GEOLOGICAL REPORT AND SUMMARY OF FIELD EXAMINATION,
EJUTLA PROPERTY,
Municipalities of San Pedro Taviche and San Nicolas Yaxe, District of Ocotlan and
Municipalities of Santa María Zoquitlán and San Pedro Totolapan, District of Tlacolula

Oaxaca State
MEXICO
July 1, 2014

R. A. Lunceford, M.Sc., CPG
761 Aspen Trail
Reno, NV 89519

PREPARED FOR

NEWSTRIKE CAPITAL INC.
950-1199 West Hasting Street
Vancouver, BC V6E 3T5

Signed and Sealed Robert A. Lunceford

In Compliance with NI43-101 and Form 43-101F1
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The effective date of this report is July 1st, 2014.

CERTIFICATE OF AUTHOR

I, Robert A. Lunceford, CPG, am a self-employed geologist.

This certificate applies to the technical report titled "Geological Report and Summary of Field Examination, Ejutla Property, Oaxaca State, Mexico for Newstrike Capital Inc. dated 1 July, 2014 (the “Technical Report”).

I am a registered Certified Professional Geologist #6456 with the American Institute of Professional Geologists of Littleton, Colorado. I graduated with a BS degree in Geology in 1971 from San Diego State University, and a MSc. degree in Geology in 1976 from Montana State University. I reside at 761 Aspen Trail, Reno, NV 89519, USA.

I have practiced my profession for 31 years. During this time I have participated in the discovery, exploration, and evaluation of metals and mineral deposits in North, Central, and South America, including more than 11 years experience in project management and evaluations of gold systems in Mexico.

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


I am solely responsible for all Sections of the Technical Report.

I am independent of Newstrike Capital Inc. as independence is described by Section 1.5 of NI 43–101.

I have been involved with the Ejutla Property as a geologist reviewing exploration activities and results.

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

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

Dated: 18 July, 2014

Robert A Lunceford, Certified Professional Geologist.
### SELECT GLOSSARY OF TERMS RELATING TO MINING AND MINERAL PROPERTIES

<table>
<thead>
<tr>
<th>TERM</th>
<th>DESCRIPTION</th>
</tr>
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<tbody>
<tr>
<td>%</td>
<td>Percent</td>
</tr>
<tr>
<td>&lt;</td>
<td>Less than</td>
</tr>
<tr>
<td>&gt;</td>
<td>More than</td>
</tr>
<tr>
<td>+/- or ±</td>
<td>More or less</td>
</tr>
<tr>
<td>1990382N</td>
<td>UTM grid measurement in metres north of the equator</td>
</tr>
<tr>
<td>412132E</td>
<td>UTM grid measurement in metres east of the central Meridian</td>
</tr>
<tr>
<td>Ag, Ar, As, Au, Bi, Ca, Co, Ni, Cu, Fe, Hg, K, Mo, O, Pb, Sb, Te, U, V, and Zn</td>
<td>Chemical symbols from the periodic group of elements. silver (Ag), argon (Ar), arsenic (As), gold (Au), bismuth (Bi), calcium (Ca), cobalt (Co), Nickel (Ni), copper (Cu), iron (Fe), mercury (Hg), potassium (K), molybdenum (Mo), oxygen (O), lead (Pb), antimony (Sb), tellurium (Te), uranium (U), vanadium (V) and zinc (Zn)</td>
</tr>
<tr>
<td>Alteration</td>
<td>Physical and chemical changes to the original composition of rocks due to the introduction of hydrothermal fluids, of ore-forming solutions, to changes in the confining temperature and pressures or to any combination of these. The original rock composition is considered &quot;altered&quot; by these changes, and the product of change is considered an &quot;alteration&quot;. (From Hacettepe University online dictionary, after AGI)</td>
</tr>
<tr>
<td>Anomalous (anomaly)</td>
<td>a. A departure from the expected or normal. b. The difference between an observed value and the corresponding computed value (background value). c. A geological feature, esp. in the subsurface, distinguished by geological, geophysical, or geochemical means, which is different from the general surroundings and is often of potential economic value; e.g., a magnetic anomaly. (From Hacettepe University online dictionary, after AGI)</td>
</tr>
<tr>
<td>Background</td>
<td>A measured or calculated geochemical, geophysical, petrological or other threshold considered representative of an area. The &quot;Normal&quot; or &quot;not anomalous&quot;</td>
</tr>
<tr>
<td>Breccia</td>
<td>Means fragmental rocks whose components are angular and, therefore, as distinguished from conglomerates as not water worn. May be sedimentary or formed by crushing or grinding along faults or by hydrothermal explosions.</td>
</tr>
<tr>
<td>CAD$ US$</td>
<td>Canadian dollars, United States of America dollars.</td>
</tr>
<tr>
<td>CRM</td>
<td>Consejo de Recursos Minerals (also Coremi). The former Mexican Geological Survey now renamed the &quot;SGM&quot;</td>
</tr>
<tr>
<td>DDH</td>
<td>Diamond drill hole</td>
</tr>
<tr>
<td>Edgar</td>
<td>Legally required American System for Electronic Data Gathering and Retrieval (EDGAR)</td>
</tr>
<tr>
<td>Epithermal</td>
<td>Said of a hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees C, occurring mainly as veins. Also, said of that depositional environment.</td>
</tr>
<tr>
<td>FeOx</td>
<td>Iron oxide</td>
</tr>
<tr>
<td>Fm</td>
<td>Formation. A formal stratigraphic unit.</td>
</tr>
<tr>
<td>Georeferenced</td>
<td>Recording X, Y, and Z Cartesian co-ordinates in accordance with a recognized grid referencing system, in this case to a UTM grid using a WGS84 ellipsoid model.</td>
</tr>
<tr>
<td>Gm/Tonne or g/t</td>
<td>Grams per Tonne. Where a grammie (also gram) is a unit of measure equal to 1/1000th of a kilogram. A Tonne is a metric Tonne having a unit weight of 1,000 kilograms.</td>
</tr>
<tr>
<td>GPS</td>
<td>An electronic device that records the data transmitted by the geographic positioning satellite system.</td>
</tr>
<tr>
<td>Ha, Has</td>
<td>Hectare, Hectares</td>
</tr>
<tr>
<td>INEGI</td>
<td>Instituto Nacional de Esdatística Y Geografía. The Mexican National Statistics and Geographic Institute</td>
</tr>
<tr>
<td>Kb, kb</td>
<td>Kilo bar, an international unit of measure for pressure.</td>
</tr>
<tr>
<td>Km, Kms</td>
<td>Kilometre, Kilometres</td>
</tr>
<tr>
<td>Ltd, Inc</td>
<td>Limited, Incorporated</td>
</tr>
<tr>
<td>M, Ma, MT</td>
<td>Million, Million years, Million Tonnes</td>
</tr>
<tr>
<td>TERM</td>
<td>DESCRIPTION</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>m.a.s.l.</td>
<td>Metres above sea level</td>
</tr>
<tr>
<td>E14A87, E14C17</td>
<td>Mapping index system for Mexico</td>
</tr>
<tr>
<td>CaO, MgO, SiO₂, K₂O</td>
<td>Calcium, Magnesium, silica and potassium oxides respectively. Major rock forming chemical compounds.</td>
</tr>
<tr>
<td>Mineralization (mineralizing)</td>
<td>The presence of minerals of possible economic value – and also the process by which concentration of economic minerals occurs.</td>
</tr>
<tr>
<td>oz, ppm, ppb, °C, mm, cm, m, Km, Km²</td>
<td>Units of measure: ounce, parts per million, parts per billion, degrees Celsius, millimetre, centimetre, metre, kilometre and square kilometres.</td>
</tr>
<tr>
<td>N, S, E, W, NW, etc</td>
<td>North, south, east, west, northwest, northeast etc.</td>
</tr>
<tr>
<td>No.</td>
<td>Number</td>
</tr>
<tr>
<td>HQ, NQ Core</td>
<td>Specifies the diameter of a cylinder of drill core, HQ has a 54mm diameter. NQ has a 45mm diameter.</td>
</tr>
<tr>
<td>NSR</td>
<td>Net Smelter Return</td>
</tr>
<tr>
<td>“on trend” or “on Strike”</td>
<td>A definable geographic direction or orientation of strata, objects or occurrences.</td>
</tr>
<tr>
<td>QA-QC</td>
<td>A quality assurance and quality control program</td>
</tr>
<tr>
<td>S.A de C.V</td>
<td>Sociedad Anónima de Capital Variable</td>
</tr>
<tr>
<td>S.A.B. de C.V</td>
<td>Sociedad Anónima Bursatil de Capital Variable</td>
</tr>
<tr>
<td>Sedar</td>
<td>Legally required Canadian System for Electronic Document Analysis and Retrieval (SEDAR)</td>
</tr>
<tr>
<td>SEMARNAT</td>
<td>The Federal Mexican Environmental Protection Agency</td>
</tr>
<tr>
<td>SGM</td>
<td>Sociedad Geologica Mexicana -The Mexican Geological Survey, a branch of the Federal Government</td>
</tr>
<tr>
<td>Showing</td>
<td>A location where alteration and/or mineralization occurs at surface.</td>
</tr>
<tr>
<td>Significant gold intercept</td>
<td>Drill core intervals that assayed anomalous gold over one or more consecutive sample intervals.</td>
</tr>
<tr>
<td>Skarn</td>
<td>A metamorphic rock rich in calcium bearing silicate minerals (calc-silicates), commonly formed at or near intrusive rock contacts by the introduction of silica rich hydrothermal fluids into a carbonate rich country host rock such as limestone and dolomite. Also, part of an alteration process for the introduction and formation of ore forming mineralization and a common host for mineralization/ore.</td>
</tr>
<tr>
<td>Target</td>
<td>A focus or loci for exploration</td>
</tr>
<tr>
<td>Threshold</td>
<td>In geochemical prospecting, the limiting anomalous value below which variations represent only normal background effects and above which they have significance in terms of possible mineral deposits. (From Hacettepe University online dictionary, after Hawkes)</td>
</tr>
<tr>
<td>Transtensive</td>
<td>A tectonic regime combining transcurrent strike-slip movement with oblique extension.</td>
</tr>
<tr>
<td>TSX</td>
<td>Toronto Stock Exchange, a division of the TSX</td>
</tr>
<tr>
<td>UTM Q14N</td>
<td>Universal Transverse Mercator Zone 14 north</td>
</tr>
<tr>
<td>WGS84</td>
<td>An ellipsoid modal of the earth</td>
</tr>
</tbody>
</table>
CONVERSIONS

The following table sets forth certain standard conversions from the Standard Imperial units to the International System of Units (or metric units).

<table>
<thead>
<tr>
<th>To Convert From</th>
<th>To</th>
<th>Multiply By</th>
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<tbody>
<tr>
<td>Feet</td>
<td>Metres</td>
<td>0.3048</td>
</tr>
<tr>
<td>Metres</td>
<td>Feet</td>
<td>3.281</td>
</tr>
<tr>
<td>Miles</td>
<td>Kilometres</td>
<td>1.609</td>
</tr>
<tr>
<td>Kilometres</td>
<td>Miles</td>
<td>0.621</td>
</tr>
<tr>
<td>Acres</td>
<td>Hectares</td>
<td>0.405</td>
</tr>
<tr>
<td>Hectares</td>
<td>Acres</td>
<td>2.471</td>
</tr>
<tr>
<td>Grams</td>
<td>Ounces (troy)</td>
<td>0.032</td>
</tr>
<tr>
<td>Ounce (troy)</td>
<td>Grams</td>
<td>31.103</td>
</tr>
<tr>
<td>Tonnes</td>
<td>Short Tons</td>
<td>1.102</td>
</tr>
<tr>
<td>Short tons</td>
<td>Tonnes</td>
<td>0.907</td>
</tr>
<tr>
<td>Grams per ton</td>
<td>Ounces (troy) per ton</td>
<td>0.029</td>
</tr>
<tr>
<td>Ounce (troy) per ton</td>
<td>Grams per ton</td>
<td>34.438</td>
</tr>
</tbody>
</table>
1.0 SUMMARY

1.1 Introduction and Terms of Reference

Newstrike Capital Inc. (“Newstrike” or “the Company”, TSX.V: NES) was incorporated under the Business Corporations Act (Alberta) in November, 2000 and continued to British Columbia under the B.C. Business Corporations Act in 2006. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada.

This Technical Report, prepared in compliance with Canadian National Instrument 43-101 (“NI43-101”), is based on a foundation of published and archival geologic and historic data from the Servicio Geológico Mexicano (“SGM”), published NI43-101 technical reports from projects surrounding the Ejutla Property (“Ejutla” or the “Property), Economic Geology and other publications, and internal reports and extensive primary geologic and geochemical data bases pertaining to work programs completed on the Property between 2010 and 2014.

The author, Robert Lunceford, a Certified Professional Geologist of the American Institute of Professional Geologists, and Qualified Person under NI43-101 requirements has benefited from discussions with Ms. Gillian Kearvell, Vice President of Exploration of the Company and with Dr. Craig Gibson, a consultant under contract to the Company and a Qualified Person as defined by NI43-101. Accompanied by Ms. Kearvell, and Dr. Gibson, the most recent site visit for this Technical Report was completed on May 9-11, 2014 during which five audit samples were collected.

1.2 Reliance on Other Experts

This Technical Report is an accurate representation of the status and geologic potential of the Ejutla Property based on the information available to the author and the site visit completed on May 9-11, 2014. Work recommended herein which includes an initial drill test, was planned and will be supervised by a Qualified Person(s) as defined by NI-43-101.

The Ejutla Fracción 2 mineral rights concession, constituting the Ejutla Property is considered to be valid by the Mining Department in México as of the date of this Technical Report and all tax payments are current. The author has reviewed the relevant documents and has no reason to believe that ownership and status are other than has been represented, however it was not within the scope of this Technical Report to examine in detail or to independently verify the legal status or ownership of the Property. Determination of secure mineral title and surface estate ownership is solely the responsibility of the Company.

1.3 Property Description and Location

The Property is located within the State of Oaxaca in southern Mexico. The approximate center of the Ejutla Property is 1,845,000N by 775,000E (UTM WGS84, zone 14N) or whose center is defined as 16°35’ N latitude by 96°25’ W longitude. The Property encompasses 18,866.27 Hectares within a single mineral concession named Ejutla Fracción 2; with title number 231537.

1.3.1 Mineral Tenure and Royalties

Mexico is a constituted federation of independent states and operates under western-style legal and accounting systems, with a 30% flat tax rate. The Mexican Constitution maintains
a direct non-transferable ownership of the nation’s mineral wealth (considered a national resource) that is governed under established Mining Law. The use and exploitation of such national resources is provided for through clear title to a mineral rights concession (“lot” or “concession”) that is granted by the Federal Executive Branch for a fee and under prescribed conditions. Mining concessions confer rights with respect to all mineral substances as listed in their Registry document (the “title”) provided the concessions are kept in good standing. The main obligations to maintain title to a concession in good standing are performance of work expenditures, payment of mining fees and compliance with environmental laws. The amount of the mineral rights fees and expenditures required to maintain a concession varies each year and is calculated based on a per hectare rate that typically increases annually. The term of a mineral rights concession is 50 years, with the period commencing on the date recorded by the Public Registry of Mining, which is the date title is granted.

Title to the Ejutla Fracción 2 concession is held by Minera Aurea, S.A. de C.V, the 100%-owned Mexican subsidiary of the Company, with no underlying private royalties to a third party. The 2014 first term mineral rights payment of about CAD$58,478 was completed January 31st, 2014, a second payment is due July 31st, 2014. The assessment report was filed on May 30, 2014. All assessment and mineral rights tax payments are current and in good order.

The Mexican Senate approved tax reform changes in Mexico that became effective January 1, 2014, affect operating mining companies in Mexico. The changes include: the corporate income tax remaining at 30%; a new mining royalty fee of 7.5% on income before tax, depreciation and interest; an extraordinary governmental fee on precious metals, including gold and silver, of 0.5% of gross revenues; and, changes affecting the timing of various expense deduction for tax purposes. Should the tax reform changes remain in place as is; the Ejutla Property will be subjected to the new tax regime.

1.3.2 Surface Rights

Mineral concessions are sub-surface rights that do not automatically grant surface access rights. Permission for surface access must be negotiated with the relevant communities and/or individuals who hold rights or title to the surface areas affected by the mining concessions. These negotiations typically provide for the purchase or lease of the surface rights. Due to the inherent risk in a negotiations process, the Company cannot guarantee to have continual and unencumbered access to their mineral exploration concessions.

The Property lies within the municipalities of San Pedro Taviche and San Nicolas Yaxe, District of Ocotlán; the municipalities of Santa Maria Zoquitlán and San Pedro Totolpan, District of Tlacolula and the municipality of San Dionisio Ocotep, District of Mixe, (INEGI(a)). Each municipality is comprised of private parcels of agrarian land and community lands granted under Federal Agrarian law by the Mexican government, collectively called an Ejido. To reduce the inherent risk of the negotiation process, the Company initiates formal surface access agreements prior to commencement of exploration activities. The Company maintains good relationships with their neighbours and have signed one-year renewable surface access agreements to 10,402 hectares, sufficient to cover existing areas of current exploration interest. Additional agreements will be needed as exploration progresses.

1.3.3 Environmental and Permitting

An environmental study was initiated on the Ejutla Property in April 2012, beginning with a historical review and collection of pertinent information from relevant Government agencies. Field work was undertaken as part of the initiation of activities report to document all
potential areas that may be affected by exploration activities; including the taxonomic identification of flora and fauna, a hydrological study (geo-referencing springs, rivers, wells etc.), (Ramírez et al., 2012). In anticipation of future permitting requirements the Company continues to monitor and advance environmental studies with in-house specialists under renewable one-year contracts to the Company.

All permissions and applications required in accordance with planned exploration programs have been performed in accordance with the applicable Mexican Official Standards (Normas Oficiales Mexicanas). The Property does not fall within any known protected areas and there are no known existing environmental liabilities or point sources of contamination on the Property although an exhaustive search was beyond the scope of this Technical Report. If the Property advances to the development stage, the Company will require several Federal and State, and Municipal permits.

1.4 Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The principal Property access is from the capital city Oaxaca de Juarez travelling about 32 kilometres (40 minutes) south to the town of Ocotlán de Morelos via modern paved federal highway 175. Turn easterly at Ocotlán de Morelos for about 25 kilometres (30 minutes) to the town of San Nicolas Yaxe, situated about two kilometres north of the Property boundary. From Yaxe, the remainder of the Property is accessible through a network of good quality gravel roads. Several alternate access routes are also available.

The Property lies south of the Tropic of Cancer with a semi-arid climate and median temperatures ranging from 12°C in winter to 32°C in summer (annual average 22°C). The rainy season is from June to October with a total average precipitation of 1,550mm per year, (INEGI(b)). Vegetation consists of larger trees, including poplar, eucalyptus and Perú trees, and in the high mountains, oak, fir, spruce and pine trees with abundant cactus and other small bushes. Elevations on the Property range from about 1,600 metres to 2,400 metres.

The Ocotlán Judiciary District where the Company maintains a permanent field office has about 50,000 inhabitants, most of them living in the municipality of Ocotlán de Morelos with 21,341 inhabitants.

1.5 History

Small scale historic mine workings are located on the Property that were investigated and sampled by the Company during regional reconnaissance. The workings consist of narrow tunnels, shallow pits, and inclined shafts ranging from a few metres to fifty metres in depth. There is no reported production from these mines, and prospects are not noted in available literature. No evidence of recent, modern exploration is apparent on the Property.
1.6 Geology and Mineralization

On a regional scale, the Taviche Mining District is underlain by an assemblage of rocks that are exposed within an irregularly shaped morphological feature known as the Oaxaca Central Valley (the “Central Valley” or “Valley”), roughly 90 kilometres in diameter and host to the mining and exploration activities described in this Technical Report.

The Central Valley is filled with a marine sediment and volcaniclastic lithologic assemblage presumed to range from Mesozoic (Cretaceous) to Cenozoic (Tertiary) in age. These rocks lie unconformably over Precambrian granulite-facies metamorphic rocks of Grenvillian age belonging to the Oaxaca Basement Complex. At least two intrusive phases are recognized in the district, including a porphyritic holocrystalline granodiorite and younger rhyolite and andesite dikes emplaced as flow-banded dikes and as small plugs. The stratigraphy of the Oaxaca Central Valley is affected by regional scale structural lineaments ("corridors") oriented north forty degrees west (N40°W or a 320° Azimuth). Quartz and quartz-carbonate veins with trace sulphides infill both northwest and northerly trending extensional fractures and faults within district scale corridors forming parallel and sub-parallel veins and/or anastomosing vein systems associated with a low sulphidation epithermal polymetallic mineralization event.

At a project-scale, the Property is underlain by similar stratigraphy as found throughout the Oaxaca Central Valley. Early Tertiary (?) intermediate to felsic volcanic and volcaniclastic rocks unconformably overlie both stratigraphic units. Precambrian rocks are not observed in outcrop on the Property.

Initial reconnaissance exploration in 2010 identified several predominantly northwest dip-slip fault structures filled by felsic dikes and later veins in road cuts two kilometres northwest of the small village of Las Casas located just south of the southern limit of the Property. This northwest trend became known as the Las Casas Structural Corridor and subsequent work has shown it is one of three mineralized structural corridors identified on the Property. The corridors are relatively large, extending from three kilometres to eight kilometres along strike across the Property and from 750 metres to three kilometres wide.

Alteration and mineralization is hosted primarily within the three structural corridors where veins have filled faults with associated wallrock alteration adjacent to the veins. Precious and base metal mineralization occurs primarily as quartz and quartz-calcite veins and related stockwork, generally with trace sulphides, mainly pyrite, arsenopyrite, stibnite and locally pyrargyrite that crosscut all observed stratigraphy on the Property.

Since late 2010, work has focused on the westernmost Las Casas Structural Corridor which includes the Mezcalera-Loma del Horno and the Jarillas vein systems, each characterized by banded quartz and quartz-calcite veins, hydrothermal breccia and stockwork with local areas of silicification with fine quartz veinlets, all with trace sulphides. Bladed quartz after calcite textures indicative of high level boiling is locally observed. Adularia has been described in hand specimen but its presence remains to be verified by petrographic methods.

An altered quartz phenocryst felsic unit may be the most important host to mineralization on the Property where vein-stockwork textures are developed in the wallrock to the veins consisting of strong iron-stained breccia, with localized disseminated pyrite (as much as 5% or more) and hosted in subvolcanic porphyry ranging from rhyodacite to rhyolite in composition, with occasional distinctive “quartz eye” phenocrysts.
The porphyry is believed to represent a second, younger Miocene-Pliocene intrusive event evidenced by its cross cutting relationship with a slightly older granite.

1.7 Exploration and Drilling

Since title to the Ejutla Property was received in March 2008, the Company has carried out the following exploration works over the Property:

- Completion of surface access agreements to the primary areas of exploration interest.
- Research and compilation of existing databases including satellite, orthographic images and digital elevation models.
- Initial reconnaissance traverses and rock chip sampling concentrated in the southwest sector of the concession mostly within an area from +2 kms to 7 kms north of the town of Las Casas.
- Initial reconnaissance traverses and rock chip sampling of the central and eastern portions of the Property.
- Stream sediment sample survey.
- Preliminary environmental studies for the preventive report and drill permitting.
- Regional mapping at 1:20,000 and 1:10,000 scale over all areas with surface rights.
- Road cut mapping, and geochemical sample survey.
- Inventory, rehabilitation and sampling of existing mine workings.
- Semi-detailed mapping and geochemical rock chip sampling at 1:5,000 and 1:2,000 scales.
- Line cutting and ground geophysical survey 67.5 line-km of magnetics and 29.975 line-km of IP completed.
- Detail grid mapping at 1:500 scale with trenching and 50 metre centred grid samples and vein chip channel samples of selected areas.

The Company operates the Ejutla Property from a permanent field office established in the nearby town of Ocotlán de Morelos. To date, 4,905 rock and sediment samples have been collected for geochemical analysis. This includes 166 regional scale stream sediment samples and 4,739-outcrop chip and vein chip channel samples.

1.7.1 Conclusions

Results of the exploration work collected to the date of this Technical Report strongly indicate precious metal mineralization is associated with well-developed northwest trending structural corridors characterized by felsic and andesite dikes and in-fill quartz and quartz-carbonate veining. Significantly, work along the Las Casas Structural Corridor and specifically the Mezcalera vein system has resulted in discovery of a large block of pervasively silicified limestone cut by hydrothermal and fault breccia. Geochemical sampling indicated that the limestone block and surrounding quartz veins are anomalous in silver and gold and in pathfinder elements, particularly Sb, and Hg.

Magnetic and IP surveys conducted over the Mezcalera-Loma del Horno and the Jarillas vein systems, indicated anomalies some of which may be associated with sulphide-rich fault networks.
The Company has not conducted drilling on the Property and there is no evidence of historical drilling.

1.8 Sample Preparation, Analyses, and Security

Sample cuttings consisting of rock chips are collected in the field by contractors or employees of the Company and placed in labelled, plastic bags, which are sealed at the site. These samples are then transported from the field and stored at the secure office facility that the Company maintains in Ocotlán de Morelos. From there, the bagged samples are placed in sealed rice bags and delivered to a commercial cargo carrier, mainly Autobuses Estrellas Blancas S.A. de C.V. located in the nearby city of Oaxaca de Juárez. Samples are then shipped to the preparation facility of ALS Group (“ALS” a subsidiary of Campbell Brothers Ltd. – ASX: CPB) in Guadalajara, Mexico. Sample pulps prepared in Guadalajara are shipped to the ALS facility in Vancouver, Canada for analysis for gold, silver, copper, lead, zinc and other elements.

ALS employs extensive internal Quality Assurance/Quality Control methods including the use of systematically incorporated certified standards, blanks, and duplicates to assure precision and accuracy. As standard procedure project geologists anonymously insert (every 20) sample standards and blanks into every sample batch shipped to ALS.

1.9 Data Verification

The author conducted initial reconnaissance of the Ejutla Property on March 9-17, 2010, accompanied by a Company geologist and a follow-up site visit was completed on December 17, 2010. The author’s most recent data review and site visit that forms the basis for this Technical Report was completed on May 9-11, 2014. The author has reviewed publications of the Mexican government, Economic Geology, and other publications as well as several completed NI43-101 technical reports describing projects surrounding the Ejutla concession. Additionally, several summary reports generated by the Company, and other primary geologic and geochemical data pertaining to work programs completed on the Property between 2010 and 2014 were reviewed.

To confirm the presence of gold and silver mineralization, the author collected five rock chip samples from the Mezcalera vein and Jarillas targets on December 17, 2010, and five additional samples from the Mezcalera and Loma del Horno areas on May 10, 2014. All the author’s rock samples were retained in his custody and delivered to ALS Minerals, in Reno Nevada, (2010 samples) or a commercial transport company for transport to ALS Group in Guadalajara, Mexico (2014 samples) for precious metal and multi-element analyses.

1.10 Conclusions and Recommendations

The Ejutla Property is located within a belt of Low Sulphidation (“LS”) epithermal precious and base metal deposits extending through much of western into southern Mexico within the Sierra Madre del Sur Tertiary magmatic province where the Property is located.

The deposits are closely related to regional faults and although the overall trend is dominantly northwest several east-northeast faults, which are believed to have been reactivated Laramide structures, have localized systems (Camprubi, Albinson, 2007). Geochemical sampling and geologic mapping completed on the Property has indicated a style
of LS gold-silver mineralization that is believed to be similar to Au-Ag (+Cu-Pb-Zn) mineralization in the central Taviche Mining District in which the Property is located.

As a result of the work programs completed by the Company between 2010 and 2014 three principal structural corridors including Las Casas, Duraznillo, and Totolapam were identified, which host silver-gold mineralization associated with predominant northwest trending quartz vein systems emplaced in predominantly felsic dikes. Significantly, in addition to vein and stockwork targets, work along the Mezcalera and other vein systems within Las Casas Structural Corridor, a large block of pervasively silicified limestone cut by hydrothermal and fault breccias has been discovered. Geochemical sampling indicated that the limestone block is anomalous in silver and gold and pathfinder elements, As, Sb, and Hg. Textural, compositional, and geochemical evidence indicate the samples collected from the Mezcalera and other veins within structural corridors indicate, in general, a high paleo-level of exposure within a low sulphidation epithermal system or systems.

1.11 Recommendations

Work on the Ejutla Property has successfully advanced to the stage where drill testing is warranted and necessary to determine the future economic viability of the Property. However, concurrent with the drill testing continued basic exploration including further geologic mapping, geochemical sampling, and expanded geophysical surveys is required to fully evaluate all known and possible mineralized targets.

Consequently, an exploration program is recommended should include:

- **Las Casas Structural Corridor** – continue geologic mapping, grid sampling and rock chip sampling, mine working sampling and rehabilitation, a 5,000 metre, fifteen hole first-stage drill program.
- **Duraznillo and Totolapam Structural Corridors** – continue geologic mapping at detail and regional scales, grid, rock chip sampling, preliminary ground geophysics (IP and Magnetic).

1.12 Budget

Based on the above recommendations and in compliance with the assessment work requirements, a minimum twelve month budget of CAD$2.5 million dollars is proposed for calendar year 2014, (Table 1.1). This is sufficient to maintain the mineral rights concession in good standing and to advance the exploration of the Property.
<table>
<thead>
<tr>
<th>WORK DESCRIPTION</th>
<th>Cost CAD $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapping and camp costs</td>
<td>600,000</td>
</tr>
<tr>
<td>Geologists, field and camp costs at CAD$50,000 per month</td>
<td></td>
</tr>
<tr>
<td>Geophysical survey</td>
<td></td>
</tr>
<tr>
<td>Ground surveys (magnetic and IP plus costs) 50 line kilometres at CAD $3,500/Km</td>
<td>175,000</td>
</tr>
<tr>
<td>Drilling</td>
<td></td>
</tr>
<tr>
<td>5,000 metres at CAD$175/metre (15 planned drill holes)</td>
<td>875,000</td>
</tr>
<tr>
<td>Geochemistry</td>
<td></td>
</tr>
<tr>
<td>5,000 drill core, 3000 grid, mapping, road cuts at CAD$50/sample</td>
<td>400,000</td>
</tr>
<tr>
<td>Road construction</td>
<td></td>
</tr>
<tr>
<td>1,400 hours at CAD$125/hour</td>
<td>175,000</td>
</tr>
<tr>
<td>Permitting, Community Relations, and Surface Access</td>
<td>50,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>2,275,000</td>
</tr>
<tr>
<td>10% Contingency</td>
<td>225,000</td>
</tr>
<tr>
<td>TOTAL PROPOSED BUDGET</td>
<td>$ 2,500,000</td>
</tr>
</tbody>
</table>

Note: Costs are calculated using 2013 costs incurred.
2.0 INTRODUCTION AND TERMS OF REFERENCE

Newstrike Capital Inc. ("Newstrike" or "the Company") was incorporated under the Business Corporations Act (Alberta) in November, 2000 and continued to British Columbia under the B.C. Business Corporations Act in 2006. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada. Its securities are listed for trading on the Toronto Stock Exchange Venture Board (TSX.V) under the symbol "NES".

This Technical Report, prepared in compliance with NI43-101, was updated from a previous private report, "Geological Report, and Summary of Field Examination, Ejutla II Property, Oaxaca State, Mexico, August 31, 2011" (Lunceford, 2011), prepared by the author for the Company. Both the private report and this Technical Report were based on a foundation of published and archival geologic and historic data from the Servicio Geológico Mexicano ("SGM"), published NI43-101 technical reports from other company projects surrounding the Ejutla Property, Economic Geology and other publications, and internal reports and extensive primary geologic and geochemical data bases pertaining to work programs completed on the Ejutla Property ("Ejutla" or the "Property") between 2010 and 2014. The author, Robert Lunceford, a Certified Professional Geologist of the American Institute of Professional Geologists, and Qualified Person under NI43-101 requirements has benefited from discussions with Ms. Gillian Kearvell, Vice President of Exploration of the Company and with Dr. Craig Gibson, a consultant under contract to the Company and a Qualified Person as defined by NI43-101.

The author conducted an initial site visit to the Property on March 9-17, 2010 and a second field examination was completed on December 17, 2010, during which five audit samples were collected (see Data Verification, section 12). Accompanied by Ms. Kearvell, and Dr. Gibson, the site visit for this Technical Report was completed on May 9-11, 2014 and an additional five audit samples were collected.

3.0 RELIANCE ON OTHER EXPERTS

This Technical Report is an accurate representation of the status and geologic potential of the Property based on the information available to the author and the site visits completed on March 9-17, 2010, December 17, 2010, and May 9-11, 2014. Some of the mineralized prospects and areas on the Ejutla Property are drill-ready targets with indications of gold and silver mineralization based on initial and more detailed surface geochemical sampling, reconnaissance and detailed geologic mapping, and geophysical surveys over select areas completed between 2010 and 2014. Work recommended herein under Recommendations includes an initial drill test that will be supervised by a Qualified Person(s) as defined by NI43-101.

The Ejutla Fracción II mineral rights concession, constituting the Property, is considered to be valid by the Mining Department in Mexico as of the date of this Technical Report and all tax payments are current. The author has reviewed the relevant documents and has no reason to believe that ownership and status are other than has been represented, however it was not within the scope of this Technical Report to examine in detail or to independently verify the legal status or ownership of the Property. Determination of secure mineral title and surface estate ownership is solely the responsibility of the Company.
4.0 PROPERTY DESCRIPTION AND LOCATION

4.1 Property Location

The Property is located in southern Mexico about 45 kilometres south of the capital city Oaxaca de Juarez in Oaxaca State (Figure 4.1). The approximate center of the Ejutla Property is 1,845,000N by 775,000E (UTM WGS84, zone 14N) or whose center is defined as 16°35’ N latitude by 96°25’ W longitude. The Property encompasses 18,866.27 Hectares within a single mineral concession named Ejutla Fracción 2; with title number 231537. The Property is located within the Taviche Mining District of the Central Oaxaca Valley, (Figure 4.2), and is covered by the Santa María Zoquitlán 1:50,000 scale topographic map sheet number E14D68, published by the National Institute of Statistics and Geography (“INEGI”), the Mexican agency responsible for geographic and cartographic services.

![Figure 4.1 Location of the Ejutla Property, Oaxaca State, Mexico](image)

4.2 Mineral Tenure and Royalties

Mexico is a constituted federation of independent states that has been a party to the North American Free Trade Agreement (NAFTA) since it was signed it into law on December 8, 1993 and effective on January 1, 1994; as such it is governed by a tax and trade regime comparable to the USA and Canada. It operates under western-style legal and accounting systems, with a 30% flat tax rate.
Figure 4.2 Location and access, Ejutla Property
Surrounding operating and historical mines/districts are shown.
The Mexican Constitution maintains a direct non-transferable ownership of the nation’s mineral wealth (considered a national resource) that is governed under established Mining Law. The use and exploitation of such national resources is provided for through clear title to a mineral rights concession (“lot” or “concession”) that is granted by the Federal Executive Branch for a fee and under prescribed conditions. Mining concessions are only granted to Mexican companies and nationals or Ejidos, (agrarian communities, communes, and indigenous communities). Foreign companies can hold mining concessions through their 100% owned Mexican-domiciled companies. A number of Government agencies have responsibility for enforcing mining laws and its applicable regulations that must be complied with; non-compliance may result in cancellation of a concession.

Mining concessions confer rights with respect to all mineral substances as listed in their Registry document (the “title”) provided the concessions are kept in good standing. The main obligations to maintain title to a concession in good standing are performance of work expenditures, payment of mining fees and compliance with environmental laws. Mineral rights fees are paid bi-annually in January and July, and annual proof of exploration work expenditures is done via a work report filed by June of the following year (“assessment” report or “comprobante de obras”). The amount of the mineral rights fees and the amount of expenditures required varies each year. It is calculated based on a per hectare rate that typically increases annually in line with yearly inflation rates. The new rates are published each year in advance in the Mexican Federations Official Diary (“Diario Oficial”).

The application process to acquire mineral rights is established under the Mining Law. Title is granted following a due diligence investigation of a mineral rights application as filed by the qualified party. Mineral rights fees and assessment works are required as of the date a concession title is issued. Following changes to the Mining Law in 2006, there are no longer any difference in Mexico between an exploration concession and a mining concession. The term of a mineral rights concession is 50 years, with the term commencing on the date recorded by the Public Registry of Mining, which is the date title is granted. A second 50-year term can be granted if the applicant has abided by all appropriate regulations, and makes the application within five years prior to the expiration date of the original title.

The Mexican Senate approved Tax Reform changes in Mexico that became effective January 1, 2014 affect operating mining companies in Mexico. The changes include: the corporate income tax remaining at 30%; a new mining royalty fee of 7.5% on income before tax, depreciation and interest; an extraordinary governmental fee on precious metals, including gold and silver, of 0.5% of gross revenues; and, changes affecting the timing of various expense deduction for tax purposes. This implies an effective combined tax and royalty rate of 35.25% depending on how deductions will be applied. The new rates put Mexico in line with the primary mineral producing nations of the world. Should the tax reform changes remain in place as is; the Ejutla Property will be subjected to the new tax regime.

Title to the 18866.27 hectare Ejutla Fracción. 2 mineral rights concession is owned by Minera Aurea S.A. de C.V, the 100% owned Mexican subsidiary of the Company, with no underlying royalties to a third party, (Table 4.1). The Company continues to operate on the concession since it was titled on March 7, 2008, maintaining all mineral rights fees and work commitments in good standing. The 2014 first term mineral rights payment of about CAD$58,478 was completed January 31st, 2014, and a second payment is due July 31st, 2014. The assessment report was filed on May 30, 2014, (Table 4.2).

Newstrike has investigated title to all of its mineral properties and maintains them in accordance with Mexican mining law, which provides for the rights to carry out the works and development required of and for mining and related activities.
Table 4.1 Ejutla Fracción 2 Title

<table>
<thead>
<tr>
<th>Mineral Right Concession Name</th>
<th>Granted</th>
<th>Number</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ejutla Fracción 2</td>
<td>7-Mar-08</td>
<td>231537</td>
<td>18866.27</td>
</tr>
</tbody>
</table>

Table 4.2 Work expenditures and Mineral rights fee requirements from 2012 to 2014.

<table>
<thead>
<tr>
<th>EJUTLA FRACCIÓN 2</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITULO : 231537</td>
<td>Completed</td>
<td>Completed</td>
<td>Pending</td>
</tr>
<tr>
<td>ASSESSMENT WORK</td>
<td>$286,905</td>
<td>$421,175</td>
<td>$2,464,537</td>
</tr>
<tr>
<td>MINERAL RIGHTS*</td>
<td>$56,105</td>
<td>$56,105</td>
<td>$116,955</td>
</tr>
<tr>
<td>Total CAD$</td>
<td>$343,010</td>
<td>$477,280</td>
<td>$2,581,492</td>
</tr>
</tbody>
</table>

* Estimates a one year average exchange rate of 11.85, rounded to the nearest dollar.

4.3 Surface Rights

Mineral rights concessions are sub-surface rights that do not automatically grant surface access. Permission for surface access must be negotiated with the relevant communities and/or individuals who hold rights or title to the surface areas affected by the mining concessions. These negotiations typically are for surface access during the early stages of exploration, and may include purchase or lease of the surface rights for more advanced projects. Due to the inherent risk in a negotiations process, the Company cannot guarantee to have continual and unencumbered access to their mineral exploration concessions.

The Property lies within the municipalities of San Pedro Taviche and San Nicolas Yaxe, District of Ocotlán; the municipalities of Santa María Zoquitlán and San Pedro Totolpan, District of Tlacolula and the municipality of San Dionisio Ocotepec, District of Mixe, (INEGI (a)). On the Ejutla Property, each municipality is comprised of one or more “Ejido”, (Figure 4.3). Ejido’s provide indigenous surface occupation rights and are comprised of both parcelled agrarian lands (“parcelas” or “ejidatario possessions”) that is controlled by an individual (an “ejidatario”) who is typically the head of a family. The Ejido is also comprised of communal lands where the community services and residences are situated (similar to a town) and administered by an assembly of Ejido members in common (“ejidatarios”). The assembly is chaired by an elected “Comisario”, similar to a town mayor, and is policed by an elected “Comisario de Vigilancia”, similar to a town sheriff. Collectively the individual parcels and the communal lands form an “Ejido”. Ejido Rights are granted under Federal Agrarian law by the Mexican government. An Ejido typically is farmed either individually or collectively for food and/or other economic remuneration.

The Mexican government always retains the ownership of the “Ejido” land and governs the use of the land under Agrarian Law. Because mining is considered to contribute a “National Benefit”, in the event of a land use dispute Mining Law in Mexico holds precedence over Agrarian Law. A mineral rights concessionaire has the right to apply for the temporary occupation of the land or expropriation, which will be granted to the extent that the land is indispensable for the development of the mining Property. Compensation is set through an appraisal carried out by the federal government’s National Goods’ Appraisal Commission.

The Company operates a good neighbour policy that guides all its community relations with the Ejido and local landowners, and includes participation in other social affairs, such as education, road maintenance, sports activities and other community outreach programs. Negotiation by the Company for formal surface access agreements is always initiated prior to start-up of exploration activities to reduce the inherent risk of the negotiation process.
The Company maintains good relationships with their neighbours and have signed one-year renewable surface access agreements to 10,402 hectares, sufficient to cover existing areas of exploration interest, (Table 4.3 and Figure 4.3). Additional agreements will be negotiated as exploration advances.

Table 4.3 Surface Area Under Access Agreements

<table>
<thead>
<tr>
<th>Surface Owner</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comunidad San Pedro Totolapam</td>
<td>4,905.48</td>
</tr>
<tr>
<td>Comunales Santa María Zoquitlán</td>
<td>3,772.45</td>
</tr>
<tr>
<td>Ejido San Pedro Taviche</td>
<td>1,095.08</td>
</tr>
<tr>
<td>Comunales Ejido San Pedro Taviche</td>
<td>223.26</td>
</tr>
<tr>
<td>En posesión de Ejido San Pedro Taviche</td>
<td>406.54</td>
</tr>
<tr>
<td>Total Hectares</td>
<td>10,402.81</td>
</tr>
</tbody>
</table>

Figure 4.3 Ejutla 2 Mineral Rights Concession and surface ownership.
4.4 Environmental and Permitting

As summarized from Belanger (2012), Mexico's environmental protection system is based on the General Law of Ecological Equilibrium and the Protection of the Environment ("LGEEPA"). Under LGEEPA, numerous regulations and standards for environmental impact assessment, air and water pollution, solid and hazardous waste management and noise have been issued. Various Federal, State and Municipal agencies have jurisdiction over certain different sections of the environmental permit process.

In general, Mexico has an established mining-friendly approach to the permitting process at the Federal level. Until exploration activities have progressed further, the permits required for exploration activities are not onerous and include a letter of initiation of activities received and sealed by the government authority. Acceptance of the initiation of Activities for the Ejutla Property report was received on July 09th, 2012.

The Secretary of the Environment, Natural Resources and Fisheries ("SEMARNAT") and its sub-departments, in conjunction with decentralized Offices, (Table 4.4), are responsible for supervision and oversight of four main areas:

- Preservation and sustainable development of ecosystems and biological diversity;
- Pollution prevention and control;
- Hydrological resources integral management;
- Climate change

If the Property advances to the development stage the Company will require several Federal, State, and Municipal permits. Table 4.5 lists the principal permits required as a concession is advanced from exploration through to development. In general environmental laws require the filing and approval of an environmental impact statement (MIA) for all exploitation work, and for exploration work that does not fall within the threshold of a standard issued by the Federal Government for mining exploration. Environmental permitting for exploitation, absent any strong local opposition to the project, can be usually achieved in less than one year.

Mining companies must obtain a Federal environmental license (Integrated Environmental License or LAU), which sets out the acceptable limits for air emissions, hazardous waste and water impacts, as well as the environmental impact and risk of the proposed operation.

<table>
<thead>
<tr>
<th>Government Agencies</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Institute of Ecology (&quot;INE&quot;):</td>
<td>Planning, research and development, conservation of national protection areas, promulgation of environmental standards and regulations</td>
</tr>
<tr>
<td>Federal Prosecutor for the Protection of the Environment (&quot;PROFEPA&quot;):</td>
<td>Enforcement, public participation and environmental education</td>
</tr>
<tr>
<td>National Water Commission (CAN):</td>
<td>Assessing fees related to waste water discharges</td>
</tr>
<tr>
<td>State Ecological Board (&quot;COEDE&quot;)</td>
<td>Federal delegation or state agencies of SEMARNAT</td>
</tr>
</tbody>
</table>
An environmental study was initiated on the Ejutla Property in April 2012, beginning with a historical review and collection of pertinent information from relevant government agencies. Field work was undertaken as part of the initiation of activities report to document all potential areas that may be affected by exploration activities; including the taxonomic identification of flora and fauna, a hydrological study including geo-referencing of springs, rivers, and wells, (Ramírez, et al., 2012). In anticipation of future permitting requirements the Company continues to monitor and advance environmental studies with in-house specialists under renewable one year contracts to the Company.

All permissions and applications required in accordance with planned exploration programs have been performed in accordance with the applicable Mexican Official Standards (Normas Oficiales Mexicanas). The Property does not fall within any known protected areas and there are no known existing environmental liabilities or point sources of contamination within the concession although an exhaustive search was beyond the scope of this Technical Report.

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

The principal Property access is from the capital city Oaxaca de Juarez travelling about 32 kilometres (40 minutes) south to the town of Ocotlán de Morelos via modern paved federal highway 175. Turn east-southeast at Ocotlán de Morelos and travel about 25 kilometres (30 minutes) along a two lane paved highway to the town of San Nicholas Yaxe, situated about two kilometres north of the Property boundary (Figures 4.1 and 4.2).
From Yaxe a secondary dirt road is traveled south approximately two kilometres to the northern boundary of the concession. This road continues south to access a network of dirt roads to other parts of the concession. Alternate access points include from the town of San Pedro Taviche via Las Casas on the southern boundary, and via San Pedro Totolapam on the eastern boundary.

The climate of the Ejutla Property is semi-arid with median temperatures ranging from 12°C in winter to 32°C in summer (annual average 18°C), and a rainy season, from June to October with a total average precipitation of 1,550mm per year, increasing in the event of hurricane activity, (INEGI (b)). The area is seismically active, nevertheless the prevalent weather and seismic conditions allows uninterrupted mining operations all year around.

The Property is located in the Sierra Madre del Sur Physiographic Province and locally within the Central Valley sub-province in the northern part of the Sierra de Oaxaca. Elevations on the Property range from about 1,600 m to 2,400 m and topography consists of large hills and small mountains dissected by relatively steep drainages over most of the concession. Vegetation consists of larger trees, including poplar, eucalyptus and Perú trees, and in the higher mountains, oak, fir, spruce and pine trees with abundant large cactus and other small bushes in the lower elevations.

The main power line (110 KV), interconnected to the national grid, is parallel to the Oaxaca – Puerto Angel Mexican Federal Highway 175 and has branches (33 KV) to the small towns and villages of the district. The towns of the west part of the districts take water from the Ocotlán and La Garzona rivers, whereas those of the central and east part pump water from shallow wells. In the valleys the phreatic level is about 8 to 10 metres in depth.

The Ocotlán Judiciary District has about 50,000 inhabitants, most of them living in the municipality of Ocotlán de Morelos with 21,341 inhabitants (2010 census, http://www.citypopulation.de/php/mexico-oaxaca.php?adm2id=20068). Most of the people are indigenous Zapotec mestizo with an illiteracy rate that exceeds 50%. The economically active population is about 50% of the total population (Solano-R., Escandon, V., 2008).

There is a limited amount of qualified mine workers in the communities surrounding the Property. Technical workers (electricians, mechanics, computer skilled, heavy equipment operators etc.) can be found in the area and local people can easily become trained. Primary and secondary-level technical schools are available at Ocotlán and all levels of schooling are available in nearby Oaxaca City.

6.0 HISTORY

The Taviche Mining District was discovered in 1580 during the Spanish colonial history, with intermittent production through to the present day. The main production occurred between 1885 and 1913 under American, British and Canadian companies working the Rosario, Conejo Blanco, La Escuadra, San Francis Candelaria, Los Ocotes, San Martín de los Canseco and a few other small mines. They opened seven cyanidization and amalgamation plants and three small smelters regionally, and built a narrow gauge railroad to Oaxaca (56 kilometres). Most of the precipitates were sent to larger smelters in Pachuca, Teziutlán and Zimatlán. During this time, the Taviche Mining District was one of Mexico’s most important gold producing mining districts, (Solano R., Escandon, V., 2008).

The mines were closed from 1913 to 1936 during the Mexican revolution.
After 1968, the Comisión de Fomento Minero ("CFM"), a state-owned agency, operated a 150 metric tonne per day ("tpd") flotation plant at Santa Inés Yatzeche, and another 120 tpd flotation plant was operated by Minerales de Oaxaca S.A. de C.V ("MIOXSA") at San Jerónimo Taviche. Approximately 750,000 tonnes with grades in the order of 2.0 g/t gold, 350 g/t silver, with about 1% lead and zinc and 0.5% copper, were mined historically from the Taviche Mining District up to the time that a portion of the area was nationalised as a Federal Taviche District Mineral Reserve, (Solano-R., Escandon, V., 2008). However, since no further details or estimates are provided these figures are not considered reliable by the author.

During the late 1980's to mid-1991 MIOXSA was operating the San Jose Mine and produced at a small scale from claims now belonging to the Monte Alba Property (Colmena Mine, Conejo Blanco, and Gwinico).

Modern exploration got underway in the 1990's following changes to Mexican foreign ownership and mining laws and the signing of the North American Free Trade Agreement ("Nafta") that attracted large scale foreign investment to the area for the first time. In recent years, many studies have been made to evaluate the district by and for several Canadian mining companies. Whether any of the work by the Canadian listed companies included any general reconnaissance or investigation within the boundaries of the Ejutla Property is not known.

As summarized by Kearvell (2008), the highlights of modern mining activity focused on the Taviche Mining District follows by year.

1999- 2001: Pan American Silver Corporation ("Pan American") begins reconnaissance work in the area culminating in a 2001 drill program on the San Jose area on MIOXSA ground.

2002: Pan American acquired the West and East Taviche concessions. The 50,000 ha Taviche Mineral reserve is privatized through public lottery by the SGM, the Mexican geological survey.

2003: Continuum Resources Ltd. ("Continuum" – now part of "Fortuna") options the San Jose and other properties from MIOXSA.

2003 to 2006: Continuum carries out surface and underground mapping and sampling and 2500 metres of drilling in 15 holes on their San Jose property, announcing a resource estimate in May, 2005. Pan American maps and drills the Taviche properties. 2005: Fortuna Silver Mines Inc. ("Fortuna") enters into a purchase agreement with Continuum Resources, forming the Fortuna Silver-Continuum Resources joint venture (the "Fortuna JV"), and takes over Property management. Intrepid Mines ("Intrepid") options the Taviche East and West properties from Pan American.

2007: Fortuna JV files a NI43-101 compliant resource estimate with 1.47 million indicated tonnes grading 262.6 g/t Ag and 2.19 g/t Au containing 17.7 million Ag equivalent oz and 3.9 million inferred tonnes grading 260.6 g/t Ag and 2.57 g/t Au containing 49.1 million Ag equivalent ounces, (Hester, M.G., Ray, G.E., 2007). The author has not verified the information regarding the estimated resources or reserves of the adjacent properties and the reader is cautioned that the mineralization on these surrounding properties is not necessarily indicative of mineralization that is the subject of this Technical Report.

The Fortuna JV options the Monte Alban II concession and conducts soil and stream sediment geochemistry programs. Intrepid enters into a joint venture agreement with Aura Silver
Resources Inc. ("Aura Silver"), forming the Intrepid JV, whereby the companies can jointly earn a 70 percent interest in the Taviche concessions.

In 2006 Minera Aurea, SA de CV ("Minera") the wholly owned Mexican subsidiary of Aurea Mining Inc, ("Aurea") acquired seven contiguous concessions (the Monte Alban project) within the district and began data compilation, detailed and project-scale geologic mapping, petrographic and mineralogical studies leading to a 21 hole core drill program accruing 4,998.3 m. Highlights of the 2007 drill program are summarized below, (Table 6.1), (Lunceford, 2011).

Table 6.1 Significant 2007 drill results in the Taviche Mining District
Completed by the Company. The target areas include the San Jorge and Chicharra areas.

<table>
<thead>
<tr>
<th>HOLE</th>
<th>FROM</th>
<th>TO</th>
<th>METERS</th>
<th>Au g/t</th>
<th>Ag g/t</th>
<th>% Cu</th>
<th>% Pb</th>
<th>% Zn</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSJ-03</td>
<td>39.85</td>
<td>43.80</td>
<td>3.95</td>
<td>0.92</td>
<td>19</td>
<td>0.18</td>
<td>2.30</td>
<td>2.42</td>
</tr>
<tr>
<td>DSJ-03</td>
<td>9.00</td>
<td>10.50</td>
<td>1.50</td>
<td>2.67</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.01</td>
</tr>
<tr>
<td>DSJ-08</td>
<td>37.23</td>
<td>39.33</td>
<td>2.10</td>
<td>0.11</td>
<td>143</td>
<td>1.54</td>
<td>7.65</td>
<td>9.41</td>
</tr>
<tr>
<td>DSJ-13A</td>
<td>75.40</td>
<td>82.10</td>
<td>6.70</td>
<td>2.12</td>
<td>64</td>
<td>0.05</td>
<td>0.53</td>
<td>0.73</td>
</tr>
<tr>
<td>includes</td>
<td>75.40</td>
<td>76.15</td>
<td>0.75</td>
<td>13.60</td>
<td>430</td>
<td>0.12</td>
<td>1.58</td>
<td>0.93</td>
</tr>
<tr>
<td>DCH-3</td>
<td>130.15</td>
<td>132.10</td>
<td>1.95</td>
<td>0.07</td>
<td>105</td>
<td>2.45</td>
<td>0.04</td>
<td>0.01</td>
</tr>
<tr>
<td>DCH-5</td>
<td>27.65</td>
<td>28.15</td>
<td>0.50</td>
<td>3.75</td>
<td>3</td>
<td>0.02</td>
<td>0.05</td>
<td>0.08</td>
</tr>
<tr>
<td>DCH-7</td>
<td>42.35</td>
<td>45.80</td>
<td>3.45</td>
<td>0.10</td>
<td>32</td>
<td>0.57</td>
<td>0.36</td>
<td>1.14</td>
</tr>
<tr>
<td>DCH-7</td>
<td>27.27</td>
<td>28.51</td>
<td>1.24</td>
<td>0.04</td>
<td>65</td>
<td>1.09</td>
<td>0.67</td>
<td>1.86</td>
</tr>
</tbody>
</table>

Due to the prevailing economic downturn, Minera terminates the Monte Alban option agreement and completes a business combination with Newstrike Capital where Minera is a 100% operating subsidiary of the Company. Fortuna releases its option on the Monte Alban II property and Intrepid suspends all Mexican operations.

In 2006 Minera stakes claim to the Ejutla Fracción 2 mineral concession, the same Ejutla Property ("Ejutla") that is the subject of this Technical Report.

2008: The Intrepid JV files a NI43-101 report for the Taviche East and West properties and with a US$1.6 million budget completes mapping, sampling, and drilling programs. The Fortuna JV moves forward with pre-development ramping at the San José mine. Fortuna acquires Continuum in a share purchase agreement. Minera Aurea receives title for the Ejutla Fracción 2 concession and begins early stage exploration.

2009-2014: Fortuna completes 33,000 metres of drilling on their San Jose Property, as part of a pre-feasibility study and in 2010 received all permits and commences construction for a 1,500 tpd ("Tons Per Day") underground mine at the San Jose Property with production (at 1000 tpd) projected for the third quarter of 2011. Fortuna publishes first resource estimates for the San Jose and Trinidad Mines in 2009 and effective July 4th, 2013 (Chapman and Kelly, 2013) reports NI43-101 compliant Reserves and Resources as:
Table 6.2 Mineral Reserves and Resource, San Jose and Trinidad Mines

<table>
<thead>
<tr>
<th>Classification</th>
<th>Tonnes (000)</th>
<th>Ag (g/t)</th>
<th>Au (g/t)</th>
<th>Ag (Moz)</th>
<th>Au (koz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven</td>
<td>314</td>
<td>203</td>
<td>2.03</td>
<td>2.0</td>
<td>20.5</td>
</tr>
<tr>
<td>Probable</td>
<td>3,618</td>
<td>196</td>
<td>1.67</td>
<td>22.8</td>
<td>194.6</td>
</tr>
<tr>
<td>Proven + Probable</td>
<td>3,933</td>
<td>196</td>
<td>1.70</td>
<td>24.8</td>
<td>215.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Tonnes (000)</th>
<th>Ag (g/t)</th>
<th>Au (g/t)</th>
<th>Ag (Moz)</th>
<th>Au (koz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>44</td>
<td>67</td>
<td>0.55</td>
<td>0.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Indicated</td>
<td>844</td>
<td>74</td>
<td>0.64</td>
<td>2</td>
<td>17.4</td>
</tr>
<tr>
<td>Measured + Indicated</td>
<td>888</td>
<td>73</td>
<td>0.64</td>
<td>2.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Inferred</td>
<td>5422</td>
<td>202</td>
<td>1.56</td>
<td>35.3</td>
<td>272.3</td>
</tr>
</tbody>
</table>

Summarized information regarding the San Jose Mine Resources and Reserves is from publically available information referenced above. No information is available to the author to permit verification of this data. The information is not necessarily indicative of the mineralization on Ejutla Property and should not be relied on for any economic assessment of the Property.

2009-2014: Minera Aurea conducts semi-continuous exploration on its Ejutla Property that is described in this Technical Report. Three prospective structural corridors that are in-filled by low sulphidation epithermal veins carrying anomalous gold and silver typical of the district are discovered. According to Ramírez, et. al. (2012) there are small scale historic mine workings located on the Property that suggest limited production may have occurred. These workings consist of narrow tunnels up to a maximum 100 metres, and shallow vertical pits from a few metres to fifty metres depth. No evidence of recent, modern exploration is apparent on the Property other than work activity completed by the Company.

7.0 GEOLOGY

7.1 Regional Geology

The Taviche Mining District is underlain by an assemblage of rocks that are exposed within a roughly circular morphological feature known as the Oaxaca Central Valley (the “Central Valley” or “Valley”) roughly 90 kilometres in diameter where all mining and exploration activity described within this Technical Report is located. The Central Valley assemblage lies unconformably over Precambrian granulite-facies metamorphic rocks of Grenvillian age belonging to the Oaxaca Basement Complex, (Figure 7.1.). The Oaxaca Basement Complex is sub-divided into distinct tectono-stratigraphic terrains or crustal blocks, two of which underlie the Central Valley: the Zapoteco and the Cuicateco sub-terrains. The principal mineral deposits of the Taviche Mining District are hosted by basement rocks of the Zapoteco Sub-Terrain, with the exception of the Cobre Grande deposit, which is hosted by the Cuicateco Sub-Terrain. The Ejutla Property is located near the proposed boundary between both basement sub-terrains.
Deformation and subsequent intrusion associated with the principal mineralizing event is interpreted as related to subduction along a predominantly convergent southern Mexico plate boundary, with the younger volcanic sequence having been deposited approximately contemporaneous with the initial volcanic events of the Trans-Mexican Volcanic Belt (after Campa and Coney, 1983; Martinez-Serrano, et al., 2008; and Chapman, et al., 2013).

The Central Valley contains a Mesozoic to Cenozoic stratigraphic assemblage (Figure 7.2) characterized by:

- Cretaceous limestone, shale and sandstone;
- Early Tertiary andesite and rhyolite flows, and pyroclastic volcanic's;
- Tertiary diorite, quartz-monzonite and granodiorite intrusions, and;
- Late Tertiary or Quaternary basaltic flows.

The ages of the Central Valley stratigraphy have never been accurately determined and all ages presented in within this Technical Report are interpreted. The regional geology map, (Figure 7.3), indicates that the Property is predominantly underlain by andesitic and rhyolitic volcanic rocks. Geologic mapping by the Company has modified this perspective as discussed in section 7.2. A description of the regional rock units that comprise the greater Taviche Mining District follows.
7.1.1  Basement rocks
Rocks of the Oaxaca basement complex are dominantly paragneiss, interpreted to be at amphibolite-granulite facies metamorphic grade derived from quartz-feldspathic, mafic, and calcareous protoliths. These units have been dated at 1.08 Ma and are cut by 0.980 Ma pegmatites. The basement stratum is not recognized in outcrop within the Property boundaries (Lunceford, 2011).

![Stratigraphic Column](image)

Figure 7.2 Stratigraphic column of the Taviche Mining District, (Lunceford, 2011)

7.1.2  Mesozoic rocks
Volcano-sedimentary rocks presumed to be Mesozoic in age are exposed throughout the central Taviche District and unconformably overlie the basement complex. The lowermost unit is a turbidite with a basal conglomerate containing abundant Precambrian fragments grading upward to a mudstone, to a rhythmic sandstone-siltstone sequence, and to a moderately stratified argillaceous limestone with fossiliferous reef facies believed to be Cretaceous in age. Cretaceous limestone outcrops in the southwestern part of the Ejutla Property (Lunceford, 2011).

7.1.3  Cenozoic rocks
Tertiary volcanic rocks, estimated at 3,000 metres in thickness unconformably overlie Mesozoic units throughout the Taviche district and are the dominant rocks outcropping on the Property. Geologic mapping conducted in the central Taviche district (Toth, Johansing, 2008) described the volcanic, sub-volcanic, and intrusive rocks including:
a) feldspar porphyritic andesite flows and flow breccia’s (“clastic” at outcrop scale) along with more local pyroclastic and epiclastic units,

b) feldspar porphyritic andesite flows or sub-volcanic rocks (non-clastic texture at outcrop scale) and

c) fine-grained volcanic rocks (with no visible phenocrysts) including intermediate to felsic tuffs.

Figure 7.3 Regional geologic map
(map after Garcia, J.L. et al, 1997)

Volcanic and sedimentary rocks have been intruded by at least three phases, including a porphyritic holocrystalline granodiorite (orthoclase-plagioclase-biotite-magnetite) and younger rhyolite (with quartz phenocrysts) and andesite emplaced as flow-banded dikes and small plugs. The rhyolite dikes are widespread in the Taviche district and are often associated with the district wide quartz vein system emplaced along the regional northwest structural trend (Trejo de la Cruz, et al, 2013). All of these intrusive phases outcrop on the Ejutla Property (Lunceford, 2011; Trejo de la Cruz, et. al., 2013).
7.1.4 Structure and Mineralization

The stratigraphy of the Oaxaca Central Valley is affected by a regional scale lineament oriented north forty degrees west (N40°W or a 320° Azimuth) that is observed from the towns of Santiago Libertad and San José del Progreso to the village of Santa Catarina Minas (Trejo de la Cruz, et al., 2013).

Chapman, et al. (2013) characterizes the Taviche Mining District silver and gold mineralization as low sulphidation epithermal that infill the regional scale structural lineament. Mineralization is hosted by steeply dipping hydrothermal breccia, crackle breccia and quartz-carbonate veins emplaced along north and north-west trending, east-northeast dipping anastomosing brittle fault structures. These dominantly dip-slip fault structures crosscut the sub-horizontal effusive flow and pyroclastic units producing cumulative displacements ranging from a few metres to greater than 300 metres between the footwall and the hangingwall of the mineralized structural corridor. Favoured sites for vein or stockwork vein emplacement are dilational zones occurring at high angles to the dominantly dip-slip displacement vectors of the principal extensional fault systems. Within the mineralized structural corridor, fault zones are commonly extensively brecciated and seamed by fault gouge. Locally these zones are strongly silicified and often display evidence of repeated brecciation and re-cementing. Northeast trending post-mineral cross faulting is present locally with apparent sinistral displacement. In the hanging wall of the mineralized structural corridor, small scale block faulting is evidenced by the clear displacement of the reddish-brown volcanoclastic marker units.

The mineralized vein deposits of the Taviche Mining District comprise most of the past and present producing mines in the district, such as Monte Albán, San José del Progreso, San Jerónimo Taviche and San Pedro Taviche, among many others. In excess of 115 mines have operated in the district, historically (Trejo de la Cruz, et al., 2013). The Cobre Grande deposit (Figure 7.3), located about 32 kilometres east-northeast of San Nicholas Yaxe is an exception. Here sulphide mineralization is found in association within a Cu-Mo-Zn-Ag skarn system, where skarn mineralization is hosted by contact, metasomatic calc-silicate rocks proximal to quartz diorite and granodiorite intrusions (Ross and Chamois, 2008).

Most of the important mineralization discovered to date within the Taviche Mining District falls within a well-defined northwesterly structural corridor related to strike-slip faulting termed the Taviche Structural Zone, (Figure 7.4). This structural corridor extends from San José del Progreso and Monte Albán in the northwest, southeastward to the central Taviche district to the Higo Blanco prospect south of the Property and includes the western portion of the Property. Mineralization to the east of the Taviche Structural Zone at San José de Gracia (El Aguila Mine) and in the eastern part of the Property may lie within parallel structural corridors.
Figure 7.4 Taviche Structural Zone
7.2 Property geology

7.2.1 Stratigraphy

The Ejutla Property is underlain mainly by a sequence of Early Tertiary (?) intermediate and felsic volcanic and volcaniclastic rocks that unconformably overlie Cretaceous (?) limestone exposed in one area of the Property as presently mapped. The volcanic rocks have been locally intruded by younger Tertiary (?) granitic and rhyolitic stocks and dikes, (Figures 7.5, and 7.6).

The oldest rock unit exposed on the Property is a block of massive to thickly bedded limestone, believed to be Mesozoic in age (Cretaceous?) that crops out in the southwestern portion of the Property in the Mezcalera area (Figure 7.6 and 7.7). At the surface the block is approximately 800 metres long by 300 metres wide and is probably block faulted and folded as both northeast (northwest dips) and northwest (southwest dips) strikes were recorded.

Figure 7.5 Stratigraphic column, Ejutla Property
Oaxaca Basement Complex paragneiss does not outcrop on the Property.
The three structural corridors, Las Casas, Duraznillo, and Totolapam are identified. Limestone outcrops shown in dark blue.
Similar blocks of mineralized limestone were observed in the Higo Blanco project located on Aura Silver’s adjacent Taviche East Property, and near the town of San Pedro Taviche just outside the southwest corner of the Ejutla Property (Carter, 2013). The structural details on the project are not clear, but the limestone is probably an uplifted block that may be isolated or that may be part of a more continuous unit underlying the andesitic volcanic rocks across both properties.

Younger intermediate and felsic volcanic rocks are the dominant lithologies outcropping on the Property, and are presumed to be early Tertiary in age. Texturally, the volcanic rocks range from hypabyssal, sub-volcanic porphyries, to aphanitic and pyroclastic flow units and tuffs, and to clastic-sedimentary sequences. Geologic mapping completed by the Company has sub-divided the volcanic rocks into two main units; the most predominant rocks are older andesitic flows and flow breccias that are locally porphyritic with as much as 15% feldspar phenocrysts. Mapping of this unit is generally not sufficiently advanced to be able to separate units in the volcanic stratigraphy.

The andesitic rocks are overlain by younger and relatively flat lying rhyodacite to dacite pyroclastic rocks that occur on topographic highs or in structurally preserved blocks. The volcanic rocks are locally intruded by younger Tertiary rhyolite to rhyodacite felsic dikes which are aphanitic to weakly porphyritic with sparse quartz phenocrysts (Figure 7.8). These felsic dikes are emplaced along the northwesterly trending structural corridors where they exhibit a close spatial association with veins and mineralization, (Figure 7.4).
A granitoid intrusion (stock?) outcrops in the south eastern portion of the Property and displays two intrusive events; the youngest is a subvolcanic porphyry ranging from rhyodacite to rhyolite in composition, with occasional distinctive “quartz eye” phenocrysts, believed to represent a second, younger Miocene-Pliocene intrusive event as evidenced by its cross cutting relationship with an earlier phase of slightly older holocrystalline granodiorite.

![Figure 7.8 Clay altered quartz eye porphyry rhyodacite sub-volcanic Duraznillo Structural Corridor](image)

### 7.2.2 Structure and Veins

Beginning in 2010, initial reconnaissance in the southwestern corner of the Ejutla Property, identified several predominantly northwest strike-slip and dip-slip fault structures filled by later felsic dikes and quartz or quartz carbonate veins that form part of the Taviche Structural Zone, (Figure 7.4). That portion crossing the Property is referred to as the Las Casas Structural Corridor and subsequent work has shown it is one of three mineralized structural corridors discovered on the Property, (Figure 7.6). Faulting within the structural corridors crossing the Property is expressed as aligned and offset drainages and contacts, and as felsic and andesitic dikes and quartz and quartz carbonate veins that occupy fault strands. Dilational zones along strike-slip faults were created by jogs and splays and by less predominant northeast striking younger (?) cross faults that displace the northwest set. Both the northwest and northeast faults are mineralized (Lunceford, 2010, Lunceford 2011).

Within these structural corridors on the Property, almost all mineralized structures and in-filling veins and dikes strike N25-65°W and dip steeply to the east, although more divergent northwest strikes and shallow dips are apparent. These fault trends recognized on the Property are identical to those in the central Taviche district including typically northerly and north-northwest structural splays. The corridors are relatively large, extending from three kilometres to eight kilometres along strike along the Property and are from 750 metres to three kilometres in width, (Figures 7.4 and 7.6). Typically these structures show recurrent movement. Geologic mapping is still in progress on these corridors whose strike and width extent remain open.
The term “vein system” as used herein refers to the occurrence of multiple discrete parallel, sub-
parallel and anastomosing quartz veins and proximal stockwork zones which vary individually from
a few centimetres to several tens of metres in width.

- **Las Casas Structural Corridor**

Las Casas structural corridor ("Las Casas") is located in the western part of the Property. It is the
largest mineralized corridor on the Property as currently defined, extending northwesterly at least
eight kilometres from the southern Property boundary and averages three kilometres wide. Two
main vein systems have been recognized within Las Casas, the Mezcalera-Loma del Horno and the
Jarillas vein systems, and each comprise several individual prospective veins including the
Mezcalera, Bilia, Los Hornos, Jarillas and San Pedro veins among others, discussed in section 7.3.

- **Duraznillo Structural Corridor**

The parallel Duraznillo structural corridor ("Duraznillo") lies about five kilometres east of Las Casas,
located in the central portion of the Property. Duraznillo, as it is defined to date, is a discontinuous
northwesterly trend of veins that extends from the southern Property boundary for three kilometres
and varies from seven hundred and fifty metres to one and a half kilometres wide, and is still open.
The Duraznillo corridor includes the Duraznillo and La Llorona veins that remain to be fully
evaluated.

- **Totolapam Structural Corridor**

A third structural corridor is located near the eastern Property boundary. Little work has been done
to define and evaluate this system, which primarily hosts narrow veins within felsic dikes.

**7.2.3 Alteration and Mineralization**

Alteration and silver-gold mineralization on the Ejutla Property falls within the regional scale
structural corridors described above. The primary faults within these corridors were intruded by
later felsic and occasionally andesite dikes and by small stocks. The faults were subsequently, or
possibly contemporaneously, conduits for the hydrothermal fluids that infilled the structures with
multiple veins or vein systems and their associated alteration. The dikes bear a close spatial
relationship with the location of veins and are sometimes crosscut by them. Mineralization occurs
primarily associated with quartz and quartz-carbonate veins with trace sulphides, primarily pyrite
with some arsenopyrite, stibnite and pyrargyrite that crosscut all observed stratigraphy on the
Property.

Compositional and or textural variants result from proximity of hydrothermal cells to fault and
fracture zones, timing of open fractures relative to fluid deposition, depth of emplacement,
permeability and porosity of the host unit, and other factors.

Felsic dikes and related stocks are typically moderately to strongly argillic (clay) altered, and
pervasively silicified, often occurring with strong iron-stained breccia containing localized,
disseminated pyrite (up to + 5%). Wall rock alteration within the andesite units are typically argillic
and propylitic altered.

A sample collected at the north end of the exposed 800 meter segment of the Mezcalera vein system
(at UTM 1,184,206N; 770,038E; WGS84) included small sulphide grains of stibnite (antimony
sulphide) and galena (lead sulphide) although other samples collected along the vein trace did not
contain evident, visible sulphides. Adularia is described in hand specimens but remains to be verified
by further sampling or detailed petrographic studies.

Wallrock alteration within the Cretaceous limestone (described in section 7.1.2) typically consists of
replacement by silica, and structural zones that exhibit a combination of brecciated, banded and
drusy textures. The unit is cut by stockwork quartz veinlets, by faults and by hydrothermal breccias, and is strongly pervasively silicified near the vein structures, (Figures 7.9 a through c).

Figure 7.9 Silicification and Vein textures
(a) Silicified limestone breccia, Mezcalera Area; (b) Plate-like brecciated and drusy quartz, Mezcalera (Casas) vein, (c). Bladed quartz after calcite, Mezcalera Vein, (Lunceford, 2010), and (d) Detached boulder of stratified silica, Las Jarillas area.

Geologic mapping of the Property completed to date indicates the presence of late calcite veins that sometimes crosscut the earlier quartz veins. The paragenesis of these late veins and their significance to mineralization (if any) is undetermined at present.

7.3 Principal prospects and targets

Several principal and secondary vein systems and prospects have been mapped and sampled along the Las Casas Structural Corridor, (Figure 7.10, Table 7.1). Exploration activity by the Company has mostly been focused along this zone but reconnaissance and detailed evaluation is also continuing on targets located in the eastern part of the Property within the Duraznillo and Totolapam Structural Corridors.
7.3.1 Mezcalera-Loma del Horno vein system

The Mezcalera-Loma del Horno vein system is located on the western side of the three kilometre wide northwesterly trending Las Casas Structural Corridor, (Figure 7.6 and 7.10). Veins within Las Casas corridor have been mapped over an eight kilometre strike length between the Mezcalera vein in the southeast to the Loma del Horno vein to the northwest. The largest of these veins, Mezcalera, is more or less continuously exposed along at least an 800 meter strike segment, although most veins on the Property have continuous strands of less than 300 metres. The vein systems within the Las Casas corridor consist of discrete parallel, anastomosing and horsetailing veins, as well as veinlets and stockwork zones associated with silicified and argillized andesite and locally with felsic dikes. In addition to the Mezcalera vein, several smaller discrete veins have been mapped, including Bilía and Loma del Horno. Small mine workings and prospect pits are present at several points along the vein system, notably at Bilía and Loma del Horno.

The southern end of the Mezcalera vein system is exposed in a road cut (at UTM 1,841,652N; 770,442E; WGS84) about 2.3 kilometres north of the small village of Las Casas. South of this road cut, a 200 metre long zone of strong argillization and bleaching of the rhyolite host marks the vein trace. The vein is hosted in distinctive rhyolite with quartz phenocrysts at the road cut locality.

Northward from the road cut, a more or less continuous quartz and chalcedony vein system extends about 450 metres along a N56°W, 52°SW trend, averaging 5-12 metres in width.

About 300 metres north of the road cut, the vein transects a block of pervasively silicified limestone (described above) cut by a complex of stockwork and hydrothermal and fault breccia, (Figure 7.9a). At 450 metres north of road cut, the Mezcalera vein is cross-cut by an intersecting N45°E vein, characterized by abundant northeast trending fractures within quartz chalcedony rubble, marking a fault structure. North of this structure, the vein system continues as a pervasively silicified zone up to 125 metres in width, cut by numerous 1-2 millimetre stockwork veinlets within the limestone host, but with little or no evident dominating chalcedony-quartz veining. South of the fault, the vein trace consists of chalcedony-quartz rubble and outcrops suggesting the cross fault is a normal fault down to the north.
Figure 7.10 Prospects and targets along the Las Casas Structural Corridor. Geophysical survey and systematic sample grid lines are shown.
Quartz-chalcedony vein textures include numerous multi-episodic re-healed open and closed breccia, crack and seal, banded chalcedony, cockscomb and drusy quartz textures, with occasional remnant distorted quartz after bladed calcite suggesting exposure within or near the boiling zone, (Figures 7.9a, 7.9b and 7.9c).

At approximately 1,000 metres north of the road cut, the Mezcalera vein system is hosted in andesite, which continues to the Loma del Horno area. The Loma del Horno area is characterized by a series of northwest to north-northwest striking steeply northeast dipping felsic dikes and occupying quartz veins. Poddy pervasive silicification and stockwork zones accompany anastomosing quartz veins and veinlets that are discontinuously exposed along segments exceeding 500 metres. In general, argillic alteration is widespread and intensifies along vein margins in the Loma del Horno area.

7.3.2 Las Jarillas vein system

The Las Jarillas system is located parallel to and east of the Mezcalera-Loma Del Horno vein system near the eastern side of the three kilometer wide Las Casas Structural Corridor. The Jarillas vein system currently extends northwesterly from the Guiniche-Tejon vein to the southeast through the Jarillas vein and to the San Pedro vein to the northwest, (Figure 7.10).

The vein system is generally discontinuous and less well defined along strike than the Mezcalera-Loma de Horno vein system but has been traced at surface for about five kilometres along trend. The Rincon de Lodo area lies about five kilometres northwest of the approximate trend of the Jarillas system and may be a strike extension, but work has not yet advanced to this point.

The most extensive historic mine workings observed on the Property are at the Jarillas prospect (UTM 1,844,066N; 770,315E; WGS84), (Figure 7.10). Workings consist of several shafts and pits along several hundred metres of the vein. At least one 100 meter long crosscut accesses drifting that connect two steeply inclined, partially caved shafts up to 30 metres in depth, developed on a N50°W, 70°E dipping fracture with discontinuous quartz veins and stockwork, (Figure 7.11). The fracture-stockwork zone exposed at the shaft extends north and south for at least 100 m. Trejo de la Cruz (2013) describes adularia from this area along with chalcedony, banded calcite, quartz, kaolinite, chlorite, zeolites, manganese, and in several places a box work of oxides (after pyrite or perhaps chalcopyrite and sphalerite?). He also tentatively suggests zonation in the Au:Ag ratios, which increases with decreasing elevation between Las Jarillas and the Mezcalera vein systems. However, this tentative conclusion requires more detailed sampling and analysis.

A 100 metre long outcrop of chaledonic rubble is exposed on a ridgeline (at UTM 1,844,092N; 770,659E; WGS84) to the north and approximately 100 metres vertically above the shafts and adit described above. At the western end of this outcrop and about 30 metres below, a loose block of quartz-chalcedony with highly stratified and uniform silica laminations was identified; (Figure 7.9d). The stratified silica may be replacement of fine lacustrine strata associated with ponding at the original paleo-deposition level or may be related to silica deposition parallel to structures from streaming hydrothermal fluids, but further detailed work is necessary to determine this. In either case, the silica textures appear to be indicative of deposition of silica at a high paleo-level.

7.3.3 La Llorona vein system

La Llorona vein system (Figure 7.4) lies within the Duraznillo Structural Corridor and has been mapped over about 1.5 kilometres along strike and 750 metres in width, but is still open. The vein system consists of a series of discrete veins and anastomosing veins and veinlets that displays breccia and drusy textures and are associated with a northwest trending felsic dike swarm. Manganese, pyrite, and arsenopyrite(?) are locally observed with white quartz.
The principal vein striking N40°W and dipping 75°SW has been mapped at the surface for over 500 metres, and averages 1.0 to 1.5 metres in width. The vein occupies a fault that defines the contact between an andesite flow and a dioritic intrusion.

7.3.4 Other mines, and prospects
As of the date of this Technical Report several historic mine workings have been located on the Property, virtually all of which are located within the Las Casas Structural Corridor. None of the prospects are noted in the available literature and no production is reported. Most workings are shallow and of limited extent.

Figure 7.11 Mina Jarillas Mine workings and vein locations
Table 7.1 Inventory of historic mine workings and prospects, Las Casas Structural Corridor.

<table>
<thead>
<tr>
<th>Vein Name</th>
<th>Easting</th>
<th>Northing</th>
<th>Structure</th>
<th>Strike</th>
<th>Dip</th>
<th>Length (m)</th>
<th>Width (m)</th>
<th>Wallrock</th>
<th>Mineral</th>
<th>Gangue</th>
<th>Alteration</th>
<th>Sample No.</th>
<th>Au g/t</th>
<th>Ag g/t</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rincón del Lodo</td>
<td>767,255</td>
<td>1,849,032</td>
<td>Stock work</td>
<td>N55W</td>
<td>65NE</td>
<td>110.0</td>
<td>1.70</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Quartz (Qtz), calcite (calc)</td>
<td>Arg, prop, Sil</td>
<td>19529</td>
<td>0.435</td>
<td>19.1</td>
<td>one shallow mine level</td>
</tr>
<tr>
<td>El Temesil</td>
<td>766,859</td>
<td>1,848,844</td>
<td>Veta</td>
<td>N70W</td>
<td>----</td>
<td>50.0</td>
<td>0.50</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Qtz</td>
<td>Oxi</td>
<td>19534</td>
<td>0.500</td>
<td>32.7</td>
<td>Crosscut/ trench</td>
</tr>
<tr>
<td>Las Jarillas</td>
<td>770,299</td>
<td>1,844,014</td>
<td>Veta</td>
<td>N60W</td>
<td>65NE</td>
<td>450.0</td>
<td>1.10</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Qtz, calc</td>
<td>Oxi</td>
<td>29004</td>
<td>0.297</td>
<td>362.0</td>
<td>Shallow shaft with one level, 4 crosscuts/ trenches</td>
</tr>
<tr>
<td>Los Charros</td>
<td>770,362</td>
<td>1,844,077</td>
<td>Veta</td>
<td>N65W</td>
<td>65NE</td>
<td>300.0</td>
<td>1.00</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Qtz, calc</td>
<td>Arg, oxid</td>
<td>19514, 19505</td>
<td>0.785</td>
<td>293.0</td>
<td>Shallow shaft</td>
</tr>
<tr>
<td>La Quebrada</td>
<td>770,080</td>
<td>1,843,708</td>
<td>Veta</td>
<td>N45W</td>
<td>67SW</td>
<td>520.0</td>
<td>1.20</td>
<td>Andesite</td>
<td>Ag, Au</td>
<td>Qtz</td>
<td>Sil</td>
<td>29396</td>
<td>0.019</td>
<td>177.0</td>
<td>-----</td>
</tr>
<tr>
<td>La Cuchinalá</td>
<td>770,210</td>
<td>1,843,663</td>
<td>Veta</td>
<td>N45W</td>
<td>72SW</td>
<td>450.0</td>
<td>5.00</td>
<td>Andesite</td>
<td>Ag, Au</td>
<td>Qtz</td>
<td>Oxi</td>
<td>29065</td>
<td>0.032</td>
<td>22.7</td>
<td>-----</td>
</tr>
<tr>
<td>El Arco</td>
<td>769,537</td>
<td>1,843,842</td>
<td>Veta</td>
<td>N37W</td>
<td>70NE</td>
<td>250.0</td>
<td>0.90</td>
<td>Andesite</td>
<td>Ag, Au</td>
<td>Qtz</td>
<td>Oxi</td>
<td>Various</td>
<td>-</td>
<td>-</td>
<td>No anomalous Au, Ag. Anomalous pathfinders (+/- As, Ba, Hg, Sb)</td>
</tr>
<tr>
<td>El Horno</td>
<td>768,916</td>
<td>1,843,884</td>
<td>Veta</td>
<td>N40W</td>
<td>45NE</td>
<td>50.0</td>
<td>0.60</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Qtz, Py</td>
<td>Sil, Oxi, Arg</td>
<td>19759</td>
<td>0.449</td>
<td>63.9</td>
<td>Crosscut/ trench</td>
</tr>
<tr>
<td>Pitayo Liso</td>
<td>770,327</td>
<td>1,843,504</td>
<td>Veta</td>
<td>N60W</td>
<td>83SW</td>
<td>600.0</td>
<td>3.00</td>
<td>Andesite</td>
<td>Au, Ag</td>
<td>Qtz</td>
<td>Oxi</td>
<td>Various</td>
<td>-</td>
<td>-</td>
<td>No anomalous Au, Ag. Anomalous pathfinders (+/- As, Ba, Hg, Sb)</td>
</tr>
<tr>
<td>Mezcalera</td>
<td>770,128</td>
<td>1,841,957</td>
<td>Veta</td>
<td>N50W</td>
<td>60-70 SW</td>
<td>1,600.0</td>
<td>1.00-5.00</td>
<td>Andesite, Caliza</td>
<td>Au, Ag</td>
<td>Qtz, calc, py, barite</td>
<td>Arg, Oxi, Sil</td>
<td>Various</td>
<td>-</td>
<td>-</td>
<td>No anomalous Au, Ag. Anomalous pathfinders (+/- As, Ba, Hg, Sb)</td>
</tr>
<tr>
<td>Biliá</td>
<td>770,323</td>
<td>1,841,624</td>
<td>Veta</td>
<td>N65W</td>
<td>65-75 SW</td>
<td>900.0</td>
<td>0.50-1.00</td>
<td>Andesite, Andesite Tuff</td>
<td>Au, Ag</td>
<td>Qtz, calc, py, barite</td>
<td>Arg, Oxi, Sil</td>
<td>19731</td>
<td>0.094</td>
<td>221.0</td>
<td>Shaft, various levels</td>
</tr>
<tr>
<td>Barranca del Toro</td>
<td>769,850</td>
<td>1,842,988</td>
<td>Veta</td>
<td>N40-50W</td>
<td>75-85 NE</td>
<td>150.0</td>
<td>1.0</td>
<td>Andesite</td>
<td>Ag, Au</td>
<td>Quartz</td>
<td>Arg, Oxi, Sil</td>
<td>Various</td>
<td>-</td>
<td>-</td>
<td>No anomalous Au, Ag. Anomalous pathfinders (+/- As, Ba, Hg, Sb)</td>
</tr>
</tbody>
</table>
8.0 DEPOSIT TYPES

The Property is located at the southernmost tip of a belt of Low Sulphidation ("LS") epithermal precious and base metal deposits that extends through much of western into southern Mexico, (Figure 8.1), (Lunceford, 2011). The mostly Tertiary deposits are generally associated with volcanic rocks comprising the Sierra Madre Occidental, which extends in excess of 2,000 kilometres from the US-Mexico border to the Trans-Mexican volcanic belt where it is covered. Tertiary volcanic and sub-volcanic rocks (latest Eocene to Miocene) then continue southward beyond the Trans Mexican volcanic belt as the Sierra Madre del Sur Tertiary magmatic province where the Property is located, (Figure 8.2). The Tertiary volcanic rocks of the Sierra Madre del Sur are considered to be coeval with volcanic rocks of the Sierra Madre Occidental. Epithermal deposits within the Tertiary volcanic belt mainly formed less than 2.0 million years after the occurrence of the youngest acid volcanic rocks in early Oligocene, (Camprubi, et. al., 2003).

![Figure 8.1 Distribution of dated Mexican low- sulphidation epithermal deposits. Ages are in million years (Ma). The Property is shown as a red diamond, the prospective zone as grey shading, (after Camprubi, et al., 2003).](image-url)
The Mexican epithermal deposits are believed to be related to intrusive rocks that crystallized during pauses in volcanic activity, providing a heat source and related mineralizing fluids and ligands (Camprubi, et al., 2003). The deposits are closely related to regional structures and although the overall trend is dominantly northwest, several east-northeast faults that are believed to have reactivated during the Laramide Orogeny have localized systems. The ages of the deposits are approximately coincident with the ages of major fault reactivations (Camprubi, Albinson, 2007).

Research conducted by Albinson, et al., (2001) on controls for deposition of precious and base metals in epithermal systems suggest that the optimum zone of metal deposition in deep vein type “boiling” systems, the most common of epithermal systems in Mexico, occurs from approximately 400 to 1,000 metres beneath the original paleo-surface.

In the majority of Intermediate Sulphidation (“IS”) and LS epithermal deposits, ore zones found as breccias and veins are deposited within vertical intervals of 300-600 metres. Prospective geochemical and alteration indicators for mineralization include argillic, advanced argillic, and propylitic alteration envelopes and distinct mercury anomalies that define the “tops” of epithermal systems. “Boiling” is the most important and effective mechanism for the precipitation of metallic minerals in epithermal systems.
Bladed calcite and its pseudomorphs along with adularia (potassium-aluminum silicate) and truscottite (calcium-manganese silicate) are the strongest indicators for boiling (Camprubi, Albinson, 2007).

The vein-hosted mineralization observed on the Ejutla Property conforms to a low sulphidation epithermal Pacific Rim model of mineralization by Corbett (1998), (Figure 8.3). Host structures to the mineralization are normal faults and subsidiary structural features common to extension-related pull-apart basins, (Figure 8.4), in Chapman, E., Kelly, T., 2013. The compositional and textural indicators as described by Corbett (1998) and geochemical signature observed at the Ejutla Property conform to the upper parts of the system, which suggests the potential for lode bearing mineralization to be preserved.

![Figure 8.3 A Pacific Rim model of mineralization](image)

The diagram illustrates the differing styles of mineralization in the continuum from a magmatic arc porphyry to an epithermal Cu-Au-Mo-Ag system (Corbett, 1998).
9.0 EXPLORATION

Exploration at the Ejutla Property is conducted under the supervision of Ms. Gillian Kearvell, Vice President of Exploration for Newstrike. Project operations are contracted to the geologic consulting firm Prospección y Desarrollo Minero Del Norte S.A. de C.V. (“ProDeMin”) of Chihuahua City, Mexico. Dr. Craig Gibson, CPG and a Qualified Person under NI43-101, supervised exploration activities on the Property. As of May 31, 2014, two geologists and six locals are employed on the Property.

9.1 Exploration Activities

Since title to the Ejutla Property was received in March 2008, the Company has carried out the following exploration works over the Property:

- Completion of surface access agreements to the primary areas of exploration interest.
- Research and compilation of existing databases including satellite, orthographic images and digital elevation models.
- Initial reconnaissance traverses and rock chip sampling concentrated in the southwest sector of the concession mostly within an area from +2 kms to 7 kms north of the town of Las Casas.
- Initial reconnaissance traverses and rock chip sampling of the central and eastern portions of the Property.
- Stream sediment sample survey.
- Preliminary environmental studies for the preventive report and drill permitting.
- Regional mapping at 1:20,000 and 1:10,000 scale over all areas with surface rights.
- Road cut mapping, and geochemical sample survey.
- Inventory, rehabilitation and sampling of existing mine workings.
- Semi-detailed mapping and geochemical rock chip sampling at 1:5,000 and 1:2,000 scales.
- Line cutting and ground geophysical survey - 67.5 line-km of magnetics and 29.975 line-km of IP (Induced Polarization) completed.
- Detail grid mapping at 1:500 scale with trenching and 50 metre centred grid samples and vein chip channel samples.

The Company operates the Ejutla Property from a permanent field office established in the nearby town of Ocotlán de Morelos. To date 4,905 rock and sediment samples have been collected for geochemical analysis. This includes 166 regional scale stream sediment samples and 4,739-outcrop chip and vein chip channel samples, (Table 9.1).

<table>
<thead>
<tr>
<th>Ejutla</th>
<th>Sample</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface</td>
<td>Rock Chips</td>
<td>661</td>
<td>2592</td>
<td>1242</td>
<td>244</td>
<td>4739</td>
</tr>
<tr>
<td></td>
<td>Stream sediment</td>
<td>71</td>
<td>21</td>
<td>74</td>
<td>0</td>
<td>166</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>732</td>
<td>2613</td>
<td>1316</td>
<td>244</td>
<td>4905</td>
</tr>
</tbody>
</table>

9.2 Exploration Results

9.2.1 Lineament interpretation

A high level interpretation of linear features underlying the Las Casa Structural Corridor was completed at the outset of exploration activities that suggested the continuity of northwest trending faults across the scale of the Property. The corridor appeared to be interrupted by a circular feature that is now thought to coincide with underlying intrusion observed in outcrop on the Property, (Figure 9.1).
The data compilation and lineament study was followed up with surface reconnaissance (prospecting) and geochemical sampling of outcrops to establish the continuity and character of known veins across the Ejutla Property and to isolate the most prospective targets for more detailed work. A stream sediment survey and project-wide reconnaissance was later conducted that resulted in the identification of several veins and intrusions outcropping on the Property that carried weak to strongly anomalous gold, silver and/or other pathfinder elements such as arsenic, barium, mercury and antimony. Samples collected during the regional mapping program, the stream sediment survey and grid sampling are located on Figure 9.2.

Results from the stream sediment program were not particularly helpful, with arsenic and barium providing the best indicators of possible precious metal mineralization. However, results of this work indicated the strongest silver-gold mineralization and associated pathfinder (mercury, arsenic, antimony) anomalies are located on the Las Casas Structural Corridor and follow-up detailed sampling and mapping has been mostly focused within this trend.

As of the effective date of this Technical Report, detailed sampling and mapping is continuing in the Duraznillo Structural Corridor, as the La Llorona target has not been completely evaluated. The Totolapam structural corridor also remains to be evaluated.
9.2.3 Mine/Working Inventory and Sample results

Several historic mine workings were located on the Property during initial reconnaissance and regional mapping. None of these prospects and workings appears in available literature and no production records are available. Most working are shallow and of limited extent. The most important mine workings mapped to date include the Jarillas mine, the Mezcalera-Bilía mine (also called Escondida), Minas Del Horno and Rincón del Lodo. An inventory was initiated by the Company and associated veins or structures were sampled, returning anomalous gold, silver and other pathfinder elements. Results are presented in Table 7.1. Mapping and sampling of historic workings is still in progress.

9.2.4 Regional and detailed mapping and sampling

Following receipt of signed surface access agreements and completion of the preliminary environmental studies, regional mapping was undertaken in areas of exploration interest at a 1:20,000 scale that included outcrop chip sampling of selected outcrops. The program was successful in confirming the presence of an underlying lithology and structural fabric typical of the Taviche Mining District, and successfully extended the continuity and grade potential of Las Casas Structural Corridor, which includes the Mezcalera-Lomas del Horno and the Jarillas vein systems. In addition new areas of exploration potential were discovered, including the Duraznillo Structural Corridor, which includes the Duraznillo and La Llorona vein-dike systems and the Totolapam Structural Corridor. Based on the regional mapping, several areas were selected for follow-up with semi-detailed mapping and grid sampling, (Figure 9.3). Mapping was completed at a variety of scales, including 1:5,000, 1:2,000, and 1:1,000 scales.

Initial reconnaissance conducted on the Property commenced with stream sediment sampling. Follow-up, detailed litho-geochemical sampling included soil/rock grid, rock chip, chip channel, and channel sampling. The relatively limited channel or chip channel sampling collected across mineralized widths has not allowed for any true assessment of the thickness or detailed orientation of mineralized zones.

Exploration work areas where the detailed work and grid sampling is focused along the Las Casas Structural Corridor are identified in Figure 9.3 and a selection of geologic maps with geochemical results for gold, silver, arsenic, mercury and antimony follow as Figures 9.4 through 9.8 respectively.
Figure 9.2 Regional, stream sediment and grid sample location map
Green triangle = outcrop, Pink diamond = Stream sediment. Grid location is indicated by the sample density.
Figure 9.3 Exploration work detail along the Las Casas Structural Corridor. Detail maps Mezcalera and Loma del Horno and geophysical survey areas are noted. Sample locations refer to the author’s samples (see Data Verification).
Figure 9.4 Las Casas Structural Corridor, geology and gold distribution.
Figure 9.5 Las Casas Structural Corridor, geology and silver distribution.
Figure 9.6 Las Casas Structural Corridor, geology and arsenic distribution.
Figure 9.7 Las Casas Structural Corridor, geology and mercury distribution.
Figure 9.8 Las Casas Structural Corridor, geology and antimony distribution.
Geochemical sampling conducted along the Las Casas Structural Corridor suggest the following tentative qualitative conclusions with regard to the distribution of Au, Ag, As, Hg, and Sb. In general, sampling and detailed mapping has indicated a high paleo-level of exposure of the epithermal system but pathfinder element values, in particular antimony and mercury would suggest some differing levels of exposure along the +eight kilometre long Las Casas Structural Zone probably due to block faulting and topographic differences.

- **Silver** – Peak values are associated with Las Jarillas veins as compared to the Mezcalera, and Loma del Horno veins.
- **Arsenic** – No evident difference between Las Jarillas and the Mezcalera Loma del Horno veins.
- **Gold** – Peak values are associated with the subsidiary or vein splays near the contact of the limestone block within the Mezcalera vein system.
- **Mercury** – Peak values are concentrated in the Mezcalera vein system along quartz veins and within the surrounding limestone block.
- **Antimony** - Peak values are concentrated in the Mezcalera vein system along quartz veins and within the surrounding limestone block.

### 9.2.5 Geophysical Surveys

Beginning on March 18 continuing to May 5, 2013, Geofísica TMC SA de CV (of Mazatlán, Sinaloa, Mexico) carried out ground geophysical surveys on the Ejutla Property, magnetic and induced polarisation (“IP”) surveys on select targets within the Las Casas Structural Corridor. The surveys, focused on the Mezcalera, Las Jarillas, and Loma del Horno vein systems along the Las Casas Structural Corridor, consisted of 67.5 line-km of magnetics and 29.975 line-km of IP, (Figure 9.3). The objective of the geophysical survey was to delineate anomalies that are either directly or indirectly indicative of gold and silver bearing structures typical of the Taviche Mining District, and to assist with geological and structural mapping.

A final report prepared by Simard (2013) described the methodology of the surveys, the technical specifications, followed by a semi-qualitative interpretation of the results, and conclusions and recommendations for further exploration work.

- **Magnetic, IP Survey Specifications**

Three operators were involved in the ground magnetic survey using two roving stations and a base station, (Table 9.5). Total magnetic field readings were continuously taken with a sampling rate of 0.5 Hz (every 2.0 s). The location of the readings was done in real time by using GPS receivers that were part of the magnetometer consoles. The diurnal corrections were obtained by using a GSM-19 Base Station that recorded values of the total magnetic field every 10 seconds throughout the day. The final database was geo-referenced to the WGS-84, UTMZone14N datum.

To optimize induced polarization survey data collection and interpretation, IP measurements were done using the pole-dipole electrode array on the Mezcalera-Jarillas grid and a dipole-dipole electrode array was used on the Minas del Horno grid. For each of these electrode arrays, a nominal ‘a’ spacing of 100 m was used and six (6) separations were read (n= 1 to 6).

The induced polarization equipment consisted of a transmitting and receiving apparatus using a commuted signal. A motor generator drove the TX 9000 Walcer Geophysics transmitter capable of supplying 9.0 kW of continuous power. Stainless steel electrodes were used to inject a stable current. The bipolar current waveform had an 8-second period with a 50% duty cycle.
The primary voltage, denoted \( V_p \) and chargeability, denoted \( M \) were measured every 100 metres using an Iris Instrument Elrec Pro Time Domain Receiver. The decay curve was separated into 20 pre-programmed slices. Slices M1 to M20 were then normalized to a standard decay curve representing a pure electrode effect. Chargeability \( M \) is the average of the twenty (20) normalized windows, expressed in mV/V.

- Geophysical survey results and interpretation

**Mezcalera-Jarillas Grid** - Simard recommended following up axes IPM-5, IPM-8 and IPM-9 (Figure 9.9), located in the southern part of the grid, as first priority targets, as these could be possibly indicative either of a sheared bed or of a sulphide-rich fault network along which veins developed. Towards the north, axes IPM-1 and IPM-2 have also similar mineral potential, according to Simard, and this is partially confirmed by the surface geology for axis IPM-2. However, these anomalies have only been partially delineated and, depending upon their mineral potential, the IP survey should be extended in order to ascertain their precise location and lateral extent.

**Minas del Horno Grid** - One significant chargeability anomaly was delineated in the northern part of the grid, labelled axis IPH-1 (Figure 9.10). Simard recommended that its geological origin be ascertained by ground follow-up in the eastern part of the grid between lines 0 and 400W. Based on the results of these investigations, additional trenching and drilling should be carried out in order to ascertain the lateral and depth extent of the anomalous “structure”.

**9.3 Significant exploration results and Interpretation**

Results of the exploration work collected to the date of this Technical Report strongly indicate precious metal mineralization is associated with well-developed northwest trending structural corridors characterized by felsic and andesite dikes and in-fill quartz and quartz-carbonate veining. Significantly, work along the Las Casas Structural Corridor and specifically the Mezcalera vein system has resulted in discovery of a large block of pervasively silicified limestone cut by hydrothermal and fault breccia. Geochemical sampling indicated that the limestone block and surrounding quartz veins are anomalous in silver and gold and pathfinder elements, particularly Sb and Hg. Magnetic and IP surveys conducted over the Mezcalera-Jarillas and Lomas del Horno vein system, indicated anomalies some of which may be associated with sulphide-rich fault networks. Textural, compositional, and geochemical evidence indicate the samples collected from the Mezcalera and other veins within structural corridors indicate a high paleo-level of exposure within a low sulphidation epithermal system or systems.
Figure 9.9 Mezcalera Area Co-incident IP and Magnetic Anomaly Interpretation Map
Figure 9.10 Lomas Del Horno Area Coincident IP and Magnetic Anomaly Interpretation Map
10.0 DRILLING

Newstrike has not yet conducted drilling on the Ejutla Property and there is no evidence of historical drilling within the concession boundaries.

11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

- Sample Collection, security and shipping

Sample cuttings consisting of rock chips are collected at the site by contractors to or employees of the Company and placed in labelled, double plastic bags that are sealed at the collection site. These samples are then transported from the field and stored at the secure office facility that the Company maintains in Ocotlán de Morelos. As standard procedure, project geologists anonymously insert a commercially prepared and certified sample standard into every 20th sample included in the batch for shipping. From there the bagged samples are placed in sealed rice bags and delivered by the Company to a commercial cargo carrier, normally Autobuses Estrellas Blancas S.A. de C.V. in Oaxaca de Juárez, who then ship them to the preparation facility of ALS Group (“ALS” a subsidiary of Campbell Brothers Ltd. – ASX:CPB) in Guadalajara, Mexico. The prepared sample pulps are subsequently transported by a contracted commercial airliner to ALS in Vancouver, Canada for all analyses. The Vancouver facility of ALS has received ISO/IEC 17025:2005, and ISO 9001:2008 certification and other accreditations for specific laboratory procedures. Contractors and employees of the Company do not participate in any part of the sample preparation and analytical procedures once samples are submitted to ALS.

- Quality Control and Quality Assurance

ALS employs extensive internal Quality Assurance/Quality Control methods including the use of systematically incorporated certified standards, blanks, and duplicates to assure precision and accuracy. On arrival at ALS, the Company uses the laboratories standard rock and stream sediment codes for sample preparation and geochemical analysis.

- Sample preparation

ALS standard sample preparation procedures employed for the Ejutla Property include:

**CRU-31** – Fine Crushing - The sample is logged in the tracking system, weighed, dried and finely crushed to better than 70 % passing a 2 mm (Tyler 9 mesh, US Std. No.10) screen. A split of up to 250 g is taken and pulverized to better than 85 % passing a 75 micron (Tyler 200 mesh, US Std. No. 200) screen.

**SPL-21** – Sample split using a riffle splitter.

**PUL-31** – Pulverize a split or total sample up to 85% -75 microns.

**SCR-41** – Stream sediment – screen sample to -180 microns.

- Geochemical analyses

ALS standard geochemical analysis procedures employed for the Ejutla Property include:

**Multi-element (35) analyses, ME–ICP41** – A prepared sample is digested with aqua regia in a graphite heating block. After cooling, the resulting solution is diluted to 12.5 mL with deionized water, mixed and analyzed by ICP-AES. The analytical results are corrected for inter-element spectral interferences. In the majority of geological matrices, data reported from an aqua regia leach should be considered as representing only the leachable portion of the particular analyte.
Ore grade element analysis for silver, and zinc, ME-OG46 – A prepared sample is digested in 75% aqua regia for 120 minutes. After cooling, the resulting solution is diluted to volume (100 mL) with de-ionized water, mixed and then analyzed by inductively coupled plasma - atomic emission spectrometry or by atomic absorption spectrometry. ICP-AES (Inductively coupled plasma atomic emission spectroscopy is the default finish technique for ME-OG46. However, under some conditions and at the discretion of the laboratory an AA finish may be substituted.

Gold analysis, Au-AA24 – A prepared 50g sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents as required, inquarted with 6 mg of gold-free silver and then cupelled to yield a precious metal bead. The bead is digested in 0.5 mL dilute nitric acid in the microwave oven, 0.5 mL concentrated hydrochloric acid is then added and the bead is further digested in the microwave at a lower power setting. The digested solution is cooled, diluted to a total volume of 4 mL with de-mineralized water, and analyzed by AAS against matrix-matched standards.

Trace mercury analysis, HG-CV41 – The sample is digested in aqua regia, and the cold vapor is analyzed by AAS (Atomic Absorption Spectroscopy).

- Standard procedures

Ejutla Property geologists insert sample standards and blanks into every sample batch (every 20 samples) shipped to ALS. The commercially prepared gold standards currently used by the Company are CDN-ME-1206 (Au 2.61 g/t), CDN-ME-1101 (Au 0.564 g/t) and CDN-GS-P7H (0.722 g/t) purchased from CDN Resource Laboratories Ltd., in Vancouver, Canada. Blanks, normally consisting of basalt scoria or clay bricks, are alternated with the standards.

- Sample database

The Property sample database is maintained by the Company in an Excel spreadsheets which is updated as new information is available. This includes the sample number, prospect or target, X-Y-Z UTM coordinates (WGS84) of the sample site, sampler, date collected, width (for channel or chip channel samples), lithologic description, structural details (if observed), analytical certificate and results (precious metals, multi-elements). Additionally, all sample shipments are tracked and logged on a separate Excel sheet which includes sample numbers or series in each shipment, type of sample medium (rock or stream sediment), date shipped and date received at the lab, geologist supervising the shipment, and analytical certificate number pertaining to each shipment.

It is the opinion of the author that the procedures and methods of sample collection, security, and preparation are adequate and appropriate for the surface geochemical sampling that has been conducted on the Property to date.

12.0 DATA VERIFICATION

The author conducted initial reconnaissance of the Ejutla Property on March 9-17, 2010, accompanied by a Company geologist. A follow-up site visit was conducted on December 17, 2010, during which five samples were collected from the Property. The author’s most recent data review and site visit that form the basis for this Technical Report was completed on May 9-11, 2014. The author has reviewed publications of the Consejo de Recursos Minerals (the "CRM" - now the "SGM" or Servicio Geologico Mexicano) Economic Geology, and other reports as well as several NI43-101 technical reports describing projects surrounding the Ejutla concession. Additionally, several summary reports generated by the Company, and other geologic and geochemical primary data pertaining to work programs completed between 2010 and 2014 were reviewed.

These steps, along with the current and previous site visits have provided some personal familiarity with the Ejutla Property.
To confirm the presence of gold and silver, the author collected five rock chip samples from the Mezcalera vein and Jarillas targets on December 17, 2010, and five additional samples from the Mezcalera and Loma del Horno areas on May 10, 2014. The author’s sample locations (Figure 9.3), descriptions, and result are summarized below (Table 12.1). The author collected and transported the December 17, 2010 samples in his custody directly to the preparation/analytical facility of ALS in Reno, Nevada. The ALS preparation facility was subsequently responsible for sample custody. Rock samples collected on May 10, 2014 were retained in the author’s custody and subsequently delivered to the commercial cargo carrier, Autobuses Estrellas Blancas S.A. de C.V. in Oaxaca de Juárez for direct transport to the ALS preparation facility in Guadalajara, México.

All of the author’s rock samples were submitted to ALS (see Sample Preparation, Analyses, and Security section above) for precious and multi-element analyses. Author samples collected in December 2010 were submitted to ALS, using the ALS analytical codes ME-ICP61 (multi-element analysis, four acid digestion, ICP-AES determination) and AU-AA23 (gold by fire assay, 30 gram charge, ICP-AES determination). The author’s rock samples collected during the May 10, 2014 site visit were also submitted to ALS and precious and other metal analyses were determined using the same preparation and analytical procedures as described above (Section 11).

Following the author’s initial site visits and collection of samples in during 2010, in excess of 4,900 mostly rock and some stream sediment samples have been collected from the Property in the period 2011-2014. Furthermore, much of the important Las Casas Structural Corridor, and at least half of the greater Ejutla Property have been mapped at reconnaissance and detailed scales, IP and magnetic geophysical surveys completed, and additional compilation has occurred. This work has generated a significant, comprehensive and detailed database which will form the basis for prioritized drill testing, the next step to advance the Ejutla Property. It is the author’s opinion that the current database is adequate and appropriate for continued evaluation of the Ejutla Property.
Table 12.1 Results of Author’s audit samples, collected December 17, 2011 and May 10, 2014.

<table>
<thead>
<tr>
<th>Date</th>
<th>*UTM N</th>
<th>*UTM E</th>
<th>Description</th>
<th>Au ppm</th>
<th>Ag ppm</th>
</tr>
</thead>
<tbody>
<tr>
<td>17-Dec-10</td>
<td>1844092</td>
<td>770659</td>
<td>R.C. - fragments laminated. &quot;Sinter-like&quot; clasts, stockwork veinlets, weak sporadic FeOx</td>
<td>0.008</td>
<td>&lt;0.5</td>
</tr>
<tr>
<td></td>
<td>1844070</td>
<td>770305</td>
<td>R.C. – Breccia, silicified, moderate to strong FeOx, weak to moderate stockwork</td>
<td>0.223</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>1844028</td>
<td>770391</td>
<td>R.C. - Rhyolite porphyry - weak sporadic stockwork, weak argillic alteration, moderate FeOx N50°W,70°E fx zone</td>
<td>0.045</td>
<td>8.3</td>
</tr>
<tr>
<td></td>
<td>1841958</td>
<td>770130</td>
<td>R.C. – Breccia, moderate development, stockwork, dogstooth quartz, drusy textures, re-healed; all textures &quot;high-level&quot;</td>
<td>0.022</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>1841713</td>
<td>770381</td>
<td>R.C - Pervasive silicified rhyolite porphyry, with chalcedony, stockwork veinlets</td>
<td>0.044</td>
<td>0.9</td>
</tr>
<tr>
<td>10-May-14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1841627</td>
<td>770319</td>
<td>C.C. - 0.50 m, dacite, weak pervasive silicification, bleaching, quartz veinlets: sample collected at hanging wall of N45W, 65SW fault. 19731, 0.094 g Au, 221 g Ag</td>
<td>0.048</td>
<td>21.3</td>
</tr>
<tr>
<td></td>
<td>1841615</td>
<td>770348</td>
<td>C.C. - 2.0 m, dacite, stockkwork quartz, some drusy coatings, in brecciated vugs with terminated crystals. 19730, 0.139 g Au, 0.8 g Ag</td>
<td>0.134</td>
<td>41.6</td>
</tr>
<tr>
<td></td>
<td>1844092</td>
<td>768619</td>
<td>C.C. - 0.6 m, andesite tuff, quartz veinlets, brecciated, moderate argillic alteration. 59092, 0.412 g Au, 701.0 g Ag</td>
<td>0.475</td>
<td>365</td>
</tr>
<tr>
<td></td>
<td>1844088</td>
<td>768607</td>
<td>Dump grab - coarse and fine material, andesite tuff, argillic alteration, some quartz veinlets, dark sulfide.</td>
<td>0.096</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>1844185</td>
<td>768752</td>
<td>C.C. - 1.0 m, andesite tuff, quartz veinlets, argillic alteration, footwall N55W, 61SW fault. 108054, 0.01 g Au &lt; 0.02 g Ag</td>
<td>0.011</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Notes:
The locations of author samples appear on Figure 9.3.
Italicized and bold numbers and results are samples collected by the Company at the precise location of the author’s samples
*UTM: WGS 84
“RC” is rock chip – random chips collected within an undefined radius,
“CC” is chip channel or chips collected over a measured length).
13.0  MINERAL PROCESSING AND METALLURGICAL TESTING

The Company has not undertaken metallurgical studies.

14.0  MINERAL RESOURCE ESTIMATES

There is no information available for the Ejutla Property that would allow for estimation of a mineral resource.

15.0  MINERAL RESERVE ESTIMATES

There is no information available on the Ejutla Property that would allow for estimation of a mineral reserve.

16.0  MINING METHODS

There is no information available on the Ejutla Property that would allow for a discussion of mining methods.

17.0  RECOVERY METHODS

There is no information available on the Ejutla Property that would allow for a review of the recovery methods anticipated.

18.0  PROPERTY INFRASTRUCTURE

There is no information available on the Ejutla Property that would allow for the Property infrastructure to be reviewed.

19.0  MARKET STUDIES AND CONTRACTS

Possible market studies and contracts associated with possible development of the Ejutla Property are not known.

20.0  ENVIRONMENTAL, PERMITTING, SOCIAL OR COMMUNITY IMPACT

No information is available on the Ejutla Property to determine environmental, permitting, and social and community impact.

21.0  CAPITAL AND OPERATING COSTS

No information is available on the Ejutla Property to determine possible capital and operating costs.

22.0  ECONOMIC ANALYSIS

No information is available on the Ejutla Property to provide an economic analysis.
23.0 ADJACENT PROPERTIES

During the 4th Quarter of 2010, Gold Resources Corporation (NYSE:GORO), began operations at their underground La Arista Mine, part of the El Aguila Project (in the San Jose de Gracia Mining District, Figure 4.1) located about 25 kilometres due east of the eastern boundary of the Property. As of the 1st Quarter of 2014, the mill is operating at a throughput of 1,159 T/D (Tons per Day) (Gold Resource Corporation, 2014b). Effective December 31, 2013, La Arista Reserves include Proven - 954,700 Tonnes, 3.86 Au g/t; 285 Ag g/t, containing 118,500 ounces gold and 8,757,000 ounces silver; and Probable - 399,700 Tonnes, 2.35 Au g/t; 253 Ag g/t; containing 30,200 ounces gold, and 3,250,200 ounces silver. Reserves and resources were calculated using resource criteria and standards established under Canadian NI43-101 for indicated and inferred resources and are not proven and probable reserves for United States reporting purposes, (Gold Resource Corporation, 2014a).

Fortuna Silver Mines Inc. ("Fortuna" TSX:FVI) commenced production at their San Jose Mine (or the San Jose del Progresso Mine, Figure 4.1) in the West Taviche Mining District in 2011 and currently operates the underground mine at an approximate 2,000 TPD mill throughput. At the San Jose Mine, as of July 04th, 2013, Fortuna has reported current Reserves and Resources using the 2010 CIM Definitions and Standards as (Proven and Probable – 3,933,000 tonnes, at 196 g/t Ag, and 1.70 g/t Au containing 24.8 million ozs Ag, and 215,100 ounces Au and Resources (Measured and Indicated – 888,000 tonnes at 73 g/t Ag, and 0.64 g/t Au containing 2.1 million ounces Ag, and 18,200 ounces Au). Inferred resources include 5,422,000 tonnes at 202 g/t Ag and 1.56 g/t Au for 35.3 million ounces of Ag and 272,300 ounces Au (Chapman, Kelly, 2013).

Summarized information regarding the San Jose Mine, and Arista Mine Resources and Reserves is from publically available information referenced above. No information is available to the author to permit verification of this data. The information is not necessarily indicative of the mineralization on the Ejutla Property and should not be relied on for any economic assessment of the Property.

The Ejutla concession adjoins the Taviche Project of Aura Silver Resources Inc. ("Aura Silver" TSX-V: AUU) which includes three concessions, two of which, Taviche East and Alma Delia adjoins the Property on the respective west and south sides. Aura Silver’s current interest in the Taviche Project is approximately 46.8% while joint venture partner Intrepid Mines Ltd. holds 23.2% and Pan American Silver Corp. retains a 30% interest. The principal target on the Alma Delia concession is the Higo Blanco zone where high-grade strataform silver has been located in silicified and brecciated limestone, and adjacent volcanic rocks hosting broad zones of quartz-marcasite-arsenopyrite in stockwork with weak but persistent gold mineralization (Aura Press Release, 2011).

24.0 OTHER RELEVANT DATA AND INFORMATION

The author found no evidence for environmental problems, social, or security concerns in the course of this investigation. The Company employs security and social protocols that conform to both Mexican and Canadian laws. The technical programs are supervised by a Qualified Person as defined by NI43-101.

25.0 INTERPRETATION AND CONCLUSIONS

The Ejutla Property is located within a belt of Low Sulphidation (LS) epithermal precious and base metal deposits extending through much of western into southern Mexico within the Sierra Madre del Sur Tertiary magmatic province where the Property is located. The Mexican epithermal deposits are believed to be related to intrusive rocks crystallized during pauses in volcanic activity, which provided a heat source and related mineralizing fluids and ligands (Camprubi, et. al., 2003).
The deposits are closely related to regional faults and although the overall trend is dominantly northwest, several east-northeast faults that are believed to have been reactivated Laramide structures have localized systems (Camprubi, Albinson, 2007).

Research conducted by Albinson, et. al., (2001) on controls for deposition of precious and base metals in epithermal systems suggest that the optimum zone of precious and base metal deposition in deep vein type “boiling” systems, the most common of epithermal systems in Mexico, occurs from approximately 400 to 1,000 metres beneath the original paleo-surface.

At least three principal structural corridors including Las Casas, Duraznillo, and Totolapam which host silver-gold mineralization associated with quartz veins emplaced in predominantly felsic dikes have been discovered on the Property. These key structural corridors are characterized by multiple, discrete, anastomosing, branching, and horsetailing veins, vein swarms, and stockwork zones. As presently mapped, the structural corridors reach eight kilometres in strike and three kilometres in width and are defined by a network of northwest trending faults which have been offset by less common north to northeast striking faults.

Geochemical sampling and geologic mapping completed on the Property has indicated a style of LS gold-silver mineralization that is believed to be similar to Au-Ag (+Cu-Pb-Zn) mineralization in the central Taviche Mining District in which the Property is located. Textural, compositional, and geochemical evidence indicate the samples collected from the Mezcalera and other veins within structural corridors indicate, in general, a high paleo-level of exposure within a low sulphidation epithermal system or systems. This implies that the zone of precious and deeper base metal deposition, if present, are intact and have not been appreciably eroded. However, post- or syn-mineral, dip-slip block faulting within the structural corridors has resulted in uneven depths to possible metal zones proximal to discrete hydrothermal cells within the greater epithermal system.

Significantly, in addition to vein and stockwork targets, work along the Mezcalera vein system within the Las Casas Structural Corridor has identified a large block of pervasively silicified limestone cut by hydrothermal and fault breccia. Geochemical sampling indicated that the limestone block is anomalous in silver and gold and pathfinder elements, As, Sb, and Hg. Magnetic and IP surveys conducted over the Mezcalera-Jarillas and Lomas del Horno vein system indicated anomalies, some of which may be associated with sulphide-rich fault networks.

Work completed by the Company on the Ejutla Property has been successful in advancing the Property to a stage where drill testing is warranted and necessary to determine the future economic viability of the Property.

26.0 RECOMMENDATIONS

Work on the Ejutla Property has advanced to the stage where drill testing is warranted and necessary to move the project towards possible development. However, concurrent with the drill testing continued basic exploration including further geologic mapping, geochemical sampling, and expanded geophysical surveys is required to fully evaluate all known and possible mineralized targets.

Consequently, an exploration program is recommended that should include:

- Las Casas Structural Corridor
  - Continue geologic mapping to the northwest at 1:2000 and 1:1000 scale or larger as needed.
  - Grid sampling and trenching across the strike of the corridor as appropriate
  - Mine workings and rehabilitation, and sampling
- A 5,000 metre, fifteen drill hole early stage program

- **Duraznillo, and Totolapam Structural Corridors**
  - Continue geologic mapping along the strike of the corridors at 1:10,000, 1:2,000 and 1:1,000 scale or larger as needed.
  - Grid sampling and trenching.
  - Preliminary ground geophysics (IP and Magnetic) to establish continuity of the structure at depth and to firm up potential drill sites for future drill proposals.

### 26.1 Budget

A CAD$2.5 million budget is proposed, which is the minimum budget required to maintain claims in good standing in 2014 under current Mexican law. Table 26.1 outlines a budget for the recommended work program where costs are calculated using 2013 actual costs incurred.

<table>
<thead>
<tr>
<th>WORK DESCRIPTION</th>
<th>Cost CAD $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapping and camp costs</td>
<td></td>
</tr>
<tr>
<td>Geologists, field and camp costs at CAD$50,000 per month</td>
<td>600,000</td>
</tr>
<tr>
<td>Geophysical survey</td>
<td></td>
</tr>
<tr>
<td>Ground surveys (magnetic and IP plus costs) 50 line kilometres at CAD $3,500/Km</td>
<td>175,000</td>
</tr>
<tr>
<td>Drilling 5,000 metres at CAD$175/metre (15 planned drill holes)</td>
<td>875,000</td>
</tr>
<tr>
<td>Geochemistry 5,000 drill core, 3000 grid, mapping, road cuts at CAD$50/sample</td>
<td>400,000</td>
</tr>
<tr>
<td>Road construction 1,400 hours at CAD$125/hour</td>
<td>175,000</td>
</tr>
<tr>
<td>Permitting, Community Relations, and Surface Access</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
</tr>
<tr>
<td></td>
<td>10% Contingency</td>
</tr>
<tr>
<td><strong>TOTAL PROPOSED BUDGET</strong></td>
<td><strong>$ 2,500,000</strong></td>
</tr>
</tbody>
</table>
27.0 REFERENCES


Aura Silver Resources Inc., 2011, Aura Silver Increases Mineralized Zones at Higo Blanco, Drilling Ongoing: May 24, 2011 Press Release Aura Silver Resources Inc.


Trejo de la Cruz, M., et. al., 2013, 2do. Informe Geológico – Minero Proyecto Ejutla II Estado de Oaxaca: internal report for Minera Aurea S.A. de C.V. by ProDeMin, 29 p.

