MORRO BAY RESOURCES LTD.
RIVERSIDE RESOURCES INC.

NI 43-101 Technical Report

Mineral Resource Estimates for the El Capitan & Jesus Maria Deposits

Peñoles Gold-Silver Project, Durango State, Mexico

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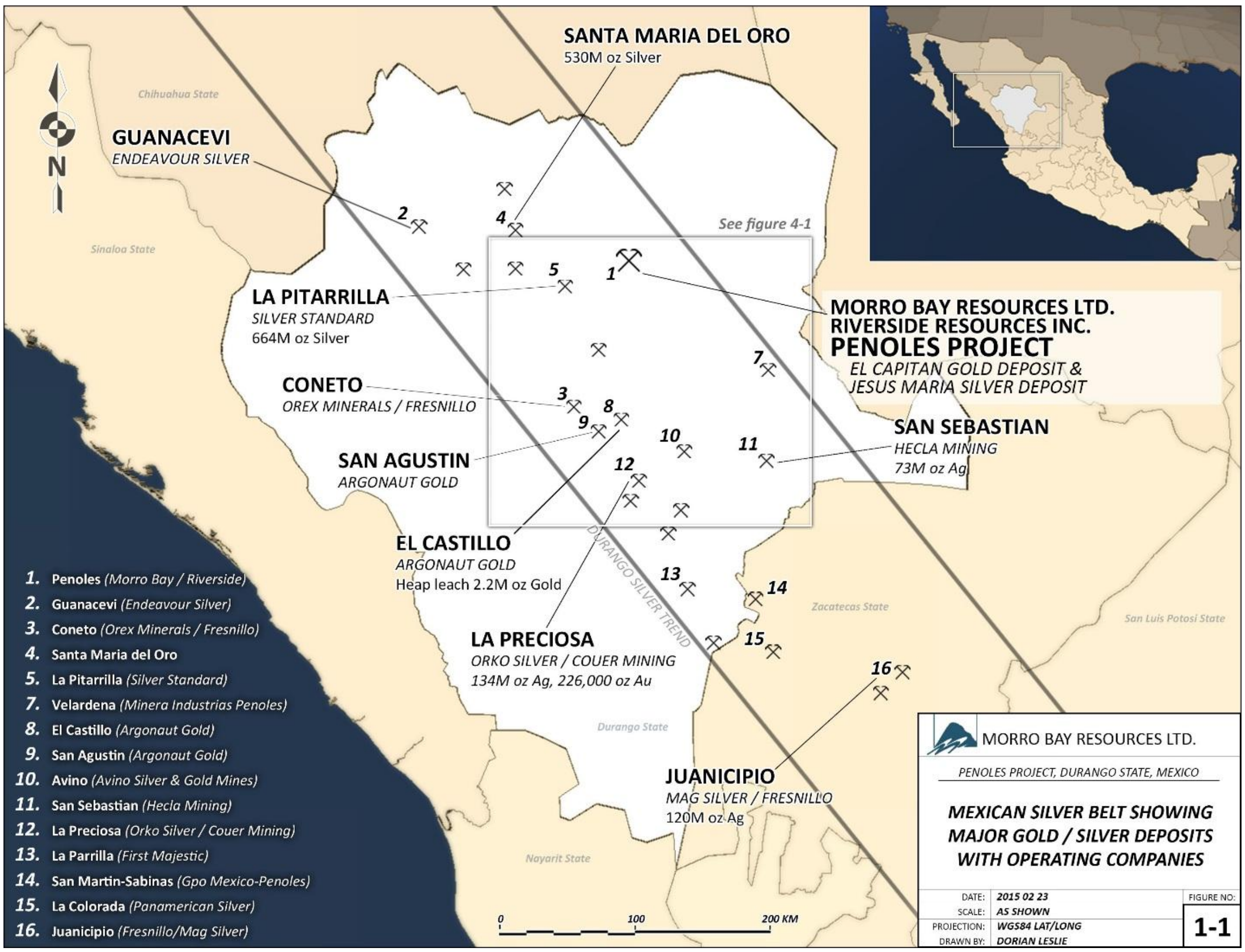
1 SUMMARY

INTRODUCTION

The Peñoles Project (Figure 1-1) includes two historic silver mines (Jesus Maria and San Rafael), an oxide gold prospect (El Capitan) and several exploration targets located in the historic Peñoles Mining District, in Durango State, Mexico. Historic mine workings, surface trenching and diamond drilling have partially delineated several precious metal-enriched epithermal-type vein systems, poly-metallic skarns, and silicified breccia zones localized at or near the unconformity between Tertiary-age volcaniclastic rocks and Cretaceous-age sediments. To date, 86 diamond drill holes totalling approximately 11,550 m have been completed at the Peñoles Project.

Figure 1-1: Peñoles Project within Mexican Silver Belt



The Authors were commissioned by Morro Bay Resources Ltd. (TSX-V:MRB) (Morro Bay) and Riverside Resources Inc. (TSX-V:RRI) (Riverside) to prepare maiden resource estimates for the Jesus Maria Silver Zone and the El Capitan Gold Zone and submit a technical report that complies with the requirements of the Canadian Securities Administrators National Instrument 43-101 (NI 43-101).

The resource estimates are based primarily on diamond drilling conducted by Morro Bay and previous operator Sierra Madre Developments Inc. (TSX-V:SMG) (Sierra Madre) between 2011 and 2014. The effective date of these mineral resource estimates is March 2, 2015. Note: No additional drilling has been carried out since the effective date.

The resource estimates were completed by Robert Sim, P.Geo. of SIM Geological Inc. Mr. Sim is an Independent Qualified Person as defined by *National Instrument 43-101 Standards of Disclosure for Mineral Projects*. The geological and technical data for the project was reviewed by Ben Whiting, P.Geo. of Whiting Geological Consulting Inc. The metallurgical test work that has been completed to date was reviewed by Mike Redfearn, P.Eng. Whiting and Redfearn are also Independent Qualified Persons as defined by *National Instrument 43-101 Standards of Disclosure for Mineral Projects*.

Based on the current drill hole database, the Jesus Maria and El Capitan deposits appear to form relatively continuous, west- to west-northwest-trending zones of mineralization that may be amenable to open-pit extraction methods. Jesus Maria is a silver deposit with minor amounts of contained gold and base metals, and El Capitan is primarily a gold-bearing deposit with minor silver credits.

Location, Mining Concessions, Surface Rights and Permits

The Peñoles Project is easily accessible and is located approximately 170 km, by road, west of the city of Torreón, Coahuila State, Mexico. The centre of the Peñoles property is located approximately 180 km north-northeast of the city of Durango and 50 km north of the town of Rodeo in the Municipality of San Pedro del Gallo, Durango State, Mexico.

In 2008 and 2009, Riverside acquired the Peñoles property by purchasing two groups of concessions and staking two concessions. The two groups of concessions (the Altiplano Option and Guerrero Option) collectively cover the El Capitan prospect and the Jesus Maria and San Rafael mine workings. The two staked concessions (initially comprising 35,694.1 ha) currently comprise 13,942.8 ha and cover several early-stage exploration targets. The purchased concessions that cover the El Capitan prospect and the historic silver mines comprise a total of 259.8 ha and are internal to a larger group of concessions controlled by Minera La Parreña (2,652.8 ha), which, in turn, is surrounded by the concessions staked by Riverside. Minera La Parreña is a subsidiary of one of the largest mining companies operating in Mexico, Minera Industrias Peñoles (Minera Peñoles) and its precious metal division Minera Fresnillo (Fresnillo).

In March 2011, Sierra Madre acquired an option from Riverside to earn either a 51% or a 65% interest in the Peñoles Project (Peñoles Option Agreement) by incurring exploration expenditures and making cash and share payments to Riverside. Sierra Madre incurred exploration expenditures of approximately $3,000,000 and made cash and share payments totalling approximately $2,140,000 to Riverside between March 2011 and June 2013 (Magrum, 2013). On October 22, 2013, Morro Bay and Sierra Madre announced that they had entered into an arm's-length, non-binding letter of intent pursuant to which Morro Bay would acquire all of the interests of Sierra Madre in the Peñoles Project. On January 23, 2014, Morro Bay acquired all of Sierra Madre's interests in exchange for 16 million Morro

Bay common shares and 8 million share purchase warrants entitling the holders to purchase up to 8 million Morro Bay common shares. The deemed purchase price was $1,600,000, all of which was paid by way of the aforesaid shares and warrants of Morro Bay. Sierra Madre distributed the Morro Bay shares and share purchase warrants pro rata to shareholders of record as of the closing date.

In order to earn a 51% interest in the Peñoles Project, Morro Bay was initially required to expend $750,000 of exploration expenditures by June 30, 2014 and pay Riverside $1,350,000 cash ($100,000 and USD$1,250,000) and issue $1,500,000 worth of Morro Bay shares (or cash at Morro Bay's option, provided that, if the market value of the Morro Bay shares is less than $0.05 based on a 30-day volume-weighted average price [VWAP], such payments would be made in cash). During 2014, Morro Bay incurred approximately $1,250,000 in exploration expenditures, made a $750,000 payment to Riverside in shares of Morro Bay, and extended the option exercise date to January 20, 2015.

On January 20 and April 1, 2015, Morro Bay and Riverside announced amendments to the Peñoles Option Agreement such that Morro Bay can earn an initial 51% interest by making a payment of $750,000 by May 1, 2015 (payable in cash or Morro Bay shares at Morro Bay's election, provided that, if the market value of Morro Bay shares is less than $0.05 based on a 30-day VWAP, such payments would be made in cash). Additional terms are included in the press releases dated January 20, 2015 and April 1, 2015.

Surface rights in the primary target areas (El Capitan prospect and the historic Jesus Maria and San Rafael mines) are owned by the Peñoles Ejido. To the best of the Authors' knowledge, Riverside holds valid drilling permits and has negotiated a multi-year exploration access agreement with the Peñoles Ejido which grants access to the primary target areas. To the best of the Authors' knowledge, the agreement requires an annual minimum payment which is in good standing. No legal review was conducted for the surface access agreement, and it is not known if the current agreement provides access to the entire claim area. In the event that a decision is made to complete exploration work and drilling outside of the primary target areas, Morro Bay and Riverside will need to negotiate with the surface-rights holders regarding access agreements.

EXPLORATION HISTORY AND RECENT DRILLING

According to published historic records, Minera Industrias Peñoles was incorporated in 1887 to operate the Jesus Maria and San Rafael silver mines, and took its name from the local community of Peñoles. The full extent of the historic mine workings is unknown, but mining appears to have been selective and limited to within approximately 100 m of surface.

The only modern exploration work that was completed on the subject property prior to 2011 consisted of a four-hole drill program completed by Aurcana Corporation (Aurcana) in 2004, and surface mapping, sampling, a limited IP survey, and a five-hole drill program completed by Riverside in 2008 and 2009.

According to Daniels (2011), the drill holes completed by Aurcana and Riverside returned encouraging results and showed that El Capitan has potential to host a bulk-tonnage, low-grade gold deposit. Preliminary metallurgical tests completed by Sierra Madre in 2011 using Riverside drill core showed that the gold mineralization at El Capitan can be recovered using cyanide leaching.

Since March 2011, exploration work and drilling has been focused on the Jesus Maria Silver Zone and the El Capitan Gold Zone. The El Capitan and Jesus Maria deposits are south dipping, west- to west-northwest-trending mineralized zones located on the concessions purchased by Riverside in 2008.

During 2011 and 2012, drilling at El Capitan encountered numerous intervals of gold mineralization ranging from 50 m to 140 m wide. Mineralization is localized along the unconformity between Tertiary-age volcaniclastic rocks and Cretaceous-age sediments. The upper part of the mineralized zone consists of porous, volcanic agglomerate cut by narrow quartz veinlets and hydrothermal breccias (averaging 0.2 g/t to 0.5 g/t Au). At the base of the volcanic unit, there is a shallow-dipping, 10 m to 35 m wide silicified zone (averaging 0.7 g/t to 1.5 g/t Au), and, below this zone, there is a sequence of oxidized shales that is also cut by quartz veinlets and hydrothermal breccias (averaging 0.2 g/t to 0.6 g/t Au) with low silver values.

The Jesus Maria prospect was initially considered to be a relatively narrow but high-grade vein-type target; however, drilling carried out in 2013 and 2014 encountered 20 m to 80 m wide intervals of predominantly silver-rich mineralization (with accessory gold and base-metal values) in the hanging wall of the zone that was mined historically. Based on the widths of mineralization, the Jesus Maria might be amenable to open-pit extraction methods. At their eastern limits, the deposits are separated by approximately 300 m; however, the mineralized zones are interpreted as merging to the west. Additional drilling between the western limit of the Jesus Maria deposit and the El Capitan deposit could connect the two zones and delineate additional mineralization.

Between 2012 and 2014, preliminary metallurgical test work carried out by Inspectorate Exploration & Mining Services Ltd. (Inspectorate) indicates that the gold and silver mineralization at Jesus Maria can be recovered by using flotation or whole-ore cyanide leaching. Preliminary metallurgical test work also indicates that gold mineralization at El Capitan can be recovered by using cyanide leaching.

DATA VERIFICATION AND SITE VISITS

On May 8, 2014, a site visit was carried out by Robert Sim, in the company of James Thom (contract geologist employed by Morro Bay) and Howard Davies and Lex Lambeck (contract geologists employed by Riverside). Sim inspected the core logging and core storage facilities at the project site office, examined drill core from the El Capitan and Jesus Maria target areas, reviewed plans and sections of the historic and recent drilling completed at El Capitan and Jesus Maria, and reviewed the QA/QC procedures implemented by Sierra Madre and Morro Bay for the drill programs completed in 2011, 2012, 2013, and spring 2014. Sim also visited the site on June 12, 2012 during which he observed on-site drilling activities on the El Capitan deposit. Independent analyses of two drill core samples collected during this site visit returned gold grades similar to values in the Morro Bay database.

On January 20-22, 2015, a site visit was carried out by Ben Whiting, in the company of James Thom. Whiting examined several drill sites completed by Sierra Madre and Morro Bay, inspected the core logging and core storage facilities at the project site office, examined drill core from the El Capitan and Jesus Maria target areas, reviewed plans and sections of the historic and recent drilling completed at El Capitan and Jesus Maria, and reviewed the QA/QC procedures implemented by Sierra Madre and Morro Bay for the drill programs completed in 2011, 2012, 2013, and 2014. He also reviewed the QA/QC procedures implemented by Riverside for the 2008 drill program. Additional data verification quarter-core sampling was performed during this site visit.

The drilling completed at Peñoles by Sierra Madre and Morro Bay appears to have been completed to industry standards and QA/QC procedures are adequate for purposes of resource estimation. No significant operational or logistical problems were identified during the course of the site visits.

MINERAL RESOURCES

The mineral resource estimates have been generated from drill hole sample assay results, limited surface trench and underground drift channel samples, and the interpretation of geological models, which relate to the spatial distribution of gold and silver in the El Capitan and Jesus Maria deposits. Interpolation characteristics have been defined based on the geology, drill hole spacing, and geostatistical analysis of the data. The resources have been classified by their proximity to the sample locations and are reported, as required by NI 43-101, according to the *CIM Definition Standards for Mineral Resources and Reserves* (May, 2014).

Estimates are made from 3D block models based on geostatistical applications using commercial mine planning software (MineSight® v9.50-01). The project limits are based in the UTM coordinate system using a nominal block size of 10 m x 5 m x 10 m, with the shorter blocks roughly perpendicular to the east-southeast-oriented strike direction of the deposits. The mineral resource estimate for the El Capitan Gold Zone is based on results from 50 diamond drill-core holes totalling 7,004 m of drilling. The mineral resource estimate for the Jesus Maria Silver Zone is based on results from 30 diamond drill-core holes totalling 3,114 m of drilling. Diamond drilling was conducted from surface drill stations in the hanging wall of the deposits. Holes are generally spaced at 40 m intervals and drilled to depths of between 100 m and 200 m below surface.

Both deposits are at a relatively early stage of evaluation with respect to drilling and, as a result, some assumptions have to be made using the available data. Classification at El Capitan is primarily influenced by the nature of gold in the deposit. Similarly, classification at Jesus Maria is primarily driven by the distribution of silver in the deposit. Visual observations and studies of indicator variogram ranges suggest that zones of continuous mineralization, above the base-case cut-off limits, can be inferred when drill holes are spaced at a maximum distance of 150 m. Therefore, blocks in the model within a maximum distance of 75 m from a drill hole have been included in the Inferred category.

Gold and silver mineralization occurs over relatively continuous zones for more than 500 m of strike length at Jesus Maria, and for more than 1,000 m of strike length at El Capitan. Floating cone pit shells, based on projected technical and economic parameters, suggest that mineralization to depths of 150 m below surface exhibits reasonable prospects for eventual economic extraction using open-pit extraction methods. The Mineral Resource statement for the El Capitan and Jesus Maria deposits is shown in Table 1.1; the resources are not constrained within pit shells but include mineralization, above cut-off, that is within a maximum depth of 150 m below surface. There are no adjustments for recovery or dilution in the statement of mineral resources. It is important to note that these are estimates of mineral *resources*, not mineral reserves, as the economic viability has not been demonstrated.

Table 1.1: Inferred Mineral Resource Estimate

Deposit	ktonnes	Gold (g/t)	Silver (g/t)	Contained Gold (koz)	Contained Silver (koz)
El Capitan	20,722	0.458	2.8	305	1,832
Jesus Maria	7,573	0.105	62.3	26	15,158
Combined	**28,295**	**0.364**	**18.7**	**331**	**16,990**

Note: “Base case” cut-off grade for El Capitan is 0.25 g/t Au and for Jesus Maria is 30 g/t Ag.
Mineral resources occur within a maximum depth of 150 m below surface.
Resources are not mineral reserves as the economic viability has not been demonstrated.

The base-case cut-off grades of 0.25 g/t Au at El Capitan and 30 g/t Ag at Jesus Maria are based on projected metal prices of US$1,300/oz Au and US$20/oz Ag. Variations in these projected prices will result in changes to the cut-off grades. The sensitivity of mineral resources to the cut-off grade is shown in Tables 1.2 and 1.3.

Table 1.2: Sensitivity of El Capitan Mineral Resource to Gold Cut-Off Grade

Cut-Off Grade (Au g/t)	ktonnes	Au (g/t)	Ag (g/t)	Contained Gold (koz)	Contained Silver (koz)
0.15	33,101	0.362	2.0	385	2,150
0.20	27,388	0.401	2.3	353	2,043
0.25 (base case)	**20,722**	**0.458**	**2.8**	**305**	**1,832**
0.30	15,726	0.517	3.2	261	1,608
0.35	12,236	0.572	3.5	225	1,393
0.40	9,648	0.626	3.9	194	1,207
0.45	7,879	0.671	4.2	170	1,054
0.50	6,477	0.714	4.4	149	912

Note: “Base case” cut-off grade of 0.25 g/t Au using a price of US$1,300/oz Au is highlighted in the table.
Resources are not mineral reserves as the economic viability has not been demonstrated.

Table 1.3: Sensitivity of Jesus Maria Mineral Resource to Silver Cut-Off Grade

Cut-Off Grade (Ag g/t)	ktonnes	Ag (g/t)	Au (g/t)	Contained Silver (koz)	Contained Gold (koz)
15	10,764	50.6	0.095	17,507	33
20	9,836	53.7	0.099	16,983	31
25	8,740	57.6	0.102	16,192	29
30 (base case)	**7,573**	**62.3**	**0.105**	**15,158**	**26**
35	6,425	67.6	0.109	13,960	23
40	5,493	72.7	0.113	12,840	20
45	4,566	78.9	0.120	11,577	18
50	3,896	84.3	0.124	10,561	16

Note: “Base case” cut-off grade of 30 g/t Ag using a US$20/oz Ag price is highlighted in the table.
Resources are not mineral reserves as the economic viability has not been demonstrated.

Note: Mineral resources are not mineral reserves because economic viability has not been demonstrated. Mineral resource estimates do not account for mineability, selectivity, mining loss, and dilution. These mineral resource estimates include Inferred mineral resources that are normally considered too geologically speculative to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these Inferred mineral resources will be converted to Measured or Indicated categories as a result of additional drilling, or into mineral reserves after economic considerations are applied.

CONCLUSIONS AND RECOMMENDATIONS

In summary, drilling to date on the Peñoles property has defined significant intervals of near-surface silver mineralization (with associated gold, lead and zinc values) at Jesus Maria, and wide intervals of near-surface gold mineralization (with low silver values) at El Capitan that could potentially be amenable to open-pit extraction methods.

In the Authors’ opinions, the Peñoles property has sufficient merit to warrant further exploration work. To date, the limits of the mineralized zones remain “open” in some areas and there is potential to increase the resources with additional drilling both along strike and at depth. There is also potential for the discovery of additional mineralized zones in other areas of the Peñoles property.

It is recommended that Morro Bay complete a trenching program and 2,000 m of drilling (approximately 20 drill holes) to test the continuity and further extensions of the Jesus Maria silver deposit. The next stage of drilling should also include step-out holes drilled between the current western limit of the Jesus Maria Silver Zone and the El Capitan Gold Zone (to determine whether the two zones merge into a single mineralized zone). It is also recommended that Morro Bay conduct additional metallurgical test work on both the Jesus Maria and El Capitan mineralized zones.

On completion of the planned drill program and metallurgical test work, results could be used to calculate updated resource estimates and, if warranted, proceed to PEA-level assessments for both the Jesus Maria and El Capitan deposits.

The total cost of the proposed exploration program, including applicable permitting costs and concession taxes payable up to December 31, 2015, is estimated at CDN$750,000.

2 INTRODUCTION

The Authors were commissioned by Morro Bay Resources Ltd. (Morro Bay) and Riverside Resources Inc. (Riverside) to prepare maiden resource estimates for the Jesus Maria Silver Zone and the El Capitan Gold Zone and submit a technical report that complies with the requirements of the Canadian Securities Administrators National Instrument 43-101 (NI 43-101).

Morro Bay and Riverside are publically traded corporations listed on the TSX Venture Exchange (TSX-V) under the symbols MRB and RRI, respectively. In Mexico, exploration work is conducted by Morro Bay's wholly owned subsidiary Minera MB Resources S.A. de C.V. (Minera MB).

This technical report will be used by Morro Bay and Riverside to fulfill their continuing disclosure requirements under Canadian securities laws, including the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

This technical report is based on published technical reports and technical data provided by Morro Bay and Riverside as well as publically available government maps and publications. The property has been the subject of recent technical reports by Daniels (2011), Magrum (2013), and Myers et al. (2014).

On May 8, 2014, a site visit was carried out by author Robert Sim, in the company of James Thom (contract geologist employed by Morro Bay) and Howard Davies and Lex Lambeck (contract geologists employed by Riverside). Sim inspected the core logging and core storage facilities at the project site office, examined drill core from the El Capitan and Jesus Maria target areas, reviewed plans and sections of the historic and recent drilling completed at El Capitan and Jesus Maria, and reviewed the QA/QC procedures implemented by Sierra Madre and Morro Bay for the drill programs completed in 2011, 2012, 2013 and spring 2014. Sim is an Independent Qualified Person as defined by *National Instrument 43-101 Standards of Disclosure for Mineral Projects*. Sim also visited the site on June 12, 2012 during which he observed on-site drilling activities on the El Capitan deposit.

On January 20-22, 2015, a site visit was carried out by author Ben Whiting, in the company of James Thom (contract geologist employed by Morro Bay). Whiting examined several drill sites completed by Sierra Madre and Morro Bay, inspected the core logging and core storage facilities at the project site office, examined drill core from the El Capitan and Jesus Maria target areas, reviewed plans and sections of the historic and recent drilling completed at El Capitan and Jesus Maria, and reviewed the QA/QC procedures implemented by Sierra Madre and Morro Bay for the drill programs completed in 2011, 2012, 2013 and 2014. The author collected quarter-core samples from half core stored at the Morro Bay facility located in the town of Peñoles. The author also reviewed the QA/QC procedures implemented by Riverside for the 2008 drill program. Whiting is an Independent Qualified Person as defined by *National Instrument 43-101 Standards of Disclosure for Mineral Projects*.

The metallurgical test work that has been completed to date was reviewed by Mike Redfearn, P.Eng. Redfearn is an Independent Qualified Person as defined by *National Instrument 43-101 Standards of Disclosure for Mineral Projects*.

The Authors acknowledge the assistance and expedient provision of all requested information by Morro Bay and Riverside in the compilation of this report. The documents that were reviewed, and any other sources of information, are listed in *Section 19 References*.

All currency quoted in this report refers to Canadian dollars (CDN$), unless otherwise noted.

3 RELIANCE ON OTHER EXPERTS

For the purpose of this report, the Authors have relied on claim ownership information provided by Riverside. The Authors have not researched property titles or mineral rights for the Peñoles Gold-Silver Project, and they have not reviewed the Peñoles Option Agreement between Riverside and Morro Bay. As a result, the Authors express no opinion as to the ownership status of the property.

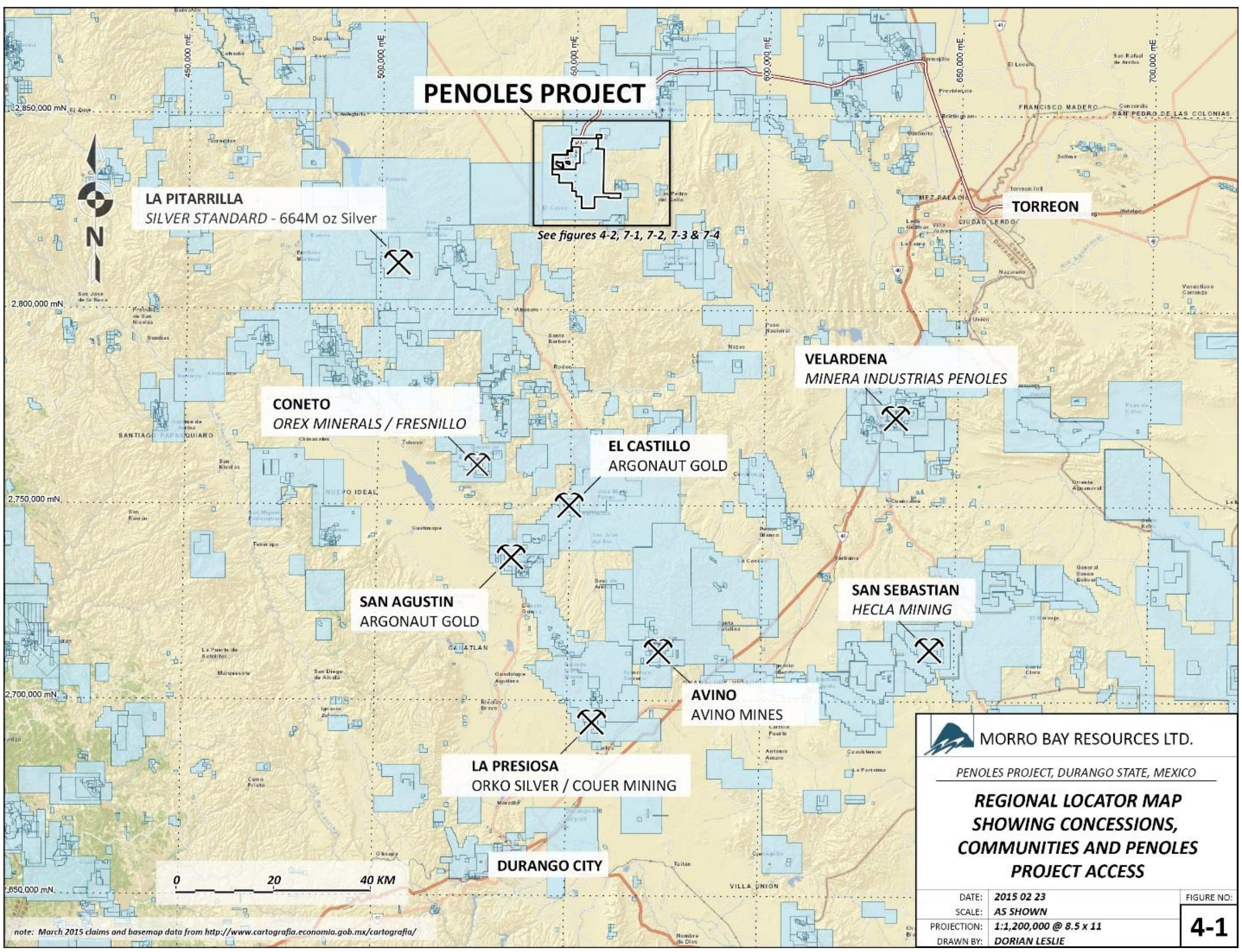
Section 4 Property Description and Location was provided by Morro Bay and Riverside, and has not been independently verified. However, the Authors have no reason to question the title status stated in this report.

4 PROPERTY DESCRIPTION AND LOCATION

The Peñoles Project is located in the Durango portion of the Mexican Silver Belt in North-Central Mexico (Figure 4-1). It is approximately 170 km, by road, west of the city of Torreón, Coahuila State, Mexico (Figure 4-2).

In 2008 and 2009, Riverside acquired the Peñoles property by purchasing two groups of concessions and staking two concessions. The two purchased groups of concessions, (the Altiplano Option and Guerrero Option), collectively cover the El Capitan target and the Jesus Maria and San Rafael mine workings. The two staked concessions cover several early-stage exploration targets. The purchased concessions that cover El Capitan and the historic mines comprise a total of 259.8 ha, and are internal to a larger group of concessions controlled by Minera La Parreña, a subsidiary of Fresnillo plc (2,652.8 ha), which, in turn, is surrounded by the concessions staked by Riverside. The staked concessions initially comprised 35,694.1 ha and have been reduced in stages to 13,942.8 ha.

Figure 4-1: Regional Locator Map Showing Concessions, Communities and Accessibility



The current Peñoles property consists of the staked concessions (Capitan 1 Concession and Purisima 1 Concession), and the Guerrero and Altiplano Options. The Guerrero Option covers the Jesus Maria and

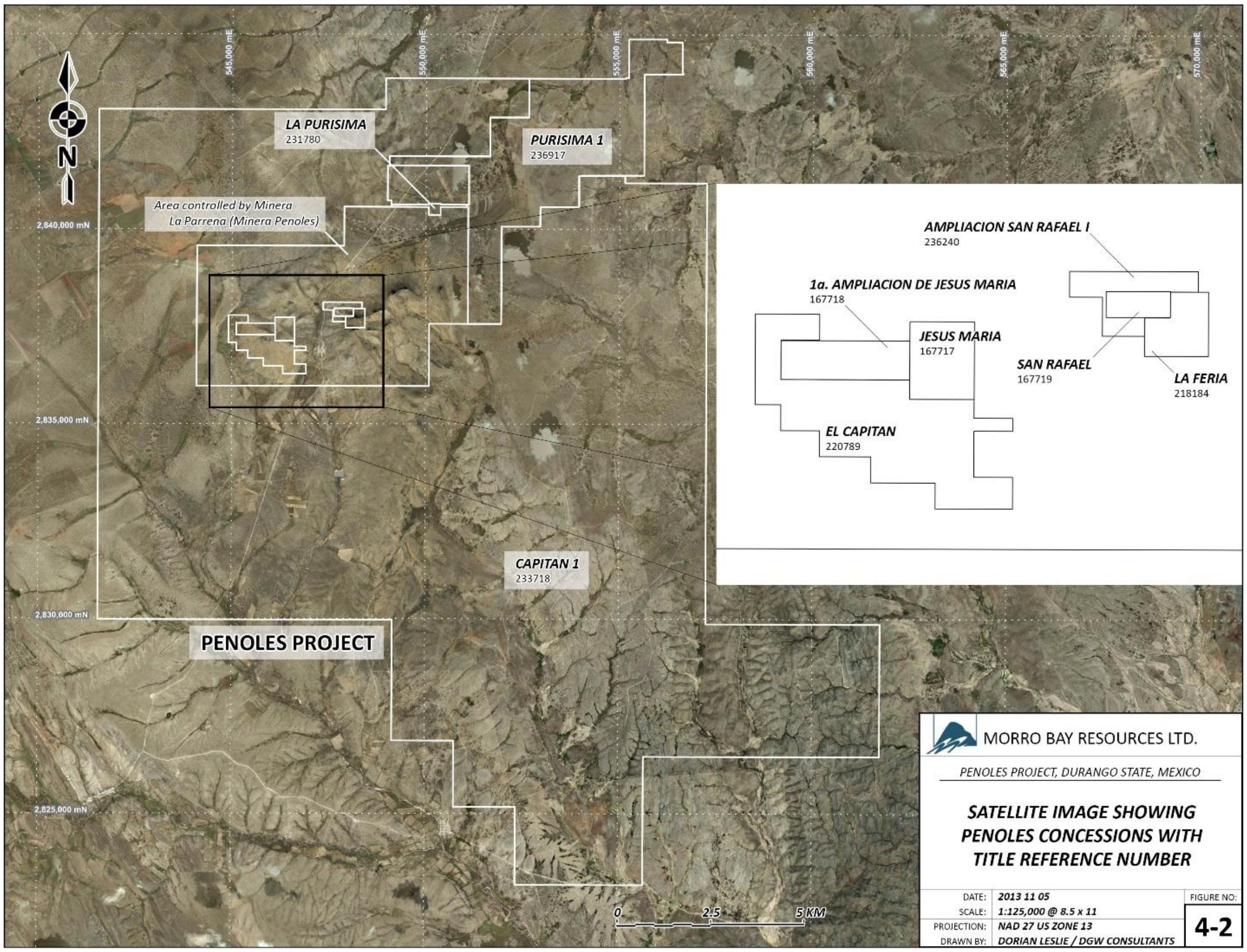
San Rafael prospects, and the Altiplano Option covers the El Capitan prospect. The centre of the project area is located at approximately 546000mE and 2837000mN (UTM Zone 13N, NAD 27 – Mexico Datum). Property details are shown in Table 4.1. Figure 4-2 is a satellite image showing the property boundaries.

Table 4.1: Mineral Concession Details

Concession Name	Concession Number	Area (ha)	Date Issued (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
Staked				
Capitan 1	233718	12,312.24	08/04/2009	07/04/2059
Purisima 1	236917	1,630.55	05/10/2010	04/10/2060
Guerrero Option				
Jesus Maria	167717	30	05/12/1980	04/12/2030
P. Amp. Jesus Maria	167718	30	05/12/1980	04/12/2030
San Rafael	167719	10	05/12/1980	04/12/2030
Amp. San Rafael 1	236240	21.84	28/05/2010	27/05/2060
Altiplano Option				
El Capitan	220789	128.10	07/10/2003	06/10/2053
La Feria	218184	20.62	11/10/2002	10/10/2052
La Purisima	231780	19.25	24/04/2008	23/04/2058

Note: Total area owned by Riverside: 14,202.6 ha.

Figure 4-2: Satellite Image Showing Concessions with Title Reference Number



Source: Morro Bay database

4.1 UNDERLYING AGREEMENTS

On March 4, 2011, Sierra Madre signed an option with Riverside to acquire either a 51% or a 65% interest in the Peñoles Project (Peñoles Option Agreement) by incurring exploration expenditures and making cash and share payments to Riverside. Total expenditures made by Sierra Madre as at June 30, 2013 were estimated at approximately $5,140,000 (Magrum, 2013). On October 22, 2013, Morro Bay and Sierra Madre announced that they had entered into an arm's-length agreement pursuant to which Morro Bay would acquire all of Sierra Madre's interest in the Peñoles Project. On January 23, 2014, Morro Bay acquired all of Sierra Madre's interests in exchange for 16 million Morro Bay common shares and 8 million share purchase warrants entitling the holders thereof to acquire up to 8 million Morro Bay common shares. The deemed purchase price was $1,600,000, all of which was paid by way of the aforesaid shares and warrants of Morro Bay. Sierra Madre distributed the Morro Bay shares and share purchase warrants pro rata to shareholders of record as of the closing date.

In order to earn a 51% interest in the Peñoles Project, Morro Bay was initially required to expend $750,000 of exploration expenditures by June 30, 2014, and pay Riverside $1,350,000 cash ($100,000 and USD$1,250,000) and issue $1,500,000 worth of Morro Bay shares (or cash at Morro Bay's option, provided that, if the market value of the Morro Bay shares is less than $0.05 based on a 30-day volume-weighted average price [VWAP], such payments would be made in cash). In 2014, Morro Bay incurred approximately $1,250,000 in exploration expenditures and made a $750,000 payment to Riverside in shares of Morro Bay.

On January 20 and April 1, 2015, Morro Bay and Riverside announced amendments to the Peñoles Option Agreement such that Morro Bay can earn an initial 51% interest by making a payment of $750,000 by May 1, 2015 (payable in cash or Morro Bay shares at Morro Bay's election, provided that, if the market value of Morro Bay shares is less than $0.05 based on a 30-day VWAP, such payment would be made in cash). Additional terms are included in the press releases dated January 20, 2015 and April 1, 2015.

4.1.1 Capitan 1 Concession and Purisima 1 Concession

The Capitan 1 Concession (233718) was granted to Riverside on April 8, 2009 following an open application process, and it is valid for a period of 50 years. The Purisima 1 Concession (236917) was granted to Riverside on October 5, 2010 (see Mining Law Section). Concession holders must maintain their properties in good standing by way of minimum annual work commitments and tax payments (see Tables 4.2, 4.3 and 4.4; information is current as of December 31, 2014). According to the provisions of the Altiplano Option agreement, the Capitan 1 and Purisima 1 concessions are subject to a 0.75% net smelter royalty payable to Altiplano.

As part of the 2014 exploration program, Morro Bay and Riverside reviewed all available technical data for the early-stage exploration target areas located within the Capitan 1 and Purisima 1 concessions staked by Riverside, and elected to reduce the staked concession holdings to 13,942.8 ha.

The schedule of annual work commitments applicable to all concessions for 2015 is detailed in Table 4.4.

4.1.2 Guerrero Option (Jesus Maria and San Rafael)

Riverside optioned four concessions from the Jose Guerrero family that covered the Jesus Maria and San Rafael vein-system targets. The overall terms of the agreement outline the option to purchase 100% of the property over a period of 40 months following the signing of the option agreement (May 30, 2008) for a total purchase price of USD$800,000. According to Riverside, all required payments have been made and the property is 100%-owned by Riverside. According to the provisions of the Altiplano Option agreement, the Guerrero Property is subject to a 0.75% net smelter royalty payable to Altiplano.

4.1.3 Altiplano Option (El Capitan and El Tubo)

Riverside optioned three concessions from the Altiplano Exploration Company covering the El Capitan, El Tubo, and La Purisima targets. The overall terms of the agreement outline the option to purchase 100% of the property over a period of 48 months from the signing of the option agreement (January 31, 2008) following the completion of the schedule of payments, work commitments, and Riverside share issuances, as outlined in the option agreement. According to Riverside, all required payments have been made and the property is 100%-owned by Riverside.

The Authors reviewed the Altiplano Option agreement and noted that the concessions which comprise the Altiplano Option are subject to a Royalty Interest equivalent to 2% of the net smelter returns. According to the agreement, Riverside and/or Riverside Mexico can, on or before January 31, 2016, elect to purchase, by notice in writing delivered to Altiplano, all of the rights, titles, and interests of Altiplano in and to 0.5% of the Royalty Interest (which, for greater certainty, will reduce the Royalty Interest payable to Altiplano to 1.5%), and, upon such election being made, Altiplano will sell all rights, titles, and interests in and to 0.5% of the Royalty Interest to Riverside or Riverside Mexico, as the case might be, for $500,000 payable by way of certified cheque or bank draft within 30 days. In connection with the exercise of such right to elect, Altiplano will execute and deliver such documents, agreements, transfers, and quit claims as the solicitors for Riverside or Riverside Mexico might reasonably require.

Altiplano will be entitled to receive a Net Smelter Returns Royalty of 0.75% from third-party claims within the Area of Interest, except for claims held by Exploraciones Mineras Parreña, S.A. de C.V., in which case Altiplano will be entitled to a 0.5% Net Smelter Returns Royalty.

Table 4.2: Mining Taxes in Mexico as of December 31, 2014.

Years	Payment (Mx$/ha)	Payment (CDN$/ha)
1–2	6.41	0.51
3 - 4	9.58	0.76
5 - 6	19.81	1.57
7 - 8	39.85	3.16
9 – 10	79.68	6.31
After 10	140.23	11.11

Note: Based on an exchange rate of 12.6247 Mexican peso = 1 CDN dollars on December 31, 2014.

Table 4.3: Work Commitments for Concessions in Mexico as of December 31, 2014

Range in Surface Area (ha)	Fixed Quote (Mx$)	Annual Additional Quote (Mx$/ha)			
		First Year	Second, Third and Fourth Years	Fifth and Sixth Years	Seventh Year and Beyond
Up to 30	295.69	11.82	47.30	70.96	72.09
Greater than 30 up to 100	591.41	23.64	94.62	141.94	141.95
Greater than 100 up to 500	1,182.82	47.30	141.94	283.87	283.87
Greater than 500 up to 1,000	3,548.48	43.77	135.22	283.87	567.75
Greater than 1,000 up to 5,000	7,096.98	40.21	130.11	283.87	1,135.51
Greater than 5,000 up to 50,000	24,839.44	36.67	125.38	283.87	2,271.03
Greater than 50,000	236,566.13	33.12	118.28	283.87	2,271.03

Table 4.4: Calculated Work and Tax Commitments for Peñoles Project Concessions as of December 31, 2014

Claim Name	Claim Number	Area (ha)	Issued	2015 Work Requirements (Mx$)	2015 Taxes (Mx$)
Capitan 1	233718	12,312.2363	4/8/09	3,519,913.96	981,289.24
Purisima 1	236917	1,630.5502	10/5/2010	469,961.27	64,606.40
Jesus Maria	167717	30	12/5/1980	2,458.39	8,417.80
Primera Ampliacion Jesus	167718	30	12/5/1980	2,458.39	8,417.80
San Rafael	167719	10	12/5/1980	1,016.59	2,808.60
Ampliacion San Rafael	236240	21.8476	5/27/2010	1,769.79	869.60
Capitan	220789	128.1	10/7/2003	37,546.57	35,930.92
El Feria	218184	20.6239	10/11/2002	1,782.47	5,788.18
La Purisima	231780	19.253	4/24/2008	1,683.64	1,538.46
			Total (Mx$)	4,038.591.06	1,109,667

4.2 RISK FACTORS

To the best of the Authors' knowledge, there are no significant factors or risks that could affect access to or the right or ability to perform exploration work on the property other than the requirement to obtain permission from the holders for any surface rights located within the mining concessions.

The Peñoles property is a historic silver-gold-lead-zinc mine which was exploited at the turn of the 20th Century. The ore contains arsenic, antimony, cadmium, and other trace metals. Several old mine dumps, low-grade stockpiles, and smelter slags are present in the area related to the historic workings. Several of the old tailings piles were sold by the local Ejido to unrelated parties and processed; these areas were removed down to the underlying soil or bedrock surface from 2010 to 2012. The underground mines are flooded to the upper working levels. The local Ejido used some of the mine water for agricultural purposes, but the water was not used for human consumption. Dust contamination has not been an issue in the past. To the Authors' knowledge, a review of mitigation options for these issues has not been completed, but it is recommended.

To the best of the Authors' knowledge, the property is not subject to any environmental liabilities other than the requirement to re-vegetate drill stations and drill access roads, and to back-fill trenches excavated for exploration. Riverside and Morro Bay have been proactive and have constructed secure enclosures surrounding existing underground mine shafts to ensure public safety.

Environmental permits have been granted and are in good standing. The permits were signed on December 10, 2013 and are registered with the Secretario de Medio Ambiente y Recursos Naturales (SEMARNAT), and programs are monitored by La Procuraduria Federal de Proteccion al Ambiente (PROFEPA). The permits expire on August 18, 2015. All required reclamation for the trenching, drill access roads, and drill pads has been completed.

Surface rights in the primary target areas (El Capitan, Jesus Maria, and San Rafael) are owned by the Peñoles Ejido (i.e., the agrarian community). To the best of the Authors' knowledge, Riverside negotiated a multi-year access agreement with the Peñoles Ejido which grants access to these primary target areas. The agreement requires an annual payment and is in good standing to the best of the Authors' knowledge. No legal review was conducted for the surface access agreement, and it is not known if the current agreement provides access to the entire claim area.

It is common for mining companies in Mexico to negotiate surface access agreements with the owners of surface rights within their concessions. In the event that a decision is made to complete exploration work and drilling outside of the primary target areas, Morro Bay and Riverside will need to negotiate with the surface-rights holders regarding access agreements.

4.3 MEXICAN MINING LAW

Mineral exploration and mining in Mexico is regulated by the Mining Law of 1992 (amended in December 1996). The Mining Law establishes that all minerals found in Mexican territory are owned by the Mexican nation, and that private third-parties can exploit such minerals (except oil and nuclear fuel minerals) through mining licences, or concessions, granted by the Federal Government.

On April 29, 2005, the Mexican Congress published several amendments to the Mining Law of 1992. According to these amendments, the exploration and exploitation concessions were replaced by a single concession type, the mining concession, which gives the holder both exploration and exploitation rights, subject to the payment of relevant taxes. Older exploration and exploitation concessions were automatically transformed into mining concessions with a single term of 50 years from the date the concession was first registered at the Public Registry of Mines. Accordingly, exploration concessions that were originally issued for a term of 6 years now have a term of 50 years from the date the exploration concession was originally registered. Under the new amendments, the concession holder maintains all the rights previously granted for an exploitation concession under the old law.

Concessions are freely transferable. They can be granted to or acquired by Mexican individuals, local communities having collective ownership of the land (known as Ejidos), and companies incorporated pursuant to Mexican law (Note: there are no foreign ownership restrictions for such companies). Although the Constitution makes it possible for foreign individuals to hold mining concessions, the Mining Law does not allow it. This means that foreigners wishing to engage in mining in Mexico must establish a Mexican corporation for that purpose, or enter into joint ventures with Mexican individuals or corporations.

Maintenance obligations which arise from a mining concession, and which must be kept current to avoid its cancellation, require the owner to complete the following:

- pay mining taxes (Table 4.2);
- perform assessment work (Table 4.3); and
- comply with environmental laws.

The regulations of the Mining Law establish the minimum annual amount of assessment work that must be performed during each calendar year. Minimum annual concession taxes and minimum annual expenditures required for assessment credit are summarized in Table 4.4 for fiscal 2015.

According to Morro Bay and Riverside, the concessions comprising the Peñoles Project are in good standing as of the date of this report. However, it is important to note that concession taxes and legislated minimum expenditure requirements escalate over time and are calculated on a per hectare basis.

5 ACCESSIBILITY, CLIMATE, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 ACCESSIBILITY

The Peñoles property is easily accessible via paved and dirt roads year round. Initial access to the property can be gained via the paved Hwy 49 north from Torreón to Bermejillo, turning west on the paved road to Mapimi, continuing to an all-weather gravel road located just before the turn off to Santo Domingo and then turning south. From this intersection, continue to the village of Peñoles which is centrally located on the property. The total driving time from Torreón to the property is approximately 1.5 to 2.0 hours. The centre of the Peñoles property is located approximately 180 km north-northeast of Durango and 50 km north of the town of Rodeo in the Municipality of San Pedro del Gallo, in Durango, Mexico.

5.2 CLIMATE

A semi-dry climate dominates the Peñoles area and rainfall is limited to approximately 500 mm annually. The climate is temperate with an average temperature of 18°C, with maximum temperatures reaching 35°C, and minimum temperatures falling to 2°C. The rainy season is from June through to August, with minimal rainfall occurring from September to May. Exploration work and drilling can be conducted on a year-round basis.

5.3 LOCAL RESOURCES

Unskilled workers are available from the village of Peñoles, but outfitters and a supply of heavy construction equipment and skilled labour will need to be sourced from Torreón, Rodeo or Durango; all are within a two-hour drive of the project area. Sierra Madre currently rents a house/office/core logging complex in the village of Peñoles where core logging and processing takes place and field personnel are housed during field operations. Geological field and technical staff must be brought in from farther away as would be the case for any future mining personnel.

5.4 INFRASTRUCTURE

Electrical power is available throughout the property and is provided by existing power lines that cross the property. At this time, it is not known whether sufficient power is available to support any mining operation. Water is available from wells and old mine workings, so exploration can be carried out year round. There are a few scattered small villages throughout the large concession area in addition to the village of Peñoles near the El Capitan, Jesus Maria, San Rafael, and El Tubo prospects.

5.5 PHYSIOGRAPHY

The Peñoles Project comprises two distinct topographic zones: a central zone that consists of low hills with a maximum relief of 100 m, and a flat-lying zone that forms an apron around the central hills. Absolute relief varies from 1,875 m above mean sea level (amsl) in stream gullies to 2,000 m amsl. Numerous intermittent streams bisect the landscape and drainage is almost fan-like away from the central hills. Vegetation in the area consists of various species of cactus, mesquite, and other thorny bushes. Fertile areas of the flat-lying fans near prominent streams are under cultivation (corn, beans), and the remainder is used for pasture land.

5.6 WATER RESOURCES

Groundwater is present in the Quaternary gravel basins created by basin-and-range faulting in the region. To date, no water, well-specific drilling or flow-rate pump tests have been conducted by Morro Bay or Riverside. Future work may include conducting ground water resource assessments.

6 HISTORY

According to Daniels (2011), the current Peñoles property of Riverside was acquired through options in 2008 and through concession applications in 2008 and 2009, and is actually part of a much larger land package held historically in the region by Minera Industrias Peñoles and/or its subsidiaries. The historical work recounted here mainly pertains to the exploration and mining work carried out by a few sporadic operators up until modern times, as the area has been mined since the 1880s, and this is the property where Minera Industrias Peñoles began in 1887. Minera Industrias Peñoles still exists today and holds mining claims in the area. Note: Parts of the property were explored throughout its history, but it was not consolidated into a coherent exploration package prior to Riverside's involvement.

1887 to 1908

Minera Industrias Peñoles acquired the Jesus Maria, Nuestra Señora del Refugio and San Rafael mines near the town of Peñoles and operated until 1908. At that time, two orebodies, one at Jesus Maria (silver-lead-zinc-arsenic) and the other at San Rafael (silver), were reportedly mined out. The full extent of the historic mine workings is unknown, but mining appears to have been selective and limited to within approximately 100 m of surface.

1991 to 1993

Vicente Aguirre operated a small 100 t/d operation on the San Rafael mine dumps and reportedly produced 350 g/t to 400 g/t Ag throughout his operations life. The land holdings lapsed and were acquired by Jose Guerrero Legoretta with whom Riverside currently has option agreements.

2003

Consejo de Recursos Minerales published geological information map sheet G13-D22. On this sheet, a reference is made to sampling at Jesus Maria in 1960, but there is no reference citation.

La Plata Gold signed an option agreement with Jose Guerrero to acquire 100% of the Jesus Maria and San Rafael gold-silver exploration properties. Documented exploration activities were not available at the time of report preparation.

2004

Aurcana optioned the Jesus Maria and San Rafael properties from La Plata and signed an option agreement with Altiplano to acquire 100% of El Capitan. Aurcana completed a four-hole drilling program. For details regarding the drilling completed by Aurcana in 2004, see *Section 10 Drilling*.

2008 and 2009

Riverside optioned the Peñoles property; it completed surface mapping, a limited IP survey, and a five-hole drilling program. For details regarding the drilling completed by Riverside in 2008, see *Section 10 Drilling.*

According to Daniels (2011), the drill holes completed by Aurcana and Riverside returned encouraging results and showed that El Capitan has potential to host a bulk-tonnage, low-grade deposit.

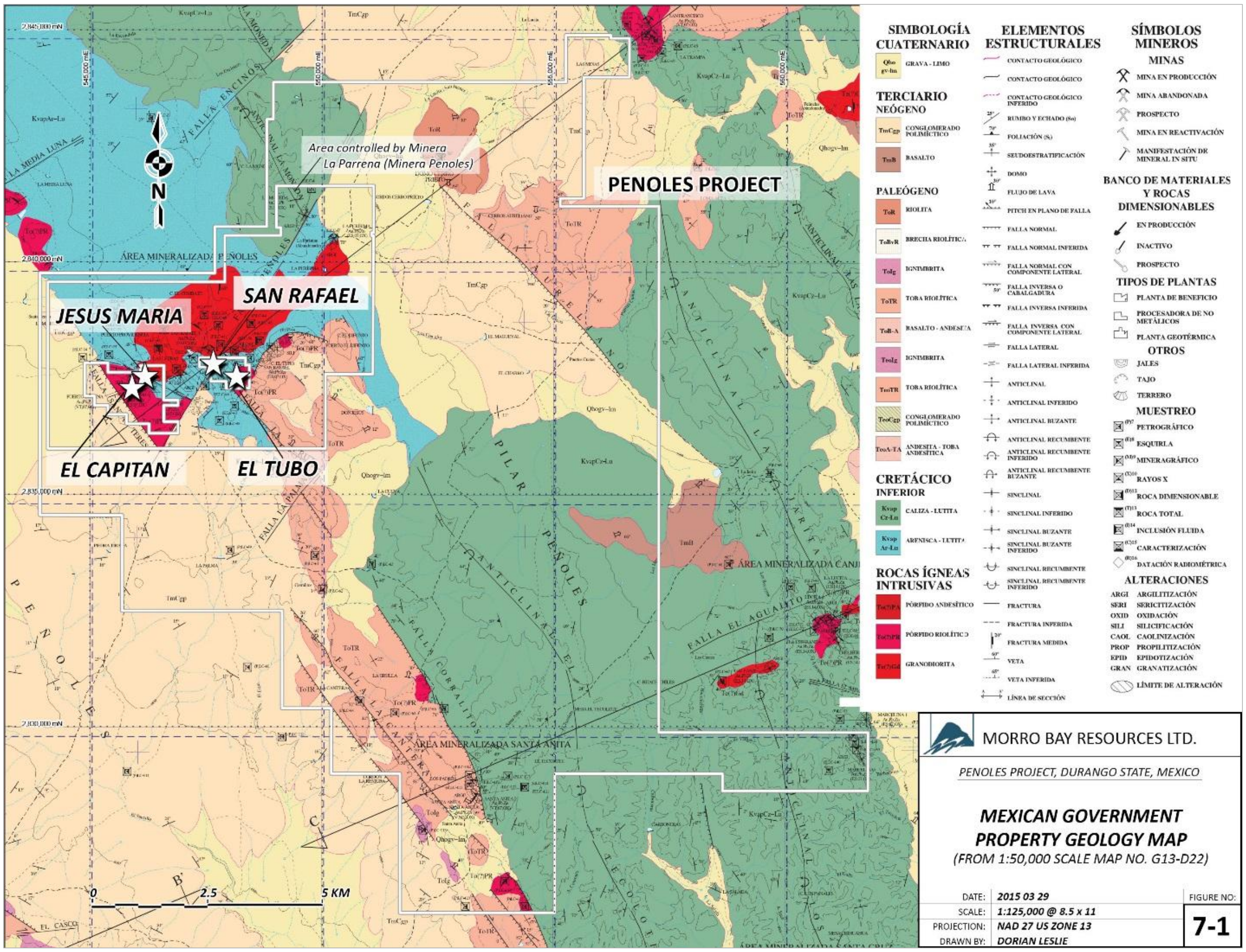
7 GEOLOGICAL SETTING AND MINERALIZATION

The Peñoles property lies in the Altiplano Sub province of the Sierra Madre Occidental (SMO) (Figure 7-1). The SMO is a regionally extensive Eocene to Miocene volcanic field that extends from the US-Mexican border into Central Mexico. The Altiplano sub province is on the eastern flank of the SMO and comprises Jurassic to late Tertiary sedimentary and volcanic rocks (Sedlock et al., 1993). This district hosts extensive hydrothermal-related silver, gold and base-metal deposits and is generally referred to as the Faja de Plata or Mexican Silver Belt.

The oldest rocks in the Peñoles area are Cretaceous-age siltstones, sandstones, and limestones belonging to the Indidura Formations. These rocks are unconformably overlain by a thick sequence of Tertiary volcanic rocks which characterize the SMO. The volcanic sequence comprises two main series, an older andesite-dominated series and a younger rhyolite-pyroclastic-dominated series; these two main series are referred to as the Lower Volcanic Series (LVS) and Upper Volcanic Series (UVS), respectively. The LVS can attain thicknesses of 1,000 m and is dominated by Palaeocene and Eocene andesitic lava and pyroclastic rocks with volcaniclastic interbeds. The UVS is the main unit exposed on the Peñoles property. The LVS is cut by calc-alkaline dacite to rhyodacite intrusive rocks that occur as domes, sills, and dykes. The UVS unconformably overlies the LVS rocks and can be up to 1,000 m thick. It is dominated by Oligocene and early Miocene dacite-rhyolite-pyroclastic units.

In the region, precious metal deposits in the SMO were traditionally believed to occur primarily in the LVS rocks with the UVS having fewer precious metals deposits. However, since 2000, several new discoveries, particularly of gold in the UVS, have disproven this generality (Clark et al., 1982a). To the west, the La Cienega gold mine of Fresnillo plc and, to the southwest, the Bacis mine of Minas de Bacis S.A. de C.V. have a significant portion of their ore hosted in the basal units of the UVS. Therefore, the Cretaceous Formations and Tertiary LVS and UVS are all potential host rocks for mineralization.

Figure 7-1: Mexican Government Property Geology Map



There are multiple geologic reports available on the Peñoles property. Myers et al. (2014) documents various petrological aspects of the intrusive and extrusive suites of rocks. Lambeck (2014) addresses implications of structural re-interpretation, and Anon. (2005) covers fluid inclusion geothermometry of the veins. For the purposes of this report, the Authors have chosen to concentrate on the main resource areas.

According to Daniels (2011), the geology of the Peñoles property consists of an Upper Cretaceous carbonate-siliciclastic succession which has been intruded by Tertiary diorite, granodiorite, and rhyolite porphyries. Tertiary rhyolite tuffs unconformably overlie the Cretaceous marine sedimentary rocks. An orthogonal set of faults has been mapped on the property, which includes a northwest-striking set related to the regional horst and graben basin and range structures, and a northeast-striking set that appears to be related to the Tertiary-age intrusive rocks. Complex offsetting relationships between the two fault sets suggest that they are contemporaneous.

7.1 MINERALIZATION

There are three features that control the epithermal mineralization on the Peñoles property. It is unclear which feature is most influential, but it is clear that all three play a part.

First, structurally controlled conduit pathways for hydrothermal fluids mark the vein emplacement in the Jesus Maria area (Daniels, 2011; Lambeck, 2014).

Second, the Jesus Maria area has carbonate-rich sedimentary rock horizons, which have provided a buffering of the acidic hydrothermal fluids, and show hornfels skarn affinities; this might extend mineralization laterally along bedding planes (Myers et al., 2014).

Lastly, the angular unconformity surface between the sedimentary rocks and the overlying UVS rhyolites at El Capitan, which is a more passive fluid flow conduit, are similar to the mineralization controls identified at La Preciosa silver-gold deposit (Whiting, 2008; Whiting, 2013) and La Pitarrilla silver-gold deposit (McCrea, 2006; Boychuck et al., 2012).

The El Capitan deposit, the Jesus Maria deposit, and the San Rafael-El Tubo prospects of the Peñoles Project are located on the concessions owned by Riverside (within the boundaries of the concessions held by Minera La Parreña), and they appear to be related to intersections between the northwest-striking and northeast-striking regional structures. These occurrences are also localized along the southern margins of a northeast-oriented magnetic anomaly identified from government airborne surveys (see Figure 7-2 and Figure 7-3). Figure 7-4 shows the location of the main prospects, published stream sediment geochemistry for silver, and the generalized topography of the project area.

Figure 7-2: Mexican Government Airborne Total Field Magnetics Map

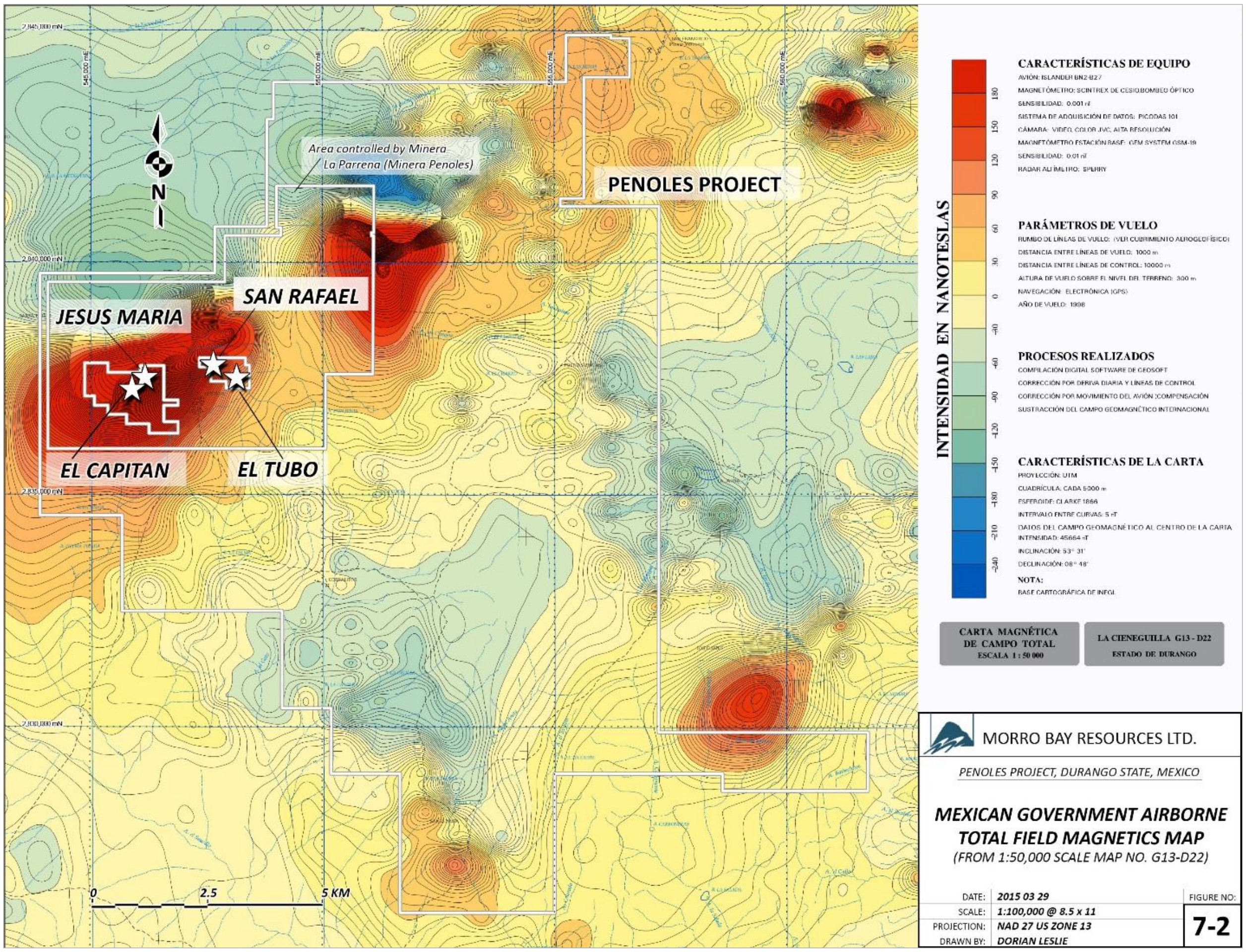
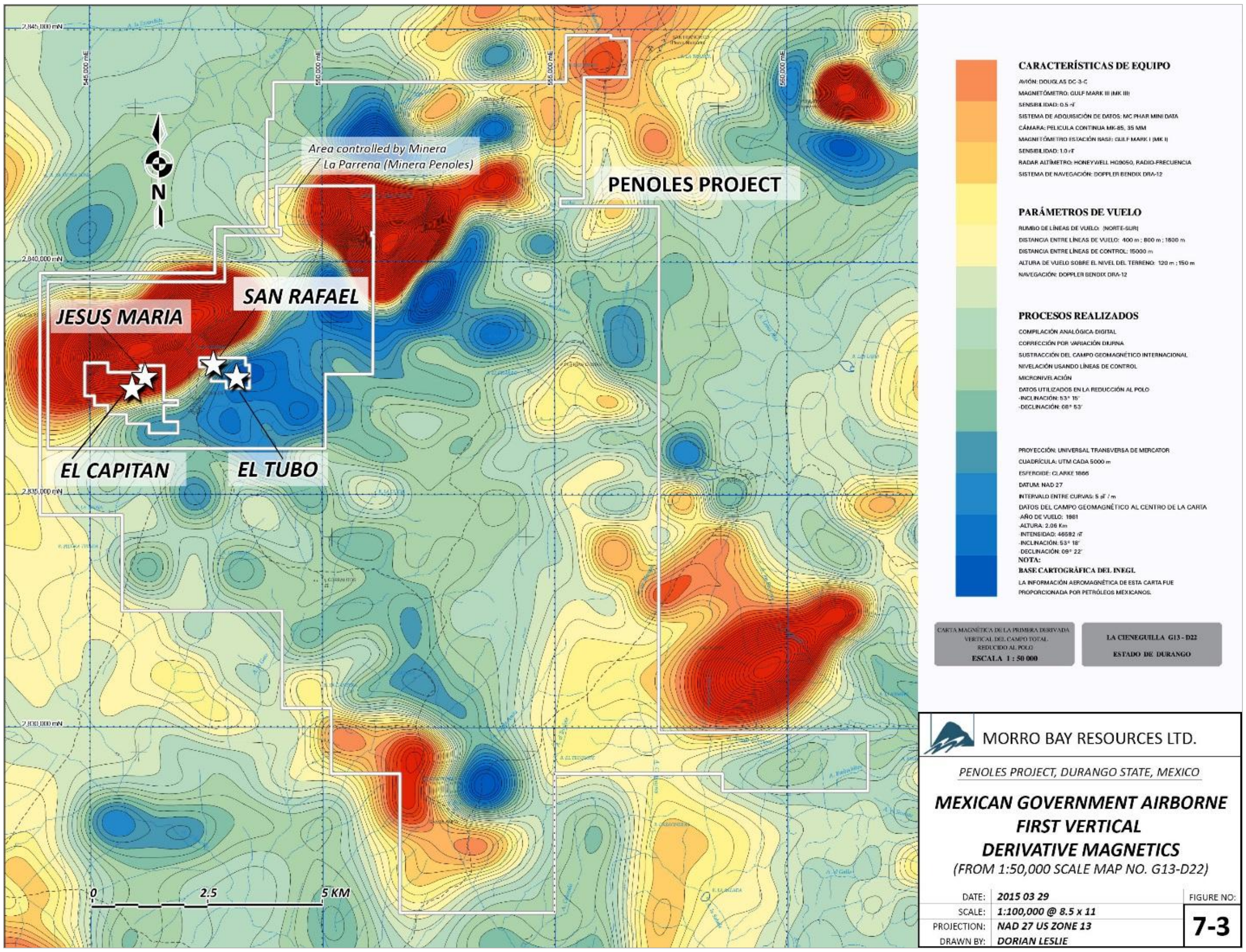
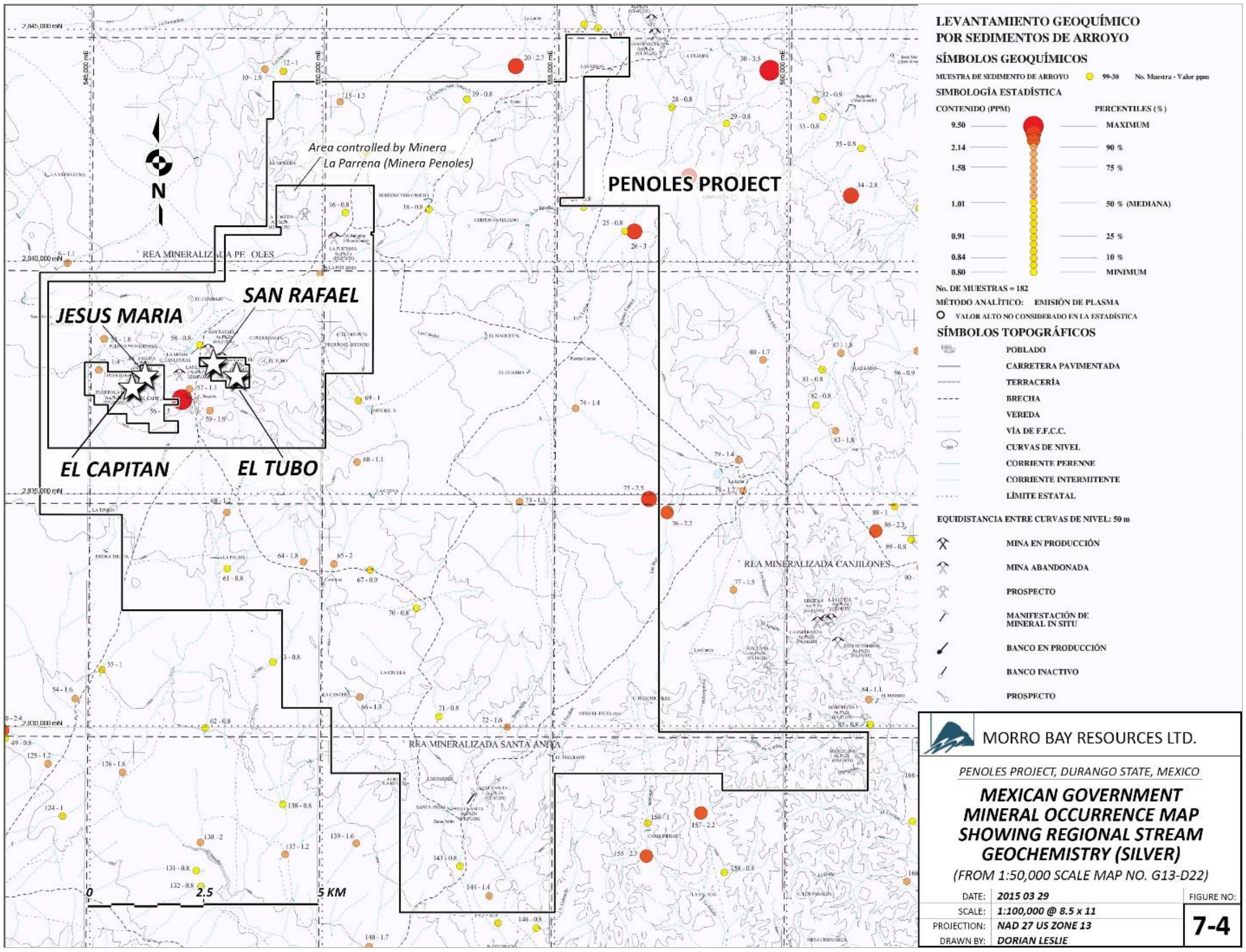


Figure 7-3: Mexican Government Airborne First Vertical Derivative Magnetics Map



The magnetic anomaly associated with the known mineralized zones is interpreted to be related to underlying intrusive rocks and there is a similar magnetic anomaly located approximately 5 km to the northeast. The majority of the second magnetic anomaly lies within the concessions staked by Riverside; however, it is completely masked by Quaternary alluvium (see Figure 7-1).

Figure 7-4: Mexican Government Mineral Occurrence Map Showing Regional Stream Geochemistry



According to Myers et al. (2014), the Peñoles area displays several phases of deformation and hydrothermal fluid flow typical of the post-Laramide evolution of the northern Altiplano of Central Mexico (Starling, 2008). The Jesus Maria and San Rafael structures that characterize the main structural zones of the Peñoles area appear to have been formed as part of very early post-Laramide north-south extension, very similar to the Fresnillo's Proaño mine. The mineralization appears to be controlled at the intersection of a west-northwest-trending fault zone and an east-northeast-trending structural corridor. The west-northwest fault zone is likely a reactivated basement structure similar to that seen at Proaño and other major early- to mid-Tertiary deposits in the region. The east-northeast structural corridor likely represents a transfer fault zone generated during Laramide fold-thrust deformation and is confirmed from the 1:50,000 scale INEGI geology map as the northeast to east-northeast-trending intrusion occurs at an abrupt change in the north-northwest-trending Laramide fold axes (Starling, 2008).

The El Capitan Gold Zone hosted in silicified volcanic rocks and sediments represents a higher level, lower temperature style of low-sulphidation mineralization compared to the higher temperature, skarn-hosted mineralization of the Jesus Maria-Refugio structure. Cross-cutting gold-silver structures in the Jesus Maria Silver Zone appear to be later in age and lower temperature, which is similar to, or possibly related to, the El Capitan mineralization. The bedded textures in the El Capitan silica cap zone might reflect repeated hydrothermal depressurization and brecciation events in a volcanic/sub-volcanic environment.

In the Jesus Maria area, the hydrothermal skarn is transitional to a series of sub-parallel, late- to post-mineralization coarse calcite veins referred to as carbonate-gold zones that are common in many deposits in the Altiplano (e.g., Velardeña, Fresnillo, and Guanajuato). The rare kinematic indicators show that the quartz-calcite and late carbonate veins were emplaced under a phase of north-south to north-northeast extensions similar to that at many deposits in the Altiplano generated around 32-28 Ma. These late carbonate veins are cut by low-temperature quartz veinlets and breccias that appear to have formed under more northeast extensions as they show dextral transtensional reactivation of the east-northeast- to west-northwest-trending carbonate zones.

7.2 El Capitan

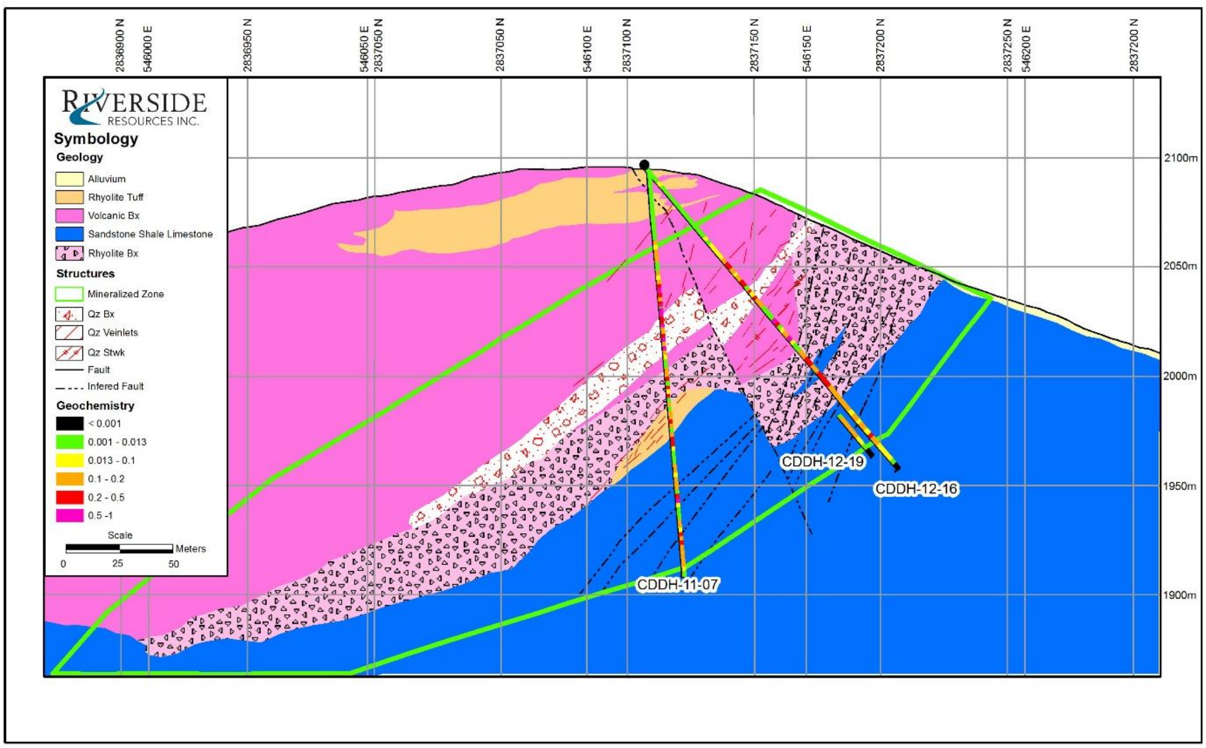
The El Capitan target is situated at a major intersection of northeast-trending and northwest-trending structural lineaments (Starling, 2008). The target area geology consists of an Upper Cretaceous, carbonate-siliciclastic succession which has been intruded by Tertiary diorite, granodiorite, and rhyolite porphyries. Tertiary rhyolite tuffs unconformably cap the Cretaceous marine sedimentary rocks.

According to Daniels (2011) and Magrum (2013), the El Capitan target is a > 700 m long by 70 m thick mineralized zone, trending east-west/northwest-southeast, with a shallow dip to the south. It occurs along a geologically unconformable contact formed between a tilted Tertiary volcaniclastic unit and a folded Cretaceous marine sedimentary sequence. The El Capitan target displays hot-spring-style gold mineralization consisting of quartz-calcite-fluorite veins, breccias, stringers, silicification and stockwork veining, associated with a very active volcanic sequence, contemporaneous with several breccia stages and accompanied by moderate to strong silicification, moderate oxidation, and local argillic alteration. Several silica pulses and bladed carbonate minerals are present. These bladed carbonate minerals, commonly pseudo-morphed by quartz, are interpreted to indicate gold deposition from boiling fluids, which is the mechanism that cause the ore fluids to drop their mineralized fluid into available open space.

According to Magrum (2013), drilling has defined three distinct, mineralized rock units at El Capitan. The upper part of the mineralized zone consists of porous, volcanic agglomerates cut by narrow quartz veinlets and hydrothermal breccias (averaging 0.2 g/t to 0.5 g/t Au). At the base of the volcanic unit there is a shallow dipping, 10.0 m to 35.0 m wide silicified zone (averaging 0.7 g/t to 1.5 g/t Au), and below this zone there is a sequence of oxidized shales that is also cut by quartz veinlets and hydrothermal breccias (averaging 0.2 g/t to 0.6 g/t Au).

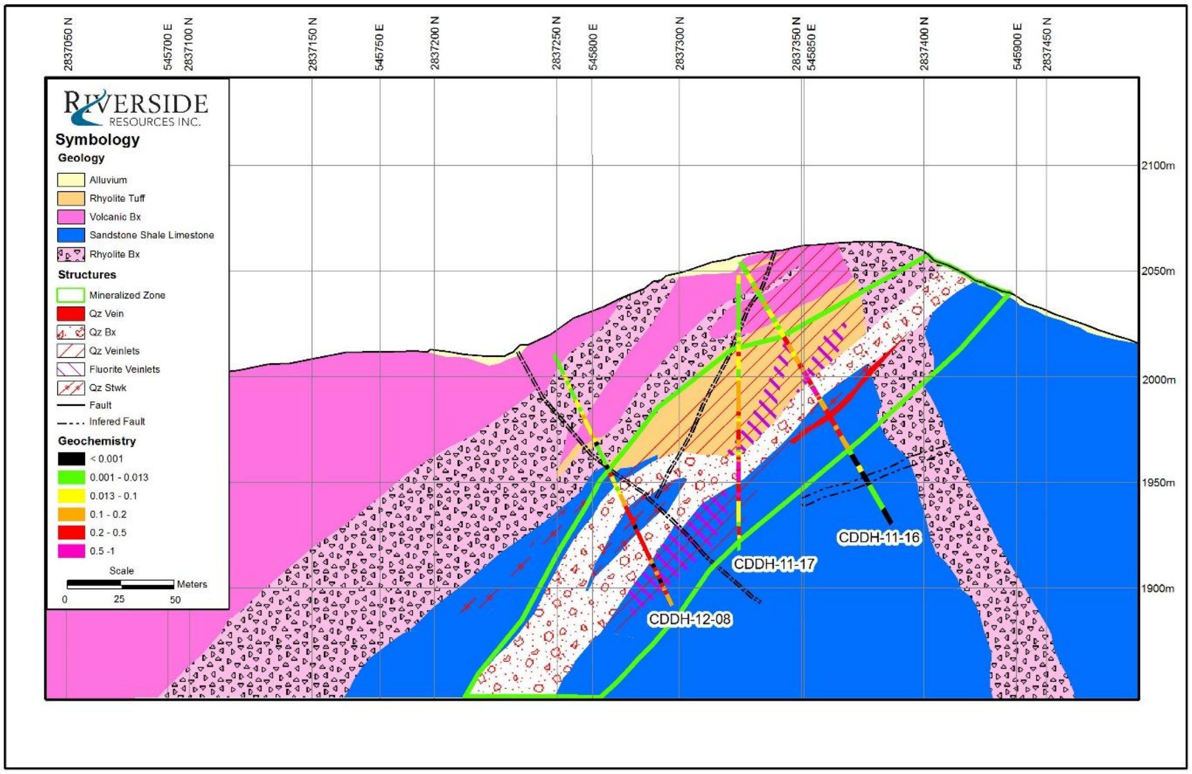
According to Myers et al. (2014), the El Capitan Gold Zone is at least 700 m long and up to 108 m in approximate true thickness, trending north-northwest and dipping to the south at approximately 35^{o} to 45^{o}. Mineralization occurs along an unconformable contact between a tilted Tertiary volcanoclastic unit and a folded Cretaceous Indidura Formation (Daniels, 2011). The El Capitan target displays gold-dominant, epithermal-style mineralization with generally low silver values. It consists of quartz-calcite-fluorite veins, breccias, stringers, silicification, and stockwork veining, within the rhyolitic rocks and in the underlying sediments near the contact, presumably contemporaneous with several breccia stages and accompanied by moderate to strong silicification, moderate oxidation, and local argillic alteration. Quartz-veining often displays colloform banding. Drilling programs have encountered mineralized intervals greater than 70 m thick, including CDDH 11-07, which returned 108.35 m averaging 0.410 g/t, and CDDH 11-17, which returned 88.40 m averaging 0.816 g/t (including 33.50 m averaging 1.687 g/t) as shown in Figures 7-5 and 7-6, respectively.

Figure 7-5: El Capitan Geology Section Showing Drill Holes and Structures (1)



Source: Myers et al. (2014)

Figure 7-6: El Capitan Geology Section Showing Drill Holes and Structures (2)



Source: Myers et al. (2014)

7.3 Jesus Maria Vein System

The Jesus Maria target was originally considered an intermediate sulphidation silver-gold-lead-zinc-copper vein system with an approximate strike length of 2 km. Surface mapping by Riverside identified quartz-calcite-pyrite veins with barite and chlorite selvages and silver minerals, galena, sphalerite, and minor chalcopyrite of up to 5 m wide which have been historically mined along more than 600 m of strike length. Compania Minera Industrias Peñoles reportedly mined the Jesus Maria vein system from 1887 to 1908 and produced grades of 300 g/t to 2,000 g/t Ag, 3% to 12% Pb, and 4% to 10% Zn to a depth of 200 m (Note: most of the mining does not appear to have exceeded a depth of 100 m). The full extent of the historic mine workings is unknown, but mining appears to have been selective and limited to within approximately 100 m of surface.

According to Magrum (2013), the results of the 2013 drill program demonstrated that mineralization in the Jesus Maria mine area is much more extensive than previously recognized. Several parallel zones of previously unrecognized silver mineralization (consisting of low-sulphide content stockwork and breccia zones) were defined in the hanging wall of the main Jesus Maria structure.

According to Myers et al. (2014), the Jesus Maria Silver Zone hosts vein, breccia, and poly-metallic skarn or replacement bodies with elevated values of silver-gold-lead-zinc-copper with an approximate strike length of 1.4 km.

The 2013 and 2014 drill program partially tested a 750 m long portion of the mineralization in the Jesus Maria Silver Zone. Two types of mineralization were intersected in this drilling. One mineralization style is a gold-silver zone, possibly controlled by a north-northeast-trending porphyritic monzonitic dike, or a district-scale, east-northeast-trending fault zone. The other mineralization style hosts gold-silver-zinc-lead and occurs as skarn or replacement-type zones in the carbonate-rich beds of the Indidura Formation. The skarn/replacement zones are up to 30 m wide, true width in drill holes, and have been tested as deep as 160 m from surface. The same zone outcrops at the surface giving a down-dip length of 200 m. This zone is expected to continue at depth. The base and precious metal target types and the gold-silver zone have been minimally tested along strike and remain open to depth and to the east and west. Other carbonate-rich beds occur in this portion of the Indidura Formation and represent very favourable and, currently, untested targets.

7.4 San Rafael and El Tubo Vein System

The San Rafael vein system strikes approximately east-west and contains several historical mining sites and multiple semi-parallel and oblique vein sets. The main San Rafael structure was accessed via a production shaft greater than 100 m deep. The San Rafael vein was also historically mined by Compania Minera Industrias Peñoles, and reportedly produced grades ranging from 300 g/t to 1,000 g/t Ag, but no official records are available to substantiate these values. The fall 2014 drilling program tested the main San Rafael structure, the Escondida vein, the Las Brujas zone, and the minor vein zones between the primary structures. Results of the 2014 drill program are listed in Table 10.7.

The sedimentary rock package in the San Rafael zone appears to be dominated by siliceous siltstones, and argillaceous limestones appear to be much less abundant than observed in the Jesus Maria Silver Zone. Calcareous siltstones are noted at San Rafael as indicated by the presence of calc-silicate hornfels, but skarn or carbonate-rich mineralized zones with base-metal sulphides were rare and minor. Pyrite replacements are present in thin zones and veinlets with limited base or precious metal content.

The El Tubo target is one of the exploration targets on the Peñoles Project; it is a gold-bearing vein system located one kilometre east of the village of Peñoles where values of 0.5 g/t Au and elevated values of mercury, arsenic, barium, and antimony are common in surface samples. El Tubo has been interpreted as a high-level expression of a gold-bearing vein system. A 30 m wide alteration body has been mapped and could be drill tested. Assays from Riverside sampling in 2009 show relatively high gold: silver ratios compared to the silver-base-metal-dominant veins at Jesus Maria and San Rafael; this could possibly indicate a different stage of mineralization in the history of the Peñoles Mining District.

8 DEPOSIT TYPES

According to Daniels (2011), the Peñoles Project is an example of an epithermal gold, silver, and base-metals system similar to other major deposits within the Mexican Silver Belt. Epithermal deposits form in the shallow parts of magma-related hydrothermal systems (Figure 8-1). They are generally associated with volcanism and intrusions of calc-alkaline magmas, commonly in sub-aerial volcanic arcs. There are two end-member styles of epithermal mineral deposits: low-sulphidation and high-sulphidation, although intermediate-sulphidation has been used to describe many Mexican precious metal deposits.

Mineralization at Peñoles is somewhat difficult to define because it displays several of the following mineralization styles all in very close proximity to each other:

- Hot-spring gold mineralization (El Capitan structure);
- Low sulphidation silver-gold-antimony mineralization (San Rafael-El Tubo and El Refugio vein systems);
- Intermediate sulphidation silver-gold-lead-zinc-copper mineralization (Jesus Maria vein system); and
- Sulphide-bearing (gold-copper-silver-zinc-lead) skarns or mantos associated with Tertiary porphyries (La Purisima).

The Castillo deposit, previously named El Cairo (Argonaut Gold), is an example of a recent mine development in a geological environment that is similar to the El Capitan Gold Zone. There is a structural component to the low-grade, bulk-tonnage Castillo deposit, as seen on bench-level blast-hole assay data plots. Castillo is a successful, heap leach operation in Durango State.

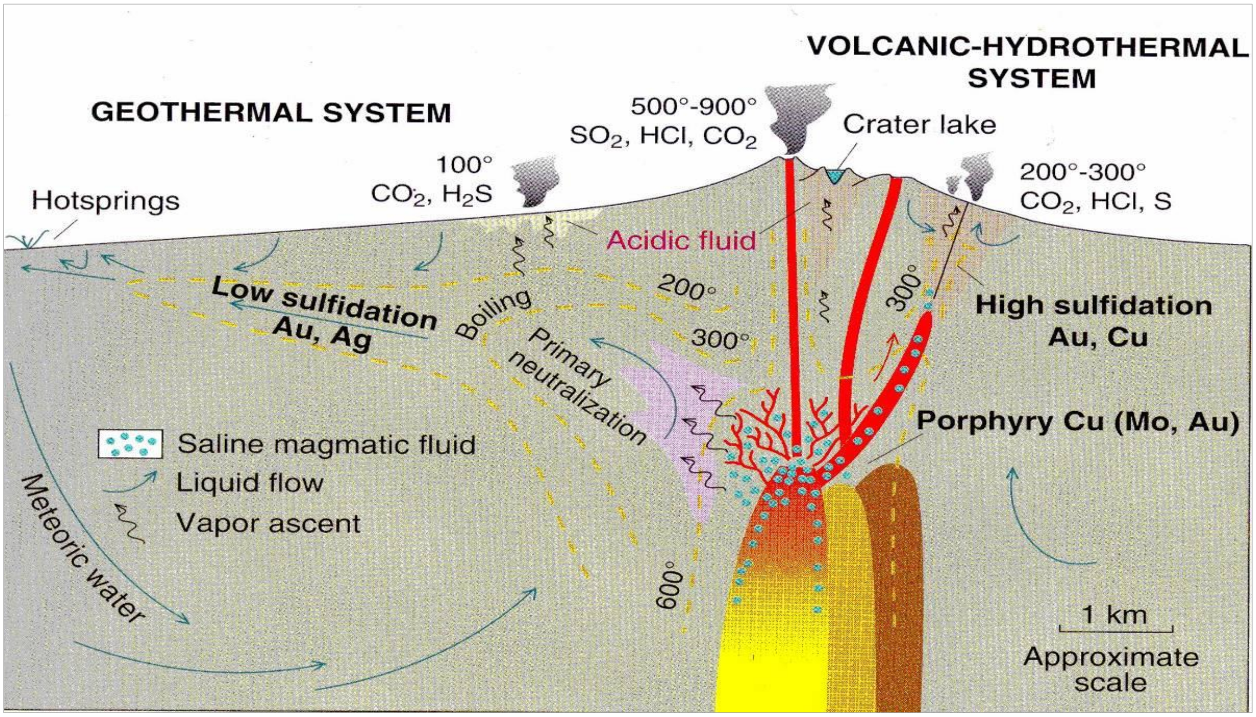
The Jesus Maria Silver Zone can be compared to the mineralization styles and geophysical responses of the San Sebastian gold-silver (plus base metals) deposit (Hecla Mining) in Durango State (Redak, 2015b).

"… mineralization in the Saladillo district (San Sebastian) *is hosted in Mesozoic sedimentary rocks and is closely associated with Tertiary volcanic and intrusive rocks. Two NW-WNW oriented regional scale structural features pass through the Saladillo district and are known to be important controls to mineralization throughout the Mexican Silver Belt and in the district. A set of NE oriented regional scale faults also traverse the center of the district and the confluence of these deep-seated WNW, NW and NE structures appears to be an important factor for the localization of the mineralizing systems at the Saladillo district."*

"A set of WNW oriented intermediate-sulfidation epithermal veins occur in the Saladillo Valley, including the Francine, Middle, Professor, and North Vein. These veins are proximal to each other and are hosted in shale of the Cretaceous Caracol Formation. This area is largely covered with soil and bedrock exposure comes primarily from trenching. About six kilometers south of the Francine Vein is a set of NNW oriented veins known as the Pedernalillo vein system, including the Don Sergio, Jessica, Andrea and Antonella

veins. These veins are end member low-sulfidation epithermal veins and are also hosted in the Caracol formation sediments with some dioritic intrusive rocks".

Figure 8-1: Peñoles District Geological Environments for Epithermal Deposits



Source: Daniels (2011)

9 EXPLORATION

Modern exploration work on the Peñoles property includes Aurcana Corporation (2004), Riverside Resources Inc. (2008 to 2011), and Sierra Madre Developments Inc. (2011 to 2013), and work is currently being carried out by Morro Bay Resources Ltd. (2014 to present). Exploration work has included surface mapping, soil, rock and trench sampling, underground sampling, petrographic and fluid inclusion studies, ground-based magnetic surveys, IP-resistivity surveys, diamond drilling, and metallurgical testing. Reports from the various surveys and studies have been well maintained within Morro Bay database archives and are available upon request. All drill core from the four drilling programs mentioned here is stored on site and is readily accessible for re-logging and quartering for verification sampling. Rejects and pulps from the drill programs completed by Sierra Madre and Morro Bay are also stored on site and are available for verification sampling.

Exploration work carried out on the Peñoles property by Aurcana, Riverside, Sierra Madre, and Morro Bay up until December 2014 has been summarized in two previously published, independent technical reports (Daniels, 2011; Magrum, 2013) and in an unpublished technical report prepared by Myers et al. (2014). This section briefly summarizes these results.

9.1 EXPLORATION WORK: AURCANA AND RIVERSIDE 2004 TO 2011 (DANIELS, 2011)

Preliminary geological work by Aurcana and Riverside showed that gold and silver mineralization observed on the Peñoles property occurs in the same geological setting as, and exhibits many of the same characteristics as, the epithermal-type vein systems developed throughout the Mexican Silver Belt. Drilling carried out by Aurcana and Riverside showed that El Capitan has potential to host a bulk-tonnage, low-grade deposit. A total of four diamond drill holes of historical drilling were carried out on the property by Aurcana in 2004 for a total of 866.48 m. Three of the four drill holes targeted the El Capitan Gold Zone. Aurcana drilling results are discussed in *Section 10 Drilling*. No other Aurcana exploration records are known to the Authors.

From 2008 to 2011, Riverside focused its exploration work on the Jesus Maria, El Capitan, and San Rafael mineralized zones. It carried out geophysical surveys, trenching (Trench Nos. RRI-01 to RRI-04), and diamond drilling. During this time, Riverside also acquired the Capitan 1 and Purisima 1 concessions and carried out reconnaissance prospecting on targets generated from an Aster alteration study. A total of five diamond drill holes targeting El Capitan were completed in 2008 for a total of 967.6 m. Trenching results are shown in Table 9.1. Riverside drilling results are discussed in *Section 10 Drilling*.

9.2 EXPLORATION WORK: SIERRA MADRE 2011 TO 2013 (MAGRUM, 2013)

From March 2011 to June 2013, Sierra Madre focused its exploration work on the Jesus Maria and El Capitan mineralized zones. It incurred exploration expenditures of approximately $3,000,000 and made cash and equity payments to Riverside totalling $2,140,000.

The main objective of the 2011 drill program was to validate the conceptual deposit model developed by Riverside and Aurcana, and increase the density of pierce points within El Capitan. The drilling program was completed between June and September 2011, and included 18 drill holes totalling 2,210.1 m. In addition to the 2011 drill program at El Capitan, surface sampling and trenching was completed in the Jesus Maria mine area. Seven new trenches (JMT 11-01 to JMT 11-07) and one drill hole totalling 289.75 m were completed to test the Jesus Maria target. Trenching results are shown in Table 9.1, and the drilling results are discussed in *Section 10 Drilling*.

In 2012, Sierra Madre completed a second drilling program on the El Capitan target. The 2012 drill program consisted of 22 drill holes comprising 2,890.4 m. These drilling results are discussed in *Section 10 Drilling*.

In March 2013, Sierra Madre completed a second trenching program (consisting of nine trenches), a limited underground sampling program and additional drilling on the Jesus Maria target. Underground sampling was carried out along the upper levels of the former Jesus Maria mine (over a strike length of approximately 50 m) and along a 35 m long crosscut that extends into the hanging wall of the mineralization exposed in the mine workings. A total of eight drill holes were completed totalling 887.3 m. Trenching results are shown in Table 9.1, underground sampling results are summarized in Tables 9.2 and 9.3, and drilling results are discussed in *Section 10 Drilling*.

During 2011 and 2012, drilling at El Capitan encountered numerous intervals of gold mineralization ranging from 50 m to 140 m wide. Jesus Maria was initially considered an underground vein-type target; however, drilling and sampling of a 35 m long crosscut in 2013 encountered wide intervals of silver mineralization with accessory gold and base-metal values in the hanging wall of the mineralized zone that was exploited by the historic mine workings.

9.3 EXPLORATION WORK: MORRO BAY 2014 (MYERS ET AL., 2014)

In January 2014, Morro Bay assumed control of Sierra Madre's option agreement, with Riverside as program operator. Morro Bay focused its exploration work on the Jesus Maria and San Rafael prospects and carried out geological mapping, geophysical surveys (mag and IP), soil sampling, and diamond drilling. In 2014, it incurred exploration expenditures of approximately $1,250,000 and made a payment of $750,000 in shares to Riverside. Published results for Morro Bay's 2014 drilling program at Jesus Maria are shown in Table 10.6, and San Rafael's 2014 results are shown in Table 10.7.

The main objective of the 2014 Jesus Maria drill program was to delineate the extent of mineralization in the hanging wall of the Jesus Maria structure. The 2014 drill program on the Jesus Maria Silver Zone included 21 drill holes totalling 1,937 m. The drilling results are discussed in *Section 10 Drilling*.

During the 2014 exploration season, Morro Bay also drilled two holes at El Capitan totalling 205.6 m, five holes at San Rafael totalling 1,062.3 m, and one exploratory hole on a regional target totalling 232.9 m. The drilling results are discussed in *Section 10 Drilling*.

It is important to note that outcrop is limited in the Jesus Maria mine area. Most of the interpreted surface expression of the mineralization that is present in the hanging wall of the Jesus Maria structure is covered by overburden and has not been sampled. The mineralized intervals shown in Table 9.1 are not necessarily indicative of the overall width of the mineralized zones that are present. Trench locations are shown in Figure 10-3.

Table 9.1: Jesus Maria Trenching

Trench ID	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
RRI-01	22.00	1.08	224.98	2.45	1.74
RRI-02	6.00	0.20	35.84	0.65	0.94
RRI-03	8.30	1.68	144.50	2.38	2.19
RRI-04	14.90	0.10	123.64	0.08	0.34
JMT-11-01	12.00	0.24	140.03	0.17	0.12
JMT-11-02	36.00	0.35	66.60	0.29	0.68
Including	20.00	0.47	103.42	0.51	1.10
JMT-11-03	9.50	0.93	167.40	3.27	1.18
JMT-11-04	14.40	2.05	351.08	2.85	0.75
JMT-11-05	9.55	0.38	78.04	1.12	0.83
JMT-11-06	4.20	0.37	78.63	1.79	1.29
JMT-11-07	1.50	0.14	25.9	0.93	0.68
JMT-13-08	15.80	0.16	129.8	0.06	0.18
JMT-13-09	8.00	0.31	294.6	0.19	0.29
JMT-13-10	6.00	0.13	153.0	0.24	0.29
JMT-13-10	2.00	0.49	288.6	0.08	0.07
JMT-13-11	15.40	0.15	420.8	0.42	0.29
JMT-13-12	2.15	0.84	31.4	0.21	0.65
JMT-13-13	7.20	0.17	67.6	1.05	3.91
JMT-13-14	2.80	0.10	32.5	0.02	0.07
JMT-13-15	20.00	0.24	30.8	0.03	1.32
JMT-13-16	6.40	0.14	90.3	2.27	2.07

Table 9.2: Jesus Maria Underground Level Sampling

Location	Strike Length (m)	Average Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
23 m Level	50.6	1.71	1.22	268.87	3.72	2.56
31 m Level “B”	20.2	1.74	0.44	17.43	0.25	0.64

Table 9.3: Jesus Maria Crosscut Sampling

Location	Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
23 m Level Hanging Wall	35.20	0.247	94.9	0.55	0.46

10 DRILLING

10.1 AURCANA DRILLING (2004)

In 2004, Aurcana drilled a total of four diamond drill holes on the Peñoles property for a total of 866.48 m. Three of the four drill holes targeted the El Capitan Gold Zone. Results of the 2004 drilling at the El Capitan Gold Zone were encouraging in that the thickness of encountered mineralization showed that gold was not just localized to the quartz vein and silicified breccia exposed at surface, but that the mineralization extended into the cretaceous sediments below the quartz zone and into the tertiary volcanics above the quartz zone. Collar PE04-01 was approximately 120 m perpendicular to the trend of the exposed quartz zone and drilled towards the exposure with an inclination of -55°. Drill hole PE04-01 encountered 38.6 m of 0.27 g/t Au mineralization in the tertiary volcanics, 13.93 m of 2.33 g/t Au mineralization in the quartz zone, and 16.12 m of 0.52 g/t Au mineralization in the cretaceous sediments.

10.2 RIVERSIDE DRILLING (2008)

In 2008, Riverside drilled five diamond drill holes on the Peñoles property at the El Capitan target for a total of 967.6 m. Collar CDDH-08-01 was approximately 160 m northwest of collar PE04-01. Table 10.1 shows the drilling results reported by Aurcana and Riverside. Drill hole locations are shown in Figure 10-2.

10.3 SIERRA MADRE DRILLING (2011)

In 2011, Sierra Madre drilled 19 diamond drill holes on the Peñoles property. A total of 2,210.10 m in 18 diamond drill holes was completed at the El Capitan target. A total of 289.75 m in one diamond drill hole was completed at the Jesus Maria target. Drilling results are summarized in Table 10.2. Drill hole locations are shown in Figure 10-2.

Results of the 2011 drilling program at El Capitan were encouraging: the encountered grade and thickness of mineralization showed considerable improvement over preliminary drilling results reported by Riverside in 2008. The strike length of the “Main Zone” was extended to 700 m and several of the drill holes encountered mineralized intervals greater than 70 m thick with potentially economic grades, including: CDDH 11-07, which returned 108.35 m averaging 0.410 g/t, and CDDH 11-17, which returned 88.40 m averaging 0.816 g/t (including 33.50 m averaging 1.687 g/t). The quoted widths are *drilled* widths and these are believed to represent approximate true widths. Sections with the referenced drill holes at El Capitan are shown in Figures 7-5 and 7-6, respectively.

10.4 SIERRA MADRE DRILLING (2012)

In 2012, Sierra Madre drilled a total of 2,890.40 m in 22 diamond drill holes at the El Capitan target. Five of the 22 drill holes completed in 2012 were collared near the western end of the El Capitan Gold Zone, but poor ground conditions were encountered and these drill holes were abandoned or not completed to target depths. The remaining drill holes were reported in sequence and were re-numbered (field number and press release number). Drilling results are summarized in Table 10.3. Collar locations are shown in Figure 10-2.

10.5 SIERRA MADRE DRILLING (2013)

In March 2013, Sierra Madre completed trenching and eight drill holes (887.3 m) in the Jesus Maria mine area. Significant silver mineralization was reportedly intersected in all trenches and drill holes. Reportedly, trench 2013-11 returned 15.4 m averaging 420.8 g/t Ag, including a 2.0 m interval that assayed 2,152 g/t Ag. JM DDH 13-06 returned 11.85 m averaging 320.3 g/t Ag, including a 0.9 m interval that assayed 3,409.1 g/t Ag. JM DDH 13-07 intersected a 2.1 m interval that returned 279.5 g/t Ag and a 4.0 m interval that returned 532.9 g/t Ag. The most westerly hole of the program, JM DDH 13-09, was drilled to intersect the western extension of the mineralized zone below the historic mine workings, and it intersected several significant mineralized intervals. Drilling results are summarized in Table 10.5. Collar locations are shown in Figure 10-1.

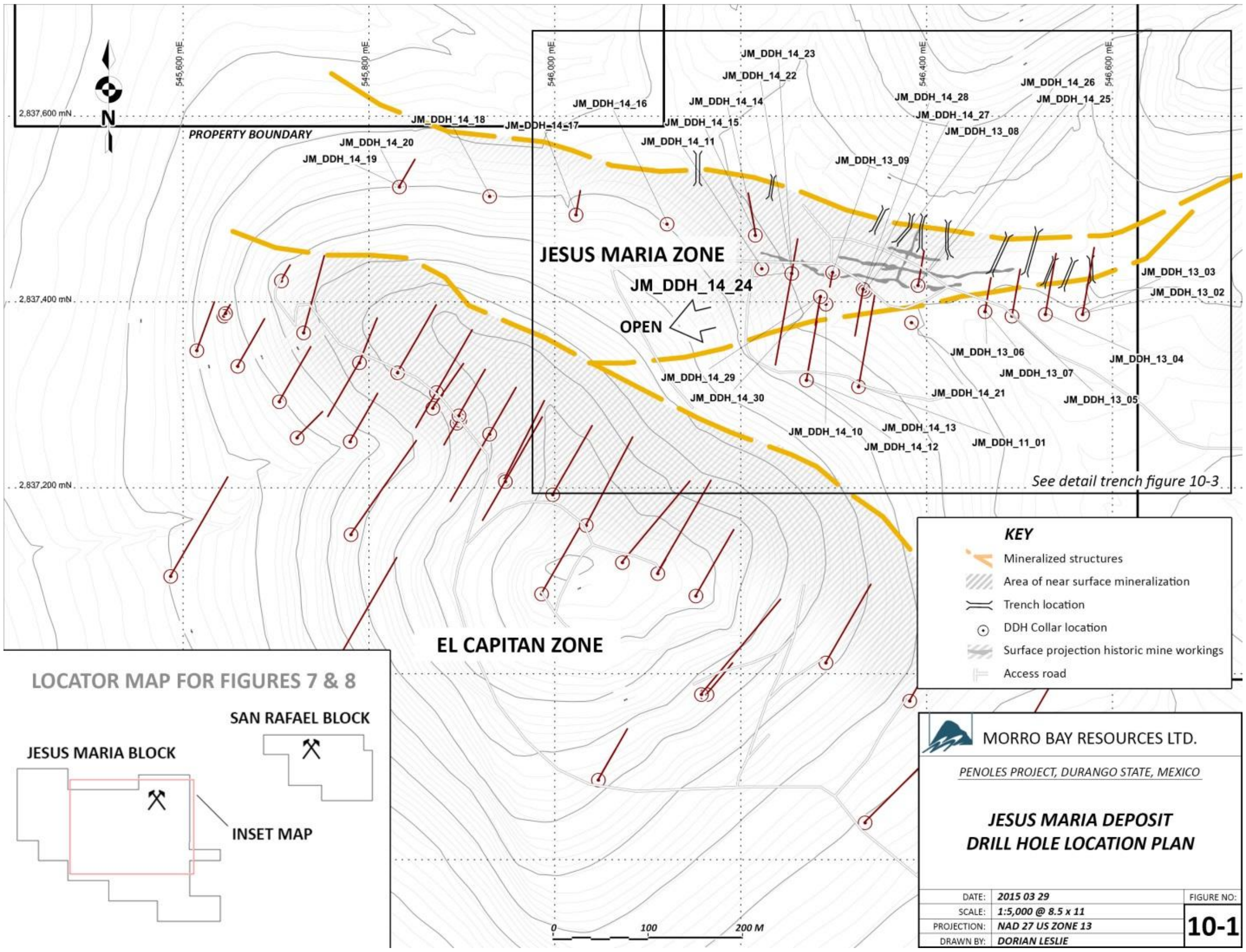
10.6 MORRO BAY DRILLING (2014)

In 2014, Morro Bay drilled 21 diamond drill holes on the Jesus Maria Silver Zone totalling 1,937 m. Drilling results are summarized in Table 10.6. A total of 205.6 m in two diamond drill holes were also completed at the El Capitan mineralized zone; however, the holes encountered poor ground conditions and were abandoned before reaching target depth (see Table 10.4). Collar locations are shown in Figure 10-1.

The Jesus Maria prospect was initially considered an underground vein-type target; however, drilling carried out in 2013 and 2014 encountered 20 m to 80 m wide intervals of predominantly silver-rich mineralization (with accessory gold and base-metal values) in the hanging wall of the zone that was mined historically. Published drilling results are shown in Table 10.6. Based on the widths of mineralization, Jesus Maria might be amenable to open-pit extraction methods. At their eastern limits, the deposits are separated by approximately 300 m, and the mineralized zones are interpreted as merging together to the west. Additional drilling between the western limit of the Jesus Maria deposit and the El Capitan deposit could connect the two zones and delineate additional mineralization. Significant intersections at the San Rafael prospect are shown in Table 10.7.

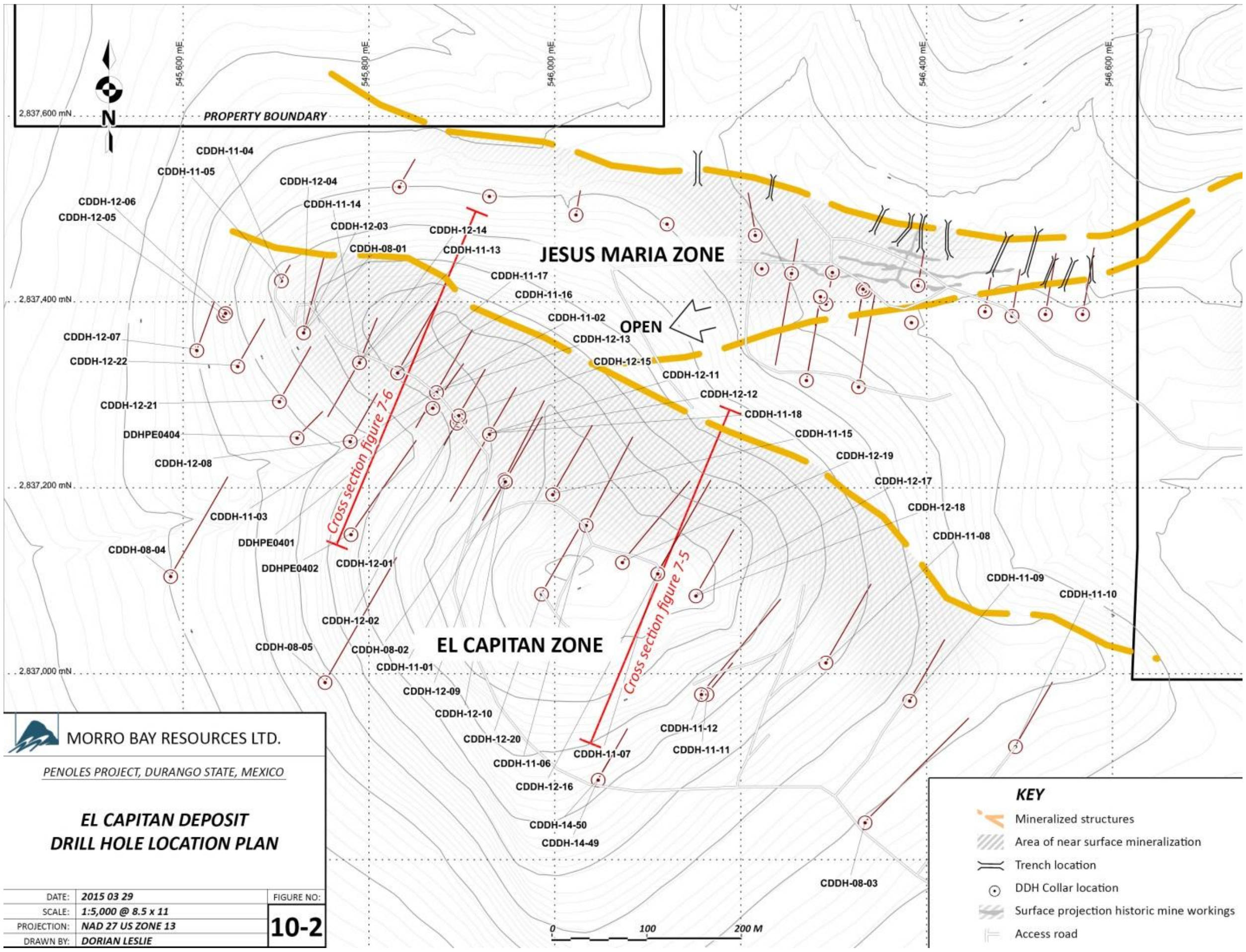
Figures 10-1, 10-2, and 10-3 shows plan views of the Jesus Maria drill hole locations, El Capitan drill hole locations, and Jesus Maria trenches and underground workings, respectively. Table 10.8 provides a complete list of drill hole collars.

Figure 10-1: Jesus Maria Deposit Drill Hole Locations (plan view)



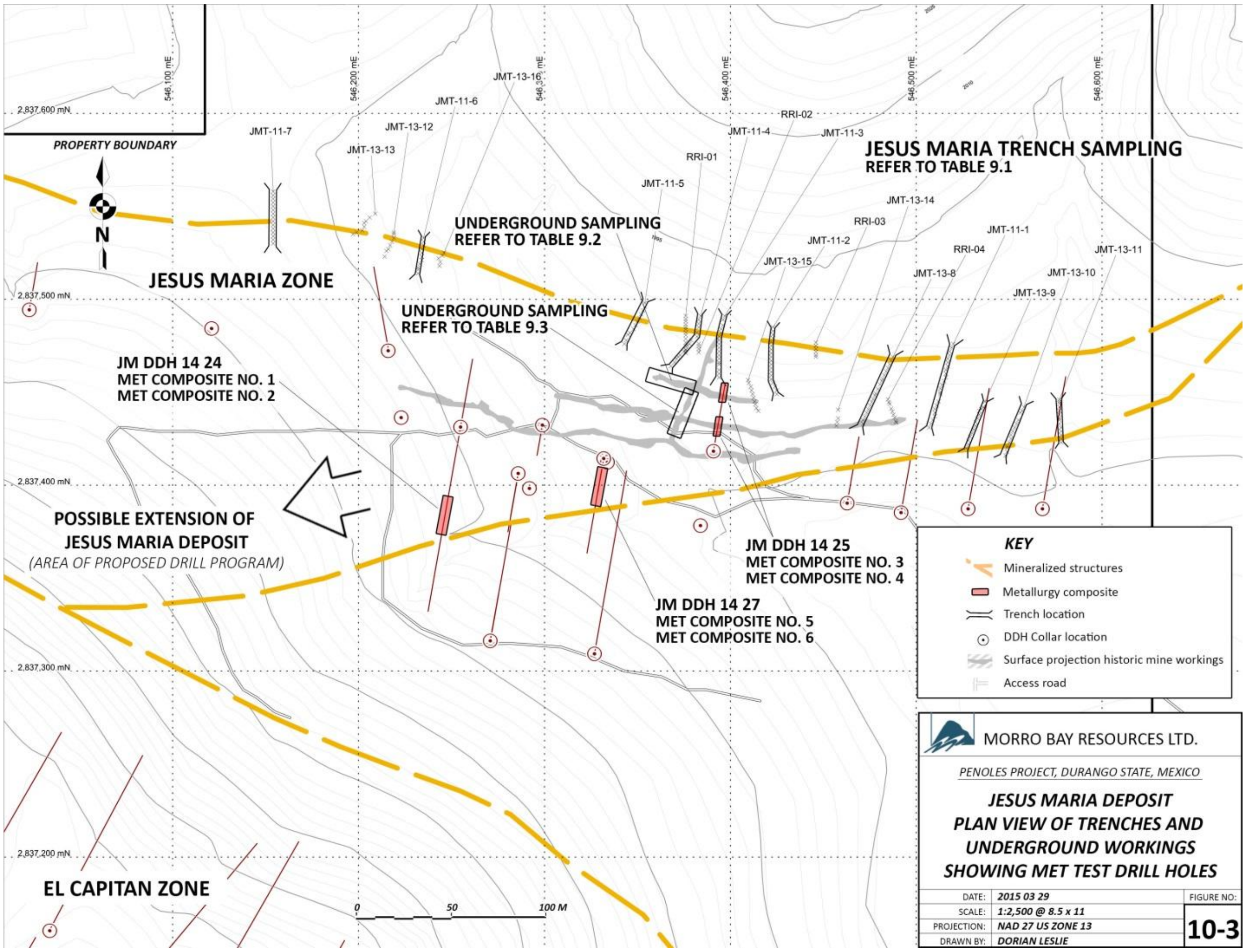
Source: Morro Bay database

Figure 10-2: El Capitan Deposit Drill Hole Locations (plan view)



Source: Morro Bay database

Figure 10-3: Jesus Maria Deposit Trenches and Underground Workings (plan view)



Source: Morro Bay database

Table 10.1: 2004-2009 Historic El Capitan Significant Drill Intersections

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
PE04-01	31.85	93.27	61.42	0.81
Including	76.20	80.77	4.57	6.40
PE04-02	125.00	190.50	65.50	0.17
PE04-04	78.00	147.52	69.52	0.31
CDDH-08-01	33.75	35.20	1.45	2.51
And	47.00	76.18	29.18	0.53
Including	61.90	71.70	9.80	1.07
CDDH-08-02	89.94	122.25	32.31	0.66
Including	102.25	105.30	3.05	1.84
Including	102.25	11.80	9.55	1.11
CDDH 08-04	182.65	189.50	6.85	0.27
Including	184.10	188.30	4.20	0.34
CDDH 08-05	71.13	72.65	1.52	0.99
And	176.50	217.00	40.50	0.22
Including	180.25	188.00	7.75	0.36

Source: Morro Bay database

Table 10.2: 2011 El Capitan Significant Drill Intersections

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
CDDH-11-01	90.35	122.50	32.15	0.48
Including	105.20	108.90	3.70	1.04
CDDH-11-02	45.45	96.20	50.75	0.51
Including	62.60	77.00	14.40	1.08
Including	71.00	75.60	4.60	2.41
CDDH-11-03	35.35	126.00	90.65	0.60
Including	78.75	116.25	37.50	1.03
Including	91.50	97.90	6.40	1.90
CDDH-11-04	Abandoned, Poor Ground Conditions			
CDDH-11-05	2.30	68.80	66.50	0.20
Including	14.80	31.75	16.95	0.45
CDDH-11-06	28.35	79.85	51.50	0.14
CDDH-11-06	110.75	155.50	44.75	0.18
CDDH-11-07	57.20	165.55	108.35	0.41
Including	57.20	71.15	13.95	0.62
Including	90.65	103.70	13.05	0.79
CDDH-11-11	Abandoned, Poor Ground Conditions			
CDDH-11-12	13.28	74.20	60.92	0.15
CDDH-11-12	170.15	194.40	24.25	0.24
CDDH-11-13	63.15	92.05	28.90	0.47
Including	64.85	85.70	20.85	0.50
Including	64.85	68.10	3.25	0.92
CDDH-11-14	77.70	114.80	37.10	0.69
Including	90.35	103.00	12.65	1.39
Including	94.55	99.60	5.05	2.09
CDDH-11-15	46.55	74.15	27.60	0.20
CDDH-11-15	91.80	131.15	39.35	0.22
CDDH-11-16	42.70	104.00	61.30	0.68
Including	61.70	76.10	14.40	1.52
Including	69.60	74.00	4.40	2.43
CDDH-11-17	43.40	131.80	88.40	0.82
Including	80.50	114.00	33.50	1.69
Including	95.95	104.00	8.05	2.41
Including	99.85	104.00	4.15	3.10
CDDH-11-18	64.05	97.90	33.85	1.40

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
includes	82.35	97.90	15.55	2.10

Source: Morro Bay database

Table 10.3: 2012 El Capitan Significant Drill Intersections

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
CDDH 12 – 01	12.65	123.10	110.45	0.37
Including	32.70	123.10	90.40	0.43
Including	95.10	116.00	20.90	1.01
CDDH 12 – 02	13.55	155.10	141.55	0.31
Including	120.55	141.35	20.80	0.73
CDDH 12 – 03	Abandoned, Poor ground conditions			
CDDH 12 – 04	Abandoned, Poor ground conditions			
CDDH 12 – 05	Abandoned, Poor ground conditions			
CDDH 12 – 06	Abandoned, Poor ground conditions			
CDDH 12 – 07	No significant mineralization encountered			
CDDH 12 – 08	6.80	138.10	131.30	0.35
Including	68.70	134.20	65.50	0.61
Including	86.20	126.20	40.00	0.78
CDDH 12 – 09	107.80	152.00	44.20	0.67
CDDH 12 – 10	124.10	190.85	66.75	0.32
Including	128.10	147.30	19.20	0.59
CDDH 12 – 11	68.75	127.05	58.30	0.36
Including	88.00	98.80	10.80	0.56
Including	107.05	127.05	20.00	0.37
CDDH 12 – 12	110.20	190.69	80.49	0.38
Including	117.50	138.83	21.33	0.55
Including	142.83	154.83	12.00	0.60
CDDH 12 – 13	41.55	165.85	124.30	0.61
Including	117.15	165.85	48.70	1.01
Including	131.99	146.85	14.86	1.56
CDDH 12 – 14	18.20	51.90	33.70	0.41
Including	40.20	51.90	11.70	0.98
And	111.90	179.35	67.45	0.58
Including	133.90	171.90	38.00	0.75
CDDH 12 – 15	54.05	96.87	42.82	0.41
Including	76.87	94.87	18.00	0.60
Including	76.87	84.87	8.00	0.82
CDDH 12 – 16	32.97	187.40	154.43	0.45
Including	54.97	153.65	98.68	0.57
Including	54.97	83.60	28.63	1.12

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
CDDH 12 – 17	0.00	161.80	161.80	0.33
Including	112.69	142.00	29.31	0.74
CDDH 12 – 18	0.95	131.15	130.20	0.56
Including	39.15	100.30	61.15	0.92
CDDH 12 – 19	64.40	108.35	43.95	0.45
And	152.35	164.35	12.00	0.38
CDDH 12 – 20	139.65	161.00	21.35	0.84
CDDH 12 – 21	94.60	117.00	22.40	0.67
CDDH 12 – 22	Did not encounter any significant mineralization			

Source: Morro Bay database

Table 10.4: 2014 El Capitan Drilling Results

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
CDDH_14 – 49	Abandoned, Poor Ground Conditions			
CDDH_14 – 50	Abandoned, Poor Ground Conditions			

Source: Morro Bay database

Table 10.5: 2013 Jesus Maria Significant Drill Intersections

Drill Hole	From/To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
JM_DDH_13_02	79.00-91.25	12.25	0.16	70.10	0.25	0.41
JM_DDH_13_03	152.95-172.40	13.90	0.04	121.20	0.59	1.09
Including	164.55-172.40	7.85	0.04	184.90	0.95	1.73
Including	168.40-170.15	1.75	0.01	364.80	1.87	4.16
JM_DDH_13_04	29.65-30.60	0.95	0.73	260.50	0.14	0.13
And	49.20-51.10	1.90	0.20	120.90	0.04	0.08
And	71.90-79.00	7.10	0.11	47.60	0.38	0.62
JM_DDH_13_05	26.70-30.95	4.25	0.14	131.90	0.14	0.2
And	62.60-68.30	5.70	0.37	75.10	0.98	1.1
JM_DDH_13_06	20.35-30.80	10.45	0.14	85.30	0.05	0.21
And	68.45-80.30	11.85	0.17	320.30	1.3	2.26
Including	79.40-80.30	0.90	0.36	3,409.10	3.42	7.12
JM_DDH_13_07	100.70-102.80	2.10	0.21	279.50	4.09	7.57
And	114.70-118.70	4.00	0.16	533.00	0.25	0.36
JM_DDH_13_08	22.30-28.30	6.00	0.39	74.40	0.06	0.1
And	42.30-43.40	1.10	0.05	138.70	0.02	0.05
And	62.45-68.65	6.20	0.06	50.80	0.07	0.1
And	70.20-79.70	9.50	0.79	40.50	0.7	1.35
JM_DDH_13_09	10.25-19.60	9.35	0.16	144.00	0.07	0.14
Including	10.25-12.45	2.20	0.44	516.10	0.07	0.09
And	40.63-60.15	19.52	0.38	68.40	0.11	0.27
And	63.90-69.80	5.90	0.25	84.90	0.75	0.79
And	71.90-88.60	16.70	0.49	65.50	1.71	2.53

Source: Morro Bay database

Table 10.6: 2014 Jesus Maria Significant Drill Intersections

Drill Hole	From/To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
JM_DDH_14_10	18.90-59.50	40.60	0.540	123.9	0.07	0.14
Including	27.70-31.95	4.25	1.201	732.2	0.13	0.35
Including	40.95-43.25	2.30	1.291	194.8	0.42	0.31
Including	50.30-57.00	6.70	1.082	122.9	0.05	0.12
JM_DDH_14_11	81.30-93.30	12.00	0.284	42.6	0.61	1.13
JM_DDH_14_12	Did not encounter any significant mineralization					
JM_DDH_14_13	100.90-113.30	12.40	0.226	55.9	0.04	0.11
And	146.30-157.80	11.50	0.280	36.7	0.16	0.34
JM_DDH_14_14	41.00-58.65	17.65	0.122	123.3	0.94	0.78
JM_DDH_14_15	29.00-36.05	7.05	0.233	34.7	0.53	0.57
JM_DDH_14_16	36.05-38.40	2.35	0.187	53.9	1.16	1.02
JM_DDH_14_17	74.50-76.80	2.30	0.149	56.6	2.22	1.76
JM_DDH_14_18	56.30-60.80	4.50	0.064	50.9	0.78	0.72
JM_DDH_14_19	Did not encounter any significant mineralization					
JM_DDH_14_20	Did not encounter any significant mineralization					
JM_DDH_14_21	37.95-39.85	1.90	0.254	251.4	0.001	0.002
And	113.20-129.35	16.15	0.100	39.4	0.25	0.38
JM_DDH_14_22	28.90-59.55	30.65	0.178	41.4	0.03	0.11
Including	44.90-47.15	2.25	0.128	179.2	0.09	0.16
Including	54.15-57.10	2.95	0.938	138.4	0.14	0.29
And	70.45-93.05	22.60	0.346	26.4	0.40	0.61
JM_DDH_14_23	25.30-56.50	31.20	0.112	55.7	0.17	0.33
JM_DDH_14_24	52.65-123.45	70.80	0.370	147.8	0.03	0.08
Including	67.80-90.50	22.70	0.629	388.4	0.07	0.12
Including	101.90-107.35	5.45	1.474	144.2	0.11	0.06
JM_DDH_14_25	20.10-35.95	15.85	0.222	123.7	0.02	0.05
And	52.20-72.05	19.85	0.350	70.1	0.90	0.13
JM_DDH_14_26	11.00-17.25	6.25	0.176	304.6	0.04	0.06
And	33.65-50.20	16.55	0.453	54.5	0.65	0.78

Drill Hole	From/To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
Including	33.65-41.00	7.35	0.817	109.5	1.29	1.32
JM_DDH_14_27	1.95-39.00	37.05	0.395	125.05	0.12	0.13
Including	15.95-25.45	9.50	0.794	251.2	0.20	0.16
Including	29.95-37.10	7.15	0.482	190.1	0.24	0.16
JM_DDH_14_28	14.40-38.70	24.30	0.334	39.65	0.02	0.10
Including	32.10-36.55	4.45	0.297	122.5	0.04	0.27
JM_DDH_14_29	7.35-28.45	21.10	0.129	34.2	0.03	0.08
And	37.30-43.75	6.45	0.209	77.8	0.05	0.13
JM_DDH_14_30	16.80-56.90	40.10	0.188	55.2	0.05	0.12
Including	25.05-29.75	4.70	0.386	136.7	0.16	0.18
Including	41.50-45.25	3.75	0.259	164.4	0.14	0.14

Source: Morro Bay database

Table 10.7: 2014 San Rafael Significant Drill Intersections

Drill Hole	From/To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
SR_DDH_14_01	66.95-69.25	2.30	0.09	99.8	0.01	0.08
And	190.32-193.40	3.08	1.19	79.2	0.01	0.03
And	193.40-205.30	11.90	0.06	39.0	<0.01	0.02
And	214.30-223.70	9.40	0.06	46.9	<0.01	0.01
SR_DDH_14_02	Did not encounter any significant mineralization					
SR_DDH_14_03	94.90-96.10	1.2	0.04	50.1	<0.01	0.01
SR_DDH_14_04	55.70-57.70	2	0.03	63.0	<0.01	0.03
SR_DDH_14_05	123.30-126.70	3.4	0.10	53.0	<0.01	0.01
And	146.80-155.65	8.9	0.63	101.0	0.01	0.01
And	174.40-179.00	4.6	0.33	44.9	0.01	0.07

Source: Morro Bay database

Table 10.8: Complete Drill Hole Collar Listing

DDH	Easting	Northing	Elevation	Depth	Azimuth	Dip
DDHPE0401	545869	2837287	2040	99.36	35	-55
DDHPE0402	545781	2837151	2018	212.4	35	-55
DDHPE0403	548295	2837452	2121	407.2	350	-55
DDHPE0404	545723	2837255	2010	147.52	45	-75
CDDH-08-01	545730	2837368	2032	169.1	15	-60
CDDH-08-02	545946	2837210	2081	146.45	27	-50
CDDH-08-03	546334	2836841	1987	222.1	45	-45
CDDH-08-04	545587	2837106	1981	212.95	30	-55
CDDH-08-05	545753	2836992	2003	217	30	-45
CDDH-11-01	545947	2837208	2062	122.5	30	-50
CDDH-11-02	545873	2837304	2050	118.5	30	-50
CDDH-11-03	545873	2837304	2050	137.25	30	-90
CDDH-11-04	545706	2837424	2016	5.5	30	-50
CDDH-11-05	545706	2837424	2016	70.15	30	-75
CDDH-11-06	546034	2837161	2091	164.9	28	-50
CDDH-11-07	546110	2837108	2092	179.95	30	-50
CDDH-11-08	546292	2837013	2030	149.45	30	-50
CDDH-11-09	546382	2836972	1990	115.9	30	-50
CDDH-11-10	546496	2836923	1982	122	30	-50
CDDH-11-11	546164	2836979	2035	66.05	40	-50
CDDH-11-12	546158	2836979	2064	205.45	40	-50
CDDH-11-13	545790	2837336	2000	100.65	22	-60
CDDH-11-14	545790	2837336	2000	115.9	22	-90
CDDH-11-15	545998	2837194	2082	131.15	30	-50
CDDH-11-16	545831	2837325	2021	165.7	30	-60
CDDH-11-17	545831	2837325	2021	137.25	30	-90
CDDH-11-18	545930	2837259	2068	112.85	30	-60
CDDH-12-01	545898	2837274	2068	123.10	30	-90
CDDH-12-02	545895	2837271	2068	164.25	210	-80
CDDH-12-03	545730	2837368	2027	7.20	210	-75
CDDH-12-04	545730	2837368	2027	38.55	30	-90
CDDH-12-05	545644	2837386	2006	14.05	30	-75
CDDH-12-06	545646	2837389	2006	18.75	30	-60
CDDH-12-07	545615	2837349	1904	108.55	20	-60
CDDH-12-08	545780	2837251	2024	138.10	30	-65
CDDH-12-09	545947	2837208	2077	175.85	210	-90

DDH	Easting	Northing	Elevation	Depth	Azimuth	Dip
CDDH-12-10	545947	2837208	2077	190.85	210	-75
CDDH-12-11	545930	2837259	2069	138.75	30	-90
CDDH-12-12	545930	2837259	2069	201.10	210	-65
CDDH-12-13	545873	2837304	2064	173.65	210	-75
CDDH-12-14	545790	2837336	2028	200	210	-70
CDDH-12-15	545897	2837279	2048	111.85	30	-60
CDDH-12-16	546111	2837109	2101	187.4	30	-85
CDDH-12-17	546152	2837085	2092	161.8	30	-60
CDDH-12-18	546152	2837084	2092	131.15	30	-90
CDDH-12-19	546073	2837121	2103	175.15	40	-50
CDDH-12-20	545986	2837087	2102	161.00	30	-60
CDDH-12-21	545704	2837294	2016	133.45	30	-60
CDDH-12-22	545659	2837332	2007	135.85	30	-65
CDDH-14-49	546047	2836887	2047	96.5	30	-50
CDDH-14-50	546047	2836887	2047	109.1	30	-70
JM-DDH-11-01	546327	2837310	1999	289.75	10	-70
JM-DDH-13-02	546568	2837388	1980	100.95	10	-45
JM-DDH-13-03	546568	2837388	1980	227.75	10	-89
JM-DDH-13-04	546528	2837388	1978	92	10	-45
JM-DDH-13-05	546492	2837386	1977	70.45	10	-45
JM-DDH-13-06	546463	2837391	1978	83.95	10	-65
JM-DDH-13-07	546463	2837391	1978	120.7	10	-89
JM-DDH-13-08	546334	2837413	1986	92.45	10	-90
JM-DDH-13-09	546299	2837433	1988	99	190	-80
JM-DDH-14-10	546292	2837399	1992	127.7	10	-90
JM-DDH-14-11	546223	2837437	2000	136.5	10	-90
JM-DDH-14-12	546271	2837317	2005	36.45	10	-50
JM-DDH-14-13	546271	2837317	2005	185.45	10	-70
JM-DDH-14-14	546216	2837473	1998	81.9	350	-90
JM-DDH-14-15	546216	2837473	1998	70	350	-50
JM-DDH-14-16	546121	2837485	2008	72.55	10	-90
JM-DDH-14-17	546023	2837495	2012	144.3	10	-80
JM-DDH-14-18	545930	2837515	2007	70.6	10	-90
JM-DDH-14-19	545833	2837525	2006	75.55	30	-85
JM-DDH-14-20	545833	2837525	2006	65.75	30	-60
JM-DDH-14-21	546384	2837379	1980	145.5	10	-90
JM-DDH-14-22	546255	2837432	1995	106.25	10	-90

DDH	Easting	Northing	Elevation	Depth	Azimuth	Dip
JM-DDH-14-23	546255	2837432	1995	56.5	10	-50
JM-DDH-14-24	546255	2837432	1995	157.6	190	-50
JM-DDH-14-25	546391	2837419	1982	84.95	10	-90
JM-DDH-14-26	546391	2837419	1982	56.6	10	-50
JM-DDH-14-27	546332	2837415	1986	81.25	190	-50
JM-DDH-14-28	546332	2837415	1986	56.7	190	-70
JM-DDH-14-29	546286	2837407	1992	50.6	190	-50
JM-DDH-14-30	546286	2837407	1992	69.35	190	-70
SR-DDH-14-01	547816	2837804	1986	273.6	345	-60
SR-DDH-14-02	547943	2837756	2009	255.1	345	-55
SR-DDH-14-03	547848	2837684	2010	123.5	345	-60
SR-DDH-14-04	547656	2837680	2008	78.1	350	-50
SR-DDH-14-05	548046	2837939	2018	332	345	-60

Source: Morro Bay database

11 SAMPLE PREPARATION, ANALYSES AND SECURITY

A total of 2,929 drill core samples were submitted for analysis by Sierra Madre during the 2011, 2012, and 2013 field programs, and a total of 1,503 drill core samples were submitted by Morro Bay in 2014. All samples from the Peñoles Project were shipped to and processed at the Inspectorate Laboratories (Inspectorate) in Durango.

The core from all drilling campaigns on the Peñoles property was transported by road from the drill site to a core-logging facility at the Morro Bay Peñoles compound where it was logged and marked for sampling. All holes received a preliminary log followed by a more detailed logging and labelling procedure for sampling purposes. Samples were designated within lithologically uniform intervals as determined by the geologists, with attention to varying mineralogy and textures. The geologist drew a cutting line down the core with cross-lines marking out sample intervals; the intent was to minimize sample bias and not cross any *contacts*. Sample lengths were generally one metre, but some were as short as 30 cm and as long as 2.5 m. In most cases, barren samples were collected to shoulder both ends of the mineralized intersection. Because of the fairly competent nature of the core recovered, the sampled material sent away to be assayed is, for the most part, an accurate reflection of one half of the core for the El Capitan mineralization. For sampling purposes, the core was sawn lengthwise using diamond-blade saws. One half of the core was sent to a laboratory for analysis, and the other half was retained. Core samples were tracked by three-part ticket books. One tag went with the sample for assay, a second tag was stapled into the core box at the beginning of the sample interval, and the last tag was kept with the geologist's records. Core trays were marked with felt marker.

The plastic bags were tied closed, and instructions for the laboratory were enclosed. The plastic bags were sealed in larger *rice* bags. These bags of samples were either delivered to or picked up by Inspectorate and taken to the Inspectorate Lab in Durango, Mexico. All sample preparation and analytical work was done by Inspectorate. Inspectorate Laboratories is accredited to the ISO 17025 Standard.

All samples were prepared (Sample Prep) by crushing to > 80% passing -10 mesh, split approximately 250 g and pulverised to > 90% passing -150 mesh. The content of gold and silver were determined by procedure 2-FA-08/2-FA-10, involving FA/AAS and FA/GRAV on over-limit samples (> 2,000 ppb Au and > 200 ppm Ag). Other elements were determined by ICP-AES.

Gold and silver values were determined by assay with an Atomic Absorption (AA) finish and, in the case where gold assays were returned > 2,000 ppb or silver assays were returned > 200 ppm in the initial FA/AA result, a gravimetric duplicate finish was applied. Other elements were determined by ICP-AES. A 30-element, inductively coupled plasma (ICP) package was run on all drill core and field samples. Inspectorate has routine quality control procedures which ensure that every batch of 40 prepared samples includes three sample repeats, one in-house standard, and/or one commercial standard. Inspectorate is independent from both Sierra Madre and Morro Bay. Sierra Madre and Morro Bay used standard QA/QC procedures, when inserting standards and blanks, for all drilling programs completed on the property.

12 DATA VERIFICATION

12.1 ASSAY DATA VERIFICATION

12.1.1 2015 Assay Verification Program

Morro Bay management made all of the data for the Peñoles Project available to the independent Qualified Persons (QPs), and provided access to all of the on-site core storage areas with no restrictions.

During the site visit on January 20-22, 2015, the independent QP author, Ben Whiting, along with James Thom, selected a high-grade, medium-grade, and low-grade interval of drill core from each of the Jesus Maria and El Capitan zones on the Peñoles property for re-sampling. The drill core was quartered. The specific intervals (Table 12.1) were marked, tagged, cut on site, and bagged, along with two control-sample standards; these were delivered directly to the Inspectorate Laboratories in the city of Durango. The QP controlled the data verification samples at all times between the project site and delivery to the laboratory.

Table 12.1: Drill Core Quartering Check Assay Results (2015)

Hole	Original Sample	Check Sample	Au (g/t) Original	Au (g/t) Check	Au Diff%	Ag (g/t) Original	Ag (g/t) Check	Ag Diff%
n/a	SP-68	100058	0.599	0.614	2.50	n/a	0.3	n/a
JM-DDH-14-10	2263	100059	1.335	1.463	9.59	1046.4	930.4	-11.09
JM-DDH-14-10	2303	100060	0.820	0.736	-10.24	113.8	101.0	-11.25
JM-DDH-14-10	2259	100061	0.294	0.161	-45.24	38.9	33.3	-14.40
C-DDH-11-16	5460	100062	3.260	2.353	-27.82	5.1	5.9	15.69
C-DDH-11-16	5477	100063	0.804	0.775	-3.61	3.2	3.0	-6.25
C-DDH-11-16	5451	100064	0.236	0.323	36.86	0.8	0.3	-62.50
n/a	ME-1304	100065	1.800	1.941	7.83	34.0	32.6	-4.12
Average Diff%					-6.74			-14.97

The 2015 data verification samples were analysed by Inspectorate Laboratories, batch #GUJ15000019. Gold values were determined by method code FA430 30 g fire assay, with an atomic absorption finish. Silver values were determined by method code AR402 atomic absorption spectrometry, and any over-limit silver values (> 200 g/t) were determined using method code FA530 30 g fire assay, with a gravimetric finish.

Given that quarter-core sampling has more variance than re-analysing the coarse reject material from the original half-core sample, which will, in turn, have more variance than re-analysing the sample pulps, the results from these data are considered to be within acceptable norms. Figure 12-1 and Figure 12-2 demonstrate this relationship for gold and silver, respectively: the original high-grade samples yield high-grade duplicates, and the same relationship holds true, respectively, for the medium-grade and low-grade tests.

Figure 12-1: Gold Quarter-Core Duplicates (2015)

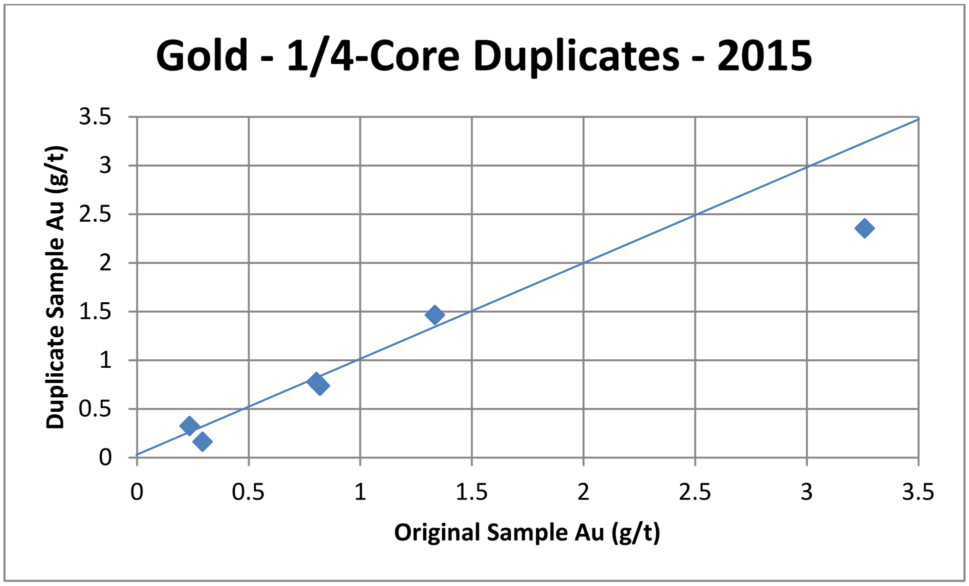
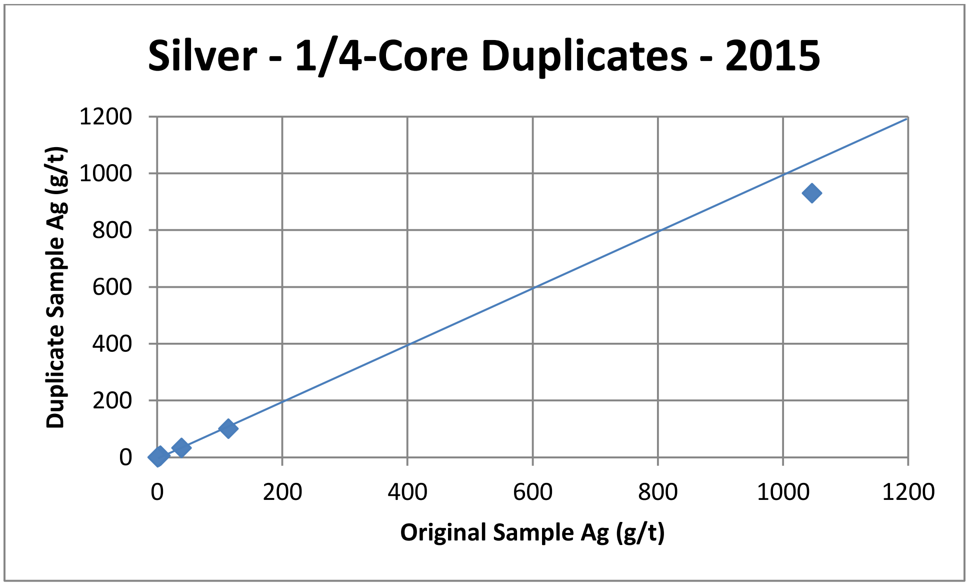


Figure 12-2: Silver Quarter-Core Duplicates (2015)



Although base-metal values are not being considered for the current resource estimate, the Jesus Maria Silver Zone does contain considerable base-metal credits, and base metals might be included in future studies. Table 12.2 contains the base-metal results for the 2015 data verification sampling. Sample #100060 contains over 6% combined base metals. The geo-reference standard, ME-1304, can be used for QA/QC testing for base-metal studies.

Table 12.2: Drill Core Quartering Check Assay Results for Base Metals (2015)

Hole	Original Sample	Check Sample	Cu (ppm) Original	Cu (ppm) Check	Pb (ppm) Original	Pb (ppm) Check	Zn (ppm) Original	Zn (ppm) Check
n/a	SP-68	100058	n/a	75	n/a	104	n/a	197
JM-DDH-14-10	2263	100059	863	1055	1028	1233	2813	3050
JM-DDH-14-10	2303	100060	1715	1744	42800	41600	18400	17100
JM-DDH-14-10	2259	100061	63	85	655	902	1357	1621
C-DDH-11-16	5460	100062	5	8	<2	35	16	41
C-DDH-11-16	5477	100063	21	24	6	21	96	105
C-DDH-11-16	5451	100064	6	9	18	15	17	42
n/a	ME1304	100065	2680	2885	2580	2435	2200	2077

Figure 12-3 and Figure 12-4 show photos of the gold and silver quarter duplicates, respectively.

Figure 12-3: Gold Quarter-Core Duplicate Photos (2015)

Photo of half-core from C-DDH-11-16 Box 23 (49.00 to 51.00) before sampling quarter-core during 2015 verification program (Sample ID: 100064).

Photo of half-core from C-DDH-11-16 Box 32 (68.45 to 70.60) before sampling quarter-core during 2015 verification program (Sample ID: 100062 for second row from top).

Photo of half-core from C-DDH-11-16 Box 38 (82.50 to 84.65) before sampling quarter-core during 2015 verification program (Sample ID: 100063).

Figure 12-4: Silver Quarter-Core Duplicate Photos (2015)

Photo of half-core from JM-DDH-14-10 Box 10 (21.15 to 23.40) before sampling quarter-core during 2015 verification program (Sample ID: 100061).

Photo of half-core from JM-DDH-14-10 Box 13 (27.70 to 29.75) before sampling quarter-core during 2015 verification program (Sample ID: 100059).

Photo of half-core from JM-DDH-14-10 Box 47 (104.70 to 106.95) before sampling quarter-core during 2015 verification program (Sample ID: 100060).

12.1.2 2014 Assay Verification Program

The 2014 quarter-core sampling was taken exclusively from the Jesus Maria Silver Zone diamond drilling (Myers et al., 2014). The 2014 data verification sample results yielded a 4.6% higher gold grade and a 1.1% lower silver grade than the original samples, as shown in Table 12.3, and Figures 12-5 and 12-6. The absolute relative difference values have not been calculated as this is a small population size. The below-range values are well within the tolerable limits expected for field duplicate pairs.

Table 12.3: Drill Core Quartering Check Assay Results (2014)

Hole	Original Sample	Check Sample	Au (g/t) Original	Au (g/t) Check	Au Diff%	Ag (g/t) Original	Ag (g/t) Check	Ag Diff%
JM-DDH-11-01	6688	11843	1.330	1.360	2.26	201	325	61.93
JM-DDH-13-09	2015	11845	0.450	0.474	5.33	126	57	-54.41
JM-DDH-13-09	2025	11847	1.044	0.954	-8.62	118	120	1.78
JM-DDH-14-10	2264	11848	1.076	1.076	0.00	440	484	10.13
JM-DDH-14-22	10664	11849	0.891	0.959	7.63	50	46	-7.78
JM-DDH-14-24	10749	11850	0.852	1.152	35.21	181	226	24.93
JM-DDH-14-27	10899	11852	0.595	0.546	-8.24	454	448	-1.23
JM-DDH-14-30	11011	11854	0.237	0.245	3.38	42	24	-44.10
Average Diff%					4.62			-1.10

Figure 12-5: Gold Quarter-Core Duplicates (2014)

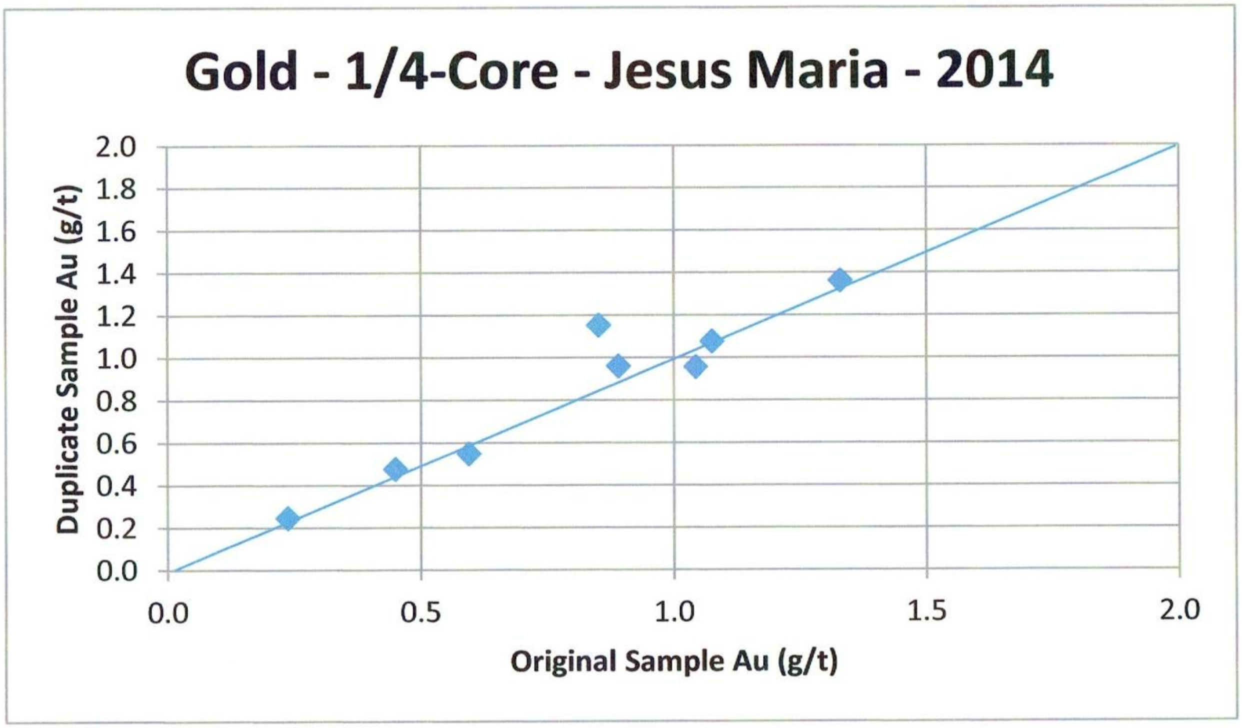
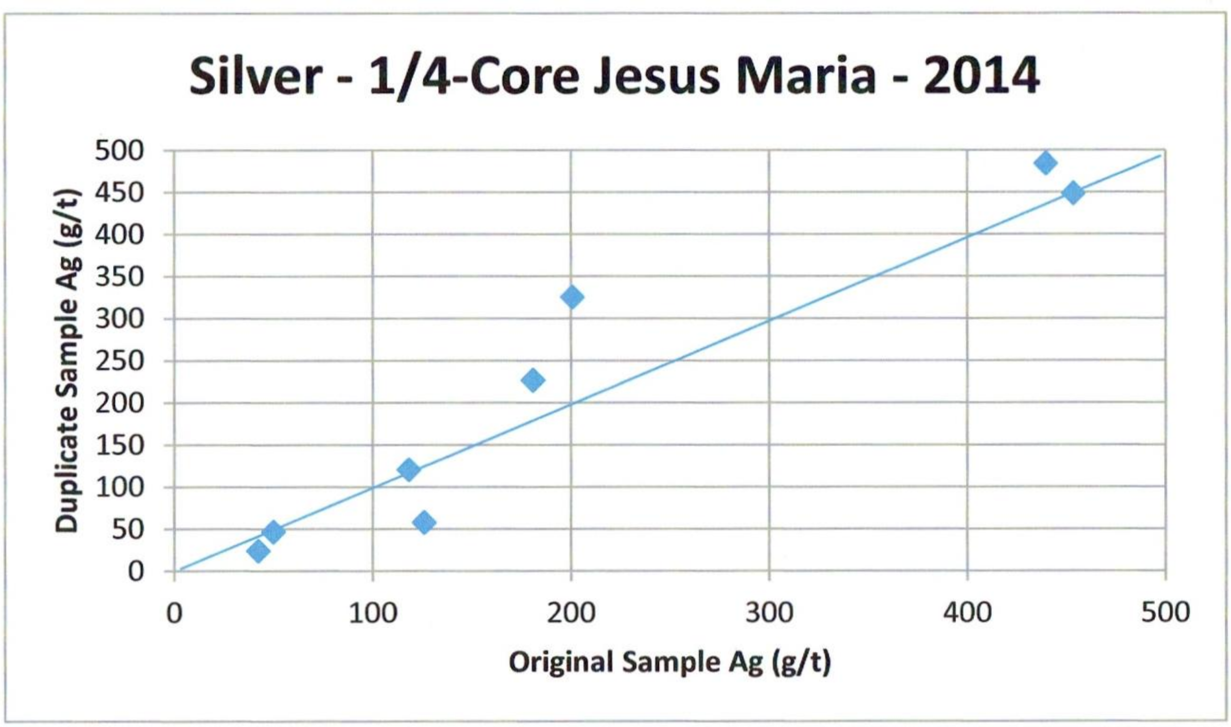


Figure 12-6: Silver Quarter-Core Duplicates (2014)



12.1.3 2012 Assay Verification Program

During his site visit in June 2012, Robert Sim collected two pieces of drill core for validation purposes. These were ½ pieces measuring approximately 15 cm long from holes DDH-12-11 and DDH-12-15. Sim brought the samples back to Canada and then sent them to ALS Minerals in North Vancouver where they were analyzed using ALS Mineral's AuAA25 procedure (30 g fire assay with AA finish). The gold grades returned from these samples are similar to values contained in these intervals in the Peñoles project database.

12.1.4 2009 Assay Verification Program

A re-examination of the 2009 El Capitan Gold Zone quarter-core duplicates (Daniels, 2011) was also conducted because there were questions regarding the 2009 check analyses that yielded gold values that were, on average, 21% lower than the original samples in the database (Table 12.4). It was noted that the "nugget effect," high analyses from particles of gold, accounted for some of the difference. For example, original sample #5194 yielded the highest value of 13.2 g/t, whereas its check sample, #7264, yielded 4.2 g/t; both values are still considerably higher than the average gold grade for the El Capitan Gold Zone. Daniels correctly attributed this to sample heterogeneity: transitioning from a half-core original sample to a quarter-core duplicate sample. While the average silver grade is relatively low in the El Capitan Gold Zone, the reverse pattern was identified for silver: 2009 check analyses yielded silver values that were, on average, 26% higher than the original samples in the database.

To calculate the percent difference (Diff%) for values less than the detection limit, a value of ½ the detection limit was used. In Figures 12-7 and 12-8, the highest grade gold sample is not included in the graph range.

Table 12.4: Drill Core Quartering Check Assay Results (2009)

Hole	Original Sample	Check Sample	Au (g/t) Original	Au (g/t) Check	Au Diff%	Ag (g/t) Original	Ag (g/t) Check	Ag Diff%
C-DDH-08-01	5029	7250	1.196	1.433	19.82	1.3	2.4	84.62
C-DDH-08-01	5030	7251	0.652	0.393	-39.72	1.5	1.3	-13.33
C-DDH-08-01	5031	7252	1.502	1.231	-18.04	1.1	1.1	0.00
C-DDH-08-01	5032	7253	0.882	0.569	-35.49	1.2	1.1	-8.33
C-DDH-08-01	5033	7254	1.392	1.548	11.21	2.1	1.8	-14.29
C-DDH-08-01	5034	7255	0.806	0.688	-14.64	6.1	6.5	6.56
C-DDH-08-02	5159	7256	0.225	0.296	31.56	<0.1	0.1	100.00
C-DDH-08-02	5160	7257	0.345	0.221	-35.94	0.9	0.7	-22.22
C-DDH-08-02	5161	7258	0.460	0.390	-15.22	2.0	2.1	5.00
C-DDH-08-02	5162	7259	0.300	0.300	0.00	2.0	2.0	0.00
C-DDH-08-02	5163	7260	0.367	0.285	-22.34	1.6	1.0	-37.50
C-DDH-08-02	5164	7261	3.223	2.203	-31.65	1.5	1.7	13.33
C-DDH-08-02	5192	7262	1.350	0.806	-40.30	3.9	2.6	-33.33
C-DDH-08-02	5193	7263	0.225	0.127	-43.56	1.3	1.0	-23.08
C-DDH-08-02	5194	7264	13.200	4.204	-68.15	1.5	2.4	60.00
C-DDH-08-02	5195	7265	1.279	1.728	35.11	1.8	1.8	0.00
C-DDH-08-02	5196	7266	1.266	1.418	12.01	1.9	2.1	10.53
C-DDH-08-03	5261	7267	0.735	0.102	-86.12	<0.1	<0.1	0.00
C-DDH-08-03	5262	7268	0.985	0.580	-41.12	0.1	0.7	600.00
C-DDH-08-03	5302	7269	0.325	0.298	-8.31	<0.1	<0.1	0.00
C-DDH-08-03	5303	7270	0.295	0.263	-10.85	<0.1	<0.1	0.00
C-DDH-08-03	5304	7271	0.465	0.520	11.83	<0.1	<0.1	0.00
C-DDH-08-03	5305	7272	0.570	0.240	-57.89	1.6	<0.1	-96.88
C-DDH-08-03	5306	7273	0.215	0.078	-63.72	<0.1	<0.1	0.00
Average Diff%					-21.31			26.29

Figure 12-7: Gold Quarter-Core Duplicates (2009)

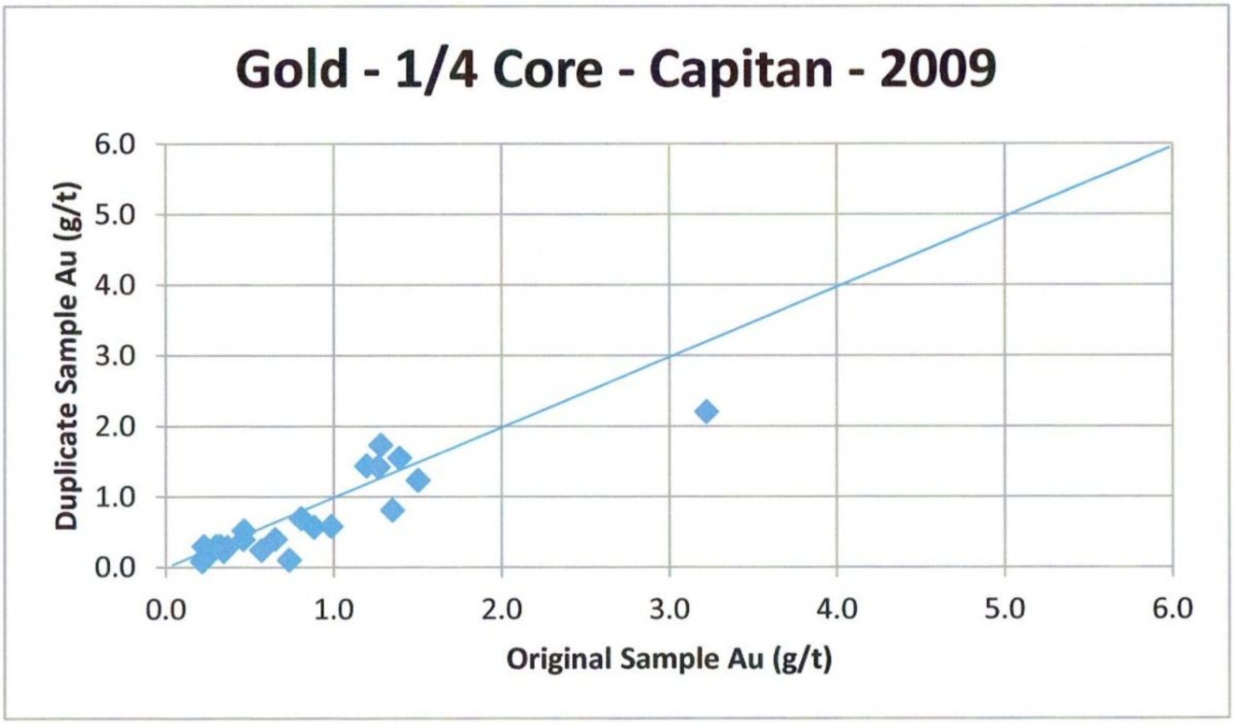
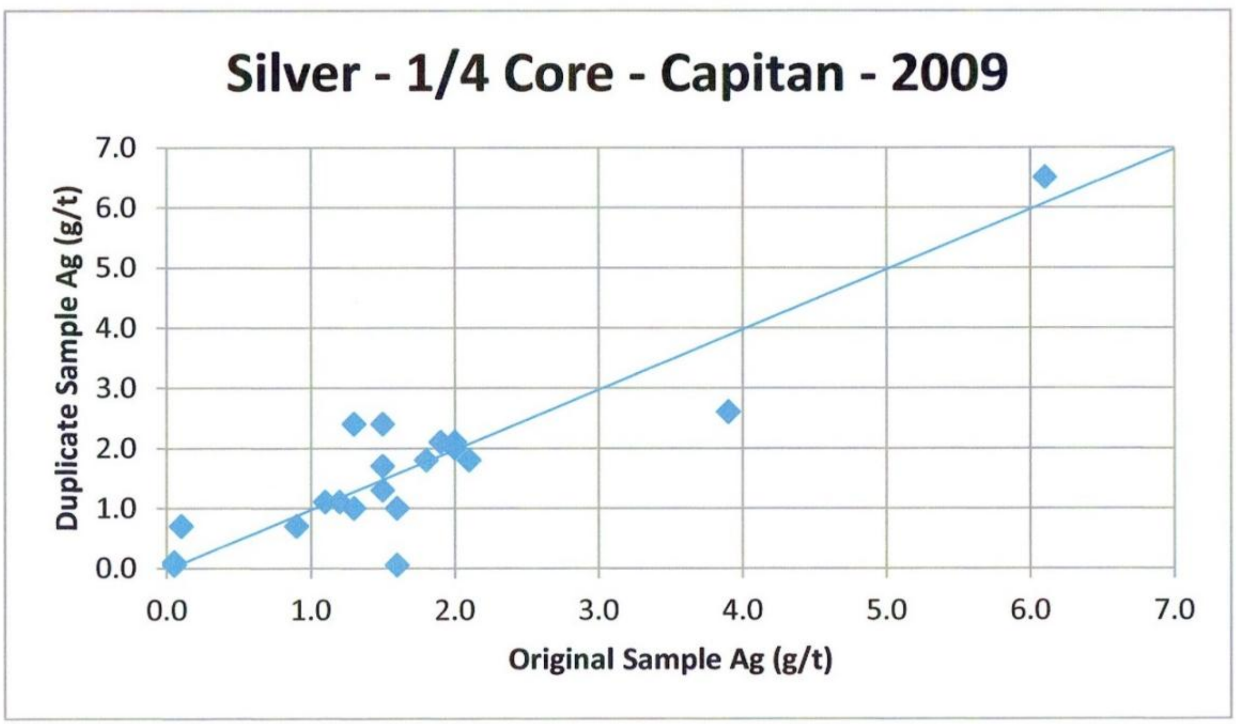


Figure 12-8: Silver Quarter-Core Duplicates (2009)



An extensive examination of the in-laboratory duplicate testing and values for control standards and blanks was conducted by Magrum (2013). The report, which will not be reproduced herein, has been examined. It was based on 59 coarse reject duplicates, 85 pulp duplicates, and 220 standard reference material (SRM) control samples. The Authors concur with the conclusion that the duplicate analyses correspond reasonably well with the original analyses.

Quality control procedures used by Morro Bay, and its predecessor Sierra Madre, to monitor El Capitan and Jesus Maria zone drilling consisted of inserting blank and SRM control samples at a frequency of once for every 10 samples. These two drilling programs, from 2011 to 2013, represent the bulk of the diamond drilling on the Peñoles Project (Myers et al., 2014).

The 2014 drilling program was also under the direction of Morro Bay, with the exception of five drill holes in the San Rafael zone (outside of the current resource area). This program followed the same quality control protocols.

Overall, the drilling programs appear to have been completed to industry standards and QA/QC procedures were adequate for purposes of resource estimation. No significant operational or logistical problems were identified during the course of the site visits.

12.2 SURVEY CONTROL DATA VERIFICATION

In addition to verifying the assay data sampling, a field check was conducted on the collar locations of drill holes using a hand-held Garmin GPS unit. Most of the drill collars were marked by labelled concrete blocks (Figure 12-9) and were, therefore, easily located. Table 12.5 compares coordinates from the database with the 2015 field check. The coordinates compare favourably, and any minor differences were attributed to normal hand-held GPS fluctuations.

Table 12.5: Drill Hole Collars Spot Check using Hand-Held GPS (NAD-27 Zone 13)

Hole	N-Original	N-Check	E-Diff (m)	E-Original	E-Check	E-Diff (m)
JM-DDH-13-02	2837388	2837385	-3	546568	546572	4
JM-DDH-13-03	2837388	2837385	-3	546568	546572	4
JM-DDH-13-04	2837388	2837390	2	546528	546530	2
JM-DDH-13-05	2837386	2837387	1	546492	546490	-2
JM-DDH-13-06	2837391	2837390	-1	546463	546458	-5
JM-DDH-13-08	2837413	2837415	2	546334	546332	-2
JM-DDH-13-09	2837433	2837432	-1	546299	546301	2
JM-DDH-14-21	2837379	2837378	-1	546384	546388	4
JM-DDH-14-27	2837415	2837416	1	546332	546331	-1
JM-DDH-14-28	2837415	2837416	1	546332	546331	-1
SR-DDH-14-01	2837804	2837800	-4	547816	547813	-3
Abs Average Diff			1.8			2.7

Figure 12-9: Drill Hole Collar Markers

12.3 Database Verification

Following the completion of the mineral resource models, the sample data from eight randomly selected drill holes, representing approximately 10% of the data, was exported from MineSight® for validation purposes (four holes from El Capitan and four from Jesus Maria). The gold and silver grades were manually compared to the values listed in certified assay certificates provided by the laboratories. A total of 434 samples were checked and no errors were identified.

12.4 Conclusions

The procedures used during the exploration programs were reviewed during a series of site visits by several qualified persons, and these practices were found to follow accepted industry standards. The quantity and location of drilling were verified during these site visits. A suite of independent samples were collected and analyzed and these grades are similar to the grades contained in the project database. Manual verification of a random suite of holes showed that no errors exist in the underlying database. The results of these data validation checks indicate that the database is sound and sufficiently reliable to support the estimation of mineral resources.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

13.1 JESUS MARIA

A current, metallurgical test work program was carried out on samples from the Jesus Maria Silver Zone of the Peñoles Project in Mexico, and the Bureau Veritas Commodities Canada Ltd. (Metallurgical Division) produced the following report *Preliminary Metallurgical Testing to Recover Gold and Silver on Samples from the Jesus Maria Zone, Peñoles Project, Mexico – March 2015*, which is summarized in this section.

13.1.1 Introduction

A series of six composites were tested to explore the optimum method(s) to economically recover gold and silver from the ore using three different process routes.

Testing included the following mineral processing circuits:

- Gravity concentration;
- Rougher-scavenger flotation; and
- Whole-ore cyanidation.

All testing was performed at the nominal grind size of P80=75 µm for comparative purposes.

13.1.2 Samples and Head Assays

Samples were collected from mineralized intervals for three drill holes from the 2014 program and composited to provide six bulk samples for metallurgical testing. The specific intervals and head grades are shown in Table 13.1.

Table 13.1: Composite Details and Head Assays

	Unit	Composite					
		1	2	3	4	5	6
Drill Hole Interval (m)		DDH-14-24 67.8-79.0	DDH-14-24 79.0-90.5	DDH-14-25 20.1-36.0	DDH-14-25 56.8-67.8	DDH-14-27 13.7-25.5	DDH-14-27 25.5-37.1
Au	g/t	0.28	0.84	0.23	0.30	0.59	0.38
Ag	ppm	141	642	96	85	196	133
Cu	ppm	171	958	144	1923	189	131
Pb	ppm	570	1140	244	13760	1668	1884
Zn	ppm	1248	1730	517	19414	1588	1461
S(tot)	%	0.68	0.94	0.69	3.79	0.35	0.22
Mn	ppm	16809	19141	8253	1115	21317	36763
As	ppm	2768	5903	2031	17272	3881	3422
Sb	ppm	145.0	650.5	82.4	355.8	274.7	188.0
Bi	ppm	<0.5	<0.5	<0.5	<0.5	<0.5	<0.5
SG	g/cm^3	2.64	2.59	2.60	2.80	2.60	2.73

Source: Bureau Veritas Commodities Canada (2015)

13.1.3 Gravity Separation Testing

Gravity concentration was performed in two stages on the six composites at the nominal grind of P80=75µm. A single-pass rougher gravity concentration was conducted in a 3-in. laboratory Knelson® centrifugal concentrator (Model KC-MD3) equipped with a 3-in. diameter bowl adjusted to a 120G gradient and using a water backpressure of 6.9 kPa (1 psi). The samples were each ground to target sizes in a laboratory mill at 65% solids. The feed was then re-pulped to a pulp density of about 20% solids and subjected to a single pass through the concentrator. The Knelson® gravity concentrate was washed out of the bowl and hand-panned to simulate a gravity upgrading circuit as well. The entire gravity cleaner concentrate was fire-assayed for gold and silver to extinction. Splits from the gravity cleaner tails and gravity tails were also analysed for gold and silver for metallurgical balance.

There appears to be very little coarse, free gold or silver as indicated in the set of results shown in Table 13.2. Further testing by gravity separation is not recommended.

Table 13.2: Gravity Separation Test Results

Comp.	Pan Concentrate					Total Gravity Concentrate				
	Mass	Assay		Recovery, %		Mass	Assay		Recovery, %	
	%	Au (g/t)	Ag (g/t)	Au	Ag	%	Au (g/t)	Ag (g/t)	Au	Ag
1	0.09	21.0	3755	6.6	2.6	2.9	2.4	967	24.2	21.6
2	0.09	21.8	50473	2.5	7.7	3.4	4.2	6642	18.1	37.7
3	0.08	5.7	4857	1.8	4.1	3.1	0.9	643	11.9	21.3
4	0.10	4.6	572	1.3	0.8	4.3	2.1	86	27.2	5.2
5	0.06	7.2	2356	0.6	0.8	3.2	1.3	607	6.5	11.8
6	0.08	10.6	2832	2.1	1.7	3.1	1.1	436	8.9	10.9
Aver.	0.08	11.8	10808	2.5	2.9	3.3	2.0	1564	16.1	18.1

Source: Bureau Veritas Commodities Canada (2015)

13.1.4 Flotation Testing

A single baseline rougher-scavenger flotation test was conducted on each of the six composites at the P80=75µm grind. As shown in Table 13.3, a combination of potassium amyl xanthate (PAX), Aerophine 3418A, and Aeroflot 242 were used as mineral collectors. Methyl isobutyl carbinol (MIBC) was used as a frother and added, as required, to maintain an adequate froth level. Collectors were added before aerating with timed conditioning and froth-collecting periods.

Table 13.3: Flotation Reagent Scheme

Test No.	Target P80 Size (µm)	pH	Collector Dosage, g/t							
			Ro.1		Ro.2		Ro.3		Ro.4	
			PAX	A208	PAX	A208	PAX	A208	PAX	A242
F1-F6	75	Natural	20	10	10	5	10	5	10	10

Source: Bureau Veritas Commodities Canada (2015)

The baseline kinetic flotation test results are summarized in Table 13.4. As shown, the rougher gold recovery on the six composites varied from 54.6% to 94.6% from sample to sample, while silver recovery varied from 75.2% to 98%. On average, flotation methods recovered 76.1% Au and 87.2% Ag into a sulphide concentrate representing 33.3% of ore mass. Flotation tailings from the six test samples averaged 0.16 g/t Au and 31 g/t Ag. Excluding Composite 2, which had a head grade of 642 g/t Ag, the average for the flotation tailings is 0.12 g/t Au and 18 g/t Ag.

Table 13.4: Baseline Flotation Testing Results

Comp.	Gold Grade, g/t Au						Gold Recovery, %				Mass
	Feed	Ro. Con. 1	Ro. Con. 1-2	Ro. Con. 1-3	Ro. Con. 1-4	Tails	Ro. Con. 1	Ro. Con. 1-2	Ro. Con. 1-3	Ro. Con. 1-4	%
1	0.28	1.5	1.2	1.0	0.9	0.07	65.8	75.4	79.9	83.4	28.9
2	0.84	3.0	2.2	1.9	1.7	0.16	67.4	81.6	86.4	89.2	43.0
3	0.23	0.5	0.5	0.4	0.4	0.11	57.3	68.2	73.8	77.8	48.6
4	0.30	1.4	1.1	1.0	0.9	0.03	84.5	92.4	93.8	94.6	36.4
5	0.59	1.9	1.7	1.6	1.4	0.38	35.4	44.0	50.0	54.6	24.3
6	0.38	2.0	1.6	1.4	1.2	0.21	40.7	48.8	53.2	57.2	18.3
Aver.	**0.44**	**1.7**	**1.4**	**1.2**	**1.1**	**0.16**	**58.5**	**68.4**	**72.9**	**76.1**	**33.3**
Comp.	**Silver Grade, g/t Ag**						**Silver Recovery, %**				**Mass**
	Feed	**Ro. Con. 1**	**Ro. Con. 1-2**	**Ro. Con. 1-3**	**Ro. Con. 1-4**	**Tails**	**Ro. Con. 1**	**Ro. Con. 1-2**	**Ro. Con. 1-3**	**Ro. Con. 1-4**	**%**
1	141	888	637	535	457	14	82.7	86.8	90.4	93.0	28.9
2	642	2929	1991	1647	1499	23	84.7	94.5	96.4	98.0	43.0
3	96	362	304	265	242	9	79.8	93.4	95.3	96.2	48.6
4	85	387	299	267	244	4	90.0	96.5	96.8	97.2	36.4
5	196	848	689	604	531	97	49.4	56.0	60.2	63.7	24.3
6	133	976	720	611	514	38	64.5	70.2	73.4	75.2	18.3
Aver.	**216**	**1065**	**773**	**655**	**581**	**31**	**75.2**	**82.9**	**85.4**	**87.2**	**33.3**

Source: Bureau Veritas Commodities Canada (2015)

13.1.5 Cyanidation Leach Testing

Bottle roll, whole-ore cyanide leach tests were conducted on all six composites at 40 wt% solids at the P80=75µm target grind (see Table 13.5). Before adding sodium cyanide (NaCN), the alkalinity was adjusted with hydrated lime to pH 10.5-11 and further maintained at this level. The NaCN-level was established and maintained at 2.0 g/L while the dissolved oxygen (d.O_2) concentration was monitored for the duration of the test. Intermediate solution samples were removed to determine gold and silver dissolution kinetics. The leach tests were terminated after 72 hours with filtration of pregnant leach solution (PLS). The solid residues were displacement-washed with cyanide solution, followed by two hot water rinses. The PLS and the final residue were analysed for gold and silver content for metallurgical balance.

Gold was partially refractory to cyanide leaching in Composite #4. Gold extraction for the remaining composites ranged from 37.5% to 83.1%. Silver responded well to this leach procedure with extractions ranging from 67.5% to 90% and averaging 78%.

A partial correlation was observed between gold and silver recovery and the arsenic (As) content of the feed: the higher the arsenic, the lower the gold and silver recoveries.

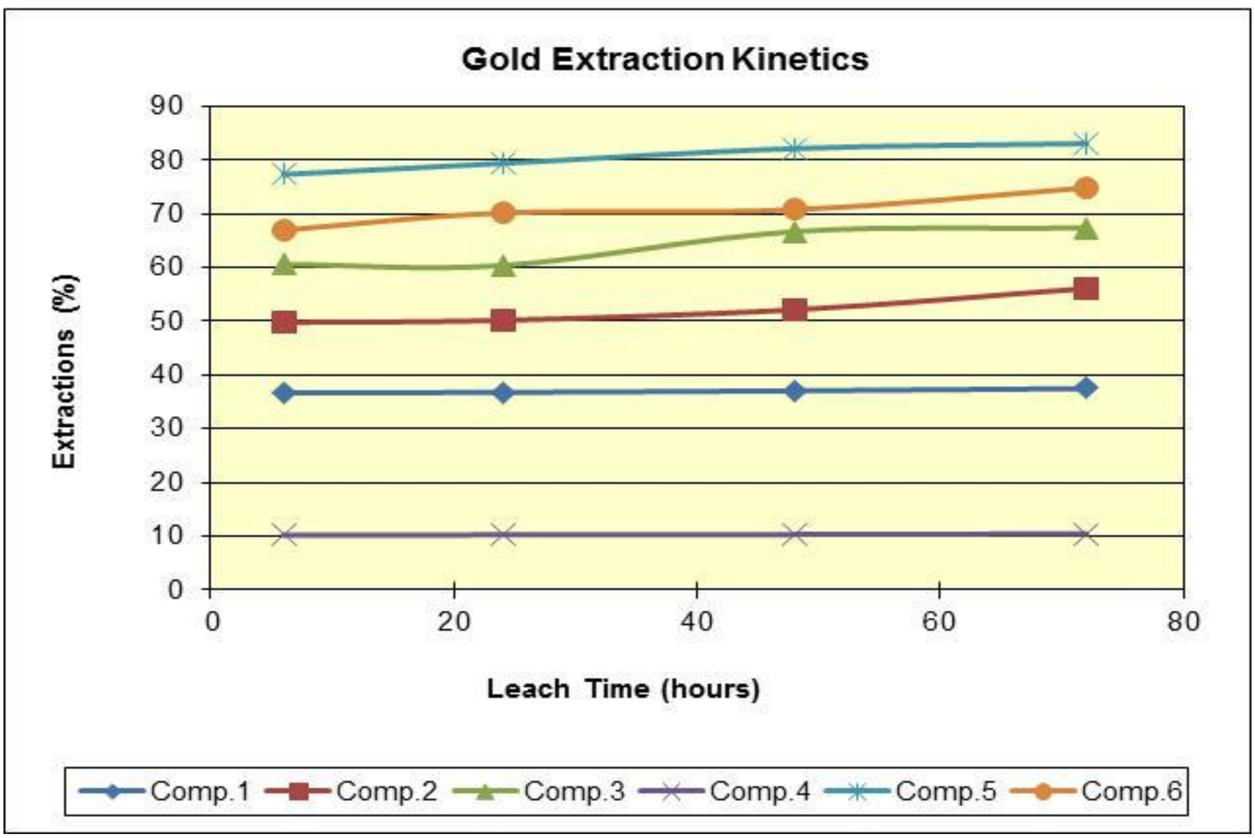
Table 13.5: Whole-Ore Cyanidation Test Results

Comp ID	Head Grade		72-h Extraction		Residue Grade		Consumption (kg/t)	
	Au (g/t)	Ag (g/t)	Au (%)	Ag (%)	Au (g/t)	Ag (g/t)	NaCN	Lime
1	0.28	141	37.5	84.3	0.18	24	4.12	0.17
2	0.84	642	56.1	78.0	0.40	159	3.79	0.21
3	0.23	96	67.4	90.9	0.09	10	2.45	0.22
4	0.30	85	10.5	66.8	0.33	33	2.59	0.20
5	0.59	196	83.1	67.5	0.13	70	2.43	0.37
6	0.38	133	74.9	80.3	0.12	29	3.03	0.30
Aver.	0.44	216	54.9	78.0	0.21	54	3.07	0.25

Source: Bureau Veritas Commodities Canada (2015)

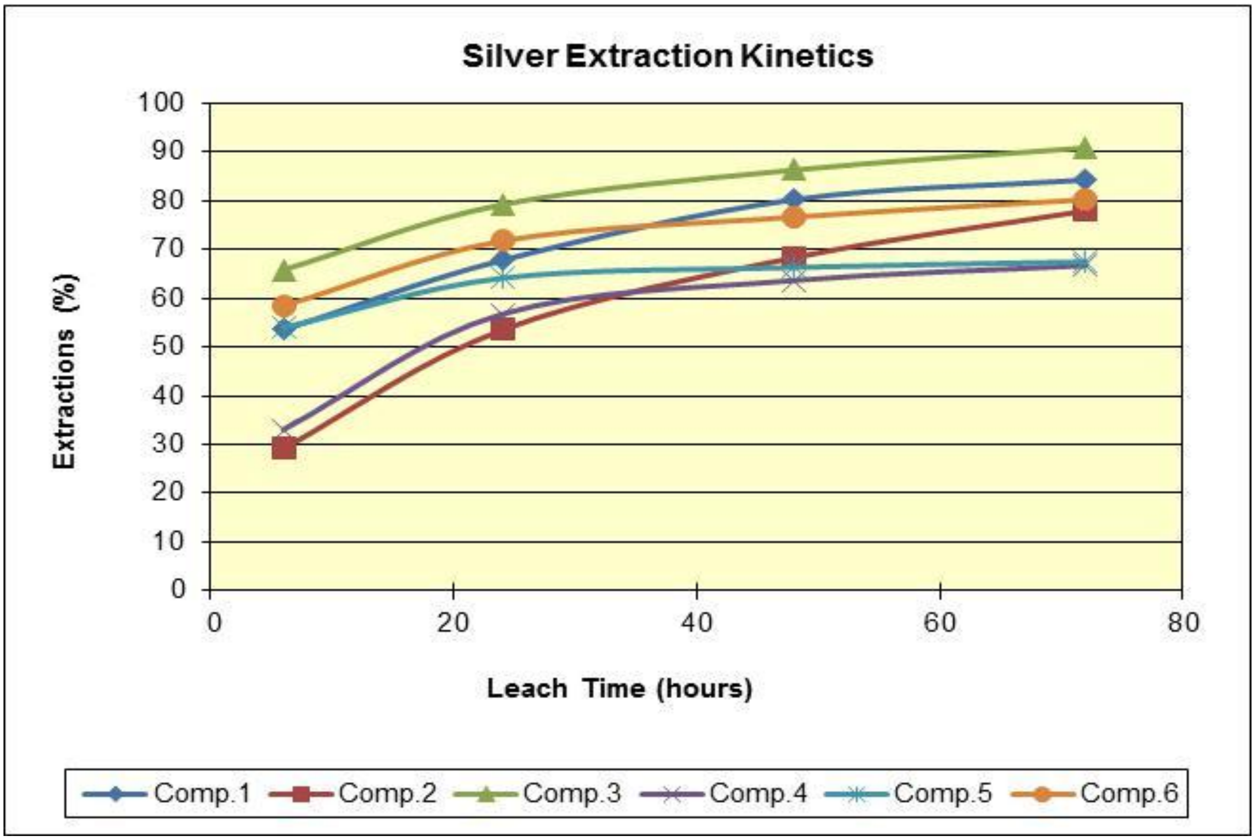
The leaching process kinetics indicated that the gold extraction rate was very quick, and achieved close to maximum results in less than five hours. At this point, leaching slowed and continued at a much lower rate as indicated in Figure 13-1. Whereas, after the initial, rapid 5-hour silver leach, the leaching process continued significantly for the remaining 67 hours of the test. This is shown in Figure 13-2.

Figure 13-1: Gold Extraction Kinetics



Source: Bureau Veritas Commodities Canada (2015)

Figure 13-2: Silver Extraction Kinetics



Source: Bureau Veritas Commodities Canada (2015)

13.1.6 Summary and Recommendations

Samples from the Jesus Maria zone responded differently to the three types of processes. Although flotation resulted in the highest recoveries for both gold and silver, it needs to be followed by a concentrate cyanidation process as a second stage, which significantly increases operating costs. The tested ore samples were found to be amenable to an agitated tank-leaching procedure using cyanide. At a P80 grind of 75 µm, they leached favourably in 72 hours, and generally achieved an average rate extraction of 55% Au and 78% Ag recoveries (see Table 13.6).

Table 13.6: Comparison of Test Results

Comp ID	Hole ID	Interval	Grade		Gravity Recovery		Flotation Recovery		Cyanidation Recovery	
			Au, g/t	Ag, g/t	Au, %	Ag, %	Au, %	Ag, %	Au, %	Ag, %
1	JM-DDH-14-24	67.8-78.95m	0.28	141	6.6	2.6	83.4	93.0	37.5	84.3
2	JM-DDH-14-24	78.95-90.5m	0.84	642	2.5	7.7	89.2	98.0	56.1	78.0
3	JM-DDH-14-25	20.1-35.95m	0.23	96	1.8	4.1	77.8	96.2	67.4	90.9
4	JM-DDH-14-25	56.8-67.8m	0.30	85	1.3	0.8	94.6	97.2	10.5	66.8
5	JM-DDH-14-27	13.7-25.45m	0.59	196	0.6	0.8	54.6	63.7	83.1	67.5
6	JM-DDH-14-27	25.45-37.1m	0.38	133	2.1	1.7	57.2	75.2	74.9	80.3
Average			0.44	216	2.5	2.9	76.1	87.2	54.9	78.0

Source: Bureau Veritas Commodities Canada (2015)

Because these are preliminary scoping tests, additional testing should be conducted on whole-ore cyanidation to study the economics of a heap leach process. Specific recommendations include the following:

- Conduct a series of 10-day bottle roll tests on three different ore-type composites at varying crush sizes (½-in., ¾-in., and 1-in.);
- Review the most favourable bottle roll results and conduct follow-up testing to study the effects of cyanide dosage and lime consumption on the overall extraction rate; and
- Perform comminution tests, including Bond ball mill work index and abrasion index.

13.2 El Capitan

Historical and current metallurgical test work programs have been carried out on samples from the El Capitan Project in Mexico. The following reports are from these projects:

- *Gold Recovery by Cyanide Leaching on Samples from Sierra Madre's El Capitan Project – October 2011*, Bureau Veritas Commodities Canada Ltd. (Metallurgical Division); and
- *Metallurgical Testing on Samples from El Capitan Project, Mexico – August 2013*, Bureau Veritas Commodities Canada Ltd. (Metallurgical Division).

13.2.1 Summary of 2011 Test Work

In 2011, Inspectorate Exploration & Mining Services performed preliminary bottle roll testing on mineral samples obtained from 2008 drill core samples provided by Riverside from the El Capitan zone. The results show that the samples were amenable to gold leaching by cyanidation.

A total of 28 cyanide bottle roll tests were conducted. The initial work was performed on sample #28 DDH 08-01 (62.4 m to 64.3 m), which assayed 1.06 g/t Au. The initial bottle rolls were conducted at three coarser particle sizes (¾-in., ½-in., and 6 mesh) to determine whether the material is amenable to heap leaching procedures. The two more coarsely crushed samples achieved a gold recovery of about 30% after 96 hours of leach retention. On the sample crushed to 6 mesh, a gold recovery of 53% was achieved after 96 hours of leach retention. Gold dissolution is expected to continue to increase with additional leach retention time based on observations of the leach kinetic curves.

Another 25 samples from drill holes 08-01, 08-02, and 08-03 were submitted for cyanide bottle roll leaching for 96 hours at a particle feed crush size of 6 mesh. Gold fire assays on this set of samples varied from 0.04 g/t to 2.2 g/t. Comparison of metallic gold assays with gold by fire assay on 1AT (assay tonne) split indicated that the gold particles did not appear to be coarse grained. These gold leach recoveries were approximately 60%, with recoveries of up to 70% to 80% for some of the higher gold grade samples. The kinetic data indicates leaching continues after 96 hours of retention time. The sodium cyanide consumption ranged from about 1.0 kg/t to 1.5 kg/t.

The results appear to show that the material responds well to cyanidation and might be amenable to heap leach procedures. Heap leaching potential should be estimated from column leach testing and it is recommended that representative composite samples are prepared from the resource for column study at various particle sizes. Crushing to coarser particle sizes and down to 6 mesh is recommended. Due to fines generation, agglomeration would be included; this is based on observations noted during this test program. Cyanide bottle roll testing should also be performed on ground samples to determine the leach response.

In summary, preliminary testing shows that the El Capitan material responds favourably to cyanidation procedures.

13.2.2 Summary of 2012-2013 Test Work

A series of bottle roll and column leach tests were conducted to explore the suitability of a heap leach process to economically recover gold and silver values from the ore.

Standard bottle roll tests were run on 37 samples at varying crush or grind sizes and durations as shown in Table 13.7.

Table 13.7: Types of Bottle Roll Tests

Set	Crush or Grind Size Approx. P80	Length of Test Hours	NaCN g/t	pH	% Solids
1	75µm	48	1.0	10.5	40
2	1/2" - 5/8"	144	1.0	10.5	40
3	1"	216	1.0	10.5	40
4	90 - 165µm	48	1.0	10.5	40

Source: Bureau Veritas Commodities Canada (2015)

Solution samples were taken at intervals to develop leaching time curves versus recovery.

Coarse-crush, 82-day, column-leach tests were conducted; samples were agglomerated with cement and lime powder, and then cured in the columns for 5 days. Test parameters are shown in Table 13.8.

Table 13.8: Column Leach Test Parameters

	Col Dia (in.) x 10' h	Crush Size	Cement kg/tonne	Lime kg/tonne	Time (days)
1	6	1"	0	0.3	82
2	6	1"	0	0.3	82
3	6	5/8"	5	0.3	82
4	4	3/8"	5	0.3	82
5	4	1/2"	5	0.3	82
6	6	1"	0	0.3	82
7	4	1/2"	5	0.3	82
8	4	1"	0	0.3	82
9	6	1/2"	5	0.3	82
10	4	1"	5	0.3	82
11	4	1/2"	5	0.3	82

Source: Bureau Veritas Commodities Canada (2015)

Solution samples were taken at intervals to develop leaching time curves versus recovery.

13.2.3 Samples and Head Assays

Samples were combined into 11 composites representing 6 lithological groups: volcanics (V), hydrothermal flooded (F), sediments (S), and subdivided into low (L), medium (M), and high (H) grade units based on the range of gold assays. Before crushing, representative samples were removed for comminution testing from each lithological group. These were tested for Bond ball mill work index, crushing work index, and abrasion index. Head analyses of the various composites are shown in Table 13.9.

Table 13.9: Composite Head Assays

Element Unit	Au g/mt	S(tot) %	S(-2) %	Ag ppm	Ca %	Fe %
Comp VL	0.12	0.04	0.02	1.0	0.79	1.16
Comp VM	0.28	0.08	0.06	3.9	1.57	2.35
Comp VH	0.69	0.04	0.03	29.5	0.90	2.76
Comp FL	0.48	0.08	0.04	3.9	5.40	1.05
Comp FM	1.16	0.03	0.01	14.0	5.10	1.33
Comp FH	1.32	0.05	0.01	36.3	8.25	0.82
Comp SL	0.28	0.06	0.04	7.9	2.08	2.49
Comp SM1	0.46	0.04	0.01	5.0	2.58	2.05
Comp SM3	1.34	0.03	0.01	4.9	2.42	2.59
Comp SM2+4	0.49	0.05	0.02	245.0	2.36	1.87
Comp SH	2.72	0.07	0.04	11.9	1.98	3.00

Source: Bureau Veritas Commodities Canada (2015)

13.2.4 Bottle Roll Testing

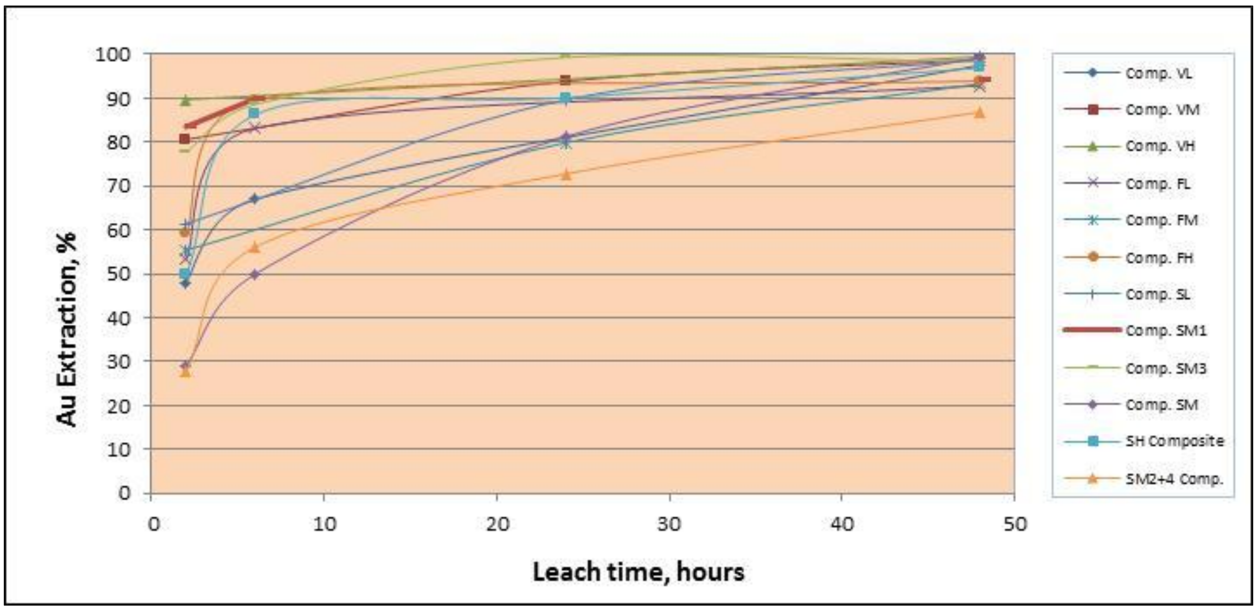
Bottle roll cyanide leach tests were conducted on a variety of grind and crush sizes, with optimum results occurring in samples ground to a P80 range of 60 to 120 µm. An example of these types of results can be seen in the series of 14 bottle roll tests covering a 48-hour period at a P80 grind size range of 61 to 116 µm, shown Table 13.10 and Figure 13-3. Gold leaching occurred relatively quickly within the first 24 hours, with some leaching continuing slightly beyond that. Extraction rates were generally +90%; only two samples were less than that at 85% recovery.

Table 13.10: Bottle Roll Test Results at a Medium Grind

Composite ID	P80 Size µm	Extraction(%) Au	Ag	Residue Grade Au (g/t)	Ag (g/t)	Consumption (kg/t) NaCN	$Ca(OH)_2$
VL	88	97.5	-	0.01	-	0.73	0.3
VM	93	98.7	63.7	0.01	4.0	0.83	0.4
VH	78	99.5	63.7	0.01	6.7	0.82	0.7
FL	116	92.9	-	0.04	-	0.77	0.3
FM	94	93.3	17.8	0.09	19.2	0.77	0.2
FH	88	93.9	31.2	0.11	25.3	0.80	0.4
SL	86	98.8	60.1	0.01	3.3	0.74	0.6
SM1	102	94.4	-	0.03	-	0.70	0.3
SM3	77	98.3	-	0.01	-	0.75	0.5
SM	70	99.3	87.2	0.01	6.4	0.73	0.5
SH	85	96.9	41.9	0.04	6.7	0.65	0.9
SM2+4	61	86.9	61.0	0.05	107.2	1.64	0.4
FM2	67	90.1	41.9	0.13	8.2	2.53	0.3
SM2	86	96.6	35.1	0.05	6.3	2.57	0.4

Source: Bureau Veritas Commodities Canada (2015)

Figure 13-3: Medium Grind Bottle Roll Test Results



Source: Bureau Veritas Commodities Canada (2015)

Coarsely crushed material in two sets, 3/8-in. to 5/8-in. and 1-in., were found to leach very slowly, despite the much longer leach times tested. Table 13.11 compares the average for various grind or crush sizes.

Table 13.11: Comparison of Average Leach Results at Various Grind or Crush Sizes

Particle Size Range P80	Leach Time (hrs)	Extraction(%)		Residue Grade		Consumption (kg/t)	
		Au	Ag	Au (g/t)	Ag (g/t)	NaCN	$Ca(OH)_2$
60 - 120 µm	48	95.5	50.4	0.04	19.3	1.07	0.44
3/8" - 5/8"	144	33.3	16.7	0.42	12.5	1.85	0.27
1"	216	23.7	15.1	0.50	12.7	1.26	0.38

Source: Bureau Veritas Commodities Canada (2015)

13.2.5 Column Leach Testing

A series of 11 cyanide column leach tests were conducted on a variety of composite combinations. Each test, running for 82 days, was started with a 1.0 g/L NaCN solution then maintained at a constant 0.5 g/L for the test duration.

The PLS was fed through a small carbon column filled with 30 g of activated carbon. The stripped barren solution (BLS), after the adjustment of pH and NaCN concentrations, was recycled to the top of the column. The gold-loaded carbon and strip-solution sample were collected at regular intervals: three times a week for the first month, then twice a week after that.

At the end of leaching, the columns were washed with a 0.5 g/L NaCN solution and then washed again with two water washes to remove the dissolved metals. The wash solution was collected separately and assayed for metallurgical balance.

Following the wash procedure, the columns were taken down, and the residues were emptied onto plastic sheets and air dried. The dried residue was blended and a 5 kg sub-sample was removed for size-assay analysis to calculate size-specific extractions.

Table 13.12 shows results for the 11 tests. They are divided into the various ore types to better highlight the leaching properties and results at this preliminary stage of testing.

Two of the sedimentary tests achieved 55% and 58% Au extraction rates, and one of the volcanic composites achieved a 48% Au extraction rate. Additional testing is recommended to further study the optimum crush sizes and operating parameters for the separate ore types.

Table 13.12: Cyanide Column Leach Results

Col. No	Comp	P_{80} Size mm	% Au Extraction	Residue Grade Au (g/t)	Chemical Consumption (kg/t) NaCN	$Ca(OH)_2$
Volcanics (V)						
1	Comp VL	22.0	38.9	0.08	0.56	0.47
2	Comp VM+VH	23.4	38.1	0.28	0.67	0.36
3	Comp VM+VH	13.8	42.0	0.24	0.22	0.30
4	Comp VM+VH	6.2	48.1	0.18	0.41	0.30
Hydrothermal Flooded (F)						
5	Comp FL	14.1	12.5	0.46	0.37	0.30
6	Comp FM+FH	22.2	28.6	0.61	0.56	0.39
7	Comp FM+FH	12.2	16.8	1.08	0.36	0.31
Sediments (S)						
8	Comp SL	20.8	55.0	0.10	0.67	0.44
9	Comp SL	12.6	58.6	0.10	0.64	0.31
10	Comp SM+SH	21.3	25.7	0.49	0.23	0.30
11	Comp SM+SH	11.5	35.5	0.31	0.35	0.30

Source: Bureau Veritas Commodities Canada (2015)

13.2.6 Comminution Testing

Several composite samples were tested for hardness and abrasion using Bond ball mill work index, Bond crusher work index, and Bond abrasion index methods. The tested ore samples had a relatively high work index and moderate crushability and abrasion index results. The results are shown in Table 13.13.

Table 13.13: Comminution Test Results

Sample ID	Ball Mill Work Index (kWh/tonne)	Crusher Work Index (kWh/tonne)	Abrasion Index Ai (g)
Comp. FM	20.9	9.55	0.8042
Comp. SL	--	8.07	0.3890
Comp. SM3	19.3	--	--
Comp. VH	20.7	--	--
Comp. VL	--	14.7	1.1152

Source: Bureau Veritas Commodities Canada (2015)

13.2.7 Summary and Recommendations

Samples from the El Capitan zone were found to be amenable to an agitated tank-leaching procedure using cyanide. At a P80 grind range of 60 to 120 µm, they were seen to leach favourably in 48 hours or less, generally achieving an average extraction rate of 95% Au recovery.

The coarse-crush extraction rates were less than those of the same samples ground to 60 to 120 µm. However, several of these samples demonstrated higher extractions than others and additional studies are required. The work outlined in this summary is very preliminary, but it supports possible heap leach processing.

It is recommended that further testing be conducted to optimize the crush size, along with various operating parameters, such as cyanide and lime consumption, leach time required, pulp density, etc.

The specifically recommended tests would consist of a composite from two or three of the ore types run in 10-day bottle roll tests at crushes of ½-in., ¾-in., and 1-in. The best results from each ore-type would then be followed up with a few tests to study the effect of cyanide dosage on the overall extraction rate.

14 MINERAL RESOURCE ESTIMATE

14.1 INTRODUCTION

This section describes the approach used to generate mineral resource estimates for the El Capitan and Jesus Maria deposits. El Capitan is primarily a gold-bearing deposit with minor silver credits, and Jesus Maria is a silver deposit with minor amounts of contained gold. The deposits are separated by approximately 300 m and the mineralized zones are interpreted as merging together to the west. Due to their close proximity, resources are generated using one block model, but, due to differences in the nature of the mineralization, they remain essentially segregated during the development of the resource model.

The mineral resource estimates were prepared under the direction of Robert Sim, P.Geo., with the assistance of Bruce Davis, FAusIMM. Mr. Sim is the independent Qualified Person within the meaning of NI 43-101 for the purposes of mineral resource estimates contained in this report. Estimates are made from 3D block models based on geostatistical applications using commercial mine planning software (MineSight® v9.50-01). The project limits are based in the UTM coordinate system using a nominal block size of 10 m x 5 m x 10 m, with the shorter blocks roughly perpendicular to the east-southeast oriented strike direction of the deposits. Diamond drilling was conducted from surface drill stations in the hanging wall of the deposits. Holes are generally spaced at 40 m intervals to depths of between 150 m and 200 m below surface.

The resource estimates have been generated from drill hole sample assay results, and limited surface trend and drift channel samples, and the interpretation of a geologic model which relates to the spatial distribution of gold and silver in the El Capitan and Jesus Maria deposits. Interpolation characteristics have been defined based on the geology, drill hole spacing and geostatistical analysis of the data. The resources were classified according to their proximity to the sample locations and are reported, as required by NI 43-101, according to the *CIM Definition Standards for Mineral Resources and Mineral Reserves* (May, 2014).

The mineral resource has been estimated in conformity with generally accepted CIM *Estimation of Mineral Resources and Mineral Reserves Best Practices Guidelines* (November, 2003) and is reported in accordance with the Canadian Securities Administrators' (CSA) NI 43-101. Mineral resources are not mineral reserves and they do not have demonstrated economic viability.

This report includes estimates for mineral resources only. Note: No mineral reserves were prepared or reported.

14.2 AVAILABLE DATA

There are a total of 81 drill holes in the El Capitan/Jesus Maria database with a total core length of 10,265 m. Fifty holes were drilled to test the El Capitan target, and 30 holes were drilled on the Jesus

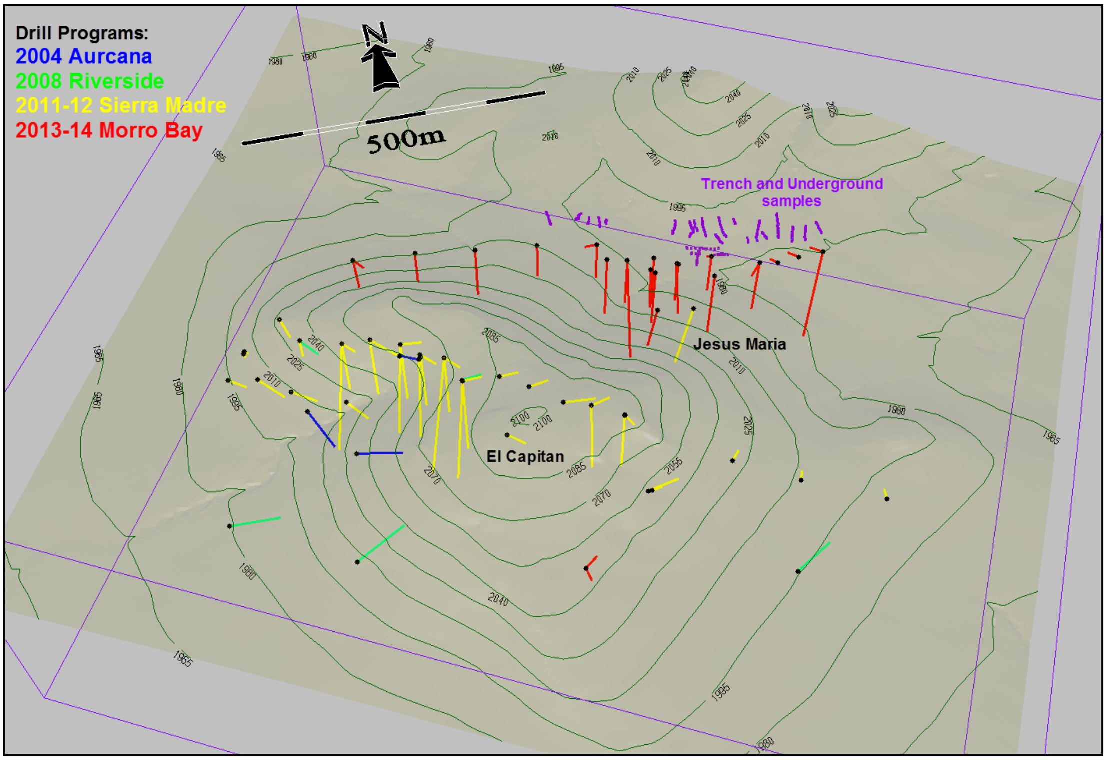
Maria deposit. One drill hole was exploratory in nature, testing for satellite deposits, and did not influence the resource model.

Drilling was conducted by the following operators as described in *Section 10 Drilling*:

- 2004 by Aurcana Corporation (4 holes)
- 2008 by Riverside Resources Inc. (5 holes)
- 2011, 2012, and 2013 by Sierra Madre Developments Inc. (49 holes)
- 2014 by Morro Bay Resource Ltd. (23 holes).

Also included in the database are chip-channel samples from Jesus Maria collected by Sierra Madre Developments Inc. (Sierra Madre) from 20 cross-cutting surface trenches and 3 underground drift areas (from historic production located 20–25 m below surface). The chip-channel data compares reasonably well with proximal drill holes and it provides additional near-surface information on the nature of mineralization at the Jesus Maria deposit. The location of the chip-channel data and the distribution of drilling by vintage are shown in Figure 14-1. A comparison of the various drilling programs shows similar results. Although the sample data collected during the 2004 and 2008 campaigns is not supported by robust QA/QC programs, the older data is supported by proximal newer drilling and is considered sufficient to validate this data for use in a resource estimate. Note: Only five holes drilled in 2004 and 2008 intersect the main mineralized zone at El Capitan and, therefore, contribute to the resource estimation.

Figure 14-1: Distribution of Drill Holes by Vintage



The distribution of gold grades in drill holes and chip-channel data is shown in Figures 14-2 and 14-3. The distribution of silver grades is shown in Figures 14-4 and 14-5. Note: El Capitan has relatively high gold grades and low silver grades, and Jesus Maria is primarily a silver deposit, with minor gold grades.

Sample grades identified as being below the detection limits for gold and silver have been assigned values equal to one half the detection limit. All unsampled intervals, except for a few short drill holes that were abandoned due to drilling issues, were assigned zero grades for gold and silver – these were not sampled as a cost cutting measure because there were no visible indications of significant mineralization present. Although this represents approximately 1,500 m of unsampled zero-grade drilling, these intervals tended to be outside of the trends of mineralization and, therefore, had little or no influence on the resource estimate.

Figure 14-2: Distribution of Gold Sample Data (isometric view looking north)

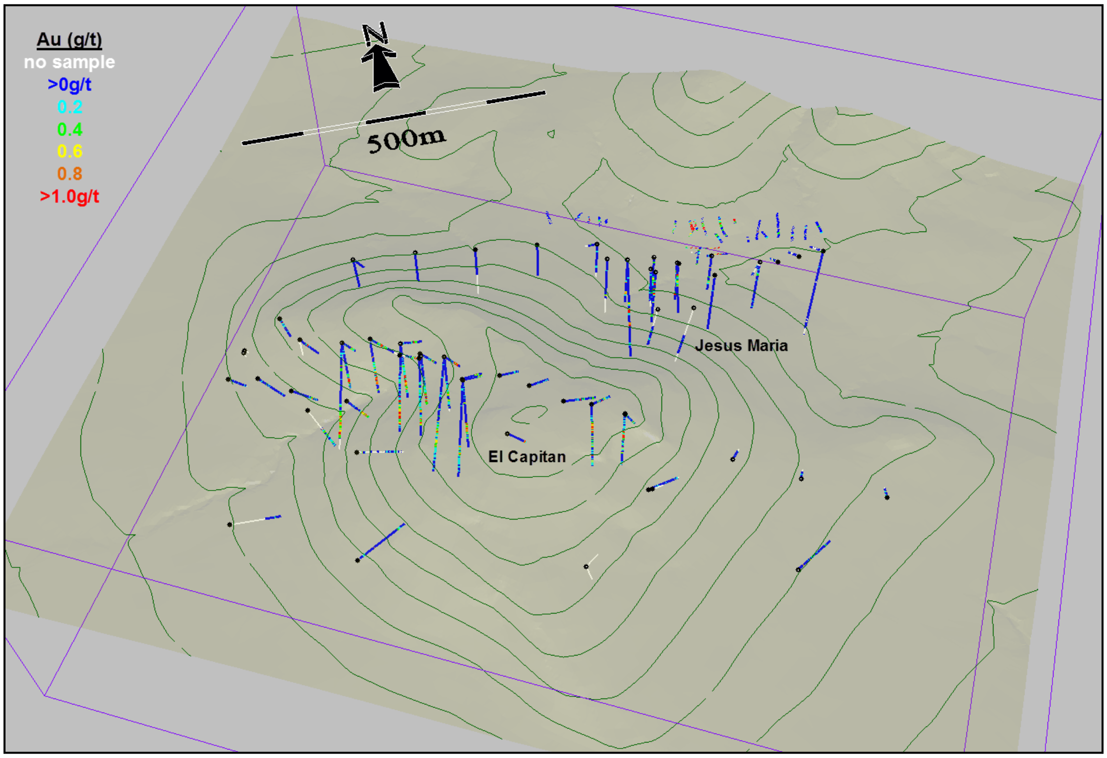


Figure 14-3: Distribution of Gold Sample Data (isometric view looking southwest)

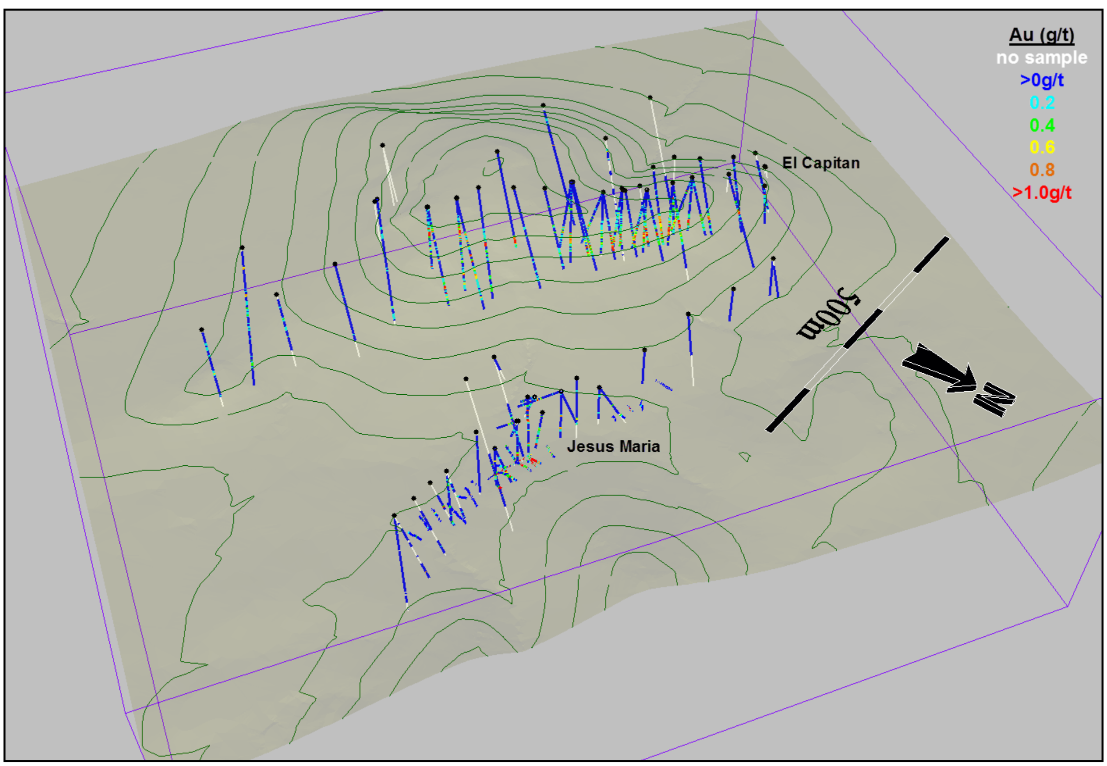


Figure 14-4: Distribution of Silver Sample Data (isometric view looking north)

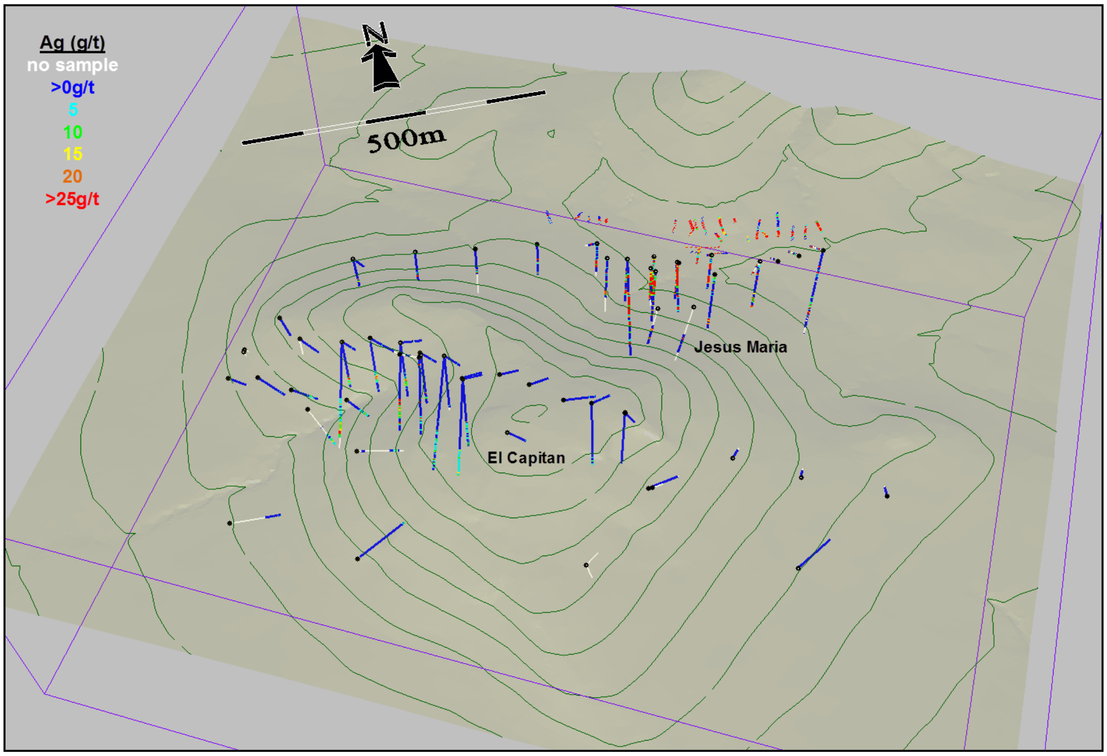
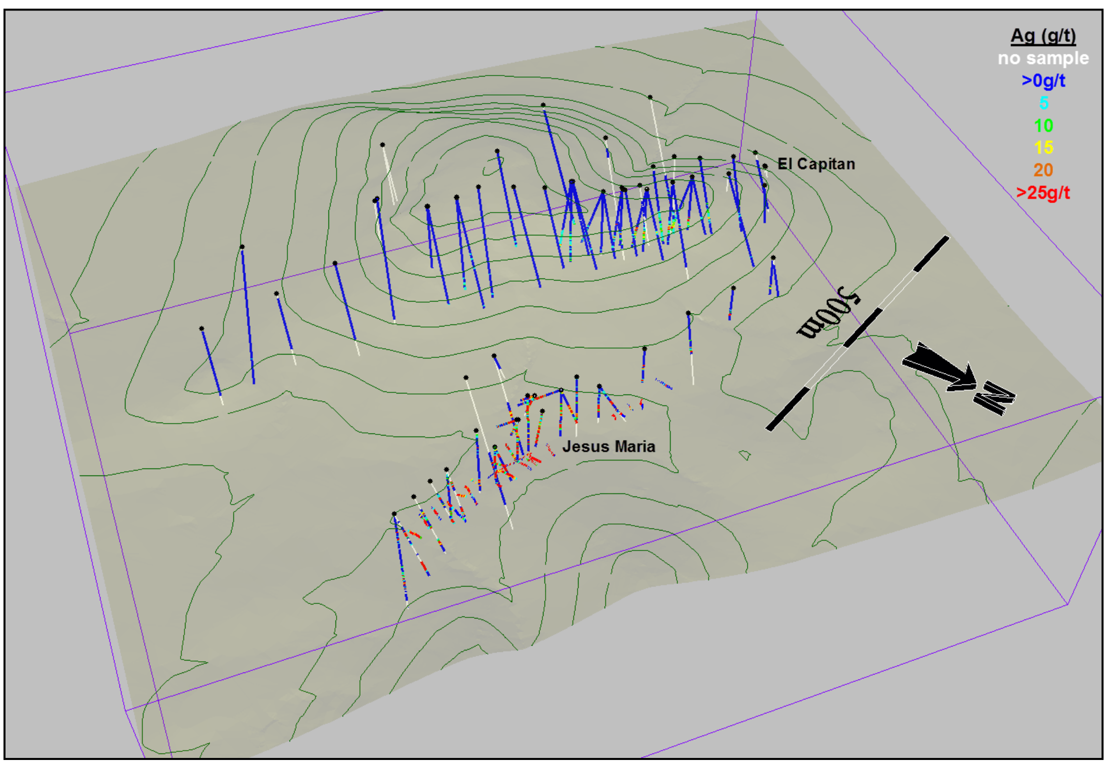


Figure 14-5: Distribution of Silver Sample Data (isometric view looking southwest)



The relatively rugged terrain in the project area has locally influenced the distribution of drill holes intersecting the deposits, especially at El Capitan. It is common to have two or more holes “fanned” from a single drilling setup intersecting the mineralized horizon at angles ranging from 90 degrees to as shallow as 45 degrees in some of the deeper holes. Several holes at Jesus Maria have been drilled down the dip of the currently interpreted south-dipping mineralized structure. At this time, the geologic interpretation at Jesus Maria is not well understood and is subject to potential changes with additional drilling. The current interpretation is considered the simplest, and it still honours all of the current drilling results.

The majority of the deposits have been tested with drill holes on vertical cross sections spaced at 40 m intervals oriented roughly perpendicular to the general strike of the zone; at El Capitan, drill sections are oriented at a 30 degree azimuth, and at Jesus Maria they are oriented at a 10 degree azimuth. The spacing of drill hole pierce points on-section typically averages about 50 m, but it can vary from 25 m to 80 m or more in some areas.

There are 4,432 individual samples in the original drilling database. Sample intervals range from 0.1 m to a maximum of 6.1 m long, with an average of 1.86 m. The standard sample interval is 2 m long, but this varies in response to the geology encountered in drilling. The basic statistical summary of the drill hole sample data is shown in Table 14.1.

Table 14.1: Statistical Summary of Drilling Sample Database

Element	Deposit	Number of Samples	Total Sample Length (m)	Min	Max	Mean	Standard Deviation
Gold (g/t)	El Capitan	3,254	6,594	0	13.649	0.220	0.485
	Jesus Maria	1,243	3,114	0	2.302	0.079	0.198
	Both	4,497	9,708	0	13.649	0.173	0.420
Silver (g/t)	El Capitan	3,254	6,594	0	160.2	1.65	5.97
	Jesus Maria	1,243	3,114	0	3,409.1	21.88	101.04
	Both	4,497	9,708	0	3,409.1	8.14	58.21

Note: Weighted by sample length.

14.3 GEOLOGICAL MODEL

Epithermal-type gold and silver mineralization, present in the El Capitan and Jesus Maria deposits, is roughly associated with silica flooding and minor sulphide emplacement along pronounced structural features. The trends of the mineralization are evident in Figures 14-2 to 14-5. At El Capitan, the mineralized structure occurs at roughly the interface between underlying sedimentary units and overlying volcanic rocks. The general trend of the mineralized zones has a strike of 120 degrees azimuth and dips at -30 degrees to the south-southwest. The thickness of the mineralized zone typically ranges between 40 m and 60 m, but it approaches 140 m in some areas.

The main mineralized structure at Jesus Maria has a strike of about 100 degrees azimuth and dips at -55 degrees to the south. The current interpretation, based on limited drilling, curves and flattens to the west and ultimately merges with the El Capitan structure on the west end of the resource area. Silver-rich mineralization at Jesus Maria has been encountered in drilling ranging from 10 m to approaching 80 m in true thickness in some areas. The host rocks at Jesus Maria are primarily sedimentary in nature (shale), intercalated with porphyritic dacite dykes that are typically less than 5 m thick. Geologic interpretation of the relatively thin dacite dykes, based on the current data, is not possible.

Observations during drilling indicate that the El Capitan deposit occurs above the local water table in rocks that are extensively oxidized throughout. During drilling at Jesus Maria, water was encountered at a depth of about 30 m to 40 m below the valley floor at approximately 1,950 m elevation (one of the old underground workings is a water source for the nearby town). Visible sulphides are common in drilling at Jesus Maria. It is likely that the oxide-sulphide interface is roughly coincident with the top of the current water table. There is relatively little overburden in the area of the mineral resource and, as a result, there have been no adjustments made to account for overburden in the model.

14.4 Bulk Density Data

A series of 41 drill core samples were tested at the Inspectorate Laboratories using the *specific gravity with wax* method. Core samples are sealed with wax and then weighed in air (W_{air}) and again while submerged in water (W_{water}). The density of the sample is determined as the ratio of W_{air}/W_{water}, assuming the density of water is equal to 1 g/cc.

Specific gravity (SG) values range from 2.04 t/m^3 to 2.60 t/m^3, with an average of 2.40 t/m^3. Exclusion of several anomalously low values increases this average to 2.45 t/m^3.

A metallurgical testing report, conducted by Inspectorate (August, 2013), states two specific gravity measurements from composited rock samples from El Capitan, 2.62 t/m^3 and 2.66 t/m^3. There is no description of the method used in the report.

At this stage, specific gravity measurements are insufficient to estimate (interpolate) density values in the block model. There is some variability in the current (limited) data. A value of 2.50 t/m^3 is considered to be a reasonable average density to determine resource tonnage from the block model. It is recommended that a program is implemented to conduct density measurements on available drill core.

14.5 Compositing

Compositing of drill hole samples is carried out in order to standardize the database for further statistical evaluation. This step eliminates any effect related to the sample length which might exist in the data.

Drill hole composites are weighted by the length of the original sample interval and have been generated *down-the-hole*; this means that composites begin at the top of each hole and are generated at 2-m intervals down the length of the hole. Several holes were randomly selected and the composited values were checked for accuracy. No errors were found.

14.6 Exploratory Data Analysis

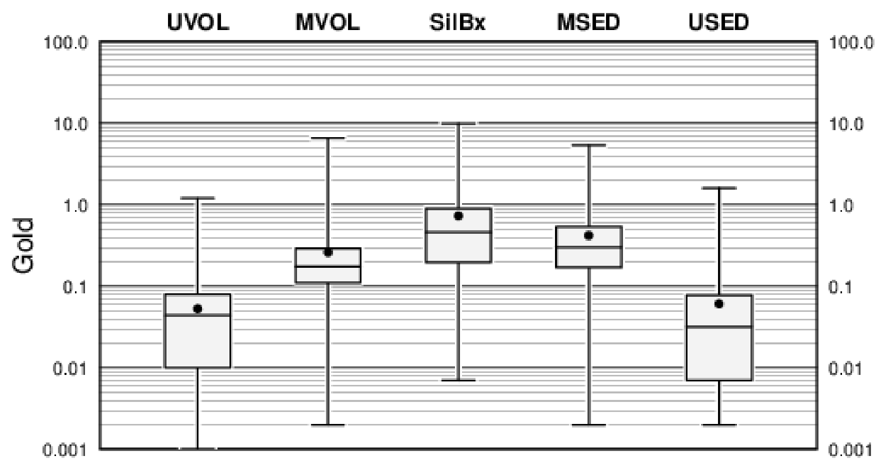
Exploratory data analysis (EDA) involves the statistical summarization of the database in order to better understand the characteristics of the data that might control grade. One of the main purposes of this exercise is to determine if there is evidence of spatial distinctions in grade which could require the separation and isolation of domains during interpolation. The application of separate domains prevents unwanted mixing of data during grade interpolation so that the resulting grade model will better reflect the unique properties of the deposit. However, applying domain boundaries in areas where the data are not statistically unique could impose a bias in the distribution of grades in the model.

A domain boundary, which segregates the data during interpolation, is typically applied if the average grade in one domain is significantly different from that of another domain. A boundary might also be applied where there is evidence that a significant change in the grade distribution exists across a geologic contact.

14.6.1 Basic Statistics by Domain

As stated previously, mineralization at El Capitan generally occurs at the interface between an upper volcanic sequence and a lower sedimentary package of rocks. The basic statistics for the distribution of gold by lithologic type is shown in a boxplot in Figure 14-6. Note: the original lithologic types have been broken into five types: mineralized volcanic, unmineralized volcanic, "main silicified breccia" zone, mineralized sediments and unmineralized sediments. Gold grades tend to be highest in the silicified breccia zone, but there is significant overlap between this and the mineralized volcanic and sediments.

Figure 14-6: Boxplot of Gold by Lithologic Type at El Capitan



	UVOL	MVOL	SilBx	MSED	USED	
Number of data	1013	890	247	531	242	Number of data
Mean	0.053	0.262	0.733	0.422	0.061	Mean
Variance	0.003	0.147	0.929	0.193	0.015	Variance
Skewness	4.474	9.325	4.904	4.572	8.945	Skewness
Coef of Variation	1.069	1.462	1.314	1.04	2.004	Coef of Variation
Maximum	1.2	6.581	9.976	5.36	1.604	Maximum
Upper quartile	0.08	0.292	0.906	0.536	0.078	Upper quartile
Median	0.044	0.174	0.46	0.304	0.032	Median
Lower quartile	0.01	0.111	0.197	0.17	0.007	Lower quartile
Minimum	0.001	0.002	0.007	0.002	0.002	Minimum

At Jesus Maria, approximately 15% of the rocks intersected in drilling consist of dacite porphyry and the remaining rocks are sedimentary in nature. The dacite dykes are mineralized, but they tend to contain, on average, slightly lower grades compared to the sedimentary rocks.

14.6.2 Contact Profiles

Contact profiles evaluate the nature of grade trends between two domains: they graphically display the average grades at increasing distances from the contact boundary. Those contact profiles that show a marked difference in grade across a domain boundary indicate that the two datasets should be isolated during interpolation. Conversely, if a more gradual change in grade occurs across a contact, the introduction of a hard boundary (e.g., segregation during interpolation) might result in a much different trend in the grade model; in this case, the change in grade between domains in the model is often more abrupt than the trends seen in the raw data. Finally, a flat contact profile indicates no grade changes across the boundary; in this case, hard or soft domain boundaries will produce similar results in the model.

A series of contact profiles were generated to evaluate the nature of gold across the lithologic types at El Capitan. The two examples shown in Figures 14-7 and 14-8 show some moderate differences in grade between the silicified breccia zone versus the surrounding mineralized volcanic and sediments. The gold grades tend to build up close to the contact and are more transitional rather than abrupt.

Figure 14-7: Contact Profile for Gold in Mineralized Volcanics vs. Silicified Breccia Zone at El Capitan

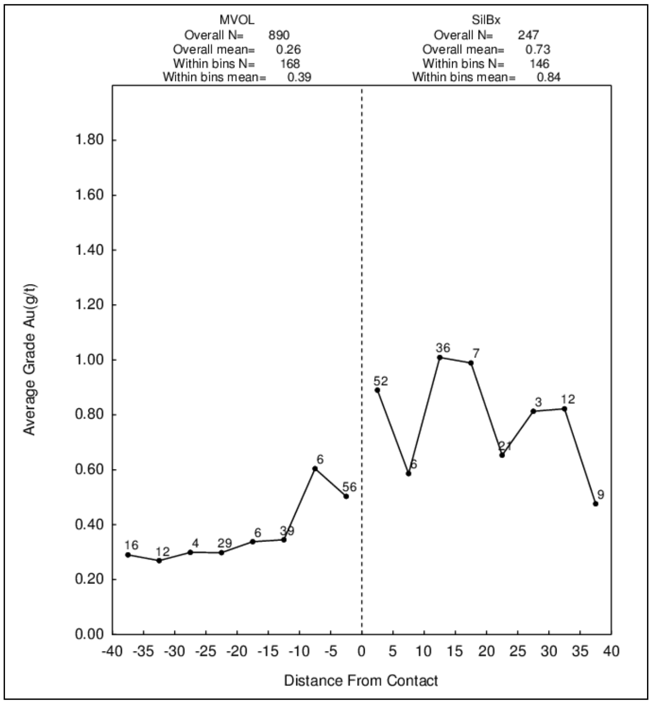
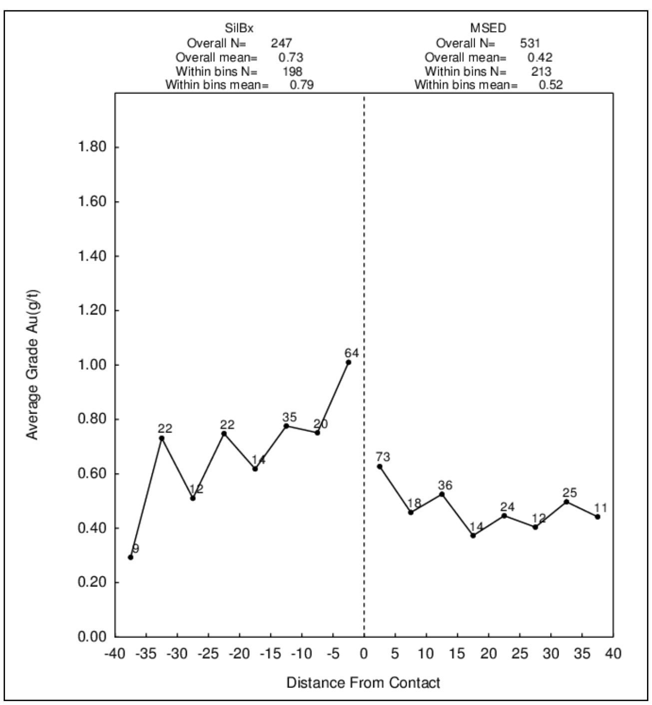


Figure 14-8: Contact Profile for Gold in Silicified Breccia Zone vs. Mineralized Sediments at El Capitan



14.6.3 Conclusions and Modeling Implications

The results of the EDA at El Capitan indicate that some differences exist in the gold (and silver) content of the main silicified breccia zone compared to the surrounding rock types. However, following visual inspection of the distribution of gold (and silver) in the various lithologic types, it appears that the mineralized sediments and volcanics tend to be intercalated with the intervals logged as silicified breccia. In many areas the gold (and silver) grades tend to be somewhat continuous across all three lithologic types. This trend suggests that the samples should not be segregated during model grade interpolations.

At Jesus Maria, there is no evidence of lithologic controls of the distribution of silver or gold.

14.7 Development of Probability Shells

In the absence of a geologic model, a probability shell approach has been taken to help segregate mineralized from unmineralized rocks during the development of the resource model. A threshold grade of 0.1 g/t gold is derived from visual observations of the *natural* increase in gold grade in drill holes and is supported by an inflection in the distribution of gold sample data on a cumulative probability plot. Similarly, a threshold grade of 1.0 g/t Ag was selected from the distribution of silver grades.

Indicator variables were assigned to samples above and below the threshold grade, and indicator variograms were developed for use during ordinary kriging of probability estimates in the model.

The mineralized trends inherent in the deposits are retained in the block model through the use of a dynamic search approach during all probability and grade interpolations. Several 3D planes have been interpreted that represent the overall trend of the gold and silver mineralization. These *trend planes* are then used to orient search directions so that samples of a similar nature are related during interpolations in the block model. This approach introduces a dynamic, anisotropic search process that reproduces the locally complex, undulating, and banded nature of the mineralization in the block model that would otherwise be impossible to achieve using traditionally-oriented search ellipses. The trends of mineralization, shown in Figures 14-9 and 14-10, are similar for gold and silver at Jesus Maria. At El Capitan, the trends have similar orientation, but gold mineralization tends to be (stratigraphically) slightly higher than the silver trend.

Figure 14-9: Interpreted Gold Trend Planes used to Control Dynamic Search Orientations during Model Interpolations

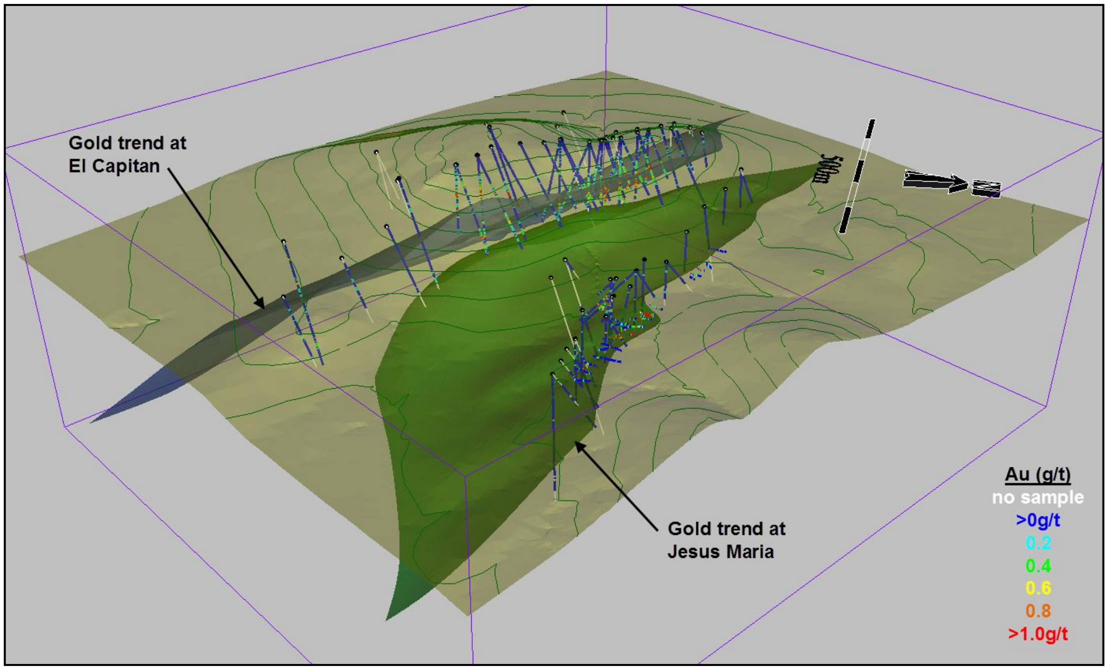
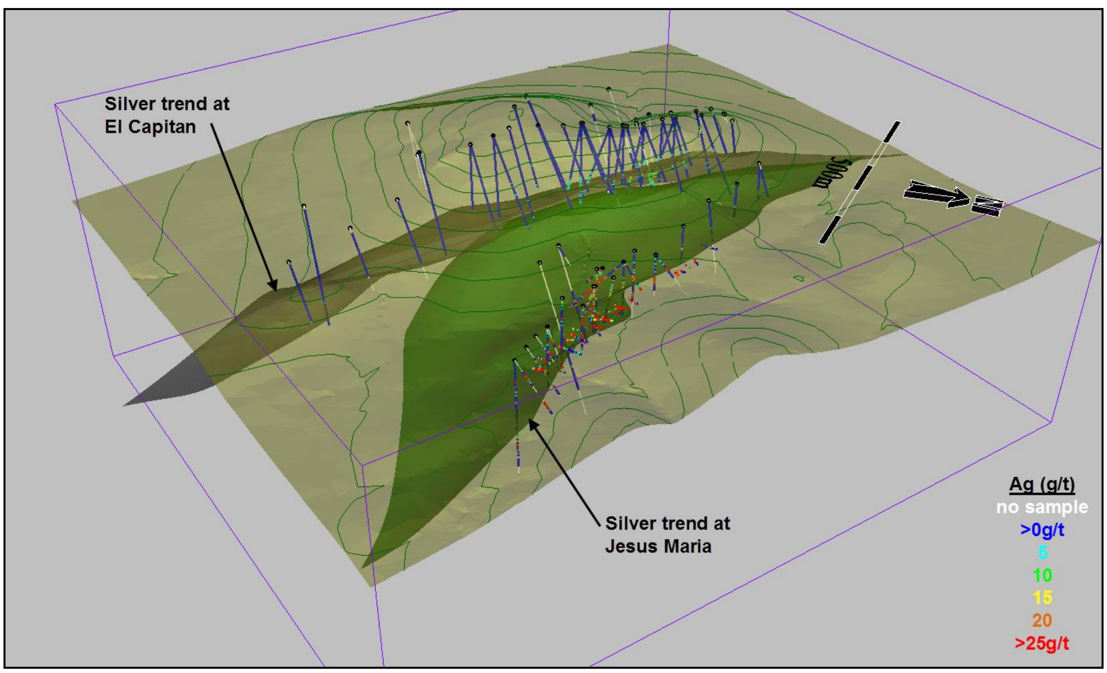


Figure 14-10: Interpreted Silver Trend Planes used to Control Dynamic Search Orientations during Model Interpolations



A 50% probability threshold was selected in the development of the probability shells. This means that there is a >50% probability that the grade in the gold shell will be above 0.1 g/t Au or, the grade in the silver shell will be above 1.0 g/t Ag. The distribution of the probability shells are shown in Figures 14-11 and 14-12. As stated previously, the gold mineralization at El Capitan tends to be at a slightly higher elevation compared to the presence of silver. At Jesus Maria, gold mineralization tends to be restricted to only the centre part of the deposit. Note: The silver shell is interpreted to join between El Capitan and Jesus Maria on the western side of the model.

Figure 14-11: Isometric View Looking Northwest of the Gold and Silver Probability Shells

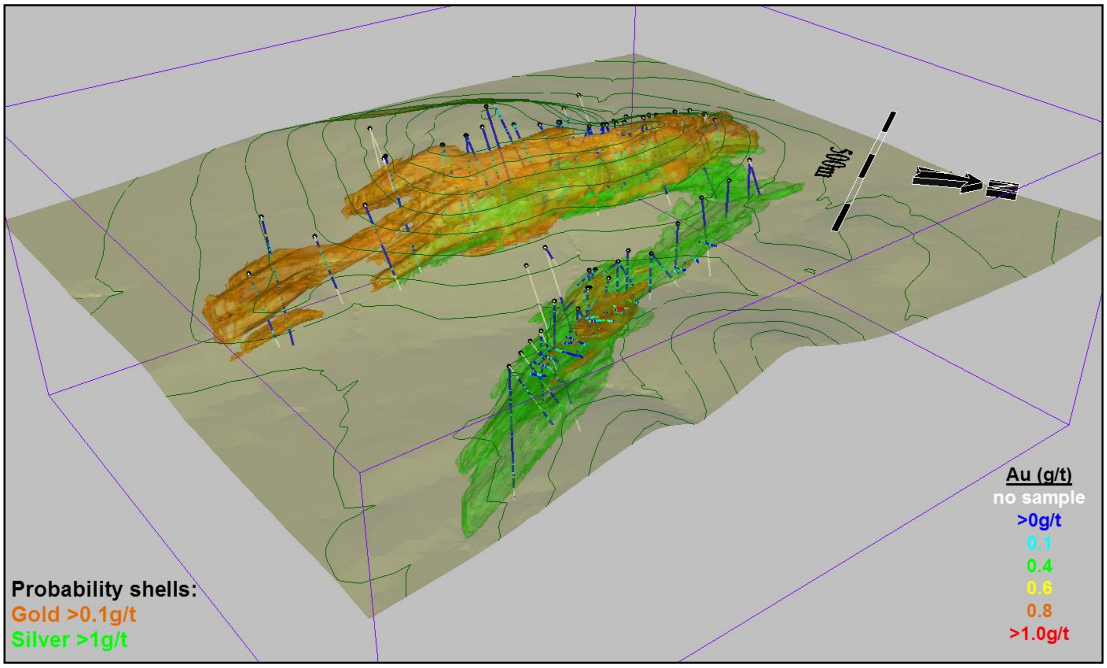


Figure 14-12: Isometric View Looking Southwest of the Gold and Silver Probability Shells

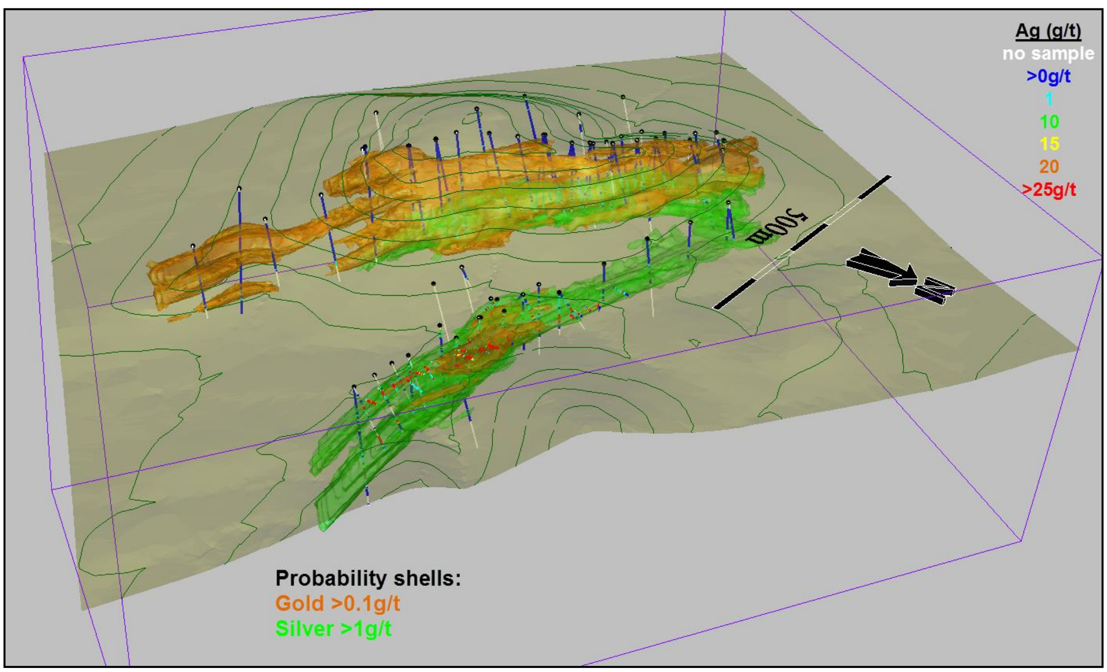


Table 14.2 shows a summary of composited sample data occurring inside and outside of the probability shells. There are significant differences in the mean grade of samples inside vs. outside of the shell domains. Data is not mixed between these domains during block grade interpolations.

Table 14.2: Statistical Summary of Composited Sample Database Inside/Outside of the Probability Shell Domains

Element	Deposit	Domain	Number of Composites	Total Length (m)	Min	Max	Mean	Standard Deviation
Gold (g/t)	El Capitan	Inside gold shell	1,645	3,285	0	9.976	0.388	0.552
		Outside gold shell	1,655	3,308	0	1.577	0.049	0.078
	Jesus Maria	Inside gold shell	328	576	0	6.272	0.481	0.631
		Outside gold shell	1,510	2,957	0	1.022	0.042	0.087
Silver (g/t)	El Capitan	Inside silver shell	892	1,779	0	114.3	5.37	8.58
		Outside silver shell	2,408	4,815	0	81.70	0.27	1.78
	Jesus Maria	Inside silver shell	1,079	2,018	0	2,152.2	53.75	134.37
		Outside silver shell	762	1,518	0	421.7	1.50	18.43

Note: Weighted by sample length.

14.8 Evaluation of Outlier Grades

Histograms and probability plots were reviewed to identify the presence of anomalous outlier sample data (sample data composited to 2 m intervals). Following a review of the physical location of potentially erratic samples in relation to the surrounding sample data, it was decided that these would be controlled during block grade interpolations using a combination of traditional top cutting plus the use of an outlier limitation. An outlier limitation controls the distance of influence of samples above a defined grade threshold during block grade interpolations. Samples above the outlier threshold grades are limited to a maximum distance of 25 m during grade estimates in the block model. Table 14.3 lists the top-cut and outlier thresholds and the resulting effects on the resource model.

Table 14.3: Summary of Outlier Grade Controls

Metal	Area	Top-Cut Limit (g/t per number of composites affected)	Outlier Limit[1] (g/t)	Metal Lost in Model (%)
Gold	El Capitan Inside Shell	5.0 / 5.0	3	14
	El Capitan Outside Shell	0.5 / 8.0	0.3	
	JM Inside Shell	4.0 / 4.0	2.5	20
	JM Outside Shell	0.7 / 3.0	0.5	
Silver	El Capitan Inside Shell	100 / 1	30	17
	El Capitan Outside Shell	10 / 2	5	
	JM Inside Shell	1,200 / 2	800	25
	JM Outside Shell	30 / 5	8	

Note: [1] Samples above threshold limited to maximum distance of 35 m during interpolation.

The amount of metal lost due to these measures is relatively high due to a combination of a skewed database for both gold and silver and a lack of drilling in some areas. One very high-grade sample in a widely spaced drill hole can have a significant effect on a resource model without these control measures in place. These results indicate that additional, more closely spaced drilling is required to increase the confidence in the resource estimate.

14.9 Variography

The degree of spatial variability in a mineral deposit depends on both the distance and direction between points of comparison. Typically, the variability between samples increases as the distance between those samples increases. If the degree of variability is related to the direction of comparison, then the deposit is said to exhibit *anisotropic* tendencies which can be summarized with the search ellipse. The semi-variogram is a common function used to measure the spatial variability within a deposit.

The components of the variogram include the *nugget*, the *sill* and the *range*. Often samples compared over very short distances, even samples compared from the *same* location, show some degree of variability. As a result, the curve of the variogram often begins at some point on the y-axis above the origin: this point is called the nugget. The nugget is a measure of not only the natural variability of the data over very short distances, but it also is a measure of the variability which can be introduced due to errors during sample collection, preparation and the assay process.

The amount of variability between samples typically increases as the distance between the samples increases. Eventually, the degree of variability between samples reaches a constant, maximum value; this is called the sill, and the distance between samples at which this occurs is called the range.

The spatial evaluation of the data in this report was conducted using a correlogram rather than the traditional variogram. The correlogram is normalized to the variance of the data and is less sensitive to outlier values, generally giving better results.

Correlograms were generated using the commercial software package SAGE2001© developed by Isaaks & Co. Multidirectional correlograms were generated for composited gold and silver sample data inside of the probability shells in each deposit area. These correlograms were used to estimate grades both inside and outside of the shell domains. Correlograms are generated using Z-coordinates relative to the trend planes described in *Section 14.7*. The results are summarized in Table 14.4.

Table 14.4: Variogram Parameters

Deposit	Element	Nugget	Sill 1	Sill 2	1st Structure			2nd Structure		
					Range (m)	Azimuth	Dip	Range (m)	Azimuth	Dip
El Capitan	Gold	0.451	0.323	0.226	33	102	16	263	319	-5
		Spherical			14	359	37	117	49	-1
					8	211	49	36	327	84
	Silver	0.264	0.353	0.382	34	134	17	186	135	-6
		Spherical			24	87	-66	31	47	16
					5	39	17	18	206	73
Jesus Maria	Gold	0.068	0.896	0.036	47	104	-8	61	20	35
		Spherical			40	20	35	36	104	-8
					2	183	54	7	183	54
	Silver	0.056	0.722	0.222	30	355	48	30	355	48
		Spherical			16	94	8	15	94	8
					3	191	41	3	191	41

Note: Correlograms conducted on 2 m drill hole composite data. Elevations (Z coordinate) are relative to the trend of the mineralization.

14.10 Model Setup and Limits

A block model was initialized in MineSight® and the dimensions are shown in Table 14.5. The selection of a nominal block size measuring 10 m x 5 m x 10 m is considered appropriate with respect to the current drill hole spacing as well as the selective mining unit (SMU) size typical of an operation of this type and scale. The block model is horizontally rotated by 30 degrees so that the X-axis is parallel to the general strike of the mineralization at 120 degrees. The origin of the rotation in UTM coordinates is 545230E, 2837100N (NAD27 Zone13). The extents of the block model limits are represented by the purple rectangle shown in Figures 14-1 through 14-5.

Table 14.5: Block Model Limits

Direction	Minimum	Maximum	Block Size (m)	# Blocks
X (Az120º)	0	1400	10	140
Y (Az30º)	0	1200	5	240
Z (elevation)	1600	2150	10	55

Note: A 30 degree horizontal rotation about origin at 545230E, 2837100N.

Blocks in the model were assigned integer codes on a majority basis inside/outside of the probability shell domains. Blocks are also assigned values representing the percentage below the topography; this is used as a weighting item when determining resources.

14.11 Interpolation Parameters

The block model grades for gold and silver have been estimated using ordinary kriging (OK). The results of the OK estimations were compared with the *Hermitian Polynomial Change of Support* model (also referred to as the Discrete Gaussian correction). This method is described in more detail in *Section 14.12*.

The El Capitan OK model was generated with a relatively limited number samples to match the change of support or Herco (HERmitian COrrection) grade distribution. This approach reduces the amount of smoothing or averaging in the model and, while there might be some uncertainty on a localized scale, this approach produces reliable estimations of the recoverable grade and tonnage for the overall deposit.

During grade estimations, the search orientations dynamically follow the mineralization *trend* planes described previously. Secondary elevation values, relative to these trend planes, are assigned to composited samples and model blocks, and grade interpolations are conducted using these *relative* elevations as surrogate Z-coordinates. This approach adjusts the search orientations dynamically, resulting in a resource model that exhibits the undulations and banded nature seen in the drill holes.

The interpolation parameters for gold and silver are summarized in Table 14.6.

Table 14.6: Interpolation Parameters

Deposit	Element/ Domain	Search Ellipse Range (m)			Number of Composites[2]			Other
		X	Y	Z[1]	Min/block	Max/block	Max/hole	
El Capitan	Gold inside shell	200	200	7	3	21	7	1 DH per octant
	Gold outside shell	200	200	7	3	28	7	1 DH per octant
	Silver Inside shell	200	200	7	3	21	7	1 DH per octant
	Silver outside shell	200	200	7	3	28	7	1 DH per octant
Jesus Maria	Gold inside shell	200	200	7	3	21	7	1 DH per octant
	Gold outside shell	200	200	7	3	28	7	1 DH per octant
	Silver Inside shell	200	200	7	3	15	5	1 DH per octant
	Silver outside shell	200	200	7	3	28	7	1 DH per octant

Note: [1] Z range relative to trend planes.
[2] 2-m composite length.

14.12 VALIDATION

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

Visual Inspection

A detailed visual inspection of the block model was conducted in both section and plan to ensure the desired results following interpolation. This included confirmation of the proper coding of blocks within the probability shell domains. The gold and silver grades in the model appear to be a valid representation of the underlying drill hole sample data.

Model Checks for Change of Support

The relative degree of smoothing in the block model estimates was evaluated using the *Discrete Gaussian Correction*; it is also referred to as the *Hermitian Polynomial Change of Support* method (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 (HERmitian COrrection) distribution. In general, the estimated model should be slightly higher in tonnage and slightly lower in grade when compared to the Herco distribution at the projected cut-off grade. These differences account for selectivity and other potential ore-handling issues which commonly occur during mining.

The Herco distribution is derived from the declustered composite grades which have been adjusted to account for the change in support moving from smaller drill hole composite samples to the larger blocks in the model. The transformation results in a less skewed distribution but with the same mean as the original declustered samples.

Examples of Herco plots for gold and silver for the two deposits, El Capitan and Jesus Maria, are shown in Figures 14-13 and 14-14, respectively. The fit for gold is very good. The somewhat erratic but acceptable fit for silver is the result of the relative lack of data.

Figure 14-13: El Capitan Herco Grade/Tonnage Plot for Gold and Silver

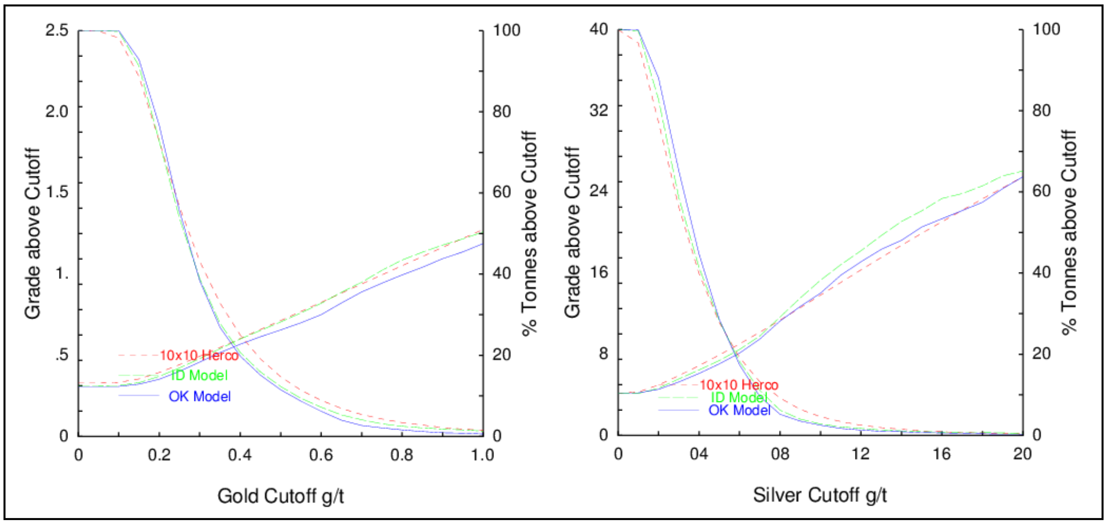
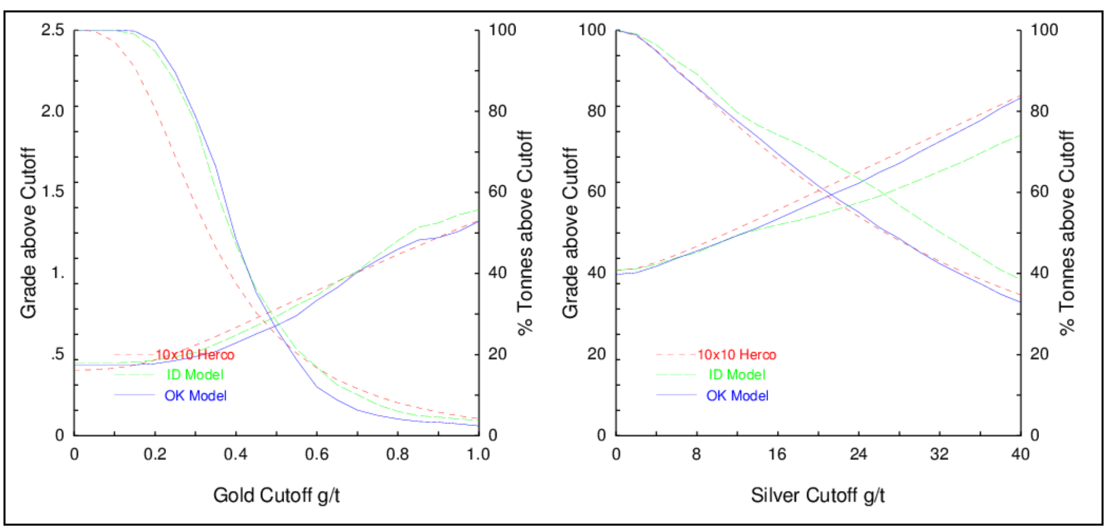


Figure 14-14: Jesus Maria Herco Grade/Tonnage Plot for Gold and Silver



Comparison of Interpolation Methods

For comparison purposes, additional models for gold and silver were generated using both the inverse distance weighted (IDW) and nearest neighbour (NN) interpolation methods. Note: The NN model was made using data composited to 5-m intervals. Comparisons are made between these models on grade/tonnage curves as shown in Figures 14-15 and 14-16. There is good correlation between all models throughout the range of cut-off grades. The low silver at El Capitan and low gold at Jesus Maria are very evident in Figures 14-15 and 14-16.

Figure 14-15: El Capitan Grade/Tonnage Comparison of Gold and Silver Models

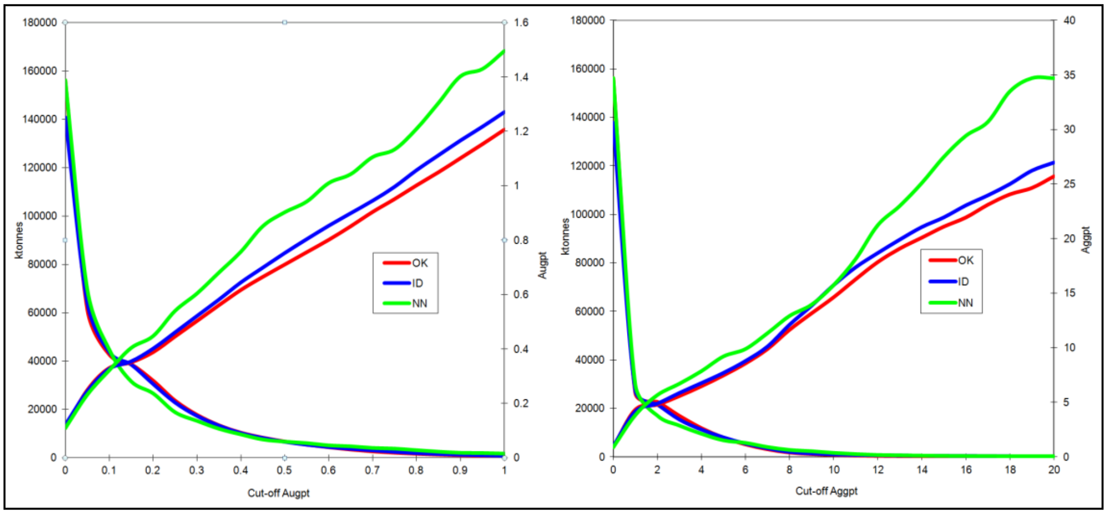
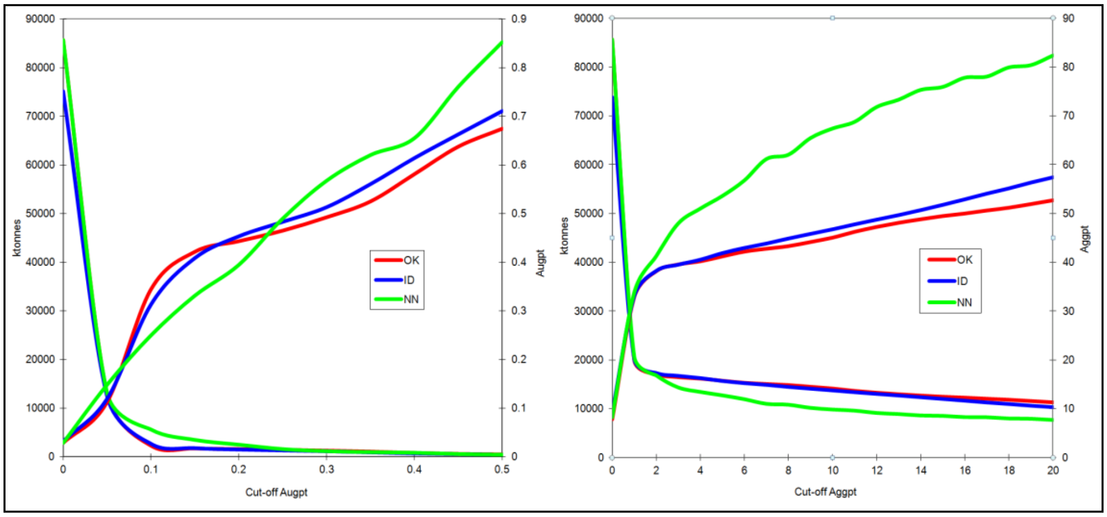


Figure 14-16: Jesus Maria Grade/Tonnage Comparison of Gold and Silver Models



Swath Plots (Drift Analysis)

A swath plot is a graphical display of the grade distribution derived from a series of bands, or swaths, generated in several directions through the deposit. Using the swath plot, grade variations from the OK model are compared to the distribution derived from the declustered NN grade model.

On a local scale, the NN model does not provide reliable estimations of grade, but, on a much larger scale, it represents an unbiased estimate of the grade distribution based on the underlying data. Therefore, if the OK model is unbiased, the grade trends might show local fluctuations on a swath plot, but the overall trend should be similar to the NN distribution of grade.

Swath plots were generated in three orthogonal directions for both gold and silver models. Examples by easting (north-south swaths) are shown in Figures 14-17 and 14-18.

There is good correspondence between the models in most areas. The degree of smoothing in the OK model is evident in the peaks and valleys shown in the swath plots. Deviations tend to occur in areas near the flanks of the deposit where the density of drilling decreases.

Figure 14-17: El Capitan Swath Plot of Gold and Silver Models by Easting

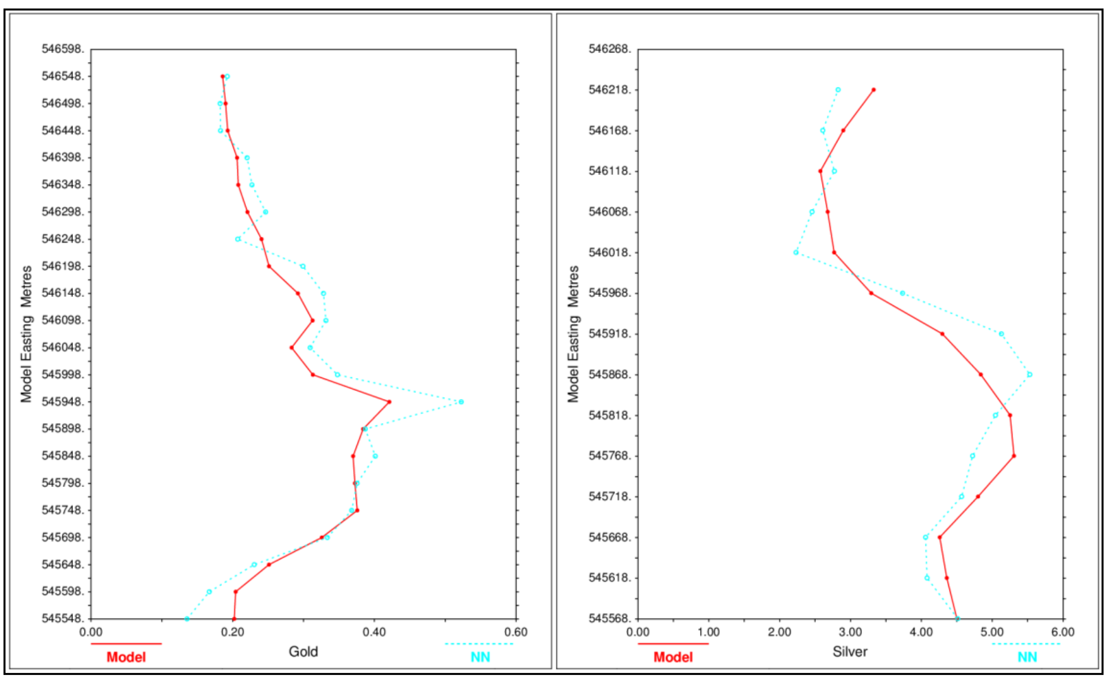
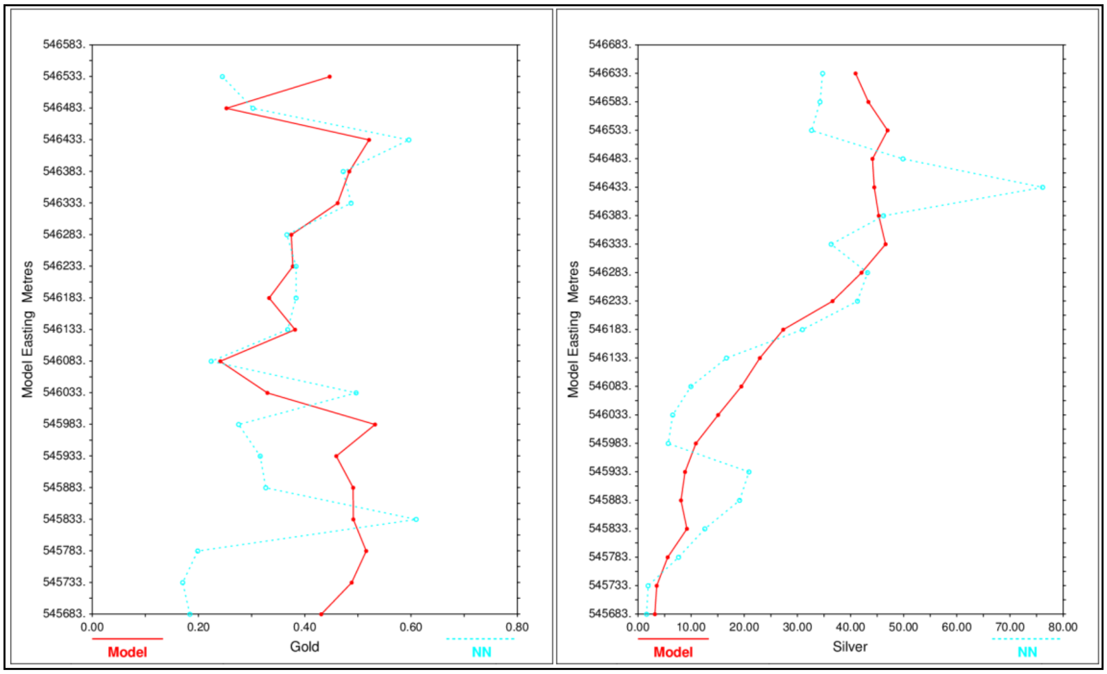


Figure 14-18: Jesus Maria Swath Plot of Gold and Silver Models by Easting



14.13 RESOURCE CLASSIFICATION

The mineral resources at the El Capitan and Jesus Maria deposits were classified in accordance with the CIM *Definition Standards for Mineral Resources and Mineral Reserves* (May, 2014). The classification parameters are defined in relation to the distance between sample data and are intended to encompass zones of reasonably continuous mineralization.

Both deposits are at a relatively early stage of evaluation by drilling and, as a result, some assumptions have to be made using the available data. Classification at El Capitan is primarily influenced by the nature of gold in the deposit. Similarly, classification at Jesus Maria is primarily driven by the distribution of silver in the deposit. Studies of indicator variogram ranges suggest that zones of continuous, potentially economic, mineralization can be inferred when drill holes are spaced at a maximum distance of 150 m; therefore, blocks in the model within a maximum distance of 75 m from a drill hole have been included in the Inferred category.

At this stage there are no resources that meet the degree of confidence required to be included in the Indicated category.

14.14 MINERAL RESOURCES

As defined by the CIM *Definition Standards for Mineral Resources and Mineral Reserves* (May, 2014), a mineral resource must exhibit reasonable prospects for eventual economic extraction. The size, type and location of these deposits suggest that they are primarily amenable to open-pit extraction methods. A series of projected technical and economic parameters have been applied to generate “floating cone” pit shells in order to evaluate what parts of the deposits meet these criteria and what parts of the deeper mineralization might not be economic due to the increased waste stripping requirements.

The following assumptions were used for open pit mining at El Capitan with cyanide heap-leach extraction that requires some crushing:

- Mining US$2/t
- Process US$6/t
- G&A US$1/t
- Gold recovery 70%
- Silver recovery 45%
- Pit slope 45 degrees
- Metal price US$1,300/oz Au, US$20/oz Ag
- Projected cut-off grade 0.25 g/t Au

The following assumptions were used for open pit mining at Jesus Maria with the production of a sulphide flotation concentrate containing silver and gold:

- Mining US$2/t
- Process US$15/t
- G&A US$1/t
- Gold recovery 75%
- Silver recovery 85%
- Pit slope 45 degrees
- Metal price US$1,300/oz Au, US$20/oz Ag
- Projected cut-off grade 30 g/t Ag

The pit shells generated at both El Capitan and Jesus Maria, shown in Figures 14-19 and 14-20, extend for most of the strike length of the deposits and reach depths of 150 m below surface. Based on the results, mineral resources at El Capitan and Jesus Maria meet the following criteria:

- These deposits are at a relatively early stage of evaluation and the quantity and grade of the resource is based on limited geologic evidence and sampling. Resources can only be included in the Inferred category.
- Based on the current data, these deposits form relatively continuous zones of mineralization that are potentially amenable to open-pit extraction methods.
- Tests based on reasonably applicable technical and economic parameters indicate that mineralization extending to maximum depths of 150m below surface exhibit reasonable prospects for eventual economic extraction if the grade is above 0.25 g/t gold at El Capitan or above 30 g/t silver at Jesus Maria.

Figure 14-19: Isometric View of Grade Shells at Projected Cut-Off Grades Relative to Floating Cone Pit Shells

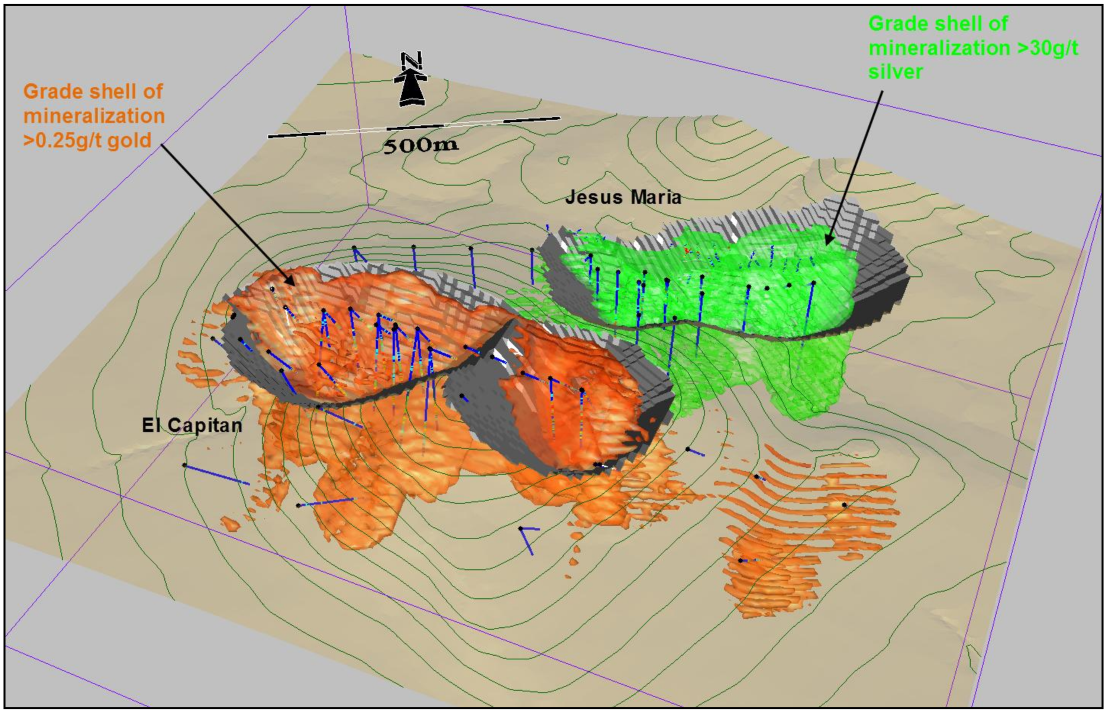
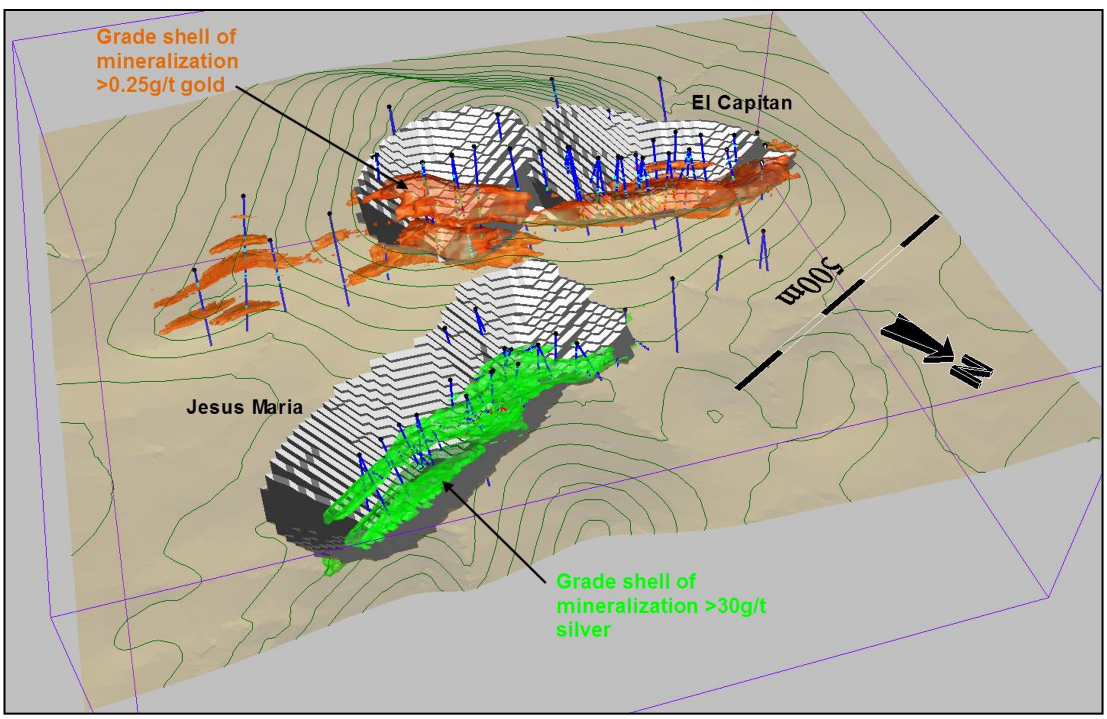


Figure 14-20: Isometric View of Grades Shells at Projected Cut-Off Grades Relative to Floating Cone Pit Shells



The Mineral Resource statement for the El Capitan and Jesus Maria deposits is listed in Table 14.7. It must be stressed that mineral resources are not constrained within pit shells but include mineralization, above cut-off, that is within a maximum depth of 150 m below surface. There are no adjustments for recovery or dilution in the statement of mineral resources. It is important to realize that the results in Table 14.7 list mineral resources: these are not mineral reserves as the economic viability has not been demonstrated.

There has been some historical underground mining that has occurred (near surface) at the Jesus Maria deposit. There are no records of the volume or grade of this production. The full extent of the historic mine workings is unknown, but mining appears to have been selective and limited to within approximately 100 m of surface. Based on observations of the accessible underground workings and the volume of material present in surface dumps, the author believes that the volume of historic production is likely to be between 5,000 tonnes and 15,000 tonnes, but probably not more than 50,000 tonnes. There have been no adjustments to the resource estimate at Jesus Maria to account for this material.

There are no known factors related to environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could materially affect the mineral resource.

Table 14.7: Inferred Mineral Resource Estimate

Deposit	ktonnes	Gold (g/t)	Silver (g/t)	Contained Gold (koz)	Contained Silver (koz)
El Capitan	20,722	0.458	2.8	305	1,832
Jesus Maria	7,573	0.105	62.3	26	15,158
Combined	**28,295**	**0.364**	**18.7**	**331**	**16,990**

Note: "Base case" cut-off grade for El Capitan is 0.25 g/t Au and for Jesus Maria is 30 g/t Ag.
Mineral resources occur within a maximum depth of 150 m below surface.
Resources are not mineral reserves as the economic viability has not been demonstrated.

The "base case" cut-off grades of 0.25 g/t Au at El Capitan and 30 g/t Ag at Jesus Maria, are based on projected metal prices of US$1,300/oz Au and US$20/oz Ag. Variations in these projected prices results in changes to the cut-off grades. The sensitivity of mineral resources to cut-off grade is shown in Tables 14.8 and 14.9.

Table 14.8: Sensitivity of El Capitan Mineral Resource to Gold Cut-Off Grade

Cut-Off Grade (Au g/t)	ktonnes	Au (g/t)	Ag (g/t)	Contained Gold (koz)	Contained Silver (koz)
0.15	33,101	0.362	2.0	385	2,150
0.20	27,388	0.401	2.3	353	2,043
0.25 (Base Case)	**20,722**	**0.458**	**2.8**	**305**	**1,832**
0.30	15,726	0.517	3.2	261	1,608
0.35	12,236	0.572	3.5	225	1,393
0.40	9,648	0.626	3.9	194	1,207
0.45	7,879	0.671	4.2	170	1,054
0.50	6,477	0.714	4.4	149	912

Note: “Base case” cut-off grade of 0.25 g/t Au using a price of US$1,300/oz Au is highlighted in the table. Resources are not mineral reserves as the economic viability has not been demonstrated.

Table 14.9: Sensitivity of Jesus Maria Mineral Resource to Silver Cut-Off Grade

Cut-Off Grade (Ag g/t)	ktonnes	Au (g/t)	Ag (g/t)	Contained Silver (koz)	Contained Gold (koz)
15	10,764	50.6	0.095	17,507	33
20	9,836	53.7	0.099	16,983	31
25	8,740	57.6	0.102	16,192	29
30 (Base Case)	**7,573**	**62.3**	**0.105**	**15,158**	**26**
35	6,425	67.6	0.109	13,960	23
40	5,493	72.7	0.113	12,840	20
45	4,566	78.9	0.120	11,577	18
50	3,896	84.3	0.124	10,561	16

Note: “Base case” cut-off grade of 30 g/t Ag using a US$20/oz Ag price is highlighted in the table. Resources are not mineral reserves as the economic viability has not been demonstrated.

15 ADJACENT PROPERTIES

There are no adjacent mineral properties that are relevant to the Peñoles property.

16 OTHER RELEVANT DATA AND INFORMATION

The Authors are not aware of any additional relevant data, or information not addressed in this report, which could have an impact on the results of the resource estimate, or the conclusions expressed herein.

17 INTERPRETATION AND CONCLUSIONS

In summary, drilling to date on the Peñoles Property has defined significant intervals of near-surface, silver-gold mineralization at Jesus Maria, and defined wide intervals of near-surface gold-silver mineralization at El Capitan that could potentially be amenable to open-pit extraction methods.

In the Authors' opinions, the Peñoles property has sufficient merit to warrant further exploration work. To date, the limits of the mineralized zones remain "open" in some areas and there is potential to increase the resources with additional drilling both along strike and at depth at El Capitan and Jesus Maria. There is also potential for the discovery of additional mineralized zones in other areas of the Peñoles property.

There are three features that control the epithermal mineralization on the Peñoles property. It is unclear which feature is most influential, but it is clear that all three play a part. First, structurally controlled conduit pathways for hydrothermal fluids mark the vein emplacement in the Jesus Maria area (Daniels, 2011; Lambeck, 2014). Second, the Jesus Maria area has carbonate-rich sedimentary rock horizons, which have provided a buffering of the acidic hydrothermal fluids, and show hornfels skarn affinities; this might extend mineralization laterally along bedding planes (Myers et al., 2014). Lastly, the angular unconformity surface between the sedimentary rocks and the overlying UVS rhyolites at El Capitan, which is a more passive fluid flow conduit, are similar to the mineralization controls identified at La Preciosa silver-gold deposit (Whiting, 2008; Whiting, 2013) and La Pitarrilla silver-gold deposit (McCrea, 2006; Boychuck et al., 2012).

According to Myers et al. (2014), the 2013 and 2014 drill programs partially tested a 750 m long portion of the mineralization in the Jesus Maria Silver Zone. Two types of mineralization were intersected in this drilling. One mineralization style is a gold-silver zone, possibly controlled by a north-northeast-trending porphyritic monzonitic dike, or a district-scale, east-northeast-trending fault zone. The other mineralization style hosts gold-silver-zinc-lead and occurs as skarn or replacement-type zones in the carbonate-rich beds of the Indidura Formation. The skarn/replacement zones are up to 30 m wide, true width in drill holes, and have been tested as deep as 160 m from the surface. The same zone outcrops at the surface giving a down-dip length of 200 m. This zone is expected to continue at depth. The base and precious metal target type and the gold-silver zone have been minimally tested along strike and remain open to depth and to the east and west. Other carbonate-rich beds occur in this portion of the Indidura Formation and represent very favourable and, currently, untested targets.

18 RECOMMENDATIONS

It is recommended that Morro Bay complete a trenching program and 2,000 m of drilling (approximately 20 drill holes) to test the continuity and further extensions of the Jesus Maria silver deposit. The next stage of drilling should also include step-out holes drilled between the current western limit of the Jesus Maria Silver Zone and the El Capitan Gold Zone (to determine whether the two zones merge into a single mineralized zone).

It is also recommended that Morro Bay conduct additional metallurgical test work on both the Jesus Maria and El Capitan mineralized zones. On completion of the planned drill program and metallurgical test work, the results could be used to calculate updated resource estimates and, if warranted, proceed to PEA-level assessments for both the Jesus Maria and El Capitan deposits.

The total cost of the proposed exploration program, including applicable permitting costs and concession taxes payable up to December 31, 2015, is estimated at CDN$750,000 (see Table 18.1).

Table 18.1: Proposed Exploration Program

Item	Cost (CDN$)
Concession taxes	$ 75,000
Engineering and supervision	75,000
Trenching	50,000
Drilling (2,000 m) at an all-in cost of $200 per metre	400,000
Metallurgical testing	50,000
Water Resource Assessment	25,000
Site Operations	50,000
Access and Reclamation	25,000
Total	**$750,000**

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20 DATE AND SIGNATURE PAGE

Bernard Henry (Ben) Whiting

I, **Bernard Henry Whiting**, of 427 Garrett Street, New Westminster, BC, Canada, V3L 3S1, Professional Geoscientist and President of Whiting Geological Consulting Inc., do hereby certify that:

1. I am a co-author of the report titled; "NI 43-101 Technical Report, Mineral Resource Estimates for the El Capitan & Jesus Maria deposits, Peñoles Gold-Silver Project, Durango State, Mexico" for Morro Bay Resources Ltd. and Riverside Resources Inc., dated April 16, 2015, with effective date of March 2, 2015.

2. I am a graduate of the University of British Columbia and hold a Bachelor of Science (B.Sc.) degree 1979 and a Master of Science (M.Sc.) degree 1989 in geological sciences.

3. I am an economic geologist and have practiced my profession on a full time basis since 1979 in North America, South America, Europe, Asia and Oceania, including over 12 years exploration experience with projects in Mexico. I have also taught as an Adjunct Professor of geological sciences 1995-2006 and mining engineering 2000-2005 at Queen's University and mining engineering 1989 at the University of British Columbia.

4. I have been a registered Professional Geoscientist (P.Geo.) member in good standing of the Association of Professional Engineers and Geoscientists of British Columbia (APEGBC) since 1991 (registration # 19851) and of the Association of Professional Geoscientists of Ontario (APGO) since 2002 (registration # 0347). I am also a Fellow of the Society of Economic Geologists (SEG) and a member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and La Asociación de Ingenieros de Minas Metalurgistas y Geólogos de México (AIMMGM).

5. I have read the definitions of "Qualified Person" set out in National Instrument 43-101 and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "Qualified Person" for the purposes of NI 43-101.

6. I have conducted several site visits to the Peñoles Project, the most recent of which was on January 20-22, 2015.

7. I take responsibility for the preparation of this report, with the exclusion of Section 13 – Mineral Processing and Metallurgical Testing (see: M. Redfearn) and Section 14 – Mineral Resource Estimate (see: R.C. Sim), utilizing data gathered in the field in my role as a consulting geologist and information summarized in the references of this report.

8. I am independent of both Morro Bay Resources Ltd. and Riverside Resources Inc. and all their subsidiaries as defined in NI 43-101 and in the Companion Policy to NI 43-101.

9. I have read National Instrument 43-101, Companion Policy 43-101CP and Form 43-101F1 and this technical report has been prepared in compliance with that instrument.

10. To the best of my knowledge, information and belief, this technical report contains all the scientific and technical information that is required to be disclosed to make this technical report not misleading.

/sig/ B.H. Whiting
"original signed and sealed"

B. H. (Ben) Whiting, M.Sc., P.Geo.

Dated at Vancouver, British Columbia, Canada this 16th Day of April, 2015.

Robert Sim, P.Geo, SIM Geological Inc.

I, Robert Sim, P.Geo, do hereby certify that:

1. I am an independent consultant of:

   SIM Geological Inc.
   6810 Cedarbrook Place
   Delta, British Columbia, Canada V4E 3C5

2. I graduated from Lakehead University with an Honours Bachelor of Science (Geology) in 1984.

3. I am a member, in good standing, of the Association of Professional Engineers and Geoscientists of British Columbia, License Number 24076.

4. I have practiced my profession continuously for 31 years and have been involved in mineral exploration, mine site geology and operations, mineral resource and reserve estimations and feasibility studies on numerous underground and open pit base metal and gold deposits in Canada, the United States, Central and South America, Europe, Asia, Africa and Australia.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 (NI 43-101) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

6. I am a co-author of the technical report titled *NI 43-101 Technical Report, Mineral Resource Estimates for the El Capitan & Jesus Maria deposits, Peñoles Gold-Silver Project, Durango State, Mexico,* dated April 16, 2015, with an effective date of March 2, 2015 (the Technical Report), and accept professional responsibility for Section 14 and portions of Sections 1, 2, 17, and 18.

7. I visited the property on June 12, 2012 and again on May 8, 2014.

8. I have no prior involvement with the Property other than to review the drilling operations during a site visit in June 2012.

9. As of the effective date of the Technical Report, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

10. I am independent of Morro Bay Resources Ltd. and Riverside Resources Inc. applying all of the tests in Section 1.5 of NI 43-101.

11. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 16th day of April 2015.

"original signed and sealed"

Robert Sim, P.Geo

Michael Redfearn, P.Eng., Bureau Veritas Commodities Canada Ltd.

I, Michael Redfearn, P.Eng., do hereby certify that:

1. I am an independent contractor with:

   Bureau Veritas Commodities Canada Ltd.
   11620 Horseshoe Way
   Richmond, BC, Canada V7A 4V5

2. I graduated from Michigan Technological University with a Bachelor of Science (Metallurgical Engineering) in 1968.

3. I am a member, in good standing, of the Association of Professional Engineers and Geoscientists of British Columbia, License Number 8154.

4. I have practiced my profession continuously for 46 years and have been involved in mineral processing and metallurgical testing, including scoping, prefeasibility and feasibility studies on numerous base metal and gold deposits in Canada, the United States and South America.

5. I have read the definition of “qualified person” set out in National Instrument 43-101 (NI 43-101) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI 43-101.

6. I am a co-author of the technical report titled *NI 43-101 Technical Report, Mineral Resource Estimates for the El Capitan & Jesus Maria deposits, Peñoles Gold-Silver Project, Durango State, Mexico,* dated April 16, 2015, with an effective date of March 2, 2015 (the Technical Report), and accept professional responsibility for Section 13.

7. I have not visited the property.

8. I have no prior involvement with the Property other than to conduct metallurgical testing programs on samples in 2011, 2012, 2013 and 2015.

9. As of the effective date of the Technical Report, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

10. I am independent of Morro Bay Resources Ltd. and Riverside Resources Inc. applying all of the tests in Section 1.5 of NI 43-101.

11. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 16th day of April 2015.

“original signed and sealed”

Michael Redfearn, P.Eng.