# TECHNICAL REPORT
**On The**
# GUADALUPE PROPERTY
Yécora Municipality,
State of Sonora, Mexico

Centered at Approximately

Latitude 28° 21' North by Longitude 109° 10' West

- Report Prepared For -

**FIRST MEXICAN GOLD CORP.**
Suite 1000, 355 Burrard Street
Vancouver, British Columbia, Canada V6C 2G8

- Report Prepared By -

**JAMES A. McCREA. P. Geo.**

Effective Date:

October 16, 2017

## IMPORTANT NOTICE



Title Page Photograph - View of road construction on the Karen Zone, Guadalupe Property looking northward. Photograph taken in June of 2010.

## DATE and SIGNATURE PAGE

### CERTIFICATE OF QUALIFIED PERSON

I, James Albert McCrea, am a professional geologist residing at 306 - 10743 139 Street, Surrey, British Columbia, Canada do hereby certify that:

- I am the author of the "Technical Report on the Guadalupe Property, Yécora Municipality, State of Sonora, Mexico", dated October 16, 2017;
- I am a Registered Professional Geoscientist (P. Geo.), Practising, with the Association of Professional Engineers and Geoscientists of British Columbia, (Licence # 21450). I graduated from the University of Alberta, Canada, with a B. Sc. in Geology in 1988.
- I have worked as a geoscientist in the minerals industry for over 25 years and have been estimating mineral resources for over 20 years. I have been directly involved in the mining, exploration, resource estimation and evaluation of mineral properties, mainly, in Canada, the United States, Mexico, Peru, Argentina, Bolivia and Colombia for gold, silver, copper, molybdenum and base metals;
- I visited the Guadalupe property and area in June of 2010 and July 5th to 7th, 2017.
- I had no prior involvement with the Property before I visited it in 2010 for a property review relating to a qualifying transaction and no other involvement with the property until contracted to write this technical report;
- I am responsible for all sections of "Technical Report on the Guadalupe Property, Yécora Municipality, State of Sonora, Mexico", dated October 16, 2017.
- I am independent of First Mexican Gold Corp. as independence is described in Section 1.5 of NI 43-101. I have not received, nor do I expect to receive, any interest, directly or indirectly, in First Mexican Gold Corp.;
- I was retained by First Mexican Gold Corp. to prepare an exploration summary and resource estimate on the Guadalupe property, Yécora Municipality, State of Sonora State, Mexico, in accordance with National Instrument 43-101. The report is based on my review of project files and information provided by First Mexican Gold Corp. personnel and the site visits in 2010 and 2017;
- I have read National Instrument 43-101 and Form 43-101F1 and, by reason of education and past relevant work experience, I fulfill the requirements to be a "Qualified Person" for the purposes of NI43-101. This technical report has been prepared in compliance with National Instrument 43-101 and Form 43-101F1;
- As of the date of this certificate, to the best of my knowledge, information and belief, the technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.
- I, the undersigned prepared this report titled "Technical Report on the Guadalupe Property, Yécora Municipality, State of Sonora, Mexico", dated October 16, 2017, in support of the public disclosure of the resource estimate for the Karen Zone on the Guadalupe property by First Mexican Gold Corp.

Effective Date: October 16, 2017

*Signed By James A. McCrea*

_________________________

James A. McCrea, B. Sc., P. Geo.
(signed and sealed original copy on file)

Dated this 16th day of October, 2017

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# 1.0 SUMMARY

## 1.1 Introduction

The Guadalupe property (the 'Property') is a silver-gold exploration project in the Yécora Municipality, State of Sonora, Mexico. At the request of First Mexican Gold Corp. ('First Mexican'), James A. McCrea, P. Geo. carried out an independent review of the Property. The author conducted a property examination, reviewed available exploration results, estimated resources and prepared this independent technical report. This Report was prepared in accordance with the formatting requirements of National Instrument 43-101 and Form 43-101F1 (Standards of Disclosure for Mineral Properties) to be a comprehensive review of the exploration activities on the Property, and, if warranted, to provide recommendations for future work.

## 1.2 Property Description and Ownership

The Guadalupe property consists of 12 mining concession or mining right totalling 1,945.00 ha. The mining concessions are listed in Table 4.1 and is shown in Figure 4.2. The concession monument is shown in Photograph 4.1 and has coordinates of 680,413.788, 3,136,538.874.

**Table 1.1: Guadalupe Property Mining Concession Titles**

| Title Number | Name | Holder of Record | Granted Area (ha) | Expedition Date | Expiration Date |
|---|---|---|---|---|---|
| 194296 | Santa Martha | María Dolores López Vejar | 67.7181 | 19-Dec.-1991 | 18-Dec.-2066 |
| 213666 | Sta. Patricia | María Dolores López Vejar | 65.4865 | 07-June-2001 | 07-June-2057 |
| 213667 | Sta. Patricia Fracción 1 | María Dolores López Vejar | 27.2079 | 07-June-2001 | 07-June-2057 |
| 213668 | Sta. Patricia Fracción 2 | María Dolores López Vejar | 37.6357 | 07-June-2001 | 07-June-2057 |
| 214399 | Hilda 30 | Minera Internacional Milenio SA de CV | 256.7221 | 05-Sept.-2001 | 05-Sept.-2057 |
| 216138 | Hilda 31 Fracc. I | Guadalupe Rocha Tineo | 22.4743 | 11-April-2002 | 11-April-2058 |
| 216139 | Hilda 31 Fracc. II | Guadalupe Rocha Tineo | 54.3019 | 11-April-2002 | 11-April-2058 |
| 216146 | Hilda 32 | Guadalupe Rocha Tineo | 69.5422 | 11-April-2002 | 11-April-2058 |
| 224380 | Hilda 37 | Guadalupe Rocha Tineo | 602.3376 | 28-April-2005 | 28-April-2061 |
| 225637 | Hilda 38 | Guadalupe Rocha Tineo | 493.0699 | 29-Sept.-2005 | 29-Sept.-2061 |
| 200532 | Vianney Fracc. III | Minera Internacional Milenio SA de CV | 218.5000 | 25-Aug.-1994 | 25-Aug.-2050 |
| 200517 | San Martin | Minera Internacional Milenio SA de CV | 30.0000 | 25-Aug.-1994 | 25-Aug.-2050 |

Note: Title information effective June 2, 2017

The Guadalupe group of concessions were originally registered with the Secreteria de Economia, Coordinacion General de Mineria (Secretary of the Economy, General Coordination of Mining) as listed in the table above. The concessions where originally optioned from the listed owners to Minera Internacional Milenio S.A. de C.V., a wholly owned subsidiary of International Millennium Mining Corp (TSX: IMI.V) and were the subject of an option to purchase agreement with First Mexican through its wholly owned subsidiary Cornelius Exploration, S. de R.L. de C.V. ('Cornelius Exploration').

To the best of the author's knowledge, the property agreements remain in good standing as of the writing of this report. These include all exploration permits allowing First Mexican access to all the mineral concessions including Hilda 30, Hilda 31 Fracc., Hilda 32, Hilda 37, Hilda 38, and a number of other smaller fractions of claims covering the significant mineral occurrences found on the property to date. These include the Karen, Diana, Bailey, Luce and Erica Zones, which were uncovered through exploration in the past and are considered significant enough to warrant further exploration.

### 1.2.1 Description of the Transaction

First Mexican Gold Corp. ('First Mexican') acquired an option agreement ('Original Option') from 2101927 Ontario Inc. ('2101927') pursuant to which First Mexican could acquire a 60% interest in the Hilda 30 property from Minera Internacional Milenio S.A. de C.C. ('MIM'). In consideration for acquisition of the Original Option, First Mexican agreed to pay 2101927 a cash amount of CDN$120,000 and to issue 2,000,000 common shares of First Mexican. First Mexican subsequently entered into an option agreement ('Second Option Agreement') with MIM, dated May 31, 2007, pursuant to which First Mexican could acquire a 60% interest in the Hilda 30 Property, as well as any of its interests in the other contiguous concessions including Hilda 31, 32, 37 and 38, and the Vianney, Santa Rosa, San Martin, Santa Martha and Santa Patricia claim groups ('Hilda Group').

On January 24, 2012 the Company completed its 80% option earn-in on the Guadalupe property in Sonora State, Mexico, from MIM, a wholly owned subsidiary of International Millennium Mining Corp. ('IMMC'). The option agreement was subject to First Mexican Gold having to spend a total of US$4 million dollars on the project.

Immediately subsequent to the completion of the "Option Agreement", the Company entered into an agreement to acquire the remaining 20% of the Hilda Properties from IMMC in consideration for 4,000,000 common shares and a 2% net smelter return, 1% of which may be purchased for the sum of $1,000,000 (the 'Purchase Agreement'). The common shares were issued on February 15, 2012 and will be subject to a nine-month hold period. Subsequent to the hold period, sale of the 4,000,000 shares will be limited to monthly sale restrictions of between 50,000 and 250,000 shares unless there is a take-over bid for the Company's outstanding common shares in which case, the restrictions on sale will be removed.

## 1.3 Accessibility and Physiography

The Property is situated approximately 190 kilometres east-southeast of the city of Hermosillo, capital of the State of Sonora, and 305 kilometres west of Chihuahua, capital of the state of Chihuahua, or 330 kilometres south of the U.S.A. border. Both Hermosillo and Chihuahua have regular daily airline service to Mexico City, Dallas, texas and other major centers. The closest villages are Guadalupe de Tayopa, located about less than one kilometre to the west of the Property, and Yécora some 20 kilometres to the east of the Property.

Road access from Hermosillo is by following the Federal highway to Chihuahua, highway 16 through the towns of La Colorada, and Tecoripa to the junction of Highway 117, a distance of approximately 240 kilometres (see Figure 5.1). From the junction you turn south for approximately 18 km to the gravel road to Guadalupe de Tayopa and continue for 17 km to the village of Guadalupe. This route, under normal conditions takes approximately 3.5 to 4 hours to travel.

From the Guadalupe de Tayopa ('Guadalupe') there are numerous local tote roads used by the local ranchers to access most areas of the property and some roads have been upgraded by First Mexican for exploration and drill access.

The Property is situated within the Sierra Madre Occidental mountain range, which is characterized by relatively high relief with steep-sided V-shaped valleys, local cliffs hundreds of metres high, and rounded mountainous ridges. It is regionally situated in the Basin and Range physiographic province with predominantly north to northwest trending block faults and related structures. Elevations range within the property range from 760 m AMSL along the river in the southeast corner of the Property to 1,280 m AMSL along the ridges on the east side of the Hilda 30 concession.

## 1.4 History

The Property is adjacent to the Los Verdes Project and may have once been explored for molybdenum as the Molybdenum pit of the Los Verdes Project is in the adjacent property Thus, much of the historic but unreported exploration of the Guadalupe property was probably carried out during the exploration of the nearby Los Verdes molybdenum deposit.

The documented history of the Property starts on or before 2005 where Sr. Guadalupe Rocha Tineo, a former resident of Guadalupe de Tayopa, and the original holder of the Hilda 30 concession provided a verbal exploration history for the Property .(Burns *et al.*, 2010).

More detail of project history is provided in Section 6 of this report.

## 1.5 Geological Setting

The Property is situated within the northern part of the Sierra Madre Occidental volcanic province that comprises two distinct packages of volcanic rocks: a Lower Volcanic Series comprised of early Oligocene age (28 to 36 million years ('Ma')) volcanic rocks, overlain by the Upper Volcanic Series, comprised of Miocene age (18 to 24 Ma) volcanic rocks. The other country rocks include basement rocks of Paleozoic to Cretaceous age and later early Tertiary sediments. The sedimentary package is well exposed along the road between the towns of Arivechi and Tarachi (Austin *et al*, 2004). Several Laramide age (60 to 65 Ma) intrusives are also known in the area and are mapped on the west side of the Property and crop out to the east of the Property (Figure 7.1).

The Lower Volcanic Series of volcanic rocks are andesite lavas, tuffs and agglomerates that are fine-grained to porphyritic in texture. There appears to have been erosion following the deposition of the Lower Volcanics, over which the Miocene age felsic to intermediate flows and tuffs and ignimbrites were deposited. The two volcanic packages are distinguished by an angular unconformity with the older Oligocene package typically tilted between $20^{o}$ to $50^{o}$ whereas the younger Miocene rocks are typically flat lying or tilted up to $15^{o}$.

The youngest rocks in the sequence are less than 10 Ma rift-related basalts. North to northwesterly and north easterly trending faults cut all rocks in the Property area, related to basin and range extension. The Guadalupe mineralization, Karen Zone, is hosted in Tertiary and Cretaceous andesitic volcanic rocks that appear to be a roof pendent in the Laramide intrusive and the Diana Zone is hosted in the intrusive. The age of mineralization, based on information from the district, is roughly between 25 Ma to 32.

The west side of the Property, Hilda 30, 31 fractions, 32, 37 and Santa Marta concessions lie within a "window" or what is interpreted as a possible roof pendant of andesite and andesite tuff of upper Cretaceous age that is almost surrounded by a granite to granodiorite intrusion with porphyritic phases (Figure.7.1, 7.3). All of the andesitic rocks seen were white to greenish grey to purplish grey in colour, porphyritic/tuffaceous, and locally moderately to strongly silicic and argillic altered. No outcrops of granite - granodiorite were noted. As depicted on several government map sheets, numerous faults and other lineaments have been mapped and extrapolated to cross in close proximity to the concession (Figure.7.1) (Burns *et al.*, 2010).

Numerous gold and silver occurrences occur in the general area, most of which are hosted by andesitic or rhyolitic rocks and all appear to be spatially related to the granite - granodiorite intrusion, which itself hosts many base metal occurrences (Garcia *et al*, 2000, 2005) (Burns *et al.*, 2010). Silver appears to be equally as important as gold and on the Guadalupe property.

## 1.6 Mineralization

There is currently local precious metal mineralization associated with a number of quartz-filled fault and fracture fillings known on the Property. Exploration results from historic work on the Property indicate that high sulphidation epithermal precious metal mineralization is the target for further exploration and development work.

The first discovered main mineral showings are situated in the vicinity of the Pozo del Gringo (Figure 6.2). Very little could be seen in this area as the underground workings have been covered by rock and debris slides. A tetrahedrite vein, reportedly up to 0.5 m wide strikes at 020$^{o}$ to 040$^{o}$ azimuth with a near vertical dip. Sample JBH-06 that was collected by Burns, and comprised of small grab pieces of vein material taken from the spoil pile beside the inclined shaft, which assayed at 0.248 g/t Au, 1800 g/t Ag and 4.03% Cu (Burns, 2005). Assay values for Pb, Zn, As, Sb, Hg and Te were also anomalous. The vein appears to occupy a tensional fracture in an andesitic volcanic flow. Further details of known mineralization and showing can be found in Section 7.2.1. (Burns *et al.*, 2010)

## 1.7 Exploration and Drilling

Since acquiring an option on the Hilda 30 concession in 2007 and later the Hilda Group, First Mexican initiated an exploration program that and the list below summarizes the exploration and drill activities carried out on the Property:

- bulldozing roads to various portions of the property not only to provide access, but also to expose outcrop for sampling
- accurately surveyed the roads and other notable features using differential GPS instrumentation
- sampling the rock along the road outcrops in a systematic manner September to November 2007
- road sampling (328 samples) in April 19-30, 2008
- a small DDH program, 2009, using a portable diamond drill, contracted by a local sub-contractor, Planet Exploitation S.A., for three short holes (189.55 m) in the area around the Pozo de Gringo adit to test the gold-silver mineralization outcropping on the road cut just west of the adit (Burns *et al.*, 2010). These holes are HDH-09-01, 02 and 03. Results for these holes are included with the diamond drilling section of this report. The collars of these holes were covered during road construction for the RC drill program.

- a reverse circulation drill program, 2009, for 698 metres in seven holes; drill-hole depths ranged from 89 to 110 m. and were drilled at various azimuths and dip angles.
- trenching and geochemical sampling in 2010, 36 trenches.
- diamond drilling in 2010-2011 for 3494.74 metres in 25 holes
- geophysics in 2011/2012 consisting of electromagnetic ('EM'), magnetometer ('mag') and a 3D Induced Polarization ('IP') survey

Additional information on these programs, including a summary of results, are described in sections 9 and 10 of this report.

## 1.8 Mineral Processing and Metallurgical Testing

First Mexican completed one preliminary bottle roll test on material from the Karen Zone in 2011. Laboratorio Tecnológico de Metaluria Ltm. A. de C.V. preformed the test. The results reported recoveries of 81% for gold and 88% for silver. No further tests were completed. Laboratorio Tecnológico de Metaluria Ltm. A. de C.V. is not an accredited facility, to the best of the author's knowledge.

## 1.9 Mineral Resources

The mineral resource estimate for the Karen Zone was based on 18 drill holes and 17 trenches.

**Table 1.2: Inferred Mineral Resource Estimate for The Karen Zone Reported Inside Pit Shell**

| Cut-Off AgEQ (g/t) | Tonnes (000's) | Gold Grade (g/t) | Gold (000's oz) | Silver Grade (g/t) | Silver (000's oz) | AgEQ** Grade (g/t) |
|---|---|---|---|---|---|---|
| 60.00 | 193.8 | 1.802 | 11.25 | 144.8 | 902 | 229.2 |
| **45.00** | **221.7** | **1.622** | **11.57** | **131.0** | **934** | **206.9** |
| 30.00 | 262.6 | 1.407 | 11.88 | 114.9 | 970 | 180.6 |
| 15.00 | 280.1 | 1.330 | 11.97 | 108.8 | 980 | 170.9 |

Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.

***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**

****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

*1. A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction.*

*An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity.*

*An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.*

*2. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant issues. There is no guarantee that Cornelius Exploration or First Mexican will be successful in obtaining any or all of the* *requisite consents, permits or approvals, regulatory or otherwise for the project or that the project will be placed into production.*

3. *The mineral resources in this study were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ('CIM'), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standing Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014.*

## 1.10 Interpretations and Conclusions

The Cretaceous-Tertiary andesitic and rhyolitic volcanic stratigraphy with associated intrusives that underlie the Property are considered favorable stratigraphy to host high sulphidation epithermal deposits in the Sierra Madre Occidental of Northern Mexico. Recent but historic exploration and drilling on the Guadalupe property has identified various alteration zones with anomalous silver, gold and copper values that are prospective for epithermal systems.

These alteration zones are in five areas of the property (Figure 10.3) and all have seen some drilling. The five zones on the Property are known as Bailey, Erica, Karen (resource area) and Karen East, Diana and Luce. These zones have seen soil and rock geochemical sampling, trenching, geophysics and drilling. These zones are prospective for the discovery of additional mineralization and large areas of the property have seen only basic, first pass, exploration (Figure 9.3). Large parts of the Property are under explored. Additionally these mineral occurrences are all in the Cretaceous-Tertiary andesitic/rhyolitic volcanic rocks (Figures 7.1 and 7.3) and appear to be spatially related to the regionally mapped granite-granodiorite-monzonite intrusive.

The Property hosts one preliminary resource estimate in the Karen Zone and several other potential occurrences of interest for additional resources. The Property is prospective for the discovery of additional epithermal mineralization. The Karen Zone resource has some potential for internal resource expansion but the current model is constrained by the current drilling and trenching along trend and at depth. The potential for the Guadalupe property is the discovery of additional bulk minable material in the known zones, other than the Karen Zone, that have seen little drilling or in other under explored areas of the Property. These zones are considered significant enough to warrant further exploration

Mineral exploration by its nature has attendant risks and uncertainties from the discovery stage through to advanced mine development. For this reason, it is incumbent that the Company minimize the uncertainties and financial risks involved in possible advanced exploration work by first evaluating the exploration potential of the known targets on the Property. It is the author's opinion that the Guadalupe property has good exploration potential for discovering precious metal mineralization associated with one or more, high sulphidation epithermal systems and further work is warranted.

## 1.11 Recommendations and Proposed Exploration Budget

The recommended exploration and work programs for the Guadalupe Property are as follows:

**Phase I CAD$210,000**

- 1,000 m of diamond drilling: $150,000
  Four holes from four platforms of all in diamond drilling including moves, additives and core boxes.
- Geologists, core splitters and assistants: $23,000
  30 days on site

- Down hole survey tool: $2,500
  $2,500 per month rental
- Camp: $6,000
  Existing camp facility in Guadalupe de Tayopa, including cook.
- Analyses and QA/QC: $8,000
  Assays and QA/QC materials, check assays
- Truck Rental: $4,000
  Truck rental including fuel
- Miscellaneous: $1500
  Lumber, samples bags, flagging, etc.
- Contingency: $15,000
  ~ 10%

The Phase II program is not contingent on positive results from the Phase I program and following a thorough compilation and review by a qualified person the following Phase II program is recommended.

**Phase II CAD$560,000**

- 2,500 m of diamond drilling: $375,000
  Ten holes from ten platforms of all in diamond drilling including moves, additives and core boxes.
- Geologists, core splitters and assistants: $53,500
  60 days on site
- Down hole survey tool: $5,000
  $2,500 per month rental
- Camp: $15,000
- Existing camp facility in Guadalupe de Tayopa, including cook.
- Analyses and QA/QC: $22,000
  Assays and QA/QC materials
- Truck Rental: $8,000
  Truck rental including fuel
- Miscellaneous: $1,500
  Lumber, samples bags, flagging, etc.
- Metallurgical Testing: $25,000
  Bottle roll tests
- Contingency: $55,000
  ~ 10%

Phase I Total: CAD$210,000
Phase II Total: CAD$560,000

Program Total: CAD$760,000

# 2.0 INTRODUCTION

## 2.1 Introduction and Terms of Reference

At the request of First Mexican Gold Corp. ('First Mexican' or the 'Company'), James A. McCrea, P. Geo. carried out an independent review of the Guadalupe property (the 'Property') in the Yécora Municipality of the State of Sonora, Mexico. The author conducted a property examination, reviewed available exploration results, estimated resources and prepared this independent technical report (the 'Report'). This Report was prepared in accordance with the formatting requirements of National Instrument 43-101 and Form 43-101F1 (Standards of Disclosure for Mineral Properties) to be a comprehensive review of the exploration activities on the Property, and, if warranted, to provide recommendations for future work. This Report is intended to be read in its entirety.

## 2.2 Site Visit

The author is an independent qualified person according to NI43-101 and visited the Guadalupe property from June 22nd to 24th, 2010 and again from July 5th to 7th, 2017. The author conducted traverses across the Hilda 30 concession and adjoining concessions, and visited various showings on the property. The author reviewed all aspects of the historical exploration work with First Mexican personnel including results from historical exploration work, drilling, drill core, local lithological and structural features, sampling and shipping procedures, geophysical surveying method and results, and available project documentation. The author also collected four verification samples from the surface outcrop of the Karen Zone. The Property is considered an advanced-stage exploration project due to the geological, geochemical and geophysical exploration work completed and the 4382.3 m of drilling. Results and photographs from the site visit are provided in Section 12 with data verification.

## 2.3 Sources of Information

The authors were not involved in any previous exploration activities on the Property. This report refers to the past works undertaken by other qualified geologists and professional field personnel. Other non-project specific reports by qualified personnel have been referenced whenever possible. The information, conclusions, opinions and recommendations are based upon:

- information available to the authors at the time of the preparation of this report;
- assumptions, conditions and qualifications as set forth in this report; and
- data, reports and other information provided by First Mexican and other third party sources;
- reports from the operating mines in the area, plus other published government reports and scientific papers.

During the site visit and while preparing this report, the authors reviewed all of the readily available exploration and technical reports pertaining to this property. This exploration information is of good quality, and there is no reason to believe that any of the information is incomplete or inaccurate.

Information concerning mining concessions was provided by First Mexican and has not been independently verified by the author. Population statistics, weather and local information for the project area were obtained from Wikipedia (http://www.en.wikipedia.org/wiki/sonora and http://www.en.wikipedia.org/wiki/yécora_sonora). A detailed list of references and sources of information is provided in the References section of this report.

## 2.4 Abbreviations and Units of Measure

Metric units are used throughout in this report and currencies are in United States Dollars (US$) unless otherwise stated. Market gold or silver metal prices are reported in US$ per troy ounce. A list of abbreviations that may be used in this report is provided below.

| Abbreviation | Description | | Abbreviation | Description |
|---|---|---|---|---|
| AA | atomic absorption | | li | limonite |
| Ag | silver | | m | metre |
| AMSL | above mean sea level | | $m^2$ | square metre |
| as | arsenic | | $m^3$ | cubic metre |
| Au | gold | | Ma | million years ago |
| AuEQ | gold equivalent grade | | mg | magnetite |
| AgEQ | silver equivalent grade | | mm | millimetre |
| Az | azimuth | | $mm^2$ | square millimetre |
| b.y. | billion years | | $mm^3$ | cubic millimetre |
| CAD$ | Canadian dollar | | mn | pyrolusite |
| cl | chlorite | | Mo | Molybdenum |
| cm | centimetre | | Moz | million troy ounces |
| $cm^2$ | square centimetre | | ms | sericite |
| $cm^3$ | cubic centimetre | | Mt | million tonnes |
| cc | chalcocite | | mu | muscovite |
| cp | chalcopyrite | | m.y. | million years |
| Cu | copper | | NI43-101 | National Instrument 43-101 |
| cy | clay | | opt | ounces per short ton |
| °C | degree Celsius | | oz | troy ounce (31.1035 grams) |
| °F | degree Fahrenheit | | Pb | lead |
| DDH | diamond drill hole | | pf | plagioclase |
| ep | epidote | | ppb | parts per billion |
| ft | feet | | ppm | parts per million |
| $ft^2$ | square feet | | py | pyrite |
| $ft^3$ | cubic feet | | QA | Quality Assurance |
| g | gram | | QC | Quality Control |
| gl | galena | | qz | quartz |
| go | goethite | | RC | reverse circulation drilling |
| GPS | Global Positioning System | | RQD | rock quality description |
| gpt, g/t | grams per tonne | | sb | antimony |
| ha | hectare | | Sedar | System for Electronic Document Analysis and Retrieval |
| hg | mercury | | SG | specific gravity |
| hm | hematite | | sp | sphalerite |
| ICP | induced coupled plasma | | st | short ton (2,000 pounds) |
| kf | potassic feldspar | | t | tonne (1,000 kg or 2,204.6 lbs) |
| kg | kilogram | | to | tourmaline |
| km | kilometre | | um | micron |
| $km^2$ | square kilometre | | US$ | United States dollar |
| l | litre | | Zn | zinc |

### Acknowledgements

The author wishes to thank the officers and personnel of First Mexican for providing the technical materials and assistance required to prepare this report.

## 3.0 RELIANCE ON OTHER EXPERTS

On June 2, 2017, the author confirmed the status and registration of the subject mineral tenures with information available through the Mexican government web page of the Secretaria de Economia (Secretary of the Economy): http://www.siam.economia.gob.mx and through this access a report from Coordinacion General de Mineria (General Coordination of Mining) ('CGMINERÍA'). This Mexican agency records concession information. The Mexican government's geological library was accessed for geological maps from Sevicio Geologico Mexicano (Mexican Geologic Service), also part of the Secretaria de Economia found at http://www.sgm.gob.mx.

The author has relayed on the opinion of First Mexican's legal counsel in regards to concession expiration dates and legal validity of the concessions. First Mexican's Mexican legal counsel is:
Abdon H. Hernandez
Prolongacion Paseo de la Reforma 115-801 Col. Paseo de las Lomas, 01330, Mexico DF
Mx: +52.55.1474.3392

The title opinion confirmed the automatic 50 year renewal of concessions in Mexico, is relevant to all concession titles in this report and was rendered April 21, 2017. The title opinion applies to Section 4 and the summary of the report.

# 4.0 PROPERTY DESCRIPTION and LOCATION

## 4.1 Property Location

The Guadalupe property is in the Guadalupe de Tayopa District, Yécora Municipality, which is located in the southeast of the State of Sonora, Mexico, near the border with the State of Chihuahua. The Property is situated in the Sierra Madre Occidental mountains approximately 190 km east-southeast of the State of Sonora capital of Hermosillo. The geographic coordinates near the centre of the Property are approximately 28° 21’ North latitude by 109° 10’ West longitude, or in the local North American Datum 27 (NAD 27) coordinate system, Zone 12N, at 3,137,700 m North by 679,500 m East (see Figure 4.1). The property is within Mexican National Topographic System (‘NTS’) map area Tecopira H12-12.


Approximate Extent of the Sierra Madre Occidental (from Society of Economic Geologists, Special Publication No. 8, page 73)

**Figure 4.1: Location Map of the Guadalupe Property**

## 4.2 Property Description

The Guadalupe property consists of 12 mining concession or mining right totalling 1,945.00 ha. The mining concessions are listed in Table 4.1 and is shown in Figure 4.2. The concession monument is shown in Photograph 4.1 and has coordinates of 680,413.788, 3,136,538.874.

**Table 4.1: Guadalupe Property Mining Concession Titles**

| Title Number | Name | Holder of Record | Granted Area (ha) | Expedition Date | Expiration Date | Annual Cannon |
|---|---|---|---|---|---|---|
| 194296 | Santa Martha | María Dolores López Vejar | 67.7181 | 19-Dec.-1991 | 18-Dec.-2066 | $9,706.04 |
| 213666 | Sta. Patricia | María Dolores López Vejar | 65.4865 | 07-June-2001 | 07-June-2057 | $9,386.18 |
| 213667 | Sta. Patricia Fracción 1 | María Dolores López Vejar | 27.2079 | 07-June-2001 | 07-June-2057 | $3,899.71 |
| 213668 | Sta. Patricia Fracción 2 | María Dolores López Vejar | 37.6357 | 07-June-2001 | 07-June-2057 | $5,394.32 |
| 214399 | Hilda 30 | Minera Internacional Milenio SA de CV | 256.7221 | 05-Sept.-2001 | 05-Sept.-2057 | $36,795.98 |
| 216138 | Hilda 31 Fracc. I | Guadalupe Rocha Tineo | 22.4743 | 11-April-2002 | 11-April-2058 | $3,221.24 |
| 216139 | Hilda 31 Fracc. II | Guadalupe Rocha Tineo | 54.3019 | 11-April-2002 | 11-April-2058 | $7,783.09 |
| 216146 | Hilda 32 | Guadalupe Rocha Tineo | 69.5422 | 11-April-2002 | 11-April-2058 | $9,967.48 |
| 224380 | Hilda 37 | Guadalupe Rocha Tineo | 602.3376 | 28-April-2005 | 28-April-2061 | $49,054.37 |
| 225637 | Hilda 38 | Guadalupe Rocha Tineo | 493.0699 | 29-Sept.-2005 | 29-Sept.-2061 | $40,155.61 |
| 200532 | Vianney Fracc. III | Minera Internacional Milenio SA de CV | 218.5000 | 25-Aug.-1994 | 25-Aug.-2050 | $31,317.61 |
| 200517 | San Martin | Minera Internacional Milenio SA de CV | 30.0000 | 25-Aug.-1994 | 25-Aug.-2050 | $4,299.90 |

Note: Title information effective June 2, 2017; * - exchange 1 CAD = 14.01 MXN

The Guadalupe group of concessions were originally registered with the Secreteria de Economia, Coordinacion General de Mineria (Secretary of the Economy, General Coordination of Mining) as listed in the table above. The concessions where originally optioned from the listed owners to Minera Internacional Milenio S.A. de C.V., a wholly owned subsidiary of International Millennium Mining Corp (TSX: IMI.V) and were the subject of an option to purchase agreement with First Mexican through its wholly owned subsidiary Cornelius Exploration, S. de R.L. de C.V. ('Cornelius Exploration').

## 4.3 Guadalupe Property Agreements*

* - Modified after Burns and Archibald, 2010

First Mexican Gold Corp. ('First Mexican') acquired an option agreement (the 'Original Option') from 2101927 Ontario Inc. ('2101927'), pursuant to which First Mexican could acquire a 60% interest in the Hilda 30 property from Minera Internacional Milenio S.A. de C.V. ('MIM'). In consideration for acquisition of the Original Option, First Mexican agreed to pay 2101927 a cash amount of $120,000 CAD. and to issue 2,000,000 common shares of First Mexican. First Mexican subsequently entered into a second option agreement (the 'Second Option Agreement') with MIM, dated May 31, 2007, pursuant to which First Mexican could acquire a 60% interest in the Hilda 30 concession.

First Mexican had assumed the contractual responsibilities of Minera Internacional Milenio who arranged the original agreement on the Hilda 30 concession. First Mexican now holds a 100% interest in the Hilda 30, 31, 32, 37 and 38 concessions as well as the Vianney fraction, Santa Marta, Santa Patricia, Santa Patricia fractions and San Martin concessions after completing the MIM option. The company, MIM, entered into separate option agreements:

- Guadalupe Rocha Tineo (the 'Rocha Agreement' March 15, 2005);
- The Estate of C. Francisco Turley;
- Donald A. Burns;
- L. Keith Mortensen and
- Minera Cuesta S.A. de C.V.
- María Dolores López Vejar

The "Turley Agreement" dated January 12, 2006 and effective April 21, 2005 as amended by Addendum dated February 10, 2006, which covers the first five agreements listed above, and assigned its interests in both the Rocha Agreement and Turley Agreement to MIM pursuant to the terms of an assignment agreement dated January 10, 2006.

On January 24, 2012 the Company completed its 80% option earn-in on the Guadalupe property in Sonora State, Mexico, from MIM, a wholly owned subsidiary of International Millennium Mining Corp. ('IMMC'). The option agreement was subject to First Mexican Gold having to spend a total of US$4 million dollars on the project.

Immediately subsequent to the completion of the "Option Agreement", the Company entered into an agreement to acquire the remaining 20% of the Hilda Properties from IMMC in consideration for 4,000,000 common shares and a 2% net smelter return, 1% of which may be purchased for the sum of $1,000,000 (the 'Purchase Agreement'). The common shares were issued on February 15, 2012 and will be subject to a nine-month hold period. Subsequent to the hold period, sale of the 4,000,000 shares will be limited to monthly sale restrictions of between 50,000 and 250,000 shares unless there is a take-over bid for the Company's outstanding common shares in which case, the restrictions on sale will be removed.

**Photograph No. 4.1: Property Survey Monument**

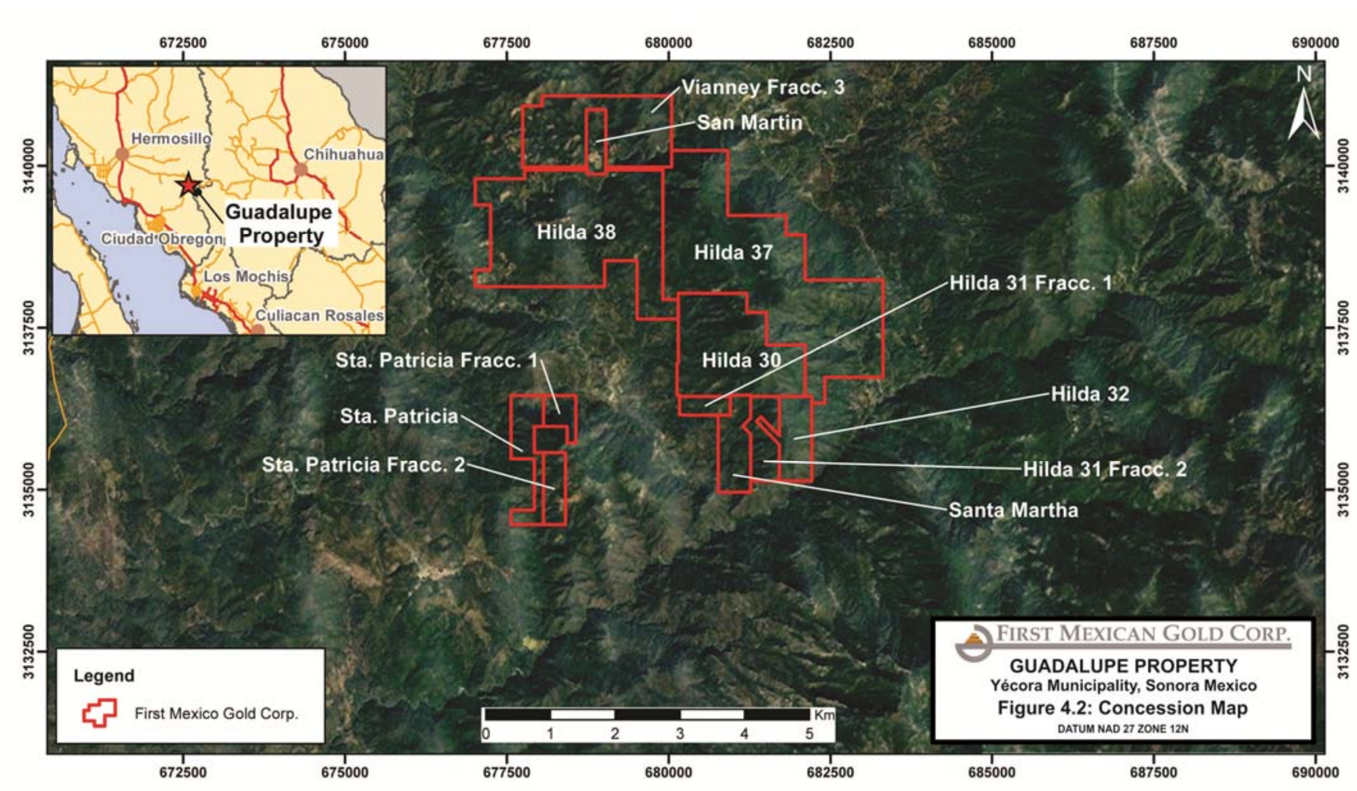



**Figure 4.2: Mineral Concession Map of the Guadalupe Property**

## 4.4 Ejido Lands

Ejidos are communal agrarian and/or ranching societies formed as part of the Mexican Government's post-revolutionary agrarian reform policies. Ejido land is collectively-owned by the Ejido members. The collectively owned land may be leased but cannot be purchased by private parties or corporations. Constitutional reforms enacted in the 1990s permit the Ejidos to privatize the collectively-owned land such that it may be freely combined, rented, or sold. Over 50% of the surface area of Mexico is assigned to Ejidos. Most major mines in Mexico are developed on Ejido lands where land tenure is secured by the mining companies via special lease arrangements defined by Federal Mining Law as Temporary Occupations, or alternatively, via direct purchase of Ejido lands that have been privatized following Federally prescribed procedures (after Doucet *et al.*, 2012).

The Guadalupe de Tayopa Ejido owns the surface rights covering the Guadalupe property. First Mexican through its subsidiary Cornelius Exploration has a written exploration contract with the Ejido whereby exploration access is granted and the Company pays annual compensation and specified amounts for kilometres of road and geophysics. Additional compensation fees for pad construction are to be negotiated on a case-by-case basis, commensurate with the value of the affected land.

## 4.5 Mineral Rights in Mexico

Mining and exploration rights in Mexico are controlled by the Federal Government. Prior to 2006, exploration and mining rights were assigned to third parties by the granting of "exploration" and "exploitation" concessions, each with differing validity periods and tax and assessment obligations. Mining law reform in December 2005 simplified the concession regime, and all new concessions are "mining concessions", which are valid for a 50-year period and are renewable. Upon enactment of the mining law reform, all previously issued "exploration" and "exploitation" concessions automatically converted to "mining concessions" with the effective date of title the same as that of the previously titled "exploration" or "exploitation" concession. The mining concessions are administered by the Direccion General de Minas ('DGM'), a subsecretariat of the cabinet-level Secretaria de Economia (after Doucet et al, 2012).

### 4.6 Royalties and Obligations

To maintain concessions in good legal standing, concession holders are obligated to pay semi-annual tax payments (January and July) and to annually file documentation of exploration or development work at the concession (after Doucet *et al.*, 2012). The documentation for exploration and development work are due for filing at the end of March. The Sistema de Administracion Mineria ('SIAM') or Mining Adimistration System web site states that the semi-annual fee for the maintenance of the Hilda 37 and 38 concessions is MXN$40.72 per hectare (pesos) and for the other 10 concessions is MXN$71.66 per hectare or MXN$105,490.77 in total, which is approximately CAD$7,535.05.

### 4.7 Environmental Regulations & Exploration Permits

Exploration and mining activities in Mexico are subject to control by the Secretaria del Medio Ambiente y Recursos Naturales (Secretary of the Environment and Natural Resources), known by its acronym "SEMARNAT". To the best knowledge of the author, the Guadalupe property is not included within any specially protected, federally designated ecological zones; therefore, basic exploration activities are regulated under Norma Oficial Mexicana (Mexican Official Norm) NOM-120-ECOL-1997. NOM120 allows for activities including mapping, geochemical sampling, geophysical surveys, mechanized trenching, road building and drilling. If each particular activity does not exceed a defined threshold for surface disturbance (which varies by activity), and if in aggregate these activities will affect less than 25% of the project surface area, the project operator is required only to inform SEMARNAT in writing of the proposed exploration activities. If after five days SEMARNAT has not formally objected, work may proceed immediately. NOM120 defines the impact mitigation procedures that must be followed for each activity.

Most exploration activities can be permitted utilizing NOM120. Mine construction and operation activities generally require preparation of the following:

- a Manifesto de Impacto Ambiental (Environmental Impact Statement), known by its acronym 'MIA', and
- a Cambio de Uso de Suelo (Land Use Change) permit, known by its acronym 'CUS'.

Properly prepared MIA and CUS applications and mine operating permits for a project that does not affect federally protected biospheres or ecological reserves can usually be approved in 12 months (after Doucet *et al.*, 2012).

The required permit has been obtained (Mr. Jim Voisin, pers. comm.) and it is the Authors' understanding that this permit is in force and valid at the writing of this report.

### 4.8 Environmental Considerations

To the best of the author's knowledge, there are no environmental considerations or other significant factors or 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 Property is situated approximately 190 kilometres east-southeast of the city of Hermosillo, capital of the State of Sonora, and 305 kilometres west of Chihuahua, capital of the state of Chihuahua, or 330 kilometres south of the U.S.A. border. Both Hermosillo and Chihuahua have regular daily airline service to Mexico City, Dallas, texas and other major centers. The closest villages are Guadalupe de Tayopa, located about less than one kilometre to the west of the Property, and Yécora some 20 kilometres to the east of the Property.

Road access from Hermosillo is by following the Federal highway to Chihuahua, highway 16 through the towns of La Colorada, and Tecoripa to the junction of Highway 117, a distance of approximately 240 kilometres (see Figure 5.1). From the junction you turn south for approximately 18 km to the gravel road to Guadalupe de Tayopa and continue for 17 km to the village of Guadalupe. This route, under normal conditions takes approximately 3.5 to 4 hours to travel.

From the Guadalupe de Tayopa (‘Guadalupe’) there are numerous local tote roads used by the local ranchers to access most areas of the property and some roads have been upgraded by First Mexican for exploration and drill access.

## 5.2 Climate and Vegetation

Annual temperatures vary from -14.5$^{o}$ to 42.5$^{o}$ C with an annual mean of 14.3$^{o}$ C. nighttime summer low temperatures are typically 15$^{o}$ to 20$^{o}$ C, and winter nightly lows are 0$^{o}$ to -14$^{o}$ C range. Snow can occur on the surrounding mountains in the winter months (https://en.wikipedia.org/wiki/Yécora,_Sonora and https://en.wikipedia.org/wiki/Sonora#Climate).

Average annual rainfall totals 894 millimetres, mainly occurring from June through September during the ‘monsoon’ period. Light rains may occur also during the late fall and early winter, with dry conditions generally prevailing from February to May. During the summer rainy season, the wind blows northwestward half of the time and to the southwest or southeast during the balance of the year. The wind generally reaches a moderate intensity of about 15 to 20 kilometres per hour in the late afternoon. None of this weather restricts exploration or mining activities, although the use of heavy equipment, such as a truck-mounted drilling rig, during the summer rainy period is not recommended.

Oak and mesquite trees, numerous types of cactus and various dry land grasses are the dominant flora within the Property with ponderosa pine trees growing at higher elevations.

## 5.3 Local Resources and Infrastructure

The village of Guadalupe is the closest to the property with a population of 216 (http://mexico.pueblosamerica.com/i/guadalupe-de-tayopa/), this is where First Mexican’s exploration camp is located. Guadalupe is on the local power grid. The village of Yécora has a gravel airstrip, situated 23 km northeast of the Property or 76-road km from the Property. It has a population of about 3,000 persons (https://www.citypopulation) and has a grocery store, medical centre, post office and fuel is available. Some supplies and mining personnel would be available in Yécora.

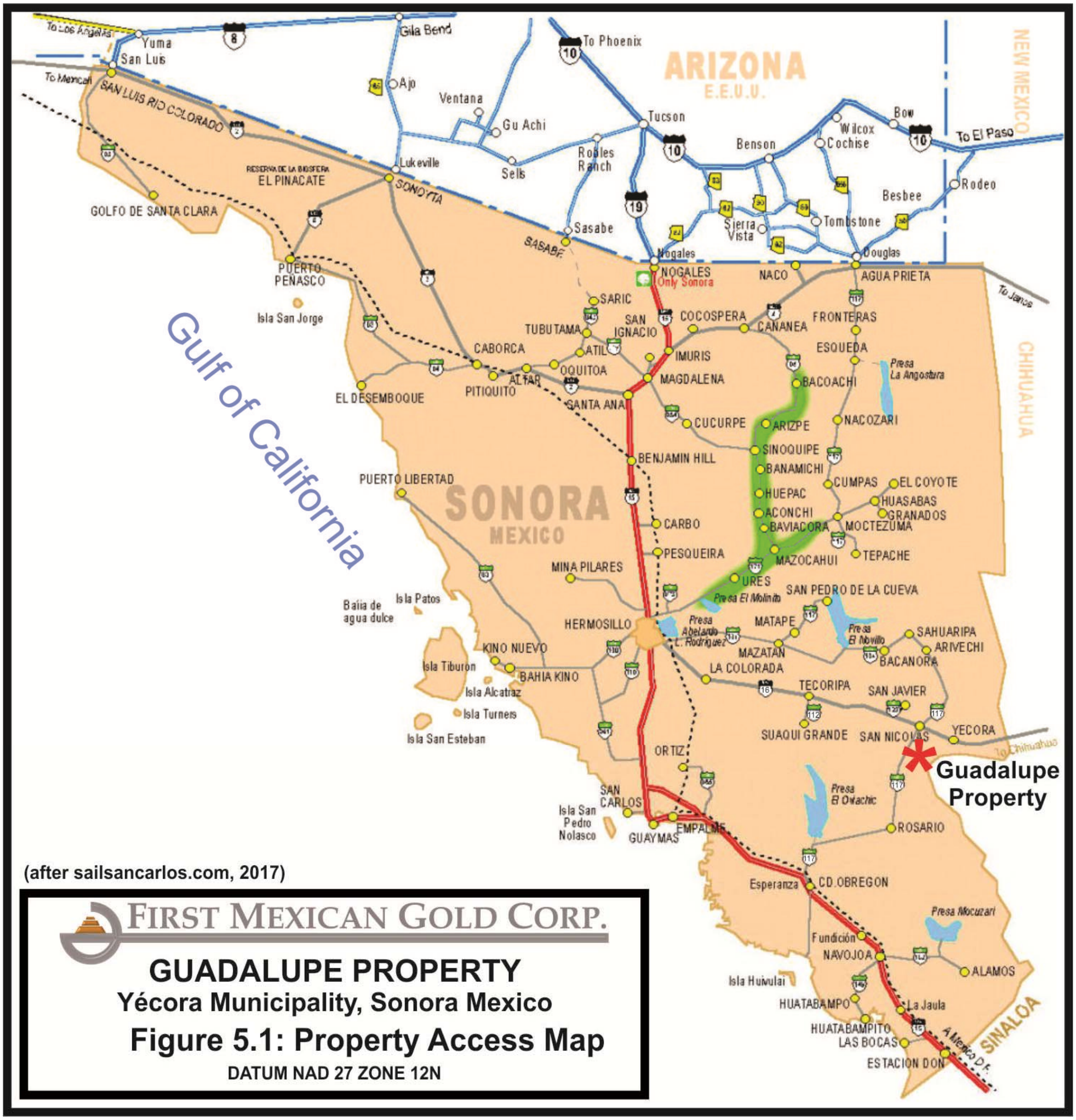



**Figure 5.1: Property Access Map**

The closest major center would be Hermosillo, a 4 to 4.5-hour drive to the west where food and supplies are available. Exploration and mining supplies, drill contractors and construction contractors are available in Hermosillo. There are skilled exploration and mining personnel readily available in the Hermosillo. Mexico allows a minimum number of ex-patriot supervisors.

Water for exploration and drill work may be drawn from nearby drainages as long as it does not affect the water rights of the local ranchers. Later advanced exploration and mining will require a water well drilled near the Rio El Raparo. The well would supply water for the project and act as a backup source for the village during the dry season.

There is sufficient area within the Property for any possible mining and mineral processing facilities.

## 5.4 Physiography

The Property is situated within the Sierra Madre Occidental mountain range, which is characterized by relatively high relief with steep-sided V-shaped valleys, local cliffs hundreds of metres high, and rounded mountainous ridges. It is regionally situated in the Basin and Range physiographic province with predominantly north to northwest trending block faults and related structures. Elevations range within the property range from 760 m AMSL along the river in the southeast corner of the Property to 1,280 m AMSL along the ridges on the east side of the Hilda 30 concession.

**Photograph No. 5.1: View from the Karen Zone Looking Northward**

The Rio El Reparo, flowing southwestward near the southeastern property boundary, is the primary drainage in the area. There are also secondary drainages from the Village of Guadalupe and another along the east and northeastern side of the Property. These creeks and the numerous local springs and seeps are used by local ranchers for watering livestock.

# 6.0 HISTORY

The Property is adjacent to the Los Verdes Project and may have once been explored for molybdenum as the Molybdenum pit of the Los Verdes Project is in the adjacent property. Thus, much of the historic but unreported exploration of the Guadalupe property was probably carried out during the exploration of the nearby Los Verdes molybdenum deposit.

## 6.1 Regional Exploration and Mining History

Sonora State hosts a variety of metallic and non-metallic mineral deposits that have been or are currently being mined, and within the country, is a leading producer of gold, silver, copper, molybdenum, iron and barite amongst others. The State has a long (~5 centuries) history of mineral exploration production. In 1657, Father Juan Nentvig produced a map of the mines in operation at the time (Cardenas, 1994 p. 19). In 1673, Don Domingo de la Paz and Pedro Coronado reported upon the Ostimuri gold - silver deposit in the Mulatos district (Cardenas, 1994 p.153), and in 1683 the Las Europa mine, commenced operation near the town of Alamos (Cardenas, 1994 p.165). Staude (2001), however, states that gold mining began in the Mulatos district prior to 1635, but does not indicate by whom. There are indications that mining activities may have been carried out earlier by Jesuit priests (Dobie, 1928), who were forbidden by Spanish law to own or operate mines, and even earlier by the native indigenous peoples (Burns *et al.*, 2010).

Up until sometime in the last century most mining activities, particularly for precious metals, were conducted on a small scale, and were frequently interrupted / terminated by raids from or wars with the native population, and from 1910 to 1917 by the Mexican revolution. In recent years the production of metals has increased dramatically. In the general region, the heap leach, open pit, gold mine – Mulatos, Estrella Pit - located 55 km NE of Hilda 30 (Figure 4.1), and operated by Minas de Oro Nacional S.A. de C.V. a wholly owned subsidiary of Alamos Gold Inc. head quartered in Vancouver. The mine has published a NI43-101 technical report with a measured resource of 13,143,000 tonnes grading 1.45 g/t Au and an indicated resource of 103,004000 tonnes grading 1.03 g/t Au for measured and indicated resources of 116,147,000 tonnes grading 1.08 g/t Au at a 0.5 g/t Au cut-off (inclusive of mineral reserves) (Keane et al., 2012)

The author has been unable to verify the information on the Mulatos Estrella Pit and that the information on that property may not be indicative of the mineralization on the Property.

## 6.2 Property Exploration History Before 2005

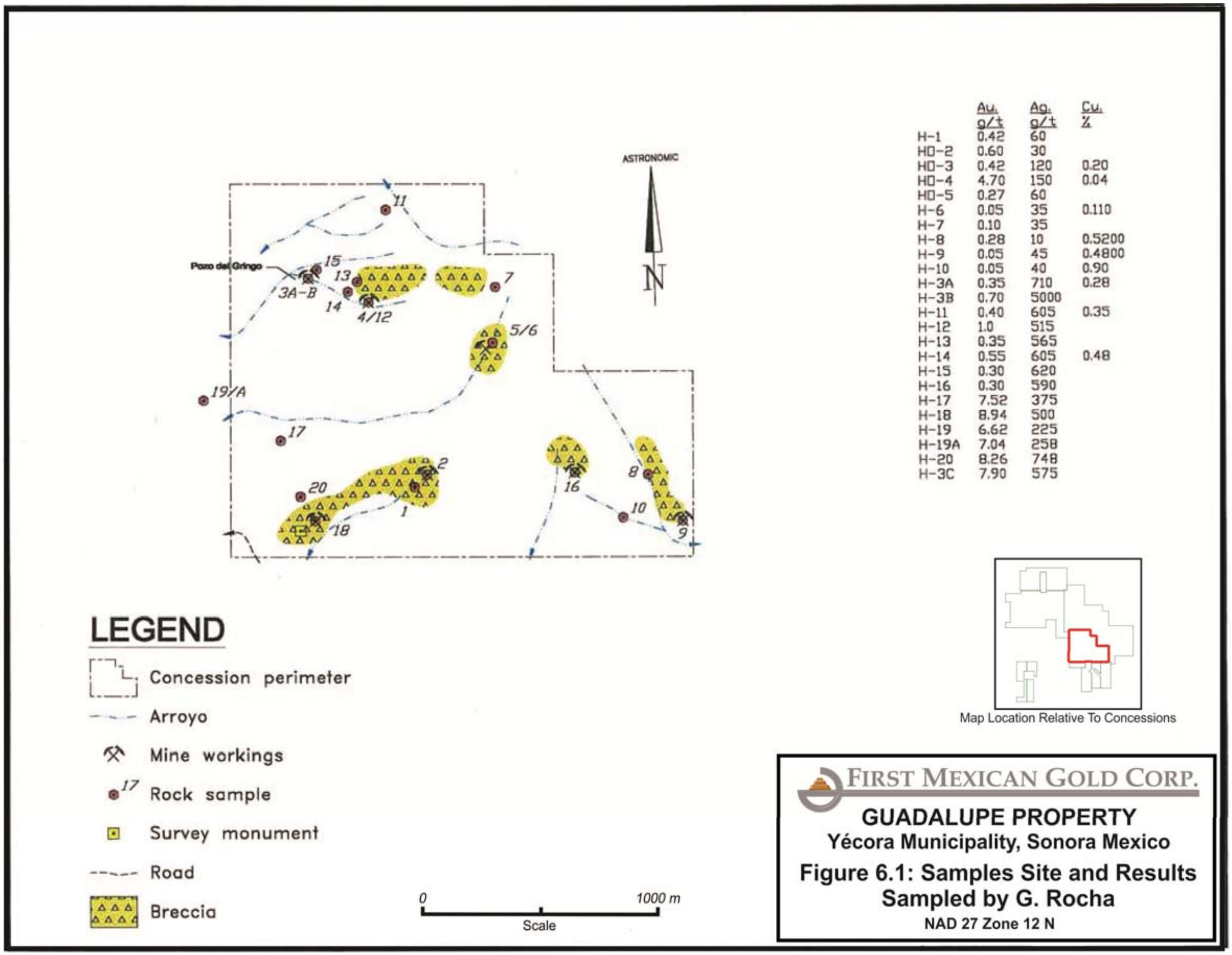
Sr. Guadalupe Rocha Tineo, a former resident of Guadalupe de Tayopa, and the original holder of the Hilda 30 concession provided a verbal exploration history for the Property. Other than questioning the local inhabitants concerning previous exploration or mining activities in the area and possibly reviewing church archives, there are no other means either official or non-official to confirm the property history. Holders of previous concessions will be on government records, but as companies and individuals are not required to submit copies of technical work undertaken, any previous work conducted is only available by word-of-mouth unless documents can be obtained from former concession holders (Burns *et al.*, 2010).

**Table 6.1: Guadalupe Property Mining History***

| Year(s) | Owner | Work Undertaken | Location |
|---|---|---|---|
| ~ 1910 | Unknown (American) | 27 m vertical shaft and short drift on 30 50 cm tetrahedrite vein. No records. Known as Pozo de Gringo | Hilda 30 |
| ~ 1910 | Artisan Miners | Two short adits excavated in the NW of the concession. One 25 m long and about 10m in a 5 m shaft was sunk. Results reported 2 g/t Au and 300 g/t Ag top of shaft and 1.5 g/t Au and 600 apt Ag bottom of shaft | Hilda 30 |
| 2001 | Francisco Turley & Guadalupe Rocha **(Figure 6.1)** | Rocha prospected along the dry creeks crossing the property and collected 24 grab samples. Samples sent to a technical school in Hermosillo. Samples returned anomalous Au +/- Ag +/- Cu values for 5 areas of the property | Hilda 30 |
| 2002 | Francisco Turley & Guadalupe Rocha | Rocha brought the property to the attention of Turley who arranged private financing to develop the property. In 2002, a 60 degree decline shaft was sunk to a depth of 9 m (30 feet), and working levels established at 4.5 m and 9.0 m. Approximately 2 to nnes were mined from a bonanza pocket of a slightly east dipping tetrahedrite vein, and shipped to Grupo Mexico for processing. Exact records of production were not readily available as these were in the possession of Mr. Turley who is now deceased. Also in 2002, a switchback road was bulldozed uphill east of the shaft area. Twenty - three (23), 2 m. samples were collected in a continuous line along the road cut and sent for assay at a private laboratory owned by Turley. Assay values ranged from 1 to 100 g/t gold and 25 to 1180 g/t silver. An approximate 5 tonne sample was excavated from a small pit in the side of the road, and shipped to a mill owned by Turley for concentration. The concentrate was then shipped to Grupo Mexico for processing. Exact records of production were not readily available. | Hilda 30 |
| 2003 | Francisco Turley & Guadalupe Rocha | In 2003, an attempt was made to drive a 10% decline from a lower elevation on the hillside to intersect the bottom of the Pozo del Gringo. At the same time, a decline was commenced into the hill at the Pozo del Gringo. The two workings were extended about 27 m and 5 m respectively before the financing difficulties forced the project's termination. Neither working may be entered due to cave-ins / rock slides. | Hilda 30 |
| 2005 | International Millennium Mining Corp. **(Refer to Figure 9.1)** | Conducted a small soil geochemical survey to the north and east of the Pozo del Gringo and of the anomalous values in rock cut along the switchback road described previously. Samples were collected at 25 m spacings along east - west lines spaced 25 m apart over an area measuring 300 m east - west by 200 m north - south. Anomalous values in both gold and silver were obtained immediately to the east and uphill from the switchback road over an area approximately 150 m long NW/SE by 70 m wide. Commissioned J.G. Burns to prepare a "Technical Report" to NI 43-101 standards for the Hilda 30 and Esperanza properties. | |

* - Burns *et al.*, 2010

Documentation of current exploration and drilling programs are contained in Section 9, Exploration and Section 10, Drilling.




| | Au. g/t | Ag. g/t | Cu. % |
|---|---|---|---|
| H-1 | 0.42 | 60 | |
| HD-2 | 0.60 | 30 | |
| HD-3 | 0.42 | 120 | 0.20 |
| HD-4 | 4.70 | 150 | 0.04 |
| HD-5 | 0.27 | 60 | |
| H-6 | 0.05 | 35 | 0.110 |
| H-7 | 0.10 | 35 | |
| H-8 | 0.28 | 10 | 0.5200 |
| H-9 | 0.05 | 45 | 0.4800 |
| H-10 | 0.05 | 40 | 0.90 |
| H-3A | 0.35 | 710 | 0.28 |
| H-3B | 0.70 | 5000 | |
| H-11 | 0.40 | 605 | 0.35 |
| H-12 | 1.0 | 515 | |
| H-13 | 0.35 | 565 | |
| H-14 | 0.55 | 605 | 0.48 |
| H-15 | 0.30 | 620 | |
| H-16 | 0.30 | 590 | |
| H-17 | 7.52 | 375 | |
| H-18 | 8.94 | 500 | |
| H-19 | 6.62 | 225 | |
| H-19A | 7.04 | 258 | |
| H-20 | 8.26 | 748 | |
| H-3C | 7.90 | 575 | |

**Figure 6.1: Rocha Sample Sites and Results, 2001**

# 7.0 GEOLOGICAL SETTING and MINERALIZATION

## 7.1 Regional Geology

The Property is situated within the northern part of the Sierra Madre Occidental volcanic province that comprises two distinct packages of volcanic rocks: a Lower Volcanic Series comprised of early Oligocene age (28 to 36 million years (‘Ma’)) volcanic rocks, overlain by the Upper Volcanic Series, comprised of Miocene age (18 to 24 Ma) volcanic rocks. The other country rocks include basement rocks of Paleozoic to Cretaceous age and later early Tertiary sediments. The sedimentary package is well exposed along the road between the towns of Arivechi and Tarachi (Austin *et al*, 2004). Several Laramide age (60 to 65 Ma) intrusives are also known in the area and are mapped on the west side of the Property and crop out to the east of the Property (Figure 7.1).

The Lower Volcanic Series of volcanic rocks are andesite lavas, tuffs and agglomerates that are fine-grained to porphyritic in texture. There appears to have been erosion following the deposition of the Lower Volcanics, over which the Miocene age felsic to intermediate flows and tuffs and ignimbrites were deposited. The two volcanic packages are distinguished by an angular unconformity with the older Oligocene package typically tilted between $20^o$ to $50^o$ whereas the younger Miocene rocks are typically flat lying or tilted up to $15^o$.

The youngest rocks in the sequence are less than 10 Ma rift-related basalts. North to northwesterly and north easterly trending faults cut all rocks in the Property area, related to basin and range extension. The Guadalupe mineralization, Karen Zone, is hosted in Tertiary and Cretaceous andesitic volcanic rocks that appear to be a roof pendent in the Laramide intrusive and the Diana Zone is hosted in the intrusive. The age of mineralization, based on information from the district, is roughly between 25 Ma to 32.

## 7.2 Local and Property Geology

The west side of the Property, Hilda 30, 31 fractions, 32, 37 and Santa Marta concessions lie within a “window” or what is interpreted as a possible roof pendant of andesite and andesite tuff of upper Cretaceous age that is almost surrounded by a granite to granodiorite intrusion with porphyritic phases (Figure.7.1, 7.3). All of the andesitic rocks seen were white to greenish grey to purplish grey in colour, porphyritic/tuffaceous, and locally moderately to strongly silicic and argillic altered. No outcrops of granite - granodiorite were noted. As depicted on several government map sheets, numerous faults and other lineaments have been mapped and extrapolated to cross in close proximity to the concession (Figure.7.1) (Burns *et al.*, 2010).

Numerous gold and silver occurrences occur in the general area, most of which are hosted by andesitic or rhyolitic rocks and all appear to be spatially related to the granite - granodiorite intrusion, which itself hosts many base metal occurrences (Garcia *et al*, 2000, 2005) (Burns *et al.*, 2010). Silver appears to be equally as important as gold and on the Guadalupe property is the principle precious metal.

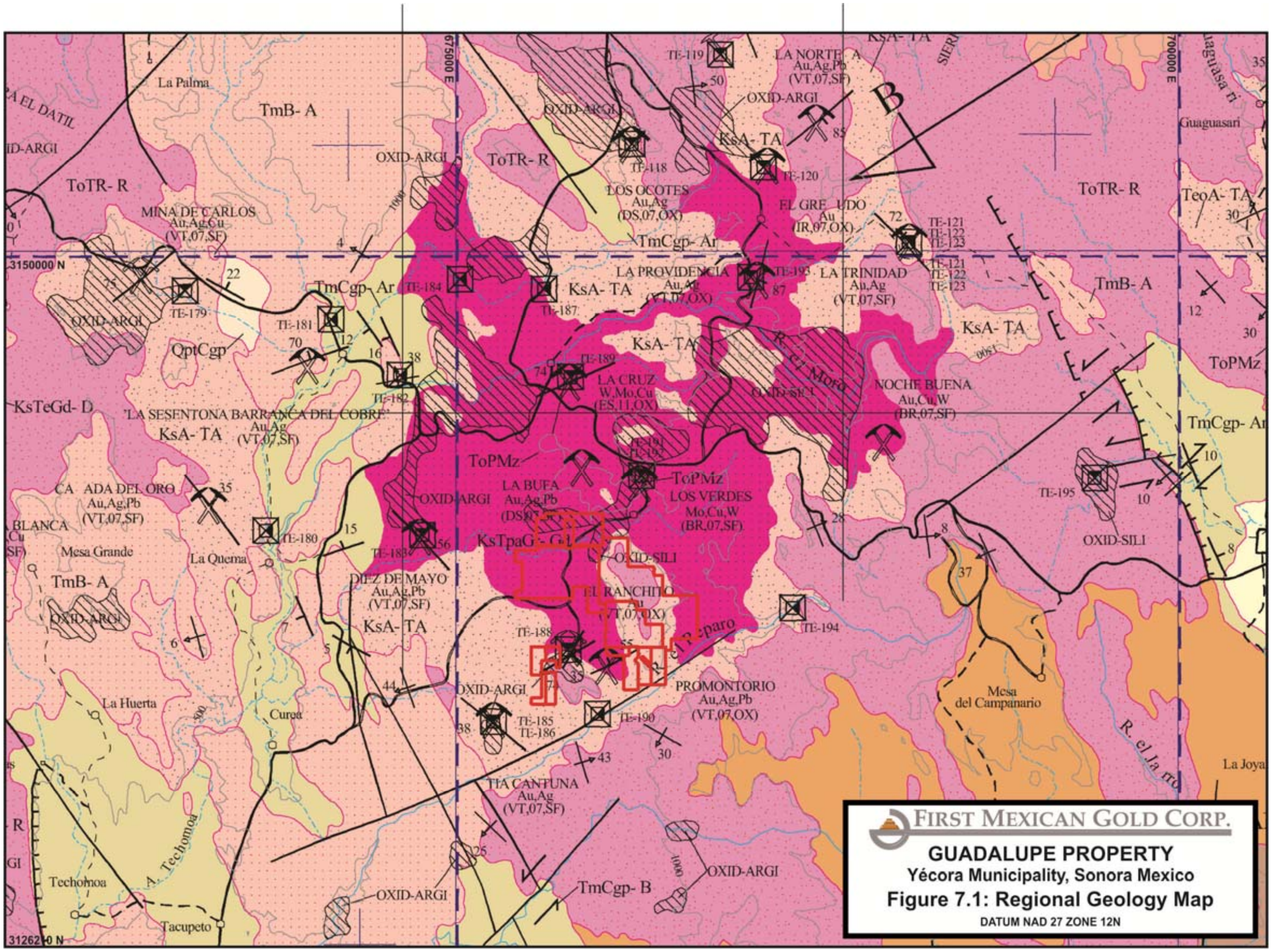



**Figure 7.1: Regional Geologic Map for the Guadalupe Property**

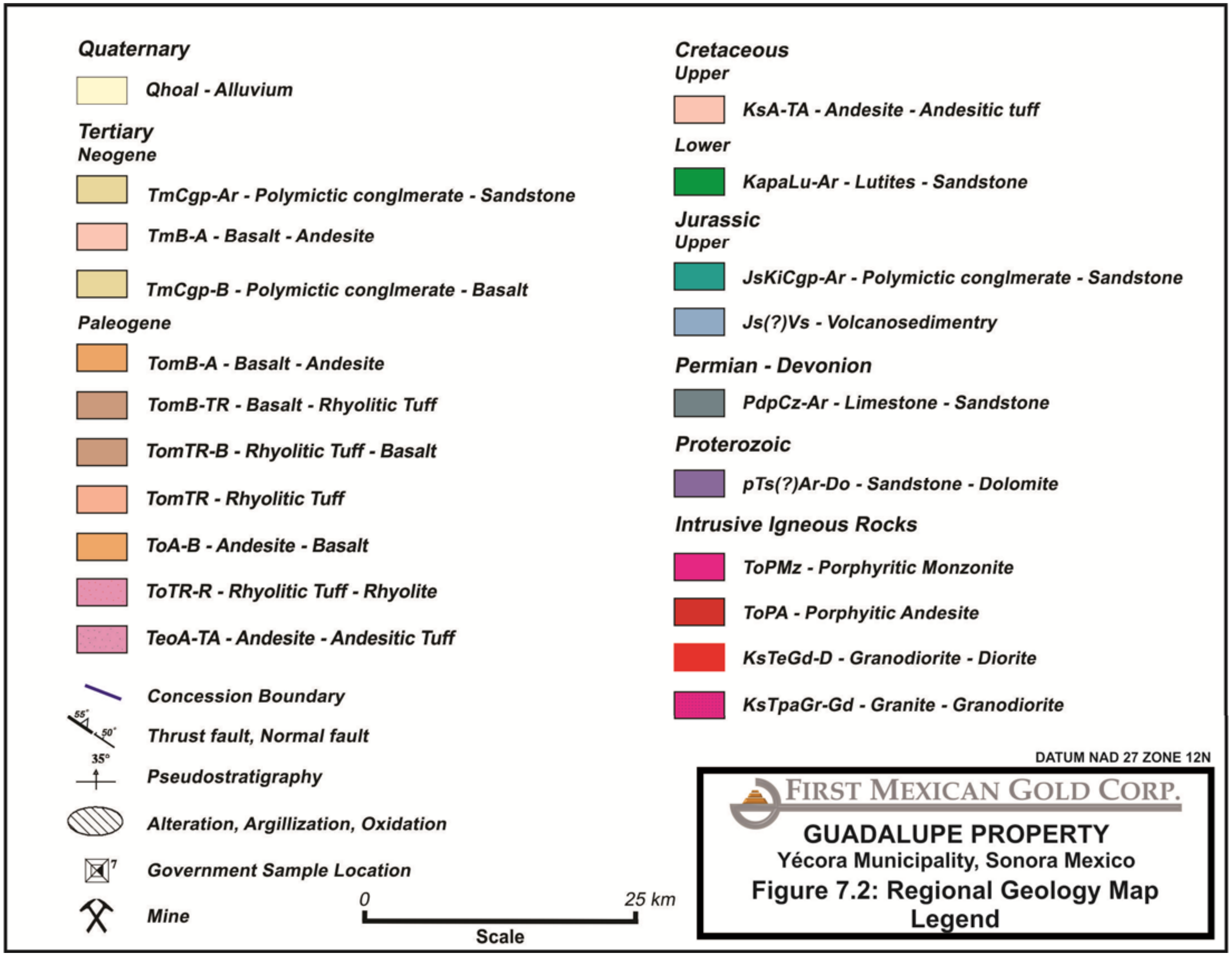



**Figure 7.2: Regional Geologic Map Legend for the Guadalupe Property**

The east central portion of the Property has a NW-SE trending magnetic high crossing the Property. While the underlying cause for this magnetic feature appears to be the andesite-granite contact this remains to be determined, it may also be due to the magnetic contrast between andesitic and granitic-granodioritic rocks. The peak of the magnetic high corresponds roughly to an approximate 100 m high hill, which is the source for boulders comprising quartz and specular hematite cementing andesite breccia and these have been found in the dry creek below (Photograph No. 10.1 and 10.2) (Burns *et al.*, 2010).

### 7.2.1 Mineralization

The description of property mineralization was described in the 2010 NI43-101 technical report by James G.Burns, P.Eng. and John Archibald, P.Geo. The original First Mexican sampling and sampling by J.G. Burns, P.Eng. (Burns) is plotted in Figure 9.1 as referenced below and the Rocha sampling is plotted in Figure 6.1.

The first discovered main mineral showings are situated in the vicinity of the Pozo del Gringo (Figure 6.1 and 9.1). Very little could be seen in this area as the underground workings have been covered by rock and debris slides. A tetrahedrite vein, reportedly up to 0.5 m wide strikes at 020$^{o}$ to 040$^{o}$ azimuth with a near vertical dip. Sample JBH-06 that was collected by Burns, and comprised of small grab pieces of vein material taken from the spoil pile beside the inclined shaft, which assayed at 0.248 g/t Au, 1800 g/t Ag and 4.03% Cu (Burns, 2005). Assay values for Pb, Zn, As, Sb, Hg and Te were also anomalous. The vein appears to occupy a tensional fracture in an andesitic volcanic flow.

Due east of the shaft and an estimated 50 to 75 m higher in elevation, a 46 m long zone of brecciated andesite and lapilli tuffs is exposed in a road cut (Photograph No. 10.1 - 10.3). Thin (generally <5 mm), druzy, cock's comb, vuggy quartz veins at a variety of angles and comprising from 2 to 5% of the rock impart a brecciated appearance to the rock. Very fine sulphides constitute <2% of the veins. The dominant vein set dips steeply and strikes between 090$^{o}$ to 125$^{o}$. Silica, hematite, limonite and argillite alteration accompany the veins. Twenty-five (25), either 1m or 2m chip /channel samples (477301 – 477325), collected by Burns, 2008, along the road cut, corresponded to First Mexican samples 813906 to 813930 respectively (Figure 9.1).

As may be noted in the Burns *et al,* 2010 report, the gold and silver averages obtained by Burns and First Mexican (3.07 versus 3.60 g/t Au and 155 versus 208 g/t Ag respectively) are of the same general order of magnitude, are certainly significant, and are indicative of a potential economic zone of mineralization. There are some significant differences between individual assays for the same sample intervals, particularly for gold, which would suggest a potential "nugget effect" that must be assessed when further evaluating the occurrence. The high Au and Ag assays (6.66 g/t Au and 471 g/t Ag for sample # 477319 taken by Burns or 13.35 g/t Au and 745g/t Ag for First Mexican sample 813924) suggests the possible presence of bonanza grade mineralization. Anomalous As, Bi, Cu, Pb, Sb, Te, V and Zn values are associated with the Au-Ag mineralization.

At a second locale, Burns collected nine samples (477326 to 477334) over a continuous 17 m interval, at the toe of a newly bulldozed section of road near the north property boundary (of the Hilda 30 concession) in an area not sampled previously by First Mexican (Burns, 2008). Samples were of strongly weathered (saprolitic), intensely altered felsic tuff. Limonite and hematite with lesser kaolin and silica are the main alteration minerals. Quartz veins are rare. Very minor pyrite was also noted. Values for Ag were only slightly anomalous, and these were accompanied by weakly anomalous Ba results.

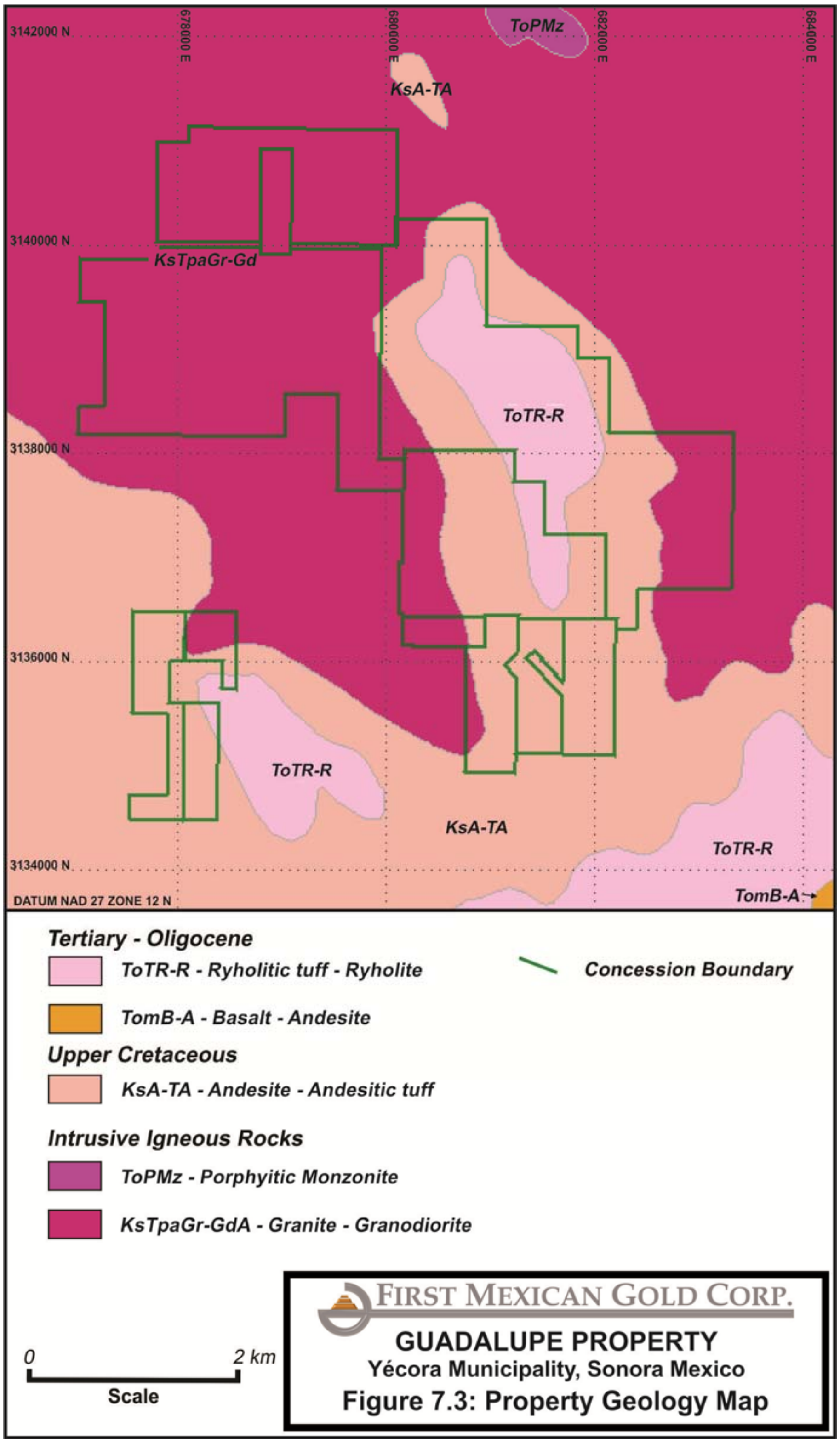



**Figure 7.3: Property Geology Map**

Approximately 450 m NNE of the Pozo del Gringo, five additional samples (477335 - 477439) tested the possible extension of the Gringo vein in various road cut locales (Figure 9.1). Silver values varied from 1.49 to 22.1 g/t, and are thus definitely anomalous. The associated anomalous Pb, V and Zn values indicate that the mineralization is at least of the same genetic type as that in the breccia zone. Although the strike of the veins is similar to that of the Gringo vein, it is orthogonal to the direction of the Au and Ag geochemical anomalies (Burns, 2008). During the 2005 property visit, samples JBH-4 and 5 were broken from large boulders situated within the dry creek just west of the Pozo del Gringo area (Burns, 2005). These boulders, which comprised quartz and specular hematite cementing an andesite breccia, had obviously rolled down from the hilltop to the east above the Pozo del Gringo area and the breccia zone. Assay values for sample JBH-4 were highly anomalous for precious metals (0.138 g/t Au and 5.35 g/t Ag), as well as for As, Sb, Hg and Te, but only weakly anomalous for base metals. The quartz veinlet stockworks, the alteration that accompanies the stockworks, and the precious metal, base metal and trace element mineralization are all indicative of epithermal style mineralization, and the quartz-specular hematite mineralization of the boulders and their trace metal content are consistent with a silica cap to an epithermal mineral system.

Another mineral occurrence is situated in the southwest corner of the concession in the vicinity of Rocha samples 18 & 20 (Figure 6.1). Samples JBH-1, 2 & 3 collected in the same general area during a 2005 property visit (Burns, 2005) from a 30 m to 40 m high, 75 m wide 150 m long, bare, rusty hill that strikes in a general 090$^{o}$ direction were of silicified andesite that was in part brecciated and cut by druzy quartz veinlets. Hematite and limonite staining were prevalent. Although the assay values for Au and Ag were not of the same order of magnitude as those of Rocha (probably due to not being from the exact same area), values Ag, As and Sb were highly anomalous (Ag values of 1.06, 1.40 & 4.01 g/t). This occurrence is possibly indicative of a second epithermal zone of mineralization on this property. The other anomalous areas as noted by Rocha remain to be assessed.

The Hilda 31 concession abuts Hilda 30 concession to the southwest and has two historic mines on the property, the La Fierra and the La Cubrisa. The La Fierra is an old open pit mine located on a hillside south and east of village of Guadalupe de Tayopa. Reportedly (verbal from Guadalupe Rocha Tineo, Burns) there are some extensive underground workings associated with the pit, however the portals have collapsed and access to the underground workings is not possible.

The La Cubrisa mines are underground workings that are reported (verbal from Guadalupe Rocha Tineo, Burns) to be very extensive and rich in silver. The main dump on the mine is quite large, reflecting some extensive workings. Dump material exhibits staining by copper oxides and some visible chalcopyrite mineralization can be found. The portal of the main tunnel has collapsed and access is not possible for verification or mapping purposes.

A prominent hill located near the La Cubrisa mines is covered with old workings ranging in size from prospect pits to seemingly extensive underground workings. The mines appear to be situated on parallel to sub-parallel faults that host vein deposits. There is very little dump material associated with these mines indicating the material mined was considered to be all ore or that it was removed to be milled in another location. No records exist of the grades of material mined in these workings.

The Hilda 37 concession hosts vein systems similar to the Hilda 30 and 31 concessions with the notable exception of the La Mexicana mine. Mineralization in the La Mexicana consists of molybdenum associated with a steeply dipping quartz vein. This vein is larger, about two meters wide, containing quartz with molybdenum in an extensive vein system. Mining on this vein exploited about 30 meters of the vein. It was reported that the operation ceased when the Verde mine in Santa Ana closed in the 1970s. This concession abuts the Hilda 30 Concession to the north. Material mined from the La Mexicana was shipped to Santa Ana for processing since there was a small mill in that village. The workings were designed to mine the vein in its entirety leaving only small portions of the vein on the hanging and footwalls of the tunnel. Exposed in the vein is an impressive amount of molybdenum. Waste rock shows abundant molybdenum but the grade of the material mined is unknown. This mine should be a primary target of future exploration. It has been intimated by Guadalupe Rocha Tineo (verbal comm., Burns) that significant copper mineralization exists on the part of the Hilda 37 concession near Santa Ana. Some work in this area is advisable when exploration is carried out in the future.

The follow-up work done in 2011-2012, where additional diamond drilling was carried out over 4 zones returned significant intercepts in gold and silver with some copper values. Tables 10.1 and 10.2 in the drilling section of this report show the significant drill hole intercepts from these programs. The significant trench samples from the 2010 trenching program are shown in Table 9.1.

# 8.0 DEPOSIT TYPES

The known mineral occurrences within the Yécora Municipality are volcanic-hosted, epithermal, high-sulphidation (‘HS’) gold-silver deposits, as veins and/or disseminated deposits. According to Hayba *et al.* (1985), Heald *et al.* (1987), Berger and Henley (1988), Arribas (1995), and Pantelyev (1996), the general characteristics and genetic model of epithermal, high sulphidation mineral deposits include:

- located within extensional and transtensional settings, commonly in volcano-plutonic continent margin and oceanic arcs and back-arcs. In zones with high- level magmatic emplacements where stratovolcanoes and other volcanics have extruded above plutons;
- associated with intermediate subvolcanic to volcanic rocks in calderas, flow-dome complexes, rarely maars and other volcanic structures; often associated with subvolcanic stocks and dikes, breccias. Postulated to overlie, and be genetically related to, porphyry copper systems in deeper mineralized intrusions that underlie the volcanics.
- dominantly of Tertiary to Quaternary age; less commonly Mesozoic and rarely Paleozoic volcanic belts;
- commonly hosted by volcanic pyroclastic and flow rocks such as subaerial andesite to dacite and rhyodacite, their subvolcanic intrusive equivalents and occasionally sedimentary intervolcanic units;
- deposits occur as veins and massive sulphide replacement pods and lenses, stockworks and breccias. Commonly irregular deposit shapes are determined by host rock permeability and controlling structures;
- alteration mineral assemblages indicative of high-temperature acidic hydrothermal fluids, include an advanced argillic assemblage characterized by one or more of pyrophyllite, alunite, dickite, kaolinite, and diaspore;
- vuggy 'slaggy' silica derived as a residual product of acid leaching is characteristic. Textures include: drusy cavities, banded veins, hydrothermal breccias, and massive wallrock replacements with fine-grained quartz;
- two types of ore are commonly present as massive enargite-pyrite and/or quartz-alunite-gold. Common principal minerals include: pyrite, enargite/luzonite, chalcocite, covellite, bornite, gold, and electrum Pyrite and quartz are common gangue minerals. Barite may also occur but carbonate minerals are absent;
- alteration zoning typified by a central zone of silica alteration flanked by a zone of advanced argillic alteration which in turn is surrounded by illite-dominated argillic alteration;
- weathered rocks contain abundant limonite (jarosite-goethite-hematite) generally in a groundmass of kaolinite and quartz. Fine-grained supergene alunite veins and nodules are common; and
- ore controls include: volcanic edifices - caldera ring and radial fractures; fracture sets in resurgent domes and flow-dome complexes; hydrothermal breccia pipes and diatremes; faults and breccias in and around intrusive centres; and permeable volcanic lithologies. Deposits may occur over considerable depths, ranging from high-temperature solfataras at paleosurface down into cupolas of intrusive bodies at depth.

Some of the most intensely studied and described high-sulphidation deposits include:

- Summitville, Colorado (Stoffregen, 1987; Gray and Coolbaugh, 1994),

- Goldfield, Nevada (Ransome, 1909; Ashley, 1974; Vikre, 1989),
- Lepanto, Philippines (Hedenquist *et al.*, 1998), and
- Julcani, Peru (Petersen *et al.*, 1977; Deen et al., 1994).

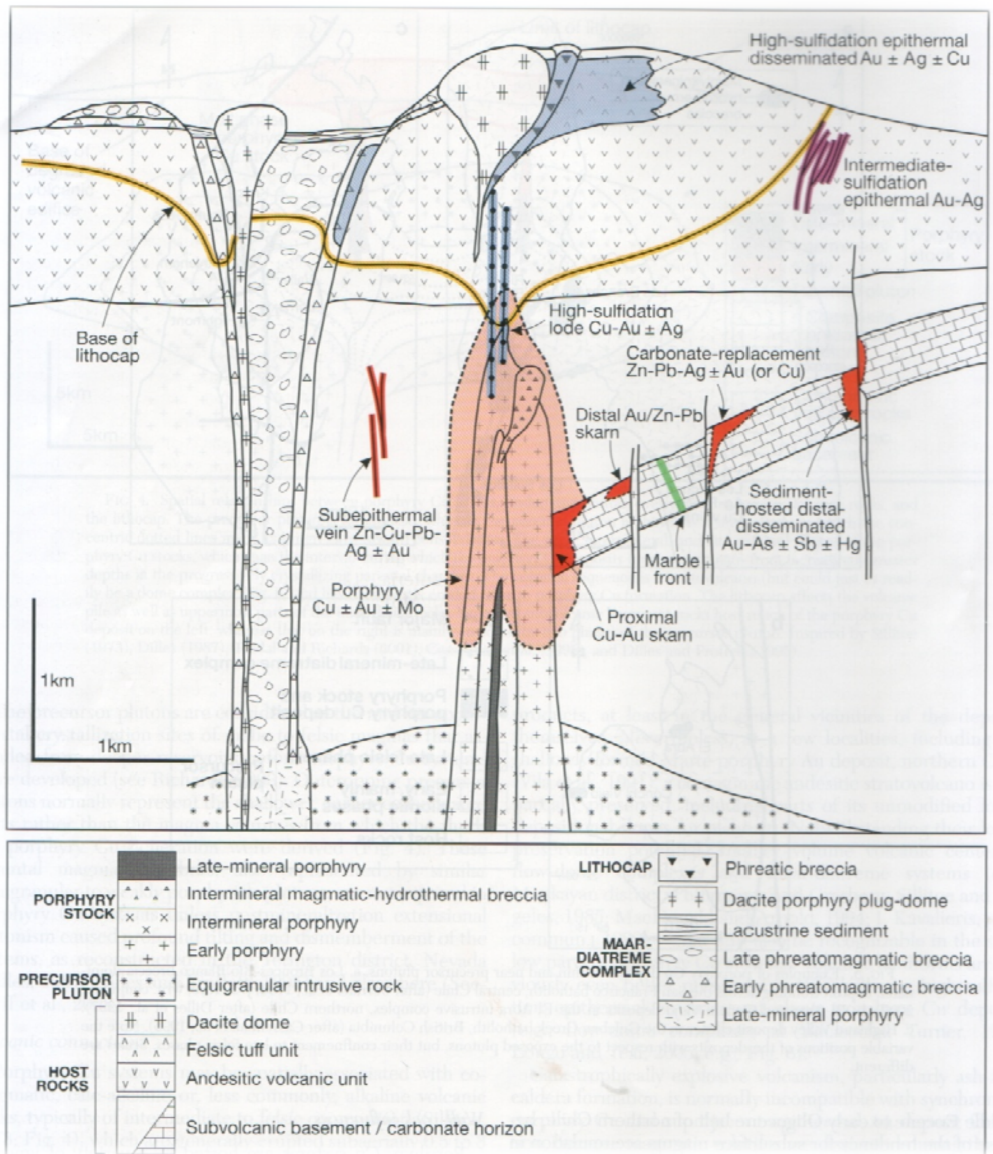



**Figure 8.1: Porphyry Copper System showing related deposit types**

Genetic models proposed for HS systems call upon shallow emplacement of an oxidized calc-alkaline magma. The genetic model for porphyry related deposits is shown in Figure 8.1, after Sillitoe, 2010). As the magma crystallizes, a metal and volatile-rich fluid phase exsolves and, at relatively low confining pressures, will separate into a low-salinity vapour and a hypersaline liquid. The vapour phase ascends and, when absorbed into connate or meteoric waters, forms a high-temperature, sulphate-rich, acidic hydrothermal fluid. As this hydrothermal fluid ascends and cools, acidity progressively increases, resulting in a vertical zonation where advanced argillic assemblages overlie illite-dominated argillic assemblages. Neutralization and cooling of the fluid during lateral fluid flow repeats this zoning pattern, with proximal silicified and leached zones flanked first by advanced argillic alteration, and then by more distal illite-dominated alteration. As the hydrothermal system evolves, younger, more reduced hydrothermal fluids, probably generated by interactions between ascending hypersaline magmatic fluid and meteoric-water-dominated convection cells, then transport and deposit metals (gold-silver-copper) along the same conduits utilized previously. Metals may be sourced directly from the magmatic fluids or leached from country rocks (Doucet *et al.*, 2012).

The target deposit type for mineralization on the Property would be similar to the nearby Santana Project of Corex Gold or the Mulatos deposit of Alamos Gold, which is an epithermal, high sulphidation, disseminated gold deposit hosted within Tertiary age andesitic or rhyolitic rocks. There, gold mineralization is closely associated with silicic and advanced argillic alteration occurring near the contact of the respective porphyritic intrusive with overlying flows and volcaniclastic rocks. Gold occurs in oxide, mixed oxide/sulphide, and sulphide ore types, with pyrite as the primary sulphide mineral.

The author has been unable to verify this information about the Santana Project or Mulatos deposit and that the information may not be indicative of the mineralization on the Property.

# 9.0 EXPLORATION

First Mexican's exploration programs on Guadalupe began shortly after acquiring the Property in 2007. The early programs by other operators are documented in the History section of this report

## 9.1 First Mexican Resources Inc. 2007 - 2008

Since acquiring an option on the Hilda 30 concession in 2007, First Mexican initiated an exploration program that included:

- bulldozing roads to various portions of the property not only to provide access, but also to expose outcrop for sampling
- accurately surveyed the roads and other notable features using differential GPS instrumentation
- sampling the rock along the road outcrops in a systematic manner September to November 2007
- road sampling (328 samples) in April 19-30, 2008
- a small DDH program, 2009, using a portable diamond drill, contracted by a local sub-contractor, Planet Exploitation S.A., for three short holes (189.55 m) in the area around the Pozo de Gringo adit to test the gold-silver mineralization outcropping on the road cut just west of the adit (Burns *et al.*, 2010). These holes are HDH-09-01, 02 and 03. Results for these holes are included with the diamond drilling section of this report. The collars of these holes were covered during road construction for the RC drill program. The author reviewed the core for this drill program in during the 2010 site visit.

### 9.1.1 Road Cut Sampling Programs 2007 - 2008

Roads were constructed using an Allies Chalmers bulldozer (equivalent in size to a D-7) with a 13 foot (4 m) wide blade. The locations of the roads are shown in Figure 9.1.

First Mexican collected 566 rock samples in two phases from the road cuts in 2007. The initial phase was conducted during the third week of September and the second phase in the first week of November (Burns, 2008).

Prior to the three hole drill program in 2009, a systematic sampling and GPS mapping program was carried out on Hilda 30 over the roads above and below the Pozo del Gringo shaft and adit areas in order to determine if significant gold and silver values were evident in the rock units that were exposed on surface (Burns *et al.*, 2010).

The 328 samples taken in April of 2008 were taken on 2 m intervals along the inside face of the road-cuts. The Samples were and bagged, tagged and sent to the ALS-Global Laboratory in Hermosillo using standard Chain of Custody and laboratory analysis protocols (Burns *et al.*, 2010). The roads with sampling are shown in Figure 9.1.

Burns and Archibald. (2010) describe the results of the road-sampling program:

> *"The results of the road cuts program determined that a number of areas/veins sampled returned significant values in gold, silver, copper and zinc and other associated minerals such as arsenopyrite and bismuth. The highest values were in the range of up to 2.02 and 9.32 ppm in gold (from samples WS-17 and WS-29 respectively), greater than 100 ppm in silver (from samples WS-5 and WS-29 respectively), up to 1150 and 1050 ppm in zinc (from samples 477226 and 477475 respectively), up to 436 and 1630 ppm in arsenopyrite (from samples 477636 and*

*WS-29 respectively) and greater than 10,000 ppm (>1%) in copper (from samples WS-3, WS-7 and WS-29 respectively) as well as anomalous values in manganese, barite, lead and tin. These samples coincided with areas of rusty, oxidized andesitic volcanics, silicified oxide capping, or where vein structures and mineralized quartz-carbonate breccias were noted on a number of the sites on the Hilda 30 and adjoining properties. The main road-work was done along the hillside (series 477151 to 477671 for 328 samples in total) from the Pozo del Gringo area upwards to the crest of the lull under the siliceous capping covering the eastern ridge of the Hilda 30 property."*

## 9.2 Surface Geochemical Sampling, Trenching and Geophysics, 2010-2012

Surface Geochemical programs, soil and rock sampling, were carried out over the Karen and Diana Zones starting in 2005 and continuing into 2008. This program was in addition to the 2007-08 road-cut sampling described in the History section of this report. These surface sampling grids were expanded during the 2010- 2012 exploration program. These included soil geochemical surveys to extend the grid carried out over the Karen Zone in 2005-08 and the grids were extended and a ground geophysics program was carried out consisting of electromagnetic ('EM'), magnetometer ('mag') and a 3D Induced Polarization ('IP') survey. The geophysics contractor was SJ Geophysics of Vancouver. The soil and geophysics grids, with rock sampling locations, are shown in Figure 9.2, which shows the extent of the IP, mag, EM and soil/rock surveys. The results of the soil and rock sampling are summarized in Figures 9.3 and 9.4.

A trenching program was completed in 2010 where the Karen, Diana, Linda and Katelyn Zones were trenched. In total 873.7 m of trenches were sampled where the Karen Zone had 285 m of trenches, Diana Zone 412.5 m, Katelyn Zone 112.7 m and Linda Zone 63.5 metres of trenching. Trench locations with results for the Karen Zone are shown in Figure 9.5 and Diana Zone trench locations are shown in Figure 9.6. The trenching results are summarized in Table 9.1.

The author was not involved in the surface exploration programs described in Sections 9.1 and 9.2. The sampling appears to be of good quality, representative and no known factors that might have resulted in a sample bias were observed.

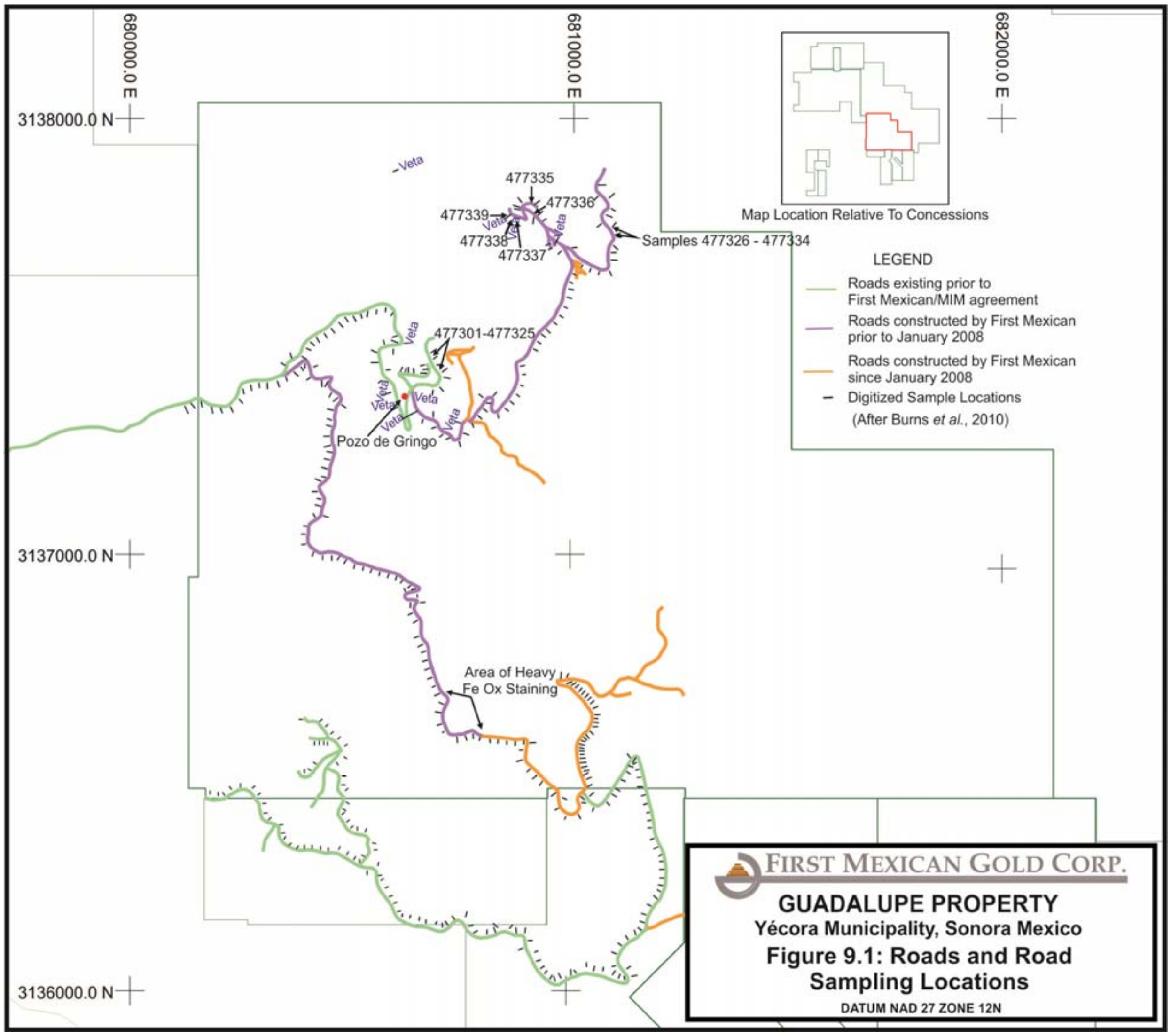



**Figure 9.1: Roads and Road Sampling Locations**

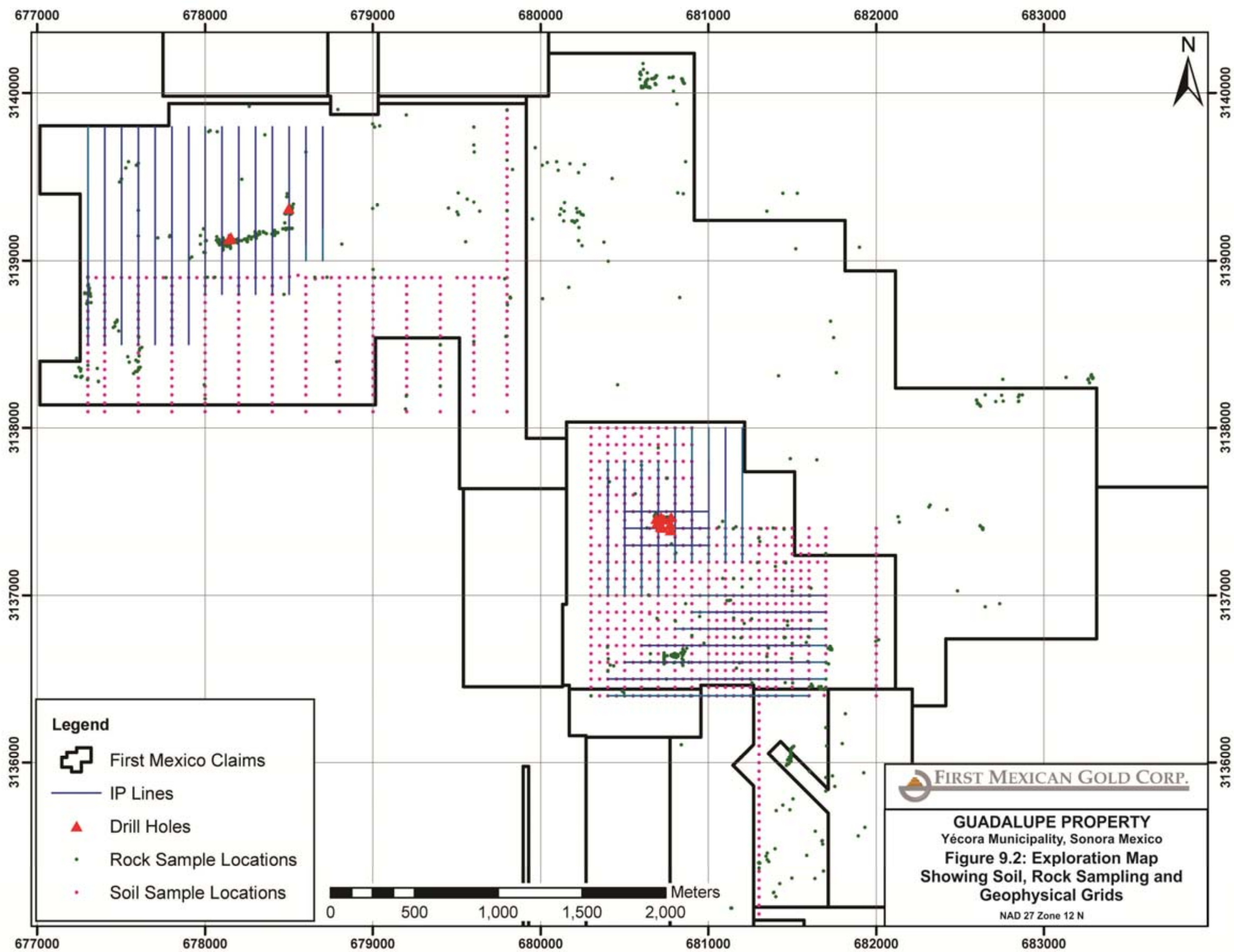



**Figure 9.2: Exploration Map Showing Soil, Rock Sampling and Geophysical Grids**

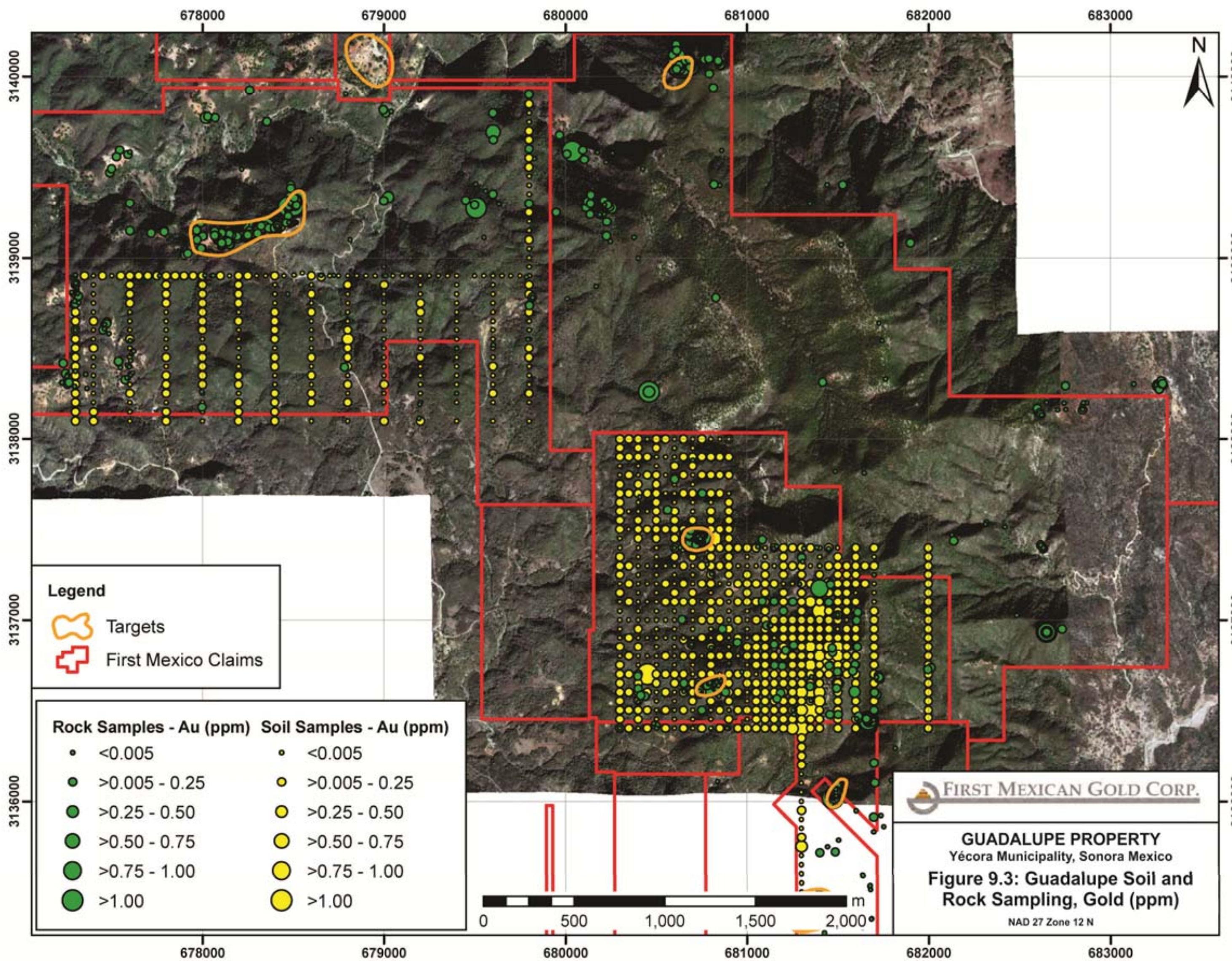



**Figure 9.3: Guadalupe Soil and Rock Sampling, Gold (ppm)**

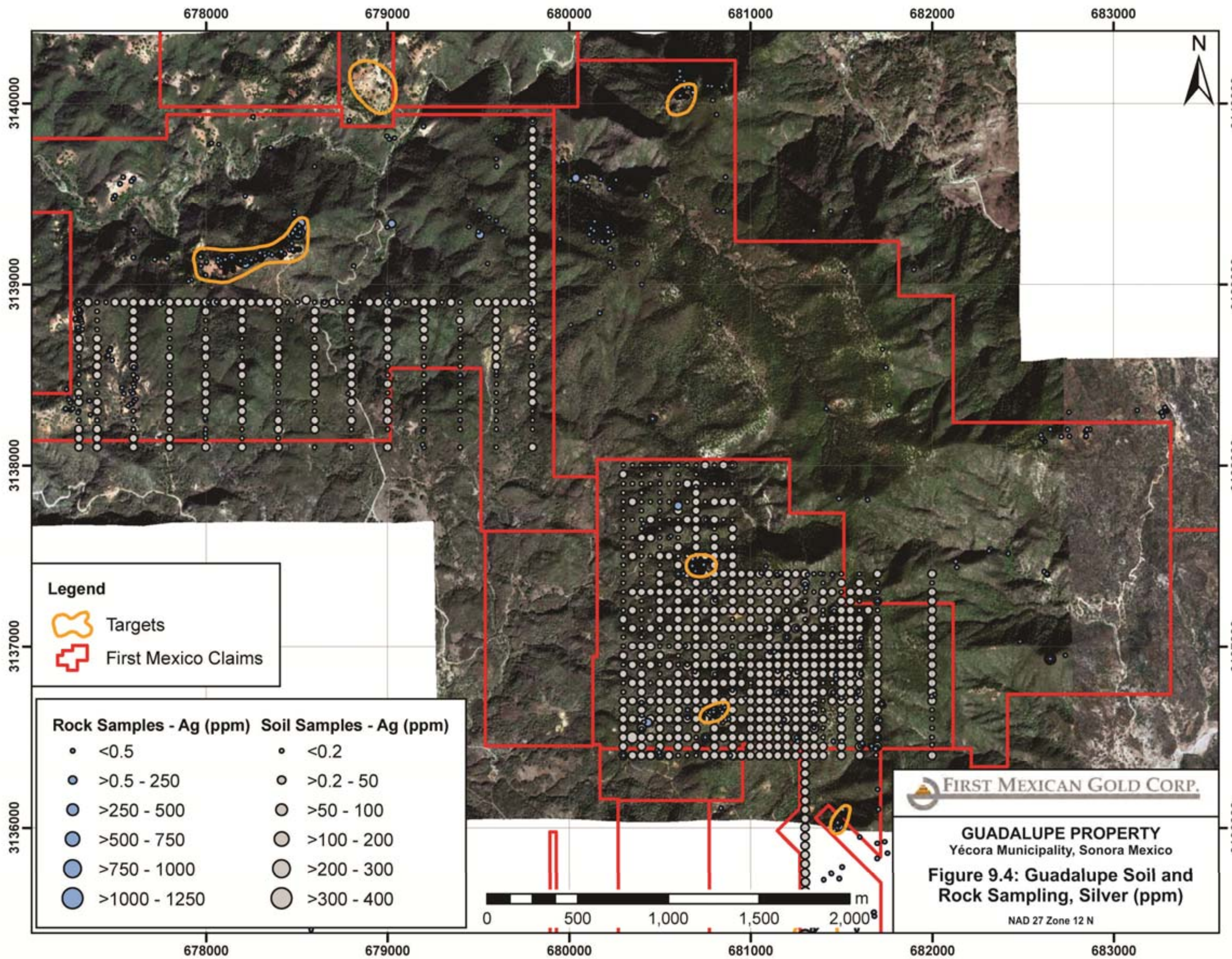



**Figure 9.4: Guadalupe Soil and Rock Sampling, Silver (ppm)**

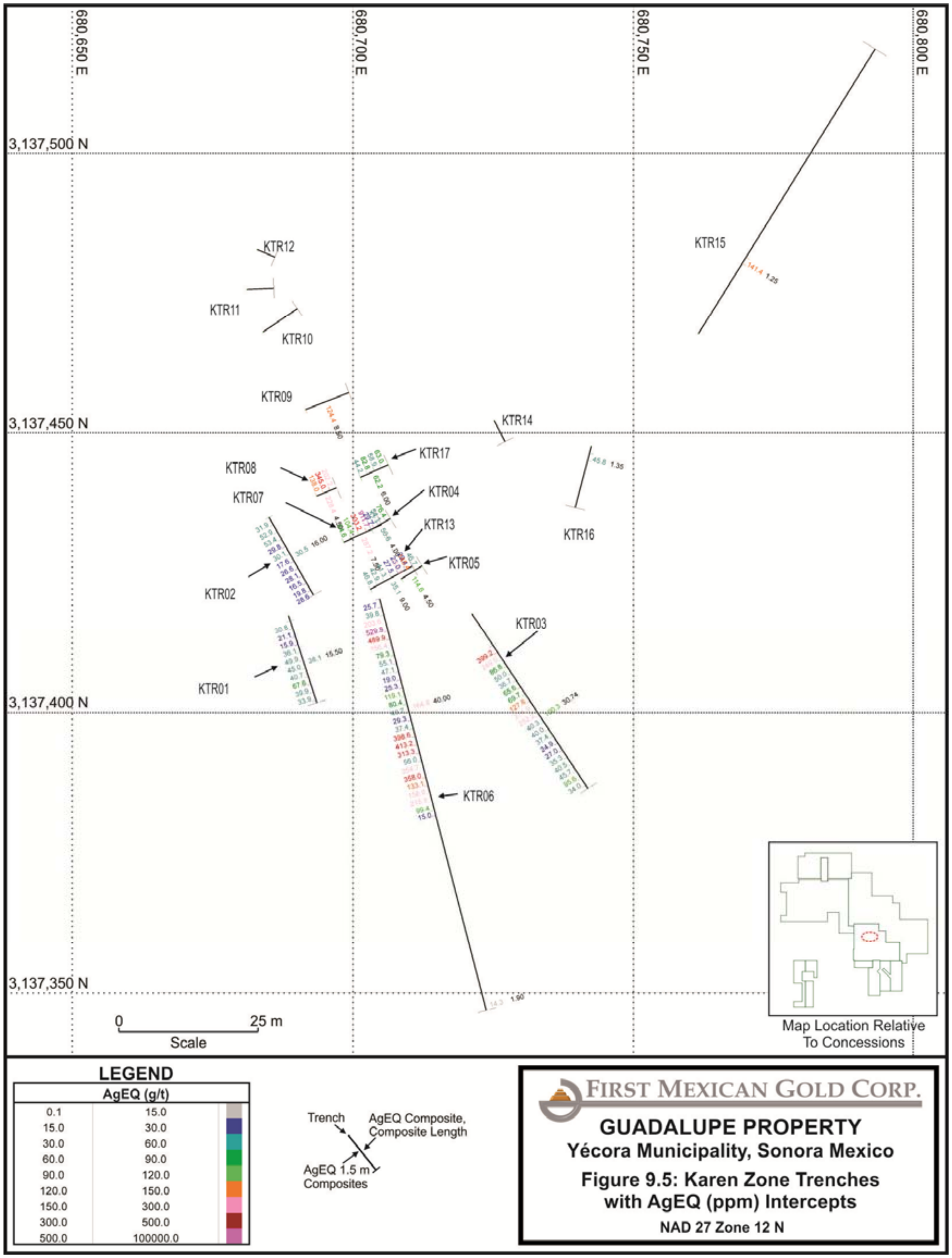



**Figure 9.5: Karen Zone Trenches with AgEQ (ppm) Intercepts**

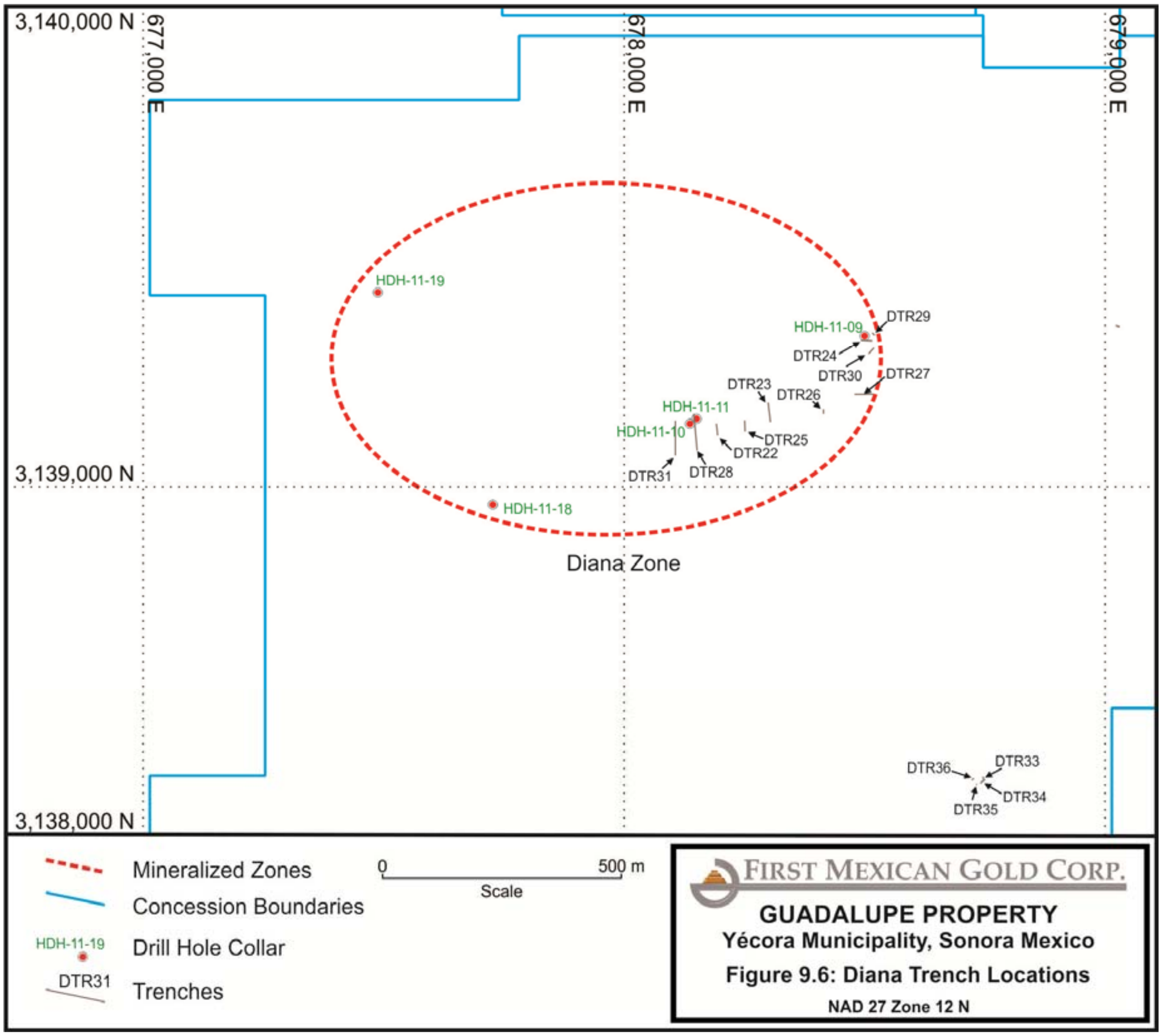



**Figure 9.6: Diana Zone Trench Locations**

**Table 9.1: Summarized Trench Results**

| Hole-ID | From | To | Interval | AU_PPM | AG_PPM | AUEQ* | AGEQ** | Zone |
|---|---|---|---|---|---|---|---|---|
| KTR01 | 1.00 | 16.50 | 15.50 | 0.111 | 36.2 | 0.546 | 38.1 | Karen |
| KTR02 | 0.00 | 16.00 | 16.00 | 0.110 | 27.6 | 0.438 | 30.5 | Karen |
| KTR03 | 6.76 | 37.50 | 30.74 | 1.082 | 44.5 | 1.438 | 100.3 | Karen |
| KTR04 | 0.00 | 4.00 | 4.00 | 0.317 | 37.1 | 0.725 | 50.6 | Karen |
| KTR05 | 0.00 | 4.50 | 4.50 | 1.145 | 56.8 | 1.644 | 114.6 | Karen |
| KTR06 | 0.00 | 40.00 | 40.00 | 1.595 | 84.9 | 2.363 | 164.8 | Karen |
| KTR06 | 74.10 | 76.00 | 1.90 | 0.034 | 14.1 | 0.205 | 14.3 | Karen |
| KTR07 | 0.00 | 7.50 | 7.50 | 1.734 | 215.1 | 4.118 | 287.2 | Karen |
| KTR08 | 0.00 | 4.50 | 4.50 | 1.929 | 135.7 | 3.274 | 228.4 | Karen |
| KTR09 | 0.00 | 8.50 | 8.50 | 1.537 | 42.6 | 1.783 | 124.4 | Karen |
| KTR10 | - | - | - | No Significant Results | | | | Karen |
| KTR11 | - | - | - | No Significant Results | | | | Karen |

| Hole-ID | From | To | Interval | AU_PPM | AG_PPM | AUEQ* | AGEQ** | Zone |
|---|---|---|---|---|---|---|---|---|
| KTR12 | - | - | - | No Significant Results | | | | Karen |
| KTR13 | 0.00 | 9.00 | 9.00 | 0.251 | 23.8 | 2.028 | 141.4 | Karen |
| KTR15 | 14.90 | 16.15 | 1.25 | 1.810 | 44.5 | 0.656 | 45.8 | Karen |
| KTR16 | 1.35 | 2.70 | 1.35 | 0.005 | 51.7 | 0.892 | 62.2 | Karen |
| KTR17 | 0.00 | 6.00 | 6.00 | 0.769 | 21.3 | 0.111 | 7.73 | Linda |
| LTR18 | 0 | 63.5 | 63.5 | 0.025 | 7.191 | 0.111 | 7.73 | Katelyn |
| KATR19 | 0 | 80 | 80 | 0.466 | 10.394 | 0.508 | 35.47 | Katelyn |
| KATR20 | 0 | 8.7 | 8.7 | 1.109 | 1.230 | 0.914 | 63.75 | Katelyn |
| KATR21 | 0 | 24 | 24 | 0.028 | 0.675 | 0.031 | 2.17 | Diana |
| DTR22 | 0 | 26 | 26 | 0.292 | 56.600 | 0.950 | 66.29 | Diana |
| DTR23 | 0 | 42 | 42 | 0.218 | 38.855 | 0.667 | 46.51 | Diana |
| DTR24 | 0 | 26 | 26 | 0.198 | 39.538 | 0.659 | 45.96 | Diana |
| DTR25 | 0 | 29 | 29 | 0.151 | 29.350 | 0.493 | 34.37 | Diana |
| DTR26 | 0 | 40.6 | 40.6 | 0.011 | 2.407 | 0.039 | 2.74 | Diana |
| DTR27 | 0 | 40 | 40 | 0.005 | 2.869 | 0.040 | 2.81 | Diana |
| DTR28 | 0 | 78.7 | 78.7 | 0.277 | 39.450 | 0.722 | 50.35 | Diana |
| DTR29 | 0 | 8 | 8 | 0.211 | 48.563 | 0.783 | 54.63 | Diana |
| DTR30 | 0 | 18.3 | 18.3 | 0.490 | 27.933 | 0.749 | 52.27 | Diana |
| DTR31 | 0 | 72 | 72 | 0.108 | 18.441 | 0.320 | 22.31 | Diana |
| DTR32 | 0 | 7.3 | 7.3 | 0.189 | 24.300 | 0.460 | 32.08 | Diana |
| DTR33 | 0 | 9.5 | 9.5 | 0.500 | 2.150 | 0.432 | 30.16 | Diana |
| DTR34 | - | - | - | No Significant Results | | | | Diana |
| DTR35 | - | - | - | No Significant Results | | | | Diana |
| DTR36 | - | - | - | No Significant Results | | | | Diana |

Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.
***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**
****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

Geophysical Surveys completed included 3D IP, mag and EM on the grids shown in Figure 9.2 or flown over the Property. Results from the IP survey, Chargeability, for the Karen and Diana Zones are shown in Figure 9.7 and 9.8. From the EM survey, total magnetic intensity and total count radio-magnetics (nGy/hr) are shown in Figures 9.9 and 9.10.

No work programs have been carried out on the Property since 2012.

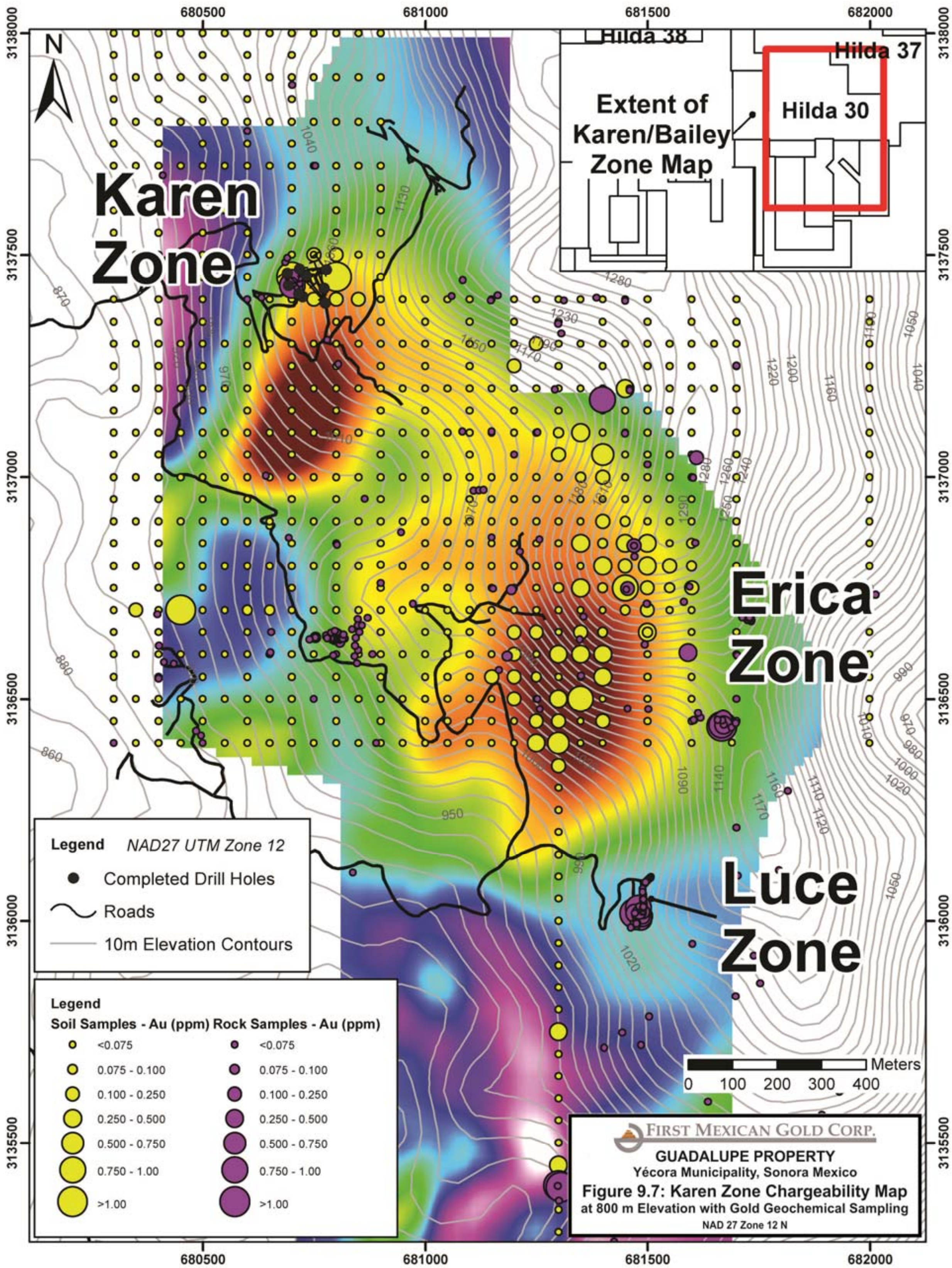



**Figure 9.7: Karen Zone IP Chargeability Map with Gold Geochemical Sampling**

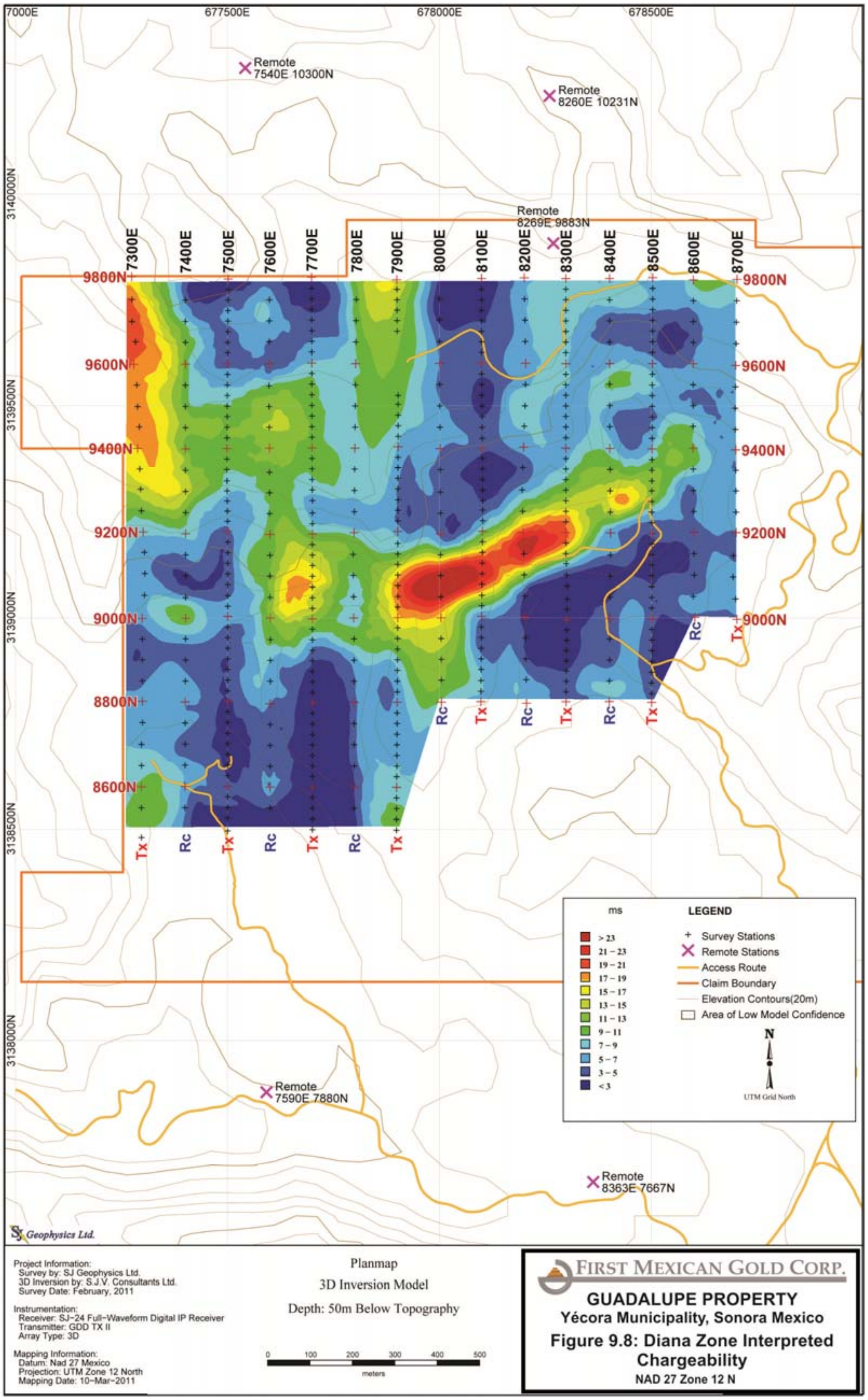



**Figure 9.8: Diana Zone IP Chargeability Map**

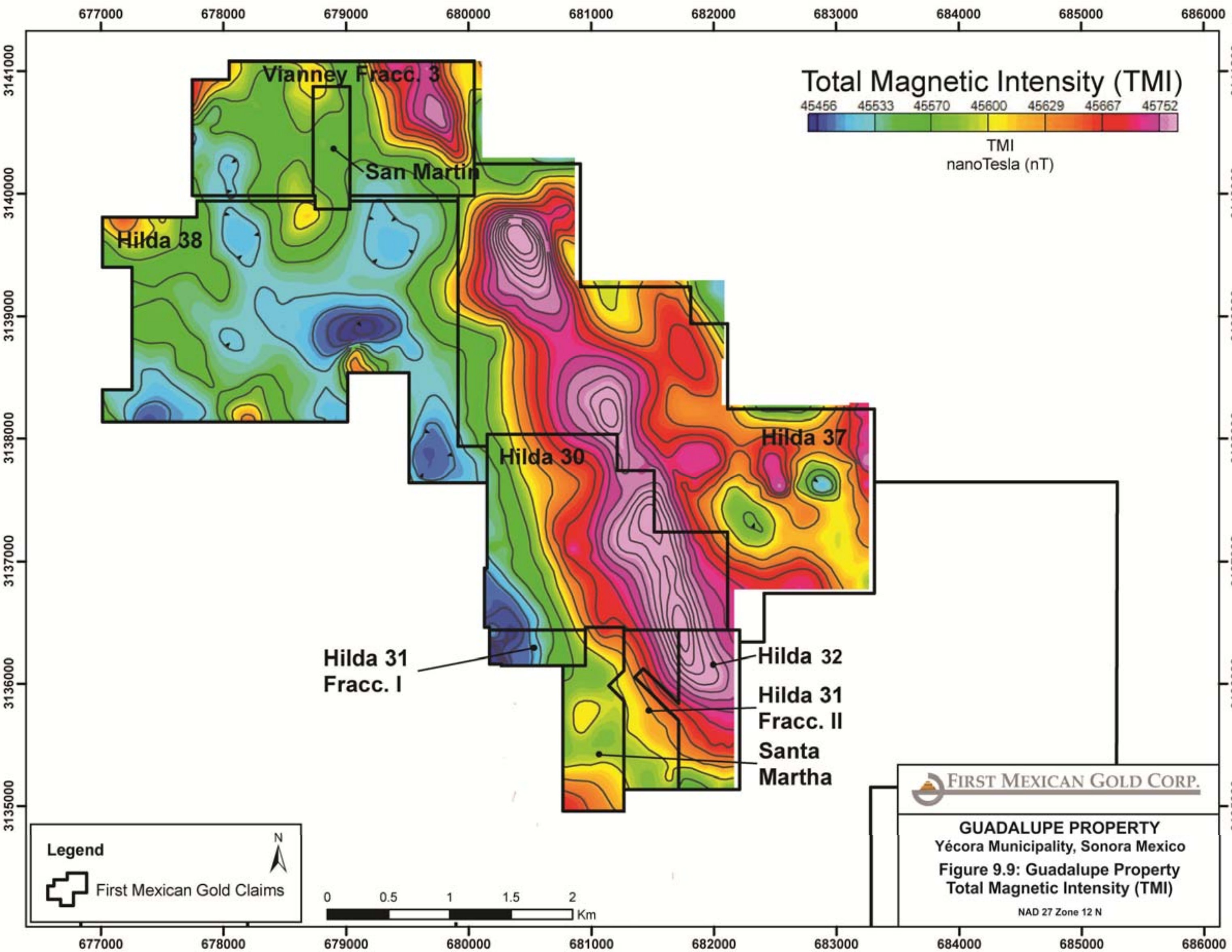



**Figure 9.9: Guadalupe Property – Total Magnetic Intensity (TMI)**

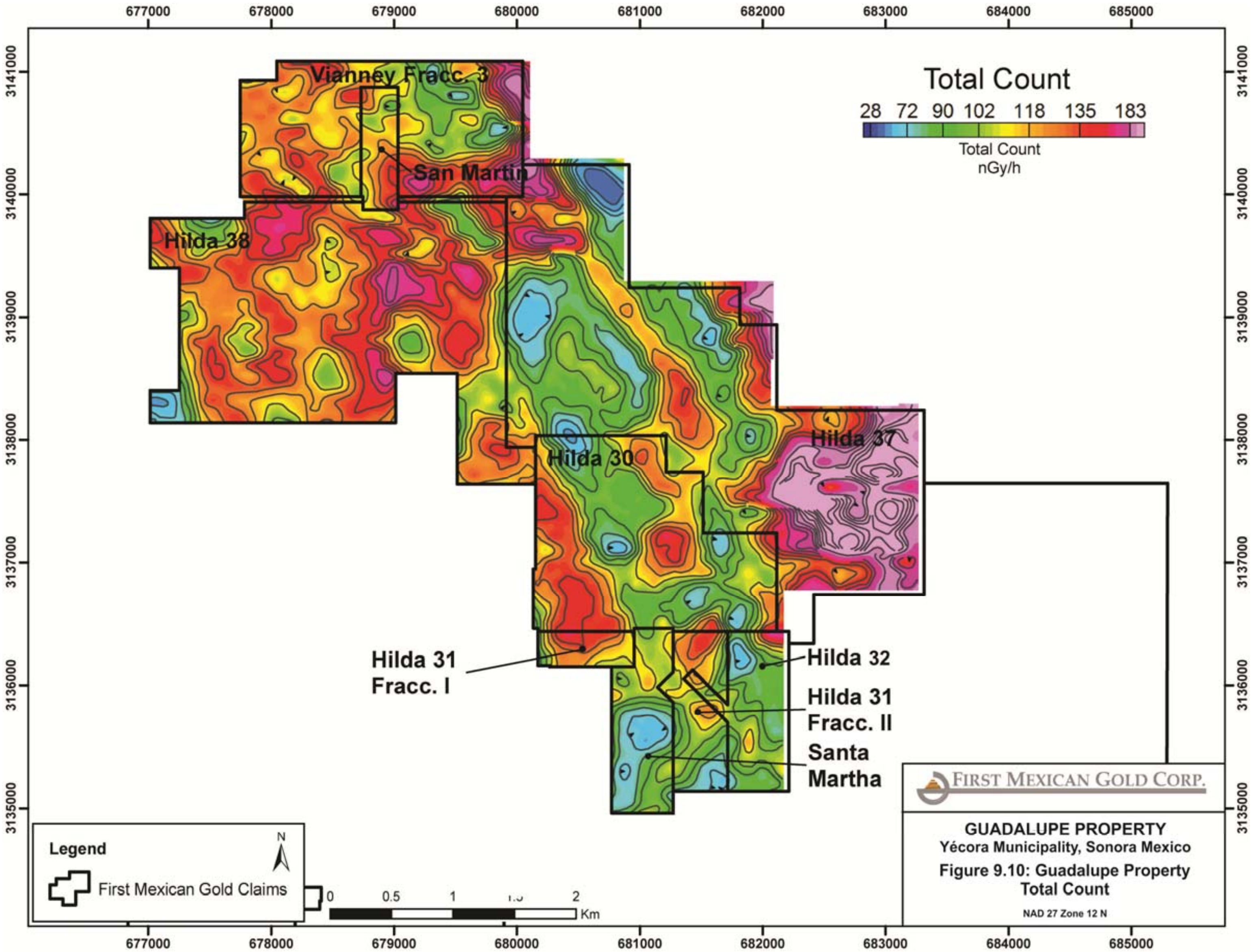



**Figure 9.10: Guadalupe Property – Total Count**

# 10.0 DRILLING

Drill on the Property commenced with a small three hole core drilling program in 2009 followed by a seven hole RC drilling program and then an another two phases of core drilling.

## 10.1 Reverse Circulation Drill Program - 2009

Layne Drilling of Mexico (based in Hermosillo) carried out the reverse circulation ('RC') drill program and they provided:

- a large wheel mounted reverse circulation drill plus a rod and water self-carrying unit (each equipped with 4-wheel drive and low ratio gearing for steep climbs) and
- a crew comprising a driller and two technicians.

Work was carried out between 7 a.m. and 4:30 p.m. daily from November 1$^{st}$ through November 8$^{th}$, 2009. Seven, 4.5-inch diameter, drill holes with a cumulative length of 698 meters were completed in eight days. Drill-hole depths ranged from 89 to 110 m. and were drilled at various azimuths and dip angles.

The principle of this drill method is to use a down-hole rotary hammer (tungsten-carbide tipped) to create a 4.5 inch hole from surface to the intended depth and blow the cuttings up the inside of the drill stem and collect them in a sample collection unit set up alongside the drill (Burns *et al.*, 2010).

The drill comes complete with a large capacity air compressor that assists in lifting the ¼-½ inch chips and powdered rock dust. The procedure was continuous and efficient, and a sample was collected for each metre drilled, split through a riffle box and bagged in two lots; one was marked and sealed for the laboratory analysis and the other was archived on-site. Each sample took about a minute to sort and process and drilling progressed at 3 m per five-minute interval. The average production rate was 20 meters per hour with each hole taking roughly 5 hours to drill. The benefits of using this type of drilling system are that it is quick and does not require water. The disadvantages are the possibility of down hole contamination from the open hole during drilling and that it homogenizes the sample, so exact geologic contacts or vein boundaries are not possible but are instead based on the one-metre sample intervals. All samples were taken in exactly the same manner by five samplers or bagmen under the supervision of the geologist and the site supervisor. Due to the large diameter of drill stem, it is unlikely that the holes strayed off-line once the casing was set and the drilling started drilling started. No down-hole orientation tests were taken at the completion of each hole and the three-meter stabilization casing (approx. 8 inch diameter) used at the start of each hole was removed. Each hole location was marked by a 6 inch PVC pipe and permanent cement monument to mark the location, attitude and azimuth of each hole setup (Burns *et al.*, 2010).

Each of the reverse circulation drill holes were drilled along the dozer cuts where the targets were determined from the previous core drilling intercepts (2009 program) and from cross-sectional areas where visual oxide and mineralized breccia was observed in outcroppings. A drill hole plan and section from the Karen Zone are shown in Figure 10.1 and Figure 10.2 respectively. The first two holes were drilled from the same set-up at a location approximately ten metres southeast of the adit, and directed on a due north azimuth to cross-cut the interpreted zone at a sixty-five and forty-five degree dip and to twin the first two core holes from 2009. Both holes intersected a highly pyritized semi to massive sulphide-rich mineralized zone which would coincide with the unconformity between the argillaceous-tuffaceous fragmental (Photograph 10.1) and the quartz-rich andesite breccia (Photograph 10.2).

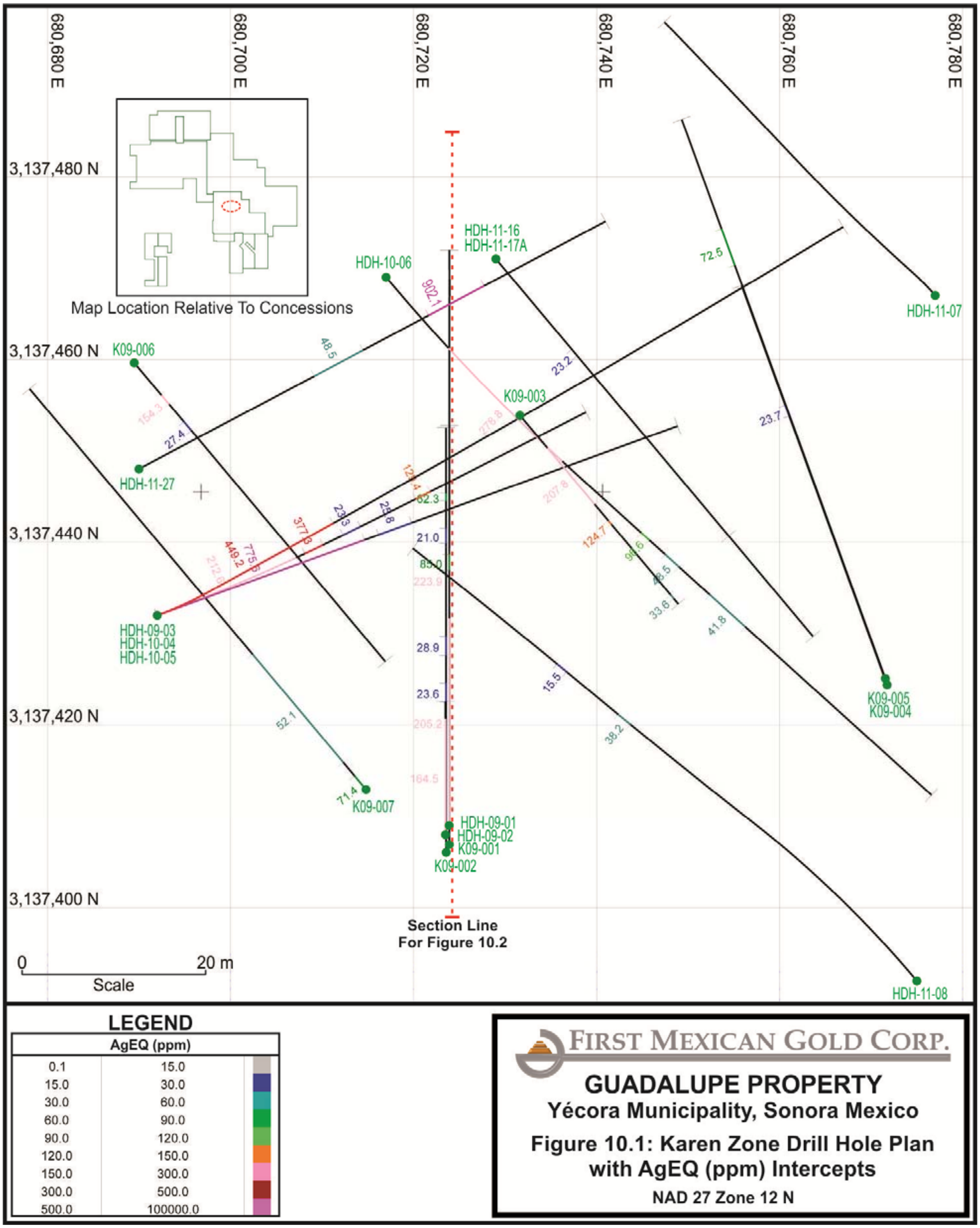



**Figure 10.1 Karen Zone Drill Hole Plan**

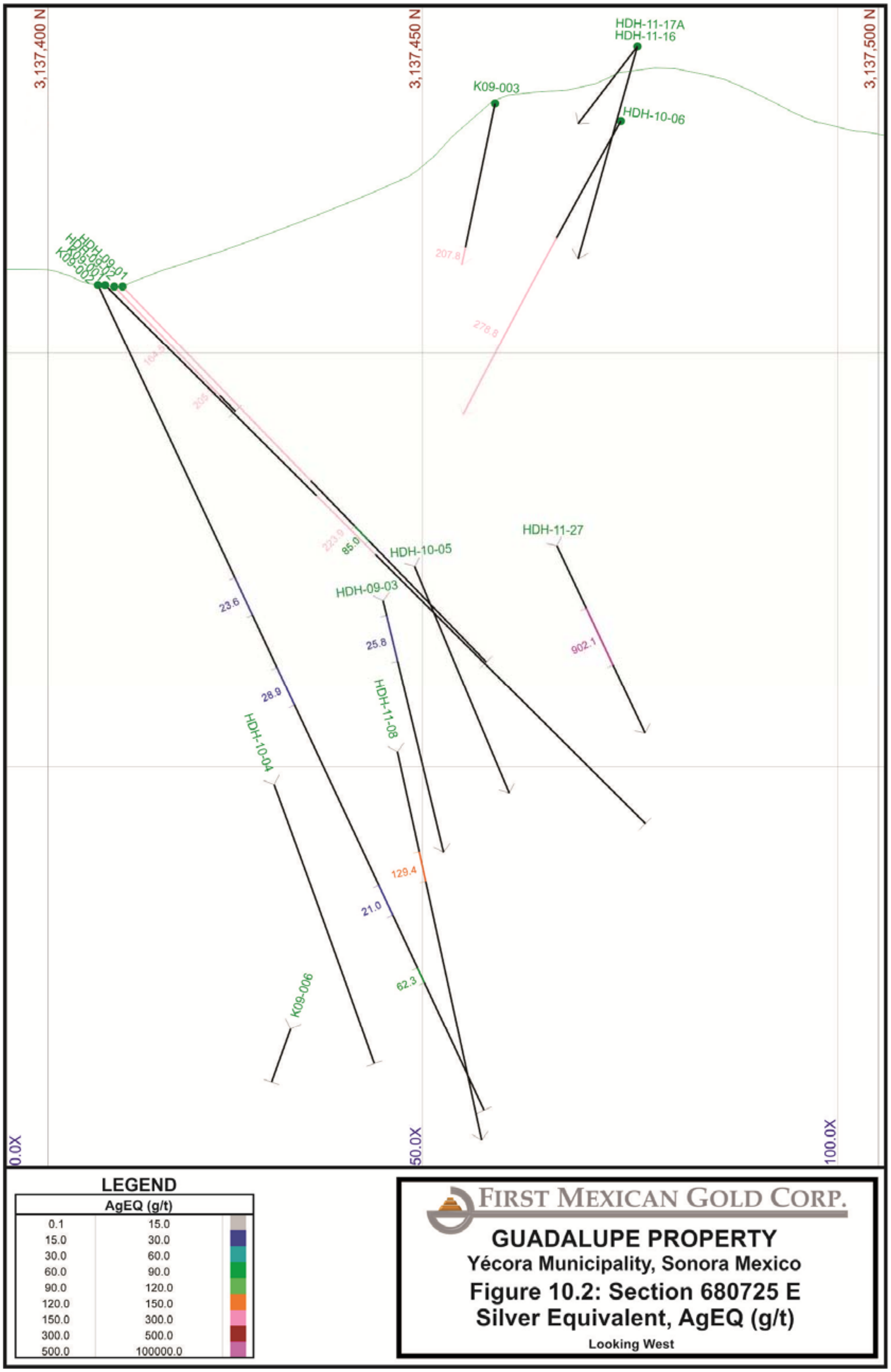
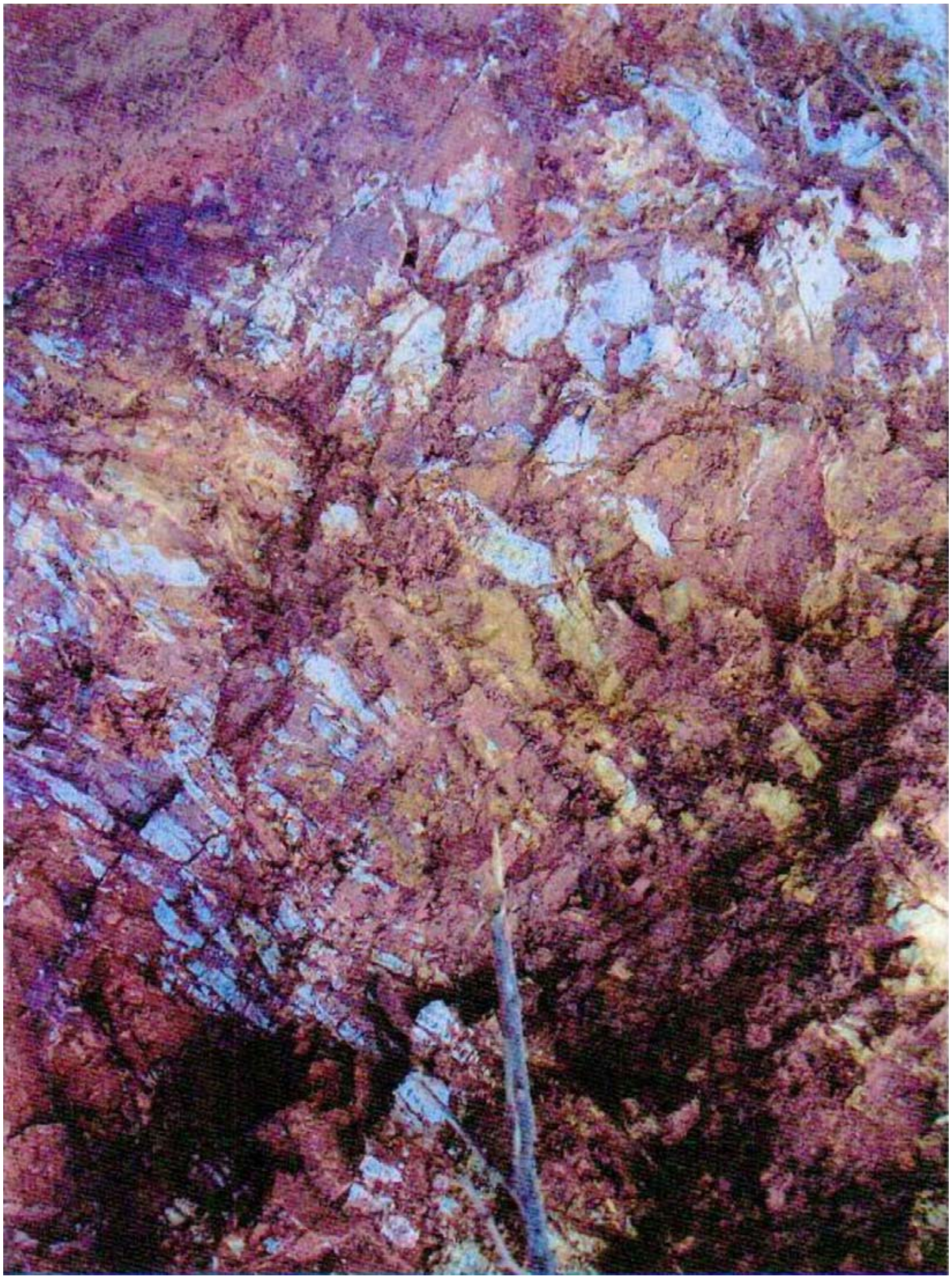



**Figure 10.2: Silver Equivalent Drill Section 680725 E**



**Photograph No. 10.1: Andesite Contact**

Unconformity/contact between andesites and lapilli tuff/tuffaceous fragmental welded by Fe oxide and overlain by qtz breccia, looking northeasterly into hillside (Burns *et al.*, 2010)

**Photograph No. 10.2: Hanging Wall Quartz Breccia**

Quart breccia in andesite on hanging wall of unconformity (Burns *et al.*, 2010)

First Mexican originally reported results from the RC drill program utilizing a gold only cut-off as reported on February 1, 2010 (First Mexican, NR, 2010). The author used a silver equivalent (AgEQ) cut-off for reporting and resource modelling because it provided better continuity of the mineralized zones when the silver content of the assays was included. A summary of the mineralized intersections from the RC drilling, based on a 15 g AgEQ cut-off, are listed in Table 10.1. The differences from the 2010 news release are listed below.

**Table 10.1: Reverse Circulation Mineralized Intercepts**

| Hole-ID | From | To | Interval | AU_PPM | AG_PPM | AUEQ* | AGEQ** | Zone |
|---|---|---|---|---|---|---|---|---|
| K09-001 | 36.00 | 44.00 | 8.00 | 0.608 | 274.9 | 3.960 | 276.2 | KAREN |
| K09-002 | 33.00 | 57.00 | 24.00 | 0.115 | 10.2 | 0.222 | 15.5 | KAREN |
| Including[1] | 38.00 | 39.00 | 1.00 | 0.770 | 1330.0 | 17.404 | 1213.9 | KAREN |
| K09-002[2] | 91.00 | 93.00 | 2.00 | 0.985 | 7.5 | 0.892 | 62.3 | KAREN |
| K09-003[3] | 18.00 | 36.00 | 18.00 | 6.517 | 59.9 | 6.035 | 324.9 | KAREN |
| K09-004 | 68.00 | 69.00 | 1.00 | 0.360 | 27.0 | 0.632 | 44.1 | KAREN |
| K09-004[4] | 74.00 | 77.00 | 3.00 | 0.123 | 19.0 | 0.340 | 23.7 | KAREN |
| K09-004 | 77.00 | 79.00 | 2.00 | 0.170 | 0.3 | 0.141 | 9.9 | KAREN |
| K09-005 | 49.00 | 50.00 | 1.00 | 0.480 | 7.0 | 0.477 | 33.3 | KAREN |
| K09-005 | 68.00 | 75.00 | 7.00 | 0.293 | 54.0 | 0.919 | 64.1 | KAREN |
| K09-006 | 5.00 | 24.00 | 19.00 | 0.068 | 36.9 | 0.522 | 36.4 | KAREN |
| K09-006 | 31.00 | 34.00 | 3.00 | 1.343 | 17.5 | 1.309 | 91.3 | KAREN |
| K09-007[5] | 0.00 | 3.00 | 3.00 | 1.143 | 7.8 | 1.024 | 71.4 | KAREN |
| K09-007 | 5.00 | 30.00 | 25.00 | 0.475 | 27.2 | 0.727 | 50.7 | KAREN |
| K09-007 | 40.00 | 41.00 | 1.00 | 0.510 | 6.0 | 0.489 | 34.1 | KAREN |
| K09-007 | 48.00 | 49.00 | 1.00 | 0.220 | 6.0 | 0.254 | 17.7 | KAREN |

This table has small differences from the original intervals reported in a Feb. 1, 2010 and April 28, 2011 news releases.

1) corrected interval originally reported as 41-43 m of hole K09-002
2) interval expanded to include adjacent down hole sample
3) reported in Feb. 1, 2010 and April 28, 2011 news releases
4) 73-74 m reported not sampled, removed from reported interval
5) interval corrected from 1 to 4 m to fit results

Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.
***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**
****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

The reverse circulation drilling was used to quickly determine the presence and attitude of the suspected sulphide mineralization that was intersected in the previous core drilling program carried out near the adit in the spring of 2009 (Burns *et al.*, 2010).

The reverse circulation drilling did show a well mineralized zone of sulphides (mainly white cubic pyrite-marcasite) that was un-oxidized and plunged at a shallow direction into the hillside slope at roughly Az.35 degrees and appears to widen at depth as one steps north easterly and down-dip. The gold and silver values have not yet been determined to be directly related to the sulphide content of the mineralized zone. At first glance, it appears that they are not directly related but seem to hang in consistently to the upper rind or capping at the hanging wall of the sulphides or in the oxide capping just above the mineralized zone. The observation of a suspected unconformity between lithological units and the presence of an extensive quartz-resewed brecciated andesite in contact with a highly sheared-elongated felsic fragmental close to or within the mineralized zone seems to indicate a potential fault or (structural) hydrothermal/epithermal gold-silver enrichment. After intersecting at least three faults on the lower drill level (Holes K09-01, K 09-02 and K 09-6) and observing values of both gold and silver associated with this faulting, it may be the plumbing of conduit for mineralizing fluids that enriched the fracturing and breccia within the adjoining andesites. The massive to semi-massive sulphide zone appears fairly consistent and continuous and may be a good marker by which Induced Polarization geophysical surveys may be used to determine the orientation and extent as it plunges into the hillside (Burns *et al*., 2010).

Oxide capping of the pyritized zone from the area of the reverse circulation drill program is shown in Photograph 10.3.

**Photograph No. 10.3: Oxide Zone Capping**

Oxide zone capping the pyritic mineralized zone located between holes K09-006 and K09-007 (Burns *et al.*, 2010).

## 10.2 Diamond Drilling Programs 2009 - 2011

The initial diamond drill holes were set up to drill perpendicular into the hillside and used to obtain quick information such as lithologies of the geological units in an area adjacent to the small adit ('Pozo del Gringo') on the Hilda 30 concession, Karen Zone (Figure 10.1). Ninety-seven samples, in total, were taken from the three holes and the samples were sent to the University Laboratory in Hermosillo, Mexico for analysis (a non-ISO 9001 certified laboratory). A local Mexican geologist supervised the drilling in the field, Sr. Antonio Paredon, after the set-ups were located and GPS points taken by Mr. William Snoddy, a consulting geologist. Both geologists were on contract with First Mexican Resources. Core was logged in the camp core facility and company personnel transported the samples to the lab in Hermosillo. The pulps and rejects from this program were not saved. Subsequent programs implemented improved standard sampling and security protocols. Drilling was done by Minera Planet S.A. de C.V. using BQ thin-wall drill rods (48.4 mm core diameter) for a total of 189.55 metres drilled in the preliminary three hole program. The sample pulps from the higher-grade intervals were re-analyzed in November, 2009 at ALS Global in Hermosillo using similar protocols and analytical techniques used on the reverse circulation drill samples.

First Mexican completed two addition phases of diamond drilling on portions of the Hilda 30, Hilda 38, Santa Marta, Hilda 32 and Hilda 31 Fracc. 2 concessions during 2010 and 2011. The drilling was conducted on the Karen (resource area), Diana Erica, Luce and Bailey Zones and to date has totaled 3,494.74 m in 24 additional diamond drill holes. The drill hole plan with mineralized zones is shown in Figure 10.3 and details of the Karen Zone are shown in Figure 10.1.

The Karen Zone has 18 holes drilled (1779.03 m), Karen East has four holes (583.7 m), Diana has five holes (876.41), Bailey has three holes (183.05 m) and Erica and Luce each have two holes (445.25 m and 454.90 m respectively). The drilling totals on the Property for all programs and zones, RC and core, are 34 holes for 4322.24 m drilled. Some additional holes were drilled on the Property in 2011; one was in the camp for a water well. The remainder were across various zones on the Property but could not be reliably located and were excluded from this report and the resource estimation. The Karen Zone and Diana Zone drilling was to test a number of soil geochemical and induced polarization/magnetometer geophysical anomalies.

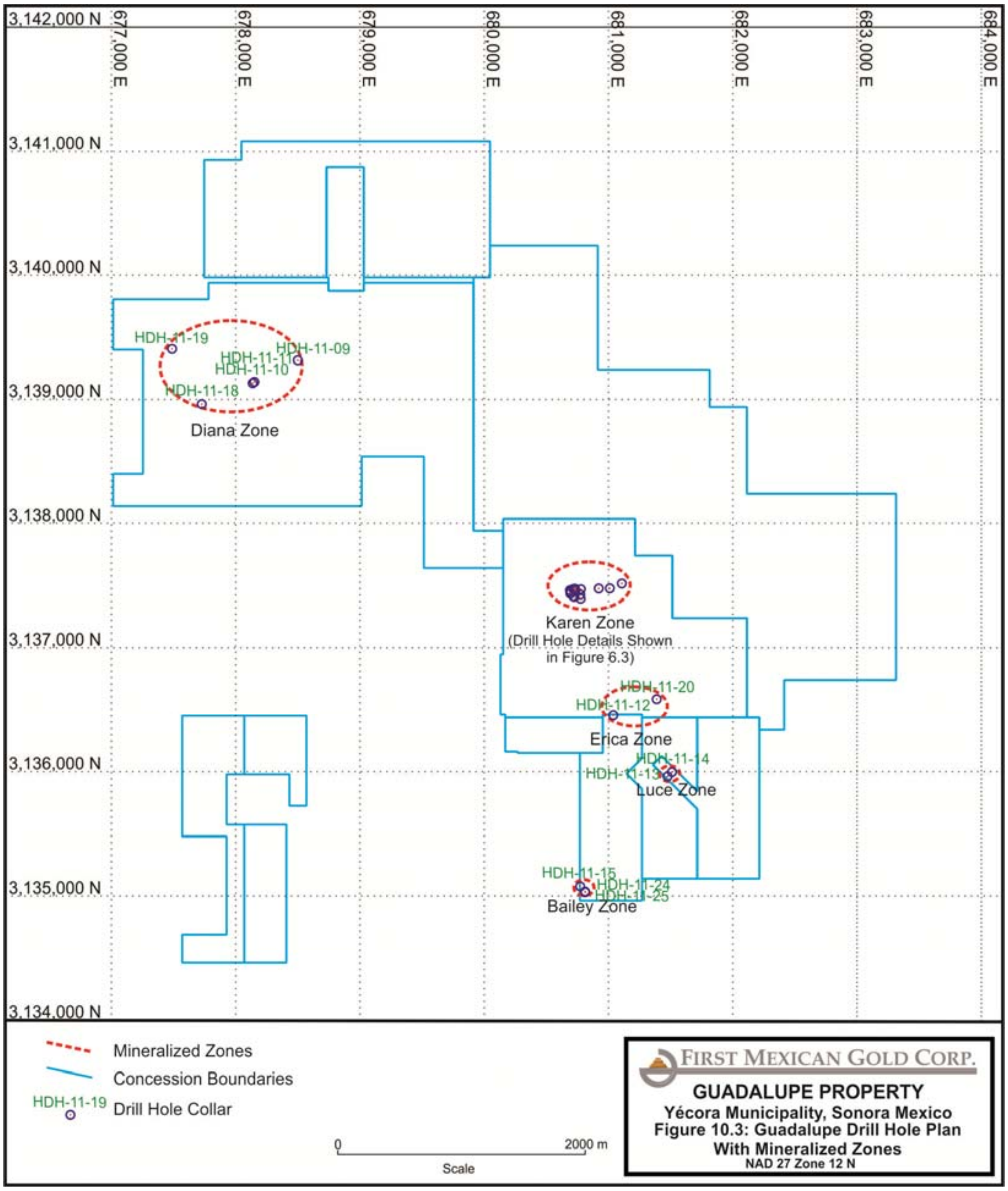



**Figure 10.3: Guadalupe Drill Hole Plan with Mineralized Zones**

The 2010/2011 diamond drill holes were drilled with NQ size core and the Reverse circulation holes with 4.5" piping. Layne Drilling of Salty Lake City, Utah, based in Hermosillo was the contractor. A handheld GPS instrument accurate to within 3-4 metres was used to locate the collars. Down-hole surveys were carried out on most holes with a Reflex Easy Shot instrument with readings taken every 50 metres.

Core was picked up twice per day by the core technicians and taken to the core shack located at the Guadalupe office site. Core was logged by the geologist with altered and mineralized sections marked for sampling. Details of the sampling protocols and procedures used are discussed in Section 11 of this report.

First Mexican originally reported results from the diamond drilling programs utilizing a gold only cut-off as reported on April 28, 2011 and October 15, 2012 (First Mexican, NR, 2010, 2012). The author used a silver equivalent (AgEQ) cut-off for reporting and resource modelling because it provided better continuity of the mineralized zones when the silver content of the assays was included. During the modelling process it was found that the gold cut-offs initially used by First Mexican did not provide sufficient continuity for domain modelling. Following this the drill hole intercepts and trenches where recalculated using a 15 g/t AgEQ cut-off.

A summary of the mineralized intersections from the diamond drilling, based on a 15 g AgEQ cut-off, are listed in Table 10.3. Intervals from the original news releases are noted.

**Table 10.3: Diamond Drilling Mineralized Intercepts**

| Hole-ID | From | To | Interval | AU_PPM | AG_PPM | AUEQ* | AGEQ** | Zone |
|---|---|---|---|---|---|---|---|---|
| HDH-09-01 | 0.00 | 32.65 | 32.65 | 0.783 | 183.0 | 2.943 | 205.2 | Karen |
| Including* | 15.55 | 21.35 | 5.80 | 3.669 | 753.8 | 12.482 | 870.6 | Karen |
| HDH-09-01 | 35.00 | 42.70 | 7.70 | 0.748 | 6.1 | 0.683 | 47.7 | Karen |
| HDH-09-02 | 0.00 | 18.30 | 18.30 | 2.205 | 45.3 | 2.358 | 164.5 | Karen |
| Including* | 3.05 | 18.30 | 15.25 | 2.584 | 47.4 | 2.691 | 187.7 | Karen |
| HDH-09-03 | 0.00 | 42.00 | 42.00 | 5.463 | 530.7 | 11.120 | 775.6 | Karen |
| Including* | 0.00 | 37.80 | 37.80 | 6.273 | 687.4 | 13.755 | 852.3 | Karen |
| HDH-09-03 | 44.85 | 51.60 | 6.75 | 0.344 | 7.2 | 0.370 | 25.8 | Karen |
| HDH-09-03 | 78.60 | 82.05 | 3.45 | 0.336 | 1.5 | 0.292 | 20.3 | Karen |
| HDH-10-04 | 0.00 | 47.52 | 47.52 | 0.693 | 200.1 | 3.086 | 215.3 | Karen |
| Including* | 0.00 | 15.24 | 15.24 | 1.574 | 331.6 | 5.458 | 366.0 | Karen |
| + Including* | 21.35 | 43.70 | 22.35 | 0.350 | 200.3 | 2.810 | 196.0 | Karen |
| HDH-10-04 | 52.10 | 56.90 | 4.80 | 0.354 | 3.8 | 0.335 | 23.3 | Karen |
| HDH-10-04 | 72.30 | 76.30 | 4.00 | 0.455 | 117.8 | 1.855 | 129.4 | Karen |
| HDH-10-05* | 0.00 | 33.66 | 33.66 | 2.777 | 332.1 | 6.439 | 449.2 | Karen |
| HDH-10-06 | 17.50 | 47.00 | 29.50 | 3.685 | 80.3 | 3.998 | 278.8 | Karen |
| Including* | 17.90 | 39.50 | 21.60 | 4.898 | 104.2 | 5.282 | 368.4 | Karen |
| HDH-10-06 | 66.25 | 68.25 | 2.00 | 0.225 | 95.3 | 1.385 | 96.6 | Karen |
| HDH-10-06 | 72.10 | 75.50 | 3.40 | 0.534 | 20.8 | 0.695 | 48.5 | Karen |
| HDH-10-06 | 83.00 | 91.70 | 8.70 | 0.223 | 33.2 | 0.599 | 41.8 | Karen |
| HDH-11-08 | 84.90 | 88.39 | 3.49 | 0.213 | 29.7 | 0.548 | 38.2 | Karen |

| Hole-ID | From | To | Interval | AU_PPM | AG_PPM | AUEQ* | AGEQ** | Zone |
|---|---|---|---|---|---|---|---|---|
| HDH-11-08 | 103.00 | 105.70 | 2.70 | 0.236 | 2.4 | 0.222 | 15.5 | Karen |
| HDH-11-08 | 126.50 | 132.40 | 5.90 | 0.166 | 17.5 | 0.356 | 24.8 | Karen |
| HDH-11-09 | 7.70 | 25.40 | 17.70 | 0.691 | 95.7 | 1.768 | 123.3 | Diana |
| Including* | 9.70 | 25.40 | 15.70 | 0.771 | 105.4 | 1.954 | 136.3 | Diana |
| + Including* | 10.70 | 22.00 | 11.30 | 0.912 | 142.0 | 2.530 | 176.5 | Diana |
| HDH-11-09* | 36.10 | 36.80 | 0.70 | 2.580 | 12.1 | 2.242 | 156.4 | Diana |
| HDH-11-09 | 59.50 | 62.50 | 3.00 | 0.252 | 36.1 | 0.659 | 46.0 | Diana |
| HDH-11-10* | 0.00 | 39.00 | 39.00 | 0.405 | 134.7 | 2.027 | 139.9 | Diana |
| Including* | 9.88 | 39.00 | 29.12 | 0.467 | 172.3 | 2.553 | 176 | Diana |
| HDH-11-10 | 39.00 | 41.20 | 2.20 | 0.147 | 37.4 | 0.591 | 41.2 | Diana |
| HDH-11-10 | 43.30 | 45.30 | 2.00 | 0.169 | 45.9 | 0.716 | 50.0 | Diana |
| HDH-11-10 | 51.00 | 53.50 | 2.50 | 0.255 | 14.6 | 0.390 | 27.2 | Diana |
| HDH-11-10 | 80.15 | 83.10 | 2.95 | 0.751 | 2.9 | 0.645 | 45.0 | Diana |
| HDH-11-10 | 118.87 | 122.00 | 3.13 | 0.855 | 3.1 | 0.731 | 51.0 | Diana |
| HDH-11-11 | 4.05 | 59.80 | 17.45 | 0.268 | 34.8 | 0.656 | 45.7 | Diana |
| Including* | 4.05 | 53.50 | 49.45 | 0.424 | 86.1 | 1.429 | 99.7 | Diana |
| Including | 4.05 | 18.55 | 14.50 | 0.293 | 38.0 | 0.718 | 50.1 | Diana |
| Including | 24.00 | 28.40 | 4.40 | 0.886 | 174.4 | 2.918 | 203.5 | Diana |
| Including | 33.55 | 56.50 | 22.95 | 0.571 | 130.2 | 2.105 | 146.8 | Diana |
| + Including* | 34.70 | 48.00 | 13.30 | 0.752 | 195.2 | 3.071 | 214.2 | Diana |
| HDH-11-11 | 71.50 | 76.20 | 4.70 | 0.295 | 15.7 | 0.437 | 30.5 | Diana |
| HDH-11-11 | 87.00 | 89.70 | 2.70 | 0.020 | 22.4 | 0.298 | 20.8 | Diana |
| HDH-11-13 | 28.30 | 43.00 | 14.70 | 0.017 | 46.4 | 0.599 | 41.8 | Luce |
| HDH-11-13 | 98.60 | 105.00 | 6.40 | 0.078 | 13.0 | 0.228 | 15.9 | Luce |
| HDH-11-14 | 48.80 | 55.40 | 6.60 | 0.035 | 39.3 | 0.525 | 36.6 | Luce |
| HDH-11-14 | 97.00 | 99.00 | 2.00 | 0.123 | 14.4 | 0.281 | 19.6 | Luce |
| HDH-11-14 | 113.05 | 118.25 | 5.20 | 0.043 | 34.9 | 0.474 | 33.1 | Luce |
| HDH-11-15 | 38.00 | 42.65 | 4.65 | 0.448 | 12.2 | 0.516 | 36.0 | Bailey |
| HDH-11-16 | 30.15 | 33.75 | 3.60 | 1.760 | 56.7 | 2.140 | 149.3 | Karen |
| HDH-11-16 | 37.75 | 40.40 | 2.65 | 0.246 | 10.6 | 0.333 | 23.2 | Karen |
| HDH-11-18 | 166.50 | 168.80 | 2.30 | 0.746 | 1.2 | 0.619 | 43.2 | Diana |
| HDH-11-27 | 18.20 | 39.20 | 21.00 | 0.214 | 18.7 | 0.409 | 28.5 | Karen |
| HDH-11-27 | 50.70 | 60.40 | 9.70 | 4.174 | 757.1 | 12.933 | 902.1 | Karen |
| HDH-11-27* | 49.20 | 58.90 | 9..70 | 6.222 | 1849.3 | 28.372 | 898.3 | Karen |

* - Interval reported previously in news releases.
Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.
***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**
****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

Drill-hole intersection lengths are not true widths. The relationship to true widths depends upon the dip of the drill hole and the dip of the mineralized zone. The dips of the various mineralized structures differ but are predominately southeast with the structures trending roughly NNE to SSW.

Verification of these results are discussed in Section 12 of this report.

# 11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

Sample preparation, analyses and security procedures where documented in the NI43-101 (2010) report by James G. Burns, P.Eng. and John Archibald, P.Geo. and the 2009 Reverse Circulation Drilling Report by Archibald. The procedures used for the 2011 drilling where as implemented by Burns and Archibald (Voisin, 2017, Person. comm.). The individual program phases are described separately in subsequent sections

## 11.1 Protocols for Sampling, Sample Analysis and Security

### 11.1.1 Sample Analysis and Security

All program phases executed by First Mexican, except where noted, utilized the ALS-Global Laboratory ('ALS') in Hermosillo, formally ALS Chemex, and the same standard sample preparation procedure as follows: log the sample into the laboratory system, dry, crush to 70% > 2 mm, and riffle split off a 250 g sample for pulverization. Pulverize the 250 g split to 85% passing 75 microns (PREP 31). A 30-gram split of the pulp was used for a gold fire assay fusion with an Atomic Absorption Spectroscopy ('AAS') finish (Au-AA23). A 0.4 g split was used for induced coupled plasma ('ICP') analysis where 33 elements are reported (ME-ICP61). The sample for ICP61 analysis was digested in four acids for a "near total digestion" and values over 1% re-analyzed with AAS (Ag, Cu, Pb and Zn-AA62) and for the over limits, an additional 0.40-gram split is digested in four acids. Gold over limits (>10 g) were re-run with a gravimetric finish (Au-GRA21) which used an additional 30 g split from the pulp. ALS uses 17025-2005 accredited methods and is ISO 9001-2008 registered. To ensure quality control and quality assurance, ALS employs on a routine basis a program that uses blanks, sample duplicates and sample standards.

First Mexican has no relationship with ALS other than the procurement of analytical services.

All samples were transported to ALS in Hermosillo, by the company core technicians for sample for preparation. The laboratory in Hermosillo was historically just a preparation laboratory where ALS then sent a split of the pulverized sample to the ALS laboratory in Vancouver for analysis.

For the RC and 2010/11 drill campaigns, no officer, director or associate of First Mexican assisted in the sampling or transport of samples.

Mr. John Archibald, P.Geo., supervised the sampling, logging and shipping of the samples to ALS Labs in Hermosillo. During the road sampling, RC and during the second phase of the diamond drilling program. Chains of Custody were maintained and Security tags were applied to every batch of samples that were sent to ALS and to every grab sample individually taken during the programs.

The core and coarse rejects have been stored at Guadalupe secure facility. The core boxes were stored covered with a waterproof tarp. The box have weathered and will need to be recovered in order to re-assay and the coarse rejects would require a similar program to submit check assays.

All drill core from the 2009 to 2011 drill programs was picked up from the drill site and directly delivered to the Company's secure core logging facility in the Guadalupe camp compound by the company core technicians. The core technicians then measured the drill core and stapled a metal tag to each of the core boxes with the hole number, box number and footage recorded on the tag. The technicians also took measurements from the drill core, including RQD, core recovery, and orientation of any structures, contacts and veins. Seventy to eighty percent (70-80%) of the core had 100% core recovery.

Samples were stored in the secure camp facility until shipment to the laboratory.

No drilling, sampling or recovery factors were encountered by the author that would materially impact the accuracy and reliability of the analytical results and no factors were identified by the author, which may have resulted in a sample bias. It was noted that lack of core recovery due to local fracturing and surface erosional features may account for some of the lack of physical core to sample. Often brecciated, quartz-carbonate-rich veins are destroyed or obliterated leaving no core to sample.

### 11.1.2 Sampling Protocol

All drill holes were logged and sampled at the secure Guadalupe compound camp. Certified gold reference standards, blanks and field duplicates were routinely inserted into the sample stream as part of the company quality control/quality assurance program. All assaying was completed by ALS Laboratories at their Hermosillo and Vancouver facilities.

Company geologists logged the drill core, recording the lithological, structural, alteration and mineralogical features observed, as well as selected samples to be analyzed based on the alteration, mineralization and veining observed.

Sections of drill core to be assayed were identified by the geologist during core logging. These sections were split, using a diamond blade rock saw. Half of each sample was sealed in a plastic sample bag along with a sample identification tag. The remaining half of each sample was replaced in the core box as a permanent record. Core is stored on the Company’s property in Guadalupe de Tayopa. During the programs conducted during the period 2009 through 2012, all drill holes were assayed from top to bottom with predominately 1.0 m sample lengths, 0.5 m sample lengths were used on the small vein widths.

The Company maintained their own Quality Assurance and Quality Control Program (‘QA/QC’) for the drilling carried out on the Property. Certified gold reference standards, blanks and field duplicates were routinely inserted into the sample stream as part of the company quality control/quality assurance program. Standards, blanks and field duplicates were inserted into the sample stream on a 1 in 20 basis.

## 11.2 Road-Cut Sampling Programs

The samples taken during the road cut sampling program were grouped in batches of 10, bagged in large rice bags and sealed with lockable seals. Samples were stored in the house of Mr. Rocha, the property vendor, during the program

Chains of Custody forms were adhered to and the lab protocols, systems of internal standards and checks were administered as well as checks done on every tenth sample for reproducibility. The results of this program can be considered reliable. No officer, director or associate of First Mexican assisted in the sampling, handling or preparation of the samples in the field or in its transportation to the ALS facility in Hermosillo (Burns *et al,* 2010).

## 11.3 Core Drilling Program, 2009

The core drilling program was carried out in the spring of 2009 and supervised by a local geologist, Mr. Antonio Paredon, who took 97 samples at various intervals over the 189.55 m of core drilled based on visual and lithological parameters. The core was logged, cut in half using a tile saw on the Property, bagged, tagged and sealed in rice bags for shipment to the University of Hermosillo's lab facility under the direction of the professor, Mr. Rolando Bueras A., who runs the lab. Each sample was crushed, pulverized and subjected to a 12-element ICP analysis and then fire assayed for gold and silver and checked using an AAS finish. Unfortunately, the lab is not ISO accredited. Any of the higher results in silver and gold were run again for reproducibility and averaged for the final determinations. Due to the significance of some of the numbers, the better pulps were subsequently sent to ALS in November 2009, for re-analysis to see how they compared to the reverse circulation and original assay values. These assays did show significant elevations in values for gold, silver and copper and although they could not be deemed truly reliable, they were none-the-less significant in demonstrating significant gold and silver mineralization on the Hilda 30 property, which was subsequently, drilled using the reverse circulation drill equipment in November of 2009 (Burns *et al,* 2010).

Core from this program was stored in Company residences in Guadalajara during the 2010 site visit by the author.

## 11.4 Reverse Circulation Drill Program, 2009

During the Reverse Circulation Drill Program, 698 samples were sent to ALS for analysis. Each sample was analyzed for gold and silver and every tenth sample was put in for whole rock geochemistry which produced a spectrum of 33 elements showing the relative amounts of other associated minerals such as copper, lead, zinc, arsenic, tin, bismuth and molybdenum. No quality control samples were included with the samples from this drill program.

The 2009 RC program was supervised by Mr. W. Snoddy and Mr. J. Archibald.

## 11.5 Diamond Drill Programs, 2010-2011

There is no report documenting the 2010-2011 drill programs. The program was reportedly supervised by Archibald and the later stages by Ryan Grywal, B.Sc. The information available is most drill logs, assay certificates and the compiled results from the drilling including the quality control samples.

## 11.6 QA/QC Results

The author analyzed the QA/QC results from the 2010/2011 diamond drill program(s). First Mexican's geologists inserted quality control samples in the sample stream on a 1 in 20 basis. The QA/QC program included blanks, duplicates and a standard.

### 11.6.1 Standard Reference Material

First Mexican used only one standard reference material ('SRM') with a certified value for gold. RockLabs Limited of New Zealand prepared the SRM. The SRM was called SE44 and had a certified value of 0.606 µg/g with a standard deviation (SD) (95% confidence interval) of ± 0.006 µg/g. The SRM was provided to First Mexican in ~60 g pouches. One hundred and thirteen (113) SRM's were submitted with the drill core samples and analyzed by ALS Global. The SRM had a high failure rate where there were 27 failures during the program, which is a failure rate of 24%. No action was taken by First Mexican to remediate the failed standards. The results of the SRM analyses are shown in Figure 11.1 were the certified value is the blue line, 2 SD's are shown with the red line and 3 SD's are shown with the yellow line.

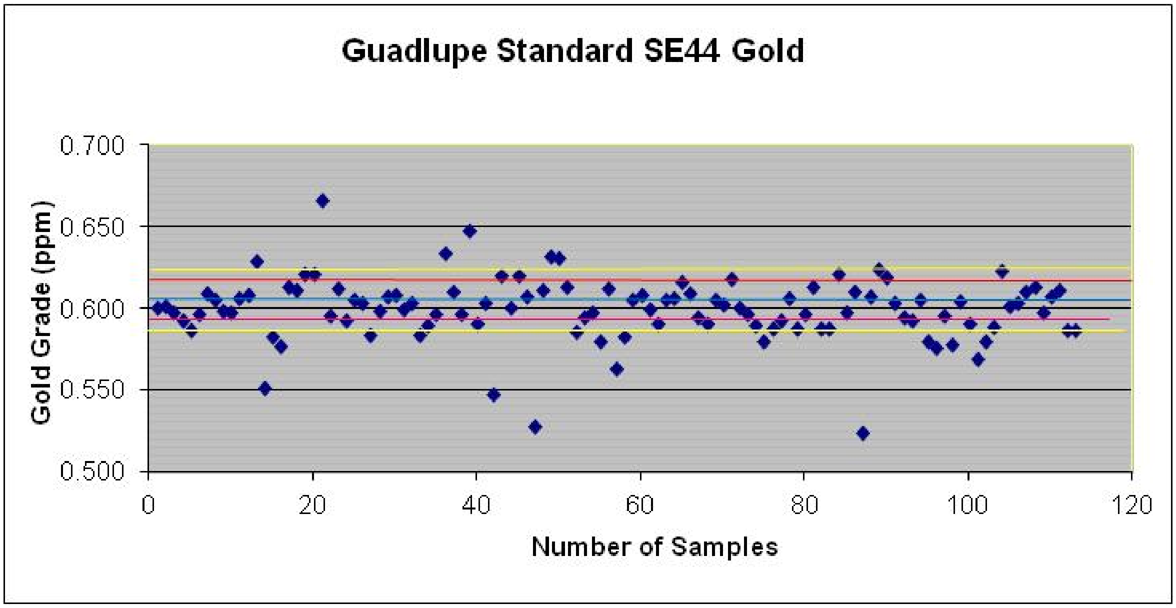



**Figure 11.1: Standard SE44 - Gold**

### 11.6.2 Field Blanks

The field blanks were also inserted into the sample stream on a 1 in 20 basis and First Mexican submitted 116 blanks for analyses during the program. The field blanks were locally sourced quartz vein that was crushed to one inch minus. Six samples of the blank material were submitted to ALS for analysis and returned values below detection limit. Plots of the field blanks are shown in Figures 11.2 and 11.3. Some blanks show small traces of mineralization but no contaminated blanks were observed.

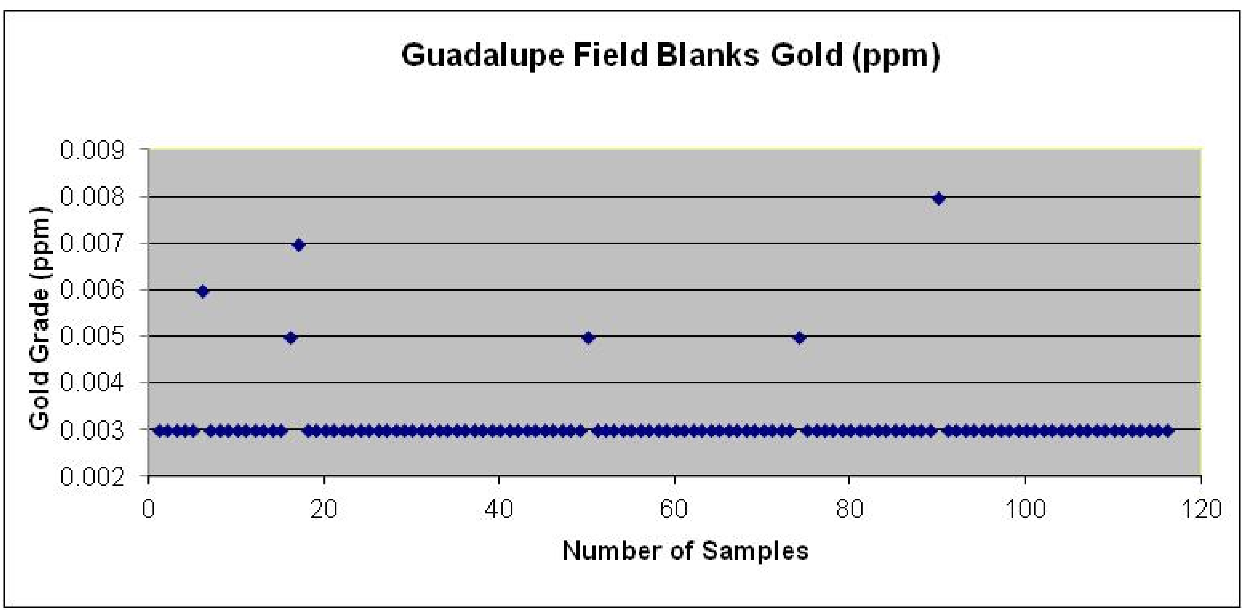



**Figure 11.2: Field Blanks – Gold**

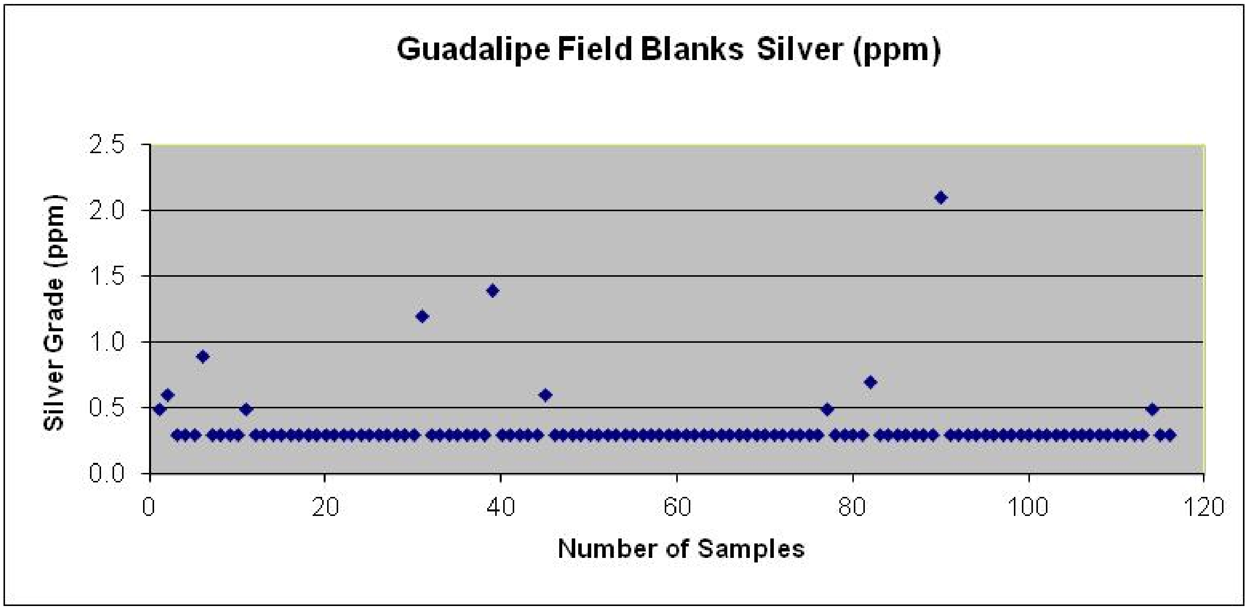



**Figure 11.2: Field Blanks – Silver**

### 11.6.3 Field Duplicates

First Mexican submitted quartered drill core as duplicate samples for assaying during the 2010-2011 drilling program. One hundred and fifteen field duplicates were inserted into the drilling sample sequence. These samples were assayed using the sample protocol as listed above. Figures 11.3 and 11.4 are the scatter plots of the original samples verses the duplicate samples for gold and silver. The blue line is an ideal 1:1 reference. The dashed red line is the trend line (with formula) of the data and the cyan and yellow lines are +10% and -10% respectively.

The gold graph shows some mid to high grade scatter above and below the 1:1 line with the trend line above the 1:1 line meaning the duplicates are reporting higher. Silver shows less scatter with the high-grade original samples reporting higher than the duplicates and this is reflected by the trend line. The drop of the trend line appears to be mainly caused by two high-grade samples reporting higher than the duplicates.

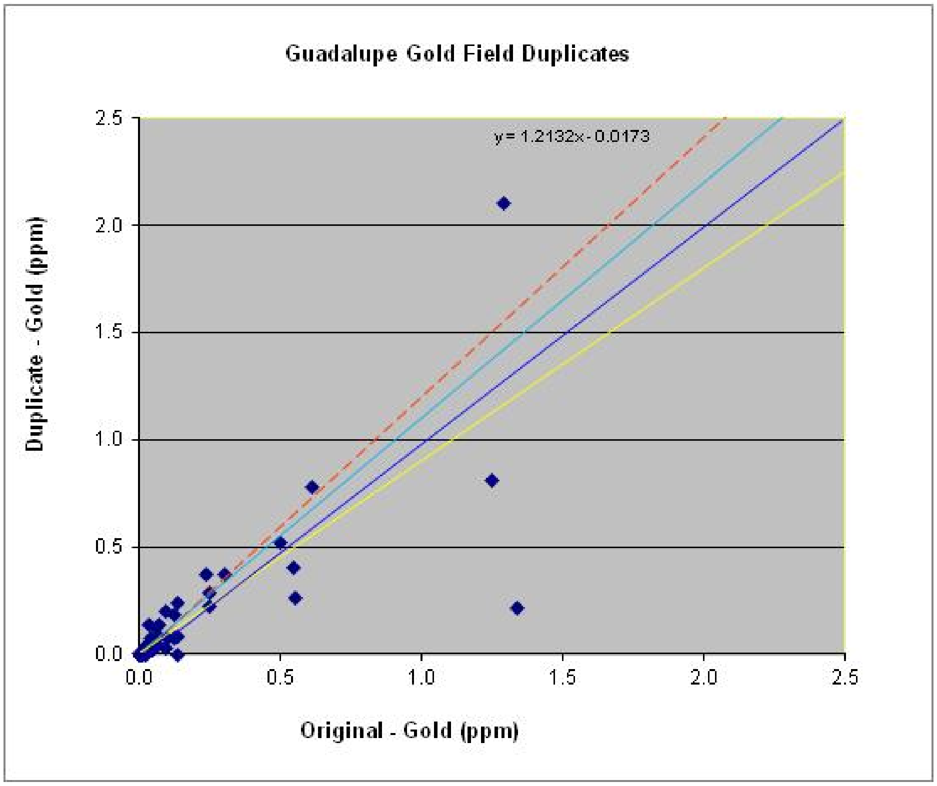



**Figure 11.3: Field Duplicates - Scatter Plot – Gold**

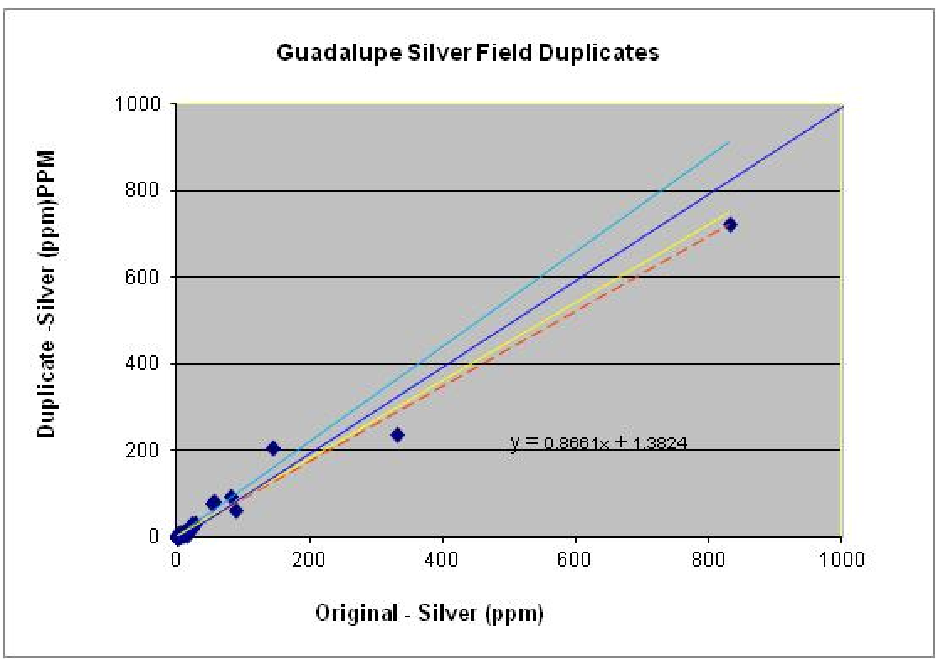



**Figure 11.4: Field Duplicates - Scatter Plot – Silver**

Figures 11.5 and 11.6 are plots of the mean of the duplicate pairs plotted against the absolute difference. The gold chart shows a small range of low-grade variation with some mid and high grade scatter. The silver chart has a tighter distribution with mid and high-grade scatter.

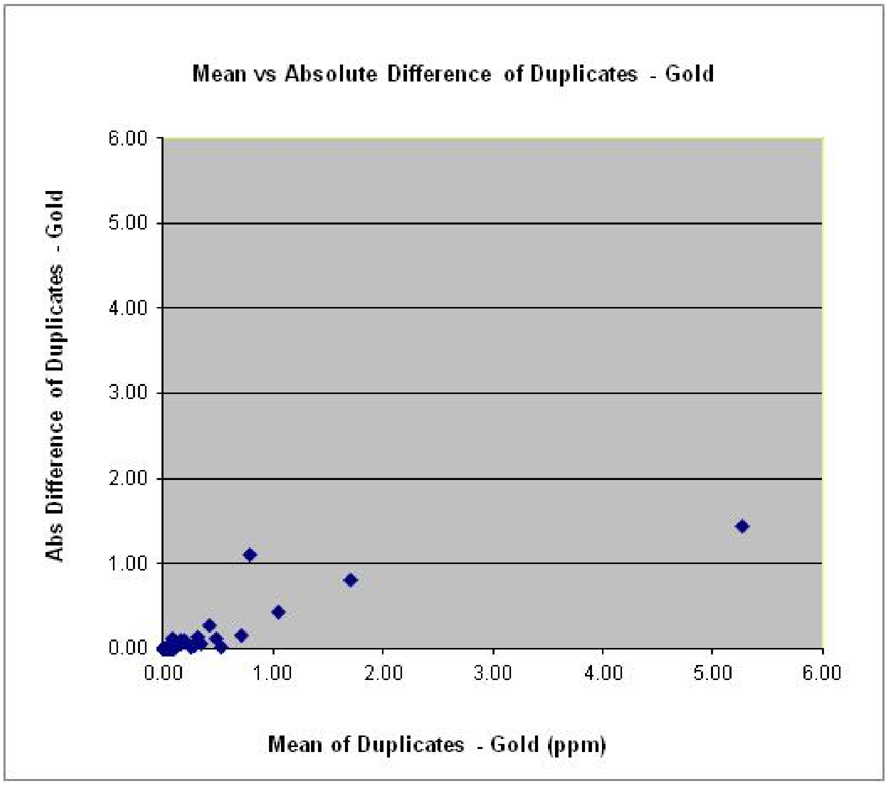



**Figure 11.5: Field Duplicates - Gold Difference Chart**

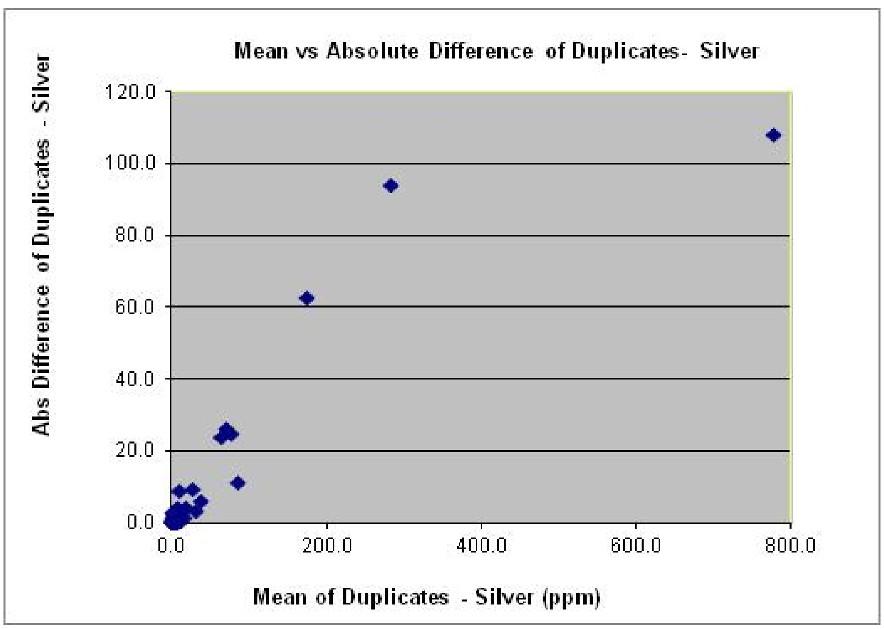



**Figure 11.6: Field Duplicates - Silver Difference Chart**

The duplicate data was analysed by methods described by Thompson and Howarth (1976). The results of the analysis show good laboratory precision. Figures 11.7 and 11.8 show the percentile rank charts for gold and silver. Percentile rank is also used to check laboratory precision where 90% of the field duplicate samples should have a relative difference of 30% or less. Both gold and silver graph under 20% showing good precision for field duplicates.

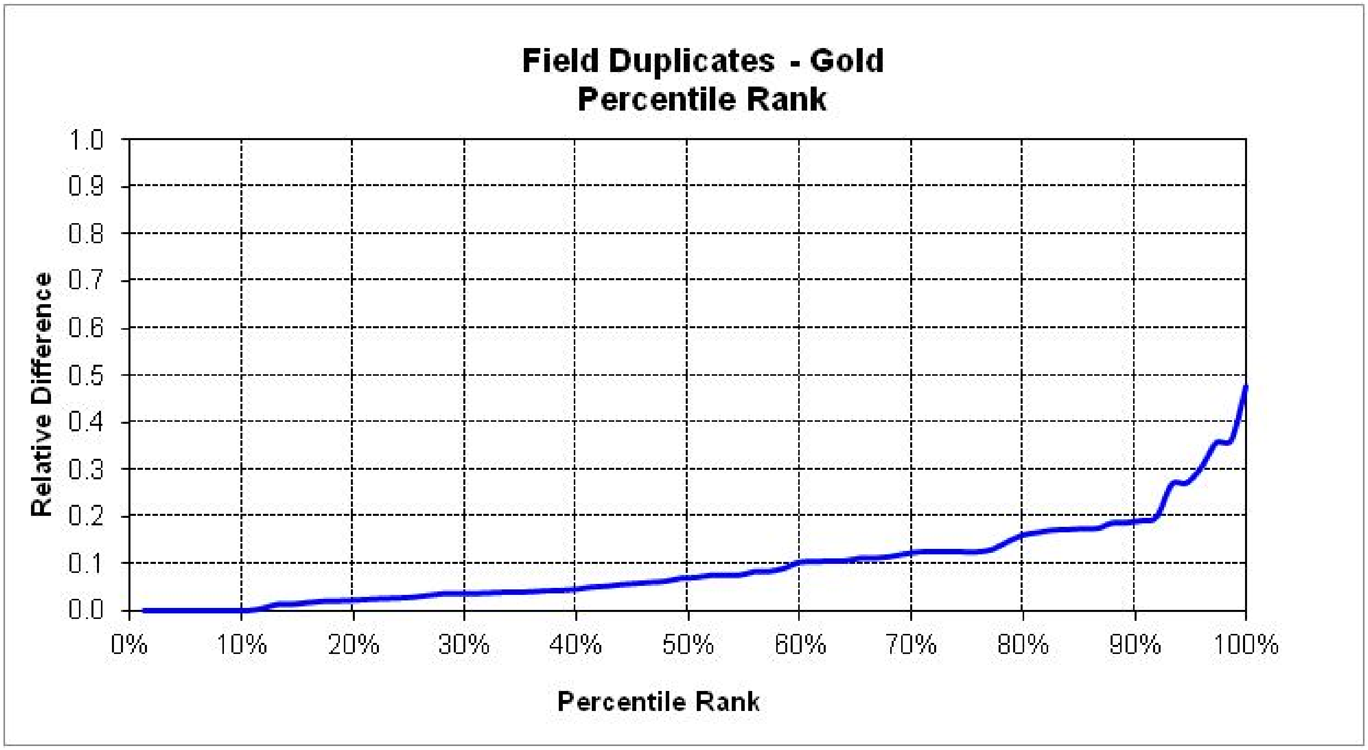



**Figure 11.6: Field Duplicates - Silver Difference Chart**

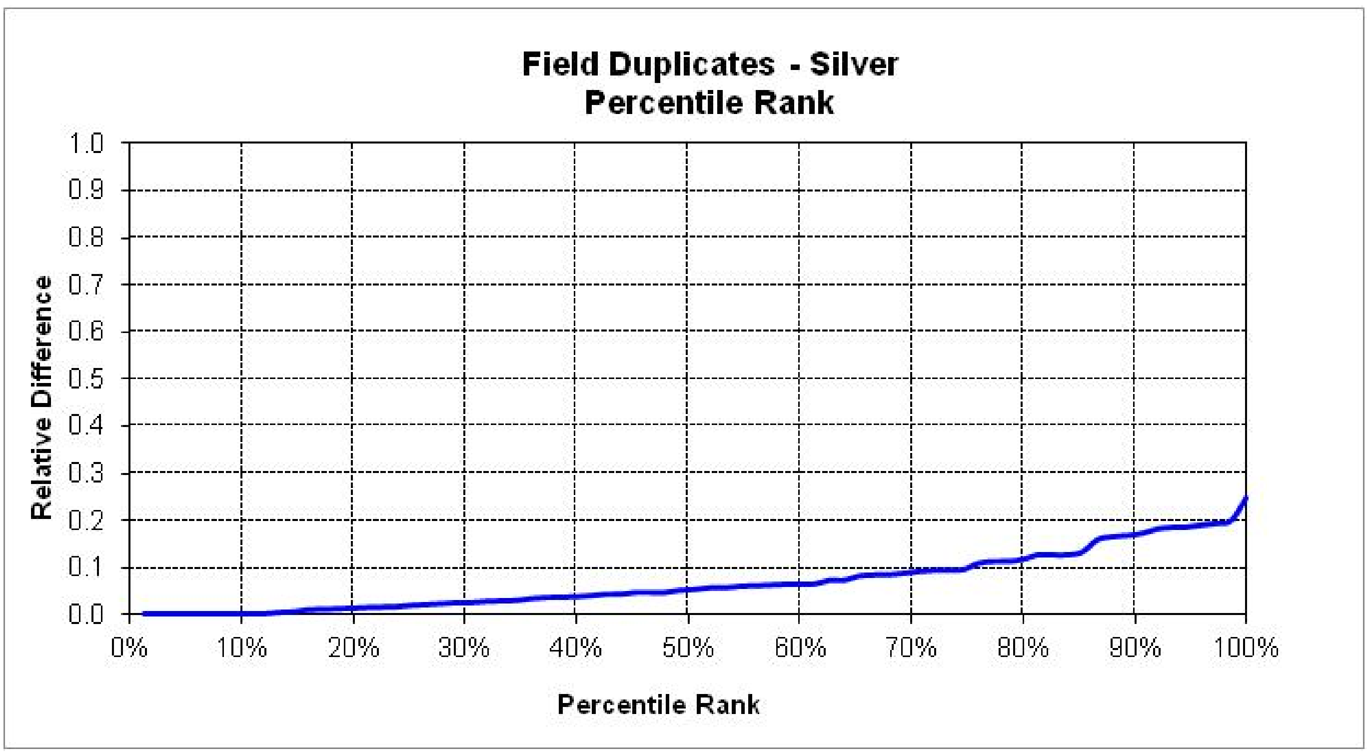



**Figure 11.6: Field Duplicates - Silver Difference Chart**

### 11.6.4 Discussion

First Mexican submitted 113 standards, 116 blanks and 115 duplicates for analysis during the 2010-2011 programs. The remainder of the surface and drilling programs have no reported quality control samples. The results reported show that 27 standards failed, no mineralized blanks were observed and the field duplicates how no notable apparent bias with good precision. No remediation was completed for the failed standards however it is the opinion of the author that a portion of the standard failures relates to the selection of the standard used during the program. The Company only used one standard during the program and normal practice would be two or more.

No outside laboratory checks were preformed on the drill sampling. The author recommends salvaging the coarse rejects and pulps from the Guadalupe camp facility and submitting outside lab checks.

The quality control program used at Guadalupe follows industry standard best practices with the exception of the single standard. The sampling, security and analyses protocols employed by First Mexican appear to be consistent with industry standard best practices.

# 12.0 DATA VERIFICATION

The author visited the subject property and area on June 22 to 24, 2010 and again on July 5 to 7, 2017. During the 2010 site visit the author preformed the following to verify the data presented by First Mexican:

- examination and documentation of the Property survey monument as seen in Photograph No. 4.1 and in 12.1
- examination of mineral showings and drill hole collars from the Karen Zone, Photograph No 12.2 and 12.3;
- examination of mineral showings on the property, Photograph No. 12.4;
- examination of drill core from the 2009 diamond drill program, Photograph No. 12.5;
- examination of chips from the 2009 RC drilling program.

During the 2017 site visit the following data verifications were preformed:

- examination of the mineral showings from the Karen and Diana Zones;
- ground truth data shows the Government Geologic map for the area does not accurately show the extent of the volcanics in relation to the intrusive on the west side of the Property where the favorable volcanic host rock crops out over a larger area.
- Sampling of the Karen Zone surface mineral showing, results shown in Table 12.1, sample locations are shown in Figure 12.1 and Photographs 12.6 to 12.8.
- drill collars for holes DHD-10-04 and DHD-10-05 (HDH-09-03 was covered building the road) shown in Photograph 12.9.
- visit showings and drill platform on Diana, Photograph 12.10 to 12.12.

During the preparation of this report the following data verifications were preformed:

- verifying the concession titles on the Mexican Government web page;
- review of technical reports from properties in the area;
- manual verification of the drill hole and surface data while constructing the resource database.

The verifications preformed by the author of the drill hole data included confirmation of the previously reported drill hole intercepts (results) using a gold cut-off. The reported intervals of the intercepts were entered into GEMS software and recalculated from the project database. No discrepancies in the reported gold grades were noted but one error was found in a silver grade intercept for hole K09-01: 41 to 43 m reported 1330 g/t Ag but should read 191.5 g/t. The 1330 g/t silver value was from the interval 38 to 39 m.

During the modelling process it was found that the gold cut-offs initially used by First Mexican did not provide sufficient continuity for domain modelling. Correlation coefficients were calculated for gold and silver and it was found that gold and silver have a correlation coefficient of 0.46. Following this the drill hole intercepts and trenches where recalculated using a 15 g/t AgEQ cut-off. These are the drill hole and trench intercepts reported in Sections 9 and 10 of this report.

The author is of the opinion that these data is adequate for the purposes used in this technical report.

**Photograph No. 12.1: Property Survey Monument**

**Photograph No. 12.2: K09-01 and K09-02 Drill Hole Collars**

**Photograph No. 12.3: K09-07 Drill Hole Collar**

**Photograph No. 12.4: Artisanal Working on the Karen Zone**


**Photograph No. 12.5: Drill Hole HDH-09-03, Box 13**

The author visited the Karen Zone on the Property on July 6, 2017 and took 4 verification samples. The sample locations are shown on Figure 12.1 and the results are listed in Table 12.1 bellow.

The first two samples were taken from altered volcanoclastic outcrop in the road cut. The sampling was focused on the limonite staining and two contiguous one metre samples were taken (Photograph 12.7). The second two samples were taken from the road bed to sample advanced argillic alteration in outcrop. The reported silver grades may show the effects of surface leaching.

**Table 12.1: Verification Sample Results, Karen Zone**

| Hole-ID | Width | AU_PPM | AG_PPM | AUEQ* | AGEQ** |
|---|---|---|---|---|---|
| 3056 | 1.00 | 0.085 | 18.9 | 0.307 | 21.4 |
| 3057 | 1.00 | 0.167 | 29.5 | 0.507 | 35.4 |
| 3058 | 1.00 | 0.881 | 54.1 | 1.396 | 97.4 |
| 3059 | 1.00 | 1.205 | 46.1 | 1.558 | 108.6 |

Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.

***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**

****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

**Photograph No. 12.6: Karen Alteration Zone on Road Cut**

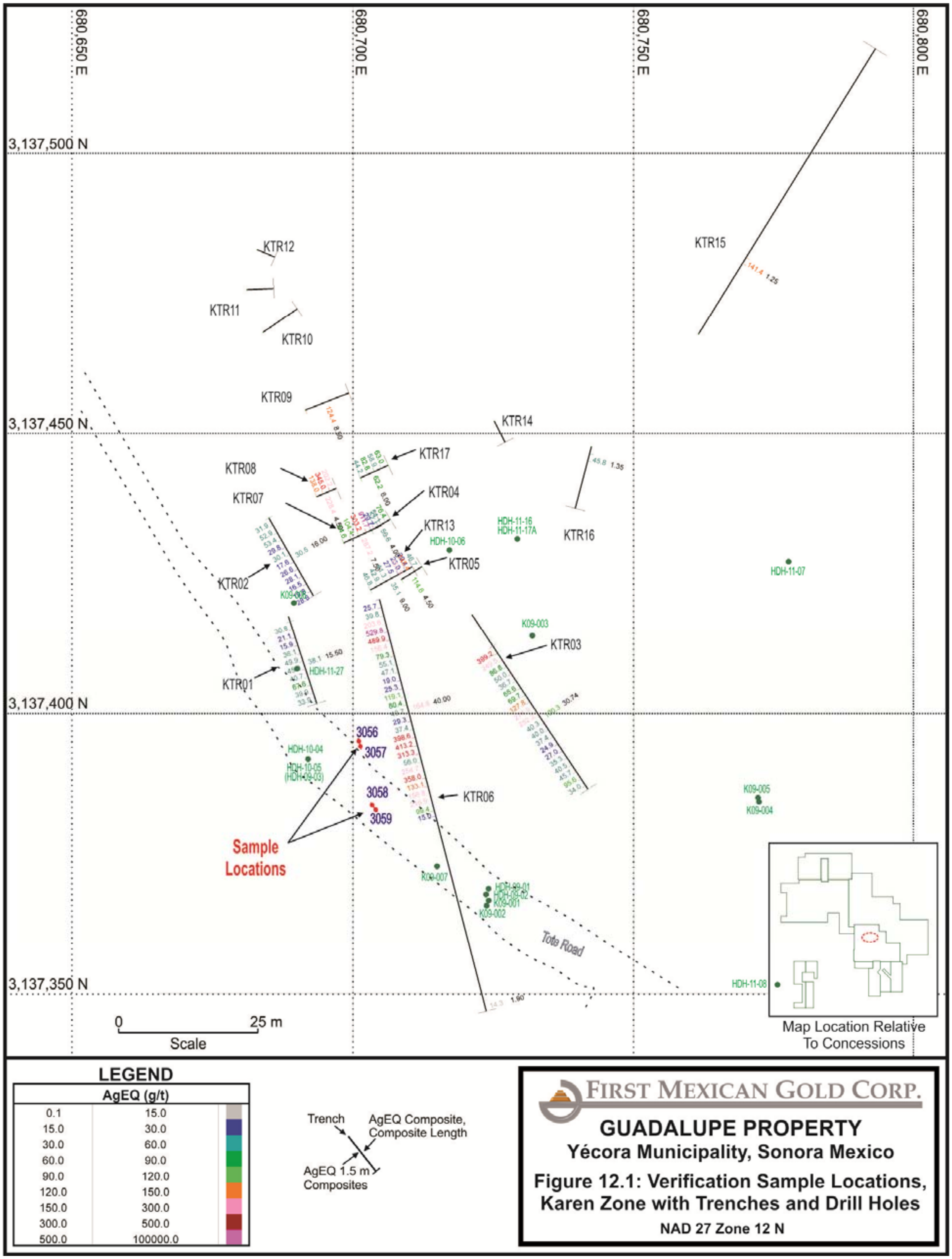
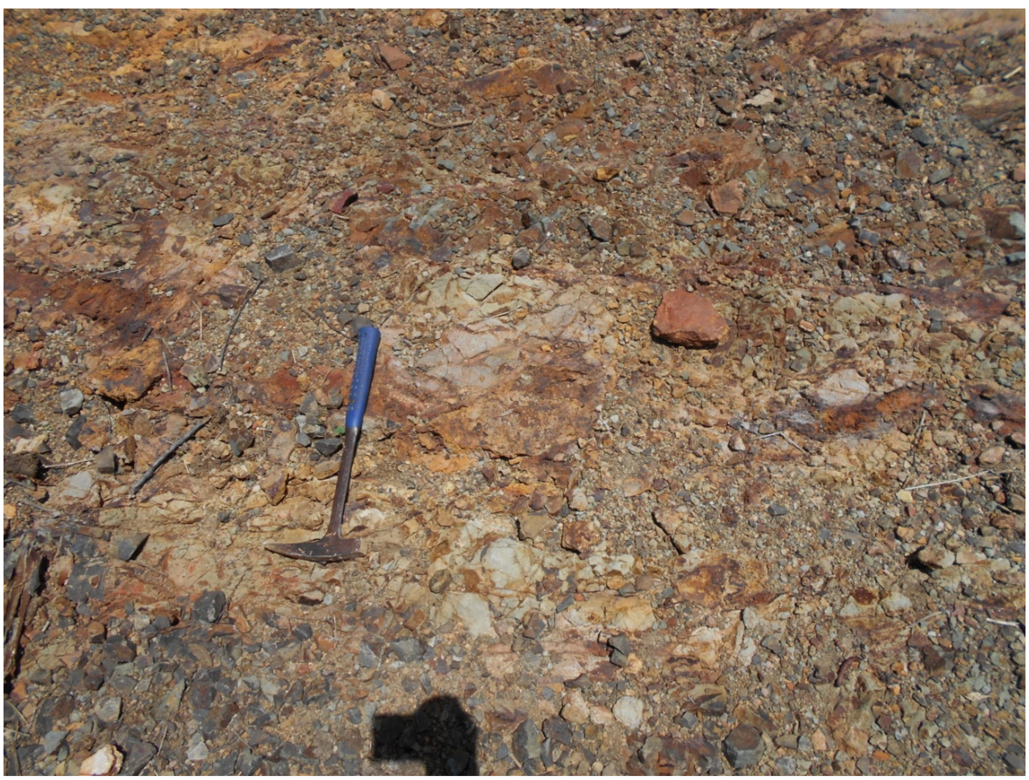



**Figure 12.1: Verification Sample Locations, Karen Zone**

**Photograph No. 12.7: Samples 3056 (L) and 3057 (R) on Road Cut**



**Photograph No. 12.8: Sample 3059 on Road Bed**

**Photograph No. 12.9: Drill Holes HDH-10-04 and 05, Karen Zone**

**Photograph No. 12.10: Diana Zone**

**Photograph No. 12.11: Diana Zone**

**Photograph No. 12.12: Drill Platform for Holes HDH-11-10, 11**

## 13.0 MINERAL PROCESSING and METALLURGICAL TESTING

First Mexican completed one preliminary bottle roll test on material from the Karen Zone in 2011. The material was randomly selected from hole HDH-09-03 and sent to Laboratorio Tecnológico de Metaluria Ltm. A. de C.V. preformed the test. The results reported recoveries of 81% for gold and 88% for silver. No further tests were completed. Laboratorio Tecnológico de Metaluria Ltm. A. de C.V. is not an accredited facility, to the best of the author's knowledge.

Recovery estimates are assumed to be preliminary with results predicated to moderate with a larger more representative sample.

The test samples were all taken from hole HDH-09-03 and would generally be representative of style mineralization of the deposit as a whole but more so the southwest portion of Karen. Additional metallurgical testing would be recommended

To the best of the author's knowledge there are no known processing factors or deleterious elements that could have a significant effect on potential economic extraction.

# 14.0 MINERAL RESOURCE ESTIMATES

## 14.1 Introduction

This mineral resource estimate has been prepared following the CIM guidelines and is restricted to only the drill-tested portion of the Guadalupe property, the Karen Zone. It does not explicitly or implicitly refer to resources contained in any of the other mineralized zones within the Guadalupe property. Mr. James A. McCrea, P. Geo., carried out the modeling and estimate of the mineral resources, a qualified person with respect to mineral resource estimation under NI 43-101. Mr. McCrea is independent of First Mexican Gold and Cornelius Exploration by the definitions and criteria set forth in NI 43-101, and there is no affiliation between the author and the companies except that of an independent consultant-client relationship.

The Guadalupe mineral resources have no known issues and do not appear materially affected by any known environmental, permitting, and legal, title, taxation, socio-economic, political or other relevant issues. The estimate of mineral resources may be materially affected with further exploration along its projected extensions or other zones. The effective date of this mineral resource estimate is October 16, 2017.

## 14.2 Drilling, Trenching and Assay Database

The drilling, trenching and assay data were provided by First Mexican in the form of Microsoft Excel spreadsheet files, PDF and JPEG files of drill logs and scanned/comma delimited files of original assay certificates. The Excel spreadsheet files contained location, survey, lithology, structure, alteration and analytical data for the 35 drill holes collared on the Property and the 36 trenches. However, only 18 of the drill holes and 17 of the trenches were used to test the Karen Zone and only the data from these drill holes and trenches were utilized in the mineral resource estimate. The data from the 17 other drill holes and 19 other trenches not located on the Karen Zone were not modelled nor used for the mineral resource estimate. The drilling and assay data provided by First Mexican appears to be adequate for the purposes of this preliminary mineral resource estimate and the author has no reason to believe that any of the information is inaccurate.

The database was validated while loading in GEMS with corrections required. The assay database for the drill holes and trenches on the Karen Zone contains 562 samples that were analysed for gold, silver and a multi-element ICP. When there were several analytical procedures performed on individual samples, often as a result of the measured silver and/or gold grades exceeding the limits of precision for a particular analytical technique, the assay result from the most accurate procedure was considered the ‘final’ value (i.e. Fire Assay/Gravimetrics superseded Fire Assay/Atomic Absorption which superseded ICP values). All ‘below detection limit’ analytical values were assigned one-half the lower detection limit value for the purposes of this resource estimate. All data are expressed in metric units and grid coordinates are in the Mexican UTM NAD 27 Datum.

## 14.3 Sample Compositing

Equal length one and a half metre (1.5 m) assay sample composites were calculated from assayed gold and silver values for the drill holes and trenches. These 1.5 metre composites were generated starting from the collar of the drill hole or trench to its terminus. Any unassayed intervals were assigned a ‘Not Entered’ (‘NE’) designation which excluded it from any composite calculation, and any composites less than 0.75 m in length were discarded so as to not introduce a short sample bias in the interpolation process.

Sample compositing produced a total of 1374 1.5-metre composites in the Karen Zone from drilling and trenching which were then used for geomodelling which produced the grade shell with composite and assay statistics as listed in the Table 14.1.

Compositing options were limited due to data density in the zone of interest and the selection of a larger composite size would have significantly reduced the number of the composites in the domain. Smaller composites were not an option because of sample size. The small population of composites and limited compositing options are reflected in the coefficient of variation being higher than ideal for resource modelling. The small number of composites also effected the quality of variograms modelled.

## 14.4 Grade Shell Calculations

A 'modelling cut-off grade' was determined based upon reported current mining operation cut-off grades for open pit bulk minable gold-silver deposits currently in production in the district. For the purposes of modelling the grade domain boundaries, a value of US$8.75 per tonne or approximately 0.5 ounces of silver or 15 g Silver equivalent ('AgEQ')at US$17.50 per ounce trailing average price was selected to outline the mineralization. This modelling cut-off seemed to provide continuity in the zone and sufficient sample density for later variography and interpolation.

For grade domain modelling and reporting purposes, a silver equivalent grade was calculated to incorporate both the gold and silver values hosted in the Karen Zone. The silver equivalent grade was a calculated combination of its 'final' gold value at a 3 year trailing average price of US$1,215/troy oz and 81% metallurgical recovery rate, and its 'final' silver value at a 3 year trailing average price of US$17.50/troy oz and 88% metallurgical recovery rate. Trailing average prices were estimated effective April 28, 2017. Thus, a modelling cut-off grade of 15 g/t AgEQ was utilized for the grade domain modelling.

Histograms for uncapped silver and gold assays within the 15 g/t AgEQ assay domain solid are shown in Figures 14.1 and 14.2.

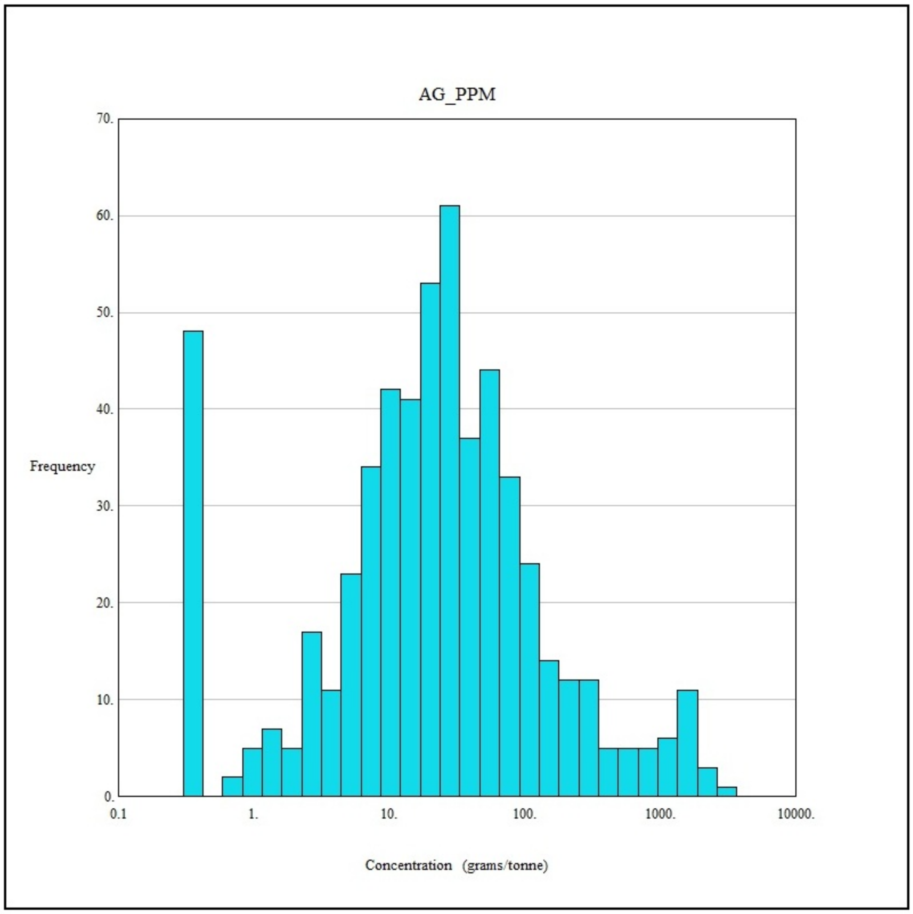



**Figure 14.1: Histogram of 562 Uncapped Silver Assays within AgEQ15 Assay Domain Solid**

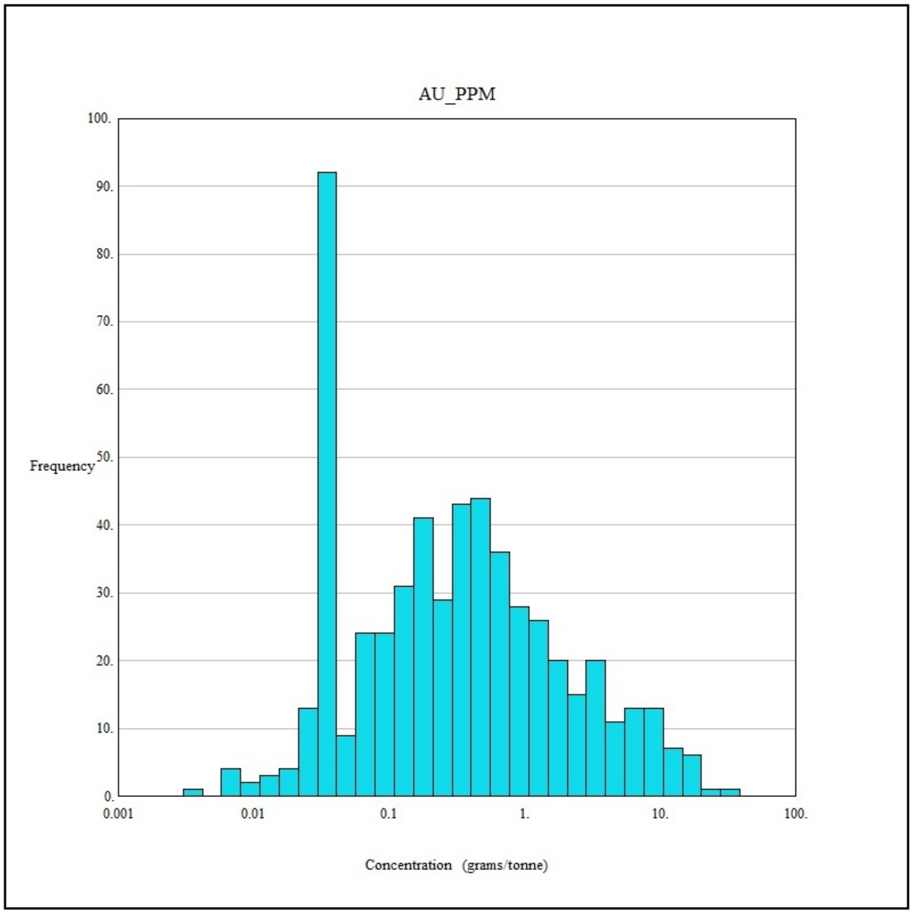



**Figure 14.2: Histogram of 562 Uncapped Gold Assays within AgEQ15 Assay Domain Solid**

## 14.5 Rock Code Determination

Rock codes used for the mineral resource model were based upon one mineralized domain solid, coded 'AgEQ15', plus surrounding air and waste rock as follows:

| Rock Code | Description |
|---|---|
| 0 | Air |
| 1 | Waste/Background |
| 10 | AgEQ15 |

## 14.6 Three Dimensional Solid Modelling

Grade domain boundaries were determined from a visual inspection of the AgEQ grades on vertical drill hole cross-sections spaced 20 m apart. The domain boundaries were influenced by the selection of mineralized material grading greater than 15 g/t AgEQ that demonstrated zonal continuity along strike and down dip. In some cases, mineralization grading below 15 g/t AgEQ was included to maintain zonal continuity.

Vertical cross-sections oriented at 320°-140° and spaced equally 20 metres apart were generated in GEMS across the drill-tested portion of the Karen Zone, a distance of approximately 130 metres. These cross sections were designated 0NE to 10NE.

Polyline interpretations of the greater than 15 g/t AgEQ mineralization were plotted on each vertical cross section. The sectional interpretations went from the trenched or projected surface exposure of the zone through each of its drill hole intercepts and projected up to an average of 20 metres laterally or down tend beyond the deepest drill hole intercept depending upon the local interpretation and continuity. The interpreted polylines from each section were "wire-framed" in GEMS into a 3 dimensional assay domain.

Four hundred and thirty three composite assay samples from 562 original assay samples occur within the AgEQ15 assay domain solid. The resulting solid (domain) was then used for initial statistical analysis, grade interpolation, rock coding and resource reporting purposes.

Figures 14.3 and 14.4 show the 15 g/t silver equivalent assay domain solid looking northward and northwestward respectively.

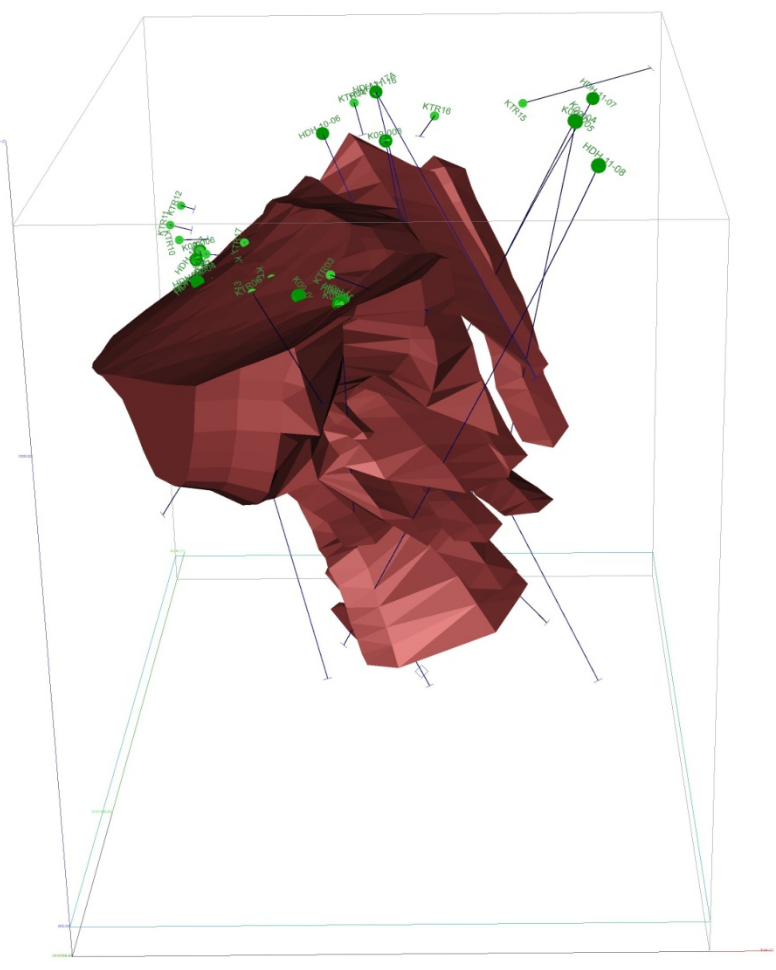


**Figure 14.3: View of AgEQ15 Assay Domain Solid Looking Northward**

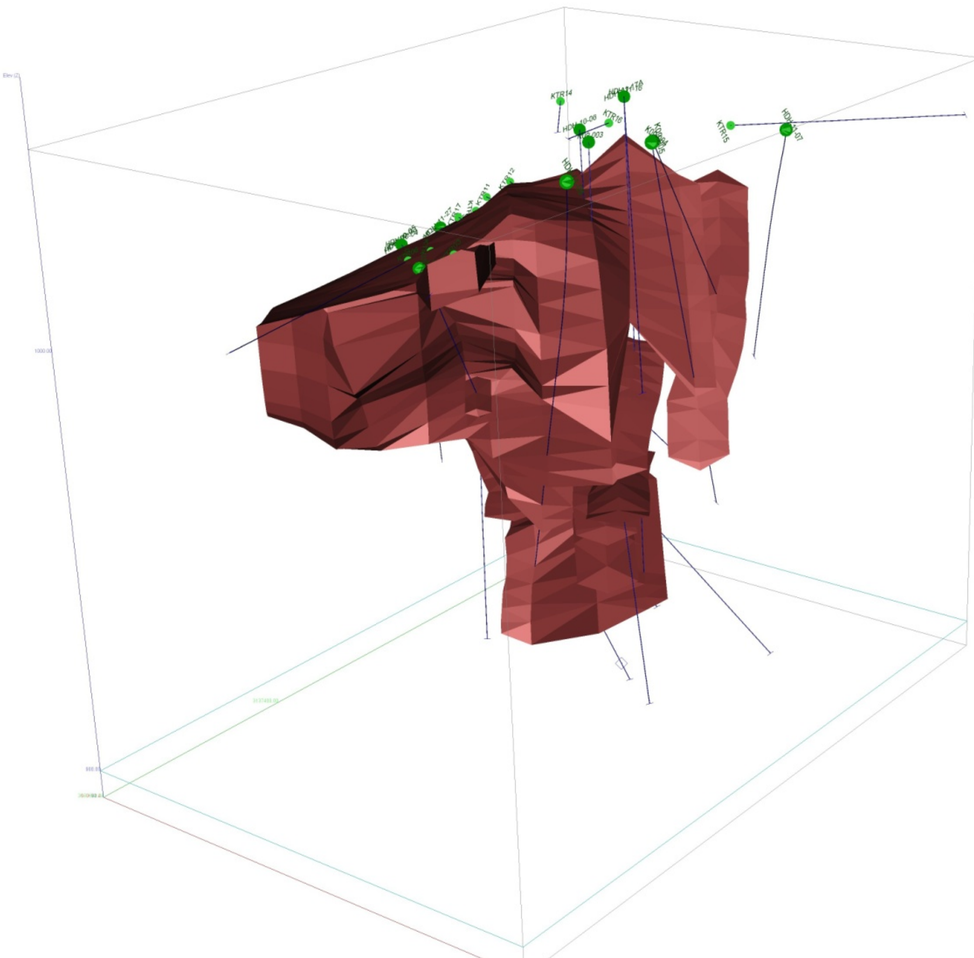


**Figure 14.4: View of AgEQ15 Assay Domain Looking Northeastward**

## 14.7 Topographic Control

First Mexican provided a digital topographic surface for the Guadalupe property. Unfortunately, the available topography has a 10-metre contour interval and that is a large interval for this stage of project. For the resource model, the topographic points from the drilling and trench surveys/GPS locations were modelled as a surface, contoured and cut into the existing topographic contours to give improved topographic resolution over the resource area

## 14.8 Bulk Density Estimation

First Mexican did not submit any samples for bulk density testing. The choice of a bulk density to use for resource modelling was made by examining data available from nearby operating mines, comparing the rock types and alteration and selecting an appropriate bulk density. The value selected was 2.70 tonnes/$m^3$ for all mineralized materials. This bulk density appears to be adequate, based on information from operating mines in the area, for this preliminary mineral resource estimate.

## 14.9 Grade Capping

The author used cumulative probability plots to identify high-grade outliers for both silver and gold assays contained within the three-dimensional AgEQ15 assay domain solid. Figures 14.5

and 14.6 show cumulative probability plots using the cumulative normal distribution function for uncapped silver and gold assay values, respectively.

Based upon the graphical results, raw silver assays were capped at 1500 g/t representing 97.80% of the 562 raw silver assays. Nine silver values exceeding the cap level were each reduced to 1500 g/t. The raw gold assay probability plot indicated a capping level at 12.75 g/t representing 98.00% of the total 562 gold assay values. Eleven gold assays exceeding the 12.75 g/t cap level were each reduced to 12.75 g/t.

Once the grade capping levels had been determined, erratic high-grade values for silver and gold in the raw assay database were capped accordingly, and 1.5-metre composites were calculated using the capped assay data. A summary of the resultant capped composites, which were utilized during interpolation and estimation of the mineral resources is presented in Table 14.1.

**Table 14.1: Assay Sample Data for AgEQ15 Assay Domain Solid**

| Type of Assay Data | No. | Max Value | Mean (g/t) | Median (g/t) | Std. Dev. | Coef. Of Var. |
|---|---|---|---|---|---|---|
| **Raw Assay Data** | | | | | | |
| Silver | 562 | 7180.0 | 125.68 | 22.40 | 438.30 | 3.49 |
| Gold | 562 | 53.697 | 1.479 | 0.294 | 3.95 | 2.67 |
| **Uncapped 1.5-metre Composite Data** | | | | | | |
| Silver | 433 | 4,901.27 | 141.98 | 28.86 | 427.94 | 3.01 |
| Gold | 433 | 40.400 | 1.546 | 0.361 | 3.35 | 2.16 |
| **Capped 1.5-metre Composite Data** | | | | | | |
| Silver | 433 | 1500.0 | 119.06 | 28.86 | 276.31 | 2.32 |
| Gold | 433 | 12.750 | 1.377 | 0.361 | 2.38 | 1.73 |

## 14.10 Semi-Variogram Analysis

The Sage 2001 variography software was utilized to evaluate the spatial continuity of the silver and gold mineralization using the capped 1.5-metre composite data within the constrained AgEQ15 assay domain.

Conventional correlogram variography was used to model the grade continuity. Nugget effects were estimated from true down-hole semi-variograms. The major, semi-major and minor axes for grade continuity were determined using oriented semi-variogram fans. The variograms were used to model search ellipses that were then defined for resource estimation utilizing the GEMS Z-Y-Z rotation convention. Correlations between grade-elements within the domain were also investigated with semi-variograms by comparing search ellipses and with correlation coefficients.

Search ellipses were produced for each grade-element (gold and silver) after multiple experimental semi-variograms had been generated at 30-degree intervals for strike and 15-degree intervals for dip. Modelling of both the silver and gold continuity produced moderate to poor quality experimental semi-variograms. The semi-variogram models produced were lacking data density, which is due to the small data set for the resource area and a common problem with small precious metal deposits. The common practice for these types of precious metal deposits is to use inverse distance as the interpolation method and the semi-variograms are used as a guide for search ellipse orientation.

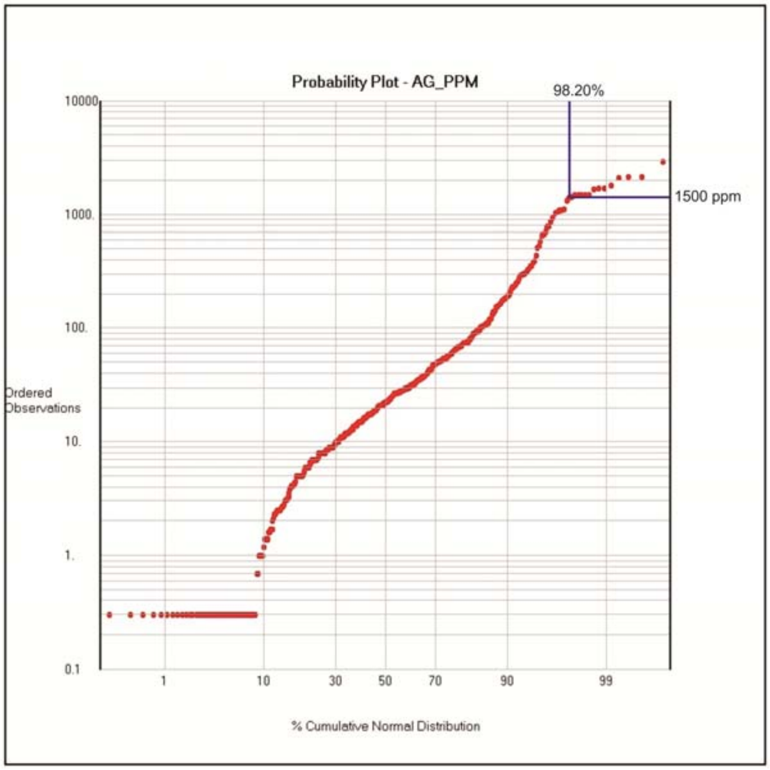



**Figure 14.5: Cumulative Probability Plot of Silver Values within Assay Domain Solid**

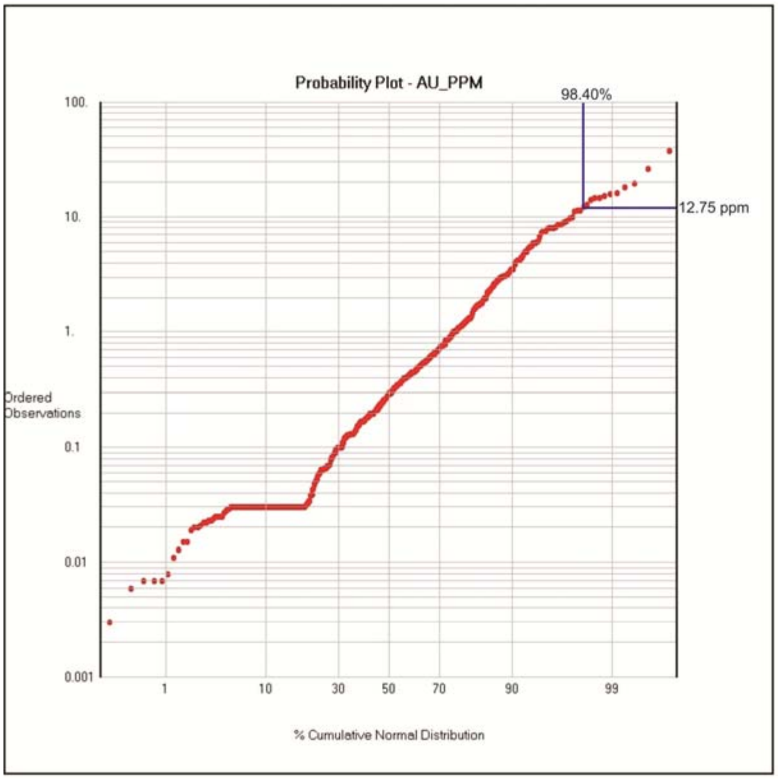



**Figure 14.6: Cumulative Probability Plot of Gold Values within Assay Domain Solid**

## 14.11 Block Model

An unrotated, three dimensional block model was created in GEMS to completely cover the drill-tested portion of the Karen Zone. The Block Model parameters are presented in Table 14.2.

**Table 14.2: Block Model Parameters**

| Axis Direction | Actual Orientation | Axis | Axis Nomenclature | Origin Coordinate | Block Size (m) | No. of Blocks |
|---|---|---|---|---|---|---|
| Easting | 090° | X | Column | 680400 | 2.5 | 240 |
| Northing | 000° | Y | Row | 31037200 | 2.5 | 200 |
| Elevation | Vertical | Z | Level | 1170 | 2.55 | 116 |

Separate block models were created for Rock Type, Density, Percent, Class, Gold and Silver. In addition, several special models were created including Distance (to the Closest Sample for first pass interpolation), Number of Samples (used in block estimation), and models for verification.

The percent (partial) block model was created to accurately represent the volume and subsequent tonnage that was occupied by each block inside the constraining Karen assay domain solid. The block model was coded for air (i.e. above topography), waste (i.e. outside assay solid) and the assay domain by coding blocks with a greater than one percent (1%) threshold. Blocks with more than 1% of the block inside the domain were given the code of the domain. Thus, the domain boundaries were properly represented by the percent model with the ability to measure infinitely variable inclusion percentages within the domain.

## 14.12 Interpolation

Based upon the modelled search ellipses, silver and gold grades were estimated for each block in the block model using capped grade composites with an 'Inverse Distance Squared' interpolation. Histogram and cumulative probability plots of capped silver composite samples are shown in Figures 14.7 and 14.8 respectively, as an example.

Grade interpolation was carried out in two interpolative passes. The interpolation estimated grade in the assay domain for silver and gold, requiring a minimum of 2 samples and a maximum of 12 samples to estimate a block for the first pass and a minimum of 1 sample and a maximum of 12 samples to estimate a block for the second pass. The second pass used an expanded search ellipse to write only 'zero' blocks within the search range. During interpolation the number of samples used for each grade element interpolation and the closest true distance to an actual composite sample were written to the 'Number of Samples' and 'Distance' block models respectively. Table 14.3 provides a summary of the search parameters.

**Table 14.3: Search Parameters for Assay Domain Solid**

| Element | Rotation | | | Range | | | Min # | Max # |
|---|---|---|---|---|---|---|---|---|
| | Z | Y | Z | X | Y | Z | Samples | Samples |
| **Pass 1** | | | | | | | | |
| Silver | 79 | -39 | -91 | 60.0 | 15.0 | 14.5.0 | 2 | 9 |
| Gold | 62 | -30 | -77 | 45.1 | 12 | 23.2 | 2 | 12 |
| **Pass 2** | | | | | | | | |
| Silver | 79 | -39 | -91 | 90.0 | 60.0 | 29.0 | 1 | 9 |
| Gold | 62 | -30 | -77 | 70.0 | 45.0 | 45.0 | 1 | 12 |

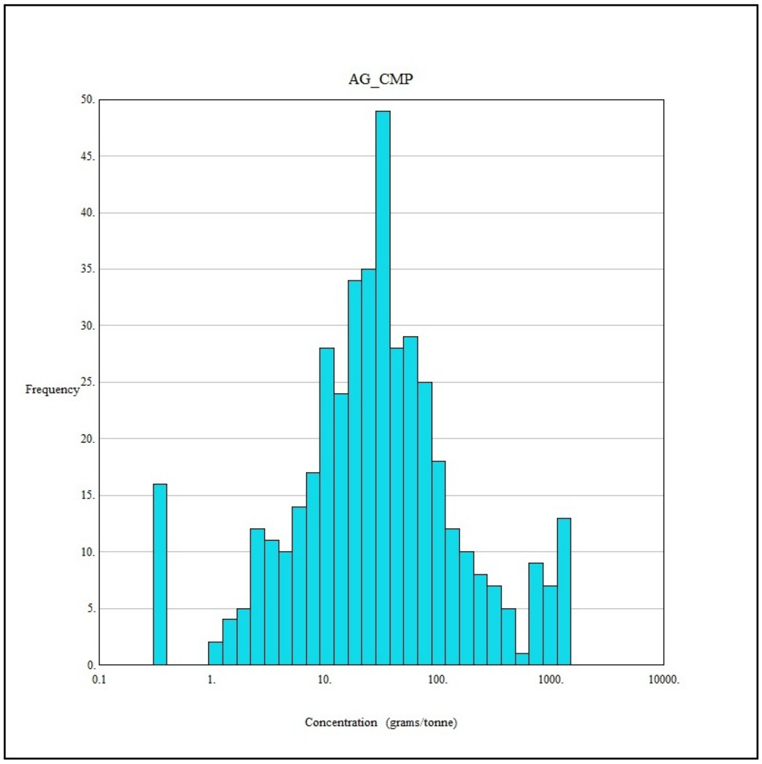



**Figure 14.7: Histogram Plot of Capped Silver Composites**

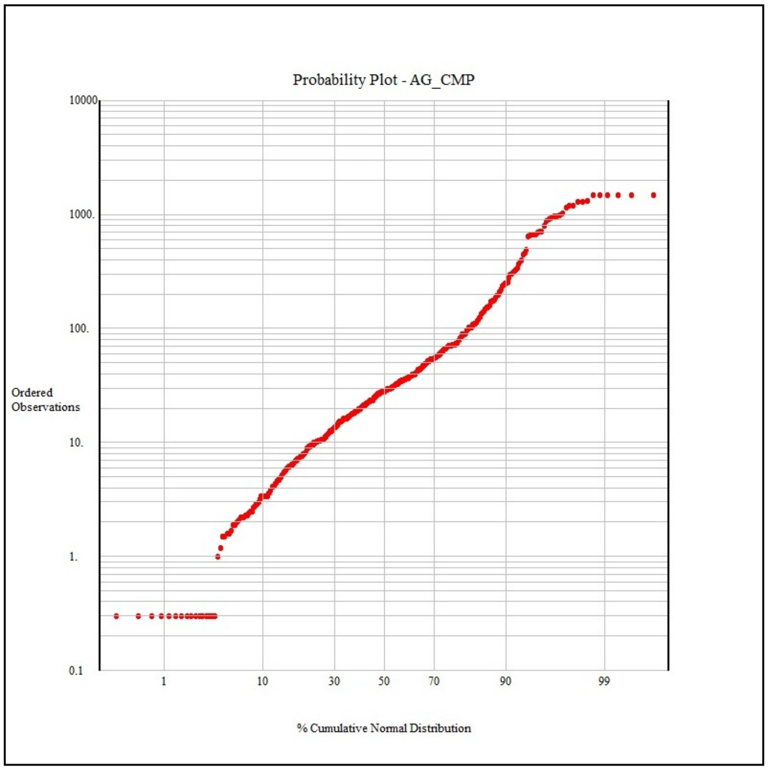



**Figure 14.8: Cumulative Probability Plot of Capped Silver Composites**

## 14.13 Interpolation Validation

The validation of the Karen Zone block model included visual inspections of the block grades versus silver and gold composite values, comparison of solid volumes to reported block model volumes and 'one out' cross-validation.

A preliminary Inverse Distance Squared interpolation run was conducted to provide a visual check on the interpolation parameters. Visual inspections of the silver and gold block models showed that the interpolation had extrapolated grades with reasonable values and distribution throughout the modelled domain.

Volume of the the AgEQ assay domain solid, 133,703.06 $m^3$, was checked against the 0.1 g/t AgEQ cut-off volume reported in the resource estimate, 133,626.0 $m^3$. The block model is reporting 99.94% of the domain solid volume.

The 'one out' cross-validation routine is used for validating kriged and inverse distance weighted models. It is a discretionary sub-routine within the GEMS interpolation profile that involves the removal of a single point from the data set and the estimation of a temporary block at that point using the remaining data. Values are then estimated for all the data points in the data set. The original values and the estimated values for all the data points in the data set can then be statistically analysed and graphed. The scatter plots are used to examine the relationship of the original values to the estimated values by plotting the original values vs. estimated values, the difference vs. the estimated values. To check if the interpolation is under or over estimating, the percent difference of the means of the original and estimated values is calculated.

The 'one out' cross-validation was used to 'fine tune' the number of samples used for interpolation. The cross-validation graphs were produced for a range of interpolation profiles for each element with a different maximum number of samples used in the interpolation. The graphs were used to check on the effects of more data or averaging during interpolation, thus, optimizing the interpolation parameters. The final interpolation profiles were revised to maximize the number of samples for each metal that produced the best cross-validation results.

The results of the 'one out' cross-validation are used to calculate the difference between the mean of the estimated grades from interpolation and the mean of the actual grades from the composite dataset as a percentage of the mean of the actual composite grades. The difference between the mean estimated grades and mean actual composite grades for the first interpolation pass for the silver grade-element was -2.31%. The difference for the gold grade-element was slightly lower at -2.17%. The negative values indicate the interpolation is slightly over estimating the block grades versus the sample grades. Table 14.4 contains a summary of the 'one out' cross validation results.

**Table 14.4: Summary of 'One Out' Cross Validation Results**

| Element | Unit | Estimated Grade Mean | Actual Grade Mean | Difference (%) |
|---|---|---|---|---|
| Silver | g/t | 119.06 | 121.87 | -2.31 |
| Gold | g/t | 1.378 | 1.408 | -2.17 |

## 14.14 Mineral Resource Classification

All of the mineral resources in the Karen Zone assay solid have been classified as 'Inferred'. The model is very tightly constrained with the assay solid based on an interpretation from 20 m spaced sections. This classification may be upgraded with the results of future in-fill drilling and surface channel sampling, plus the resolution of outstanding QA/QC, geological interpretation, surveying and database issues and a thorough geological and structural analysis of all exploration results to date.

## 14.15 Mineral Resource Estimate

The mineral resource estimate was derived from applying a silver equivalent cut-off grade to the block model and reporting the resulting tonnes and grades for potentially economic areas. The rationale supporting the estimation of the silver equivalent cut-off grades was based largely upon reported cut-off grades for similar, operating, silver open-pit heap leach mining operations in the State of Sonora, Mexico, and on estimations of mining, recovery and general and administrative expenses for such operations using 3-year trailing average silver prices. A mining cut-off grade of 45 g/t silver equivalent was used to estimate the resources of the undifferentiated oxide, transitional and sulphide mineralization.

The following mineral resource estimate does not differentiate between the various oxidation facies of the mineralization. With future detailed exploration, the degree and distribution of wholly and partially oxidized mineralization may be distinguished from more sulphide-rich facies. Such a differentiation may result in different cut-off grades for potentially more expensive treatments of the precious metal-bearing sulphide mineralization.

The undiluted and inferred mineral resource estimate of the Karen Zone silver-gold mineralization at various silver equivalent cut-off grades reported in a conceptual pit shell is summarized in Table 14.5. The AgEq Block model in cross-section is shown in Figure 14.9 with the conceptual 45$^o$ pit shell.

**Table 14.5: Inferred Mineral Resource Estimate for The Karen Zone Reported Inside Pit Shell**

| Cut-Off AgEQ (g/t) | Tonnes (000's) | Gold Grade (g/t) | Gold (000's oz) | Silver Grade (g/t) | Silver (000's oz) | AgEQ** Grade (g/t) |
|---|---|---|---|---|---|---|
| 60.00 | 193.8 | 1.802 | 11.25 | 144.8 | 902 | 229.2 |
| **45.00** | **221.7** | **1.622** | **11.57** | **131.0** | **934** | **206.9** |
| 30.00 | 262.6 | 1.407 | 11.88 | 114.9 | 970 | 180.6 |
| 15.00 | 280.1 | 1.330 | 11.97 | 108.8 | 980 | 170.9 |

Equivalent calculations are based on three-year trailing average metals prices of US$ 1214.94 per ounce for gold and US$ 17.48 per ounce for silver. Metal recoveries used were 81% for gold and 88% for silver based on preliminary bottle roll tests.
***AuEQ = ((31.6386 x Au grade) + (0.4928 x Ag grade))/39.06**
****AgEQ = ((0.4928 x Ag grade) + (31.6386 x Au grade))/0.56**

1. *A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction.*

*An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity.*

*An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.*

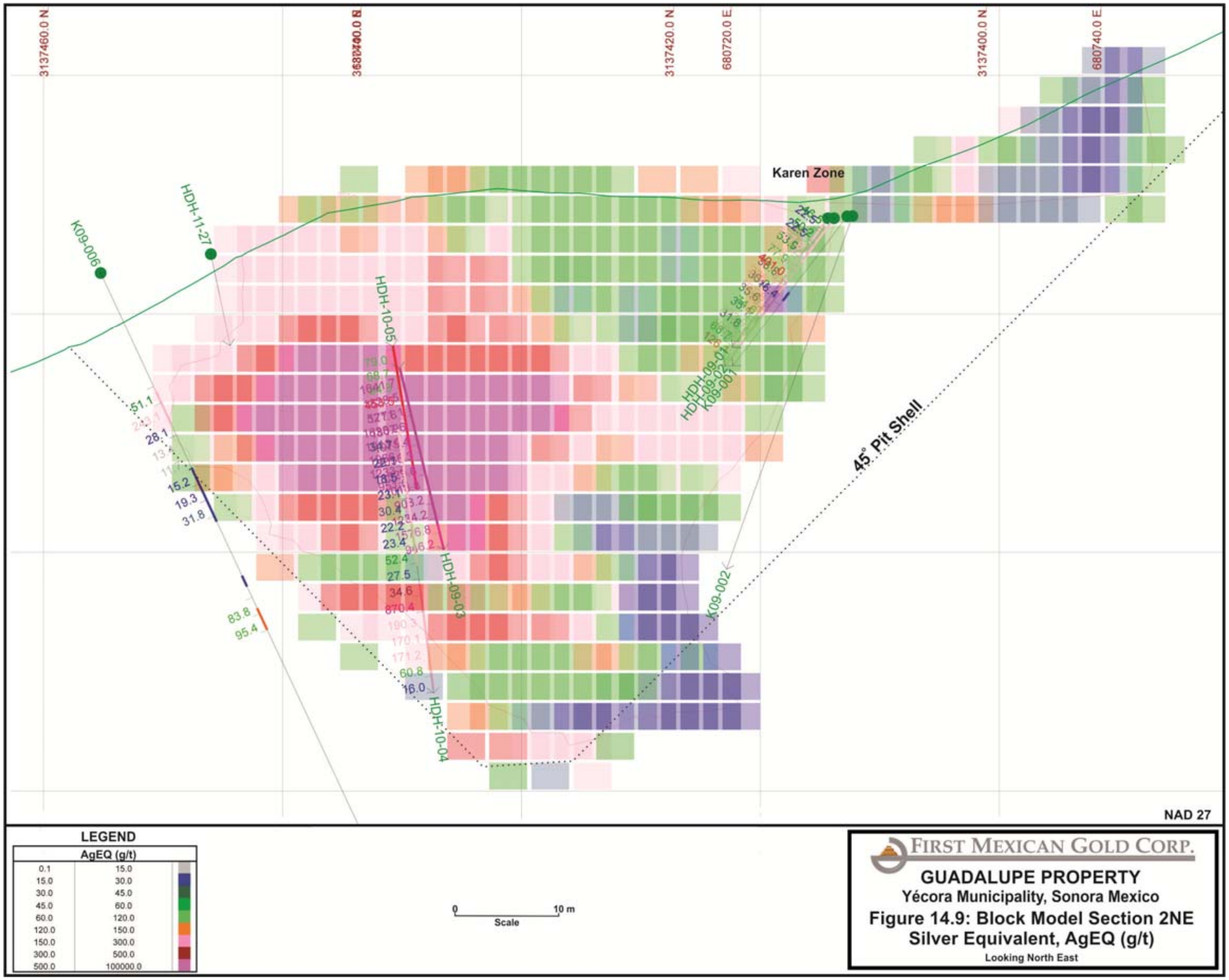



**Figure 14.9: Silver Equivalent Block Model Section with Pit Shell**

*2. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources have no known issues and do not appear materially affected by any known environmental, permitting, legal, title, socio-political, marketing, or other relevant issues. There is no guarantee that Cornelius Exploration or First Mexican will be successful in obtaining any or all of the requisite consents, permits or approvals, regulatory or otherwise for the project or that the project will be placed into production.*

3. *The mineral resources in this study were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ('CIM'), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standing Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014.*

## 14.16 Reasonable Prospects For Eventual Economic Extraction

The reasonable prospects for eventual economic extraction are based on assumptions of:

- cut-off grade and geological continuity at the selected cut-off grade
- metallurgical recovery
- smelter payments
- commodity price
- mining and processing method
- mining, processing and general and administrative costs

The cut-off grade chosen, 45 g/t AgEQ, was based on an estimation of operating costs, metallurgical recoveries and comparison to an analogous silver-gold, open-pit, mill-leach operation, the Santa Elena mine of Silvercrest Mines Inc., which could be used as a basis for the assumptions of eventual economic extraction. The production costs and metallurgical recoveries stated below are the basis for the reported cut-off grade.

The Guadalupe resource is reported at 45 g/t AgEQ cut-off within the modelling constraint (grade shell) which is based on a 15 g/t AgEQ cut-off. The model showed reasonably good geologic continuity inside the grade shell.

The preliminary metallurgical testing reported in Section 13 of this report has recoveries of 81% for gold and 88% for silver from a bottle roll test. These preliminary recoveries are comparable to the metallurgical recoveries reported at Santa Elena, which reported gold recoveries of 92% and 68% for silver from the companies Pre-feasibility Update (Fier, 2014).

Guadalupe is a precious metal deposit and in the author's opinion smelter payments would not be a factor limiting the eventual economic extraction of the deposit. Smelter payments would be limited to gold/silver refining costs.

The commodity prices used for this report and for the equivalent calculations are US$ 1214.94 per ounce of gold and US$ 17.48 per ounce of silver based on 3-year trailing averages. These commodity prices compare favorability with current spot prices for gold and silver and the author's opinion is that the prices for gold and silver will continue to rise.

The Karen Zone is an Ag-Au high sulphidation epithermal deposit that is potentially open-pit mineable based on its basic geometry and that the deposit crops out at surface. The 45 g/t AgEQ cut-off, the physical shape of the Karen ore body and the inter-ramp slope angles (pit slopes) would limit the potential depth of the open-pit used to extract the ore body. The extraction of the mineralized body would become uneconomic at the current cut-off grade with increasing depth because of increased stripping. The strip ratio would be dictated by the slope angles of the open pit used and the depth of the mineralization. The pit slope angle chosen was 45° and is considered conservative.

The bottle roll test reported recoveries of 81% for gold and 88% for silver which would make the deposit amenable to CCD milling with a Merrill Crowe recovery system for doré bar production as a process/recovery method or heap leaching as the low cost option.

Regarding mining, processing and general and administrative costs, Santa Elena states costs of US$ 9.90, mining, $ 24.50, processing and $ 5.30 G&A for US$ 39.70 per tonne in the Pre-feasibility Update (Fier, 2014). The lower cost heap leach option's costs, from operations in the district, were under US$ 15.00 per tonne (Keane et al., 2012).

The author has been unable to verify the information on the Santa Elena Mine or the Mulatos Estrella Pit and that the information on that property may not be indicative of the mineralization on the Property.

# 23.0 ADJACENT PROPERTIES

The Yécora municipality has two mining projects that are close to the Guadalupe property. The most noteworthy properties within 10 km (6 miles) that meet the criteria defined in NI43-101, Section 1.1 are as follows:

- The Los Verdes Molybdenum Project of Virgin Metals, Inc. is adjacent to the First Mexican concessions on the east side of the property with the Los Verdes deposit 1.5 km from the northeast corner of the concessions. The mine has published a NI43-101 PEA with a measured resource of 6,278,000 tonnes grading 0.67% Cu, 0.13% Mo, 0.07% W and 4.91 g/t Ag and an indicated resource of 1,427,000 tonnes grading 0.51% Cu, 0.10% Mo, 0.05% W and 4.02 g/t Ag for measured and indicated resources of 7,705,000 tonnes grading 0.64% Cu, 0.12% Mo, 0.07% W and 4.74 g/t Ag at an in-situ cut-off $25/tonne (Koningen *et al.*, 2012).
- The Santana Project of Corex Gold Corporation is one kilometre west of the Hilda 38 concession boundary. The Santana property has seen extensive exploration and drilling but has no published resource estimate or NI43-101 report

The Los Verdes molybdenum pit is a porphyry related breccia structure with copper, molybdenum, tungsten and silver mineralization possibly related to a covered porphyritic intrusive. Related Mo-(Cu-W) deposits occur at many localities in the American Cordillera, especially in Arizona, Sonora, and Chile. Examples in Sonora include the La Colorada pipe (Cu-Mo) at Cananea, the Pilares pipe (Cu-Mo) at Nacozari, the San Judas, Cobre Rico, Washington, and El Transval breccias (Cu-Mo-W) at Cumobabi, and the El Creston breccia (Mo-Cu-W) at Opodepe (Koningen *et al.*, 2012).

The target deposit type for mineralization on the Property would be similar to the nearby Santana deposit of Corex Gold or the Mulatos deposit of Alamos Gold, which is an epithermal, high sulphidation, disseminated gold deposit hosted within Tertiary age andesitic or rhyolitic rocks. There, gold mineralization is closely associated with silicic and advanced argillic alteration occurring near the contact of the respective porphyritic intrusive with overlying flows and volcaniclastic rocks. Gold occurs in oxide, mixed oxide/sulphide, and sulphide ore types, with pyrite as the primary sulphide mineral.

The author has been unable to verify the information on the Los Verdes, Santana or the Mulatos Projects and that the information on those properties may not be indicative of the mineralization on the Property.

# 24.0 OTHER RELEVANT DATA and INFORMATION

To the author's best knowledge, all the relevant data and information on the Property has been provided in the preceding text.

## 25.0 INTERPRETATION and CONCLUSIONS

The Cretaceous-Tertiary andesitic and rhyolitic volcanic stratigraphy with associated intrusives that underlie the Property are considered favorable stratigraphy to host high sulphidation epithermal deposits in the Sierra Madre Occidental of Northern Mexico. Recent but historic exploration and drilling on the Guadalupe property has identified various alteration zones with anomalous silver, gold and copper values that are prospective for epithermal systems.

These alteration zones are in five areas of the property (Figure 10.3) and all have seen some drilling. The five zones on the Property are known as Bailey, Erica, Karen (resource area) and Karen East, Diana and Luce. These zones have seen soil and rock geochemical sampling, trenching, geophysics and drilling. These zones are prospective for the discovery of additional mineralization and large areas of the property have seen only basic, first pass, exploration (Figure 9.3). Large parts of the Property are under explored. Additionally these mineral occurrences are all in the Cretaceous-Tertiary andesitic/rhyolitic volcanic rocks and appear to be spatially related to the regionally mapped granite-granodiorite-monzonite intrusive.

The Property hosts one preliminary resource estimate in the Karen Zone and several other potential occurrences of interest for additional resources. The Property is prospective for the discovery of additional epithermal mineralization. The Karen Zone resource has some potential for internal resource expansion but the current model is constrained by the current drilling and trenching along trend and at depth. The potential for the Guadalupe property is the discovery of additional bulk minable material in the known zones, other than the Karen Zone, that have seen little drilling or in other under explored areas of the Property. These zones are considered significant enough to warrant further exploration

Mineral exploration by its nature has attendant risks and uncertainties from the discovery stage through to advanced mine development. For this reason, it is incumbent that the Company minimize the uncertainties and financial risks involved in possible advanced exploration work by first evaluating the exploration potential of the known targets on the Property. It is the author’s opinion that the Guadalupe property has good exploration potential for discovering precious metal mineralization associated with one or more, high sulphidation epithermal systems and further work is warranted.

# 26.0 RECOMMENDATIONS

Given that the Property has good exploration potential and its continued assessment is justified, a two-phase exploration program is recommended to evaluate its potential for possible bulk-tonnage precious metal mineralization. A detailed description of a recommended exploration program follows.

### Phase I

Infill drilling on the Karen Zone which would be used to confirm previous the results and upgrade resource classification. This would include drilling some of the previously reported internal resource expansion potential.

### Phase II

This phase of the program would be to further test the potential of the five known zones on the Guadalupe property with the objective of identifying the zones with the potential for additional resources. The locations for these drill pads will be determined after a thorough review of all recent and current geological, geochemical and geophysical results.

Furthermore, several drill sample rejects should be submitted for metallurgical testing at an accredited testing laboratory to better determine silver and gold recoveries and processing methods.

Following the Phase II work, the results should be thoroughly reviewed and a report prepared documenting this exploration work for corporate, annual, governmental, and investor relations reporting purposes.

## 26.1 Proposed Exploration Budget

The recommended exploration and work programs for the Guadalupe Property are as follows:

**Phase I CAD$210,000**

- 1,000 m of diamond drilling: $150,000
  Four holes from four platforms of all in diamond drilling including moves, additives and core boxes.
- Geologists, core splitters and assistants: $23,000
  30 days on site
- Down hole survey tool: $2,500
  $2,500 per month rental
- Camp: $6,000
  Existing camp facility in Guadalupe de Tayopa, including cook.
- Analyses and QA/QC: $8,000
  Assays and QA/QC materials, check assays
- Truck Rental: $4,000
  Truck rental including fuel
- Miscellaneous: $1500
  Lumber, samples bags, flagging, etc.
- Contingency: $15,000
  ~ 10%

The Phase II program is not contingent on positive results from the Phase I program and following a thorough compilation and review by a qualified person the following Phase II program is recommended.

**Phase II CAD$560,000**

- 2,500 m of diamond drilling: $375,000
  Ten holes from ten platforms of all in diamond drilling including moves, additives and core boxes.
- Geologists, core splitters and assistants: $53,500
  60 days on site
- Down hole survey tool: $5,000
  $2,500 per month rental
- Camp: $15,000
- Existing camp facility in Guadalupe de Tayopa, including cook.
- Analyses and QA/QC: $22,000
  Assays and QA/QC materials
- Truck Rental: $8,000
  Truck rental including fuel
- Miscellaneous: $1,500
  Lumber, samples bags, flagging, etc.
- Metallurgical Testing: $25,000
  Bottle roll tests
- Contingency: $55,000
  ~ 10%

Phase I Total: CAD$210,000
Phase II Total: CAD$560,000

Program Total: CAD$760,000

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