



Prospección y Desarrollo Minero del Norte S.A. de C.V.

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Results of Field Program at Pino de Plata

The recently completed field program by ProDeMin personnel at Pino de Plata resulted in a better understanding of the mineralization and drill targets. We have set out a preliminary drill program to test 8 targets: the gossans in the Gossan zone, skarn/replacements at Santa Elena, the Terrero mine target, the la Perla vein and associated alteration zone, the Santa Clara vein, the Theodora vein, the Sierpe veins and associated alteration, and the newly defined Muro vein in the area of a rock wall constructed from fragments of quartz vein material. The drill program as presently planned consists of 12 holes for a total of about 2000 meters. The final meterage will be determined when final positions of each hole are located in the field.

Two large potential bulk tonnage targets occur on property at the Terrero and Gossan zones. The Terrero target is a low angle structural zone in the intrusion consisting of originally pyrite rich mineralization associated with silicified breccia and some quartz veining. The structure is not well exposed but appears to consist of a wide zone of multiple flat lying brecciated zones formed at or near the base of the strong argillic alteration and abundant iron oxides and jarosite (Sections 5 and 6). Historic small scale workings occur along about 100 meters of the zone, and reports from the SGM show that the Terrero mine extended for about 50 meters down dip along the relatively flat lying structure. The company has sampled up to 557 g/t Ag and 1.4 % Pb in this area confirming the presence of metal values reported by the SGM, where 16 samples in the underground workings averaged 0.04 g/t Au, 206 g/t Ag, 2.5% Cu, 1.7% Pb, and 1.2 % Zn over an average width of 1.1m. The Terrero structure may extend to the west and northwest in the subsurface within the large area of strongly argillic altered rock with high iron oxide and jarosite content and could be associated with the La Perla vein (Sections 2, 3, 4). Also, field relations and alteration mineralogy suggest that the low angle structure may extend underneath a thin veneer of younger post mineral volcanic rocks to the northeast towards the Santa Clara vein (Section 13), and may be related to a northeast trending structural zone extending to the Gossan area providing



a large extension to the target. Drill holes in these areas are designed to test the known veins as well as for bulk tonnage potential in the strongly altered rocks.

The alteration at the La Perla-Terrero targets also extends to the northwest to the Sierpe area and appears to extend under a later thin rhyolitic volcanic flow. The Sierpe I and II veins are hosted by intrusive with strong argillic alteration with abundant sulfides in veins and disseminations. A drill hole is planned to test this target as shown in Section 2 and Schematic section A.

Mapping in the gossan area has further delineated and expanded the contact between intrusive rocks and hornfels. Mapping indicates that the gossan may have formed along north-south and easterly trending structural zones as seen at the other targets at the project. Drilling is planned to test for massive sulfide replacement bodies along these structures as well as the contact zones with hornfels and limestone at the Santa Elena target where skarn is observed (Sections 8 to 11). Large areas of strong oxidation and abundant iron oxides occur near the newly defined contact of the hornfels and the intrusive rocks and may be related to more gossans in the subsurface. The Gossan area provides a second large scale potential bulk tonnage target.

The Theodora and Muro veins will be drilled with at least one hole each (sections 1, 12). The Muro vein is a north-south striking vein on the northern edge of the property in an area where abundant fragments of quartz vein float was used to build fences. The quartz vein is 3-5 meters in width and appears to be barren at the surface but may intersect the Theodora vein to the south of the outcrop.

Results of XRF and Halo NIR surveys

The XRF analyzer was used to obtain geochemical data on soil samples taken at stations spaced along approximately E-W and N-S lines across the Santa Elena Gossan area and the Terrero-La Perla argillic alteration. This XRF work was conducted in a qualitative manner to obtain geochemical data across the previously identified areas to compare with data collected from new areas and to locate areas of anomalous silver and base metal values and indicator elements such as arsenic, antimony and bismuth. This method is an important tool to define anomalous metal concentrations based on variations along the lines, although the discrete values are less important.

In general the geochemistry of the soils shows similar trends as the rock samples, with Bi mainly in the gossan area and generally higher Sb in the strong alteration at La Perla/Terrero. The Fe delineates well both the alteration at La Perla/Terrero as well as the gossans, but more lines are



needed at the gossan area to completely define the extent of altered rocks. The gossans are anomalous in Ag, Pb, Zn and Cu as to be expected, with some possible zoning of these elements with Cu and Zn somewhat separate from the Pb and Ag. The La Perla and Terrero mines have anomalous Ag near the mineralized outcrops confirming these areas as prospective targets for drilling. A few XRF data points were taken on rocks in each area showing higher concentrations similar to those for the base metals in previous rock sampling, with somewhat lower Ag probably due to leaching in the weathered zone.

The Halo NIR (near infrared) spectrometer uses light near the edge of the visible spectrum and measures absorption that depends on the mineral phases present. The method is particularly good for clays and micas, alunite and Fe-Mg silicates associated with propylitic alteration and skarns. Fe oxides and jarosite are also determined.

The instrument was used in the La Perla-Terrero area along road cuts and the north-south XRF line. The results indicate zoned alteration, ranging from more distal propylitic to central K-illite-muscovite-jarosite, locally approaching advanced argillic with dickite. The higher temperature K-illite alteration is associated with the mineralization at La Perla and Terrero, emphasizing the drill targets in these areas, and possibly highlighting a target in the southern part of the gossan zone west of the Santa Clara mine that is partly covered by younger volcanic rocks. Effects of surface weathering with low temperature kaolinite, smectite clays and Fe oxides are common.

Conclusions

The recent study at Pino de Plata was directed towards understanding the mineralization to be able to further refine the drill program. Several cross sections were laid out for the drill holes recommended for the first phase of drilling. Some general conclusions are:

- Eight targets were identified for drill testing: gossans in the Gossan zone, skarn/replacements at Santa Elena, the Terrero mine target, the la Perla vein and associated alteration zone, the Santa Clara vein, the Theodora vein, the Sierpe veins and associated alteration, and the newly defined Muro vein.
- Based on field observations, the Terrero and Gossan are large targets with potential for encountering wide zones of mineralization. Both areas exhibit strong iron oxides after original sulfide minerals.
- The Terrero target is a relatively flat lying body that appears to consist of multiple structures associated with strong argillic alteration and abundant iron oxides and jarosite

due to oxidation of original pyrite and possibly other sulfide minerals. Surface exposures as well as dumps have yielded high silver and base metal values, and similar assays were reported by the government geological survey from underground workings. Also, similar alteration extending to the west to La Perla and Sierpe and northeast towards Santa Clara indicates potential for extending mineralization along strike, to be tested by drilling.

- The gossans have elevated base metal values and seem to be related to oxidation of replacement mineralization. They may be partly controlled by northerly and easterly structures similar to other areas on the project. Oxidized zones in the intrusive near the contact with hornfels away from the main gossan exposures may be indicative of similar targets in the subsurface.
- The strongly altered rocks around the Sierpe I vein also have visually high iron content apparently after sulfides that extends underneath younger volcanic rocks and also comprises a large target that surrounds the vein itself.

Respectfully submitted,



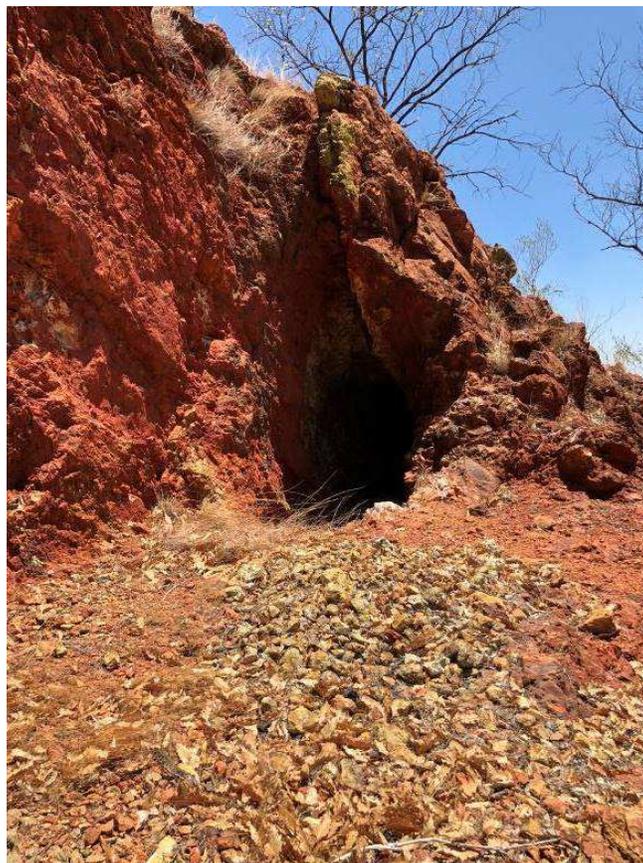
Craig Gibson, Ph.D., CPG
Technical Director



Gossan Outcrop in the gossan zone.



Alteration in the La Perla area. The La Perla workings are behind the tree in the center of the photo.



View of the La Perla workings.



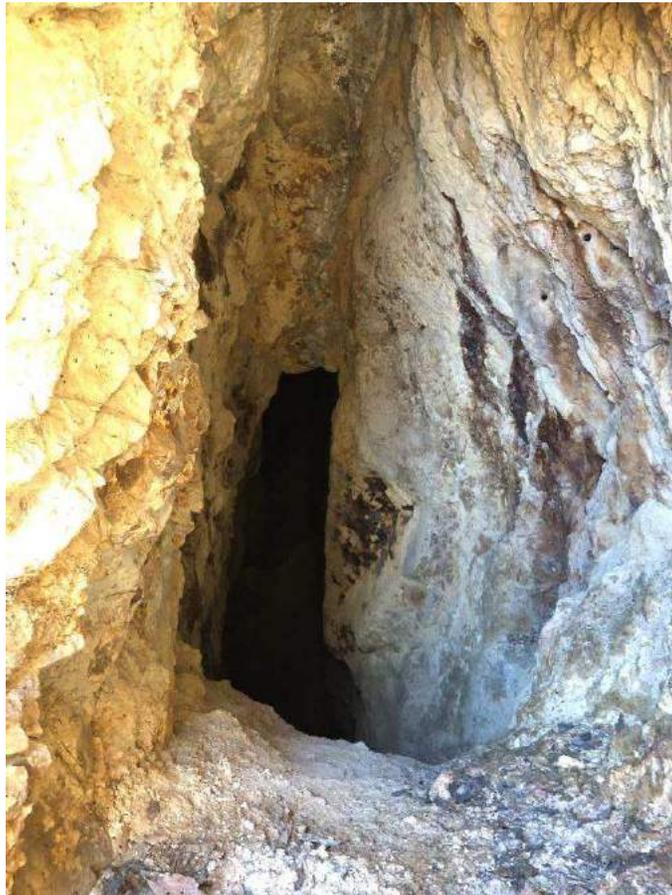
Low angle sulfide rich structure at Terrero.



Taking XRF measurement at low angle breccia at Terrero near previous photo.



Alteration in the Sierpe area extending to west under volcanic cover, looking west.



Workings on the Sierpe I vein.



Theodora vein outcrop.



Muro vein outcrop.