NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico

August 5, 2014

Effective Date: July 18, 2014

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Disclaimer

This NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico (Report) has been prepared for Capstone Mining Corp. (Capstone) by Lions Gate Geological Consulting Inc. (LGGC), based on assumptions as identified throughout the text and upon information and data supplied by others.

The report is to be read in the context of the methodology, procedures and techniques used, LGGC's assumptions, and the circumstances and constraints under which the Report was written. The Report is to be read as a whole, and sections or parts thereof should therefore not be read or relied upon out of context.

This Report is intended for use by Capstone to be filed as a Technical Report with Canadian Securities Regulation Authorities pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report by any third party is at that third party's sole risk.

This disclaimer must accompany every copy of this Report, which is an integral document and must be read in its entirety.

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Signed and Sealed August 5, 2014

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1 Summary

1.1 Property Description and Location

The Cozamin Mine is located in the Morelos Municipality of the Zacatecas Mining District, near the south-eastern boundary of the Sierra Madre Occidental Physiographic Province in north-central Mexico. The mine and processing facilities are located near coordinates 22º 48’ N latitude and 102º 35’ W longitude on the 1:250,000 Zacatecas topographic map sheet F13-6.

1.2 Ownership

Cozamin Mine is 100% owned by Capstone Gold S.A, a subsidiary of Capstone Mining Corp., (“Capstone”, or the “Company”) and is subject to a 3% net smelter royalty (“NSR”) payable to Minas Bacis S.A. de C.V. (“Bacis”), a Mexican mining company that was one of Mexico’s primary silver producers during the 1980’s and 1990’s.

1.3 Mineral Concessions, Surface Rights, and Land Ownership

Capstone Gold S.A. de C.V. is the registered holder and is in possession of 43 mining concessions covering approximately 3,388 hectares of land. These mining concessions are listed in the Public Registry of Mining and are not subject to any limitations of property, claim, or legal proceedings. The mining rights, with respect to each of the concessions, have been paid to date.

1.4 Geology and Exploration

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals (copper, lead and zinc). The district is in the Southern Sierra Madre Occidental Physiographic Province near the boundary with the Mesa Central Physiographic Province in north-central Mexico. The dominant structural features that localize mineralization are of Tertiary age, and are interpreted to be related to the development of a volcanic centre and to northerly trending basin-and-range structures.

In 2004, Capstone scout drilled the Mala Noche vein beneath the down dip extent of the historic mine workings of the San Roberto mine. The initial three drill sections, comprising two drillholes each, all intersected economic mineralization over true widths varying from 3.2 m to 14.9 m. These three drill sections were distributed over 550 m of strike extent beneath the historic workings. At that point, Capstone decided to drill single drillholes beneath the San Roberto workings on cross-sections spaced every 100 m along strike. These holes targeted the Mala Noche vein at approximately 2,150 masl (“metres above sea level”), or approximately 65 m below the historic workings. This strategy resulted in the first 20 exploration holes being distributed over a strike length of 1.4 km. Of these first 20 drillholes, 17 intersected significant mineralization that averaged 6.64 m in true width and had weighted grade averages of 2.61% Cu, 91.3 g/t Ag and 1.38% Zn.

These higher copper grades and economic silver grades are associated with significant amounts of pyrrhotite. This reinforced the company's belief that the historic workings at San Roberto are located just above the upper reaches of a large copper-silver mineralized system of mesothermal character. Subsequent exploration drilling showed that the copper-silver dominant phase of mineralization extends below 1,865 masl which is 350 m below the historic workings.

In late 2006, the mine commenced commercial production at 1,000 tonnes per day with a three year mine life in reserve, while at the same time continuing exploration.

From 2004 until late 2009 the Company focused exploration on the Mala Noche Vein ("MNV") system, where underground drilling targeted various zones within the San Roberto mine to increase confidence for resource classification. A similar approach was taken with surface drilling that focused on the San Rafael area of the Mala Noche Vein system, situated to the East of the San Roberto mine.

In 2010, the Company discovered a new zone of high grade copper-silver mineralization localized in a structure in the footwall of the Mala Noche Vein, splaying approximately 30° to the southeast. It is referred to as the Mala Noche Footwall zone ("MNFW"). The zone currently measures 700 m along strike and between 200 m and 500 m down dip. Mining commenced in the MNFW zone in 2010. Exploration at the MNFW zone was executed up until the end of the 2013 program; in 2014 exploration will shift to testing for mineralization in fault splays off the main zone analogous to the MNFW zone and other parallel to sub-parallel structures. Approximately 350 kT of MNFW zone material has been mined as of 31 December 2013. The structure is open locally up dip, but appears to be transitioning to more zinc dominated mineralization, and thus presents a lower value target at current metal prices in that direction. The MNFW zone merges to the west with the MNV and is considered to be closed to the north side in that area.

1.5 Mineral Resources Estimates

At the Cozamin Mine, mineralization is situated within the San Roberto ("SROB"), Mala Noche Footwall (MNFW), and San Rafael zones. First production by Capstone commenced in 2006 from the San Roberto zone and in 2010 from the MNFW zone. There has been no commercial production from the San Rafael zone by Capstone in the past five years.

The San Rafael mineral resources model is summarized in Capstone's 2009 NI 43-101 Technical Report (SRK, 2009). Other than updated NSR values, the San Rafael block model remains unchanged and was not updated as a part of LGGC's work, as no drilling or significant mining activity had been undertaken in this area since 2009. The San Rafael mineral resources model remains separate from the San Roberto and MNFW zones resources model.

The mineral resources models for the SROB and MNFW zones, created by LGGC in October 2012 and January 2013 respectively (LGGC, 2013), were updated in March 2014 and combined into a single model from available diamond drillhole ("DDH") and mine chip-channel sample ("CCS") data collected until the cut-off date of December 31, 2013. The March 2014 resource model takes into account drilling and mining activities until December 31, 2013 and supersedes the published mineral resources disclosed in Capstone's 2013 Annual Information Form ("AIF") (Capstone, 2014). Mineral resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (CIM, 2010) and are summarized in Table 1-1. The table has been separated by mine zone to reflect the difference in metal distribution, including the copper-rich mineralization in the San Roberto and Mala Noche Footwall zones and the zinc-rich mineralization style in the San Rafael zone. Mineral resources are not mineral reserves until they demonstrate economic viability.

LGGC completed a review of the project database and quality assurance quality control ("QAQC") data in June of 2014. The CCS samples database was found to be marginally acceptable to support a mineral resource estimate while the DDH samples database failed the audit. LGGC advised Capstone to complete full audits of both databases. The review of the QAQC database found significant amounts of failed reference material ("RM") samples sufficient to deem the QAQC program as ineffective for monitoring the quality of the assay data.

Taking these database and QAQC issues into consideration, LGGC found the QAQC results for the copper analysis to be insufficient to support Measured mineral resources and downgraded any blocks previously categorised as Measured into the Indicated mineral resources category (Figure 1-1 and Figure 1-2). Capstone needs to re-establish confidence in the project data, the databases and their QAQC program for the classification to be reassessed.

To support the Indicated classification for the downgraded blocks, LGGC reconciled the March 2014 estimated Cu, Ag, Zn, and Pb block model grades to the annual production reported by the mine for the years 2013 and 2012 (LGGC, 2014b). Reconciliation within 15% of the annual production results was the requirement for Indicated classification. The study showed the block model predictions to be within 15% of the annual production in terms of tonnage, grade and contained metal for all metals (except lead in 2012). LGGC considers the designation of Indicated Mineral Resources to be appropriate for the March 2014 estimate.

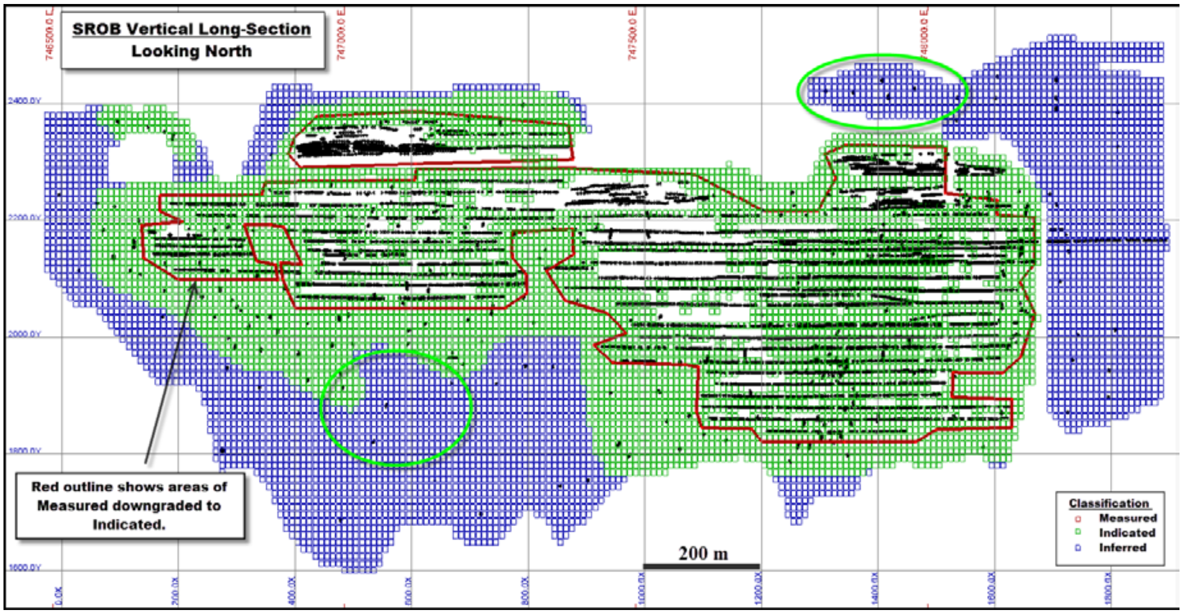

Figure 1-1: Long-Section for SROB Showing Classification Coding Assigned to the Block Model

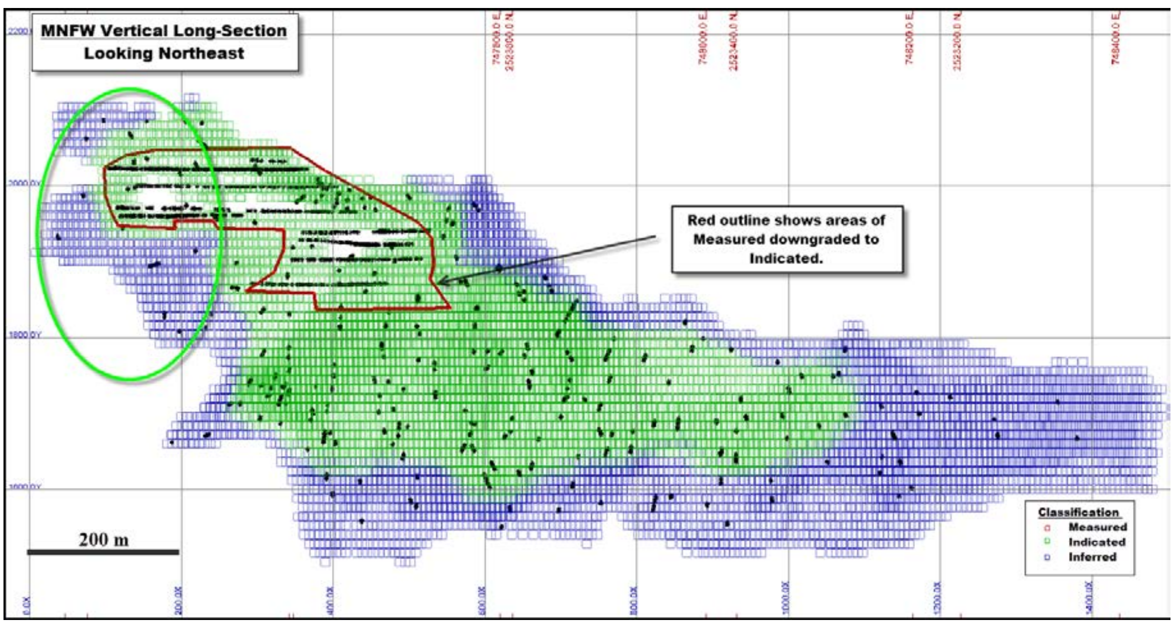

Figure 1-2: Long-Section for MNFW Showing Classification Coding Assigned to the Block Model

Capstone has already undertaken and completed some of the tasks to remediate the database and the QAQC program, which include:

- Initiated a full audit of the DDH and CCS databases. As of the effective date of this report Capstone has checked all of the CCS assays, 54,667 samples, against original laboratory certificates and found a 0.95% error rate. Capstone has also checked about 75% of the DDH database for collar surveys (2.4% error rate), 40% of the downhole surveys (1.4% error rate) and 92% of the assay data (3.4% error rate).

- Reassayed all available DDH pulp samples (1,491 samples) and has found the copper values reproduce well with 90% of the samples within 5.2% of original result. The zinc and lead results did well. Silver and gold performed well for two standards, but performance was more variable for the other two standards. The analytical method used for gold and silver will be reviewed as a part of Capstone's ongoing QAQC program.
- Purchased a structured query language ("SQL") based database software package to store exploration drilling and mine sampling data and to assist with QAQC monitoring and implementation. The DDH and CCS databases will be completely rebuilt during implementation of the software.

Table 1-1: Cozamin March 2014 Mineral Resources Estimate above a US$35/t NSR cut-off

Classification	Tonnes (000s)	Grade					Contained Metal				
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)	Au (Koz)
Copper Zones (San Roberto and Mala Noche Footwall)											
Indicated	11,420	1.57	46	0.93	0.19	-	394	17,007	234	47	-
Inferred	5,850	1.43	34	0.67	0.07	-	184	6,302	86	9	-
Zinc Zone (San Rafael)											
Indicated	2,073	0.28	42	3.33	0.45	0.47	12.7	1,932	152.1	20.6	31.0
Inferred	1,328	0.15	33	3.28	0.69	0.59	4.3	977	96.1	20.1	25.4
Total Mineral Resources											
Indicated	12,633	1.45	46	1.19	0.22	0.47	395	17,016	1,516	145	31.0
Inferred	6,646	1.27	34	1.02	0.15	0.59	184	6,304	738	72	25.4

Table notes:

1. Ali Shahkar, P.Eng. is the Qualified Person for the San Roberto and Mala Noche Footwall zones mineral resources estimate
2. Robert Sim, P.Geo. is the Qualified Person for the San Rafael zone mineral resources estimate
3. The mineral resources are reported above a NSR of US$35/tonne using respective metal prices for copper, silver, zinc, and lead of US$2.50/lb, US$20.00/oz., US$0.80/lb, and US$0.85/lb
4. Processing recoveries used to calculate the NSR cut-off grade ("COG") for the San Roberto and Mala Noche Footwall zones Mineral Resources are based on historical site operating experiences reflecting recoveries of: Cu=92%; Ag=72%; Zn=69%; Pb=64%
5. Processing recoveries used to calculate the NSR COG for the San Rafael Mineral Resources are based on laboratory results reflecting recoveries of: Cu=41%, Ag=32%, Zn=84%, Pb=65%, Au=21%
6. Exchange used is MEX12.50 to US$1.00.
7. The cut-off date for mining activities and drillhole/mine sample data is December 31, 2013.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. Figures may not sum due to rounding.
10. Mineral resources are reported inclusive of the mineral reserves.

The 2013 diamond drilling campaign targeted areas for infill drilling within the MNFW zone in addition to along strike and down dip extensions of the Mala Noche Vein (MNV) near the extents of the San Roberto mine. Table 1-2 summarizes the differences between the March 2014 resources model and the

2013 estimates published in Capstone's 2013 AIF (Capstone, 2014). The resource tabulation reported for both models has been depleted for production as of December 31, 2013. The San Rafael zone was not updated in 2014 and is not considered in Table 1-2.

Table 1-2: Change in Mineral Resources between March 2014 and 2013 AIF published resources

Model Year	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)
Measured + Indicated (San Roberto and MNFW zones)									
March 2014 (I)	11,420	1.57	46	0.93	0.19	394	17,007	234	47
2013 AIF (M&I)	11,970	1.45	49	1.16	0.27	383	18,772	307	72
Diff (%)	-5	8	-6	-20	-30	3	-9	-24	-35
Inferred (San Roberto and MNFW zones)									
March 2014	5,850	1.43	34	0.67	0.07	184	6,302	86	9
2013 AIF	3,340	1.39	36	0.91	0.10	103	3,853	67	7
Diff (%)	75	3	-6	-26	-30	79	64	28	29

Table note:
1. Mineral resources are presented above a US$35/t NSR cut-off.

A comparison of the tonnage values between the 2013 and 2014 estimates finds a 550 kt (5%) difference in the combined Measured and Indicated ("M&I") categories of the model. This is due to:

- SROB: A tonnage decrease of 770 kt (-10%) with an increase in the average copper grade (from 1.24% to 1.39% Cu), has resulted in no change in the contained copper. Two changes were made to the 2014 model that account for this difference. An area in the western portion of SROB was downgraded from Indicated to Inferred as geological continuity in this area is not well established and requires further infill drilling. In the Eastern part of the deposit there was a portion of mineralization modelled as part of SROB but hosts zinc rich mineralization, which is more characteristic of the San Rafael Zone. These blocks contain very low copper grades and were not contributing to the contained copper in the estimate.
- MNFW: A tonnage increase of 220 kt (5%) with a slight increase in the average copper grade, has resulted in a 6% gain in contained copper. This gain is attributed to new drilling and chip-channel sampling data gathered since the 2013 estimates.

1.6 Mineral Reserves Estimate

In June 2014, Stantec updated the Cozamin mineral reserves model using the March 2014 resources model (San Roberto and MNFW zones), and the 2009 San Rafael resources model completed by Rob Sim (SRK, 2009). The June 2014 mineral reserves model includes mining activities until December 31, 2013 and supersedes the published mineral reserves disclosed in Capstone's 2013 AIF (Capstone, 2014).

The mineral reserve estimates for the San Roberto, MNFW, and San Rafael zones were based on vein domain codes (e.g., VN10, an individual vein identifier) using a combination of the following: minimum vein width; NSR cut-off values of $42.50/t for the San Roberto and MNFW zones (the Copper Zone), and

$38.00/t for the San Rafael Zone; and a minimum copper grade of 0.3%. Predefined mining blocks in each of the deposits were reviewed for areas of contiguous mineralization above these cut-off grades. These blocks were then included in polygons to identify mineable and recoverable areas. Longitudinal longhole stoping, which is the defined stoping method for the three zones, does not allow for selective mining within the defined stope shapes. Therefore, all blocks of sub-ore inside the defined stope shapes were included in the mineral reserve estimate; likewise, ore grade blocks outside the defined stope shapes were excluded from the reserve estimates.

Mineral reserves have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (CIM, 2010) and are summarized in Table 1-3. Since Measured mineral resources have been reclassified as Indicated (Section 1.5), all Proven mineral reserves have correspondingly been reclassified as Probable.

Table 1-3: Cozamin June 2014 Mineral Reserves Estimate

Classification	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)
Copper Zones (San Roberto and Mala Noche Footwall)									
Probable	7,838	1.50	44	0.83	0.18	258.7	11,036	143.4	31.1
Zinc Zone (San Rafael)									
RECLASSIFIED AS A MINERAL RESOURCE									
Total 2014 Mineral Reserve									
Probable	7,838	1.50	44	0.83	0.18	258.7	11,036	143.4	31.1

Table Notes:

1. An NSR cut-off of $42.50/tonne was used for the San Roberto and MNFW zones and $38.00/t was used for San Rafael.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/oz., US$0.80/lb, and US$0.85/lb.
3. San Rafael has been reclassified from mineral reserves to mineral resources due to market conditions.
4. The exchange rate used is MEX12.50 to US$1.00.
5. Estimate takes into account mining activities until December 31, 2013.
6. Tonnage and grade estimates include dilution and recovery allowances.
7. Figures may not sum due to rounding.

Estimates of the mineral reserve represent the tonnage and grade of ore that would be delivered to the mill, and therefore include factors for mining dilution and recovery. These factors are calculated separately for discrete stoping blocks based on their geometry with respect to the selected mining method.

Previous reserve tabulations for the San Roberto zone included a number of high grade remnant pillars left after mining of these areas. Many of these pillars were left behind for structural and ground control reasons. A review of these pillars revealed that there was no supporting mine plan or reasonable possibility for extraction at this time, so these pillars were removed from the reserve. The 2013 drilling program resulted in the reinterpretation of the Inferred to Indicated boundaries on the east and west extremities of the Copper Zone. Although the overall tonnage in the areas of loss and gain were similar, the grades of the areas of loss were higher than in those areas where reserves were increased. The reduction of grade at the Inferred to Indicated boundary shift and the removal of high grade pillars from the reserves resulted in an overall reduction in both tonnes and grade in the June 2014 mineral reserves tabulation when compared to the 2013 AIF Reserves Statement (Table 1-4).

Table 1-4: Change in Mineral Reserves in the San Roberto and MNFW Zones between June 2014 and 2013 AIF Reserves Statement

Model Year	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)
Proven + Probable (San Roberto and MNFW zones)									
June 2014 (Probable)	7,838	1.50	44	0.83	0.18	258.7	11,036	143.4	31.1
2013 AIF (P&P)	8,896	1.51	46	0.91	0.24	295.5	13,122	178.9	46.6
Change (%)	-13	-1	-4	-9	-25	-12	-16	-20	-33

For the San Rafael resource, Stantec was unable to identify reasonably mineable areas that contained sufficient tonnes and grade to meet economic cut-off grades. As a result, San Rafael has been reclassified as a mineral resource, subject to additional in-fill drilling, revised economic parameters, improved zinc metal pricing, improved mill recoveries, a review of mine plans, and opportunities for reducing mining, milling, and G&A costs.

Total changes in the Cozamin mineral reserves between the June 2014 estimate and the reserves published in Capstone's 2013 AIF (Capstone, 2014) are summarized in Table 1-5.

Table 1-5: Change in Cozamin Mine Reserves between June 2014 Estimate and 2013 AIF Reserves Statement

Model Year	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)
Proven + Probable (San Roberto, MNFW, and San Rafael zones)									
June 2014 (Probable)	7,838	1.50	44	0.83	0.18	258.7	11,036	143.4	31.1
2013 AIF (P&P)	9,898	1.42	46	1.08	0.25	311.0	14.505	235.6	53.9
Change (%)	-21	6	-4	-23	-28	-17	-24	-39	-42

1.7 Life of Mine Operating Plan

The life of mine operating plan (“LOMP”) was completed by Cozamin Mine Engineering under the supervision of Brad Skeeles, and takes only material classified as mineral reserves into consideration. Three mining methods have historically been used for ore extraction at Cozamin:

1. Over-hand cut-and-fill using waste rock fill;
2. Avoca retreat, using waste rock fill; and
3. Longitudinal Longhole open stoping with delayed waste rock fill.

Each method has been reviewed for application to the different mining blocks depending on the physical characteristics of the ore body. Longhole stoping meets these criteria and will be used exclusively for the extraction of the remaining Cozamin ore reserves.

The average mill production is 3,300 tonnes per day. The mine extends for a strike length of over 1 km and reserves extend to a depth of 800 m. Access to underground workings is obtained from two service and haulage ramps and a hoisting shaft.

1.8 Conclusions and Recommendations

The Qualified Persons conclude that the Cozamin Mine remains a viable mining operation. Capstone’s QAQC programs are currently being revised and improved in light of the failed audit of the diamond drillhole database and QAQC data. A SQL-based database software purchase is in progress, which will significantly improve data integrity and assist with timely QAQC reporting and management. A resampling program of drillcore is ongoing and resampling of available pulp samples has been completed. Results from 1,491 pulp sample reassays show very good agreement with the copper, zinc, and lead results, and reasonable agreement for the gold and silver results. Capstone has completed an audit on 100% of the records in the CCS database and has completed an audit on 92% of the DDH assay database. The pulp resampling program in combination with LGGC’s 2014 reconciliation study has provided sufficient confidence in the data to support the mineral resource estimate.

LGGC will audit the QAQC and databases prior to the next mineral resource update and will reassess the classification restrictions placed on the March 2014 resource estimate. Further to the actions that Capstone has already initiated, additional recommendations to increase confidence in the project data include:

- Complete an independent audit of the mine laboratory, all sampling, sample preparation, analysis methods, QAQC protocols, data handling, document control and database security.
- Cozamin Mine Database:
    - Rebuild the project database into an SQL-based database system.
    - Complete annual audits of the project database.
    - Implement more stringent checks on hand-entered data such as sample numbers, coordinate data, downhole survey data and sample interval data.

  - Secure support documentation for all data in the database. Laboratory certificates should be stored on a server at the mine and off site.
- QAQC Program at Cozamin Mine:
  - Capstone should purchase sufficient commercial certified reference materials (”CRM”) standards to cover sample analysis until they make CRM standards using mine material that are properly homogenized and subjected to a Round Robin Analysis to a minimum of 10 certified international commercial laboratories. Inform the labs that they are analysing standard reference material for certification. Apply statistical analysis of the results from each lab for reliability and eliminate data that are outliers from the dataset. Set limits of acceptability according to industry standards and have a qualified person (“QP”) issue a certificate that details the support information and limits of acceptability for the CRMs produced.
  - Issue monthly reports with QAQC summaries and an annual summary by a QP.
  - Undertake a study to optimize both the sample prep procedures and the analysis methods for all metals and data types (DDH and CCS).
  - Analysis results for Au and Ag indicate that Fire Assay with a gravimetric finish may not be optimal for the grade levels of these metals.
  - Reassay 10% of all CCS pulps currently stored at site at an independent laboratory with commercially bought CRM samples.
  - Routinely send 10% of the pulps from the CCS samples to an independent laboratory for check analysis with the support of CRMs.
  - When sampling drillcore, include a core duplicate sample (other half of the core), a coarse reject and a pulp duplicate in every batch of 20 samples sent for analysis.
  - When chip sampling the back or face, include a field duplicate sample, a coarse reject and a pulp duplicate in every group of 20 samples.
- Study the grade bias between CCS and DDH samples to completion. Future work should include a block run in the measured area using only the DDHM composites to further reduce the impact of the spatial bias remaining between CCS and DDH10 composites. The same exercise should be repeated for SROB where there is a larger dataset available and more reconciliation data available.
- A drill-hole spacing analysis is suggested to establish an ideal distance for DDH intersections to better predict the locations of higher grade material in advance of mining. Due to increased variability in thickness and grade encountered during mining, closer drillhole spacing would better predict presence of high grade zones within the mineralized horizons.
- Complete a comprehensive review of specific gravity in the MNFW zone.
- Focus exploration drilling in areas downgraded from Indicated to Inferred (e.g., west San Roberto, 14-level). Additional confidence in the vein location and thickness, as well as in grade continuity would allow resources to be upgraded back to the Indicated category.
- A structural study would benefit exploration efforts, as the mineralization appears to be dependent on the presence of cross-cutting structures. Now that current mining is advancing into narrower areas and mineralized splays, a structural model would provide valuable information to assist with the planning of infill drilling ahead of future production.

The authors are of the opinion that the current geological, mining, and metallurgical data from the Cozamin Mine are of sufficient quality to support the mineral resources, mineral reserves, and life-of-mine plan as presented in this Technical Report.

Opportunities identified for the Cozamin mine are as follows:

- A 10,000 m drilling exploration program has been approved for 2014 to test additional structures splaying from the main Mala Noche fault system for economic potential. Additional exploration drilling can assist in identifying future exploration targets.
- A study regarding the construction of a backfill system is underway to evaluate potential improvements to underground stability, accelerate the fill plan, enable recovery of high value remnant pillars and reduce tailings storage capital costs for surface storage.
- Improve material handling in the mine by evaluating hoisting options to determine the appropriate path forward. Possible outcomes may include reduced haulage costs, improved ventilation and better access to deeper material.
- Develop sustainable mine plans to maximize mill throughput on a sustained basis to reduce unit costs. The mill has frequently operated in excess of 4,000 tpd, which is greater than the planned life of mine (“LOM”) throughput.
- Refine the water balance to determine needs and potential long-term sources. Improve the characterization of metal leaching/acid rock drainage (“ML/ARD”) of tailings and waste rock with further sampling, and testing to support storage option decisions.

Risks identified to the Cozamin mine are as follows:

- Exchange rates, off-site costs and, in particular, base metal prices all have the potential to affect the economic results of the mine. Negative variances to assumptions made in the budget forecasts would reduce the profitability of the mine, thereby impacting the mine plan.
- Mexican regulatory expectations for environmental and social responsibility continue to evolve. Since the first environmental impact assessment, Capstone’s property ownership has increased beyond the area of active mining and processing operations to encompass additional areas of historic mining and processing operations; particularly in the area of the Chiripa arroyo. The path forward for remediating the environmental liabilities is not yet certain and may result in increased expectations and regulatory requirements. This has potential to increase costs for final closure and/or post closure monitoring but it cannot be quantified at this time.

2 Introduction

2.1 Description of the Issuer

This Technical Report for the Cozamin Mine, located in Zacatecas, Mexico, was prepared and filed voluntarily to SEDAR by Capstone Mining Corp. ("Capstone"). It was prepared by following National Instrument 43-101, Standards of Disclosure for Mineral Projects and is written in accordance with Form 43-101F1. The estimations of mineral resources and mineral reserves follow industry best practices as defined by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM, 2003). Classification of mineral resources and mineral reserves conform to CIM Definition Standards (CIM, 2010). The effective date of this Technical Report is July 18, 2014.

This NI 43-101 Technical Report was authored by several QPs. Table 2-1 summarises the sections of the Technical Report for which they are responsible.

Table 2-1: Summary of Qualified Person Responsibilities

Section	QP (Sub section)
1: Summary 2: Introduction 3: Reliance on Other Experts 4: Property Description and Location	Brad Skeeles
5: Physiography, Climate, Access, Local Resources, and Infrastructure 6: History 7: Geological Setting and Mineralization 8: Deposit Types 9: Exploration 10: Drilling	Vivienne McLennan
11: Sample Preparation, Analysis and Security	Jeremy Vincent
12: Data Verification	Jeremy Vincent (12, 12.1 – 12.4) Ali Shahkar (12, 12.4)
13 Mineral Processing and Metallurgical Testwork	Ken Major
14: Mineral Resources Estimate	Ali Shahkar (14.1) Robert Sim (14.2)
15: Mineral Reserves Estimate	Mel Lawson Allan Schappert
16: Mining Methods	Brad Skeeles (16, 16.2 – 16.6) Patrick Andrieux (16.1)
17: Recovery Methods	Ken Major
18: Project Infrastructure	Brad Skeeles (18.1, 18.2) Dave Hallman (18.3)
19: Markets and Contracts	Brad Skeeles

20: Environmental Studies, Permitting, and Social or Community Impact	Jenna Hardy
21: Capital and Operating Costs 22: Economic Analysis 23: Adjacent Properties	Brad Skeeles
24: Other Relevant Data and Information 25: Interpretations and Conclusions 26: Recommendations 27: References	All QPs

2.2 Qualified Person Site Visits

Site inspections have been undertaken by each of the Technical Report authors. Dates listed do not include travel time to and from the Cozamin Mine (Table 2-2).

Table 2-2: Site Inspection Details of Qualified Persons

Qualified Person	Date (Excluding Travel)	Scope of Site Inspection
Patrick Andrieux	January 14-16, 2014	Geotechnical Inspection of ramps, mine workings and areas of concern.
Dave Hallman	February 4-6, 2014	Tailings storage facility and associated infrastructure and historic tailings inspection.
Jenna Hardy	February 3-6, 2014 May 5-8, 2014	Environmental and regulatory review with site personnel, historic tailings inspection and closure and reclamation planning.
Mel Lawson	February 4-7, 2014	Mine plan, mining costs and factors, reconciliation, and mineral reserve estimation.
Ken Major	January 15-17, 2014	Review of historical mill operating data, process circuits, equipment, and on-site laboratory.
Vivienne McLennan	March 8-18, 2010, January 15-19, 2012, December 2-5, 2013 June 18-July 7, 2014	Review of data handling for drilling and exploration information including mineral tenures, drillcore, QAQC, and database verification
Allan Schappert	February 4-7, 2014, April 28 – May 9, 2014	Mineral reserve tabulation and validation.
Ali Shahkar	October 7-10, 2013	Review of drillcore, mine chip-channel, and bulk density sampling techniques; inspection of drillhole database; and estimation of mineral resources.
Robert Sim	March 24-26, 2009	Responsible for mineral resources estimate of San Rafael zone. No activity in this area has been undertaken since the previous NI 43-101 Technical Report (Capstone, 2009), thus a more recent site visit is not considered necessary.
Brad Skeeles	November 10-12, 2013, April 2 – 3, 2014 July 15 – 19, 2014	Mine planning, budgeting and capital development plan.

Jeremy Vincent	October 7-10, 2013 Nov 19 – Dec 5, 2013 May 6-8, 2014 May 23-26, 2014	Sample collection, preparation and analysis, QAQC, and database verification

2.3 Information Sources and References

Sources of data include diamond drilling, mine chip-channel samples, downhole surveys, geotechnical information and historic production. In addition, other reports, opinions and statements of lawyers and other experts are discussed in Section 3.

The sample information used to develop the mineral resources and mineral reserves estimates and metallurgical test work was collected over a number of years dating back to 2004. All sample information has been acquired by Capstone personnel.

2.4 Terms of Reference

All units in this report are based on the metric SI system (Système International d'Unités - International System of Units), except for some units which are deemed industry standards, such as troy ounces (oz.) for precious metals and pounds (lb) for base metals. All currency values are in US dollars ("$") unless otherwise noted.

The following defined terms have been used in this report.

Table 2-3: Acronyms

Acronym	Expanded Form
Organizations	
Acme	Acme Analytical Laboratories Ltd.
Actlabs	Activation Laboratories Ltd.
ALS	ALS Geochemisty
Assayers Canada	Mineral Environments Laboratories Ltd
CIM	Canadian Institute of Mining, Metallurgy and Petroleum
LME	London Metal Exchange
Bacis	Minas Bacis S.A. de C.V.
Capstone	Capstone Mining Corp.
CDN	CDN Laboratories Ltd
CEMEFI	Mexican Centre for Philanthropy
CML	Cozamin Mine Laboratory
Cozamin	Capstone Gold, S.A. de C.V.
Eco Tech	Eco Tech Laboratories Ltd.
INEGI	Instituto Nacional de Estadística y Geografía
Inspectorate	Bureau Veritas Inspectorate
LGGC	Lions Gate Geological Consulting Inc.
Peñoles	Industrias Peñoles S.A. de C.V.

Acronym	Expanded Form
PROFEPA	Procuraduría Federal de Protección al Ambiente en el Estado de Zacatecas
SEMARNAT	Secretaría de Medio Ambiente y Recursos Naturales
SGS	SGS Canada Inc.
Other	
AIF	Annual Information Form
CAPEX	Capital costs
CCS	Chip-channel sample
C&F	Cut and Fill
COG	Cut-off Grade
Copper Zone	San Roberto and Mala Noche Footwall zones
CRIP	Complex Resistivity Induced Polarization
CRM	Certified Reference Material
CuEq	Copper Equivalent
DDH	Diamond drillhole
ETJ	Estudio Justificativo de Cambio de Uso de Suelos
G&A	General and Administrative
HDPE	High-density polyethylene
IRR	Internal Rate of Return
IVA	Value Added Tax (Mexican)
LAU	Licencia Única Ambiental
LGEEPA	Ley General de Equilibrio Ecológico y la Protección al Ambiente
LH	Long Hole
LOM	Life of mine
LOMP	Life of mine plan
M&I	Measured and Indicated mineral resources
MIA	Manifestación de Impacto Ambiental
Minzone	Mineralized Zone
MEX or MX$	Mexican Peso
MNV	Mala Noche Vein
MNFW	Mala Noche Footwall
ML/ARD	Metal leaching/acid rock drainage
NI 43-101	National Instrument 43-101
NSR	Net Smelter Return
OPEX	Operating costs
PAG	Potentially acid generating
PFS	Preliminary Feasibility Study
%	Percent
QAQC	Quality Assurance/Quality Control
RM	Reference Material
ROM	Run of Mine
SQL	Structured query language
SROB	San Roberto zone

Acronym	Expanded Form
TSF	Tailings Storage Facility
US$	United States Dollar
X, Y, Z	Cartesian Coordinates, also “Easting”, “Northing”, and “Elevation”
Zinc Zone	San Rafael zone

Table 2-4: Abbreviations

Abbreviation	Unit or Term	Abbreviation	Unit or Term
Distance		**Mass**	
µm	micron (micrometre)	kg	kilogram
mm	millimetre	g	gram
cm	centimetre	t	metric tonne
m	metre	kt	kilotonne
km	kilometre	lb	pound
” or in	inch	Mt	Megatonne
’ or ft	foot	oz.	troy ounce
		wmt	wet metric tonne
		dmt	dry metric tonne
		tpd	Tonnes per day
Area		**Pressure**	
m^2	square metre	psi	pounds per square inch
km^2	square kilometre	Pa	Pascal
Ac	acre	kPa	kilopascal
Ha	hectare	MPa	megapascal
Volume		**Elements and Compounds**	
L	litre	Au	gold
m^3	cubic metre	Ag	Silver
ft^3	cubic foot	Cu	copper
Usg	US gallon	Pb	lead
Lcm	loose cubic metre	Zn	zinc
Mlcm	Million lcm	$CaCO_3$	calcium carbonate
Bcm	bank cubic metre	ANFO	ammonium nitrate/fuel oil
Mbcm	Million bcm	**Bulk Density and Specific Gravity**	
		BD/SG	g/cm^3

Table 2-5: Conversion Factors

Conversion Factors	
1 tonne	2204.6 lb
1 oz. (troy)	31.1035 g

3 Reliance on Other Experts

In preparing this Technical Report, the authors have relied upon certain work, opinions and statements of lawyers and other experts. The authors consider the reliance on other experts, as described in this section, as being reasonable based on their knowledge, experience and qualifications.

- Cesar Carrasco, CPA, of Capstone Mining Corp. for tax calculations in Section 19.4
- Ing. Nedra Guijarro of Capstone Gold S.A. for environmental and regulatory considerations detailed in Section 20
- David Barbosa Maldonado, LL.B, for a legal opinion pertaining to the ownership of mining concessions by Capstone Gold S.A. de C.V. in Section 4.5

The results and opinions expressed in this report are conditional upon the information provided by the experts listed in this section as being current, accurate, and complete as of the date of this report. The authors understand that no information has been withheld that would affect the conclusions made herein and they reserve the right, but will not be obliged, to revise this report and conclusions if additional information becomes known to the authors subsequent to the date of this report.

4 Property Description and Location

The Cozamin Mine is located in the Morelos Municipality of the Zacatecas Mining District near the southeastern boundary of the Sierra Madre Occidental Physiographic Province in north-central Mexico (Figure 4-1). The mine and processing facilities are located near coordinates 22º 48' N latitude and 102º 35' W longitude on 1:250,000 Zacatecas topographic map sheet F13-6.

Figure 4-1: Cozamin Mine Location Map

4.1 Mining Concessions

The Cozamin Mine consists of 44 mining concessions covering approximately 3,445 ha, Figure 4-3 and Figure 4-4). The mine is 100% owned by Capstone subject to a 3% net smelter royalty payable to Minas Bacis S.A. de C.V. ("Bacis"), a Mexican resource company.

Table 4-1: Cozamin Claim Summary

Description / Name[1,2]	Title Number	Claim Classification	Validity		Claim Area (ha)
			From	To	
001 Plateros	188806	Exploitation	1990/11/29	2040/11/28	9.0000
002 Santa Lucia	195187	Exploitation	1992/08/25	2042/08/24	18.7267
003 San Nicolás	200150	Exploitation	1994/07/15	2044/07/14	5.3697
004 San Jacinto Fracc. 1	202437	Exploitation	1995/11/24	2045/11/23	78.7955
005 San Jacinto Fracc. 2	202438	Exploitation	1995/11/24	2045/11/23	17.7846
006 Santa Bárbara Fracc. 4	202628	Exploitation	1995/12/08	2045/12/07	0.4585
007 Santa Bárbara Fracc. 2	235867	Exploitation	2010/03/24	2060/03/23	16.5589
008 Gabriela II	203364	Exploitation	1996/07/19	2046/07/18	18.9438
009 Plateros Dos	208838	Exploitation	1998/12/15	2048/12/14	50.0000
010 La Liga	217237	Exploitation	2002/07/02	2052/07/01	20.1817
011 San Bonifacio	217858	Exploitation	2002/08/27	2052/07/26	40.8518
012 Santa Bárbara Fracc. 1	218259	Exploitation	2002/10/17	2052/10/16	82.9691
013 La Secadora	219630	Exploitation	2003/03/26	2053/03/25	9.0000
014 La Providencia	223954	Exploitation	2005/03/15	2055/03/14	60.0000
015 Unificación Carlos	235574	Exploitation	2010/01/20	2060/01/19	542.5265
016 Orlando	225620	Exploitation	2005/09/23	2055/09/22	11.7899
017 San Luis I	223325	Exploitation	2004/12/02	2054/12/01	290.6121
018 San Luis II	224466	Exploitation	2005/05/13	2055/05/12	133.8409
019 San Luis II Fracc. I	224467	Exploitation	2005/05/13	2055/05/12	2.1713
020 San Luis II Fracc. II	224468	Exploitation	2005/05/13	2055/05/12	2.4654
021 Acueducto	224469	Exploitation	2005/05/13	2055/05/12	13.5590
022 Acueducto Fracc. 1	224470	Exploitation	2005/05/13	2055/05/12	9.5980
023 La Parroquia	224471	Exploitation	2005/05/13	2055/05/12	1.2601
024 La Gloria	224474	Exploitation	2005/05/13	2055/05/12	4.1372
025 La Sierpe	224503	Exploitation	2005/05/13	2055/05/12	4.2638
026 La Sierpe Fracc. 1	224504	Exploitation	2005/05/13	2055/05/12	0.0108
027 San Judas	226699	Exploitation	2006/02/17	2056/02/16	14.5989
028 El Lucero	226834	-	2006/03/10	2056/03/09	145.3505
029 Lorena	227712	Exploitation	2006/07/28	2056/07/27	318.5825
030 Sara	228086	Exploitation	2006/09/29	2056/09/28	231.9436
031 El Ranchito	228343	Exploitation	2006/11/08	2056/11/07	11.2997
032 El Ranchito Fracc 1	228344	Exploitation	2006/11/08	2056/11/07	0.6189
033 La Veta	228345	Exploitation	2006/11/08	2056/11/07	1.4533
034 Anabel	229238	Exploitation	2007/03/27	2057/03/26	310.7710
035 Cecilia	230921	Exploitation	2007/11/09	2057/11/08	425.6022

Description / Name[1,2]	Title	Claim	Validity		Claim
036 Ximena	234713	Exploitation	2009/08/04	2059/08/03	400.5854
037 Los Amigos	223270	Exploitation	2004/11/18	2054/11/17	30.0000
038 San Francisco	203270	Exploitation	1996/06/28	2046/06/27	17.2735
039 Santa Rita	183882	Exploitation	1988/11/23	2038/11/22	12.3809
040 La Esperanza	214768	Exploitation	2001/11/29	2051/11/28	29.5678
041 San Benito	239550	Exploitation	2011/12/16	2061/12/15	9.0000
042 Sandra	238171	Exploitation	2011/08/09	2061/08/08	127.3809
043 La Capilla	240517	Exploitation	2012/06/12	2062/06/11	2.1980
044 La Fortuna	Pending	Exploitation		-	Approx. (9.0000)
045 Rosa	Pending	Exploitation	-	-	Approx. (48.0000)
				Subtotal[1,2]	3,388.1319 (excl. 028, 044, 045)
				Total[1,2]	3,590.4824

Table Notes:

1. Capstone S.A. de C.V. is the owner of claim El Lucero (title number, 226834), registered in the Municipality of Concordia, Sinaloa.
2. La Fortuna (044) and Rosa (045) were solicited in 2010 and are pending approval

Capstone acquired three mineral claims, San Francisco, Santa Rita, and La Esperanza, from Minera Largo S de RL de CV, a subsidiary of Golden Minerals Company, on September 8, 2009. The purchase included an upfront payment of US$1 million, plus future cash payments of a NSR of 1.5% on the first one million tonnes of production from the acquired claims, and cash payments equivalent to a 3.0% NSR on production in excess of one million tonnes from the acquired claims. The NSR on production in excess of one million tonnes also escalates by 0.5% for each US$0.50 increment in copper price above US$3.00 per pound of copper. These claims overlay the down dip extension of the San Rafael area of the Mala Noche Vein, located to the east of the San Roberto mine. Mining of material contained within these claims has not yet commenced.

In 2011, Capstone identified an error with the original title of La Esperanza, as the original title listed the area at 30.1874 ha, which differed from the defined perimeter. The Director General of Mines was requested to undertake an Administrative Correction for the title, and on November 16, 2011, a corrected area of 29.5678 ha was accepted. The original title was updated and reissued to Capstone.

4.2 Surface Rights

Capstone has acquired surface rights to the lands required for mining operations and exploration activities (Figure 4-2 and Figure 4-4).

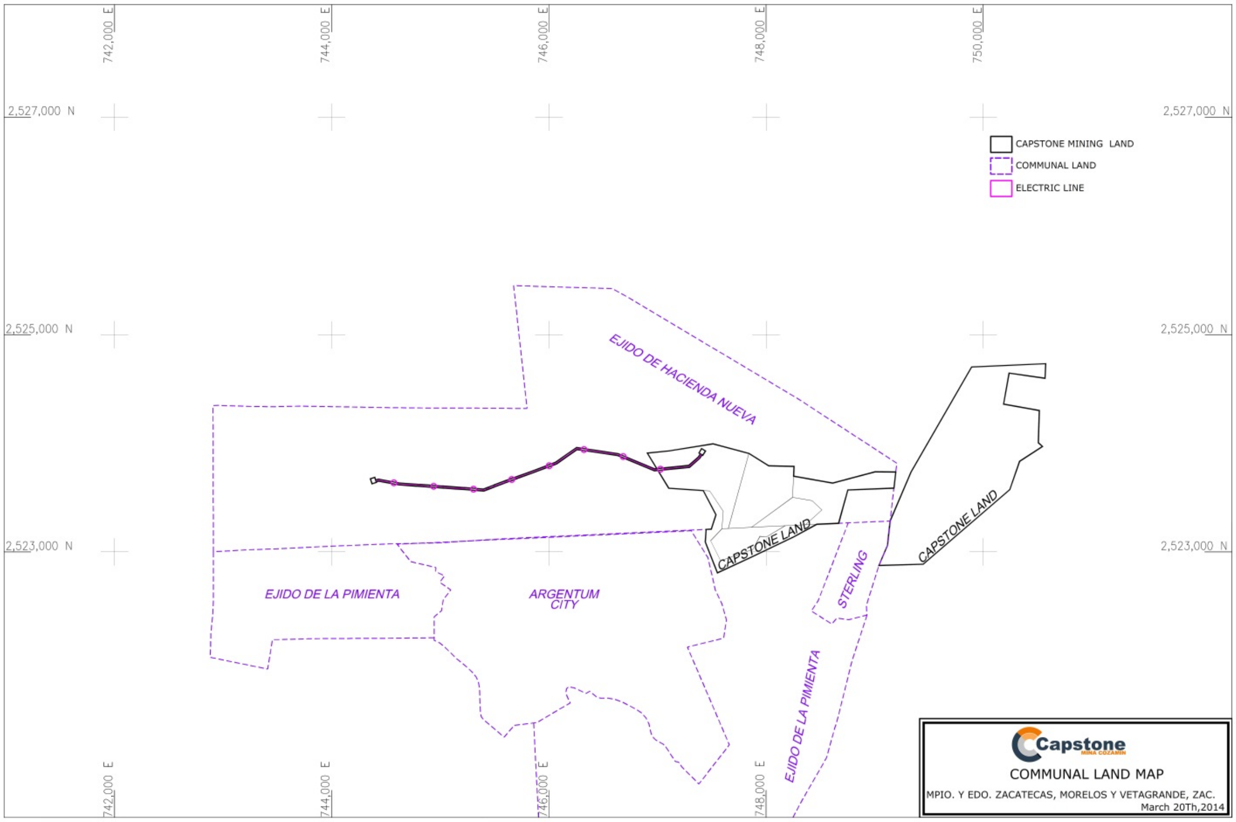

Figure 4-2: Cozamin Surface Rights and Surrounding Ejido Boundaries

4.3 Environmental liabilities

As of the effective date of this report, environmental liabilities and issues of environmental concern are limited to those that are expected to be associated with an underground base metal mining operation. These include an underground mine and associated infrastructure, access roads, and surface infrastructure, including the process plant and waste and tailings disposal facilities situated within an area of extensive disturbance due to historic mining and processing activities. The mine environmental setting, environmental considerations and current environmental liabilities are discussed in Section 20.

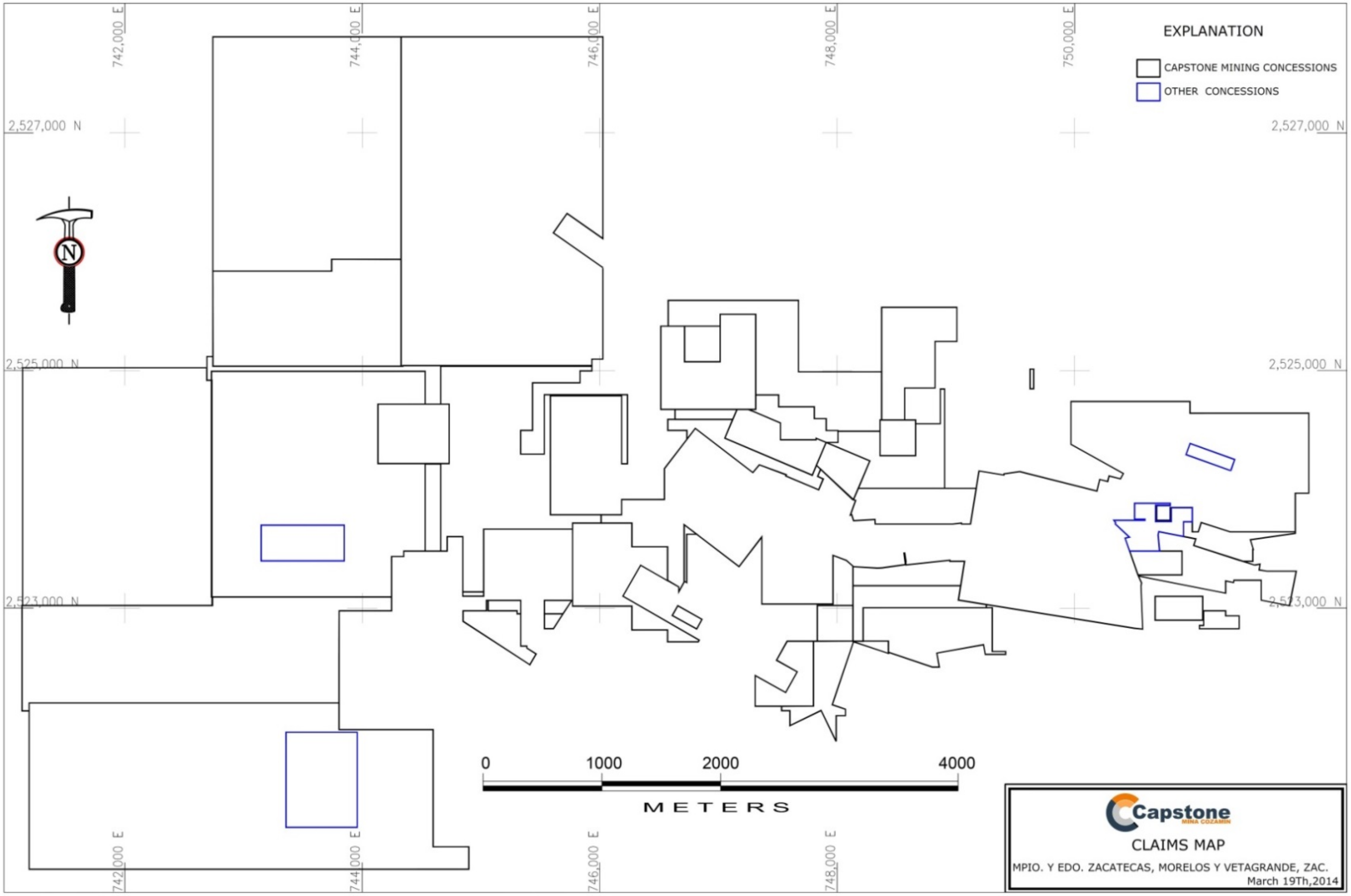

Figure 4-3: Cozamin Mining Concessions Map

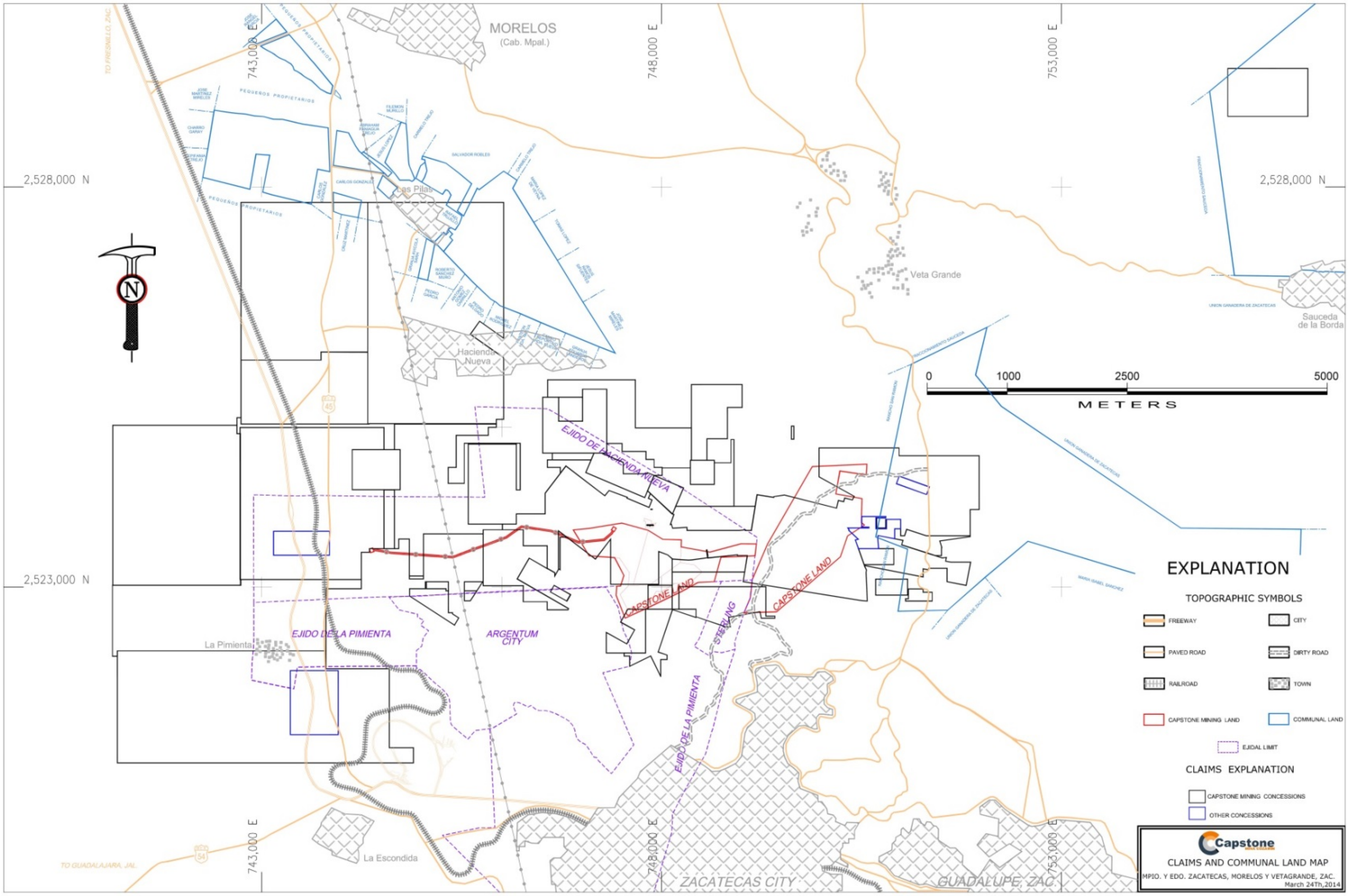

Figure 4-4: Cozamin Mining Concessions Including, Surface Rights, Ejido Land, Roads and Infrastructure, and City Limits

4.4 Obligations to Retain the Property

There are several obligations that must be met in order to maintain a mining concession in good standing, including the following:

- Carrying out the exploitation of minerals expressly subject to the applicability of the mining law;
- Performance and filing of evidence of assessment work; and
- Payment of mining duties (taxes).

The regulations establish minimum amounts that must be invested in the concessions. Minimum expenditures may be satisfied through sales of minerals from the mine for an equivalent amount. A report must be filed each year that details the work undertaken during the previous calendar year.

Mining duties must be paid in advance in January and July of each year, and are determined on the annual basis under the Mexican Federal Rights Law. Duties are based on the surface area of the concession, and the number of years that have lapsed since the mining concession was issued. In January and July, 2013, the taxes respectively totaled US$17,450 and US$17,360.

All necessary permits to conduct mining work on the property have been obtained. There are no known factors or risks that affect access, title, or the ability to conduct mining. As of the filing of this report, the 2014 exploration permit has been obtained.

4.5 Legal Title

Capstone obtained a legal opinion on the titles of the mining concessions (the Mining Concessions, as defined in the opinion addressed to Capstone Gold, S.A. de C.V.), from David Barbosa Maldonado, Abogado, with a business address of Hidalgo No. 511 Sur Zona Centro, C.P. 34000 Durango, Durango, dated April 10, 2014, which stated the following:

"The undersigned this LL.B. Jose David Barbosa Maldonado, Advocate, with professional license number 1343031, declare as follows:

From the review in the Public Mining Registry, Removal Review obligations and Rights Management Review, all dependent of the General Directorate of Mining Regulation, the following opinion based on proofs that there is issued:

1. *Capstone Gold, S.A. de C.V., is the lawful and registered holder of the Concessions, which list indicated as Appendix No. 1;*
2. *Capstone Gold, S.A. de C.V., currently has possession of the concessions that are identified in Appendix No. 1;*
3. *Appears from the review obtained Card Fact Check of the General Direction of Mining Regulation, that the General Director of Mines approved the application of Mining Concessions and granted the concession to the original Dealership same as those provided to Capstone Gold, S.A. de C.V. and registered in the Public Registry of Mining;*
4. *The Mining Concessions are registered in the Public Registry of Mining to name Capstone Gold, S.A. de C.V., accompanying the list of the registry data as Appendix 2;*

5. *Mining Concessions are not subject to limitation of property, no claim or legal proceeding is registered and appear as Ongoing; there is a Security Agreement between Capstone Gold, S.A. de C.V. and Bank of Nova Scotia recorded in Book 129, Volume 25 Page 34, record 245 dated August 3, 2009 and appears also signed the agreement to modify the Contract of date July 13, 2012.*
6. *From the information provided by Capstone through Ing. Campos Cuauhtemoc shows that mining rights with respect to each of the concessions have been paid to the First Semester of 2014, the Company held by the Certificate issued by the Deputy Director of the Control Obligations May 8, 2013, which appears to be found Ongoing and current in the payment of duties, for the year 2014 and there is no certification work only proof of payment duties.*
7. *Capstone Gold S.A. de C.V. has complied with the obligation of annual reports of Verifying Works, the last having presented in January 2014."*

5 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cozamin Mine is located in the Sierra Madre Occidental physiographic province near the boundary with the Mesa Central province (Mexican Plateau). The Zacatecas area is characterized by rounded NW trending mountains with the Sierra Veta Grande to the north and the Sierra de Zacatecas to the south. Elevations on the property vary from 2,400 masl to 2,600 masl.

The Zacatecas area is located between forested and sub-tropical regions to the southwest, and desert conditions to the northeast. The climate in the region is semi-arid. Vegetation consists of natural grasses, mesquite or huizache and crasicaule bushes. Standing bodies of water are dammed as most streams are intermittent.

Maximum temperatures reach approximately 30°C during the summer season and minimum temperatures in the winter season produce freezing conditions and occasional snow. The rainy season extends from June until September, with average annual precipitation totaling approximately 500 mm.

The Cozamin Mine is located 3.5 km to the north-northeast of the city of Zacatecas, the Zacatecas state capital, and operates year round. The municipality of Zacatecas has a population of approximately 130,000 people. Other communities in the immediate vicinity of the mine include the following: Hacienda Nueva (3 km west), Morelos (5 km northwest) and Veta Grande (5 km north). The mine area falls within the Hacienda Nueva and La Pimienta Ejidos. Staff and operators are sourced from Zacatecas and other nearby communities. There is minimal presence of foreign staff at the mine.

Cozamin is accessible via paved roads to the mine area boundary. All-weather roads in good condition continue thereafter to provide access to the mine and most of the surrounding area. Excellent surrounding infrastructure includes schools, hospitals, railroads, and electrical power.

The Cozamin Mine is connected to the national power grid with current approval to draw 10.5 MW. Generators, both operating and back-up, on site have a capacity of 1.0 MW. There are no plans to increase the current electrical infrastructure. Some minor improvements will be made in the future to maintain reliability. Figure 5-1 depicts the mine site layout and building infrastructure.

The dam at the Cozamin Tailings Storage Facility (“TSF”) is located on the south side of the property. The current Stage 5 lift, initiated in October, 2013, is expected to add 1.47 million cubic meters of volume, which will provide sufficient space for 2 additional years of mining. Tailings dam lift Stages 6 and 7 are in design to provide sufficient space for the remainder of the life of the mine production.

The mine sources its process mill and mine water supply from seasonal rainfall, permitted wells, groundwater inflow from abandoned mines and a local municipal water treatment plant. The existing baseline information suggests current water sources and water management strategy will provide sufficient water for the current life of mine plan.

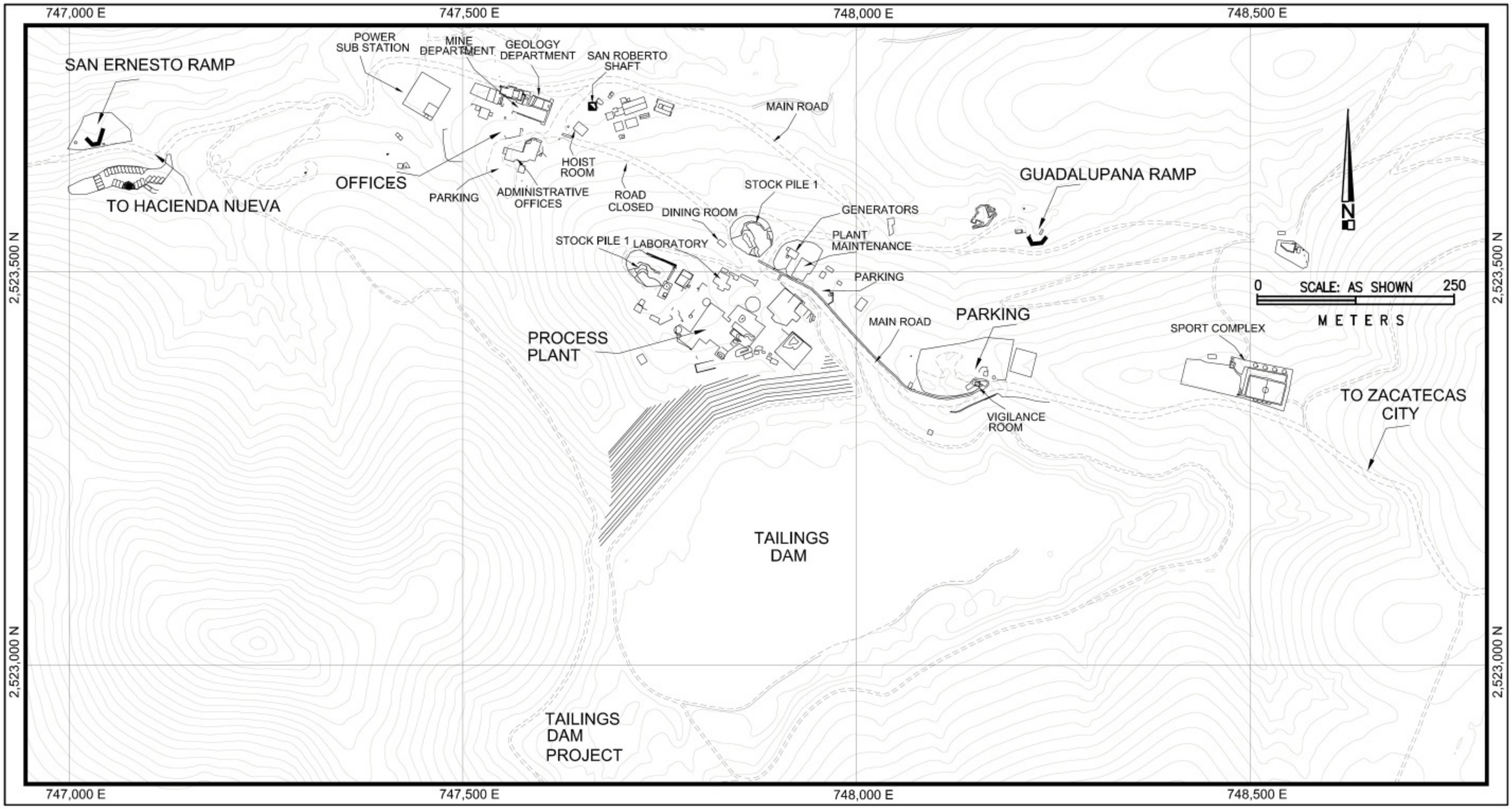

Figure 5-1: Surface Layout of the Cozamin Mine Facilities

6 History

In pre-Hispanic times, the area was inhabited by the Huichol people, who mined native silver from the oxidized zone of argentiferous vein deposits in the Zacatecas Mining District. In 1546, Juan de Tolosa, guided by a local Huichol person, arrived in Zacatecas (then Lomas de Bracho) to examine argentiferous occurrences. In 1548, production commenced at 3 mines: the Albarrada mine on the Veta Grande system, and the San Bernabe mine and Los Tajos del Panuco on the Mala Noche vein system. The initial operations worked only the oxides for silver and some gold, and later the sulphide zones were worked for base and precious metals.

During the Mexican Revolution (1910-1917), mining was essentially halted by numerous flooding and cave-ins, limiting access for some time after that. Foreign companies worked mines in the district for base metals from 1936 to 1948, but the lack of electric power, labour problems and low metal prices resulted in closure of unprofitable mines. From 1972, Consejo de Recursos Minerales worked mines in the El Bote, La Purisima and La Valencia zones.

A number of old workings are located throughout the mine area, but accurate records of early production are not available. Historic production from the Zacatecas district is estimated by Consejo de Recursos Minerales (Cardenas et al 1992) to be 750,000,000 ounces of silver from 20 million tonnes grading over 900 g/t silver and approximately 2.5 g/t gold. Lead, zinc and copper have also been recovered but neither metal production nor ore grades were estimated.

Minera Cozamin was established in 1982 by Jack Zaniewicki, who consolidated concession holdings over much of the MNV and operated the San Roberto Mine and plant at 250 tpd until October, 1996. During this period, Industrias Peñoles S.A. de C.V. (“Peñoles”) undertook exploration in the district but did not purchase any significant concessions. In all, it is estimated that 1.2 million tonnes of ore were mined and processed at Cozamin prior to October 1996.

In October, 1996, Zaniewicki sold the Cozamin Mine for US$6,800,000 to Minera Argenta, a subsidiary of Minas Bacis S.A. de C.V. (“Bacis”). In 1997, Bacis expanded the mill to a 750 tpd flotation plant, and processed 250,000 tonnes of ore grading approximately 1.2% copper, 90 g/t silver, 0.5 g/t gold, 1.8% zinc and 0.6% lead from 1997 to the end of 1999, mainly from shallow, oxide zone workings. Bacis developed resources principally by drifting along and then raising up on the MNV within the San Roberto (Cozamin) mine.

Diamond drilling was only used as an exploration tool to identify areas with mineralization peripheral to the developed mine workings (Table 6-1). These results influenced the location of Capstone’s 2004 drillhole locations. The sample collection, preparation and analysis procedures followed for these drillholes are unknown and Capstone has not used any data from these holes in the March 2014 mineral resources estimate.

Table 6-1: Historical Drillholes completed by Bacis and Peñoles

Hole-ID	Length (m)	Vein Intersection (m)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)
Bacis Drillholes							
CZM-#1	229.50	4.2	-	-	-	0.26	-
CZM-#2	389.45	3.1	2.90	1.13	4.48	0.20	53
CZM-#3	331.37	5.4	2.47	0.53	2.32	0.25	123
CZM-#4	210.45	NA	0.48	0.17	9.56	0.10	21
CZM-#6	200.00	8.02	3.32	1.36	2.57	NA	NA
CZM-#8	359.65	NA	1.34	0.03	0.67	NA	27.6
Peñoles Drillholes							
SR-1	231.6	1.1	2.54	0.16	0.02	0.17	20
SR-2	330.84	14.2	1.40	NA	1.29	0.40	118
SR-3	257.12	14.75	1.49	0.22	0.39	0.40	109
SR-4	251.16	3.5	0.48	0.17	9.56	0.01	21
SR-5	420.20	NA	3.37	0.08	0.25	0.40	103

Table Notes:

1. NA = Not available

Near the end of 1998, Bacis closed the Cozamin Mine due to low metal prices and under-capitalization of the asset. Poor grade control in the mine and poor recovery in the plant were also contributing factors to the closure. Diamond drillholes completed by Peñoles and Bacis suggested that the average grade of copper in the mine might increase with depth, but these were not followed up by further exploration.

In a press release dated October 27, 2003, Capstone Gold Corp. ("Capstone Gold") announced it had entered into a Letter of Intent with Bacis to option five advanced exploration projects in Mexico, including Cozamin (Capstone Gold, 2003). Historical mineral resources for Cozamin are summarized in Table 6-2. The assumptions, parameters, or methods used to prepare this historical estimate were not disclosed. Capstone does not use or rely on this estimate to any extent or treat this estimate as current. A Qualified Person has not done sufficient work to classify the historical estimate as current mineral resources. Capstone is not treating the historical estimate as current.

Table 6-2: Cozamin Historical Mineral Resources as Reported by Minas Bacis S.A. de C.V.

Classification	Tonnes (X 1,000)	Ag (g/t)	Au (g/t)	Cu (%)	Zn (%)	Pb (%)
Measured + Indicated	2,795	85	0.5	0.95	3.16	0.88
Inferred	3,131	103	0.49	1.41	3.21	0.85

Table Notes:

1. The mineral resources estimate was prepared by Minas Bacis S.A. de C.V.
2. Capstone is not treating the historical estimate as current and must not be relied upon.

7 Geological Setting and Mineralization

7.1 Geological Setting

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals (copper, lead and zinc). The district is in the Southern Sierra Madre Occidental Physiographic Province near the boundary with the Mesa Central Physiographic Province in north-central Mexico. The dominant structural features that localize mineralization are of Tertiary age, and are interpreted to be related to the development of a volcanic centre and to northerly trending basin-and-range structures.

The Zacatecas Mining District occurs in a structurally complex setting, associated with siliceous subvolcanic and volcanic rocks underlain by sedimentary and meta-sedimentary rocks. The geologic units of the Zacatecas area include Triassic metamorphic rocks of the Zacatecas Formation and overlying basic volcanic rocks of the Upper Jurassic or Lower Cretaceous Chilitos Formation. The Tertiary rocks consists mainly of a red conglomerate unit deposited in Paleocene and/or Eocene times, and overlying rhyolitic tuff and intercalated flows that were deposited from Eocene to Oligocene times. Some Tertiary rhyolite bodies cut the Mesozoic and Tertiary units and have the appearance of flow domes.

7.1.1 Zacatecas Formation

The Zacatecas Formation represents the oldest rocks in the district and appears to be equivalent to the Pimienta Metasediments of Ponce and Clark (1988). It is an Upper Triassic marine unit, comprising pelitic sediments and carbonate rock that have been metamorphosed to sericite schists, phyllites, slates, quartzites, metasandstone, flint, metaconglomerate and recrystallized limestone. The unit hosts the El Bote and Pimienta vein systems to the west of the city of Zacatecas.

7.1.2 Chilitos Formation

The Upper Jurassic to Lower Cretaceous Chilitos Formation is composed of andesitic to basaltic volcanic rocks with pillow structures and some limestone lenses. The units are referred to as greenstone of the Zacatecas area and as the Zacatecas microdiorite by Ponce and Clark (1988).

7.1.3 Zacatecas Red Conglomerate

The red conglomerate contains fragments of Chilitos and Zacatecas Formation rocks and is probably of Early Tertiary (Paleocene-Eocene) age. The unit is deposited south of the La Cantera fault in the structural zone situated in the city of Zacatecas.

7.1.4 Tertiary Volcanic and Volcaniclastic Rocks

Tertiary volcanic rocks are generally associated with and deposited south of the Zacatecas caldera. They are described by Consejo de Recursos Minerales (Cardenas et al 1992) as rhyolitic tuffs with flow intercalations of rhyolite composition that were extruded during the Oligocene to Eocene. The rhyolitic rocks are reported to have moderate to high silica content and high potassium content.

A very small group of epiclastic deposits occur in a road cut near the Bufa flow dome and small areas of chemical sediments are present in the western flank of the Zacatecas caldera (Ponce and Clark, 1988).

7.1.5 Rhyolitic Subvolcanic Bodies

Ponce and Clark (1988) suggest that subvolcanic intrusive phases include silicic subvolcanic bodies, lava-flow domes, intrusive tuffs, ignimbrite bodies, pipes and autoclastic breccias. The rhyolitic subvolcanic bodies, generally dikes and subvolcanic bodies, are structurally controlled by radial or concentric faults and fractures of the caldera structure. The subvolcanic rhyolitic bodies are concentrated in the central part of the Zacatecas district in a northwest-southeast trending zone.

Rhyolite flows and dikes are spatially associated with the San Roberto mine. Cerro La Sierpe (500 m north-northwest of the San Roberto shaft), Cerro San Gil (1.5 km west-northwest of the San Roberto shaft) and Cerro El Grillo (750 m south-southwest of the San Roberto shaft) are all rhyolite flow domes that, together, surround the western third of the Mala Noche vein. To date, economically significant copper mineralization has only been found within this sector of the Mala Noche vein system. Rhyolite dikes are difficult to distinguish from massive rhyolite flows, however some of the best quartz stockworks at Cozamin occur within massive rhyolite bodies that do not display the fluidal textures and polymictic inclusions common in most of the other rhyolite bodies.

The host rocks for the Mala Noche vein are intercalated carbonaceous meta-sedimentary rocks and andesitic volcanic rocks ranging in age from Triassic to Cretaceous, and Tertiary rhyolite intrusive rocks and flows (Figure 7-1). Mineralization in the Mala Noche vein appears to have been episodic. A copper-silver dominant phase is interpreted as one of the last stages of mineralization and is considered to be the most important phase of mineralization at Cozamin. In general, this copper-silver phase was emplaced into an envelope of pre-existing vein hosting moderate to strong zinc and lead mineralization and moderate silver mineralization. Thus, the host lithology to the vein does not appear to have influenced the strength of the copper-silver phase of mineralization which is typically enveloped by earlier vein material. Local rheology contrasts between rock units may have some control on vein emplacement, as well as metal content. For example the Mala Noche Footwall Zone is intimately associated with several rhyolitic dikes where mineralized veins often crosscut or follow dike contacts with the country rock.

The close association of the western third of the Mala Noche vein with rhyolite flow domes and the strength of contained copper mineralization in this sector of the vein support the hypothesis that the copper mineralization in the San Roberto mine at Cozamin is relatively close to volcanic to sub-volcanic magmatic center(s). Figure 7-2 shows the spatial association of the San Roberto mine with the significant complex of rhyolite flow domes mapped in the area.

Alternatively, other rheology contrasts may localize faulting along the contact of the phyllites with the more competent andesites and lutites. One kilometre to the south of the Mala Noche, mineralization in the Parroquia mine is hosted by gneissic rocks that are mapped by the CRM as Upper Jurassic, Zacatecas Formation.

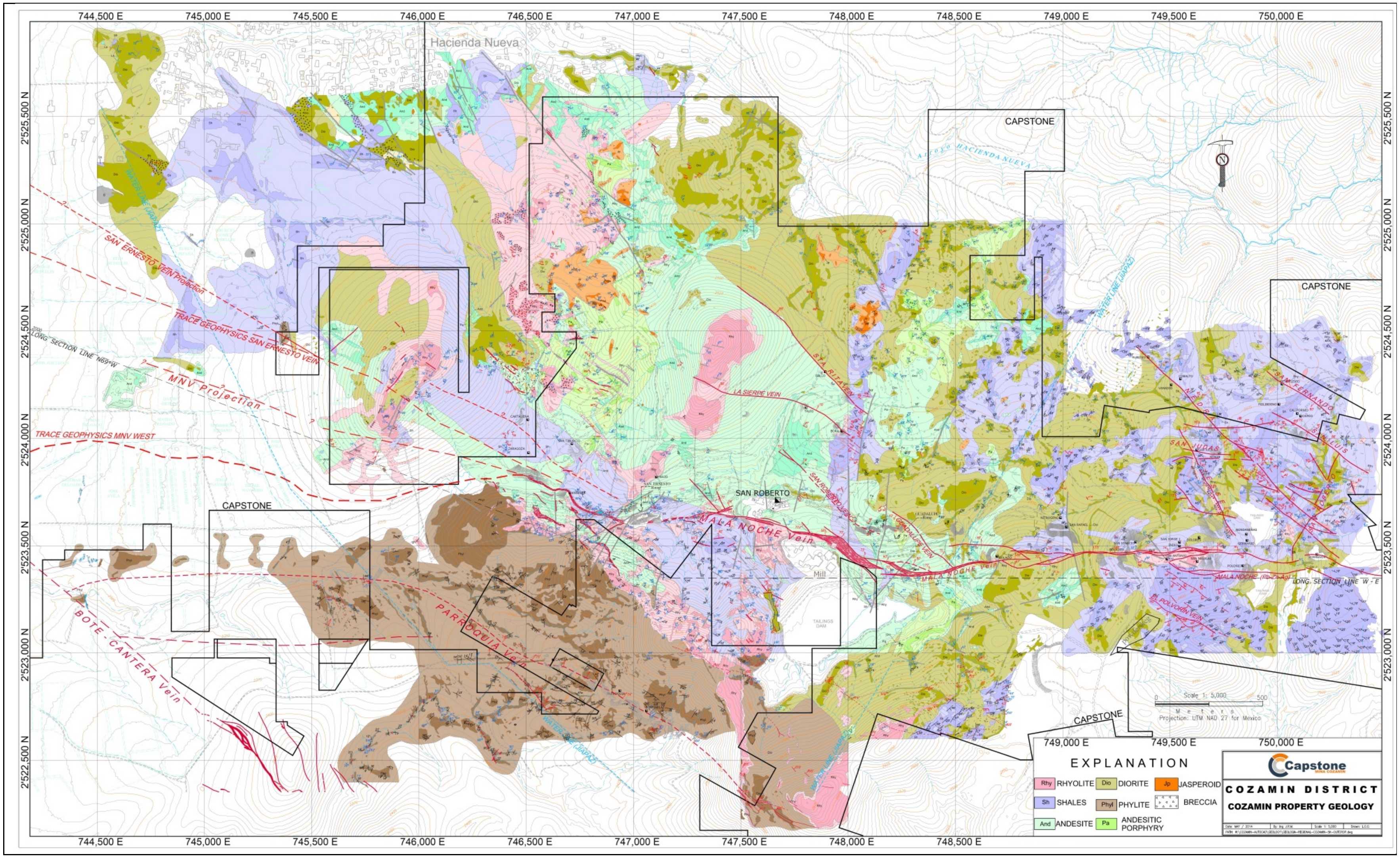

Figure 7-1: Mapped Geology of the Cozamin Property

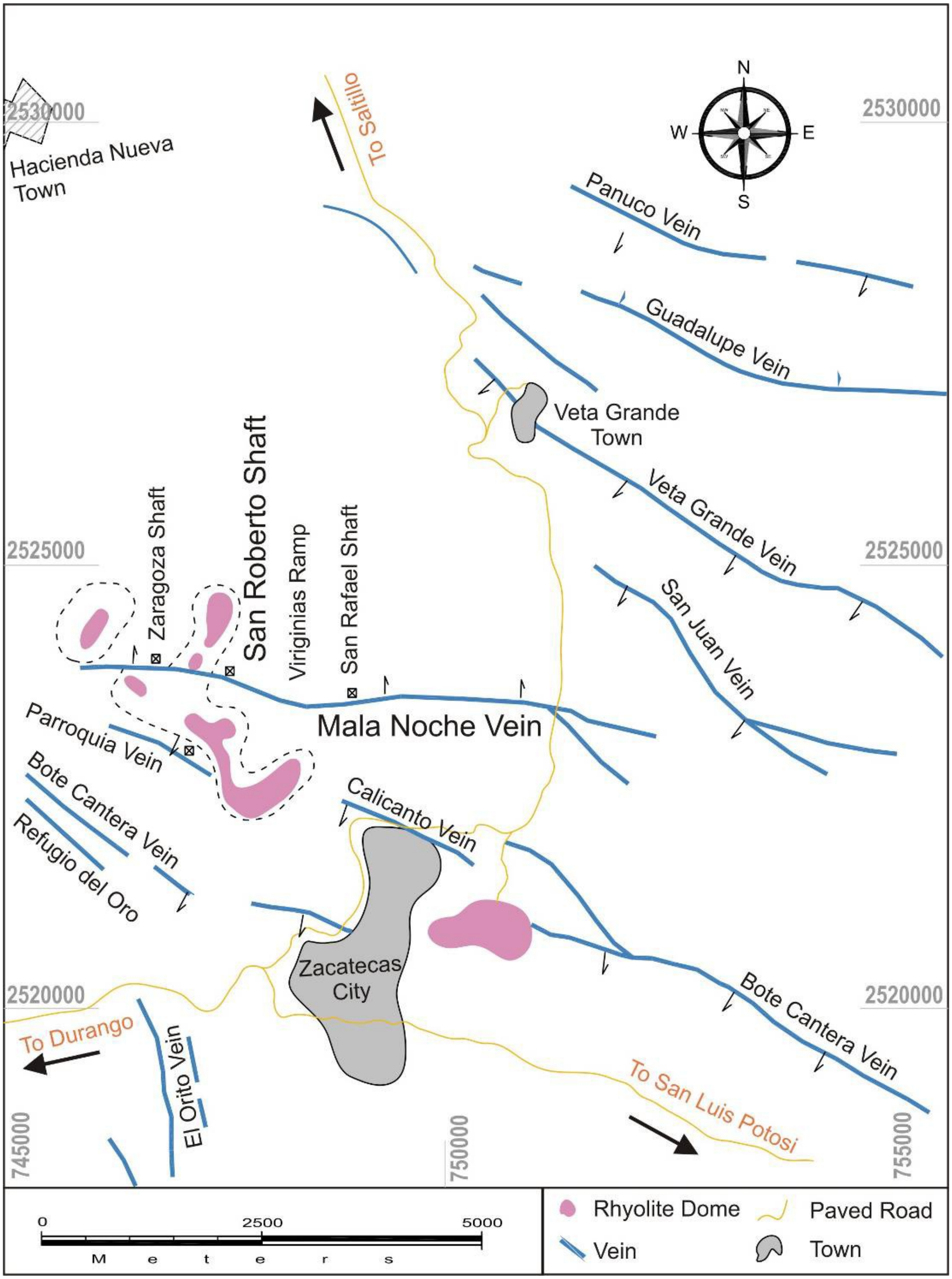

Figure 7-2: Plan Showing the Distribution of Mineralized Veins near Zacatecas

7.2 Faulting

Rock textures suggest the MNV is infilling open spaces controlled by brittle faulting along the Mala Noche Fault System. This system of faults is named for the principal fault associated with mineralization at Cozamin but other subsets of faults also host mineralization, including El Abra, Rosita, San Ernesto and MNFW zone.

In the San Roberto Mine, the Mala Noche strikes WNW (N70-80W) and the dip varies from 38° to 90° to the north. There is a clear association of higher copper grades with steeper dips of the Mala Noche fault. Where the Mala Noche is weakly copper mineralized, it appears that the principal style of alteration in the fault is mostly quartz-pyrite.

The El Abra fault is closely associated with the Mala Noche fault with which it forms an anastomosing set in both strike and dip directions. Grades in the San Roberto mine are strongest where the two faults coalesce. The dominant alteration associated with the El Abra fault is silica-calcite-pyrite. On Level 8 immediately east of the shaft, the drift roof had to be stabilized where the El Abra fault meets the Mala Noche fault/vein.

The MNFW zone is located in a fault-splay off the Mala Noche Fault System, striking approximately 30° oblique to the Mala Noche vein at ~145° with an average dip of 54°. Mineralized veins and rhyolite dikes both exploit and closely follow the structure.

The Rosita fault is also sub-parallel to the Mala Noche but mostly lies in the hangingwall. The principal alteration associated with the Rosita fault is coarse crystalline calcite suggesting that this fault is possibly post mineralization and quite open.

The San Ernesto fault is best known in the San Ernesto shaft which was sunk 60 m on the fault in the hangingwall to the Mala Noche at the west end of the San Roberto Mine. The fault strikes WNW and dips at about 60° to the NNE. Mineralization encountered in the fault to date has been zinc and lead dominant. This fault and associated mineralization may be related to lenses of hangingwall zinc found in the western sector of the San Roberto mine.

The Margarita Fault is located about 100 m west of the shaft on Level 8. The fault strikes NNE and dips at 70° to the WSW. Movement on the fault appears to be minimal as indicated by the mapping to date. Minor argillic alteration is associated with the fault.

The Josefina fault is found on Level 8 about 50 m west of the shaft. The fault strikes SE and dips at about 55° degrees to the NE. Movement on the fault appears to be dextral with a displacement of about 5 m. Minor argillic alteration is found in the fault zone.

The Lorena fault is located about 25 m west of the shaft on Level 8. This fault strikes NE and dips at about 70° to the SE. Post mineralization movement on the Lorena fault appears to be less than 2 m and only weak argillic alteration is found within the fault. The intersection of the Lorena and Josefina faults on Level 8 resulted in poor roof stability in the area of a prior electrical substation 35 m west of the shaft.

On Level 8, the Anabel Fault is found 155 m east of the shaft. The fault strikes NNE and dips E at about 60°. Movement on the fault appears to be dextral strike slip with possibly some normal dip slip displacement. The projection of the Mala Noche vein is offset about 10 m horizontally along this fault. However, there has been significant drag on the west side of the fault resulting in minimal displacement of the vein across the fault plane. Mineralization west of this fault is strongly diminished. Alteration in the Anabel fault is principally silicification.

The Lupita fault is located 255 m E of the shaft on Level 8. The fault strikes NE and dips at about 65° to the SE. Displacement on the fault appears to be minimal and only minor silicification is associated with the fault.

The Karla fault is located 465 m east of the shaft on Level 8. This fault has been mapped only on Level 8. Its strike is NE and the fault dips 65 SE. Apparent horizontal offset on the fault is about 3 m as a result of normal dip slip or possible dextral strike slip displacement. There is no significant drag or alteration associated with this fault. The principal cross faults in the San Roberto mine area displayed on Level 8 and are presented in Figure 7-3.

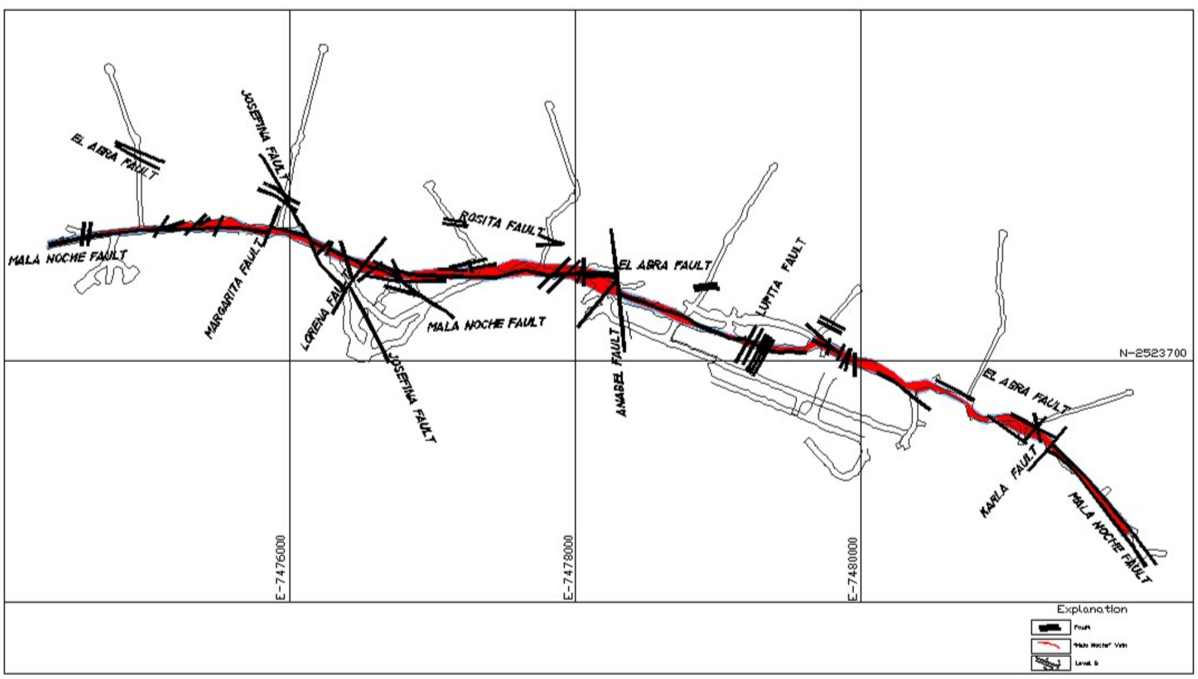

Figure 7-3: Cross Faults, Level 8 Cozamin Mine

7.3 Mineralization

The dominant mineralized vein on the Cozamin Mine is the Mala Noche. This vein has been traced for 5.5 km on surface on the property. It strikes approximately east-west and dips on average at 60° to the North. There are several shafts that provide access to the historical workings at Cozamin. The largest mined area is the San Roberto mine which has a strike length of 1.4 km. Mineralization peripheral to these workings was the principal target of Capstone's exploration at Cozamin. The MNFW zone is not exposed at surface, however based on underground drilling it strikes ~145° over a length of 1.45 km and dips on average 54° to the northeast. The MNFW zone comprises multiple veins (up to 5) in close spatial association with rhyolite dikes and locally cross-cut the intrusions themselves. The relative age of the copper mineralization ranges from contemporaneous with to perhaps slightly post the rhyolite magmatism.

The Mala Noche vein system occupies a system of anastomosing faults. The mineralized bodies within the Mala Noche appear to be strongest where the individual faults coalesce into a single fault zone. Results from the exploration and mine development to date indicate that some of the strongest mineralization in the San Roberto mine plunges to the west at approximately -50° within the vein. Post mineralization offsets of the Mala Noche vein are minimal and occur along high angle, normal faults that strike northeast.

Moderate propyllitic wall rock alteration is generally limited to 3 m into the hangingwall and footwall. Gangue minerals in the Mala Noche vein consist of quartz, silica, calcite, chlorite, epidote and minor disseminated sericite. The quartz occurs as coarse grained druse crystalline masses, and a stockwork of quartz veinlets. Mineralization in the Mala Noche vein at the Cozamin Mine appears to have been episodic. Early epithermal mineralization and alteration (represented by sulphide pseudomorphs of carbonates and possibly barite and well-banded quartz veins and vug linings of quartz druse) have been overprinted by higher temperature pyrite-pyrrhotite-chalcopyrite dominant mineralization in a telescoped, intrusive related hydrothermal system. The Mala Noche vein in the San Roberto mine workings shows contained sulphides to occur as disseminations, bands and masses. Conclusions about mineralization styles are highly biased to the limited exposure of the copper-silver phase of mineralization at the current depths of the mine workings. Much of the upper parts of the mine are not accessible.

Pyrite is the dominant vein sulphide and typically comprises approximately 15% of the Mala Noche vein in the San Roberto mine. It occurs as fine disseminations and veinlets, coarse crystalline replacements, and pseudomorphs of epithermal textured carbonate minerals and possible barite. Arsenopyrite typically occurs as minor, microscopic inclusions in pyrite.

Pyrrhotite is the second most common sulphide mineral but is present only in the intermediate and deeper levels of the San Roberto mine. It occurs as replacement masses, pseudomorphs of platey masses and acicular replacements probably after amphibole. Pyrrhotite commonly occurs as an envelope to, or intermixed with, strong chalcopyrite mineralization. Pyrrhotite ranges from monoclinic to hexagonal, or a combination of these polytypes; the presence of the magnetic monoclinic variety has an adverse effect on the copper flotation. This metallurgical concern is described in more detail in Section 13.

Chalcopyrite is the only copper sulphide recognized visually at the Cozamin Mine. Like pyrrhotite, it is more common at the intermediate and deeper levels of the mine. It occurs as disseminations, veinlets and replacement masses. These masses appear to be fractured and brecciated at intermediate levels in the mine. Mineralization at the MNFW zone is chalcopyrite dominant in contrast to the polymetallic nature of the main MNV.

Sphalerite is the dominant economic sulphide in the upper levels in the San Roberto mine. Most of the sphalerite is marmatitic. It occurs as disseminations and coarse crystalline masses and is commonly marginal to the chalcopyrite-dominant portion of the vein.

Galena is less common than sphalerite but is generally associated with it. Where it is abundant, it occurs as coarse crystalline replacement masses. Both coarse and fine crystalline masses of galena are argentiferous. Argentite is the most common silver mineral. It has been identified microscopically occurring as inclusions in chalcopyrite and pyrite. Assays indicate that silver is also probably present in sphalerite and galena. Bismuth and silver selenides occur as inclusions predominantly in chalcopyrite and pyrite.

The main gangue minerals are quartz and calcite with rhodochrosite, barite and gypsum also reported.

8 Deposit Types

All mineralization at the Cozamin Mine occurs in veins. Mineralization at Cozamin is best described as zinc-rich epithermal mineralization overprinted by copper-rich mesothermal mineralization. The copper-dominant stage of mineralization appears to cut across earlier epithermal zinc-dominant mineralization, or is enveloped/telescoped by the earlier zinc-dominant mineralization. The epithermal veins display well banded quartz veins and open space fillings and quartz druse vug linings. The higher temperature veins have significantly fewer vugs, and the veins can be massive pyrrhotite-pyrite-chalcopyrite.

This transition from epithermal zinc dominant mineralization to copper-dominant mesothermal style mineralization is thought to be the result of an evolving, telescoping hydrothermal system that was epithermal in its early stages and became mesothermal as the hydrothermal migrated upwards. Chalcopyrite-pyrite-pyrrhotite mineralization can be seen to cut earlier sphalerite-galena-pyrite mineralization in drill core and in mine workings. Zones of massive pyrrhotite along with apparent retrograde calc-silicate minerals suggest mineral deposition in a mesothermal environment superimposed over an earlier stage of epithermal alteration and mineralization. This telescoping hydrothermal system is closely associated with the district’s largest center of rhyolite flow domes which may be the shallow expression of a hidden, inferred buried felsic stock.

9 Exploration

9.1 Geological Mapping

Cozamin exploration geologists have systematically mapped a total of 1,694 Ha throughout the Cozamin property at scales of 1:1,000 or 1:2,000 since 2004. Mapped Cozamin geology is illustrated in Section 7.1 (Figure 7-1).

9.2 Surface Channel Samples and Chip Specimens

Regular exploration along the strike of the Mala Noche vein system has occurred through channel sampling. Channel samples total approximately 2 kg in mass and have approximate dimensions of 50-150 cm in length, 5 cm in width and 3 cm in depth. Capstone considers these surface channel samples to be fully representative of the vein material.

The surface chips, by definition, are specimens not samples, and thus are not representative of the material from which they have been extracted. The goal of the surface chip sampling is to quickly ascertain the presence or absence of anomalous geochemical values, which would support the decision to conduct additional exploration. Capstone has collected chip specimens from outcrops on a 25 m by 25 m grid from several areas on the property (Table 9-1). Chipped material is collected on a blanket and split into smaller pieces. The specimen is then split into four parts, with approximately 2 kg placed into the sample bag as the specimen for analysis. The remaining material is left at the sample site.

All surface channel sample and chip specimen locations were obtained using GPS and are stored in Capstone's database. All material is photographed and logged for lithology, alteration, and mineralization. Quality control samples including certified reference material, sample blanks, or duplicate samples were not inserted into the sample stream. Preparation and analysis procedures for channel samples and chip specimens follow the same procedures described in Section 11 pertaining to the analysis of drill core samples. Details of Cozamin's exploration since 2004 are summarized in Table 9-1. Cozamin has used the assay results from these programs to assist with exploration drillhole planning, but they are not included in resource estimation.

Table 9-1: Cozamin Field Exploration Program details

Year	Surface Channel Samples	Surface Chip Specimens
2004	2,250 from 66 sample lines spaced 15 m apart along 1,000 m of the Mala Noche vein system.	None
2005	1,350 from 40 sample lines spaced 20 m apart along 800 m of the Mala Noche vein system.	None
2006	1,200 from 40 sample lines spaced 25 m apart along 1,000 m of the Mala Noche vein system.	None

Year	Surface Channel Samples	Surface Chip Specimens
2007	1,200 from 40 sample lines spaced 25 m apart along 1,000 m of the Mala Noche vein system.	None
2008	None	300 from outcrops where veinlets, quartz stockwork, and alteration were observed. Specific area was not defined.
2009	No exploration conducted.	
2010	708 from 20 sample lines spaced 50 m apart along 1,000 of the Mala Noche vein system.	1,118 from Rondaneras covering an area of 700 m by 800 m
2011	135 from 27 sample lines spaced 10 m apart along 300 m of the El Polvorín vein.	276 from El Polvorín, covering an area of 300 m X 400 m.
2012	None	None
2013	185 from 37 sample lines spaced 10 m apart along 400 m of the Parroquia vein. 235 from 15 sample lines spaced 20 m apart along the Manto San Eduardo system.	359 from La Parroquia, covering an area of 500 m X 400 m.

9.3 Geophysical Surveys

9.3.1 Ground Magnetic Survey

In the summer of 2004, Zonge Engineering and Research Organization, conducted a ground magnetics survey over the Mala Noche system including 24 north oriented lines, 25 m station spacing, for a total of 24.3 line-km. The field data was processed to produce only total magnetic field, however this was sufficient to map the linear east-west orientation of the Mala Noche system as well as other intrusive features.

9.3.2 Aeromagnetic Survey

In the summer of 2009, New Sense Geophysics Limited conducted an aeromagnetic survey at Cozamin including a main survey block covering the entire property and an extension block to the northeast. The main block was flown at 50 m line separation with the magnetic sensor draped at 30 m above the terrain at an azimuth of N30°E. This orientation allowed the survey to cross the east-west vein trends as well as the northerly trending basin and range faults. Physical obstructions such as power and telephone lines and small villages required the terrain clearance to be increased locally. Control lines were flown east-west at 1 km spacing. The extension block was flown with the same parameters as the main block but with 600 m line spacing; the extension block was added to the survey to determine the extent of a broad northwest trending magnetic high identified while flying the main block. A total of 1,733 line-km were flown in the main block and 90 line-km in the extension block. New Sense delivered the final leveled magnetic data, while EGC Inc. was responsible for project quality control, development of the processed grids and images (total magnetic field only), and interpretation.

In 2013, the 2009 aeromagnetic survey data was reprocessed in-house to generate 1st vertical derivative (total field and reduced to pole), analytical signal, magnetic tilt products as well as a 3D inversion using UBC code. The interpretation of the reprocessed data has been useful for tracking infrastructure such as power lines and pipe lines, the general structural and vein trends of the Mala Noche system, and in some cases has been used as a secondary tool to help guide exploration drill planning in new target areas.

9.3.3 Resistivity Study and Ground Induced Polarization Surveys

Zonge Engineering and Research Organization was contracted by Capstone in 2004 to undertake a resistivity study through measurement of magnetic response using CSAMT (Controlled Source Audio Magnetotellurics) over 8 line-kilometres and NSAMT (Natural Source Audio Magnetotellurics) (Zonge, 2004) over 16 line-kilometres. The survey indicated the presence of sulphide mineralization at depth along the Mala Noche vein structure below known mineralized extents. These were used to assist with exploration drillhole planning.

From October 2009 until January 2010, Zonge conducted a dipole-dipole complex resistivity induced polarization (CRIP) survey on 13 lines and 391 stations covering a total of 58.7 line-km (Zonge, 2010). In comparison to conventional IP data, CRIP penetrates deeper into the ground, is able to better discriminate between certain minerals (e.g., sulphide bearing versus barren rock), and provides a higher quality dataset with contaminated data and the effects of coupling removed. Zonge noted the quality of the data to be good despite the proximity of the study to the city of Zacatecas and radiofrequency interference sources (power lines, metal pipelines, metal fences and buildings, etc.). The results from the study however, proved inconclusive with respect to identifying further exploration targets.

In 2010 a pole-dipole time domain induced polarization (TDIP-resistivity) geophysical survey was carried out at Cozamin on 39 lines covering a total of 70.3 line-km by in-house staff. The survey was conducted using rental equipment including a TSQ-3 Scintrex transmitter and IPR-12 Scintrex receiver. Interpex and Geosoft software were used to process and evaluate the field data which was then displayed in AutoCAD . The program focused on four specific areas including Mala Noche West, Hacienda Nueva South, Mala Noche North, and Mala Noche East. Identified resultant chargeability (± coincident resistivity and/or magnetics) anomalies were tested by diamond drilling spanning from 2010 to 2012 in a total of 4 surface drillholes (CG-10-153, CG-11-S156, GC-11-S162, CG-11-S183). These exploration holes returned overwhelmingly negative results intercepting predominantly pyrite-bearing, black shale units. These highly pyritic and graphitic rocks are thought to be the source of the anomalies.

9.3.4 Further Geophysics Not Recommended

The presence of sulphide-rich and graphitic sedimentary rocks coupled with widespread sources of cultural noise likely precludes effective chargeability, resistivity or conductivity geophysical surveys, and as such has not been entertained since 2010.

10 Drilling

Exploration drill planning by Capstone on the Cozamin project commenced in 2003 along with engineering examinations by Capstone. Two rock chip samples were collected from the Virginias mine decline and 24 splits of half core from mineralized intervals in diamond drillholes previously drilled by Bacis. These samples were submitted to Acme in Vancouver for copper, lead, zinc, gold, and silver assays and multi-element analysis by ICP (inductively coupled plasma). The assay results confirmed Bacis' records and the Phase I drilling program commenced in March 2004 under the supervision of Capstone. Preliminary underground sampling was not completed because most of the mineralized underground workings were flooded.

Drilling has been carried out by Capstone almost continuously since March, 2004 on the MNV structure (San Roberto and San Rafael mines) and related splays such as the MNFW structure. In all, 597 surface and underground exploration drillholes have been completed. Drillholes are located by Capstone staff using total station TRIMBLE model S6 or LEICA instruments. Downhole survey readings were recorded using Eastman Single Shot, FLEXIT SensIT, or Reflex EZ-Shot instruments (Table 10-1).

10.1 Drilling Programs

Capstone's surface and underground drilling programs from 2004 to 2013 are summarised in Table 10-1. Longitudinal sections of drilling pierce points from surface and underground drilling for the MNV and MNFW zone from all exploration drilling as of December 31, 2013 are presented in Figure 10-1, Figure 10-2, and Figure 10-3. Historical diamond drillhole recovery has generally been very good. Recovery from the 2013 drilling program averages 99%. No obvious drilling, sampling, or recovery factors materially affect the reliability of the samples.

Table 10-1: Capstone Drilling Program Details from 2004 to 2013

Phase	Date	Hole ID	Total (m)	Core Size	Target	Total Program Budget ($US Millions)
I	Apr 2004 to Aug 2004	Surface: CG-04-01 to CG-04-20	7,849	NQ	MNV	1.0
II	Sep 2004 to Mar 2005	Surface: CG-04-21 to CG-04-37	10,119	NQ	MNV at 1,900-2,050 masl	2.5
III	Mar 2005 to Mar 2006	Underground: CG-U01 to CG-U114	17,750	NQ	MNV	4.5
IV/V	Sep 2006 to Jul 2007	Surface: CG-06-38 to CG-06-39, CG-07-40 to CG-07-42	4,825	NQ/HQ /PQ	MNV at 600 to 700 m below surface	6.0

		Underground: CG-06-U115 to CG-06-U124, CG-07-U125 to CG-07-U177	20,061	NQ	MNV infill and extension of previous holes	
VI	Aug 2007 to Oct 2008	Surface: CG-08-43 to CG-08-150 Underground: CG-07-U178 to CG-08-U217	30,391 14,435	HQ/NQ NQ	San Rafael and east San Roberto Increase confidence in classification and add resources at depth	5.0
VII	May 2010 to Dec 2010	Surface: CG-10-S151 to CG-10-S158 Underground: CG-10-U218 to CG-10-U253	4,467 11,752	HQ/NQ NQ	San Rafael deep exploration and MNV west Avoca Extension and MNFW zone	3.5
VIII	Jan 2011 to Dec 2011	Surface: CG-11-S159 to CG-11-S180 Underground: CG-11-U254 to CG-11-U294	20,329 21,340	HQ/NQ NQ	MNV infill and MNFW zone MNFW zone infill and extension	7.3
IX	Jan 2012 to Nov 2012	Surface: CG-12-S181 to CG-12-S185 Underground: CG-12-U295 to CG-12-U340	5,061 26,825	HQ/NQ HQ/NQ	Exploration targets along main MNV structure MNFW zone	6.5
X	Jan 2013 to Dec 2013	Underground: CG-13-U341 to CG-13-U373	19,836	HQ/NQ	MNV and MNFW zone infill and extension	4.9

Table 10-2: Drilling History by Contractor

Contractor	Phase	Year	Holes Drilled	Metres Drilled	Downhole Survey Instrument
Surface					
Britton Brothers Diamond Drilling, Ltd.	I/II	2004-2005	37	17,967	Eastman Single Shot
Major Drilling Group International Inc.	V	2006-2007	5	4,825	FLEXIT SensIT
Major Drilling Group International Inc.	VI	2008	108	30,391	Reflex EZ-Shot
Landrill International Mexico, S.A. de C.V.	VII	2010	8	4,467	Reflex EZ-Shot
Driftwood Diamond Drilling Mexico S.A. de C.V.	VIII	2011	22	20,329	Reflex EZ Shot
Driftwood Diamond Drilling Mexico S.A. de C.V.	IX	2012	5	5,061	Reflex EZ Shot
Underground					
Canrock Drilling Services S.A. de C.V.	III	2005-2006	77	9,812	Reflex EZ-Shot
Globexplore Drilling S.A. de C.V.	III	2005	1	306	Reflex EZ-Shot
Tecmin Servicios S.A. de C.V.	III	2005-2006	36	7,632	Reflex EZ-Shot
Tecmin Servicios S.A. de C.V.	IV	2006-2007	80	25,516	Reflex EZ-Shot
Tecmin Servicios S.A. de C.V.	VI	2008	20	7,888	Reflex EZ-Shot
Britton Brothers Diamond Drilling, Ltd.	VI	2008	2	1,092	Eastman Single Shot
Tecmin Servicios S.A. de C.V.	VII	2010	25	8,272	Reflex EZ-Shot
Landrill International Mexico, S.A. de C.V.	VII	2010	11	3,481	Reflex EZ-Shot
Tecmin Servicios S.A. de C.V.	VIII	2011	5	2,569	Reflex EZ-Shot
Landrill International Mexico, S.A. de C.V.	VIII	2011	3	1,593	Reflex EZ-Shot
Driftwood Diamond Drilling Mexico S.A. de C.V.	VIII	2011	33	17,178	Reflex EZ-Shot
Driftwood Diamond Drilling Mexico S.A. de C.V.	IX	2012	46	26,825	Reflex EZ-Shot
Driftwood Diamond Drilling Mexico S.A. de C.V.	X	2013	34	19,836	Reflex EZ-Shot

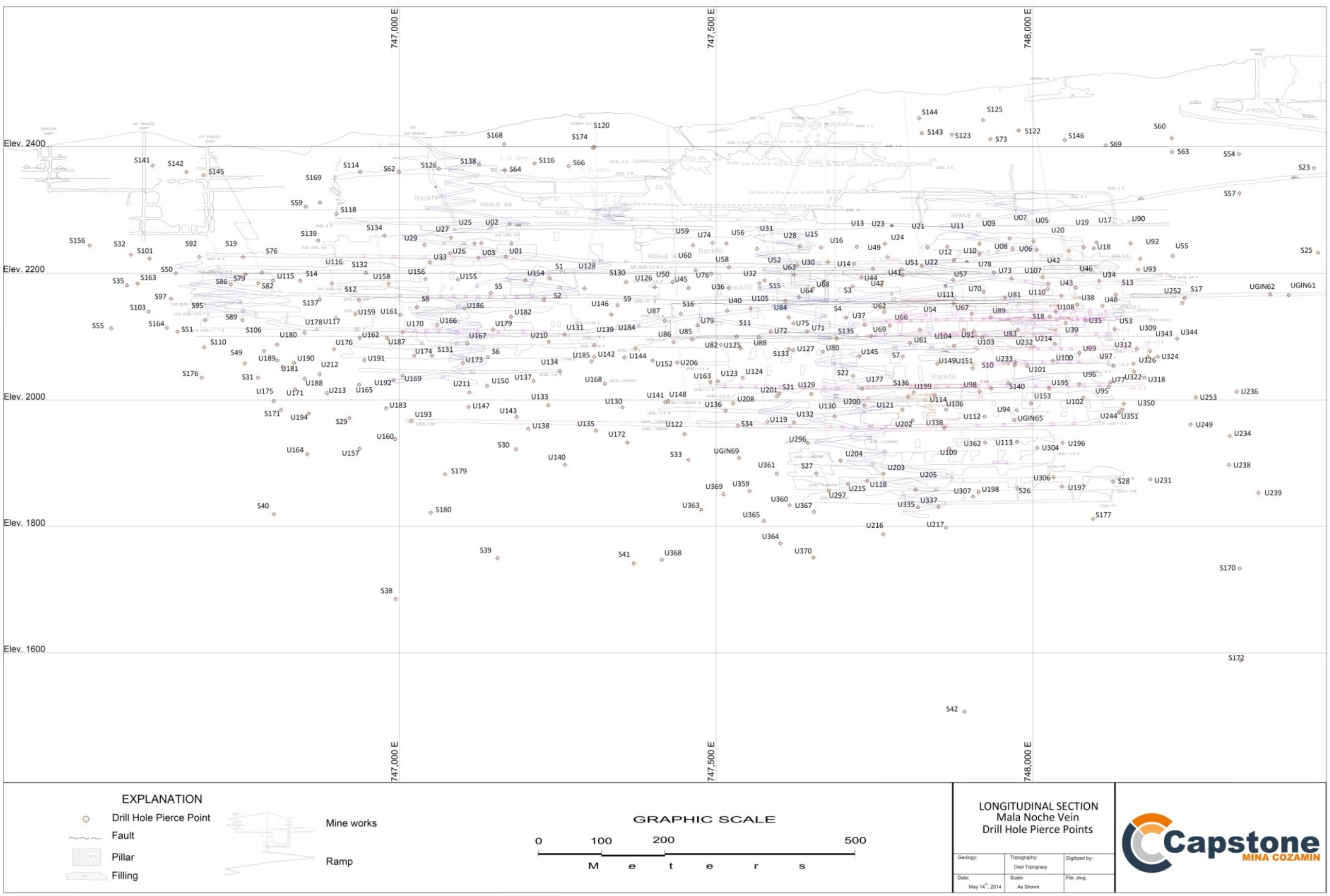

Figure 10-1: Longitudinal Section of Drilling Pierce Points in San Roberto zone of the Mala Noche Vein

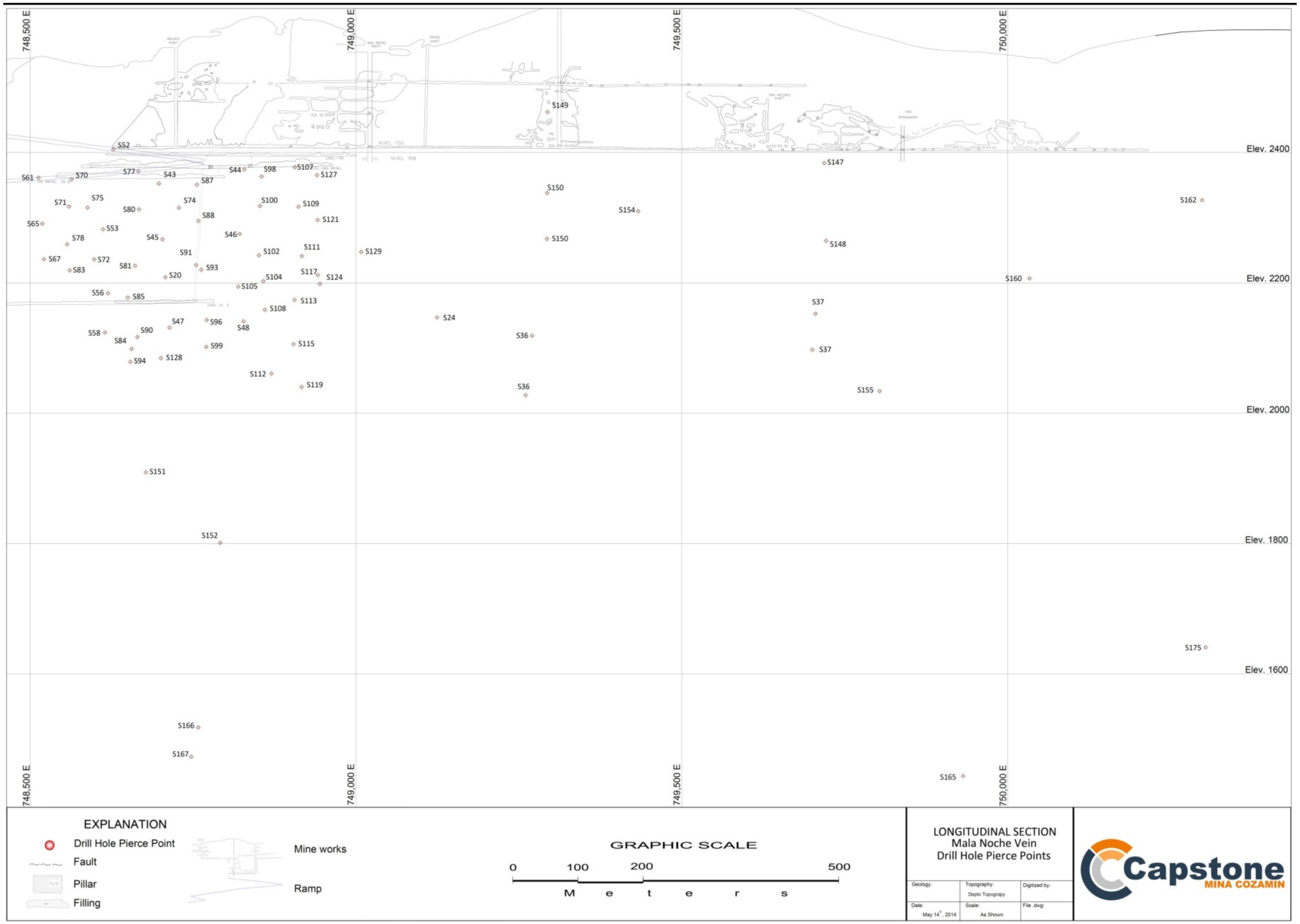

Figure 10-2: Longitudinal Section of Drilling Pierce Points in San Rafael zone of the Mala Noche Vein

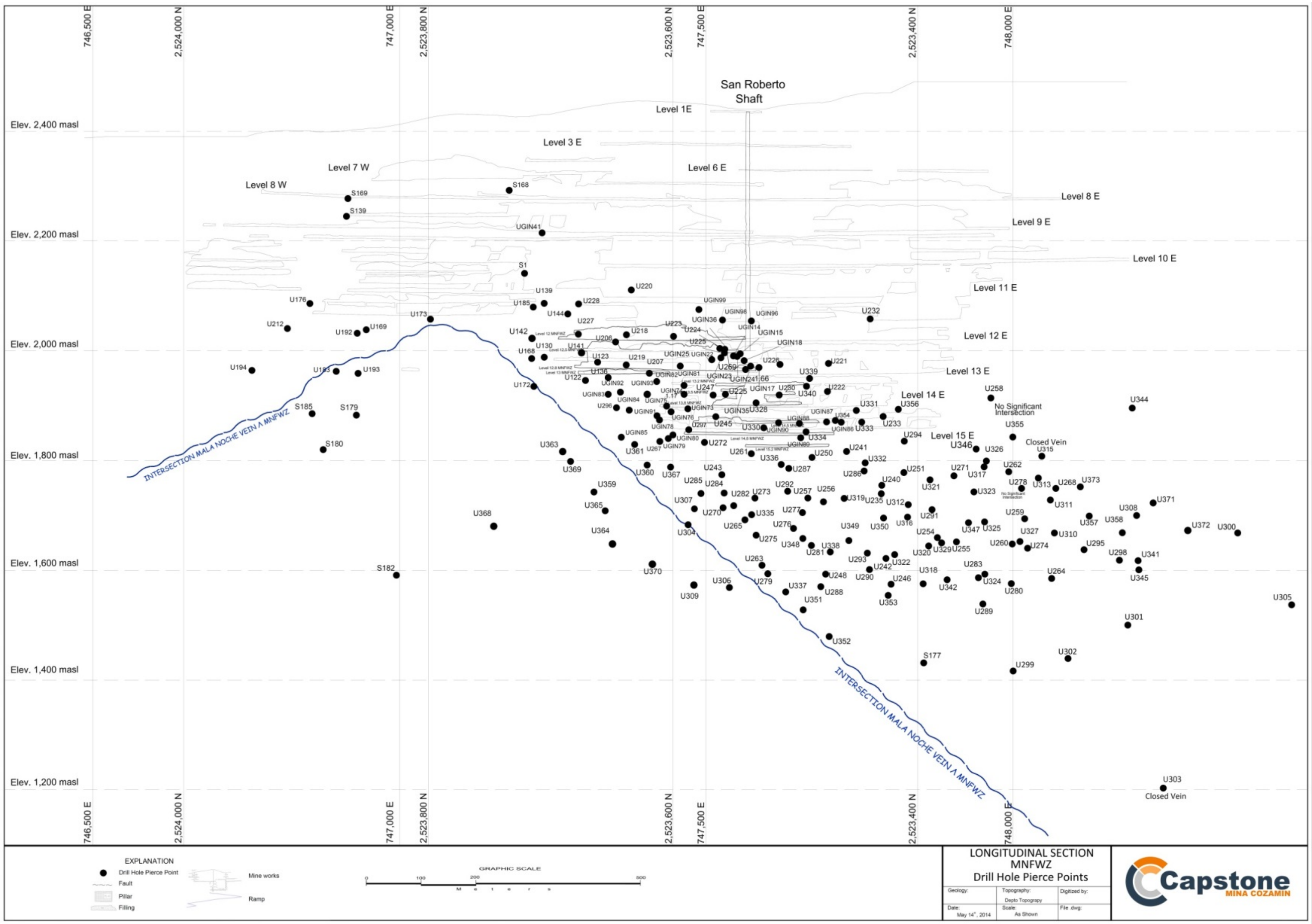

Figure 10-3: Longitudinal Section of Drilling Pierce Points in Mala Noche Footwall Zone

11 Sample Preparation, Analyses and Security

11.1 Drill Core Samples

11.1.1 Drill Site Control

Clean core boxes are delivered to the drill site by the drilling contractor. The driller clearly marks the drillhole number on each box. The driller then places a wood block or a plastic ticket in the core box at the end of each core interval. Intervals are marked in feet and inches which the driller converts from metres. The box is covered by the lid and secured using either rubber straps or nylon cord prior to transportation from the drill site. Either Capstone employees or the drillers transport the core from the drill site to the core shack.

11.1.2 Survey Control

In 2009, Capstone contracted PhotoSat Information Ltd. to reference INEGI control points around the Cozamin mine (UTM 13N, NAD 27) and to create other survey reference points, such as the San Roberto headframe. The locations and orientations of the drillholes are checked by a Capstone surveyor after the completion of each drillhole. The driller identifies each drillhole with a wood plug showing the drillhole number labelled with permanent black marker. Drillhole locations are surveyed using either total station TRIMBLE or LEICA instruments.

Downhole surveys are undertaken after completion of each drillhole. Survey points are taken approximately every 50-75 m using a downhole survey instrument (Table 10-2). Survey readings are generally taken every 50-150 m for surface holes and every 50-100 m for underground holes. Survey results have been corrected for magnetic declination (+8°). The magnetic mineral pyrrhotite is present in deeper levels in the mine and occasionally causes downhole survey anomalies. These are identified by the geologist during the survey measurement process and corrected by taking another survey measurement above or below the point giving the faulty reading. Dip variations in surface drillholes are not more than 5.3°, with an average value of 1.1°. The maximum downhole dip variation in the underground holes is 15.4° with an average variation of 1.3°.

11.1.3 Drill Core Logging, Photography, Sampling and Security

When the drill core arrives at the core shack, the geologist checks the order of the core. If required, the core assistant cleans the core of any contaminants. Boxes are checked for labelled start and end depths. Next, the core is placed three boxes at a time on the ground in natural light for photography along with a scale bar using a digital camera. The core is then logged for recovery, rock quality, lithology, structure, alteration, and mineralization prior to marking out sample intervals by the geologist.

Only Capstone employees are permitted in the core shack when unsampled core is ready to be cut. The geologist marks the saw line along the centre of the core, with each side containing roughly equivalent apparent grade. After the core is cut, one half is placed in a sample bag. The sampler returns the remaining core to the box in its original orientation, which is checked by the geologist. The same side of the core is always taken for sampling.

The drillhole number and sample interval are entered into the sample book. One ticket stub is stapled in the corresponding interval in the core box by the geologist and the other two ticket stubs are placed in the sample bag by the sampler. The sample books are archived in the core shack. A minimum of 10 samples are placed in a large sack and secured by a tamper proof seal. The sample number series within the sack are marked on the outside. A transmittal form is then completed, which identifies the batch number, the serial numbers of the seals and the corresponding sample number series, and delivered to the preparation laboratory by a Cozamin representative (Table 11-1).

Drill core containing intercepts of the Mala Noche Vein and Mala Noche Footwall structure is stored in a secured warehouse near the core shack. Waste hangingwall and footwall drill core is stored within the mine on Level 8 to conserve space in the warehouse. Access to the warehouse is controlled by the Geology department.

11.1.4 Drill Core Sample Preparation and Analysis

Since 2005, Cozamin has sent diamond drillhole samples to multiple accredited laboratories for sample preparation and analysis, as well as for participation in round-robin analysis of samples for use as reference material standards (Table 11-1). These laboratories include Bureau Veritas Inspectorate ("Inspectorate", known previously as BSI Inspectorate), ALS Geochemistry ("ALS"), SGS Canada Inc. ("SGS"), Mineral Environments Laboratories Ltd (commonly known as "Assayers Canada", which was acquired by SGS in 2010), Activation Laboratories Ltd. ("Actlabs"), and Acme Analytical Laboratories Ltd. (acquired by Bureau Veritas in 2012). In 2010, Cozamin sent samples from one drillhole (CG-10-S151) to Eco Tech Laboratory Ltd. ("Eco Tech", which was acquired by ALS in 2012).

Until December 2013, Capstone has utilized a secondary laboratory to analyse field and pulp duplicate samples. Capstone then changed this procedure to analyze the duplicate samples at the same principal laboratory as the original sample to generate a dataset that better represented sampling precision, without additional inter-laboratory variability between the samples.

Table 11-1: Primary and Secondary Laboratories Used for Cozamin Diamond Drillhole Samples

Principal Laboratory	Secondary Laboratory	Drilling Phase	No. Samples
Inspectorate	ALS	I	1,515
ALS	Inspectorate	II	903
SGS	ALS	III	5,854
ALS	SGS	IV and V	2,581
ALS	SGS	VI	6,774
ALS	SGS	VII	6,842
ALS / Eco Tech[1]	SGS	VIII	14,843
ALS	ALS	IX	6,100

Principal Laboratory	Secondary Laboratory	Drilling Phase	No. Samples
Cozamin Laboratory		IX	3,656
ALS	Actlabs	X	1,301
Cozamin Laboratory	Actlabs	X	898

Table Notes:

1. Eco Tech used only for drillhole, GC-10-S151

ALS sample preparation facilities in Hermosillo, Mexico were used until 2009, when ALS opened a new preparation facility in Zacatecas, Mexico in time for the Phase VII 2010 drilling campaign. After preparation, all ALS samples were sent to the Vancouver, Canada laboratory for analysis. The SGS sample preparation facility is located in Durango, Mexico. Samples were then analysed in the SGS Lakefield laboratory located in Toronto, Canada. The Inspectorate facility in Durango, Mexico conducted the sample preparation before analysis at the Inspectorate laboratory in Sparks, Nevada, USA. The Actlabs sample preparation and analysis facility is located in Zacatecas, Mexico. The Eco Tech laboratory facility is located in Kamloops, Canada. Samples remained in the custody of the respective laboratories from arrival at the preparation facility through analysis. Sample preparation and analysis procedures at each of the laboratories utilized by Cozamin are detailed in Table 11-2 and Table 11-3.

Table 11-2: Sample Preparation Details at Laboratories Utilized by Cozamin

Laboratory	Accreditation	Crushing	Pulverizing
Inspectorate	ISO 9002, certificate 37925	Dried, weighed, then crushed to 75% passing 2 mm	250 g subsample split pulverized to 90% passing 75 microns
ALS	ISO 9001:2001 and ISO 17025		
SGS	ISO 9002 and ISO 17025 accredited for Specific Tests SCC No. 456.		
Actlabs	ISO 9001:2008, No. MX-11-182, No. Mx11-183	Dried, weighed, then crushed to 90% passing 2 mm	250 g subsample split pulverized to 95% passing 105 microns
Eco Tech	ISO 9001:2008 by KIWA International (TGA-ZM-13-96-00)	Dried, weighed, then crushed to 70% passing 1.8 mm	250 g subsample split pulverized to 95% passing 104 microns
Cozamin Laboratory	ISO 17025 accredited for specific tests, certificate Q-0383-064/12	Dried, weighed, then crushed to 75% passing 6.4 mm	200 g subsample split pulverized to 100% passing 75 microns

Table 11-3: Sample Digestion and Analysis at Laboratories Utilized by Cozamin

Laboratory	Cu	Zn	Pb	Ag	Au
Inspectorate	Aqua regia digest with AAS finish. Overlimit samples follow the same procedure with the instrument calibrated for ore grades.				Fire assay (30g charge) with AA finish.
ALS	Four acid digest with ICP-AES finish. Overlimit Pb samples use a four acid digestion followed by titration (CON02 method).			Four acid digest with ICP-AES finish, and fire assay (50 g charge) with a gravimetric finish.	Fire assay (50 g charge) with gravimetric finish.
SGS	Four acid digest with ICP-OES finish. Overlimit samples follow the same procedure but with sodium peroxide fusion.			Multi acid digest (2 g charge), with AAS finish. Overlimit samples analyzed using fire assay (50 g charge) with an AA finish.	Fire assay (30 g charge), with AA finish.
Actlabs	Four acid digest with ICP-OES finish. Overlimit samples use an aqua regia digest with ICP-AAS finish.			Four acid digest with ICP-OES finish. Overlimit samples are analyzed using fire assay (30 g charge) with a gravimetric finish.	Fire assay (30 g charge) with an AA finish.
Eco Tech	Aqua regia digest with ICP-AES finish. Overlimit samples undergo an oxidizing digestion in 200 ml phosphoric flasks with final solution in aqua regia solution and an AA finish.				Fire assay (30 g charge), with AA finish.
Cozamin Laboratory	Three acid digest, with ICP-OES finish Overlimit samples follow the same sample digestion procedure, but with an AAS finish.				Fire assay (30 g charge), with AA finish.

11.1.5 Drill Core Quality Assurance and Quality Control (QAQC)

11.1.5.1 Phase I and II Drilling Programs, 2004

In 2004, splits of 24 previously assayed intervals from five drillholes were sent for independent analysis at the Acme laboratory in Vancouver. The analyses from these check samples agreed well with the previously analysed results. No other QAQC samples were submitted during this drilling program.

11.1.5.2 Phase III Drilling Program, 2005

Capstone implemented a formal QAQC program for the 2005 Phase III drilling campaign. Cozamin staff obtained large samples from the dewatered underground workings and made three in-house reference material ("RM") standards (not certified) that had undergone round robin testing at SGS, ALS, Acme, Assayers Canada, and Inspectorate laboratories to determine mean and performance thresholds at two and three standard deviations (Table 11-4).

Table 11-4: Cozamin Reference Materials used in the Phase II and III Drilling Campaigns, 2005-2006

RM	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (ppb)
4759	3.45 ± 0.07	2.78 ± 0.065	0.17 ± 0.01	212.46 ± 47.17	109.4 ± 8.3
4757	1.31 ± 0.03	0.86 ± 0.030	0.03 ± 0.01	60.04 ± 3.73	70.2 ± 4.6
4787	0.55 ± 0.03	0.68 ± 0.015	0.01 ± 0.007	24.42 ± 1.37	200.3 ± 5.4

Most RM values plotted within two standard deviations of the mean value. There were seven failed samples that were attributed to sample switching. Overall assay accuracy was considered to be acceptable, with no signs of bias.

Duplicate samples comprised a second split of the pulp reject being sent to the SGS laboratory for reanalysis at a rate of approximately 1 in 10 samples. A total of 432 samples for copper, zinc, lead, 388 samples for gold, and 422 samples for silver were analysed over the Phase III campaign. No evidence of bias was detected for silver or lead, but there was a weak positive bias observed in copper at higher grades and a weak negative bias for zinc and gold at higher grades. The magnitudes of the biases were not considered to be significant.

Samples of cement were submitted on a regular basis within the sample stream to identify evidence of cross contamination in the laboratory. A total of 144 blanks were submitted. A few samples had anomalous values of zinc, gold, and silver. In these instances SGS was instructed to reanalyze the samples.

ALS was used as a check laboratory for analysis of 262 pulp samples. No bias between the results of the two laboratories was observed, but significantly lower levels of precision were noted with the ALS results. This was attributed to different analytical procedures followed at the two laboratories.

11.1.5.3 Phase IV and V Drilling Programs, 2006-2007

The QAQC program initiated in 2005 for the Phase III drilling program continued through the Phase IV and V drilling programs (Table 11-5).

Table 11-5: QAQC Program Summary Phase IV and V Drilling Programs, 2006-2007

Control	No. Samples	Insertion Rate (%)	Comments
RM	103	4.0	Acceptable performance for Cu, Ag, Pb and Zn; most sample values plot within 2 standard deviations from the certified mean. Medium grade RM 4757 shows low bias.
Blank	112	4.3	Acceptable performance for Ag, Au, Cu, Pb and Zn. 4 failures for Ag, 1 failure for Cu, 1 failure Au.
Core Duplicate	106	4.1	Good correlation between original sample and core duplicate for Cu, Ag Pb and Zn. Low correlation between original sample and core duplicate for Au.
Pulp Duplicate	106	4.1	Pulp duplicates show very good correlation for Cu, Ag. Pb, Zn and Au.

11.1.5.4 Phase VI Drilling Program, 2008

QAQC continued through 2008 using the same protocols developed in 2005 for Phase III program. Commercially available certified reference materials (CRM) and Cozamin sourced RMs were used during the program. Supplies of the Cozamin sourced material created in 2005 were depleted by the end of 2008 (Table 11-6). In 2006 and 2007, Cozamin created new RM using the remainder of the large samples collected from underground in 2005. The certification process was poorly documented and only partial details of the certification process are available. The performance summary of the Phase VI drilling program QC samples is in Table 11-6.

Table 11-6: Reference Materials used in the Phase VI Drilling Program, 2008

Control	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (ppb)	# In UG DDH	# In Surface DDH	Insertion Rate (%)
06-4787	0.68 ± 0.003	0.65 ± 0.062	0.176 ± 0.003	35.38 ± 0.310	-	4	23	0.4
4757	1.31 ± 0.03	0.86 ± 0.030	0.03 ± 0.01	60.04 ± 3.73	70.2 ± 4.6	-	30	0.4
06-4759	1.94 ± 0.003	0.74 ± 0.004	0.144 ± 0.002	115.14 ± 0.32	200.3 ± 5.4	3	9	0.2
4787-a	9.49 ± 0.13	1.05 ± 0.07	0.172 ± 0.002	427.6 ± 3.06	-	-	48	0.7
4757-a	1.18 ± 0.03	3.58 ±0.086	10.6 ±0.086	138.8 ± 3.75	-	-	34	0.5
4759-a	1.27 ±0.05	0.14 ± 0.002	0.04 ±0.006	42.95 ± 2.90	-	-	13	0.2

Control	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (ppb)	# In UG DDH	# In Surface DDH	Insertion Rate (%)
HLLC[1]	1.49 ± 0.06	3.01 ± 0.17	0.29 ± 0.03	65.1 ± 6.7	830 ± 120	5	113	1.7
HLHC[1]	5.07 ± 0.27	2.35 ± 0.11	0.17 ± 0.01	111.0 ± 8.6	1970 ± 220	18	-	0.3
FCM-2[1]	0.756 ± 0.046	1.739 ± 0.104	0.479 ± 0.038	73.9 ± 7.3	1370 ± 120	8	-	0.1
BLANK	0.01% warning limit	0.011% warning limit	0.01% warning limit	5 g/t warning limit	50 ppb warning limit	66	211	4.1

Table Notes:

1. CRM purchased from CDN Resource Laboratories Ltd., Delta, Canada. HLLC and HLHC are High Lake volcanogenic massive sulphide deposit material. FCM is Campo Morado volcanogenic massive sulphide deposit material.

The results of the Phase VI drilling program QAQC results were summarized by Bruce Davis in a memorandum to Capstone (Davis, 2009). He concluded that copper results from certified and in-house RM standards were under proper analytical control. Results from the CRMs for silver, zinc, and lead were under analytical control, but were limited in number. The in-house RMs had not been subjected to homogeneity testing through a proper round robin procedure and were deemed insufficient to serve as controls for gold or silver. In addition, comparisons to ALS results showed there could be significant differences in mean grades determined for silver, zinc, and lead, and therefore may not adequately serve as controls for these elements either. Davis (2009) concluded that the in-house RMs were sufficient for laboratory control of copper grades.

Blank results suggested no contamination in the sample preparation process. No coarse reject duplicates were available to validate the sample preparation process. No pulp duplicates were available to further validate the accuracy of the assays.

From the certified standard control information, Davis (2009) concluded the copper, lead, zinc, and silver assay processes were producing results that could be used for public reporting, resource estimation, and grade control purposes.

11.1.5.5 Phase VII-X Drilling Programs, 2010-2013

Three new RM standards were created in 2010 using MNV material sourced during active mining operations, CGLG2010, CGMG2010, and CGHG2010. Round robin testing at SGS, ALS, Acme, and Assayers Canada was used to determine performance thresholds. In 2012, a new low grade RM, CGLG2012, was created using material from MNV. Performance thresholds were determined after round robin analysis at three laboratories (Cozamin, ALS, and SGS). Typically, RM and blank samples were placed at the start and finish of the mineralized interval within a hole. Approximately two sample intervals per hole were selected to have pulp duplicates prepared, and another two intervals per hole were selected for preparation of core duplicates. Additional quality control samples were inserted into the sequence as deemed necessary, e.g. a blank inserted in the sample sequence after a sample expected to have very high grade to monitor the quality of the sample preparation.

Analytical performance for copper was generally good (Table 11-8). Silver, zinc, and lead results were more inconsistent, with periods of high failure rates. Results are summarized respectively in Table 11-9, Table 11-10, and Table 11-11. Graphical results for copper, silver, zinc, and lead are in Figure 11-1, Figure 11-2, Figure 11-3, and Figure 11-4 respectively. Less consistent results for silver, zinc, and lead suggest the RM standards were not sufficiently homogenized. Sample failures were defined as values greater than three standard deviations from the mean or two (or more) consecutive samples greater than two standard deviations from the mean. Blank performance was mixed, but failed samples were not sufficient in grade to suggest significant cross contamination within samples.

Standards covering low, medium, and high grade ranges were not consistently inserted into the sample stream. The use of LG2012 as the only RM standard between June 2012 and December 2013 did not provide accuracy control in the middle to upper grade ranges for the drillholes completed within this timeframe. Following LGGC's recommendation to provide additional accuracy control on the 2010-2013 DDH data, Capstone initiated a resampling program of pulps and drillcore samples from mineralized intercepts of the San Roberto and MNFW zones. These were submitted to ALS with purchased CRM standards and blank material.

Table 11-7 summarizes the DDH duplicate results for copper, silver and zinc, no bias was observed. Bias in lead values could not be determined; most values were very low grade. Values for copper exceeded the target of 80% or more of the pairs with duplicate values within 20% of the original value. Silver values were very close to the target. Zinc and lead values are below the target threshold, with 67% and 68% of the paired values within 20% of each other, respectively.

Pulp duplicate values for copper, silver and zinc did not show bias. Lead was biased high for values under 0.4% (5-10%) and low for values over 0.4% (5-17%). Values for copper met the target of 90% or more of the pairs with duplicate values within 20% of the original value. Silver, zinc and lead values are below the target threshold, with approximately 80% of the paired values within 20% of each other.

The use of a secondary laboratory to analyze the duplicate samples introduced an additional source of uncertainty due to inter-laboratory variability. This practice was changed in December 2013 and now duplicate samples are submitted to the same laboratory. Cozamin anticipates better precision between original and duplicate samples when duplicate samples are submitted to the original laboratory.

Table 11-7: 2010-2013 Diamond Drillhole Sample Duplicate Performance

Duplicate Type (Years)	Element	Correlation Coefficient	Ranked HARD	Comments
Field (2012-2013)	Copper	0.973	87% within 20%	No bias observed.
	Silver	0.991	78% within 20%	No bias observed.
	Zinc	0.906	67% within 20%	No bias observed.
	Lead	0.922	68% within 20%	Predominately very low grade; cannot determine bias.
Pulp (2012-2013)	Copper	0.987	92% within 20%	No bias observed.
	Silver	0.974	80% within 20%	No bias observed.
	Zinc	0.981	82% within 20%	No bias observed.
	Lead	0.986	81% within 20%	Weak high bias (5-10%) under 0.4% Pb, low bias of values over 0.4% (5-17%).

Table Notes:

1. Ranked HARD = Ranked Half-Absolute Relative Difference. Target values for field duplicates are 80% or more of duplicate values within 20% of original value. Target value for pulp duplicates is 90% or more of duplicate values within 20% of original value.

Table 11-8: 2010 – 2013 DDH Reference Material Standards and Blanks Data - Copper

Laboratory	SRM	Reference Value (%)	Mean (%)	No Samples	Total Failures	Failure Rate (%)
ALS			6.22	84	7	7
CML	CGHG2010	6.16	5.92	9	1	11
Eco Tech			5.81	3	3	100
ALS			2.33	304	5	2
CML	CGMG2010	2.36	2.31	154	12	16
Eco Tech			2.20	4	4	100
ALS			0.12	268	1	0
CML	CGLG2010	0.12	-	0	-	-
Eco Tech			3	0	0	0
ALS	CGLG2012	0.079	0.077	258	1	0
CML			0.079	279	60	22
ALS			0.007	942	138	15
CML	Blank	0.001	0.012	316	129	41
Eco Tech			0.006	10	0	

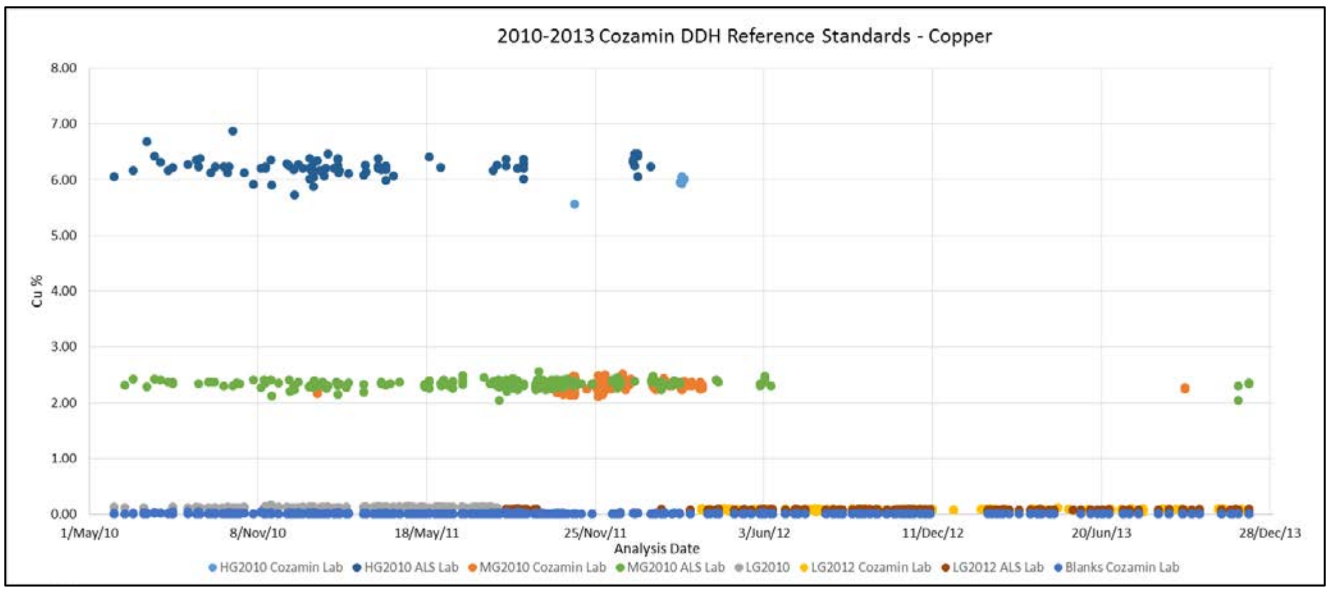

Figure 11-1: 2010 - 2013 DDH Reference Material Standards and Blanks Chart – Copper

Table 11-9: 2010 - 2013 DDH Reference Material Standards and Blanks Data – Silver

Laboratory	SRM	Reference Value (g/t)	Mean (g/t)	No Samples	Total Failures	Failure Rate (%)
ALS	CGHG2010	109	107	85	15	18
CML			108	7	0	0
Eco Tech			114	3	0	0
ALS	CGMG2010	92	88	296	78	26
CML			95	162	34	21
Eco Tech			95	4	0	0
ALS	CGLG2010	4	3	324	11	3
CML			-	-	-	-
Eco Tech			3	3	0	0
ALS	CGLG2012	2	3	201	18	9
CML			2	282	58	21
ALS	Blank	1	2	974	17	2
CML			2	320	13	4
Eco Tech			2	10	1	0

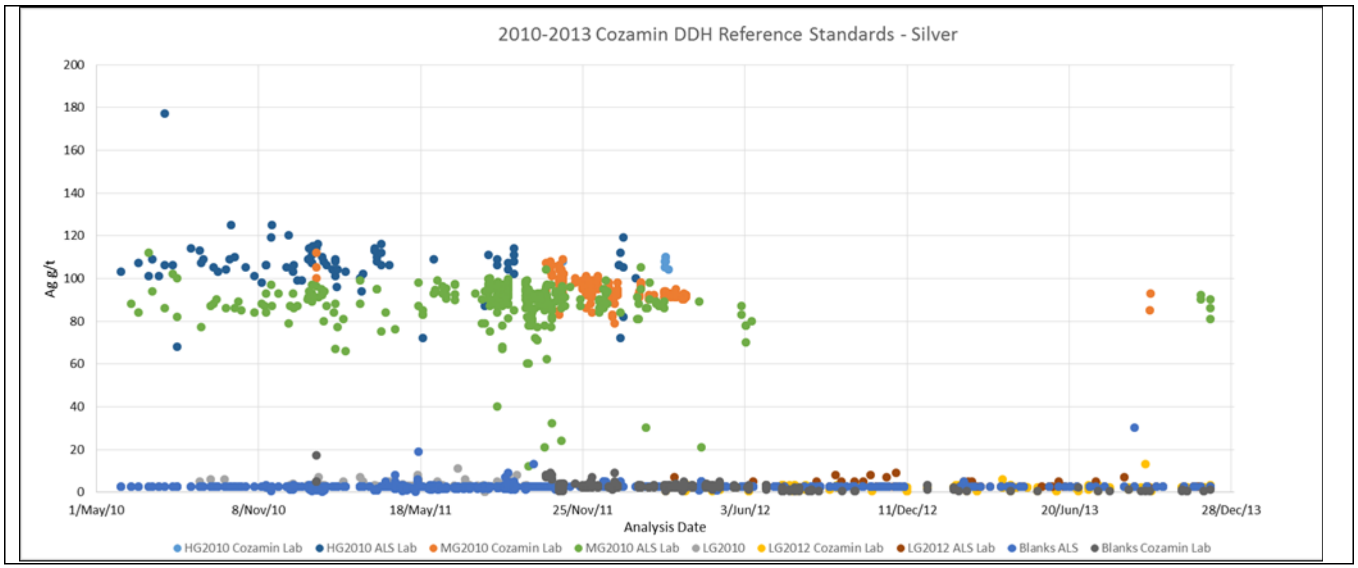

Figure 11-2: 2010 – 2013 DDH Reference Material Standards and Blanks Chart – Silver

Table 11-10: 2010 – 2013 DDH Reference Material Standards and Blanks Data – Zinc

Laboratory	SRM	Reference Value (%)	Mean (%)	No Samples	Total Failures	Failure Rate (%)
ALS	CGHG2010	0.17	0.17	37	9	24
CML			0.15	9	5	36
Eco Tech			0.17	3	0	0
ALS	CGMG2010	1.54	1.59	256	0	0
CML			1.55	162	0	0
Eco Tech			1.85	3	0	0
ALS	CGLG2010	0.13	0.11	258	76	29
CML			-	-	-	-
Eco Tech			0.48	3	1	33
ALS	CGLG2012	0.07	0.07	193	0	0
CML			0.07	278	0	0
ALS	Blank	0.05	0.05	976	584	60
CML			0.05	320	145	45
Eco Tech			0.04	10	2	20

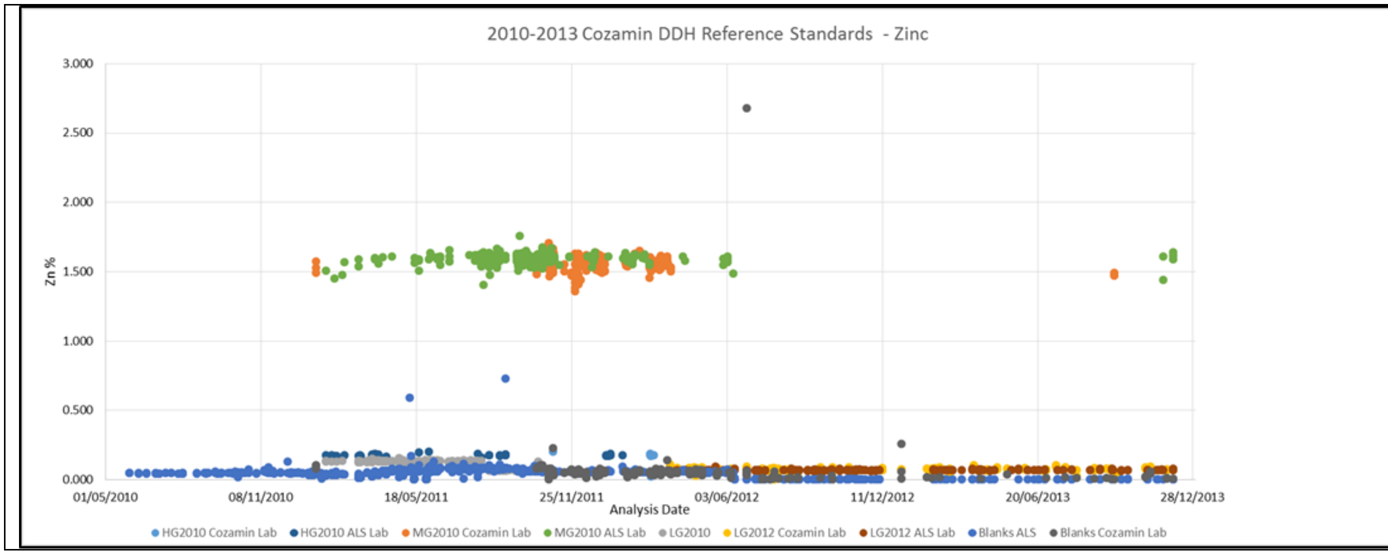

Figure 11-3: 2010 – 2013 DDH Reference Material Standards and Blanks Chart – Zinc

Table 11-11: 2010 – 2013 DDH Reference Material Standards and Blanks Data – Lead

Laboratory	SRM	Reference Value (%)	Mean (%)	No Samples	Total Failures	Failure Rate (%)
ALS	CGHG2010	0.010	0.009	83	0	0
CML			0.017	9	5	56
Eco Tech			0.008	3	0	0
ALS	CGMG2010	0.41	0.41	304	41	13
CML			0.41	162	44	27
Eco Tech			0.43	4	2	50
ALS	CGLG2010	0.002	0.011	324	80	25
CML			-	-	-	-
Eco Tech			0.003	3	0	0
ALS	CGLG2012	0.014	0.010	193	0	0
CML			0.016	280	50	18
ALS	Blank	0.050	0.006	976	26	3
CML			0.009	320	6	2
Eco Tech			0.007	10	0	0

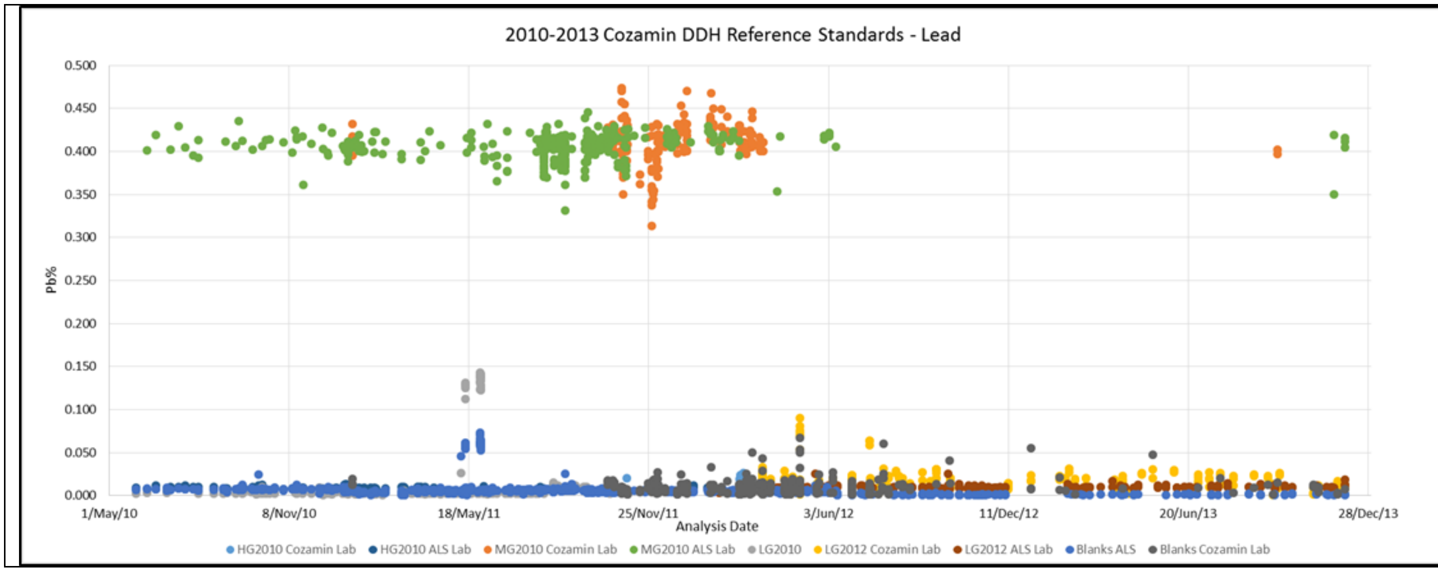

Figure 11-4: 2010 – 2013 DDH Reference Material Standards and Blanks Chart – Lead

11.2 Mine Chip-Channel Samples

11.2.1 Mark Out and Survey Control

The geologist marks out the vein and the mineralized portion of the vein with spray paint on the mining face (or the back) to be sampled. Sample lines and intervals are marked by the geologist with a 4 m line spacing perpendicular to the strike of the vein. Interval lengths vary in order to represent the geology, such as high grade and barren zones within the vein. The start (head) of the sample location is surveyed by the mine surveyor using a total station (TOPCON) instrument. Each channel sample is entered in to the database as a separate entity with a starting location, total length, and bearing direction.

11.2.2 Chip-Channel Sampling

Mine chip-channel samples collected by the sampler along the marked sample line using a chisel and a hammer. These are collected in a bag held below the chisel by the assistant. The sampler focuses their efforts to make the sample as representative of the vein material within the interval as possible; however, a truly representative sample cannot be obtained by this method. Alternatives have been tested to take representative channel samples using a portable rock saw. The process was deemed unworkable with respect to time required for sample collection and impracticalities of scheduling access to air and water required to sample multiple development faces within the mine.

The sample line number and sample interval and rock type (vein or waste) are entered into the sample book. Two sample tickets are placed in the sample bag by the sampler. The sample books are archived at Cozamin.

11.2.3 Chip Channel Sample Preparation and Analysis

The laboratories employed by Cozamin to analyze the mine CCS are listed in Table 11-12. Sample preparation and analysis methods for the mine CCS follow those defined for the diamond drillhole samples (Section 11.1.4)

Table 11-12: Primary and Secondary Laboratories Used for Cozamin Mine Chip-Channel Samples

Principal Laboratory	Secondary Laboratory	Date	No. Samples
SGS	Cozamin Laboratory	Apr 2005 – Apr 2006	1,212
Cozamin Mine Laboratory	SGS	Sep 2006 – Dec 2006	3,688
Cozamin Mine Laboratory	ALS	2007	9,571
Cozamin Mine Laboratory	ALS	2008	10,437
Cozamin Mine Laboratory	ALS	2009	11,009
Cozamin Mine Laboratory	ALS	2010	9,288
Cozamin Mine Laboratory	ALS	2011	6,393
Cozamin Mine Laboratory	ALS	2012	8,218
Cozamin Mine Laboratory	ALS	2013	11,727

11.2.4 Quality Assurance and Quality Control (QAQC)

The Cozamin Mine Laboratory ("CML") is an IS0/IEC 17025:2005 accredited facility for volumetric determination of copper, zinc and lead. The laboratory was brought on-line in 2005-2006 during rehabilitation of the site infrastructure, becoming fully operational by July 2006. In July 2011, CML applied to Entidad Mexicana de Acreditación, a.c. for status as a testing laboratory. Acreditación No. Q-0383-064/12 was issued in August 2012. As well as the accredited volumetric determinations, the laboratory performs ICP-AA and ICP-OES analyses for copper, zinc, lead, silver, and iron, plus analyses for thirty additional elements of economic, scientific, or environmental interest. CML also performs fire assay analyses of gold and silver.

11.2.4.1 2006-2007

Reference material standards and blanks are inserted into the sample sequence approximately 1 every 20 samples, with 2 blanks and 3 RM within every 100 samples. Pulp duplicates are inserted every 20 samples. In May 2014, Cozamin added field duplicate samples at the development heading to obtain better control of sampling precision and local variability.

During 2006-2007, the insertion rates were much lower, as shown in Table 11-13, summarizing the control samples submitted to CML between 2006 and 2007.

Table 11-13: 2006-2007 Chip-Channel Control Samples at the Cozamin Mine Laboratory

Control	Acceptable Range (Mean ± 2 Standard Deviations)				# Inserted CML	Insertion Rate (%)
	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)		
CZ STD 4757-2	1.31 ± 0.06	60.04 ± 7.46	0.86 ± 0.04	0.03 ± 0.02	192	1.4
CZ STD 4787-2	0.66 ± 0.04	35.55 ± 6.7	0.68 ±0.06	0.12 ± 0.01	131	1
CZ STD 4759	0.55 ± 0.03	24.42 ± 2.74	0.65 ± 0.02	0.01 ± 0.02	65	0.5
HLLC[1]	1.49 ± 0.06	65.1 ± 6.7	3.01 ± 0.17	0.29 ± 0.03	29	0.2
HLHC[1]	5.07 ± 0.27	111 ±8.6	2.35 ± 0.11	0.17 ± 0.01	18	0.1
CZ Blank	0.01	5	0.011	0.01	78	0.6
CDN Blank	warning limit	warning limit	warning limit	warning limit	20	0.2

Table Notes:

1. CRM purchased from CDN Resource Laboratories Ltd., Delta, Canada. HLLC and HLHC are High Lake volcanogenic massive sulphide deposit material.

The RMs analyzed by Cozamin generally fell within expected ranges, except for lead, which generally gave values higher than the expected value of the RM. Two CRMs from CDN Laboratories Ltd. ("CDN") in Vancouver, Canada, were purchased in 2007.

Pulp duplicates are summarized in Table 11-14. Duplicates were typically biased high for copper, 5-10%, and high grade lead values, 10-20%. Bias was not observed in zinc. Some low bias was observed in silver values; 3-5% lower in the duplicate value from 150-240 g/t and 10-20% lower over 320 g/t. Values for copper, silver, zinc and lead did not meet the target of 90% or more of the pairs with duplicate values within 20% of the original value. Recommendations from the October 2013 audit include taking larger CCS samples, approximately 2 kg in size, to reduce sample variability and improve sample representivity. Cozamin anticipates better precision between original and duplicate samples after increasing the sample size.

The use of a secondary laboratory to analyze the duplicate chip-channel sample introduced an additional source of uncertainty due to inter-laboratory variability. As of December 2013, duplicate samples are submitted to the same laboratory as the original samples.

Table 11-14: 2006-2007 Chip-Channel Sample Pulp Duplicate Performance

Duplicate Type	Element	Correlation Co-efficient	Ranked HARD	Bias Comments
PD	Copper	0.931	82% within 20%	Duplicate is biased high, 5-10%.
PD	Silver	0.906	78% within 20%	Duplicate is biased low by 3-5% between approximately 150 to 240 g/t, and biased low 10-15% over 320 g/t.
PD	Zinc	0.831	71% within 20%	Bias not shown.
PD	Lead	0.915	62% within 20%	Bias not observed for most values. However, high bias, 10-20%, is seen for values over 3.3% (based on few data points).

Table Notes:

1. Ranked HARD = Ranked Half-Absolute Relative Difference; target values are 90% or more of duplicate values within 20% of the original value.

11.2.4.2 2008-2009

RMs and blanks should be inserted into the sample sequence approximately 1 every 20 samples, with pulp duplicates every 20 samples. Review of the insertion rate shows while blanks were inserted every 20 samples, RM were inserted approximately every 40 samples. Table 11-15 summarizes the control samples submitted to CML during 2008 and 2009.

Table 11-15: 2008-2009 Chip-Channel Control Samples at the Cozamin Mine Laboratory

Control	Acceptable Range (Mean ± 2 Standard Deviations)				No. Samples	Insertion Rate (%)
	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)		
07-VLG	0.358 ± 0.018	14.9 ± 0.7	0.52 ± 0.03	0.19 ± 0.01	24	0.1
Jul-87	0.66 ± 0.04	38.5 ± 2.9	0.68 ± 0.06	0.12 ± 0.018	40	0.2
FMC-2[1]	0.756 ± 0.046	73.9 ± 7.3	1.739 ±0.104	0.479 ± 0.038	34	0.2
LG07	1.36 ± 0.03	343.8 ± 9.4	3.429 ± 0.095	1.542 ± 0.07	109	0.5
HLLC[1]	1.49 ± 0.06	65.1 ± 6.7	3.01 ± 0.17	0.29 ± 0.03	27	0.1
Jul-59	1.90 ± 0.08	123.1 ± 8.9	0.83 ± 0.07	0.046 ± 0.008	3	0.01
Jul-57	4.28 ±0.26	283.9 ± 24.7	5.83 ± 0.47	0.080 ± 0.002	36	0.2

Control	Acceptable Range (Mean ± 2 Standard Deviations)				No. Samples	Insertion Rate (%)
	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)		
MG07	4.63 ± 0.19	229.1 ± 8.8	0.204 ± 0.008	1.014 ± 0.044	121	0.6
HLHC[1]	5.07 ± 0.27	111 ±8.6	2.35 ± 0.11	0.17 ± 0.01	32	0.1
HG07	8.28 ± 0.17	162.6 ± 4.2	0.35 ±0.007	0.0483 ± 0.003	137	0.6
BLANK	0.01% fail limit	5 g/t fail limit	0.011% fail limit	0.011% fail limit	127	5

Table Notes:

1. CRM purchased from CDN Resource Laboratories Ltd., Delta, Canada. HLLC and HLHC are High Lake volcanogenic massive sulphide deposit material. FCM is Campo Morado volcanogenic massive sulphide deposit material.

The discussion of the performance of CRMs and in-house RM standards, which is summarized in the memorandum by Davis (2009) in Section 11.1.5.4 also applies to the mine chip channel data in this section.

11.2.4.3 2010-2013

Table 11-16, Table 11-17, Table 11-18, and Table 11-19 summarize the control samples submitted to the Cozamin mine laboratory during 2010-2013 for copper, silver, zinc, and lead respectively. Performance of the quality control sample results of for copper, silver, zinc, and lead are presented graphically in Figure 11-5, Figure 11-6, Figure 11-7, and Figure 11-8 respectively. The results from the laboratory show high failure rates from the RM standards across all elements and that minor issues such as sample switches have not been addressed. Similar to the DDH samples, the RM standards are not certified and likely have not been sufficiently homogenized prior to round robin analysis. Insertion of RM standards across low, medium, and high grade ranges has not been consistent for copper and zinc. Capstone has purchased CRM standards for use with mine chip-channel samples to better control laboratory accuracy.

Blank performance was mixed. There were high failure rates for all elements, but significant levels of cross contamination that would materially negatively impact grade estimation have not been identified.

Table 11-16: 2010 – 2013 CCS Reference Material Standards and Blanks Data – Copper

Laboratory	SRM	Reference Value (%)	Mean (%)	No. Samples	Total Failures	Failure Rate (%)
CML	HG2007	0.35	0.35	245	203	83
	HG2010	0.17	0.18	57	34	60
	MG2007	0.20	0.27	339	244	72
	MG2010	1.54	1.56	33	14	42
	LG2007	3.43	3.47	72	32	44
	LG2012	0.07	0.07	30	24	80
	Blanks	0.01	0.04	680	200	29

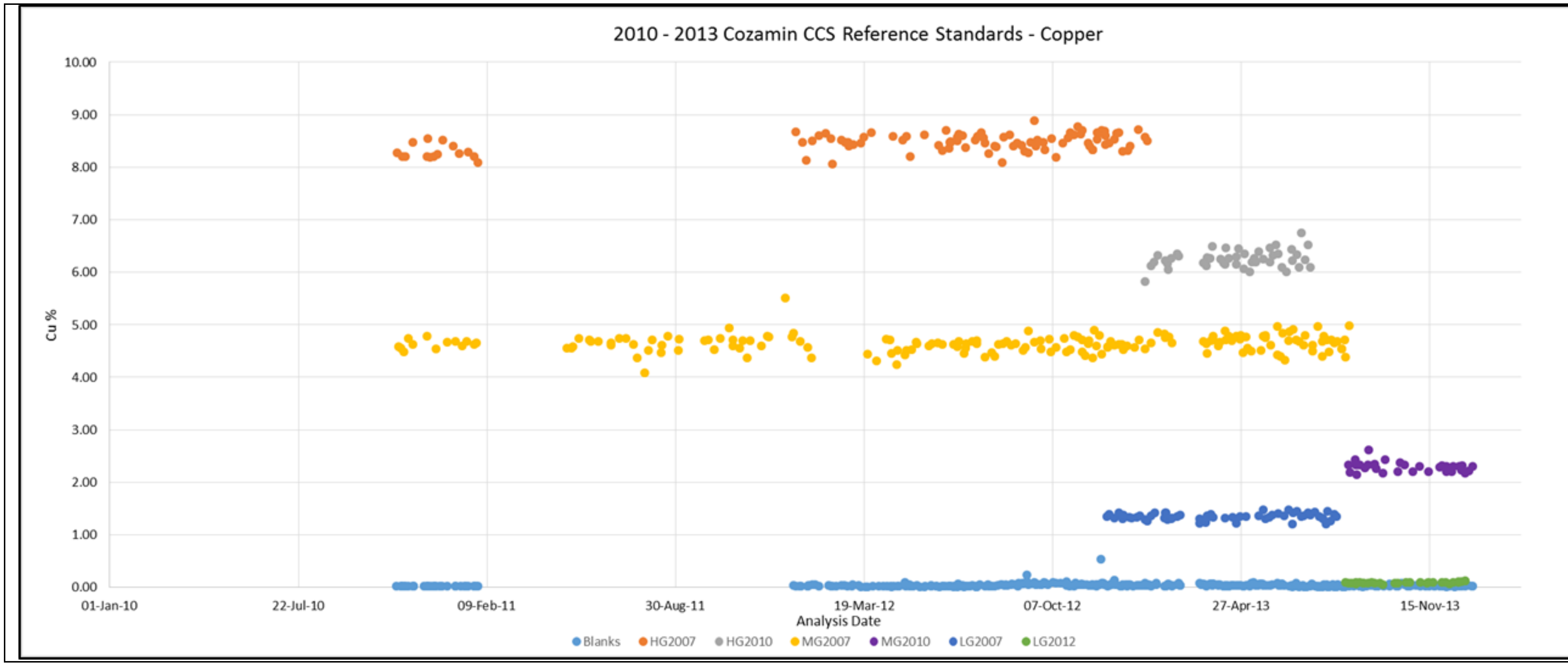

Figure 11-5: 2010 – 2013 CCS Reference Material Standards and Blanks Chart – Copper

Table 11-17: 2010 – 2013 CCS Reference Material Standards and Blanks Data – Silver

Laboratory	SRM	Reference Value (%)	Mean (%)	No. Samples	Total Failures	Failure Rate (%)
CML	HG2007	163	154	244	187	77
	HG2010	109	108	61	3	5
	MG2007	229	205	289	198	69
	MG2010	92	91	33	4	12
	LG2007	344	339	72	39	54
	VLG2007	15	16	209	142	68
	LG2012	2.5	2	30	11	37
	Blanks	1	2	688	15	35

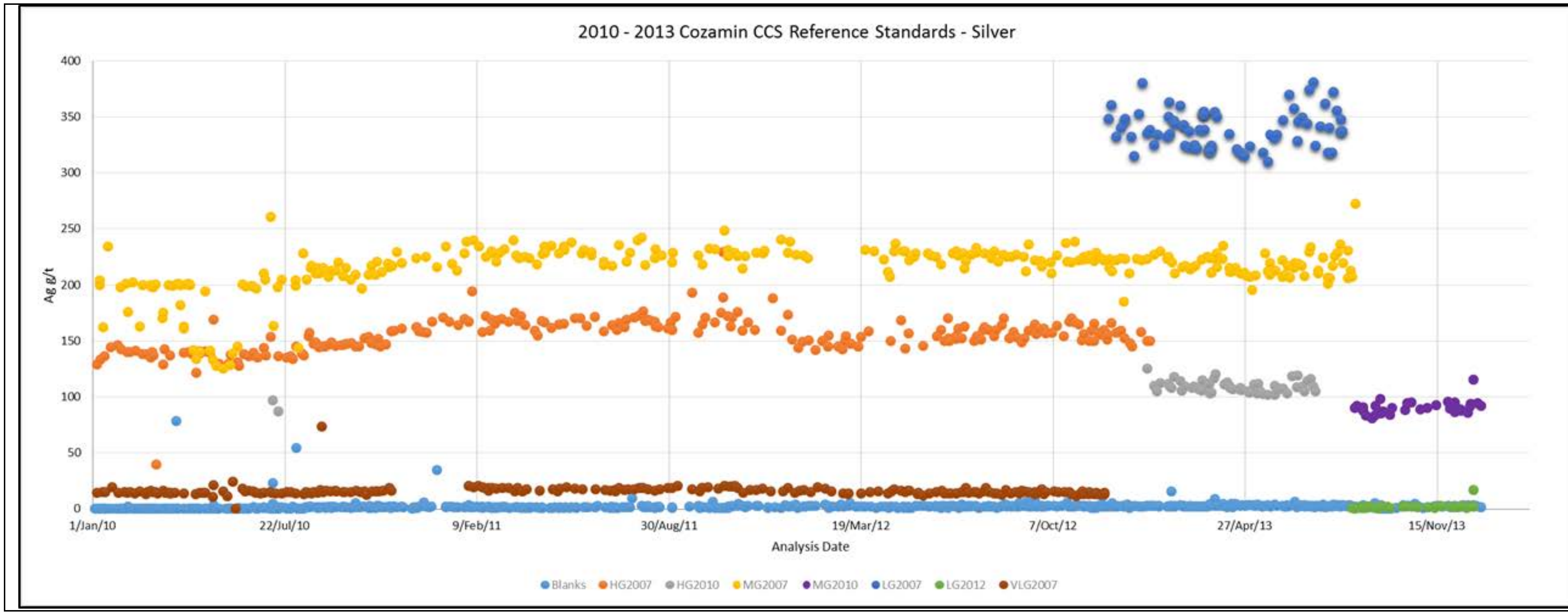

Figure 11-6: 2010 – 2013 CCS Reference Material Standards and Blanks Chart – Silver

Table 11-18: 2010 – 2013 CCS Reference Material Standards and Blanks Data – Zinc

Laboratory	SRM	Reference Value (%)	Mean (%)	No. Samples	Total Failures	Failure Rate (%)
CML	HG2007	163	154	244	187	77
	HG2010	109	108	61	3	5
	MG2007	229	205	289	198	69
	MG2010	92	91	33	4	12
	LG2007	344	339	72	39	54
	VLG2007	15	16	209	142	68
	LG2012	2.5	2	30	11	37
	Blanks	1	2	688	15	35

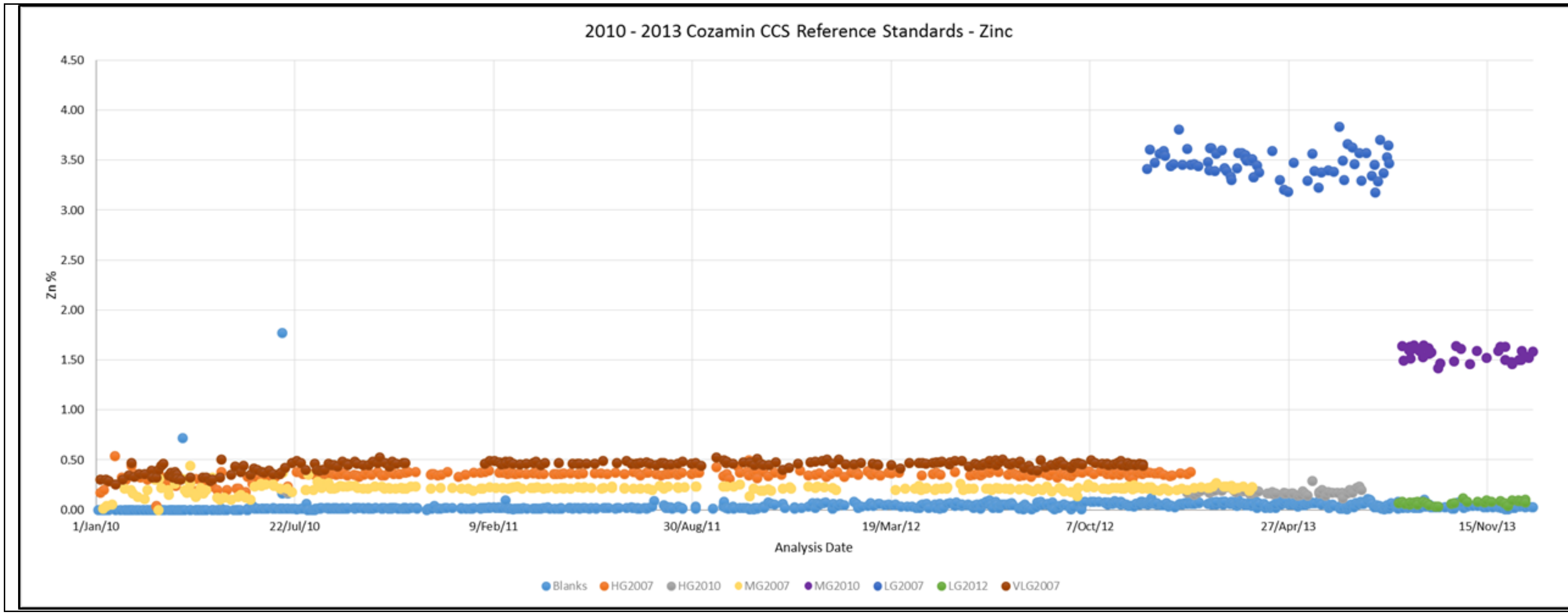

Figure 11-7: 2010 – 2013 CCS Reference Material Standards and Blanks Chart – Zinc

Table 11-19: 2010 – 2013 CCS Reference Material Standards and Blanks Data – Lead

Laboratory	SRM	Reference Value (%)	Mean (%)	No. Samples	Total Failures	Failure Rate (%)
CML	HG2007	0.05	0.06	245	238	97
	HG2010	0.01	0.02	61	61	100
	MG2007	1.01	0.89	340	89	26
	MG2010	0.41	0.42	33	4	12
	LG2007	1.54	1.53	72	17	24
	VLG2007	0.19	0.20	209	102	49
	LG2012	0.14	0.02	30	5	17
	Blanks	0.001	0.02	688	5	1

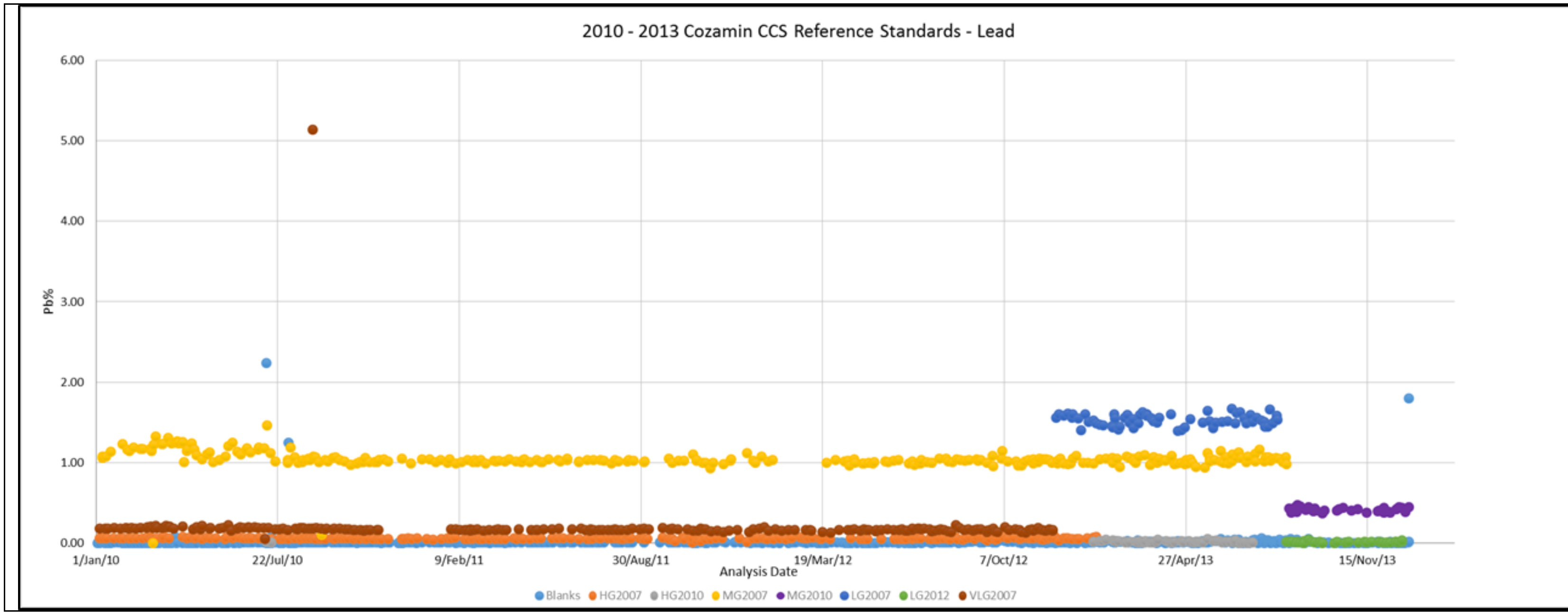

Figure 11-8: 2010 – 2013 CCS Reference Material Standards and Blanks Chart – Lead

Pulp duplicates (the duplicate sample was analysed at ALS) are summarized in Table 11-20. They were typically biased high for copper, zinc and lead between 10-20%. Silver values did not show bias. Values for copper were close to the target of 90% or more of the pairs with duplicate values within 20% of the original values, while zinc values performed fairly and silver values were well below the target. Lead values performed poorly. Following the recommendations from the audit completed in October at Cozamin, larger CCS samples, approximately 2kg, are being taken to reduce sample variability. Cozamin anticipates better precision between original and duplicate samples after increasing the sample size.

The use of a secondary laboratory, ALS, to analyze the duplicate chip-channel sample originally analyzed at the CML introduced an additional source of uncertainty due to inter-laboratory variability. This practice was changed in December 2013 to submit duplicate samples to the same laboratory.

To provide additional understanding of sampling practices, Cozamin began taking field duplicate samples at the underground development heading in May 2014 at rate of 1 in 20 samples. Pulp duplicates are still inserted into the sample stream at a rate of 1 in 20 samples.

Table 11-20: 2010-2013 Chip-Channel Sample Pulp Duplicate Performance

Element	Correlation Co-efficient	Ranked HARD	Comments
Copper	0.954	87% within 20%	Duplicate is biased slightly high.
Silver	0.945	74% within 20%	Bias not indicated.
Zinc	0.927	82% within 20%	Duplicate shows concentrations of high bias, at approximately 10-20%, through population
Lead	0.945	54% within 20%	Duplicate biased roughly 20% higher in 0.25 – 0.70% Pb range

Table Notes:

1. Ranked HARD = Ranked Half-Absolute Relative Difference; target values are 90% or more of duplicate values within 20% of the original value.

11.3 Reanalysis of DDH Pulp Samples

Figure 11-9 illustrates the locations of drillholes containing core and pulp samples that have been received from the laboratory. Capstone reassayed all available DDH pulp samples (1,491 samples) to establish stronger controls on sample accuracy and precision. The results showed that copper values reproduced well, with 90% of the samples within 5.2% of original result (Table 11-21). The zinc and lead results performed well, while gold and silver analyses showed more variability.

Table 11-21: Comparison of Drillcore Pulp Reanalyses to Original Sample Values

Element	Correlation Coefficient	Ranked HARD	Comments
Copper	0.995	96% within 10%	Not biased below 14% Cu (low bias 5-20% above 14% Cu, based on very few data points).

Gold	0.817	20% within 10%	Bias not shown. Values typically perform well over 0.4 g/t Au.
Silver	0.976	70% within 10%	Bias not shown.
Zinc	0.963	89% within 10%	Lower grade values below 2.75% Zn are well distributed. Low bias for values between 2.75-8% (3-7%). Overall high bias over 8% Zn, typically 4-8%.
Lead	1.00	70% within 10%	Bias not shown.

Note: Ranked HARD = Ranked Half-Absolute Relative Difference; target values are 90% or more of duplicate values within 10% of the original value (for pulp duplicates submitted to the same laboratory)

CRM standards and blanks have performed well for copper, lead, and zinc. Silver and gold results performed well for two standards, but showed higher failure rates in the other two standards. All CRM failures have been identified for reanalysis. Taking into account the increased variability of the silver and gold results, the analysis method used for these elements will be reviewed. The results of the pulp reanalysis have been positive and provide good QAQC support to samples in these drillholes. Capstone is awaiting the results from the remaining drillcore samples.

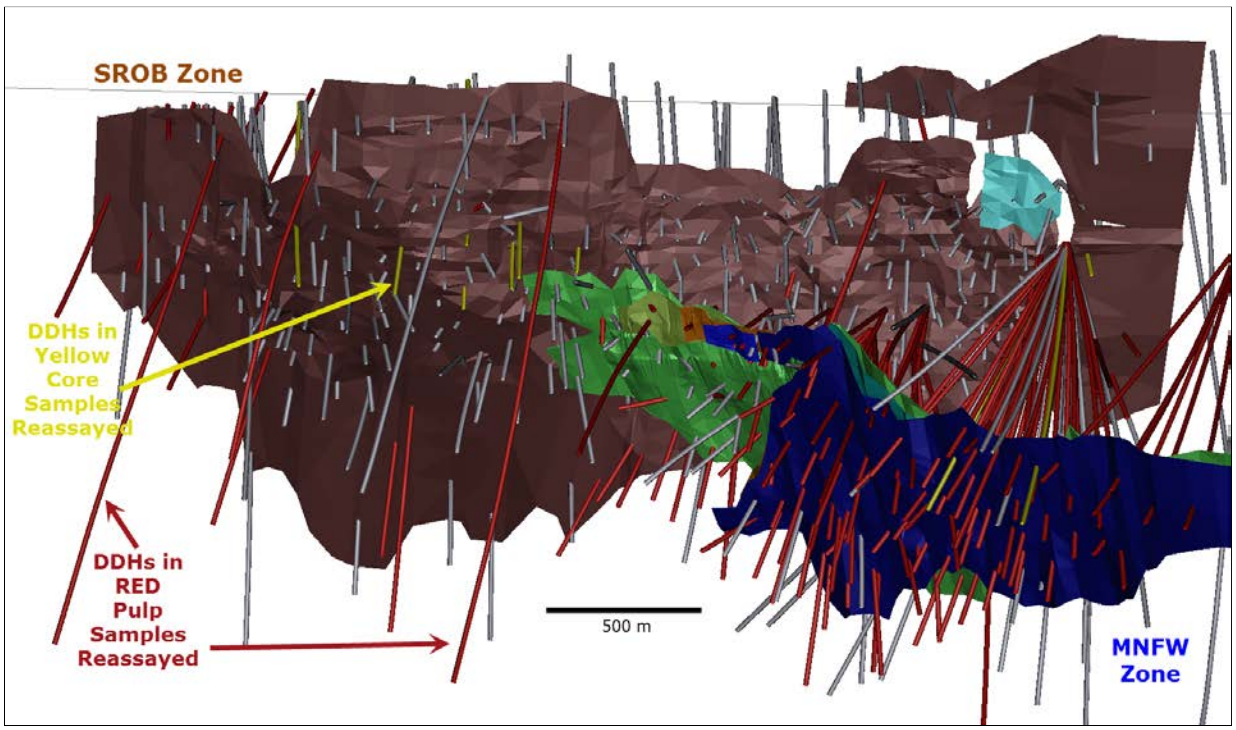

Figure 11-9: Isometric View of Drillholes Containing Core (yellow) and Pulp (red) Samples Received from the Laboratory

11.4 DDH and CCS QAQC Conclusions

The Cozamin QAQC program has not been effectively or consistently implemented since 2010. Non-certified reference material standards have been used to control sample accuracy, which have impacted Cozamin's ability to properly assess laboratory performance. No action was taken to address sample failures. Cozamin has since acted by purchasing CRM standards and re-assaying available sample pulps and drillcore to establish proper quality control on these samples. In addition, Cozamin has initiated a process of updating its QAQC procedures that will include real-time monitoring of QC data, set rules for sample failures and sample batch reanalysis, and regular monthly reporting of laboratory performance. Additional work will be undertaken to improve precision levels.

11.5 Bulk Density

11.5.1 Bulk Density Sampling Method and Procedure

Capstone collects bulk density measurements from each drillhole, including samples from mineralized and non-mineralized intercepts. All drillcore pieces greater than 10 cm in length within an assay sample interval are selected from the core box and labelled to retain their order. Bulk density measurements are taken of consecutive assay intervals through mineralized zones. In waste zones measurements are less frequent, comprising a 2 m sample approximately every 20-50 metres down the hole. Core pieces are placed on a top loading balance and weighed. Capstone uses the weight-in-air weight-in-water technique to determine the bulk density of the drillcore (Equation 11-1).

Equation 11-1:

$$\boldsymbol{Bulk\ Density = \frac{weight\ in\ air}{volume\ of\ water\ displacement}}$$

A 2,000 mL plastic graduated cylinder is filled with water to the 2,000 mL graduation line and weighed. The cylinder is then emptied and filled with the drillcore pieces from the sample interval. Water is poured into the cylinder containing the core to the 2,000 mL mark and then weighed. The volume of the displaced water is then divided by the weight in air to determine the bulk density (g/cm^3). Data are recorded into a Microsoft Excel® speadsheet, along with the drillhole name, from, to, and rock type information.

In 2009, Cozamin's bulk density dataset comprised 4,045 measurements, plus an additional 857 repeat samples to test the method precision. Three anomalous values were removed from the database due to suspected typographic entry errors of the sample weights. The bulk density ranges in the database were between 1.51 g/cm^3 to 6.37 g/cm^3, with a mean of 2.83 g/cm^3. There were density values from 135 of the 365 drillholes in the database at the time, and their spatial distribution was considered to be reasonably extensive throughout areas of potential economic interest.

As of December 31, 2013, there are 15,305 bulk density measurements from most drillholes on the property. Widely varying values obtained between 2009 and 2012, from 0.31 g/cm^3 to 9.02 g/cm^3, led to the recommendation by LGGC in early 2013 to reanalyse the extreme values as well as others in the dataset as a quality control check. A total of 2,354 bulk density values were reanalysed during 2013. The extreme high and low values were replaced with results that fell within expected bulk density ranges database.

11.5.2 Bulk Density QAQC

In November 2013 Cozamin implemented a QAQC program for its bulk density determinations. This included the use of an aluminum cylinder, approximately 20 cm in length with a known bulk density of 2.7 g/cm^3, to act as a reference standard for the measurement method. Measurements of the aluminum cylinder are taken at a rate of 1 in 25 measurements of drillcore. Values of 30 aluminum cylinder measurements ranged from 2.53-2.67 g/cm^3, with an average of 2.60 g/cm^3. This represents an average underestimation bias of approximately 4%.

Plastic graduated cylinders are easily scratched internally during placement of the core into the cylinder. This causes them to flex and likely decreases their volumetric accuracy. Additional measurements of the aluminum cylinder will continue to be obtained to generate a larger dataset to assess the accuracy of the method. Capstone may decide to refine the current bulk density methodology if the bias persists or worsens.

Repeat measurements are taken to provide an understanding of the precision of the method. Capstone selected vein intercepts from drillholes in the San Roberto, MNFW, and San Rafael zones for reanalysis. Repeat measurements from the drillholes showed good levels of precision, with 90% of the sample pairs measuring within 4.6% of each other (from the Ranked HARD plot). The duplicate samples exhibited a weak low bias of approximately 5% in comparison to the original results.

The results of the QAQC samples indicate the bulk density dataset is of sufficient quality for use in mineral resources and mineral reserves estimation; however, Cozamin should expect to attribute variability, on the order of about 5% observed between predicted and mined tonnage, to the uncertainty in the bulk density of the rock. The QC datasets will be continuously monitored and improvements to the methodology will be made to increase accuracy and precision if necessary.

12 Data Verification

In November 2013, Capstone reviewed the assay values in the diamond drillhole database, which are stored within Microsoft Excel® files. Data entry errors were identified and corrected. Errors included inconsistent treatment of values below the analytical detection limit, conversion errors, and translation errors due to improper copying and pasting of data into cells. This last type of error caused groups of assays to be translated in the assay table, generally downward by one sample interval.

In April 2014, Capstone undertook an audit of 8% of randomly selected assays stored in the drillhole database against the ALS laboratory issued certificates for accuracy. An error rate of 7.8% was found, which was much greater than accepted industry standards of 1%. Ten percent of those errors were from two drillholes, CG-UGIN-46 and CG-11-U292.

After discovery of the high error rate at the end of May 2014, LGGC conducted another check of 10% of the drillhole database, which focused on drillholes situated within the areas of Indicated and Inferred mineral resources (LGGC, 2014a). Collar location data, downhole survey measurements, and assay values were all checked. The check of the assay data found a 2% error rate involving Zn results in the Pb column and data entry errors. A 6.4% error rate was found in the downhole survey data but most errors were in the decimal values or resulted from missing support documentation. No errors were found during the audit of the collar data. As a result of these error rates the drillhole database failed the audit. Following LGGC's recommendation, Capstone initiated a 100% check of the drillhole database collars, downhole surveys, and assays to obtain the overall error rate in the database, which are discussed in Section 12.1.

LGGC also reviewed 5% of the values in the chip-channel sample database (LGGC, 2014a). An error rate of 1% was determined. Capstone also initiated a check of 100% of the values within this database to ensure data integrity. This is further discussed in Section 12.2.

In January 2014 Capstone initiated the process to begin evaluating SQL-based database software packages for purchase in order to no longer be dependent on spreadsheet-driven databases. SQL-databases are considered industry standard since they offer strong validation and data querying capabilities in addition to QAQC reporting functionality. Interoperability with mining software packages will minimize manual data handling processes and further mitigate the risk of errors. After purchase and implementation of the software, the diamond drillhole and chip-channel sample databases will be reconstructed from original assay certificates, followed by a manual validation of 10% of the values to ensure data integrity. Capstone anticipates this process to be completed during Q3 of 2014.

12.1 Diamond Drillhole Database Audit

Following LGGC's recommendation in June 2014, Capstone began a check of 100% of collar, downhole survey, and assay records in the drillhole database. Errors in the collar and survey tables were defined as a difference of more than 1 m between the original record and the value in the database. Results of the checks are summarized in Table 12-1. After completion of the checks, the values in the database will be corrected.

Table 12-1: Results of Collar and Downhole Survey Database Checks against Original Data

Database	Total Records	No. Checked	No. Errors	Error Rate (%)
Collar	597	451	11	2.4
Downhole Survey	4,535	1,819	26	1.4

Identified errors in the diamond drillhole database were divided into two categories. Those deemed to be significant comprised values that had been incorrectly transferred from the assay certificate into the database. These included translation errors, which are defined as the incorrect transfer of a group of samples from the assay certificate to the corresponding sample number in the database. The group of samples would be shifted in the database by one sample number, meaning they would correspond to the sample interval below the correct interval. An error would be counted for each sample value that had been incorrectly transferred from the certificate to the database in this manner (Table 12-2). Other types of errors considered to be significant included incorrect conversion of units (e.g., ppm to percent, ppb to ppm, etc.) and transfers of data to the incorrect element column (e.g., zinc values within the lead column).

The other error category comprised errors resulting from rounding and truncation of values. In addition, treatment of below detection limit values was found to be inconsistent throughout the database. That is, one half of the detection limit was not always applied to below detection limit values. These errors were not considered significant and although they were tracked, they did not contribute to the overall database error rate (Table 12-2).

Table 12-2: Results of Diamond Drillhole Assay Database Check Against Laboratory Certificates

Total Records	No. Checked	No. Errors[1]	Error Rate (%)
42,619	39,218	1,350	3.4

Table Note:

1. Errors identified due to inconsistent treatment of below detection limit values, rounding, and truncation of decimals within the database were not considered to be significant and were not counted towards the error rate.

The error rate after checking 92% of assay values within the database was found to be 3.4%. Upon completion of the audit, Capstone will correct all identified errors in the database.

12.2 Chip-Channel Database Audit

LGGC completed a 5% check on the CCS assay database. This check was undertaken to ensure the error rate observed in the DDH data that supports the Indicated mineral resources, was not repeated in the CCS database. LGGC checked 2,742 CCS (5% of 54,665) assay intervals and found 28 errors resulting in a

1% error rate in the database. Copy and paste errors as well as sample number mix-ups were the primary cause of the errors.

LGGC concluded the chip-channel sample database was acceptable to support the March 2014 resource estimation, but found a sufficient number of errors to advise Capstone to complete a full database audit and rebuild. Following LGGC's recommendation, Capstone completed the full database audit in July 2014, which is summarized in Table 12-3. Capstone has corrected all identified errors in the database.

Table 12-3: Results of Diamond Drillhole Assay Database Check Against Laboratory Certificates

Total Records	No. Checked	No. Errors	Error Rate (%)
54,667	54,667	518	0.95

Table Note:

1. All identified errors have been corrected in the database.

12.3 Spatial Data Validation

In November 2013, all Surface drillhole collar locations were checked against the topographic contour surface for accuracy. They were located within 1 to 2 m of the contoured surface. All underground drillhole collar locations were verified against the location of underground development wireframes and were found to be correctly located. Downhole survey measurements are taken approximately every 50-75 m. Capstone reviewed a selection of downhole survey values for deviations in dip of greater than 3 degrees between measurements. Less than one percent of the data were found to be greater than this threshold. Failing values were checked against the paper logs from the drillers where possible and corrected. If these could not be located, suspicious results were excluded from the database.

There are 122 drillholes in the database where mineralized intervals, interpreted to be either the MNV or MNFW structures, do not correlate with the underground mapped information or underground development wireframes. The observed variance between the intervals and underground development is generally between 2-10 m. This may be caused by inaccurate drillhole desurveying within the 3D mining software package due to an insufficient number of downhole survey readings, or by small errors in the collar locations. In these cases the drillhole was excluded from the geological interpretation and from use in mineral resources estimation (Section 14.1.2).

Capstone validated of the locations of chip-channel samples within the underground development wireframes using Geovia GEMS® software. Samples from isolated development headings on 4 levels were located outside of the modelled three-dimensional development wireframes. The development heading had been resurveyed by Cozamin staff, but the locations of the chip-channel samples had not been updated in the database. These errors were fixed and now all chip-channel samples are correctly located within underground development wireframes.

During geological modelling, there were occasional instances where underground mapped geology was not in agreement with the location of surveyed underground development. Most of these discrepancies were located in older workings that have since been mined out. Similar to the chip-channel samples, it is likely the underground development had been resurveyed, but the maps had not been updated to reflect this. Cozamin staff are working to correct remaining discrepancies.

12.4 Summary and Opinion of QPs

LGGC finds the chip-channel sample database acceptable to support the March 2014 resource estimation metal grades. They advised Cozamin to complete a full audit of the project database which has been completed and all errors that were found were corrected.

LGGC finds the diamond drillhole database to be of sufficient quality to support Indicated and Inferred levels of mineral resource classification for the estimate. The high error rates in the downhole survey and assay databases prompted Capstone to undertake an audit of all data which is 92% complete for the assay data as of the effective date of this report. Lower error rates were found after all data was checked. All identified errors will be corrected in the database; therefore classification restrictions placed on the March 2014 resource estimate may be reassessed for the next model update.

Capstone's Manager of Production and Development Geology, Jeremy Vincent, P.Geo., considers the Cozamin diamond drillhole and mine chip-channel sample databases used in the generation of the March 2014 mineral resources model to be adequate for classification of mineral resources in this Technical Report.

13 Mineral Processing and Metallurgical Testing

13.1 Introduction

Ken Major, P.Eng., of KWM Consulting Inc., completed a visit to the Cozamin mill in January 2014. During the site visit Ken reviewed all aspects of the process facility, including the unit operations of the process: crushing, grinding, flotation, concentrate dewatering, concentrate handing, and tailings facilities. Ken also toured the on-site assay and metallurgical laboratory facilities. The Cozamin mine laboratory is ISO 17025:2005 certified for volumetric analysis for copper, zinc, and lead and has completed the independent reviews required to maintain certification. Silver and gold are tested in the mine laboratory but often are sent to independent laboratories for verification. The current processing facilities and equipment, for the most part, are in good repair, maintained and functioning at design capacities.

Production at the Cozamin concentrator began in August of 2006 at a nominal production design rate of 1,000 tpd. In July 2007, nominal production was expanded to 2,200 tpd of ore. Additional plant modifications and refinements have been completed or are under way to improve production throughput, metal recoveries and concentrate grades. In the crushing plant these improvements included replacement of the tertiary crusher to increase throughput and reduce feed size distribution to grinding. Upgrades to the flotation circuit included installation of unit flotation cells to improve the copper flotation circuit, column flotation to improve lead and zinc production, and the additions of concentrate regrind and magnetic separations to remove iron and improve concentrate grades. The Cozamin metallurgical laboratory has been responsible for the continuous metallurgical testing of the Cozamin ore feeding the mill since 2010.

13.2 Metallurgical Testing

13.2.1 Process Mineralogy

Primary minerals of interest are chalcopyrite, sphalerite, galena, and argentite. Deleterious species include pyrite, pyrrhotite, and arsenopyrite. Gangue minerals are primarily, silica, calcite, chlorite, epidote, and minor sericite. Metallurgical studies have determined that the phase of pyrrhotite changes as the deposit gets deeper. This phase change also results in a change in the metallurgical response of the pyrrhotite in the concentrator circuit. Magnetic separators have been incorporated in the flotation cleaner flotation process to remove magnetic pyrrhotite and optimize the concentrate grade. Cozamin metallurgical staff continues to monitor the mineral characterization of the workings in coordination with the geology and planning departments. Cozamin mill and metallurgical personnel determine the appropriate adjustments to reagent type and dosage to maintain and optimize the recovery and concentrate grade for the various ore types.

13.2.2 Metallurgical Testing

Ongoing metallurgical testing is being conducted on-site at the Cozamin metallurgical laboratory. This test work is used to optimize the current process flow sheet to identify equipment and flow sheet modifications, including reagent selection and dosage. The test work methods and analytical procedures used are common to the industry and considered suitable.

Several process improvements have been developed in the Cozamin metallurgical laboratory and implemented in production. These include the following:

- Determination of concentrate regrind requirements;
- Alternative flotation reagents;
- Optimization of process pH;
- Potential for the removal of undesirable iron content to upgrade the zinc concentrate, among others.

The continual change in process mineralogy is being conducted by the metallurgical team at Cozamin.

13.2.3 San Roberto Metallurgical Testing

In 2012, the Geology team provided a representative sample of ore from the San Roberto vein to perform metallurgical testing under Cozamin's standard conditions in the mine laboratory. The head grade of the metallurgical is summarized in Table 13-1.

Table 13-1: Head Grade of Mala Noche Metallurgical Testing

Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Fe (%)
82.9	3.57	0.075	1.93	20.55

Cycle test 827 was performed under Cozamin's standard conditions, which are detailed in Table 13-2.

Table 13-2: Testing parameters of the San Roberto ore (Cycle Test 287)

Stage	Time (min)	pH	Reagents Added g/t						
			P-7583	ZnSO4	3477	cc-1064	cal	separcon	CuSo4
Grinding	10	9.33	75	900			2		
Flash Cell	0.3	9.33/7.9				60		1.9cc	
Primary Cu	3.5		5						
Secondary Cu	1								
Conditioning Zn	10	9.6			5				700
Primary Zn	2	9.6							
Secondary Zn	0.3								
1st cleaner Cu	0.3	8.25		100					
2nd cleaner Cu	2	8.23		50					
3rd cleaner Cu	1	8.31							
1st cleaner Zn	1.3	9.5							
2nd cleaner Zn	1	9.3							
3rd cleaner Zn	0.45	8.28							

The results from the testing indicated that San Roberto ore can be processed in the existing facility with the expectation of exceptional flotation metallurgy. In the locked cycle test a copper concentrate with a grade of 25.73% copper with a copper recovery of 95.6% was produced. Similarly for zinc concentrate, a grade of 50.9% zinc with a recovery of 78.7% was produced.

By utilizing the current conditions in the grinding stage (Separcon P-7583 and lime); the flotation kinetics of chalcopyrite is very fast such that in the first minute of flotation, a copper recovery of 80.6% is achieved. This indicates that operational maintenance and control of the flash cell is critical in maintaining copper recovery. Installation of another parallel flash cell is planned in 2014 to increase operational control and potentially increase copper recoveries.

13.2.4 San Rafael Testing

A 4,000 tonne bulk sample of San Rafael´s ore was tested at the mill in 2009. The focus of the early testwork on San Rafael ore focussed on the productions of zinc and lead concentrates. The copper head grade assays in the San Rafael ore is low in comparison to the current head grade coming from San Roberto and MNFW production stopes and potential production of a Cu concentrate was not evaluated.

Recent testwork completed in 2014 at the Cozamin mine lab focussed on evaluating the potential to recover Cu from a low grade San Rafael ore to a copper Concentrate. The feed sample used for the San Rafael tests assayed 0.25% Cu, 0.71% Pb and 3.88% Zn. The testwork was limited to open circuit testwork. The average results from the tests included in the analysis indicated that it was possible to generate copper, lead and zinc concentrates from San Rafael ore.

Table 13-3 provides a summary of the 2014 San Rafael testwork. The copper and lead recovery and concentrate grades are based on the open circuit results. Closed circuit cleaner flotation testwork has the potential to increase the reported recoveries. The zinc recovery and concentrate grades have been interpreted assuming a 95% recovery of zinc from the rougher concentrate in the cleaner circuit. The open circuit zinc recovery to the zinc rougher flotation concentrate was 88%.

Table 13-3: 2014 San Rafael Met Balance

San Rafael 2014 Met Balance										
	Balance					Recovery				
	Au (g/t)	Ag (g/t)	Pb (%)	Cu (%)	Zn (%)	Au (%)	Ag (%)	Pb (%)	Cu (%)	Zn (%)
Pb Con	3.00	1,620.0	69.30	0.89	3.11	4.70	18.00	65.40	-	-
Cu Con	18.00	1,854.0	0.59	26.06	5.12	16.00	14.00	-	40.60	-
Zn Con	-	114.0	0.29	0.64	50.00	-	-	-	-	84.00
Feed	0.70	60.0	0.71	0.25	3.86	100.00	100.00	100.00	100.00	100.00

Additional San Rafael testwork is required to confirm the metallurgical results and refine the process design criteria that will define the mill flowsheet requirements.

The San Rafael ore has a significantly higher zinc head grade. The zinc cleaner flotation circuit, including transfer pumps, and the zinc dewatering circuit will require modification for processing the San Rafael ore. Similarly, with the lower copper feed grade the existing circuit will need to be evaluated to determine modifications required to the various unit operations to optimize circuit performance. Scheduling of the San Rafael ore to the mill also has the potential to influence the mill flowsheet and circuit performance. An analysis of the flowsheet and equipment should be completed to evaluate synergies between the existing operations and requirements for milling San Rafael ore.

13.2.5 Mala Noche Footwall Zone (MNFW)

Ore from the Cozamin mine is currently blended and processed at the Cozamin mill. The majority of the ore is from the San Roberto vein. The mill began processing MNFW ore in late 2010, and the proportion of MNFW ore in the mill feed has gradually increased up to slightly above 10% of the total. A total of 115,000 tonnes of MNFW ore were processed in 2011 with head grades up to 3.14% Cu. There is no indication that MNFW ore will have a detrimental impact on recoveries when blended with San Roberto ore. A conservative approach was taken with respect to recoveries and concentrate grades associated with the MNFW reserves estimate.

13.3 Metallurgical Recovery

Table 13-4 summarizes metal recoveries in the San Roberto, Mala Noche Foot Wall, and San Rafael zones. Recovery of copper, lead and zinc from the San Roberto and Mala Noche Foot Wall zones has been determined using the historical mill operating results and metallurgical test results. The recovery results are reasonable estimate of recovery for typical Cozamin ore types, although the approach tends to be conservative as noted above for the MNFW zone reserves. Precious metal mill recoveries are based on historic recovery factors.

Table 13-4: Metal Recoveries by Mine Zone

Zone	Cu (%)	Zn (%)	Pb (%)	Ag (%)	Au (%)
San Roberto & MNFW	92	69	64	72	NA
San Rafael	41	84	65	32	21

Limited testwork has been completed on the San Rafael ore. Results from the 2014 open circuit lab tests have been used as the basis for the resource evaluation. Plans are in place to complete additional open circuit and closed circuit testwork on the San Rafael ore.

14 Mineral Resources Estimates

In March 2009, Capstone completed a mineral resources estimate for the San Roberto and San Rafael zones under the supervision of Robert Sim, P.Geo., of Sim Geological Inc. (SGI). The findings from the mineral resources estimate were summarized in a NI 43-101 Technical Report (SRK, 2009). In December 2009, the San Rafael zone was again updated by SGI to reflect additional exploration and infill drilling. No additional exploration or mining activities have since been undertaken in this zone, thus the mineral resources model remains unchanged. The generation of the model by SGI is described in Section 14.2 and reported above a NSR cut-off using Capstone's current NSR formulae. Capstone believes the parameters and methodology used by SGI are sufficient to consider the mineral resources in the San Rafael zone as current for reporting purposes.

The San Roberto and Mala Noche Footwall zones were updated, respectively in November 2012 and February 2013, as two separate mineral resources models by Ali Shahkar, P.Eng., of Lions Gate Geological Consulting Inc. (Shahkar, 2013). After completion of the 2013 drilling campaign, which focused on infilling and delineation of additional resources in the San Roberto and MNFW zones, Capstone commissioned LGGC in January 2014 to combine and update the mineral resources models of these two zones. The data cut-off date was December 31, 2013. Section 14.1 summarizes the details of the March 2014 mineral resources model for the San Roberto and Mala Noche Footwall zones.

14.1 San Roberto and Mala Noche Footwall Zones

LGGC completed Mineral Resource Estimates for the San Roberto and the Mala Noche Footwall zones, using data from surface and underground diamond drillholes and underground chip-channel samples. The March 2014 mineral resource estimates were built using the commercially available three-dimensional block modelling software, Geovia GEMS®.

14.1.1 Diamond Drillhole and Chip-Channel Sample Databases

The databases used for the March 2014 SROB and MNFW resource model updates were provided to LGGC by Capstone with a data cut-off date of December 31, 2013. The diamond drillhole (DDH) database had a total of 597 surface and underground drillholes from the entire Cozamin property (not just within the modelled area). The database for the underground chip-channel samples (CCS) contained 8,512 channel sample lines (stored as pseudo-drillholes within the database).

A review of the database supplied to LGGC by Capstone found the following issue:

- Capstone disclosed to LGGC in late May 2014 that an audit of the 2013 DDH assay database had found an 8% error rate and no audit of the CCS database had been completed.

LGGC then initiated an independent audit of both the DDH and CCS databases used to support the mineral resource estimation (LGGC, 2014a) and found the following:

- LGGC audited 5% of the CCS assay data and found a 1% error rate that included errors in sample numbers and cut and paste errors during data transfers. To support a mineral resource estimation a database should not have an error rate exceeding 1%. With these criteria the database was deemed to be sufficiently free of errors to support the resource estimate.
- LGGC audited 10% of the DDH database and checked the collar, downhole survey and assay data used to support the mineral resource estimate.
  - Check of the assay data found a 2% error rate involving Zn results in the Pb column and data entry errors.
  - Check of the downhole survey data found a 6.4% error rate but most errors were in the decimal values or resulted from missing support documentation.
  - Check of the collar coordinate data found no errors.
- LGGC then audited the QAQC data used to support the mineral resource estimation.
  - QAQC data was stored in 122 different spreadsheets and broken up into annual packets.
  - Duplicate core and pulp samples were sent to a different laboratory than the original samples. For analysis of analytical precision, duplicate samples need to be sent in sequence and to the same laboratory as the original samples.
  - Support documentation is currently not secured and only source for certificates prior to 2010 was old email files stored on a desktop at the mine site.
  - All non-commercial standard reference material samples used to support the CCS and DDH data were not subject to an industry standard round robin analysis to ensure their adequacy to support a QAQC program, nor were they certified by a QP.
  - The CCS samples are currently being analysed at the mine assay lab. Multiple failures were observed in the SRM results supporting the CCS data. No failed batches were sent for reassaying despite some SRM samples failing 50% of the time.
  - The majority of the DDH samples used to support the mineral resource estimate were prepped and analysed at ALS laboratory facilities. LGGC found the same poor performance in the SRM results and no reassay protocols in place for failed batches. LGGC also found that from April 2012 to December 2013, no SRM above detection limit for copper was used to support the copper analysis results for the drillhole data.

Taking all these database and QAQC issues into consideration, LGGC found the data support for the copper analysis to be insufficient to support Measured Mineral Resources and downgraded any blocks previously categorised as Measured into the Indicated Mineral Resources category. Capstone needs to re-establish confidence in the project data, the database and their QAQC program for the classification to be reassessed.

Capstone has already undertaken and completed some of the tasks to remediate the database and the QAQC program, which include the following:

- Initiated a full audit of the DDH and CCS databases. At the time of writing this report Capstone has checked all of the CCS assays, 54,667 samples, against original laboratory certificates and found a 0.95% error rate. Capstone has also checked the DDH database for collar surveys (2.4% error rate), Downhole surveys (1.4% error rate) and assay data (3.4% error rate).

- Capstone has reassayed all available DDH pulp samples (1491 samples) and has found the copper values reproduce well with 90% of the samples within 5.2% of original result. The zinc and lead results did well. Silver and gold showed more variability in the duplicate analyses. The CRM standards inserted along with the pulp samples performed well for copper, zinc, and lead. For silver and gold, they performed well for two standards, but showed more failures for the other two standards. The analytical method used for gold and silver will be reviewed as a part of Capstone's ongoing QAQC program.
- Purchased a structured query language ("SQL") based database software package to store exploration drilling and mine sampling data and to assist with QAQC monitoring and implementation. The DDH and CCS databases will be completely rebuilt during implementation of the software.

Further to these actions, Capstone should also complete the following tasks:

- Complete an independent audit of all sampling, sample preparation, analysis methods, QAQC protocols, data handling, document control, and database security.
- Cozamin Mine Database
    - Rebuild the project database into an SQL-based database system
    - Complete annual audits of the project database.
    - Implement more stringent checks on hand entered data such as sample numbers, coordinate data, downhole survey data and sample interval data.
    - Secure support documentation for all data in the database. Laboratory certificates should be stored on a server at the mine and off site.
- QAQC Program at Cozamin Mine
    - Capstone should purchase sufficient commercial SRMs to cover sample analysis for the following six months minimum. SRMs should be made using mine material that are properly homogenized, subjected to a Round Robin Analysis to a minimum of 10 certified commercial laboratories distributed internationally. Inform the labs that they are analysing standard reference material for certification. Apply statistical analysis of the results from each lab for reliability and eliminate data that are outliers from the dataset. Set limits of acceptability according to industry standards and have a QP issue a certificate that details the support information and limits of acceptability for the SRMs produced.
    - Issue monthly reports with QAQC summaries and an annual summary by a QP.
    - Undertake a study to optimize both the sample prep procedures and the analysis methods for all metals and data types (DDH and CCS).
    - Analysis results for Au and Ag indicate that Fire Assay with a gravimetric finish may not be optimal for the grade levels of these metals at the mine.
    - Reassay 10% of all CCS pulps currently stored at site at an independent laboratory with commercially bought SRM samples.
    - Routinely send 10% of the pulps from the CCS samples to an independent laboratory for check analysis with the support of SRMs.
    - When sampling drillcore, include a core duplicate sample (other half of the core), a coarse reject and a pulp duplicate in every batch of 20 samples sent for analysis.

- When sampling the back or face for chip samples, include a field duplicate sample, a coarse reject and a pulp duplicate in every group of 20 samples.

14.1.2 Geological Modelling

The geological wireframe solids were built from cross-sectional interpretations and reconciled to level plans of underground mapped geology. The modelling lines were snapped to the drillholes where they were in agreement with the locations of the underground chip-channel samples.

There were areas found during the modelling process where the location of the mineralization, as indicated by the diamond drilling, conflicted with the locations of the chip-channel samples and underground development. This issue occurred more frequently in the SROB zone because there is more underground development in this area than the MNFW zone. Where these discrepancies were noted, LGGC gave priority to the chip-channel samples over the diamond drillhole samples.

The veins were modelled as grade shells using copper grades to determine the limits of mineralization above a 0.5% Cu cut-off with local allowances outside of this copper range made based on geology and zinc concentrations.

14.1.2.1 San Roberto Model

A total of 248 diamond drillholes (3,056 assayed intervals) and 6,774 channel sample lines (46,834 assayed intervals) were used for grade estimation in the SROB zone. The vein solids were constructed on sections and reconciled with levels and the interpretation lines where snapped to the DDHs intersections when their locations did not conflict with the CCS data. In the time frame available to LGGC, and given the large number of CCS data available at SROB, it was not possible to snap the wireframes in detail to the CCS samples. This means that the entire length of the channel is used in estimating, not only the mineralized portion. The grade estimation will incorporate lower grade samples from the hangingwall and footwall outside of the vein, which will result in grade underestimation locally. LGGC recommends Cozamin snap the chip-channel samples to the vein contact as a part of the next modelling iteration.

The handling of CCS and DDH data at SROB has been an on-going challenge due to the survey discrepancies mentioned above. Based on LGGC's recommendations there is now a production model in development at Cozamin. The long range resource model is also currently serving as a pseudo-production model. Once the production model has been created, the two sets of data can be separated, with the DDH being used for the long range resource model and the CCS data for the production model.

The interpretation and modelling resulted in 6 wireframes, representing the mineralized vein domains (Figure 14-1). The largest of these is VN02, the main Mala Noche Vein at SROB. A brief description and the volume for each solid are reported in Table 14-1. The total volume of all veins modelled at SROB is 7,000,000 m^3. The SROB vein solids average about 7 m in thickness, have an east-west strike between 100 and 110^o azimuth and dips to the north from 40 to 60^o.

Table 14-1: Mineralized Veins within San Roberto Zone

Domain Name	Description	Volume (m^3)
VN01	Small foot-wall zone to the main VN02	64,000
VN02	Main MNV at SROB	5,678,000
VN03	Hanging-wall splay in the East	200,000
VN04	Secondary sub-parallel in the East	153,000
VN05	Eastern zone with Zn MNZN as at San Rafael	211,000
VN06	Eastern zone with Zn MNZN as at San Rafael	694,000
Total		7,000,000

VN01 to VN04 are copper dominant while VN05 and VN06, the most easterly zones, are more zinc rich. In future estimations VN05 and VN06 should be included within the zinc-rich San Rafael zone.

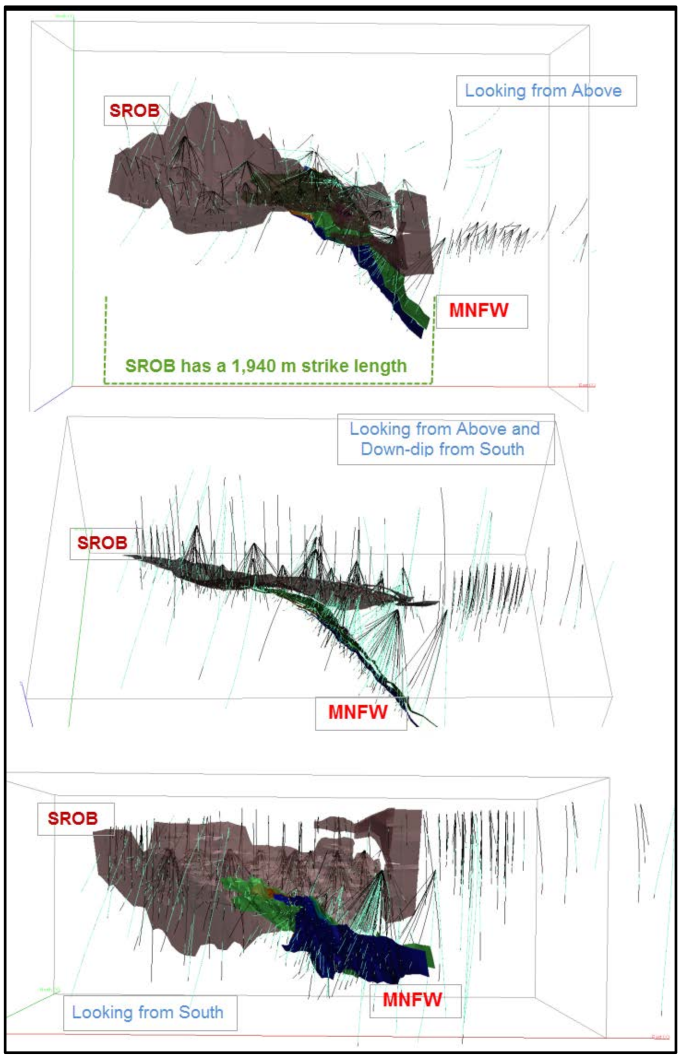

Figure 14-1: Isometric View of Modelled Mala Noche Footwall Vein Solids and San Roberto Vein Solids

San Roberto was subdivided into three structural sub-domains, 100, 200 and 300, representing changes in the general orientation of the MNV (Figure 14-2). The sample data from each domain was studied separately for variography and search ellipse orientations. The structural sub-domains were treated as soft boundaries for grade estimation.

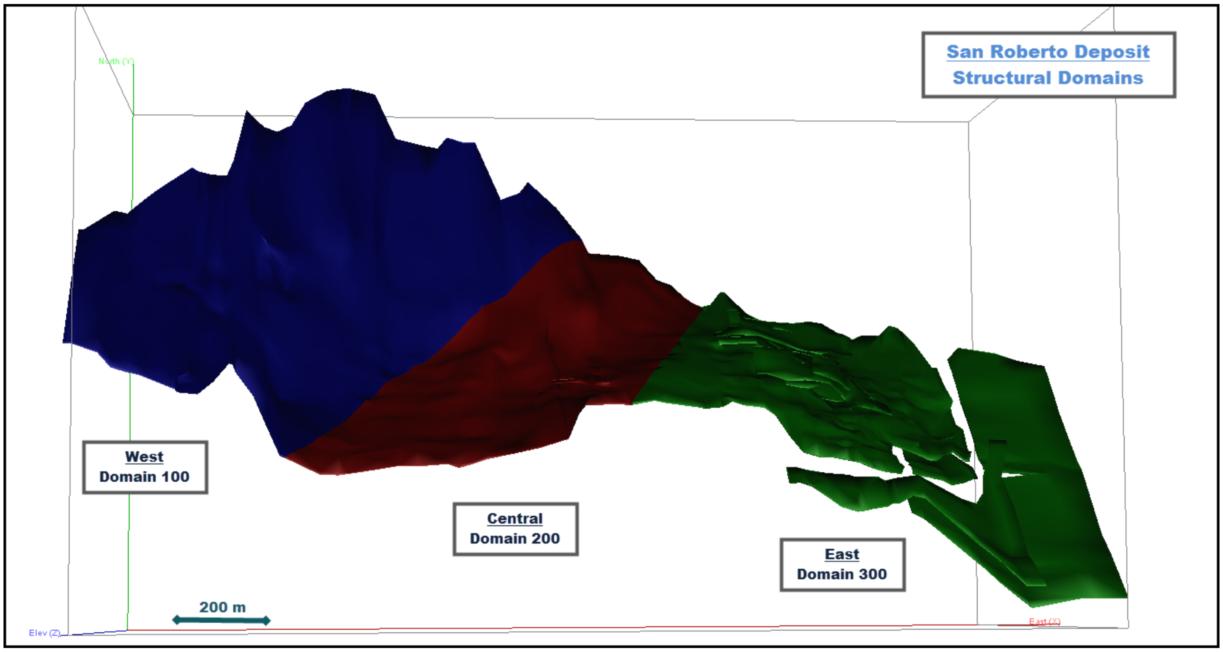

Figure 14-2: San Roberto Structural Sub-Domains, 100, 200 and 300

14.1.2.2 Mala Noche Footwall Model

There were 147 drillholes and 554 channels in the database for MNFW prior to beginning the solid building. All of the data were imported into the project database used in the previous resource estimation in 2013. The models were built on sections using 3D strings that were snapped to both the diamond drillholes and the channel samples.

Table 14-2 includes a list of the eight domains that were modelled at MNFW and the volumes reported for each domain solid. The total volume of all vein solids at MNFW is 3,814,000 m^3.

Table 14-2: Mineralized Domains within Mala Noche Footwall Zone

Domain Name	Description	Volume (m^3)
VN09	Top most zone to the north above the 10 zone	52,000
VN10	2nd largest zone at MNFW	1,616,000
VN11	Intermediate zone between 10 and 20 zones	102,000
VN13	Intermediate zone between 10 and 20 zones	45,000
VN14	Intermediate zone between 10 and 20 zones	22,000
VN15	Intermediate zone between 10 and 20 zones	8,000
VN18	Intermediate zone between 10 and 20 zones	100,000

Domain Name	Description	Volume (m^3)
VN20	Largest zone at MNFW	1,869,000
Total		3,814,000

The MNFW strikes approximately southeast, 137° over its length, but varies between 110° for the western third and 147° for eastern two-thirds of zone. Its measured length is just over 1,450 m (Figure 14-1). The vein solids average about 5 m in thickness.

14.1.3 Data Analysis

LGGC used the modelled three-dimensional solids to tag all assay data for geostatistical analysis and to optimize the interpolation parameters for grade estimation.

14.1.3.1 San Roberto Model

14.1.3.1.1 San Roberto Domain Boundary Analysis

The assay data was analyzed to determine if hard or soft boundaries were best between the mineralized zones. LGGC determined that the grade distributions were sufficiently different between the zones that grade estimation using hard boundaries was warranted. Table 14-3 and Table 14-4 summarize the statistics for the assay data by data type (DDH or CCS) for all metals and for copper grades reported by vein and data type.

Table 14-3: San Roberto Assay Summary Statistics by Metal and Sample Type

Metal	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Ag (g/t)	3,056	57.45	1.58	0.10	6.60	25.0	70.0	1,520.00
Cu (%)	3,056	1.34	1.56	0.00	0.07	0.50	1.59	16.40
Pb (%)	3,056	0.37	5.18	0.00	0.01	0.02	0.07	27.90
Zn (%)	3,056	1.74	1.86	0.00	0.09	0.36	1.90	36.03
CCS								
Ag (g/t)	46,833	72.96	1.31	0.08	13.0	43.0	99.0	2,512.00
Cu (%)	46,833	1.90	1.29	0.00	0.23	0.91	2.56	36.43
Pb (%)	46,833	0.43	3.77	0.00	0.02	0.04	0.13	44.29
Zn (%)	46,833	1.42	1.76	0.00	0.14	0.39	1.58	38.20
DDH and CCS								
Ag (g/t)	49,889	72.30	1.30	0.00	13.0	43.0	98.0	2,512.00
Cu (%)	49,889	1.87	1.29	0.00	0.23	0.89	2.53	36.43
Pb (%)	49,889	0.43	3.78	0.00	0.02	0.04	0.13	44.29
Zn (%)	49,889	1.41	1.76	0.00	0.14	0.39	1.58	38.20

Table 14-4: San Roberto Summary Statistics of Copper Grades Averaged by Zone and Sample Type

Metal and Vein No.	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Cu 01	28	0.56	0.71	0.04	0.35	0.44	0.59	1.76
Cu 02	2,508	1.47	1.47	0.00	0.10	0.61	1.83	16.40
Cu 03	99	1.22	1.58	0.00	0.06	0.28	1.51	10.70
Cu 04	210	1.05	1.76	0.00	0.02	0.18	1.40	12.40
Cu 05 and 06	209	0.11	1.82	0.00	0.01	0.03	0.10	1.64
CCS								
Cu 01	564	0.87	1.10	0.00	0.26	0.57	1.05	6.69
Cu 02	42,227	1.98	1.25	0.00	0.27	0.99	2.71	36.43
Cu 03	2,844	1.33	1.51	0.00	0.11	0.44	1.68	15.71
Cu 04	862	0.77	1.72	0.01	0.06	0.20	0.80	11.30
Cu 05 and 06	336	0.22	1.19	0.00	0.05	0.12	0.31	1.94

14.1.3.1.2 San Roberto Compositing

The mean sample length of the DDH assay intervals was 0.53 m within the mineralized shells. The mean sample length for the CCS samples was 0.71 m. LGGC composited the data into 0.75 m, 1.50 m and 3.00 m sample lengths and reviewed the distribution of the different composite lengths. After reviewing the statistics of the different composite sets and considering the block size and interpolation methods being used, LGGC found the 1.5 m composite length to be the most appropriate for the resource estimation.

Table 14-5 and Table 14-6 respectively summarize the 1.5 m composite summary statistics by data type (DDH or CCS) for all metals and for copper grades reported by vein and data type. Compositing of the raw sample data was validated by statistical analysis and visual inspection on cross-sections and was found to have been completed properly.

Table 14-5: San Roberto Summary Statistics of 1.5m Composite Data by Metal and Sample Type

Metal	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH 1.5 m Composites All Veins								
Ag (g/t)	1,106	51.01	1.32	0.00	8.67	28.26	67.24	774.28
Cu (%)	1,106	1.23	0.33	0.00	0.13	0.62	1.61	10.27
Zn (%)	1,106	1.57	1.58	0.00	0.14	0.61	1.84	17.81
Pb (%)	1,106	0.32	4.02	0.00	0.01	0.03	0.11	19.61
CCS 1.5m Composites All Veins								
Ag (g/t)	23,771	73.37	1.03	0.00	22.00	54.13	100.12	1,251.40
Cu (%)	23,771	1.90	1.07	0.00	0.44	1.20	2.68	36.43
Zn (%)	23,771	1.40	1.38	0.00	0.22	0.65	1.85	30.77
Pb (%)	23,771	0.43	2.87	0.00	0.02	0.05	0.21	21.70

Metal	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH and CCS 1.5 m Composites All Veins								
Ag (g/t)	24,877	72.37	1.04	0.00	21.07	53.00	99.00	1,251.40
Cu (%)	24,877	1.87	1.09	0.00	0.42	1.17	2.63	36.43
Zn (%)	24,877	1.40	1.39	0.00	0.21	0.65	1.85	30.77
Pb (%)	24,877	0.43	2.91	0.00	0.02	0.05	0.21	21.70

Table 14-6: San Roberto Summary Statistics of 1.5 m Composited Copper Grades by Vein and Sample Type

Metal and Vein No.	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH 1.5m Composite – Cu (%) Only								
Cu 1	9	0.570	0.450	0.300	0.400	0.540	0.610	1.140
Cu 2	869	1.390	1.230	0.000	0.220	0.730	1.850	10.270
Cu 3	33	1.240	1.350	0.000	0.090	0.740	1.720	8.500
Cu 4	116	0.780	1.400	0.000	0.020	0.260	1.180	5.130
Cu 5	39	0.007	1.260	0.000	0.010	0.030	0.090	0.430
Cu 6	39	0.150	1.400	0.000	0.010	0.030	0.200	0.970
CCS 1.5m Composite – Cu (%) Only								
Cu 1	311	0.870	0.840	0.020	0.350	0.710	1.110	4.890
Cu 2	21,370	2.000	1.040	0.000	0.490	1.300	2.820	36.430
Cu 3	1,417	1.320	1.220	0.000	0.200	0.710	1.820	10.430
Cu 4	468	0.730	1.320	0.000	0.090	0.340	0.950	8.840
Cu 6	204	0.200	1.130	0.000	0.040	0.120	0.250	1.420
DDH and CCS 1.5m Composite – Cu (%) Only								
Cu 1	320	0.860	0.840	0.020	0.350	0.700	1.100	4.890
Cu 2	22,239	1.980	1.050	0.000	0.480	1.270	2.790	36.430
Cu 3	1,450	1.320	1.230	0.000	0.190	0.710	1.820	10.430
Cu 4	584	0.740	1.340	0.000	0.080	0.340	1.020	8.480
Cu 5 & 6	282	0.170	1.220	0.000	0.020	0.100	0.220	1.420

14.1.3.1.3 San Roberto Evaluation of Outlier Grades

LGGC reviewed the raw sample assay statistics in each domain for outlier grades that might overly influence the domain grades. These were examined for all metals using histograms and cumulative probability plots. The review found a risk does exist with respect to extreme metal grades.

- LGGC used two methods to deal with outlier grades during mineral resources estimation; capping of the assay data prior to compositing and restricting the range of influence of outlier composite grades. Outlier grades at SROB were handled using the strategies in Table 14-7.Capping was used when there were extremely high grades that were not interrelated or were widely distributed in the deposit.

- A high grade limit was determined for the domain and all assays above that were reduced to the high grade limit. A restricted outlier strategy was used when high grade samples were found to be spatially related. In this case, the composites were allowed to influence the block model locally but are not used to the limit of the search ellipse.

Table 14-7: Raw Assay Capping and Restricted Outlier Strategy Applied to SROB Composites

Metal	Zones	Threshold	Ranges (m)
Capping Strategy			
Cu (%)	VN01 to VN04	20	
Zn (%)	VN01 to VN06	30	
Pb (%)	VN01 to VN04	20	
Ag (g/t)	VN01 to VN04	1300	
Restricted Outlier Strategy (VN02, VN05 and VN06 only)			
Cu (%)	VN02	10	40x40x20
Zn (%)	VN02	10	40x40x20
Pb (%)	VN02	10	40x40x20
Ag (g/t)	VN02	600	40x40x20
Cu (%)	VN05 and VN06	1	40x40x20
Zn (%)	VN05 and VN06	10	30x30x20
Pb (%)	VN05 and VN06	3	30x30x20
Ag (g/t)	VN05 and VN06	100	30x30x20

This combination of grade capping and restricted outlier strategies resulted in a difference of less than 1% percent metal loss relative to uncapped data for copper.

14.1.3.1.4 San Roberto Variography

Variography is the study of the spatial variability of an attribute. LGGC uses correlograms instead of traditional semi-variograms, because they are less sensitive to outliers and are normalized to the variance of data used for a given lag spacing (distance between samples). Correlograms were calculated for all metals inside of the domains.

In the SROB area, the composite data for VN02 was used for generating the correlograms since there are over 20,000 composites and less than 2,000 in all other veins combined. Correlograms were modelled for the three structural domains (100, 200 and 300) for copper, silver, zinc, and lead.

14.1.3.2 Mala Noche Footwall Model

14.1.3.2.1 Mala Noche Footwall Domain Boundary Analysis

For the MNFW, the assay data were analyzed to determine if hard or soft boundaries were most appropriate between the mineralized vein zones. LGGC noted the grade distributions were sufficiently different between the zones that grade estimation using hard boundaries was warranted. Table 14-8 and Table 14-9 summarize the statistics for the assay data by source (DDH or CCS) for all metals and for copper grades reported by vein and data type.

Table 14-8: MNFW Assay Summary Statistics by Metal and Sample Type

Metal	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Ag (g/t)	1,817	35.27	1.62	0.50	2.50	12.00	43.00	687.00
Cu (%)	1,817	1.98	1.53	0.00	0.12	0.64	2.33	22.00
Pb (%)	1,817	0.02	3.29	0.00	0.00	0.01	0.02	1.47
Zn (%)	1,817	0.37	3.57	0.00	0.01	0.06	0.22	24.20
CCS								
Ag (g/t)	2,464	50.98	1.11	0.50	10.00	31.00	76.00	597.00
Cu (%)	2,464	2.74	1.07	0.00	0.49	1.61	4.13	17.93
Pb (%)	2,464	0.03	2.52	0.00	0.01	0.02	0.03	2.42
Zn (%)	2,464	0.50	2.39	0.00	0.06	0.16	0.34	13.82
DDH and CCS								
Ag (g/t)	4,281	44.36	1.29	0.50	6.00	21.00	65.00	687.00
Cu (%)	4,281	2.42	1.24	0.00	0.31	1.11	3.60	22.00
Pb (%)	4,281	0.03	2.79	0.00	0.01	0.01	0.03	2.42
Zn (%)	4,281	0.45	2.81	0.00	0.04	0.12	0.29	24.40

Table 14-9: MNFW Summary Statistics of Copper Grades by Vein and Sample Type

Metal and Vein No.	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Cu 9	20	0.79	1.66	0.00	0.04	0.39	0.59	4.85
Cu 10	845	1.84	1.43	0.00	0.12	0.66	2.23	14.50
Cu 11	59	1.44	1.49	0.00	0.06	0.25	1.50	9.79
Cu 13	36	1.28	1.47	0.00	0.19	0.53	1.22	8.98
Cu 14	74	1.74	1.67	0.00	0.15	0.63	1.46	16.35
Cu 15	22	2.44	1.60	0.01	0.24	1.00	2.16	16.55
Cu 18	38	0.76	1.37	0.00	0.08	0.41	0.73	4.59
Cu 20	723	2.32	1.53	0.00	0.13	0.68	2.78	22.00
CCS								
Cu 9	-	-	-	-	-	-	-	-
Cu 10	2,164	2.68	1.08	0.00	0.48	1.57	4.03	17.93
Cu 11	-	-	-	-	-	-	-	-
Cu 13	198	3.05	0.98	0.01	0.55	1.85	5.17	13.31
Cu 14	75	4.05	0.81	0.10	1.50	3.32	5.53	13.92
Cu 15	-	-	-	-	-	-	-	-
Cu 18	-	-	-	-	-	-	-	-
Cu 20	24	0.99	1.40	0.08	0.14	0.56	1.10	6.49

14.1.3.2.2 MNFW Compositing

The mean sample lengths of the DDH and CCS assay intervals were 0.76 m and 0.67 m respectively. LGGC composited the data into 0.75 m, 1.50 m and 3.00 m sample lengths and reviewed the distributions of each for sensitivity to composite sample length. LGGC found the 1.5 m composite length most appropriate for the resource estimation. Inside the modelled vein solids there were a total of 981 raw samples from 147 drillholes, plus 554 chip-channel samples, which gave a total of 1,194 composite samples. Table 14-10 and Table 14-11 respectively summarize the statistics for the of the 1.5 m composites by data type (DDH or CCS) for all metals, and for copper grades reported by vein and data type.

The composite data were validated by statistical analysis and visual inspection on cross sections and were found to be valid. The composite data were assigned domain codes by the domain wireframes on a majority code basis. The compositing and subsequent domain coding processes were reviewed and validated.

Table 14-10: MNFW Summary Statistics of 1.5m Composite Data by Metal and Sample Type

Metal	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Ag (g/t)	981	29.07	1.47	0.00	3.89	12.48	34.24	382.38
Cu (%)	981	1.62	1.37	0.00	0.17	0.73	2.15	14.09
Pb (%)	981	0.02	2.16	0.00	0.00	0.01	0.02	0.43
Zn (%)	981	0.28	2.82	0.00	0.02	0.06	0.22	11.97
CCS								
Ag (g/t)	1,194	50.28	0.92	0.00	16.57	38.04	72.99	397.00
Cu (%)	1,194	2.67	0.88	0.00	0.82	1.97	3.91	13.31
Pb (%)	1,194	0.03	1.89	0.00	0.01	0.02	0.03	1.16
Zn (%)	1,194	0.49	1.94	0.00	0.09	0.18	0.41	9.78
DDH and CCS								
Ag (g/t)	2,176	40.71	1.13	0.00	8.36	24.75	59.20	387.00
Cu (%)	2,176	2.19	1.07	0.00	0.45	1.35	3.20	14.09
Pb (%)	2,176	0.03	2.06	0.00	0.01	0.02	0.03	1.16
Zn (%)	2,176	0.39	2.25	0.00	0.05	0.13	0.31	11.97

Table 14-11: MNFW Summary Statistics of 1.5 m Composited Copper Grades by Vein and Sample Type

Metal and Vein No.	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
DDH								
Cu 9	9	0.49	1.15	0.00	0.00	0.39	0.47	1.94
Cu 10	445	1.46	1.30	0.00	0.12	0.76	1.96	10.16
Cu 11	36	1.03	1.23	0.00	0.12	0.53	1.49	4.74
Cu 13	18	1.56	0.99	0.12	0.51	0.82	2.13	6.16

Metal and Vein No.	No.	Mean	CV	Min	25thQ	Median	75thQ	Max
Cu 14	22	1.52	1.14	0.05	0.25	0.56	2.25	6.52
Cu 15	7	1.77	0.84	0.20	0.20	1.05	3.17	3.81
Cu 18	24	0.73	1.13	0.02	0.25	0.53	0.75	3.79
Cu 20	419	1.92	1.37	0.00	0.20	0.77	2.36	14.09
CCS								
Cu 9	-	-	-	-	-	-	-	-
Cu 10	1044	2.61	0.89	0.00	0.80	1.90	3.77	11.65
Cu 11	-	-	-	-	-	-	-	-
Cu 13	99	3.15	0.75	0.14	1.23	2.78	4.24	13.31
Cu 14	35	3.91	0.59	0.10	1.75	3.67	4.79	10.35
Cu 15	-	-	-	-	-	-	-	-
Cu 18	-	-	-	-	-	-	-	-
Cu 20	15	0.89	1.27	0.08	0.21	0.56	0.80	4.80
DDH and CCS								
Cu 9	9	0.49	1.15	0.00	0.00	0.39	0.47	1.94
Cu 10	1490	2.26	1.00	0.00	0.53	1.47	3.30	11.65
Cu 11	36	1.03	1.23	0.00	0.12	0.53	1.49	4.74
Cu 13	117	2.91	0.80	0.12	0.95	2.26	4.19	13.31
Cu 14	57	2.99	0.80	0.05	0.83	2.71	4.05	10.35
Cu 15	7	1.77	0.84	0.20	0.20	1.05	3.17	3.81
Cu 18	24	0.73	1.13	0.02	0.25	0.53	0.75	3.79
Cu 20	435	1.88	1.38	0.00	0.21	0.75	2.32	14.09

14.1.3.2.3 MNFW Evaluation of Outlier Grades

LGGC followed the same procedure for treatment of outlier grades in the MNFW zone as summarized in Section 14.1.3.1.3 for SROB. Outlier grades at MNFW were handled using the strategies in Table 14-12.

Table 14-12: Raw Assay Capping and Restricted Outlier Strategy Applied to MNFW Composites

Metal	Veins	Threshold DDH	Threshold CCS	Ranges (m)
Capping Strategy				
Cu (%)	All	No Cap	No Cap	
Zn (%)	All	9	12	
Pb (%)	All	0.5	1	
Ag (g/t)	All	350	420	
Metal	**Veins**	**Threshold DDH**	**Range (1st Pass)**	**Range (2nd Pass)**
Restricted Outlier Strategy				
Cu (%)	All	10	12x20x10	40x40x20
Pb (%)	All	10	12x20x10	40x40x20
Ag (g/t)	All	600	12x20x10	40x40x20

Zn (%)	09, 10, 13-15	6	12x20x10	40x40x20
Zn (%)	11, 18, 20	3	12x20x10	40x40x20

The net effect of this strategy reduced the contained copper in the model by 4%, which is within acceptable ranges. LGGC completed grade runs using uncapped values and unrestricted for outliers in order to assess the metal loss and make any adjustments as needed.

14.1.3.2.4 MNFW Variography

Refer to Section 14.1.3.1.4 for a summary of correlogram generation by LGGC. There is a flexure to the structures that host the MNFW so the vein wireframe solids were split into two sub-domains to align with their strike directions. The first had a strike azimuth of 110^{o} (western end of zones) and the other had a strike azimuth of 147^{o}(Figure 14-3). Two separate sets of correlograms were calculated for each of the strike domains for each metal copper, silver, lead and zinc.

The DDH composite data for veins 10 and 20 (the largest of the zones containing the bulk of data) were used for all metals. The orientations of the correlograms were set to match the two strike directions of the zone. The CCS data was not used for final correlograms as they are clustered together in a small area of MNFW and the DDH data is more uniformly distributed throughout the whole of the zone.

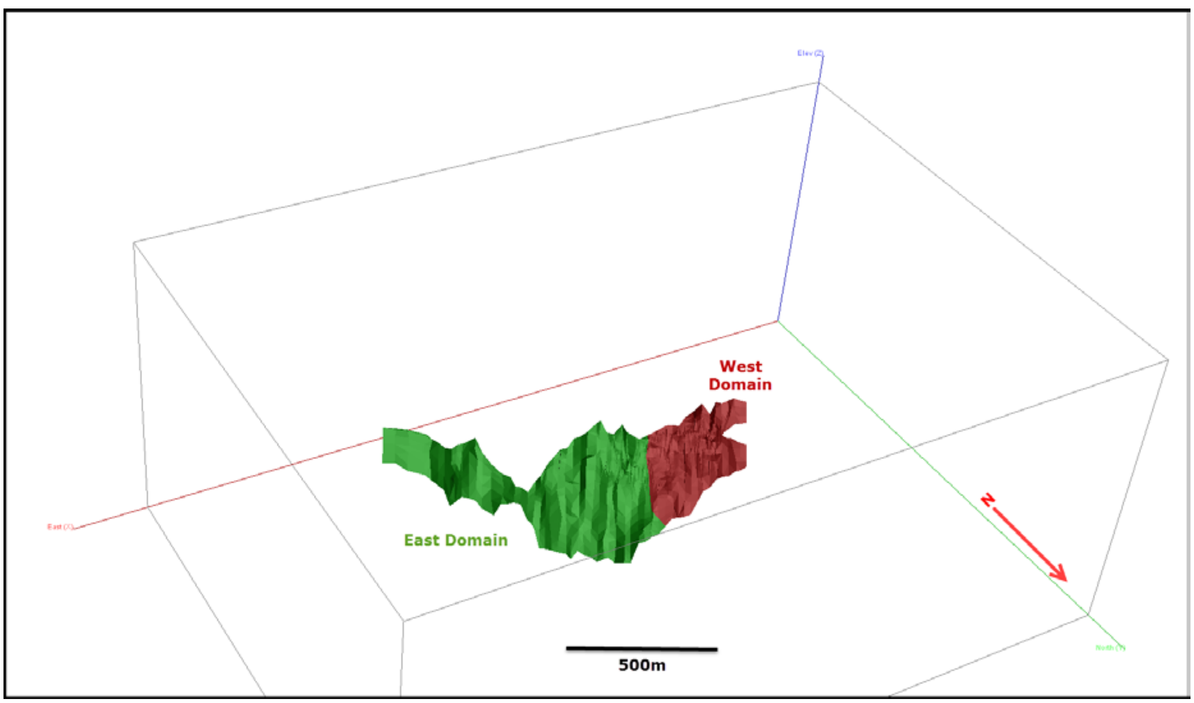

Figure 14-3: Isometric view of MNFW West (Green) and East (Red) Structural Sub-Domains

14.1.4 Bulk Density

Bulk density data were reviewed and averaged values were assigned to the mineralized blocks as the density data has very low variability (Table 14-13).

At SROB, LGGC was provided with a database containing 15,305 density values. The data points were tagged with the vein solid codes resulting in 1,913 measurements in SROB. LGGC assigned the average value of 2.85 g/cm3 to all zones at SROB.

In the MNFW zone samples totaled 1,398 inside the mineralized zones. LGGC assigned the averaged value 2.70 g/cm^3 to veins 10 and 20 and 2.65 g/cm^3 to veins 09, 11, 13, 14, 15, and 18.

Table 14-13: Bulk Density Averages by Domain at SROB and MNFW

Domain	Mean Density (g/cm^3)	No. Samples
San Roberto		
VN01	2.97	4
VN02	2.85	1,657
VN03	3.52	21
VN04	2.72	139
VN05	2.95	29
VN06	2.80	63
Total	**2.85**	**1,913**
MNFW		
VN10 and 20	2.70	1,240
VN09, 11, 13, 14, 15 and 18	2.65	158
Total	**2.67**	**1,398**

14.1.5 Block Modelling

LGGC considered the geological interpretation, data analyses, and the correlograms to determine reasonable estimation parameters for the SROB and MNFW zones. Modelling philosophy took into consideration the different grades and spatial density of the CCS composites compared to the DDH composites. LGGC wanted to produce a model that reflected the higher grades available locally in the area of the stopes but not have these grades spread into the areas supported only by diamond drilling.

LGGC recommends that the drillhole spacing at Cozamin be tightened as it is under-predicting the presence of high grade zones within the mineralized horizons due to increased variability in thickness and grade encountered during mining. This is most evident at MNFW and occurs also at SROB where most of the remaining resources are outside of the main continuous portion of the overall structure. A drill-hole spacing analysis is suggested to establish an ideal distance for DDH intersections to better predict the locations of higher grade material in advance of mining. A structural study is also highly recommended, as the mineralization appears to be dependent on the presence of cross-cutting structures, but a viable model is not available to assist in the prediction of possible splays that could host additional mineralization. Now that current mining is advancing into narrower areas and mineralized splays, a structural model would provide valuable information to assist with the planning of infill drilling ahead of future production.

The SROB and MNFW grade estimations were completed in different Geovia GEMS® projects, but both utilized an unrotated, whole block model with the same origin point, number of blocks, and block sizes. The block size for the MNFW and SROB models was set to 10 m Easting by 10 m Northing by 12 m Elevation and was chosen to reasonably fit the data spacing and mining selectivity considerations (Table 14-14).

Various coding was done on the block model in preparation for grade interpolation. The block model was coded according to the domain shell on a majority code basis. Percent of the block inside the mineralized domain (and below topography) was also calculated into the model blocks.

Separate block model folders were set up for each domain modelled and the metal grades were interpolated into each block model folder separately. Combined grade and percent models were calculated for each block within the mineralized zones and when more than one zone occupied a block the grades were calculated using weighted averages using the percent model values for each zone.

Table 14-14: San Roberto and MNFW Block Model Parameters

Direction	X	Y	Z
Origin (UTM)	746085	2522610	2638
Block Size (m)	10	10	12
No. Blocks	320	225	110

Table Notes:

- Unrotated block model using whole blocks with a percent field

14.1.5.1 San Roberto Model Estimation Parameters

Grades were estimated into the block model for copper, lead, zinc, and silver. Grade interpolation was completed using ordinary kriging (OK) for all vein domains and metals. For validation purposes, nearest neighbour (NN) and inverse distance squared (ID2) methods were run for all metals and domains.

The block model and the composites were each tagged to the mineralization vein domains. These were treated as hard boundaries during grade interpolation, while the structural sub-domains were treated as soft boundaries. Different search ellipse orientations were used to best fit the three SROB structural sub-domains. These are summarized in Table 14-15, and is defined using the rotation convention following the left hand rule, with positive rotation clockwise about ZYZ.

Table 14-15: San Roberto Search Ellipse Orientations by Structural Sub-Domain

Sub Domain	Rotation (clockwise about axis)		
	Z	Y	Z
100	60	50	0
200	90	60	0
300	75	60	0
Search Pass	**Search Distance (m)**		
	Z	**Y**	**Z**
1	20	20	20
2	150	150	50
3	200	200	50

The first interpolation pass used a short range search ellipse to inform the blocks within the vicinity of the chip-channel samples and underground workings. The goal was to reduce the influence of the CCS data outside of the areas of mine workings, where DDH data is more abundant. Figure 14-4 shows the search ellipse used for Pass 2 at SROB for the central sub-domain (200). The minimum and maximum number of composites, and the maximum number of samples per drillhole are summarized in Table 14-16.

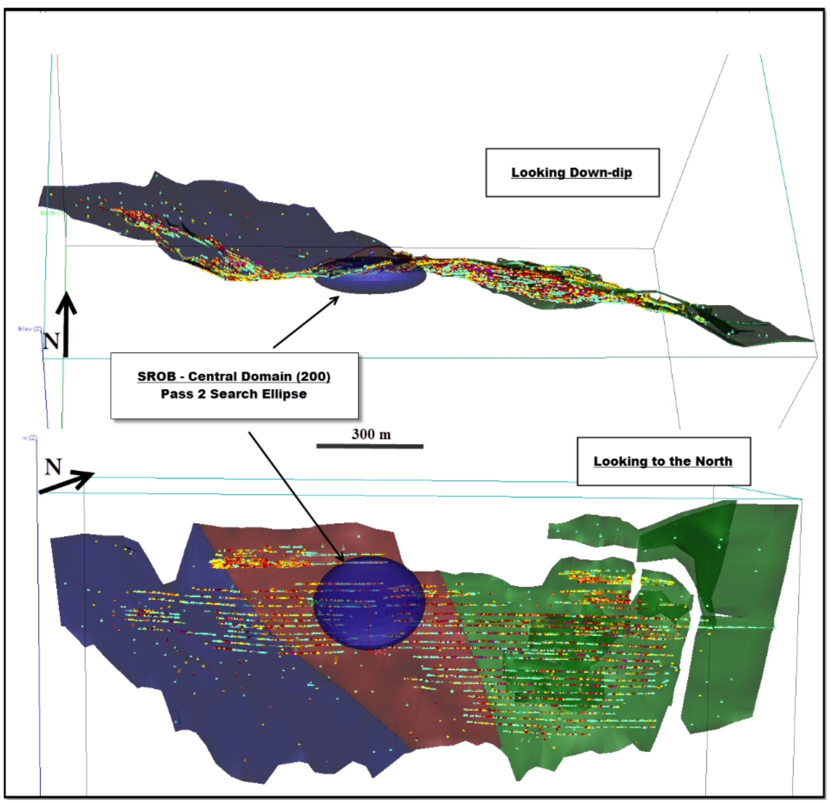

Figure 14-4: San Roberto Search Ellipse Orientation for Pass 2 in the Central Sub-Domain

Table 14-16: San Roberto Estimation Parameters

Domain	Search Pass	Min Samples	Max Samples	Max Sample per Drillhole
VN01	1	4	9	3
VN02	1	5	24	2
VN02	2	4	12	3
VN02	3	4	12	-
VN03	1	4	12	3
VN04	1	4	12	3
VN05	1	3	15	3
VN06	1	3	15	3

14.1.5.2 Mala Noche Footwall Model Estimation Parameters

Grades for copper, silver, lead and zinc were estimated into the block model using OK, ID2 and NN method as outlined for San Roberto in Section 14.1.5.1.

Vein domains 09, 11, 15, and 18 are located away from the area of chip-channel sampling, thus the grades in these domains were estimated using the drillhole data only. Two search ellipses were oriented along the strike of the zone with ranges of 175 m along strike, 150 m along the dip and 50 m across the dip direction (Figure 14-5). The data spacing in Zone 9 required a slightly larger search ellipse, thus it was expanded to 200 m along strike, 175 m down the dip and 75 m across the dip direction. For these grade runs a minimum of 4 and maximum of 12 composites were used with a maximum of three composites allowed from a drillhole for each element.

Vein domains 10, 13, 14 and 20 are located in areas that are sampled by both CCS and DDH data. The CCS data density is high in areas of mining activity and their mean grades tend to be higher than the more widely spaced DDH data. LGGC used the CCS data only for the first pass of grade interpolation using a small search ellipse, thereby removing the influence of the CCS data on more distant blocks. The DDH composites were used in a second pass with a larger search ellipse on all blocks not filled in the first pass (Table 14-17 and Table 14-18).

Table 14-17: MNFW Search Ellipse Orientations by Structural Sub-Domain

Sub Domain	Rotation (clockwise about axis)		
	Z	Y	Z
Eastern	30	55	0
Western	60	40	0
Search Pass	**Search Distance (m)**		
	Z	Y	Z
1 (VN09)	200	175	75
1 (VN11, 15, 18)	175	150	50
1 (VN10, 13, 14, 20)	50	35	25
2 (VN10, 13, 14, 20)	175	150	50

Table 14-18: MNFW Estimation Parameters

Domain	Search Pass	Min Samples	Max Samples	Max Sample per Drillhole
VN09, 11, 15, 18	1	4	12	3
VN 10	1	3	18	2
VN 13, 14, 20	1	4	15	3
VN 10, 13, 14, 20	2	4	12	3

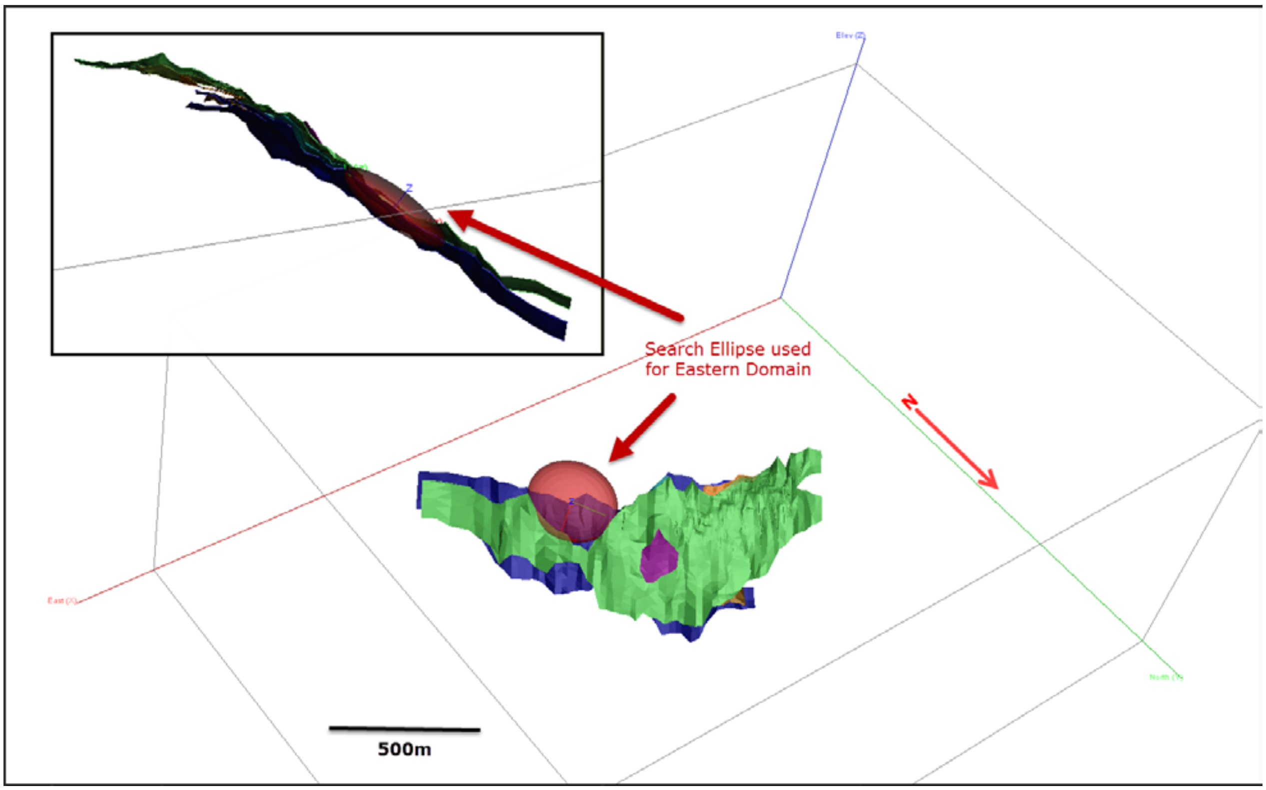

Figure 14-5: MNFW Zone Search Ellipse for the Eastern Sub-Domain

14.1.6 Block Model Validation

LGGC reviewed the block models for errors in modelling parameters, by visual inspection and by statistical review.

14.1.6.1 San Roberto Model Validation

14.1.6.1.1 San Roberto Visual Validation

LGGC completed a detailed visual validation of the SROB block model. The model was checked and validated for proper coding of sample intervals and block model cells in cross section and level plans views. Interpolated grades were examined relative to the composite values. The checks showed good agreement between the composite and block model values. A representative section containing block model grades and drillhole/chip-channel composites coloured by copper values and vein domains is shown in Figure 14-6.

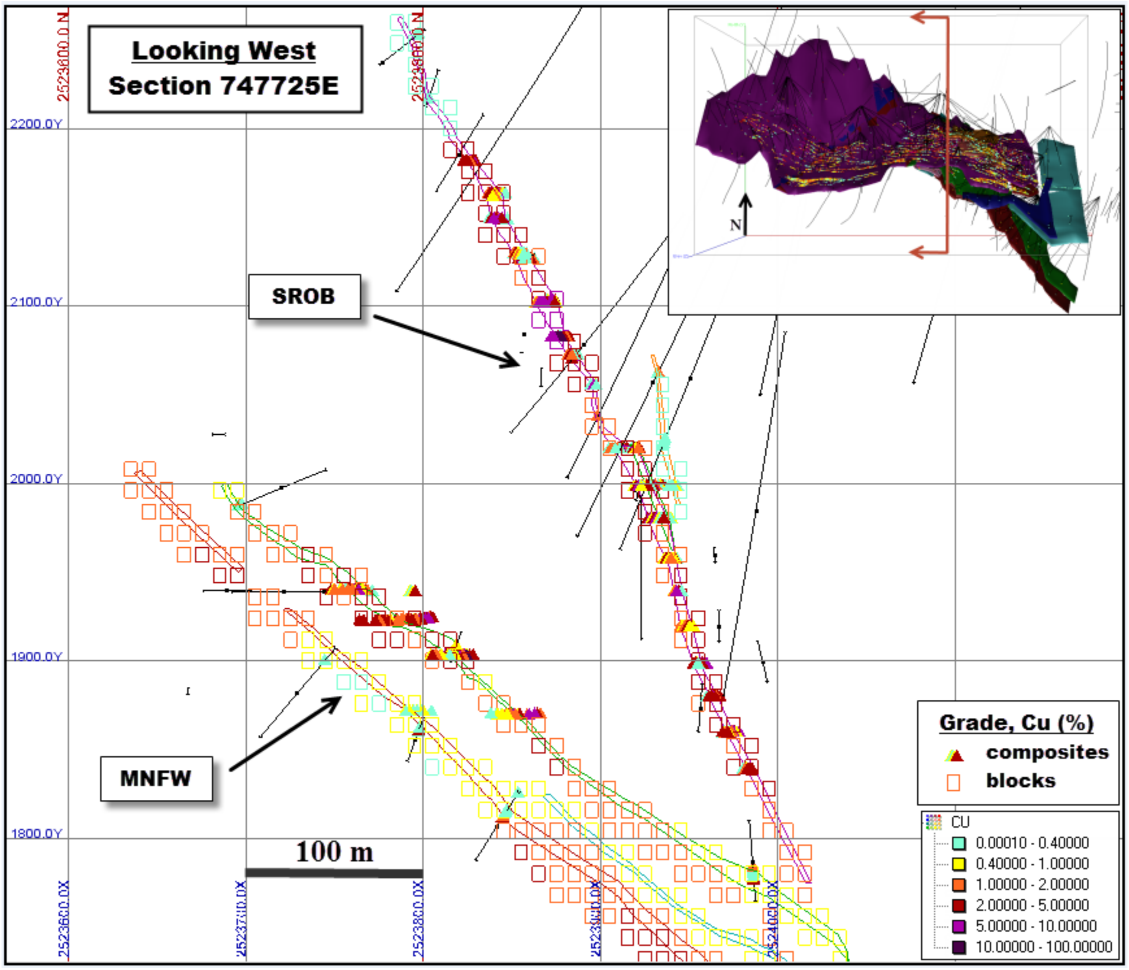

Figure 14-6: San Roberto Section 747725E, Block Estimates and Composites coloured by Copper Values

14.1.6.1.2 San Roberto Change of Support

An independent check of the smoothing of the grade estimates was made using the Discrete Gaussian, or Hermitian polynomial, change-of-support method. LGGC used the declustered distribution of composite grades obtained from the NN model to predict the distribution of grades in blocks. This takes into account the expected change in volume from a point sample to a block (change of support). The histogram for the blocks is derived from two calculations: the block to block, or the between-block variance. The frequency distribution for the composite grades is transformed by means of Hermite polynomials (Herco) into a less skewed distribution with the same mean as the declustered grade distribution, and with the block-to-block variance of the grades. The distribution of hypothetical block grades derived by the Herco method is then compared to the estimated grade distribution and evaluated by comparing the grade-tonnage curves. The grade-tonnage predictions produced for the

SROB model show that grade and tonnage estimates are validated by the change-of-support calculations (Figure 14-7).

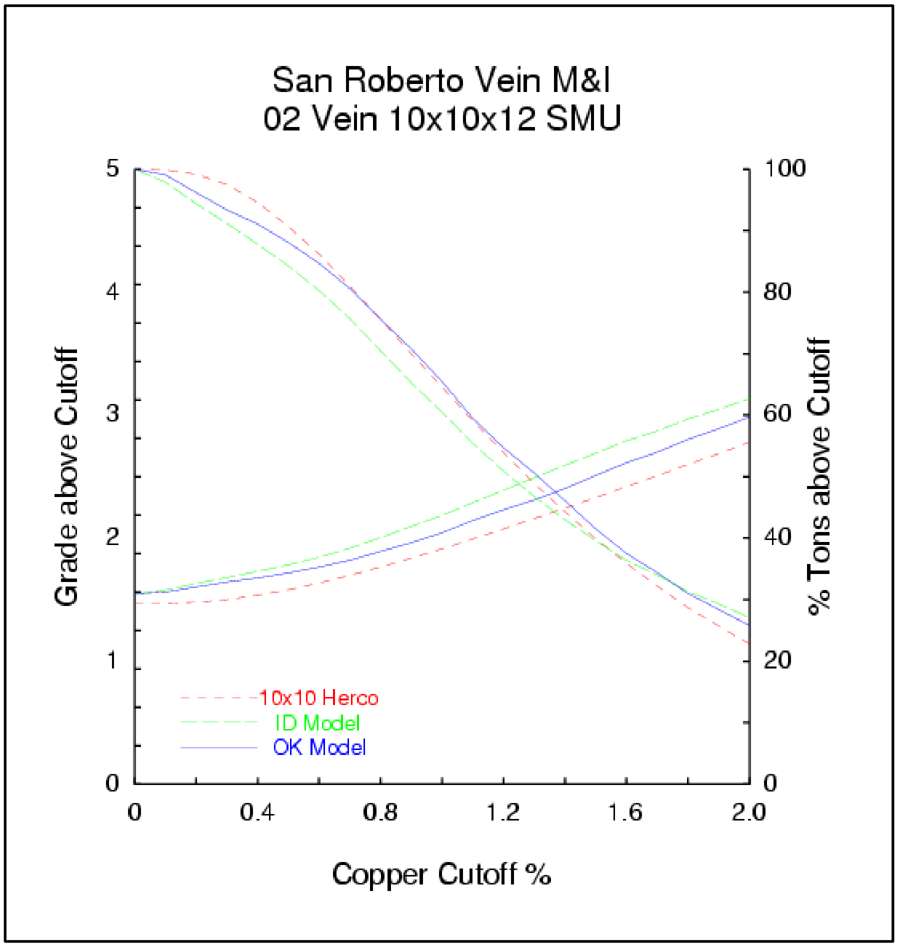

Figure 14-7: San Roberto Herco Plot for Measured and Indicated Resource Blocks

14.1.6.1.3 San Roberto Swath Plots

The model was checked for local trends in the grade estimates using swath plots. This was done by plotting the mean values from the ID2, NN estimate against the kriged estimates along northing, easting, and elevation swaths (30 m, 30 m, and 36 m respectively). The kriged estimate should follow the global trends exhibited in the ID2 and NN estimates, but should be smoother locally. The observed trends behave as expected, showing no significant bias of the metals in the estimates in the SROB model. An example plot of Measured and Indicated blocks is illustrated in Figure 14-8.

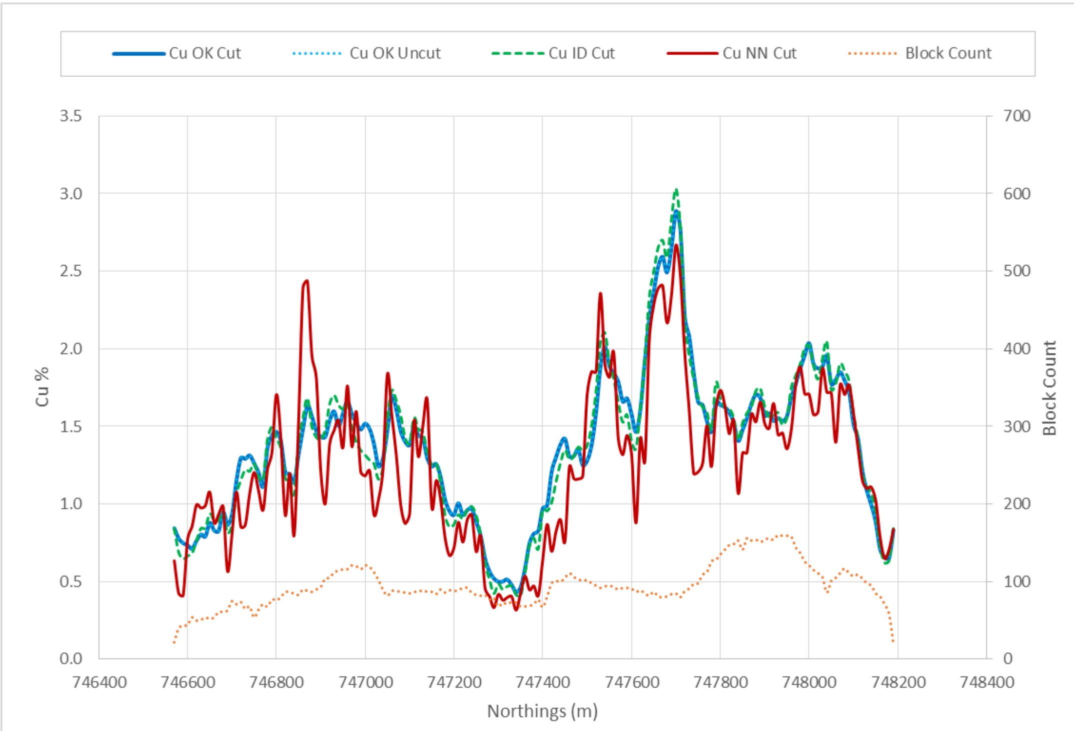

Figure 14-8: San Roberto Swath Plot along Northings for Cu Grades in all Veins

14.1.6.2 MNFW Model Validation

14.1.6.2.1 MNFW Visual Validation

LGGC completed a detailed visual validation of the MNFW block model following the procedure described in Section 14.1.6.1.1. The checks showed good agreement between the composites and the estimated grades. A representative section containing block model grades and drillhole/chip-channel composites coloured by copper values and vein domains is shown in Figure 14-9.

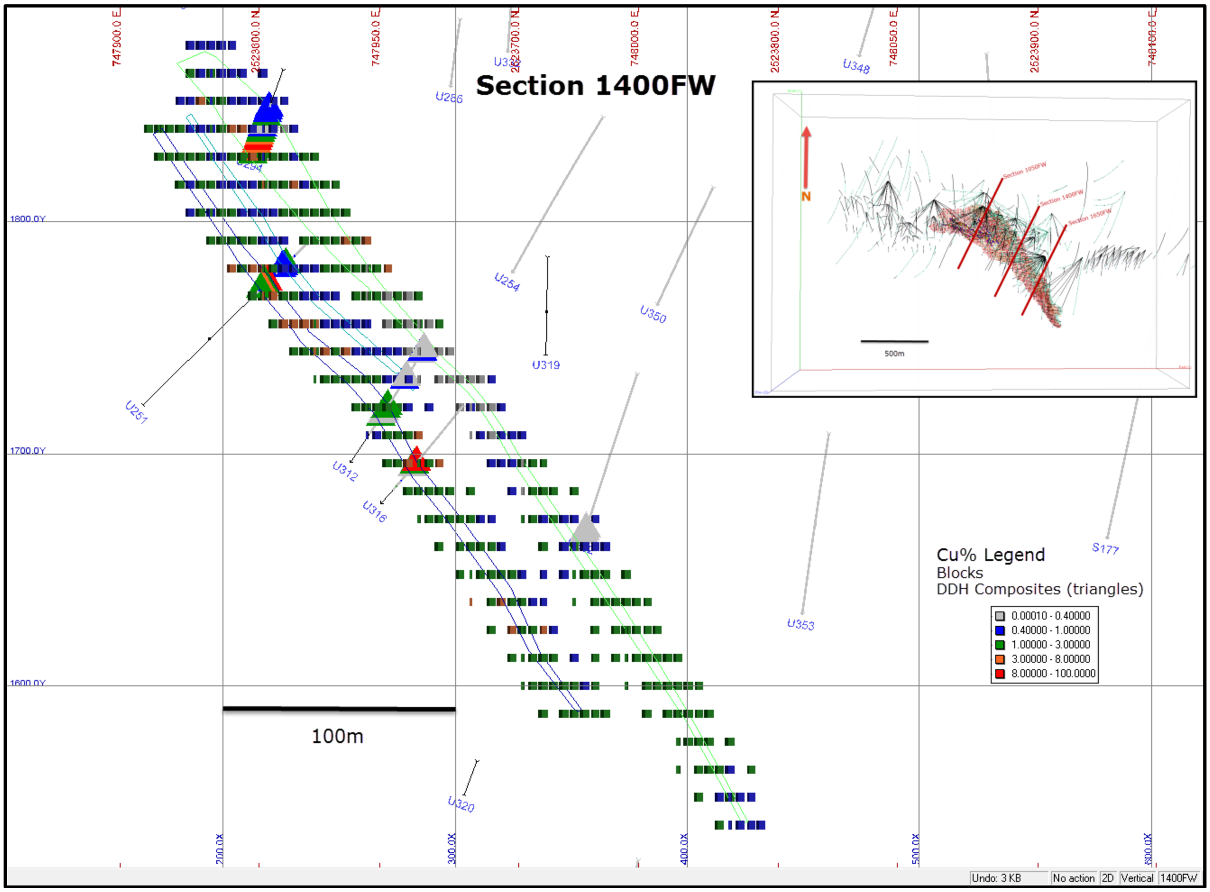

Figure 14-9: MNFW Section 1400 of Composite and Block Cu Grades

14.1.6.2.2 MNFW Change of Support

LGGC undertook a Herco change of support as outlined in Section 14.1.6.2.2. The grade-tonnage predictions produced for the MNFW model were validated by the change-of-support corrections (Figure 14-10).

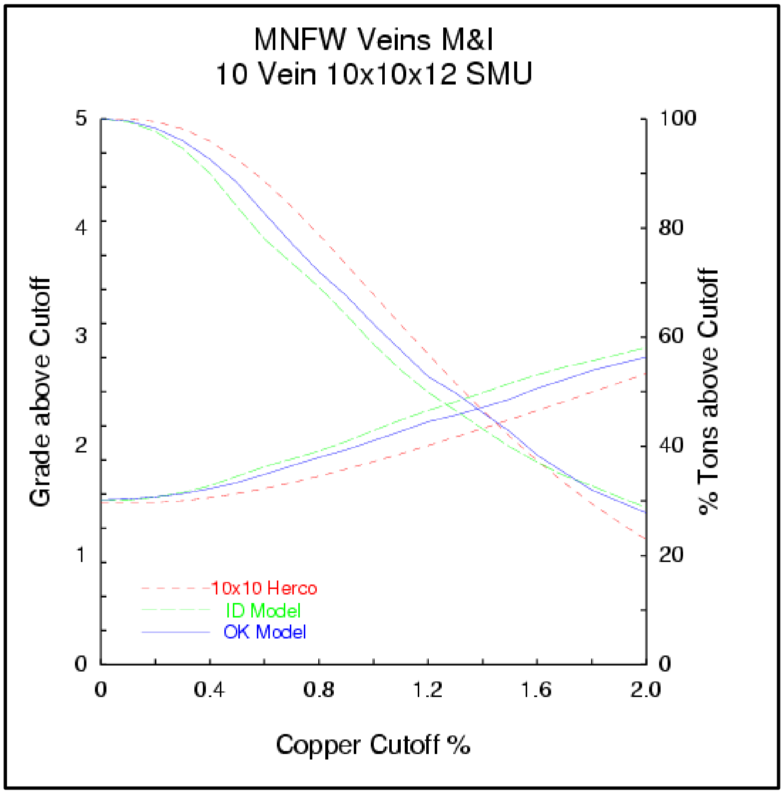

Figure 14-10: MNFW Herco Plot for Measured and Indicated Resource Blocks within VN10

14.1.6.2.3 MNFW Change of Support

The model was checked for local trends in the grade estimates as described in Section 14.1.6.1.3. The observed trends behave as expected, showing no significant bias of the metals in the estimates in the MNFW model. An example plot of Measured and Indicated blocks is illustrated in Figure 14-11.

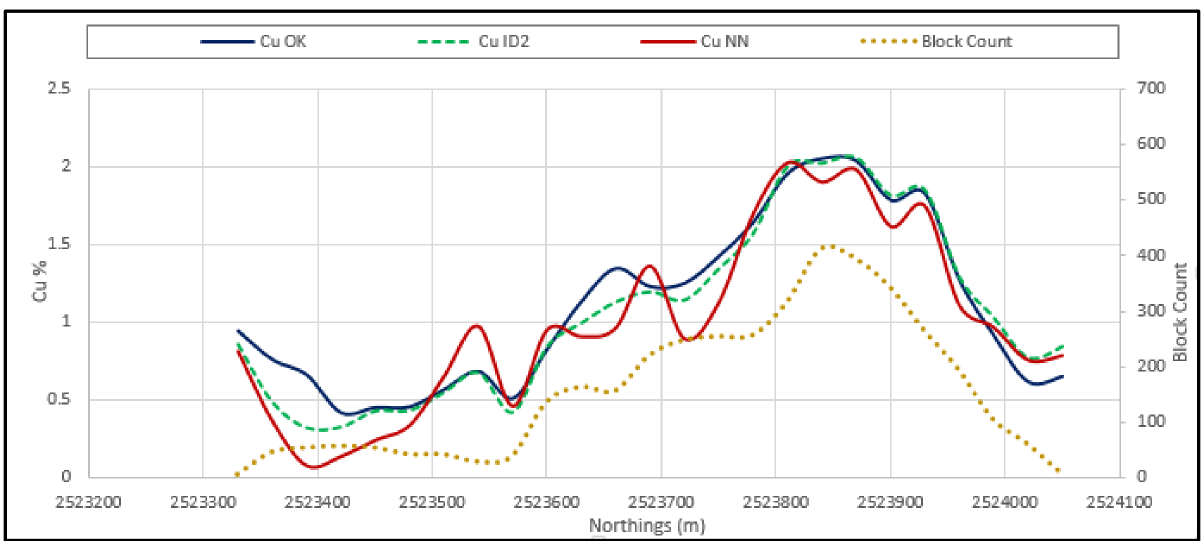

Figure 14-11: MNFW Swath Plot along Northings for Cu Grades in VN10

14.1.7 Block Model Classification

Based on the study herein reported, delineated mineralization of the SROB and MNFW is classified as a mineral resource according to the following definitions from NI 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 11 December 2005, 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 diamonds, natural solid inorganic material, or natural solid fossilised organic material including base and precious metals, coal, and industrial minerals 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.

“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 drillholes.

“Due to uncertainty associated with Inferred Mineral Resources, additional exploration work on the property may or may not succeed in upgrading the portions of the deposit currently classified as Inferred Mineral Resource to an Indicated or Measured Mineral Resource. Because confidence in these portions of the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure, the Inferred Mineral Resources must be excluded from estimates forming the basis of pre-feasibility or feasibility studies but are cautiously accepted for inclusion into PA studies.

“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 drillholes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and 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 drillholes that are spaced closely enough to confirm both geological and grade continuity.”

The mineral resources for SROB and MNFW were classified in accordance with the CIM definitions (CIM, 2005). The mineralization of the project satisfies sufficient criteria to be classified into Indicated, and Inferred mineral resource categories. Inspection of the block model results and drillhole data on plans and sections, combined with spatial statistical work, contributed to the setup of distance-to-nearest-composite protocols to help guide the assignment of blocks into Indicated or Inferred mineral resource categories.

No Measured Mineral Resources were assigned for this estimate though portions of the mineral resources have sufficient continuity and data support to have been designated as Measured. However, in late May of 2014, LGGC found serious issues with the database and the QAQC program at the Cozamin Project. LGGC lost sufficient confidence in the project database to downgrade the Measured mineral resources to Indicated. This downgrade will be re-assessed once the results of the remediation actions taken by Capstone are completed and have been reviewed. The reclassified resources make up roughly 40% and 10% of the total Indicated category at SROB and MNFW respectively (outlined in red, Figures 14-12 and 14-13). The area of the deposit impacted by the classification downgrade is within the areas of underground mining and the block grades were estimated using 46,834 CCS samples at SROB and 2,464 at MNFW.

To support the Indicated classification for the downgraded blocks, LGGC reconciled the 2014 estimated Cu, Ag, Zn, and Pb block model grades to the annual production reported by the mine for the years 2013 and 2012 (LGGC, 2014b). Reconciliation within 15% of the annual production results was the requirement for Indicated classification. The variance between the contained copper estimates and the annual production were at -2.3% for 2013 and -16.3% for 2012. The 2013 results compared very well and benefit from more detailed production data than those used for 2012. LGGC considers the designation of Indicated Mineral Resources to be appropriate for the March 2014 estimate.

Indicated Mineral Resource classification was assigned to the rest of the blocks estimated by composites from two or more drillholes within approximately 30 m to 50 m reflecting the local continuity of grade and geology. No CCS were used to estimate the grades outside of areas within 20 m of CCS data.

Classification of the March 2014 block model removed some material assigned to Indicated Mineral Resources from the November 2012 and February 2013 estimates of SROB and MNFW respectively. Approximately 430,000 tonnes were reclassified as Inferred mineral resources. Statistical and observational review of new information from underground mining, chip-channel sampling, and diamond drilling found the current drill spacing to be insufficient, in these areas, to establish geological and grade continuity to an Indicated level of confidence. The CCS to DDH grade comparison study detailed in Section 14.1.8 found the current drill spacing to be under predicting areas of higher grade copper. In LGGC's study area, the block model grade for copper was 1.92% from the CCS data and 1.38 % Cu from the DDH data; a 40% difference in cooper grade. The copper assays from the CCS data in the MNFW zone have a mean grade of 2.61% while the DDH assay data in the same area of CCS data have a mean value of 1.98%; a difference of 32%.

The two areas at SROB most affected by this reduction are shown in Figure 14-12 (green outlines). The first of these is within the Western structural domain below the areas of underground workings where the drilling density decreases. This portion of the deposit has not demonstrated the same level of grade continuity as the main portions of the vein and will require infill drilling. The second area is in the top eastern portion of the deposit within VN05. The mineralization in VN05 and VN06 (classified as Indicated in the November 2012 model) is copper-poor compared to the rest of SROB and has zinc and gold dominant mineralization, which is more similar to San Raphael. There is sufficient data density in this area to support an Indicated classification, but this zone should be re-interpreted and re-estimated within the San Rafael domain before being restored to Indicated resources.

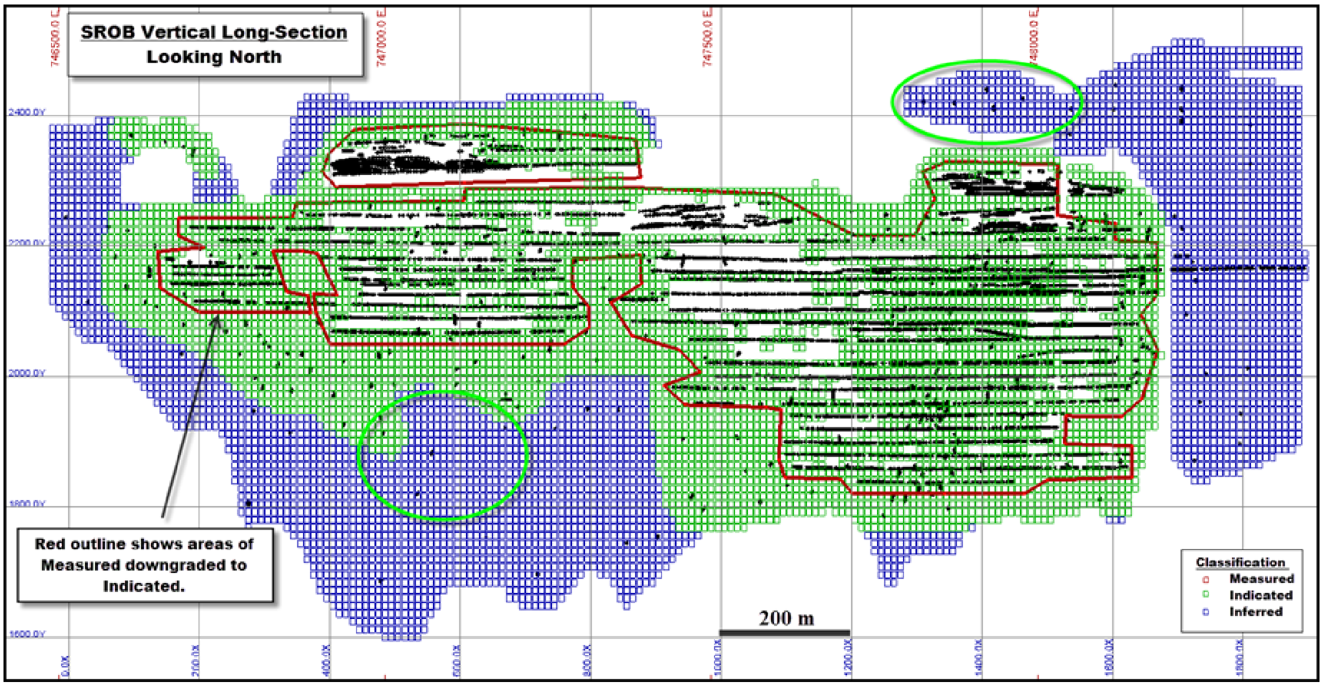

Figure 14-12: Long-Section for SROB Showing Classification Coding Assigned to the Block Model

The portion of MNFW most affected by reclassification to Inferred Mineral Resources is the upper western part of the deposit close to the current underground development (green outline in Figure 14-13). The drilling is too widely spaced in this area and there is insufficient understanding of the local structural geology and grade continuity to support Indicated Mineral Resources.

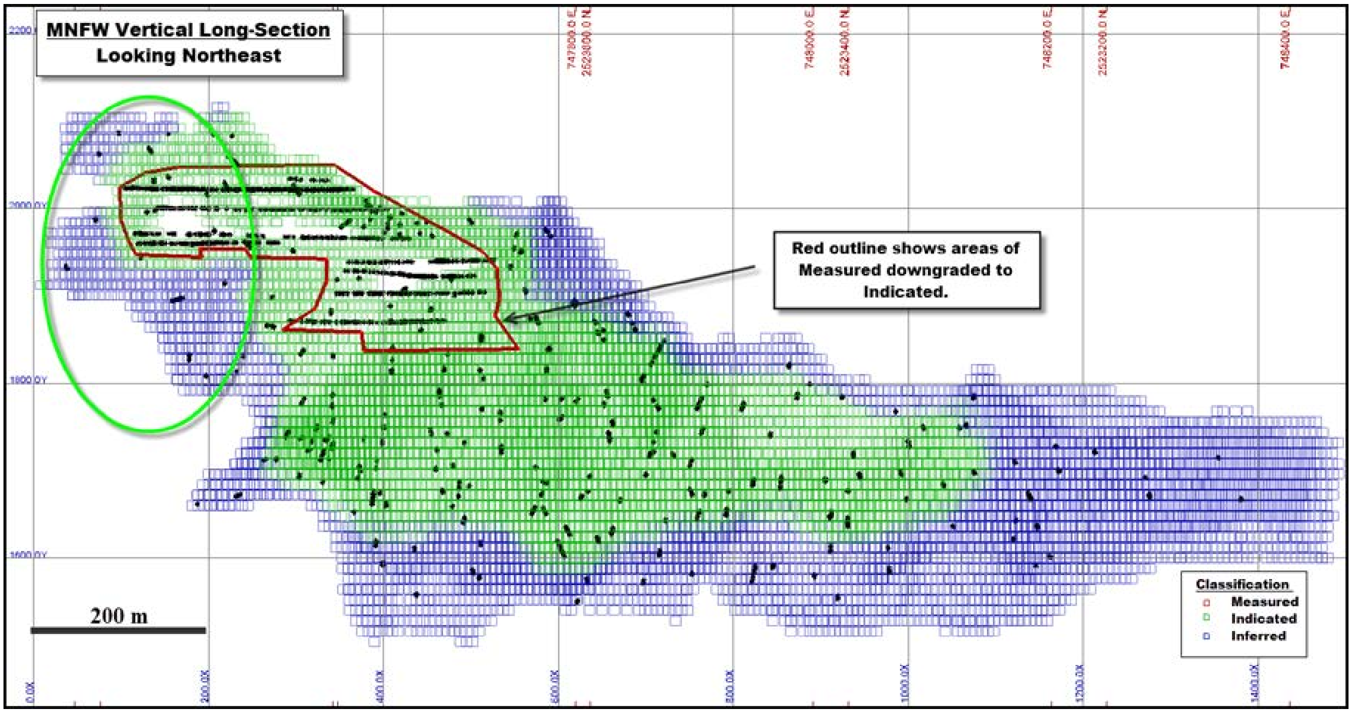

Figure 14-13: Long-Section for MNFW Showing Classification Coding Assigned to the Block Model

Classification levels were assigned to the block model by constructed wireframes based on these criteria, and adjusted locally to reflect confidence in continuity. All remaining blocks outside these classification solids and containing a copper grade estimate within a vein solid were assigned as Inferred Mineral Resources.

14.1.8 MNFW Copper Estimation Comparison of DDH and CCS Grade Bias Study

During exploratory data analysis (EDA) of the assay and composited data, LGGC noticed a high bias in the metal grades between the CCS data and the DDH data. The summary statistics for assay data inside all vein domains at SROB and MNFW show a bias for all metals and domains with the exception of Zn at SROB (Table 14-19). The anomaly with zinc is attributed to Zn dominant mineralization in VN05 and VN06 at SROB which skew the average Zn grades of the DDH data higher than the CCS data.

Table 14-19: Summary of mean Cu% of DDH and CCS Assay Data, San Roberto and MNFW Zones

Deposit	Metal	DDH Mean	CCS Mean	Percent Difference CCS to DDH
SROB	Cu (%)	1.34	1.90	42%
SROB	Ag (g/t)	57.45	72.96	27%
SROB	Zn (%)	1.74	1.42	-18%
SROB	Pb (%)	0.37	0.43	16%
MNFW	Cu (%)	1.98	2.74	38%
MNFW	Ag (ppm)	35.27	50.98	45%
MNFW	Zn (%)	0.37	0.50	37%

Deposit	Metal	DDH Mean	CCS Mean	Percent Difference CCS to DDH
MNFW	Pb (%)	0.02	0.03	50%

LGGC compared the DDH and CCS data by means of QQ plots which also showed a strong bias for all metals, with CCS grades higher than the DDH. These differences range between 15% and 75% depending on the metal and grade range.

To further study the impact of the grade bias, LGGC ran additional copper interpolation runs at MNFW using the DDH data to inform blocks in the area of the underground workings that were originally estimated using only the CCS data. LGGC applied the interpolation runs to all zones, but will discuss the results specific to VN10 as it contains the most data; 1,044 CCS composites, compared to 99 in VN13, 35 in VN14 and 15 in VN20. These are the only zones at MNFW that contain CCS data, and therefore mining activity.

The interpolation parameters used for the grade estimations are discussed in previous sections of this report. To summarize, the CCS data were interpolated using a small search ellipse to restrict the influence of the CCS samples, while the DDH samples use a larger search ellipse to inventory data points that are more widely spaced. The DDH supported grade interpolations used all DDH composites assigned to VN10 (DDH10).

There are 23 drillholes that intersect the area of mining activity (DDHM), resulting in 84 composites in VN10. LGGC recommends that the continuation of this study include a block run in the mining area using only the DDHM composites to reduce the spatial bias between remaining between CCS and DDH10 composites. Further studies need to be afforded appropriate time and should utilize a valid database in conjunction with a full audit of the CCS and DDH sampling protocols to quantify any sampling issues that may contribute to the bias.

Table 14-20 contains the summary statistics for each of the composite datasets used in the study. The CCS composite population contains the most data and has an average grade of 2.61% Cu as compared to 1.98% Cu for the DDHM and 1.30% Cu for the DDH10 data. There is a 79% increase in copper grade from the CCS composites to the DDH10 composites. The DDHM composites are more spatially related to the CCS samples and as expected, the bias between copper grades is reduced to 32%.

Table 14-20: Summary of Mean Cu grade for DDH and CCS Composites, Vein 10, MNFW Zone

Vein No.	No. CCS Comps	CCS Grade (Cu%)	No. DDHM Comps	DDHM Grade (Cu%)	No. DDH10 Comps	DDH10 Grade (Cu%)	Percent Difference CCS to DDH10	Percent Difference CCS to DDHM
VN10	1,044	2.61	84	1.98	445	1.46	79%	32%

Figure 14-14 shows the distribution of the samples within the mining area of MNFW. Drillhole spacing in the area is clustered into widely spaced groups often exceeding 50 m in spacing.

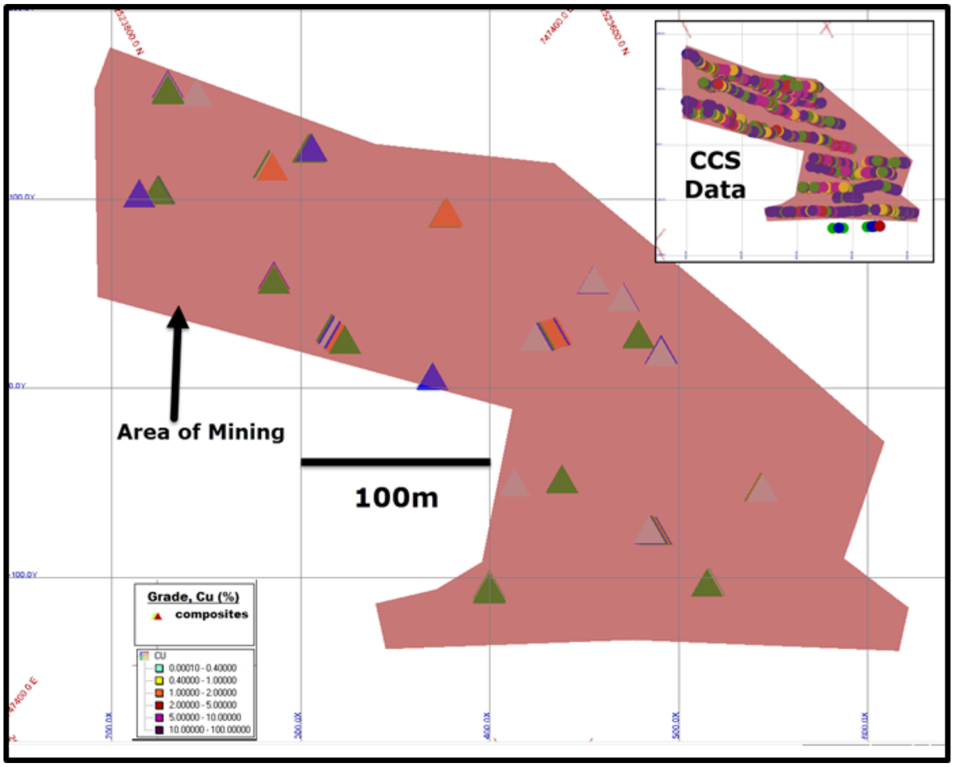

Figure 14-14: Spatial Distribution of DDHM and CCS Composites in Area of Mining at MNFW

The block values for the CCS and DDH10 interpolations were tabulated and are presented in Table 14-21. These results clearly show there is a bias in the CCS data compared to the DDH data at MNFW in the area of the Measured Mineral resources. The block model run using the CCS data returned copper grades 33% higher over the DDH copper grades.

Table 14-21: Summary of mean Cu% of DDH and CCS Block Values, Vein 10, MNFW

CCS Average Block Grade (Cu%)	CCS Cu Metal Content (Mlb)	DDH Average Block Grade (Cu%)	DDH Cu Metal Content (Mlb)	Percent Difference CCS to DDH
1.92	22.7	**1.38**	16.3	39%

There are many factors that could contribute to this bias in the CCS to the DDHM and DDH10 assays, composites and blocks including:

- The chip samples are expected to have a consistently higher grade as they are sampling the areas being mined, therefore economic and higher grade than the diamond drillholes scattered throughout the deposit or zone and testing limits of mineralization.

- LGGC expects the 39% bias observed between the CCS to DDHM data is most related to the drillhole spacing in areas of mining being too wide. Drillhole spacing and understanding of the structural controls will have to be improved as Cozamin. Mining practice to date has been reliant on the thick and high grade nature of the current mineralization but as the remaining portions of the deposit are now narrower and more structurally controlled, reliance on exploration through drifting and stoping is not practical or cost-effective.

LGGC recommends the following:

- LGGC recommends the grade bias be studied to completion. Future work should include a block run in the measured area using only the DDHM composites to further reduce the impact of the spatial bias remaining between CCS and DDH10 composites. The same exercise should be repeated for SROB where there is a larger dataset available and more reconciliation data available.

- A drill-hole spacing analysis is suggested to establish an ideal distance for DDH intersections to better predict the locations of higher grade material in advance of mining. Due to increased variability in thickness and grade encountered during mining, closer drillhole spacing would better predict presence of high grade zones within the mineralized horizons.

14.1.9 Mineral Resources Tabulation

The March 2014 block models for SROB and MNFW, with an effective date of December 31, 2013, are classified into Indicated and Inferred mineral resources. The combined resources for both the San Roberto and the MNFW zones are shown in Table 14-22. The resources tabulations are separated for San Roberto in Table 14-23, and for MNFW in Table 14-24.

The mineral resource tabulations are reported at a Net Smelter Return (NSR) cut-off value of US$35 with various other cut-offs shown for comparative purposes. The NSR formulas used in each zone were calculated per block using Equation 14-1 and Equation 14-2:

Equation 14-1: San Roberto NSR Formula

$$NSR = Cu * 42.662 + Ag * 0.359 + Pb * 9.016 + Zn * 6.738$$

Equation 14-2: MNFW NSR Formula

$$NSR = Cu * 42.874 + Ag * 0.357 + Pb * 8.824 + Zn * 6.495$$

The NSR formulae were provided by Cozamin personnel. In the past, LGGC has validated the formula through independent mining engineers, but did not for this iteration. Though some of the numbers have changed, they are not considered significant, and are based on experience gained through mine production activities.

Mining development solids representing the underground stopes and valid to December 31, 2013, were used to remove portions of mined blocks from the resource model. These shapes were provided to LGGC by Cozamin mining personnel. Mineral resources are reported inclusive of mineral reserves.

Table 14-22: March 2014 San Roberto and MNFW Combined Mineral Resources above a US$35 NSR Cut-Off (Effective Date of December 31, 2013)

COG (NSR)	Class	Tonnes (X 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (koz)	Zn (Mlb)	Pb (Mlb)
>$25	IND	12,420	1.48	44	0.9	0.18	405	17,553	245	48
	INF	7,320	1.2	30	0.76	0.1	194	7,125	123	15
>$30	IND	12,000	1.52	45	0.91	0.18	401	17,346	241	48
	INF	6,590	1.3	32	0.74	0.09	189	6,755	108	13
>$35	**IND**	**11,420**	**1.57**	**46**	**0.93**	**0.19**	**394**	**17,007**	**234**	**47**
	INF	**5,850**	**1.43**	**34**	**0.67**	**0.07**	**184**	**6,302**	**86**	**9**
>$40	IND	10,730	1.63	48	0.95	0.2	385	16,591	225	46
	INF	5,170	1.55	35	0.61	0.06	177	5,780	69	7
>$45	IND	10,110	1.69	50	0.96	0.2	376	16,134	213	45
	INF	4,750	1.63	36	0.59	0.06	171	5,447	62	6
>$50	IND	9,490	1.75	51	0.96	0.21	366	15,626	201	43
	INF	4,300	1.72	37	0.57	0.05	163	5,062	54	5

Table notes:

1. Ali Shahkar, P.Eng. is the Qualified Person for the San Roberto and Mala Noche Footwall zones mineral resources estimate
2. Robert Sim, P.Geo. is the Qualified Person for the San Rafael zone mineral resources estimate
3. The mineral resources are reported above a Net Smelter Return (NSR) of US$35/tonne using respective metal prices for copper, silver, zinc, and lead of US$2.50/lb, US$20.00/oz., US$0.80/lb, and US$0.85/lb
4. Processing recoveries used to calculate the NSR COG for the San Roberto and Mala Noche Footwall zones Mineral Resources are based on historical site operating experiences reflecting recoveries of: Cu=92%; Ag=72%; Zn=69%; Pb=64%
5. Processing recoveries used to calculate the NSR COG for the San Rafael Mineral Resources are based on laboratory results reflecting recoveries of: Cu=41%, Ag=32%, Zn=84%, Pb=65%, Au=21%
6. Exchange used is MEX12.50 to US$1.00.
7. The cut-off date for mining activities and drillhole/mine sample data is December 31, 2013.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. Figures may not sum due to rounding.
10. Mineral Resources are reported inclusive of Mineral Reserves

Table 14-23: March 2014 San Roberto Mineral Resources above a US$35 NSR Cut-Off (Effective Date of December 31, 2013)

COG (NSR)	Class	Tonnes (X 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (koz)	Zn (Mlb)	Pb (Mlb)
>$25	IND	6,960	1.33	56	1.38	0.3	204	12,530	212	46
	INF	4,260	0.88	33	1.1	0.15	83	4,468	103	14
>$30	IND	6,790	1.36	57	1.39	0.31	203	12,432	209	46
	INF	3,780	0.96	35	1.07	0.14	80	4,193	90	12
>$35	**IND**	**6,570**	**1.39**	**58**	**1.4**	**0.31**	**201**	**12,264**	**203**	**45**
	INF	**3,290**	**1.08**	**37**	**0.95**	**0.11**	**78**	**3,862**	**69**	**8**
>$40	IND	6,370	1.42	59	1.41	0.32	200	12,101	198	45
	INF	2,780	1.2	39	0.85	0.1	74	3,449	52	6
>$45	IND	6,050	1.47	61	1.41	0.33	196	11,806	188	43
	INF	2,490	1.27	40	0.83	0.09	70	3,192	46	5
>$50	IND	5,730	1.52	62	1.4	0.33	192	11,474	177	42
	INF	2,160	1.37	42	0.8	0.08	65	2,883	38	4

Table notes:

1. Ali Shahkar, P.Eng. is the Qualified Person for the San Roberto and Mala Noche Footwall zones mineral resources estimate
2. Robert Sim, P.Geo. is the Qualified Person for the San Rafael zone mineral resources estimate
3. The mineral resources are reported above a Net Smelter Return (NSR) of US$35/tonne using respective metal prices for copper, silver, zinc, and lead of US$2.50/lb, US$20.00/oz., US$0.80/lb, and US$0.85/lb
4. Processing recoveries used to calculate the NSR COG for the San Roberto and Mala Noche Footwall zones Mineral Resources are based on historical site operating experiences reflecting recoveries of: Cu=92%; Ag=72%; Zn=69%; Pb=64%
5. Processing recoveries used to calculate the NSR COG for the San Rafael Mineral Resources are based on laboratory results reflecting recoveries of: Cu=41%, Ag=32%, Zn=84%, Pb=65%, Au=21%
6. Exchange used is MEX12.50 to US$1.00.
7. The cut-off date for mining activities and drillhole/mine sample data is December 31, 2013.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. Figures may not sum due to rounding.
10. Mineral Resources are reported inclusive of Mineral Reserves

Table 14-24: March 2014 MNFW Mineral Resources above a US$35 NSR Cut-Off (Effective Date of December 31, 2013)

COG (NSR)	Class	Tonnes (X 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (koz)	Zn (Mlb)	Pb (Mlb)
>$25	IND	5,460	1.66	29	0.28	0.02	200	5,022	33	2
	INF	3,060	1.66	27	0.29	0.01	112	2,657	20	1
>$30	IND	5,210	1.72	29	0.28	0.02	198	4,914	32	2
	INF	2,810	1.76	28	0.3	0.01	109	2,561	19	1
>$35	**IND**	**4,850**	**1.8**	**30**	**0.29**	**0.02**	**193**	**4,744**	**31**	**2**
	INF	**2,560**	**1.87**	**30**	**0.31**	**0.01**	**106**	**2,439**	**17**	**1**
>$40	IND	4,360	1.93	32	0.28	0.02	185	4,490	27	2
	INF	2,390	1.96	30	0.32	0.01	103	2,332	17	1
>$45	IND	4,060	2.01	33	0.28	0.02	180	4,328	25	2
	INF	2,260	2.03	31	0.32	0.01	101	2,255	16	1
>$50	IND	3,760	2.1	34	0.29	0.02	174	4,152	24	2
	INF	2,140	2.09	32	0.33	0.01	98	2,179	16	1

Table notes:

1. Ali Shahkar, P.Eng. is the Qualified Person for the San Roberto and Mala Noche Footwall zones mineral resources estimate
2. Robert Sim, P.Geo. is the Qualified Person for the San Rafael zone mineral resources estimate
3. The mineral resources are reported above a Net Smelter Return (NSR) of US$35/tonne using respective metal prices for copper, silver, zinc, and lead of US$2.50/lb, US$20.00/oz., US$0.80/lb, and US$0.85/lb
4. Processing recoveries used to calculate the NSR COG for the San Roberto and Mala Noche Footwall zones Mineral Resources are based on historical site operating experiences reflecting recoveries of: Cu=92%; Ag=72%; Zn=69%; Pb=64%
5. Processing recoveries used to calculate the NSR COG for the San Rafael Mineral Resources are based on laboratory results reflecting recoveries of: Cu=41%, Ag=32%, Zn=84%, Pb=65%, Au=21%
6. Exchange used is MEX12.50 to US$1.00.
7. The cut-off date for mining activities and drillhole/mine sample data is December 31, 2013.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. Figures may not sum due to rounding.
10. Mineral resources are reported inclusive of mineral reserves.

14.1.10 2013 and 2014 Mineral Resources Discussion

The changes between the 2013 and 2014 mineral resource estimates can be attributed to the following factors:

- New information from the 2013 diamond drilling campaign, underground development, mapping, and chip-channel sampling
- Changes in classification assignments, including the downgrade of Measured to Indicated (until results are available for re-evaluation) and downgrade of Indicated in portions of the deposits to Inferred
- Changes in the interpretation and estimation parameters

Due to the classification changes, comparisons are made between the combined Measured and Indicated (M&I) categories from the 2013 models to the Indicated category of the 2014 model. Table 14-25 summarizes the differences between the March 2014 resources model and the 2013 estimates. The resource tabulation of the models has been depleted for mine production current to December 31, 2013.

Table 14-25: Change in the SROB and MNFW zones between March 2014 and 2013 AIF published resources

Model Year	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
Measured + Indicated (San Roberto and MNFW zones)									
2014 (I)	11,420	1.57	46	0.93	0.19	394	17,007	234	47
2013 (M&I)	11,970	1.45	49	1.16	0.27	383	18,772	307	72
Diff (%)	-5	8	-6	-20	-30	3	-9	-24	-35
Inferred (San Roberto and MNFW zones)									
2014	5,850	1.43	34	0.67	0.07	184	6,302	86	9
2013	3,340	1.39	36	0.91	0.10	103	3,853	67	7
Diff (%)	75	3	-6	-26	-30	79	64	28	29

A comparison of the tonnage values between the 2013 and 2014 estimates finds a 550 kt difference in the combined Measured and Indicated (M&I) categories of the model. This is due to:

- SROB: A tonnage decrease of 770 kt (-10%) with an increase in the average copper grade (from 1.24% to 1.39% Cu), has resulted in no change in the contained copper. Two changes were made to the 2014 model that account for this difference. An area in the western portion of SROB was downgraded from Indicated to Inferred as geology in this area is complex and requires further infill drilling. In the Eastern part of the deposit there was a portion of mineralization modelled as part of SROB but hosts zinc rich mineralization, which is more characteristic of the San Rafael Zone. These blocks contain very low copper grades and were not contributing to the contained copper in the estimate.
- MNFW: A tonnage increase of 220 kt (5%) with a slight increase in the average copper grade, has resulted in a 6% gain in contained copper. This gain is attributed to new drilling and chip-channel sampling data gathered since the 2013 estimates.

14.2 San Rafael

The resource model for the San Rafael deposit was originally produced in December 2009 and is summarized in Capstone's 2009 NI 43-101 Technical Report (SRK, 2009). There has been no additional work conducted in this area and, as a result, the 2009 model is retained for the estimation of mineral resources at San Rafael.

14.2.1 Geologic model, Domains and Coding

The mineralized zone ("Minzone") domain was interpreted using a combination of geology codes, plus the presence of mineralization generally above a grade of 0.4% CuEq using the following formula (Equation 14-3).

Equation 14-3: San Rafael CuEq Formula

$$CuEq = Cu\% + (Zn\% * 0.533) + (Pb\% * 0.667) + (AuPPM * 0.583) + (AgPPM * 0.01)$$

Metal prices (US$): $1.50/lb Cu, $0.80/lb Zn, $1.00/lb Pb, $600/oz. Au, $10/oz. Ag. No adjustments were made for metallurgical recovery.

Although San Rafael is more zinc-rich than the San Roberto deposit to the west, a copper equivalent approach was used during the interpretation of the Minzone domain in an attempt to retain some consistency of the host geology between the two areas. San Rafael is primarily a zinc deposit that also contains minor amounts of lead, silver and copper. The gold grades at San Rafael are higher than at San Roberto. There are no indications of significant near-surface leaching or zone of supergene enrichment.

14.2.2 Available Data

The data used to produce the San Rafael resource model was provided by Capstone's Cozamin Mine Geology personnel on November 26, 2009 in the form of a Microsoft Excel® spreadsheet file. At that time, sequential-numbered drilling included surface drilling to hole S150 and underground drilling to drillhole CG-U217. A total of 68 surface holes tested the San Rafael deposit with a cumulative length of 22,759 m. Average drillhole spacing in the main part of San Rafael is on 50 m-spaced sections with holes spaced at 50-70 m intervals down the dip of the vein. A series of chip-channel samples were taken from several localized development drifts at San Rafael but the assay results from these samples were not available when the 2009 model was generated. The addition of this underground sample data would not have a significant impact on the resource model at San Rafael. Since 2009, three additional drillholes have been drilled in the vicinity of the San Rafael zone. These are exploratory in nature and do not influence the estimate of mineral resources.

Prior to importing the sample data into MineSight®, values identified with "<" symbol, denoting values below the analytical detection limit, were assigned values of one half of the detection limit. While validating the database, it was found that a portion of the grades with assayed grades below the detection limit were set to zero by Capstone personnel. There is a combination of both zero and one half the analytical detection limit values in the MineSight® data used to generate the resource model.

Although this is an inconsistent approach, it is not considered significant with respect to the resource estimation.

There were no recorded recovery data in the database. Discussions with Capstone Geology personnel indicated that core recoveries had always been very good. This is supported by observations of a series of randomly selected core intervals during the author's site visit. Table 14-26 summarizes the basic statistics of the raw sample assay data in the San Rafael deposit.

Table 14-26: San Rafael Statistical Summary of Raw Sample Assay Data

Element	No. Samples	Length (m)	Min	Max	Mean	Std. Dev.
Copper (%)	2,661	1,307	0	6.82	0.15	0.39
Zinc (%)	2,661	1,307	0	26.70	2.05	2.83
Lead (%)	2,661	1,307	0	29.45	0.32	0.97
Silver (g/t)	2,661	1,307	0	1,500.0	24.7	50.8
Gold (g/t)	2,661	1,307	0	97.40	0.39	2.14
SG (g/cm^3)	318	122	2.01	3.32	2.70	0.20

Prior to compositing, unsampled intervals inside of the Minzone domain were assigned zero grades for copper, lead, zinc, silver and gold. This was based on the assumption that these intervals were not sampled because they exhibit no visible signs of mineralization.

14.2.3 Compositing

In order to retain the original characteristics of the underlying data, a composite length of 1 m was selected. Drillhole composites were length-weighted down the hole, honouring the contacts with the Minzone domain. Several holes were randomly selected and the composited values were checked for accuracy. No errors were found.

14.2.4 Exploratory Data Analysis

Table 14-27 summarizes the basic statistics for the distribution of copper, zinc, lead, silver, and gold inside of the San Rafael Minzone domain.

Table 14-27: San Rafael Statistical Summary of Composited Sample Data inside Minzone Domain

Element	No. Samples	Length (m)	Min	Max	Mean	Std. Dev.
Copper (%)	1,147	1,147	0	3.37	0.16	0.34
Zinc (%)	1,147	1,147	0	17.33	2.12	2.40
Lead (%)	1,147	1,147	0	9.14	0.32	0.69
Silver (g/t)	1,147	1,147	0	625.5	25.0	39.6
Gold (g/t)	1,147	1,147	0	10.94	0.34	0.70
SG (g/cm^3)	107	107	2.26	3.22	2.70	0.17

Contact profiles were generated to evaluate the change in grade in all five metals across the Minzone domain boundary. In all cases there is a significant change in grade across the contact. This indicates that the Minzone domain is significantly different from the surrounding rocks and that the domain has been developed in such a way that it captures the majority of the mineralized material associated with the deposit. This is treated as a hard boundary during grade interpolation.

14.2.5 Evaluation of Outlier Grades

Histograms and probability plots of the distributions of each element were reviewed in order to identify the existence of outlier grades in the composite database. In addition, a decile analysis of the data was also conducted in order to quantify the distribution of the contained metals with respect to the sample density. At San Rafael, it was decided that potentially anomalous sample data could be treating using outlier limitations; this limits the distance of influence of samples above a defined grade threshold. In this case, potentially anomalous samples were limited to a maximum distance of 20 m during block grade interpolation. Table 14-28 summarizes selected top cut values used to cap identified outlier grades.

Table 14-28: San Rafael Outlier Grade Controls

Element	Outlier Limit[1]	Metal Loss in Model (%)
Copper (%)	3	-0.3
Zinc (%)	15	-0.2
Lead (%)	5	-3.6
Silver (g/t)	250	-0.7
Gold (g/t)	5	-3.4

Table note:

1. All outlier thresholds limited to a maximum of 20 m influence during grade interpolation.

The percentage of total metal lost in the model due to the outlier limitations is considered appropriate for each element.

14.2.6 Variography

Correlograms were generated using the composited drillhole data with the commercial software package, Sage 2001, developed by Isaacs & Co. Directional correlograms were generated for composited drillhole and chip-channel samples located within the Minzone domain. The parameters are summarized in Table 14-29.

Table 14-29: San Rafael Correlogram Parameters

Element	Nugget	Sill1	Sill2	Structure 1			Structure 2		
				Range (m)	AZ	DIP	Range (m)	AZ	Dip
Copper	0.3	0.609	0.091	11	32	-28	753	93	-3
				6	20	61	296	180	46
				4	119	5	49	6	44
Zinc	0.4	0.53	0.07	69	62	0	730	243	51
				8	332	-54	169	122	23
				5	332	36	47	198	-30
Lead	0.6	0.323	0.077	22	20	-30	590	261	59
				14	268	-33	121	42	25
				5	322	42	39	141	17
Silver	0.4	0.517	0.083	16	314	-40	697	118	31
				12	57	-15	314	222	22
				7	343	46	62	162	-51
Gold	0.5	0.435	0.065	9	287	2	1002	89	0
				9	204	-75	139	359	57
				2	17	-15	18	179	33

Table Note:

1. All experimental correlograms were modelled with exponential structures.

14.2.7 Model Setup and Limits

A block model was initialized in MineSight®, which is described in Table 14-30. The selection of a nominal block size measuring 10 m Easting by 3 m Northing by 3 m Elevation is considered appropriate with respect to the current drillhole spacing as well as the selective mining unit (SMU). The larger dimension is oriented along the east-west strike of the deposit.

Table 14-30: San Rafael Block Model Limits

Direction	UTM Minimum (m)	UTM Maximum (m)	Block Size (m)	No. Blocks
Easting	746,450	749,400	10	295
Northing	2,523,450	2,524,449	3	333
Elevation	1,600	2,620	3	340

Blocks in the model have been coded if they occur partially or wholly within the Minzone domain. The proportions of each block within the Minzone domain, or below the topographic surface, are also stored as percentage values. These percentage values are utilized as weighting factors in determining the in-situ resources for the deposit.

14.2.8 Interpolation Parameters

The block model grades for copper have been estimated using Ordinary Kriging (OK). The results of the OK estimation were compared with the Herco polynomial change of support model, which is described above in Section 14.1.6.1.2.

The Cozamin OK model has been generated with a relatively limited number of samples in order to match the change of support, or Herco grade distribution. This approach reduces the amount of smoothing (averaging) in the model, and while there may be some uncertainty on a local scale, this approach produces reliable estimations of the recoverable grade and tonnage of the overall deposit.

All grade estimations use the composited sample data and are limited to the area within the Minzone domain boundary. The interpolation parameters are summarized in Table 14-31. During grade estimations, the search orientations were designed to follow a mineralization trend surface created from the average between the hangingwall and footwall surfaces of the Minzone domain. A temporary elevation item is assigned to all composited drillhole samples and model blocks, which is relative to the elevation from the trend surface. Using the relative elevations during grade estimation, results in a grade distribution that more closely follows the overall subtle grade variations in the trend of the domain.

Table 14-31: San Rafael Interpolation Parameters

Domain	Search Ellipse Range			No. Composites			Other
	X	Y	Z[1]	Min/block	Max/block	Max/hole	
Copper	200	200	10	5	20	5	1 DH per octant
Zinc	200	200	10	6	24	6	1 DH per octant
Lead	200	200	10	5	20	5	1 DH per octant
Silver	200	200	10	5	15	5	1 DH per octant-
Gold	200	200	10	5	20	5	1 DH per octant

Table note:

1. Z search distance relative to plane of Minzone domain (trend=avg HW-FW surfaces)

The method used to determine specific gravity at San Rafael is described in Section 11.5.1 of this report. A total of 254 samples were tested for specific gravity in the area of San Rafael. Estimates for specific gravity (SG) have been made within the Minzone domain using the inverse distance to the power to two (ID2) interpolation method. Specific gravity estimates use relative elevations to help control the search orientation in relation to the trend of the Minzone domain. Block density values are estimated using a maximum of 30 composites with no more than 5 composites from a single drillhole.

14.2.9 Model Validation

The results of the modelling process were validated using several methods. These included a thorough visual review of the model grades in relation to the underlying drillhole sample grades, comparisons with the change of support model, comparisons with other estimation methods, and grade distribution comparisons using swath plots.

14.2.9.1 Visual Inspection

Detailed visual inspection of the block model has been conducted in both cross section and by level plan to ensure desired results following interpolation. This includes confirmation of the proper coding of blocks within the Minzone domain. The distribution of block grades were compared relative to the drillhole samples to ensure the proper representation in the model.

14.2.9.2 Model Checks for Change of Support

The relative degree of smoothing in the block model estimates were evaluated using the Discrete Gaussian, or Hermitian Polynomial Change of Support, as described by Journel and Huijbregts (1978). With this method, the distribution of the hypothetical block grades can be directly compared to the estimated OK model through the use of pseudo grade-tonnage curves. Adjustments are made to the block model interpolation parameters until an acceptable match is made with the Herco distribution at the projected cut-off grade. These differences account for mining selectivity at the chosen SMU.

The Herco distribution is derived from the declustered composite grades, which have been adjusted to account for the change of support as one goes from the smaller drillhole composite samples to the large blocks in the model. The transformation results in a less skewed distribution, but with the same mean as the original declustered samples. Figure 14-15 illustrates that the grade-tonnage curve from the block model has the desired level of correlation for the SMU block size of 10x3x3.

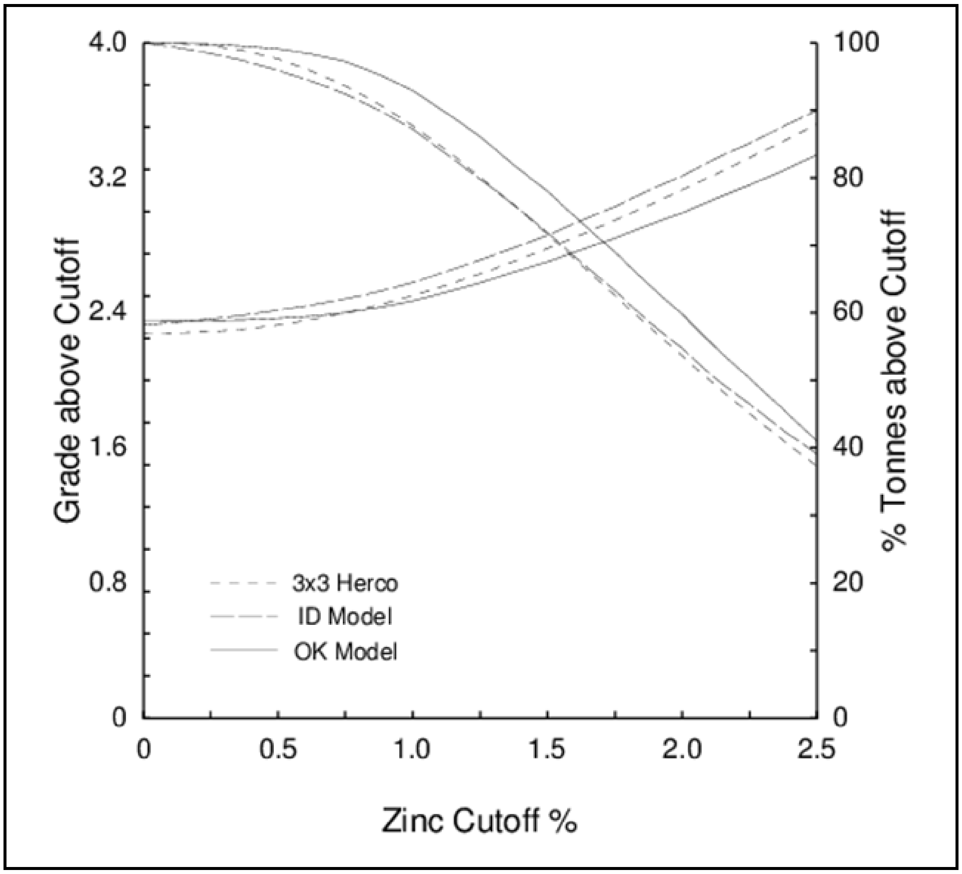

Figure 14-15: Grade-Tonnage Curves of Herco Copper at San Rafael

14.2.9.3 Comparison of Interpolation Models

For comparison purposes, additional models were generated using both the ID2 and NN interpolation methods (the NN model was made using data composited to 3 m intervals). The results of those models are compared to the OK models at a series of cut-off grades in a series of grade-tonnage graphs. Overall, there is very good correlation between all grade models in the San Rafael zone (Figure 14-16).

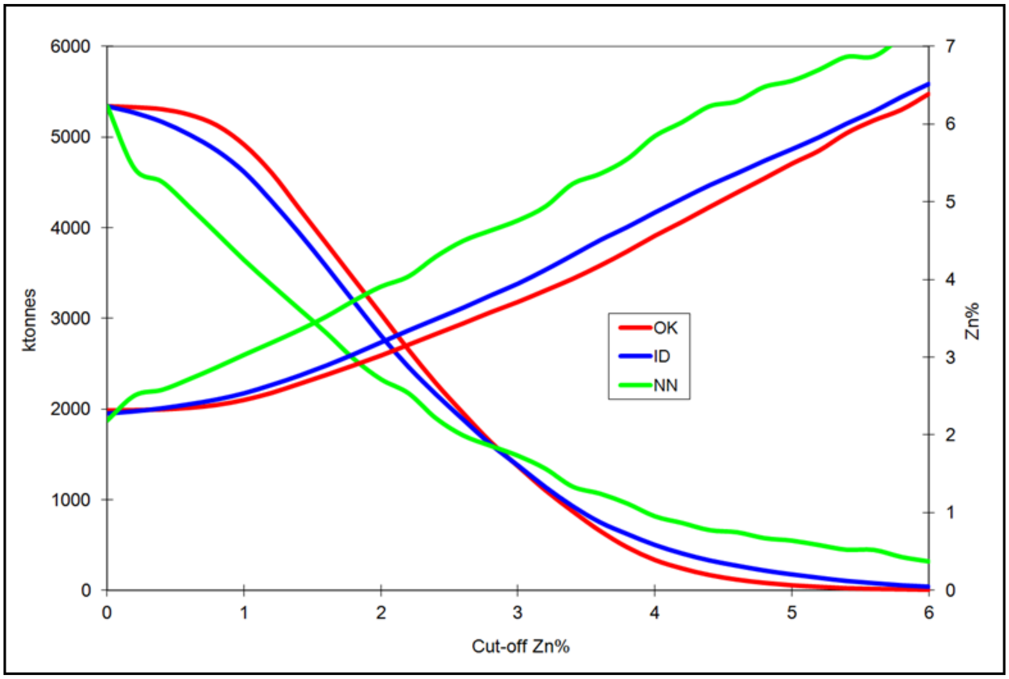

Figure 14-16: Grade-Tonnage Comparison between OK, ID, and NN Zinc Estimates in San Rafael

14.2.9.4 Swath Plots (Drift Analysis)

Swath plots have been generated in three orthogonal directions for distribution of all five elements in the San Rafael zone. There is good correspondence between the OK models for each element when compared to the NN model.

14.2.10 Resource Classification

Mineral resources have been classified in accordance with CIM definition standards for mineral resources and mineral reserves (CIM, 2010, as discussed in Section 14.1.7). The classification parameters are defined in relation to the distance to sample data and are intended to encompass zones of reasonably continuous mineralization. The parameters are based on the results of a study of geostatistical methods which define categories based on confidence limits. Measured resources are defined as material in which the predicted grade is within ±15 % on a quarterly basis, at a 90 % confidence limit. In other words, there is a 90 % chance that the recovered grade for a quarter-year of production will be within ±15 % of the actually achieved production grades. Similarly, indicated resources include material in which the yearly production grades are estimated with ±15 % at the 90 % confidence level.

The method of estimating confidence intervals is an approximate method that has been shown to perform well when the volume being predicted from samples is sufficiently large (Davis, 1997). In this case, the smallest volume where the method would most likely be appropriate is the production from a three month period. Using these guidelines, an idealized block configured to approximate the volume produced in one month is estimated by ordinary kriging using a series of idealized grids of samples. Relative variograms for copper equivalent grades are used in the estimation of the block (relative variograms are used rather than ordinary variograms because the standard deviations from the kriging variances are expressed directly in terms of a relative percentage). Note that an equivalent grade for copper is used due to the presence of several payable metals. Although San Rafael is primarily a zinc deposit, copper equivalent grades were used in this analysis in an attempt to retain some consistency between San Rafael and the San Roberto deposit.

The kriging variances from the ideal blocks and grids are divided by twelve, assuming approximate independence in the production from month to month, to get a variance for yearly ore output. The square root of this kriging variance is then used to construct confidence limits under the assumption of normally distributed errors of estimation.

The results of the evaluation indicate that quarterly production can be estimated within ±15 % at the 90 % confidence limit with holes spaced at 15 m intervals. Annual production forecasts, at similar confidence levels, can be made based on drilling spaced at 60 m intervals. These results are used to define the classification criteria listed below.

Measured Resources – Model blocks with copper grades estimated by a minimum of three drillholes or channel samples located within an average distance of 12 m.

Indicated Resources – Model blocks with copper grades estimated by a minimum of three drillholes or channel samples located within a maximum average distance of 45 m.

Inferred Resources – Model blocks which do not meet the criteria for Measured or Indicated resources but and are within a maximum distance of 80 m from a single drillhole.

There are no areas at San Rafael that meet the criteria for Measured resources. At this stage of evaluation, the majority of resources at San Rafael occur within the Inferred category. There is a zone measuring some 500 x 300 m, where the drill pattern is sufficient to delineate resources in the Indicated category.

14.2.11 Mineral Resources Reporting

Mineral resources for the San Rafael deposit are reported using a net smelter return (NSR) cut-off threshold that is based on projected recoveries, operating conditions and projected metal prices. These parameters have been modified several times since 2009 resulting in changes to the resource estimate. The recovery parameters used in the NSR calculation is summarized Section 13.3. The Capstone metal prices used in the NSR calculations are summarized in Table 15-1. Because the NSR calculations contain confidential cost information and variables, calculations are not presented here. Equation 14-4 is the NSR formula used for San Rafael mineral resource reporting.

Equation 14-4: Capstone 2014 NSR Formula

$$NSR = Cu * 18.237 + Ag * 0.154 + Pb * 9.283 + Zn * 8.312 + Au * 5.247$$

The mineral resource estimate at San Rafael has been adjusted to exclude areas of past production that primarily occurred between 2400 and 2500 elevations. During a period in 2007-08, approximately 400 kt of ore was extracted from the San Rafael deposit and processed at the Cozamin mill.

The San Rafael deposit occurs as a series of relatively continuous zone of mineralization within a maximum depth of 500 m below surface that are amenable to underground extraction methods. The San Rafael mineral resource estimate is summarized in Table 14-32 and is considered to exhibit reasonable prospects for economic extraction. The mineral resources are presented above a range of potentially economic NSR cut-off grades to demonstrate sensitivity of the resource to cut-off. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Table 14-32: Mineral Resource Estimate for the San Rafael Deposit

Cut-off ($NSR)	Tonnes (X 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	Contained metal				
							Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)	Au (Koz)
Indicated											
30	2,790	0.25	38.9	3.07	0.42	0.44	15.6	2,394	189	26.1	39.6
35	2,073	0.28	42.3	3.33	0.45	0.47	12.7	1,932	152.1	20.6	31
40	1,417	0.31	46.7	3.60	0.49	0.49	9.7	1,459	112.4	15.2	22.2
45	916	0.35	52.4	3.83	0.53	0.5	7	1,057	77.3	10.6	14.8
Inferred											
30	2,207	0.12	29.1	2.9	0.64	0.56	5.9	1,418	141.3	30.9	39.6
35	1,328	0.15	33.4	3.28	0.69	0.59	4.3	977	96.1	20.1	25.4
40	942	0.16	36.1	3.45	0.76	0.64	3.2	749	71.7	15.8	19.4
45	526	0.14	40.3	3.77	0.86	0.67	1.7	467	43.7	9.9	11.3

Table notes:

1. The mineral resources are reported above a Net Smelter Return (NSR) of US$ $35/tonne using respective metal prices for copper, silver, zinc, lead and gold of US$2.50/lb, US$20.00/oz., US$0.80/lb, US$0.85/lb, and US$950/oz. and average respective process recovery for copper, silver, zinc, lead, and gold are 41%, 32%, 84%, 65%, 21%
2. Exchange used is MEX12.50 to US$1.00.
3. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
4. Figures may not tally due to rounding.

15 Mineral Reserves Estimates

The mineral reserve estimates for the deposits at Cozamin were prepared under the supervision of Mr. Mel Lawson and Mr. Allan Schappert, Stantec Consulting International LLC. Estimates were based on the resource block models developed by Ali Shahkar of Lions Gate Geological Consulting Inc. (LGGC) for the San Roberto and the Mala Noche Footwall (MNFW) zones (data cut-off date 31 December 2013), and by Robert Sim of Sim Geological Inc. (SGI) for the San Rafael zone (data cut-off date December 2009). For this technical report, only the Indicated mineral resources have been used as the basis for the mineral reserves estimates. Vein rock densities used in the block models ranged from 2.85 g/cm^3 for San Roberto, to 2.70 g/cm^3 for MNFW. Vein rock densities at San Rafael ranged from 2.30 to 3.01 g/cm^3, with an average ore density of 2.60 g/cm^3. For dilution calculations, a 2.60 g/cm^3 was used for overbreak material.

The mineral resource block models provided to Stantec also include the net smelter return (NSR) variable. The NSR is the dollar value of the metals recovered from a tonne of ore, less the cost for concentrate transport to the smelter, smelting and refining charges, and other deductions at the smelter. The NSR *does not* consider the cost for mining, milling, or general and administration (G&A). In order for mining of a resource block to be economical, the NSR value must be high enough to cover these costs. NSR calculation formulas and metal prices used in the block models were provided by Capstone, and were based on historical transportation and smelting charges for Cozamin concentrates and Capstone metal price assumptions. The Capstone metal prices used in the NSR calculations are summarized in Table 15-1. (NSR calculations contain confidential cost information and variables, and thus are not presented here.) Since the metallurgical characteristics of the deposits vary, unique NSR formulas were defined and applied to each block model.

Table 15-1: Metal Prices Used in NSR Calculations

Metal	Unit	Selling Price (US$)
Copper	lb	$2.50
Silver	oz.	$20.00
Zinc	lb	$0.80
Lead	lb	$0.85

The mineral reserve estimates for the San Roberto, MNFW, and San Rafael Zones were based on vein domain names (e.g., VN10, an individual vein identifier) using a combination of minimum vein width, NSR cut-off values of $42.50/t for San Roberto and MNFW zones (the Copper Zone), and $38.00/t for San Rafael, and a minimum copper grade of 0.3%. Predefined mining blocks in each of the deposits were reviewed for areas of contiguous mineralization above these cut-offs. These blocks were then included in polygons to identify mineable and recoverable areas. Longitudinal longhole stoping, which is the defined stoping method for the three zones, does not allow for selective mining within the defined stope shapes. Therefore, all blocks of sub-ore that were inside the defined stope shapes were included in the mineral reserve estimate; likewise, ore grade blocks that were outside the defined stope shapes were excluded from the reserve estimates.

A series of well-defined stope shapes were generated for the San Roberto and MNFW zones and were used to extract those areas from the block model wireframes of the mineralized veins. These stope shapes were then used to query the block model and report tonnes and grades within the shapes. Tonnes and grades from this output were then input into a Microsoft Excel® workbook to apply dilution and mining recovery factors on a stope by stope basis to all defined areas. Primary dilution factors included 0.5 m of wall rock to represent blasting overbreak in longhole stopes, as well as 1.0 m of overbreak dilution for development sill and drill drifts within the stopes, or to a minimum drift width of 5.0 m. Mining recovery was applied as a loss of 3.0% of the material on a stope by stope basis. Areas mined prior to 31 December 2013 were deleted from the June 2014 reserve.

Previous reserve tabulations for the San Roberto Zone included a number of high grade remnant pillars left after mining of these areas. Many of these pillars were left behind for structural and ground control reasons. A review of these pillars revealed that there was no supporting mine plan or reasonable possibility for extraction, so these pillars were removed from the mineral reserves. Although the overall tonnage in the areas of loss and gain were similar, the grades of the areas of loss were higher than in those areas where reserves were increased. The result of the reduction of grade at the Inferred to Indicated boundary shift combined with the removal high grade pillars from the mineral reserves resulted in an overall reduction in both tonnes and grade in the June 2014 mineral reserves estimate in comparison to the previous reserves estimate disclosed in the Capstone 2013 AIF document (Capstone, 2014; Table 15-2).

Table 15-2: Change in Cozamin Mine Reserves between June 2014 estimate and 2013 AIF Reserves Statement

Model Year	Tonnes (000s)	Grade				Contained Metal			
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	Cu (Mlb)	Ag (Koz)	Zn (Mlb)	Pb (Mlb)
Proven + Probable (San Roberto, MNFW, and San Rafael zones)									
June 2014 (Probable)	7,838	1.50	44	0.83	0.18	258.7	11,036	143.4	31.1
2013 AIF (P&P)	9,898	1.42	46	1.08	0.25	311.0	14.505	235.6	53.9
Change (%)	-21	6	-4	-23	-28	-17	-24	-39	-42

The downgrading of all Measured resources to Indicated resources has resulted in all Copper zone mineral reserves to be re-classified as Probable until sufficient work is completed to support classification of Measured mineral resources.

In the San Rafael zone, Stantec was unable to identify reasonably mineable areas that contained sufficient tonnes and grade to meet economic cut-offs. As a result, San Rafael has been reclassified as a mineral resource subject to revised economic parameters, improved zinc metal pricing, improved mill recoveries, a review of mine plans, and opportunities for reducing mining, milling, and G&A costs.

15.1 Mineral Reserves – Summary

Cozamin Mine has been operated by Capstone since production resumed in 2006. Cozamin mineral reserves are based on mineral resources models derived from the interpretation of geological drilling, sampling, and mapping data, along with 8 years of ore production. The mine infrastructure (including access ramps, ore production shaft, cross cuts, and ventilation raises, etc.) has been designed for ore extraction. A detailed life-of-reserve development and production schedule and budget have been completed, which demonstrate the economic viability for the extraction of the mineral reserves at an annual production rate of approximately 1.1 Mt/yr.

The mineral reserves, as presented in Table 15-3, are the expected total diluted and recovered mineral reserve, specifically the Probable mineral reserves, within the designed stopes. The Probable reserves include only Indicated classified mineral resources. The NSR value of the mineral reserves contained within the Cozamin Copper Zone is $86.86/t.

Results from Stantec's 2013 end-of-year San Roberto and MNFW zones reconciliation report indicate that 2013 production tonnages closely match model prediction, while actual copper and silver grades (and therefore metal production) exceeded model prediction.

With the updated design parameters that were applied to the March 2014 San Rafael block model for reserve estimation, San Rafael has been re-categorized as a mineral resource. Since the San Rafael zone is primarily a zinc resource, mining and milling is planned to be deferred until the depletion of the Copper Zone reserves, or until more favorable NSR values can be realized. Additional planning, along with improved mill recoveries and economic parameters, will be required for San Rafael to be reclassified as a mineral reserve. Since San Rafael has not been recently mined, future reconciliations should benefit from the updated criteria used in the development of the block models and mineral reserve estimates.

Table 15-3: Cozamin Mine June 2014 Mineral Reserve (Effective Date of December 31, 2013)

Cozamin Deposit	Tonnage (x 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
San Roberto Copper Zone					
Probable	4,167	1.22	55.85	1.32	0.32
Mala Noche Footwall Copper Zone					
Probable	3,671	1.82	30.1	0.27	0.02
Subtotal – Copper Zones					
Probable	7,838	1.50	43.79	0.83	0.18
San Rafael Zinc Zone					
Probable	0	N/A	N/A	N/A	N/A
Cozamin Mine					
Probable	7,838	1.50	43.79	0.83	0.18

Table Notes:
1. An NSR cut-off of $42.50/t was used for the San Roberto and MNFW zones and $38.00/t was used for San Rafael.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/oz, US$0.80/lb, and US$0.85/lb.
3. San Rafael has been re-categorized into mineral resources due to market conditions.
4. The exchange rate used is MEX12.50 to US$1.00.
5. Estimate takes into account mining activities until December 31, 2013.
6. Tonnage and grade estimates include dilution and recovery allowances.
7. Totals may not add due to rounding.

15.2 Cut-off Grade

Ore has historically been extracted at Cozamin using the overhand cut-and-fill, Avoca retreat, and longitudinal longhole stoping mining methods, all with delayed rock backfill. Design parameters were developed for each method and used for determining the appropriate stoping method for each potential mining block. Factors used in the method selection included minimum mining widths, vein dips, vein strike lengths, minimum copper grade, mining dilution, mining recovery, geotechnical factors, and level spacing.

Prior to the commencement of stope design and the development of the supporting mine plan, an NSR cut-off value was calculated for longhole stoping for the San Roberto, MNFW, and San Rafael zones using actual mine, milling, and G&A costs provided by Capstone. Future mining for the three zones met the criteria for the more economical longhole stoping method; therefore, cut-and-fill and Avoca stoping have not been included in future mine plans or in this reserve estimate. The economic NSR cut-off grade calculations for longhole stoping from San Roberto / MNFW and San Rafael are summarized in Table 15-4. Since the San Rafael zone is near surface when compared with the shaft supported San Roberto / MNFW zone, the lower San Rafael mining costs can be attributed to several factors: no shaft ore hoisting; shorter ore haulage distance to surface; and, no internal ore haulage to the shaft. Stantec has reviewed these costs and historical operating cost performance and considers them to be reasonable, which therefore supports an NSR cut-off of $42.50/t for the San Roberto and MNFW zones and $38.00/t for the San Rafael zone. Previous mineral reserve estimates for all three zones used an NSR cut-off of $40.00/t.

Table 15-4: NSR Cut-off Value Calculation – Longhole Stoping

Cost Center	Unit Cost (US$/tonne)	
	San Roberto and MNFW	San Rafael
Mining	6.45	4.20
Bolting and Ventilation	1.07	1.07
Equipment	0.87	0.87
Hauling and Mucking	2.75	1.94
Hoisting	1.78	0
Service	2.03	2.03
Mine Management	1.51	1.51
Mechanical Maintenance	1.72	1.72
Electrical Maintenance	0.55	0.55
Engineering and Survey	1.26	1.26
Subtotal Stoping	**19.99**	**15.15**
Processing (Milling)	13.50	14.00
General and Administration	9.07	9.07
Total Cost	42.56	38.22

15.3 Mining Shapes and Stope Designs

Identification of the mineable portions of the San Roberto, MNFW, and San Rafael resources was accomplished using Maptec Vulcan (Vulcan) three-dimensional underground design software. Working from the resource block models, grade shells were produced for the respective NSR cut-off grades to define those portions of the deposits that met cut-off and stope design criteria. Three-dimensional polygons were then drawn in Vulcan to create economic mineable shapes for inclusion in the mineral reserves estimate and mine plan. The shapes consist of a composite of individual blocks from the resource model and include calculations for ore density, grade, tonnage, and NSR values. Mineable shapes were then passed on to mine planning for breakdown into stoping units, and for inclusion in the mine plan and production schedule. This was only possible for the San Roberto and MNFW zone resources; since San Rafael was not able to meet design criteria and has been reclassified as a mineral resource.

Mineable shapes exclude the following: ore left in unrecoverable crown pillars; ore left in parallel veins with insufficient intervening pillar to allow the stoping of both zones; and ore material deemed un-mineable due to geological complications (structures). Because the San Roberto and MNFW stopes are vertically stacked and mined from ramps advanced level by level, each level requires a 6.0 m crown pillar to prevent breakthrough to the stope above and exposure to the unconsolidated backfill waste rock.

With a 60.0 m level spacing and allowing for a 5.0 m bottom sill drift, this amounts to an approximate 10% net ore loss to crown pillars. Rib pillars could be required to isolate adjacent stopes or for additional structural stability at depth. For this mineral reserves estimate, the mine plan does not include rib pillars for mine stope sequencing or geotechnical stability.

The mineable shapes included in the June 2014 mineral reserve are shown on the longitudinal sections for the San Roberto Zone (Figure 15-1) and the MNFW zone (Figure 15-2 and Figure 15-3). A total of approximately 40 stopes have been defined for the San Roberto zone and 30 stopes for the MNFW zone.

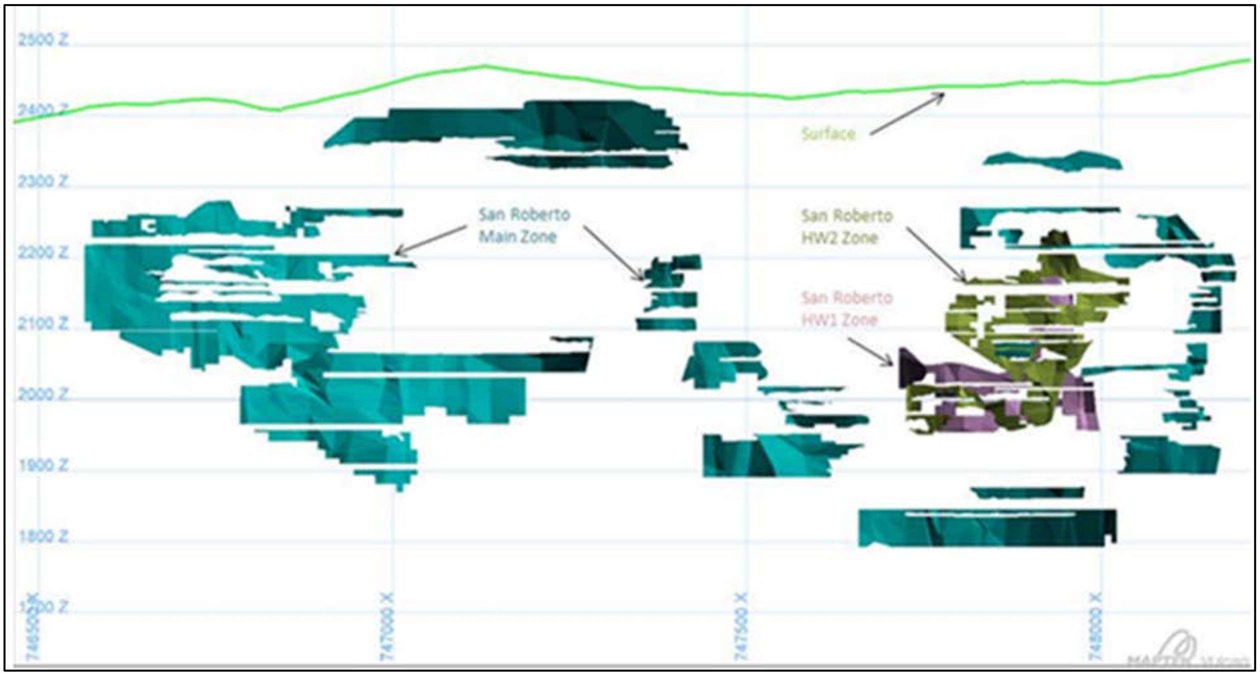

Figure 15-1: San Roberto Zone June 2014 Mineral Reserves Shapes – NSR Cut-off at US$42.50/t

Figure 15-2: MNFW Zone "VN10" June 2014 Mineral Reserves Shapes – NSR Cut-off at US$42.50/t

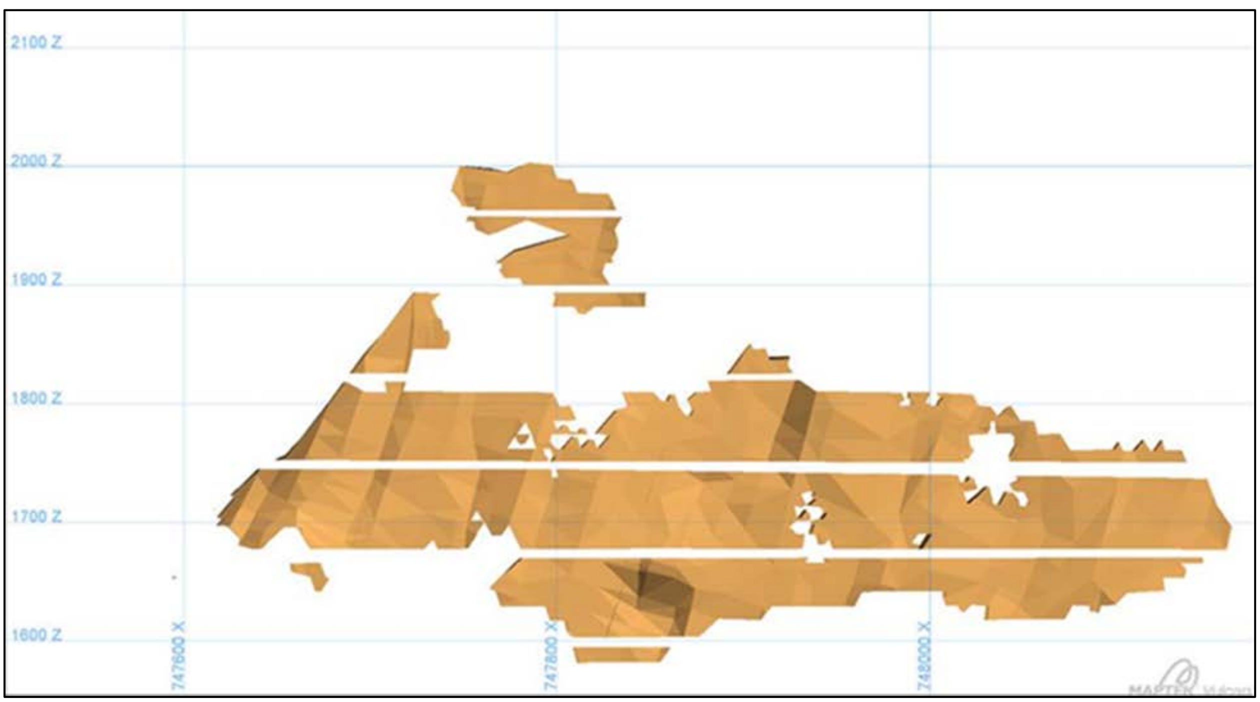

Figure 15-3: MNFW Zone "VN20" June 2014 Mineral Reserves Shapes – NSR Cut-off at US$42.50/t

15.4 Dilution and Recovery

Mining dilution is the low grade wall rock that is introduced as part of the normal ore extraction cycle. At Cozamin, the longitudinal longhole stopes are defined by development drifts driven on the vein above and below the approximately 25.0 m bench heights. Therefore, all longhole stopes will have two dilution factors, one for the stope development drifts and one for the extraction of the bench.

Longhole development drifts are purposely driven wider than the actual ore width to allow equipment access for bench drilling and mucking, and to ensure the entire ore width is delineated for benching. Approximately 25% of longhole stope production is from development drifts; therefore it is important to determine a separate drift dilution factor. A minimum drift width of 5.0 m is required to accommodate the Cozamin mining equipment. Vein widths less than 4.0 m will be diluted up to 5.0 m, while veins over a 4.0 m width will include an allowance of 1.0 m of overbreak dilution.

Longhole vein drifting is controlled by mine geology mapping and the assays from the face chip-channel samples taken after each round. This information along with the as-built drift surveys are turned over to mine planning to delineate the bench tonnes and grade, and for the development of the longhole drilling and extraction plan. Due to typical longhole stope bench heights of 25.0 m or less, the regularity of the veins, and the top and bottom detailed drift delineation, a benching dilution factor of 0.5 m has been applied to all longhole stopes regardless of width. From the ground conditions observed in the San Roberto and MNFW zones, and from the supporting geotechnical reports, the authors feel that based on their experience, the dilution factors heretofore defined are reasonable for this mineral reserves estimate.

For each stope in the mineral reserves inventory, individual dilution factors have been calculated. The dilution factors have been composited and tonne weighted to determine an overall longhole stope dilution factor of 10.5% for San Roberto and MNFW zones. This compares with a dilution factor of 16.58% recorded by Cozamin geological staff for 2013. This variance is in part explained by a disproportionate percentage of ore that was either extracted by cut-and-fill or in longhole stope development drifts in 2013, which resulted in higher dilution factors.

The grade assigned to the diluting wall rock in this mineral reserve estimate is based on the 2013 grades, as recorded by Cozamin's geological staff, and on actual dilution from the San Roberto and MNFW zones and validated by Stantec (Table 15-5). From the 2013 Cozamin reconciliation report, these grades range from 10% to 20% of the official undiluted mine production grades. Dilution grades assigned to the 1.0 m of overbreak in the longhole drifts is being composited from the face channel samples. The dilution from the 0.25 m segments of footwall and hangingwall material that are adjacent to the defined ore shape are being calculated by averaging the chip-channel sample grades from the sill and drill drifts from those intervals over the strike length of the bench. In addition, as-built surveys of the drifts and cavity surveys of the stopes will be compared with predicted dilutions for use in future planning and reserves estimates.

An additional but minor source of dilution is the backfill that is mucked during stope cleanout. Backfill dilution will only be encountered in those longhole benches that are mucked out on a floor of backfill waste rock. Stope benches on hard bottom will not be considered. The grade assigned to these waste tonnes is one-half the detection limit. Since this dilution is considered insignificant, it has not been included in the mineral reserve estimate, but will be monitored and reported by the Cozamin staff in future reconciliation reports.

A mining recovery factor of 97% (Table 15-5) has been applied to the mineral reserves estimate to account for ore that cannot be recovered from the stopes or is lost in transit to the processing facilities. This recovery factor is consistent with those realized in mining similar deposits using longitudinal longhole stoping.

Table 15-5: Dilution and Recovery Factors – San Roberto and MNFW Zones

Mining Method	Dilution (%)	Grade of Dilution Material				Recovery (%)
		Cu (%)	Ag (g/t)	Zn (%)	Pb (%)	
Longitudinal Longhole	10.5	0.21	9.05	0.26	0.04	97.0

15.5 Mineral Reserves

Table 15-6 provides a summary of the 2014 mineral reserve estimate for the three mineralized zones at Cozamin: San Roberto, MNFW, and San Rafael. For reporting purposes, San Roberto and MNFW are combined and categorized as the Copper Zone. San Rafael is predominately a zinc-rich zone, and under current economic conditions this zone has been reclassified as a mineral resource. Therefore, San Rafael has been dropped from the 2014 mineral reserve. Only probable tonnes are included in the reserve estimate.

Table 15-6: June 2014 Mineral Reserves Estimates for San Roberto, MNFW and San Rafael Zones

Cozamin Deposit	Tonnage (x 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
San Roberto Copper Zone					
Probable	4,167	1.22	55.85	1.32	0.32
Mala Noche Footwall Copper Zone					
Probable	3,671	1.82	30.1	0.27	0.02
Subtotal – Copper Zones					
Probable	7,838	1.50	43.79	0.83	0.18
San Rafael Zinc Zone					
Probable	0	N/A	N/A	N/A	N/A
Cozamin Mine					
Probable	7,838	1.50	43.79	0.83	0.18

Table Notes:

1. An NSR cut-off of $42.50/t was used for the San Roberto and MNFW zones and $38.00/t was used for San Rafael.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/Oz, US$0.80/lb, and US$0.85/lb.
3. San Rafael has been re-categorized into mineral resources due to market conditions.
4. The exchange rate used is MEX12.50 to US$1.00.
5. Estimate takes into account mining activities until December 31, 2013.
6. Tonnage and grade estimates include dilution and recovery allowances.
7. Totals may not add due to rounding.

15.6 Comparison of Previous Resource Models and 2013 AIF Reserve Statement

The mineral reserves statement issued in the 2013 AIF (Capstone, 2014;hereafter referred to as the 2013 AIF mineral reserves statement) (Table 15-7) was based on the 2009 resource block model for the San Rafael Zone the November 2012 San Roberto block model and the February 2013 MNFW zone block model. Due to their geological and mining similarities, the San Roberto and MNFW zones are combined into a subgroup (Copper Zone) to distinguish this area from the zinc-rich San Rafael Zone (Zinc Zone).

The June 2014 mineral reserves estimate takes into account revised NSR factors, actual mining costs and dilution grades, updated metal prices, updated mining recoveries, updated ore and waste density factors, redefinition of mineable shapes and stopes, and removal of unrecoverable resources remaining in pillars. As a result, the June 2014 mineral reserve estimate, when compared with the 2013 AIF mineral reserve statement, reflects the changes, updates, and refinements in the modeling and reserve estimation process (Table 15-8). The contained metal variance is shown in Table 15-9.

Referring to the Copper Zone subtotals, the most significant contributor to the decreased mineral reserve tonnage and grade is due to the removal of remnant pillars from San Roberto, which have been deemed unrecoverable. This represents 620,000 tonnes or 46% of the tonnage variance. Since the pillar material has higher than average grades (US$ 131 NSR), this also accounts for the resultant decrease in overall mineral reserve grade and contained metals (e.g., 66% of the reduction in the contained copper). Some areas previously identified as Indicated were reclassified as Inferred due to changes in the block model estimation process, thereby affecting some previously designed stopes. This reclassification was partially offset by the extension of the Indicated boundary in other areas.

The NSR cut-off for the June 2014 mineral reserve was increased from $40.00/t, used in the 2013 AIF mineral reserves statement, to $42.50/t for the San Roberto and MNFW zones. To determine the sensitivity of the Copper Zone to increased NSR cut-off, Stantec ran a sensitivity analysis on the output from the updated mineral reserve model for NSR cut-offs of $40.00/t to $42.50/t. This 6.25% increase in NSR cut-off resulted in a decrease of only 0.1% to 0.2% of the contained silver and copper metal, and a 1.5% decrease in mineral reserve tonnes.

The San Rafael Zone has not been mined in 5 years; therefore the 2013 AIF mineral reserves statement is based on the 2009 resource block model and updated mining and economic parameters. No drilling has been done since 2009 to change the resource block model and mineral reserve estimate. With the revised and updated design parameters that have been applied to the March 2014 block model, San Rafael has been re-categorized as a mineral resource. Since the San Rafael Zone is primarily a zinc resource, mining and milling is planned to be deferred until the depletion of the Copper Zone reserves, or until more favorable NSR values can be realized. Additional drilling and modeling will be required in order for San Rafael to be reclassified as a mineral reserve.

Table 15-7: Cozamin Mine 2013 AIF Mineral Reserves Statement

Cozamin Mine	Tonnes (× 1,000)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
San Roberto Zone					
Proven	2,124	1.44	62.2	1.41	0.61
Probable	2,589	1.25	53.8	1.59	0.30
Subtotal	4,713	1.34	57.6	1.51	0.44
Mala Noche Footwall Zone					
Proven	248	1.86	40.7	0.35	0.03
Probable	4,216	1.67	31.8	0.23	0.01
Subtotal	4,464	1.68	32.4	0.24	0.01
Copper Zone					
Proven	2,372	1.48	60.0	1.30	0.55
Probable	6,805	1.51	40.2	0.75	0.12
Subtotal	9,177	1.51	45.3	0.89	0.23
San Rafael Zone					
Proven	–	–	–	–	–
Probable	721	0.34	49.17	3.49	0.46
Subtotal	721	0.34	49.17	3.49	0.46
Total Cozamin	9,898	1.42	45.58	1.08	0.25

Table Notes:

1. An NSR cut-off of $40.00/t was used for mineral reserve calculation.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/Oz, US$0.80/lb, and US$0.85/lb.
3. The exchange rate used is MEX12.50 to US$1.00.
4. Tonnage and grade estimates include dilution and recovery allowances.
5. Estimate takes into account mining activities until December 31, 2013.
6. Totals may not add due to rounding.

Table 15-8: Cozamin Mine Reserve Comparison 2013 AIF Mineral Reserves Statement versus June 2014 Mineral Reserves Tonnes and Grade

Cozamin Mine	Tonnes (× 1,000)		Cu (%)		Ag (g/t)		Zn (%)		Pb (%)	
San Roberto Zone										
2013 AIF Mineral Reserve	4,713		1.34		57.6		1.51		0.44	
2014 Mineral Reserve	4,167		1.22		55.85		1.32		0.32	
Variance	(546.00)	-12%	(0.12)	-9%	(1.75)	-3%	(0.19)	-13%	(0.12)	-27%
Mala Noche Footwall Zone										
2013 AIF Mineral Reserve	4,464		1.68		32.4		0.24		0.01	
2014 Mineral Reserve	3,671		1.82		30.1		0.27		0.02	
Variance	(793)	-18%	(0.14)	8%	(2.3)	-7%	(0.03)	13%	(0.01)	100%
Subtotal – Copper Zone										
2013 AIF Mineral Reserve	9,177		1.51		45.3		0.89		0.23	
2014 Mineral Reserve	7,838		1.5		43.79		0.83		0.18	
Variance	(1,339)	-15%	(0.01)	-1%	(1.51)	-3%	(0.06)	-7%	(0.05)	-22%
San Rafael Zone										
2013 AIF Mineral Reserve	721		0.34		49.2		3.49		0.46	
2014 Mineral Reserve	–		0		0		0		0	
Variance	(721)	-100%	(0.34)	-100%	(49.2)	-100%	(3.49)	-100%	(0.46)	-100%
Total Cozamin Mineral Reserves										
2013 AIF Mineral Reserve	9,898		1.42		45.6		1.08		0.25	
2014 Mineral Reserve	7,838		1.5		43.79		0.83		0.18	
Variance	-2,060	-21%	0.08	6%	-1.81	-4%	-0.25	-23%	-0.07	-28%

Table Notes:

1. An NSR cut-off of $40.00/t was used for the 2013 AIF mineral reserve, and an NSR cut-off of $42.50/t was used for the 2014 Copper Zone mineral reserve and $38.00/t was used for San Rafael.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/Oz, US$0.80/lb, and US$0.85/lb.
3. San Rafael has been re-categorized into mineral resources due to market conditions.
4. The exchange rate used is MEX12.50 to US$1.00.
5. Estimate takes into account mining activities until December 31, 2013.
6. Tonnage and grade estimates include dilution and recovery allowances.
7. Totals may not add due to rounding.

Table 15-9: Cozamin Mine Reserves Comparison 2013 AIF Mineral Reserve versus June 2014 Mineral Reserves Contained Metal

Cozamin Mine	Cu (Mlb)		Ag (Koz)		Zn (Mlb)		Pb (Mlb)	
San Roberto Zone								
2013 AIF Mineral Reserve	139.3		8,728		156.9		45.7	
2014 Mineral Reserve	111.8		7,483		121.2		29.4	
Variance	(27.5)	-20%	(1,245)	-14%	(35.7)	-23%	(16.3)	-36%
Mala Noche Footwall Zone								
2013 AIF Mineral Reserve	165.4		4,650		23.6		1.0	
2014 Mineral Reserve	146.9		3,553		22.2		1.6	
Variance	(18.5)	-11%	(1,097)	-24%	(1.4)	-6%	0.6	64%
Subtotal – Copper Zone								
2013 AIF Mineral Reserve	305.6		13,365		180.1		46.5	
2014 Mineral Reserve	258.7		11,036		143.4		31.1	
Variance	(46.9)	-15%	(2,329)	-17%	(36.6)	-20%	(15.4)	-33%
San Rafael Zone								
2013 AIF Mineral Reserve	5.4		1,140		55.5		7.3	
2014 Mineral Reserve	0.0		0		0.0		0.0	
Variance	(5.4)	-100%	(1,140)	-100%	(55.5)	-100%	(7.3)	-100%
Total Cozamin Mineral Reserves								
2013 AIF Mineral Reserve	311.0		14,505		235.6		53.9	
2014 Mineral Reserve	258.7		11,036		143.4		31.1	
Variance	(52.3)	-17%	(3,469)	-24%	(92.2)	-39%	(22.8)	-42%

Table Notes:

1. An NSR cut-off of $40.00/t was used for the 2013 AIF mineral reserve, and an NSR cut-off of $42.50/t was used for the 2014 Copper Zone mineral reserve and $38.00/t for San Rafael.
2. Metal prices used in reserve estimate for copper, silver, zinc, and lead, respectively, are US$2.50/lb, US$20/Oz, US$0.80/lb, and US$0.85/lb.
3. San Rafael has been re-categorized into mineral resources due to market conditions.
4. The exchange rate used is MEX12.50 to US$1.00.
5. Estimate takes into account mining activities until December 31, 2013.
6. Tonnage and grade estimates include dilution and recovery allowances.
7. Totals may not add due to rounding.

15.7 Conclusion and Recommendations

As detailed in Section 14.1.1 the Measured resources for the Copper Zones have been downgraded to Indicated. For this reason reserves have been tabulated as Probable.

For longhole stopes, an overbreak dilution factor of 0.5 m has been applied to the benches and 1.0 m has been applied to the development drifts. A recovery factor of 97% has been used. These factors need to be validated through annual reconciliations and adjusted as required.

The density factors used for the resource model need to be confirmed. The MNFW density factor of 2.70 g/cm^3 appears to be low. If the San Roberto 2.85 g/cm^3 factor were to be applied, the MNFW tonnage would increase by approximately 4%.

The dilution grades need to be continually monitored and tested to validate the current factors applied to the mineral reserve estimate.

The NSR cut-off for the San Roberto and MNFW zones was increased to $42.50/t from the $40.00/t used in previous estimates. Based on the output from the updated mineral reserve model, this 6.25% increase in NSR cut-off resulted in a decrease of only 0.1% to 0.2% of the contained silver and copper metal, and a 1.5% decrease in mineral reserve tonnes. This demonstrates the low sensitivity and overall robustness of the deposit to increases in the cut-off grade in this NSR range. The NSR cut-off calculation and metal prices need to be continually monitored for inclusion of fringe materials in the mine production plan.

The NSR value of the mineral reserve defined in the San Roberto and MNFW zones is $86.86/t. This high NSR value supports the continuation of profitable mining of the Copper Zone and the low sensitivity of the project to metal prices price fluctuations, since the model was built around reasonable market forecasts.

The removal of the remnant pillars from the Copper Zone mineral reserves has had a significant impact on the reserves estimate as compared with previous estimates. The resource contained in Copper Zone pillars totals 620,000 tonnes or 46% of the tonnage decrease between the June 2014 mineral reserve and the 2013 AIF mineral reserves statement. Since the pillar material has higher than average grades ($131 NSR), this also accounts for the resultant decrease in overall mineral reserve grade and contained metals (e.g., 66% of the reduction in contained copper).

With the revised NSR cut-off, updated ore and waste density factors, and the redefinition of mineable shapes and stopes, San Rafael has been reclassified as a mineral resource. The location of the San Rafael Zone to the existing mine infrastructure makes it a highly prospective target for further evaluation and potential reclassification to mineral reserve. Areas for future review include: review of stoping and development methods that can reduce costs while providing selectivity; additional metallurgical tests to improve recoveries and costs; and the evaluation of a declining cut-off grade for zinc extraction and processing late in the life of the project.

16 Mining Methods

Cozamin has operated for over 7 years of continuous underground mining in the Mala Noche Vein (MNV) and over 3 years of continuous underground in the Mala Noche Footwall Zone (MNFW zone).

From January 2009 to the end of December 2013, approximately 5.4 Mt of mineral reserves have been mined and processed from the MNV and MNFW. An additional 6.2 Mt are forecasted to be mined from 2014 to 2018 in the 5 Year mine plan, with the life of mine plan extending to 2020.

Table 16-1: Historical mining performance at Cozamin Mine

Parameter	Unit	2009	2010	2011	2012	2013
Ore mining	Mt	972,599	978,954	1,110,104	1,170,590	1,208,572
Tonnes processed	t	975,728	981,682	1,097,759	1,172,902	1,206,383
Mill head Cu grade	%	1.84	1.80	1.84	1.95	1.86
Mill head Pb grade	%	0.69	0.63	0.25	0.20	0.19
Mill head Zn grade	%	1.17	1.27	1.09	1.03	1.12
Mill head Ag grade	g/t	64	62	61.2	58.9	61.0
Cu Recovery	%	91.2	91.2	92.8	93.0	92.1
Pb Recovery	%	68.4	67.6	64.2	55.8	54.5
Zn Recovery	%	61.7	63	68.2	64.9	60.1
Ag Recovery	%	72.5	71.7	72.5	71.0	71.1
Concentrate produced – Cu	Dmt	66,977	64,356	70,650	81,305	81,351
Concentrate grade – Cu	%	24.5	25.1	26.5	26.2	25.4
Concentrate grade – Ag	g/t	571	536	602	540	574
Concentrate produced – Pb	Dmt	6575	6282	2796	2,216	2,205
Concentrate grade – Pb	%	69.9	66	64.2	59.2	56.1
Concentrate grade – Ag	g/t	1382	1391	2216	2,324	2,541
Concentrate produced – Zn	Dmt	15,008	16,448	16,720	16,057	16,928
Concentrate grade – Zn	%	46.8	47.8	48.9	48.6	47.8
Cu in concentrate	Mlb	36.121	35.552	42.212	46.909	45.515
Pb in concentrate	Mlb	10.134	9.142	3.96	2.891	2.728
Zn in concentrate	Mlb	15.476	17.348	18.035	17.221	17.825
Ag in concentrate	Koz	1462	1,403	1,566	1,576	1,682

16.1 Geotechnical Considerations

The Cozamin underground mine comprises a series of sub-parallel copper and lead-zinc rich veins dipping north at 45-70° and striking approximately east-west. The mining width can vary between 3 m and 15 m, depending on the vein thickness. The hangingwall horizon generally is composed of rhyolite and shale. The vein material is competent, being a mix of quartz and massive sulphides. The shale is locally metamorphosed to phyllite. The footwall material is generally volcanic, including rhyolite and andesite. All of these materials are quite competent, except for shale, which is more jointed.

Ground conditions deteriorate in proximity to fault zones. There is a fault that runs sub-parallel to the Mala Noche Vein that is generally present on the hangingwall. There are also numerous sub-vertical slip planes, which cut across the lenses. Ground conditions in the waste rock at depth are expected to deteriorate to a certain extent as metamorphic horizons are encountered and as induced mining stresses are experienced. Ground support practices have been modified to address these situations.

The mine has collected a significant database of mechanical properties for each of the main rock units, sub-divided by geomechanical domains. Extensive core logging has been conducted to derive rock mass rating (RMR) and Q values. In terms of geological structures, Cozamin geologists map all significant occurrences encountered underground. The mine is currently investigating the opportunity to conduct 3D numerical analyses to help refine the long-term mining plan by identifying potential future geomechanical issues around excavations.

Geomechanical instrumentation is routinely used at Cozamin, mainly in the form of instrumented cable bolts. The implementation of a mine-wide seismic system is currently being evaluated for the deeper mining horizons.

16.2 Underground Mining Methods

The San Roberto, San Rafael and MNFW zones are able to support underground mining operations. The ore is extracted using three mining methods: over-hand cut-and-fill using waste rock fill; Avoca retreat, also using waste rock fill; and longhole open stoping. Each method has been assigned to different mining blocks depending on the physical geometry of the ore body. Realized dilution and recoveries are stated in Section 15.4.

Ground conditions in the mine are usually favourable with wide spans observed to be generally stable with ground support at the current depth and extraction ratio. In areas where significant faults intersect the ore body, the ground conditions can be poor and vertical rib pillars are established, along with appropriate ground support systems.

No significant constraints relating to rock temperature or groundwater have been encountered, nor are they anticipated. The mine dewatering system is centrally located in the San Roberto mine. The system uses a series of sump levels to assist with the decantation process. The western regions of the mine use four submersible pump stations on different levels and transfer water along Level 10 to the central pump station. San Roberto and MNFW zones use a combination of submersible and horizontal pumps to transfer water to Level 10. Level 10 uses a 150 HP submersible pump to transfer water to Level 8. Vertical pumps are located on Level 8 to transfer water to surface for process water. A small portion of water is recirculated back into the mine.

Detailed mine development layouts are prepared by Cozamin Engineering for the Life of Mine Plan (LOMP). The general dimensions of the various development headings are as follows:

Table 16-2: LOMP development dimensions

Development	Dimensions
Ramps	6.0 m wide x 5.0 m high
Sublevels (usually mined to the extent of the ore)	4.0 m wide x 4.5 m high
Access cross-cuts, drawpoints	4.0 m wide x 4.5 m high
Raises	3.0 m x 3.0 m

Thirty percent of primary mine development is carried out by Capstone and the remaining 70% is by a Mexican mining contractor. Capstone personnel complete 100% of the mine production.

16.2.1 Description of Cut and Fill Mining

Typically, mechanized cut-and-fill (C&F) mining is accessed from sublevels with a crosscut in the footwall. Each crosscut provides access for 6 “cuts” of material, i.e., a vertical extent of 20 to 30 m. The access development to the stope “cut” is at a maximum grade of 17%. Each “cut” represents a 4 to 6 m stope lift.

C&F mining proceeds in an overhand (bottom up) approach at Cozamin. The initial access ramp is from the footwall side to the bottom of the mining block. As a stope lift or cut has been completely mined out, the area will be filled with waste rock. There is an opportunity to utilize a backfill system at a later date pending economic assessments and future exploration.

16.2.2 Description of Longhole Stope Mining

Longhole stoping is a bulk mining method in which the long axis of the stope and access drifts are either perpendicular (transverse) or parallel (longitudinal) along the strike of the vein. Cozamin primarily uses longitudinal longhole stoping methodology.

Longitudinal longhole stoping operates along or parallel to the strike of the vein. The orientation of the methods means that the hangingwall and footwall of the vein will form the sidewalls of the stope and is used where rock mass quality of the hangingwall is competent enough to allow the development of a substantial opening in the hangingwall or footwall. Longitudinal longhole methods are well suited to retreat mining and can be planned such that much of the development necessary can be considered production as the cuts can be kept within the vein.

16.2.3 Description of Avoca Retreat Mining

Avoca retreat mining is a bulk mining variation of longhole stoping consisting of an unconsolidated waste backfill component. While longitudinal open stoping production retreats to one end of the stope, unconsolidated waste from underground development is placed into the open void from the opposite end of the stope. The fill advances until the stope is completely back filled. Cozamin primarily uses Avoca Retreat in wider stopes with poor ground conditions.

16.3 Mine Access and Material Handling

There are three main access routes to the mine; the San Ernesto ramp on the west end of the mine, the San Roberto shaft in the central part of the mine and the Guadalupana ramp at the east end of the mine. The mine has a crushing and loading pocket station at the 11.8 Level. The San Roberto shaft is used for ore hoisting and ventilation. The Guadalupana ramp is primarily used for underground heavy equipment access and ore haulage, while the San Ernesto ramp is used for light vehicle traffic.

Mineralized material is mucked from stopes and in-ore development using load-haul-dump (LHD) vehicles. The LHDs transfer the material into trucks. Mineralized material is either hauled to surface via the La Guadalupana ramp or taken to the San Roberto shaft and dumped on the grizzly-crusher system. Oversized material left on the grizzly is broken up using a hydraulic rock breaker. Hoisted material from the San Roberto shaft is loaded into surface trucks and is transported to the truck scales.

Trucks are weighed on a truck scale located near the mill, after which the material is dumped into the Run of Mine (ROM) stockpile. Ore is then re-handled from the ROM stockpile to the primary jaw crusher by a loader. Oversized material is broken by a mobile hydraulic rock breaker.

Development waste is used exclusively in the mine as backfill. The waste is transported directly using LHDs or loaded into trucks with ejector boxes depending on the haul distance.

16.4 Mine Ventilation

The underground workings are ventilated using a push pull system with intake and exhaust fans located on surface, and booster fans underground delivering 732,000 cfm (345 m^3/s) of fresh air. Fresh air enters the mine through the San Roberto shaft, Guadalupana ramp, San Ernesto ramp, and other smaller raises. Underground booster fans, internal raises and ventilation doors transport the fresh air to the specified locations.

There are currently three dedicated exhaust fans. Exhaust routes are configured to serve the different areas of production. A 250 HP Jetair exhaust fan at the Los Angles shaft is in use in the western regions of the mine. A 650 HP Zitron exhaust fan at the Robbins 10 raise is in use in the central zones. Another 650 HP Zitron exhaust fan located in San Rafael is in use for the eastern zones. A ventilation demand system, additional fans, and development of new raises are budgeted to increase ventilation capacity and air flow control.

16.5 Mobile Equipment and Fleet Optimization

The mine has a fleet of modern mobile equipment that is sufficient for current production. The mine fleet is composed of Capstone-owned and contractor-owned equipment. Capstone personnel concentrate on production and internal mine haulage. Contractors are used on site for haulage and capital development that exceed the current Capstone fleet capabilities.

Table 16-3 highlights the Capstone fleet. There is a plan to increase the size of the current Capstone haul truck fleet therefore reducing Capstone's reliance on contractor haulage. The plan, if approved, will be executed over the next three years.

Table 16-3: Major Underground Mobile Equipment (Capstone Fleet Only)

Equipment Type	Mode	No. of units
Load-haul-dump ("LHD")	Toro 006 (2.67 m^3)	1
	LH 410 Sandvik (4.6 m^3)	7
Drills	Axera 5 Sandvik 16 ft	2
	DD-311-40 Sandvik 16 ft	1
	Stope Mate – Boart Longyear	1
	Cubex Aries	1
	DL310 Solo Sandvik	1
	DL311 Solo Sandvik	1
Haul Trucks	TH430 Sandvik – 18m^3	2
	Kenworth – 14m^3	2
Rock Bolter	DS 310 Sandvik	1
	DS 311 Sandvik	2

16.6 Production Schedule

The mill capacity matches mine's ability to deliver ore to surface. The Life of Mine (LOM) plan does not include any significant stockpiling of low grade material. The LOM plan includes all mineral reserves reported in this technical report.

The production schedule for Cozamin was developed by Cozamin Engineering and incorporated San Roberto and MNFW mineral reserves. Table 16-4 shows the mine schedule for the LOM plan.

Figure 16-1 shows the extent of the San Roberto mine. As the mine life progresses, MNFW material is mined such that greater than 50% of the mill feed is from MNFW after 2017. To mitigate mining risk, MNFW material will be mined from multiple levels from multiple stoping blocks. The production schedule for the release of MNFW ore is contingent upon realizing the development planned metres year-on-year as outlined in the LOM plan.

Table 16-4: Cozamin LOM Production Schedule

Year	Tonnes (Kt)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
2014	1,170	1.85	59	1.17	0.24
2015	1,275	1.55	55	0.85	0.10
2016	1,326	1.48	40	0.83	0.10
2017	1,224	1.58	49	0.87	0.19
2018	1,245	1.63	42	0.98	0.27
2019	1,301	1.68	35	0.57	0.31
2020	412	1.32	37	1.37	0.15

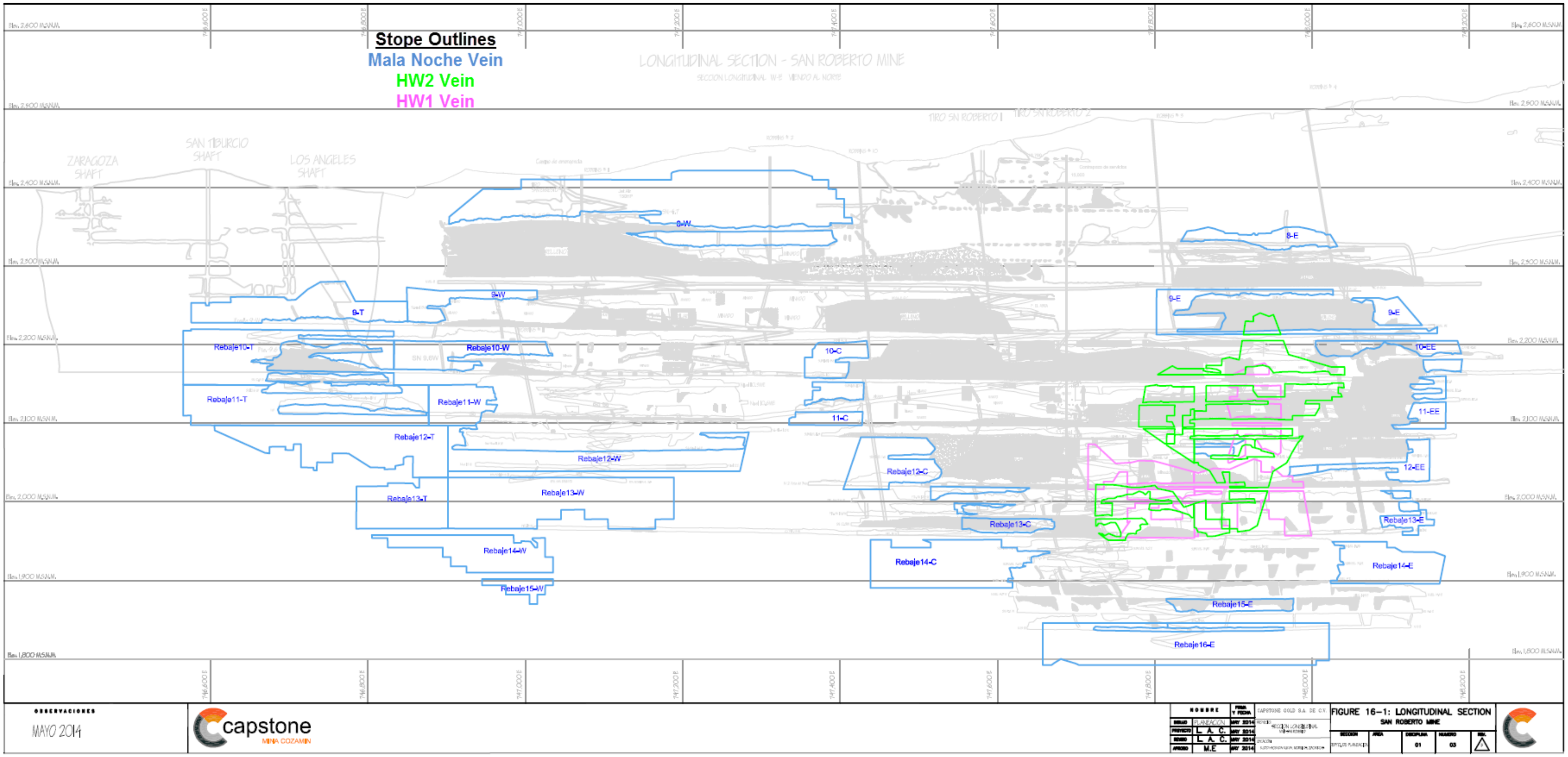

Figure 16-1: San Roberto Mine Longitudinal Section

17 Recovery Methods

17.1 Process Plant

There is an existing process plant at Cozamin mine. KWM used the standard lab test procedures to review the flotation equipment installed and operated in the plant in order to evaluate process risk. Similarly, the primary ball mill grinding units were evaluated to determine the process limitations of the mill. With the modifications in the crushing circuit and the replacement of the Omnicone with the HP4, the crushing circuit appears to have sufficient flexibility to manage ore variability.

The main primary ball mills are 3.65 m diameter x 4.27 m long with 1,500 hp motors. The installed mill speed is 16.59 rpm, calculated to be 75% of critical. As an overflow mill the power draw was estimated at 1,150 hp. In the plant the mills were determined to operate between 115 amps and 125 amps, full load motor amps 180. Based on the amp draw the estimated operating power was 960 hp to 1040 hp. The indications are that, based on the mill power draw, there is flexibility in the grinding circuit for further optimization.

KWM developed a preliminary mass balance based on a mill feed rate of 3,500 tpd (monthly budget about 3,200 tpd). Flows from the mass balance were used to determine the residence times and scale up factors for comparison to the lab flotation test conditions. The plant residence times are believed to be more than sufficient to manage any ore variability when treating similar ores. There may be a requirement to modify the zinc cleaner circuit for the San Rafael ore.

17.2 Crushing Plant

The crushing process flow sheet is illustrated in Figure 17-1. Ore is presently trucked from the headframe bin and underground ramps to a surface stockpile for blending to produce a consistent copper feed grade. The surface stockpile of approximately 10,000 tonnes is reclaimed by a front end loader that feeds the material to a 100 tonne bin. Ore reports to the 0.5 m x 0.9 m primary jaw crusher via belt feeder. Crusher product is conveyed to the secondary 1.52 m x 3.66 m vibrating screen ahead of the 1.22 m secondary standard head cone crusher. Screen oversize is fed to the secondary crusher with screen undersize combined with secondary crusher product. This material is conveyed to a 1.83 m x 4.88 m vibrating screen with oversize material conveyed to the tertiary crusher (Metso HP4) and undersize material being conveyed to the fine ore bins, for the two main ball mill circuits and original ball mill circuit. Tertiary crusher product is returned to the 1.83 m x 4.88 m screen. Two 1,100 tonne capacity fine ore bins are available each feeding one of the two primary grinding lines in the milling circuit. Each bin provides approximately 20 hours storage for the respective grinding line.

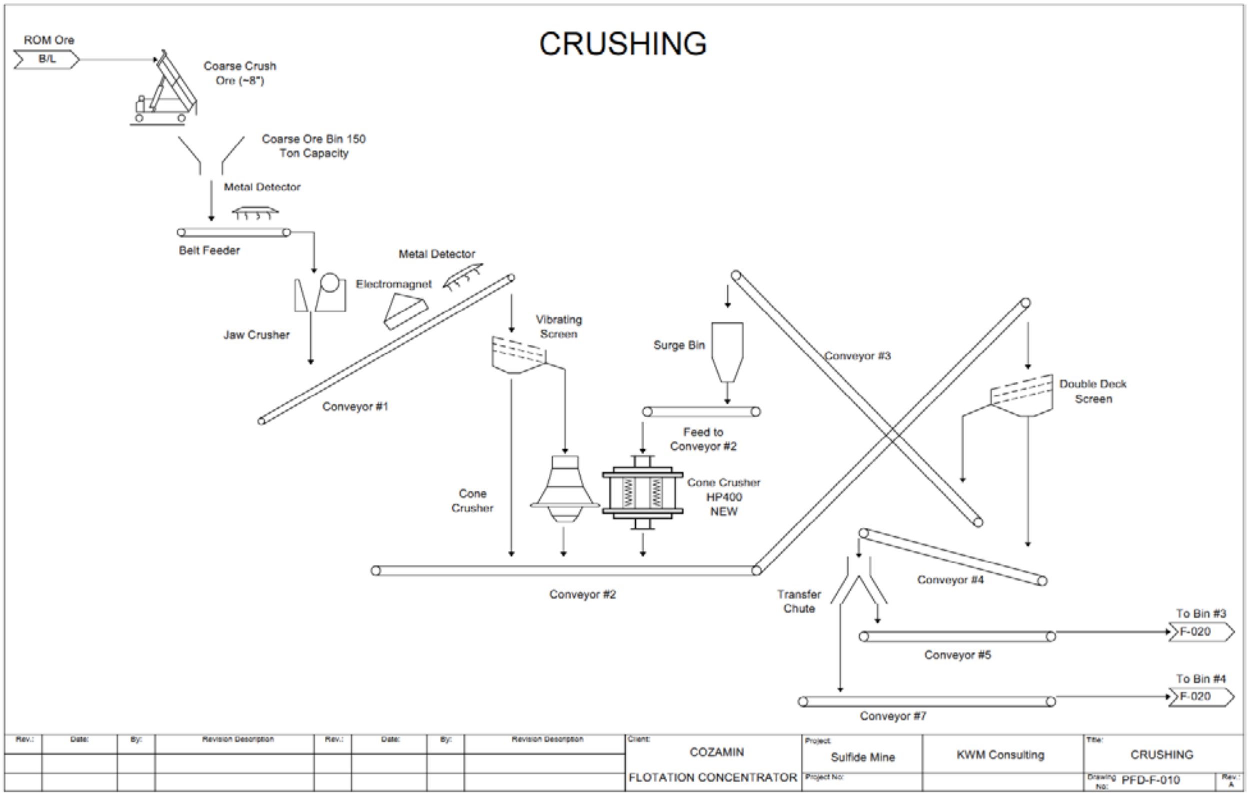

Figure 17-1: Crushing Flow Sheet

17.3 Grinding

The current milling process flow sheet is presented in Figure 17-2. The milling section is composed of two primary ball mills operating in parallel. Each mill is 3.65 m in diameter by 4.27 m long. The original ball mill (2.8 m in diameter by 1.6 m long) grinding circuit has been recommissioned to provide a budget combined mill feed rate of 3,200 to 3,300 tonnes per day.

Grinding product size is an 80% passing (P80) 100 mesh. Each ball mill is operated in closed circuit with a cyclone pack composed of 0.66 m diameter cyclones. Cyclone under flow reports back to the respective grinding mill with the cyclone overflow from both circuits reporting to a common flotation conditioning tank.

Lime is added to the grinding circuit for pH control throughout the circuit. Flotation reagents including zinc sulfate and the collector, S-7583, are also added to the grinding circuit.

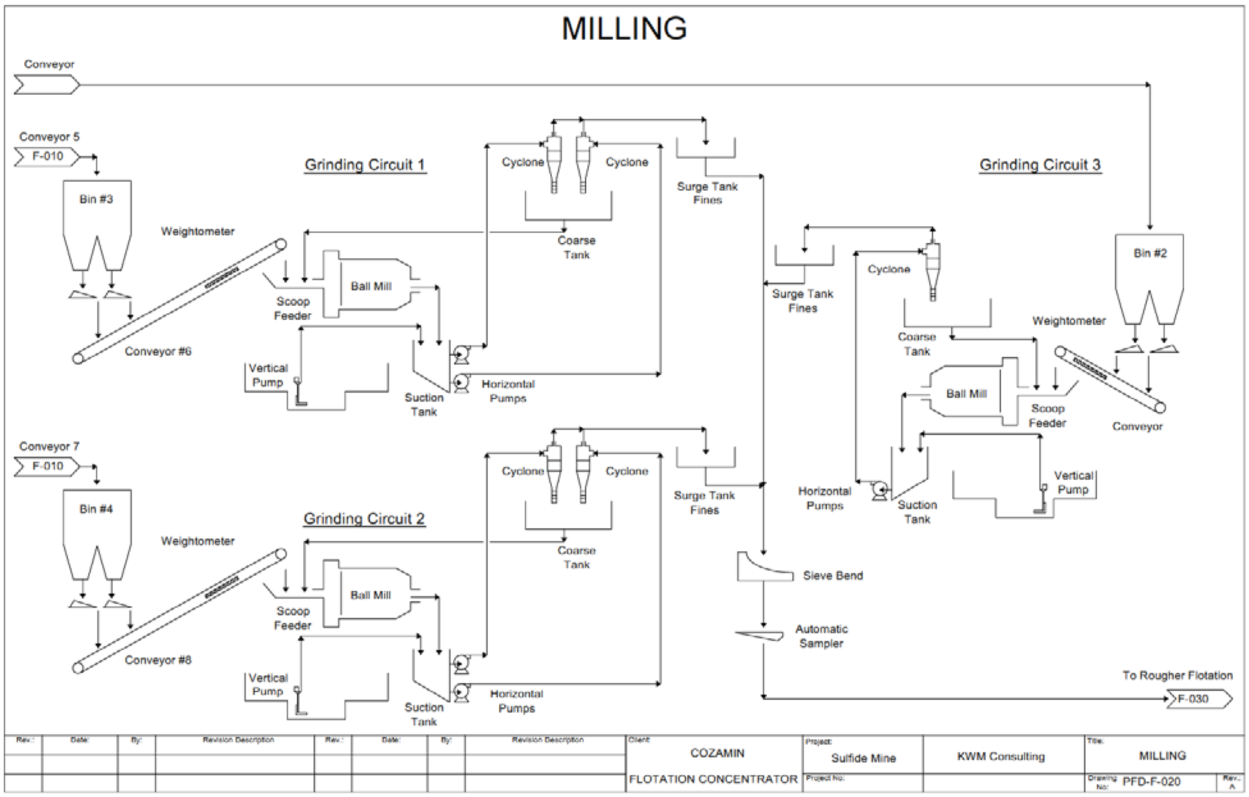

Figure 17-2: Milling Flow Sheet

17.4 Flotation

The original process flow sheet has been expanded to include a flash flotation cell for the recovery of copper and lead. Figure 17-3 illustrates the current flotation flow sheet at Cozamin. Slurry from the grinding circuit is transported to the flash flotation cell for initial copper and lead flash flotation. Concentrate from flash flotation report directly to the copper and lead separation flotation.

Tailings from flash flotation report by gravity to banks of rougher and scavenger flotation cells (6-OK 16 cells) for additional recovery of copper and lead. The copper-lead rougher concentrates report to a two stage cleaning system. The original second stage cleaner cells have been replaced with a column cleaner which has improved the overall concentrate grade.

Copper-lead rougher flotation tailings report to the zinc conditioner tank prior to zinc rougher flotation, where reagents are added to depress deleterious minerals and activate the zinc mineralization. The zinc rougher concentrate reports to a closed circuit regrind for additional liberation of zinc mineralization. Products from the regrind circuit reports to two stages of zinc concentrate cleaning. A column cell has been added to the circuit to improve zinc concentrate grade. Tailings from the first cleaner stage report to final tails.

Individual copper and lead concentrates are produced from the copper-lead cleaner concentrate via selective flotation. Reagents are added to promote lead mineral flotation and suppress the flotation of copper mineralization. The copper-lead flotation rougher tails (copper concentrate) reports directly to the copper concentrate thickener. The lead concentrate undergoes two stages of cleaning before being transferred to the lead concentrate thickener.

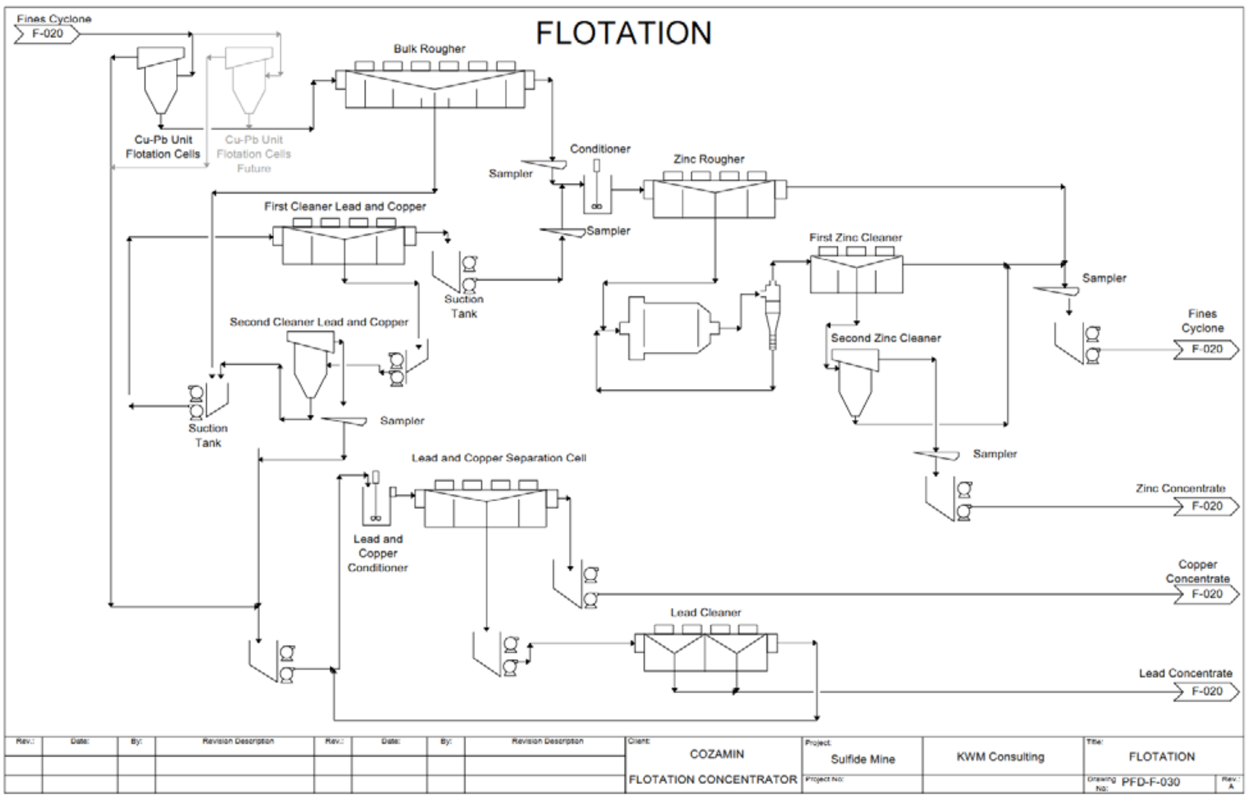

Figure 17-3: Flotation Flow Sheet

17.5 Concentrate Dewatering and Filtration

Copper concentrate is pumped to the 16 m diameter concentrate thickener. Underflow from the thickener is pumped to a holding tank and then filtered in a recently installed Larox pressure filter (Figure 17-4). Product moisture is approximately 10%. Copper concentrate can be stored in the inside bins (capacity 1,500 tonnes) or outside on a concrete pad (capacity 4,000 tonnes). Concentrate is trucked to port daily (approximately 600 kilometers) and sampled as the material is transferred to the port warehouse and becomes the property of the buyer.

Zinc concentrate is pumped from the 8 m diameter thickener to the 1.3 m diameter x 4 m disc filter. Product moisture is approximately 10% and is stored in the inside bins with a capacity of 1,000 tonnes. The material is then transported to the port and sampled the same as the copper concentrate.

Lead concentrate is pumped from a 4 m diameter thickener to a 1.3 m diameter x 2 m long drum filter. The final moisture is approximately 8% and this material is stored inside (capacity 400 tonnes) prior to shipment by truck to the port. All concentrate trucking is done by third party. All trucks are weighed both empty and full at the mine site and the port.

The concentrate trucks are all equipped with GPS to monitor progress between the mine site and the port. The concentrate trucks are scheduled to operate in a convoy to maximize security.

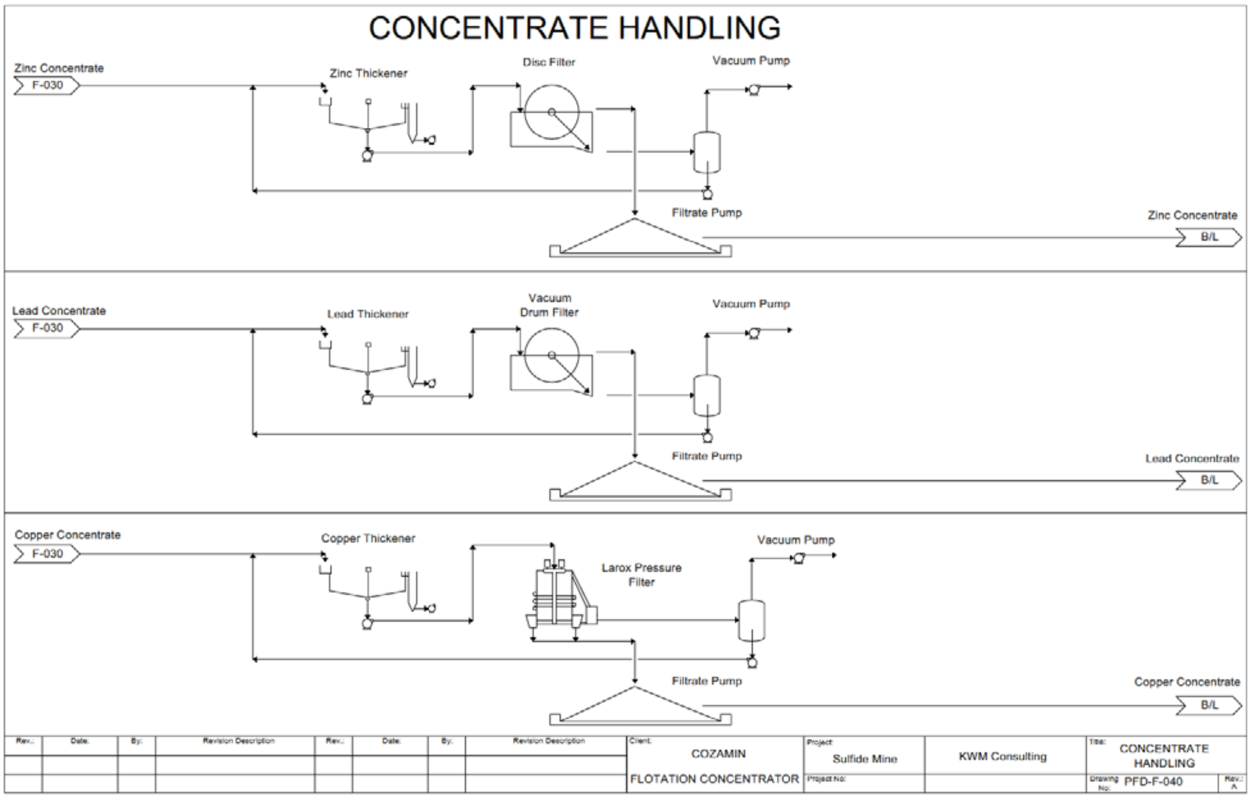

Figure 17-4: Concentrate Handling Flow Sheet

17.6 Tailings Handling

Tailings from the Cozamin concentrator are pumped to the tailings pond area (Figure 17-5). Cyclones have been used to effect a partial sand-slimes separation, with the sands being used to build up the tailings dam. The slimes portion reports to the pond where the solids are allowed to settle, while the clear supernatant is collected and recycled back to the pond. NaCN is required to effect the copper lead flotation separation. A cyanide detox circuit is included in the mill flow sheet. The operations team is evaluating alternative tailings disposal methods to maximize the storage volume and to improve water management. Review of the tailings pond design and operations were not included in the KWM scope of review.

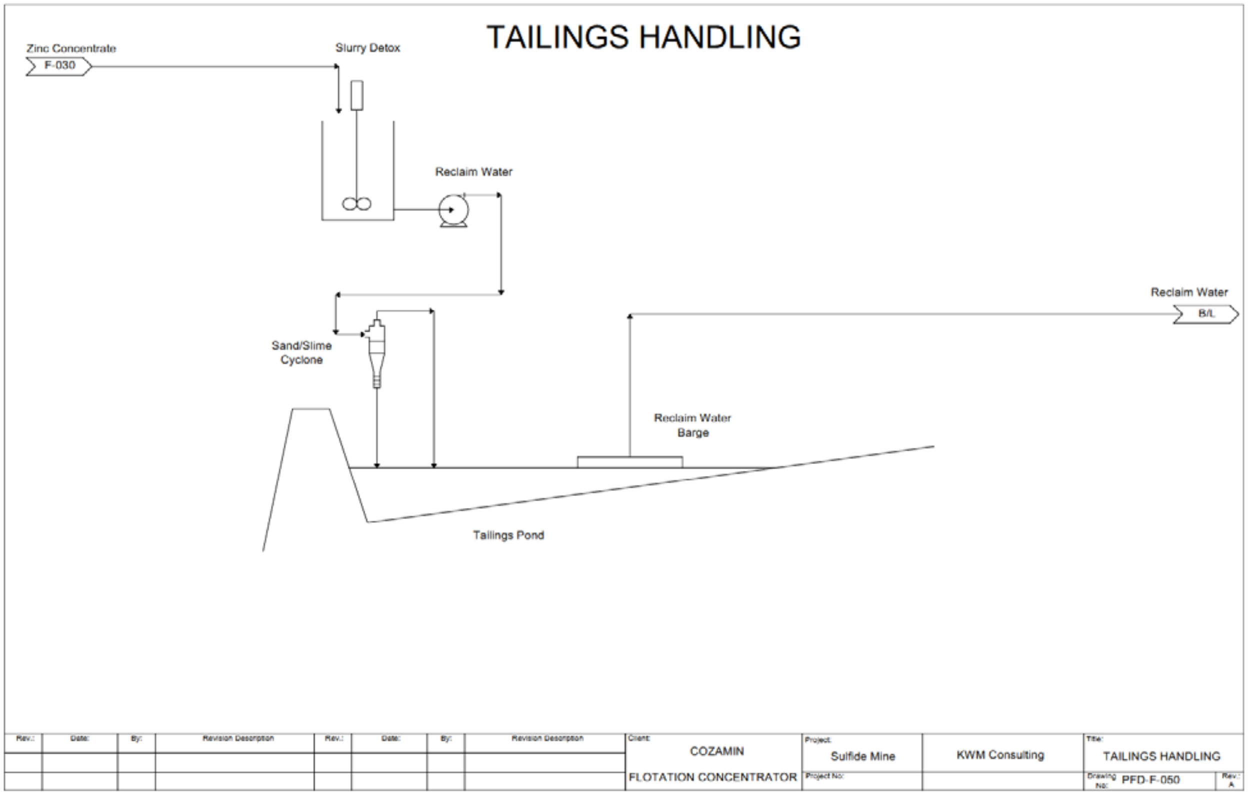

Figure 17-5: Tailings Handling Flow Sheet

18 Project Infrastructure

Being an existing operating mine, all the project infrastructure is in place at Cozamin including, power, pipelines, crushing and conveying facilities, all milling and processing infrastructure, tailings impoundment dam with related infrastructure, maintenance facilities, and roads.

The buildings and infrastructure facilities at Cozamin include all buildings, pipelines, pump stations, electrical systems, quart site, laydown, ore storage pads, roads shown in Figure 5-1. The principal facilities at Cozamin include:

- Process Plant;
- Site Laboratory;
- Power Sub Station;
- Plant Maintenance Building;
- Mine Entrance Building;
- On Site Back-up Generators;
- Stockpiles;
- Dining Areas;
- Guadalupana Ramp;
- San Roberto Shaft and Hoist Room;
- Administrative Offices;
- Mine and Geology Offices;
- San Ernesto Ramp;
- Tailings Storage Facility; and
- Recreational Complex / Auditorium.

18.1 Power and Electrical

Power is currently being supplied to the mine site from the national power grid with a current approval to draw 10.5 MW. Generators (both operating and back-up) on site have a capacity of 1.0 MW to back up critical mill and mine plant components. Some minor improvements are scheduled in the future to maintain reliability.

18.2 Water Supply

There are three primary sources of water at Cozamin: permitted wells, permitted groundwater from nearby underground mines, and discharge water from a local municipal water treatment facility. The existing baseline information and site water balance suggests that the current sources and operational water management will be sufficient for the current LOMP.

Although the existing baseline information indicates water sources are sufficient, Cozamin intends to improve its existing water management systems. Cozamin is installing a tailings thickener in 2014 to increase water recovery in tailings. This will increase water recycle back to the mill and reduce water loss due to evaporation in the tailings storage facility. The tailings thickener will also be an infrastructure requirement if Capstone intends to construct a tailings backfill system.

Table 18-1 provides the current and pending annual water rights at Cozamin. The water sources described are accessible year-round and do not include seasonal rainfall or mine dewatering requirements. In 2013, water consumption at Cozamin was approximately 842,000 m^3. Taking into consideration 2013 rainfall and underground dewatering, Cozamin used approximately 650,000 m^3 of water from its permitted water sources.

Table 18-1: Primary Water Sources at Cozamin Mine

Source	Annual Water Rights Allocation (M^3)	Notes
Water Wells	128,000	Well 1, 4 - Permitted
Permitted Underground mine sources	404,800	San Bartolo Shaft - Permitted
Municipal Water Treatment Plant	566,784	Under agreement with municipal government - Permitted
Current Water Rights Subtotal	1,099,584	Permitted Subtotal
Other Water Rights Pending	134,000	
Permitted and Pending Water Rights	1,233,584	

18.3 Tailings Storage Facility

The dam at the Cozamin Tailings Storage Facility (TSF) is a modified centerline dam that is currently designed to incorporate five stages – using centerline raises. Two additional stages (stages six and seven) are designed at pre-feasibility level. These two stages will be designed using upstream raises and should provide approximately five million tonnes of additional storage. Stage 1 raised the facility to an elevation of 2,481 masl, and was completed in June 2006. Each subsequent raise was designed as a six meters high raise. In February 2012, Cozamin completed the Stage 4 raise to an elevation of 2,500 masl. Currently Stage 5 is under construction to an elevation of 2,506 masl, and it is anticipated that will be completed by mid-2014. Plans to expand the tailings facility is currently in design, and will be required 2016. Figure 18-1 and Figure 18-2 outline the designs to expand the tailings facility.

The current design incorporates an upstream slope of 2H:1V and a downstream slope that varies between 2H: 1V and 1.5H: 1V. The maximum elevation of the water pool is maintained at least two meters below the dam's crests – allowing for a minimum of two meters of operational freeboard per the original design of the dam and requirements by the Secretaria de Medio Ambiente y Recursos Naturales (SEMARNAT).

Tailings are transported and deposited into the TSF as slurry. A pipeline that can be moved around the dam crest and impoundment is used to deposit the tailings in a series of thin layers. During the initial four stages of operation, fine and coarse tailings were separated using a series of cyclones. The cycloned coarse tailings are deposited against the upstream face of the dam and the fine tailings are deposited in the impoundment. The deposition method allows for better water management and higher overall tailings densities.

Following discharge into the impoundment, the coarse tailings particles settle out of the slurry to create a beach area while the water with fine tailings component continues to flow towards the lowest point in the impoundment. Excess tailings transport water, which bleeds from the tailings as they consolidate, collects in the water pool at the back of the impoundment facility. Water pooled within the tailings pond is either evaporated on surface or reclaimed and sent back to the mill facility for re-use via a barge pumping system and water return pipeline. At present, there is sufficient capacity within the TSF to store all of the mineral reserves assuming the Stages 6 and 7 lifts are constructed.

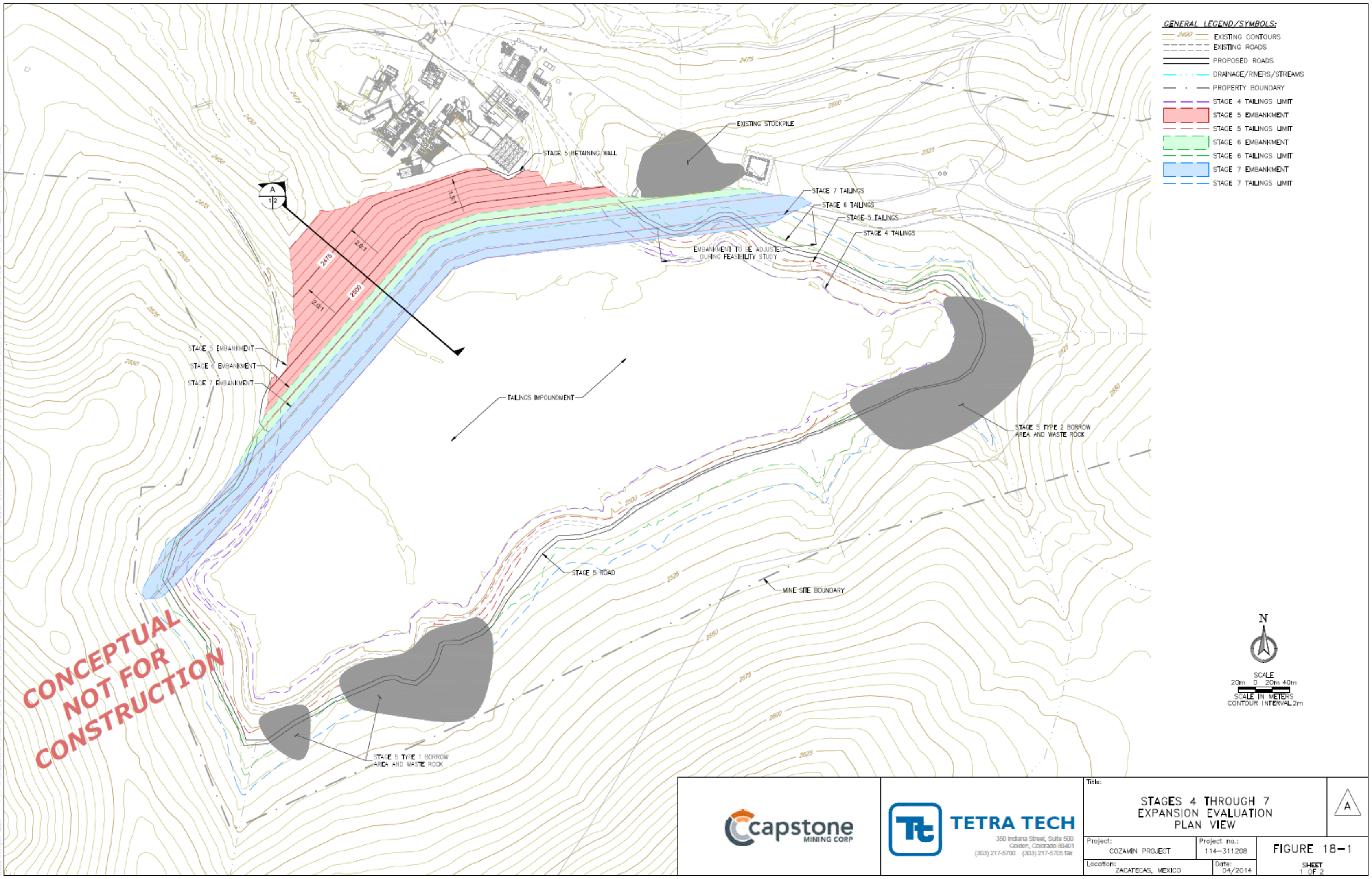

Figure 18-1: Stages 4 through 7 Expansion Evaluation Plan View

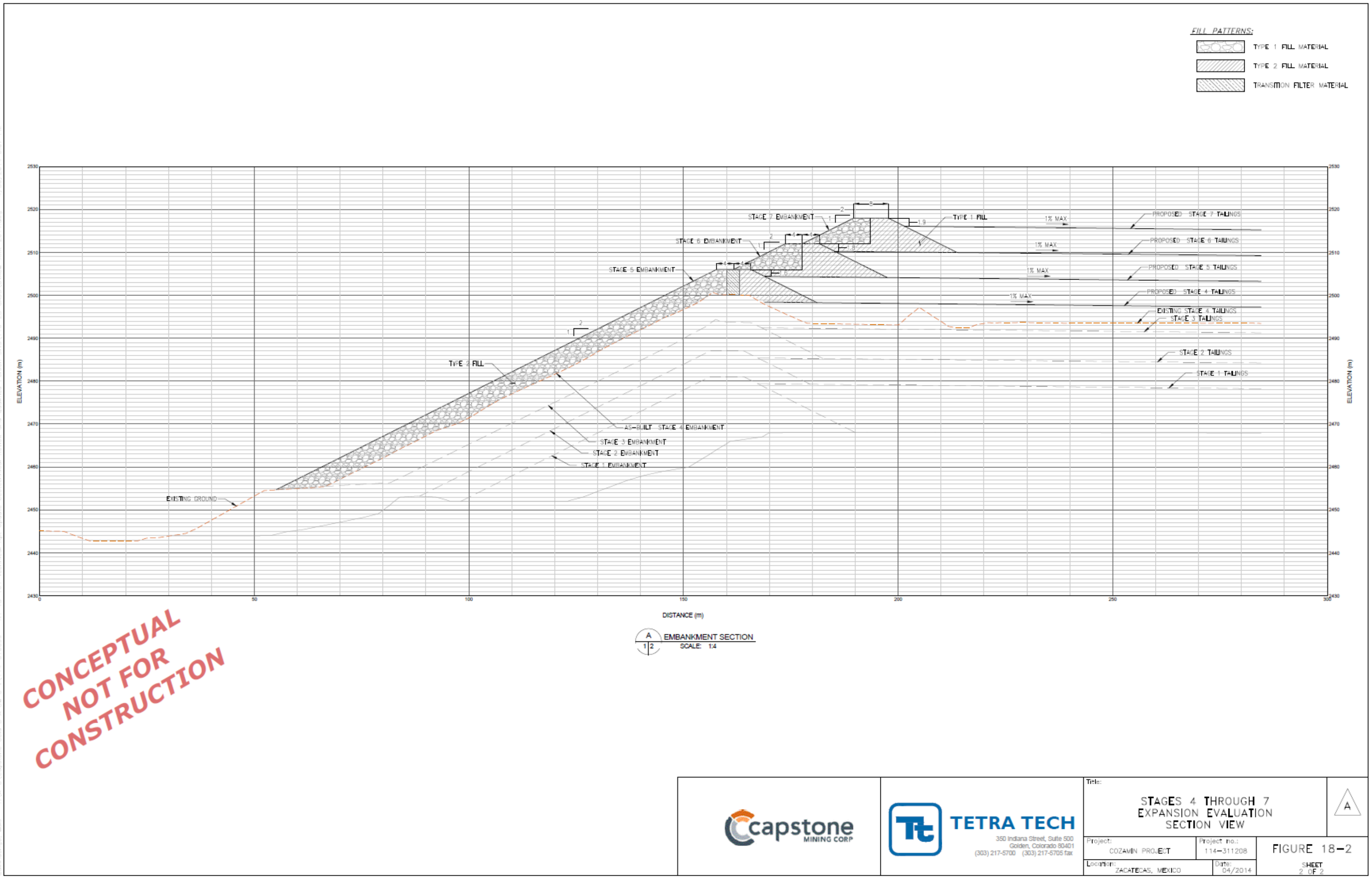

Figure 18-2: Stages 4 through 7 Expansion Evaluation Section View

19 Market Studies and Contracts

19.1 Markets

Copper, lead and zinc concentrates produced by Cozamin are currently sold to international commodity purchasing companies who market the concentrates to various smelters. The marketability of the Cozamin concentrate is dependent upon metal grade and the quantity of deleterious elements in the concentrate.

19.2 Precious Metal Price Contract

Cozamin also has a precious metal sales agreement for 100% of its silver production through a silver stream purchase agreement with Silver Wheaton Corp. The contract expires in April 2017, at which time; the realized price for silver will increase from approximately $4.20/oz. to the actual metal price. This will significantly increase the by-product credit which will decrease C1 cash costs.

19.3 Concentrate Contracts

Cozamin typically has numerous contracts for supplies and services. The concentrate contracts are considered within accepted industry practice by the Qualified Person of this section. Concentrates are transported by truck to the port under contract. Ocean shipping is arranged through commodity purchasing companies. Cozamin's concentrate and silver sales agreements are summarized in Table 19-1.

Table 19-1: Metal and Concentrate Purchase Contracts

Metal (Concentrate)	Purchaser	Contract Period	% of Production	Metal Price
Copper Concentrate	Trafigura Beheer	2014	100%	Cu: LME Cash Settlement Ag: London Silver Spot
Lead Concentrate	Louis Dreyfus	2014 to 2015	100%	Pb: LME Cash Settlement Ag: London Silver Spot
Zinc concentrate	Trafigura Beheer	2014	100%	Zn: LME Cash Settlement Ag: London Silver Spot
Silver	Silver Wheaton	2007 to 2017	100%	US$4.20/oz. with a 1% annual inflation adjustment

19.4 Taxes

Detailed tax calculations are typically very complex and take into account many factors of a corporation's entire financial performance and not just the results of an individual operation.

Mexican corporate tax comprises the following:

- 30% corporate income tax on net profit.
- 7.5% mining royalty tax effective January 1, 2014 on operating earnings (without a deduction for interest, depreciation and amortization).
- 10% dividend withholding tax on distribution of dividends out of Mexico, reduced by applicable tax treaty.

A valued added tax ("IVA") is paid to the government by Cozamin, but can be refundable. Property taxes for the mine site are approximately $20,000 per annum. Cozamin pays a 3% NSR royalty to Bacis.

20 Environment Studies, Permitting and Social or Community Impacts

20.1 Environmental Assessment and Permitting

This summary of the environmental assessment and permitting requirements is based on work undertaken for Capstone under the supervision of Nimbus Management Ltd., J. L. Hardy, P.Geo., Principal.

The Cozamin Mine lies within a regionally mineralized area that has seen extensive historic mining over more than 475 years. Host rocks surrounding the mineralized vein systems are anomalous in base and precious metals, providing a halo of elevated metals values that extends a considerable distance beyond known workings.

Numerous old mine workings, excavations and dumps, as well as some historic tailings are present, both on, and adjacent to, the Cozamin Mine site; some lie on mining lands held by Capstone and others are held by third parties.

Environmental impacts within the mine site resulting from historic activities are evident. As well, there are obvious impacts from the present day (though sometimes intermittent) operations of surrounding mines and processing operations by third parties. The impacts have been discussed, though not necessarily completely documented, in historic reports.

Mine permitting in Mexico is administered by the government body, Secretaría de Medio Ambiente y Recursos Naturales (“SEMARNAT”), the federal regulatory agency that establishes the minimum standards for environmental compliance. The federal level environmental protection system is described in the General Law of Ecological Equilibrium and the Protection of the Environment (Ley General de Equilibrio Ecológico y la Protección al Ambiente or “LGEEPA”). Under LGEEPA, numerous regulations and standards for environmental impact assessment, air and water pollution, solid and hazardous waste management and noise have been issued. Article 28 of the LGEEPA specifies that SEMARNAT must issue prior approval to parties intending to develop a mine and mineral processing plant. Environmental regulations are promulgated through various “Official Mexican Standards (“Normas Oficiales Mexicanas”), knows as “NOM’s” or “normas”, which establish specifications, procedures, technical standards, ecological criteria, emission limits and general guidelines that apply to particular processes or activities; and carry the force of law.

Prior to Capstone’s involvement in the Cozamin Mine, several environmental studies had been carried out by previous owners. The San Roberto mine had been fully permitted to operate at 750 tpd. Capstone completed the following to support permitting and regulatory approvals with a view to re-open the mine and expand tonnage throughput to 1,000 tpd in 2006:

- an environmental impact assessment, known in Mexico as a Manifestación de Impacto Ambiental ("MIA") , which describes potential impacts to the environment that may occur in all stages of the operation as well as the measures to prevent, control, mitigate or compensate for these impacts;
- a detailed study of new lands needed for use as part of an expanded mining operation, known as the Estudio Justificativo de Cambio de Uso de Suelos ("ETJ" or "ETJ"), which applies to all affected lands associated with the mining and processing operation; and
- a risk assessment to include all aspects of the operation, known as an Estudio de Riesgo ("ER"), that evaluates and ranks risks associated with activities that impact human health and environment, and describes risk control and mitigation measures.

The original MIA was approved by SEMARNAT on August 29th, 2005. It remains valid for a period of ten years, and can be renewed for additional periods of ten years on application. The MIA was conditional on acceptance of an ETJ (accepted January 20, 2006) for Phase 1 and 2 of the tailings dam expansion.

Following significant exploration and operational success in succeeding years, Capstone made a series of applications for eight modifications to the original MIA, as well as the ETJ, to accommodate an expanded operation and changed operational conditions and optimized site usage. The approved MIA modifications include authorizations for: enlargement of operations for the underground mine, plant and surface support facilities; installation and relocation of new surface and underground facilities; a self-serve diesel supply station; construction and relocation of surface access roads; a new design and expanded footprint for the tailings facility and its associated infrastructure; installation of sub-stations and power lines; installation of water lines and pumping capacity for water sources; and installation of playing fields and lunch rooms.

SEMARNAT approved the most recent of the MIA modifications on July 31, 2013. The Cozamin Mine is presently authorized to operate at 4,500 tpd of underground production and process plant operation, using two surface ramps and the principal San Roberto shaft, and to dispose tailings into the completed stage 5 dam. Additional ETJ authorizations have also been received (and an application is currently in process to cover surface exploration planned for 2014-2015) for work which falls outside the standard threshold for disturbances of direct mineral exploration activities (NOM-120-SEMARNAT-2011).

The expanded operation required more workers and more sanitary facilities. To improve downstream waste management, Capstone submitted documentation to support a new MIA (with accompanying ETJ) for the construction and operation of a plant to treat residual water. A new and separate MIA was granted on February 14, 2011 for installation of the plant. This authorization is good for ten years or until the site is abandoned.

SEMARNAT's statements of approval for the MIA's (known as a "Dictamenes") include detailed terms and conditions for compliance in protection of the environment, as well as an obligation to file operational reports every six months describing the Company's progress in fulfilling the terms and conditions. The MIA Dictamenes provide authorization for Capstone to complete the authorized activities within the approved mine footprint subject to the terms and conditions outlined. These represent normal environmental and regulatory requirements as described in the MIA's and ETJ's, and all costs are included in the operating costs summary. Development of the required monitoring and mitigation plans, closure strategy and operational procedures is dynamic, with periodic review and updating to make sure they meet permit requirements. Detailed reporting includes filing of mitigation and closure plans with SEMARNAT, as well as the results of ongoing dust and water monitoring.

Following a final inspection of verification by PROFEPA (Procuraduría Federal de Protección al Ambiente en el Estado de Zacatecas), the federal attorney general with respect to environmental protection (i.e. enforcement branch), of SEMARNAT, Capstone formally received its first integrated operating permit on October 20, 2006 (LAU-32/007-2006). This is known in Mexico as a Licencia Única Ambiental (LAU). The LAU is the main operational permit which covers all procedures for environmental impact and risk assessment, emissions to the atmosphere and the generation, handling and reporting of hazardous wastes. It also sets out the acceptable limits for air emissions, hazardous waste and water impacts, as well as the environmental impact and risk of the proposed operation based on the approved MIA, the environmental risk study, and the ETJ.

LAU's were received for the tonnage expansions to 2,600 tpd (March 25, 2008), 3,000 tpd (May 19, 2009) and 4,000 tpd (January 13, 2012); a LAU application for operation at 4,500 tpd is pending and no difficulties are anticipated in timely receipt. Under the administrative procedure of the LAU, all environmental data is consolidated and reported on a single form known as a COA (Cedula de Operación Anual) to be submitted annually on April 30.

Wastes generated by the mining operations include waste rock and tailings as well as regulated and hazardous wastes. Capstone received authorization as a generator of hazardous wastes under the General Law for the Prevention and Comprehensive Management of Waste (Ley General para la Prevención y Gestión Integral de los Residuos- LGPGIR- articles 68, 69, 70, and applicable regulations), first registering its plan for management of wastes in 2009 (No. 32-PMM-I-0015-2009). Capstone submits regular updates with respect to the types of wastes generated and how they are managed; its integrated waste management plan is revised on an annual basis.

Capstone is certified under PROFEPA's National Environmental Auditing Program (Programa Nacional de Auditoría Ambiental) or Clean Industry (Industria Limpia) Program. This voluntary environmental audit program was created in 1996 to promote self-regulation and continuous environmental improvement. The Clean Industry program provides for companies to be certified once they meet a list of requirements including the implementation of international best practices, applicable engineering and preventative corrective measures; it is perhaps one of the most advanced programs of voluntary compliance in Latin America.

Companies entering the program contract third-party, PROFEPA-accredited, private sector auditors, considered experts in fields such as risk management and water quality, to conduct an "Industrial

Verification" audit. PROFEPA determines the terms of reference of the audit, defines audit protocols, supervises the work through certification of the independent third party auditors, and supervises compliance with the agreed-upon actions. The audit determines whether facilities are in compliance with applicable environmental laws and regulations. It results in an Action Plan which defines a time frame and specific actions a site needs to take in order to be in compliance and solve existing or potential problems.

PROFEPA believes this program fosters a better relationship between regulators and industry, providing a green label for businesses to promote themselves and reducing insurance premiums for certified facilities. The Plan is included in an Environmental Compliance Agreement signed by PROFEPA and the company. With successful completion of the program, a company receives designation as a "Clean Industry" and can display the Clean Industry logo as a message to consumers and the community that it fulfills its legal responsibilities for certification under the Clean Industry Program. The Clean Industry Certificate recognizes operations that have demonstrated a high level of environmental performance, based on their own environmental management system, as well as total compliance with regulations. Apart from public acknowledgement of its clean status, benefits to Capstone include the assurance of legal compliance through the use of the Action Plan, agreement with its regulators on a defined program of remediation and mitigation, and the ability to participate in no-cost training programs established by PROFEPA. The audit Certificate is valid for two years and can be re-authenticated after renewal by an additional audit.

The Cozamin Mine first registered for admission to the Clean Industry Program in late 2007. It successfully underwent the rigorous audit to assess compliance with a broad spectrum of environmental, mine and operational safety, health and occupational safety laws and regulations. Capstone identified areas for improvement, and implemented a detailed Action Plan (with estimated costing) to achieve compliance within an approximate two year period through the cooperative process described above. Work completed in support of the Plan was verified by the independent auditor. In December 2013 Capstone was awarded its second Certificate of Clean Industry; this is valid until November 2015.

Overall, under Capstone's management, the Cozamin mine has a good environmental record and a generally good relationship with the environmental regulatory authorities. The company has an active and continuous corporate responsibility program focused on health and safety, positive community relations and protection of the environment. Capstone was awarded the Empresa Socialmente Responsable (ESR) designation by CEMEFI, the Mexican Centre for Philanthropy in recognition of its commitment to sustainable, social and environmental operations. Capstone also participates in environmental leadership (Liderazgo Ambiental) programs organized by regulators in Mexico, and on a corporate level as a member of the Mining Association of Canada and is committed to implement the principles and practices of Towards Sustainable Mining over time.

At the present time, all environmental permits required by the various Mexican federal, state and municipal agencies are in place for the current Cozamin Mine operations. The health, safety and environmental management system and integrated health, safety, environmental and social management plans have been developed in accordance with the appropriate Mexican regulations. Annual land usage/disturbance and half yearly environmental compliance reports are filed as required.

With respect to the implementation of any of the operational recommendations resulting from this Technical Report, Capstone will need to review these with SEMARNAT as soon as possible. This review would identify and flag for discussion any new proposed activities and/or modifications to current activities already authorized as described above, as well as any new activities which could be considered as new work on lands not included in the existing MIA and ETJ, or which would involve new disturbances.

Baseline studies required to support the original MIA, ETJ and their modifications have included detailed analysis of: soil, water quality, vegetation, wildlife, hydrology, cultural resources and socio-economic impacts. These investigations identified acid rock drainage and metal leaching as potential concerns manageable with appropriate mitigation measures.

Static acid-base accounting showed that flotation tailings and some types of waste rock have the potential to generate acidic drainage. However, the country rocks surrounding the deposit have significant neutralizing capacity and show relatively low permeability. In addition, construction activities programmed as part of the expansions have already reduce identified sources of acidic drainage associated with the historic tailings impoundment, as well as downstream contamination due to tailings spills by previous operators. Further, during ongoing operation both newly generated waste rock and waste rock from historic operations have been used as underground back fill.

During 2011, the operation commenced development of a waste management plan that, over the longer term, would not generate new surface waste dumps, and would significantly reduce the volumes of the existing historic dumps. Additional mitigation measures may involve both engineering design and operational approaches to reduce short-term effects until the dumps are relocated underground.

An environmental management and monitoring program has been underway from the start of the renewed operation and will continue. Data collected are used to inform an ongoing operational environmental management and monitoring program, which includes appropriate environmental management and mitigation plans based on the principle of continuous improvement. These will be reviewed and revised as necessary, on at least an annual basis, with results reported as required to Mexican regulators.

New guidance documents for addressing historical environmental liabilities have recently been issued by the Mexican government based on the “polluter pays” principle embedded in LGEEPA and LGPGIR. The Mexican federal state coordinates with both state and municipal authorities to manage the environmental liabilities identified. In general terms, Mexican law lacks grandfathering provisions and it remains uncertain how much flexibility there will be in managing responsibility for restoration of areas with historic mining activities which are near or adjacent to operating mines.

Though some assessment and management planning remain to be completed (and planning to address environmental liabilities needs to be incorporated), work to date indicates that environmental impacts are manageable. It is expected that appropriate management and mitigation solutions to anticipated problems can be developed within the project schedule and time frames.

Apart from the issues identified above with respect to the potential for acid rock drainage/metal leaching and management of environmental liabilities, other issues of environmental concern relate to potential impacts as seen in comparable underground mines of similar size with flotation tailings impoundments and the potential to use tailings as underground backfill. These include: dust, tailings handling/management, storm water diversion, combustibles and reagent management/handling, potential for aquifer contamination, waste management and disposal and noise.

With the recent acquisition of additional water supplies for the Cozamin Mine, at the present time it appears that the available water supply is adequate for future operations. As of the effective date of this report a site wide water balance has not been completed and a recently developed plant water balance has not been fully tested. The existing baseline information suggests that current sources from the nearby municipal water treatment plant and underground water (both at the mine and from permitted wells) and operational water management will be sufficient. However, studies to evaluate the potential for supply issues over the longer term have not been completed and it is recommended that these be appropriately scoped and carried out as soon as possible (Section 26).

The majority of water is used in the process plant. Capstone has defined a comprehensive program to address the challenge of conserving water which has included the following:

- purchase of additional water rights;
- evaluation of options for tailings management which would increase water recycle to the plant such as installation of the tailings thickener presently underway;
- assessment of possibilities for recovery of tailings pore water by installing pumping wells in the tailings impoundment;
- improved management of site diversions to better segregate and capture fresh water entering the site;
- permitting and development of additional new ground water wells which provide for pump back to the plant for process use; and
- preliminary identification of site-wide programs of water conservation/recovery to reduce overall water use in all mine areas.

The successful implementation of measures which have already been undertaken provides reasonable expectation that longer-term water supply needs can continue to be met. However, for the purposes of contingency planning and risk analysis, additional investigation is recommended. The supply situation should continue to be actively monitored and as a matter of routine best management operational practice, site water retention, and conservation measures should be adopted where practical.

Within the local water supply area, water demand remains high and the regional aquifer shows a deficit for resupply. Further, the pressure for housing and other municipal development in the areas directly surrounding Cozamin is evident and is increasing. There is also recent evidence of renewed activity at several of the historic operations adjacent to Cozamin (e.g. possible re-opening of the nearby San Acacio and El Bote Mines) which may impact both water supply availability within the basin, as well as potentially adding downstream effects to ground water.

Other operational aspects with environmental implications on which Capstone is presently concentrating or evaluating include:

- assessment of feasibility of placing tailings into the underground mine for ground support whether as some form of thickened tailings or tailing plus waste rock +/- cement;
- mine planning (i.e. in support of planning for progressive reclamation and remediation of environmental liabilities) with respect to development of a more detailed schedule for prioritized placement of various sources of waste rock for underground stope fill;
- waste rock characterization which may support further definition of priorities for placement and development of alternatives for this material; and
- improvements to erosion control and contention in areas adjacent to the principal arroyos which provide sources of mineralized particulate material that may enter into watercourses with potentially deleterious effects on surface water quality.

Best management operational practices and site programs of training geared toward continuous improvement are expected to ensure further improvements in the longer term.

20.2 Closure Plan

The Mexican government addresses reclamation and closure using broad standards set out under Article 27 of the Constitution from which the legal framework for environmental protection is derived under LGEEPA. Environmental regulations with respect to closure are promulgated through the various NOM's which establish specifications, technical standards, ecological criteria and general guidelines. At the present time there are no formal reclamation and closure standards for mining, however, the company's general obligation is to take mitigation measures which will protect natural and human resources and restore the ecological balance. Regulations do require that a preliminary closure program be included in the MIA and that a definite program be developed and provided to the authorities during mine operations as a supplemental submission to the project MIA. Plans typically use risk-based approaches which involve characterizing the existing concentrations of metals in the soils, waters and groundwater, and designing a plan to ensure that post closure risks to human health and the environment are acceptable and that the concentrations are no higher than the pre-mining baseline conditions.

Though the preparation of the closure plan and a commitment on the part of the mining company to implement the plan are needed, financial surety (i.e. bonding) has thus far been not generally been required. This may gradually be changing as some Canadian mining companies have recently been asked to prepare bonding estimates for SEMARNAT's review. Further, with implementation of the Law of Environmental Responsibility (Ley de Responsabilidad) in 2013, and new guidelines with respect to environmental liabilities, companies can anticipate that standards will evolve higher. The legislation as it stands firmly incorporates the principle that "those who contaminate will pay" ("el que contamina paga"), and it is clear that environmental damages, if not remediated by the owner/operator, can give rise to civil, administrative and criminal liability, depending on the action or omission involved. PROFEPA is responsible for the enforcement and recovery for those damages, but recent legal reforms have introduced the concept of class actions as a means to demand environmental responsibility for damage to natural resources.

Following from the terms and conditions of the various authorizations, as well as various obligations outlined for example in the various NOM's regulating tailings facilities and associated infrastructure (NOM-141-SEMARNAT-2003), management of hazardous wastes (NOM-052-SEMARNAT-2005, NOM-157-SEMARNAT-2009), and exploration activities (NOM-120-SEMARNAT-1997), Capstone re-started the Cozamin Mine in 2006 with a proactive approach to closure. This included a conceptual closure plan which described current and projected conditions of facilities, operating areas and storage sites. Closure activities were described including the estimated cost for each activity based on the proposed mine plan. Using site-specific experience gained during progressive reclamation activities, Capstone submitted its first revised reclamation and closure plan to SEMARNAT as part of the six month reporting requirement in March 2009. The Plan has been revised and updated on an annual basis since that time.

The key objectives of the Capstone's reclamation and closure plan include:

- demonstrating compliance with relevant Mexican laws and regulations, as well as Capstone corporate standards;
- protecting public and employee health, safety and welfare;
- limiting or mitigating any residual adverse environmental effects of the project;
- minimizing erosional damage and protecting surface and ground water resources through control of natural runoff;
- establishing physical and chemical stability of the site and its facilities;
- ensuring that all process chemicals and hydrocarbon products are safely removed from the site at closure and equipment is properly decontaminated and decommissioned;
- properly cleaning and detoxifying all facilities and equipment used in the storage, conveyance, use and handling of process chemicals;
- establishing surface soil conditions conducive to the regeneration of a stable vegetation community through stripping, stockpiling and reapplication of soil material and/or application of waste rock suitable as growth medium;
- repopulating disturbed areas with a diverse self-perpetuating mix of plant species to establish long-term productive communities compatible with existing land uses;
- mitigating socio-economic impacts of the project following decommissioning and subsequent closure as far as reasonably possible; and

- maintaining public safety by stabilizing or limiting access to landforms that could constitute a public hazard.

The plan also provides a reasonable basis by which the financial consequences of closure can be estimated, recognized and managed, including consideration of any longer term consequences.

Capstone's closure planning assumes progressive reclamation during operations, operational closure in 2020, and 5 years of post-closure monitoring, inspection and maintenance. It includes consideration of new initiatives by the Mexican government which will develop a national program for site rehabilitation in areas of historic mining, as well as the potential for increased requirements for operating mines to consider more options for sustainable restoration of the visual landscape after final closure. In fact, since 2011, Capstone has been including an allowance which considers certain of these aspects in its closure cost estimate. As the Mexican government moves forward to advance these regulatory aspects, there may be increased requirements for reclamation and rehabilitation of the Cozamin site and bonding may be required. The closure plan will be reviewed and updated accordingly.

In May 2011 the Mexican government completed the public portion of a regional scale land use planning exercise (known in Spanish as the Programa de Ordenamiento Ecologico General del Territorio or POEGT's process) to promote more effective coordination and management of resources between agencies with responsibilities for environmental affairs. This involved identifying and classifying land unit areas across the country based on 1:2,000,000 scale biophysical inventories.

Three land units (Unidad Ambiental Biofisica) were identified in the neighbourhood of the Cozamin mine at this regional scale. The larger part of the Capstone property was identified as high priority for mining. This was based not only on the past and existing mines, but also due to areas considered to have regional geologic and metallogenic potential. As described to Capstone, the ongoing "in-government" work largely considers identifying appropriate buffer zones ("zonas de amortiguamiento") around areas in need of protection or where high benefit economic activities have been identified and need isolation from activities of lesser benefit. Though this identification may provide some protection for mining needs/rights, shortages of water and protection against aquifer degradation will remain key points for political pressure with implications for ultimate closure requirements.

At present, the state of Zacatecas itself does not have specific mapping or plans which relate to Planes de Ordenamiento Ecologico del Territorio (POET's) and has not yet implemented management units (Unidades de Gestion Ambiental – UGA's) or determined ecological criteria. A state development plan (Plan Estatal de Desarrollo) 2011-2016 is in place which has an objective of increasing mining activity in ways which guarantee more benefits for the state along with preserving the environment and health of the neighbouring communities and reducing mining impacts. The state action plan also includes an objective of working to prevent spreading urban fringes from impinging on mining lands, a consideration which is for the Cozamin Mine.

To date, a number of ongoing closure activities have been completed as part of the site program of progressive reclamation. These include: closure of historic workings; reclamation and re-vegetation of exploration drill pads and access ways disturbed historically and by Capstone; reclamation and re-vegetation of areas of historic waste rock dumps and mining activities; clean-up of historic tailings spilled downstream from the tailings impoundment; removal of historic waste rock for use as underground fill and current construction activities; and definition of diversion channels around the historic Chiripa impoundment, and replacement of damaged gabions downstream.

Much of the site area has been previously disturbed from historic operations. Surface soils removed for site construction have been stockpiled for reuse in closure. Though detailed studies of the suitability of stockpiled soils for reclamation have not been completed, the undisturbed parts of the mine area which are not actively grazed support patchy plant cover and areas reclaimed during progressive closure already show good evidence of successful re-vegetation with local species. Capstone's on site nursery also shows promise in nurturing a broader variety of local species.

Continued implementation of "best practices" operational management and a site wide initiative focused on continuous improvement, along with sequential progressive reclamation and closure planning, will significantly reduce new sources of contamination. Reclamation, post-closure monitoring and follow-up will require more detailed planning, but have the overall objective of leaving the land in a useful, stable and safe condition capable of supporting native plant life, providing appropriate wildlife habitat, maintaining watershed function and supporting limited livestock grazing. General objectives include the removal of any environmental liabilities, minimization of potential acid rock drainage/metals leaching and the return of the site to a condition that resembles pre-mining conditions or restores productivity. Final land use after closure will be determined in consultation with Mexican authorities.

Once mining stops, surface equipment as well as surface and underground infrastructure will be removed and the mine will be allowed to flood. Mine entryways will be closed to restrict entrance. Surface accesses to the mine such as access ramps will be closed and filled; apertures such as shafts and raises will be plugged. Access to mine areas, stopes, and raises will be stabilized and eliminated. Based on observations of historic mining, following cessation of operations ground waters are expected to return to their original phreatic levels in a short time, with no direct point source discharges to surface anticipated. All salvageable items will be removed from the site. Remaining quantities of chemicals, reagents, lubricants, combustibles, etc., will be returned to suppliers, vendors or sold to third parties. Any remaining non-hazardous waste will be removed to the municipal landfill. Hazardous waste will be removed and disposed of at an appropriately licensed waste management facility. Buildings, other structures and surface infrastructure will be dismantled, removed and sold (or donated) where practical.

Remaining disturbed areas will be re-sloped to re-establish natural landscape contours and (where applicable) pre-existing drainage patterns. In selected areas as necessary erosion prevention measures will be implemented. The disturbed areas will be re-vegetated with natural species approved by

SEMARNAT. Roads that will not be required after mine closure will be re-graded and re-vegetated to approximate pre-mining conditions.

The flotation tailings and certain historic waste rock piles located on surface are potentially acid generating and require careful management during operations and into closure and post closure to minimize potential impacts to the environment. Management will require combinations of mine waste handling, placement planning and evaluation of the need for treatment of existing acid generating surfaces to reduce infiltration by precipitation and therefore the volume of any contaminated water emanating from the site.

Capstone is currently evaluating several possible options for future management of tailings and historic waste rock during operations. Based on these findings, the company may choose to implement a new program of placing tailings underground for use as backfill. Capstone will need to supply to SEMARNAT additional tailings characterization, metal analyses and ARD/ML test work, as well as a description of how the tailings and other materials will be placed, if they plan to proceed with this management option.

The closure plan identifies a number of final closure activities to maintain physical and geochemical stability including: diversion channels above the impoundment to limit fresh water flowing into the tailings from the upper watershed; re-contouring the surface of the tailings impoundment to prevent ponding and improve flow; and a final cover yet to be designed. Capstone will need to evaluate the performance of the recently installed thickener before tailings characteristics and management alternatives for longer term tailings disposal can be fully assessed. Depending on the results of ongoing water quality monitoring as well as characterization of tailings products, planning for closure design may include installation of an engineered low permeability cover to limit oxygen entry into the tailings, restrict infiltration and minimize seepage. Alternatively closure planning may involve use of an engineered store and release cover. With careful engineering design, modelling of water and tailings chemistry, as well as good quality control on construction this would appear to be a reasonable concept.

Reclamation obligations will be funded during mining operations, and are not anticipated to involve measures significantly different than would be expected for an underground base metal mining operation of this size and type processing by flotation, and located near centres of population.

An original preliminary closure cost estimate developed by the Cozamin projects and environmental groups has been revised to include disturbances present to the December 31, 2013 year-end totals US$7.5M. Based on the technical report and the additional information gathered by Cozamin, the total life of mine (LOM) closure has increased to US$8.7M. The updated cost reflects expenditures prior to closure, during decommissioning and post-closure monitoring and maintenance. These costs are based on the best available information and on the costing review carried out for the 2013 Asset Retiring Obligation. They include progressive reclamation during operations, clean up, rehabilitation and reclamation on closure as well as post closure inspection and monitoring, and use actual site unit costs to third quarter 2013. Funding of the progressive reclamation costs comes from the operational cash flow. Post-closure monitoring and maintenance costs are accounted in the final year of operation. Reclamation and closure costs are capitalized and amortized over the LOM.

This costing is revised and updated on an annual basis to reflect the disturbances present to year end, the evolving knowledge of specific site conditions and their reclamation requirements, changes in Mexican regulatory requirements and social obligations, and an understanding of the success of ongoing progressive rehabilitation, reclamation and closure activities, as well as prevailing costs for physical and other work related to closure.

20.3 Community Relations

Capstone has implemented a community relations program that includes environmental, medical, educational, infrastructure development, and social support services. Public consultation and community assistance and development programs are ongoing, and the proactive community engagement process is continuing.

21 Cost Estimation

21.1 Operating Cost Estimate

Cozamin staff developed the mine operating costs from first principles. Annual mine equipment utilization hours were derived from the forecast. Total operating costs were calculated using current unit operating costs. Contractor costs were derived from forecasted requirements and contract unit costs. Mine support functions were estimated based on historical unit costs against budget activities to produce the mine operating costs. The processing operating costs were derived using forecasted production and current unit operating costs. General Management and Administration costs were assumed to be fixed based on budget.

Table 21-1 summarizes the mine operating costs for the duration of the forecast. Site operating costs were derived using budgeted operating costs based on historical actual costs.

Table 21-1: 2014 Unit Operating Cost Estimates

Area	Unit	Cost Estimate (US$)
Underground Mining	$/t milled	23.27
Processing	$/t milled	13.71
General Management	$/t milled	5.37
Administration	$/t milled	3.23
Total	$/t milled	45.58

21.2 Capital Cost Estimation

Capital expenditures were developed in support of the life-of-mine plan by Cozamin staff and include the following:

- Purchase of new equipment;
- Overhauls of existing equipment;
- Capital underground development;
- Tailings dam expansion,
- Capital infrastructure,
- Ongoing reclamation; and
- Sustaining capital requirements.

Table 21-2 summarizes expected capital costs over the life-of-mine at Cozamin. The first five years are outlined in the Cozamin capital budget plan. Capital expenditures include mine equipment, plant upgrades, underground capital development, tailings management, and surface infrastructure. The remaining years are based on ongoing capital infrastructure projects, progressive reclamation and a sustaining capital allowance for the mine and mill. The sustaining capital allowance is estimated to be 2% of operating budget that is carried forward to the life of mine plan.

Table 21-2: Summary of Capital Costs

Year	Cost Estimate (US$ x 1 Million)
2014	20.1
2015	19.3
2016	16.4
2017	9.4
2018	8.2
2019	2.1
2020	8.6
Total	84.1

22 Economic Analysis

As Cozamin is a producing mine, an economic analysis is not required for this Technical Report.

23 Adjacent Properties

The Mala Noche vein is one of several main veins that have been exploited since pre-colonial times in the Zacatecas area. The Bote vein has recently been in production, but production on the Veta Grande, Panuco, Mala Noche, Cantera and San Rafael veins has varied with silver and base metal prices. The average ore grades for the Zacatecas district are reported to be 1.5 g/t Au, 120 g/t Ag, 3% Pb, 5.1% Zn and 0.16% Cu with total silver production to the end of 1987 estimated to be about 750,000,000 ounces (Ponce and Clark, 1988). The Qualified Person has been unable to verify this information and that the reported grades are not necessarily indicative of the mineralization on Cozamin mine that is the subject of the Technical Report.

24 Other Relevant Data and Information

There is no other additional data or information required to make this Technical Report understandable or not misleading.

25 Interpretations and Conclusions

The Cozamin Mine has been successfully developed into a viable modern mining operation with 8 years of continuous operation by Capstone. Based on the findings of this technical report, the QPs believe the Cozamin Mine and milling operation is capable of sustaining current production levels through the depletion of the mineral reserve. Relevant geological, geotechnical, mining, metallurgical and environmental data from the Cozamin Mine has been reviewed by the QPs to obtain an acceptable level of understanding in assessing the current state of the operation. The mineral resource and reserve estimates have been performed to industry best practices (CIM, 2003) and conform to the requirements of CIM Definition Standards (CIM, 2010).

25.1 Conclusions

Capstone holds all required mining concessions, surface rights, and rights of way to support mining operations for the life-of-mine plan developed using the December 31, 2013 mineral reserves estimates. Permits held by Capstone are sufficient to ensure that mining activities within Cozamin Mine are carried out within the regulatory framework required by the Mexican Government. No risk associated with permit extensions is anticipated. Annual and periodic land use and compliance reports have been filed as required.

The understanding of the regional geology, lithological, structural, and alternation controls of the mineralization at Cozamin are sufficient to support estimation of mineral resources and mineral reserves. The mineral resources and mineral reserve estimates, NSR cut-off strategy, and operating and capital cost estimates have been generated using industry-accepted methodologies and actual Cozamin performance standards and operating costs. Metallurgical expectations are reasonable, based on stable metallurgical results generated from actual production data. Reviews of the environmental, permitting, legal, title, taxation, socio-economic, marketing and political factors for the Cozamin Mine support the declaration of mineral reserves.

Cozamin water sources include the recent purchase of additional water rights from the municipal authority to use treated water, water from underground mines held by various other parties, and new water supply wells constructed downstream from the mine and processing facilities in 2011 and 2012. Cozamin Mine is projected to have access to sufficient water resources to support a 4,000 tpd operation.

Completion of the Stage 5 tailings impoundment, which provides for the rehabilitation of the existing upstream fresh water diversion channel and incorporation of a spillway design for subsequent stages of operation, is projected to finish in the second quarter of 2014. This will further improve longer-term fresh water capture from the upstream catchment.

Based on current regulations and laws, Capstone has addressed the environmental impact of the operation, in addition to certain impacts from historical mining. Closure provisions are appropriately considered in the mine plan. There are no known significant environmental, social or permitting issues that are expected to prevent the continued mining of the deposits at Cozamin Mine.

25.2 Risks and Opportunities

The QPs, as authors of this Technical Report, have noted the following risks:

- Exchange rates, off-site costs and, in particular, base metal prices all have the potential to affect the economic results of the mine. Negative variances to assumptions made in the budget forecasts would reduce the profitability of the mine, thereby impacting the mine plan.
- Mexican regulatory expectations for environmental and social responsibility continue to evolve. Since the first environmental impact assessment, Capstone's property ownership has increased beyond the area of active mining and processing operations to encompass additional areas of historic mining and processing operations; particularly in the area of the Chiripa arroyo. The path forward for remediating the environmental liabilities is not yet certain and may result in increased expectations and regulatory requirements. This has potential to increase costs for final closure and/or post closure monitoring but it cannot be quantified at this time.

The authors of this Technical Report have noted the following opportunities:

- A 10,000 m drilling exploration program has been approved for 2014 to test additional structures splaying from the main Mala Noche fault system for economic potential.
- Capstone maintains a dialogue with the immediately adjacent property owners and from time to time discusses potential exploration partnerships on their lands.
- The Mala Noche Vein is poorly tested at depth. Additional drilling can increase geological understanding of the area and assist in identifying future exploration targets.
- Develop sustainable mine plans to maximize mill throughput on a sustained basis to reduce unit costs. The mill has operated in excess of 4,000 tpd frequently, which is greater than designed LOM throughput.
- Investigate opportunities to reclassify the San Rafael from mineral resource to mineral reserve. This may include flow sheet synergies to transition San Rafael ore to the existing mill
- Improve material handling in the mine by evaluating hoisting options to determine the appropriate path forward. Possible outcomes may include reduced haulage costs, improved ventilation, and better access to deeper material.
- Approximately 620,000 tonnes with average NSR value of US$131 remain in remnant pillars. The use of backfill in surrounding voids could improve underground stability, thus enabling the mine to recover a portion of these pillars.
- A mine backfill plant could also increase future pillar recoveries and allow the mining of parallel veins that have been excluded from the mineral reserve due to insufficient intervening pillars.
- Construction of a backfill plant could reduce tailings storage capital costs for surface storage requirements. This could also increase tailings storage capacity as tailings can potentially be stored underground. Paste or hydraulic backfill would also provide a stiffer/mechanically advantageous filling material in terms of ground control and regional stability.

26 Recommendations

The following recommendations have been identified by the authors of the Technical Report:

- A drill-hole spacing analysis is suggested to establish an ideal distance for DDH intersections to better predict the locations of higher grade material in advance of mining. Due to increased variability in thickness and grade encountered during mining, closer drillhole spacing would better predict presence of high grade zones within the mineralized horizons.
- Focus exploration drilling in areas downgraded from Indicated to Inferred (e.g., west San Roberto, 14-level). Additional confidence in the vein location and thickness, as well as in grade continuity would allow resources to be upgraded back to the Indicated category.
- A structural study would benefit exploration efforts, as the mineralization appears to be dependent on the presence of cross-cutting structures. Now that current mining is advancing into narrower areas and mineralized splays, a structural model would provide valuable information to assist with the planning of infill drilling ahead of future production.
- Complete an independent audit of all sampling, sample preparation, QAQC protocols, data handling, document control and database security.
- Cozamin DDH and CCS Databases
    - Rebuild the project databases into an SQL-based database system
    - Complete an annual audit of the project databases to ensure there are no systemic or importing issues with the assay data.
    - Implement more stringent checks on hand entered data such as sample numbers, coordinate data, downhole survey data and sample interval data.
    - Secure support documentation for all data in the database. Laboratory certificates should be stored on a server at the mine and off site also.
- QAQC program at Cozamin Mine
    - Capstone should purchase sufficient commercial CRM standards to cover sample analysis for the following six months minimum. CRM standards should be made using mine material that are properly homogenized, subjected to a Round Robin Analysis to a minimum of 15 certified commercial laboratories distributed internationally. Inform the labs that they are analysing standard reference material for certification. Apply statistical analysis of the results from each lab for reliability and eliminate data that are outliers from the dataset. Set limits of acceptability according to industry standards and have a QP issue a certificate that details the support information and limits of acceptability for the CRM standards produced.
    - Issue monthly reports with QAQC summaries for each month and then an annual summary should be issued by a QP
    - Undertake a study using the coarse reject and pulp duplicates, (duplicates sent in sequence to the same laboratory as the original) to optimize both the sample prep procedures and the analysis methods for all metals. Analysis results for Au and Ag indicate that Fire Assay with a gravimetric finish may not be optimal for the grade levels of these metals at the mine.
    - Reassay 10% of all CCS pulps currently stored at site at an independent laboratory with commercially bought SRM samples.

  - Routinely send 10% of the pulps from the CCS samples to an independent laboratory for independent checks on the mine laboratory performance.
  - When sampling drillcore, include a core duplicate sample (other half of the core) and coarse reject and pulp duplicate in every batch of 20 samples sent for analysis.
  - When sampling the back or face for chip samples, include a field duplicate sample and during sample preparation also include a coarse reject duplicate and a pulp duplicate in every group of 20 samples.
- Study the grade bias between CCS and DDH samples to completion. Future work should include a block run in the measured area using only the DDHM composites to further reduce the impact of the spatial bias remaining between CCS and DDH10 composites. The same exercise should be repeated for SROB where there is a larger dataset available and more reconciliation data available.
- Complete a comprehensive review of specific gravity in the MNFW zone.
- Continue and expand on the metallurgical testwork program for the San Rafael deposit.
- Characterize the pyrrhotite species and build it into the resource model for better predictive capabilities of when it will be encountered in the mining and milling schedule.
- The location of the San Rafael Zone to the existing mine infrastructure makes it a highly prospective target for further evaluation and potential reclassification to mineral reserves. Areas for future review include: additional in-fill drilling to provide better definition of mineral continuity; review of stoping and development methods that can reduce costs while providing selectivity; additional metallurgical tests to improve recoveries and costs; and evaluation of the a declining cut-off grade for zinc extraction and processing late in the life of the project.
- For longhole stopes, an overbreak dilution factor of 0.5 m has been applied to the benches and 1.0 m has been applied to the development drifts. These factors need to be validated through annual reconciliations and adjusted as required.
- Mining dilution grades need to be continually monitored and tested to validate the factors applied to the mineral reserves estimates.
- Review the potential to utilize tailings as backfill in the underground mine. A technical evaluation is currently underway to determine the most appropriate technology based on economic, safety and environmental considerations.
- Sound mining practices must be maintained to minimize dilution and optimize extraction. Adequate back-up stopes must be available to give the mine production flexibility.
- Continue to track rock mass conditions underground and measure ground movements. Continue training of personnel to identify poor rock conditions and execute remediation work. Continue to conduct systematic bolting in new headings and adjust ground support in areas of weaker rock mass conditions or in higher ground stress zones. Upgrade ground support to current standards in permanent active areas such as ramps, main drifts and shops. This recommendation is being implemented on site. Close and barricade unneeded areas where no ground support retrofitting is planned.
- Define local regional stress field characteristics to develop a reliable geotechnical numerical model. The cost of implementing this recommendation is included in the approved Cozamin budget.
- Complete the feasibility-level design of the Stage 6 and Stage 7 tailings storage facility lifts in 2014. This will address the existing designs and optimize them to increase tailings capacity. This

work is anticipated to be completed in 2014 and the cost of implementing this recommendation is budgeted.

- Commission development of a robust site-wide water balance for all Cozamin activities.
- Conduct in the near term a high level evaluation of available information and data gaps that would support a detailed scoping (and budget) for a more a comprehensive investigation of the hydrology and hydrogeology of the site, its wells and its immediate surroundings.
- Conduct a comprehensive static and kinetic testing program for ARD/ML to ensure a complete characterization of historic waste rock, development waste, host rocks and tailings over the mine property.
- Design an effective sampling and monitoring plan to further characterize current conditions of waste and tailings. This will support design of waste and tailings management plans and assist in the evaluation of alternatives for tailings and waste rock disposal.
- Continue to actively engage in community assistance and development programs with surrounding activities to ensure Capstone retains its social licence.
- Review mining and operational plans with regulator, SEMARNAT, for implementation of any operational recommendations from this Technical Report. Such a review would identify new activities and/or modifications to activities already approved under the authorizations described in this Technical Report.

27 References

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