittal forms that were sent to the laboratory with sample shipments to make certain that all samples were received by the laboratory.

## 11.9 Sample Storage

Drill core is stored in wooden core boxes on steel racks in a building in Nuevo Balsas. The core boxes are racked in numerical sequence by drill hole number and depth.

Coarse rejects in plastic bags are stored in cardboard boxes on steel racks in a separate locked building. The coarse reject boxes are labelled and stored by sample number.

## 11.10 Comments on Section 11

In the opinion of the QPs, the sampling methods are acceptable, meet industry-standard practice and are adequate for Mineral Resource estimation, based on the following:

- Drill sampling has been adequately spaced to first define, then infill, gold-copper-silver anomalies to produce prospect-scale and deposit-scale drill data at Media Luna
- Since inception of the Torex drill campaigns, data have been collected following industry-standard sampling protocols (see Section 12 for discussion of third-party reviews)
- Sample collection and handling of core was undertaken in accordance with industry standard practices, with procedures to limit potential sample losses and sampling biases
- Sample preparation for samples that support Mineral Resource estimation has followed a similar procedure since Torex commenced drilling at Media Luna in 2012. The preparation procedure is in line with industry-standard methods for polymetallic deposits

- Exploration and infill core programs were analyzed by independent laboratories using industry-standard methods for gold, copper and silver analysis.
- Specific gravity determination procedures are consistent with industry-standard procedures. While there are sufficient acceptable specific gravity determinations to support the specific gravity values utilized in tonnage interpolations, additional determinations to support more detailed studies are recommended
- Typically, drill programs included insertion of blank and standard samples. The QA/QC program results (see Section 12) do not indicate any significant problems with the analytical programs, therefore the analyses from the core drilling are suitable for inclusion in Mineral Resource estimation
- Data that were collected were subject to validation, using regular checking of uploaded data by Torex and regular third-party database audits
- Verification is performed on all digitally-collected data on upload to the main database and includes checks on surveys, collar co-ordinates, lithology data and assay data. The checks are appropriate and consistent with industry standards
- Sample intervals in core, comprising 1.t to 3 m intervals, are considered to be adequately representative of the true thicknesses of mineralization
- Sample preparation for samples that support Mineral Resource estimation has followed a similar procedure since Torex commenced drilling at Media Luna in 2012. The preparation procedure is in line with industry-standard methods for polymetallic deposits
- Exploration and infill core programs were analyzed by independent laboratories using industry-standard methods for gold, copper and silver analysis.
- Specific gravity determination procedures are consistent with industry-standard procedures. While there are sufficient acceptable specific gravity determinations to support the specific gravity values utilized in tonnage interpolations, additional determinations to support more detailed studies are recommended
- Typically, drill programs included insertion of blank and standard samples. The QA/QC program results (see Section 12) do not indicate any problems with the analytical programs, therefore the analyses from the core drilling are suitable for inclusion in Mineral Resource estimation
- Data that were collected were subject to validation, using in-built program triggers that automatically checked data on upload to the database
- Verification is performed on all digitally-collected data on upload to the main database and includes checks on surveys, collar co-ordinates, lithology data and assay data. The checks are appropriate and consistent with industry standards

- Sample security has relied upon the fact that the samples were always attended or locked in the on-site sample preparation facility. Chain-of-custody procedures consist of filling out sample submittal forms that are sent to the laboratory with sample shipments to make certain that all samples are received by the laboratory;
- Current sample storage procedures and storage areas are consistent with industry standards.

# 12.0 DATA VERIFICATION

## 12.1 AMEC Data Verification, 2013

AMEC performed data verification checks of the Mineral Resource database every month from October 2012 through August 2013 in support of the Media Luna mineral resource estimate. Torex provided AMEC with database extracts in Microsoft Access format.

Each month AMEC randomly selected approximately 10% of the new drill holes for audit and compared the collar surveys, down-hole surveys, lithology logs and assay data against the original source documents.

A total of 30 drill holes were audited and the data-entry error rate was found to be below the acceptable threshold of 1.0%. A summary of the audit results is provided below:

- AMEC checked easting, northing and elevation values for the 30 audit drill holes against the original collar survey records and no data entry errors were found.
- AMEC checked a total of 1,080 depth, azimuth and dip values against the original down-hole survey records and one error was observed for an error rate of 0.1%.
- AMEC compared copies of the original logs for 4,629 lithology values and observed two errors (<0.1% error rate).
- AMEC checked a total of 28,727 Au, Ag and Cu database assay values against digital ACME and SGS certificates and five errors were found for an error rate of <0.1%.

## 12.2 Assay QA/QC

AMEC reviewed the assay QA/QC results from Torex's drill programs in October 2012 and March, May and August 2013. A summary of the findings are shown below:

- Gold, copper and silver assays are acceptably accurate for purposes of Mineral Resource estimation, based upon blind CRM and check assay results
- The precision of the gold, copper and silver assays is acceptable for purposes of Mineral Resource estimation, based upon internal laboratory duplicate results
- There is no significant carryover contamination in the gold, copper and silver assays, based upon blind blank results.

## 12.3 Comments on Section 12

In the opinion of the QPs, the database is adequate to support Mineral Resource estimation, based on the following:

- The Media Luna mineral resource database accurately represents the original source data
- Gold, copper and silver assays are acceptably accurate for purposes of Mineral Resource estimation, based upon blind CRM and check assay results
- The precision of the gold, copper and silver assays is acceptable for purposes of Mineral Resource estimation, based upon internal laboratory duplicate results
- There is no significant carryover contamination in the gold, copper and silver assays, based upon blind blank results.

# 13.0 MINERAL PROCESSING AND METALLURGICAL TESTING

## 13.1 Metallurgical Test Work

### 13.1.1 Composites

Three composites have been tested to date on the Media Luna deposit. High, medium and low grade copper composites were compiled from existing drill core.

The composites were prepared before mineralization and lithology information were included in the drill data base. Because of this, no comments can be made as to the representative nature of the composites tested. Variability testing incorporating lithology information will be required for future testing programs.

The head assays of the three composites are shown in Table 13-1.

Composites were forwarded to SGS Metcon/KD Engineering (SGS) in Tucson, Arizona.

### 13.1.2 Phase I Flotation Test Results

A master composite was developed at SGS consisting of a 1-1-1 blend of the three initial composites. The master composite was tested according to the flow sheet outlined in Figure 13-1.

The primary grind was 75% passing 74 µm. The copper rougher flotation was done at pH 11.5 for 15 minutes using NaOH as the pH modifier with A7249 as the collector and MIBC as the frother. The sulphide flotation was done at pH 9.0 for 10 minutes using a copper sulphate promoter, A3477 and PAX as collectors and F-65 as the frother.

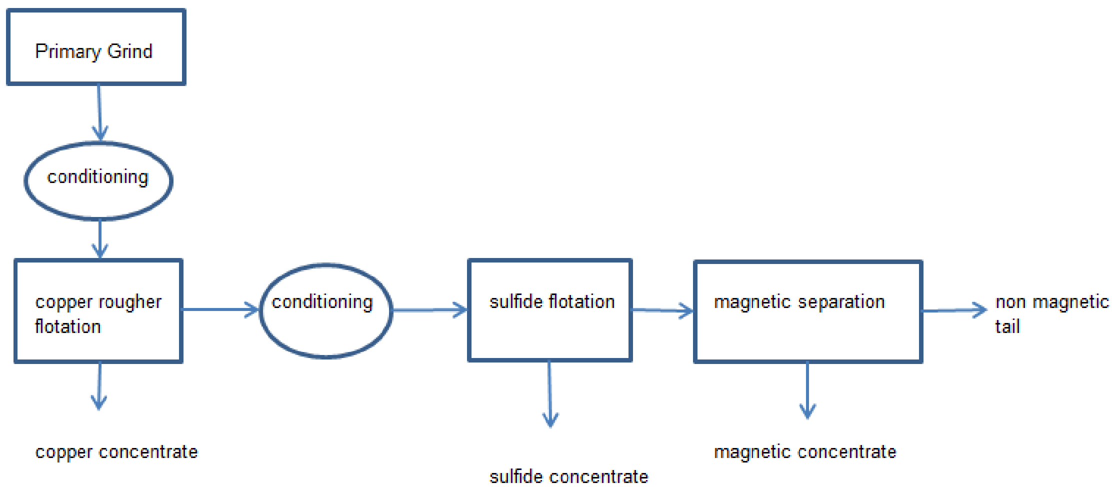
The sulphide concentrate was leached in cyanide solution for additional precious metal recovery. The magnetic separation step was included because of the high concentration of iron in the sulphide concentrate after cyanide leaching. It was an initial attempt to produce a marketable magnetite concentrate for sale either into the steel making industry or as a reagent in heavy media separation processing.

**Table 13-1: Head Assays of Composites Tested**

| Sample ID | Cu (%) | Au (g/t) | Ag (g/t) | As (ppm) | Fe (%) | $S_T$ (%) | Zn (%) |
|---|---|---|---|---|---|---|---|
| ML-02 | 1.04 | 2.34 | 35.5 | 122 | 40.73 | 8.93 | 1.01 |
| ML-05 | 3.43 | 5.18 | 52.0 | 75 | 33.50 | 19.05 | 0.18 |
| ML-46 | 0.37 | 3.10 | 15.4 | 3,189 | 29.43 | 4.75 | 0.04 |

Note: $S_T$ = total sulphur

**Figure 13-1: Flotation Testing Flow Sheet**




Note: Figure prepared by AMEC, 2013

Test results are given in Table 13-2 and Table 13-3.

Conclusions from the test program include:

- Additional cleaner flotation stages will be required to produce a copper concentrate of high enough copper grade for sale
- A majority of the gold and silver report to the copper concentrate
- The cyanide leach of the sulphide concentrate increases the ultimate gold recovery by 15.92% and the ultimate silver recovery by 4.92%
- The arsenic did not concentrate with the copper concentrate. This is important because arsenic is a common penalty element in copper concentrates.

**Table 13-2: Cumulative Grade**

| Description | % mass recovery | Cu (%) | Au (g/t) | Ag (g/t) | Fe (%) | $S_T$ (%) | As (ppm) |
|---|---|---|---|---|---|---|---|
| Cu rougher concentrate | 9.92 | 16.10 | 24.40 | 290.0 | 26.40 | 23.39 | 486 |
| Sulphide Concentrate | 35.58 | 0.36 | 2.06 | 18.4 | 49.24 | 28.12 | 2,789 |
| Magnetic concentrate | 26.71 | 0.01 | 0.59 | 12.1 | 62.00 | 0.76 | 1 |
| Calculated head grade | | 1.74 | 3.40 | 40.2 | 38.64 | 12.63 | 1,107 |

Note: $S_T$ = total sulphur

**Table 13-3: Cumulative Recovery**

| Description | % mass recovery | Cu (%) | Au (g/t) | Ag (g/t) | Fe (%) | $S_T$ (%) | As (ppm) |
|---|---|---|---|---|---|---|---|
| Cu rougher Concentrate | 9.92 | 91.91 | 71.19 | 71.56 | 6.78 | 18.38 | 4.36 |
| Sulphide Concentrate | 35.58 | 7.44 | 21.56 | 16.25 | 45.34 | 79.22 | 89.65 |
| Magnetic Concentrate | 26.71 | 0.18 | 4.63 | 8.04 | 42.85 | 1.61 | 0.02 |

In addition, copper rougher flotation tests were completed on each of the three composites individually. The kinetics tests were completed at grind sizes of 50%, 60% and 75% passing 74 µm. A grind size of 75% passing 74 µm with a retention time of 25 minutes achieved the highest copper, gold and silver recovery for each of the three composites.

Collector dosage tests were also completed on each of the three composites with a dosage of 27, 32 and 43 g/t A7249 addition tested, respectively. A dosage of 27 g/t A7249 achieved the highest copper, gold and silver recovery for each of the three composites.

A weighted average of the optimized copper rougher flotation tests completed on the individual composites compares quite well with the results from the test completed on the master composite. A comparison of the results from the individual tests with the results of the master composite is given in Table 13-4.

**Table 13-4: Comparison of Individual Test Results with Master Composite Test Results**

| Test | % Cu recovery | % Au recovery | % Ag recovery |
|---|---|---|---|
| Master composite | 91.91 | 71.91 | 71.56 |
| Composite ML-02 | 89.89 | 61.63 | 75.99 |
| Composite ML-05 | 92.88 | 89.12 | 84.48 |
| Composite ML-46 | 70.76 | 28.56 | 48.79 |
| Weighted average of composites | 90.55 | 65.39 | 76.21 |

### 13.1.3 Comminution Test Work

The master composite, consisting of a 1-1-1 blend of the three composites was dispatched to Phillips Enterprises LLC in Golden, Colorado, for comminution test work. The Bond crusher work index was determined to be 7.95 kw-hr/t. The Bond Rod mill work index as determined to be 13.71 kw-hr/t using 14 mesh closing screens. The Bond Ball mill work index was determined to be 11.53 kw-hr/t using 100 mesh closing screens. The abrasion index was determined to be 0.1885.

Further comminution testing incorporating lithological information is required as the project matures but the initial indications are that the mineralization is not particularly hard or abrasive.

## 13.2 Recovery Estimates

Based on the Phase I test program reviewed, metal recoveries of 89%, 87% and 73% for copper, gold and silver respectively should be expected. These recovery estimates assume the copper and silver recovery will drop about 3% through copper cleaner flotation. It also assumes the total gold recovery will not change when cleaner flotation is added because the gold that is lost during cleaner flotation is assumed to be recovered during the cyanide leach step.

At this time the magnetite concentrate is not included in any metal production projections but should be treated as potential project upside.

## 13.3 Metallurgical Variability

There is insufficient information available to comment on potential metallurgical variability. As the lithology information is added to the data base, additional metallurgical testing will be required to verify the current flow sheet and to understand the variability of the mineralization.

## 13.4 Deleterious Elements

The initial test work did show one composite, ML-46 with a relatively high arsenic concentration of 3,187 g/t. During the rougher flotation, the arsenic did not concentrate with the copper, gold and silver but did concentrate with the sulphide concentrate. The sulphide concentrate is not sold, only leached, so an elevated arsenic concentration may not be a serious issue for Project development as long as cyanide leaching is not affected. The behaviour of arsenic will need to be followed throughout future test work to ensure this remains true.

No other potentially deleterious elements were apparent in the completed test program but as additional variability testing is done this will need to be followed.

## 13.5 Ongoing Test Work

A second phase of metallurgical test work is ongoing at SGS and is designed to potentially:

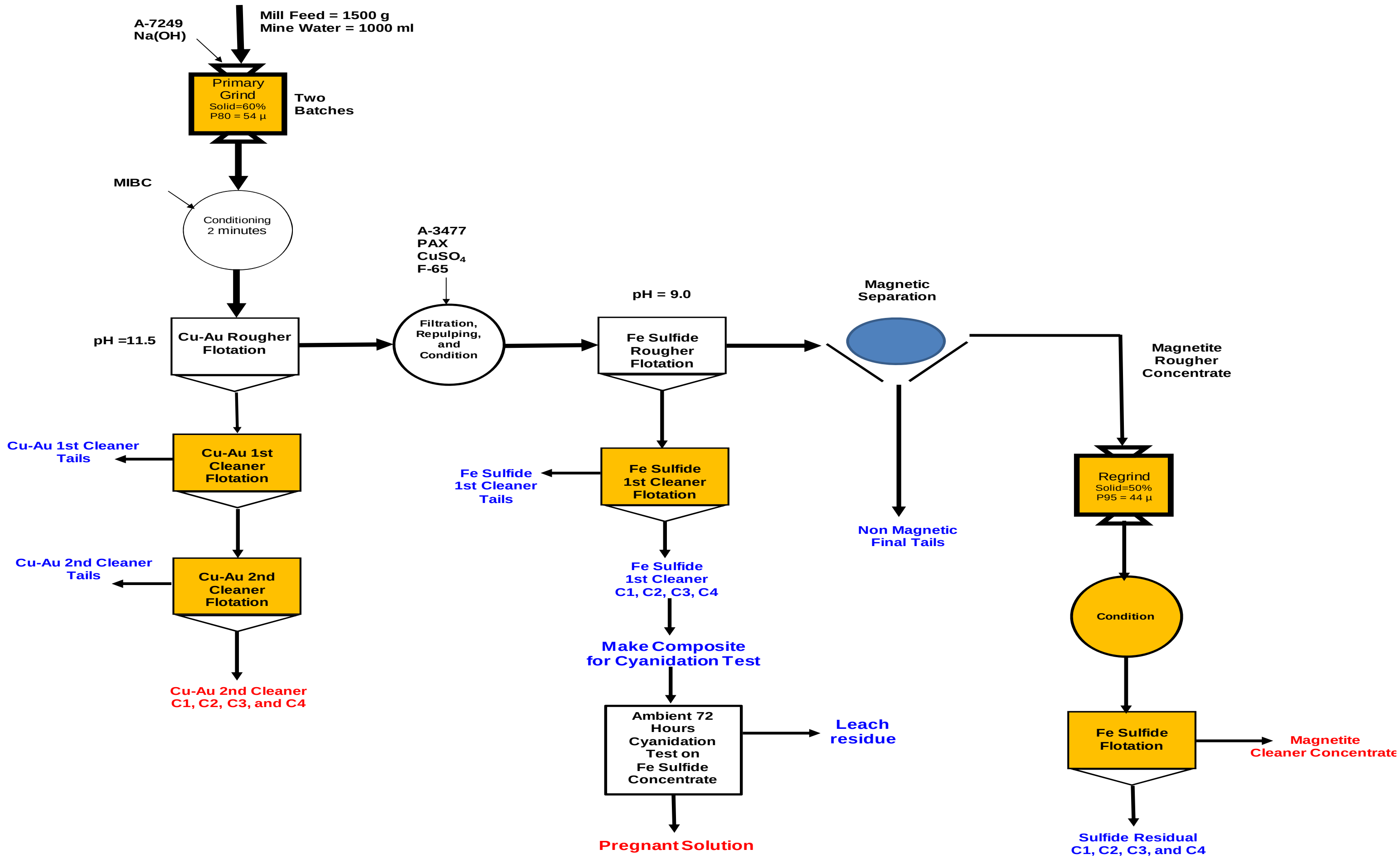
- Increase Cu concentrate recovery by grinding at P80 54 µm
- Increase Cu concentrate grade by adding two cleaning stages
- Include regrinding and sulphide flotation cleaning stages to reduce sulphur in the magnetic concentrate
- Test the proposed flow sheet on a high-grade copper composite to evaluate the copper concentrate concentration response
- Complete whole-ore leach tests on low Cu samples to evaluate its amenability to leaching.

The proposed overall Phase II test work flow sheet is included as Figure 13-2.

## 13.6 Preliminary Results, Phase II Test Work

Subsequent to AMEC's initial assessment of the Phase I results, which was used in evaluations of reasonable prospects of economic extraction in Section 14, additional test results became available. In this work phase, flotation testing was completed using the three previously-tested samples, ML-02, ML-05 and ML-46. In the new test work three composites were made: one with a combination of ML-02, ML-05 and ML-46 combined at a 1–1–1 ratio, a second composite combining ML-02 and ML-05 in a 1–1 ratio and a third composite consisting of only ML-46.

**Figure 13-2: Proposed Phase II Test Work Flow Sheet**




Note: Figure courtesy Torex, 2013.

Each composite was tested using the same parameters. These parameters included:

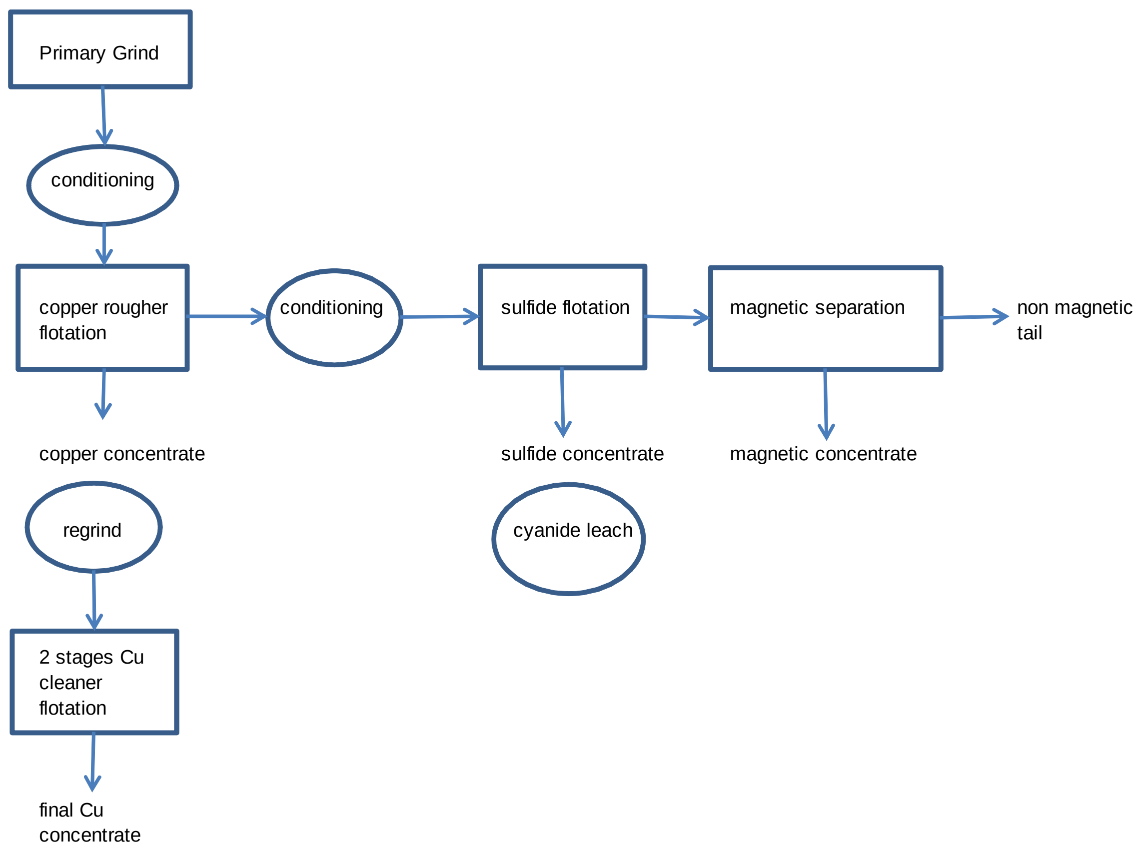
- A primary grind of 80% passing 53 µm compared to a primary grind of 75% passing 74 µm in the first test program
- A regrind of the copper rougher concentrate to 95% passing 44 µm
- Two stages copper cleaner flotation compared to no cleaner flotation in the first test program
- Sulphide flotation of the tail solids from the copper rougher flotation as was done in the first test program.
- Cyanide leach of the sulphide flotation concentrate as was done in the first test program.
- Magnetic concentration of the sulphide flotation tails as was done in the first test program.

The flow sheet used in the Phase II program is given in Figure 13-3. Preliminary results from the second test program are summarized in Tables 13-5 to 13-8.

A total iron content of 61.4%, 63.0% and 60.2% on the ML-02–ML-05–ML-46, ML-02–ML-05 and ML-46 composites respectively were achieved on the magnetic concentrates produced. The potential for the possible production of a magnetite concentrate continues to be a possibility and should continue to be recognized as a potential project upside.

In addition a whole-ore cyanide leach was performed on composite ML-46. That test gave metal recoveries of 15.98%, 87.29% and 14.09% for copper, gold and silver respectively.

**Figure 13-3: Flow Sheet for Phase II Flotation Test Program**




Note: Figure prepared by AMEC, 2013

**Table 13-5: Grade of Final Copper Concentrate (Phase II)**

| Description | % mass recovery | Cu (%) | Au (g/t) | Ag (g/t) | Fe (%) | $S_T$ (%) | As (ppm) |
|---|---|---|---|---|---|---|---|
| ML-02, ML-05, ML-46 composite | 8.85 | 23.75 | 31.16 | 455.4 | 30.2 | 28.46 | 963 |
| ML-02, ML-05 composite | 6.86 | 21.96 | 31.63 | 415.0 | 28.5 | 30.44 | 345 |
| ML-46 composite | 3.17 | 10.66 | 25.64 | 294.2 | 17.2 | 14.24 | 1,675 |

Note: $S_T$ is total sulphur

**Table 13-6: Metal Recoveries to Final Copper Concentrate**

| Description | Cu (%) | Au (%) | Ag (%) |
|---|---|---|---|
| ML-02, ML-05, ML-46 composite | 87.47 | 69.71 | 76.61 |
| ML-02, ML-05 composite | 90.87 | 81.02 | 81.81 |
| ML-46 composite | 77.42 | 31.83 | 57.27 |

**Table 13-7: Metal Recoveries from Cyanide Leach**

| Description | Au (%) | Ag (%) |
|---|---|---|
| ML-02, ML-05, ML-46 composite | 12.52 | 2.93 |
| ML-02, ML-05 composite | 5.70 | 0.05 |
| ML-46 composite | 33.07 | 3.00 |

**Table 13-8: Combined Metal Recoveries from Flotation and Cyanide Leach**

| Description | Cu (%) | Au (%) | Ag (%) |
|---|---|---|---|
| ML-02, ML-05, ML-46 composite | 87.47 | 82.23 | 79.55 |
| ML-02, ML-05 composite | 90.87 | 86.73 | 81.86 |
| ML-46 composite | 77.42 | 64.90 | 60.26 |

## 13.7 Comments on Section 13

### 13.7.1 Phase 1 Test Work

The three composites tested in the Phase 1 test work respond quite well to the flow sheet tested. The composites were developed looking only at copper grade with the three composites representing the high, low and medium copper grades in the deposit. No mineralogy or lithology information was used in the determination of the composites. As this information becomes available it will be important to incorporate it into the current test results as well as use it in developing new composites for further test program.

The test results to date indicate the following:

- The mineralization does not appear to be particularly hard or abrasive and responds well to standard flotation procedures
- It is expected that a marketable concentrate will be produced through cleaner flotation. While this has not been tested to date, it is reasonable to assume cleaner flotation to be effective
- There is potential to produce a marketable magnetite concentrate. Additional testing is required to verify this.

Only one test program has been completed on the three composite samples from the deposit. The results were very promising as favourable recoveries of copper, gold and silver were attained. As the geologic data base from the deposit is developed additional metallurgical testing will be required to verify the initial test results. At this time it has been determined that the mineralization displays reasonable prospects for metal recovery.

### 13.7.2 Preliminary Results, Phase II Test Work

The results from the Phase II test program confirm the earlier assessment that the mineralization exhibits a reasonable prospect for economic metal recovery. In addition, there appears to be potential upside when implementing a finer grind for rougher flotation. It also appears as though there may be upside potential in processing the low-copper portion of the composite (ML-46 composite) through a whole-ore cyanide leach instead of through a flotation circuit.

Based on results from the this second program, AMEC has not adjusted the metal recovery values from the Phase I test program that were used in Section 14 to support reasonable prospects of economic extraction, but notes the Phase II program confirms the earlier estimates and continues to show that the Project may have upside potential.

# 14.0 MINERAL RESOURCE ESTIMATES

## 14.1 Key Assumptions/Basis of Estimate

The Media Luna mineral resource estimate was prepared using 3-D models in the commercial mine planning software MineSight®. Mineral Resources are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves and the 2003 CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines.

The Media Luna mineral resource estimate and lithology model was prepared by Mark Hertel, RM SME., Principal Geologist, (AMEC, Phoenix).

## 14.2 Database

Torex provided AMEC with an Access database containing all drilling information on the Media Luna project. AMEC imported the collar, down-hole survey, lithological, core recovery, and assay data into MineSight®. MineSight® validation routines checked for survey errors, overlapping intervals, missing intervals, skipped intervals, and values outside of range.

AMEC's audit of the database shows a very low incident of errors and is sufficient to support the geological interpretations, the analytical and database quality, and therefore support the use of the data in Mineral Resource estimation.

Within the Media Luna project 165 drill holes (94,206 m) support the Mineral Resource estimate.

## 14.3 Core Recovery

AMEC compared core recovery against grade and determined that grade was not dependent on the percent of core recovered. There are only 19 assay intervals with less than 30% core recovery out of 11,148 assay intervals in total. All assays were used in development of the composite file. Table 14-1 shows the assay interval core recovery summary statistics and it can be seen that there is a high recovery percentage for all of the rock types within the skarn zone.

**Table 14-1: Core Recovery Summary Statistics by Rock Type**

| Rock Code | Rock Type Description | Assay Intervals | Assay Meters | Min Recovery (%) | Max Recovery (%) | Mean Recovery (%) | Number of Assay Intervals Below 30% Recovery |
|---|---|---|---|---|---|---|---|
| 31 | Exoskarn | 1,847 | 1,341.5 | 54.7 | 100.0 | 96.8 | 0 |
| 32 | Endoskarn | 4,233 | 4,689.0 | 16.7 | 100.0 | 96.0 | 5 |
| 34 | Breccia | 19 | 17.3 | 63.0 | 99.7 | 89.3 | 0 |
| 37 | Hornfels | 6 | 6.5 | 95.7 | 100.0 | 97.3 | 0 |
| 39 | Marble/Limestone | 1,361 | 1,549.7 | 5.0 | 100.0 | 94.3 | 8 |
| 41 | Massive Sulphides Oxides | 2,171 | 1,109.0 | 16.7 | 100.0 | 96.0 | 2 |
| 60 | Granodiorite | 727 | 1,104.9 | 20.0 | 100.0 | 95.5 | 1 |
| 61 | Feldspar Porphyry | 87 | 114.7 | 63.7 | 100.0 | 95.1 | 0 |
| 62 | Feldspar–Biotite Porphyry | 362 | 635.8 | 11.7 | 100.0 | 94.3 | 2 |
| 63 | Quartz–Feldspar Porphyry | 324 | 540.2 | 20.0 | 100.0 | 91.0 | 1 |
| 66 | Intrusive | 11 | 8.9 | 91.7 | 100.0 | 96.6 | 0 |
| *Total* | | *11,148* | *11,117.5* | | | *95.5* | *19* |

## 14.4 Geological Models

Torex provided AMEC with 16 geologic sections that were spaced at 100 m intervals through the Media Luna skarn zone (Figure 14-1). The sectional interpretations were completed by Torex and Western Mining Services (WMS) geologists.

AMEC used the sections to model three contact surfaces: limestone-exoskarn, exo-endoskarn, and endoskarn-granodiorite. AMEC also solid modeled vertical dykes and also setup the 3D block model to align with the geologic sections. Figure 14-2 shows the contact surfaces and dykes below a transparent topography.

Dyke solids were tied into surface geology. Dykes cross cut the skarn zone and are not mineralized. Dykes were projected downward to pierce the skarn zone when encountered by drilling above the skarn zone.

Figure 14-3 shows modeled 3D contact surfaces in cross section view together with drill holes and rock codes.

The volume between the each of the surfaces was split into five sub-surfaces. The block model was coded by the sub-surfaces to create 10 skarn zone positions (Figure 14-4). Skarn zone positions were back loaded to the drill holes.

**Figure 14-1: Geologic Cross Sections**

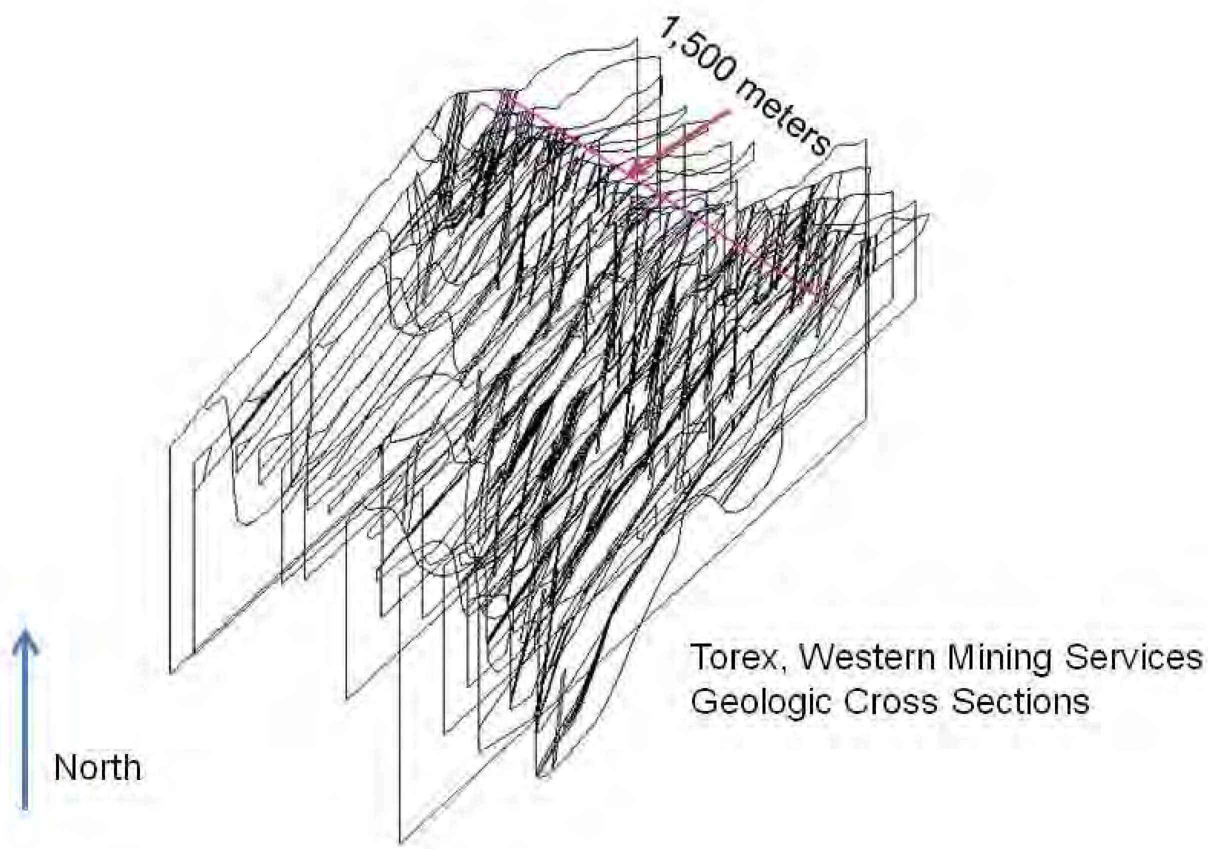


**Figure 14-2: Model Setup, Topography, Contact Surfaces, and Dyke Solids**

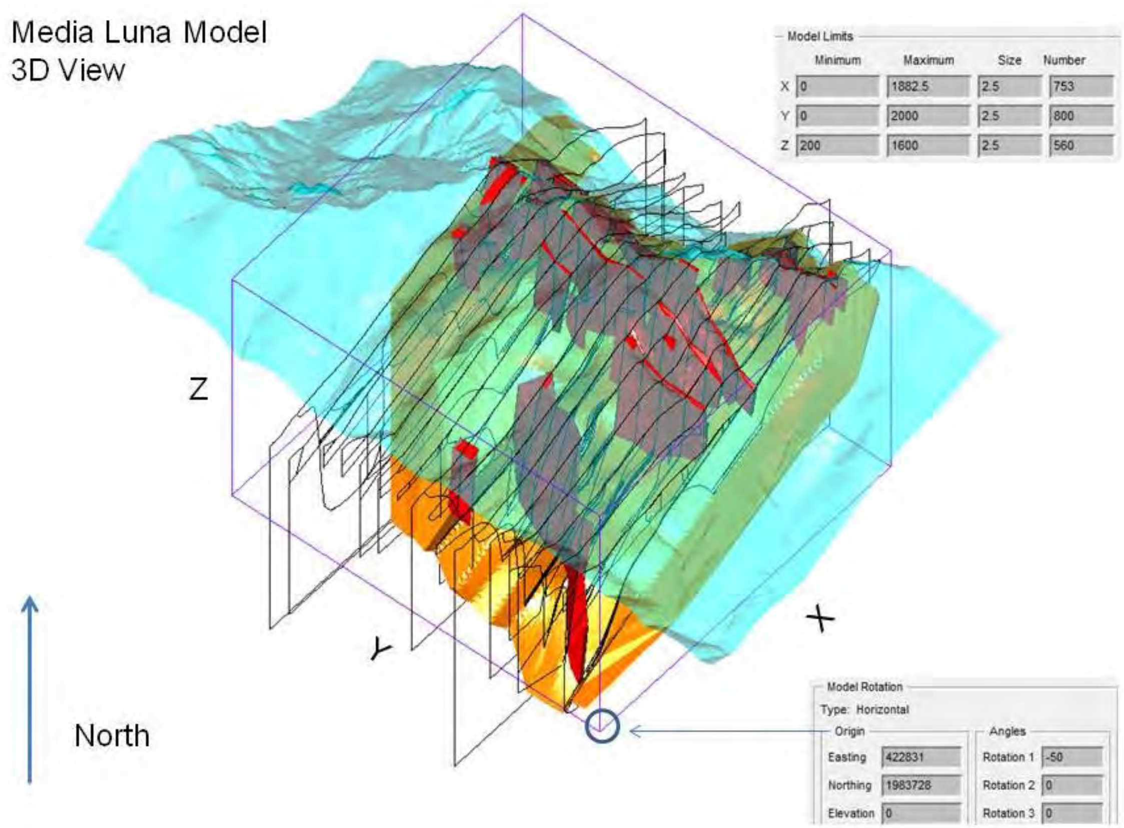
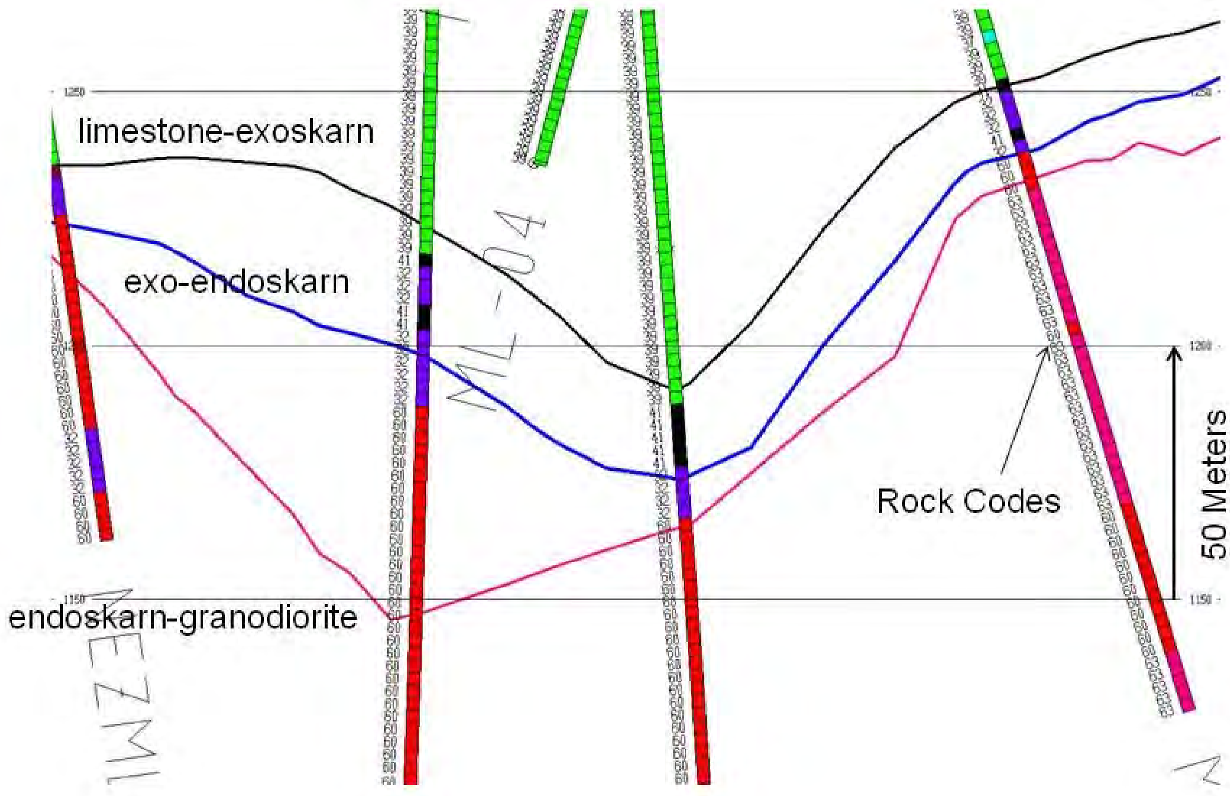
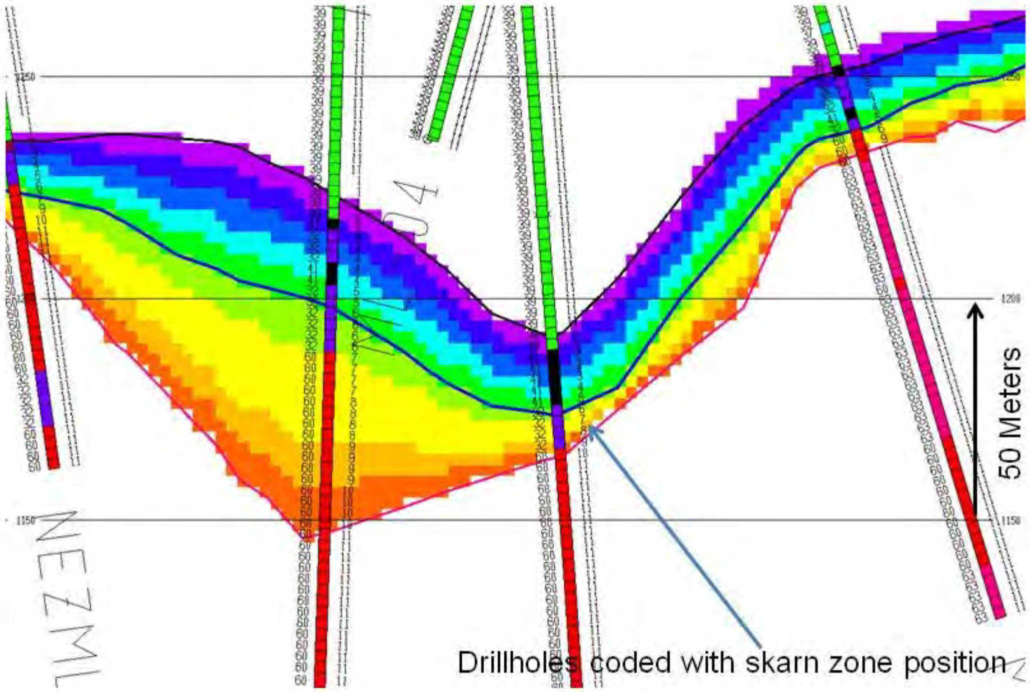


**Figure 14-3: Contact Surface Cross Section**




Note: Cross Section at Drill Hole ML-04, looking to the northwest. Figure shows contact surfaces with drill traces.

**Figure 14-4: Skarn Zone Positions**




Note: Cross Section at Drill Hole ML-04, looking to the northwest. Figure illustrates the variable position of the skarn.

Geology codes from the Torex and WMS logging of core on site were then interpolated matching on skarn zone position, such that skarn zone position blocks could only be assigned grade with composites of a matching zone position. This forced the geology to follow the fabric of the skarn zone as it undulates, pinches, and swells (Figure 14-5).

## 14.5 Exploratory Data Analysis

AMEC summary statistics for assays used in estimation of the skarn zone gold, copper, and silver mineralization are listed in Tables 14-2 through Table 14-4 respectively.

AMEC down-hole composited the assays into 2.5 m lengths and reviewed probability plots to select domains for gold, silver and copper mineralization.

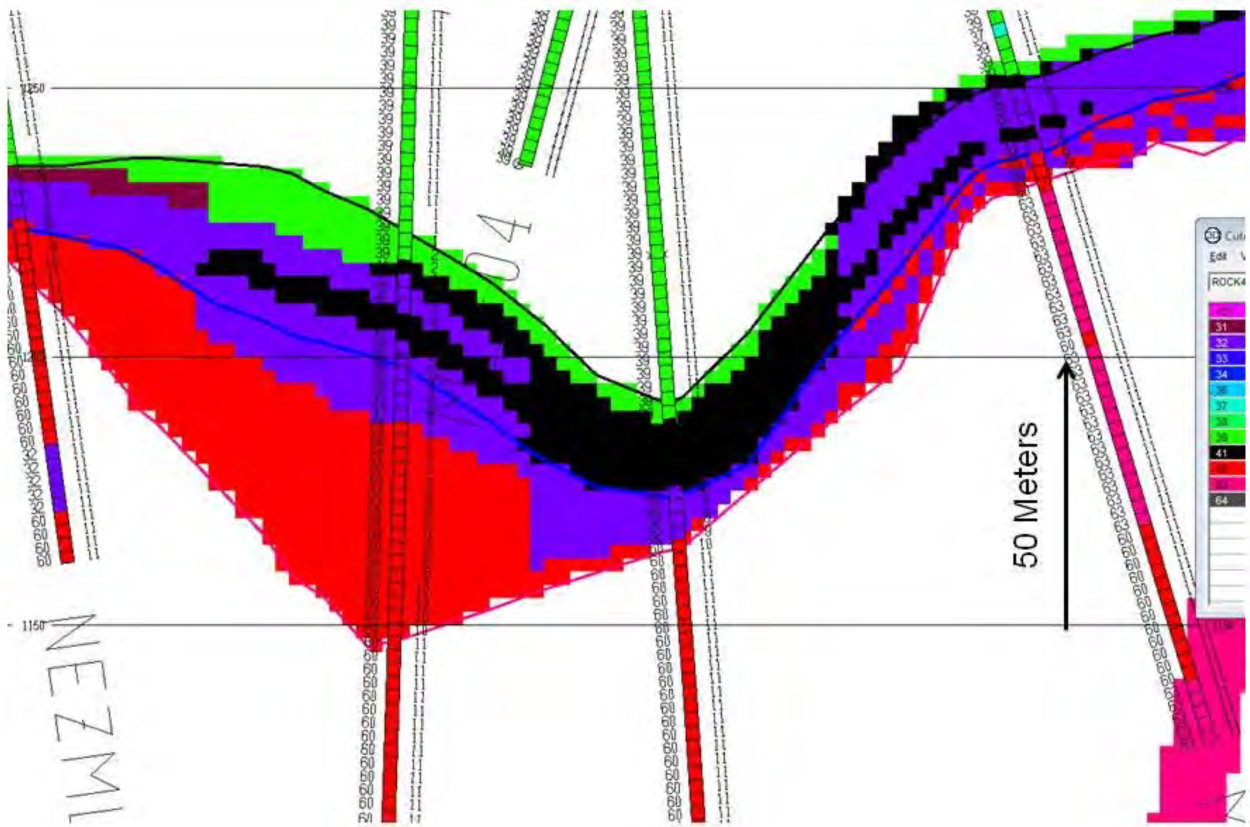
Figure 14-6 shows a kink in the probability plot for gold. A kink or an inflection point in a lognormal probability plot can indicate the presence of more than one population; a straight line probability plot indicates a single population within the data set. From examination of the gold probability plot and confirmation of the pick by reviewing composite cross sections an upper domain was determined to exist at 0.5 g/t Au and above.

Review of the copper probability plot and composite cross section as shown in Figure 14-7 indicated an upper population at 0.15% Cu.

Completing the same process on silver revealed an upper grade population at 3 g/t Ag (Figure 14-8).

AMEC created an indicator for gold, copper and silver in the composite file, all composites below the selected threshold values received a zero and values above received a one. Variograms were calculated for gold, silver and copper indicators, and are discussed in Section 14.8.

**Figure 14-5: Lithology Model**




Note: Cross Section at Drill Hole ML-04, looking to the northwest. Figure illustrates the lithological models and drill traces.

**Table 14-2: Gold Assay Statistics by Rock Type**

| Rock Code | Rock Type Description | Assay Intervals | Meters | Min Au Grade (g/t) | Max Au Grade (g/t) | Mean Au Grade (g/t) | Standard Deviation | CV |
|---|---|---|---|---|---|---|---|---|
| 31 | Exoskarn | 1,847 | 1,341.5 | 0.0025 | 381.590 | 2.20 | 16.73 | 7.60 |
| 32 | Endoskarn | 4,237 | 4,695.0 | 0.0025 | 102.400 | 0.32 | 2.00 | 6.34 |
| 34 | Breccia | 19 | 17.3 | 0.0120 | 2.901 | 0.65 | 1.03 | 1.59 |
| 37 | Hornfels | 6 | 6.5 | 0.0050 | 0.023 | 0.01 | 0.01 | 0.73 |
| 39 | Marble/Limestone | 1,363 | 1,542.6 | 0.0025 | 57.790 | 0.09 | 1.14 | 13.11 |
| 41 | Massive Sulphides Oxides | 2,172 | 1,110.6 | 0.0025 | 271.190 | 2.19 | 7.48 | 3.42 |
| 60 | Granodiorite | 763 | 1,159.7 | 0.0025 | 14.320 | 0.12 | 0.79 | 6.75 |
| 61 | Feldspar Porphyry | 96 | 128.4 | 0.0025 | 3.329 | 0.11 | 0.42 | 3.65 |
| 62 | Feldspar–Biotite Porphyry | 362 | 635.8 | 0.0050 | 1.497 | 0.03 | 0.10 | 3.81 |
| 63 | Quartz–Feldspar Porphyry | 324 | 540.2 | 0.0025 | 4.430 | 0.04 | 0.15 | 3.91 |
| 66 | Intrusive | 11 | 8.9 | 0.0050 | 0.253 | 0.05 | 0.08 | 1.45 |

Note: Coefficient of Variation (CV) = Standard Deviation / Mean

**Table 14-3: Copper Assay Statistics by Rock Type**

| Rock Code | Rock Type Description | Assay Intervals | Meters | Min Cu Grade (%) | Max Cu Grade (%) | Mean Cu Grade (%) | Standard Deviation | CV |
|---|---|---|---|---|---|---|---|---|
| 31 | Exoskarn | 1,843 | 1,336.4 | 0.0001 | 12.000 | 0.47 | 1.11 | 2.36 |
| 32 | Endoskarn | 4,232 | 4,692.1 | 0.0001 | 24.900 | 0.08 | 0.40 | 4.83 |
| 34 | Breccia | 19 | 17.3 | 0.0004 | 0.719 | 0.08 | 0.14 | 1.69 |
| 37 | Hornfels | 6 | 6.5 | 0.0018 | 0.027 | 0.01 | 0.01 | 0.65 |
| 39 | Marble/Limestone | 1,326 | 1,483.1 | 0.0001 | 3.600 | 0.03 | 0.15 | 6.12 |
| 41 | Massive Sulphides Oxides | 2,171 | 1,110.1 | 0.0001 | 18.500 | 1.12 | 1.98 | 1.77 |
| 60 | Granodiorite | 763 | 1,159.7 | 0.0001 | 1.640 | 0.01 | 0.05 | 4.46 |
| 61 | Feldspar Porphyry | 96 | 128.4 | 0.0001 | 0.569 | 0.03 | 0.09 | 2.99 |
| 62 | Feldspar–Biotite Porphyry | 355 | 625.0 | 0.0001 | 0.207 | 0.00 | 0.01 | 4.76 |
| 63 | Quartz–Feldspar Porphyry | 324 | 540.2 | 0.0001 | 0.365 | 0.00 | 0.01 | 5.13 |
| 66 | Intrusive | 11 | 8.9 | 0.0009 | 1.930 | 0.13 | 0.48 | 3.59 |

Note: Coefficient of Variation (CV) = Standard Deviation / Mean

**Table 14-4: Silver Assay Statistics by Rock Type**

| Rock Code | Rock Type Description | Assay Intervals | Meters | Min Ag Grade (g/t) | Max Ag Grade (g/t) | Mean Ag Grade (g/t) | Standard Deviation | CV |
|---|---|---|---|---|---|---|---|---|
| 31 | Exoskarn | 1,847 | 1,341.5 | 0.005 | 803.0 | 15.08 | 37.30 | 2.47 |
| 32 | Endoskarn | 4,236 | 4,693.8 | 0.005 | 489.0 | 2.81 | 12.32 | 4.39 |
| 34 | Breccia | 19 | 17.3 | 0.040 | 17.3 | 4.55 | 5.94 | 1.31 |
| 37 | Hornfels | 6 | 6.5 | 0.140 | 1.0 | 0.45 | 0.29 | 0.65 |
| 39 | Marble/Limestone | 1,363 | 1,542.6 | 0.001 | 370.0 | 1.03 | 7.98 | 7.76 |
| 41 | Massive Sulphides Oxides | 2,172 | 1,110.6 | 0.020 | 860.0 | 26.84 | 57.42 | 2.14 |
| 60 | Granodiorite | 763 | 1,159.7 | 0.020 | 113.0 | 0.42 | 2.47 | 5.87 |
| 61 | Feldspar Porphyry | 96 | 128.4 | 0.030 | 30.6 | 1.51 | 4.56 | 3.02 |
| 62 | Feldspar–Biotite Porphyry | 362 | 635.8 | 0.005 | 9.2 | 0.24 | 0.62 | 2.62 |
| 63 | Quartz–Feldspar Porphyry | 324 | 540.2 | 0.020 | 32.9 | 0.47 | 2.55 | 5.48 |
| 66 | Intrusive | 11 | 8.9 | 0.080 | 14.1 | 1.24 | 3.28 | 2.66 |

**Figure 14-6: Gold Probability Plot**

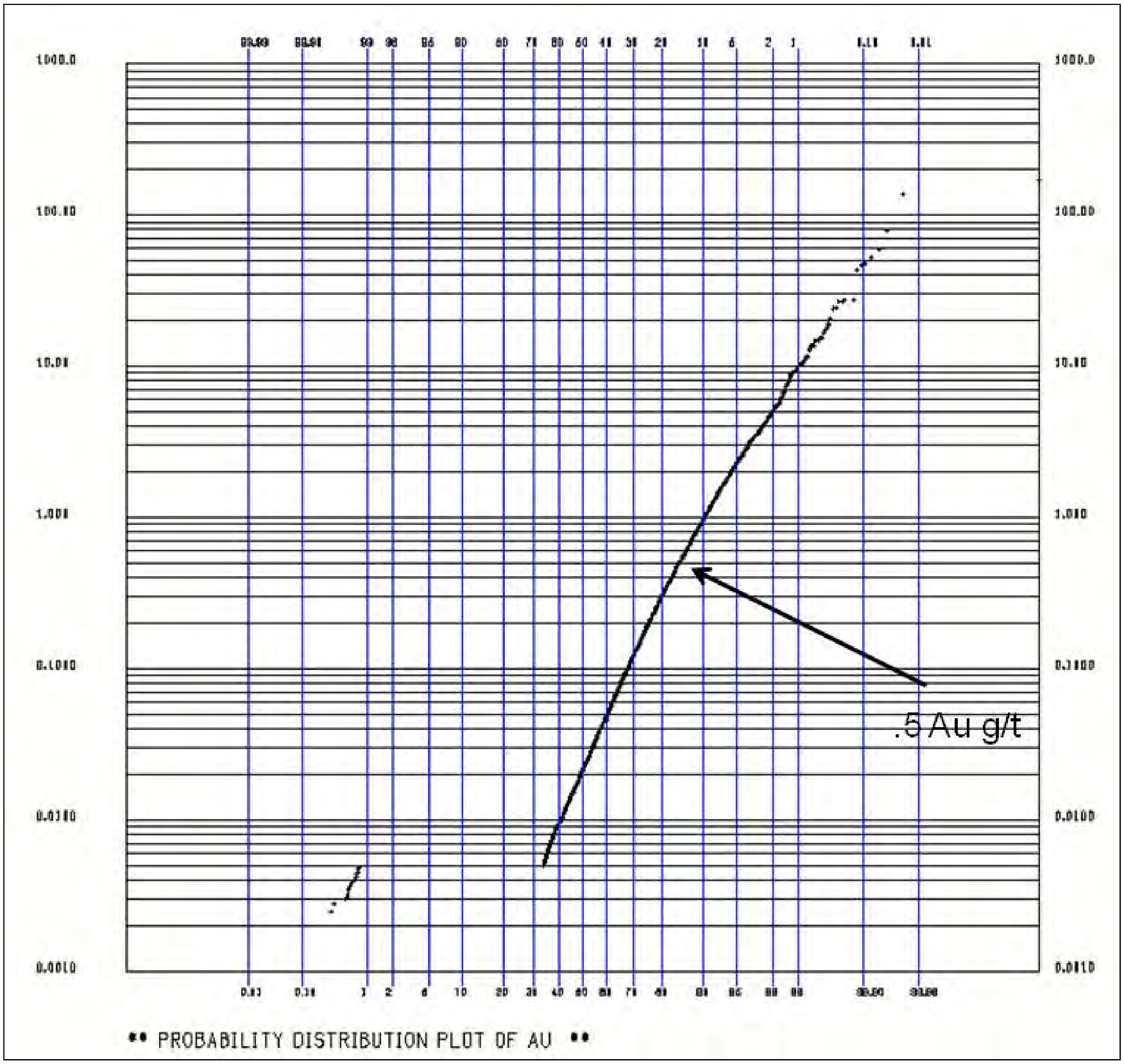


**Figure 14-7: Copper Probability Plot**

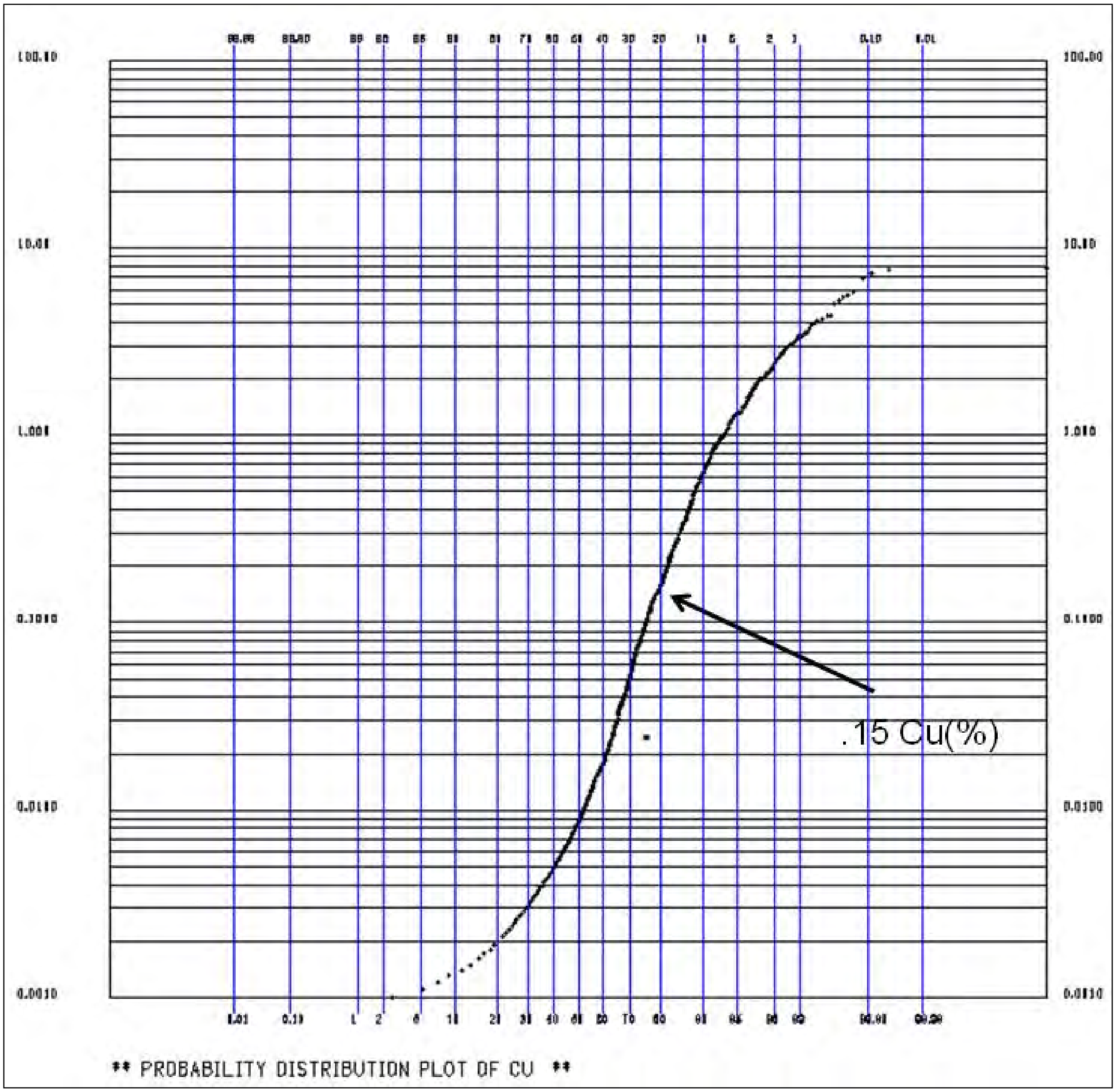
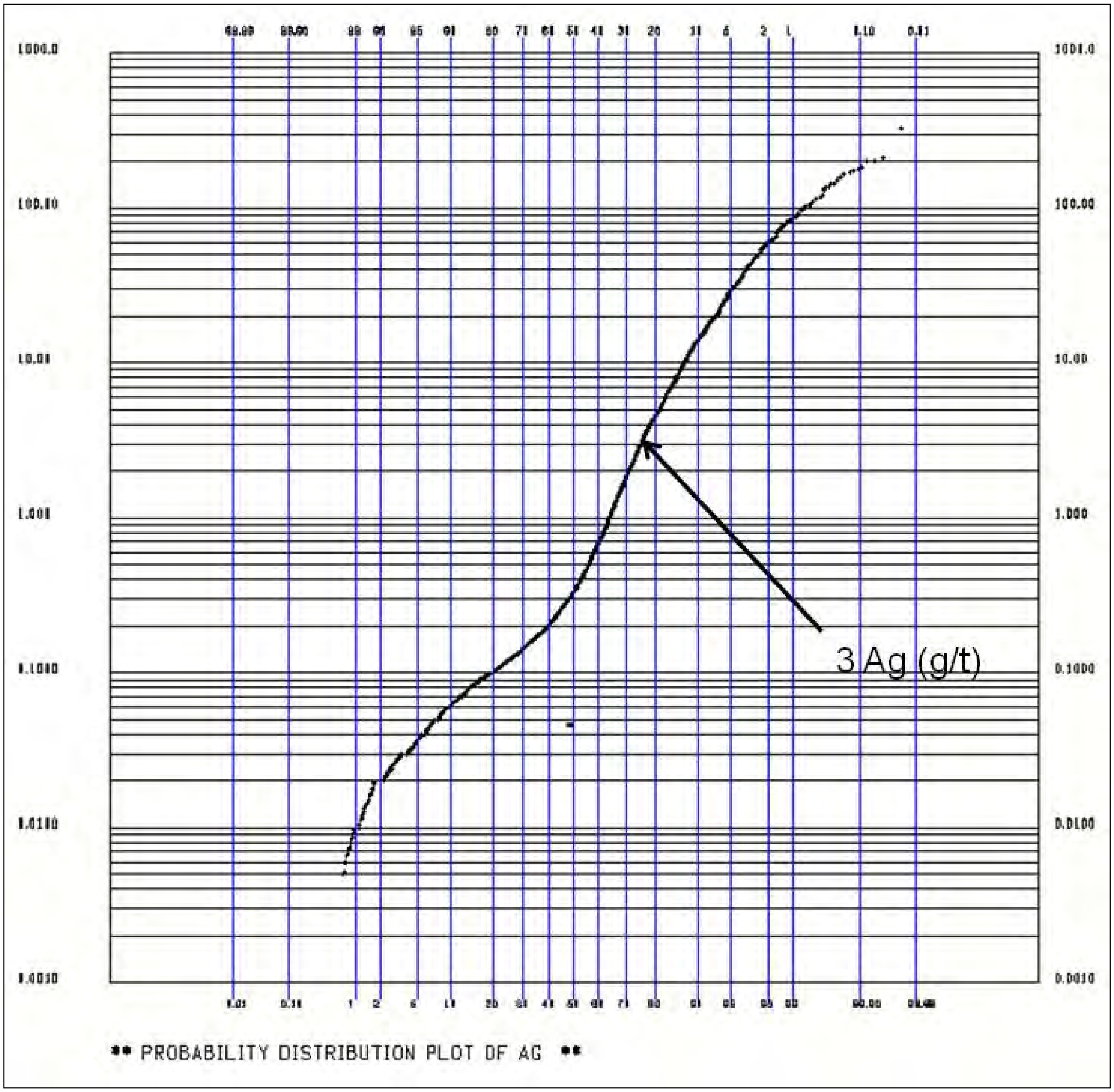


**Figure 14-8: Silver Probability Plot**



## 14.6 Density Assignment

Density values for the Media Luna Resource block model were calculated from 244 wax immersion density determinations. Approximately 30 samples were selected from each rock type found within the skarn zone. The samples were selected evenly throughout the range of sorted Au assay values. Mean density values, sorted by decile, gold, copper, silver, and iron, were plotted for each of the rock types. The plots were examined for trends in density values for each of the grades.

Figure 14-9 shows a trend for the massive sulphide oxide rock type. Samples with gold, copper, and silver higher grade mineralization show a decrease in specific gravity.

Figure 14-10 shows no trend in specific gravity related to gold, copper, and silver mineralization in granodiorite samples.

Density was assigned to the block model by rock types (Table 14-5).

## 14.7 Composites

AMEC composited the assays into 2.5 m lengths. Each 2.5 m length was composited for gold, copper and silver. Composites were assigned rock codes from the assays. The core was logged on site by Torex and WMS geologists. The coding was found through use of the data, to be very consistent.

The down-hole composite received the majority rock code for the 2.5 m length. The skarn position was back-loaded to the composite from the 2.5 m cubic blocks, composites with a skarn position value range of one to 10 are skarn zone composites; only these composites were used for grade estimation.

Indicators were assigned to the composites based on the work outlined in Section 14.5 for gold, silver and copper. Figures 14-11 through 14-13 show composite cross sections for gold, copper and silver.

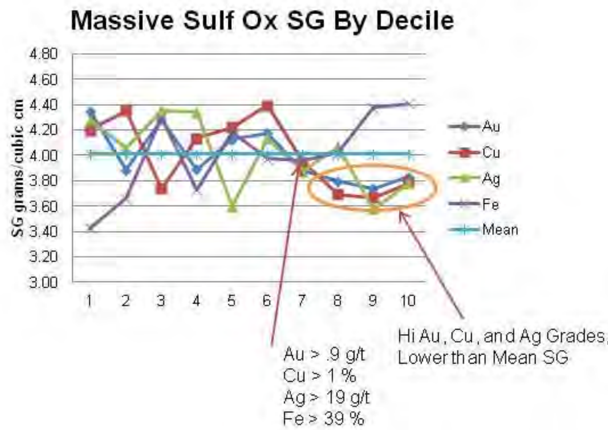
**Figure 14-9: Density Plot Massive Sulphide Oxide**

Rock Code 41, Massive Sulfide Oxide, 30 Wax Immersion Density Determinations

Massive Sulf Oxides Rock Code 41 SG Values BY Bin

| Decile | Au | Cu | Ag | Fe | All |
|---|---|---|---|---|---|
| 1 | 4.348 | 4.196 | 4.279 | 3.427 | 4.010 |
| 2 | 3.886 | 4.354 | 4.056 | 3.664 | 4.010 |
| 3 | 4.284 | 3.738 | 4.354 | 4.297 | 4.010 |
| 4 | 3.889 | 4.135 | 4.340 | 3.728 | 4.010 |
| 5 | 4.125 | 4.221 | 3.599 | 4.182 | 4.010 |
| 6 | 4.175 | 4.393 | 4.132 | 3.976 | 4.010 |
| 7 | 3.882 | 3.946 | 3.878 | 3.957 | 4.010 |
| 8 | 3.794 | 3.695 | 4.068 | 4.019 | 4.010 |
| 9 | 3.736 | 3.666 | 3.579 | 4.375 | 4.010 |
| 10 | 3.834 | 3.782 | 3.782 | 4.407 | 4.010 |

Range
Au .005 to 10.8 g/t
Cu .031 to 8.1 %
Ag .947 to 224 g/t
Fe 10 to 56%



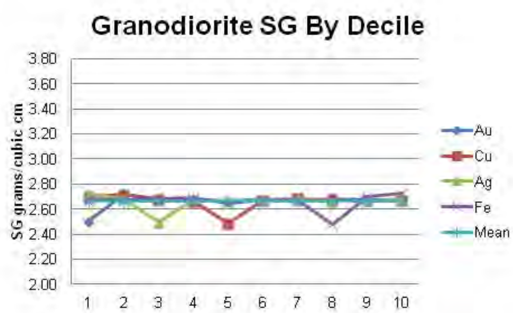

Mean, 3.998 g/cm^3
Mean weighted by sample length, 4.010 g/cm^3
**For Resource Estimation Use, 4.1 g/cm^3 For Au Equivalent <1, 3.8 g/cm^3 >= 1**

**Figure 14-10: Density Plot Granodiorite**

Rock Code 60, Granodiorite, 30 Wax Immersion Density Determinations

Granodiorite Rock Code 60 SG Values By Bin

| Decile | Au | Cu | Ag | Fe | All |
|---|---|---|---|---|---|
| 1 | 2.502 | 2.698 | 2.719 | 2.675 | 2.551 |
| 2 | 2.719 | 2.716 | 2.685 | 2.669 | 2.551 |
| 3 | 2.683 | 2.678 | 2.493 | 2.682 | 2.551 |
| 4 | 2.671 | 2.660 | 2.684 | 2.688 | 2.551 |
| 5 | 2.661 | 2.485 | 2.668 | 2.645 | 2.551 |
| 6 | 2.679 | 2.670 | 2.676 | 2.670 | 2.551 |
| 7 | 2.665 | 2.685 | 2.676 | 2.676 | 2.551 |
| 8 | 2.683 | 2.677 | 2.661 | 2.479 | 2.551 |
| 9 | 2.673 | 2.669 | 2.668 | 2.696 | 2.551 |
| 10 | 2.675 | 2.671 | 2.681 | 2.727 | 2.551 |

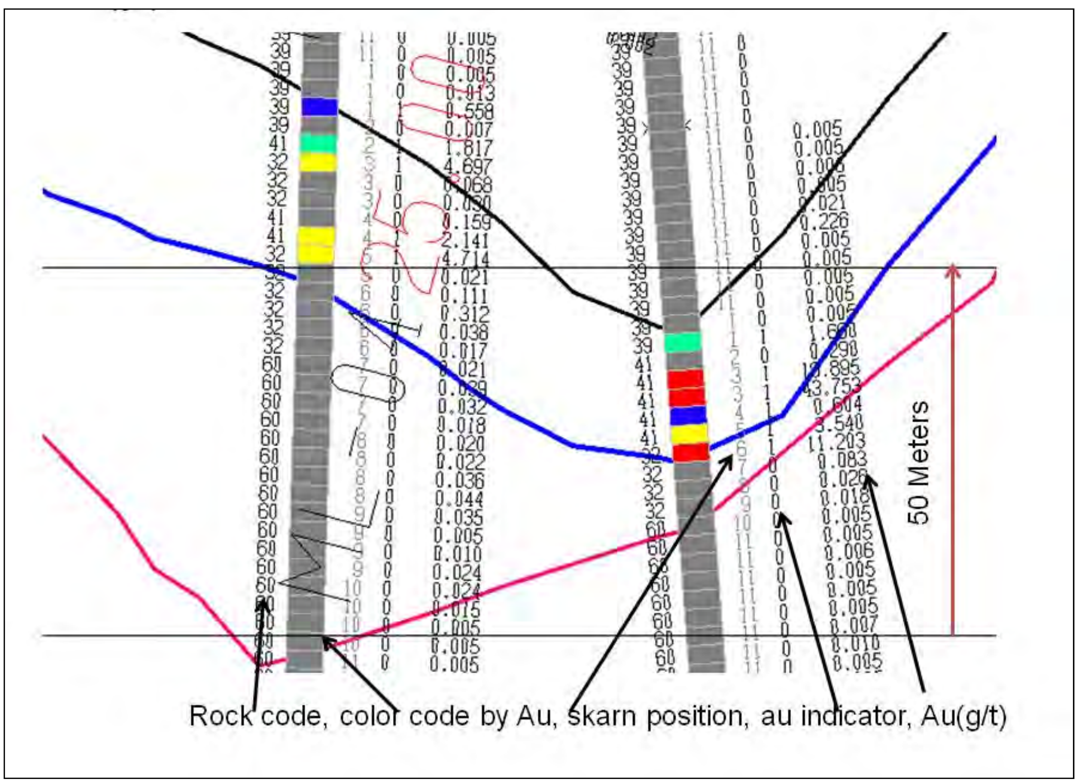



Mean, 2.662 g/cm^3
Mean weighted by sample length, 2.661 g/cm^3
**For Resource Estimation Use Mean, 2.662 g/cm^3**

**Table 14-5: Density Assigned by Rock Type**

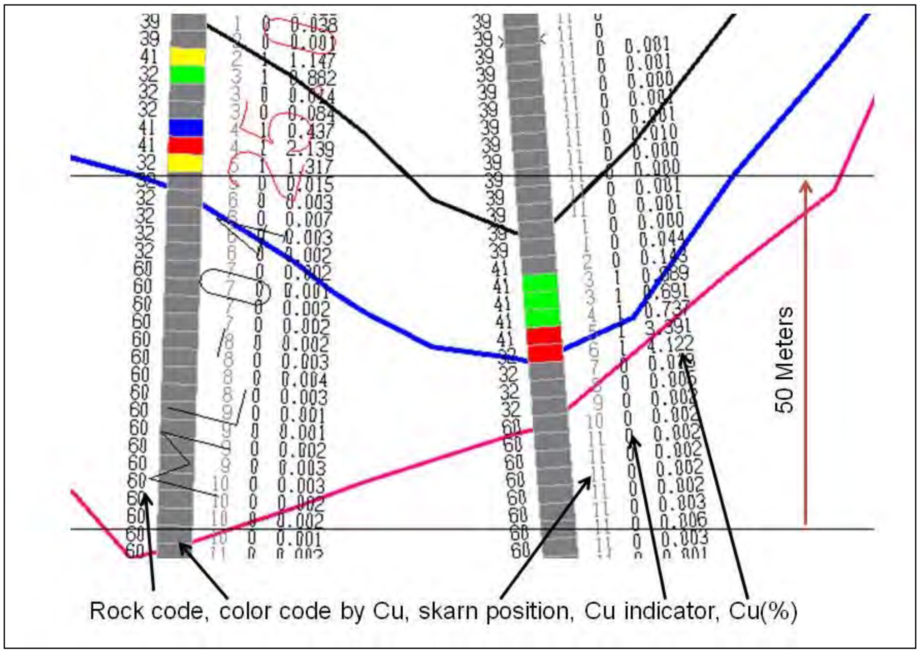
| Rock Code | Rock Type Description | Density ($g/cm^3$) |
|---|---|---|
| 31 | Exoskarn | 3.303 |
| 32 | Endoskarn | 3.005 |
| 34 | Breccia | 2.808 |
| 37 | Hornfels | 3.007 |
| 39 | Marble/Limestone | 2.777 |
| 41 | Massive Sulphides Oxides > 1 Au Eq. | 4.100 |
| 41 | Massive Sulphides Oxides >= 1 Au Eq. | 3.800 |
| 60 | Granodiorite | 2.662 |
| 61 | Feldspar Porphyry | 2.580 |
| 62 | Feldspar–Biotite Porphyry | 2.553 |
| 63 | Quartz–Feldspar Porphyry | 2.623 |
| 66 | Intrusive | 2.700 |

**Figure 14-11:Gold Composite Cross Section**



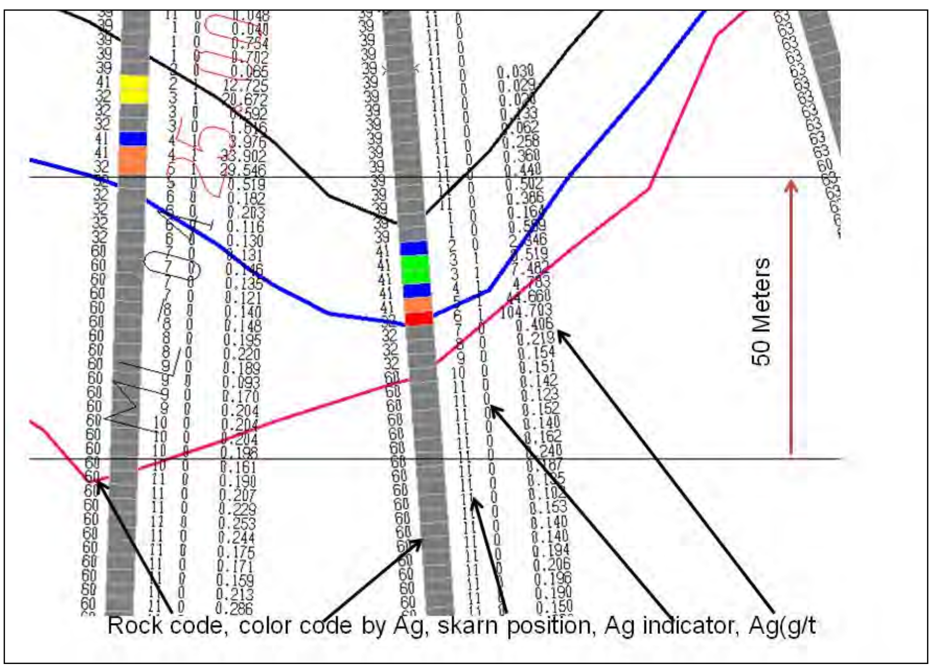

Note: Cross Section at Drill Hole ML-04, looking to the northwest.

**Figure 14-12: Copper Composite Cross Section**




Note: Cross Section at Drill Hole ML-04, looking to the northwest.

**Figure 14-13: Silver Composite Cross Section**




Note: Cross Section at Drill Hole ML-04, looking to the northwest.

## 14.8 Variography

AMEC constructed variograms using Sage2001® software for down-the-hole and directional correlograms for gold, copper and silver indicators (Table 14-6).

AMEC used Ordinary Kriging (OK) of the indicators to interpolate block probabilities for all of the blocks within the skarn zone. Block probabilities were used to define upper and lower domain codes for gold, silver, and copper. The domain codes were back loaded to the composites, every composite in the skarn zone is coded for upper and lower gold, silver, and copper domains. More information on domain estimation can be found in the Estimation/Interpolation Methods section.

AMEC constructed variograms for the upper and lower domains for gold, silver, and copper and decided to use the indicator rotations and ranges along with the nugget and sill from the down hole domain composites for grade estimation. The ranges and rotations from the indicators appeared more robust and more like what had been observed in working with the data in 3D.

## 14.9 Grade Capping/Outlier Restrictions

AMEC selected potential outlier restriction values from lognormal probability plots and then verified the value by finding the outlier and looking at its surrounding composites in 3D space. Outlier restriction allows the use of the full composite value within a given distance and then restricts the value for the composite outside of this distance.

Figure 14-14 shows two gold outliers with two drill holes nearby. One hole is 25 m away and the other is 22 m. There is support for the 30 g/t Au value in other composites nearby and also support for the 15 m range restriction as the nearby holes do not have as grade composites of similar high grades.

AMEC calculated outlier values by rock type and upper and lower grade domains for gold, silver, and copper. Tables 14-7 and 14-8 show the summary statistics for composites used in estimation of skarn zone blocks for the upper-grade and lower-grade domains.

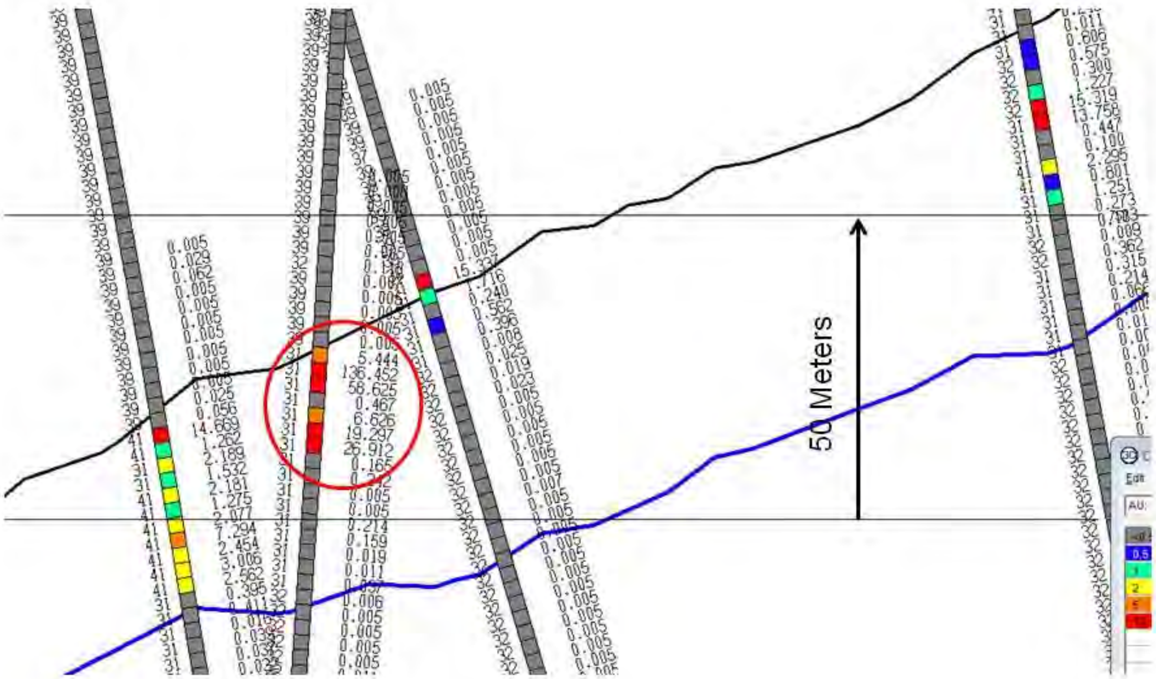
Skarn blocks were estimated using outlier restriction and without so that metal reduction due to outlier restriction could be calculated. In the above table for gold upper grade domain it can be seen that a small number of composites have a great effect on the mean grade in the exoskarn rock type.

**Table 14-6: Media Luna Indicator Variograms**

| Indicator | Nugget | Sill - nugget | Model | Y axis range | X axis range | Z axis range | Rot Z axis | Rot X axis | Rot Y axis |
|---|---|---|---|---|---|---|---|---|---|
| Au | 0.25 | 0.75 | exp | 120 | 275 | 49 | 72 | 17 | -17 |
| Ag | 0.2 | 0.8 | exp | 115 | 379 | 39 | 55 | 14 | -15 |
| Cu | 0.25 | 0.75 | exp | 109 | 249 | 50 | 58 | 19 | -13 |

Note: ranges in metres, rotations rules (zxy-LRL)

**Figure 14-14: Au Outliers**




Note: Drill composite cross section at ML-35, section looks northwest. Gold grades in g/t Au.

**Table 14-7: Upper Grade Domain Composite Statistics**

**Au Upper Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| Composites without Outlier Restriction | | | | | | | | | Outlier Restricted | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean g/t** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean g/t** | **St. Dev** | **CV** |
| 31 | 184 | 5.96 | 18.46 | 0.011 | 171.020 | 3.10 | 30.0 | 6 | 3.98 | 7.01 | 1.76 |
| 32 | 257 | 2.26 | 3.41 | 0.008 | 26.739 | 1.51 | 10.5 | 9 | 2.06 | 2.48 | 1.21 |
| 39 | 69 | 2.83 | 6.85 | 0.002 | 47.998 | 2.42 | 10.0 | 3 | 1.98 | 2.79 | 1.41 |
| 41 | 309 | 2.76 | 4.21 | 0.01 | 43.753 | 1.53 | 10.0 | 15 | 2.41 | 2.592 | 1.07 |
| 60 | 9 | 3.93 | 7.78 | 0.755 | 24.567 | 1.98 | 5.0 | 1 | 1.76 | 1.432 | 0.82 |
| *Total* | *828* | | | | | | | *34* | | | |

**Cu Upper Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| Composites without Outlier Restriction | | | | | | | | | Outlier Restricted | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean %** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean %** | **St. Dev** | **CV** |
| 31 | 251 | 0.99 | 1.19 | 0.002 | 7.873 | 1.21 | N/A | 0 | N/A | N/A | N/A |
| 32 | 235 | 0.66 | 0.91 | 0.001 | 6.248 | 1.38 | 2.5 | 10 | 0.59 | 0.62 | 1.06 |
| 39 | 48 | 0.45 | 0.49 | 0.001 | 1.851 | 1.08 | N/A | 0 | N/A | N/A | N/A |
| 41 | 385 | 1.08 | 1.26 | 0.030 | 9.184 | 1.16 | N/A | 0 | N/A | N/A | N/A |
| 60 | 10 | 0.38 | 0.25 | 0.157 | 0.994 | 0.66 | N/A | 0 | N/A | N/A | N/A |
| *Total* | *929* | | | | | | | *10* | | | |

**Ag Upper Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| Composites without Outlier Restriction | | | | | | | | | Outlier Restricted | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean g/t** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean g/t** | **St. Dev** | **CV** |
| 31 | 311 | 26.00 | 34.56 | 0.184 | 202.584 | 1.33 | 150.0 | 6 | 25.54 | 32.63 | 1.28 |
| 32 | 373 | 14.22 | 20.92 | 0.092 | 170.717 | 1.47 | 150.0 | 2 | 14.13 | 20.27 | 1.43 |
| 39 | 86 | 11.18 | 15.10 | 0.023 | 74.984 | 1.35 | N/A | 0 | N/A | N/A | N/A |
| 41 | 392 | 25.05 | 34.27 | 0.707 | 325.761 | 1.37 | 150.0 | 5 | 24.22 | 29.52 | 1.22 |
| 60 | 15 | 9.58 | 9.68 | 0.580 | 32.335 | 1.01 | N/A | 0 | N/A | N/A | N/A |
| *Total* | *1,177* | | | | | | | *13* | | | |

**Table 14-8: Lower Grade Domain Composite Statistics**

**Au Lower Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| **Composites without Outlier Restriction** | | | | | | | | | **Outlier Restricted** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean g/t** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean g/t** | **St. Dev** | **CV** |
| 31 | 355 | 0.186 | 0.508 | 0.002 | 7.453 | 2.731 | 0.5 | 16 | 0.128 | 0.15 | 1.172 |
| 32 | 1,666 | 0.093 | 0.234 | 0.002 | 4.697 | 2.516 | 1.0 | 15 | 0.083 | 0.153 | 1.843 |
| 34 | 6 | 0.355 | 0.519 | 0.021 | 1.349 | 1.462 | 0.2 | 2 | 0.113 | 0.081 | 0.717 |
| 39 | 579 | 0.062 | 0.196 | 0.002 | 2.562 | 3.161 | 0.5 | 12 | 0.050 | 0.107 | 2.140 |
| 41 | 146 | 0.259 | 1.052 | 0.002 | 12.722 | 4.062 | 0.5 | 4 | 0.167 | 0.134 | 0.802 |
| 60 | 457 | 0.052 | 0.112 | 0.002 | 1.32 | 2.154 | 0.4 | 12 | 0.048 | 0.085 | 1.771 |
| 61 | 51 | 0.077 | 0.154 | 0.005 | 0.884 | 2.000 | 0.2 | 5 | 0.052 | 0.064 | 1.231 |
| 62 | 277 | 0.03 | 0.094 | 0.005 | 0.966 | 3.133 | 0.2 | 9 | 0.021 | 0.041 | 1.952 |
| 63 | 215 | 0.048 | 0.150 | 0.002 | 1.828 | 3.125 | 0.2 | 9 | 0.032 | 0.051 | 1.594 |
| *Total* | *3,752* | | | | | | | *84* | | | |

**Cu Lower Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| **Composites without Outlier Restriction** | | | | | | | | | **Outlier Restricted** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean %** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean %** | **St. Dev** | **CV** |
| 31 | 288 | 0.074 | 0.204 | 0.0001 | 2.052 | 2.757 | 0.2 | 17 | 0.045 | 0.058 | 1.289 |
| 32 | 1,687 | 0.039 | 0.177 | 0.0001 | 3.678 | 4.538 | 0.2 | 45 | 0.023 | 0.043 | 1.870 |
| 34 | 6 | 0.076 | 0.085 | 0.004 | 0.236 | 1.118 | 0.2 | 1 | 0.07 | 0.072 | 1.029 |
| 39 | 578 | 0.032 | 0.091 | 0.0001 | 1.300 | 2.844 | 0.2 | 17 | 0.025 | 0.045 | 1.800 |
| 41 | 69 | 0.15 | 0.185 | 0.005 | 1.040 | 1.233 | N/A | 0 | N/A | N/A | N/A |
| 60 | 456 | 0.01 | 0.031 | 0.0001 | 0.446 | 3.100 | 0.2 | 3 | 0.009 | 0.021 | 2.333 |
| 61 | 51 | 0.038 | 0.099 | 0.0001 | 0.530 | 2.605 | 0.2 | 2 | 0.027 | 0.051 | 1.889 |
| 62 | 276 | 0.004 | 0.02 | 0.0001 | 0.231 | 5.000 | 0.2 | 1 | 0.004 | 0.019 | 4.750 |
| 63 | 214 | 0.004 | 0.011 | 0.0001 | 0.096 | 2.750 | N/A | 0 | N/A | N/A | N/A |
| *Total* | *3,625* | | | | | | | *86* | | | |

**Ag Lower Grade Domain 2.5m Composites Statistics and Outlier Restriction**

| **Composites without Outlier Restriction** | | | | | | | | | **Outlier Restricted** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rx Code** | **#** | **Mean g/t** | **St. Dev** | **Min** | **Max** | **CV** | **Outlier >** | **Outlier #** | **Mean g/t** | **St. Dev** | **CV** |
| 31 | 228 | 2.128 | 7.54 | 0.048 | 89.564 | 3.543 | 3.0 | 18 | 0.922 | 0.932 | 1.011 |
| 32 | 1,550 | 0.994 | 4.487 | 0.028 | 103.804 | 4.514 | 4.0 | 44 | 0.61 | 0.865 | 1.418 |
| 34 | 6 | 2.660 | 2.459 | 0.847 | 7.474 | 0.924 | 1.0 | 5 | 0.975 | 0.062 | 0.064 |
| 39 | 559 | 0.732 | 1.877 | 0.005 | 23.701 | 2.564 | 8.0 | 8 | 0.659 | 1.323 | 2.008 |
| 41 | 61 | 3.189 | 4.46 | 0.176 | 25.767 | 1.399 | 3.0 | 8 | 2.512 | 2.122 | 0.845 |
| 60 | 451 | 0.329 | 0.712 | 0.024 | 9.957 | 2.164 | 3.0 | 3 | 0.302 | 0.457 | 1.513 |
| 61 | 51 | 1.486 | 4.128 | 0.042 | 29.172 | 2.778 | 1.0 | 22 | 0.581 | 0.400 | 0.688 |
| 62 | 276 | 0.268 | 0.654 | 0.01 | 6.137 | 2.440 | 1.0 | 13 | 0.190 | 0.24 | 1.263 |
| 63 | 212 | 0.407 | 1.393 | 0.02 | 17.467 | 3.423 | 1.0 | 16 | 0.233 | 0.293 | 1.258 |
| *Total* | *3,394* | | | | | | | *137* | | | |

## 14.10 Estimation/Interpolation Methods

### 14.10.1 Block Probability Estimation for Upper Grade Domains

AMEC interpolated block probabilities using grade indicators and selected block probabilities by matching block probabilities to blocks interpolated by Nearest Neighbour (NN) of the indicators. Validation was done for the probabilities selected by comparing the number of blocks in the NN estimate to the selected block probability. Table 14-9 shows the validation NN blocks overall match very well.

### 14.10.2 Gold, Silver, and Copper Grade Estimation

AMEC developed an estimation plan for grade estimation using grade domains, skarn position, and rock codes. A two pass estimation plan was used that employed matching by grade domain and rock type followed by a more restrictive pass that matched block and composites by grade domain, skarn position and rock type. The second pass overwriting the block estimation of the first pass, if the composites were available, with a more local estimate conforming to the fabric of the skarn zone.

For gold, silver and copper block grade estimation, AMEC used a maximum of 12 composites, minimum of two, and a maximum of three from any single drill hole. Gold, silver, and copper grades were estimated for each block in the skarn zone. Ranges and rotation angles are summarized in Table 14-10.

### 14.10.3 Gold Equivalent Calculation

AMEC calculated gold equivalent grade for blocks with an estimated gold grade. Table 14-11 shows how the gold equivalent grade was calculated.

Gold, silver, and copper prices are AMEC's view of long term consensus metal prices current as of August 2013.

**Table 14-9: Upper Grade Domain Validation**

| Au Upper Grade Domain | | | | |
|---|---|---|---|---|
| **Rock Code** | **NN Blocks** | **Upper Domain** | **Difference** | **Prob** |
| 31 | 231,604 | 212,305 | -8% | 0.35 |
| 32 | 323,076 | 342,062 | 6% | 0.4 |
| 39 | 85,883 | 83,581 | -3% | 0.45 |
| 41 | 303,585 | 310,373 | 2% | 0.3 |
| 60 | 14,381 | 15,335 | 7% | 0.5 |
| *Total* | *958,529* | *963,656* | *1%* | |
| *Diff* | *1%* | *4%* | | |
| **Cu Upper Grade Domain** | | | | |
| **Rock** | **NN Blocks** | **Upper Domain** | **Difference** | **Prob** |
| 31 | 305,390 | 307,465 | 1% | 0.35 |
| 32 | 378,347 | 362,533 | -4% | 0.45 |
| 39 | 74,979 | 72,888 | -3% | 0.5 |
| 41 | 480,032 | 487,736 | 2% | 0.325 |
| 60 | 21,378 | 20,201 | -6% | 0.5 |
| *Total* | *1,260,126* | *1,250,823* | *-1%* | |
| *Diff* | *20%* | *26%* | | |
| **Ag Upper Grade Domain** | | | | |
| **Rock** | **NN Blocks** | **Upper Domain** | **Difference** | **Prob** |
| 31 | 402,341 | 401,279 | 0% | 0.38 |
| 32 | 604,844 | 605,051 | 0% | 0.425 |
| 39 | 125,856 | 126,890 | 1% | 0.51 |
| 41 | 475,829 | 485,407 | 2% | 0.35 |
| 60 | 24,867 | 26,359 | 6% | 0.51 |
| *Total* | *1,633,737* | *1,644,986* | *1%* | |
| *Diff* | *12%* | *13%* | | |

**Table 14-10: Estimation Ranges and Rotations**

| Grade | Nugget | Sill - nugget | Model | Y axis range | X axis range | Z axis range | Rot Z axis | Rot X axis | Rot Y axis |
|---|---|---|---|---|---|---|---|---|---|
| Au | 0.3 | 0.7 | exp | 120 | 275 | 49 | 72 | 17 | -17 |
| Ag | 0.3 | 0.7 | exp | 115 | 379 | 39 | 55 | 14 | -15 |
| Cu | 0.3 | 0.7 | exp | 109 | 249 | 50 | 58 | 19 | -13 |

Note: ranges in meters, rotations rules (zxy-LRL)

**Table 14-11: Gold Equivalent Grade**

| | | | |
|---|---|---|---|
| **Metal Price** | Au US$/oz | Ag US$/oz | Cu US$/lb |
| | 1,495 | 26.45 | 3.39 |
| **Metal Price** | AuUS$/g | AgUS$/g | Cu US$/% |
| | 48.07 | 0.85 | 74.74 |
| **Factors** | 1 | 0.0177 | 1.55 |
| Gold equivalent grade = Au (g/t) + Cu % *(74.74/48.07) + Ag (g/t) * (0.85/48.07) | | | |
| Grades have not been adjusted for metallurgical or refining cost and recoveries | | | |

## 14.11 Block Model Validation

AMEC validated the model construction of a nearest-neighbour (NN) block model to check for global and local bias, visual inspection, swath plots, and HERCO plots.

### 14.11.1 Nearest-Neighbour Block Model

AMEC constructed NN models to compare to the kriged block models to check for global and local bias. The NN model used the same block size of 2.5 m x 2.5 m x 2.5 m. NN grade interpolation also honoured the outlier grade restrictions as applied to the OK gold model.

### 14.11.2 Global Bias

AMEC checked the gold model for global bias by comparing the means of the kriged model with means from the NN model. The NN model theoretically produces an unbiased estimate of average value at a zero cut-off grade. A relative percentage value of around 5% or less difference between the means is an acceptable result and indicates good correlation between the two models especially for an Inferred Resource model (Table 14-12).

### 14.11.3 Local Bias

Swath plot validation was performed with an in-house AMEC program that permits a visual comparison of local bias between the kriged and NN estimates. The program separates the block model into user defined orthogonal slices (swaths) along easting, northing, and elevation axis and calculates the average grade for each swath.

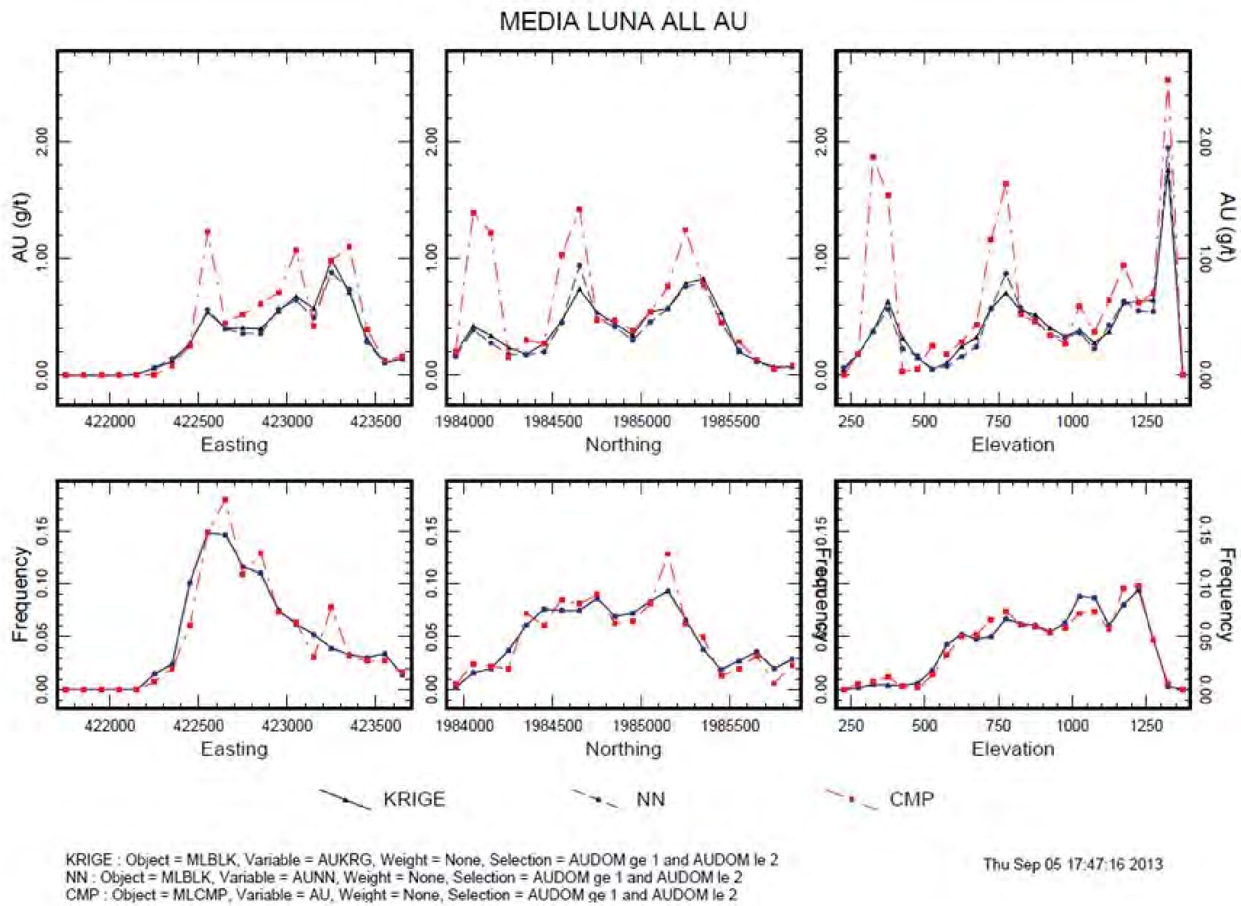
AMEC reviewed swath plots by domain and determined that grades from kriged blocks compared well with NN blocks, matching peaks and valleys and comparable well to composite grades where there is increasing number of composites. Figure 14-15 shows an example swath plot for all gold blocks.

**Table 14-12: Global Bias Check Results**

| Upper and Lower Domains | | Lower Domain | | Upper Domain | |
|---|---|---|---|---|---|
| **Au g/t** | | | | | |
| OK | 0.4956 | OK | 0.0794 | OK | 2.6375 |
| NN | 0.4763 | NN | 0.0801 | NN | 2.5154 |
| *% Diff* | *4.1%* | *% Diff* | *-0.9%* | *% Diff* | *4.9%* |
| **Cu %** | | | | | |
| OK | 0.2074 | OK | 0.0255 | OK | 0.8926 |
| NN | 0.2028 | NN | 0.0259 | NN | 0.8695 |
| *% Diff* | *2.3%* | *% Diff* | *-1.5%* | *% Diff* | *2.7%* |
| **Ag g/t** | | | | | |
| OK | 5.8642 | OK | 0.6071 | OK | 20.559 |
| NN | 5.5914 | NN | 0.6062 | NN | 19.526 |
| *% Diff* | *4.9%* | *% Diff* | *0.1%* | *% Diff* | *5.3%* |

Note: Media Luna Model, Ordinary Kriging compared to Nearest Neighbour at zero cut-off, September 2013 block model, Inferred Mineral Resource

**Figure 14-15: Skarn Zone All Gold Estimated Blocks Swath Plot**



### 14.11.4 Herco Plots

The degree of smoothing in the block model estimates were evaluated using the discrete Gaussian or Hermitian polynomial change of support (Herco) method (Journel and Huijbregts, 1978). The Herco validation was performed with the AMEC Fortran programs HERCO04D.exe and GTCOMP.exe. The block size or standard mining unit (SMU) tested were 2.5 x 2.5 x 2.5 m. The grade–tonnage curves match reasonably well for an Inferred Mineral Resource, see example plot presented in Figure 14-16.

### 14.11.5 Metal Reduction

AMEC estimated gold, silver, and copper grades with, and without, outlier restriction. Gold-equivalent grade was calculated only on the restricted estimation grades. Table 14-13 shows the metal reduction, due to outlier restriction at a 2.0(g/t) gold equivalent grade.

Metal reduction for silver and copper appear reasonable at 2% and 3% respectively.

The gold reduction is more significant at 22 %. However, if the few gold outliers above 30 g/t Au are allowed to influence estimation unrestricted, with the 100 m grid drilling, too much metal is estimated. AMEC came to this conclusion from visual inspection of the outliers and their surrounding composites. AMEC is of the opinion that outlier restriction is the best method for metal reduction at this time at Media Luna.

As the drill spacing at Media Luna is reduced with infill drilling, AMEC expects to see the gold metal produced by the restricted and unrestricted estimates converge. With the drill spacing currently available, it is not completely clear how the two numbers will converge: will they meet halfway or one come up or down to meet the other. As the project is drilled to spacing required for support of classification of Indicated and finally Measured Mineral Resources, this will become more clear.

### 14.11.6 Visual Inspection

AMEC reviewed the completed gold, copper and silver block estimation in section and plan and found the estimates look reasonable when compared to the composites, Figures14-17 through 14-19.

**Figure 14-16:HERCO Plot Au Upper Grade Domain**

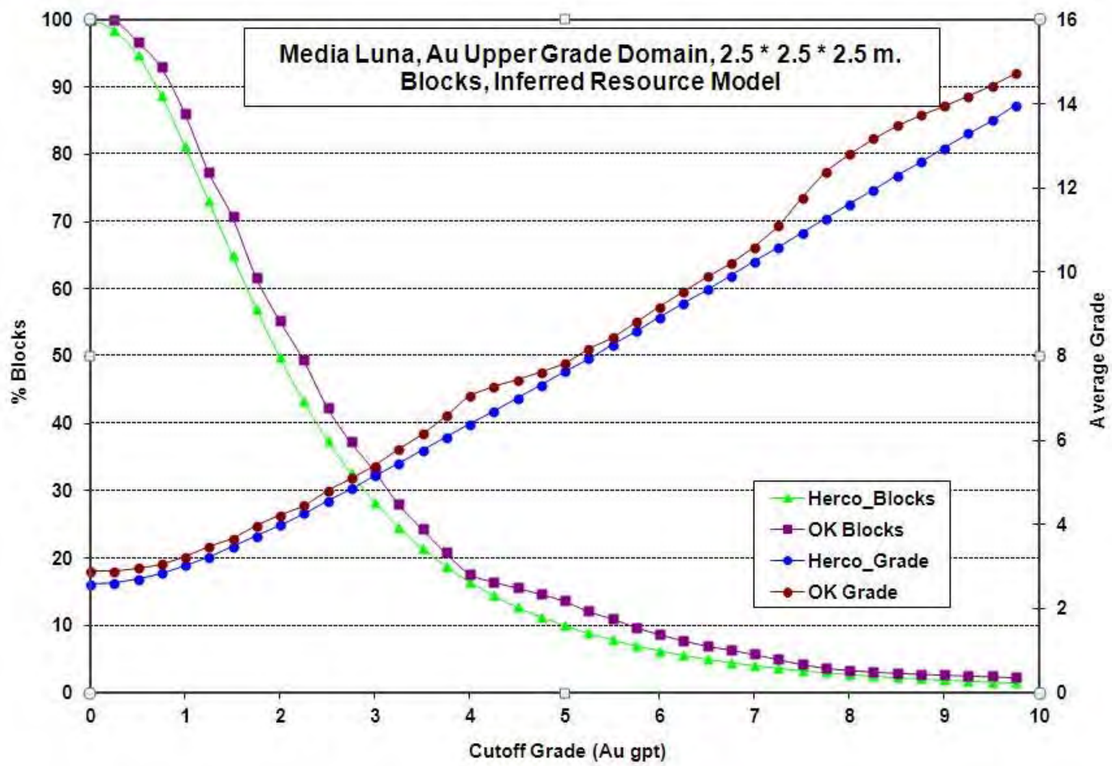
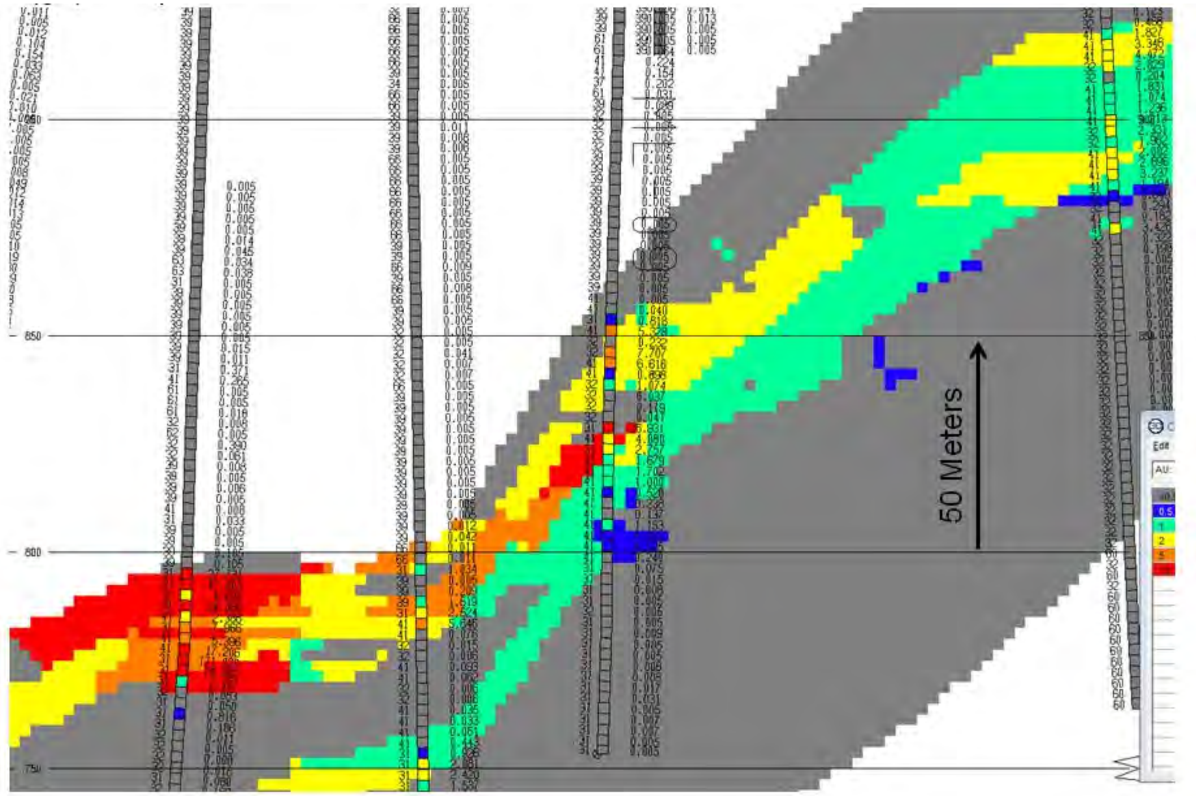



**Table 14-13:Metal Reduction Comparison (2 g/t AuEq cut-off)**

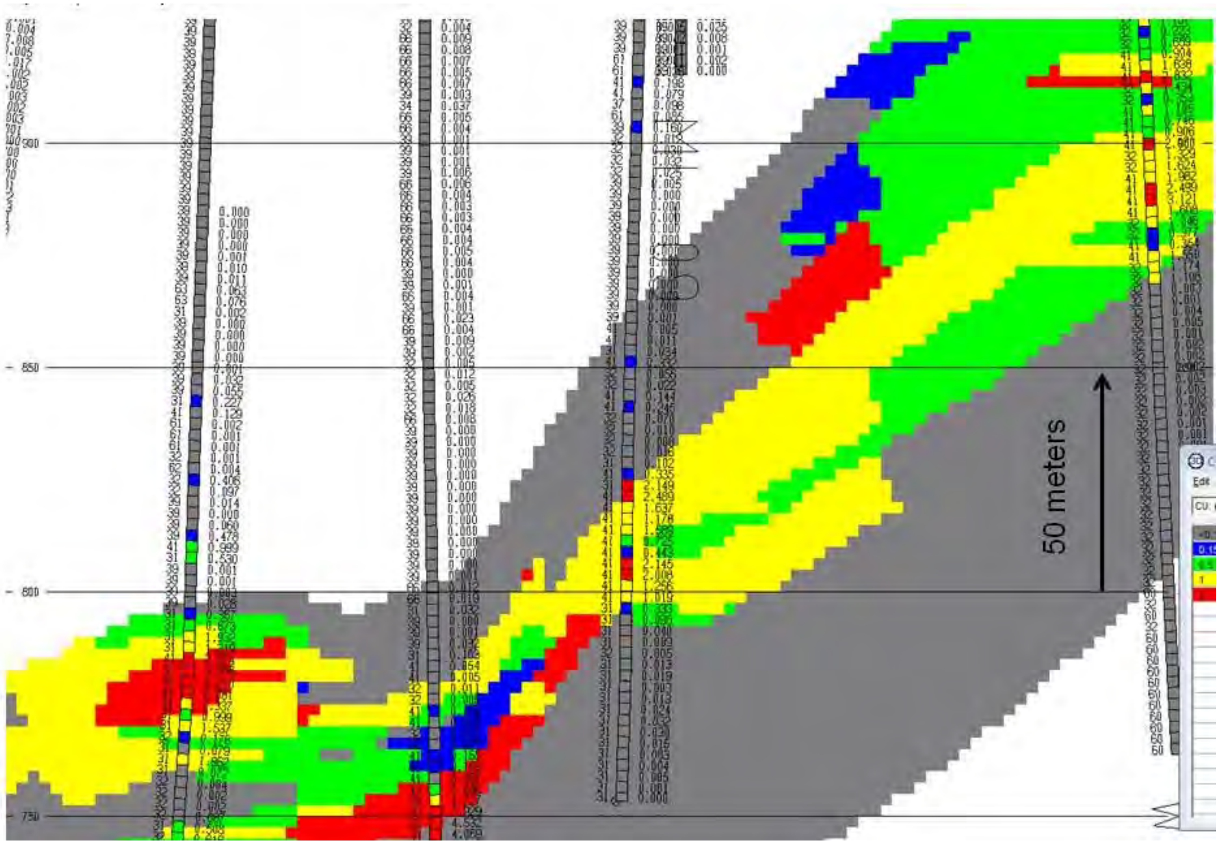
| | Tonnes | Au (g/t) | Ag (g/t) | Cu (%) | Au (Moz) | Ag (Moz) | Cu (Mlbs) |
|---|---|---|---|---|---|---|---|
| Restricted | 39,913,156 | 2.63 | 24.46 | 0.97 | 3.38 | 31.39 | 852 |
| No Restriction | 39,913,156 | 3.39 | 25.01 | 0.99 | 4.35 | 32.10 | 875 |
| Metal Reduction | | | | | (0.97) | (0.70) | (22.44) |
| Percent Metal Reduction | | | | | -22% | -2% | -3% |

**Figure 14-17: Gold Cross Section**



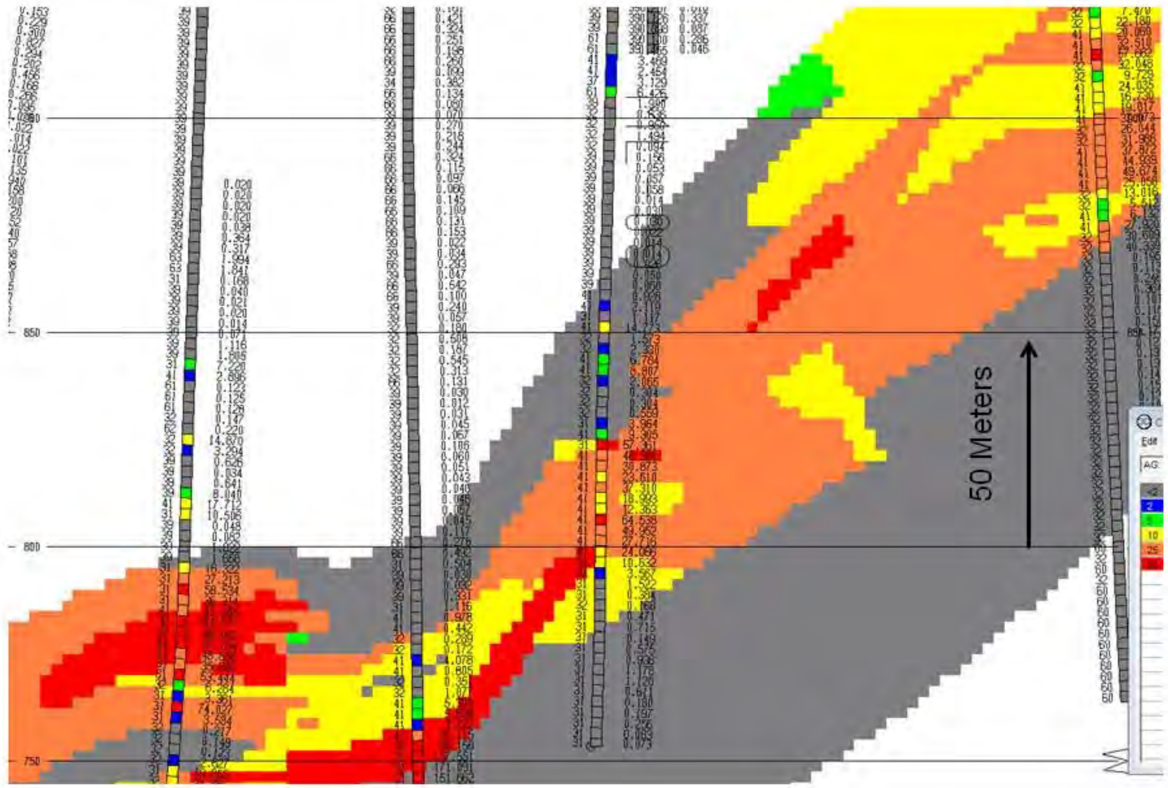

Note: Cross section at drill hole ML-9. Section looks northwest. Figure shows Au composite grades and blocks.

**Figure 14-18: Copper Cross Section**




Note: Cross section at drill hole ML-9. Section looks northwest. Figure shows Cu composite grades and blocks.

**Figure 14-19: Silver Cross Section**




Note: Cross section at drill hole ML-9. Section looks northwest. Figure shows Ag composite grades and blocks.

## 14.12 Classification of Mineral Resources

AMEC reviewed the geological continuity as interpreted in section and plan, as well as in the field. This provided a sense for the continuity of the geology and grade as they pertain to the mineralized zones that ultimately will be of economic importance. From review of the Media Luna core and three dimensional modeling of the skarn package AMEC concludes that favourable host rock geology shows continuity across drill holes. AMEC found the new drilling supports the 100m drill spacing for Inferred resources, existing mineralized zones gained new support from newly completed holes as they were added to the data set.

AMEC required the following for a block to be classified as an Inferred Resource:

- Drill spacing of 100 m grid
- Two drill holes within 110 m
- Block must be within 3D modeled skarn zone
- Block gold equivalent grade of 2.0 g/t AuEq or higher.

## 14.13 Reasonable Prospects of Economic Extraction

Processing costs from four recent technical reports on four similar projects, each in the feasibility stage, were reviewed when estimating processing costs for Media Luna. Based on these benchmarks, the Media Luna processing cost was estimated to be US$17/t assuming a 7,000 t/d processing rate.

Mineral Resources are reported using a long-term gold price of US$1495/oz, silver price of US$26.45/oz, and copper price of US$3.39/lb. The metal prices used for the Mineral Resources estimates are based on AMEC`s internal guidelines which are based on long-term consensus prices.

The assumed mining method is from underground; depending on mineralization thicknesses, a combination of cut-and-fill and transverse stoping methods are likely. Mining costs are assumed at US$27.68 per tonne and processing costs at US$17.00 per tonne. General and administrative costs are estimated at US$4.00 per tonne.

Based on preliminary metallurgical testwork results, the metallurgical recoveries are estimated as gold 87%, silver 73%, and copper 89%.

The above parameters were used to calculate an appropriate cut off for underground mining of 2.0 g/t gold equivalent (AuEq).

## 14.14 Mineral Resource Statement

The Mineral Resource estimates and geological models were prepared by Mr Mark Hertel, RM SME of AMEC, who is the Qualified Person as defined under NI 43-101 for the estimate. Mineral Resources have an effective date of 6 September, 2013.

Mineral Resources in Table 14-14 are reported as undiluted and reporting uses a cut-off of 2.0 g/t AuEq. Table 14-15 illustrates the sensitivity of the Inferred Mineral Resource estimate to changes in cut-off grade. The base case at a cut-off grade of 2.0 g/t Au equivalent is highlighted in this table. The table suggests that the Mineral Resource estimate is not particularly sensitive to cut-off grade.

## 14.15 Factors That May Affect the Mineral Resource Estimate

Risk factors that could potentially affect the Mineral Resources estimates include:

- Assumptions used to generate the conceptual data for consideration of reasonable prospects of economic extraction including:
  - Long-term commodity price assumptions
  - Long-term exchange rate assumptions
  - Assumed mining methods
  - Changes in local interpretations of mineralization geometry and continuity of mineralization zones
  - Geotechnical and hydrogeological assumptions
  - Operating and capital cost assumptions
  - Metal recovery assumptions.
- Metallurgical testwork is at an early stage, and recovery assumptions are based on limited test results
- Estimates of in-situ bulk density are presently based on samples taken from core drilling. Determination of density based on larger-scale excavations or production may reveal densities that are different than those currently estimated for the deposit.
- Delays or other issues in reaching required agreements with local communities
- Changes in assumptions to permitting requirements

**Table 14-14: Media Luna Deposit Inferred Mineral Resource Estimate at a 2.0 g/t Au Eq. Cut-off Grade.**

| Deposit | Resource Category | Tonnes (Mt) | Gold Eq. Grade (g/t) | Contained Gold Eq. (Moz) | Gold Grade (g/t) | Contained Gold (Moz) | Silver Grade (g/t) | Contained Silver (Moz) | Copper Grade (%) | Contained Copper (Mlb) |
|---|---|---|---|---|---|---|---|---|---|---|
| Media Luna | Inferred | 39.9 | 4.55 | 5.84 | 2.63 | 3.38 | 24.46 | 31.39 | 0.97 | 852.48 |

**Table 14-15: Sensitivity of Media Luna Inferred Mineral Resource Estimate to Cut-Off Grade (base case is highlighted)**

| Cut-off AuEq (g/t) | Tonnes (Mt) | AuEq (g/t) | Au (g/t) | Ag (g/t) | Cu (%) | Contained AuEq (Moz) | Contained Au (Moz) | Contained Ag (Moz) | Contained Cu (Mlb) |
|---|---|---|---|---|---|---|---|---|---|
| 1.50 | 48.9 | 4.03 | 2.27 | 22.82 | 0.89 | 6.35 | 3.57 | 35.92 | 956.51 |
| 1.75 | 44.2 | 4.29 | 2.45 | 23.69 | 0.93 | 6.10 | 3.47 | 33.66 | 904.64 |
| **2.00** | **39.9** | **4.55** | **2.63** | **24.46** | **0.97** | **5.84** | **3.38** | **31.39** | **852.48** |
| 2.25 | 35.7 | 4.84 | 2.83 | 25.39 | 1.01 | 5.56 | 3.26 | 29.18 | 795.94 |
| 2.50 | 32.2 | 5.11 | 3.01 | 26.43 | 1.06 | 5.29 | 3.12 | 27.36 | 749.26 |
| 3.00 | 26.6 | 5.60 | 3.36 | 28.06 | 1.13 | 4.80 | 2.88 | 24.03 | 665.24 |

Notes to accompany Mineral Resource tables

1. The qualified person for the estimate is Mark Hertel, RM SME, an AMEC employee. The estimate has an effective date of September 6th 2013
2. Au Equivalent = Au (g/t) + Cu % *(74.74/48.07) + Ag (g/t) * (0.85/48.07)
3. Mineral Resources are reported as undiluted; grades are contained grades
4. Mineral Resources are reported using a long-term gold price of US$1495/oz, silver price of US$26.45/oz, and copper price of US$3.39/lb. The metal prices used for the Mineral Resources estimates are based on AMEC`s internal guidelines which are based on long-term consensus prices
5. The assumed mining method is from underground; depending on mineralization thicknesses, a combination of cut-and-fill and transverse stoping methods are likely. Mining costs are assumed at US$27.68 per tonne and processing costs at US$17.00 per tonne. General and administrative costs are estimated at US$4.00 per tonne
6. Based on preliminary metallurgical testwork results, the metallurgical recoveries are estimated as gold 87%, silver 73%, and copper 89%
7. Inferred blocks are located within 110 m of two drill holes, approx. 100 m drill hole grid spacing
8. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

## 14.16 Comments on Section 14

The QPs consider that the Mineral Resources for the Project, which have been estimated using core-drill data, have been performed to industry best practices (CIM, 2003), and conform to the requirements of CIM Definition Standards, 2010.

# 15.0 MINERAL RESERVE ESTIMATES

As no Mineral Reserves have been estimated for the Project, this section is not relevant to the Report.

# 16.0 MINING METHODS

This section is not relevant to the Report.

# 17.0 RECOVERY METHODS

This section is not relevant to the Report.

# 18.0 PROJECT INFRASTRUCTURE

This section is not relevant to the Report.

# 19.0 MARKET STUDIES AND CONTRACTS

This section is not relevant to the Report.

# 20.0 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

This section is not relevant to the Report.

# 21.0 CAPITAL AND OPERATING COSTS

This section is not relevant to the Report.

# 22.0 ECONOMIC ANALYSIS

This section is not relevant to the Report.

# 23.0 ADJACENT PROPERTIES

There are no adjacent properties that are relevant to the Report.

# 24.0 OTHER RELEVANT DATA AND INFORMATION

There are no other data relevant to the Technical Report that have not been discussed.

# 25.0 INTERPRETATION AND CONCLUSIONS

The QPs, as authors of this Report, have reviewed the data for the Project and are of the opinion that:

## 25.1 Mineral Tenure, Royalties and Surface Rights

- Information from legal experts support that the mining tenure held is valid and is sufficient to support declaration of Mineral Resources. Torex holds three concessions within the Media Luna Project area. The area considered as the Project comprises 13,365 ha. The mineral concessions have been surveyed in accordance with relevant Mexican regulations. Annual claim-holding fees have been paid to the relevant regulatory authority and were current as of the Report effective date.
- Torex currently holds no surface rights for the Project; this represents an unknown risk to the Project at present. Legal opinion provided to AMEC supports Torex's view that valid and enforceable Temporary Occupation Agreements (which in effect are lease agreements) have been reached with Bertoldo Pineda Tapia, the holder of parcel #121 and with the Ejido Puente Sur Balsas on parcel #128. An agreement is also in force on common use lands held by the Ejido Puente Sur Balsas. These temporary occupation agreements allow Torex to conduct exploration activities for three years in the case of the two land parcels and five years on the common use land.
- Project access and work programs require ongoing agreements with the ejidos. While there have been no issues to date, there may be a risk to the Project if these agreements cannot be renewed as required.
- A 2.5% royalty is payable to the Mexican government on minerals mined and sold from the Reducción Morelos Norte concession. A 2.5% net smelter return royalty is payable to Minas de San Luis SA de C.V. (formerly Minera Nafta SA de C.V.) on minerals mined and sold from the El Cristo concession. A proposal was made in March 2013 to amend the Mexican mining law by imposing a new annual mining royalty (*compensación minera*) equivalent to 4% of the concession holders' taxable income. The proposed amendments were recently approved by the Lower House, but they are still subject to the approval of the Senate.
- Torex advised AMEC that to the extent known, there are no other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

## 25.2 Environment, Social and Permits

- At the effective date of this report, environmental liabilities are restricted to exploration sites and access roads constructed to service exploration programs. AMEC notes that maps and plans show artisanal workings; there is an expectation that there will be surface disturbances and potentially contamination associated with these sites.
- Permits obtained by the company to undertake exploration are sufficient to ensure that activities are conducted within the regulatory framework required by the Mexican Government. Additional permits will be required for Project development; the key permits are the grant of the RIA and the CUS.
- Based on the permits and the current state of environmental knowledge for the Project, Mineral Resources can be declared.

## 25.3 Geology and Mineralization

- Drilling to date has outlined a copper–gold–silver-mineralized skarn at Media Luna with approximate dimensions of 1.4 km x 1.2 km and ranging from 4 m to greater than 70 m in thickness. The gold–copper–silver mineralization at Media Luna is associated with skarn alteration that developed at the contact of granodiorite with marble. Mineralization is primarily associated with sulphidized exoskarn and with zones of massive magnetite–sulphides. Skarn alteration and associated mineralization is open on the southeast, southwest, west and northwest margins of the area.
- Of the known prospects south of the Balsas River, Media Luna West and NW Media Luna are the most advanced areas at present, with both exhibiting several significant drill intersections of Au–Cu–Ag mineralization. Large areas of magnetic anomalism remain to be tested in these areas. The Todos Santos target is an untested magnetic anomaly considered to be analogous to the Media Luna and Media Luna West areas. Additional targets in the project area remain prospective for skarn-hosted gold and gold-copper-silver deposits.
- Mineralization identified within the Project to date is typical of intrusion-related gold and gold–copper skarn deposits. A skarn deposit type is an appropriate model for exploration within the Project area and for support of the geological model for Mineral Resource estimation.
- Knowledge of the deposit setting, lithologies and structural and alteration controls on mineralization in the Media Luna deposit is sufficient to support Mineral Resource estimation. The remaining prospects are at an earlier stage of exploration and the lithologies, structural and alteration controls on mineralization

are currently insufficiently understood to support estimation of Mineral Resources. The prospects retain exploration potential and represent upside potential for the Project.

## 25.4 Exploration and Drilling

- Prior to Torex's ownership, work completed on the Project comprised data review, regional geological mapping and reconnaissance, rock chip collection and silt sampling, trenching, a limited-extent ground magnetic survey, induced polarization and time-domain electromagnetic geophysical surveys and RC drilling. This work identified a number of copper–gold–silver anomalies.
- Under Torex management, work completed has included reconnaissance mapping, 1:5,000 scale geological mapping, systematic road-cut channel sampling, an airborne ZTEM and magnetic survey and diamond drilling on various targets south of the Balsas River.
- The exploration programs completed to date are appropriate to the style of the deposits and prospects within the Project. Additional exploration has a likelihood of generating further exploration successes particularly down-dip of known zones and along strike from the known deposit. There are a significant number of prospects and occurrences remaining to be drill tested and fully evaluated.
- Drilling on the Project completed between 1997 and 13 September 2013 consists of a total of 307 drill holes (154,906.7 m), including 283 core holes (150,423.7 m) and 21 RC drill holes (4,482.99). Of this total 165 drill holes (94,206 m) support the Media Luna resource estimate.
- None of the legacy drilling supports Mineral Resource estimation as none of the legacy drill holes intersected the Media Luna skarn-hosted mineralization. In addition, no RC drill holes support the estimate.
- Core logging meets industry standards for exploration on polymetallic deposits. Collar surveys have been performed using industry-standard instrumentation. Down-hole surveys were performed using industry-standard instrumentation. Recovery data from core drill programs are acceptable. No factors were identified with the data collection from the drill programs that could affect Mineral Resource estimation.
- Drilling is normally perpendicular to the strike of the mineralization. Depending on the dip of the drill hole and the dip of the mineralization, drill intercept widths are typically greater than true widths. Drill orientations are generally appropriate for the mineralization style and have been drilled at orientations that are optimal for the orientation of mineralization for the bulk of the Media Luna deposit area.

## 25.5 Sample Preparation and Analysis

- Core was typically marked up in 1.5 to 3 m intervals adjusted for mineralization/waste contacts or major geological breaks where appropriate. Sample collection and handling of core was undertaken in accordance with industry standard practices, with procedures to limit potential sample losses and sampling biases.
- Torex drill samples were sent SGS where the samples were dried, crushed and pulverized. The sample preparation laboratory is owned by Torex and operated by SGS and is not accredited. Prepared sample pulps were then sent to SGS in Durango, Toronto and Vancouver for analysis. The SGS laboratories in Durango and Toronto are ISO 17025 accredited and are independent of Torex.
- Sample preparation for samples that support Mineral Resource estimation has followed a similar procedure since Torex commenced drilling at Media Luna in 2012. The preparation procedure is in line with industry-standard methods for polymetallic deposits.
- Sample analysis includes:
  - Au by conventional 30 g fire assay with AA finish (SGS code FAA313).
  - Samples assaying greater than 3.0 g/t Au re-assayed using fire assay with gravimetric finish (SGS code FAG303).
  - Copper and silver assayed by aqua regia digestion atomic absorption (SGS code AAS10D); however, these assays are not used in estimation
  - Copper, silver and 36 other elements determined by aqua regia digestion ICP or mass spectrometry (SGS codes ICP14B and IMS14B).
  - Samples assaying >10 g/t Ag re-assayed by three-acid digestion AA (SGS code AAS21E) and high-grade silver samples re-assayed by fire assay gravimetric finish (FAG313).
  - Samples assaying 1% Cu re-assayed by sodium peroxide fusion (SGS code ICP90Q).
- Analyses were performed by independent laboratories using industry-standard methods for gold, copper and silver analysis.
- Density determinations were performed using wax immersion methods. The specific gravity determination procedures are consistent with industry-standard procedures. While there are sufficient acceptable specific gravity determinations to support the specific gravity values utilized in tonnage interpolations, additional determinations to support more detailed studies are recommended. Additional work is also required to determine the source of the bias between the results produced by ALS and SGS.

- Torex's QA/QC protocol includes the submission of blind certified reference materials (CRMs), blanks and check assays. Blind duplicate samples are not included, but Torex evaluates the results of internal SGS laboratory duplicates.
- Initial QA/QC protocols were designed around a 2% insertion rate of control samples. Beginning in October 2012, the insertion rate was raised to 5%.
- Check assay programs have included a set of 1,501 early drill hole samples that were assayed at SGS after having been assayed initially at Acme and two sets of check assay samples sent to Acme for drilling from December, 2012 through February, 2013 (552 samples) and May, 2013 through July, 2013 (1,166 samples). The check assays from the early set of drill hole samples and the drilling from December, 2012 through February, 2013 were completed on coarse reject samples, where the check assays from the drilling from May, 2013 through July, 2013 were completed on pulps.
- The QA/QC program results do not indicate any problems with the analytical programs, therefore the analyses from the core drilling are suitable for inclusion in Mineral Resource estimation.
- Torex maintains the Media Luna exploration data in a Microsoft Access database. Verification is performed on all digitally-collected data on upload to the main database and includes checks on surveys, collar co-ordinates, lithology data and assay data. The checks are appropriate and consistent with industry standards.
- Sample security relied upon the fact that the samples were always attended or locked at the sample dispatch facility. Sample collection and transportation have always been undertaken by company or laboratory personnel using company vehicles. Chain of custody procedures consisted of filling out sample submittal forms that were sent to the laboratory with sample shipments to make certain that all samples were received by the laboratory.
- Current sample storage procedures and storage areas are consistent with industry standards.

## 25.6 Data Verification

- Data verification checks of the mineral resource database were performed by AMEC every month from October 2012 through August 2013 in support of the Media Luna mineral resource estimate. AMEC also reviewed the assay QA/QC results from Torex's drill programs in October 2012 and March, May and August 2013.
- AMEC concluded that the Media Luna mineral resource database accurately represents the original source data and is acceptable for use in Mineral Resource

estimation. Gold, copper and silver assays are acceptably accurate for purposes of mineral resource estimation, based upon blind CRM and check assay results. The precision of the gold, copper and silver assays is acceptable for purposes of mineral resource estimation, based upon internal laboratory duplicate results. There is no significant carryover contamination in the gold, copper and silver assays, based upon blind blank results.

## 25.7 Metallurgical Testwork

- The mineralization does not appear to be particularly hard or abrasive and responds well to standard flotation procedures.
- It is expected that a marketable concentrate will be produced through cleaner flotation.
- There is potential to produce a marketable magnetite concentrate.
- As the geologic data base from the deposit is developed additional metallurgical testing will be required to verify the initial test results. At this time it has been determined that the mineralization displays reasonable prospects for metal recovery.
- The initial test results were very positive on the initial composites tested. Unfortunately, the composites were generated based solely on copper grade as no lithology information was available.
- The deposit can be considered to have reasonable prospects of economic recovery based on the initial results from the standard tests completed. It is reasonable to assume additional cleaner flotation will produce a marketable copper concentrate.
- The initial testing does not indicate any potential issues with deleterious elements; however, this issue must be monitored as future test programs are developed.
- The potential for producing a marketable magnetite concentrate represents significant potential project upside that will need further testing to realize.

## 25.8 Mineral Resource Estimates

- Mineral Resources are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves and the 2003 CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines.

- Parameters for assessment of reasonable prospects of economic extraction are based on an assumption of a combination of underground cut-and-fill and transverse stoping methods.
- Inferred Mineral Resources total 39.9 Mt grading 2.63 g/t Au, 24.46 g/t Ag and 0.97% Cu at a cut-off grade of 2 g/t AuEq.

## 25.9 Risks and Opportunities

- Factors which may affect the Mineral Resource statements include assumptions used for consideration of reasonable prospects of economic extraction (including metal prices, variations in local interpretations of mineralization geometry and continuity of mineralization zones that cannot be recognized at the current drill spacing, geotechnical, hydrogeological and operating cost assumptions); limited number of metallurgical testwork results supporting recovery percentage assumptions; permit delays or other issues in reaching agreements with local communities and obtaining surface rights.
- The Media Luna Project area retains significant exploration potential, both to increase the known mineralization at the Media Luna deposit, and to identify additional areas of skarn-hosted copper–gold–silver mineralization.

# 26.0 RECOMMENDATIONS

AMEC has provided a two-phase work program. The first phase encompasses infill drilling from two proposed exploration declines and additional metallurgical testwork. The second phase consists of regional exploration on outlying magnetic and drill targets. The programs can be conducted concurrently, and are not dependent on the results of the other.

## 26.1 Phase 1

The Phase 1 evaluation consists of a recommended $16.6 million in expenditure on two exploration declines and associated underground infill drilling, and $262,000 on metallurgical testwork.

### 26.1.1 Infill Drilling

To support any future potential upgrades in resource confidence categories, infill drilling will be required. Given the depth to the Media Luna mineralization, the most cost effective method will be to complete infill drilling from underground drill platforms above the skarn zone.

Underground access via exploration declines to the upper and lower parts of the Media Luna deposit is recommended. This would require excavation of two exploration declines from the 1100 m elevation (646 m long) and 1300 m elevation (730 m long) and 420 m of cross-cut (drift) and drill platform development from each decline. Development of the exploration declines and the associated drill platforms is estimated at $5.0 million and $3.6 million respectively.

The drill program from the platforms would be on 30 m centres, and an initial 50,000 m is suggested, in approximately 216 drill holes. This program would be about $8 million to complete.

### 26.1.2 Metallurgical Testwork

As lithological and mineralogical information becomes available it must be correlated with the metallurgical test results obtained to date and must be used in developing future metallurgical composites. It is recommended to first verify the existing flow sheet, including cleaner flotation for upgrading the concentrate grade, is effective in producing a marketable concentrate. When the flow sheet has been proven, variability samples should be collected from throughout the deposit for further metallurgical testing.

The cost of verification of the flowsheet is estimated at $40,000.

Metallurgical variability test material should be sourced from four PQ-size holes, purpose-drilled to provide the metallurgical samples. Each hole would be an estimated 650 m in length, and cost approximately $250/m (all in costs), for a program cost of $162,500. The variability testwork on the collected drill core is estimated at $60,000.

## 26.2 Phase 2

Exploration drilling in this phase is estimated at $17.2 million.

### 26.2.1 Media Luna Southeast Extension

The Media Luna magnetic anomaly is a large and strong magnetic anomaly with approximate dimensions of 1.1 by 3 km. The area where resources are currently estimated at Media Luna is approximately 1.2 by 1.4 km, and sits within the outline of this magnetic anomaly. Given the grade and thickness of the mineralization as currently understood, the remainder of the magnetic anomaly to the southeast should be explored for strike extensions of the skarn hosted gold–copper–silver mineralization. The northwestern continuation of the anomaly is discussed in Section 26.2.2.

The magnetic anomaly southeast of the area of the estimated Mineral Resource should be explored by drilling on 200 m centers. This will involve 36 core drill holes, averaging 650 m in length for a total of 23,400 drill meters. The estimated cost to complete this program is $7 million.

### 26.2.2 NW Media Luna

Currently Torex is currently exploring NW Media Luna with a 200 m spaced drill program to define the thickness and dimensions of skarn-hosted mineralization. Completion of a 200 m spaced drill hole pattern for the untested part of the anomaly will require 20 additional drill holes averaging 700 m in length for a total of 14,000 drill meters at an estimated cost of $4.2 million.

### 26.2.3 Media Luna West

There are two magnetic anomalies of similar magnetic intensity adjacent to the area where the Media Luna resource has been estimated: Media Luna West and Todos Santos.

The current drill program to test Media Luna West on 200 m centers should continue. Testing of the northern third of the anomaly on 200 m centers is complete. Drill testing of the remainder of the Media Luna West magnetic anomaly on 200 m centers requires 20 drill holes averaging 800 m in length for a total of 16,000 m. The estimated cost to complete this drill program is $4.8 million.

### 26.2.4 Todos Santos

The Todos Santos magnetic anomaly is untested. An initial drill program is recommended to test for the source of the magnetic anomaly, and would consist of two drill holes, each 600 m in length, for an overall program cost of $300,000.

### 26.2.5 El Olvido

El Olvido (see figure 7-19) is an untested magnetic anomaly located 6 km to the southeast of the center of the Media Luna resource estimate area. An initial drill program is recommended to test for the source of the magnetic anomaly, and would consist of two drill holes, each 800 m in length, for an overall program cost of $400,000.

### 26.2.6 El Cristo, Naranjo, and La Fe

Exploration of the El Cristo, Naranjo, and La Fe targets (see Figure 7-19) should include geologic mapping, compilation of results from past drilling programs, soil and rock geochemical sampling, and interpretation of results from recent ZTEM and magnetic surveys to define new targets for drill testing. Approximately 1,500 soil and rock samples are required to cover these targets and provide a first-pass assessment of the exploration potential. The estimated cost of such an exploration program, prior to drilling, is $500,000.

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