SCORPIO MINING CORPORATION

Annual Information Form

Dated as of March 26, 2012

March 26, 2012

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ANNUAL INFORMATION FORM
(the "AIF)

SCORPIO MINING CORP.
("Scorpio " or the "Corporation")

PRELIMINARY NOTES

Documents Incorporated by Reference

The information provided in this Annual Information ("AIF") is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Scorpio Mining Corp. (referred to herein as "Scorpio" or the "Corporation"). The documents listed below are not contained within or attached to this document. These documents may be accessed on SEDAR at www.sedar.com under the Corporation's profile, Scorpio Mining Corp.

Document	Report Date/Period ended
"Mineral Reserve Update, Nuestra Senora, 43-101 Technical Report" prepared by Genivar Inc.	Report dated March 28, 2011 for reserve update as at October 31, 2010
"La Verde Project technical Report, Sinaloa, Mexico" prepared by Mine Development Associates in accordance with NI 43-101	Date of report and effective date - November 25, 2009
2011 Audited Annual Financial Statements and Management's Discussion and Analysis	Approved by the Board on March 26, 2012 for the years ended December 31, 2011 and 2010

Effective Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("AIF") of Scorpio Mining Corporation ("Scorpio" or the "Corporation"), is current as of March 26, 2012.

Financial Information

All financial information in this AIF is prepared in accordance with International Financial Reporting Standards ("IFRS").

Currency

All dollars amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

Imperial Equivalents

For ease of reference, the following factors for converting metric measurements to imperial are provided:

To Convert From Metric	To Imperial	Multiply by
Hectares	Acres	2.471
Metres	Feet (ft.)	3.281
Kilometres (km)	Miles	0.621
Tonnes	Tons (2000 pounds)	1.102
Grams/tonne	Ounces (troy/ton)	0.029

Forward-looking Information

Certain statements contained in this AIF, and in certain documents incorporated by reference herein, constitute forward-looking statements. These statements relate to future events or the Corporation's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue" "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements. These forward-looking statements involve risks and uncertainties relating to, among other things, results of exploration, development and production activities, the Corporation's limited experience with development and production-stage mining operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, changes in commodity prices, performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to risk factors contained herein and incorporated by reference herein. See "Risk Factors".

Cautionary Notes to U.S. Investors Concerning Resource Estimates

Measured and Indicated Mineral Resources

This AIF uses the terms "measured and indicated mineral resources". The Corporation advises U.S. investors that while these terms are recognized by Canadian regulations, the U.S. Securities and Exchange Commission ("SEC") does not recognize them.

U.S. investors are cautioned not to assume that any part or all of mineral deposits included in these categories will ever be converted into mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Disclosure of "contained ounces" is permitted under Canadian regulations; however, the SEC normally only permits the reporting of non-reserve mineralization as in-place tonnage and grade.

Inferred Mineral Resources

This AIF uses the term "inferred mineral resources". The Corporation advises U.S. investors that while this term is recognized by Canadian regulators, the SEC does not recognize it. "Inferred resources" have a significant amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of economic feasibility studies, except in rare cases. U.S. investors are cautioned not to assume that any part or all of an inferred resource exists or will be economically or legally mineable.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the Canada Business Corporations Act on May 12, 1998 under its present name with an authorized share capital of an unlimited number of common shares without par value.

The Corporation's registered office is located at Suite 606 – 40University Avenue, Toronto, Ontario M5J 1T1. The Corporation is a reporting issuer in the Provinces of British Columbia, Alberta, Ontario and Quebec. The Corporation's common shares commenced trading on the TSX Venture Exchange ("TSX-V") on February 22, 2000 and were listed and posted for trading on the Toronto Stock Exchange ("TSX") on October 18, 2006, and concurrently de-listed from the TSX-V.

Intercorporate Relationships

The Corporation's principal subsidiaries are:

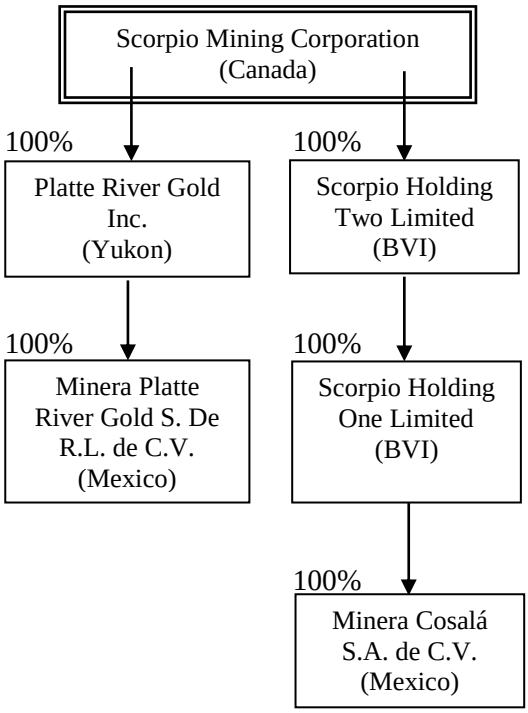
Minera Cosalá S.A. de C.V., incorporated in Mexico on November 4, 2003, is 100% indirectly owned by the Corporation and owns and operates the Corporation's principal Mexican assets, including its 100% -owned Nuestra Señora mine. See "Description of Business – Nuestra Señora Property, Mexico".

Scorpio Holding One Limited and Scorpio Holding Two Limited were incorporated in the British Virgin Islands on October 4, 2007 in order to create an indirect holding company structure for the Corporation's interest in its Mexican assets. Scorpio Holding Two Limited, which is 100%-owned by the Corporation, is the 100% owner of Scorpio Holding One Limited, which in turn holds 100% of the shares of Minera Cosalá S.A. de C.V.

Platte River Gold Inc. ("Platte River") is a Canadian corporation, 100%-owned by the Corporation and incorporated under the Yukon Business Corporation Act which holds a 100% interest in Minera Platte River Gold S. de R.L. de C.V.

Minera Platte River Gold S. de R.L. de C.V. ("MPRG"), incorporated in Mexico on April 2, 2004, is 100% indirectly owned by the Corporation and owns, among other assets, the Cosalá Norte deposits (previously called the "La Verde Project" by MPRG) located near the Corporation's Nuestra Señora processing plant. MPRG has offices in Cosalá, Sinaloa and Hermosillo, Mexico.

The following chart illustrates the inter-corporate relationships of the Corporation and its principal subsidiaries and investee companies as of the date of this AIF:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

At the present time, the Corporation has one producing mine, the 100% owned, Nuestra Señora silver-zinc-lead-copper mine located in Cosalá District, State of Sinaloa, Mexico, in respect of which the Corporation completed its commissioning and achieved commercial production in January 2009. The Corporation is a major land holder in the Cosalá District with holdings of approximately 29,227 hectares ("ha"), containing over 40 known exploration targets including previously producing mines. On April 1, 2010, the Corporation completed the acquisition of all of the outstanding shares of Platte River Gold Inc. ("Platte River"), through which the Corporation acquired several advanced silver-zinc-lead-copper-gold deposits, including the El Cajon and San Rafael deposits, each with mineral resources compliant with National Instrument 43-101 ("NI 43-101"), and the La Verde deposit which was previously mined by a third party (the "La Verde Mine") with a recently operating mine. These properties are located close to the Nuestra Señora mine and plant and processing facility. In addition, the Corporation holds the rights to the La

Revancha and Tepozán properties, which are prospective silver and silver-gold properties, respectively, in the Parral area of the respective states of Chihuahua and Durango, Mexico.

Year Ended December 31, 2009

At the beginning of 2009, the Corporation completed commissioning and commenced commercial production at its Nuestra Señora mine and processing plant in Mexico. The plan for the first six months of 2009 was for the plant to process 11,500 tonnes per month ("tpm"). Initially the plant maintained a throughput of 750 tonnes per day ("tpd") using only one of its two ball mills and operating as scheduled on a 17 days per month basis, due to the then depressed metal prices. With improving metal prices through the latter part of 2009, the throughput was increased to 1,000 tpd. In November 2009, the second ball mill was brought on line at a reduced capacity. As a consequence in December 2009, the plant processed an average of 1,166 tpd.

During the financial year ended December 31, 2009, Scorpio continued its underground development and optimization of the processing facilities at the Nuestra Señora project.

The access ramp connecting the Nuestra Señora mine to the former Candelaria mine workings was advanced and connected to the Candelaria access ramp. The Candelaria ramp was rehabilitated allowing access to additional ore in the Candelaria mine area.

During 2009, development drifts and crosscuts were advanced by 2,479 metres to access the principal ore zones within the Main Nuestra Señora deposit. Development of the main access ramp was recommenced and was connected to Level 12 at the end of 2009 and an access drift was advanced in preparation of driving a ventilation raise to connect Level 12 with Level 11.

The 2010 mine plan and budget for the Nuestra Señora mine was set at a budgeted processing rate of 30,000 tpm, with 28,000 tpm from underground mine production and 2,000 tpm from material stockpiled at the plant.

Year Ended December 31, 2010

On April 1, 2010, the Corporation acquired 100% of the outstanding common shares of Platte River in exchange for the issuance of approximately 74.8 million common shares of the Corporation, which resulted in Platte River shareholders holding approximately 40% of the issued and outstanding common shares of the Corporation on completion of the acquisition.

During the financial year ended December 31, 2010, Scorpio continued its underground development and optimization of the processing facilities at the Nuestra Señora project.

During 2010, 2,090 metres of mine development were advanced on multiple levels. Development on the deepest level, Level 12, continued and a ventilation raise was completed between levels 11 and 12. Exploration drilling in 2011 encountered mineralization below Level 12 and future development below that level is being planned.

The focus of recent mine development has been to maximize mining flexibility by developing access to cut and fill stopes in several areas in the mine allowing for access to varying styles and grades of mineralization. High density ore definition drilling has enabled the maximization of ore recovery and the minimization of dilution. It has also enabled the identification of additional mineralized zones amenable to more efficient long hole stoping.

At the end of 2010, an electric power line received all government permits and was installed between the Nuestra Señora processing plant and the Nuestra Señora mine. This power line is connected directly to the Federal Electricity Commission's grid. The mine was energized from the grid on January 19, 2011, reducing diesel consumption and thereby reducing total mining operating costs.

Metal production enhancements continued at the Corporation's processing plant at Cosalá. Despite suffering the failure of a ball mill trunnion in March 2010, the Corporation attained its budgeted throughput for the year. The trunnion failure caused a 50% reduction in processing capacity at the plant for a period of 90 days. However, once repairs had been made, the operating rate of the processing plant was increased to approximately 40,000 tpm.

An update of the Nuestra Señora estimated resources and reserves was commissioned through independent consultants, Genivar Inc. ("Genivar"). On March 28, 2011, Genivar produced the updated resource and reserve estimate as at October 31, 2010. See "Mineral Resources and Reserve Estimates" below for more details of the estimate.

Year Ended December 31, 2011

2011 HIGHLIGHTS

Financial

- Revenue from metal payable increased 67% to $70.3 million in 2011 compared to $42.2 million in 2010 as a result of record production and increased metal prices;
- Cash cost per silver payable ounce, net of by-product credits, was $1.14 in 2011 compared to $1.89 in 2010;
- Mine operating earnings in 2011 increased 270% to a record of $33.2 million compared to $9.0 million in 2010;
- Net earnings for 2011 decreased 59% to $12.6 million or $0.07 per share (basic) compared to net earnings of $30.7 million or $0.18 per share (basic) for 2010. Included in the net earnings for 2010 is a $20.2 million gain on dilution and deconsolidation of Scorpio Gold Corporation and a $9.9 million deferred income tax recovery adjustment which in the aggregate accounted for $0.18 per share (basic);
- Adjusted EBITDA[(1)] in 2011 increased 144% to $35.0 million compared to $14.3 million in 2010;
- Cash flow from operating activities in 2011 increased 194% to $33.9 million compared to $11.5 million in 2010;
- Attained debt-free status through the repayment of $20 million to fully retire convertible debentures;
- After the repayment of the $20 million debentures in May 2011, and prepayments in December 2011 of $4 million for equipment and $1.8 million for reagents, which will be delivered in 2012, the Corporation had $25.8 million in cash as at December 31, 2011 compared to $12.6 million as at December 31, 2010; and
- Working capital as at December 31, 2011 was $48.9 million compared to a negligible amount as at December 31, 2010.

Operations

- Zero environmental non-compliance;
- Reduced lost time and severity frequencies by 91% and 89%, respectively, compared to 2010;
- Underground ore production and plant throughput in 2011 increased 45% and 34%, respectively, compared to 2010;
- Recovered silver equivalent ounces[(2)] in 2011 increased 41% to 2,847,687 ounces compared to 2,014,188 ounces in 2010;
- Contained metals produced in concentrates in 2011 reflect an increase of 50%, 45%, 29% and 17% for silver, zinc, copper and lead, respectively, compared to 2010;
- Commenced development of the Candelaria deposit in preparation for test mining;
- Assumed control of mining operations at the La Verde Mine and commenced refurbishment for improved safety and future production. Initial metallurgical testing performed at Nuestra Señora plant;
- Initiated replacement of aging mining fleet; and
- Closed agreement with Grupo Mexico to obtain its district concessions in the Cosala District.

(1) *This is a non-IFRS performance measure; please see Non-IFRS Performance Measures section in the 2011 Management's Discussion and Analysis.*

(2) *Silver equivalent ounces in 2011 were established using budgeted prices as follows: silver US$24 per oz.; zinc US$1.01 per lb.; copper US$3.58 per lb.; and lead US$1.02 per lb.*

DESCRIPTION OF THE BUSINESS

General description

The principal business carried on by the Corporation is the acquisition, exploration, development and exploitation of mineral resource properties, primarily those with the potential for near-term production or exhibiting potential for hosting a major mineralized deposit. Scorpio reorganized its assets in August 2007, whereby it maintained its principal asset, its 100%-owned Nuestra Señora silver-zinc-copper-lead project located in Mexico and transferred its gold assets located in Canada, on which there had been no significant recent exploration activity conducted, to Scorpio Gold Corporation.

The Corporation's mission is to continue to grow as a silver producer operating in Mexico with significant base metal by-product credits and, if desirable, complete acquisitions that are aligned with its strategic business plans. The Corporation's current strategy remains focused on exploring and developing its existing mineral properties.

During the past eleven years, the Corporation has been successful in raising over $123 million by way of private placement financings and the exercise of warrants and stock options. These funds have been expended or allocated for exploration and development of its properties, including the Nuestra Señora project, the Cosalá North, and the Parral area deposits, all located in Mexico, construction of a processing plant at the Nuestra Señora project, and related facilities and for general working capital purposes.

With completion of the commissioning of the Nuestra Señora mineral processing facilities in January 2009 and the commencement of production of lead and zinc concentrates, Scorpio signed an agreement dated May 21, 2008 with Ocean Partners U.S.A. Inc. ("Ocean") of Wilton, Connecticut as the Corporation's sole and exclusive marketing agent for the sale of its concentrates from the Nuestra Señora project. In December 2010 the Corporation re-negotiated and extended its contract with Ocean to continue to act as the Corporation's marketing agent and assist in the sales of its concentrates until December 31, 2015.

The Corporation has concentrate sales agreements in place for lead, copper and zinc concentrates. Concentrate is delivered either to smelters in Mexico or to storage facilities in Manzanillo, Mexico for export by buyers.

The Corporation is under contract to sell 450 to 600 wet metric tonnes ("wmt") of lead concentrate per month until June 30, 2012.

The Corporation is also under contract with another purchaser for zinc and copper concentrates through to the end of December 2012. Monthly zinc concentrate production is estimated to be between 1,200 and 2,000 wmt. Monthly copper concentrate production is estimated to be between 300 and 500 wmt.

During the year ended December 31, 2011, the Corporation reported revenue totalling $61,064 (2010: $34,239) from sales of lead, zinc and copper concentrates.

The Corporation's business is not materially affected by intellectual property such as licenses, patents and trademarks, nor is it affected by seasonal changes. The Corporation is not aware of any aspect of its business which may be materially affected in the current financial year by renegotiation or termination of contracts.

Environmental protection

The Corporation's exploration and exploitation activities are subject to various federal, provincial and state laws and regulations in Canada and Mexico which govern the protection of the environment. These laws and regulations are continually changing and becoming more restrictive. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are in material compliance with all applicable laws and regulations. The Corporation expects to incur expenditures in the future to comply with such laws and regulations.

At least once per year, or when changes in circumstances occur, the Corporation reviews its estimates of the provision for environmental rehabilitation associated with retirement, including reclamation, of mining properties. In 2009, changes of estimates in cash outflows and timing of the obligations led to an increase of $143K in the provision. During 2010, the provision was reduced by $267K following changes in estimates, derecognition of Scorpio Gold Corporation and foreign currency translation adjustments. During 2011, the provision was not changed as there have been no changes to the mine closure plan and the applicable costs associated with it except for inflation. The provision for environmental rehabilitation stands at approximately $1.1 million as of December 31, 2011.

Employees

At December 31, 2011, the Corporation had five employees based in Toronto, Ontario, 324 employees in Cosalá, Mexico, 16 employees in Mazatlan, Mexico and one consultant in Vancouver, British Columbia.

NUESTRA SEÑORA PROPERTY, MEXICO

The Corporation operates the Nuestra Señora Mine and mill which are located east of the town of Cosalá in the State of Sinaloa, Mexico. The Nuestra Señora Mine is an underground silver-zinc-lead-copper mine which completed its commissioning and commenced commercial production in January 2009. The Nuestra Señora mill which is located 9km north of the Nuestra Señora Mine is a conventional flotation processing operation which currently operates at 1,500 tpd. The mill processes ore feed from the Nuestra Señora Mine and is currently undergoing Phase I expansion planning to attain throughput of 2,750 tpd. The Corporation's main activity is to develop its properties in the vicinity of the mill to provide the additional ore feed for the expanded mill.

Property description and location

Minera Cosalá, SA de CV ("Minera Cosalá"), an indirect, wholly owned subsidiary of Scorpio, purchased 100% ownership in the three mineral concessions that form the central part of the Nuestra Señora property from Sr. Alejandro Octavio Trueba Valenzuela and his family and the concessions were formally acquired and transferred to Minera Cosalá on June 23, 2004. The acquisition was made on an arm's length basis. There are no underlying royalties or obligations except those to the Mexican federal government as defined in the Mexican mining laws. The surrounding mineral concessions were acquired by staking and are owned 100% by Minera Cosalá.

The current Mexican mining law contains no distinction between exploration and exploitation mineral concessions; they are simply referred to as mineral concessions. However, there is a distinction for the purposes of environmental permitting, and permits must be sought in accordance with the activities planned by the concession holder. Activities may vary from basic exploration through to complex mining and processing operations. The environmental assessment required in submissions to Mexico's Secretary of Environment and Natural Resources (SEMARNAT) and the operating conditions imposed in the resulting permits are in accordance with the level of activity being carried out.

All of the Nuestra Señora mineral concessions lie within the municipality of Cosalá and are administered by the Dirección General de Minas in the Sinaloa state capital of Culiacán.

In 2011, the Corporation reached an agreement with a subsidiary of Grupo Mexico S.A.B de C.V. to acquire 5 additional mineral concessions in the Cosalá district covering 1,387 hectares. These concessions have been registered in the Corporation's name and are included in the list below.

The mineral concessions are in the name of wholly-owned subsidiaries Minera Cosalá or MPRG and are shown in the following table:

CONCESSION STATUS					
Mineral Concessions					
Concession Name	**Concession Title No.**	**DGM File No.**	**Issue Date**	**Expiry Date**	**Area (Ha)**
Ampl. El Magistral	226527	95/12357	23-Jan-2006	22-Jan-2056	614.6
Ampliacion Los Cristos	178095	321.1/9-204	11-Jul-1986	10-Jul-2036	95.7
Anexas al Predio	167217	95/02620	22-Oct-1980	21-Oct-2030	20.0
Anexas del Angel	167216	95/01947	22-Oct-1980	21-Oct-2030	56.0
Brujita	238634	95/12768	11-Oct-2011	10-Oct-2061	7.8
Covadonga	225804	2/1/02552	26-Oct-2005	25-Oct-2055	13.1
El Angel Tercero	167215	95/01913	22-Oct-1980	21-Oct-2030	64.0
El Cajón	226288	2/1/02534	6-Dec-2005	5-Dec-2055	26.1
El Cajón 2	210988	95/10547	29-Feb-2000	28-Feb-2050	922.8
El Magistral	225864	2/1/02555	4-Nov-2005	3-Nov-2055	80.6
El Olvidado	214759	95/11779	22-Nov-2001	21-Nov-2051	70.4
El Pino	227527	25/31898	6-Jul-2006	5-Jul-2056	40.0
El Sabino	213989	95/11585	13-Jul-2001	12-Jul-2051	13.9
El Venado	155605	95/02048	30-Sep-1971	29-Sep-2021	21.0
Frank	216057	95/11820	2-Apr-2002	1-Apr-2052	59.3
Gordon	210637	95/10551	29-Oct-1999	28-Oct-2049	55.1
Humaya	210466	2/1.3/1481	8-Oct-1999	7-Oct-2049	325.2
Jimmy 3	213060	95/11494	2-Mar-2001	1-Mar-2051	200.0
Jimmy 4	213019	95/11498	2-Mar-2001	1-Mar-2051	56.0
Jimmy 5	213069	95/11499	2-Mar-2001	1-Mar-2051	75.7
Jimmy 6	214500	95/11517	2-Oct-2001	1-Oct-2051	170.4
La Dora	186334	321.1/2-547	29-Mar-1990	28-Mar-2040	15.0
La Dura	171975	321.1/9-28	21-Sep-1983	20-Sep-2033	100.0
La Escondida	225865	2/1/02556	4-Nov-2005	3-Nov-2055	112.0
La Estrella	172855	961	29-Jun-1984	28-Jun-2034	55.0
La Roja	218187	2/1/02219	11-Oct-2002	10-Oct-2052	563.3
La Seca 2 Fracc. 1	223178	95/12091	29-Oct-2004	28-Oct-2054	5,747.0
La Seca 2 Fracc. 2	223179	95/12091	29-Oct-2004	28-Oct-2054	88.2
La Seca 3	225354	95/12358	24-Aug-2005	23-Aug-2055	200.0
La Seca Fracc. 1	222214	95/12083	3-Jun-2004	2-Jun-2054	7,514.6
La Seca Fracc. 2	222215	95/12083	3-Jun-2004	2-Jun-2054	9.8
La Verde	156662	95/02214	14-Apr-1972	13-Apr-2020	100.0
Las Guasimas	214758	95/11778	22-Nov-2001	21-Nov-2051	9.0
Las Milpas	211200	95/10719	11-Apr-2000	10-Apr-2050	20.9
Los Arrayanes	234186	095/13124	4-Jun-2009	4-Jun-2059	2,568.4
Los Cristos	221715	025/31229	17-Mar-2004	16-Mar-2004	599.3
Magda 2	226587	95/12242	27-Jan-2006	26-Jan-2056	519.7
Magda 2 Fracc. 2	226588	95/12242	27-Jan-2006	26-Jan-2056	0.5
Magda 3	237656	95/12786	20-Apr-2011	19-Apr-2061	13.3
Magda 4	237658	95/12824	20-Apr-2011	19-Apr-2061	0.5
Magda 5	237657	95/12623	20-Apr-2011	19-Apr-2061	0.3

CONCESSION STATUS					
Mineral Concessions					
Magda 6	237659	95/12825	20-Apr-2011	19-Apr-2061	0.8
Magda 7	237660	95/12826	20-Apr-2011	19-Apr-2061	2.5
Magda Fracc. A	218571	2/2/00001	22-Nov-2002	21-Nov-2052	209.6
Magda Fracc. B	218572	2/2/00001	22-Nov-2002	21-Nov-2052	49.0
Mina Magistral	210893	95/10692	28-Jan-2000	27-Jan-2050	84.9
Monica	213950	95/11578	13-Jul-2001	30-Jul-2051	60.0
Monica 2	213820	95/11497	3-Jul-2001	2-Jul-2051	16.0
Norma	207259	95/09629	27-May-1998	26-May-2048	148.6
Penny	228020	2/1/02566	27-Sep-2006	26-Sep-2056	213.8
Real de Montecristo	207640	2/1.3/01325	30-Jun-1998	29-Jun-2048	29.3
Ricardo	225146	95/12204	26-Jul-2005	25-Jul-2055	2,114.3
Rich	226568	25/31827	27-Jan-2006	26-Jan-2056	310.8
Rich 1	226550	95/12374	26-Jan-2006	25-Jan-2056	179.9
Rich 2	227568	95/12509	6-Jul-2006	5-Jul-2056	199.8
Rich 4	237827	95/12828	29-Apr-2011	28-Apr-2061	0.6
Rich 5	237398	95/12829	9-Dec-2010	8-Dec-2060	1,601.0
Rich 6	237399	95/12853	9-Dec-2010	8-Dec-2060	37.2
Roja	213412	321.1/2-00054	11-May-2001	10-May-2051	48.0
San Jose	205217	2/1.3/1323	8-Jul-1997	7-Jul-2047	237.9
San Ramon	214827	95/11734	4-Dec-2001	3-Dec-2051	270.8
Silvia Maria	216419	95/11806	17-May-2002	16-May-2052	19.2
Simon	225867	2/1/02561	4-Nov-2005	3-Nov-2055	245.8
Tano	235521	95/13118	11-Dec-2009	10-Dec-2059	596.2
Venado	228013	95/12522	26-Sep-2006	25-Sep-2056	85.5
Venado	228014	95/12523	26-Sep-2006	25-Sep-2056	100.0
Zaida	231635	25/31900	28-Mar-2008	27-Mar-2058	1,141.3
TOTAL IN DISTRICT					**29,227**

All the existing mineral concessions have been legally surveyed by qualified and government approved surveyors. These surveys have been registered with the mineral concession titles at the Department of Mines in Mexico City and are in compliance with Mexican mining laws.

All of the Corporation's infrastructure, mineral deposits and tailings pond are located on the Corporation's mineral concessions listed above or on the two parcels of surface lands purchased by the Corporation. The town site, consisting of 24 units, is located on 14 hectares of surface lands purchased from a private individual by the Corporation, within the Cosalá town limits, and is connected to the town's water and sewage system.

The fresh water pumping facilities for the Nuestra Señora processing plant are located near the mine on the El Angel Tercero concession and its surface supply line to the plant passes over lands belonging to the University of Sinaloa.

The mine workings, surface infrastructure, all mineral deposits, their associated reserves and resources are located on the El Angel Tercero and Anexas del Angel mineral concessions with the

surface lands belonging to the University of Sinaloa. The use of surface land for the mine infrastructure and the water supply line is permitted by a surface access agreement entered into with the University of Sinaloa as discussed below.

There are two secure hazardous material storage areas at Nuestra Señora, one located on surface at the mine and the other at the processing plant site. Liquid chemicals including, oil and hydraulic fluids are stored in steel containers for recycling. Any contaminated containers such as drums, boxes, bags etc, are also stored in these areas for disposal. A private contractor certified by the State of Sinaloa, is responsible for collecting and disposing of these materials in an appropriate manner.

The electrical line between the Comoderos power-generating facility and the plant site follows the government utility's right of way and they are responsible for maintaining the line.

On February 21, 2005, Minera Cosalá signed an agreement with the Universidad Autonoma de Sinaloa ("University"), holder of the surface rights to a portion of the Nuestra Señora property, which gives Minera Cosalá surface access to this portion of the property and the right to conduct exploration and mining activities. To date, Minera Cosalá had fulfilled all its monthly payments to the University under this agreement. The agreement included a commitment of US$100,000 to build several classrooms at the University's new facility in Cosalá. The construction was completed at the end of March, 2009. Mineral Cosalá has presented the University with its final payment to fulfil this contractual obligation.

In late 2006, Minera Cosalá through its employee Cesar Lemas purchased 118 hectares of surface lands situated 3 km northwest of the Nuestra Señora property, as a location for the processing plant facility and tailings pond, from the Ejido (Agrarian Cooperative) of the Cosalá area. In 2007, the Ejido main assembly meeting granted Mr. Lemas full domain over the lands. Mr. Lemas then granted to Minera Cosalá an irrevocable power of attorney allowing Minera Cosalá to act as Mr. Lemas's designee to process the transfer of the land title. On January 26, 2009, the title to the surface lands was issued in the name of Cesar Lemas. The subsequent transfer of the title to these surface lands from Cesar Lemas to Triturados Noroeste S.A. de C.V. was completed in December 2009 and the lands were then immediately transferred to Minera Cosalá. These transactions were registered and confirmed with the government authorities on February 26, 2010.

The Corporation's exploration activities are subject to various federal and state laws and regulations in Mexico, which govern the protection of the environment. These laws and regulations are continually changing and becoming more stringent. The Corporation conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Corporation expects to incur expenditures in the future to comply with such laws and regulations.

Accessibility, climate, local resources, infrastructure and physiography

The Nuestra Señora property is located approximately 10 km east of the town of Cosalá in the state of Sinaloa, Mexico. The principal Pacific coast highway is located 55 km to the west of Cosalá, and 18 km further west are a toll highway and the Pacifico railway. The toll highway connects Mazatlan with Los Mochis and Nogales situated at the Mexican/US border. The ports at Mazatlan, 160 km southwest of Cosalá, Topolobampo (Los Mochis), 300 km northwest, and Manzanillo, 870 km southwest, are all capable of handling bulk materials as well as containers.

Currently, all offshore shipments of containerized concentrate produced at the Nuestra Señora mine are handled through Manzanillo.

The property is accessible from the town of Cosalá via two heavy equipment access roads that can accommodate standard highway vehicles. A 12 km road that passes through the hamlet of La Seca accesses the Nuestra Señora, Santo Domingo and Santa Teresa workings at river level.

A Bailey bridge over the Habitas River connects the road to the Nuestra Señora mine portal. A 28 km road that passes through the hamlet of Santa Ana accesses the upper Candelaria workings 120 metres above river level.

The town of Cosalá, with its population of over 17,000, supplies the project with sufficient labour force to fulfil its requirements currently, and for the foreseeable future.

Cosalá is the regional market, educational and governmental centre closest to the Nuestra Señora project. Modern schools are present, teaching through grade 12, and the University of Sinaloa campus offers post-secondary education. The town has internet facilities such as internet cafes and home internet usage. Cellular telephones are widely used and the Banamex Bank has a branch office providing banking and electronic services. A local hospital can treat minor trauma and non-threatening illnesses. More serious medical problems require transfer to either Mazatlan or Culiacan.

In 2007, 14 hectares of land were purchased near the town of Cosalá for the purpose of housing a permanent facility camp which is currently used. The site has electrical power and is connected to the municipality's water supply and sewage system.

In 2007, the Corporation completed the 4.3 km bypass road around the town of Cosalá to accommodate all heavy-equipment traffic and the transfer of metal concentrates to smelters without impacting the town.

Comisión Federal de Electricidad, the government utility, is the supplier of electricity in Mexico. Construction of the Corporation's 100%-owned, dedicated 34 km power line from the main hydro dam to the Nuestra Señora processing facility and electrical sub-stations at the hydro dam and at the plant site were completed in March 2008. The powerline is now connected to the mine.

Water rights in Mexico are controlled by the Comisión National del Agua ("CONAGUA"). The Nuestra Señora/Cosalá area is considered to have excess water supplies and has been designated a "Zona de Libre Alumbramiento" – a free water exploitation zone. The Corporation has access to all required water for its mining and processing operations on the Nuestra Señora property.

The Habitas River, which runs all year, is located in a steep-sided canyon that traverses the project area. Initially, two bridges (one for pedestrians and the other for vehicles) had been constructed to ensure there would be no disruption to the operation during times of flooding. The former has been dismantled for security reasons and now access for vehicles and other traffic is restricted to the Bailey bridge. Flooding due to a tropical depression in September 2006 produced significant scouring of the alluvial approaches to each side of the Bailey bridge, but the bridge itself suffered no damage. The approaches were quickly rebuilt and access re-established to the mine. The Corporation plans to construct flood protection walls to avoid any potential business interruption.

After previously giving its approval, at the end of 2011 SEMARNAT reversed its prior decision. The Corporation intends to extend its current contingency plans to protect mine production for another year and make a further submission to SEMARNAT by Q4-2012.

Water leakage into the mine provides a sufficient supply for the diamond drilling and underground equipment requirements. Dewatering from the mine also supplies water to the processing facility via a six inch pipeline. Wastewater is being recycled, with only minor amounts from the underground workings being pumped into the river. The discharged water is monitored to ensure it conforms to Canadian and Mexican environmental standards.

The property lies in the western foothills of the Sierra Madre Mountains, with elevations varying from 330 to 1,000 metres above sea level ("m.a.s.l"). The Nuestra Señora, Santo Domingo and Santa Teresa deposits are located at the bottom of the steep-sided Habitas River canyon at elevations of between 356 and 366 m.a.s.l, while the Candelaria deposit is situated above the canyon at an elevation of 485 m.a.s.l.

The climate ranges from subtropical to high coastal arid, with rainfall averaging 18 inches per year. Rainfall occurs most commonly from mid-June to late October, usually as intense thunderstorms which last for several hours. Until the end of November, occasional tropical to hurricane-strength storms originating in the Pacific Ocean, or westerly over the Sierra Madre Mountains from the Caribbean, can cause severe flooding which may temporarily isolate the area.

The weather does not impact on the Corporation's exploration and development activities except that during severe thunderstorms operations may be suspended temporarily, usually less than a couple of hours, for safety reasons. The exception is for surface drill programs taking place within the canyon. The Habitas River is susceptible to flash flooding during the rainy season and, consequently for safety reasons, surface drilling within the canyon is suspended during times of heavy rain. The mining activities and transporting of the ore to the plant site are not affected by the flooding since the mine entrance and the Bailey bridge are higher than the level of flooding.

History

Mining in the Cosalá area of Mexico dates back to the 17th Century when the Spanish processed high-grade enriched silver ore from the upper levels of the Nuestra Señora mine. At the turn of the 19th Century, French engineers further developed the underground workings at the Nuestra Señora and other mines in the district.

In 1949, American Smelting and Refining Corporation ("ASARCO") acquired the Nuestra Señora property and carried out extensive drilling prior to commencing production in 1954. ASARCO undertook an aggressive program of modernization, expansion, development, mining and underground exploitation at three of its mines on the property, the Nuestra Señora, Santo Domingo and Candelaria mines. Minimal development was done at the Santa Teresa deposit. These deposits are all located within 200 metres of each other. A haulage way was built from the Nuestra Señora and Santo Domingo mines to the San Luis shaft, from which the ore was skipped to surface and processed in a plant situated on the south lip of the canyon near the expatriate's town site.

ASARCO also developed an exploitation drift at the Candelaria mine on the "0" Level and extracted approximately 150,000 tonnes of ore from three zones "Salon 1", "Salon 2" and "Salon 3".

The Nuestra Señora mine was the main producer. ASARCO developed levels from the 3rd to the 10th Levels and extracted approximately 1.5 million tonnes of ore. ASARCO's mining records and exploration drilling indicate that much of the mineralization remained unexploited from the 8th to 10th Level and extends below the developed workings. The stope definition drilling done by ASARCO on the 8th, 9th and 10th Level of Nuestra Señora is recorded on level plans and sections together with assay intervals and values. No documentation in the form of assay certificates, drill logs or drill core is available to the Corporation.

ASARCO also completed a program of exploration drifting on the 6th Level of Nuestra Señora. Drifts were driven to the south of Nuestra Señora's main shaft as well as to the Santa Teresa and Candelaria areas where drilling was done from the drill bays established at approximately 100 metre intervals. The Corporation has no access to the data from this drilling.

ASARCO ceased production at the Nuestra Señora property in February 1965. The main San Luis shaft was capped and all underground equipment and surface plant structures were removed. The property was subsequently acquired via three mineral concessions filed with the Mexican Bureau of Mines by a local miner, Jorge Amador Solis, who undertook sporadic small-scale mining of the deposits. In 1986, the property owner died and the three concessions were left to his remaining family with Sr. Alejandro Octavio Trueba Valenzuela having the power of attorney to represent the family.

There was no exploration drilling or geological activity on the property from 1964 until 1991, when the Consejo De Recursos Minerales, (Mexican government mineral division) drilled three diamond drill holes beneath the Santo Domingo deposit, intersecting narrow widths of mineralization. The property then lay dormant until being optioned by the Corporation in November 1998.

Environmental protection

The Environmental Impact Statement ("EIS") for exploration and mining of the Nuestra Señora project was submitted to the SEMARNAT and approved on July 18, 2005. The approval allows Minera Cosalá to conduct exploration and mining activities on the El Angel Tercero, Anexas del Angel and Anexas al Predio exploitation concessions for a period of 10 years. Under the terms of the EIS, Minera Cosalá could extract 27,000 tonnes of waste per month and 650 tonnes of ore per day, which was sufficient for the Corporation's initial planned operations. However, as production increased, the Corporation filed an amendment to its EIS which has been approved and Minera Cosalá now has all the permits required to mine and process at the current operating levels and up to an increased capacity of 2,000 tpd. The Corporation plans to obtain amendments to the EIS for the planned expansion of the plant to 2,750 tpd.

Since 1999, all the required permits for exploration and underground development have been acquired and kept in good standing. They include:

- Explosives permit.
- Explosives transport permit.
- Permit for transportation of specialized and dangerous materials.

ASARCO closed its previous mining operations on the property in 1965. They removed the plant infrastructure but left the two nearby town sites intact. The University of Sinaloa owns the surface

rights and all the structures therein and is responsible for them and any other associated liabilities. The University uses one of the buildings as a teaching and research centre.

The main San Luis shaft of the Nuestra Señora mine was capped in May 1965 and has remained so since. The shaft and ASARCO's tailings area are located near the former expatriate town site and are the responsibility of the University. The Corporation's surface access agreement with the University and the mining law protects Minera Cosalá from any environmental liabilities pertaining to ASARCO's infrastructure and tailings since they were present prior to the Corporation and Minera Cosalá becoming involved with the property in 1998. Locked gates secure all other shafts and entrances to the mine workings, and a watch man is present 24 hours a day.

The total undiscounted amount of cash flows required to settle the current reclamation obligations at the Nuestra Señora property is estimated by the Corporation at $3.3 million. These provisions for environmental rehabilitation are not expected to be paid for several years in the future and are intended to be funded from cash balances at the time of the mine closure.

Geological setting

Regional geology

The Nuestra Señora property lies within the Cosalá Mining District along the western edge of the Sierra Madre Occidental. The basement is composed of a variety of tectonic/stratigraphic terranes of Pre-Cambrian, Paleozoic and Mesozoic rocks. In the mid-Cretaceous, marine transgressions deposited a thick sequence of Mesozoic sedimentary rocks that overlie the basement terranes and host the mineralization of many carbonate replacement/skarn deposits in Mexico such as Santa Eulalia, Naica and Zimapán.

These were subsequently covered by a sequence of Tertiary-age volcanic rocks subdivided into a lower andesitic unit (70 to 40 million years old) and an upper rhyolitic unit (40 to 20 million years old). Both volcanic sequences can range up to one kilometre (km) in thickness. Mineral deposits within the province are typically confined to the lower volcanic sequence and underlying Mesozoic rocks.

Mineralization is related to intrusions emplaced between 140 and 40 million years ago. Exposures of the underlying sedimentary rocks and associated mineralization are limited to eroded inliers surrounded by Tertiary volcanic rocks.

According to the Mining Monograph of the State of Sinaloa, the Nuestra Señora property also lies in a sub-circular inlier of Cretaceous limestone approximately 10 km in diameter along the eastern extent of the Sinaloa Batholith. This massive gabbroic to granodioritic complex evolved through multiple intrusive stages spanning ages of 139 to 45 million years and the resulting contact metamorphism of the limestones created re-crystallized limestone, marbles and skarns.

Local and property geology

The Lower to Middle Cretaceous sediments within the Cosalá Mining District are exposed over roughly 30 percent of the area and vary from a fine-grained massive to medium-bedded carbonates. The town of Cosalá resides in a broad valley of regolith formed by the decomposition of the Sinaloa Batholith. Its emplacement produced high temperature skarn, skarnoid and varying degrees of re-crystallization of the limestones.

The Cretaceous limestones in the immediate area of the deposits dip 40º to 50º northeast. This tilting probably occurred at an early stage of the Laramide orogeny (D1) associated with northeast – southwest directed compression that roughly coincided with the emplacement of the batholith in Upper Cretaceous and Lower Tertiary times (~90 to 40Ma). There is no evidence of major folding in the area.

Sulphide deposition in the area is coincident with the emplacement of the regional granodiorite batholith, particularly the late magmatic pulses.

There are four recognized deformation events in the Nuestra Señora district, namely:

- Early Laramide ENE to NE compression (D1) resulting in the main stage of fold-thrust contractional deformation;
- Later Laramide NNE to N-S compression (D2);
- Early post-Laramide NE to ENE extension associated with the initiation of Basin and Range extension (D3), and
- Recent (<12 Ma) to present day WNW extension (D4) associated with the dextral movement of the San Andreas fault system and the drift of the Baja California peninsula to the NW.

Low-angled, northeast dipping thrust/shear planes are prevalent in both the Candelaria and Nuestra Señora deposits. In some locations these structures were active during the mineralizing events as evident by the mylonitic and cataclastic fabrics that cut the endo-skarn and place it in contact with the silicified granodiorite. The deformation that occurred after mineralization resulted in brecciation, displacement and dislocation of the Candelaria sulphide mineralization often producing a discontinuity to the zones.

The river course between Nuestra Señora and Santo Domingo is controlled by the northeast trending Hoag Fault. It also forms the northwestern limit of the Nuestra Señora mineralization in the development above the 8th Level. This structure dips southeast at 70 - 80º and is exposed in the Santo Domingo crosscut on the 6th Level. The fault is represented by a 28 metre zone of hematized, mylonitic and cataclastic material with calcite veining. This was a persistent structure that was repeatedly re-activated and sealed over a period of time although there is no evidence of any major displacement.

Deposit type

The initial skarn development in the Nuestra Señora area was contemporaneous with the emplacement of the diorite-granodiorite. However, the area was subjected to several pulses of magmatic and hydrothermal activity. The fluids were channelled along both low-angle thrusts/reverse faults and along steep transfer/conjugate faults.

The variation in host rock and the various phases of skarn and retrograde skarn development has determined the differences between the three types of deposits i.e. carbonate replacement (CRD), contact sulphides with retrograde skarn and breccia hosted mineralization.

The Candelaria, Santo Domingo and Santa Teresa deposits are hosted by re-crystallized limestones near or at the faulted contact between the granodiorite and limestone. The majority of

this CRD (D1) mineralization occurs in the Candelaria mine and may have controlled some of the mineralization in the Santo Domingo and Santa Teresa areas.

At Candelaria, the predominant type of deposit is carbonate replacement within the re-crystallized marbles. The massive sulphide pods are irregular shaped but have sharp contacts with considerable variation in size, shape and orientation. The localization of the mineralization appears to be controlled by both lithology and structure, although re-crystallization of the limestones has obliterated many of these features. Disseminated mineralization occurs along the endo-skarn/exo-skarn interface developed at the faulted contact between the limestones and the diorite-granodiorite intrusion.

The Nuestra Señora deposit is localized in the brecciated calc-silicate skarn. Hydrothermal activity occurred during a series of events, as suggested by extensive kaolinitization of some of the endo-skarns prior to calc-silicate alteration. This continued fluid flow and a change in the stress field to (D2) Laramide deformation resulted in later stage quartz and quartz-calcite veins and breccias indicative of an increasing meteoric fluid input.

The Nuestra Señora deposit is presently the most extensive and continuous mineralized system on the property. It consists of a series of breccia zones with the sulphides in the form of disseminations, veins (10 centimetres to > 1 metre wide) and patches/pods often 5 metres in diameter, the latter being predominantly restricted to thrusts, fractures and shears. The higher-grade mineralization occurs near the lower thrust contact. The gangue consists of calcite-quartz-chlorite filling dilation or open spaces within the brecciated endo- and/or exo-skarn. The calc-silicate skarns provided massive brittle units, which facilitated the intense and extensive zones of brecciation. The most intense fracturing occurs at favourable structural intersections and is independent of lithological controls. The lower thrust contact, the northwest trending faults and their associated brecciation are also favourable hosts. These form moderately plunging mineralized zones that exhibit more vertical continuity, are more predictable, but unlike the carbonate replacement type have a greater variation in metal distribution and gradational contacts.

The co-existence of two generations of garnets, wollastonite and carbonate suggests multiple phases of skarn development at the Nuestra Señora deposit; however, the paucity of adularia, chalcedony and quartz veins, sericite and chlorite in the altered rocks suggests that the present rocks have not been significantly affected by retrograde metamorphism. The skarn development extends well beyond the mine workings. Other minor occurrences, consisting mainly of small pits and trenches with copper oxide staining, occur in close proximity to Nuestra Señora. These include Perrolloron, VetaSeca and La Calabura, which are associated with the same granodiorite body as Santo Domingo.

Exploration

The following summarises the exploration work conducted by the Corporation since acquiring the Nuestra Señora property in November 1998.

Airborne geophysical surveying

In May 1999, Scorpio engaged a third-party consultant to fly a helicopter-borne geophysical survey over the area. A total of 293 line miles with a line spacing of 100 metres were flown, covering a 5 kilometre square block surrounding the original concession block.

The survey identified 1,451 conductive responses, but all of them were considered weak in nature including those over the known mineralization. The Corporation's consulting geophysicist

reviewed the airborne data and determined that 13 electromagnetic conductive anomalies warranted further evaluation in addition to those in close proximity to known mineralization. To date, only those in proximity to the Candelaria mineralized zones have had ground geophysical follow-up.

Ground geophysical surveying

The only ground geophysical follow-up was done in June 1999, when the Corporation established a five km by five km grid over and to the east of the Candelaria deposit; an area in which a weak airborne geophysical anomaly is located. The grid was established with a base line parallel to the known mineralization. Traverses were done every 50 metres along the base line.

The survey identified a strong conductor closely associated with the Candelaria mineralized zones. The Corporation's consulting geophysicist postulated that that it may be a major structure. Mapping in the Candelaria ramp and regionally has confirmed that the conductor is a major regional thrust fault located immediately northeast of the mineralized zones. According to the consultant, the magnetic survey did not define the zones of mineralization or geological contacts.

In August 2010 a Titan-24 geophysical survey was completed over the San Rafael area of the Cosalá Norte newly acquired in the Platte River acquisition. That survey covered a 3 x 3 kilometre area using 100-metre dipole spacing on 200-metres spaced lines. Several anomalies were identified from this survey and follow-up exploration drilling was undertaken on four of these. As a consequence, the discovery of a new mineralized zone was made as reported in the Corporation's press release dated December 3, 2010. Further exploration drilling was performed during 2011 at the San Rafael area of the Cosalá Norte along with drilling at other high potential projects that the Corporation has in the Cosalá district.

Borehole geophysical surveying

On February 18, 2008, the Corporation completed a geophysical program of down-hole pulse electrical magnetic surveying to determine if this system could accurately locate known mineralized bodies within the Nuestra Señora project. The survey was successful in identifying the known deposits, particularly in the main zone. This geophysical tool is expected to greatly enhance the Corporation's exploration efforts in under-explored and/or structurally complex areas.

Surface and underground exploration and development

In 2004, the Corporation's exploration focused on definition drilling and underground development of the Candelaria deposit. A 28 km access road from Cosalá to the former Candelaria workings was constructed and a new portal was collared to access the existing Candelaria workings. Ancillary facilities, including shop buildings, fuel storage and power for the Candelaria site, were completed in March 2004.

Underground development of the Candelaria deposit commenced in early 2004 and as of March 2005 totalled over 700 metres of advance on the main decline ramp to the -45 metre level and 520 metres of sub-drifting on the 0, -7.5 -15 and -30 metre levels. The underground program at Candelaria was suspended in April 2005 due to the erratic nature of the mineralization and difficulty in defining a bulk mineable deposit.

In late 2004, the Corporation's exploration focus began to shift to the historically much larger Nuestra Señora deposit. Underground development work and diamond drilling commenced on the

deposit in February 2005. The main access portal to the Nuestra Señora workings is located just above river level, 120 metres below the Candelaria portal. Scorpio rehabilitated the 10 km road from Cosalá, which accesses the north side of the Habitas River, and constructed a Bailey bridge to connect with the Nuestra Señora workings.
During 2005, the existing 2 by 2 metre access tunnel on the third level of the Nuestra Señora mine was enlarged to 5 by 4 metres and the ramp commenced towards the 6th Level. Exploration drifts were developed on either side of the ramp and the existing workings on the 6th Level were enlarged to permit exploratory drilling between the 8th and 10th Levels. The development totalled approximately 1,394 metres of which approximately 761 metres (or 54.5%) was ramp advancement.

In 2006, approximately 1,780 metres of development was completed of which 560 metres (or 31.5%) were ramp advancement. The main objective was to advance the ramp to 8, 9 and 10 Levels and to define mineral resources on these levels by additional drilling.

During 2007, development rose to approximately 2,959 metres. Of this, only 288 metres (or 9.7%) was for the ramp towards Level 11 and 12. The 2007 development campaign was mainly focused in opening the Hoag zone and preparing production stopes in several areas of the mine so that the Nuestra Señora mine could commence producing ore to be stockpiled in preparation for the plant start-up.

In 2008, the ramp advanced 655 metres and 2,068 metres of the other development was completed for a total of 2,723 metres. Five exploration drifts were driven off the 9^{th}, 10^{th} and 11^{th} Level crosscuts for delineation drilling of the Nuestra Señora mineralization. Also several other accesses were driven on various levels of the mine to reach cut & fill stopes. Mine development advanced an internal ramp from Level 9 to reach the Santa Teresa ore body on Level 9.5 and also opened a new access on Level 9 to reach the Santa Teresa but at the 9 Level. The focus of mine development was to maximize mining flexibility by developing access to cut and fill stopes in several areas in the mine, including the Santa Teresa zone on Level 9.5, the M-5 zone on Level 11. Most of the development for the last quarter of 2008 was focused on allowing access to higher grade mineralization. This included driving a ramp to the 10.5 Level which was then extended to Level 11 allowing access to the M-5 and M-4 zone. On Level 10, the 10 Main North West zone was excavated and on Level 11, developments reached the FW zone and the Silver Vein zone in March 2009.

A small definition drilling program consisting of 582 metres was completed underground during the fourth quarter of 2009 for a total of 2,928 metres for the year. The purpose of the drilling was to define the M-03 stope above and between levels 11 and 12 to provide a better understanding of the geometry of the mineralization. An access drift is currently being driven from the 12^{th} Level crosscut, following the mineralized M-03 structure. This drift will also be used for definition drilling of the M-04, M-05 and M-10 stopes on, above and below Level 12.

There was no exploration drilling done in 2009 due to depressed metal prices.

Following completion of the Titan-24 geophysical survey in August 2010, a total of 2,555 metres of diamond drilling investigated four of the geophysical anomalies identified at the newly acquired Cosalá Norte, and found new areas of mineralization. Further exploration drilling was performed during 2011 at the San Rafael area of the Cosalá Norte along with drilling at other high potential projects that the Corporation has in the Cosalá district.

2011 Underground development & production

In 2011, the Corporation commenced an aggressive 10,500 metre underground exploration and definition drilling at the Nuestra Señora Mine. Due to the equipment issues detailed below, development for 2011 was 2,848 equivalent metres. The Corporation engaged a contractor in the key area of production drilling to ensure that adequate long hole stoping tonnes are available in the near term. This contractor commenced drilling in December 2011 and is expected on site until Q2-2012.

During Q3-2011, the Corporation maintained a high processing rate with the introduction of profitable lower grade ore from contingent sources despite problems with mobile mining equipment that disrupted production from higher grade mining areas. The Corporation took delivery of a new jumbo drill which was commissioned at the end of the third quarter and is accelerating the advance of development for production and exploration purposes. The Corporation also made a $4.5 million purchase of new mining equipment that will replace aging machines when delivery occurs in Q1 and Q2 of 2012.

Environmental submissions to SEMARNAT are being prepared that detail exploration plans for the new areas of interest including the recently sampled Chilicotes and Santa Rita prospects.

Development at Candelaria occurred on three levels with 24,760 tonnes of high grade ore excavated in 2011 via mechanized mining methods. The diluted ore resulted in head grades of 157 g/t silver, 1.34% zinc, 0.96% lead and 0.32% copper. In the coming months, further investigation will be carried out to determine the appropriate mining method of this area.

Mineralization

The deposition of the mineralization in the Nuestra Señora area is related to late magmatic activity associated with the emplacement of the batholith. Prior to this, contact metamorphism resulted in re-crystallization and pro-grade garnet (grossular and andradite) – pyroxene skarn.

The deposition of sulphides in the Nuestra Señora area occurred during several cycles. Based on the petrographic textural relationships, the approximate sequence in order of deposition of the sulphides was sphalerite, chalcopyrite, galena and tetrahedrite. However, the variation in metal values would indicate that the silver distribution is possibly related to the injection of copper and not lead into the system. The silver, copper and lead deposition probably occurred independently to that of zinc. Therefore, it can be anticipated that there will be zones enriched in zinc with minor amounts of other metals. Some of the surface intersections are zinc rich and poor in other metals, which appear to support this hypothesis.

The mineralization varies from disseminated/vein filling in the endo-skarn to coarse grained massive sulphides at the lower thrust contact, the shoots associated with the northwest trending faults at Nuestra Señora and the carbonate replacement zones at Candelaria.

The sulphides of the Hoag Zone consist predominantly of zinc and lead, generally finer grained than those of Nuestra Señora, with >100 g silver per tonne values and only minor amounts of copper. The sulphide and silicate mineralogy, as well as silver mineralization in the Hoag Zone appear to be distinct from the Nuestra Señora rocks.

In the Sept 9 Zone, Santa Teresa, M-5, M-4 and M-2, the sulphides consisting of sphalerite, galena, and chalcopyrite are typical of the Nuestra Señora deposit being coarse grained with higher grades of silver (<120 g silver per tonne).

The Candelaria mineralization does not show the same variations in sulphides, as the silver is associated with zinc, copper and lead. Mineralization in this deposit exhibits the typical features of carbonate replacement within the re-crystallized marbles. The sulphides are predominantly coarse-grained sphalerite and chalcopyrite with sharp but highly irregular contacts. The alteration halo is usually less than one metre and consists of coarse-grained calcite while the host rock is predominantly re-crystallized limestone with minor exo-skarn.

Diamond drilling

Candelaria deposit 2000-2002

From March 2000 to January 2002, Scorpio drilled 17 NQ size surface holes (for a total of 2,000 metres) and 44 BQ thin wall size underground holes (totalling 3,000 metres) to test the historical Candelaria workings over a 200 metre strike length and to a 180 metre vertical depth. Of the 61 holes, 8 were abandoned due to bad ground conditions and 15 were designed as exploration holes to test for possible mineralization in the footwall and hanging wall of the interpreted main Candelaria zone. Of the 36 remaining holes that specifically targeted the Candelaria, 31 were successful at intersecting mineralization.

All analyses during the 2000-2002 program were performed by Bondar Clegg de Mexico SA de CV and its parent Bondar Clegg Canada (ISO 9002 certified laboratories). Samples were prepped in Bondar Clegg's Hermosillo lab and 50 gram pulps were sent to Bondar Clegg laboratories in Vancouver, Canada for assay. Gold and silver were analysed by fire assay - gravity finish and copper, lead and zinc by induced coupling plasma (ICP). Re-checks were done on all high-grade values reported as well as random samples to determine the repeatability of the reported values.

Candelaria deposit 2004-2005

At the Candelaria deposit, 151 BQ size holes for a total of 17,195 metres were drilled between June 2004 and April 2005. Drill hole spacing was 5 metres for the first 28 holes and approximately 50 metres for the remaining 123. Due to the irregular nature of the replacement bodies, the drilling failed to delineate the extent, continuity and shape of the mineralization. It was estimated that the zones would have to be drilled at 8 metre centres to provide meaningful geological interpretation.

In 2004, the Corporation enacted a formal quality assurance and quality control (QA/QC) program. The procedure for sample collection, processing and analyzing of the drill core is presented in the "Sampling, Analysis and Security" section below.

Nuestra Señora deposit 2004-2008

Since 2000, Scorpio has completed a total of 191 surface drill holes totalling 28,417metres at Nuestra Señora, of which 12 holes (2,617metres) were drilled in 2008. No surface drilling was done in 2009-2010and none is planned for 2011.

Scorpio commenced underground drilling of the Nuestra Señora deposit in April 2005. A total of 806 underground holes have been drilled totalling 101,102 metres since inception. Underground drilling totalled 33,259 metres for 2008.

The underground drilling of the Nuestra Señora deposit has been highly successful, resulting in the discovery of several new zones and demonstrating a very large mineralizing system. The current understanding of the Nuestra Señora and other related deposits in the area is that a series of stacked thrust faults provided the main conduit for mineralizing fluids. Subsequent deformation along the thrust faults created dilational zones, which provided wider structural traps for the emplacement of mineralization. Several of the new zones discovered by drilling do not outcrop at surface. Management believes there is excellent potential to continue to find other such "blind" (unexposed) mineralized bodies within the immediate area.

Santo Domingo and Santa Teresa deposits 2006-2008

Surface drilling of the adjacent Santo Domingo and Santa Teresa deposits in 2006-2007 totalled approximately 2,442 metres in 17 holes and 3,282 metres in 25 holes, respectively. As of March 2009, underground drilling of the Santa Teresa deposit totalled 3,281 metres in 25 holes. Good grade mineralized intersections from underground drilling of the Santa Teresa deposit lay only 17 metres from the Nuestra Señora haulage ramp. This zone was developed for mining in 2008/2009 and is currently part of the mine plan. The Santo Domingo zone requires additional definition drilling and consequently no development is planned for this area at the present time.

Nuestra Señora deposit 2010

In 2010 a total of 16,209 metres of exploration and definition drilling was performed underground at the Nuestra Señora mine. Results of that program were instrumental in improving stope definition and ore control for ongoing operations and assisting in the prioritization of geological targets for further exploration.

Nuestra Señora deposit 2011

More than 14,000 metres of underground exploration and infill drilling were completed at the Nuestra Señora mine during 2011. Recent drilling has focussed on extending Candelaria mineralization down dip and along strike as well as extending M07 Main Zone mineralization down dip and southeast along strike. Current drilling is targeting extensions to the Hoag Zone and new mineralization adjacent to the Hoag shear zone into the footwall. Later drilling will test for Main Zone extensions up dip from Level 8, testing between Levels 5 and 8 for mineralization left behind from historical workings.

Sampling, analysis and security

All technical information for the Nuestra Señora project is obtained and reported under a formal quality assurance and quality control (QA/QC) program. All sampling is carried out by Corporation personnel and in accordance with standard industry practice to ensure sample quality and accurate representation. The procedure for sample collection, processing and analyzing is as follows:

Core samples

Continuous core samples are taken of the entire mineralized zone and extending at least two metres beyond it on either side. The core samples are split in half and one portion placed in a plastic bag to be sent to ALS Chemex for assaying and the other returned to the core box to be stored at Minera Cosalá's secured enclosure in Cosalá, Mexico. Core sizes range from BQ (hole diameter 60 mm) to NQ (hole diameter 75.7 mm) and the samples weight varied between 0.6 to 5 kilograms. Core recoveries within the mineralized zones varied between 90 and 100%. Where no core is recovered within the mineralization an assay value of zero is inserted. When splitting the core, care is given to ensure that each half contains a similar amount of sulphides and therefore both are representative of the mineralized section sampled.

Sample intervals are determined based on the percentage of sulphides. Sample lengths vary from a minimum of 10 centimetres to a maximum of two metres. Where there are sections in excess of two metres they are sampled every two metres. At least two metres of host rock are sampled on either side of the mineralized zone. The complete mineralized zone is sampled, even where a visible estimation indicated that the amount of sulphide is less than one percent. Samples are also constrained by geological boundaries and consequently no sample interval extended across a geological contact.

The core is logged and then sections for splitting are marked and assigned two sample tickets with a designated number at the core shack situated in a secure fenced location in Cosalá. Sample intervals are determined based on the percentage of sulphides. Sample lengths vary from a minimum of 10 centimetres to a maximum of two metres.

The core is then cut in half with one section being placed in a plastic bag with one of the tickets and the other returned to the core box with the other ticket for future reference. The plastic bag is sealed and placed in a sugar sack. The core is stored at two secure locations, the first on the Candelaria mine site and the other at the core shack in Cosalá. Both locations have 24-hour security surveillance.

Underground chip samples

Initially continuous chip samples were taken in the old drifts, development drifts and open stopes of the entire mineralized zone and extending at least two metres beyond it on either side. Samples were collected in plastic bags and assigned a sample ticket with a designated number. One sample ticket was placed in the bag and the other retained for reference. The samples were transported to surface, sealed and placed in a sugar sack. They are either stored in a secure location at the mine site or at the office in Cosalá awaiting transportation to an independent laboratory.

Grade control procedures were changed in 2007 following a comparison between expected and assayed grades from chip and muck samples. It has been established that for grade control purposes, muck samples are more representative due to the very spotty nature of the mineralization, particularly in the Main Zone. At least five muck samples are taken per round of advance (approximately 160 tonnes). Results are compiled and grades per work area are calculated on a weighted average. Recent comparisons with plant throughput grades indicate that muck samples overestimate the true grade by up to 15% for lower grade areas but underestimate the true grade by up to 15% in high grade areas. Such variations are common particularly where precious metals (in this case silver) have a significant impact on the net value per tonne.

Sample preparation and transport is the same for muck samples as for chips. In 2008, muck samples were sent to the SGS laboratory in Durango. As of January 2009, muck samples are assayed internally at the Corporation's own laboratory. During the last few months of 2008, tests were done to compare results from SGS and the mine's lab and results were found to be acceptable for this purpose. With a few exceptions, all 2011core samples were processed internally, as will all future samples.

Sample processing & analysis

Generally, every three to four days the collected core samples are delivered by courier service to ALS Chemex preparation laboratory in Hermosillo for drying, crushing and pulverizing.

The procedure for sample processing and analyzing are as follows:

- The samples are prepared at the laboratory by ALS Chemex utilizing PREP-31
- The samples are crushed to more than 70% -2mm then 250 grams (pulp) are split off and this is then pulverized to more than 85% of less than 75 microns.
- The pulps are sent by air freight to ALS Chemex, Vancouver for assaying.
- The remaining samples (rejects) are retained by ALS Chemex, Hermosillo for shipment back to Minera Cosalá. ALS Chemex is an accredited ISO/IEC 17025 laboratory by the Standards Council of Canada (SCC).

Prior to March 2005, high-grade underground and drill core samples were assayed by fire assay and gravimetric finish for gold and silver utilizing ALS Chemex's GRA21, while copper, lead and zinc were prepared using a four acid digestion and assayed by atomic absorption spectrometry (AA62).

Other samples were assayed utilizing a four acid digestion followed by analysis using Inductively Coupled Plasma with Atomic Emission Spectroscopy (ME-ICP61).

In March 2005, the assaying procedure was changed to reduce costs without jeopardizing the analytical accuracy. The mineralized chip and core samples are assayed for gold consisting of 30-gram fire-assay atomic absorption spectrometry (AA23) and 27-elements including silver, copper, lead and zinc are analyzed in the ME-ICP61 package. Any samples of silver over the detection limit of 200 ppm are re-assayed utilizing the AA62 method. This also applies to copper, lead and zinc that exceed the detection limit of 10,000 ppm. If the silver exceeds the limit of the AA62 method of 1,000 ppm, then the sample is fire assayed with a gravimetric finish (GRA21).

In addition to the blank standards, reference standards and duplicate analyses performed by ALS Chemex, Scorpio conducts its own data verification by inserting standard and blank samples with the pulps that are shipped to ALS Chemex, Vancouver. Scorpio obtains blank samples and medium-grade and low-grade standards and inserts one after every 40th pulp. In addition, two pulps are produced from every 20th sample. One is analyzed by ALS Chemex while the other is sent to SGS Lakefield Research Laboratory for comparative analysis. Samples of standards and blanks have also been sent to SGS Lakefield to verify their QA/QC. As with ALS Chemex, SGS Lakefield Research is accredited ISO/IEC 17025 by the Standards Council of Canada.

Specific gravity determinations

A representative piece of core from each sample interval is marked by the Corporation's geologist for a specific gravity measurement. Since the core sampled extends beyond the mineralized sections and into the weakly mineralized or barren footwall and hanging wall, the samples are representative of ore and waste. The samples range from host rock to massive sulphides. The material is not porous and does not contain vugs or cavities; consequently, it is not necessary to coat the material with wax.

The procedure consists of a technician measuring the weight of the core (grams) in air and then measuring the volume of water (millilitres) displaced when it is suspended by a thin string in a litre measuring cylinder containing 500 millilitres of water. After each measurement, water is added to the cylinder to maintain the 500 millilitre volume. The specific gravity is calculated by dividing the weight by the volume. To ensure the specific gravity data is available for all rock types, even those not hosting the mineralized zones, representative samples of the different geological units are also measured but not with the same consistency as the sampled portions of the core.

During the course of 2008 and 2009, specific gravity measurements were done from muck samples. Trucks were weighed using the mine's truck scale before and after loading. Volume estimations were done according to scoop-tram bucket parameters. These factors are currently being used and regularly verified to estimate production tons from surveyed volumes.

In addition, concentrate specific gravity measurements were done internally from 5-10kg samples and also from truck loads on the truck scale. Concentrate stockpile inventories are monitored regularly by direct surveying.

Mineral resource and reserve estimates

Nuestra Señora deposit - October 31, 2010 estimate

At the end of 2010, Genivar, based in Val-d'Or, Quebec was engaged by the Corporation to provide an independent update of the mineral resource and reserve estimates for the Nuestra Señora mine in accordance with NI 43-101. The mineral reserve estimate was set out in the technical report dated March 28, 2011 and entitled Mineral Reserve Update, Nuestra Señora, 43-101 Technical Report (the "Nuestra Señora Technical Report") The estimates included the results of drilling performed since the Corporation's previous estimate and were updated for prevailing costs and metal prices. Genivar provided separate estimates for above and below the 4750 level of the Nuestra Señora mine (just above Level 8). The extent of historical mine workings by ASARCO and later artisanal mining above the 4750 level is uncertain, and future development in this area requires further evaluation. The area below the 4750 level is accessed by current operations and will continue to be the focus of development and extraction. The mineral resource and reserve estimate for Nuestra Señora below the 4750 level is as follows:

Nuestra Señora Mineral Resources below the 4750 level – October 31, 2010

Category	Cut-off Value US$/t	Tonnes t x 1,000	Silver (g/t)	Zinc %	Copper %	Lead %	Gold (g/t)	Silver Equivalent (g/t)
Measured	>$85	1,890	114	3.41	0.46	1.60	0.16	349

Category	Cut-off Value US$/t	Tonnes t x 1,000	Silver (g/t)	Zinc %	Copper %	Lead %	Gold (g/t)	Silver Equivalent (g/t)
Measured	$50-$85	1,372	47	1.08	0.15	0.54	0.12	127
Indicated	>$85	1,181	115	3.42	0.49	1.50	0.14	348
Indicated	$50-$85	1,104	47	1.06	0.15	0.51	0.11	126
Measured & Indicated	**>$85**	**3,071**	**114**	**3.41**	**0.47**	**1.56**	**0.15**	**349**
Measured & Indicated	$50-$85	2,476	47	1.07	0.15	0.53	0.12	127
Inferred	>$85	446	123	3.97	0.53	1.68	0.17	388
Inferred	$50-$85	383	49	1.00	0.13	0.50	0.14	124
Inferred	>$50	829	89	2.60	0.34	1.13	0.15	266

Nuestra Señora Mineral Reserves below the 4750 level – October 31, 2010

Category	Cut-off Value US$/t	Tonnes t x 1,000	Value US$/t	Silver (g/t)	Zinc (%)	Copper (%)	Lead (%)	Gold (g/t)	Silver Equivalent (g/t)
Proven	>$85	1,701	148	94	2.81	0.38	1.32	0.13	288
Probable	>$85	1,063	148	95	2.82	0.40	1.23	0.12	287
Proven + Probable	**>$85**	**2,764**	**148**	**95**	**2.81**	**0.39**	**1.28**	**0.12**	**287**

Notes:

1. Hugues de Corta, P.Geo., of Genivar Inc. is the Qualified Person for this mineral resource and reserve estimate.
2. All mineral resources and reserves have been classified in accordance with CIM definition standards.
3. The estimation is based upon geological data and a mine excavation survey as of October 31, 2010 and accordingly represents the estimated resources and reserves as of that date.
4. The quoted mineral reserves are completely contained within the mineral resources.
5. Mineral resources have had factors for dilution (12.5% at zero grade) and mining recovery (80%) applied to obtain the mineral reserves.
6. "Value US$/t" has been calculated on a contained metal basis using: US$16/oz silver, US$1,015/oz gold, US$2.30/lb copper, US$0.80/lb lead and US$0.85/lb zinc.
7. Silver equivalence has been calculated on a contained metal basis using the metal prices noted above, with no factors for metallurgical recovery or net smelter returns. It is calculated as:

   AgEq gpt = Ag gpt + (63.4 x Au gpt) + (36.4 x Zn%) + (34.3 x Pb%) + (98.6 x Cu%)
8. Totals may not add due to rounding.
9. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The general methodology used for the mineral resource and reserve estimation includes the following:

- All calculations were made using GEMS software, version 6.2.4.
- Capping grade factors were applied and samples composited at a length of 1.5 metres.
- A block model with cell sizes of 2.5 x 2.5 x 2.5 metres was interpolated using the inverse of the square of the distance using samples in the search ellipsoids. Blocks with composite assay values within a range of 10 metres were classified as "Measured"; those with the closest composite within 10 and 20 metres were classified as "Indicated" and blocks with samples within 20 to 30 metres were classified as "Inferred".
- A specific gravity was also interpolated for each block based on nearest neighbour lithology. The average specific gravity for the total estimated mineral resource is 2.88 tonnes per cubic metre.
- All known underground excavation openings were subtracted from the gross estimated mineral resource.
- All historic Asarco drill data was removed from the estimation to ensure sample integrity and reliability.

Due to the polymetallic nature of the Nuestra Señora deposit, the disclosed mineral reserves are based upon the value of the contained metal. The conservative cut-off value of US$85/t is the metal content contained in one tonne of ore for which the net revenue (net of smelter and refining costs) is in excess of the average cash operating costs to mine and process one tonne of ore. This assumes current concentrate sales contract terms, concentrate grades and typical plant performance metal recoveries to calculate the net value. Total cash operating costs at Nuestra Señora, including mining, milling, administration and general costs, are currently under US$50/tonne.

Review of Resources and Reserves at Nuestra Señora

The Corporation has identified an unexpected divergence between the mineral resource and reserve estimates set out in the technical report dated March 28, 2011 and entitled Mineral Reserve Update, Nuestra Señora, NI 43-101 Technical Report (the "Nuestra Señora Technical Report") prepared for the Corporation by Genivar Inc., and the actual mineralization that the Corporation has encountered in the main production areas between Levels 8 and 12 at the Nuestra Señora Mine. The Corporation has encountered ore with lower than estimated lead and copper grades in these production areas, and development and definition drilling has identified lower tonnages relative to what was expected in the Nuestra Señora Technical Report.

In order to better understand this divergence, the Corporation has commissioned a comprehensive update of the Nuestra Señora mineral resource and reserve estimates. As part of this update, in Q3 2011 the Corporation engaged Mine Development Associates, an independent expert, to prepare new resource and reserve estimates that are compliant with NI 43-101 and that take into account the latest information available to the Corporation. The Corporation expects the new resource estimate to be available by the end of Q2 2012. An updated reserve estimate is expected in late Q3 2012 or early Q4 2012.

As of the date of this document, the Corporation's current assessment of the geology, exploration and production data indicates that the mineral deposit at Nuestra Señora is not as continuous as previously interpreted. The model developed by the Corporation based on the geological

information and data available to it at the time, predicted areas suitable for block mining from large stopes. However, geological information and data from actual mining received by the Corporation since the development of such model suggests that the mineral deposit is more variable in distribution and continuity, and more confined in extent than anticipated. Accordingly, management expects a significant reduction in the resource and reserve estimates at the Nuestra Señora Mine. The magnitude of the reduction cannot be accurately quantified at this time. Such a reduction could adversely impact production, life of mine, and cash flow forecast, including the Corporation's previously released production guidance for 2012. A reduction in operating earnings from this mine could negatively impact earnings and the financial condition of the Corporation.

Nuestra Señora Processing plant operations

The plant throughput for 2011 compared to 2010 was as follows:

	2011	2010
Processed (tonnes)	**509,292**	381,215
Silver (g/t)	**101**	97
Zinc grade (%)	**2.16**	2.04
Copper grade (%)	**0.33**	0.32
Lead grade (%)	**0.92**	1.02

The plant throughput for 2011 was 34% higher than for 2010 mostly due to operational efficiencies implemented throughout 2011.

Concentrate production for 2011 was higher than 2010 due to the higher throughput and higher head grade delivered to the plant:

Nuestra Señora Plant Expansion

The Corporation has decided that, notwithstanding the feasibility study for the proposed new process plant in Cosalá North, the existing Nuestra Señora processing facility should be expanded by 80%, taking production from 1,500 tpd to 2,750 tpd. Additional tonnage to support the increased processing capacity may be delivered from several sources, including additional production from the Nuestra Señora Mine, the refurbished La Verde Mine, and new production from the San Rafael and El Cajón deposits. Further evaluation will determine the best feed combination according to potential production schedules and permitting status.

This expansion does not preclude additional expansion of the Nuestra Señora processing facility in the future. This will be determined pending the results of the feasibility study on the proposed new plant as well as continued exploration success in the Cosalá District. The Corporation has the advantage of multiple options from which to select the best cost-benefit growth scenario.

An Engineering, Procurement and Construction Management contractor for the expansion project will be engaged by the end of Q1 2012. The Corporation has approved $5 million for Phase I of the Nuestra Señora plant expansion which includes engineering, civil works, and the purchasing of long lead time items such as an additional used ball mill and the installation of a flash flotation cell, which is expected to be concluded in Q2 2012. The commencement and completion of Phase II which includes construction and commissioning will depend on the results of the resource and reserve updates at Nuestra Señora, El Cajón and San Rafael, drilling results at La Verde and permitting.

The cost of expansion is estimated at US$20 million and includes detailed engineering, procurement and construction, as well as associated mine capital to support the increased capacity. All required capital for this expansion project will be funded internally from operational cash flows.

The plant expansion project is subject to granting of a modified operating permit by SEMARNAT. Reaching a processing rate of 2,750 tpd is contingent on a successful drilling program at the La Verde Mine to confirm mineral resources and a reliable source of ore feed to the plant. The La Verde Mine, by virtue of its recent operating status, is positioned as the earliest source of ore feed amongst the advanced deposits in the Cosalá District. If the La Verde Mine does not have the ore feed and/or the Nuestra Señora updated resource and reserve reports result in significantly reduced estimates, the Phase II plant expansion will be delayed. Nonetheless, the Corporation expects that the plant expansion will ultimately proceed due to the availability of the reserves at San Rafael and El Cajón.

COSALÁ NORTH, SINALOA, MEXICO

The Corporation's indirectly owned Mexican subsidiary, Minera Platte River S. de R.L. de C.V. ("MPRG"), controls, four significant projects in Mexico, the most important of which is the polymetallic Cosalá North deposits, near Cosalá, Sinaloa. MPRG controls 9,816 hectares of mineral concessions in this area which includes the San Rafael and El Cajon deposits, and the La Verde underground silver-copper-gold mine (the "La Verde Mine"), all contiguous to the northern boundary of Scorpio's Cosalá district land holdings.

Cosalá North is a project centred on a possible additional processing facility located 14 km northeast of the town of Cosalá and 17 km north of the existing Nuestra Señora plant by existing road. The Corporation plans to conduct a feasibility study to evaluate the viability of a nominal 4,000 tonnes per day (tpd), multi-product concentrator situated proximal to the historical mines of La Verde and La Estrella; and the San Rafael and El Cajón deposits where NI 43-101 compliant mineral resources have been defined in reports prepared by Mine Development Associates and filed on SEDAR on December 4, 2005.

Some components of the feasibility study are underway; including, an 8,000-metre surface drilling program covering infill, extension and sterilization drilling of the San Rafael deposit and La Verde Mine.

The Corporation is continuing metallurgical test work on the optimization of concentrate quality of the copper-silver mineralization within the San Rafael 120 Zone, as well as the leaching performance of the gold-silver oxide mineralization within the San Rafael Upper Zone.

Diamond drilling to potentially increase the resource base and support an upgrade to reserve category is in progress on the San Rafael and El Cajón deposits. The Corporation expects to complete the drilling by the end of Q1 2012. Updated resource estimates for the San Rafael and El Cajón deposits are expected in Q2 2012 and reserve estimates are expected by the end of Q3 2012 or early Q4 2012. The Corporation expects that the drill results that were reported in early Q1 2012 and discussed below should potentially add to the existing resource base at San Rafael and possibly at El Cajón.

The Corporation completed a total of 7,425 metres and 3,140 metres of drilling at San Rafael in 2011 and 2012, respectively. Drilling completed by the Corporation at San Rafael has focused on defining proposed open pit boundaries of the Zone and the in-fill drilling of widely-spaced intersections from prior drilling campaigns. Currently, drilling is following a fourth new manto-like body discovered to the northwest of the main deposit area. This new manto-like body has the potential to add to the current mineral resource estimate reported for San Rafael.

Property description and location

The Cosalá North property consists of 53 mining concessions that cover approximately 10,207 hectares. The concessions occur in four non-contiguous blocks, but 45 of the concessions form one very large block. Within the largest block are at least five separate areas of land that MPRG does not control. Two of the concession blocks not under MPRG control are immediately adjacent to the northwest and southwest boundaries, respectively, of the San Rafael deposit, while one of these same blocks covers a significant portion of the El Cajon deposit.

MPRG purchased 31 concessions of the Cosalá North property from their owner, Minera Real de Cosalá, S.A. de C.V. ("MRC"), through an option agreement made in mid-2004; the final payment to acquire the concessions was made on July 3, 2008. MPRG acquired three additional concessions from MRC in June 2006. An additional 19 concessions were filed by MPRG with the Dirección General de Minas between 2005 and 2008, bringing the total number of concessions controlled by MPRG to 53.

The mineral concessions held by MPRG in the Cosalá district are included in the Nuestra Señora Property Description section.

Accessibility, climate, local resources, infrastructure and physiography

The Cosalá North property is accessible from the town of Cosalá via a rural paved and then dirt road for a total of 14km. It is located about 17km from the Nuestra Señora mill.

Please refer to the Nuestra Señora property description "Accessibility, climate, local resources, infrastructure and physiography" which is pertinent to the Cosalá North.

History

The Cosalá district history is briefly described under the Nuestra Señora property section.

In 1949, ASARCO purchased the Nuestra Señora Mine and property and carried out exploration and development, putting the property into production in 1954. ASARCO also mined some similar material from the La Estrella mine on the Cosalá Norte property. In or about February 1965, ASARCO ceased production, assumedly because of anticipated Mexican

government policies. They subsequently removed all of the mining equipment. ASARCO let the concessions lapse in 1980.

Since 1965, several small Mexican mining operators have worked the mines on the Cosalá Norte property. Modern exploration was started by Industrias Peñoles, S.A. de C.V. ("Peñoles") in the late 1970s into the 1980s and again in 1999. In 1995, Minas de Oro Hemlo, S.A. de C.V. ("Hemlo") conducted mapping sampling, road building, and drilled 15 reverse circulation ("RC") holes primarily within the San Rafael area exploring for precious metals. Early in 1997, Golden Panther, a junior Canadian company, carried out a geophysical program at the La Verde mine and completed three diamond drill core holes ("core"). A cross cut was developed to intercept another mineralized structure but was stopped short of the area of interest, and Golden Panther abandoned the project the following year. In early 2000, Noranda Exploraciones Mexico, S.A. de C.V. ("Noranda") completed three IP-resistivity lines over the San Rafael zone in the area of the previous Hemlo drilling. Noranda subsequently drilled seven core holes at San Rafael totaling 1,347.5m in 2001.

MPRG became interested in the property in early 2004. On June 1, 2004, MPRG signed a four-year option agreement for 100% of the exploration and mining concessions owned by MRC along with all of the infrastructure and mining equipment used at the La Verde mine and project area but excluding the mill in Cosalá. MPRG made the final payment and acquired the property in July 2008.

In 1985, MRC acquired the rights to the La Verde Mine concession, from which he processed 50 to 80tpd of dump material and also signed an option to purchase the Gaitán mill in Cosalá. MRC developed two new cross cuts to intercept the La Verde zone and increased production to about 190 tpd.

Minerales para la Industria, S.A. de C.V. signed an exploration agreement in 1987 with MRC and Minera Humaya S.A. de C.V. ("Humuya") and completed mapping and sampling in the area around the La Verde Mine and the El Cajon and La Estrella areas. The results of their work were not sufficient to continue in the district. MRC subsequently completed 12 reverse circulation ("RC") drill holes along the La Verde zone with excellent results, and production over the ensuing years was increased to approximately 200tpd. MRC also acquired substantial additional concessions in the area at this time.

Noranda Exploraciones Mexico, S.A. de C.V. ("Noranda") started negotiations and later signed two option agreements, at the end of 2000, with MRC. One agreement was for the La Verde mine area, and the second was for the La Estrella - San Rafael – El Cajón area.

MPRG reported that the La Verde Mine was previously leased to Contratista de Obras Mineras, S.A. de C.V., ("COMSA"), a Mexican contract-mining company. The La Verde Mine produced 1.4 million tonnes with average grades of approximately 120g Ag/t, 0.53% Cu, and 0.13g Au/t.

Notice of termination of the lease contract was delivered to the COMSA in January 2011, and in accordance with contractual terms, contract mining ceased at the end of February 2011. The contractor had until May 10, 2011 to complete the acquisition of the Platte processing plant by fulfilling their cumulative lease payments of $3 million which they have since paid. The Corporation has commenced an aggressive exploration program in and around the La Verde Mine with the objective of producing a NI 43-101 compliant Preliminary Feasibility Study to

support future production growth at the Nuestra Señora processing plant and a possible new plant in the vicinity of the Cosalá North property.

Environmental protection

Since inception of exploration at the Cosalá Norte property, MPRG has been exploring under operating plans submitted to SEMARNAT. For MPRG's Phase I exploration program, a report was submitted to SEMARNAT in September 2004. For Phase II, a second report was submitted in September 2005. This second report included sufficient drill sites to cover the 2007 exploration activities. In 2007, SEMARNAT required an Informe Preventivo III ETAPA del Proyecto de Exploracion Minera Directa to be filed and approved by SEMARNAT. The Informe Preventivo describes the municipality in general, the local project area, current status of all project targets, as well as future drill targets. The document was submitted and approved in July 2007 and was sufficient to allow all 2008 exploration activities at Cosalá North.

MPRG has not completed, either internally or through a third-party consultant, a complete review of the project's environmental hazards. The project area is typical of many strongly mineralized areas in Mexico in which there are numerous prospects and small mines. These areas of historic disturbance often contain small dumps (many sulfide-bearing), small pits (generally less than 25,000 tons), and a number of adits. Such workings are present at most of the current PRG exploration targets, such as Magistral, La Bufa, Parian, El Cajón, San Rafael, Los Manueles, San Antonio, and also others that have been visited by MPRG geologists.

Within the concessions controlled by MPRG, one significant abandoned historic mine site is present, the La Estrella mine, located northwest of the San Rafael mineralized area. This mine was operated by Asarco into the 1950s and later by a Mexican owner. A small open pit and unknown amounts of underground workings are present at the site. Most of the dumps have since been removed and processed. Tailings remain from the mill that was present at the site when the mine was in operation. The mill has also been removed.

Geological setting

Regional geology

Please refer to Nuestra Señora regional geology.

Property geology

The geology at La Verde is dominated by Tertiary intrusive and extrusive rocks that make up much of the Sierra Madre Occidental. Cretaceous limestone, commonly recrystallized and marbleized but only locally skarn-altered, is exposed within windows in the Tertiary volcanic rocks and is the oldest rock identified to date. The basal Tertiary unit is a volcaniclastic arenite composed of heterolithic volcanic clasts that are variable in size, sub-angular to sub-rounded, and commonly porphyritic. Clast and grain size generally range from fine-grained sand to medium-sized boulders, and the unit commonly displays graded bedding. The arenite is an areally extensive rock type on the property and is also the primary host for skarn alteration/mineralization at the original La Verde mine. The protolith at El Cajon was originally believed to be a fine-grained limestone sub-unit within the Tertiary volcaniclastic arenite, though the current interpretation is that the altered limestone is of Cretaceous age. Overlying the basal arenite are andesitic flows/tuffs and dacitic tuffs. At San Rafael, the basal arenite

section is missing, and the massive sulfide mineralization occurs primarily along the dacite tuff/Cretaceous limestone contact with additional mineralization within the dacite, where the Upper Zone is located, and skarn-altered limestone, which is the main host rock for the 120 Zone. The youngest rock type is felsic rhyolite tuff. The rhyolite tuff contains quartz phenocrysts and small lithic fragments. Although there are silver-gold veinlets that crosscut the tuff, no strong silver-copper-gold or silver-lead-zinc mineralization has been identified in the rhyolite.

Three types of Tertiary intrusions are present on the Cosalá North property. Medium- to coarse-grained granodiorite, which is part of the district-wide batholith, crops out in the western part of the project area and is also intercepted at the bottom of a number of PRG drill holes in the El Cajon area. There are also large local intrusions of diorite, often occurring as sills that are interpreted to be related to the emplacement of the batholith. Andesitic dikes and sills, which are sometimes weakly magnetic, are also thought to be Tertiary in age.

The skarn alteration at the Cosalá North property covers a broad area of at least 20km^2. Paragenetically, from earlier to later stage, typical skarn minerals are garnet (especially andradite and grossularite), pyroxene, wollastonite, potassium feldspar, calcite, chlorite, epidote, and quartz-sericite-pyrite. Calcite and chlorite tend to increase near the mineralized zones. A garnet-pyroxene-calcite alteration assemblage tends to be more strongly associated with the mineralization at El Cajon. The quartz-sericite-pyrite assemblage is associated with the dominant massive-sulfide mineralization at San Rafael.

The property-wide dioritic intrusions are often weakly magnetic and generally only weakly altered, though the dioritic intrusion(s) spatially associated with the El Cajón mineralization exhibit a pervasive skarn alteration assemblage consisting of albite, tourmaline, scapolite, epidote, calcite, titanite/sphene, and minor quartz. Though pervasively altered, the diorite contains only trace amounts of pyrite and chalcopyrite. The skarn-altered diorite was often logged by earlier geologists as quartz monzonite.

Mineralization within the main mineralized horizon – "Main Zone" – at San Rafael is dominantly massive-sulfide material, which can contain greater than 90% sulfides, dominantly pyrite and pyrrhotite, but the zinc, lead, and silver are in sphalerite and galena. This massive-sulfide body is discrete, tabular, and lies along the shallow-dipping volcanic/limestone contact. The zinc, lead, and silver mineralization for the most part lies within the body of massive sulfide, but mineral-shell boundaries and their internal grade distribution are not directly coincident.

A silver-dominant mineralized zone – "Upper Zone" – lies within the Tertiary volcanic rocks about 50 to 100m above the massive sulfide within the eastern portion of the San Rafael deposit. The Upper Zone is composed of irregular, sub-horizontal layers sub-parallel to the Main Zone. The Upper Zone mineralization is associated with sulfides, but sulfide content is much less than in the Main Zone massive sulfide.

Silver-copper-gold mineralization has been discovered beneath the Main Zone within the southeastern portion of the deposit. Named the 120 Zone after the discovery hole, this mineralization is associated with generally 2 to 10% sulfides in a proximal skarn setting. Similar to the El Cajon mineralization, the 120 Zone lies primarily within steeply southeast-dipping garnet-pyroxene skarn-altered limestone country rock but also in altered volcanic rocks both associated with diorite intrusions. The 120 Zone is more irregular in shape and more

variable in mineral character than the San Rafael Main Zone, though this mineralization does extend upwards to overlap with the Main Zone mineralization.

Deposit type

Precious and base-metal mineralization at Cosalá North is associated with both fracture-controlled and massive-sulfide deposits deposited within variably altered Tertiary andesitic flows, dacite tuffs, and volcaniclastic arenite as well as Cretaceous limestone.

Silver-copper-gold mineralization, occurring within garnet-pyroxene-calcite skarn, is typically seen at the El Cajon deposit, the original La Verde Mine, and also in the 120 Zone along the east side of the San Rafael deposit. The strong metasomatic alteration and the close spatial relationship with a large dioritic intrusion suggest that the El Cajon-style of mineralization represents a proximal skarn deposit.

Silver-lead-zinc mineralization, associated with quartz-sericite-pyrite alteration, occurs within the Main Zone at San Rafael. This alteration type is believed to be a more distal phase of the skarn system.

Historical Exploration

MPRG initiated exploration of the Cosalá North property in 2004 and to date has conducted four phases of drilling. Total MPRG drill footage on the Cosalá North property through August 2008 was 65,706m in 371 drill holes, which corresponds to the totals found in the database.

The first phase drill program began November 20, 2004, and concluded in June 2005. The Phase I drilling, which consisted of 56 reverse circulation ("RC") holes for a total of 8,423.2m, tested 12 different targets throughout the Cosalá North area that had been identified by surface mapping and sampling. The most significant results of this drilling were indications of continuity of massive-sulfide (silver/lead/zinc) mineralization that had been tested by Hemlo and Noranda at San Rafael. The drilling also discovered significant silver-copper mineralization peripheral to the mineralization exposed in old mine workings at El Cajon.

The second drill phase began October 17, 2005, and ended July 6, 2006. Phase II, which consisted of 91 RC and 37 core holes totaling 18,609.9m, focused on defining the limits of the San Rafael mineralization and also expanding and defining the El Cajón mineralization. Due to the rugged topography and difficulty in locating drill pads, both vertical and angle holes were used to test the mineralized zones.

The third phase began January 2007, and ended August 2007. Phase III, which consisted of 80 RC and 51 core holes totaling 26,507.8m, focused on infilling and defining the limits of the El Cajon mineralization in preparation for a first-time publicly reported resource estimate and also infilling the San Rafael deposit for the purposes of resource classification upgrading. The 120 Zone was recognized while drilling hole SR120 at the San Rafael deposit during Phase III.

The fourth phase of drilling began March 2008, and ended August 2008. Phase IV which consisted of 56 core holes totaling 12,165.1m, focused on upgrading and further expanding the 120 Zone, defining the limited extents of the oxide mineralization, as well as minor step-out drilling at El Cajon.

As of December 2008, 194 drill holes and 14 surface trenches existed in the San Rafael deposit area, and 95 drill holes existed in the El Cajón deposit area. The El Cajón drill total included 52 drill holes located within the Silvia Maria concession, ground which MPRG does not presently control.

Since being acquired by MPRG in 2008, mine production was leased to a private contract mining company. Production during 2010 by non-mechanized methods totalled 121,000 tonnes grading 114 g/t silver and 0.44% copper, with silver and copper recoveries of 78% and 82%, respectively. Scorpio assumed control of the operation in early 2011 and commenced refurbishment for improved safety and future production. In addition, over 8,000 tonnes of La Verde ore were processed at the Nuestra Señora plant during 2011 to determine metallurgical performance.

In the Cosalá North area, MPRG has drilled 371 holes totalling more than 65,700 metres of core and reverse circulation drilling and has identified several significant deposits. These include the San Rafael deposit, with the related zinc-silver-lead-gold massive sulphide "Main Zone", the silver-copper-gold and zinc/lead “120 Zone" and the silver-gold “Upper Zone” deposits. All of these zones have been drilled out at 25-50 metre drill spacing. In addition, preliminary metallurgical work has been completed on the Main Zone and indicates normal recoveries. Metallurgical test work continues with the objective of optimizing recoveries of the 120 Zone mineralization.

In addition to drilling, MPRG has conducted geologic mapping, chip-channel sampling of outcrops and road cuts, and various geophysical surveys. Geochemical data from 14 trenches located on the eastern edge of the San Rafael deposit are in the database and were used in the current resource estimate. The geophysical work was completed in 2005 and 2006 by Quantec Geoscience Inc. of Reno, Nevada (USA). IP, resistivity, and ground magnetics data were collected. The IP and resistivity data were collected to map the distribution of pyrite and chalcopyrite, while the ground magnetics data were collected as a test to determine whether the skarn mineralization and intrusive rocks could be identified by their magnetic properties.

A total of five IP lines were acquired at La Verde, four lines at El Habal and 12 lines covering the San Rafael/El Cajon target for a total of 27.4 line-km of IP and resistivity. IP anomalies correlated with mineralization in all areas. Low-amplitude IP anomalies (<5.0 msec.) seem to correspond to the La Verde and El Habal mineralization, while high-amplitude IP anomalies (reaching 20msec. or higher) correlate well with mineralization at San Rafael and El Cajón. This amplitude can indicate disseminated sulfide in the range of 3% to 5%.

Resistivity was not a good indicator of mineralization. Resistivity values varied between 100ohm-m and 500ohm-m. Lateral variations in resistivity probably reflect structure, lithology, or the overprint of alteration.
Ground magnetics data were acquired along two IP lines at El Cajón during the 2006 survey. A GEM system (GSM-19) proton precession magnetometer was used for the survey, and a total of 2.5 line-km of data were acquired and plotted in profile format. The results of the magnetic survey were inconclusive. No clear correlation of magnetic anomalies with mineralization was identified. However, the value of ground magnetics is often in its ability to map lithology, structure, and sometimes alteration and is difficult to assess with limited coverage (Ellis, 2007).

Significant Drill Intercepts from PRG's Phase I, II, III and IV Drill Programs

La Verde Project Significant Drill Intercepts								
Hole ID	Hole Type	Area	Thickness (m)	Ag (g/t)	Pb (%)	Zn (%)	Cu (%)	Au (g/t)
SR96	RC	San Rafael	33.5	53	1.86	5.51	-	-
SR60	RC	San Rafael	21.3	79	1.55	5.69	-	-
SR172	Core	San Rafael	20.9	50	2.07	3.56	-	-
SR58	RC	San Rafael	19.8	41	1.33	4.32	-	-
SR18	RC	San Rafael	15.2	61	1.83	4.81	-	-
SR1	RC	San Rafael	12.2	264	7.96	4.14	-	-
SR64	RC	San Rafael	9.1	144	4.16	10.11	-	-
SR195	Core	San Rafael	7.5	426	1.24	5.15	1.12	0.543
SR127	RC	San Rafael (120 Zone)	32.0	359	-	-	1.00	0.380
SR205	Core	San Rafael (120 Zone)	13.5	419	-	-	0.10	0.568
SR120	RC	San Rafael (120 Zone)	12.2	409	-	-	0.98	0.420
SR183	RC/Core	San Rafael (120 Zone)	12.2	313	-	-	0.96	0.390
SR228	RC/Core	San Rafael (120 Zone)	10.7	211	-	-	0.48	0.242
SR221	Core	San Rafael (120 Zone)	9.2	278	-	-	0.63	0.436
SR209	Core	San Rafael (120 Zone)	7.1	242	-	-	0.11	0.336
SR197	Core	San Rafael (120 Zone)	6.9	354	-	-	1.10	0.508
SR204	Core	San Rafael (120 Zone)	6.5	372	-	-	0.25	0.495
SR44	RC	San Rafael (Upper Zone)	15.2	474	0.59	0.33	-	-
SR123	RC	San Rafael (Upper Zone)	10.7	455	0.14	0.16	0.18	1.272
SR47	RC	San Rafael (Upper Zone)	7.6	477	0.42	0.40	-	-
EC19	Core	El Cajon	38.0	316	-	-	0.99	0.600
EC21	Core	El Cajon	17.8	485	-	-	2.13	1.090
EC61	RC/Core	El Cajon	10.8	282	-	-	0.45	0.840
EC32	Core	El Cajon	10.6	278	0.01	0.14	1.32	0.436
EC25	Core	El Cajon	7.3	290	-	-	1.21	0.400
EC79	Core	El Cajon	3.9	562	-	-	2.14	0.674

Sampling

MPRG's core samples were split in half using a hydraulic splitter, a traditional splitter, or a simple hammer; the hardness of the rock makes splitting very difficult. No core was sawed. Half the sample intercept was put into 11x17 inch sample bags, while the remaining half was left in the core box. Once the core hole was completely logged, split, and sampled, appropriate standards and blanks were added to the sample stream, and the samples then shipped to ALS Chemex ("Chemex") in Hermosillo, Sonora, Mexico. The remaining split core is stored in Cosalá at a secure site, but until recently was only covered with waterproof tar paper. In 2009, the core was moved to a covered storage area at the same Cosalá facility.

All primary RC and core samples were sent to Chemex for sample preparation and analysis. Silver, copper, lead, and zinc were analyzed by four-acid (HF-HNO3-HClO4-HCl) leach digestion. Gold was analyzed by 30g fire assay ("FA") with an atomic absorption ("AA") finish. Sample preparation took place in Chemex's Hermosillo labs, and coarse rejects are stored in Hermosillo in a PRG warehouse. Pulps were sent to Vancouver, B.C., Canada for analysis.

RC rig duplicates were regularly checked by a second lab during drilling Phases I through III. MPRG used SGS de México S.A. de C.V. ("SGS") for the Phase I and II (years 2005 and 2006) second-lab check assaying of the Chemex results. SGS has a sample preparation facility in Durango City, Durango, Mexico, and the pulps are sent to Toronto, Canada for analysis. SGS used a similar multi-acid digestion for the base-metal and silver analysis and a FA-AA process for the gold. MPRG used International Plasma Labs Limited ("IPL") for the Phase III (year 2007) second-lab check assaying of the Chemex results. IPL has a sample preparation facility in Hermosillo, Sonora, Mexico, and the pulps were sent to Richmond, British Columbia,

Canada for analysis. IPL used a similar multi-acid digestion for the base-metal and silver analysis and a FA-AA process for the gold.

San Rafael Deposit

Mineralization

The San Rafael-type of mineralization contains silver, lead, and zinc mineralization with minor gold. The main minerals are pyrite, pyrrhotite, sphalerite, and galena with minor marcasite, chalcopyrite, and magnetite. This mineralization, in the San Rafael Main Zone, is often associated with quartz, sericite, and pyrite alteration minerals and has been interpreted as more distal skarn alteration. It has also been suggested that San Rafael displays many similarities to volcanogenic massive sulfide deposits, such as those found in the Guerrero Terrane in central Mexico. At San Rafael, a dacite tuff is the primary host for the mineralization. San Rafael Main Zone is located in the northeastern part of the Cosalá North property.

Mineralization within the Main Zone at San Rafael is primarily massive-sulfide material, which can contain greater than 90% sulfides, dominantly pyrite and pyrrhotite. The massive-sulfide body is discrete, tabular, and lies along the shallow-dipping volcanic/limestone contact. The zinc, lead, and silver mineralization, for the most part, lies within the body of massive sulfide and occurs in sphalerite and galena. The contacts of all elemental zones generally overlap within the massive sulfide, but mineral-shell boundaries and their internal grade distribution are not necessarily coincident.

A silver-dominant mineralized zone ("Upper Zone") lies within the Tertiary volcanic rocks about 50 to 100m above the massive sulfide along the eastern portion of the San Rafael deposit. The Upper Zone is composed of irregular, sub-horizontal layers sub-parallel to the Main Zone. Mineralization is associated with sulfides, but sulfide content is much less than in the Main Zone massive sulfide. Gold and weak base-metal mineralization occurs with the silver.

The 120 Zone mineralization occurs not as a single horizon but as multiple bedding- and intrusive-contact-related mineralized horizons. The 120 Zone mineralization is interpreted to occur along near-vertical diorite/skarn-altered limestone contacts in the lower parts and in quartz-sericite-pyrite-altered volcanic rocks in the upper parts. The 120 Zone mineralization extends upwards to overlap the Main Zone mineralization. Mineralization is associated with generally 2 to 10% sulfides and like the El Cajon mineralization is more irregular in shape and more variable in mineral character than the San Rafael Main Zone.

Exploration conducted by the Corporation

Drilling by the Corporation at the San Rafael silver-lead-zinc-copper-gold deposit has focused thus far on defining proposed open pit boundaries of the Main Zone and in-fill drilling of widely-spaced intersections from prior drilling campaigns. The Corporation expects these drill results to add to the existing resource base as well as increase overall grade estimations. Completion of the current program is expected by the end of the first quarter of 2012. The table below summarizes the results of holes intersecting strong mineralization.

Table 1. San Rafael Deposit - Highlights of 2011 Definition/Infill and Step-Out Drilling

Hole #	Azm (deg)	Incl (deg)	From (m)	To (m)	Width (m)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)
SR231	60	-77	46.6	59.2	12.6	68	4.98	2.64	0.010	0.102
SR233	60	-75	41.3	51.9	10.6	62	4.46	2.29	0.009	0.095
Including			41.3	41.65	0.35	434	15.85	17.25	0.03	1.015
SR235	240	-75	23.35	28.9	5.55	51	3.74	1.59	0.011	0.235
			52.9	55.4	2.5	50	3.17	1.63	0.005	0.150
SR236	0	-90	42.7	53.25	10.55	80	5.94	2.68	0.013	0.256
SR237	60	-45	74.9	79.5	4.6	141	8.61	4.08	0.012	0.253
SR238	60	-68	74.1	78.55	4.45	81	2.96	2.18	0.008	0.183
SR240	60	-50	66	73.8	7.8	65	3.38	2.08	0.015	0.230
SR241	60	-68	59.7	65.8	6.1	54	5.08	1.43	0.013	0.105
SR246	60	-79	162	173.2	11.2	88	5.58	3.18	0.021	0.042
Including			162	167.3	5.3	144	8.60	5.13	0.029	0.037
SR247	0	-90	60.1	72.55	12.45	80	5.26	3.06	0.017	pending
Including			65.5	69.1	3.6	149	8.66	5.62	0.024	pending
SR248	60	-51	27	33.8	6.8	133	7.54	5.03	0.020	pending
SR249	60	-66	10.2	18	7.8	209	17.46	7.62	0.022	pending
Including			11.85	16.5	4.65	303	27.14	11.02	0.028	pending
SR250	60	-45	49.55	55	5.45	129	9.17	4.52	0.026	pending
SR252	60	-68	44	66.5	22.5	86	6.27	2.88	0.020	pending

A total of 7,425 meters of drilling were completed at San Rafael in 2011 and so far in 2012, as of March 26, 2012, another 3,140 meters has been completed.

Highlights from the latest San Rafael drill results include:

- Hole SR-264: 288 g/t Ag, 0.23 g/t Au, 0.52% Zn, 0.75% Pb and 0.213% Cu over 15.2 m true width
- Hole SR-279: 1,562 g/t Ag, 2.1 g/t Au, 1.53% Zn, 0.27% Pb and 6.119% Cu over 5.1 m true width

Drilling completed by Scorpio at San Rafael has focused on defining proposed open pit boundaries of the Main Zone and the in-fill drilling of widely-spaced intersections from prior drilling campaigns. Currently, drilling is following a fourth new manto-like body discovered to the northwest of the main deposit area.

San Rafael Development Project - Latest Drill Results

Hole #	Azm (deg)	Incl (deg)	Deposit Area	From (m)	To (m)	Width (m)	True (m)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)
SR247	0	-90	Main Zone	60.10	72.55	12.45	10.78	80	5.26	3.06	0.017	0.050
			including	65.50	69.10	3.60	3.26	149	8.66	5.62	0.024	0.036

SR248	60	-51	Main Zone	27.00	33.80	6.80	5.57	133	7.54	5.03	0.020	0.055
SR249	60	-66	Main Zone	10.20	18.00	7.80	6.75	209	17.46	7.62	0.022	0.332
			including	11.85	16.50	4.65	4.03	303	27.14	11.02	0.028	0.457
SR250	60	-45	Main Zone	49.55	55.00	5.45	4.72	129	9.17	4.52	0.026	0.098
SR252	60	-68	Main Zone	44.00	66.50	22.50	21.14	86	6.27	2.88	0.020	0.065
SR256	60	-75	120 Zone + Main Zone	19.70	48.00	28.30	27.34	127	0.02	1.80	0.037	0.360
			including	29.00	33.00	4.00	3.86	268	0.02	2.83	0.096	0.392
SR258	60	-68	Main Zone	95.30	106.80	11.50	8.13	72	5.39	2.53	0.016	0.095
SR260	60	-73	Upper Zone	18.50	21.35	2.85	2.47	460	1.00	1.06	0.089	0.515
SR260	60	-73	Upper Zone	59.80	61.80	2.00	0.75	1060	0.16	0.18	0.706	0.591
SR261	240	-61	120 Zone + Main Zone	0.00	38.70	38.70	36.37	183	1.34	0.79	0.256	0.198
			including	0.00	19.30	19.30	18.64	215	0.32	1.11	0.175	0.282
			including	26.80	34.80	8.00	7.52	332	2.23	0.73	0.704	0.232
SR263	240	-78	120 Zone + Main Zone	14.00	44.00	30.00	25.98	116	1.65	0.62	0.244	0.173
			including	14.00	27.00	13.00	9.96	133	1.42	0.93	0.282	0.141
			including	31.80	44.00	12.20	10.57	135	2.31	0.35	0.296	0.263
SR264	60	-56	120 Zone + Main Zone	18.20	38.00	19.80	15.17	288	0.52	0.75	0.213	0.226
			including	25.00	35.00	10.00	7.66	424	0.21	0.66	0.321	0.225
SR277	60	-52	120 Zone + Main Zone	51.00	66.00	15.00	10.61	281	0.10	0.42	0.106	0.569
			including	55.00	63.00	8.00	6.13	427	0.13	0.64	0.118	0.649
SR278	60	-56	120 Zone + Main Zone	32.70	42.70	10.00	3.42	306	1.20	0.09	2.106	0.378
SR278	60	-56	120 Zone + Main Zone	56.40	68.15	11.75	11.57	256	3.47	0.82	0.504	0.450
SR279	0	-90	120 Zone + Main Zone	59.90	67.20	7.30	6.86	158	8.07	1.07	0.494	0.328
SR279	0	-90	120 Zone + Main Zone	71.40	79.40	8.00	5.14	1562	1.53	0.27	6.119	2.137
			including	75.00	79.40	4.40	2.83	2417	2.62	0.44	10.066	3.508
SR279	0	-90	120 Zone + Main Zone	108.50	122.00	13.50	8.68	234	0.77	0.26	0.517	0.175
SR282	60	-60	120 Zone + Main Zone	30.70	34.25	3.55	2.28	116	0.01	0.06	0.092	0.663
SR287	0	-90	120 Zone + Main Zone	114.80	131.50	16.70	NC	171	0.53	0.92	0.180	0.365
			including	114.80	115.60	0.80	NC	388	3.80	15.15	0.703	0.305
			including	120.00	124.10	4.10	NC	452	0.98	0.28	0.557	1.193
SR288	60	-69	120 Zone +	42.00	48.00	6.00	5.64	220	0.16	0.06	0.087	0.592

			Main Zone									
			including	44.00	46.00	2.00	1.88	451	0.21	0.07	0.211	1.165
SR289	0	-90	120 Zone + Main Zone	25.20	30.00	4.80	4.51	195	0.02	0.08	0.179	0.880
SR289	0	-90	120 Zone + Main Zone	72.50	75.00	2.50	2.35	201	0.02	0.03	0.055	0.767
SR291	60	-65	120 Zone + Main Zone	45.00	57.00	12.00	NC	130	0.03	0.04	0.029	0.284
SR291	60	-65	120 Zone + Main Zone	60.50	63.25	2.75	NC	422	0.03	0.09	0.179	0.990
			including	62.90	63.25	0.35	NC	661	0.05	0.02	1.215	3.790
SR292	240	-71	120 Zone + Main Zone	144.00	147.80	3.80	1.90	78	0.87	2.54	0.018	0.021
			including	147.15	147.80	0.65	0.33	163	0.95	6.04	0.040	0.043
SR292	240	-71	120 Zone + Main Zone	159.60	166.00	6.40	4.90	152	0.06	0.14	0.151	0.427
			including	162.00	163.00	1.00	0.77	385	0.17	0.16	0.790	1.620
SR292	240	-71	120 Zone + Main Zone	174.60	178.00	3.40	2.60	115	0.01	0.12	0.016	0.118
SR300	240	-72	120 Zone + Main Zone	90.00	94.70	4.70	3.02	330	0.02	0.09	0.069	0.788
			including	91.80	93.70	1.90	1.22	587	0.03	0.11	0.148	1.715
SR313	0	-90	120 Zone + Main Zone	9.50	52.50	43.00	35.22	92	0.32	0.37	0.070	0.373
			including	12.00	13.50	1.50	1.30	631	0.26	1.10	0.083	1.130

Mineral resource and reserve estimates

MPRG previously prepared mineral resource estimates for the San Rafael deposits using 1.5 and 4.5% zinc equivalent cut off grades are as follows:

Table 1. Mineral Resource Estimate - Main Zone and Upper Zone - November 25, 2009

Cut off (%Zn eq)	Category	Tonnes	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)
1.5%	Measured	3,250,000	59.4	2.51	1.12	0.05	0.081
1.5%	Indicated	9,403,000	58.9	1.95	0.90	0.04	0.112
1.5%	**M & I**	**12,653,000**	**59.1**	**2.09**	**0.96**	**0.04**	**0.104**
1.5%	Inferred	198,000	28.1	0.95	0.63	0.01	0.069
4.5%	Measured	1,491,000	92.1	4.07	1.79	0.07	0.094
4.5%	Indicated	3,322,000	100.9	3.70	1.54	0.07	0.131
4.5%	**M & I**	**4,813,000**	**98.2**	**3.82**	**1.62**	**0.07**	**0.119**
4.5%	Inferred	4,000	93.1	1.90	1.48	0.04	0.113

Table 2. Mineral Resource Estimate - Upper Zone (Only) - November 25, 2009

Cut off (% Zn eq)	Category	Tonnes	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)
1.5%	Indicated	993,000	121.9	0.25	0.20	0.06	0.426
1.5%	Inferred	18,000	99.6	0.01	0.04	0.02	0.211
4.5%	Indicated	228,000	287.5	0.38	0.34	0.12	0.766
4.5%	Inferred	1,000	234.3	0.00	0.00	0.02	0.075

The San Rafael 120 Zone principally comprises silver-copper mineralization and is more appropriately reported in terms of silver equivalent. Using 100 and 150 g/t silver equivalent cut off grades, the 120 Zone is as follows:

Table 3. Mineral Resource Estimate - 120 Zone–November 25, 2009

Cut off (g AgEq/t)	Category	Tonnes	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)
100	Indicated	1,916,000	130.6	0.48	0.13	0.34	0.168
100	Inferred	195,000	130.8	0.05	0.00	0.28	0.160
150	Indicated	1,018,000	188.1	0.51	0.12	0.46	0.214
150	Inferred	52,000	269.8	0.13	0.01	0.41	0.199

Note: Metal prices used in above estimates are US$12/oz silver, US$0.80/lb zinc, US$0.70/lb lead, US$2.00/lb copper and US$750 /oz gold. Mineral resources are not reserves and do not have demonstrated economic viability.

The Corporation has not yet prepared its own resource estimate for these deposits or had them reviewed or re-estimated by any third party to date. The dates of these estimates have been re-titled to align them with the date of the supporting NI 43-101 Technical Report filed on SEDAR.

El Cajón Deposit

Mineralization

The El Cajón -type mineralization, also seen at the La Verde mine and within the San Rafael deposit's 120 Zone, consists of silver-copper-gold mineralization in the form of chalcopyrite and tetrahedrite with minor pyrite, galena, sphalerite, arsenopyrite, chalcocite, jalpaite, native silver, copper, and bismuth. This mineralization is accompanied by garnet-pyroxene-calcite proximal skarn alteration.

A volcaniclastic arenite is the host at the La Verde Mine, while a skarn-altered limestone is the host at El Cajón and is also believed to be the host at the 120 Zone. The La Verde Mine and El Cajon deposit are located in the southern and southwestern parts of the Cosalá North property.

In addition to the El Cajón and Main Zone types of mineralization, there is primarily silver-gold mineralization within a number of small tabular zones sub-parallel to and within the hanging wall of the San Rafael Main Zone; this mineralization is called the Upper Zone. The Upper Zone is more erratic than the Main Zone but is also found in volcanic rocks.

Silver, copper, and gold mineralization at El Cajón is associated with disseminated sulfide mineralization in a proximal skarn setting along the east and north sides of a diorite intrusion. Mineralization occurs primarily within the skarn-altered limestone with minor contact-related skarn mineralization within the diorite. Mineralized skarn often follows the diorite/limestone contact and can be very irregular as is typical of many proximal skarn deposits. Contacts within the mineralized skarn and the un-mineralized diorite or limestone can be very sharp, with the transition from un-mineralized rock to sulfide skarn occurring within less than one-half meter. Preferentially mineralized horizons do occur within the limestone, and skarn mineralization can be found up to 150m away from the diorite contact.

Metal deposition is associated with generally 2% to 5% disseminated sulfides with isolated high metal grades occurring with up to 50% sulfide content. The silver-copper-gold mineralization generally overlie each other, but the internal grade distribution is not always coincident.

Exploration by the Corporation

Exploration has also uncovered several historical surface workings southeast of the El Cajón Ag-Cu-Au deposit, presenting a new drill target as the southern extension of El Cajón. Drilling of the El Cajón and its extension will be incorporated into a future exploration program.

Mineral resource and reserve estimates

MPRG previously prepared mineral estimate for the El Cajón deposit using 50 g/t and 100 g/t silver equivalent cut off grades is as follows:

Mineral Resource Estimate – El Cajón Deposit - November 25, 2009

Cut off (g/t Ag Eq)	Category	Tonnes	Ag (g/t)	Cu (%)	Au (g/t)
50	Indicated	2,442,000	129.4	0.44	0.19
50	Inferred	996,000	97.2	0.34	0.13
100	Indicated	1,751,000	161.7	0.54	0.25
100	Inferred	545,000	138.5	0.49	0.20

Note: Metal prices used in above estimate are US$12/oz silver, US$2.00/lb copper and US$750 /oz gold. Mineral are not reserves and do not have demonstrated economic viability.

The Corporation has not yet prepared its own resource estimate for this deposit. The date of this estimate has been re-titled to align it with the date of the supporting NI 43-101 Technical Report lodged on SEDAR.

For the above El Cajón and San Rafael mineral resource estimates, Platte River and MDA worked together to define geological models using interpretive cross sections spaced evenly at 25-metre intervals. The geological interpretations were then used to guide the creation of individual metal domain models (based on naturally occurring populations for each metal) on the same 25-metre cross sections. The initial cross sections were subsequently "sliced" and rectified on perpendicular long sections spaced evenly every 3 metres. Metal grade compositing was done to 3-metre down-hole lengths, honoring all material type and mineral domain boundaries, and the block model metal grades were estimated individually using ordinary kriging methods. The stated resource for each deposit is fully diluted to 3 metre by 3 metre by 3 metre blocks and tabulated using zinc equivalent grades for the San Rafael deposit

and silver equivalent grades for the El Cajón deposit. Paul Tietz, C.P.G. (AIPG) and Steven Ristorcelli, C.P.G. (AIPG) are the Qualified Persons for MDA responsible for the resource estimates. A NI 43-101 technical report prepared by MDA to support the above resource estimates was filed under the Corporation's name on SEDAR on December 4, 2009.

Updated Mineral Reserves and Resources Estimates

The Corporation has retained MDA to update mineral reserve and resource estimates for the San Rafael, El Cajón and Nuestra Señora deposits. Updated resource estimates at the San Rafael and El Cajón deposits are expected by the end of Q2 2012 and reserve estimates are expected by the end of Q3 2012 or early Q4 2012. The Corporation expects the new resource estimate for Nuestra Señora to be available by the end of Q2 2012. An updated reserve estimate is expected in late Q3 2012 or early Q4 2012.

La Verde Mine

The La Verde Mine has been in continuous production since 1988 and is located 23 km by road from the Nuestra Señora processing facility. Since being acquired by MPRG in 2008, mine production was leased to a private contract mining company. Production at the La Verde Mine during 2010 by non-mechanized methods totalled 121,000 tonnes grading 114 g/t silver and 0.44% copper, with silver and copper recoveries of 78% and 82%, respectively. Scorpio Mining assumed control of the operation in early 2011 and commenced refurbishment for improved safety and future production. In addition, over 8,000 tonnes of La Verde Mine ore were processed at the Nuestra Señora plant during 2011 to determine metallurgical performance.

Work completed to date and currently in progress to prepare the La Verde Mine for mechanized mining production includes:

- Refurbishment of all services (mostly completed);
- Upgrading electrical network in preparation for mechanized mining methods (completed);
- Installing roof bolts and developing safer accesses (in progress);
- Formalizing access and employment agreements with the local community (completed); and
- Drilling on the La Verde Mine is expected to finish early in the first quarter of 2012. An NI 43-101 estimate is expected to be prepared in Q2 2012 depending on accessibility and sample density of the remaining undrilled areas.

Presently, 4,650 metres of the initial drilling program have been completed on the La Verde Mine Phase I Program and the drilling is expected to finish in Q2 2012 to be followed by geological modelling and interpretation. The Corporation will make an assessment at that time to determine whether the data will support a resource estimate. The mine is currently undergoing refurbishment to improve safety and production efficiency;

PARRAL AREA, CHIHUAHUA AND DURANGO, MEXICO

In and around the Parral area, in the states of Chihuahua and Durango, Mexico, MPRG owns 14 mineral concessions covering 2,870 hectares and has an option to purchase one mineral concession of 20.6 hectares. The 82 hectare La Revancha property, in Parral District, Chihuahua, has a mining history stretching back to colonial times and several 100 million ounce silver mines. The nearby 2,808 ha Tepozán Project is located in Durango State, approximately 20km southwest

from La Revancha.

The status of the concessions held in Parral is detailed in the following table.

CONCESSION STATUS					
Mineral Concessions – Project La Revancha					
Concession Name	**Concession Title No.**	**DGM File No.**	**Issue Date**	**Expiry Date**	**Area (Ha)**
*El Triunfo	166403	19/03158	4-Jun-1980	3-Jun-2030	6.1
*La Revancha	166404	19/03311	4-Jun-1980	3-Jun-2030	4.0
*Ampliacion La Revancha	176658	321.1-9/255	17-Jan-1986	16-Jan-2036	46.7
†San Nicolas	227208	16/33298	26-May-2006	25-May-2056	20.6
San Nicolas 2	227517	16/33352	6-Jul-2006	5-Jul-2056	4.1
San Nicolas 2 Fracc. A	227518	16/33352	6-Jul-2006	5-Jul-2056	0.3
San Nicolas 2 Fracc. B	227519	16/33352	6-Jul-2006	5-Jul-2056	0.7
TOTAL IN PROJECT					**82**
Mineral Concessions – Project El Tepozán					
Concession Name	**Concession Title No.**	**DGM File No.**	**Issue Date**	**Expiry Date**	**Area (Ha)**
*San Martin	217225	25/29763	2-Jul-2002	1-Jul-2052	34
*San Luis	218562	25/30770	22-Nov-2002	21-Nov-2052	12
*San Luis	222966	25/31355	30-Sep-2004	29-Sep-2054	12
*San Luis 1	223686	25/31423	3-Feb-2005	2-Feb-2055	0
El Aguila	224738	25/31777	7-Jun-2005	6-Jun-2055	300
El Tepozan	226179	25/31548	25-Nov-2005	24-Nov-2055	842
*El Tepozan 1		25/37326			792
*El Tepozan 2		25/37327			816
TOTAL IN PROJECT					**2,808**

* Denotes awaiting registration by the Dirección General de Minas
† Denotes concession under option from third parties

Parral area exploration and development

Drilling commenced on the La Revancha silver deposit as part of a 7,000 metre drill program that also included drilling on the Tepozán silver-gold vein system. Drilling at La Revancha expanded over oxide mineralization currently traced by drilling over a distance of 300 metres and tested for higher-grade sulphide mineralization more commonly exploited in the Parral district. At Tepozán, drilling will test a previously undrilled 1.3 kilometre long quartz vein system believed to be related to mineralization in the Parral District. The Corporation believes that mineralization encountered at La Revancha and Tepozán are high-level expressions of high-grade sulphide mineralization currently being mined in the District, such as Grupo Mexico's Santa Barbara Mine and Minera Frisco's San Francisco del Oro Mine.

The drill program concluded at La Revancha in Q1 2012 and has since moved on to Tepozán. The initial drill results from La Revancha have returned significant silver values over substantial widths. The goal for La Revancha is to complete an inferred mineral resource estimate by year

end 2012 that will demonstrate that the project holds the potential to develop into a near-term production asset.

The initial results from the ongoing drill program on La Revancha include:

•Hole LAR-37: 278 g/t Ag over 6.0 m true width
•Hole LAR-52: 192 g/t Ag over 15.0 m true width
•Hole LAR 56: 197 g/t Ag over 11.5 m true width

The planned 3,500 metre drill program is nearing completion and will be increased based on the results.

La Revancha - 2011-2012 Drilling Highlights (to date)

Hole #	From (m)	To (m)	Width (m)	True (m)	Ag (g/t)	Comments
LAR-36	147.00	154.65	7.65	6.00	156	Revancha Vein
	154.65	162.25	7.60	6.00	59	Revancha Vein
	162.25	171.40	9.15	8.00	191	Revancha Vein
LAR-37	205.50	214.65	9.15	6.00	278	Revancha Vein
LAR-38	198.50	216.50	18.00	9.80	189	Revancha Vein
LAR-39	242.05	250.20	8.15	NC	137	Revancha Vein
LAR-40	179.00	189.65	10.65	7.80	193	Revancha Vein
LAR-41						Hole lost
LAR-41A	214.50	217.50	3.00	1.50	96	Revancha Vein
LAR-42						Results pending
LAR-43						Results pending
LAR-44						Proposed
LAR-45						Proposed
LAR-46						Proposed
LAR-47						Proposed
LAR-48						Proposed
LAR-49						Proposed
LAR-50						Proposed
LAR-51						Proposed
LAR-52	160.00	178.95	18.95	15.00	192	Revancha Vein
LAR-53	198.50	206.15	7.65	5.00	121	Revancha Vein
LAR-54	149.00	158.15	9.15	8.00	139	Revancha Vein
LAR-55	169.00	185.80	16.80	13.00	178	Revancha Vein
LAR-56	205.50	223.80	18.30	11.50	197	Revancha Vein

TAXES

Corporate profits in Mexico are taxed only by the Federal Government. Through 2011, there were two federal taxes in Mexico that applied to Scorpio's operations in Mexico; a Flat Rate Business Tax ("IETU") and a corporate income tax. Mexican corporate income tax is calculated based on gross revenue less deductions for all refining and smelting charges, direct operating costs, all head office general and administrative costs, and depreciation deductions. During 2011, the corporate income tax rate in Mexico was 30%, and it will remain 30% in 2012, 29% during 2013 and 28% during 2014. The IETU is a cash based minimum tax that applies in addition to the corporate income tax. The tax is applicable to the taxpayer's net income from the (i) sale of goods; (ii) performance of independent services; and (iii) lease of goods at the rate of 16.5% during 2008, 17% during 2009 and 17.5% during 2010 and 2011. The base to which the IETU is applied is determined by deducting from gross income certain items, such as expenses associated with purchasing goods, rendering independent services, and leasing goods, or expenses incurred in connection with the administration of such activities. Some expenses that are deductible in determining taxable income for income tax purposes, such as salaries, interest in some cases and royalties with foreign related parties are not deductible in determining the IETU. However, certain tax credits are available to offset the IETU, including income tax paid during the same fiscal year; a credit on certain salary-related expenses and social security contributions paid by an employer; a credit on losses, a credit on fixed assets; and monthly IETU payments. The IETU follows a cash flow system, which could distort the crediting of income tax against the IETU. Finally, special rules apply to certain taxpayers, such as corporate groups that file consolidated tax returns.

In November 2010, the Corporation received a reassessment from the Mexican tax authorities related to its Mexican subsidiary, Minera Cosalá, for the year ended December 31, 2007. The tax authorities disallowed the deduction of transactions with certain suppliers for an amount of approximately $14.8 million (MXP 196.8 million), of which $6.4 million (MXP 84.4 million) would be applied against available tax losses. The Corporation appealed this reassessment and the Mexican tax authorities subsequently reversed $7.1 million (MXP 94.6 million) of their original reassessment. The remaining $7.7 million (MXP 102.2 million) consists of $6.4 million (MXP 84.4 million) related to transactions with certain suppliers and $1.3 million (MXP 17.8 million) of value added tax thereon. The Corporation appealed the remaining reassessment with the Mexican Tax Court in December 2011. The Corporation may be required to post a bond of approximately $1.3 million (MXP 17.8 million) to secure the value added tax portion of the reassessment. The deductions of $6.4 million (MXP 84.4 million), if denied, will be offset by available tax losses. No amount has been recorded in the consolidated financial statements as the Corporation believes it is not likely that the reassessment will be upheld by the Tax Court.

OUTLOOK FOR 2012

- Updated resource and reserve estimates at Nuestra Señora expected in Q2 2012 and Q4 2012 respectively;
- Continuous improvement of safety and environmental systems building on the recent achievement of one million hours with no lost time accidents;
- Sustaining capital expenditures of $5.2 million allocated for maintaining and improving existing operations at Nuestra Señora;

- Approved $5 million for Phase I of the Nuestra Señora plant expansion by 80% to 2,750 tonnes per day. Phase I of this expansion which includes engineering, civil works, and the purchasing of long lead time items such as an additional used ball mill and the installation of a flash flotation cell, is expected to be concluded in Q2 2012. The commencement and completion of Phase II which includes construction and commissioning will depend on the results of the updated National Instrument 43-101 (NI 43-101) compliant resource and reserve estimates at Nuestra Señora, El Cajón and San Rafael, drilling results at La Verde and permitting. The total plant expansion is estimated at $20 million and will be funded internally;
- $9.3 million allocated for exploration including exploration drilling at Nuestra Señora and its adjacent deposits; infill and exploration drilling at San Rafael, El Cajón and La Verde to support near-term production growth; exploration drilling of multiple prospects in the Cosalá North District; and drill testing of the Tepozán and La Revancha projects in Parral area;
    - Updated resource estimates at San Rafael and El Cajón deposits are expected by the end of Q2 2012 and reserve estimates are expected by the end of Q3 2012 or early Q4 2012;
    - Drilling on the La Verde Mine is expected to finish in Q2 2012 to be followed by geological modelling and interpretation. The Corporation will make an assessment at that time to determine whether the data will support a resource estimate. The mine is currently undergoing refurbishment to improve safety and production efficiency; and
    - 4,500 meters surface drilling program at La Revancha and Tepozán. The initial drill results from La Revancha in Parral area have returned significant silver values over substantial widths (Press release March 5, 2012);

The Nuestra Señora processing plant has an existing capacity of approximately 1,500 tpd but is expandable up to approximately 4,000 tpd. The Corporation has commenced Phase I of the plant expansion to 2,750 tpd. The commencement of Phase II of this expansion depends on the results of the resource and reserve update at Nuestra Señora and geological interpretation of the La Verde Mine to ascertain their ability to provide immediate expanded ore feed while the San Rafael and El Cajón deposits are being developed. Other growth alternatives being evaluated include the development of a second processing facility in the Cosalá District. Such expansion would allow for the diversification of process circuits and reduce the distances between multiple ore sources and processing facilities. Near term and future production growth to support these expansion scenarios are expected to come through advancement of deposits in the Cosalá District.

DIVIDENDS

The Corporation has not declared any cash dividends or distributions on its shares since incorporation and it has no plans to pay cash dividends for the foreseeable future. The directors of the Corporation will determine if and when dividends or distributions should be declared and paid in the future based on the Corporation's financial position at the relevant time. All of the common shares of the Corporation are entitled to an equal share of any dividends declared and paid.

DESCRIPTION OF CAPITAL STRUCTURE

General description of capital structure

Common shares

The Corporation's authorized capital consists of an unlimited number of common shares without par value. As at December 31, 2011 and March 26, 2012, the Corporation had 197,775,614 and 198,200,614 common shares issued and outstanding, respectively.

Each common share of the Corporation ranks equally with all other common shares of the Corporation with respect to the dissolution, liquidation or winding-up of the Corporation and the payment of dividends. The holders of common shares of the Corporation are entitled to one vote for each share of record on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the board of directors of the Corporation out of funds legally available therefore and to receive pro rata the remaining property of the Corporation on dissolution. The holders of common shares of the Corporation have no pre-emptive or conversion rights. The rights attaching to the common shares of the Corporation can only be modified by the affirmative vote of at least two-thirds of the votes cast by shareholders in person or by proxy at a meeting of shareholders called for that purpose.

Constraints

To the best of its knowledge, the Corporation is not aware of any constraints imposed on the ownership of its securities to ensure that the Corporation has a required level of Canadian ownership.

Ratings

To the best of its knowledge, the Corporation is not aware of any ratings, including provisional ratings, from rating organizations for the Corporation's securities that are outstanding and continue in effect.

MARKET FOR SECURITIES

The Corporation's common shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "SPM".

The price ranges and volume of common shares traded on the TSX for each month of the most recently completed financial year ended December 31, 2011 are as follows:

Month	High	Low	Volume
December, 2011	$2.13	$1.86	26,116,000
November, 2011	$2.10	$1.67	10,027,900
October, 2011	$2.09	$1.61	10,731,000
September, 2011	$2.38	$1.70	18,191,500
August, 2011	$2.35	$1.57	23,038,800
July, 2011	$1.89	$1.29	22,425,200
June, 2011	$1.32	$1.18	6,547,300
May, 2011	$1.38	$1.20	14,132,100

Month	High	Low	Volume
April, 2011	$1.57	$1.24	21,494,500
March, 2011	$1.41	$1.05	27,628,500
February, 2011	$1.01	$0.91	6,009,200
January, 2011	$0.91	$1.04	11,715,700

PRIOR SALES

Stock options

During the most recently completed financial year ended December 31, 2011, the Corporation granted incentive stock options pursuant to its stock option plan which entitle the holders to purchase up to 5,920,000 common shares of the Corporation as follows:

Number of options granted	Date of issuance	Exercise price	Expiry date
		$	
425,000[1)]	April 5, 2011	1.38	April 5, 2016
1,525,000[(2)]	April 18, 2011	1.55	April 8, 2016
500,000[(3)]	May 2, 2011	1.24	May 2, 2016
2,950,000[(4)]	May 25, 2011	1.31	May 25, 2016
100,000[(3)]	May 31, 2011	1.38	May 31, 2016
60,000[(3)]	August 4, 2011	1.87	August 4, 2016
150,000[(3)]	September 13, 2011	2.15	September 13, 2016
150,000[(3)]	November 1, 2011	2.02	November 1, 2016
30,000[(3)]	November 7, 2011	1.94	November 7, 2016
30,000[(3)]	November 18, 2011	1.70	November 18, 2016

(1) 50,000 of these stock options were exercised during the most recently completed financial year ended December 31, 2011. An aggregate of 375,000 of these stock options remain outstanding at December 31, 2011.

(2) 30,000 of these options expired during the most recently completed financial year ended December 31, 2011. An aggregate of 1,495,000 of these stock options remain outstanding at December 31, 2011.

(3) These stock options remain outstanding as at the end of the Corporation's most recently completed financial year, ended December 31, 2011.

(4) 165,000 of these stock options were exercised during the most recently completed financial year ended December 31, 2011. An aggregate of 2,785,000 of these stock options remain outstanding at December 31, 2011.

Name, occupation and security holdings

The following table sets out the names of the current directors and officers of the Corporation (as at March 26, 2012), the provinces or states and countries of residence, positions with the Corporation, principal occupations with the five preceding years and periods during which each director has served as a director of the Corporation.

The term of each of the current directors of the Corporation will expire at the next Annual General Meeting of the shareholders of the Corporation, unless his/her office is earlier vacated in

accordance with the Articles of the Corporation, or he/she becomes disqualified to act as a director. The Corporation has an audit committee, compensation committee and nomination and corporate governance committee comprised of the members as indicated in the table below.

Name, position, province/state and country of residence	Principal occupation for the last five years	Current position with the Corporation and period of service	No. of common shares and percentage of issued capital [4]
PARVIZ FARSANGI Toronto, Canada	President, Chief Executive Officer and Director of the Corporation. Mr. Farsangi was formerly Executive Vice-President and Chief Operating Officer of Vale (formerly, Vale Inco Limited) from 2007 to 2009. From 2005-2007, Mr. Farsangi was President of Gramercy Alumina and St. Ann Bauxite.	President, Chief Executive Officer and Director November 15, 2010	350,000 0.2%
PETER J. HAWLEY[3] Quebec, Canada	Chairman and Chief Executive Officer of Scorpio Gold Corporation from June 2009 to present and Chief Executive Officer and Director of the Corporation from 1998 to November 15, 2010. President of the Corporation 1998 to Dec 2006.	Non-executive Chairman and Director January 1998 to present.	1,076,435 0.54%
JONATHAN BERG[1][2][3] New York, USA	Corporate Director. From December 2007 until November 2009, Mr. Berg was non-executive Chairman of Colombia Goldfields, Ltd. From April 2005 to May 2010, Mr. Berg was Vice-President, Finance of PeriCor Therapeutics, Inc.	Director January 20, 2011	Nil
EWAN D. MASON[1] Ontario, Canada	Owner and Proprietor of Bert's Sports, Mississauga, Ontario, November 2009 to present. Strategic consultant at HudBay Minerals Inc., from June 2009 to October 2009; Managing Director and Head of Global Mining Investment Banking at TD Securities, LLC from Jan 2007 to May 2009.	Director January 5, 2010	20,000 0.01%
PIERRE LACOMBE[1] Quebec, Canada	Principal Process Engineer with AMEC Mining & Metals, March 2000 to present.	Director March 1, 2010	8,000 0.004%
HEMDAT SAWH Toronto, Canada	Chief Financial Officer from May2011 to present. Chief Financial Officer of Crystallex International Corporation from 2007 – 2011 and Goldbelt Resources Ltd. from 2005 – 2007.	Chief Financial Officer May 2011	10,500 0.005%
JOHN SADEK Mazatlan, Mexico	Mexico Country Manager from February 2010 to present. General Manager and Vice President of Operations with Uruguay Mineral Exploration Inc. from October 2004	Mexico Country Manager February 2, 2010	79,150 0.04%

Name, position, province/state and country of residence	Principal occupation for the last five years	Current position with the Corporation and period of service	No. of common shares and percentage of issued capital [4]
	– January 2010.		
JAMES STONEHOUSE Mazatlan, Mexico	Vice President, Exploration from January 3, 2012 to present. Consulting Geologist and In-House Advisor from May 2011 – January 2012. Mercer Consolidated from August 2009 – May 2011. Vice President of Operations January 2007 – August 2009.	Vice President, Exploration January 3, 2012	Nil
VICTORIA VARGAS Toronto, Canada	Vice President Investor Relations and Corporate Communications from November 1, 2011 to present. Vice President Investor Relations at Greystar Resources September 2010 – April 2011, Romarco Minerals September 2009 – April 2010, Iberian Minerals Inc. July 2008 – April 2009 and Alamos Gold Inc. from January 2004 – July 2008.	Vice President Investor Relations November 1, 2011	7,000 0.004%
ERIC LOWY Ontario, Canada	Lawyer, Partner, Irwin Lowy LLP, since August 2007. General Counsel and Corporate Secretary, Syndesis Limited from February 2006 to August 2007. Director of Greencastle Resources Inc.	Corporate Secretary July 20, 2010	Nil

(1) Audit Committee Members
(2) Compensation Committee Member
(3) Nomination and Corporate Governance Committee Member
(4) Based upon the 198,200,614 common shares of the Corporation issued and outstanding as at March 26, 2012.

As of the date hereof, all the directors and executive officers of the Corporation, as a group beneficially own, control or direct, directly or indirectly, an aggregate of 1,551,085 common shares of the Corporation, representing 0.78% of the Corporation's 198,200,614 common shares outstanding as at March 26, 2012.

Cease trade orders, bankruptcies, penalties or sanctions

No director or executive officer of the Corporation is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of interest

The Corporation's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of

these companies due to the financial position of the Corporation making the assignment. The directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at the time.

The directors and officers of the Corporation are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the Canada Business Corporations Act and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

To the best of its knowledge, other than as disclosed below, the Corporation is not aware of any such conflicts of interest.

In the normal course of operations, the Corporation enters into various transactions with related parties which have been measured at exchange value and are recognized in the audited consolidated financial statement.

The Corporation incurred an aggregate amount of $229,167 as directors' fees during the year ended December 31, 2011.

During 2011, the Corporation also incurred $21,000 as consulting services with Neil S. Seldon & Associates Ltd., a company controlled by Mr. Neil Seldon, a director of the Corporation until June 15, 2011.

PROMOTERS

During the two most recently completed financial years, and during the 2011 financial year, the Corporation did not have or employ any person or company acting or performing as a promoter for the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal proceedings

During the most recently completed financial year, and as at the date of this AIF, the Corporation is not a party to any material legal proceedings or regulatory actions, except as discussed below.

In November 2010, the Corporation received a reassessment from the Mexican tax authorities related to its Mexican subsidiary, Minera Cosalá, for the year ended December 31, 2007. The tax authorities disallowed the deduction of transactions with certain suppliers for an amount of approximately $14.8 million (MXP 196.8 million), of which $6.4 million (MXP 84.4 million) would be applied against available tax losses. The Corporation appealed this reassessment and the Mexican tax authorities subsequently reversed $7.1 million (MXP 94.6 million) of their original reassessment. The remaining $7.7 million (MXP 102.2 million) consists of $6.4 million (MXP 84.4 million) related to transactions with certain suppliers and $1.3 million (MXP 17.8 million) of value added tax thereon. The Corporation appealed the remaining reassessment with the Mexican

Tax Court in December 2011. The Corporation may be required to post a bond of approximately $1.3 million (MXP 17.8 million) to secure the value added tax portion of the reassessment. The deductions of $6.4 million (MXP 84.4 million), if denied, will be offset by available tax losses. No amount has been recorded in the consolidated financial statements as the Corporation believes it is not likely that the reassessment will be upheld by the Tax Court.

The Corporation is party to certain non-material claims incurred in the normal course of business, none of which management believes will have a material impact on the results of operations or financial position of the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this AIF and in the Corporation's audited consolidated financial statements for the period ended December 31, 2011 and other than transactions carried out in the ordinary course of business of the Corporation or its subsidiaries, within the three most recently completed financial years, subsequently, none of the following:

(a) director or executive officer of the Corporation;

(b) a person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Corporation; and

(c) an associate or affiliate of any of the persons or companies referred to in the above paragraph (a) or (b),

has, to the best of the Corporation's knowledge, any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Corporation and its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar for its common shares, is Computershare Investor Services Inc., ("Computershare"). Computershare's principal location for the common shares of the Corporation is located at 510 Burrard Street, Third Floor, Vancouver, British Columbia, Canada V6C 3B9. Computershare also has a location in Toronto, Ontario at 100 University Avenue, 11th Floor, Toronto, ON M5J 2Y1.

MATERIAL CONTRACTS

There are no contracts, other than those herein disclosed in this AIF and other than those entered into in the ordinary course of the Corporation's business that are material to the Corporation and which was entered into in the most recently completed fiscal period ended December 31, 2011 or before the most recently completed financial period but is still in effect as of the date of this AIF.

INTERESTS OF EXPERTS

Name of experts

The following prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing made by the Corporation under National Instrument 51-102 –

Continuous Disclosure Obligations prescribed by the Canadian Securities Administrators, during or relating to the Corporation's most recently completed financial year ended December 31, 2010:

1. Cosalá Norte Technical Report, Sinaloa, Mexico prepared for the Corporation and Platte River Gold Inc. dated November 25, 2009 by Steven Ristorcelli, C.P.G., Paul Tietz, C.P.G and Jack McPartland, Q.P.M. This report may be obtained from SEDAR under the Corporation's name at www.sedar.com.

2. Deloitte & Touche LLP is the independent auditor of the Corporation and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

3. Mineral Reserve Update, Nuestra Señora, 43-101 Technical Report prepared for Scorpio Mining Corporation dated March 28, 2011 was prepared by Mr. Hugues de Corta, P.Geo., of Genivar Inc., and may be obtained from SEDAR under the Corporation's name at www.sedar.com.

Interests of experts

To the best of the Corporation's knowledge, the experts named above under "Name of Experts" do not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation when the experts prepared their respective reports, valuations, statements or opinions, as applicable.

ADDITIONAL INFORMATION

Audit committee

Pursuant to section 171 of the *Canada Business Corporations Act* (the "CBCA") the Corporation is required to have an audit committee composed of not less than three directors of the Corporation, a majority of whom are not officers or employees of the Corporation or any of its affiliates.

The Corporation must also, pursuant to the provisions of National Instrument 52-110 *Audit Committees* ("NI 52-110"), have a written charter which sets out the duties and responsibilities of its audit committee. The following is the Corporation's Audit Committee Charter.

Organization

This charter governs the operations of the Audit Committee (hereinafter, "Committee") of Scorpio Mining Corporation (the "Corporation"). The purpose, composition, responsibilities, and authority of the Committee are set out in this Charter.

This Charter and the bylaws of the Corporation and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time, shall govern the meetings and procedures of the Committee.

Purpose

The Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to:

(a) the integrity of the Corporation's financial statements;

(b) the financial reporting process;

(c) the systems of internal accounting and financial controls and financial risk management strategies;

(d) the performance of the Corporation's internal audit function (if applicable) and independent auditors;

(e) the independent auditors' qualifications and independence; and

(f) the Corporation's compliance with ethics policies and legal and regulatory requirements.

Composition

The Committee shall be composed of at least three directors of the Corporation (the "Members"), each of whom is "independent" as defined in National Instrument 52-110 *Audit Committees* or any successor policy.

All Members shall be "financially literate" as defined in National Instrument 52-110 *Audit Committees* or any successor policy. Members shall be appointed by the Board and shall serve until they resign, cease to be a director, or are removed or replaced by the Board.

The Board shall designate one of the Members as chair of the Committee (the "Chair").

The Members shall appoint, from among their number, a secretary of the Committee (the "Secretary").

Authority

The Committee is authorized to carry out its responsibilities as set out in this Charter, and to make recommendations to the Board arising therefrom.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the authority to engage, and to set and pay the compensation of, independent accountants, legal counsel and other advisers as it determines necessary to carry out its duties. The Committee may communicate directly with the internal and independent auditors of the Corporation and it is the responsibility of the Committee to establish and maintain direct and open communication between the Committee and the independent auditors, the internal auditors, and management of the Corporation.

The Committee is authorized to invite officers and employees of the Corporation, and outsiders with relevant experience and expertise, to attend or participate in its meetings and proceedings, if it considers this appropriate.

The Corporation shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities.

Responsibilities

The primary responsibility of the Committee is to oversee the Corporation's financial reporting process on behalf of the board and report the results of their activities to the board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. The independent auditors are responsible for auditing the Corporation's financial statements and for reviewing the Corporation's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal direct responsibilities of the Committee:

1. Appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall arrange for the independent auditors to report directly to the Committee.

2. Pre-approve all audit and non-audit services provided by the independent auditors and not engage the independent auditors to perform the specific non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

3. At least annually, obtain and review a report by the independent auditors describing:

    (a) The firm's internal quality control procedures.

    (b) Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

    (c) All relationships between the independent auditor and the Corporation (to assess the auditor's independence).

4. Establish clear hiring policies for employees, partners, former employees and former partners of the current and former independent auditors of the Corporation that meet the requirements of applicable securities laws and stock exchange rules.

5. Discuss with the internal auditors (if any) and the independent auditors, the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Ensure there is rotation of the audit partner having primary responsibility for the independent audit of the Corporation at such intervals as may be required.

6. Discuss with management, the internal auditors (if any), and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Corporation's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (e.g. Corporation's Code of Business Conduct and Ethics).

7. Periodically meet separately with management, the internal auditors (if any), and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the internal auditors and the independent auditors to meet privately with the members of the Committee. The Committee shall review with the independent auditor any audit problems or difficulties and management's response.

The processes set forth represent a guide with the understanding that the Committee may supplement them as appropriate.

Specifically delegated duties

For purposes of this charter, specific accounting, financial and treasury related duties delegated to the Committee by the Corporation's Board of Directors include:

Accounting and financial

1. Receive regular reports from the independent auditor on the critical policies and practices of the Corporation, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

2. Where applicable, review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on management's assertion.

3. Review and discuss earnings press releases before the Corporation publicly discloses this information.

4. Review the interim quarterly unaudited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and, where applicable, the independent auditors prior to the filing of the Corporation's Quarterly Report or their inclusion in any filing with regulatory authorities. Also, the Committee shall discuss the results of the quarterly review, if any, and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The chair of the Committee may represent the entire Committee for the purposes of this review.

5. Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Corporation's Annual Report to shareholders and any other filing with regulatory authorities, including their judgment about the quality, not just the acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

6. Committee shall discuss any matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards and shall specifically review with the independent auditors, upon completion of their audit:

   (a) the contents of their report;

   (b) the scope and quality of the audit work performed;

   (c) the adequacy of the Corporation's financial and auditing personnel;

   (d) co-operation received from the Corporation's personnel during the audit;

   (e) significant transactions outside of the normal business of the Corporation; and

   (f) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems.

7. Establish procedures for the review of the public disclosure of financial information extracted from the financial statements of the Corporation.

8. Establish procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. Perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

Treasury related

1. Monitor and review risk management strategies as they pertain to the Corporation's general insurance programs, and foreign exchange and commodity hedging programs, and make recommendations to the Board of Directors with respect to such strategies.

2. Approve investment policies and appoint investment managers, where appropriate, for the Corporation's retirement and other funded benefit plans, where applicable.

3. Perform such other duties in respect of financial matters as, in the opinion of the Board of Directors, should be performed by the Committee.

Meetings and proceedings

The Committee shall meet as frequently as required, but not less than four times each year. Any Member or the independent auditors of the Corporation may call a meeting of the Committee.

The agenda of each meeting of the Committee will include input from the independent auditors, directors, officers and employees of the Corporation as appropriate. Meetings will include presentations by management, or professional advisers and consultants when appropriate, and will allow sufficient time to permit a full and open discussion of agenda items.

Unless waived by all Members, a notice of each meeting of the Committee confirming the date, time, place, and agenda of the meeting, together with any supporting materials, shall be forwarded to each Member and the independent auditors of the Corporation at least three days before the date of the meeting.

The independent auditors of the Corporation are entitled to attend and be heard at every meeting of the Committee at the expense of the Corporation.

The quorum for each meeting of the Committee is a majority of the Members. The Chair of the Committee shall chair each meeting. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.

The Chair of the Committee or his delegate shall report to the Board following each meeting of the Committee.

The Secretary or his delegate shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of meetings shall be distributed to the Members and the other directors of the Corporation after preliminary approval thereof by the Chair of the Committee.

The Committee shall meet regularly alone to facilitate full communication.

Self-assessment

The Committee and the Board shall annually assess the effectiveness of the Committee with a view to ensuring that the performance of the Committee accords with best practices.

The Committee shall review and reassess this Charter at least annually and obtain the approval of the Corporation's Board of Directors for any changes.

Responsibilities of Chair

The Chair of the Committee shall provide leadership to the Committee to enhance the Committee's effectiveness and ensure adherence to this Charter.

The Chair of the Committee is responsible for managing the Committee, including:

- chairing all meetings of the Committee in a manner that promotes meaningful discussion;
- preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;

- adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings; and
- ensuring meetings are appropriate in terms of frequency, length and content.

Adopted by the Board of the Corporation effective March 25, 2008

Composition of the Audit Committee

The following are the members of the Committee:

Ewan Mason (Chair)	Independent	Financially literate
Jonathan Berg	Independent	Financially literate
Pierre Lacombe	Independent	Financially literate

Ewan Mason, HBSc, MBA

Mr. Ewan D. Mason, HBSc, MBA received training in accounting principles while studying for his MBA. He is an Owner and Proprietor of Bert's Sports, Mississauga, Ontario and served as Managing Director and Head of Global Mining Investment Banking at TD Securities Inc., Toronto, Ontario, Canada from January 2005 to May 2009. He served as Strategic consultant at HudBay Minerals Inc., from June 2009 to October 2009. He served as Head of Mining investment banking at a large Canadian securities firm and has been in the financial sector for 17 years. He has been Director of Scorpio Mining Corp. since January 5, 2010. Mr. Mason's foundation in equity research and his experience in the banking and finance industry have provided him with the detailed experience required to understand accounting principles and financial statements

Jonathan Berg, BS, MBA

Mr. Jonathan Berg, BS, MBA received training in accounting principles while studying for his MBA. Mr. Berg served as non-executive Chairman of Colombia Goldfields, Ltd. from April 2005 to May 2010 and was also Vice-President, Finance of PeriCor Therapeutics, Inc. Mr. Berg's expertise is in the areas of corporate strategy and structure, capital raising and commercial negotiation.

Pierre Lacombe, BEng, Eng

Mr. Pierre Lacombe, BEng, Eng has been the Principal Process Engineer with AMEC Mining & Metals from March 2000 to the present.

Audit Committee oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on certain exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 *(De Minimis Non-audit Services)*, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of National Instrument 52-110.

Pre-approval policies and procedures

The Committee has not adopted specific policies and procedures for the engagement of non-audit services, other than that the engagement of the independent auditors to perform non-audit services must be pre-approved by the Committee or a delegated member of the Committee.

External auditor service fees (by category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial year ending	*Audit fees*	*Audit related fees*	*Tax fees*	*All other fees*
December 31, 2011	$140,560	Nil	$252,090	Nil
December 31, 2010	$198,120	Nil	$63,500	Nil

Corporation information

Additional information relating to the Corporation is available under the Corporation's profile on the SEDAR website at www.sedar.com. Financial information relating to the Corporation is provided in the Corporation's comparative audited consolidated financial statements and management's discussion and analysis for the most recently completed fiscal year.

FINANCIAL RISK FACTORS

As at December 31, 2011, the Corporation’s risk exposures and the impact on the Corporation’s financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Corporation’s credit risk is primarily attributable to cash and trade receivables. The credit risk on cash is limited because the Corporation invests its cash in deposits with well-capitalized financial institutions with strong credit ratings. As per current concentrate offtake agreements, risk on trade receivables related to concentrate sales is managed by receiving payments for 80% to 95% of the estimated value of the concentrate shipped the previous month. As of December 31, 2011, the Corporation’s exposure to credit risk with respect to trade receivables amounts to $3 million. The Corporation attributes no credit risk for other receivables of $1.2 million as they relate to Mexican value added taxes. There are no receivables that are past due and the Corporation has no allowance for doubtful accounts at December 31, 2011.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation's current policy to manage liquidity risk is to keep cash in bank accounts. As at December 31, 2011, the Corporation has cash of $25.8 million to settle trade and other payables of $2.2 million. The Corporation's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms. As of March 26, 2012, the Corporation's cash balance is approximately $32 million.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

The Corporation is not subject to significant interest rate risk.

Currency risk

As at December 31, 2011, the Corporation is exposed to foreign currency risk through the following financial assets and liabilities denominated in U.S. dollars ("USD") and Mexican pesos ("MXP"):

	As at December 31, 2011	
	USD (000s)	MXP (000s)
Cash	13,472	5,520
Trade and other receivables	2,902	1,531
Trade and other payables	(5)	(4,741)

As at December 31, 2011, the USD/CAD and CAD/MXP exchange rates were 1.02 and 13.95, respectively. The sensitivity of the Corporation's net earnings and other comprehensive income due to changes in the exchange rates as at December 31, 2011 is included in the following table:

(000's)	CAD/MXP Exchange rate +/- 10%	USD/CAD Exchange rate +/- 10%
	$	$
Approximate impact on:		
Net earnings	17	173
Comprehensive income	-	1,690

The Corporation does not use derivatives to manage its exposure to currency risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. As at December 31, 2011, the Corporation has certain amounts related to the sales of concentrate that have only

been provisionally priced. A +/- 10% fluctuation in silver, lead, copper and gold prices would affect trade receivables by approximately $1.1 million.

The Corporation does not use derivatives to manage its exposure to price risk. The Corporation sometimes fixes metal prices with the purchaser of its concentrates for specific sales for which concentrates have been delivered.

Financial instruments

The Corporation uses a mixture of cash, available-for-sale securities and shareholder' equity to maintain an efficient capital structure and ensure adequate liquidity exists to meet the cash needs of our business.

The Corporation classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL") (assets and liabilities), assets available-for-sale, loans and receivables, assets held-to-maturity and other financial liabilities. All financial instruments are measured at fair value on initial recognition.

Financial assets and liabilities designated as FVTPL are subsequently measured at fair value with changes in fair value recognized in net earnings. Financial assets designated as "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax. Transaction costs for FVTPL financial assets and liabilities are recognized in income when incurred.

Financial assets designated as "loans and receivables" or "held-to-maturity," and financial liabilities designated as "other financial liabilities" are recorded at amortized cost. Transaction costs from loans and receivables and other financial liabilities offset the carrying amount of the related financial assets or liabilities.

The Corporation has classified cash, trade and other receivables and lease receivable as "loans and receivables", trade and other payables, derivative liabilities and debt are classified as "other financial liabilities", and investment in Scorpio Gold shares as "available-for-sale".

RISK FACTORS

The financing, exploration, development and exploitation of the Corporation's properties and the operation of the Corporation's business are subject to a number of factors, including metal prices, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Corporation operates.

The following is a brief discussion of those distinctive or special characteristics of the Corporation's operations and industry that may have a material impact on, or constitute risk factors in respect of the Corporation's future financial performance.

Current global financial condition

Current global financial markets have been subject to increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Access to financing has been negatively impacted by both sub-prime mortgage issues in the United States and elsewhere and the liquidity crisis affecting the asset-backed commercial paper market. As such, the Corporation is subject to counterparty risk and liquidity risks. The

Corporation is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Corporation's cash; and (ii) through the Corporation's insurance providers. The Corporation is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or additional financing is unavailable. These factors may impact the ability of the Corporation to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Corporation. If these increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted and the trading price of the common shares could continue to be adversely affected.

Financial condition and liquidity

The primary factors that will affect the future financial condition of the Corporation include the continued ability to maintain profitable operations at its operating property, the ability to raise equity or debt financing as required and the level of exploration and development expenditures required to meet commitments or commercial production in the case of the Corporation's non-producing properties.

The Nuestra Señora mine achieved commercial production on January 1, 2009 and, since that date, has generated sufficient cash flows from the sale of concentrate to maintain the Corporation's cash position. Depending on future metal price levels or needs for prospective investments, the Corporation may need to rely on share or debt issuances to meet its commitments or growth objectives.

Industry and economic factors affecting performance

Certain factors affect the Corporation's ability to carry on normal business. These include metal prices, competition among exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration and mining companies, and the availability of qualified staff and equipment to conduct exploration.

The volatility of the prices of metals could have a negative impact on the Corporation's future operations

The value of the Corporation's mineral resources and reserves and its future operating profit will be affected by fluctuations in metals prices, over which the Corporation has no control. A reduction in the price of silver, or other payable metals may prevent the Corporation's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low silver prices. The price of silver may also have a significant influence on the market price of the Corporation's common shares.

The price of silver is affected by numerous factors beyond the Corporation's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, and the political and economic conditions of major silver producing countries throughout the world.

Additional funds may be required

Some of the sources of future funds available to the Corporation will include the issue of equity capital or debt or the sale of assets either directly or in the form of option agreements by joint ventures with another party or parties carrying out further exploration or development thereof,

which is not presently contemplated. There is no assurance that additional funding will be available to the Corporation for further exploration and development of its projects or that such funding will be available on terms acceptable to management of the Corporation. If additional funds are not available, the Corporation may not be able to maintain its rights to all of its properties.

Any future equity financings by the Corporation for the purpose of raising additional funds will result in dilution to the holdings of existing shareholders.

The Corporation's material properties are located in Mexico and are subject to changes in political and economic conditions and regulations in that country

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. The Corporation's operations and properties are subject to a variety of governmental regulations including, among others: regulations promulgated by the Mexican Department of Economy – *Dirección General de Minas*, Mexico's Secretary of Environment and Natural Resources ("SEMARNAT"); the Mexican Mining Law; and the regulations of the *Comisión National del Aqua* ("CNA")with respect to water rights. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Corporation's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Corporation's activities or maintenance of its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. Mexico's status as a developing country may make it more difficult for the Corporation to obtain any required financing for its projects.

Title to properties

While the Corporation has diligently investigated the title to all of the mineral concessions making up its properties and to the best of the Corporation's knowledge title to all of the said mineral concessions is in good standing, this should not be construed as a guarantee that title will not be challenged or impugned by third parties. The Corporation's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions.

Insurance coverage

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability.

The Corporation's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Corporation's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Corporation for all losses sustained. In particular, the Corporation does not have coverage for certain environmental losses or certain type of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Corporation's cash flows, results of operation and financial condition.

The Corporation's business involves uninsurable risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

If the Corporation is not able to comply with all Mexican laws and regulations, this could negatively impact current or planned exploration and development activities on its Nuestra Señora project

The Corporation's exploration and development activities are subject to extensive laws and regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. Specifically, the Corporation's activities related to its Nuestra Señora project are subject to regulation by SEMARNAT, the environmental protection agency of Mexico, CNA, which regulates water rights, and the Mexican Mining Law. A number of other approvals, licenses and permits are required for various aspects of mine development. Maintaining the necessary permits is critical to the Corporation's business.

Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Corporation's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Corporation activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

The Corporation is uncertain if all necessary permits will be maintained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on its Nuestra Señora project or in any other projects that the Corporation becomes involved with. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Surface Rights and Access

The Corporation has reached agreement for surface access and rights with certain Ejidos for mining exploitation activities, including open pit mining, in the project area of Cosalá North. These agreements cover a total surface area of 475.8 ha for a period of 30 years and are currently awaiting registration with the national agrarian registry (RAN).

The Corporation currently has formal agreements for surface access with all Ejidos on whose land its exploration activities are being performed. These agreements are valid for several years and are regularly reviewed in terms of the appropriate level of compensation for the level of work being carried out.

The Nuestra Señora process facility is located on land previously purchased by the Corporation and is not exposed to disruptions by third party ownership claims.

For future activities the Corporation will need to negotiate with Ejido and non-Ejido members, as a group and individually, to reach agreements for additional access and surface rights. Negotiations with Ejidos can become time-consuming if demands for compensation become unreasonable. There can be no guarantee that the Corporation will be able to negotiate satisfactory agreements with any such existing members for such access and surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where access is denied, or no agreement can be reached, the Corporation may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Corporation to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Corporation to develop any mineral deposits it may locate.

Future Capital Requirements

As of March 26, 2012, the Corporation had cash of approximately $32 million. The Corporation expects to use some current cash and future cash flows from operations to fund expansion of the existing processing facility, exploration and development work, additional required mine capital and general corporate purposes. There can be no assurance that operating cash flows and asset sale proceeds will be sufficient to cover these liabilities which would require the Corporation to raise additional financing. The Corporation may also encounter significant unanticipated liabilities or expenses. The Corporation's ability to continue its planned exploration, development and mining activities depends in part on its ability to maintain or to generate free cash flow from its operating mine, which is subject to certain risks and uncertainties. The Corporation may be required to obtain additional financing in the future to fund exploration and development activities, mine capital expenditures or acquisitions of additional projects. The Corporation has historically raised capital primarily through debt and equity financing and in the future may raise capital through equity or debt financing, joint ventures or other means. There can be no assurance that the Corporation will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

Substantially all of the Corporation's assets are located outside of Canada, and are held indirectly through foreign affiliates

It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against the portion of the Corporation's assets located outside of Canada.

The Corporation is dependent on a small number of key personnel and the absence of any of these individuals could have a significantly negative effect on the Corporation

The Corporation strongly depends on the business and technical expertise of its small group of management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Corporation's operations expand, additional general management resources will be required, especially since the Corporation encounters risks that are inherent in doing business in several countries. Key man life insurance is not in place on management and key personnel. If the services of the Corporation's management and key personnel were lost, it could have a material adverse effect on future operations.

Directors and Officers of the Corporation

Certain directors and officers of the Corporation are involved as directors or officers of other companies engaged in mineral exploration and may be presented from time to time with opportunities which give rise to potential conflicts.

Dividend record

The Corporation has no dividend record and it does not intend to pay any dividends in the foreseeable future.

The business of exploration for minerals and mining involves a high degree of risk, as few properties that are explored are ultimately developed into producing mines

The Corporation is engaged in exploration, mine development and the mining and production of precious and base metals, primarily silver, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Corporation has relied on and may continue to rely upon consultants and others for mine operating and exploration and development expertise.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, the Corporation may not be able to raise sufficient funds for development.

The Corporation has one producing mine, the Nuestra Señora located in Cosalá, State of Sinaloa, Mexico, at the present time. The economics of developing silver, lead, zinc, copper and other mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Properties on which mineral reserves are not found will have to be discarded causing the Corporation to write each respective property off, thus sustaining a loss.

The mineral reserve and resource estimates contained or incorporated by reference in this AIF are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified reserve or resource will qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Corporation relies on laboratory-based recovery models and historical performance of its processing plant to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual recoveries in a commercial mining operation may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or

different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations and there can be no assurance that historical performance of the processing plant will continue in the future. Material changes, inaccuracies or reductions in proven and probable reserves or resource estimates, grades, waste-to-ore ratios or recovery rates could have a materially adverse impact on the Corporation's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

The Corporation has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources, metallurgy and project engineering. The Corporation believes that these experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. If, however, the work conducted by, and the mineral reserve and resource estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Corporation's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

Known issues that could materially affect the mineral resources

The Corporation has identified an unexpected divergence between the mineral resource and reserve estimates set out in the technical report dated March 28, 2011 and entitled Mineral Reserve Update, Nuestra Señora, NI 43-101 Technical Report (the "Nuestra Señora Technical Report") prepared for the Corporation by Genivar Inc., and the actual mineralization that the Corporation has encountered in the main production areas between Levels 8 and 12 at the Nuestra Señora Mine. The Corporation has encountered ore with lower than estimated lead and copper grades in these production areas, and development and definition drilling has identified lower tonnages relative to what was expected in the Nuestra Señora Technical Report.

In order to better understand this divergence, the Corporation has commissioned a comprehensive update of the Nuestra Señora mineral resource and reserve estimates. As part of this update, in Q3 2011 the Corporation engaged Mine Development Associates, an independent expert, to prepare new resource and reserve estimates that are compliant with NI 43-101 and that take into account the latest information available to the Corporation. The Corporation expects the new resource estimate to be available by the end of Q2 2012. An updated reserve estimate is expected in late Q3 2012 or early Q4 2012.

As of the date of this document, the Corporation's current assessment of the geology, exploration and production data indicates that the mineral deposit at Nuestra Señora is not as continuous as previously interpreted. The model developed by the Corporation based on the geological information and data available to it at the time, predicted areas suitable for block mining from large stopes. However, geological information and data from actual mining received by the Corporation since the development of such model suggests that the mineral deposit is more variable in distribution and continuity, and more confined in extent than anticipated. Accordingly, management expects a significant reduction in the resource and reserve estimate at the Nuestra Señora Mine. The magnitude of the reduction cannot be accurately quantified at this time. Such a reduction could adversely impact production, life of mine, and cash flow forecast, including the Corporation's previously released production guidance for 2012. A reduction in operating

earnings from this mine could negatively impact earnings and the financial condition of the Corporation.

Production estimates

The Corporation prepares estimates of mine production for the Nuestra Señora project. The Corporation cannot give any assurance that it will achieve its production estimates. The failure of the Corporation to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores and the accuracy of estimates rates and costs of mining and processing. In particular, if the new resource and reserve estimate expected in Q2-2012, results in a reduction of the Corporation's resources and reserves at Nuestra Señora, the Corporation's production estimates may not be achieved.

The Corporation's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such an inclement weather conditions, floods, droughts, landslides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Corporation or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing the Corporation to cease production.

It is not unusual in new mining operations to experience unexpected problems, including during development and expansion stages. As a result of the foregoing risks and, in particular, since the Nuestra Señora project is in a development and expansion stage, expenditures on the project, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. Any such events could materially and adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Mine development and expansion

The Corporation's ability to sustain its present levels of silver production and any planned expansion is dependent upon the identification of additional mineral reserves at the Nuestra Señora project or otherwise. If the Corporation is unable to develop new ore bodies, it will not be able to sustain or increase present production levels. Reduced production could have a material and adverse impact on future cash flows, results of operations and financial conditions.

The Corporation's activities on the Nuestra Señora project are subject to environmental regulations

The operations of the Corporation are subject to environmental regulations promulgated by government agencies from time to time. Specifically, the Corporation activities related to its Nuestra Señora project are subject to regulation by SEMARNAT, the environmental protection agency of Mexico. Regulations require that an environmental impact statement, known in Mexico as a *Manifesto Impacto Ambiental*, be prepared by a third-party contractor for submittal to SEMARNAT. Studies required to support the *Manifesto Impacto Ambiental* include a detailed analysis of the following areas: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. The Corporation must also provide proof of local community support for a project to gain final approval of the *Manifesto Impacto Ambiental*.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement. Fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Mexico is a developing country and obtaining financing, finding and hiring qualified people or obtaining all necessary services for the Corporation's operations in Mexico may be difficult

The Corporation conducts exploration, mine development and mining and production activities in the State of Sinaloa, Mexico. Mexico is a developing country and obtaining financing, finding and hiring qualified people or obtaining all necessary services for the Corporation's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Corporation to attract investors or obtain any required financing for its mining projects.

The Corporation also hires some of its employees or consultants in Mexico to assist it in conducting its operations in accordance with Mexican laws. The Corporation also purchases certain supplies and retains the services of various companies in Mexico to meet its business plans. It may be difficult to find or hire qualified people in the mining industry who are situated in Mexico or to obtain all the necessary services or expertise in Mexico or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Mexico, the Corporation may need to seek and obtain those services from people located outside Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Corporation to conduct its operations in Mexico.

Whether a mineral deposit will be commercially viable depends on a number of factors

Whether a mineral deposit will be commercially viable depends on a number of factors. These include government regulations, including regulations relating to nationalization, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination

of these factors may result in the Corporation not receiving an adequate return on invested capital. Currently the Mexican Government is conducting a highly publicized crack down on the drug cartel resulting in a loss of lives. The operation has been unaffected by the conflict and is unlikely to be in the future, however, if the government's actions lead to civil unrest, the situation could change.

Mining exploration, development, and operations are highly speculative

Mining exploration, development, and operations are highly speculative. They are characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate including, among other things, unprofitable efforts resulting not only from the failure to discover additional mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production.

The Corporation will continue to rely upon consultants and others for exploration, development, construction and operating expertise. Substantial expenditures are required to establish and upgrade mineral resources, to establish mineral reserves, to develop metallurgical processes to extract metals from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Mining operations generally involve a high degree of risk

Mining operations generally involve a high degree of risk. The Corporation's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

The marketability of natural resources which may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control

These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Corporation may result.

Enforcement of civil liabilities

As a portion of the Corporation's management and operations are located outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against such assets.

The Corporation is subject to currency fluctuations that may adversely affect the financial position of the Corporation

The Corporation's functional currency is the Canadian dollar, which is exposed to fluctuations against other currencies. The Corporation's primary operations are located in Mexico and many of its expenditures and obligations are denominated in Mexican pesos. The Corporation maintains its principal office and raises its equity financings in Canada, maintains cash accounts in both U.S. dollars and Canadian dollars and has monetary assets and liabilities in Canadian dollars and Mexican pesos. As such, the Corporation's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and results of the Corporation. The Corporation has not undertaken steps to mitigate transactional volatility in the US dollar or Mexican peso at this time.

The Corporation is in competition with other mining companies that have greater resources and experience

The Corporation's business is intensely competitive, and the Corporation competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labour to operate the properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a worldwide basis and some of these companies have much greater financial and technical resources than the Corporation. Such competition may result in the Corporation being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties.

The Corporation's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Corporation's results of operation and business.

Concentrate sales risks

The Corporation currently sells its concentrates under offtake contracts with a limited number of counterparties, and all of these contracts expire during the current financial year. Based on past practice, and the quality of its concentrates, the Corporation expects to be able to renew these

contracts or find alternative purchasers for its concentrates, however there can be no assurance that the existing contracts will be renewed or replaced on reasonable terms.

The Corporation frequently sells its concentrates on the basis of receiving a sales advance when the concentrates are delivered with the advance based on market prices of metals at the time of the advance. Final settlement of the sale is then made at a later time based on metals prices at that later time. In an environment of volatile metals prices this can lead to negative cash adjustments, with amounts owing to the purchaser, and such amounts could potentially be substantial. In volatile metals markets the Corporation may elect to fix the price of a concentrate sale at the time of initial delivery.

Mexican tax audit risk

The Corporation's Mexican subsidiary recently received an adverse tax reassessment from Mexican tax authorities for a significant amount. Although the Corporation believes that the position of the Mexican tax authorities has no merit and it intends to vigorously dispute the reassessment, there can be no assurance that the Corporation will be successful, which could have a materially adverse effect on the Corporation's financial results.