TECHNICAL REPORT and RESOURCE ESTIMATE,

SAN ACACIO SILVER DEPOSIT

ZACATECAS STATE, MEXICO

(Longitude 102° 32' 38" W, Latitude 22° 49' 27" N)

Prepared for: **DEFIANCE SILVER CORP.**
Suite 1610, 409 Granville Street
Vancouver, B.C., V6C-1T2

Prepared by:

Gary Giroux, MASc., P.Eng.
Giroux Consultants Ltd.
1215 – 675 West Hastings Street
Vancouver, B.C. CANADA

And

Jim Cuttle, B.Sc., P.Geo.
86 Cloudburst Road
Whistler, B.C. CANADA

Date: **September 26, 2014**

Effective Date of Report: **April 1, 2014**

Contents

Figures

Tables

Photos

List of Abbreviations

Abbreviation	Description or unit		Abbreviation	Description or unit
Ag	Silver		L	Litre
AgEq	Silver equivalent		m	Metre
Au	Gold		mm	Millimetre
BTW	Drill core size (4.2cm) thin wall		m^2	Square metre
Chl	Chlorite		m^3	Cubic metre
CIM	Canadian Institute of Mining		N	North
cm	Centimetre		NTW	Drill core size (5.71 cm) thin wall
E	East		Ox	Oxide
Epi	Epidote		oz	Troy ounce
Fe	Iron		oz/t	Ounce per tonne
g	Grams		ppb	Parts per billion
g/t	Grams per tonne		ppm	Parts per million
Ha	Hectare		Qtz	Quartz
HQ	Drill core size (6.3 cm)		RC	Reverse circulation
ICP	Inductively Coupled Plasma		Ser	Sericite
IP	Induced Polarization		SG	Specific gravity
K-spar	Potassium feldspar		SRM	Standard reference material
kg	Kilogram		UTM	Universal Transverse Mercator
Km	Kilometre		Z	Depth or elevation

CERTIFICATE AND SIGNATURE, Jim Cuttle, P.Geo.

I, Jim Cuttle, of the Municipality of Whistler, British Columbia, Canada, do certify that;

1. I am a consulting geologist with a home office at 86 Cloudburst Road, Black Tusk Village, Whistler, British Columbia, Canada. V0N-1B1.
2. I am a graduate of the University of New Brunswick (1980) with a Bachelor of Science Degree in Geology.
3. I have practiced my geological profession continuously for over 34 years in the capacity of exploration and consulting geologist. My work has included project generation, mineral property assessment, project management and data compilation for various public and private mineral exploration companies in Canada and Internationally. I specialize in precious and base metal exploration and have experience in different types of epithermal mineralization similar to the San Acacio silver vein.
4. I am a registered member in good standing of The Association of Professional Engineers and Geoscientists of the Province of British Columbia (19313) and have been since July 1992.
5. I have read the definition of “qualified person” set out in National Instrument 43-101 and certify that by reason of education, experience, and affiliation with a professional organization I meet the requirements of a “qualified person” as defined in National Instrument 43-101.
6. I am responsible for all parts of this report titled “**TECHNICAL REPORT and RESOURCE ESTIMATE, SAN ACACIO SILVER DEPOSIT, ZACATECAS STATE, MEXICO**”, compiled and written for Defiance Silver Corp., and dated effective April 1, 2014, excluding Section 14 on “Mineral Resource Estimate."
7. I certify that I have read National Instrument 43-101 and this Technical Report on the San Acacio Property has been prepared in compliance with this National Instrument.
8. I am independent of the issuer as described in Section 1.5 of NI 43 -101.
9. I have not previously worked on this property.
10. This Technical Report on the San Acacio Property is based on the author’s data research and site visit to the property on April 1, 2014. No new material information has been collected since the date of the site visit.
11. As of the date of this certificate, to the best of my knowledge, information and belief, the technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.
12. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public.

Dated this 26th day of September, 2014

“Signed” Jim F. Cuttle

Jim F. Cuttle, B.Sc., P.Geo

CERTIFICATE AND SIGNATURE, Gary H Giroux, P.Eng., MASc.

I, G.H. Giroux, of 982 Broadview Drive, North Vancouver, British Columbia, do hereby certify that:

1) I am a consulting geological engineer with an office at #1215 - 675 West Hastings Street, Vancouver, British Columbia.

2) I am a graduate of the University of British Columbia in 1970 with a B.A. Sc. and in 1984 with a M.A. Sc., both in Geological Engineering.

3) I am a member in good standing of the Association of Professional Engineers and Geoscientists of the Province of British Columbia.

4) I have practiced my profession continuously since 1970. I have had over 35 years' experience calculating mineral resources. I have previously completed resource estimations on a wide variety of vein deposits, including El Bronce in Chile, Efemcukuru in Turkey and Cozamin and Monterde in Mexico.

5) I have read the definition of "qualified person" set out in National Instrument 43-101 and certify that by reason of education, experience, independence and affiliation with a professional association, I meet the requirements of an Independent Qualified Person as defined in National Instrument 43-101.

6) This report titled "**TECHNICAL REPORT and RESOURCE ESTIMATE, SAN ACACIO SILVER DEPOSIT, ZACATECAS STATE, MEXICO**" dated effective April 1, 2014, is based on a study of the data and literature available on the San Acacio Property. I am responsible for the Mineral Resource Estimate Section 14. I have not visited the property.

7) I have not previously worked on this property.

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

9) I am independent of the issuer applying all of the tests in section 1.5 of National Instrument 43-101.

10) I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 26th day of September, 2014

"Signed" G. H. Giroux

____

G. H. Giroux, P.Eng., MASc.

1. SUMMARY

This report presents a data review and Mineral Resource Estimate update for the San Acacio Silver property (the Property), located in Zacatecas State, central Mexico. It has been prepared by Jim Cuttle P.Geo. and Gary Giroux P.Eng., of Giroux Consultants at the request of Mr. Bruce Winfield, President and CEO of Defiance Silver Corporation. Defiance is a public company on the TSX Venture Exchange under the symbol DEF with head offices in Vancouver, British Columbia.

Defiance Silver's Mexican subsidiary Minera Remy S.A de C.V. signed a legal option agreement on October 24, 2011 with the registered claim owners Amado Mesta Howard, Minera San Acacio S.A. de C.V. and Calidad Estrategia Cencorp S.A de C.V. granting Defiance the right to explore, exploit and acquire 100 percent of the Property. The agreement and subsequent modifying agreements call for Defiance to complete a scheduled set of cash payments over a four year period ending September 27, 2015, a preproduction royalty of US$100,000 starting 12 months after the purchase option is exercised and a 2.5% net smelter royalty.

To date exploration work by Defiance has consisted of compilation and reinterpretation of geological and drill information data that has developed a new geological model forming the basis for a new resource estimate outlined in this report.

Cuttle visited the San Acacio property on April 1, 2014 to examine, review and verify general geological activities. Giroux Consultants Ltd. was retained to produce a resource estimate on the San Acacio vein structure.

The Property is located seven kilometres north northeast of the City of Zacatecas, Zacatecas State, central Mexico at longitude 102° 32' 38" W, latitude 22° 49' 27" N. It consists of ten mineral titles with a total area of 746.608 hectares (1844.12 acres) and covers the southeastern parts of the large Veta Grande silver vein system. This district is undergoing renewed exploration activity due to the recent success of the Cozamin Mine, operated by Capstone Mining five kilometres southwest of San Acacio.

The Zacatecas Mining District covers an area of over 700 square kilometres in north central Mexico known for its rich epithermal and mesothermal vein deposits containing silver, gold with varying amounts of copper, lead and zinc. The dominant features responsible for the localization of precious and base metals are believed to be Tertiary age and are likely related to a volcanic caldera complex and to a set of northerly trending basin and range fault structures.

Locally, the San Acacio mineral claims are underlain by the early Cretaceous Chilitos Formation. Rock types include a variety of different submarine andesitic volcanics with textures commonly pillowed, massive, porphyritic or brecciated in nature. Minor clastic sediments are intercalated with this dominant volcanic package.

Four individual veins make up the main vein structure at San Acacio, including Veta Grande (Veta G or Main vein), Veta Chica (Veta C or HW), Veta Blanca (Veta B or FW) and the small subsidiary Veta Grande Intermedio. However, for the purpose of this report the Veta Grande Intermedio is combined with Veta Grande. making reference to three main mineralized structures alone. The veins are sub-parallel to

each other and trend along azimuth 150° dipping 58° to 70° southeast and vary from 2 to 30 metres in width. The mineralized veins pinch and swell along strike and contain silica-carbonate fissure fillings with variable amounts of pyrite, anglesite ($PbSO_4$), cerussite ($PbCO_3$), native silver (Ag), argentite (Ag_2S), proustite (Ag_3AsS_3), galena (PbS), sphalerite ((Zn,Fe)S), cerargyrite (AgCl) and rare chalcopyrite ($CuFeS_2$) in a gangue of chalcedony, quartz, amethyst, barite and calcite.

Since the first discovery of silver in the Zacatecas region of Mexico in 1548, the Veta Grande, as a whole, has produced over 180 million ounces of silver from 'near surface' high-grade silver ores, commonly grading greater than 1 kilogram per tonne. A majority of the mined material has been oxide ore, as the silver could easily be liberated by mercury 'pan' amalgamation methods. Much of the sulphide bearing and lower grade silver mineralization was not separated and consequently left behind and used partly as backfill in old drifts, some of which today may be considered economic grade mineralization. Portions of the deeper sulphide material were later mined when technology allowed for the extraction of silver from sulphide minerals.

Historical workings on the San Acacio portion of the Veta Grande extend over a horizontal distance of 1300 metres with a bulk of the mining reaching a depth of 200 metres, or the level of the old Purisima mine drainage tunnel.. Minor stoping is known to exist below 200 metres in the vicinity of the San Genaro shaft. At least three sub-parallel veins have been partially developed on three main levels; the Veta Grande (Veta G or Main vein), Veta Chica (Veta C or HW), Veta Blanca (Veta B or FW). The vein structure extends to a depth of 335 metres based on drill core intercepts. It is important to note the depth of mining activity on the adjoining Gutierrez property immediately to the northwest of San Acacio reaches depths of 355 metres, implying untested exploration potential at San Acacio. Other similar vein structures in the district such as Capstones 'Mala Noche' vein is known to reach depths of over 500 metres.

Giroux Consultants Ltd. was retained to produce a global resource estimate on the Veta Grande silver veins on Defiance Silver's San Acacio Property. This resource updates a previous estimate completed in 2012 by AGP Mining Consultants Inc. The data consists of diamond drill holes, underground chip samples, underground drill holes and surface trench samples with assays for silver, gold, copper, lead and zinc from three vein structures, Veta G (Main vein), Veta B (Footwall vein or FW) and Veta C (Hanging wall vein or HW). Samples include both mineralized quartz breccia vein and mineralized backfill material in old stopes. Of a total of 203 composites across the three veins 99 had assays for Cu, Pb and Zn. While a few of the Pb and Zn values are approaching economic grades the majority are well below. At this time only Ag and Au were estimated into the resource. Using a 100 gram per tonne silver equivalent cutoff Giroux estimated an inferred silver equivalent resource of the three vein structures as follows;

Table 1 Estimated Inferred Silver Equivalent Resource - San Acacio silver veins

Vein	AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
			Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
VETA G	100.0	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147,000
VETA C	100.0	739,000	153.28	0.08	158.66	3,642,000	1,900	3,770,000
VETA B	100.0	13,000	76.53	0.45	105.98	32,000	190	44,000
TOTAL	**100.0**	**2,902,000**	**181.94**	**0.16**	**192.50**	**16,976,000**	**12,090**	**17,961,000**

Recommendations include improved topographic control including re-surveying of historical drill collars and the various portals and shafts to underground workings followed with a surface drilling program consisting of 5000 metres in approximately 30 holes. The objective of the work program is to improve and expand the current resource estimate at San Acacio, targeting higher grade shoots of vein style silver mineralization located below and along strike of the current depths of the Refugio (2510m) and Purisima (2380m) levels between the property boundary in the northwest and the Intermedio Shaft in the southeast, a horizontal distance of 1150 metres.

A strict quality control / quality assurance program must be implemented and the regular collection of bulk density measurements of wallrock, vein and backfill material will be critical for future resource estimates. Bore hole directional surveys recording azimuth and dip should be collected in each hole at regular and tight intervals.

The proposed work campaign during year 1 is anticipated to cost $US 995,000.

2. INTRODUCTION AND TERMS OF REFERENCE

Jim Cuttle, P.Geo. and Gary Giroux, P. Eng. of Giroux Consultants Ltd. were retained by Mr. Bruce Winfield, President of Defiance Silver Corp. (DEF or Defiance), Vancouver, British Columbia, Canada to complete an independent technical report describing the results of a new data review and resource estimation for the San Acacio Property (The Property) in central Mexico. DEF is a publicly listed company currently trading on the Toronto Venture Exchange.

Cuttle visited the property April 1, 2014 with Rick Tschauder, Vice President Exploration for Defiance Silver and Felipe Martinez López, General Manager in Zacatecas for Defiance Silver. The objective of the field visit was to inspect the core from historical drilling programs, identify silver mineralization, review the current geological interpretations, inspect the past quality control – quality assurance procedures, collect and verify where possible the DEF drill and chip sample database, obtain an understanding of geological controls for mineralization and get a general feeling of the areas extensive mining history.

The authors of this report have relied on information and data provided by Defiance, including geological information and legal opinions gathered from independent experts. The authors used digital data provided by DEF to produce maps, estimates and figures in this report. These data are referenced using a UTM grid, datum NAD 27 Mexico (Zone 13) or NAD 27 (Mexico) Longitude / Latitude projections. All units are metric.

Conclusions and recommendations are based on information believed to be accurate at the time of completion. The report complies with Canadian National Instrument 43-101 and the December 11, 2005 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions for Mineral Resource Estimates. The purpose of this report is to support and maintain future public financings.

3. RELIANCE ON OTHER EXPERTS

The authors have relied on information gathered during a property visit by Cuttle on April 1, 2014 as well as detailed reports, data and discussions provided by Rick Tschauder, VP Exploration Defiance Silver and from reports by Konkin (1995, 1996), Price (2008, 2009) and Desautels (2010, 2012) among others. Additional opinions and/or reviews concerning the San Acacio Property come from other experts who may or may not be Qualified Persons (QPs) as defined by NI 43-101.

Reliance applies to sections 4.2, 7.1, 9, and 11.2

- Third Party Legal Title opinion – Avalos y Abogados, S.C., Mexico City, Mexico. Completed a mineral claim Title Search of all mineral concessions on the San Acacio project for Defiance Silver. June 25, 2014.
- Analytical – Acme Labs, Vancouver, Canada. Completed analysis work on check samples collected April 1, 2014, certificate dated April 15, 2014. Other labs used for geochemical analysis included in the resource estimate are ALS Chemex Labs of Vancouver, BC, Canada and BSI Inspectorate Labs of Reno, Nevada.
- Mexican Geological Survey (Sevicio Geologico Mexicano). Public geological data on a regional scale covering and surrounding the San Acacio Property.
- Dirección General de Minas (Mexico). Information regarding claim location, size, type and shape through a public website. April 6, 2014.

Mineral title review as to exact survey boundary position of exploitation concessions listed in Table 2 were not verified and the authors have had to rely on information provided by Defiance in this regard. Concession expiry dates posted on the Dirección General de Minas (Mexico) website (http://www.economia-dgm.gob.mx/cartografia) are listed in Table 2 but have not been verified by the authors. Third party legal title opinion is included in Appendix V.

Several maps and long sections included in this report have been scanned and otherwise digitized from historical sources and may not reflect accurate scale. They should be used with caution. The authors prefer the use of more recent and updated digital data provided by Rick Tschauder of Defiance Silver and analytical data completed by BSI Inspectorate Labs of Reno, Nevada, ALS Labs of Vancouver and Acme Labs of Vancouver.

Jim Cuttle is responsible for all parts of this Technical Report, excluding Section 14 on "Mineral Resource Estimate" which was completed by Gary Giroux of Giroux Consultants Ltd., Vancouver, B.C., Canada.

4. PROPERTY LOCATION, DESCRIPTION and STATUS

4.1 Property Location and Description

The San Acacio property is situated seven kilometres north northeast of the City of Zacatecas, Zacatecas State, central Mexico. A majority of the historical mining activity on the property and along the San Acacio silver vein is centered at UTM 751947E, 2526107N (UTM NAD27, Zone13).

The Property consists of 10 mineral titles covering a total area of 746.608 hectares (1844.12 acres). This information was displayed on a map downloaded by Cuttle from the Dirección General de Minas (Mexico) website, April 6, 2014. A title opinion was completed by the law firm Avalos y Abogados, S.C of Mexico City (Appendix V) and compares with the concession title numbers listed in the table below.

All concessions are registered in the name of Calidad Estrategica Cencorp, S.A de C.V., with whom Minera Santa Remy S.A. de C.V., a Mexican subsidiary of Defiance Silver Corp, has an option to purchase agreement.

Table 2 Mineral Concessions at the San Acacio Property

Concession Name	Type	Title Number	Recording Title Date	Current Expiry Date	Area (ha)
San Acacio	Exploitation	164874	July 11, 1979	July 10, 2029	56.000
Socavón de Purísima	Exploitation	164875	July 11, 1979	July 10, 2029	16.270
San Jose de Rocha	Exploitation	166920	July 25, 1979	August 5, 2030	18.000
Ampl. San José de Rocha	Exploitation	164876	July 11, 1979	July 10, 2029	12.000
Almadén	Exploitation	164877	July 11, 1979	July 10, 2029	4.380
Tahures	Exploitation	150866	January 1, 1969	January 15, 2019	49.924
San Acacio Dos	Exploitation	168779	July 22, 1981	August 2, 2031	203.326
San Acacio Tres	Exploitation	164880	July 11, 1979	July 10, 2029	23.194
La Contracuña II	Exploitation	188361	November 22, 1990	November 21, 2040	19.3822
San Acacio Cuatro	Exploitation	212909	February 12, 2001	February 12, 2051	344.132
Total hectares (ha)					**746.608**

Mineral concessions are good for 50 years from the date of recording. To keep a concession in good standing, concession holders must pay fees during the life of the concession. These fees (in Mexican pesos) are payable to the Federal government in January and July of each calendar year and are based upon the size of the mining lot. Failure to pay these fees may result in the cancellation of the mining concession (Desautels, 2012).

4.2 Title Status and Agreements

The authors have not verified title to the mineral concessions listed above but have no reason to doubt the authenticity of these titles, which were supplied to the authors by Defiance Silver.

Minera Santa Remy S.A de C.V., a Mexican company indirectly owned by Defiance Silver Corp through Defiance's subsidiary DefCap (BVI) Inc. has a legal agreement with Amado Mesta Howard, Minera San Acacio S.A. de C.V. and Calidad Estrategia Cencorp S.A de C.V. to explore, exploit and an option to acquire 100% interest in the mining concessions over a certain period of time.

Under terms of the agreement, dated October 24, 2011 and subsequent modifying agreements, Minera Santa Remy S.A de C.V. must make the following payments:

1. On signing (for 180 day due diligence period) US$ 75,000 (paid)
2. Extension of due diligence period US$ 50,000 (paid)
3. Year 1 end, Sept 27, 2012 US$200,000 (paid)
4. Year 2 end, Sept 27, 2013 US$ 150,000 (paid*)
   (*) As 4 quarterly payments of US$37,500, September 27, 2013(paid), December 27, 2013(paid), March 27, 2014(paid), and June 27, 2014(paid).
5. Year 3 end, Sept 27, 2014 US$ 225,000
6. Year 4 end, Sept 27, 2015 (option to purchase 100%) US$ 5,500,000

Option to purchase is subject to;

- A preproduction royalty of US$100,000 starting 12 months after the purchase option is exercised. Pre-production royalty terminates if the production royalty paid is equal to or greater than the pre-production royalty during a six month period.
- A 2.5% net smelter royalty (NSR) which Defiance Silver can purchase for US$2.5 million for a term of 5 years after which the purchase price escalates with the Mexican cost of living index.

4.3 Surface Rights

During the April 1, 2014 site visit Rick Tschauder and Felipe Martinez of Defiance Silver indicated at least four groups have surface rights claims over the San Acacio Property. The author was unable to verify these specific surface rights groups and has had to rely on the most recent descriptions in a report by P. Desautels (2012) including a map locating these ownership boundaries.

> *"Several entities and groups have surface rights claims over the San Acacio property, namely Francisco Gutierrez Castorena, H. Ayuntamiento Vetagrande (the municipality of Vetagrande), Pequeños Propietarios (several small land owners, some of which act together as the group Estacion Nacional de Cria General Panfilo Natera and others who act individually), and Ejido Sauceda de la Borda."*

The boundaries shown on the Surface Rights figure (Figure 4) should not be considered accurate until proper surveys are completed and agreed to by all groups. The location of surface rights boundaries of the Ejido Sauceda de la Borda continue off the map to the southeast. These boundaries will be better defined when a Surface Rights agreement is discussed in detail.

Agreements with surface rights owners must be signed before Defiance Silver can begin exploration activities within each respective area.

4.4 Environmental Liabilities and Permitting

Several small and localized areas of trenching, pitting, excavation stockpiles, open cuts and otherwise common surface disturbance, primarily from historical activities, occur within the Property area. These areas are restricted to portions of the San Acacio silver vein within the northwestern part of the concession area.

The author is not aware of any environmental liability or other significant factors or risks that may affect access, title or the right or ability to perform work on the San Acacio property.

Proper permitting applications that describe the type and location of any future exploration activity by Defiance Silver must be submitted to the appropriate local mining authorities for their approval before any work can commence. As of the date on this report it is not clear if these exploration and/or drilling permits have been obtained by the company.

In the event of any future mining activity, it is the author's opinion that the San Acacio property is sufficiently large to accommodate personnel camps, maintenance buildings, processing plants, waste disposal, and mine tailings.

Figure 1 Country Location Map – San Acacio Property

Figure 2 Regional Location Map

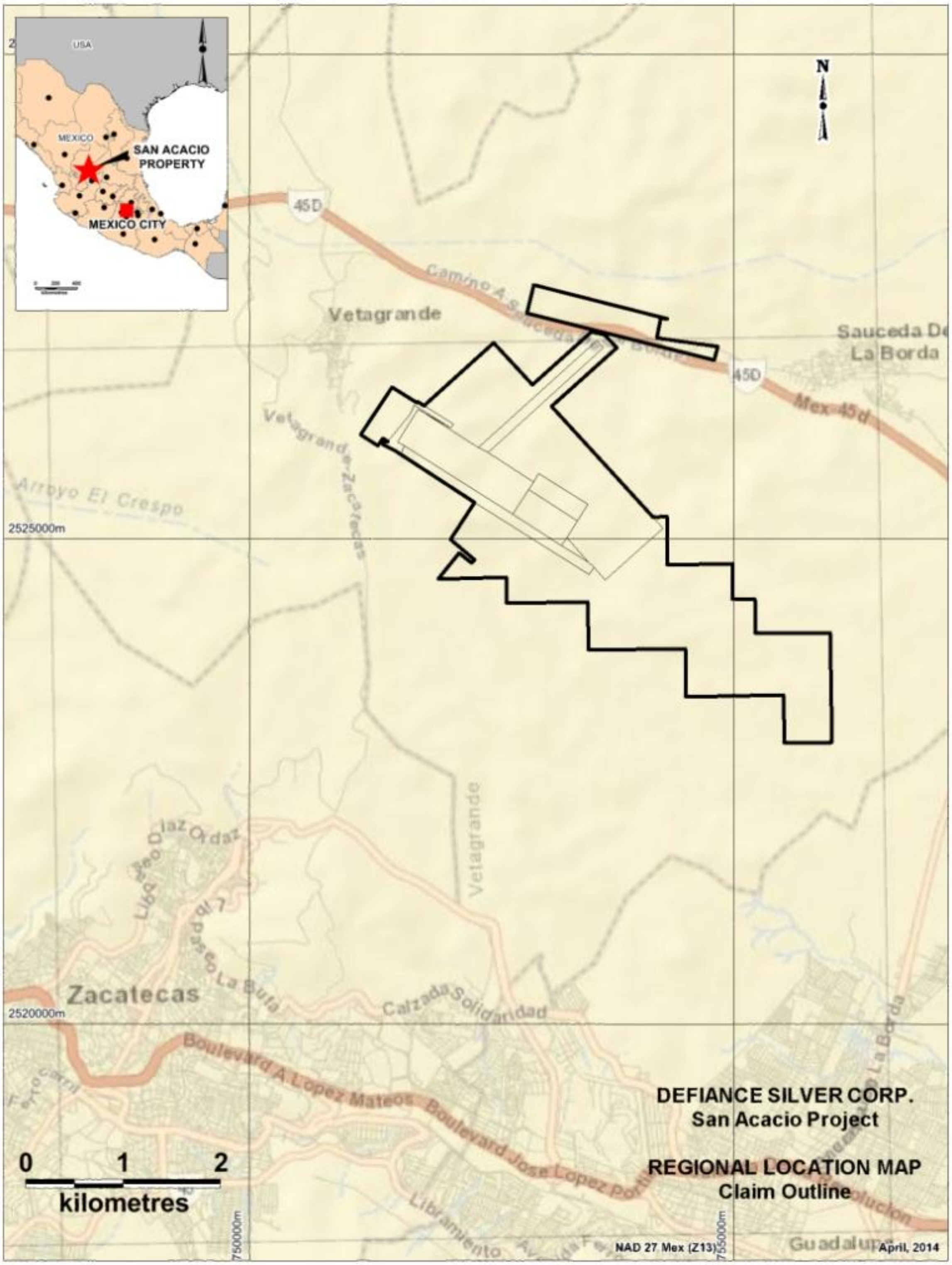


Figure 3 Claim Map

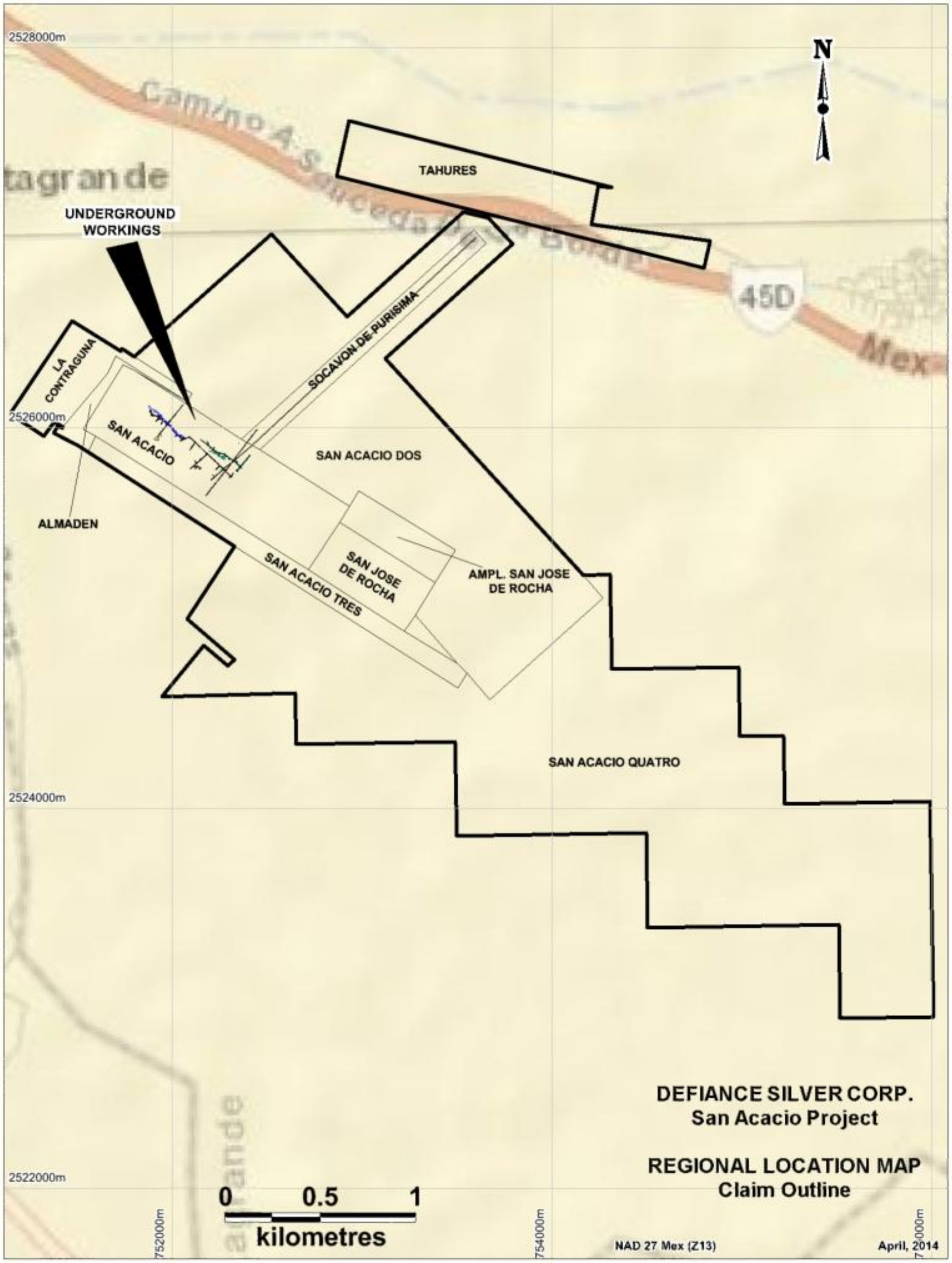
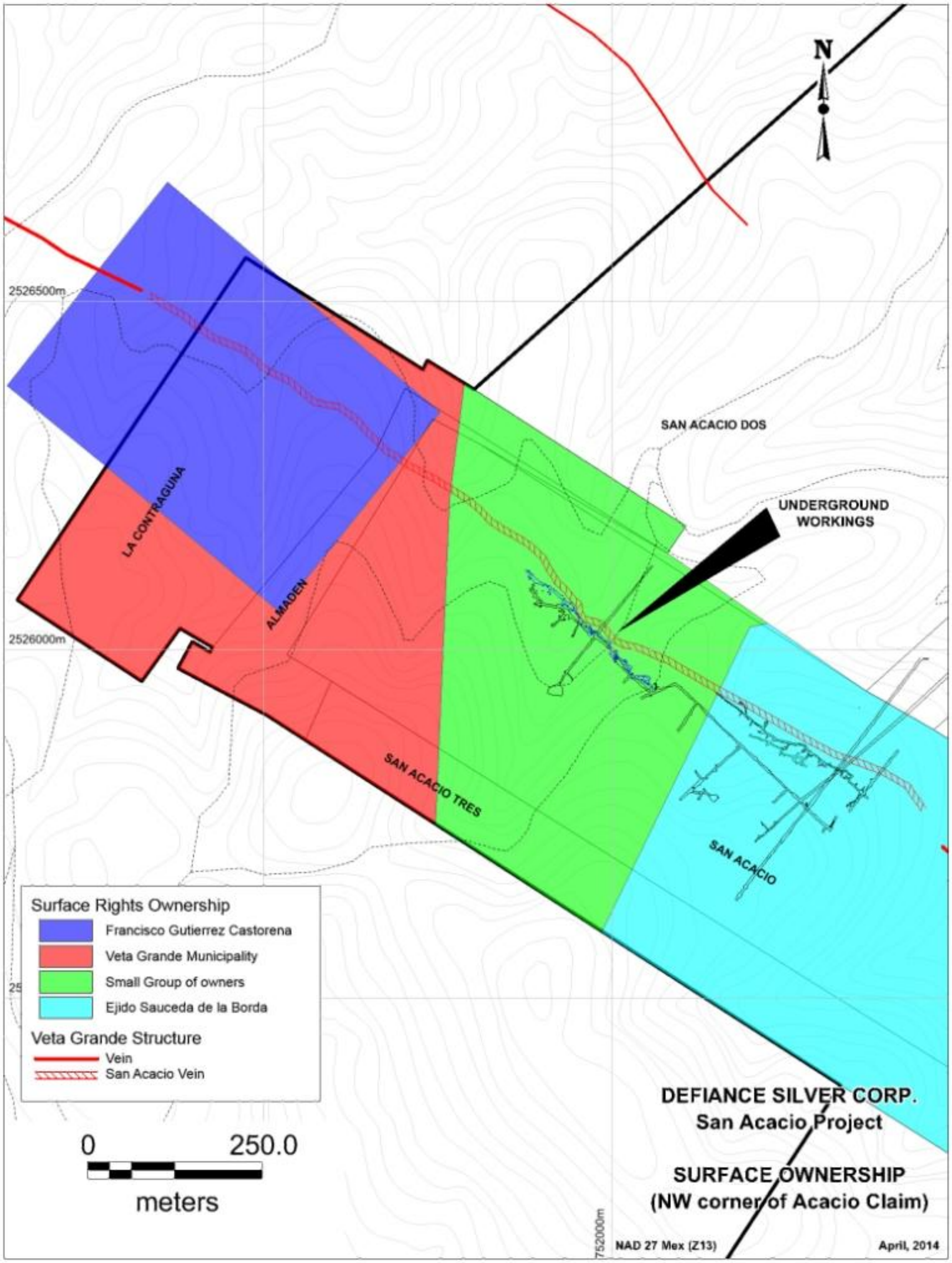


Figure 4 Surface Rights Ownership Map



5. ACCESSIBILITY, CLIMATE, PHYSIOGRAPHY, INFRASTRUCTURE and LOCAL RESOURCES

5.1 Accessibility

The Property is easily accessed from the city of Zacatecas by paved road heading seven kilometres north towards the small village of Veta Grande. The western edge of the San Acacio property is approximately 800 metres to the southeast of this small town. A network of old roads and trails allow for easy access to most of the old workings, shafts, adits and diggings along the entire length of the vein structure.

From other areas in Mexico, the city of Zacatecas is located in the State of Zacatecas and can be reached by a variety of paved highways and smaller roads. At least two scheduled daily flights to or from Mexico City are available with Aero-Mexico. Other international flights with American Airlines connect Zacatecas and Dallas / Fort Worth, Texas on a daily basis.

5.2 Physiography, Vegetation and Climate

The San Acacio concessions lie within a portion of the Central Mexican Plateau or Mexican Altiplano at an average elevation of 2300 to 2600 metres. The mountains of the Altiplano commonly occur as clusters of elongated to circular expressions of rolling hills and ridges separated by extensive flat plains.

The vegetation is spare and includes dry grasses, several species of cactus, thorny shrubs with pines and oaks at higher elevations. The soils are dry and the area can be dusty with strong prevailing winds.

The climate is considered semi-arid with a June average temperature of 19°C and January average temperature of 11°C. It can be cold with temperatures dipping well below 0°C. The wet season is considered June through October and averages nine days per month with rainy periods. It is not unusual to have over 220 hours of sunshine per month particularly in the late winter times (from Wikipedia, 2014).

5.3 Infrastructure and Local Resources

The city of Zacatecas has a population of close to 300,000 including Guadalupe and Zacatecas (Wikipedia) and is the main hub for local supplies and experienced labour force, together with the neighbouring city of Guadalupe. The area has a long history of mining, is generally mining friendly and offers all facilities necessary for exploration and smaller scale mining activities.

Electrical power is available from the village of Veta Grande. Surface water for drilling purposes may be difficult to source other than from small collection dams during the rainy season between June and October.

6. HISTORY

6.1 Exploration History – San Acacio Mine

An excellent description of the mining history at the San Acacio mine is included below and quoted directly from the Price report (2008) and portions from the Desautels report (2012):

"History of the San Acacio mine prior to 1992 is not known in detail. Martin Sutti (personal communication) has collected a number of past reports in Spanish and English, which allow us to piece together some of the local history of the Zacatecas Silver camp:

1548-1765 *In the colonial period, Spanish mined only oxide ores from the high grade shoots, leaving behind most of the sulphide mineralization, partly as backfill. An estimate was made by Minera Teck of 750,000 to 1 million tonnes mined grading 1 kg/ton silver or better, based on vein widths and stopes.*

1765-1782 *The Esperanza area was worked by the Frenchman Jose de la Borda, who was reported to have taken out 4 million pesos of ore each year.*

Late 1800's*. An English company held the property and drove the 2 kilometer-long Purisima tunnel for access and drainage. A small amount of material was mined. 1835-70 various rich bonanzas were mined intermittently.*

1870-1911 *Intermittent production. The Mexican revolution (1910) put a stop to most mining in Zacatecas, as heavy fighting occurred on the local hills.*

1920-1922 *The property was inspected by Compania Dos Estrellas based in Mexico City. (Tomas Skewes Saunders, consultant Engineer). Skewes Saunders examined the accessible parts of the property in 1920-2, although the lower workings were below water level.*

1923 *The western part of the Veta Grande vein system (on ground to the west of San Acacio and now owned by others) was mined by the Pittsburgh Vetagrande Company who erected a 750 ton per day cyanide plant for silica-rich ores, and American Metals Co., who later built a 150 ton per day plant for flotation of complex lead-zinc ores. Both plants were successful until tenor of the mineralization dropped at depth (oxide to sulphide transition).*

1935*. A fairly complete report was written by T. Skewes Saunders for his client Dr. Roy B. Dean. At that time, the property appeared to be owned by the Mesta family of Zacatecas, and was being worked under the supervision of James Berry, an English engineer for Compania Minera San Bartolo, SA. Berry concentrated on opening the El Refugio adit and also the Purisima tunnel (1800 meters). Much geological information was provided by geologists Sr. Ezequiel Ordonez, a respected and experienced individual who had been in charge of the Geological Institute.*

1936-45 *Some dumps from San Acacio were mined by Cia. Fresnillo (who operated the adjacent property) It is reported that about 100 tons per day were treated.*

1953. *The property was offered by Sr. Julio and Jose Romo to Asarco. (American Smelting and Refining Co.).*

1960's *The Amado Mesta family built a 100 ton per day flotation plant to process dumps and some backfill material from San Acacio.*

1974 *The Amado Mesta family incorporated Minera San Acacio and built a larger plant (250 tpd) again to process dumps and surface material. No fresh vein material was mined or milled.*

1977 *The property was reviewed by S. Pastor for Compania Sedemex. It was owned at that time by Compania de Minas San Acacio, under the supervision of Engineer Alfredo Sandoval. Levels 100, 160 and 250 were available for inspection. The adjacent Veta Grande property to the west was owned by Compania Fresnillo. Inco (International Nickel) had expressed an interest in the property but the 2-3 owners were not interested in "unitizing" ownership to* *one company. The underlying claims were held by the Mesta Howard family and associates, who had 50-60 people working at the mine and mill. The Guillermo winze was being de-watered but apparently this was not completely successful, although about 1000 tons of silver ore was mined.*

1988 *The San Acacio mine was evaluated by Minas de San Luis SA de CV. It was estimated at this time that 1.6 million tons had been extracted with an average grade of 205 g/t silver and 0.28 g/t gold. (6 oz silver per ton and 0.0082 opt gold). A detailed study, complete with good quality maps, was done by the company (Atlas Mining materials). Minor small-scale intermittent mining has continued up to the present (Konkin 1996).*

In 1994-95*, Minera San Acacio, S.A. de C.V. was processing backfill material from stopes at or near surface for silica flux. The company crushed the siliceous vein material to minus 3/4 inch mesh and direct shipped the ore to San Luis Potosi. At that time, the ore graded 180 grams/tonne silver and one to two grams/tonne gold. Approximately 80 tonnes of ore was shipped per week, or about 300 tonnes per month. Local illegal "high-graders" from the surrounding villages occasionally work in the various backfilled stopes along the surface using explosives to break-up vein material in order to hand cob high-grade silver mineralization, and piles of high grade material are sometimes seen at surface giving an indication of grades at depth.*

1994-97 *The property was optioned by Silver Standard Resources Inc. in 1994 and held and explored by them until 1997. The program undertaken by Silver Standard is well summarized in a report by Konkin (1996).”*

Silver Standard completed several different initial surveys including grid preparation, surface and underground mapping and rock sampling, sporadic geophysical surveying, trenching, road building, percussion drilling and diamond drilling.

Some of the highlights of the 1995 Silver Standard trenching and underground chip sampling on the San Acacio vein are tabulated below:

Table 3 Selected underground chip sample assays, San Acacio vein. Silver Standard, 1995 (Konkin, 1995)

UG sample #	Type	From m	To m	Intercept m	Grams/tonne Ag
ROD 22	UG chip	0	2.5	2.5	129
ROD 106	UG chip	0	5.9	5.9	295.6
ROD 155	UG chip	0	4.3	4.3	59.5
PUR 33	UG chip	0	7.7	7.7	156.5
PUR 96	UG chip	0	4	4	48.6
PUR 332	UG chip	0	1.8	1.8	200
LVL23+13	UG chip	4.5	6.0	1.5	192

Significant results of the 1995 and 1996 drill program and selected drill results obtained by Silver Standard including analysis of both backfill material and vein material from the San Acacio vein are tabulated in the following table:

Table 4 Selected vein and backfill drill core assays, San Acacio vein. Silver Standard, 1995 (Konkin, 1995)

Hole	Material Type	From m	To m	Intercept m	Grams/tonne Ag
SAD 95-10	Backfill	37.1	39.6	2.5	285
SAD 95-11	Backfill	49.4	56.4	7.0	690
SAD 95-15	Backfill	73.7	77.5	4.6	110
SAD 95-16	Backfill	104.2	107.2	3.0	491
SAD 95-17	Backfill	49.4	51.8	2.4	460
SAD 95-20	Backfill	47.2	49.3	2.1	85

Hole	Material Type	From m	To m	Intercept m	Grams/tonne Ag
SAD 95-28	Backfill	101.2	104.3	3.1	364
SAD 95-10	Vein	39.6	44.5	4.9	284
SAD 95-11	Vein	56.4	68.6	12.2	103
SAD 95-15	Vein	77.5	79.9	2.4	102
SAD 95-16	Vein	107.2	112.4	5.2	136
SAD 95-17	Vein	51.8	53.4	1.6	558
SAD 95-20	Vein	49.3	54.6	5.3	83
SAD 95-28	Vein	104.3	106.3	2.0	192

Assays from a total of 32 diamond drill holes combined with 176 underground chip samples were used to derive an historical resource of 2.47 million tonnes averaging 182.5 g/t Ag or 14.5 million ounces (non 43-101 compliant). This estimate includes in-situ silver vein and backfill material from old stopes, a 50 meter influence, a 2 ounce per ton cutoff and a specific gravity of 1.75 for backfill and 2.55 for vein material.

*"**In late 1997 or early 1998**, Minera Argentum SA de CV., a subsidiary of Atlas Mining Inc. (a US SEC reporting issuer) signed a 3-year option on the property. Minera Argentum worked in Mexico under the direction of Richard Tschauder and Gabriel Arredondo. Olympic Silver Resources Inc., a Nevada Corporation, acquired Minera Argentum, and then Olympic merged into Atlas."*

*"**In late 1997 or early 1998**, Olympic Silver Resources, a Nevada company optioned the San Acacio property. Minera Argentum, a subsidiary of Atlas Mining Inc. purchased the majority interest in Olympic Silver. Atlas planned to raise US$ 1 million to start production and expand the mine in 1999, but apparently the financing failed and the property was relinquished in 2001 (SEC filings for Atlas)."*

From 1999 to 2003 Atlas Mining developed a metallurgical testing program for silver recovery at San Acacio. Four bulk samples were collected from the upper levels of the vein system, each weighing 440 pounds, and were sent to American Assay Labs in Nevada. Results of this work are detailed in Section 13 of this report.

In 2004 to 2008 Sterling Mining de Mexico completed surface trenching and metallurgical work on the San Acacio vein. This work was under the direction of Richard Tschauder. Details of this metallurgical work are included in Section 13 of this report. Selected results from the surface trenching program are listed below; a full listing of results is tabled in Section 9 of this report.

Table 5 Selected trench sample assays, San Acacio vein. Sterling Mining (data from Tschauder)

Trench sample #	Type	From m	To m	Intercept m	Grams/tonne Ag
Trench 3	Surface chip	4.8	7.1	2.3	217
Trench 4	Surface chip	1.46	2.51	1.05	401.9
Trench 5	Surface chip	1.25	2.60	1.35	615.1
Trench 8	Surface chip	9.83	12.23	2.4	548.5
Trench 13	Surface chip	1.4	2.2	0.8	1336.9
Trench 26	Surface chip	5.7	7.66	1.96	422.9

December 2008 to October 2010, As stated in Source's press release dated December 3, 2008, *"Source, through its 100% owned subsidiary, closed a transaction with Sterling and its Mexican subsidiary, Sterling Mining de Mexico S.A. de C.V. to purchase Sterling's remaining interest in the San Acacio silver property through an earn-in agreement with Sterling to acquire the San Acacio deposit."* On October 28, 2010, Source announced that the option had been terminated. Source conducted surface diamond drilling, rehabilitated the Refugio level and conducted a limited underground drill program.

Table 6 Selected surface and underground drill core assays, San Acacio vein. Source Exploration, 2010

Sample	Sample Type	From m	To m	Intercept m	Grams/tonne Ag
SADD 09-04A	Surface drill	233.9	235	51.8	51.8
SADD 10-10	Surface drill	395.98	397.15	1.17	60.02
SA UG-02	UG drill	183.05	183.70	0.65	1094

October 2011 to Present, Defiance's Mexican subsidiary Minera Santa Remy S.A de C.V. has an agreement with Amado Mesta Howard, Minera San Acacio S.A. de C.V., and Calidad Estrategia Cencorp S.A. de C.V. dated October 24, 2011, for the exploration, exploitation and purchase of a 100% interest the San Acacio mineral concessions and other interests. To date exploration work on the San Acacio property by Defiance has been limited to compilation and reinterpretation of geological and drill information data that has developed a new geological model forming the basis for a new resource estimate outlined in this report.

Data collected from the drilling and sampling programs completed by Silver Standard in 1995 to 1996 and by Sterling Mining and Source Explorations from 2008 to 2010 have been used in the resource calculation detailed in this report.

6.2 Resource History – San Acacio

The most current resource estimation, compliant with current NI 43-101 guidelines, was completed in 2010 by PEG Mining Consultants of Barrie, Ontario, Canada. The estimate focused on silver and gold mineralization only. The resource was updated and reissued in a report by AGP Mining Consultants in 2012. In 1996 Silver Standard completed a non compliant resource calculation for internal use. Details are listed below.

Table 7 Historical Resource Estimates - San Acacio

Year	Company	Estimate	Comments
2010	PEG Mining Consultants	1.49 Mt, 84.9 g/t Ag and 0.19 g/t Au – indicated. (4.05 Moz silver, 9000 ozs gold) 4.17 Mt, 107 g/t Ag and 0.17 g/t Au – inferred. (14.36 Moz silver, 22,300 ozs gold)	Based on 41 drill holes and 457 underground chip samples. Silver and gold caps at 600 and 1.5 g/t respectively. SG of 2.55 g/cm^3 for vein and 1.75 g/cm^3 for mineralized backfill. Block size of 5 by 5 by 4 metres (X,Y,Z) was selected. A silver equivalent cutoff grade of 45 g/t was used. **(NI43-101 compliant**)
1996	Silver Standard	2.47 Mt, 182.5 g/t Ag – inferred (14.5 Mozs silver)	Based on 32 drill holes and 176 underground chip samples. **(non NI43-101 compliant**)

7. GEOLOGICAL SETTING AND MINERALIZATION

7.1 Geological Setting – Zacatecas Area

The Zacatecas Mining District covers an area of over 700 square kilometres in north central Mexico known for its rich epithermal and mesothermal vein deposits containing silver, gold with varying amounts of copper, lead and zinc. The dominant features responsible for the localization of precious and base metals are believed to be Tertiary age and are likely related to a volcanic caldera complex and to a set of northerly trending basin and range fault structures. The following description was obtained from Price (2008) and further condensed from Ponce and Clark (1988).

"The district is located at the transition of the eastern flank of the southern Sierra Madre Occidental province and the north-western limit of the Mesa Central physiographic province. The Sierra Madre Occidental province, one of the most extensive volcanic fields of the world, is a massive pile of nearly horizontal volcanic rocks that underlies a vast plateau, composed largely of siliceous volcanic rocks of the upper volcanic series that rest discordantly either on the lower volcanic series, which are composed mainly of intermediate lavas, or on metamorphic rocks of Precambrian or Palaeozoic age and igneous or sedimentary rocks of the Mesozoic era (the Pimienta series). The lithological units are described briefly from youngest to oldest:

Tertiary Units

- **Guadalupe Formation** (Teg) is an accumulation of silicic pyroclastic rocks, and is informally assigned formational status. This unit comprises pink-gray, vitric crystal, welded, rhyolitic, ash-flow tuffs containing 3% to 8% phenocrysts. Quartz phenocrysts are abundant, whereas potassium feldspar crystals, 1 to 2 mm in size, are rare. The aphanitic matrix is silicified and devitrified. Outcrops are concentrated in the eastern flank of the Sierra de Zacatecas."
- **Quintero Latite** (Teql) is one of the less voluminous units and is exposed only in the southern portion of the area. The latite is a greyish and pinkish to purple-brown, aphanitic rock, with scarce potash feldspar.
- **Red Conglomerate** (Tpec) is a sequence of bedded fluvial deposits of conglomerate that exhibit a reddish matrix. This "polygenetic" conglomerate is composed of gravel and sand-sized fragments. Some intercalations of volcaniclastic and epiclastic materials, red sandstones, and red siltstones or claystones are also present. The age of this unit is Paleocene, and it is widespread in this part of Mexico.

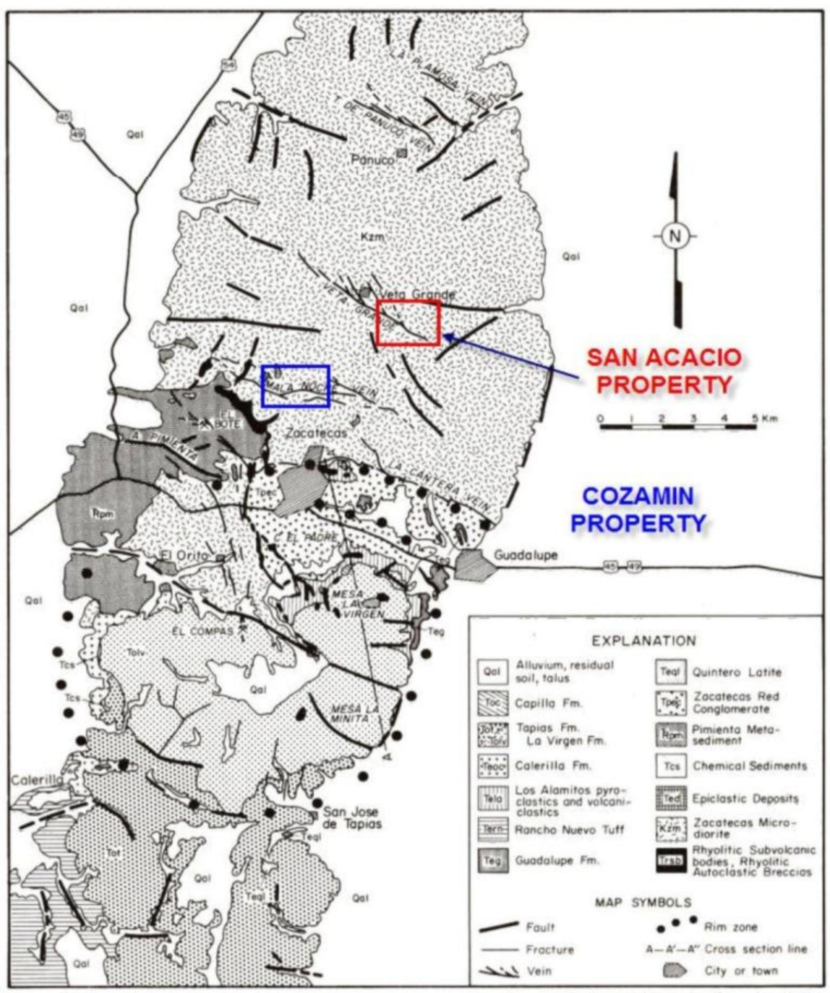
Cretaceous and Triassic Units

- **Chilitos Formation** pillow lavas, in the nearby Fresnillo district and to the south at San Nicolas, are Early Cretaceous in age. This unit discordantly overlies the Zacatecas or Pimienta Formation, and includes andesitic marine lavas with pillows, alternating with shale's and limestone lenses.
- **Zacatecas Micro diorite** (Kzm) is an aphanitic to medium-grained, phaneritic, hypabyssal rock, with a subordinate porphyritic texture. Small irregular, medium- to coarse-grained gabbroic bodies are present in the unit. Characteristic deuteric or hydrothermal alteration is common. The micro diorite occurs as a large composite laccolith that crops out in the northern half of the Zacatecas district. The Zacatecas micro diorite is commonly referred to as the "green rock" of

Zacatecas, but its origin was not understood until Ranson suggested an intrusive origin with an isotopic age of 74.3 Ma (Late Cretaceous), using K-Ar methods.

- **Pimienta Metasediments** (Triassic - T3pm), the oldest rocks in the area, are divided into two members:
  - The lower member contains phyllites with conformable lenticular bodies of meta-conglomerates, meta-quartzite, and marble and an intraformational conglomerate in the middle part.
  - The upper member consists of very fine-grained dense metaquartzite. The metamorphic grade corresponds to greenschist facies. The Pimienta metasediments are best exposed in deep arroyos (rivers) of the west-central portion of the Zacatecas area and in road cuts, along highways leading to Fresnillo and Guadalajara. They are also present in relict outcrops overlying the Zacatecas micro diorite and as xenoliths within it.

Figure 5 Regional Geology (after Ponce and Clark, Economic Geology, 1988)



From Economic Geology, Vol 83 No 8. (December 2008)

7.2 Regional Mineralized Vein Systems – Zacatecas Area

Precious and base metal veins in the Zacatecas area can be divided into three distinct vein systems depending on mineral assemblage, age and general orientation. These are briefly described below in sequence of importance, partially condensed after Price (2008). A detailed account is discussed in Ponce and Clark (1988).

1.) Ag-(Pb,Zn,Cu,Au) system is by far the most dominant and economically important vein type in the district. These have been exploited for years with the more important structures being **the <u>Panuco, Guadalupe, Veta Grande, San Juan, Mala Noche, San Roberto and Cantera</u>** among others. The San Acacio vein is part of the larger Veta Grande structure.

Regionally, the veins are strike persistent from 4 to 16 kilometres in length with an orientation between azimuth 90° to 135° and dips 50° to 70° SW and 64° to 75° NE. They pinch and swell from 1 metre up to 30 metres in width and commonly display one main vein or may branch into a fan of strike slip faults (horsetail structures), parallel sheeted structures, sigmoidal openings and vein stringers. The branches diverge both horizontally and vertically and where separated from the main structure commonly pinch out.

The veins are hosted in the Chilitos Formation (San Acacio), Zacatecas Micro Diorite and to a lesser degree in the Pimienta Metasediments and Red Conglomerate and parts of the Guadalupe Formation rhyolitic bodies (Cantera vein). Historical grades have commonly been in excess of 1000 grams per tonne silver.

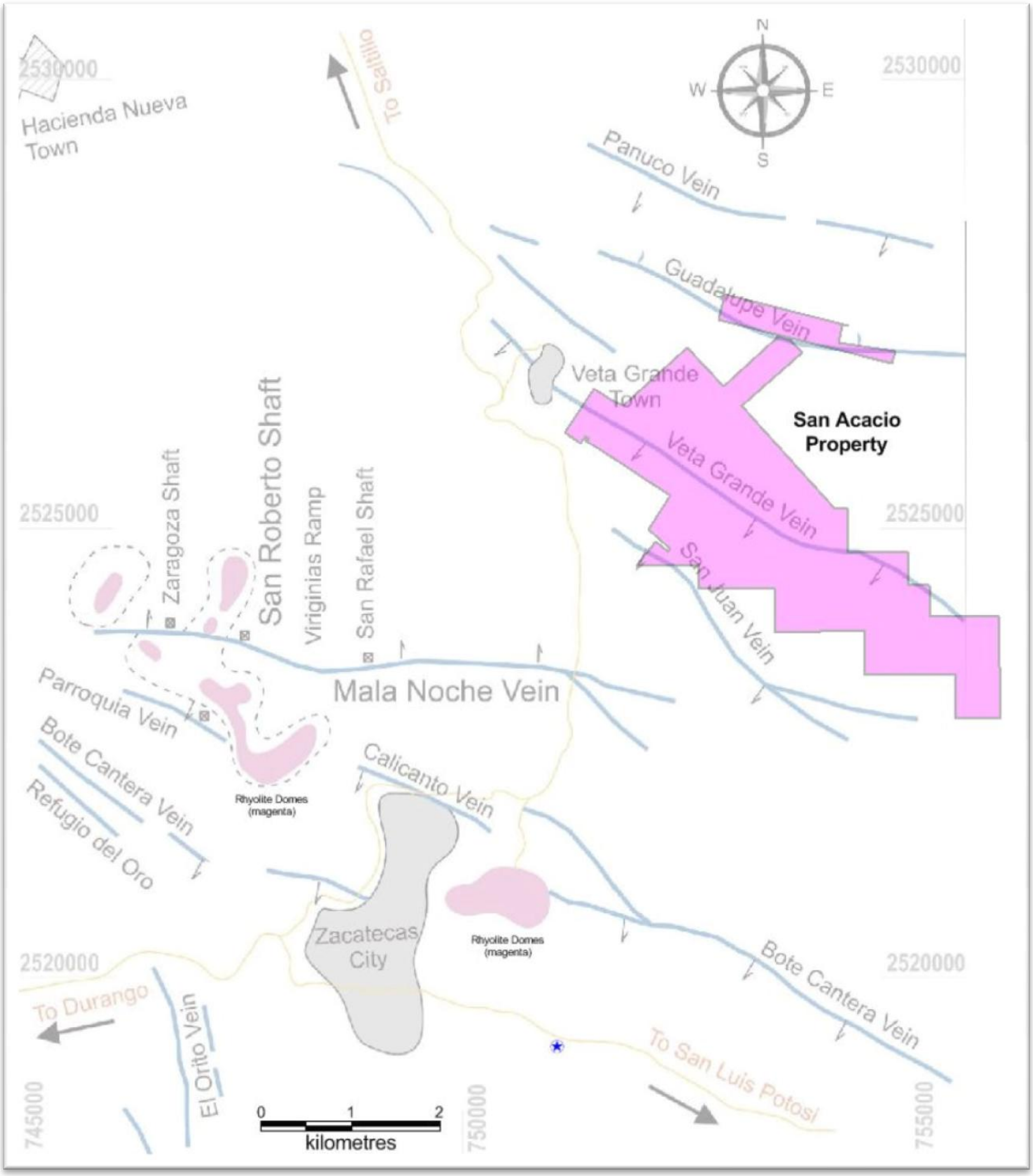
2.) Au-Ag (Se) system is a series of smaller veins structures trending on azimuth 0° to 340° with dips varying from vertical to 60° East and West. They include the **<u>El Pistol, Orion and Tres Vetas</u>** zones. The average length of continuous outcrop is 600 metres. They are commonly 'fan' shaped and open to the northwest and generally occur in radial form with respect to the caldera structure mapped to the south of Zacatecas by the Mexican Geological Survey or CRM (Vargas, 1992).

The gold and silver grades are reported from 5 to 8 g/t Au and >1000 g/t Ag. Mineralization is concentrated in the narrower parts of the veins and grades can be erratic. The typical ore shoots may be 20 metres long by 20 metres deep with widths of 0.1 to 0.5 metres. Tonnage is considered limited (Price, 2008).

3). Fluorite bearing vein system is the least developed in the Zacatecas District. They are intermittently exposed 1.5 kilometres southwest of the town of Guadalupe and may extend through talus cover for over 3 kilometres.

The main vein strikes along azimuth 10° and dips 75° southeast and can reach a thickness of 1 metre in some locations. It is hosted by the Guadalupe Formation and Alamitos volcanoclastics and is oriented sub parallel to the eastern edge of the caldera structure.

Figure 6 Major silver rich vein structures - Zacatecas Area (modified after Hardy, 2009, UTM NAD 27 Mexico)



7.3 Local Geology and Mineralization – San Acacio area (on the main Veta Grande)

The San Acacio concession is underlain by the early Cretaceous Chilitos Formation. Rock types include a variety of different submarine andesitic volcanics with textures commonly pillowed, massive, porphyritic or brecciated in nature. Minor clastic sediments are intercalated with this dominant volcanic package.

Outcrop on the Property is not overly abundant and limited to local hill tops, creeks and steeper slope areas. The porphyritic andesite exhibits a dark green ground mass with up to 10% feldspar and 5% chlorite phenocrysts. The unit is weakly to moderately altered to epidote and chlorite and commonly contains late stage barren zones of quartz-calcite brecciation. The massive andesite is similar to the porphyritic unit without the phenocrysts and both may contain 1 to 2% disseminated pyrite.

A clastic series of mixed argillite and siltstone are usually brittle and well fractured and may contain quartz carbonate stringer zones (Konkin, 1996). These clastic units are commonly found within the footwall sections of the larger Veta Grande structure.

Nearer the vein structures, the intensity of the alteration becomes more evident. Moderate to strong clay alteration and leaching can be seen noticeably in the hanging wall section of the vein.

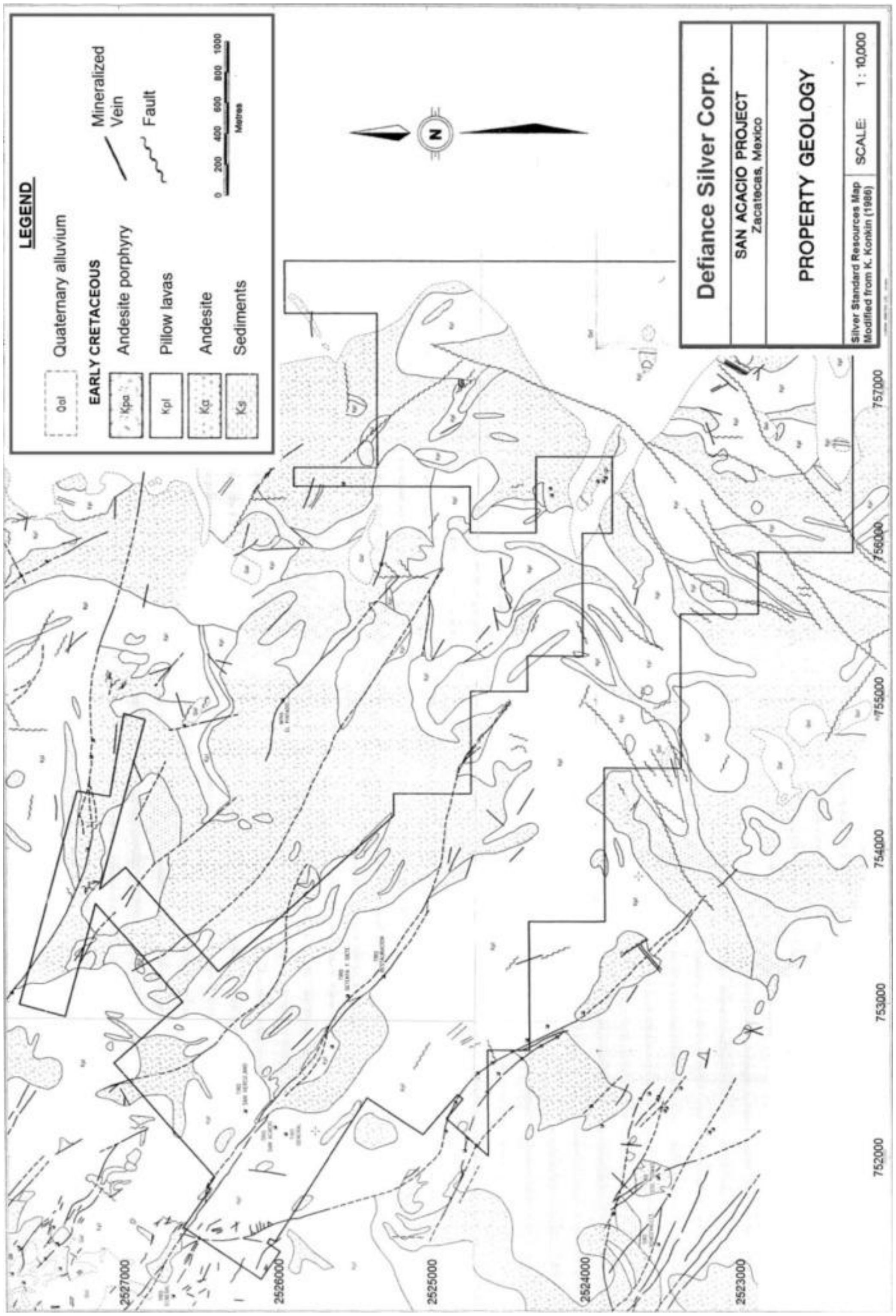
Photo 1 Chilitos Formation andesite with pillow features in footwall of the San Acacio structure (Cuttle, 2014)

Four individual veins make up the main vein structure at San Acacio, including Veta Grande (Veta G or Main vein), Veta Grande Intermedio (described in Konkin, 1996) , Veta Chica (Veta C or HW) and Veta Blanca (Veta B or FW). The forth vein Veta Grande Intermedio is small and has been combined with Veta Grande for the purpose of this report. The three main vein structures are generally sub-parallel to each other and trend along azimuth 150°, dipping 58° to 70° southwest.

- Veta Grande (Veta G or Main Vein) – Is considered the dominant structure with widths from 2 metres to 30 metres. It pinches and swells along strike and is known locally to splay into branches. The vein has been well worked and from drilling is known to extend 335 metres vertically and continues over 1300 metres horizontally. Apparent warping of the vein structure, where the author observed a distinct 'offset' may be the result of a left lateral or sinistral strike slip movement, results of which could indicate a widening of the structure.
- Veta Grande Intermedio – Is the same prominent structure as Veta Grande but continues southeast through El Aguilon and Restauración shafts. Silver mineralization is associated with quartz and amethyst..
- Veta Chica (Veta C or HW) – Is similar to Veta Grande but is located in the main hanging wall portions of the large fault 'envelope'. Underground exposure in cross cuts off the deeper Purisima Level show this vein to be trending parallel approximately 30 to 55 metres to the southwest. It does not crop out on surface.
- Veta Blanca (Veta B or FW) – Konkin (1996) suggests this vein was intersected in drill hole SAD 95-23 and is interpretated to be parallel to Veta Grande. The drill hole suggests a true width of 8 metres (backfilled stope) and a footwall of quartz-amethyst carrying silver values.

The mineralized vein system is further described by Tschauder (2002): "The veins are silica-carbonate fissure fillings containing pyrite, anglesite, cerussite, native silver, argentite, freibergite, proustite, galena, sphalerite, cerargyrite and rare chalcopyrite in a gangue of chalcedony, quartz, amethyst and calcite. The veins all strike northwest and dip about 70 degrees to the southwest. Veta Grande is the prominent structure, and is two to thirty meters wide, averaging 10 meters in width. The Veta Grande pinches and swells, and splays into sigmoid loops, some of which are likely identified as separate veins in the Silver Standard work. On the San Acacio property, the Veta Grande is known to extend to depths of at least 335 meters based on drilling and approximately seven kilometers along strike. Strike length on the Veta Grande has been determined by walking the outcrop of the vein, and by the extent of the soils anomaly defined by Silver Standard. Total vein strike length is estimated at 17 kilometers, with much of this strike length off the property to the northwest and southeast. To the southeast, the vein changes in character from a silica-dominant gangue to a carbonate dominant one, while to the northwest, the vein becomes more sulfide rich. This relationship, combined with similar observations on the La Cantera and Mala Noche systems suggests the district is tilted to the east, such that progressively shallower levels of the vein are exposed, going to the east and deeper levels are exposed going to the west. This simple pattern is likely modified by post mineral faulting, similar to what is known to exist in the vicinity of the Intermediate Shaft".

Figure 7 Local Property Geology (modified from Konkin, 1996,, including the old claim outline)



7.4 Mine Workings – San Acacio Area.

During the many years of mining activity at San Acacio the mineralized veins described above have been accessed by numerous shafts, inclines, cross cuts and drifts. Much of the oxide portion of the vein was mined prior to the 1900's. The deeper sulphide portions were later mined when technology allowed for the extraction of silver from sulphide minerals. Many of the ancient stopes were backfilled with what today may be considered economic grade mineralization.

Underground chip sampling information in this report comes from four levels or sub-levels as follows.

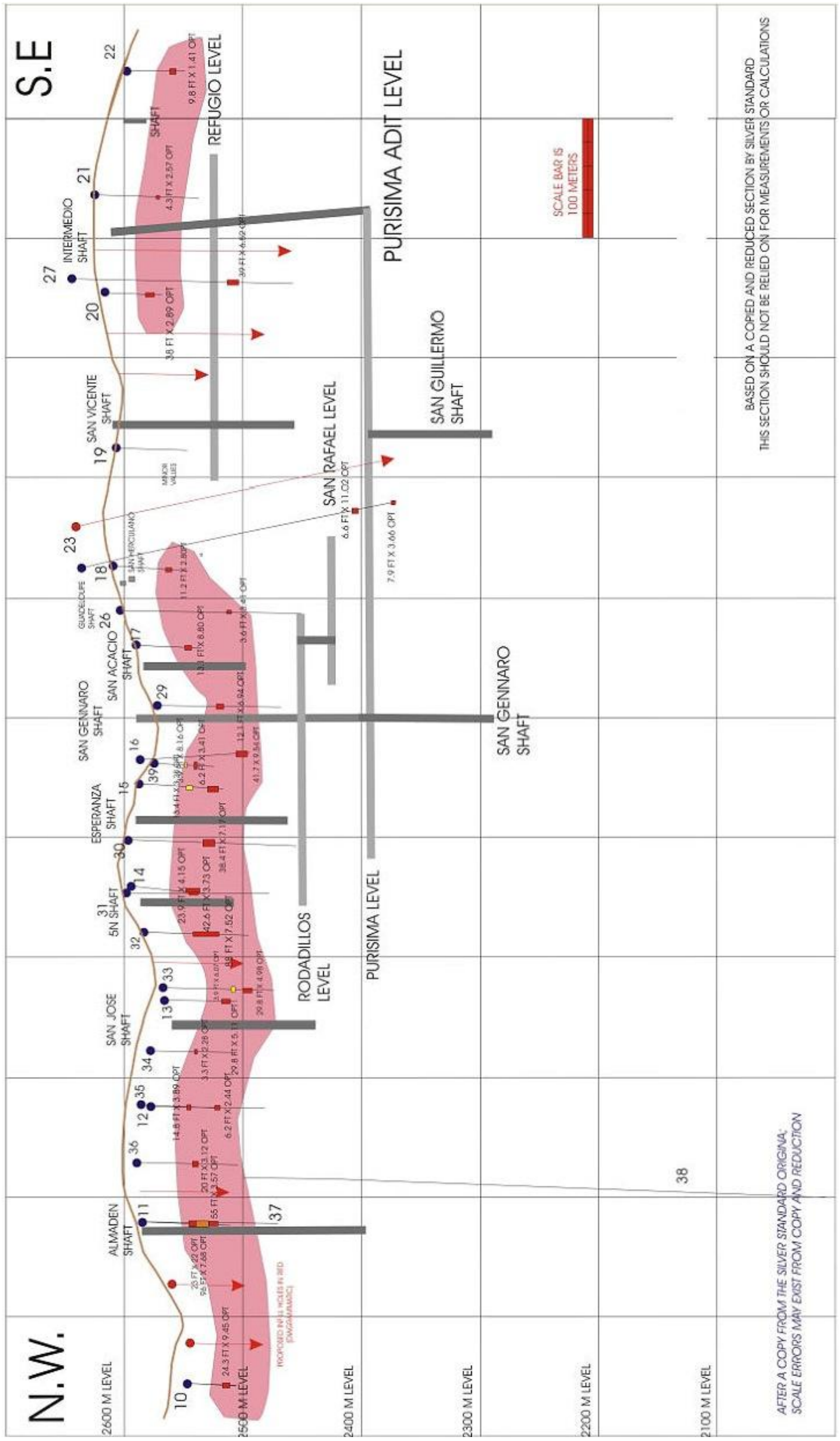
- Refugio Level – elevation at 2510 metres above sea level.
- Level 23 – 2487 metres above sea level
- Rodadillo Level – 2439 metres above sea level
- Purisima Level – 2380 metres above sea level

Quoting Price (2008), "the lowest access is the Purisima tunnel 1800 meters in length and 2.5 meters x 2.5 meters in cross section. This access level is open for about 1600 meters (out of the total 1800 meter length) beyond which point the adit is unsafe and has a great deal of water, as it drains the entire mine above this level".

The San Genaro shaft is located roughly in the centre of the mining activity and was utilized until a few years ago at which time the hoisting equipment was removed. It was the main shaft that reached all levels at the San Acacio workings. San Genaro is located at 751847E, 2525960N, 2592 metres elevation. Many other shafts (Almaden, Esperanza, San Acacio, America, San Vincent and Intermedio) exist along strike in both directions from the San Genaro shaft, but their condition is unknown.

Old dumps are found throughout the strike length of the workings and are believed to be from shafts and cross cuts. The material is either not mineralized or possibly low grade. Amado Mesta (current owner of the claims) operated a small mill on the property which has since been removed. A small tailings pile of unknown grade remains of approximately 1 million tonnes (Price, 2008).

Figure 8 Long Section showing underground workings and shafts at San Acacio with silver rich drill intercepts outlined in red during the Silver Standard field program in 1995/6 (modified after Konkin, 1996)



8. DEPOSIT TYPES

The San Acacio vein forms part of the larger Veta Grande and is considered a low sulphidation epithermal silver deposit with minor gold and base metal. These veins are commonly Tertiary in age, they typically form at shallow depths and are hosted in predominately volcanic rocks. They occur along extensive regional structures with high grade mineralized ore zones and shoots within the vein structure limited more to areas with flexures, fault jogs, splays and sigmoidal loops. Many low sulphidation vein deposits have well pronounced banded textures.

Principle gangue minerals include quartz, amethyst, calcite, adularia, barite and fluorite. Ore minerals are numerous and can include pyrite, electrum, gold, native silver, argentite, tetrahedrite, chalcopyrite, sphalerite and galena. Silver sulphosalts and selenide minerals are not uncommon.

Below is a figure highlighting a possible model for the San Acacio area of the Veta Grande. Rick Tschauder of Defiance Silver (personal communication, 2014) believes a certain degree of tilting occurs along its strike length. "To the southeast, the vein changes in character from a silica-dominant gangue to a carbonate dominant one, while to the northwest, the vein becomes more sulfide rich. This relationship, combined with similar observations on the La Cantera and Mala Noche systems suggests the district is tilted to the east, such that progressively shallower levels of the vein are exposed, going to the east and deeper levels are exposed going to the west. This simple pattern is likely modified by post mineral faulting, as is known to exist in the vicinity of the Intermediate Shafts along the vein structure creating exposures to different levels or gangue assemblages and mineralization".

Figure 9 Deposit model at San Acacio. (modified from Defiance Silver and USGS)

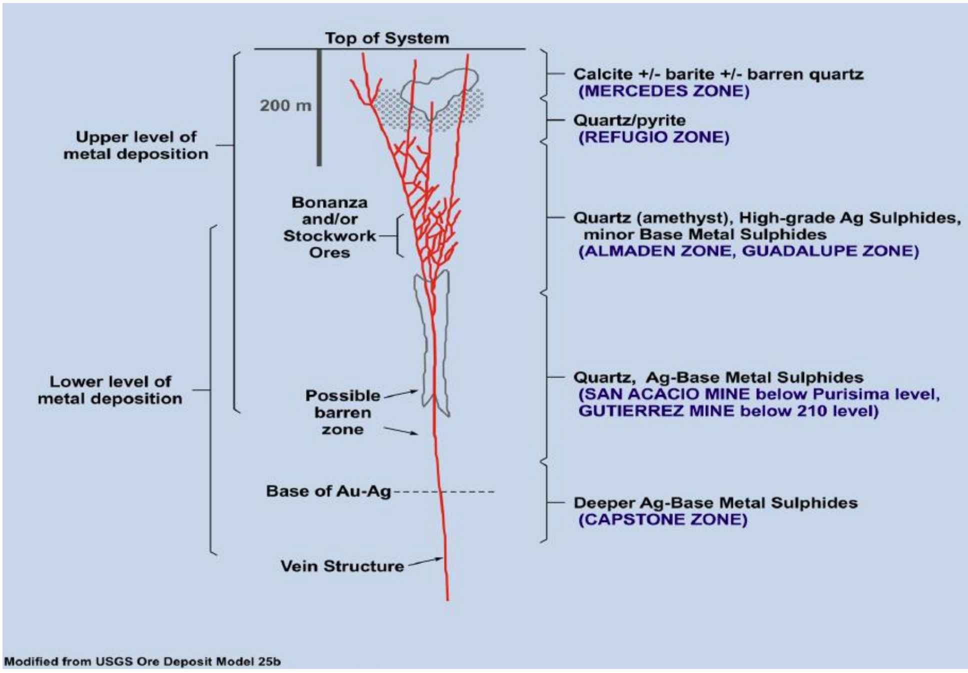


Photo 2 Typical epithermal banding in the San Acacio vein. Note dark sulphide banding to right of pencil. (Cuttle, 2014. UTM loc. 751473E, 2526585N)

Photo 3 Classic example of banded epithermal vein

9. EXPLORATION

To date exploration work on the property by Defiance has been limited to compilation and reinterpretation of geological and drill information data that has developed a new geological model forming the basis for a new resource estimate. Historical work used in this report has been detailed in previous reports by Konkin, 1996, Price (2008) and Desautels (2010, 2012) with modifications by the author. This includes regional soil sampling, geophysics (VLF), underground rehabilitation, surface trench and underground chip sampling of the San Acacio vein structures, including the sampling of backfill material located within a network of historic stopes. Drilling is described in Section 10.

Table 8 Historical underground chip and surface trench sampling at San Acacio in 1995, 2006, 2010

Sample Type	Responsible Party	Location	Year	Hole Tag	Number of samples	Total metres
UG chip	Silver Standard	Rodadillo	1995	ROD	72	185.1
UG chip	Silver Standard	Level 23	1995	LVL	4	23.6
UG chip	Silver Standard	Purisima	1995	PUR	92	607.5
UG chip	Silver Standard	Refugio	1995	REF	8	43.8
Trench chip	Sterling Mining	Surface vein	2006	TRENCH	42	477.1
UG chip	Source Exploration	Refugio fill	2010	REFBF	17	24.1
						1361.2

(Percussion and diamond drill samples in Section 10)

9.1 Silver Standard - 1995 program and underground chip sampling

The account of work completed in 1995 and described below is condensed by Price (2008) directly after Konkin (1996): Initial exploration and evaluation of the San Acacio property by Silver Standard included:

- *"Marking of a base line over six kilometers in length and over 66 kilometers of cross-lines*
- *Surface rock and soil sampling as well as surface geophysical surveys conducted over a wide-spaced picketed grid.*
- *Five bulldozer trenches varying from 160 to 215 meters in length, and several kilometers of road construction.*
- *Underground rehabilitation efforts along the Purisima, Rodadillo, San Rafael, Refugio, Mercedes, El Aguilon and '77' workings. Partial access was gained to these levels but access to the Veta Grande system within the Mercedes and El Aguilon workings remains closed due to excessive caving.*
- *Mapping and sampling of the Veta Grande system within the Purisima, Rodadillo, San Rafael, Refugio and '77' levels. Several high-grade values of up to 730 g/tonne silver over 1.3 meters were obtained from the lowest accessible level, the Purisima. Enough encouragement was obtained from the first phase of surface and underground exploration to warrant a drill program."*

Of all the initial work completed by Silver Standard during this program, results of the underground chip sampling combined with the drilling were the most significant assays for identifying potential at San Acacio. Listed below are composites of these locations derived by Giroux, 2014. These have been given new number codes. The original number codes can be referenced on Silver Standard level plan maps from the UTM's. Original samples averaged 1.6 metres in length, of which some were not full width as the vein was not completely exposed for sampling.

Table 9 Selected examples of some of Silver Standard underground chip sampling, with locations and assays (LVL23= Sub level 23, PUR=Purisima Level, ROD=Rodadillo Level, REF/REFBF=Refugio Level).

UG Chip	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
LVL23+0	0	3.6	3.6	3.26	752473.7	2525491	2487	0.155	32.1
LVL23+13	0	6	6	5.44	752478.9	2525496	2487	0.222	96.13
LVL23+35	0	4	4	3.76	752503.9	2525505	2487	0.255	29.85
LVL23+57	0	3.5	3.5	3.38	752523.3	2525516	2487	0.296	35.54
PUR103	0	3.3	3.3	2.77	752183.7	2525864	2380	0.5	6.1
PUR105	0	2.8	2.8	2.45	752169.8	2525877	2380	0.04	7.8
PUR108	4	9.9	5.9	5.47	752099.1	2525886	2380	0.48	83.6
PUR113	4	12.3	8.3	7.7	752096.8	2525888	2380	0.191	25.2
PUR119	4	10.6	6.6	6.21	752056.6	2525935	2380	0.324	33.1
PUR127	8	13	5	4.7	752047.6	2525934	2380	0.453	24.3
PUR135	0	3.2	3.2	3.03	752041.4	2525951	2380	0.64	11.4
PUR138	0	11.4	11.4	10.78	752025	2525960	2380	0.265	10.2
PUR14	0	3.4	3.4	3.28	752291.3	2525761	2380	0.001	2.3
PUR148	0	12.8	12.8	12.1	752022.9	2525961	2380	0.327	8.8
PUR154	0	2.2	2.2	2.08	752017.6	2525972	2380	0.342	10.1
PUR157	0	4	4	3.78	752006.1	2525984	2380	0.12	1.9
PUR164	2	6	4	4.92	751972.9	2526012	2380	0.542	17
PUR17	0	3.2	3.2	2.26	752278.5	2525773	2380	0.001	2.85
PUR176	10	20	10	6.05	751967.1	2526009	2380	0.104	20.9
PUR234	0	2.5	2.5	3.36	751936	2525967	2380	0.13	136
PUR238	5	10	5	4.73	751948.8	2526028	2380	0.22	25.8
PUR247	6.2	10	3.8	3.59	751948	2526030	2380	0.015	2.4
PUR258	0	3.5	3.5	4.73	751940	2526045	2380	0.102	53.5
PUR260	0	2	2	4.73	751938	2526044	2380	0.575	49.8
PUR261	0	7	7	8.5	751939.4	2526048	2380	0.118	54.5
PUR266	0	1.8	1.8	4.92	751935.8	2526050	2380	0.115	57.8
PUR267	0	6	6	4.92	751932.7	2526048	2380	0.148	7.8
PUR282	0	1.9	1.9	3.78	751924.2	2526056	2380	0.11	17.6
PUR285	0	21.5	21.5	4.73	751914.8	2526062	2380	0.249	20
PUR297	0	1	1	0.98	751897.7	2526061	2380	0.165	19.4
PUR298	0	5.7	5.7	0.98	751895.5	2526063	2380	0.199	25.2
PUR301	0	17.6	17.6	4.73	751911.2	2526065	2380	0.233	60.9
PUR310	0	5.9	5.9	4.73	751900.5	2526069	2380	0.167	31.5
PUR313	0	12.6	12.6	3.15	751895.1	2526071	2380	0.19	157
PUR320	0	1.8	1.8	3.15	751892.4	2526075	2380	0.165	94

UG Chip	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
PUR323	0	2.5	2.5	3.84	751888	2526076	2380	0.225	18.8
PUR324	0	2	2	3.84	751891.2	2526081	2380	0.24	48.6
PUR325	0	2.1	2.1	3.84	751887.6	2526078	2380	0.045	4.6
PUR326	0	3.3	3.3	3.25	751891.6	2526080	2380	0.208	25
PUR329	0	3.3	3.3	3.25	751887	2526083	2380	0.198	26.2
PUR33	0	7.7	7.7	7.44	752221.6	2525739	2380	0.138	156.5
PUR332	0	1.8	1.8	1.77	751886.5	2526090	2380	0.2	512
PUR36	0	6.7	6.7	6.47	752221.8	2525743	2380	0.035	81.2
PUR38	4	6.8	2.8	6.57	752226.3	2525743	2380	0.045	99.3
PUR51	0	4	4	3.86	752264.5	2525789	2380	0.183	4.1
PUR54	0	2.9	2.9	2.8	752243.6	2525808	2380	0.015	21.2
PUR56	0	3.5	3.5	3.38	752222.1	2525828	2380	0.001	0.5
PUR59	0	2.7	2.7	2.01	752202.3	2525847	2380	0.019	2.25
PUR63	0	2.7	2.7	2.26	752192.8	2525855	2380	0.001	2
PUR77	2	9.3	7.3	7.05	752130.1	2525810	2380	0.2	290
PUR8	0	3	3	2.9	752308.8	2525746	2380	0.01	2.2
PUR86	0	2	2	1.93	752119.6	2525826	2380	0.085	68.6
PUR88	0	2	2	1.93	752127.3	2525815	2380	0.122	217.6
PUR91	0	4.7	4.7	4.54	752131.7	2525816	2380	0.2	281.8
PUR96	0	4	4	7.73	752158.8	2525840	2380	0.238	48.6
REF+101	0	4.6	4.6	3.98	752466.2	2525508	2510	0.543	92.82
REF+125	0	9.2	9.2	7.97	752493	2525507	2510	0.292	28.95
REF+127	0	2	2	1.73	752502	2525506	2510	0.1	26.6
REF+158	0	6.2	6.2	5.62	752520.1	2525526	2510	0.22	23.37
REF+23	0	5.6	5.6	4.8	752400.4	2525466	2510	0.193	14.78
REF+38	0	7.4	7.4	6.4	752413.9	2525472	2510	0.396	39.94
REF+65	0	5.8	5.8	5	752440.2	2525485	2510	0.354	117.17
REF-5	0	6	6	5.2	752380.6	2525446	2510	0.264	17.73
REFBF1	0	3.6	3.6	3.48	752342.1	2525813	2510	0.135	132
REFBF10	0	1	1	0.97	752174.7	2525514	2487	0.015	32.8
REFBF11	0	1.2	1.2	1.16	752193.6	2525509	2487	0.197	25.2
REFBF12	0	1.2	1.2	1.16	752213.6	2525492	2487	0.152	179
REFBF13	0	1	1	0.97	752222.8	2525488	2487	0.537	209
REFBF14	0	1.4	1.4	1.35	752225.8	2525502	2510	0.126	133
REFBF15	0	1.5	1.5	1.45	752198.6	2525508	2510	0.265	18.4
REFBF16	0	1	1	0.97	752174.8	2525528	2510	0.167	25.2
REFBF17	0	1	1	0.97	752146.6	2525550	2510	0.005	1.1
REFBF2	0	1	1	0.97	752274.3	2525477	2510	0.478	135
REFBF3	0	1.7	1.7	1.64	752258.4	2525484	2510	0.153	164

UG Chip	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
REFBF4	0	2	2	1.93	752251.5	2525486	2510	0.38	149
REFBF5	0	1.5	1.5	1.45	752239.7	2525497	2510	0.831	727
REFBF6	0	1.4	1.4	1.35	752227.4	2525505	2510	0.92	109
REFBF7	0	1	1	0.97	752287.9	2525467	2510	0.122	154
REFBF8	0	1.6	1.6	1.55	752254.5	2525483	2510	0.175	156
REFBF9	0	1	1	0.97	752148.7	2525527	2487	0.061	151
ROD102	0	1.2	1.2	3.86	751958.5	2526031	2439	0.43	122.5
ROD103	0	2.5	2.5	3.86	751956.8	2526037	2439	0.684	159
ROD106	0	5.9	5.9	5.7	751956.9	2526039	2439	0.768	295.6
ROD110	0	3.2	3.2	3.09	751953.7	2526045	2439	0.418	83.2
ROD113	0	2.3	2.3	2.22	751951.1	2526049	2439	0.242	173
ROD116	0	2.6	2.6	2.51	751949.1	2526053	2439	0.728	69
ROD119	0	2.4	2.4	2.32	751944.6	2526056	2439	0.192	59.2
ROD122	0	1.4	1.4	1.35	751941.2	2526057	2439	0.33	97.6
ROD124	0	3.5	3.5	3.38	751943.1	2526061	2439	0.58	80.5
ROD126	0	3.1	3.1	2.99	751934.7	2526065	2439	0.7	68.8
ROD128	0	3.7	3.7	3.57	751938.7	2526067	2439	1.036	73.4
ROD131	0	3.2	3.2	3.09	751929.4	2526073	2439	0.502	77
ROD135	0	3.5	3.5	3.38	751925.5	2526077	2439	0.191	54.8
ROD138	0	3.4	3.4	3.28	751922	2526080	2439	0.17	36.5
ROD141	0	2.5	2.5	2.41	751918.3	2526084	2439	0.192	59.2
ROD144	0	3	3	2.9	751915	2526086	2439	0.185	38.9
ROD153	0	2.4	2.4	3.86	751902	2526086	2439	0.158	296
ROD162	0	3	3	2.9	751896.3	2526096	2439	0.183	132
ROD165	0	6.5	6.5	6.28	751891.8	2526098	2439	0.21	98.8
ROD170	0	5.3	5.3	5.12	751888.8	2526101	2439	0.168	172.6
ROD173	0	1.5	1.5	1.45	751880.3	2526105	2439	0.123	736
ROD175	0	2.9	2.9	2.8	751881.9	2526105	2439	0.01	66.6
ROD176	0	3	3	2.9	751885.4	2526105	2439	0.118	196
ROD178	0	2.7	2.7	2.61	751882.1	2526109	2439	0.157	193
ROD181	0	2.5	2.5	2.41	751878.9	2526113	2439	0.085	298
ROD19	0	2	2	1.93	752041.2	2525962	2439	0.128	87
ROD22	0	2.5	2.5	2.41	752037.1	2525963	2439	0.16	129
ROD24	0	1.6	1.6	1.55	752037.2	2525956	2439	0.63	134
ROD27	0	2.3	2.3	2.22	752034.9	2525962	2439	0.445	127
ROD29	0	2.5	2.5	2.41	752032.3	2525958	2439	0.125	185
ROD35	0	1.2	1.2	1.16	752026.7	2525971	2439	0.92	80.8
ROD4	0	2	2	1.93	752048.1	2525955	2439	0.058	16
ROD7	0	1.2	1.2	1.16	752049.7	2525951	2439	0.045	53.4

UG Chip	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
ROD75	0	2.5	2.5	2.41	751980.3	2526022	2439	0.442	14.7
ROD78	0	1.9	1.9	1.84	751978.3	2526025	2439	0.415	15.3
ROD8	0	2	2	1.93	752053.8	2525954	2439	0.12	19.5
ROD84	0	4	4	3.86	751961.7	2526029	2439	0.576	54.8
ROD88	0	3.4	3.4	3.28	751966.3	2526021	2439	0.135	19.9
ROD91	0	2	2	1.93	751969.4	2526020	2439	0.355	57.6
ROD96	0	1.8	1.8	1.74	751964.5	2526033	2439	0.223	96.3
ROD99	0	1.4	1.4	1.35	751961.5	2526037	2439	0.642	46.6

(* 1 ppm = 1 gram per tonne)

Figure 10 Plan View - Underground rock chip sample locations (northwest) - Silver Standard 1995

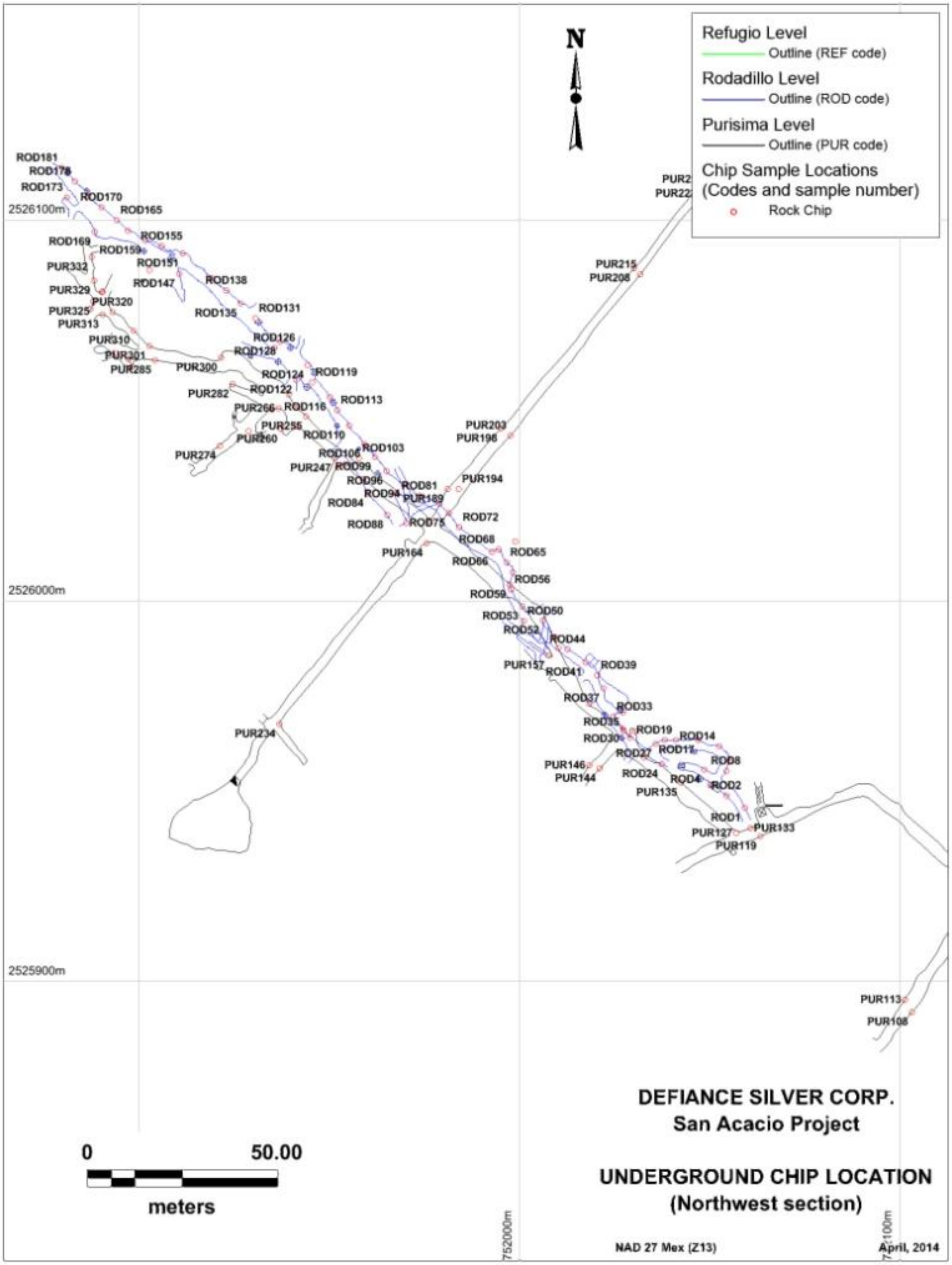
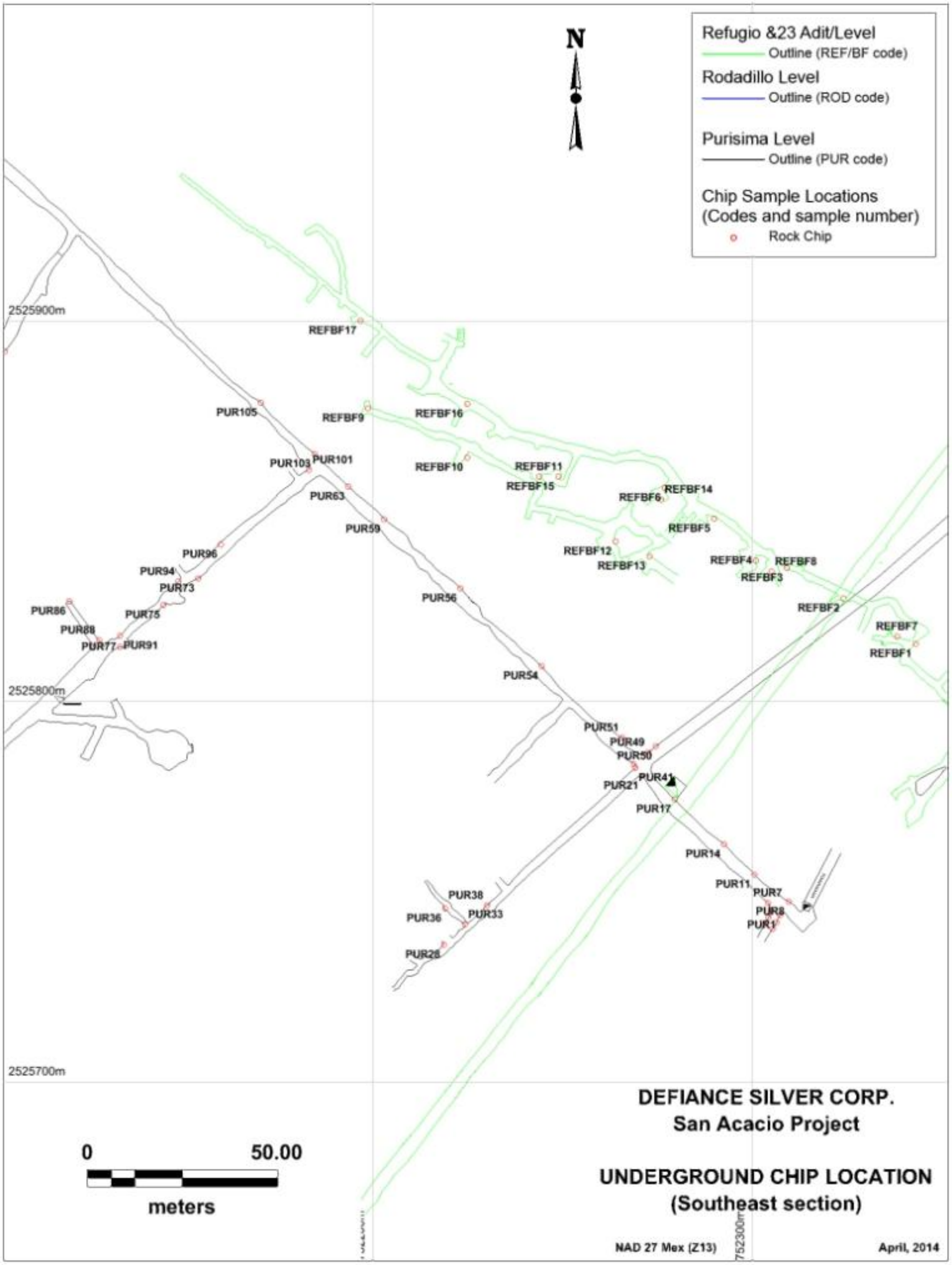


Figure 11 Plan View - Underground rock chip sample locations (southeast) - Silver Standard 1995



9.2 Sterling Mining – 2004-2008. Trenching and field work

Sterling Mining began testing recoveries of oxide material found in dumps, surface exposures and backfilled stopes close to surface. This work was supervised by Rick Tschauder and Rene von Boeck.

Results of the surface trenching are described in Price (2008) and Desautels (2012) as follows;

"The surface-trace of the northwestern portion of the Veta Grande vein was surveyed to determine a more accurate width and the position of the more accessible areas for mining fill material. A detailed sampling program was initiated at the San Acacio mine. On the surface, approximately 900 meters of exposed vein was surveyed and was sampled with the aid of a small excavator. Samples were collected from the fill material as well as the footwall and hanging wall of the low grade portions of the vein left in place by the old mining.

The vein and backfill sampled in the trenches (under the supervision of R. von Boeck) averaged 149 g/t silver over 12.33 meters. Sterling personnel, using a backhoe to dig to depths of up to three meters, conducted the sampling program. Samples were taken both along the bottom of the trenches and along the sides, in order to ensure a representative sample free of surface contamination. The goal of this program was to verify previous surface sampling and to investigate the near-surface material as a source of feed for Sterling's nearby Barones leach plant".

The trenches were spaced approximately every 25 metres along the northwestern section of the San Acacio vein and dug to depths of up to 3 metres. Individual samples from these trenches making up the composites in the table below averaged 1.5 to 2.0 metres in width and were selected from the sides and bottom of the trench beginning from footwall and ending in hanging wall. R. Von Boeck's average silver calculation above includes assays from all trenches without using a grade cutoff.

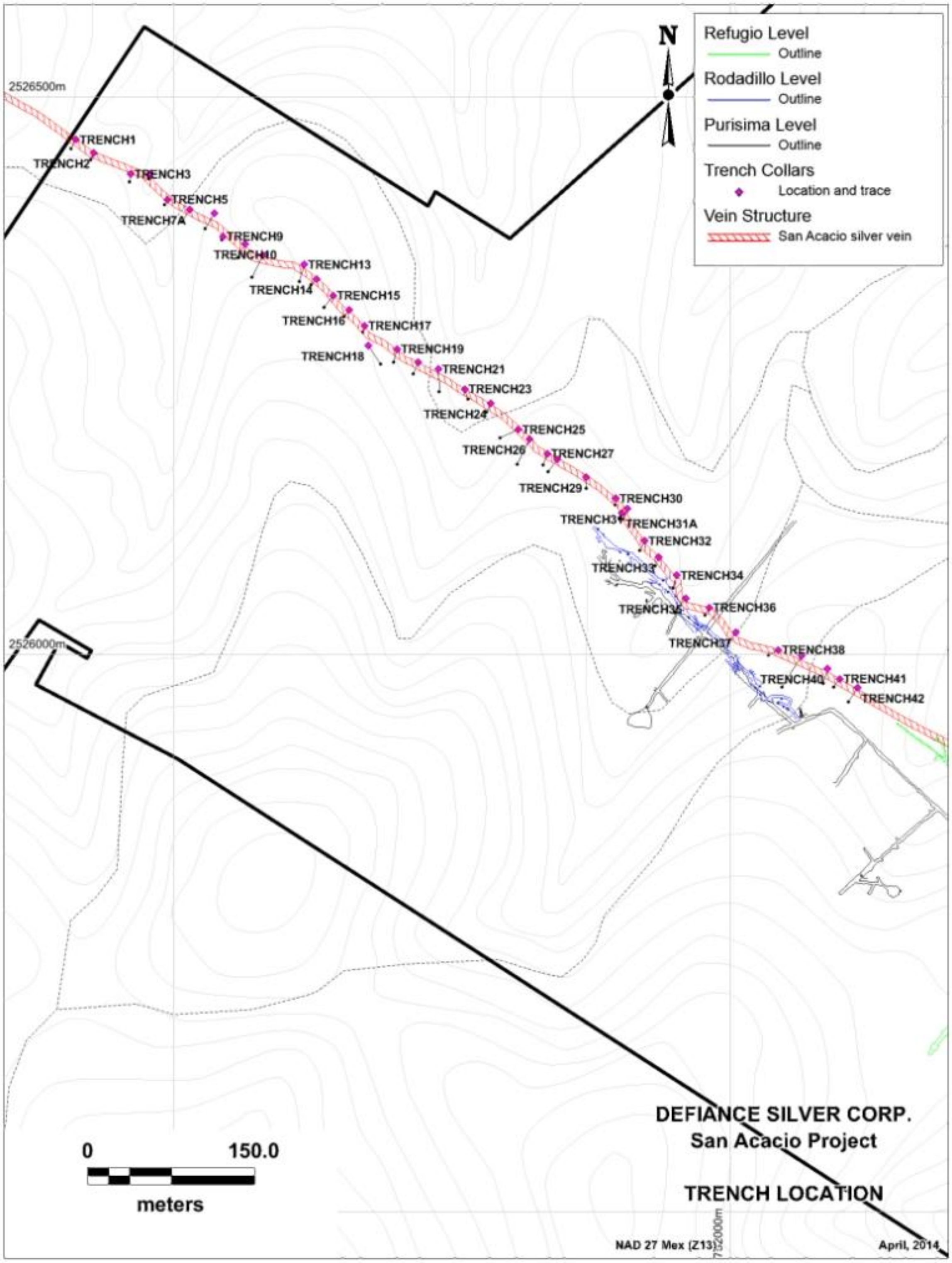
Table 10 Sterling Mining - Surface trench chip sample composites

Trench	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
TRENCH1	0	9	9	8.6	751410.9	2526458	2502	0.165	108.95
TRENCH2	0	4.7	4.7	4.3	751428	2526448	2500	0.157	146
TRENCH3	1.1	7.1	6	5.8	751461.3	2526427	2506	0.244	128.85
TRENCH4	0	4.54	4.54	4.4	751479	2526429	2506	0.129	123.81
TRENCH5	0	5.16	5.16	5	751493.8	2526406	2509	0.324	472.53
TRENCH7A	0	12.8	12.8	12.5	751511.4	2526394	2513	0.201	241.08
TRENCH8	0	16.17	16.17	15.6	751533	2526389	2524	0.249	207.09
TRENCH9	0	3	3	2.9	751544.3	2526374	2530	0.15	204.3
TRENCH10	0	13.85	13.85	13.4	751561.5	2526362	2523	0.843	376.27
TRENCH11	0	22	22	21.3	751575.8	2526348	2523	0.217	385.68
TRENCH13	0	11.34	11.34	10.9	751616.3	2526345	2540	0.163	154.36

Trench	from m	to m	width m	true width m	east27 mex	north27 mex	elev m	Au ppm*	Ag ppm*
TRENCH14	0	4.79	4.79	4.63	751627.3	2526335	2554	0.246	268.3
TRENCH15	0	13.65	13.65	13.1	751639.8	2526317	2550	0.125	127.11
TRENCH16	0	8.86	8.86	8.54	751655.4	2526305	2554	0.896	130.23
TRENCH17	0	6.04	6.04	5.95	751671.1	2526292	2553	0.104	88.92
TRENCH18	0	19.85	19.85	19.17	751680.6	2526269	2549	0.043	60.7
TRENCH19	0	12.35	12.35	12.56	751699.5	2526268	2547	0.052	33
TRENCH20	0	11.1	11.1	10.72	751717.8	2526257	2541	0.036	24.12
TRENCH21	0	20.05	20.05	19.4	751738.4	2526246	2537	0.003	21.46
TRENCH23	0	9.52	9.52	9.2	751763.5	2526233	2526	0.007	51.53
TRENCH24	0	8.05	8.05	7.78	751783.3	2526221	2527	0.011	176.49
TRENCH25	0	18.5	18.5	17.9	751801.6	2526198	2540	0.045	132
TRENCH26	0	25.16	25.16	24.48	751814.5	2526182	2535	0.04	197.21
TRENCH27	0	10.8	10.8	10.43	751834	2526175	2537	0.01	121
TRENCH28	0	13.93	13.93	13.46	751840.6	2526170	2541	0.326	275.77
TRENCH29	0	9.95	9.95	9.61	751871	2526154	2550	0.005	76.96
TRENCH30	0	5.7	5.7	5.51	751896.9	2526137	2554	0.003	57.05
TRENCH31A	0	6	6	5.8	751901.9	2526124	2555	0.105	209
TRENCH32	0	9.7	9.7	9.37	751921	2526098	2546	0.245	184.98
TRENCH33	0	8.5	8.5	8.21	751934.2	2526083	2541	0.039	128.07
TRENCH34	0	12.1	12.1	12.5	751950.2	2526065	2531	0.014	121.7
TRENCH35	0	10.35	10.35	10	751956.8	2526046	2533	0.043	108.39
TRENCH36	0	7.5	7.5	7.25	751979.2	2526039	2543	0.154	246.91
TRENCH37	0	10.85	10.85	10.48	752002	2526016	2550	0.085	376.56
TRENCH38	0	10	10	9.66	752038.6	2526002	2570	0.051	222.93
TRENCH39	0	33.25	33.25	32.09	752055.2	2525985	2575	0.049	149.11
TRENCH40	0	13.5	13.5	13.45	752085.3	2525980	2581	0.026	95.59
TRENCH41	0	9.2	9.2	8.89	752095.3	2525974	2580	0.001	66.53
TRENCH42	0	14.85	14.85	14.34	752110.1	2525964	2579	0.025	121.75

(* 1 ppm = 1 gram per tonne)

Figure 12 Plan View - Surface trench rock chip locations - Sterling Mining



Other work by Sterling included;

- Rehabilitation of the Refugio Adit with the intension to sample in-situ vein and backfill material found in the stopes. A crew of eight mine workers cleaned the adit and placed ladders to access sub levels above and below the main adit. According to Price (2008). 189 rock and 'muck' chip samples were collected and results tended to reflect previous sampling campaigns by Silver Standard. Various plans and long sections detailing this work are included in the 2008 report Price. This work was not available to the author.
- Re-boxing and re-logging of Silver Standard core that had been stored in wooden boxes near the San Genaro shaft area.

9.3 Source Exploration – 2008-2010

Source completed the following activities at the San Acacio property. During the initial years company personnel compiled and rebuilt maps and sections, cleaned access to the Refugio adit and extended a drill drift for a planned underground drill program (3 holes), initiated a 'Pre-Scoping' study for the purchase of the Barones Mill and leach facility (Zurowski, 2010) and completed a surface drill hole campaign (9 holes). Discussion of the drilling is in Section 10.

Results describing the re-sampling of various Sterling trenches by Source were not located by the author.

9.4 Defiance Silver – 2012 to present

Defiance has compiled and reinterpreted the geological and drill information data that has developed a new geological model forming the basis for a new resource estimate outlined in this report. The company has completed some metallurgical work, re-negotiated an option agreement with the property claim owner; begun contacting surface rights owners and is in the process of preparing work permit applications for future activities.

10 DRILLING

Two basic campaigns of percussion and diamond drilling have been completed at San Acacio between 1995 and 2009 by two separate companies. Cuttle understands that collar locations of all holes have been captured by hand held GPS. He was not able to locate certificates suggesting the holes had been professionally surveyed. All collar co-ordinates are in UTM NAD 27 Mexico, zone13.

Details are tabulated below.

Table 11 Historical drilling at San Acacio by Company

Responsible Party	Drilling Type	Year	Hole Tag	Number of holes	Total metres
Silver Standard	Percussion	1995	SAP	9	124.3
Silver Standard	Diamond	1995-96	SAD	32	4640
Source	Diamond	2009-10	SADD	9	3506.8
Source	Underground Diamond	2010	SA-UG	3	726.6
					8997.7

10.1 Silver Standard Percussion Program – 1995

A short nine hole percussion drill program was attempted, but most of the holes failed to reach the intended targets due to the holes collapsing within the backfill material. The program was canceled after the ninth hole was abandoned. The deepest hole completed was only 33 meters deep. The holes averaged only 16 meters, and for the most part only intersected rubble and backfill. Recoveries were not good. The best values obtained indicated low-grade material averaging 60 grams per tonne silver. The shallow percussion holes were drilled at steep to vertical angles to the vein structure and are believed to have remained in the down dip extension of the vein.

The percussion drilling tested two basic areas over a strike distance of 400 metres between the Almaden and Esperanza shaft zones. Due to very poor recovery of stope material including wooden debris and wallrock contamination, results from these percussion holes have not been included in this resource estimation.

Composites of individual assays from original certificates for the Silver Standard program are summarized in the table below.

Table 12 Silver Standard Percussion Drilling locations and results

Percussion hole	East 27 mex	North 27 mex	Azi/dip°	Depth m	Sample numbers	Ag g/t
SAP 95-1	751682	2526274	0/-90°	27	554551-559	63.5
SAP 95-2	751680	2526270	0/-90°	33	554560-570	39.7
SAP 95-3	751647	2526280	035/-80°	28.3	554571-580	22.1
SAP 95-4	751831	2526177	220/-80°	8	554581-583	110.6

Percussion hole	East 27 mex	North 27 mex	Azi/dip°	Depth m	Sample numbers	Ag g/t
SAP 95-5	751801	2526183	0/-90°	5	554584-585	92.2
SAP 95-6	751804	2526187	0/-90°	8	554586-588	94
SAP 95-7	751887	2526139	0/-90°	15	554589-593	55.1
SAP 95-8	751921	2526077	0/-90°	12	554594-597	49.3
SAP 95-9	751604	2526324	0/-90°	11.5	554598-601	152.5
				124.3		

10.2 Silver Standard Drilling Program – 1995 to 1996

A diamond drilling program was designed to test the potential for a near surface open-pit deposit and to test the down dip and lateral extension of the Veta Grande vein system for potential high-grade silver mineralization. A total of 32 diamond drill holes were completed by late November, 1996 and 4640 meters of BQ, NQ and HQ diameter bore holes were logged, split and sampled. Holes, 23A and 23B were wedges off the same hole, SAD95-23. Drill logs indicate acid test etchings were collected for only some drill holes.

Drilling was difficult as many stopes and underground working were intersected and the drilling contractor commonly had to reduce rod size from HQ to NQ within the backfilled stope. Ground conditions within the hanging wall and footwall portions of the veins were poor and recovery of the material was low. In-situ vein material cored better but was generally broken and sheared.

The diamond drilling tested a complete strike length of over 1900 metres with the bulk of the drilling concentrated between the Almaden and San Acacio shaft areas, a distance of 550 metres.

Four distinct veins were identified by Silver Standard, namely the Veta Grande, Veta Blanca, Veta Chica and Veta Grande Intermedio. Specific assays and composites are included in Appendix I. Details of this campaign are described in a report by Konkin (1996), or summarized by Price (2008) and Desautels (2012).

Table 13 Silver Standard Diamond drill hole locations

Diamond drill hole	East 27 mex	North 27 mex	Elevation m	Length m	Azimuth	Dip°
SAD95-10	751507.4	2526361	2541.86	51.2	34	-55
SAD95-11	751608	2526271	2578.17	92.35	34	-55
SAD95-12	751697.8	2526232	2571.08	67.05	35	-55
SAD95-13	751765.6	2526171	2558.34	76.2	33	-55
SAD95-14	751837.3	2526110	2586.06	79.85	31	-55
SAD95-15	751891.5	2526038	2578.23	89.3	33	-55
SAD95-16	751892.8	2526006	2577.36	114.3	42	-55
SAD95-17	751989.3	2525976	2579	66.14	33	-55
SAD95-18	752043.1	2525938	2599.9	79.8	33	-55
SAD95-19	752131.3	2525890	2597.2	76.8	35	-55

Diamond drill hole	East 27 mex	North 27 mex	Elevation m	Length m	Azimuth	Dip°
SAD95-20	752249.3	2525828	2604.52	59.7	35	-55
SAD95-21	752310	2525771	2612.48	100.88	35	-60
SAD95-22	752406.4	2525724	2586.54	56.82	35	-60
SAD95-23	751928	2525800	2625.97	313	56	-60
SAD95-23A	751928	2525801	2625.97	294.8	56	-60
SAD95-23B	751928	2525801	2625.97	313	56	-60
SAD95-24	752670.9	2525458	2582.51	148.4	35	-65
SAD95-25	752874.9	2525321	2573.55	157.58	35	-60
SAD95-26	752996.6	2525190	2557.19	196.9	40	-65
SAD95-27	752214.9	2525762	2631.71	205.1	35	-65
SAD95-28	751993.6	2525935	2593.33	170	35	-65
SAD95-29	751946.1	2526001	2562.02	120.7	35	-60
SAD95-30	751858.6	2526075	2588.18	172.5	35	-55
SAD95-31	751819.7	2526096	2589.22	138.3	36	-60
SAD95-32	751804.7	2526130	2575.2	107.8	35	-55
SAD95-33	751760.6	2526149	2560.07	108.5	35	-60
SAD95-34	751725.5	2526188	2571.42	92	35	-55
SAD95-35	751685.5	2526214	2578.29	117.6	35	-65
SAD95-36	751648.1	2526243	2582.64	104.2	35	-55
SAD95-37	751594.8	2526254	2578.29	132.8	35	-60
SAD95-38	751419.8	2525949	2619.42	672.1	32	-65
SAD95-39	751926	2526056	2570	64.3	34	-50
				4639.97		

Several of the more significant assay intercepts intersected during the Silver Standard drill campaign have been re-composited by Giroux. These new composites are listed below:

Table 14 Significant drill core assay results from Silver Standard program, and composited by Giroux

HOLE	From m	To m	Length m	Au ppm*	Ag ppm*
SAD95-10	37.08	44.5	7.42	0.214	285.43
SAD95-11	47.24	80.6	33.36	0.275	205.76
SAD95-12	38.3	42.8	4.5	0.007	120.67
SAD95-13	57	66.14	9.14	0.076	158.3
SAD95-15	70.7	79.9	9.2	0.025	299.94
SAD95-16	90.3	91.7	1.4	0.001	190
SAD95-16	99.66	112.4	12.74	0.892	285.31
SAD95-17	3.65	9.75	6.1	0.04	108.7
SAD95-17	49.37	55.47	6.1	0.163	188.5
SAD95-20	45.6	54.6	9	0.058	103.39

HOLE	From m	To m	Length m	Au ppm*	Ag ppm*
SAD95-23	236.82	248.56	11.74	0.001	151
SAD95-23	275.6	287.1	11.5	0.059	48.63
SAD95-27	142	153.9	11.9	0.075	240.81
SAD95-27	157.5	161.8	4.3	0.46	28.37
SAD95-28	99.3	106.3	7	0.198	364.75
SAD95-29	55.1	61.9	6.8	0.086	192.1
SAD95-30	78.5	90.2	11.7	0.39	299.91
SAD95-31	96.6	103.9	7.3	0.028	128.64
SAD95-32	51.8	76.8	25	0.069	284.64
SAD95-36	55.3	73.2	17.9	0.222	56.46
SAD95-39	31	34	3	0.213	125.12

(* 1 ppm = 1 gram per tonne)

10.3 Source Exploration Underground and Surface Diamond Drilling - 2009 to 2010

Source drilled 9 surface diamond drill holes and 3 underground diamond holes during their 2009 – 2010 drill campaign. The surface holes are located in the northwestern section of the Acacio Property and were drilled to test the deeper extends of the Acacio vein structure. The underground holes were drilled after Source extended the Refugio adit to the southwest for an unknown distance.

Holes SA-UG-01 and 02 were completed to their planned depth and SA-UG-3 was lost due to technical difficulties.

Table 15 Source Exploration Diamond Drilling locations

Diamond drill hole	East 27 mex	North 27 mex	Elevation m	Length m	Azimuth	Dip°
SADD-09-04	751282	2526150	2625	92.9	40	-52
SADD-09-04A	751282	2526150	2625	458.8	40	-52
SADD-09-05	751282	2526150	2625	454.2	40	-62
SADD-09-06	751282	2526150	2625	499.2	40	-72
SADD-10-07	751694	2526053	2606	381.5	35	-73
SADD-10-08	751709	2526000	2602	484.5	64	-77
SADD-10-09	751709	2526000	2602	437.85	64	-81
SADD-10-10	751709	2526000	2602	444.55	79	-79
SADD-10-11	751328	2526120	2650	253.3	35	-52
SA-UG-01	752192	2525662	2510	220.55	349	-63
SA-UG-02	752192	2525662	2510	373.1	308	-40
SA-UG-03	752192	2525662	2510	132.95	301	-43

Selected significant results from both surface and underground drill campaigns are listed below. A more detailed summary is included in Desautels (2012).

Table 16 Significant drill core assay results - Source Exploration

HOLE	From m	To m	Length m	Au ppm*	Ag ppm*
SADD-09-04A	243	243.3	0.3	0.572	3090
SADD-09-04A	243.3	244.3	1	0.02	73.3
SADD-09-05	225.5	226.9	1.4	0.086	139
SADD-09-06	249.65	250	0.35	0.263	565
SADD-10-08	356.4	357.4	1	0.11	48.2
SADD-10-09	382.25	383	0.75	0.207	160
SADD-10-09	383	383.9	0.9	0.2	131
SADD-10-10	395.98	397.15	1.17	0.158	60.2
SADD-10-11	248.4	248.6	0.2	0.28	787
SADD-10-11	248.6	249.05	0.45	0.001	8.1
SADD-10-11	249.05	249.22	0.17	0.14	308
SADD-10-11	249.22	249.53	0.31	0.01	12.1
SADD-10-11	249.53	249.95	0.42	0.43	300
SA-UG-01	120	122.55	2.55	0.051	84.8
SA-UG-01	122.55	123.55	1	0.018	20.2
SA-UG-01	136.1	137	0.9	0.033	76.8
SA-UG-02	183.05	183.7	0.65	0.109	1094

(* 1 ppm = 1 gram per tonne)

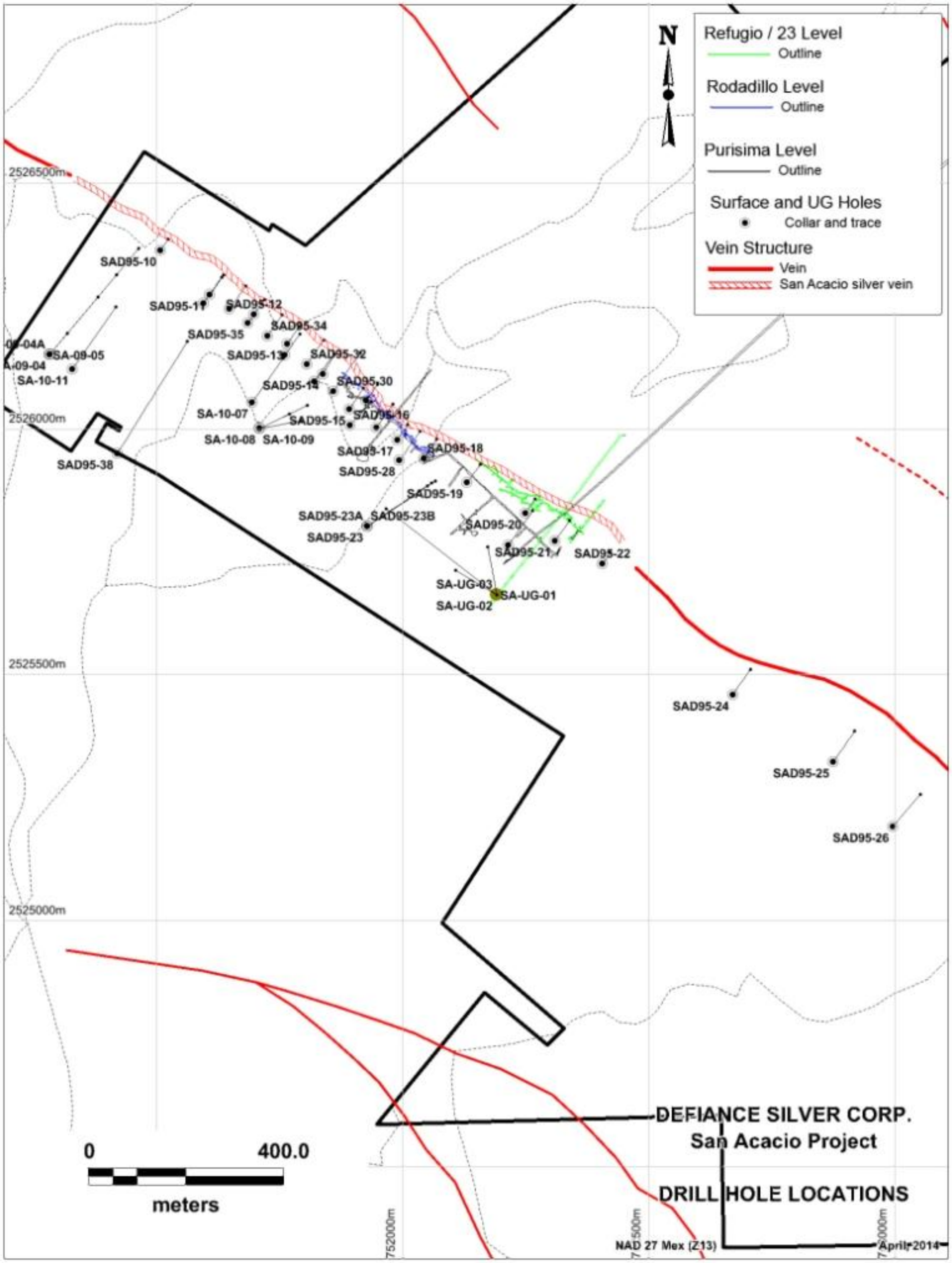
It is not clear to the author why Source spotted the underground drill holes at such an oblique angle to the general strike of the San Acacio vein structures, particularly with reference to SA-UG-02. It suggests that the small but high grade intercept at 183.05m to 183.7m may not be the main San Acacio structure but rather a new structure with a different orientation. Computer modelling and visualization may help in this regard.

All valid drill holes from Source and Silver Standard with corresponding assay composites used in this reports resource estimate are listed in the Appendix I.

10.4 Opinion

It is Cuttle's opinion that the drilling methods used by Silver Standard and Source Explorations met industry standards at the time drilling was completed at San Acacio.

Figure 13 Plan View - Historical drill collar locations



11 SAMPLE PREPARATION, ANALYSIS, QA/QC and SECURITY

Defiance has not completed any drill testing on the San Acacio Property.

Historical sampling methodology by Silver Standard in 1995-1996, Sterling Mining in 2004-2006 and Source Exploration in 2010 are described in detail by Desautels (2012) and Price (2008). Conclusions reached at that time were that methods and quality assurance/quality control (QA/QC) protocols met industry standards at the time drilling and chip sampling was completed. The authors of this report would agree with those conclusions.

A summary of the following data sets considered in this report for the resource calculation are discussed in the sections below including data from the following companies.

- Silver Standard (1995) drill core assays and underground chip sample assays.
- Sterling Mining (2004-6) surface trench sample assays.
- Source Exploration (2010) drill core assays.

Table 17 Data used in this report

Type of Sample	Responsible Party	Tag	Number	Metres
DDH 1995	Silver Standard	SAD	32	4640
DDH 2009-2010	Source	SADD	9	3506.8
UG DDH	Source	SA-UG	3	726.6
Trench	Sterling	TRENCH	40	477.1
UG Chip	Silver Standard	ROD	72	185.1
UG Chip	Silver Standard	LVL	4	23.6
UG Chip	Silver Standard	PUR	92	607.5
UG Chip	Silver Standard	REF	8	43.8
UG Chip	Source	REFBF	17	24.1
TOTALS			277	10234.6

All of the Source Exploration and some of the Silver Standard drill core is stored at Almado Mesta's ranch, the current owner of the San Acacio property. The location of historical pulps and rejects from drilling, surface sampling and underground sampling are unknown.

In 2012, Defiance collected a 11.6 kg sample of insitu vein, backfill and dump material for preliminary metallurgical testing from an unknown location near the Almaden shaft on the property. Results of this testing are considered preliminary in nature and should only be used for general guidance. Specifics as to sample collection method, sample preparation and laboratory analysis of this sample are described in detail by Yee (2012). They are briefly summarized in Section 13 of this report

.

11.1 Sample Preparation, Analysis and Quality Assurance/Quality Control (Historical)

- In 1995 and 1996 Silver Standard split HQ and NQ core from 32 drill holes using a manual splitter and sent half the core to ALS Chemex in Vancouver, BC. Individual underground chip samples (approx 6kgs) were collected and split into two bags, one bag sent to ALS Chemex and the other bag kept for internal reference. Analysis on drill core and chips samples was an aqua regia digestion, with fire assay for gold and ICP atomic absorption or AA finish for Ag, As, Bi, Cu, Hg, Mo, Pb, Sb, and Zn (1995 Lab code 205/226). Over limits for Ag were completed by fire assay with gravimetric finish.
  It is not clear from the Chemex certificates whether or not an internal QA/QC program by the lab of inserting various internal standards was employed. Selected sample repeats on pulps were completed on high grade samples by SGS/XRAL Labs of Hermosillo, Mexico and BSI Inspectorate Labs of Reno, Nevada.

- Sterling Mining collected chisel point chip cuts across the bottom of 42 surface trenches on the San Acacio vein. The chip samples were taken from the foot wall (NE) towards the hanging wall (SW) across the entire San Acacio vein. The material from each sample was mixed, split equally and then packaged in large 100gm plastic bags. One bag was sent to BSI Inspectorate Labs in Durango for sample preparation and the individual pulps sent to their laboratory in Reno, Nevada. The other half of the sample was retained for internal reference. Samples were analyzed by fire assay with gravimetric finish. (Tschauder, personal communication, 2014). No QA/QC results were available during the time of the site visit by Cuttle.

- Source Exploration collected core from 9 surface diamond drill holes (SADD-09-4,4A,5,6 and SADD-10-7 to 11) and 3 underground diamond drill holes (SAUG-01,02,03) during their 2009 and 2010 drill program. According to Desautels (2012) core recoveries were collected first, then geologists logged and sampled the core before splitting it in half with a rock saw. The samples of split core were sent to SGS Labs in Durango, Mexico. The samples were crushed to -200 mesh (75micron) and for silver a 2 gm sample was digested in aqua regia with atomic absorption (AA) finish. Over limits >100ppm Ag had a 30gm sample taken and analyzed by fire assay methods with a gravimetric finish. Additional methods for other elements are listed in Desautels report (2012).
  For the QA/QC program, Source purchased three standard reference materials (SRM) from CDN Resource Labs of Langley, B.C. and prepared ‘in-house’ blank material of unmineralized basalt rock from a local source. No duplicates core samples were ¼ cut by Source. Although failures (greater than/less than 3 standard deviation) were identified with specific SRM’s, Desautels concluded that although the QA/QC program meets industry standard any future analytical work should include a digestion similar to the digestion used on the standard, in this case 4 acid digestion and not aqua regia.

11.2 Sample Security

The author is not familiar with exact security protocol during this historical work and has had to rely on previous work and descriptions by Price (2008) and Desautels (2012). Their descriptions identify a normal chain of custody with regard to sample handling, shipping and core storage.

11.3 Opinion

With all available information presented to Cuttle, he is of the opinion that Silver Standard, Sterling Mining and Source Exploration adhered to industry standard methods of the time of sampling and drilling, and that these companies followed adequate procedures and protocols with regard to sample security, preparation and analysis and has no reason to believe otherwise.

12 DATA VERIFICATION

Cuttle visited the San Acacio Property on April 1, 2014 to examine information from previous drilling programs and obtain a general understanding of geological concepts and past activities. While on site, an overview of the project geology and brief exploration history was presented by Rick Tschauder, VP Exploration for Defiance Silver and Felipe Martinez, General Manager for Defiance including a visit to the old open cut workings on the San Acacio vein, inspection of historical drill core and review of descriptive logs and sample database.

Access to the underground workings on the Purisima and Rodadillo levels was not possible at the time of the visit and only parts of the Refugio level remain open. The main San Genaro shaft is located at 751847E, 2525960N, 2592 metres elevation (NAD 27 Mexico, Z13). The shaft 'field GPS' location relates to the digital underground level plans within a 10 metre error factor.

The author understands that Defiance Silver has not collected additional sample information since a data review was completed by Desautels of ADP Mining Consultants in 2012, other than a 11.6 kg mixed metallurgical sample of vein, dump and backfill material described in Sect 13 The reject of this material was not available to Cuttle during his property visit.

Data verification by the author included the following reviews:

- Inspection of silver and gold assays from drilling, trenching and underground chip sampling by Silver Standard, Sterling Mining and Source Exploration. Assays recorded in the digital database were cross referenced with the original laboratory assay certificates. Underground chip sample and drill core assays used in this resource estimate match well with what are recorded on original assay certificates and to original detailed plans maps by Silver Standard. This comparison is listed in Appendix II.

- Seven check samples were collected by Cuttle. Three samples were taken of mineralized core from two different drill holes from Silver Standard (SAD-95-11 and SAD-95-14), in addition to two samples of backfill material and two samples of surface vein material. These samples were delivered to Acme Labs in Vancouver by the author. Results and comparisons are tabled below. The laboratory certificate of the check samples is included in Appendix III.

- Inspection of the logging codes and various rock types in core boxes versus the database record. These rock descriptions and locations are consistent with what is located in the database.

- Location of the Sterling trenches (1-42) were not specifically located in the field by name and tag number however the 'slumped' remains of some of these openings are represented by wooden pickets and larger rusty metal tags. GPS readings taken by the author at the most westerly 'slumped' opening relates to the location recorded in the database. The trenches were observed roughly every 25 metres as one moved southeast along the San Acacio vein structure, consistent with what is recorded in the database. Old BSI Inspectorate Laboratory certificates compare well with assays being used in the database. Additional surface chip samples taken by Silver Standard are recorded on historical maps although their locations are somewhat suspect and cannot be supported by a complete list of original certificates. These compiled assays have similar if not slightly lower results than those obtained by Sterling.

- Review of digital information on level plans for accuracy with reference to portal and shaft locations, stope intersections in historical drilling and general topographic features.

- Surface GPS locations generally relate to the location of main access roads, open cuts and most of the old working including the location of what is believed to be the San Genaro shaft. As the project advances it is recommended that the locations of any known portals and shafts be re-surveyed

- During the property visit the author was able to verify locations of at least two surface drill collars (SADD-09-04, 05, 06 and SADD-09-07) with cement cairns and identify several rough drill platforms used by Silver Standard in 1995. No cement cairns for the 1995 Silver Standard drill work were seen.

Photo 4 Source Exploration drill collar location SADD 09-04/05/06 - San Acacio Property (Cuttle, 2014)

Table 18 Check Sample assays taken by Cuttle, 2014

Sample #	Location, UTM 27 Z13	Check assay Ag g/t	Original assay Ag g/t	Comments	Sample type
VG-1	751382E, 2526467N	199	na	Close to western claim boundary	1 m grab, surface backfill on San Acacio, Veta Grande
VG-2	751518E, 2526386N	301	na		3 m x 1 m panel grab of o/c of banded San Acacio, Veta Grande
VG-3	751872E, 2526159N	181	na		Chip grab of HW below barite zone on San Acacio, Veta Grande
VG-4	751914E, 2526104N	271	na	Just NNW of San Genaro shaft	2 m grab, surface backfill on San Acacio vein, Veta Grande
VG-5	DDHG SAD-95-11, from 49.57m to 52.17m	23	329	Western ore shoot, Almaden shaft area	Backfill in core box. Veta Grande

Sample #	Location, UTM 27 Z13	Check assay Ag g/t	Original assay Ag g/t	Comments	Sample type
VG-6	DDH SAD 95-11, from 52.17m to 56.0m	69	1105 with 777 re-assay	Western ore shoot, Almaden shaft area	Veta Grande, selected grab
VG-7	DDH SAD 95-14, from 63.2m to 63.6m	96	163.5	Central ore shoot, west of the Esperanza shaft	Veta Grande, selected grab

12.1 Opinion

Assay analysis of seven check samples collected by Cuttle during his 2014 property visit identify silver in drill core and surface expression of the San Acacio vein structure.

It is the author's opinion that the verification procedures completed on previous data collected from trenches, underground chip sampling and diamond drill core are sufficient to complete a resource estimate in this report.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

There are historical reports of previous test work and past mine production that provide insight to silver recoveries and overall metallurgical performance. While the authors were unable to verify the authenticity of this information and advise caution, this work is briefly summarized below. A more comprehensive summary of metallurgical testing and mine production can be found in reports by Lee (2013), Desautels (2012), Price (2008) and Tschauder (2002).

- **1968-1989, Barones Processing and leaching facility** obtained recoveries from backfill and dump material between 52.9% silver to 82% silver (processing method – Static Thiosulfide). However, the validity of this data is uncertain and the materials used may have been sourced from a variety of other veins, not just the San Acacio.

- **In 1999 Atlas Mining** collected 4 samples of material (180 to 200kgs each) from the upper levels of the San Acacio vein, including sulphide material from the Veta Grande on the Contacuña claim, a mélange of surface backfill material from the Esperanza, San Jose, Contacuña, Almadén and San Gerardo shaft areas, underground backfill from the San Refugio Level and vein material on surface at the Esperanza shaft. Recoveries averaged 64% to 84% silver (processing method – Cyanide column leach).

- **In 2004, Sterling Mining Co**. completed metallurgical test work on crushed samples of oxidized material. Work on finely ground material returned recoveries of 86.7% for silver and 87.3% for gold (processing method – Static Thiosulfide).

- **In 2012-2013**, Inspectorate Exploration and Mining Services (Yee, 2013) completed metallurgical test work on behalf of Defiance Silver. An 11.5 kg composite sample (Composite #2) including dump material, insitu vein and backfill was collected from a trench in the Almaden shaft area in the north west part of the property. The sample was crushed, mixed and 2 kg test samples split out. The objective of this work was to investigate silver recovery using primary flotation at three grind sizes. Preliminary recoveries from composite #2 averaged 75.9% silver from a concentrate grade of 267 g/t silver.

14 MINERAL RESOURCE ESTIMATE

This resource estimate for the San Acacio deposit was completed at the request of Bruce Winfield, President of Defiance Silver Corp. ("DSC"). Giroux Consultants Ltd. was retained to produce a global resource estimate on the Veta Grande silver veins located in Zacatecas State Mexico. This resource updates a previous one completed in 2012 by AGP Mining Consultants Inc. (Desautels, 2012). The effective date for this Resource is March 25, 2014, the date the data was received.

G.H. Giroux is the qualified person responsible for the resource estimate. Mr. Giroux is a qualified person by virtue of education, experience and membership in a professional association. He is independent of both the issuer and the vendor applying all of the tests in section 1.5 of National Instrument 43-101. Mr. Giroux has not visited the property.

14.1 Data Analysis

The data supplied by DSC consisted of diamond drill holes, underground chip samples, underground drill holes and surface trench samples. Drill holes were accompanied by down hole surveys. Underground samples and trenches were treated as drill holes and given a start point, azimuth and dip. A total of 1,887 samples were provided with assays for Ag (g/t), Au (g/t), Cu (%), Pb (%) and Zn (%).

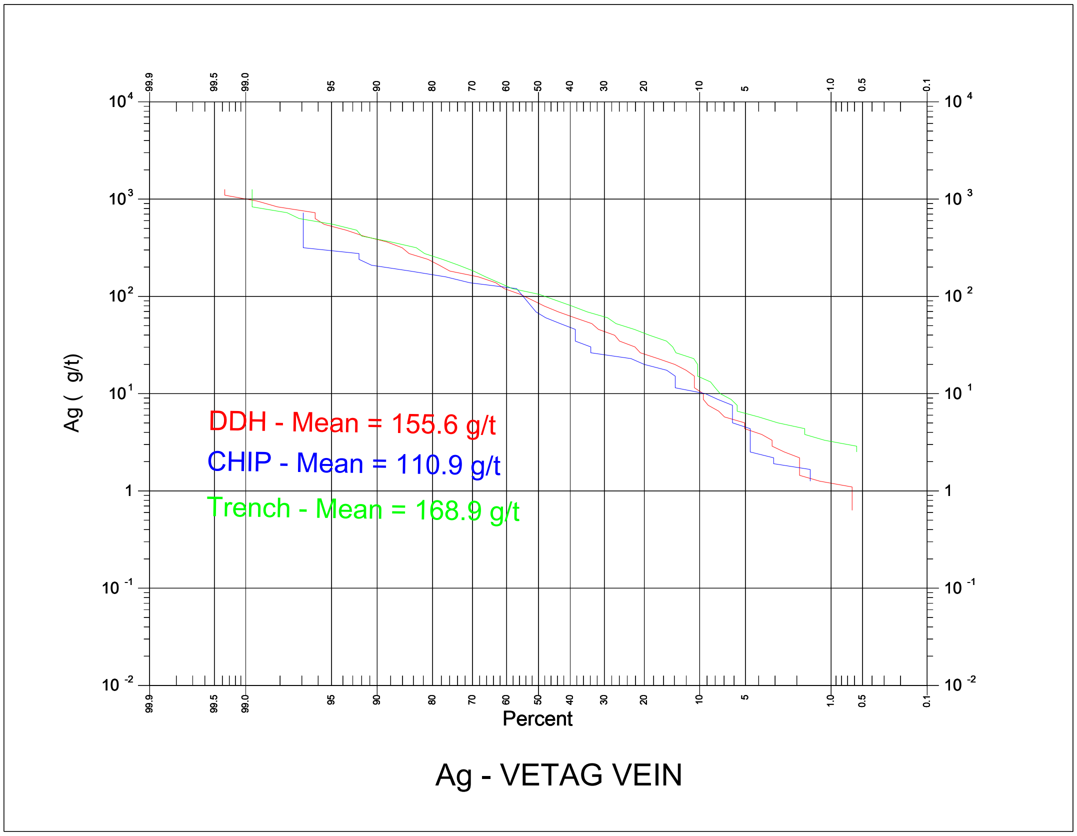
Table 19 Specific assay samples provided for resource estimate

Type of Sample	Responsible Party	Tag	Number	Meters
DDH 1995	Silver Standard	SAD	32	4,640.0 m
DDH 2009-10	Source	SADD	9	3,506.8 m
UG DDH	Source	SA-UG	3	726.6 m
Trench	Sterling	TRENCH	40	477.1 m
UG Chip	Silver Standard	ROD	72	185.1 m
UG Chip	Silver Standard	LVL	4	23.6 m
UG Chip	Silver Standard	PUR	92	607.5 m
UG Chip	Silver Standard	REF	8	43.8 m
UG Chip	Source	REFBF	17	24.1 m
TOTALS			**277**	**10,234.6 m**

Rick Tschauder, VP Exploration for Defiance Silver has identified and tagged the assays with one of three vein designations, Veta B (Blanca or FW), Veta C (Chica or HW) and Veta G (Grande) for the Main Vein. To avoid confusion, the forth vein described by Konkin, (1996), known as the "Veta Grande Intermedio" is combined with Veta G in this report. The remaining assays can be considered waste at this time. Table 20 gives the sample statistics for each vein.

Given three different styles of sampling on this project the grade distribution for Ag was examined as a function of sample type for the largest vein, using a lognormal cumulative frequency plot.

Figure 14 Cumulative frequency plot for silver in Veta G



There is no indication of sampling bias with the differences in distributions and average grade explained by the different areas sampled. There is no statistical reason not to include all sample types in the resource estimation.

Table 20 Sample statistics sorted by Domain

Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
VETA B FW Vein	Ag	83	44.9	43.5	0.50	299.0	0.97
	Au	83	0.32	0.32	0.001	1.84	1.00
	Cu	17	0.05	0.08	0.007	0.35	1.64
	Pb	17	0.59	0.75	0.02	2.50	1.27
	Zn	17	1.87	3.15	0.06	11.60	1.69
VETA C HW Vein	Ag	38	107.4	106.0	2.40	456.0	0.99
	Au	38	0.08	0.10	0.001	0.40	1.23
	Cu	25	0.01	0.004	0.0015	0.02	0.58
	Pb	25	0.03	0.04	0.0006	0.19	1.40
	Zn	25	0.05	0.04	0.0066	0.21	0.85
VETA G Main Vein	Ag	398	154.1	192.4	0.60	1399.0	1.25
	Au	399	0.20	0.42	0.001	5.07	2.08
	Cu	350	0.02	0.03	0.0012	0.29	1.49
	Pb	350	0.24	0.72	0.0002	8.84	2.98
	Zn	350	0.44	0.86	0.0038	8.52	1.95

Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
WASTE	Ag	1,347	15.0	96.8	0.01	3090.0	6.44
	Au	1,349	0.04	0.11	0.001	1.04	2.54
	Cu	1,259	0.01	0.04	0.0001	0.87	3.68
	Pb	1,259	0.04	0.16	0.0001	3.64	4.00
	Zn	1,259	0.13	0.37	0.0001	5.29	2.94

The high values and high coefficient of variations in waste indicated other small veins outside those modelled that could not be correlated one to another.

The grade distribution for each of the variables within each of the vein domains was examined and erratic outliers were capped to reduce their influence on the estimate.

Table 21 Cap levels sorted by Domain

Domain	Variable	Cap Level	Number Capped
VETA B FW Vein	Ag	120 g/t	3
	Au	1.1 g/t	2
	Cu	0.08 %	2
	Pb	0.90 %	3
	Zn	0.60 %	4
VETA C HW Vein	Ag	290 g/t	2
	Au	0.2 g/t	3
	Cu		0
	Pb	0.07 %	2
	Zn	0.11 %	1
VETA G MAIN Vein	Ag	810 g/t	5
	Au	2.0 g/t	3
	Cu	0.16 %	2
	Pb	4.0 %	2
	Zn	5.0 %	2

The results of capping can be seen in Table 22.

Table 22 Capped Sample statistics sorted by Domain

Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
VETA B FW Vein	Ag	83	42.3	33.0	0.50	120.0	0.78
	Au	83	0.31	0.28	0.001	1.10	0.89
	Cu	17	0.03	0.03	0.007	0.08	0.85
	Pb	17	0.38	0.34	0.02	0.90	0.90
	Zn	17	0.36	0.20	0.06	0.60	0.55
VETA C HW Vein	Ag	38	102.1	91.8	2.40	290.0	0.90
	Au	38	0.07	0.07	0.001	0.20	1.01
	Cu	25	0.01	0.004	0.0015	0.02	0.58
	Pb	25	0.02	0.02	0.0006	0.07	1.04
	Zn	25	0.05	0.03	0.0066	0.11	0.67
VETA G	Ag	398	149.4	169.0	0.60	810.0	1.13

Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
MAIN Vein	Au	399	0.19	0.31	0.001	2.00	1.67
	Cu	350	0.02	0.02	0.0012	0.16	1.31
	Pb	350	0.22	0.55	0.0002	4.00	2.46
	Zn	350	0.43	0.73	0.0038	5.00	1.71

14.2 Composites

Due to the data density on all three veins it was extremely difficult to build 3D solids to constrain each estimate. Thickness in these styles of deposit is clearly a variable with the veins pinching and swelling along strike and down dip. As a result, this global resource estimate was completed in two dimensions with all data points rotated into the plane of the individual structures. This results in a value for true thickness and a grade accumulation (thickness x grade), at each sample point. The grade at any given sample point is based on different sample supports as the samples are composited across a vein of varying thickness. It is therefore necessary to work with grade accumulations for each vein intersection. The final step is to divide the estimate grade accumulation by the estimated thickness to determine the grade for the block.

A single composite was made from samples that crossed each vein. The true thickness for the composite was determined from sample length, dip of sample and dip of vein. Backfill that was sampled was included in the composite thickness and grade. Small unsampled backfill intervals were treated as missing data. The older Silver Standard chip samples were not assayed for Cu, Pb and Zn. Of a total of 203 composites across the three veins 99 had assays for Cu, Pb and Zn. While a few of the Pb and Zn values are approaching economic grades the majority are well below. At this time only Ag and Au were estimated into the resource. Additional sampling should test for Cu, Pb and Zn and in future estimates these variables might provide economic benefits to the project.

The Veta G Main Vein was subdivided into higher grade shoots and lower grade sections and the composites were separated into these two domains.

Table 23 Composite statistics sorted by Domain

Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
VETA B FW Vein	Ag	52	43.8	32.4	0.50	117.2	0.74
	Au	52	0.32	0.27	0.001	1.10	0.87
	Thickness	52	3.12	1.70	0.30	9.50	0.54
VETA C HW Vein	Ag	21	125.3	78.0	5.92	290.0	0.62
	Au	21	0.10	0.08	0.001	0.20	0.79
	Thickness	21	3.91	2.32	0.98	9.00	0.59
VETA G MAIN Vein	Ag	129	133.8	123.8	1.10	736.0	0.93
	Au	129	0.20	0.21	0.001	0.92	1.04
	Thickness	129	6.96	5.87	0.97	32.09	0.84
VETA G MAIN Vein HG Shoots	Ag	65	195.8	112.8	57.05	736.0	0.58
	Au	65	0.20	0.22	0.001	0.90	1.12
	Thickness	65	8.89	6.72	1.45	32.09	0.76
VETA G MAIN Vein	Ag	64	70.8	101.1	1.10	727.0	1.43
	Au	64	0.21	0.20	0.001	0.92	0.98

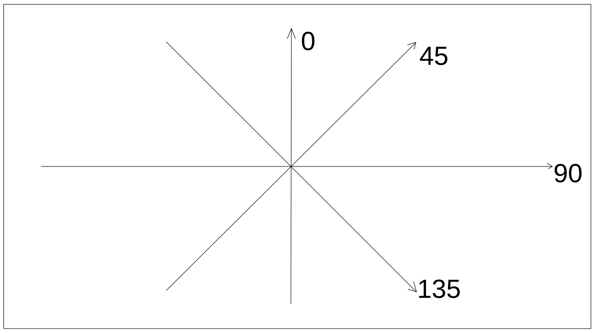
Domain	Variable	Number	Mean	Stand. Dev.	Minimum Value	Maximum Value	Coef. Of Variation
LG	Thickness	64	5.01	4.07	0.97	19.40	0.81

14.3 Variography

For this resource estimate a two dimensional approach was used and the variables to be estimated were thickness and grade accumulation. All of the composites for each of the veins were rotated into the plane of the structure (strike at azimuth 125°) and then rotated into a vertical plane (dip assumed at -72°). The estimation process was then treated as a two dimensional study. Thickness was considered a variable since the vein will pinch and swell between sample points and the best estimate at any given point will be some kind of interpolation from nearby samples.

Two dimensional pairwise relative semivariograms were produced in the plane of the Veta G vein. Semivariograms were produced in following directions: 90°, 0°, 45° and 135° and the ranges were compared. For thickness, Ag accumulation and Au accumulation, the longest ranges were found along 90° and 45°. Directions between 90 and 45 were then modelled until the direction giving the longest range was found. For thickness and Au accumulation the longest range was at 73° while for Ag accumulation the longest range was at 77°. The other direction modelled was orthogonal to the longest range. The semivariogram parameters for each variable are tabulated below in Table 24.

Figure 15 Veta G plane semivariogram model directions



Nested spherical models were fit to both directions for each variable. The models are shown in Appendix II.

Table 24 Semivariogram Parameters

Variable	Direction	C_0	C_1	C_2	Short Range (m)	Long Range (m)
Thickness	73	0.0	0.11	0.20	10 m	120 m
	163				15 m	30 m
Ag Accumulation	77	0.25	0.18	0.30	12 m	105 m
	167				15 m	36 m
Au Accumulation	73	0.35	0.23	0.23	12 m	100 m
	163				15 m	30 m

14.4 Block Model

Blocks 20 m along strike by 10 m down dip were created over a rotated long section of each vein. Blocks were coded below surface topography and within 40 m of data points to determine which blocks to try and estimate. Blocks were also compared to a long section view showing underground stopes. Again blocks within stopes were coded and a backfill density was applied to these blocks. A tonnage for each block was then 20 x 10 x Est. Thickness x SG. For estimation purposes the blocks of the Veta G structure were subdivided into higher grade shoots and lower grade sections. The composites were also subdivided so the high grade shoots were estimated using only high grade composites.

14.5 Bulk Density

A total of 38 specific gravity determinations were made at San Acacio by American Assay Laboratories in 1999. The measurements were completed using wax coating and the Archimedes weight in air-weight in water methodology. Of the samples tested 29 were in the vein Quartz Breccia while the remaining 9 were in altered wall rock. For this estimate vein material was assigned a specific gravity of 2.69 g/cm^3, the average of the Quartz Breccia.

Back filled stopes were assigned a bulk density of 1.75 g/cm^3 to account for swelling. This number has been used by Silver Standard and AGP Mining Consultants in previous estimates. There is no backup information, however, on how this number was obtained. It is strongly recommended that more work on determining a bulk density for backfilled stopes be completed in future work programs.

Table 25 San Acacio Specific Gravity Determinations

Sample	Rock Type	Specific Gravity g/cm^3		Sample	Rock Type	Specific Gravity g/cm^3
10-1	Qz_Bx	2.12		12-1	Alt. Ka-Kpa	2.52
10-2	Qz_Bx	1.74		12-2	Alt. Ka-Kpa	3.35
10-3	Qz_Bx	2.22		18-1	Alt. Ka-Kpa	1.36
10-4	Qz_Bx	2.95		18-2	Alt. Ka-Kpa	2.29
13-1	Qz_Bx	3.45		28-1	Alt. Ka-Kpa	2.78
13-2	Qz_Bx	2.16		29-1	Alt. Ka-Kpa	2.08
14-1	Qz_Bx	2.95		33-1	Alt. Ka-Kpa	2.11
14-2	Qz_Bx	2.14		34-1	Alt. Ka-Kpa	2.49
14-3	Qz_Bx	2.01		35-1	Alt. Ka-Kpa	2.77
15-1	Qz_Bx	2.66			**Average**	**2.42**
15-2	Qz_Bx	1.70				
16-1	Qz_Bx	2.41				
16-2	Qz_Bx	2.44				
17-1	Qz_Bx	2.75				
17-2	Qz_Bx	3.20				
17-3	Qz_Bx	4.36				
18-3	Qz_Bx	2.87				

Sample	Rock Type	Specific Gravity g/cm^3		Sample	Rock Type	Specific Gravity g/cm^3
20-1	Qz_Bx	3.29				
20-2	Qz_Bx	2.74				
27-1	Qz_Bx	1.72				
27-2	Qz_Bx	2.42				
27-3	Qz_Bx	2.51				
28-2	Qz_Bx	2.80				
29-2	Qz_Bx	4.08				
30-1	Qz_Bx	2.60				
31-1	Qz_Bx	3.83				
31-3	Qz_Bx	1.95				
32-2	Qz_Bx	2.73				
33-2	Qz_Bx	3.19				
	Average	**2.69**				

(Qz Bx = Quartz Breccia, Alt Ka-Kpa = Altered wall rock of vein structure)

14.6 Grade Interpolation

Ordinary Kriging was used to interpolate values for thickness, silver accumulation and gold accumulation into blocks for each structure using only composites from the structure being estimated.

The estimation was completed in each case in a series of passes with the search ellipse for each pass a function of the semivariogram range. In the first pass the dimensions of the search ellipse were set to ¼ of the semivariogram range. A minimum of 4 composites were required to estimate a block. For blocks not estimated in pass 1 the search ellipse was expanded to ½ the semivariogram range and the exercise was repeated. A third pass at the full range and a fourth pass at twice the range followed. A final 5th pass was made with the same search ellipse as pass 4 but with the minimum number of composites required reduced to two. In all cases the maximum number of composites was set to 12. If more than 12 were found the closest 12 composites were used.

The kriging parameters for thickness are tabulated below for each structure.

Table 26 Kriging Parameters for Thickness

Domain	Pass	Number Estimated	Angle	Dist. (m)	Angle	Dist. (m)
Veta G Main Vein HG shoots	1	5	73°	30.0	163°	7.5
	2	34	73°	60.0	163°	15.0
	3	228	73°	120.0	163°	30.0
	4	196	73°	240.0	163°	60.0
	5	31	73°	240.0	163°	60.0
Veta G Main Vein LG areas	1	9	73°	30.0	163°	7.5
	2	43	73°	60.0	163°	15.0
	3	131	73°	120.0	163°	30.0
	4	223	73°	240.0	163°	60.0
	5	130	73°	240.0	163°	60.0
Veta C	1	4	77°	30.0	167°	7.5

Domain	Pass	Number Estimated	Angle	Dist. (m)	Angle	Dist. (m)
HW Vein	2	10	77^o	60.0	167^o	15.0
	3	56	77^o	120.0	167^o	30.0
	4	200	77^o	240.0	167^o	60.0
	5	447	77^o	240.0	167^o	60.0
Veta B FW Vein	1	7	73^o	30.0	163^o	7.5
	2	47	73^o	60.0	163^o	15.0
	3	145	73^o	120.0	163^o	30.0
	4	277	73^o	240.0	163^o	60.0
	5	445	73^o	240.0	163^o	60.0

14.7 Classification

Based on the study herein reported, delineated mineralization of the San Acacio Property is classified as a resource according to the following definition from National Instrument 43-101

"*In this Instrument, the terms "mineral resource", "inferred mineral resource", "indicated mineral resource" and "measured mineral resource" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy, and Petroleum."*

"A ***Mineral Resource*** *is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge."*

The terms Measured, Indicated and Inferred are defined in NI 43-101 as follows:

"A ***'Measured Mineral Resource*** *' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity."*

"An ' ***Indicated Mineral Resource*** *' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are*

spaced closely enough for geological and grade continuity to be reasonably assumed."

*"An '**Inferred Mineral Resource**' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes."*

Geologic continuity is established by surface and underground mapping and through the logging of drill core. This geologic continuity led to the interpretation of the various veins and the formation of the composites. Thickness and grade accumulation continuity can be quantified by semivariograms. At this time the sample density is not sufficient to classify any material as measured or indicated. All blocks are classified as inferred. Tables 27, 28 and 29 show the inferred resource within each vein at a series of Ag cut-off grades. A silver grade of 100 g/t has been highlighted as being a possible underground mining cut-off. At this time no economic studies have been completed and as a result an economic cut-off is unknown.

It is worth noting that there are mined stopes below the limits of estimated blocks on the Main Veta Grande structure (see Figure 16). Due to a lack of data, blocks could not be estimated down to these limits at this time. There is certainly potential resource to be determined down to the limits of historic mining and future drill programs should be designed to test these areas. In addition there is an abrupt reduction in grade near the Purisima Level that is explained in part by mapping by Silver Standard which showed that the west part of the Purisima Level is in the vein footwall. Apparently, the entire width of the vein, in this area was not available for sampling. Examination of the Veta Grande vein in the higher levels (Refugio Level) shows that the vein is low grade in the foot wall and higher grade (as indicated by backfilled stopes) in the hanging wall.

Table 27 San Acacio Veta G Inferred Resource

Ag Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Ag (g/t)	Au (g/t)	Ag (ozs)	Au (ozs)
40.0	2,810,000	160.12	0.17	14,466,000	20,000
50.0	2,500,000	174.71	0.18	14,043,000	10,000
60.0	2,360,000	182.03	0.18	13,812,000	10,000
65.0	2,280,000	185.99	0.18	13,634,000	10,000
70.0	2,250,000	187.47	0.18	13,562,000	10,000
75.0	2,240,000	187.94	0.18	13,535,000	10,000
80.0	2,230,000	188.78	0.18	13,535,000	10,000
85.0	2,190,000	190.60	0.19	13,420,000	10,000
90.0	2,160,000	191.74	0.19	13,316,000	10,000
95.0	2,150,000	192.49	0.19	13,306,000	10,000
100.0	**2,120,000**	**193.77**	**0.19**	**13,207,000**	**10,000**
110.0	2,040,000	197.40	0.19	12,947,000	10,000
120.0	1,980,000	199.56	0.19	12,704,000	10,000

Table 28 San Acacio Veta C Inferred Resource

Ag Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Ag (g/t)	Au (g/t)	Ag (ozs)	Au (ozs)
40.0	935,000	136.88	0.07	4,115,000	2,100
50.0	931,000	137.33	0.07	4,111,000	2,100
60.0	924,000	137.97	0.07	4,099,000	2,100
65.0	906,000	139.40	0.07	4,061,000	2,000
70.0	853,000	143.88	0.08	3,946,000	2,200
75.0	826,000	146.25	0.08	3,884,000	2,100
80.0	805,000	148.04	0.08	3,832,000	2,100
85.0	785,000	149.72	0.08	3,779,000	2,000
90.0	768,000	151.06	0.08	3,730,000	2,000
95.0	741,000	153.15	0.08	3,649,000	1,900
100.0	**729,000**	**154.05**	**0.08**	**3,611,000**	**1,900**
110.0	693,000	156.44	0.08	3,486,000	1,800
120.0	636,000	160.28	0.09	3,277,000	1,800

Table 29 San Acacio Veta B Inferred Resource

Ag Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off		Contained Metal	
		Ag (g/t)	Au (g/t)	Ag (ozs)	Au (ozs)
40.0	598,000	49.49	0.34	952,000	6,500
50.0	235,000	57.44	0.35	434,000	2,600
60.0	76,000	65.69	0.41	161,000	1,000
65.0	25,000	72.37	0.40	58,000	300
70.0	10,000	80.02	0.36	26,000	100
75.0	4,000	94.81	0.20	12,000	30
80.0	4,000	94.81	0.20	12,000	30
85.0	4,000	94.81	0.20	12,000	30
90.0	4,000	94.81	0.20	12,000	30

The results can also be presented in terms of a Silver Equivalent. Using a gold price of $1270/ oz Au and silver price of $19.60 the silver equivalent value would be silver content plus 65 times the gold content. No recovery information is available and as a result the Ag Equivalent value assumes 100% recovery for both metals. The reader is cautioned that 100% recovery is never achieved. Tables 30 to 32 report the inferred resource at a silver equivalent cut-off. Again a 100 g/t Ag Equivalent cut-off is highlighted as a possible underground cut-off.

Table 30 San Acacio Veta G vein Inferred Silver Equivalent Resource

AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
		Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
60.0	2,480,000	175.37	0.18	187.04	13,983,000	10,000	14,914,000
65.0	2,390,000	179.99	0.18	191.77	13,831,000	10,000	14,736,000
70.0	2,320,000	183.78	0.18	195.76	13,708,000	10,000	14,602,000
80.0	2,240,000	188.18	0.18	200.14	13,552,000	10,000	14,414,000
90.0	2,190,000	190.54	0.19	202.67	13,416,000	10,000	14,270,000
100.0	**2,150,000**	**192.43**	**0.19**	**204.66**	**13,302,000**	**10,000**	**14,147,000**
110.0	2,080,000	195.55	0.19	208.03	13,077,000	10,000	13,912,000
120.0	2,020,000	197.97	0.20	210.64	12,857,000	10,000	13,680,000
130.0	1,960,000	200.40	0.20	213.23	12,628,000	10,000	13,437,000
140.0	1,860,000	204.50	0.20	217.68	12,229,000	10,000	13,018,000
150.0	1,739,000	209.01	0.21	222.52	11,686,000	10,000	12,441,000

Table 31 San Acacio Veta C vein Inferred Silver Equivalent Resource

AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
		Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
60.0	924,000	137.97	0.07	142.60	4,099,000	2,100	4,236,000
65.0	912,000	138.98	0.07	143.65	4,075,000	2,100	4,212,000
70.0	863,000	143.02	0.07	147.86	3,968,000	1,900	4,103,000
80.0	810,000	147.60	0.08	152.67	3,844,000	2,100	3,976,000
90.0	779,000	150.17	0.08	155.38	3,761,000	2,000	3,892,000
100.0	**739,000**	**153.28**	**0.08**	**158.66**	**3,642,000**	**1,900**	**3,770,000**
110.0	727,000	154.21	0.08	159.60	3,604,000	1,900	3,730,000
120.0	658,000	158.79	0.09	164.48	3,359,000	1,900	3,480,000
130.0	588,000	163.21	0.09	169.03	3,085,000	1,700	3,196,000
140.0	481,000	170.64	0.09	176.39	2,639,000	1,400	2,728,000
150.0	395,600	177.05	0.09	183.08	2,252,000	1,100	2,329,000

Table 32 San Acacio Veta B vein Silver Equivalent Resource

AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
		Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
60.0	568,000	49.67	0.35	72.32	907,000	6,400	1,321,000
65.0	441,000	51.51	0.37	75.24	730,000	5,200	1,067,000
70.0	256,000	55.65	0.38	80.44	458,000	3,100	662,000
80.0	99,000	62.39	0.44	90.75	199,000	1,400	289,000
90.0	54,000	66.96	0.44	95.84	116,000	760	166,000
100.0	**13,000**	**76.53**	**0.45**	**105.98**	**32,000**	**190**	**44,000**
110.0	3,000	85.66	0.41	112.06	8,000	40	11,000

The results are summarized for all veins in Table 33.

Table 33 San Acacio Veins Inferred Silver Equivalent Resource

Vein	AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
			Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
VETA G	100.0	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147,000
VETA C	100.0	739,000	153.28	0.08	158.66	3,642,000	1,900	3,770,000
VETA B	100.0	13,000	76.53	0.45	105.98	32,000	190	44,000
TOTAL	**100.0**	**2,902,000**	**181.94**	**0.16**	**192.50**	**16,976,000**	**12,090**	**17,961,000**
VETA G	120.0	2,020,000	197.97	0.20	210.64	12,857,000	10,000	13,680,000
VETA C	120.0	658,000	158.79	0.09	164.48	3,359,000	1,900	3,480,000
TOTAL	**120.0**	**2,678,000**	**188.34**	**0.17**	**199.30**	**16,216,000**	**11,900**	**17,160,000**

Figure 16 San Acacio Veta G - Vertical Long Section

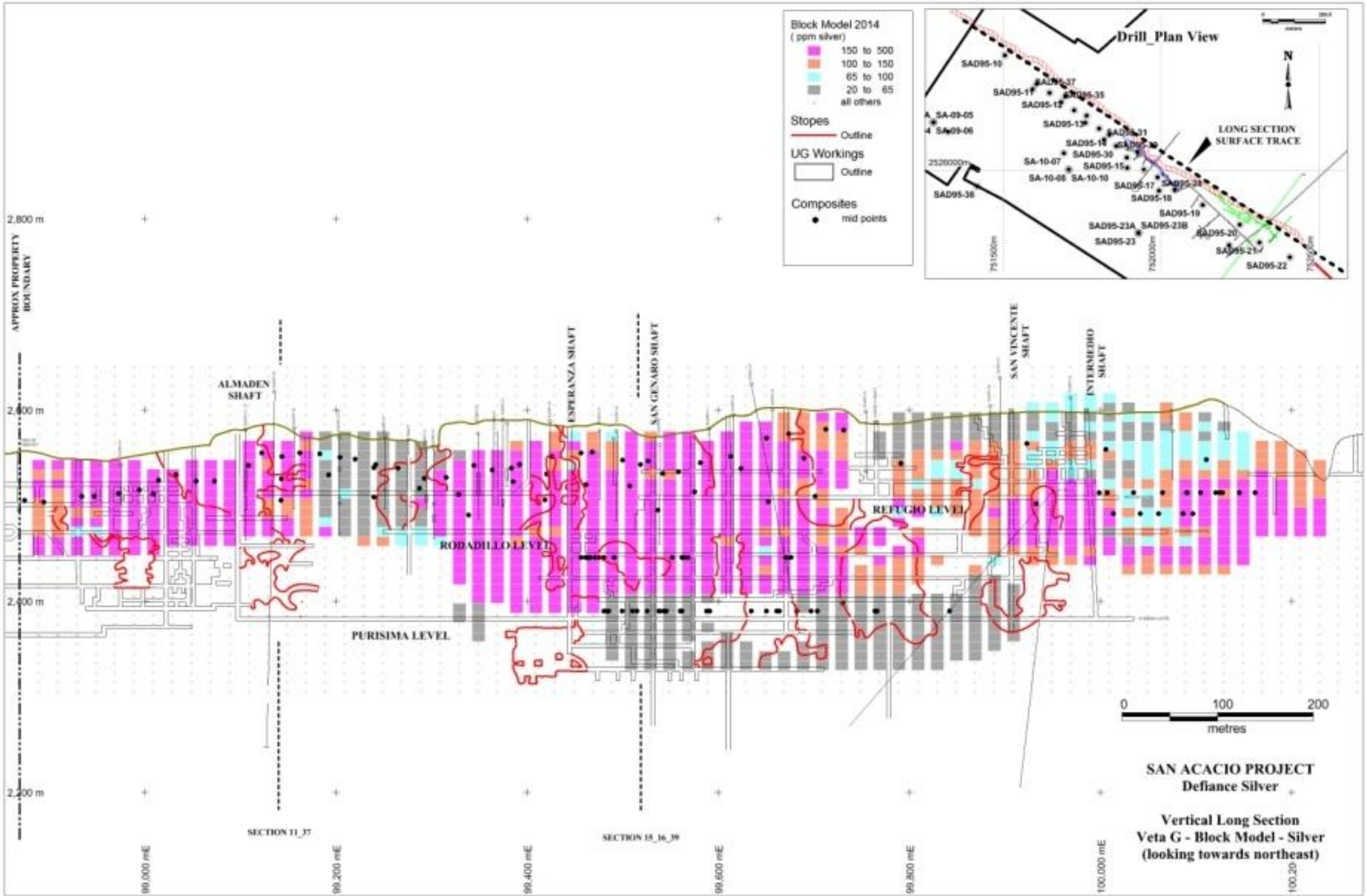
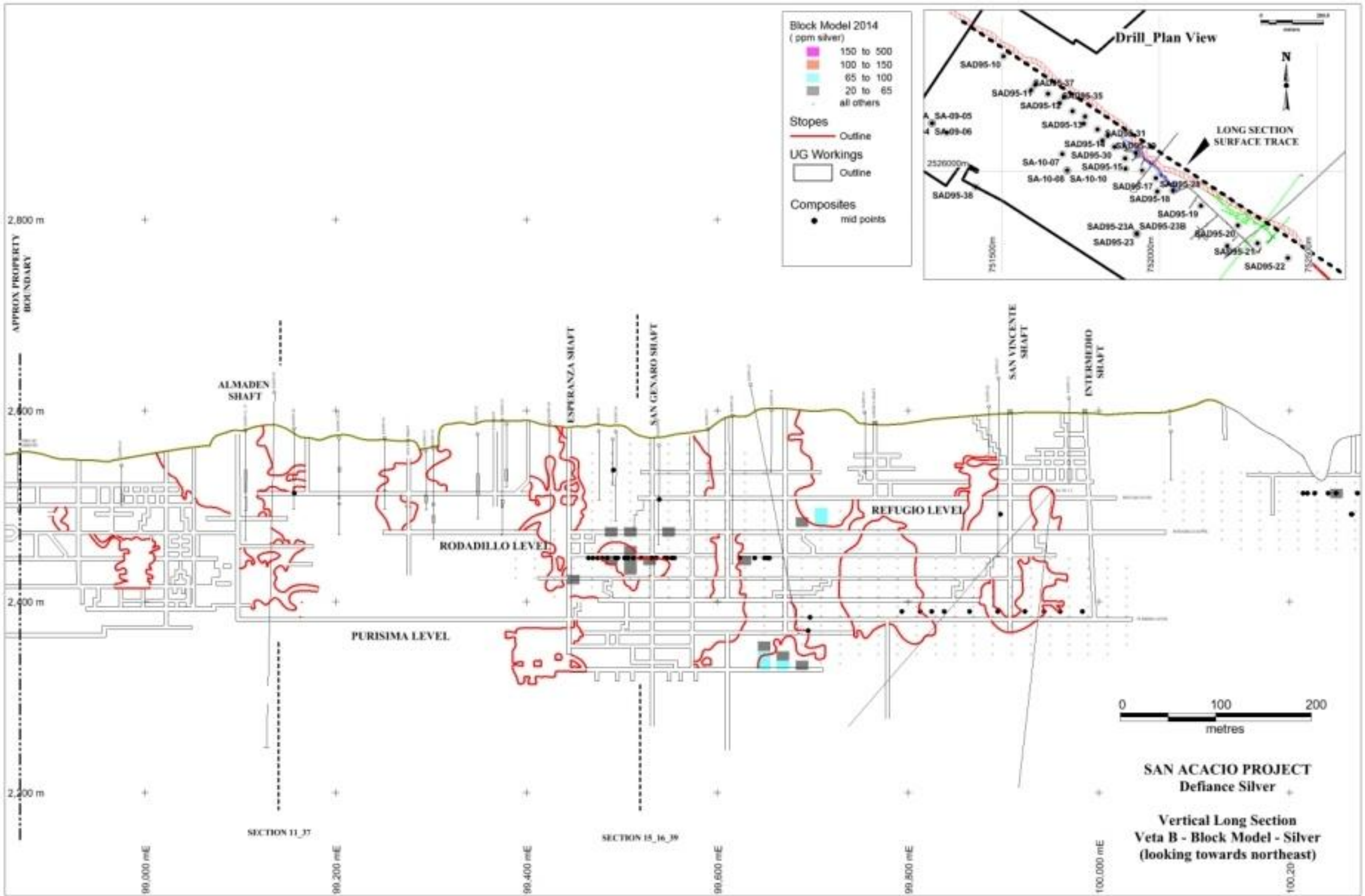


Figure 17 San Acacio Veta C - vertical Long Section

Figure 18 San Acacio Veta B - Vertical Long Section



15 ADJACENT PROPERTIES

The authors do not have any specific information regarding neighbouring or adjacent mineral properties other than the fact that the Gutierrez property located immediately to the northwest of San Acacio reaches depths of 355 metres. On a regional scale Capstone Mining is active in the area five kilometres to the southwest. Details of their work can be found at www. sedar.com .

16 OTHER RELEVANT DATA AND INFORMATION

No other relevant data or information about the San Acacio Property is known.

17 INTERPRETATION AND CONCLUSIONS

The San Acacio Project is located at longitude 102° 32' 38" west and latitude 22° 49' 27" north in the central portion of the larger Veta Grande vein system approximately seven kilometres north northeast of the City of Zacatecas, Zacatecas State, central Mexico. The Property consists of 10 mineral titles covering a total area of 746.608 hectares (1844.12 acres). All mineral claims are classed as exploitation and are currently in good standing from at least 2019 through to 2030.

The Property covers a portion of the Veta Grande silver vein known locally as the San Acacio structure where historically most of the mining and excavation work has been carried out on the claims. The Spanish mined many of the 'near surface' high grade oxide shoots leaving behind most of the sulphide and lower grade mineralization as backfill. Significant underground workings are located in the northwestern part of the property and extend to a depth of 200 metres. The veins are known to extend to a vertical depth of 335 metres based on drill core intercepts. Horizontal strike of these workings exceeds 1300 metres. Mining activity on the adjoining Gutierrez property immediately to the northwest of San Acacio reaches depths of 355 metres, implying untested exploration potential at San Acacio below 200 metres. Other similar vein structures in the district such as Capstones 'Mala Noche' vein is known to reach depths of 500 metres.

Four individual veins make up the main vein structure at San Acacio, including Veta Grande (Veta G), Veta Grande Intermedio, Veta Chica (Veta C) and Veta Blanca (Veta B). In this report, the smaller Veta Grande Intermedio is combined with the main Veta Grande. The veins are sub-parallel to each other and trend along azimuth 150° dipping 58° to 70° southeast. The Veta Grande is the prominent structure and is two to thirty metres wide, averaging 10 metres in width. The veins are developed on four main levels, the Refugio Level (2510m), the Level 23 (2487m), the Rodadillo Level (2439m) and the Purisima Level (2380m). Numerous sub-levels exist. Today many of these are inaccessible however the Refugio has been cleaned as recently as 2010. Cuttle was able to visually identify many of these surface workings , however individual veins themselves were not identified, other than the Veta Grande

The shallow surface 'high grade' oxide silver ores have historically been the main interest at San Acacio. The deeper sulphide portions of the veins were later mined when technology allowed for the extraction of silver from sulphide minerals; however the water table likely inhibited deeper exploitation at San Acacio, at least in earlier times. The Purisima tunnel (2380m asl) is known to contain a great deal of water as it drains the entire mine above this level.

Mineralized veins consist of quartz carbonate containing a variety of silver and base metal minerals including anglesite, cerussite, native silver, argentite, freibergite, proustite, galena, sphalerite, cerargyrite and rare chalcopyrite in a gangue of chalcedony, quartz, amethyst and calcite. The author was able to identify argentite, galena, sphalerite, pyrite, malachite, calcite and barite during his one day field visit.

According to Tschauder (Defiance Silver, VP Exploration) the total vein strike length of the Veta Grande is estimated to be 17 kilometers, with much of this strike length off the property to the northwest and southeast. To the southeast, the vein changes in character from a silica-dominant gangue to a carbonate dominant one because of the exposure of the upper levels of the epithermal system, while to the northwest, the vein becomes more sulfide rich and represents a deeper portion of the structure. This relationship, combined with similar observations on the La Cantera and Mala Noche systems suggests the district is tilted to the east, such that progressively shallower levels of the vein are exposed, going to the southeast and deeper levels are exposed going to the northwest. This simple pattern is likely modified by post mineral faulting. In addition, slight warping or possible 'left lateral' movement along the San Acacio vein is considered an important feature to create potential structural traps for higher grade mineralization.

Many of the ancient stopes were backfilled with what today may be considered economic grade silver mineralization. This mineralized fill as well as in-situ vein material form the basis of the resource estimate outlined in this report.

The authors have relied on original assay certificates from Silver Standard, Sterling Mining and Source Exploration where sample numbers and related assays can be located on underground level plans, drill logs and trench profiles to re-construct and/or check the Defiance database. Surface chip samples taken by Cuttle returned similar grades to the historical trenching and chip sampling results. Drilling methods and quality assurance/quality control (QA/QC) protocols are consistent with industry standards at the time drilling and chip sampling was completed.

It is not clear to the author why Source Exploration spotted the underground drill holes at such an oblique angle to the general strike of the San Acacio vein structures, particularly with reference to SA-UG-02. This suggests that the small but high grade intercept at 183.05m to 183.7m may not be a splay of the main San Acacio structure but rather a new structure with a different orientation. Computer modelling and visualization would help in this regard.

The best potential to improve and upgrade the current resource at San Acacio by drill testing exists below the Refugio and Purisima levels, stretching from the property boundary in the northwest and the Intermedio Shaft in the southeast, a horizontal distance of 1150 metres. Additional potential for vein style mineralization at San Acacio likely continues to the southeast along the main Veta Grande structure, possibly at greater depths.

It is worth noting that there are mined stopes below the limits of estimated blocks on the Main Veta Grande structure. Due to a lack of data, additional blocks could not be estimated down to these limits at this time. There is certainly potential resource to be determined down to the limits of historic mining and future drill programs should be designed to test these areas. In addition there is an abrupt reduction in grade near the Purisima Level that is explained in part by mapping by Silver Standard which showed that the west part of the Purisima Level is in the vein footwall. Apparently, the entire width of the vein, in this area was not available for sampling. Examination of the Veta Grande vein in the higher levels (Refugio Level) shows that the vein is low grade in the foot wall and higher grade (as indicated by backfilled stopes) in the hanging wall.

It is the opinion of the authors that the San Acacio Project, currently under option to Defiance Silver, is considered a Property of Merit for future mineral exploration.

18 RECOMMENDATIONS

The recommended drill program would consist of 5000 metres of core drilling, targeting vein style silver mineralization below and along strike of the current depths of the Refugio and Purisima level between the property boundary in the northwest and the Intermedio Shaft in the southeast. The target potential has been broadly identified on the following vertical long section map (see Figure 19). Future drill holes are estimated to be 180 and 400 metres in length.

A critical part of any future work at San Acacio will be to re-survey the many surface workings, portal entrances, shaft locations and historical drill collar platforms before drilling begins, in addition to any recent survey work by previous workers, including Source.

Consider the benefits of three strings of drill rod size (HQ, NQ, and BQ) in the event difficult ground conditions are encountered or old underground workings are intersected. This allows an effective way to reduce the risk of losing drill information in difficult drilling conditions such as backfilled stopes and open cavity underground workings. Bore hole directional survey equipment such as Reflex Gyro, Reflex Maxi-bore or similar competitors that record azimuth and dip variation should be collected in each hole at tight and regular intervals throughout the length of the hole.

Cost breakdown is outlined below.

Table 34 Proposed budget

Item	Costs ($US)
Diamond Drilling 5000 metres, 30 holes (HQ, NQ core size)	750,000
Assays (2500 samples)	25,000
Base maps, surveys	15,000
Support / Personnel (Geologist x 2 with 3 helpers)	75,000
Rentals / Supplies / software	50,000
Permits	30,000
Contingency	50,000
	995,000

Additional recommendations are listed below in point form.

- Obtain a detailed topographic base map covering the claim area, including the collection of a high resolution (1 metre pixel) satellite image with 1 to 2 metre contour interval, compatible with any commercial GIS software package.
- Professionally survey the locations of all known shafts, portals, historical drill holes into one database using a UTM grid and NAD 27 Mexico (Zone13) datum.
- All historical assays in the master database should be referenced with corresponding assay certificate and sample location.
- Purchase entry level mining software such as Leapfrog or Mapinfo Discover 3D to model previous mining activity, update sections, monitor new drilling activity and create a 3D geologic solid model for each of the mineralized structures.

- At this time only Ag and Au were estimated in the resource. Additional sampling should test for Cu, Pb and Zn and in future estimates these variables might provide economic benefits to the project.
- Material in back filled stopes were assigned a bulk density of 1.75 g/cm^3 to account for swelling. This density has been used by Silver Standard and AGP Mining Consultants in previous estimates. There is no backup information on how this number was obtained. It is strongly recommended that more work on determining a bulk density for backfilled stopes be completed in future work programs.
- Incorporation of a proper QA/QC program including the regular insertion of both high grade and low grade standards and blank material, purchased through a certified supplier. The standard should have the same digestion and analytical method as what would be used during any future drilling and sampling program at San Acacio. Duplicates of samples by using ¼ core samples are also a necessary part of the program. Results and performance of each separate shipment can then be charted and monitored as to certificate number. Standard assays that fall outside 3 standard deviation of their quoted norms for that sample shipment are suspect and assays for the batch or shipment should be repeated.
- Ten percent of the drill core pulps should be sent to a second laboratory for assay comparison between different labs.
- Create a detailed surface geological map of the San Acacio surface rock exposures, pit locations, vein outcrop and backfill material.
- Investigate the viability of re-opening of the Refugio Level for access to previous chip sample sites as well as potential usage for underground drill platforms.

A Phase 2 work program would be contingent on the quality and success of Phase 1. These additional costs for Phase 2 have not been estimated at this time.

Figure 19 San Acacio vertical long section - showing broad drill target areas highlighted in beige between Property boundary and Intermedio shaft. Red areas are stopes, with black dots as composite centroids (Looking north northeast).

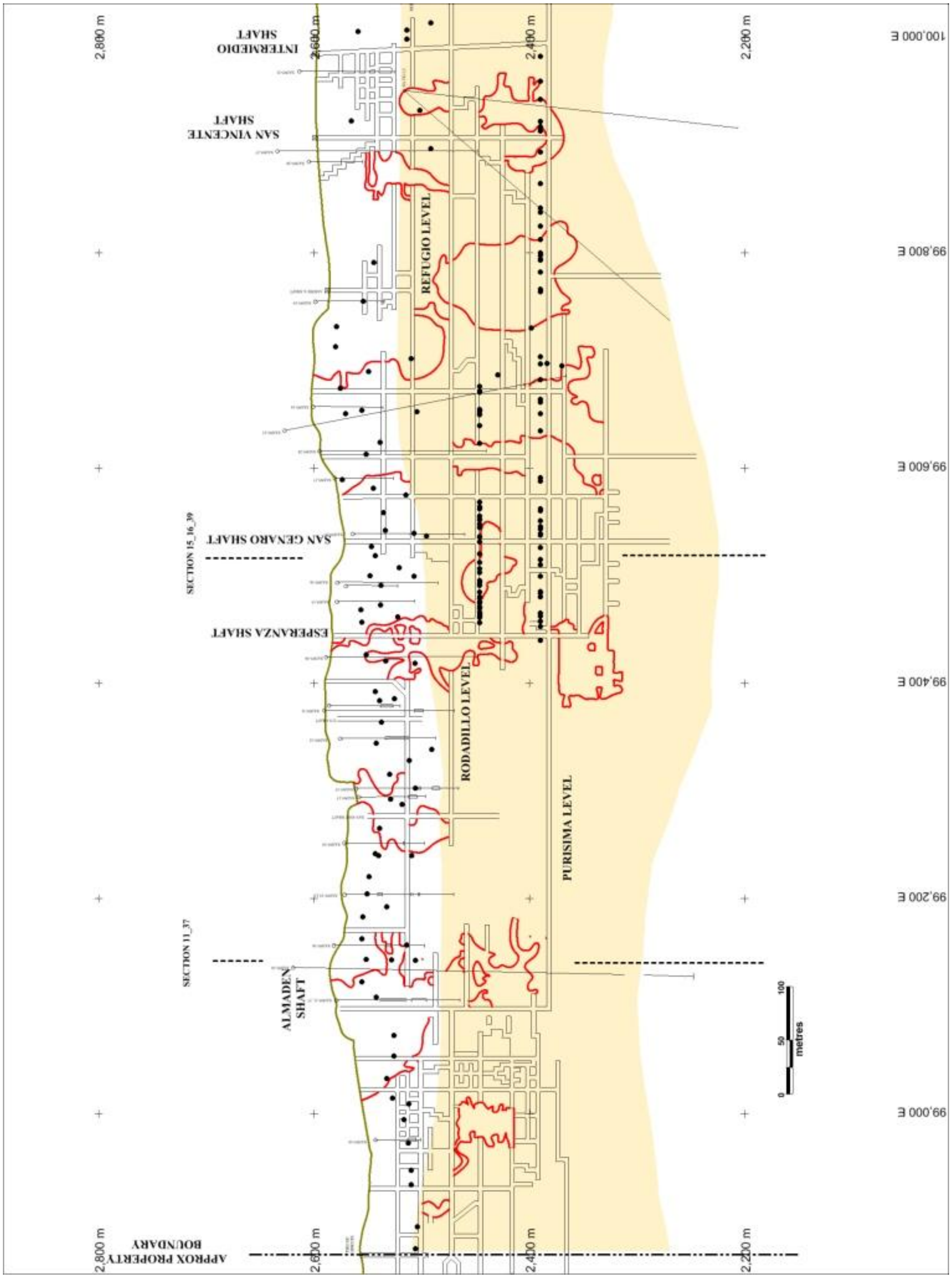


Figure 20 San Acacio cross section SAD95-11,37. Section location on Fig 19. Northwest San Acacio, Almaden Shaft area. Looking northwest. (from Konkin, 1996)

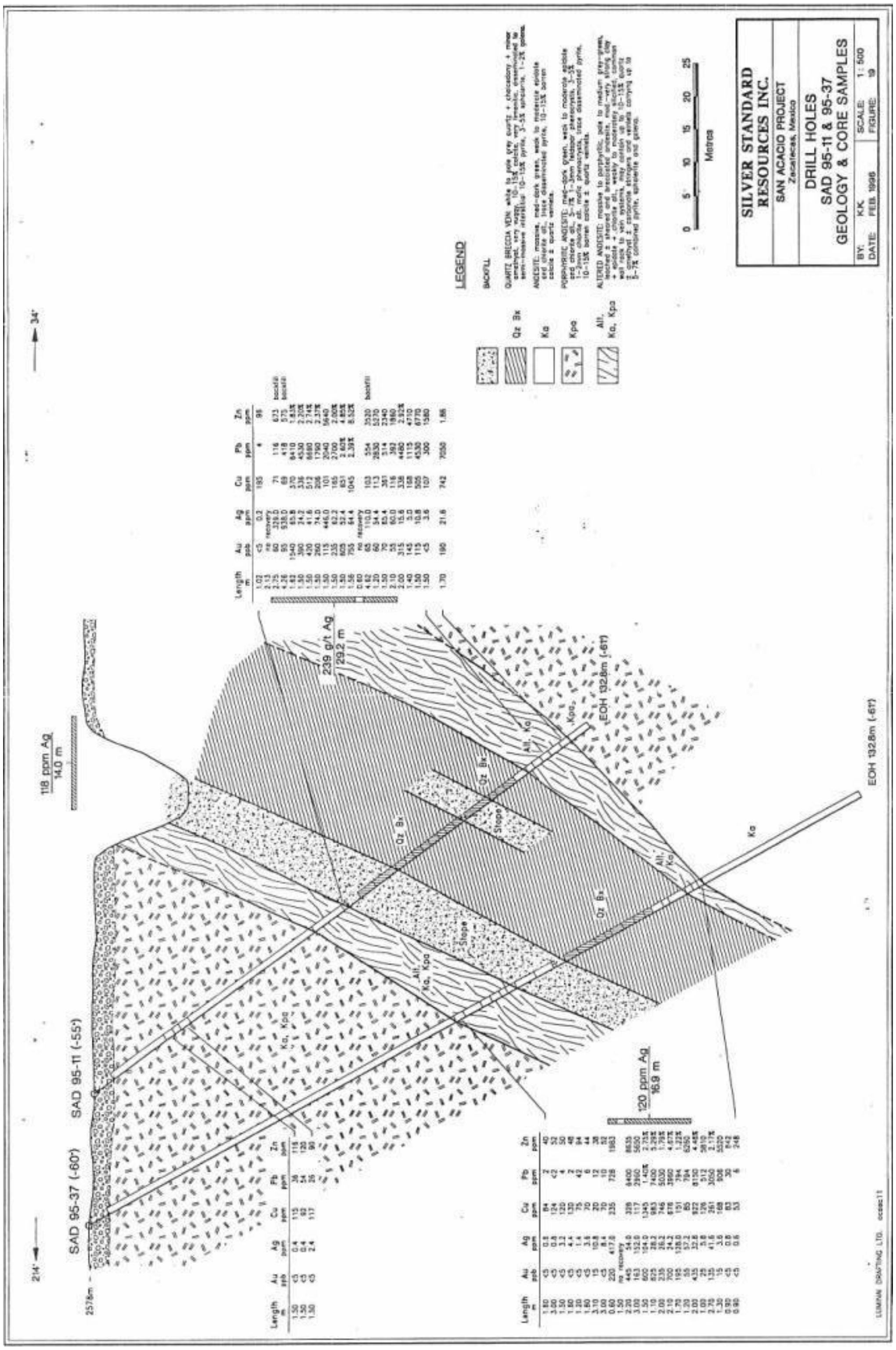
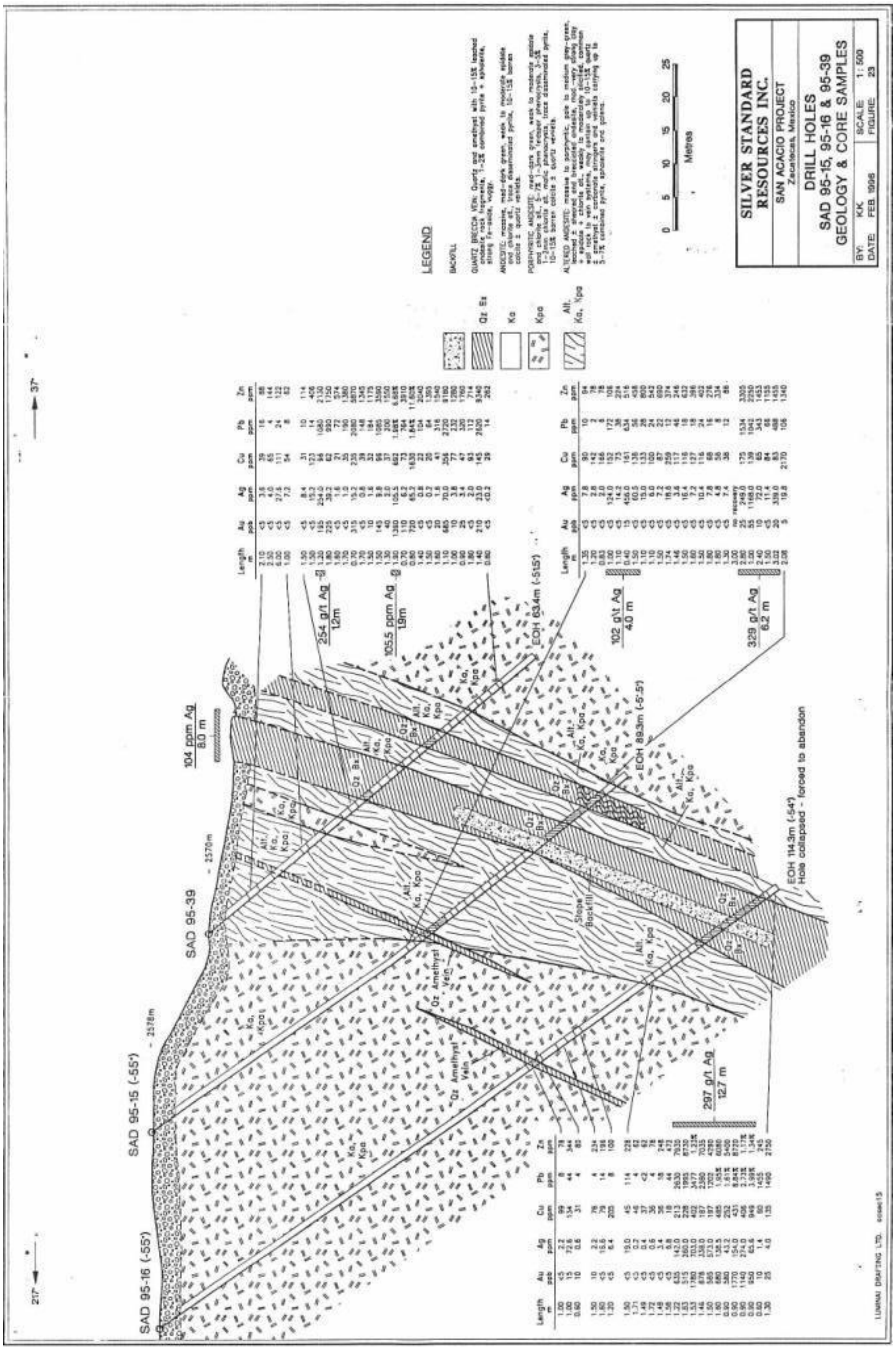


Figure 21 San Acacio cross section SAD95-15, 16, 39. Section location on Fig 19. Central San Acacio area. Southeast of Esperanza shaft. Looking northwest (from Konkin, 1996)



19 REFERENCES

Desautels, P., 2012. Technical Report, San Acacio Deposit, Zacatecas, Mexico. Prepared for Defiance Silver Corp.. Prepared by AGP Mining Consultants, April 16th, 2012.

Desautels, P., 2010. Mineral Resource Estimate and NI 43-101 Technical Report, San Acacio Project, Zacatecas, Mexico. Prepared for Source Exploration Corp. Prepared by PEG Mining Consultants, May 21st, 2010.

Hardy, J., et al, 2009. Technical Report, Cozamin Mine, Zacatecas, Mexico. Prepared for Capstone Mining Corp by SRK Consulting (Canada) Inc.. March 31st, 2009.

Konkin, K., 1996. San Acacio. 1995 Work Summary. Zacatecas, Mexico. Private report for Silver Standard Resources Inc. February, 1996.

Mexican Concession Location, Dirección General de Minas (Mexico): http://www.economia-dgm.gob.mx/cartografia

Mexico Mining Laws – website: http://www.economia.gob.mx/comunidad-negocios/mineria

Ponce, B. F., and Clark, K. F., 1988 The Zacatecas mining district; a Tertiary Caldera Complex associated with precious and base metal mineralization. Economic Geology, Vol 83, #8 (Dec 1, 1988).

Price, B and von Boeck, R., 2008. Technical Report, San Acacio Silver Property, State of Zacatecas, Republic of Mexico. Prepared for Source Exploration Corp. February 25th, 2008.

Price, B and von Boeck, R., 2007. Technical Report, 43-101 Compliant, San Acacio Silver Property, State of Zacatecas, Republic of Mexico. Prepared for Source Exploration Corp. June 20th, 2007.

Tschauder, R., (2002) Pre-feasibility study on San Acacio for Atlas Mining Corp. Private Report found on EDGAR.

Vargas, P., **et al, 1992.** Geological Mining Monograph of the State of Zacatecas. Consejo Recursos Minerales, SEMIP, Publication No M-2e. 154 pp.

Yee, J., **2013**. Metallurgical Testing of Samples from the Defiance Silver Corp., Mexican Project. Internal report for Defiance Silver Corp. Inspectorate Exploration and Mining Services Ltd, Richmond, B.C.

Zurowski, G., **2010.** Pre-Scoping Study Addendum – Option 6 – Purchase of Barones Mill. Internal memo to Brian Robertson, Source Exploration, June 16, 2010. PEG Mining Consultants.

APPENDIX I Drill Holes and Samples used in estimate

HOLE	**FROM (m)**	**TO (m)**	**LENGTH (m)**	**VEIN**	**LITH**	**TRUE_TH (m)**	**COMP_AG (g/t)**	**COMP_AU (g/t)**
LVL23+0	0.00	3.60	3.60	VETAB	QzBx	3.26	32.10	0.155
LVL23+13	0.00	6.00	6.00	VETAB	QzBx	5.44	96.13	0.222
LVL23+35	0.00	4.00	4.00	VETAB	QzBx	3.76	29.85	0.255
LVL23+57	0.00	3.50	3.50	VETAB	QzBx	3.38	35.54	0.296
PUR103	0.00	3.30	3.30	VETAB	QzBx	2.77	6.10	0.500
PUR105	0.00	2.80	2.80	VETAB	QzBx	2.45	7.80	0.040
PUR108	4.00	9.90	5.90	VETAG	QzBx	5.47	83.60	0.480
PUR113	4.00	12.30	8.30	VETAG	QzBx	7.70	25.20	0.191
PUR119	4.00	10.60	6.60	VETAG	QzBx	6.21	33.10	0.324
PUR127	8.00	13.00	5.00	VETAG	QzBx	4.70	24.30	0.453
PUR135	0.00	3.20	3.20	VETAG	QzBx	3.03	11.40	0.640
PUR138	0.00	11.40	11.40	VETAG	QzBx	10.78	10.20	0.265
PUR14	0.00	3.40	3.40	VETAB	QzBx	3.28	2.30	0.001
PUR148	0.00	12.80	12.80	VETAG	QzBx	12.10	8.80	0.327
PUR154	0.00	2.20	2.20	VETAG	QzBx	2.08	10.10	0.342
PUR157	0.00	4.00	4.00	VETAG	QzBx	3.78	1.90	0.120
PUR164	2.00	6.00	4.00	VETAG	QzBx	4.92	17.00	0.542
PUR17	0.00	3.20	3.20	VETAB	QzBx	2.26	2.85	0.001
PUR176	10.00	20.00	10.00	VETAG	QzBx	6.05	20.90	0.104
PUR234	0.00	2.50	2.50	VETAC	QzBx	3.36	136.00	0.130
PUR238	5.00	10.00	5.00	VETAG	QzBx	4.73	25.80	0.220
PUR247	6.20	10.00	3.80	VETAG	QzBx	3.59	2.40	0.015
PUR258	0.00	3.50	3.50	VETAG	QzBx	4.73	53.50	0.102
PUR260	0.00	2.00	2.00	VETAG	QzBx	4.73	49.80	0.575
PUR261	0.00	7.00	7.00	VETAG	QzBx	8.50	54.50	0.118
PUR266	0.00	1.80	1.80	VETAG	QzBx	4.92	57.80	0.115
PUR267	0.00	6.00	6.00	VETAG	QzBx	4.92	7.80	0.148
PUR282	0.00	1.90	1.90	VETAG	QzBx	3.78	17.60	0.110
PUR285	0.00	21.50	21.50	VETAG	QzBx	4.73	20.00	0.249
PUR297	0.00	1.00	1.00	VETAC	QzBx	0.98	19.40	0.165
PUR298	0.00	5.70	5.70	VETAC	QzBx	0.98	25.20	0.085
PUR301	0.00	17.60	17.60	VETAG	QzBx	4.73	60.90	0.233
PUR310	0.00	5.90	5.90	VETAG	QzBx	4.73	31.50	0.167
PUR313	0.00	12.60	12.60	VETAC	QzBx	3.15	157.00	0.160
PUR320	0.00	1.80	1.80	VETAC	QzBx	3.15	94.00	0.165
PUR323	0.00	2.50	2.50	VETAG	QzBx	3.84	18.80	0.225
PUR324	0.00	2.00	2.00	VETAG	QzBx	3.84	48.60	0.240
PUR325	0.00	2.10	2.10	VETAG	QzBx	3.84	4.60	0.045
PUR326	0.00	3.30	3.30	VETAG	QzBx	3.25	25.00	0.208
PUR329	0.00	3.30	3.30	VETAG	QzBx	3.25	26.20	0.198
PUR33	0.00	7.70	7.70	VETAC	QzBx	7.44	156.50	0.138
PUR332	0.00	1.80	1.80	VETAC	QzBx	1.77	200.00	0.200
PUR36	0.00	6.70	6.70	VETAC	QzBx	6.47	81.20	0.035
PUR38	4.00	6.80	2.80	VETAC	QzBx	6.57	99.30	0.045
PUR51	0.00	4.00	4.00	VETAB	QzBx	3.86	4.10	0.183
PUR54	0.00	2.90	2.90	VETAB	QzBx	2.80	21.20	0.015
PUR56	0.00	3.50	3.50	VETAB	QzBx	3.38	0.50	0.001
PUR59	0.00	2.70	2.70	VETAB	QzBx	2.01	2.25	0.019
PUR63	0.00	2.70	2.70	VETAB	QzBx	2.26	2.00	0.001

HOLE	FROM (m)	TO (m)	LENGTH (m)	VEIN	LITH	TRUE_TH (m)	COMP_AG (g/t)	COMP_AU (g/t)
PUR77	2.00	9.30	7.30	VETAC	QzBx	7.05	290.00	0.200
PUR8	0.00	3.00	3.00	VETAB	QzBx	2.90	2.20	0.010
PUR86	0.00	2.00	2.00	VETAC	QzBx	1.93	68.60	0.085
PUR88	0.00	2.00	2.00	VETAC	QzBx	1.93	217.60	0.122
PUR91	0.00	4.70	4.70	VETAC	QzBx	4.54	281.80	0.200
PUR96	0.00	4.00	4.00	VETAG	QzBx	7.73	48.60	0.238
REF+101	0.00	4.60	4.60	VETAB	QzBx	3.98	92.82	0.543
REF+125	0.00	9.20	9.20	VETAB	QzBx	7.97	28.95	0.292
REF+127	0.00	2.00	2.00	VETAB	QzBx	1.73	26.60	0.100
REF+158	0.00	6.20	6.20	VETAB	QzBx	5.62	23.37	0.220
REF+23	0.00	5.60	5.60	VETAB	QzBx	4.80	14.78	0.193
REF+38	0.00	7.40	7.40	VETAB	QzBx	6.40	39.94	0.396
REF+65	0.00	5.80	5.80	VETAB	QzBx	5.00	117.17	0.354
REF-5	0.00	6.00	6.00	VETAB	QzBx	5.20	17.73	0.264
REFBF1	0.00	3.60	3.60	VETAG	Backfill	3.48	132.00	0.135
REFBF10	0.00	1.00	1.00	VETAG	Backfill	0.97	32.80	0.015
REFBF11	0.00	1.20	1.20	VETAG	Backfill	1.16	25.20	0.197
REFBF12	0.00	1.20	1.20	VETAG	Backfill	1.16	179.00	0.152
REFBF13	0.00	1.00	1.00	VETAG	Backfill	0.97	209.00	0.537
REFBF14	0.00	1.40	1.40	VETAG	Backfill	1.35	133.00	0.126
REFBF15	0.00	1.50	1.50	VETAG	Backfill	1.45	18.40	0.265
REFBF16	0.00	1.00	1.00	VETAG	Backfill	0.97	25.20	0.167
REFBF17	0.00	1.00	1.00	VETAG	Backfill	0.97	1.10	0.005
REFBF2	0.00	1.00	1.00	VETAG	Backfill	0.97	135.00	0.478
REFBF3	0.00	1.70	1.70	VETAG	Backfill	1.64	164.00	0.153
REFBF4	0.00	2.00	2.00	VETAG	Backfill	1.93	149.00	0.380
REFBF5	0.00	1.50	1.50	VETAG	Backfill	1.45	727.00	0.831
REFBF6	0.00	1.40	1.40	VETAG	Backfill	1.35	109.00	0.920
REFBF7	0.00	1.00	1.00	VETAG	Backfill	0.97	154.00	0.122
REFBF8	0.00	1.60	1.60	VETAG	Backfill	1.55	156.00	0.175
REFBF9	0.00	1.00	1.00	VETAG	Backfill	0.97	151.00	0.061
ROD102	0.00	1.20	1.20	VETAG	QzBx	3.86	122.50	0.430
ROD103	0.00	2.50	2.50	VETAG	QzBx	3.86	159.00	0.684
ROD106	0.00	5.90	5.90	VETAG	QzBx	5.70	295.60	0.768
ROD110	0.00	3.20	3.20	VETAB	QzBx	3.09	83.20	0.418
ROD113	0.00	2.30	2.30	VETAG	QzBx	2.22	173.00	0.242
ROD116	0.00	2.60	2.60	VETAB	QzBx	2.51	69.00	0.728
ROD119	0.00	2.40	2.40	VETAB	QzBx	2.32	59.20	0.192
ROD122	0.00	1.40	1.40	VETAB	QzBx	1.35	97.60	0.330
ROD124	0.00	3.50	3.50	VETAB	QzBx	3.38	80.50	0.580
ROD126	0.00	3.10	3.10	VETAB	QzBx	2.99	68.80	0.700
ROD128	0.00	3.70	3.70	VETAB	QzBx	3.57	73.40	1.036
ROD131	0.00	3.20	3.20	VETAB	QzBx	3.09	77.00	0.502
ROD135	0.00	3.50	3.50	VETAB	QzBx	3.38	54.80	0.191
ROD138	0.00	3.40	3.40	VETAB	QzBx	3.28	36.50	0.170
ROD141	0.00	2.50	2.50	VETAB	QzBx	2.41	59.20	0.192
ROD144	0.00	3.00	3.00	VETAB	QzBx	2.90	38.90	0.185
ROD153	0.00	2.40	2.40	VETAG	QzBx	3.86	296.00	0.045
ROD162	0.00	3.00	3.00	VETAG	QzBx	2.90	132.00	0.183

HOLE	FROM (m)	TO (m)	LENGTH (m)	VEIN	LITH	TRUE_TH (m)	COMP_AG (g/t)	COMP_AU (g/t)
ROD165	0.00	6.50	6.50	VETAG	QzBx	6.28	98.80	0.210
ROD170	0.00	5.30	5.30	VETAG	QzBx	5.12	172.60	0.168
ROD173	0.00	1.50	1.50	VETAG	QzBx	1.45	736.00	0.123
ROD175	0.00	2.90	2.90	VETAG	QzBx	2.80	66.60	0.010
ROD176	0.00	3.00	3.00	VETAG	QzBx	2.90	196.00	0.118
ROD178	0.00	2.70	2.70	VETAG	QzBx	2.61	189.50	0.157
ROD181	0.00	2.50	2.50	VETAG	QzBx	2.41	298.00	0.085
ROD19	0.00	2.00	2.00	VETAB	QzBx	1.93	87.00	0.128
ROD22	0.00	2.50	2.50	VETAG	QzBx	2.41	128.70	0.160
ROD24	0.00	1.60	1.60	VETAG	QzBx	1.55	134.00	0.630
ROD27	0.00	2.30	2.30	VETAG	QzBx	2.22	127.00	0.445
ROD35	0.00	1.20	1.20	VETAB	QzBx	1.16	80.80	0.920
ROD4	0.00	2.00	2.00	VETAB	QzBx	1.93	17.00	0.058
ROD7	0.00	1.20	1.20	VETAB	QzBx	1.16	53.40	0.045
ROD75	0.00	2.50	2.50	VETAB	QzBx	2.41	14.70	0.442
ROD78	0.00	1.90	1.90	VETAB	QzBx	1.84	15.30	0.415
ROD8	0.00	2.00	2.00	VETAB	QzBx	1.93	19.50	0.120
ROD84	0.00	4.00	4.00	VETAB	QzBx	3.86	54.80	0.576
ROD88	0.00	3.40	3.40	VETAB	QzBx	3.28	19.90	0.135
ROD91	0.00	2.00	2.00	VETAB	QzBx	1.93	57.60	0.355
ROD96	0.00	1.80	1.80	VETAB	QzBx	1.74	96.30	0.223
ROD99	0.00	1.40	1.40	VETAB	QzBx	1.35	46.60	0.642
SAD95-10	37.08	44.50	7.42	VETAG	QzBx	7.40	285.43	0.214
SAD95-11	47.24	80.60	33.36	VETAG	Backfill	30.10	204.79	0.275
SAD95-12	38.30	42.80	4.50	VETAG	QzBx	4.20	120.67	0.007
SAD95-13	57.00	66.14	9.14	VETAG	QzBx	8.00	158.30	0.076
SAD95-14	63.00	74.37	11.37	VETAG	QzBx	11.50	99.31	0.020
SAD95-15	50.20	54.30	4.10	VETAC	QzBx	3.00	120.13	0.002
SAD95-15	70.70	79.90	9.20	VETAG	Backfill	7.50	299.94	0.025
SAD95-16	90.30	91.70	1.40	VETAC	QzBx	1.40	190.00	0.001
SAD95-16	99.66	112.40	12.74	VETAG	QzBx	12.50	285.31	0.892
SAD95-17	3.65	9.75	6.10	VETAC	QzBx	6.00	108.70	0.040
SAD95-17	49.37	55.47	6.10	VETAG	Backfill	4.00	188.50	0.163
SAD95-18	54.80	58.90	4.10	VETAC	QzBx	3.90	74.40	0.008
SAD95-18	63.70	66.80	3.10	VETAG	QzBx	2.90	91.01	0.013
SAD95-19	53.00	57.60	4.60	VETAC	QzBx	4.40	5.92	0.019
SAD95-19	66.10	70.90	4.80	VETAG	QzBx	4.60	2.35	0.012
SAD95-20	45.60	54.60	9.00	VETAG	QzBx	6.90	103.39	0.058
SAD95-21	60.80	65.80	5.00	VETAG	QzBx	3.00	28.74	0.026
SAD95-22	44.80	47.80	3.00	VETAG	QzBx	2.50	38.81	0.001
SAD95-23	236.82	248.56	11.74	VETAC	Backfill	9.00	151.00	0.001
SAD95-23	275.60	287.10	11.50	VETAG	QzBx	9.50	48.63	0.059
SAD95-23	299.00	299.35	0.35	VETAB	QzBx	0.30	51.00	1.100
SAD95-23B	308.20	310.60	2.40	VETAB	QzBx	2.00	101.30	0.010
SAD95-24	103.93	107.89	3.96	VETAG	QzBx	2.50	142.61	0.415
SAD95-25	96.62	105.76	9.14	VETAG	QzBx	6.00	87.22	0.039
SAD95-26	142.50	149.00	6.50	VETAC	QzBx	4.00	29.34	0.073
SAD95-26	155.30	164.30	9.00	VETAG	QzBx	6.50	21.70	0.204
SAD95-27	142.00	153.90	11.90	VETAG	QzBx	9.00	240.81	0.075

HOLE	FROM (m)	TO (m)	LENGTH (m)	VEIN	LITH	TRUE_TH (m)	COMP_AG (g/t)	COMP_AU (g/t)
SAD95-27	157.50	161.80	4.30	VETAB	QzBx	3.30	28.37	0.460
SAD95-28	99.30	106.30	7.00	VETAG	Backfill	5.50	364.75	0.198
SAD95-29	55.10	61.90	6.80	VETAG	Backfill	5.90	192.10	0.086
SAD95-29	62.70	72.80	10.10	VETAB	QzBx	9.50	31.80	0.244
SAD95-30	78.50	90.20	11.70	VETAG	Backfill	9.00	299.91	0.390
SAD95-31	96.60	103.90	7.30	VETAG	QzBx	5.00	128.64	0.028
SAD95-32	51.80	76.80	25.00	VETAG	Backfill	20.00	284.64	0.069
SAD95-33	66.40	67.60	1.20	VETAC	QzBx	1.10	189.00	0.010
SAD95-33	82.30	89.20	6.90	VETAG	Backfill	6.00	170.38	0.056
SAD95-34	67.60	70.10	2.50	VETAG	QzBx	2.10	38.08	0.005
SAD95-35	78.50	82.10	3.60	VETAG	QzBx	3.00	21.93	0.023
SAD95-36	55.30	73.20	17.90	VETAG	QzBx	14.00	56.46	0.222
SAD95-36	87.40	88.00	0.60	VETAB	QzBx	0.50	23.60	0.445
SAD95-37	73.70	102.30	28.60	VETAG	Backfill	25.00	79.44	0.194
SAD95-39	31.00	34.00	3.00	VETAG	QzBx	3.00	125.12	0.213
SAD95-39	43.00	46.40	3.40	VETAB	QzBx	3.40	75.57	0.807
TRENCH1	0.00	9.00	9.00	VETAG	QzBx	8.60	108.95	0.165
TRENCH10	0.00	13.85	13.85	VETAG	QzBx	13.40	376.27	0.843
TRENCH11	0.00	22.00	22.00	VETAG	Backfill	21.30	385.68	0.217
TRENCH13	0.00	11.34	11.34	VETAG	Backfill	10.90	154.36	0.163
TRENCH14	0.00	4.79	4.79	VETAG	QzBx	4.63	268.30	0.246
TRENCH15	0.00	13.65	13.65	VETAG	Backfill	13.10	127.11	0.125
TRENCH16	0.00	8.86	8.86	VETAG	QzBx	8.54	130.23	0.896
TRENCH17	0.00	6.04	6.04	VETAG	QzBx	5.95	88.92	0.104
TRENCH18	0.00	19.85	19.85	VETAG	QzBx	19.17	60.70	0.043
TRENCH19	0.00	12.35	12.35	VETAG	Backfill	12.56	33.00	0.052
TRENCH2	0.00	4.70	4.70	VETAG	Backfill	4.30	146.00	0.157
TRENCH20	0.00	11.10	11.10	VETAG	QzBx	10.72	24.12	0.036
TRENCH21	0.00	20.05	20.05	VETAG	QzBx	19.40	21.46	0.003
TRENCH23	0.00	9.52	9.52	VETAG	QzBx	9.20	51.53	0.007
TRENCH24	0.00	8.05	8.05	VETAG	QzBx	7.78	176.49	0.011
TRENCH25	0.00	18.50	18.50	VETAG	Backfill	17.90	132.00	0.045
TRENCH26	0.00	25.16	25.16	VETAG	QzBx	24.48	197.21	0.040
TRENCH27	0.00	10.80	10.80	VETAG	Backfill	10.43	121.00	0.010
TRENCH28	0.00	13.93	13.93	VETAG	QzBx	13.46	275.77	0.326
TRENCH29	0.00	9.95	9.95	VETAG	QzBx	9.61	76.96	0.005
TRENCH3	1.10	7.10	6.00	VETAG	QzBx	5.80	128.85	0.244
TRENCH30	0.00	5.70	5.70	VETAG	QzBx	5.51	57.05	0.003
TRENCH31A	0.00	6.00	6.00	VETAG	Backfill	5.80	209.00	0.105
TRENCH32	0.00	9.70	9.70	VETAG	QzBx	9.37	184.98	0.245
TRENCH33	0.00	8.50	8.50	VETAG	QzBx	8.21	128.07	0.039
TRENCH34	0.00	12.10	12.10	VETAG	QzBx	12.50	121.70	0.014
TRENCH35	0.00	10.35	10.35	VETAG	QzBx	10.00	108.39	0.043
TRENCH36	0.00	7.50	7.50	VETAG	QzBx	7.25	246.91	0.154
TRENCH37	0.00	10.85	10.85	VETAG	QzBx	10.48	376.56	0.085
TRENCH38	0.00	10.00	10.00	VETAG	Backfill	9.66	222.93	0.051
TRENCH39	0.00	33.25	33.25	VETAG	QzBx	32.09	149.11	0.049
TRENCH4	0.00	4.54	4.54	VETAG	QzBx	4.40	123.81	0.129
TRENCH40	0.00	13.50	13.50	VETAG	QzBx	13.45	95.59	0.026

HOLE	FROM (m)	TO (m)	LENGTH (m)	VEIN	LITH	TRUE_TH (m)	COMP_AG (g/t)	COMP_AU (g/t)
TRENCH41	0.00	9.20	9.20	VETAG	Backfill	8.89	66.53	0.001
TRENCH42	0.00	14.85	14.85	VETAG	QzBx	14.34	121.75	0.025
TRENCH5	0.00	5.16	5.16	VETAG	QzBx	5.00	472.53	0.324
TRENCH7A	0.00	12.80	12.80	VETAG	Backfill	12.50	241.08	0.201
TRENCH8	0.00	16.17	16.17	VETAG	QzBx	15.60	207.09	0.249
TRENCH9	0.00	3.00	3.00	VETAG	Backfill	2.90	204.30	0.150

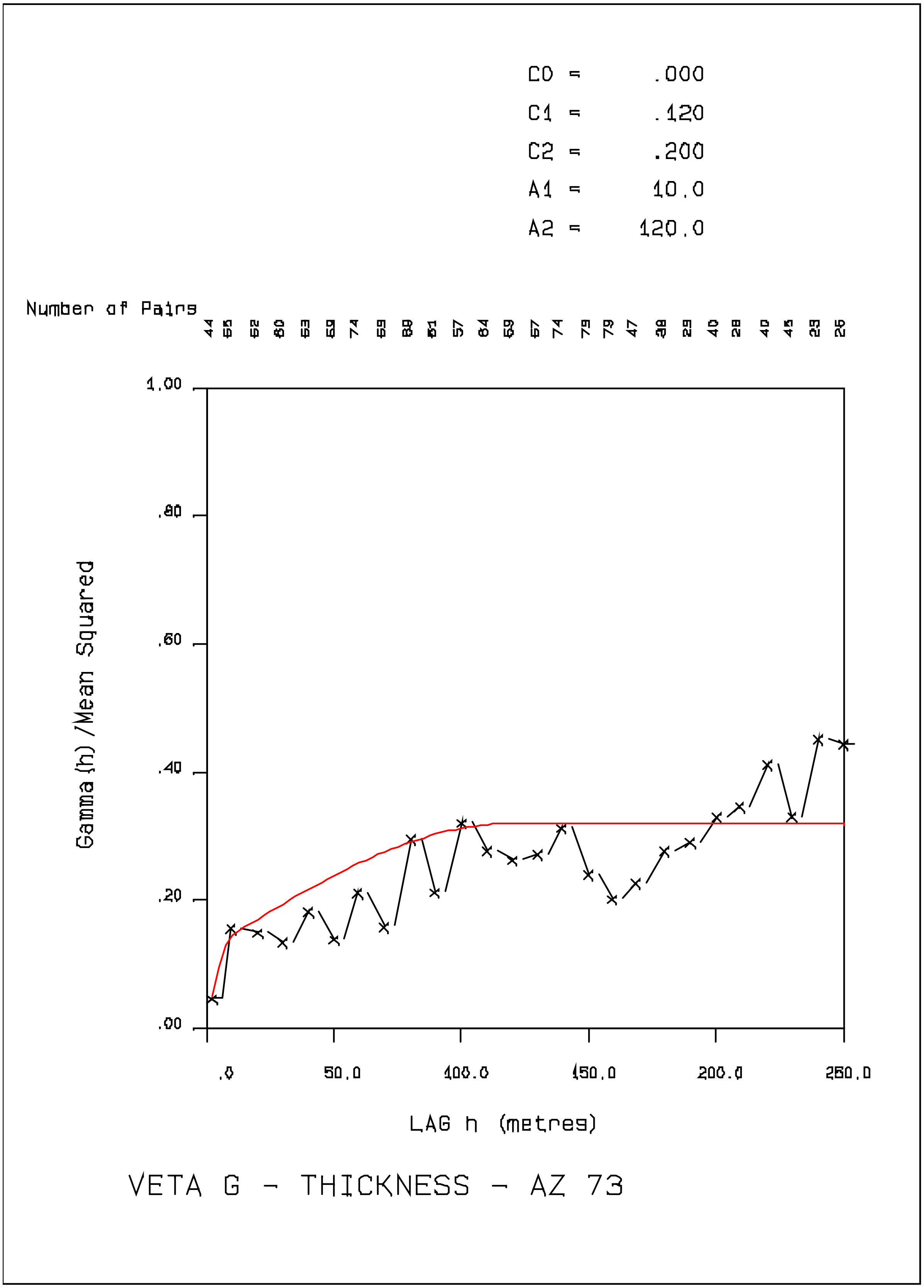
(QzBx = Quartz breccia, Backfill = stope backfill)

APPENDIX II Variography for San Acacio (Veta G)

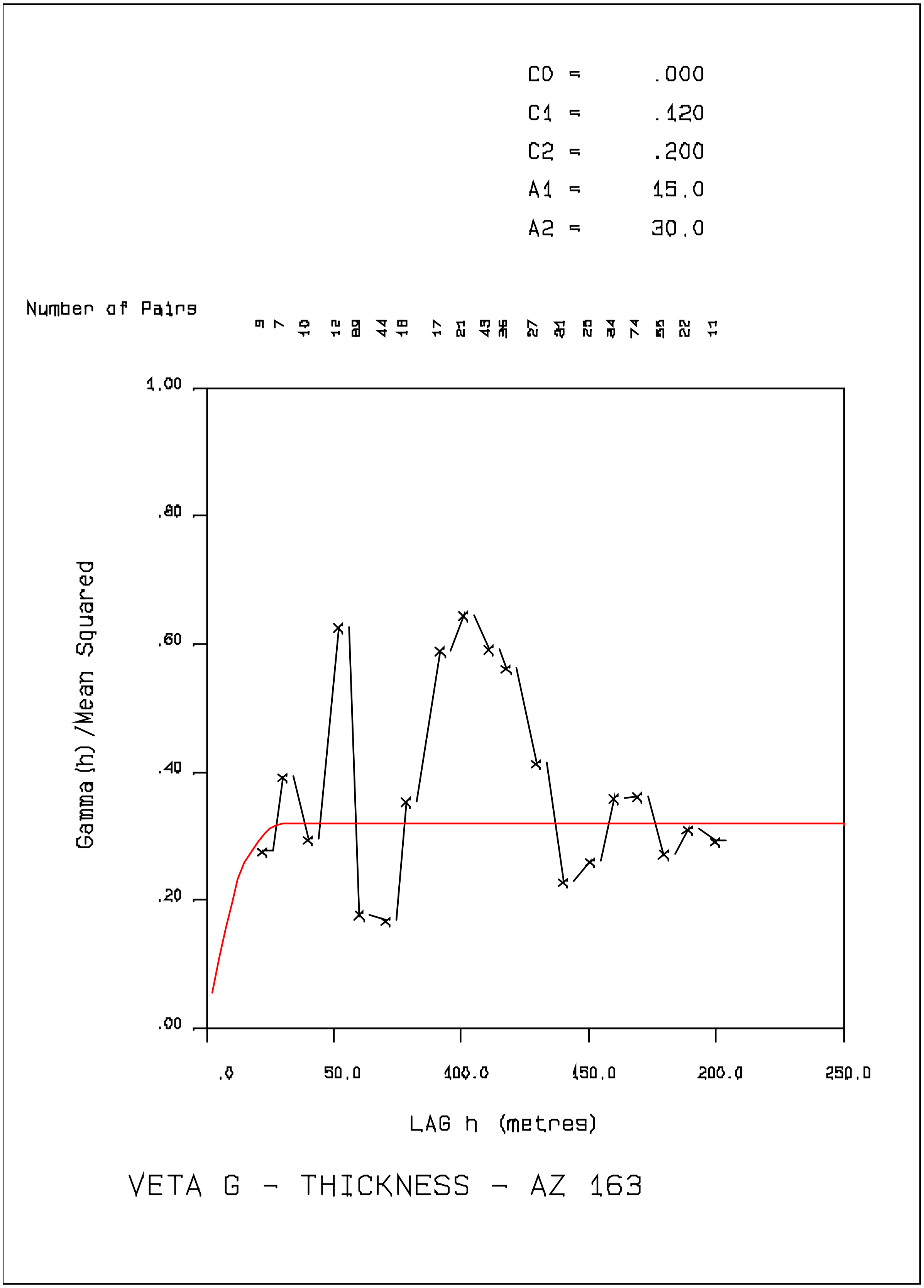
Veta G Thickness

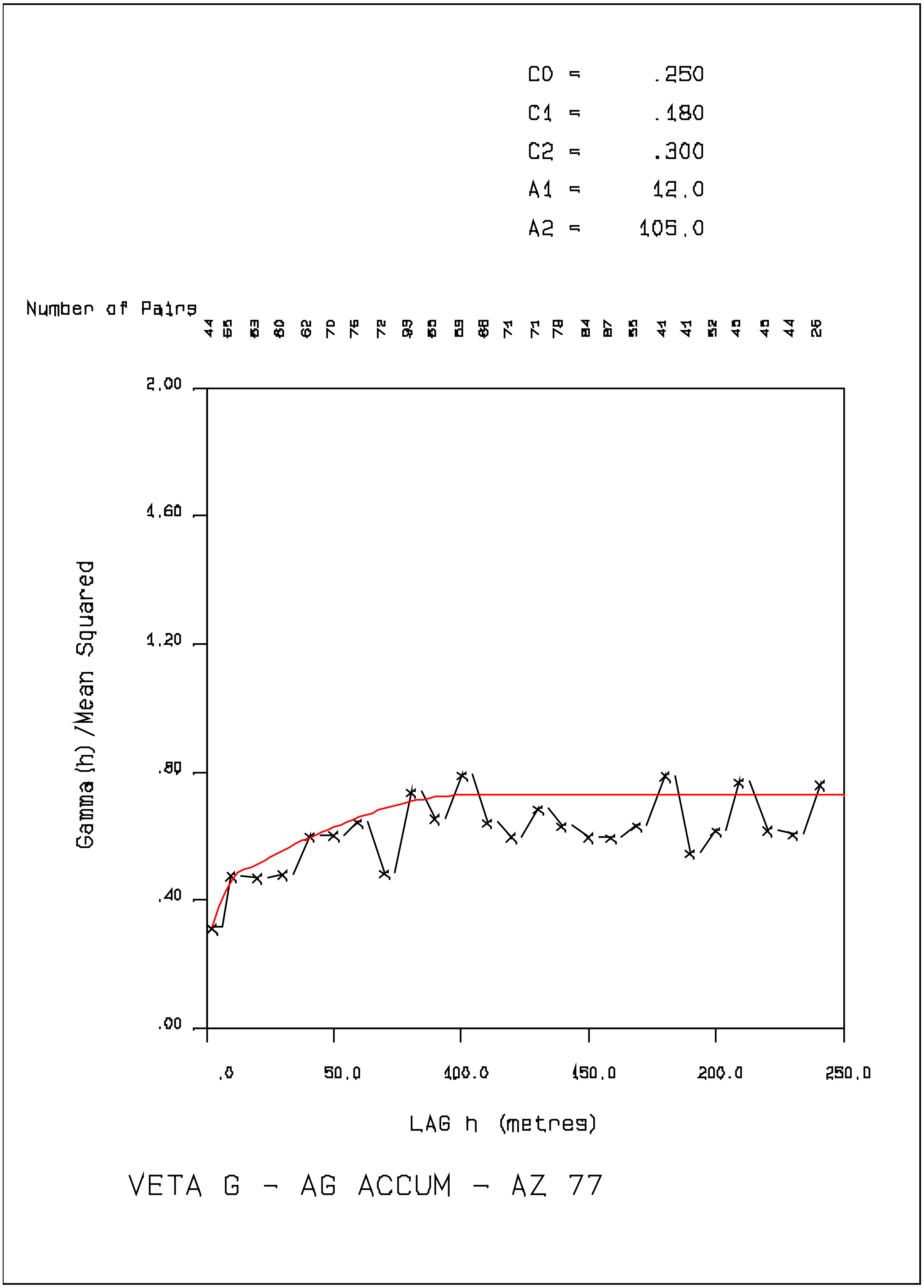
Ag Accumulation

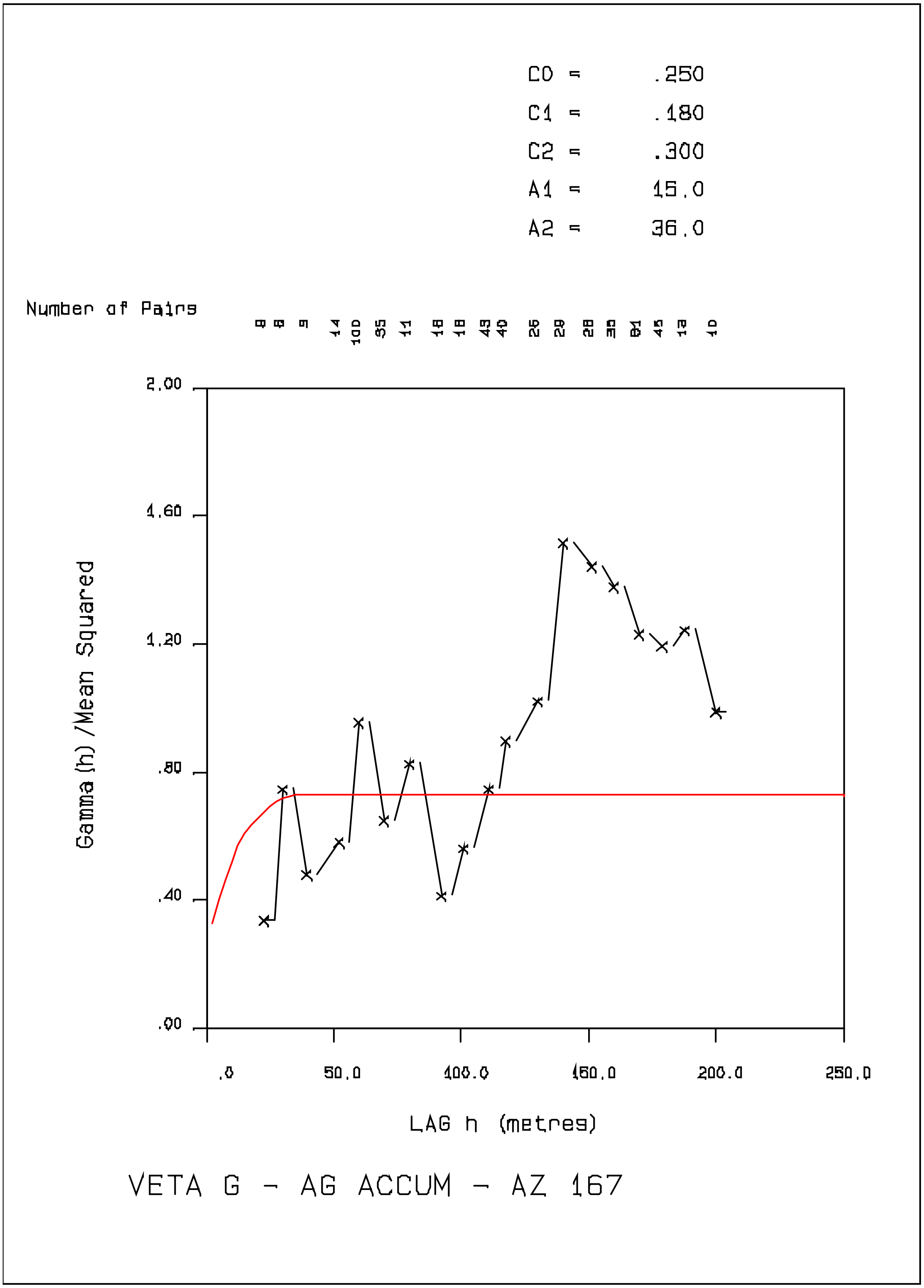
Au Accumulation

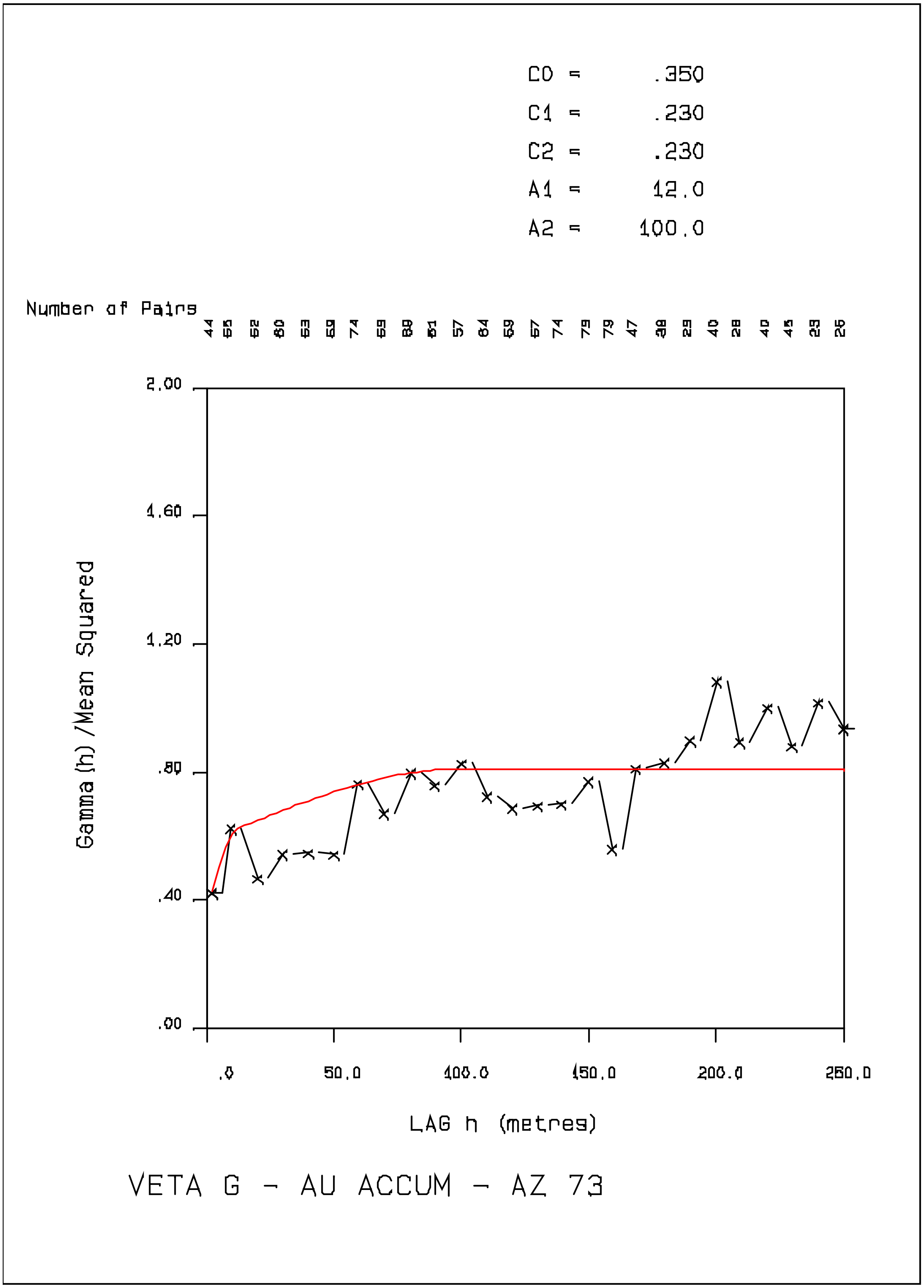


C0 = .000
C1 = .120
C2 = .200
A1 = 10.0
A2 = 120.0
Number of Pairs
44 65 62 60 63 69 74 69 89 61 57 64 69 67 74 79 79 47 38 29 40 28 40 45 23 26
1.00
.80
.60
.40
.20
.00
Gamma (h) /Mean Squared
.0
50.0
100.0
150.0
200.0
250.0
LAG h (metres)
VETA G - THICKNESS - AZ 73

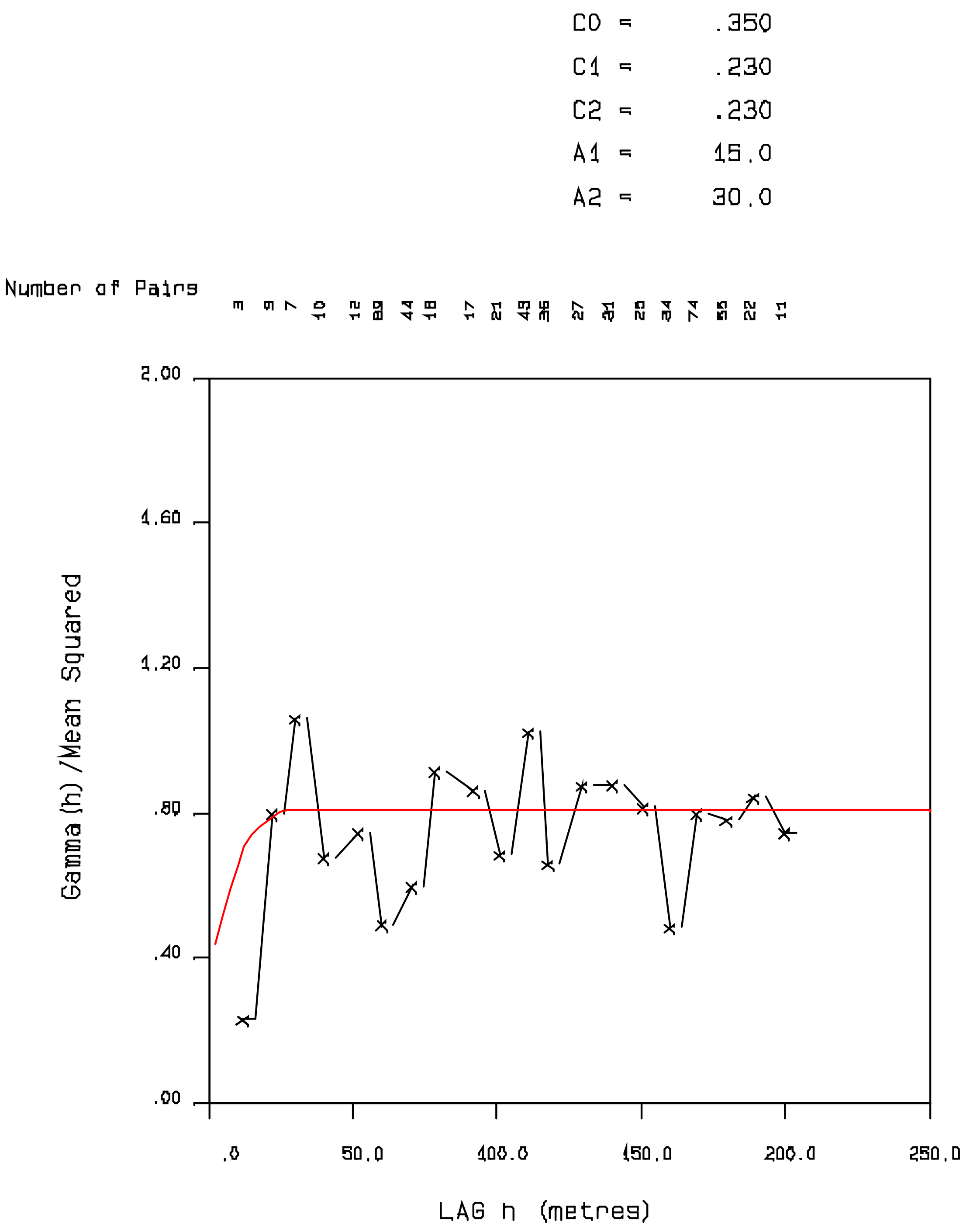

C0 = .000
C1 = .120
C2 = .200
A1 = 15.0
A2 = 30.0
Number of Pairs
1.00
.80
.60
.40
.20
.00
Gamma (h) /Mean Squared
.0
50.0
100.0
150.0
200.0
250.0
LAG h (metres)
VETA G - THICKNESS - AZ 163


C0 = .250
C1 = .180
C2 = .300
A1 = 12.0
A2 = 105.0
Number of Pairs
2.00
1.60
1.20
.80
.40
.00
Gamma (h) /Mean Squared
.0
50.0
100.0
150.0
200.0
250.0
LAG h (metres)
VETA G - AG ACCUM - AZ 77


C0 = .250
C1 = .180
C2 = .300
A1 = 15.0
A2 = 36.0
Number of Pairs
8 6 9 14 100 35 11 16 18 43 40 26 29 28 35 61 45 13 10
2.00
1.60
1.20
.80
.40
.00
Gamma (h) /Mean Squared
.0
50.0
100.0
150.0
200.0
250.0
LAG h (metres)
VETA G - AG ACCUM - AZ 167



C0 = .350
C1 = .230
C2 = .230
A1 = 12.0
A2 = 100.0
Number of Pairs
Gamma (h) /Mean Squared
2.00
1.60
1.20
.80
.40
.00
.0
50.0
100.0
150.0
200.0
250.0
LAG h (metres)
VETA G - AU ACCUM - AZ 73



VETA G - AU ACCUM - AZ 163

APPENDIX III Author's check assay certificate – April, 2014

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Submitted By:	Jim Cuttle
Receiving Lab:	Canada-Vancouver
Received:	April 07, 2014
Report Date:	April 16, 2014
Page:	1 of 2

CERTIFICATE OF ANALYSIS VAN14001182.1

CLIENT JOB INFORMATION

Project:	San Acacio-Mexico
Shipment ID:	
P.O. Number	
Number of Samples:	7

SAMPLE DISPOSAL

STOR-PLP	Store After 90 days Invoice for Storage
DISP-RJT	Dispose of Reject After 90 days

Acme does not accept responsibility for samples left at the laboratory after 90 days without prior written instructions for sample storage or return.

SAMPLE PREPARATION AND ANALYTICAL PROCEDURES

Procedure Code	Number of Samples	Code Description	Test Wgt (g)	Report Status	Lab
PRP70-250	7	Crush, split and pulverize 250 g rock to 200 mesh			VAN
MA200	7	4 Acid digestion ICP-MS analysis	0.25	Completed	VAN
BAT01	1	Batch charge of <20 samples			VAN
G6Gr	3	Lead collection fire assay 30G fusion - Grav finish	30	Completed	VAN

ADDITIONAL COMMENTS

Invoice To: Landmark Geological Inc.
86 Cloudburst Road
Whistler BC V0N 1B1
Canada

CC:

This report supersedes all previous preliminary and final reports with this file number dated prior to the date on this certificate. Signature indicates final approval; preliminary reports are unsigned and should be used for reference only.
All results are considered the confidential property of the client. Acme assumes the liabilities for actual cost of analysis only. Results apply to samples as submitted.
"*" asterisk indicates that an analytical result could not be provided due to unusually high levels of interference from other elements.

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 2 of 2 Part: 1 of 3

CERTIFICATE OF ANALYSIS VAN14001182.1

	Method	WGHT	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200
	Analyte	Wgt	Mo	Cu	Pb	Zn	Ag	Ni	Co	Mn	Fe	As	U	Au	Th	Sr	Cd	Sb	Bi	V	Ca
	Unit	kg	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%
	MDL	0.01	0.1	0.1	0.1	1	0.1	0.1	0.2	1	0.01	1	0.1	0.1	0.1	1	0.1	0.1	0.1	1	0.01
VG-1	Rock	1.20	0.1	131.0	313.6	912	>200	122.2	27.4	1155	4.38	73	0.2	<0.1	<0.1	27	4.4	37.6	0.1	185	0.18
VG-2	Rock	0.89	0.2	151.2	1761.7	1301	>200	8.9	6.3	548	1.18	58	<0.1	<0.1	<0.1	8	9.1	87.3	0.1	32	0.03
VG-3	Rock	1.08	1.6	52.4	139.4	678	181.1	60.3	14.5	1565	2.37	94	0.1	<0.1	<0.1	2055	2.6	35.5	<0.1	132	0.57
VG-4	Rock	1.50	0.9	80.8	2124.7	7116	>200	71.9	18.0	1941	6.32	121	0.2	0.1	0.1	356	42.9	37.1	<0.1	228	3.78
VG-5	Rock	0.39	0.2	91.7	18.5	188	23.5	55.5	25.2	2178	4.50	11	0.2	<0.1	0.3	141	0.2	7.7	0.1	219	7.79
VG-6	Rock	0.42	0.4	992.0	>10000	>10000	69.2	85.2	13.0	2996	14.30	714	0.1	0.7	<0.1	38	217.9	33.3	<0.1	37	5.21
VG-7	Rock	0.44	0.2	59.2	63.1	340	96.8	10.8	1.9	900	0.87	44	<0.1	<0.1	<0.1	1430	2.4	139.5	<0.1	46	0.25

This report supersedes all previous preliminary and final reports with this file number dated prior to the date on this certificate. Signature indicates final approval; preliminary reports are unsigned and should be used for reference only.

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: Landmark Geological Inc.
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 2 of 2 Part: 2 of 3

CERTIFICATE OF ANALYSIS VAN14001182.1

	Method	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200
	Analyte	P	La	Cr	Mg	Ba	Ti	Al	Na	K	W	Zr	Ce	Sn	Y	Nb	Ta	Be	Sc	Li	S
	Unit	%	ppm	ppm	%	ppm	%	%	%	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%
	MDL	0.001	0.1	1	0.01	1	0.001	0.01	0.001	0.01	0.1	0.1	1	0.1	0.1	0.1	0.1	1	1	0.1	0.1
VG-1	Rock	0.029	0.9	144	2.35	853	0.292	5.09	0.139	2.86	3.3	16.9	3	0.2	7.1	0.5	<0.1	1	24	78.1	<0.1
VG-2	Rock	0.009	0.5	23	0.17	345	0.071	1.16	0.018	0.90	0.5	4.4	1	0.1	2.2	0.4	<0.1	4	4	69.7	0.2
VG-3	Rock	0.019	0.6	68	0.22	896	0.163	3.25	0.015	1.38	1.7	10.3	2	0.2	4.4	0.5	<0.1	3	14	29.9	0.1
VG-4	Rock	0.024	1.3	142	1.44	136	0.221	4.02	0.075	1.00	14.7	13.5	4	0.3	9.8	0.8	<0.1	1	19	55.3	0.9
VG-5	Rock	0.085	3.8	127	2.98	549	0.398	6.00	0.349	1.56	3.8	28.7	10	0.5	15.7	1.3	<0.1	<1	29	39.3	0.9
VG-6	Rock	0.007	0.9	113	3.06	29	0.053	1.45	0.011	0.19	2.5	3.9	2	0.7	4.9	0.2	<0.1	<1	7	75.7	>10
VG-7	Rock	0.001	<0.1	7	0.04	431	0.014	0.38	0.006	0.04	0.9	0.9	<1	<0.1	1.6	<0.1	<0.1	5	1	42.6	0.2

This report supersedes all previous preliminary and final reports with this file number dated prior to the date on this certificate. Signature indicates final approval; preliminary reports are unsigned and should be used for reference only.

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 2 of 2 Part: 3 of 3

CERTIFICATE OF ANALYSIS VAN14001182.1

	Method	MA200	MA200	MA200	MA200	MA200	MA200	MA200	FA530
	Analyte	Rb	Hf	In	Re	Se	Te	Tl	Ag
	Unit	ppm	ppm	ppm	ppm	ppm	ppm	ppm	gm/t
	MDL	0.1	0.1	0.05	0.005	1	0.5	0.5	50
VG-1	Rock	110.2	0.6	<0.05	0.006	<1	<0.5	1.9	199
VG-2	Rock	36.9	0.2	<0.05	<0.005	<1	<0.5	0.7	301
VG-3	Rock	73.7	0.4	<0.05	<0.005	<1	<0.5	1.9	
VG-4	Rock	52.1	0.4	<0.05	<0.005	<1	<0.5	0.7	271
VG-5	Rock	88.2	1.0	<0.05	<0.005	<1	0.5	1.3	
VG-6	Rock	10.5	0.1	<0.05	0.008	3	<0.5	<0.5	
VG-7	Rock	5.1	<0.1	<0.05	<0.005	<1	<0.5	<0.5	

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 1 of 1 Part: 1 of 3

QUALITY CONTROL REPORT VAN14001182.1

	Method	WGHT	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200
	Analyte	Wgt	Mo	Cu	Pb	Zn	Ag	Ni	Co	Mn	Fe	As	U	Au	Th	Sr	Cd	Sb	Bi	V	Ca
	Unit	kg	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%
	MDL	0.01	0.1	0.1	0.1	1	0.1	0.1	0.2	1	0.01	1	0.1	0.1	0.1	1	0.1	0.1	0.1	1	0.01
Reference Materials																					
STD AGPROOF	Standard																				
STD OREAS25A-4A	Standard		2.2	30.4	22.9	40	0.1	38.3	6.6	417	6.44	7	2.3	<0.1	12.8	40	<0.1	0.6	0.3	166	0.27
STD OREAS45E	Standard		2.3	792.1	18.7	45	0.3	479.2	56.5	525	25.73	16	2.3	<0.1	12.5	15	<0.1	1.0	0.3	326	0.09
STD SP49	Standard																				
STD SP49	Standard																				
STD OREAS25A-4A			2.55	33.9	25.2	44.4		45.8	8.2	470	6.6		2.94		15.8	48.5		0.67	0.35	157	0.309
STD OREAS45E Expected			2.4	780	18.2	46.7	0.311	454	57	570	24.12	16.3	2.41	0.05	12.9	15.9	0.06	1	0.28	322	0.065
STD AGPROOF Expected																					
STD SP49 Expected																					
BLK	Blank		<0.1	0.2	0.1	<1	<0.1	<0.1	<0.2	<1	<0.01	<1	<0.1	<0.1	<0.1	<1	<0.1	<0.1	<0.1	<1	0.04
BLK	Blank																				
Prep Wash																					
G1	Prep Blank		0.1	4.1	21.5	50	<0.1	2.6	4.5	682	2.25	<1	2.8	<0.1	10.2	658	<0.1	0.5	0.3	49	2.28

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 1 of 1 Part: 2 of 3

QUALITY CONTROL REPORT VAN14001182.1

	Method	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200	MA200
	Analyte	P	La	Cr	Mg	Ba	Ti	Al	Na	K	W	Zr	Ce	Sn	Y	Nb	Ta	Be	Sc	Li	S
	Unit	%	ppm	ppm	%	ppm	%	%	%	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%
	MDL	0.001	0.1	1	0.01	1	0.001	0.01	0.001	0.01	0.1	0.1	1	0.1	0.1	0.1	0.1	1	1	0.1	0.1
Reference Materials																					
STD AGPROOF	Standard																				
STD OREAS25A-4A	Standard	0.041	19.1	103	0.30	133	0.945	8.76	0.103	0.42	1.5	138.6	43	4.1	9.3	17.0	1.2	1	14	34.3	<0.1
STD OREAS45E	Standard	0.032	10.2	945	0.16	257	0.534	6.93	0.052	0.33	1.0	100.1	23	1.2	7.2	5.9	0.5	1	97	7.0	<0.1
STD SP49	Standard																				
STD SP49	Standard																				
STD OREAS25A-4A		0.048	21.8	115	0.327	147	0.977	8.87	0.134	0.482	2.1		48.9	4.06	12.3	22.4	1.6	1.02	13.7	36.7	0.051
STD OREAS45E Expected		0.034	11	979	0.156	252	0.559	6.78	0.059	0.324	1.07	97	23.5	1.32	8.28	6.8	0.54		93	6.58	0.046
STD AGPROOF Expected																					
STD SP49 Expected																					
BLK	Blank	<0.001	<0.1	2	<0.01	<1	<0.001	0.01	<0.001	<0.01	<0.1	<0.1	<1	<0.1	<0.1	<0.1	<0.1	<1	<1	<0.1	<0.1
BLK	Blank																				
Prep Wash																					
G1	Prep Blank	0.075	31.7	6	0.55	1090	0.229	7.73	2.772	3.17	0.3	10.7	62	1.7	15.0	24.4	1.5	3	6	35.7	<0.1

AcmeLabs™
A Bureau Veritas Group Company

www.acmelab.com

Acme Analytical Laboratories (Vancouver) Ltd.
9050 Shaughnessy St Vancouver BC V6P 6E5 CANADA
PHONE (604) 253-3158

Client: **Landmark Geological Inc.**
86 Cloudburst Road
Whistler BC V0N 1B1 Canada

Project: San Acacio-Mexico
Report Date: April 16, 2014

Page: 1 of 1 Part: 3 of 3

QUALITY CONTROL REPORT VAN14001182.1

	Method	MA200	MA200	MA200	MA200	MA200	MA200	MA200	FA530
	Analyte	Rb	Hf	In	Re	Se	Te	Tl	Ag
	Unit	ppm	ppm	ppm	ppm	ppm	ppm	ppm	gm/t
	MDL	0.1	0.1	0.05	0.005	1	0.5	0.5	50
Reference Materials									
STD AGPROOF	Standard								93
STD OREAS25A-4A	Standard	50.4	3.8	0.06	<0.005	1	<0.5	<0.5	
STD OREAS45E	Standard	20.4	2.8	0.08	<0.005	2	<0.5	<0.5	
STD SP49	Standard								57
STD SP49	Standard								59
STD OREAS25A-4A		61	4.53					0.35	
STD OREAS45E Expected		21.2	3.11	0.099		2.97	0.1	0.09	
STD AGPROOF Expected									94
STD SP49 Expected									60.2
BLK	Blank	<0.1	<0.1	<0.05	<0.005	<1	<0.5	<0.5	
BLK	Blank								<50
Prep Wash									
G1	Prep Blank	123.6	0.6	0.07	<0.005	<1	<0.5	0.9	

APPENDIX IV Trench / Drill hole database assay comparison to historical certificates

TRENCH	FROM	TO	SAMPLE	AU ppm	check Au ppm	Ag ppm	check Ag ppm	ALS certificate	Ag change ppm	Au change ppb
ROD1	0	2	554538	0.051	0.11	7.2	11.2	A9518371	4	59
ROD2	0	2.25	554537	0.06	0.01	16.3	21.4	A9518371	5.1	-50
ROD4	0	2	554536	0.058	0.08	16	17	A9518371	1	22
ROD7	0	1.2	554533	0.045	0.045	53.4	53.4	A9518371	0	0
ROD8	0	2	554532	0.12	0.12	19.5	19.5	A9518371	0	0
ROD11	0	2	554529	0.03	0.03	5.1	5.1	A9518371	0	0
ROD14	0	2.5	554526	0.112	0.112	7.5	10.6	A9518371	3.1	0
ROD17	0	2.5	554523	0.101	0.17	21.6	36.6	A9518371	15	69
ROD19	0	2	554521	0.128	0.128	87	87	A9518371	0	0
ROD22	0	2.5	554518	0.16	0.16	129	128.7	A9518371	-0.3	0
ROD24	0	1.6	554516	0.63	0.625	134	134	A9518371	0	-5
ROD27	0	2.3	554513	0.445	0.445	127	127	A9518371	0	0
ROD29	0	2.5	554511	0.125	0.125	185	185	A9518371	0	0
ROD30	0	1.8	554510	0.412	0.412	59.6	59.6	A9518371	0	0
ROD33	0	1.6	554507	0.11	0.11	33.9	33.9	A9518371	0	0
ROD35	0	1.2	554505	0.92	0.92	80.8	80.8	A9518371	0	0
ROD37	0	2.6	554503	0.77	0.77	76.7	76.7	A9518371	0	0
										0
ROD147	0	5.9	557393	0.4177	0.418	83.4	83.4	A9518299	0	0.5
ROD151	0	1.9	557389	0.118	0.118	41.2	41.2	A9518299	0	0
ROD153	0	2.4	557387	0.158	0.045	296	296	A9518299	0	-113
ROD155	0	4.3	557385	0.175	0.175	59.45	59.5	A9518299	0.05	0
ROD159	0	2.2	557381	0.167	0.167	34.7	34.7	A9518299	0	0
ROD162	0	3	557378	0.183	0.183	132	132	A9518299	0	0
ROD165	0	6.5	557375	0.21	0.21	98.8	98.8	A9518299	0	0
ROD169	0	3.9	557372	0.035	0.035	58.2	93.1	A9518299	34.9	0
ROD170	0	5.3	557370	0.168	0.168	172.6	172.6	A9518299	0	0
ROD173	0	1.5	557367	0.123	0.123	736	736	A9518299	0	0
ROD175	0	2.9	557365	0.01	0.01	66.6	66.6	A9518299	0	0
ROD176	0	3	557364	0.118	0.118	196	196	A9518299	0	0
ROD178	0	2.7	557362	0.157	0.157	193	189.5	A9518299	-3.5	0
ROD181	0	2.5	557358	0.085	0.085	298	298	A9518299	0	0
									0	0
PUR28	0	9.4	557236	0.023	0.023	11.5	11.5	no cert available	0	0
PUR33	0	7.7	557231	0.138	0.138	156.5	156.5	no cert available	0	0
PUR36	0	6.7	557228	0.035	0.035	81.2	81.2	no cert available	0	0
PUR38	0	4	557224	0.02	0.02	19.2	19.2	no cert available	0	0
PUR38	4	6.8	557225	0.045	0.045	99.3	99.3	no cert available	0	0
									0	0

TRENCH	FROM	TO	SAMPLE	AU ppm	check Au ppm	Ag ppm	check Ag ppm	ALS certificate	Ag change ppm	Au change ppb
PUR73	0	6	PL13	0.002	0.002	4.8	4.8	A9433599?	0	0
PUR75	0	9.5	PL17	0.018	0.018	31.1	31.1	A9433599?	0	0
PUR77	0	2	PL21	0.01	0.01	19.2	19.2	A9433599?	0	0
PUR77	2	9.3	PL22	0.337	0.337	325.5	325.5	A9433599?	0	0
PUR77	9.3	11.3	PL27	0.01	0.01	19.2	19.2	A9433599?	0	0
PUR84	0	4	PL32	0.022	0.022	31.8	31.8	A9433599?	0	0
PUR86	0	2	PL37	0.085	0.085	68.6	68.6	A9433599?	0	0
PUR88	0	2	PL35	0.122	0.122	217.6	217.6	A9433599?	0	0
PUR91	0	4.7	PL30	0.327	0.327	281.8	281.8	A9433599?	0	0
PUR94	0	6.7	PL15	0.015	0.015	2.8	2.8	A9433599?	0	0
PUR96	0	4	PL8	0.238	0.238	48.6	48.6	A9433599?	0	0
PUR96	4	10	PL11	0.01	0.01	2.5	2.5	A9433599?	0	0
PUR285	0	21.5	557117	0.249	0.249	20	20	A9517767	0	0
PUR296	0	2.2	557118	0.08	0.08	6.6	6.6	A9517767	0	0
PUR297	0	1	557119	0.165	0.165	19.4	19.4	A9517767	0	0
PUR298	0	5.7	557121	0.199	0.085	50.8	25.2	A9517767	-25.6	-114
PUR300	0	2	557122	0	0.002	0.6	0.6	A9517767	0	2
PUR301	0	17.6	557131	0.233	0.233	60.9	60.9	A9517767	0	0
PUR310	0	5.9	557134	0.167	0.167	31.5	31.5	A9517767	0	0
PUR313	0	12.6	557141	0.19	0.16	102	157	A9517767	55	-30
PUR320	0	1.8	557144	0.165	0.165	94	94	A9517767	0	0
PUR323	0	2.5	557145	0.225	0.225	18.8	18.8	A9517767	0	0
PUR325	0	2.1	557147	0.045	0.045	4.6	4.6	A9517767	0	0
PUR324	0	2	557146	0.24	0.24	48.6	48.6	A9517767	0	0
PUR326	0	3.3	557150	0.208	0.208	25	25	A9517767	0	0
PUR329	0	3.3	557153	0.198	0.198	26.2	26.2	A9517767	0	0
PUR332	0	1.8	557155	0.395	0.395	200	512	A9517767	312	0

HOLE_ID	FROM m	TO m	SAMPLE	AU ppm	check Au ppm	AG ppm	check Ag ppm	ALS certificate	Ag change ppm	Au change ppb
SAD95-10	37.08	39.62	554656	0.41	0.41	289	289	A9526819	0	0
SAD95-10	39.62	41.14	554657	0.055	0.055	367	367	A9526819	0	0
SAD95-10	41.14	42.64	554658	0.03	0.03	346	346	A9526819	0	0
SAD95-10	42.64	43.8	554659	0.26	0.26	230	230	A9526819	0	0
SAD95-10	43.8	44.5	554660	0.17	0.17	57.4	57.4	A9526819	0	0
									0	0
SAD95-11	49.37	52.12	554669	0.06	0.06	329	329	A9526819	0	0
SAD95-11	52.12	56.38	554670	0.07	0.07	777	770	A9526819	-7	0

HOLE_ID	FROM m	TO m	SAMPLE	AU ppm	check Au ppm	AG ppm	check Ag ppm	ALS certificate	Ag change ppm	Au change ppb
SAD95-11	56.38	58	554671	1.54	1.54	65.8	65.8	A9526819	0	0
SAD95-11	58	59.5	554672	0.39	0.39	24.2	24.2	A9526819	0	0
SAD95-11	59.5	61	554673	0.42	0.42	41.6	41.6	A9526819	0	0
SAD95-11	61	62.5	554674	0.26	0.26	74	74	A9526819	0	0
SAD95-11	62.5	64	554675	0.115	0.115	446	446	A9526819	0	0
									0	0
SAD95-12	38.3	39.8	554694	0.02	0.02	168.5	168.5	A9527369	0	0
SAD95-12	39.8	41.3	554695	0	0	151.5	151.5	A9527369	0	0
SAD95-12	41.3	42.8	554696	0	0	42	42	A9527369	0	0
									0	0
SAD95-15	50.2	51.2	554735	0	0	124	124	A9527946	0	0
SAD95-15	51.2	52.3	554736	0	0	14.2	142	A9527946	127.8	0
SAD95-15	52.3	52.7	554737	0.015	0.015	456	456	A9527946	0	0
SAD95-15	52.7	54.3	554738	0	0	60.2	60.2	A9527946	0	0
									0	0
SAD95-16	99.66	100.88	554768	0.635	0.635	142	142	A9528183	0	0
SAD95-16	100.88	102.71	554769	0.515	0.515	260	260	A9528183	0	0
SAD95-16	102.71	104.74	554770	1.42	1.42	545	545	A9528183	0	0
SAD95-16	104.74	105.7	554771	1.03	1.03	394	394	A9528183	0	0
									0	0
SAD95-17	49.37	51.8	554789	0	0	84.8	84.8	A9528183	0	0
SAD95-17	51.8	52.55	554790	0.135	0.135	806	806	A9528183	0	0
SAD95-17	52.55	53.44	554791	0.725	0.725	339	339	A9528183	0	0
SAD95-17	53.44	55.47	554792	0.12	0.12	18.5	18.5	A9528183	0	0
									0	0
SAD95-20	45.6	47.2	554857	0.135	0.135	180	180	A9528983	0	0
SAD95-20	47.2	49.3	554858	0.03	0.03	96.2	96.2	A9528983	0	0
SAD95-20	49.3	51.2	554859	0	0	31.4	31.4	A9528983	0	0
SAD95-20	51.2	52.4	554860	0.06	0.06	159	159	A9528983	0	0
SAD95-20	52.4	53.6	554861	0.12	0.12	119	119	A9528983	0	0
SAD95-20	53.6	54.6	554862	0.025	0.025	47.2	47.2	A9528983	0	0
									0	0
SAD-95-23B	308.2	309.4	555423	0.005	0.005	82.6	82.6	DDH logs	0	0
SAD-95-23B	309.4	310.6	555424	0.015	0.015	145	145	DDH logs	0	0
									0	0
SAD95-26	142.5	143.6	555337	0.145	0.145	105.5	105.5	DDH logs	0	0
SAD95-26	143.6	145.4	555338	0.045	0.045	9.2	9.2	DDH logs	0	0
SAD95-26	145.4	146.1	555339	0.055	0.055	34.4	34.4	DDH logs	0	0

HOLE_ID	FROM m	TO m	SAMPLE	AU ppm	check Au ppm	AG ppm	check Ag ppm	ALS certificate	Ag change ppm	Au change ppb
SAD95-26	146.1	147.2	555340	0.055	0.055	12.6	12.6	DDH logs	0	0
SAD95-26	147.2	149	555341	0.075	0.075	11.2	11.2	DDH logs	0	0
									0	0
SAD95-28	101.2	102.7	556154	0.03	0.03	864	864	DDH logs	0	0
SAD95-28	102.7	104.3	556155	0.425	0.425	163	163	DDH logs	0	0
SAD95-28	104.3	105.4	556156	0.07	0.07	167	167	DDH logs	0	0
SAD95-28	105.4	106.3	556157	0.23	0.23	223	223	DDH logs	0	0
									0	0
SAD95-30	78.5	81	556252	0	0	69.4	69.4	DDH logs	0	0
SAD95-30	81	86	556253	0.375	0.375	480	480	DDH logs	0	0
SAD95-30	86	87.1	556254	0.625	0.625	439	439	DDH logs	0	0
SAD95-30	87.1	90.2	556255	0.645	0.645	146	146	DDH logs	0	0
									0	0
SADD-10-11	246.95	247.45	0297	0.16	0.16	205	205	DU09826	0	0
SADD-10-11	247.45	247.95	0298	0	0	11.1	11.1	DU09826	0	0
SADD-10-11	247.95	248.4	0299	0.03	0.03	31.8	31.8	DU09826	0	0
SADD-10-11	248.4	248.6	0300	0.28	0.28	787	787	DU09826	0	0
SADD-10-11	248.6	249.05	0301	0	0	8.1	8.1	DU09826	0	0
SADD-10-11	249.05	249.22	0302	0.14	0.14	308	308	DU09826	0	0
SADD-10-11	249.22	249.53	0304	0.01	0.01	12.1	12.1	DU09826	0	0
SADD-10-11	249.53	249.95	0305	0.43	0.43	300	300	DU09826	0	0
SADD-10-11	249.95	250.4	0306	0	0	0	0	DU09826	0	0
									0	0
SA-UG-01	120	122.55	0316	0.051	0.051	84.8	84.8	DU10549	0	0
SA-UG-01	122.55	123.55	0317	0.018	0.018	20.2	20.2	DU10549	0	0
SA-UG-01	136.1	137	0318	0.033	0.033	76.8	76.8	DU10549	0	0
SA-UG-01	137	137.95	0320	0.046	0.046	93.2	93.2	DU10549	0	0

APPENDIX V Legal Title Opinion - San Acacio Property – Defiance Silver

Avalos y Abogados, S.C.

June 25, 2014

VIA MAIL *PRIVILEGED AND CONFIDENTIAL*

Mr. Jim Cuttle, P. Geo.
Landmark Geological Inc.
Present

Dear Mr. Cuttle:

As per request of Mr. Bruce Winfield, Director of Defiance Silver Corp., we inform to you of the following:

A) According to verbal information that we obtained at the General Bureau of Mining Regulation and at the Public Registry of Mining, the following mining concessions are in force and current in the payment of mining duties:

"San Acacio" Project.

Lots:	**Titles:**
1) "Tahures"	150,866
2) "San Acacio"	164,874
3) "Socavon de Purisima"	164,875
4) "Ampl. A San Jose de Rocha"	164,876
5) "Almaden"	164,877
6) "San Acacio Tres"	164,880
7) "San Jose de Rocha"	166,920
8) "San Acacio Dos"	168,779
9) "La Contracuña II"	188,361
10) "San Acacio Cuatro"	212,909

B) Minera Santa Remy, S.A. de C.V. applied for a mining concession of the "Minerva" lot, registered under file 007/18072, which is still in process. Therefore no obligation to pay mining duties exists, until the corresponding mining concession is granted by the Mexican authorities.

Sincerely yours,
AVALOS Y ABOGADOS, S.C.

Yvonne Avalos Cázares

cc Mr. Bruce Winfield (via e-mail/without attachments)

AYA 00227218.DOC

Prado Sur #255, Lomas de Chapultepec, 11000 México, D.F.
Tel: (52-55) 2623-1092 Fax: (52-55) 4622-6384