SCORPIO
Mining Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2013

Dated: March 13, 2014

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ANNUAL INFORMATION FORM
(the "AIF)

SCORPIO MINING CORPORATION
("Scorpio" or the "Company")

PRELIMINARY NOTES

Documents Incorporated by Reference

The information provided in this Annual Information Form ("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 Corporation (referred to herein as "Scorpio" or the "Company"). 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 Company's profile, Scorpio Mining Corporation.

Document	Report Date/Period ended
"Technical Report and Preliminary Economic Assessment, Nuestra Señora , San Rafael and El Cajón Deposits" prepared by Mine Development Associates **("MDA Technical Report").**	Report dated April 12, 2013 for Reserve Estimate and Preliminary Economic Assessment as at December 31, 2012
2013 Audited Annual Financial Statements and Management's Discussion and Analysis	Approved by the Board on March 13, 2014 for the years ended December 31, 2013 and 2012

Effective Date of Information

This AIF of the Company is dated March 13, 2014. Unless otherwise indicated, the information contained herein is as at December 31, 2013, being the date of the Company's most recently completed financial year.

Financial Information

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

Currency

All dollar 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:

Convert from Metric	To Imperial	Multiply By
Hectares	Acres	2.471
Metres	Feet	3.281
Kilometres	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 Company'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 Company believes that the expectations reflected in these 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 Company 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 Company'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 Company advises U.S. investors that while these terms are recognized and required 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”. U.S. investors are advised that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. U.S. investors are also cautioned that Inferred Mineral Resources have a great 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 studies other than a Preliminary Economic Assessment (“PEA”).

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company 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 Company’s registered office is located at Suite 606, 40 University Avenue, Toronto, Ontario, Canada M5J 1T1. The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Ontario and Quebec. The Company’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 Company’s principal subsidiaries are:

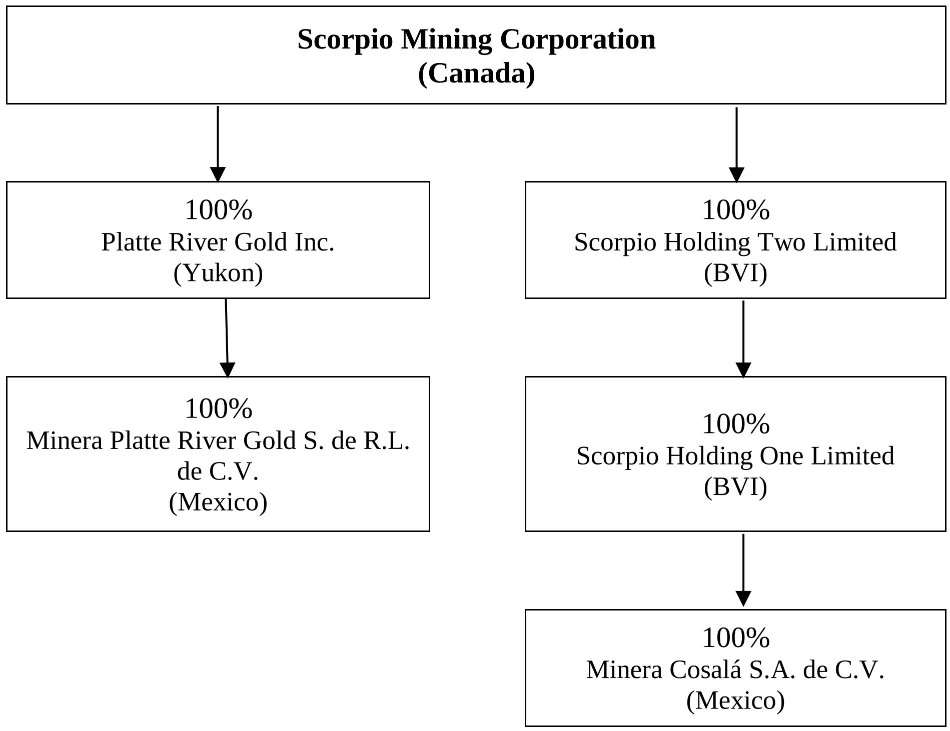
Minera Cosalá S.A. de C.V. (“Minera Cosalá”), incorporated in Mexico on November 4, 2003, is 100% indirectly owned by the Company and owns and operates the Company’s principal Mexican assets, including its 100% owned Nuestra Señora mine and processing facility.

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 Company’s interest in its Mexican assets. Scorpio Holding Two Limited, which is 100%-owned by the Company, is the 100% owner of Scorpio Holding One Limited, which in turn holds 100% of the shares of Minera Cosalá.

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

MPRG, incorporated in Mexico on April 2, 2004 owns, among other assets, the Cosalá Norte projects (previously called the “La Verde Project” by MPRG) located near the Company’s Nuestra Señora processing plant. The Cosalá Norte projects include the El Cajón and San Rafael deposits and the La Verde mine. Minera Cosalá and MPRG share the same offices in Cosalá and Mazatlán, Mexico.

The following chart illustrates the intercorporate relationships of the Company and its principal subsidiaries as of the date of this AIF:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

At the present time, the Company has two 100%-owned producing mines: the Nuestra Señora silver-zinc-copper-lead and the La Verde silver-copper underground mines, both located in the Cosalá District, State of Sinaloa, Mexico. The Company completed the Nuestra Señora Mine ("Nuestra Señora Mine") development and associated processing facility commissioning and achieved commercial production in January 2009. The La Verde underground mine ("La Verde Mine") had been operated on a small scale by third parties since the mid-1980's and the Company started regularly providing material from it to its Nuestra Señora processing plant in Q4 2013. The Company is a major concession holder in the Cosalá District, with holdings of approximately 26,819 hectares ("ha"), containing numerous mineral concessions including previously producing mines. The Company also holds approximately 2,568 ha in the Concordia District located 140km SSE of the Cosalá operations or 40km to the east of Mazatlán. On April 1, 2010, the Company completed the acquisition of all of the outstanding shares of Platte River, through which the Company acquired several advanced silver-zinc-lead-copper-gold deposits, including the El Cajón ("El Cajón Project") and San Rafael ("San Rafael Project") deposits, each with mineral resources compliant with National Instrument 43-101 ("NI 43-101"), and the La Verde underground mine. These properties are located close to the Nuestra Señora processing plant. In addition, the Company holds the rights to the La Revancha and Tepozán properties covering an area of 2,891 ha, 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, 2011

In 2011, the Company commenced an aggressive 10,500 metre underground exploration and definition drilling at the Nuestra Señora Mine. Due to issues encountered with aging mining equipment, development advances for 2011 were limited to 2,848 equivalent metres.

During 2011, the Company committed to spend $5 million for implementing the Phase I of the Nuestra Señora plant expansion in preparation to increase processing capacity by up to 80% to 2,750 tonnes per day ("tpd"). Phase I of this expansion which included 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, was completed as planned in Q2 2012.

During 2011, the Company identified an unexpected divergence between the mineral resource and reserve estimates, as set out in the Nuestra Señora technical report prepared for the Company by Genivar, and the actual mineralization that the Company encountered in the main production areas between Levels 8 and 12 at the Nuestra Señora Mine. The Company encountered ore with lower than estimated lead and copper grades in these production areas, and development and definition drilling identified lower tonnages relative to what was expected in the report.

In order to better understand this divergence, the Company commissioned a comprehensive update of the Nuestra Señora mineral resource and reserve estimates. As part of this update, in Q3 2011 the Company engaged MDA, 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 Company, in particular relating to the structural controls and mineralization.

The Company performed diamond drilling to potentially increase the resource base and support an upgrade from resource to reserve category on the El Cajón and San Rafael Projects. The Company completed the drilling by the end of Q1 2012.

Year Ended December 31, 2012

In 2012, the Company continued with aggressive underground exploration and definition drilling at the Nuestra Señora Mine. Mine development during 2012 totalled 4,835 equivalent metres, of which 2,728 metres were development in ore related to stope preparation and slashing of pre-existing drives.

Development at the Candelaria deposit ("Candelaria") of Nuestra Señora occurred on three levels during H1 2012, with a total of 14,880 tonnes of ore excavated via mechanized development. Grade control drilling encountered small areas that could be excavated by mechanized methods and there were indications that the mineralized structure may extend over several levels. Despite that, the amount of development required on each new level and the relatively confined dimensions of the orebody did not enable Candelaria to attain high production rates on its own. This area underwent further evaluation to determine its future production potential of supplemental high grade feed to complement other sources.

Phase I of the Nuestra Señora plant expansion was completed on time and on budget. in preparation to increase capacity by up to 80%, to 2,750 tpd. The Company received environmental approval from Mexico's Secretary of Environment and Natural Resources ("SEMARNAT") to operate the existing processing plant up to a maximum throughput of 4,000 tpd if required by the Company in the future.

In anticipation of receiving the exploitation permits for El Cajón, the Company defined the underground development and power requirements and commenced work to improve the haulage road to its Nuestra Señora processing plant. Following the permitting process, the Company's goal was to commence production at El Cajón and feed the ore to its processing plant, initially in conjunction with Nuestra Señora Mine output.

The Company drilled a total of 7,967 meters at the El Cajón Project in 2012. A portion of this total (2,335 meters) was drilled in nine infill holes with the intent of raising the confidence level and expanding the previously reported resource estimate. The remainder of the drilling (5,632 meters) was aimed at various targets. It identified a new structurally controlled zone called "La Emma" in 16 holes.

On September 24, 2012 the Company reported an independent updated Mineral Resource estimate for the El Cajón Project which was prepared by MDA. The new resource estimate demonstrated an increase in tonnage and silver grade as compared to the initial resource estimate, also prepared by MDA and filed on SEDAR on December 4, 2009. The newly discovered La Emma zone was not included in the new resource estimate due to the late availability of the data which prevented its inclusion. The La Emma zone is a northern structural zone trending NE from the El Cajón orebody, is open at depth and, along with anomalous values in other drilling, clearly shows that El Cajón has significant upside potential for resource expansion.

The Company drilled 3,334 meters at the San Rafael Project in 2012. The program completed infill drilling on the known zones and delineated mineralization in the newly discovered NW Extension. An additional 1,774 meters of diamond core was drilled at San Rafael for purposes of collecting geotechnical information to be used in the design of open pit slopes and underground openings.

On October 1, 2012 the Company announced an independent updated Mineral Resource estimate for the San Rafael Project which was prepared by MDA. The new resource estimate demonstrated an increase in tonnage and all contained metals compared to the initial resource estimate prepared by MDA and filed on SEDAR on December 4, 2009. Although a portion of this increase was due to the use of higher metal prices, a large portion was attributable to increased drill density and confidence in the resource.

Year Ended December 31, 2013

Nuestra Señora Mine development during 2013 totalled 3,246 equivalent metres of which 1,273 metres were in ore and 1,262 m in waste, related to stope preparation, and 712 metres in capitalized development.

A large portion (68%) of ore production in 2013 was sourced from long hole stopes, 25% from jumbo development and the balance from either cut-and-fill or recovery of broken ore from an historical glory hole connecting to surface. Average head grades delivered to the process plant were 70 g/t silver, 1.65% zinc, 0.23% copper and 0.82% lead. Nearly 51 kilotonnes of tailings were returned to the Nuestra Señora Mine as a bulk backfill for ground support purposes. Such backfill was required to enable safe and efficient extraction of known higher grade stopes.

In 2013, the Company drilled 7,150 m for exploration and 7,039 metres for definition at the Nuestra Señora Mine to investigate new mining areas readily available from existing developments and to further define and upgrade areas with currently defined Inferred Resources. Recent drilling has been focused on the intersection of the Main Fault zone and a major crossing structure called the Fermin Fault. The intersection of the Santa Teresa and Candelaria Faults is also being explored.

At the end of Q3 2013, a 14% cut in the Company's workforce was implemented across the operations and exploration departments. These changes were necessary to increase operational efficiency as well as providing a prudent response to global economic conditions which have caused significant declines in metal prices. Further structural changes were implemented in Q4 2013 to facilitate on-going improvement and personnel development.

The Company was successful in recruiting a General Manager, Operations Manager, Mine Manager and a Technical Services Manager, all of whom are Mexican nationals with significant experience. The Operations Manager and Technical Services Manager correspond to new positions in the organizational chart of our Mexican operations, meant to provide more depth to the technical team and provide support for on-going and future mine development efforts. The departure of the Company's COO in Q4 2013 was mitigated through his nomination as a Director, in the added capacity of Technical Committee Chair.

The Company recognized the need to be vigilant with its cash operating costs in current market conditions. Considerable restraint has been applied to exploration and sustaining capital expenditures.

Financial

- Revenue from payable metals of $39.1 million in 2013, decreased from $55.0 million in 2012 and $70.3 million in 2011 due to lower metal prices and lower head grades;
- Cash cost per payable silver ounce, net of by-product credits[(1)], increased to $13.76 in 2013 compared to $11.93 in 2012 due to a decrease in payable silver ounces; a decrease in by-product credits as a result of lower metal production and metal prices for all metals, except lead; partially offset by increased throughput due to high processing plant availability and utilization. Cash cost per silver payable ounce, net of by-product credits, increased to $11.93 in 2012 compared to $1.49 in 2011 due to increased costs, lower production of contained metals as a result of lower head grades for all metals, and lower credits due to a decrease in base metal prices;
- Net loss in 2013 was $(9.2) million or $(0.05) per share (basic) compared to net earnings of $7.1 million, or $0.04 per share (basic) in 2012. The 2013 net loss includes an impairment charge of $(5.5) million or $(0.03) per share(basic) related to the Company's investment in the common shares of Scorpio Gold Corporation ("Scorpio Gold"); and an impairment charge of $(0.8) million, net of tax, in respect of the Company's deferred development and exploration costs at its Nuestra Señora Mine. Net earnings in 2011 were $12.6 million, or $0.07 per share (basic);
- Adjusted EBITDA[(1)] of $4.3 million in 2013 decreased from $15.5 million in 2012 and $35.0 million in 2011 as a result of progressively declining revenues described above;
- Cash flow from operating activities before movements in working capital of $4.4 million in 2013 decreased from $15.6 million in 2012 and $34.8 million in 2011; and
- Working capital was $35.8 million at the end of 2013, down from $44.7 million at the end of 2012 and $48.9 million at the end of 2011.

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

Operations

	2013	2012	2011
Total plant throughput (tonnes)	534,043	521,557	509,292
Head grade silver (g/t)	70	90	101
Head grade zinc (%)	1.65	1.85	2.16
Head grade copper (%)	0.23	0.28	0.33
Head grade lead (%)	0.82	0.87	0.92
Recovery silver (%)	81	79	83
Recovery zinc (%)	75	77	84
Recovery copper (%)	47	48	59
Recovery lead (%)	70	66	70
Total silver produced (ounces)	969,025	1,184,964	1,363,217
Total zinc produced (pounds)	14,535,952	16,463,133	20,395,987
Total copper produced (pounds)	1,312,472	1,608,275	2,143,091
Total lead produced (pounds)	6,762,344	6,550,418	7,210,861
Total silver equivalent ounces(1)	1,959,113	2,282,512	2,711,009

Operations

- On a year-to-year basis, 2013 experienced the highest annual plant throughput at 534,043 tonnes. Lead production increased in 2013 compared to 2012 whereas all other metals experienced relative declines. Silver recovery increased from 79% to 81%, and lead from 66% to 70%, despite pressure on plant efficiency coming from the decrease in head grades, from 90 g/t to 70 g/t and 0.87% to 0.82%, for silver and lead, respectively;
- Recovered silver equivalent ounces(1) at 1,959,113 ounces in 2013, decreased from 2,282,512 ounces in 2012 and 2,711,009 ounces in 2011 mainly due to the lower head grades;
- Focus on decreasing costs and increasing efficiencies, led to drafting of changes to work schedules for plant and mine personnel, resulting in the reduction of overlaps and overtime. A review of the required manpower base led to the identification of operations and exploration personnel redundancies. As such, during 2013, a 14% reduction in the Company's workforce was implemented across these departments;
- Contract mining commenced at the Company's wholly-owned silver-copper La Verde Mine during Q3 2013 and production from La Verde totalled 34,265 silver equivalent ounces(1) during 2013; and
- Concentrate sales contracts have been renegotiated for copper and extended for zinc, with the copper and lead concentrates placed until June 30, 2014, and zinc concentrate until December 31, 2014.

(1) Silver equivalent ounces were calculated using the following metal prices: silver US$24/oz.; zinc US$0.90/lb.; copper US$3.50/ lb.; and lead US$0.90/ lb.

Project development

- Released the latest reserve estimate for the Nuestra Señora Mine and the Preliminary Economic Assessment ("PEA") for the advanced Cosalá District mineral resources;
- Received approval from SEMARNAT for its Environmental Impact Statement (Spanish acronym "MIA") pertaining to underground mining at the El Cajón and San Rafael Projects;

- Received approval from SEMARNAT for the application for the Change of Use of Soil (“CUS”) pertaining to the development of underground mining operations at the El Cajón Project, located in the Cosalá Norte District;
- JDS Energy and Mining Inc. (“JDS”) was engaged to perform a prefeasibility study (“PFS”) for underground mining of the El Cajón Project. While progressing through the preparation of the PFS, the Company identified discrepancies between registered data and mapped information relative to the boundaries of the concessions encompassing the El Cajón resource outline. The Company is proceeding with development work while awaiting confirmation of the boundaries from the Dirección General de Minería (“DGM”). The completion of the PFS is expected in Q3 2014, following incorporation of geotechnical data analysis and resolution of the concession boundaries by the DGM, and will then result in the publication of NI 43-101-compliant mineral reserves; and
- Received archaeological clearance for the haulage road realignment linking the Cosalá Norte development area and the existing Nuestra Señora processing plant.

<u>Exploration</u>

- The Company completed 7,150 meters of underground drilling at the Nuestra Señora Mine;
- Efforts have been directed at following up geophysical and ASTER studies performed during Q1 2013. Over 4,000 geochemical samples have been taken in grids covering areas identified by radiometric and aeromagnetic surveys. Mapping of these areas has been performed as well;
- A mapping and sampling program on surface at Nuestra Señora has led to defining material which can be recovered from within the Nuestra Señora Mine. This program has now expanded to cover more distant targets in the Nuestra Senora area. Efforts are underway to acquire the necessary permissions to drill targets developed from the mapping and sampling efforts adjacent to Nuestra Señora;
- Additional mapping at La Verde has defined previously unrecognized mineralized material controls. Re-sampling of drill cores is aiding in targeting new potential areas. The mine workings have been completely re-mapped and all the drill cores re-logged in light of the new ore controls. Plans are being formulated for a more detailed evaluation of the mine area, towards definition of resources;
- Geochemistry and mapping based on geophysical data have outlined a 6 kilometer long structural zone, related to La Verde, which contains several targets around small prospects conforming to the same La Verde model. Steps are being taken to allow for the detailed exploration of these zones. Archeological studies have been performed and cleared the area for future work; and
- Programs have been designed to upgrade the resources at the San Rafael Main Zone and El Cajón in 2014.

OUTLOOK FOR 2014

The Company is focused on maintaining ore production at current levels, to meet the nominal plant capacity of 1,600 tpd throughout 2014, first through providing the plant with a mixture of material mined from the Nuestra Señora and La Verde Mines and, second through El Cajón which becomes the primary source once it is fully ramped up. At this point, remnant mining at Nuestra Señora would not justify maintaining a production team and related equipment within this mine. These assets would then be redeployed within El Cajón, to minimize equipment purchases.

A program based on a continued thorough review of previously mined sections of the Nuestra Señora orebody, including the Candelaria Zone, the on-going placement of backfill, which enabled mining of secondary stopes, and other initiatives provided higher plant feed grades in Q3 and Q4 2013. These same sources are expected to be available through Q4 2014. Mining of the reserves and resources at Nuestra Señora will continue with additional plant feed as defined by short-term definition drilling while ensuring that safe, sustainable methods are used.

The CUS for the El Cajón deposit was approved by SEMARNAT in Q4 2013. This has allowed the Company to commence development of El Cajón in early 2014. This underground development work at El Cajón is expected to be completed in Q3 2014. An additional quarter will be needed to ramp the mining activities to a regular production regime at an expected potential of up to 1,500 tpd using design assumptions based solely on surface drilling data. A level of sustainable output will be better determined once underground operations are underway and multiple accesses to the orebody are achieved. JDS is currently working on a PFS which is expected in Q3 2014. Geotechnical drilling and tree-clearing activities have been completed at El Cajón with cut-and-fill activities at the location of the mine adit and surface infrastructures nearing completion. A short-list of mine contractors for driving the ramp has been completed, with the selection of the retained bidder expected in March 2014.

The Company ended 2013 with approximately $16.4 million in its treasury, over $35 million in working capital and no debt. Despite reduced cash flows brought on by the difficult metal pricing environment, reduction in the operating and exploration expenditures, coupled with improved head grades, the Company believes that its treasury and future cash flows will be adequate to finance the development of El Cajón, define resources at the La Verde Mine, de-risk the San Rafael Project and sustain minimal regional exploration during 2014.

DESCRIPTION OF THE BUSINESS

General Description

The principal business performed by the Company 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 Company's mission is to continue to grow its Mexican production pipeline and, if warranted, complete acquisitions that are aligned with its strategic business plans. The Company's current strategy remains focused on developing the El Cajón and San Rafael Projects while continuing to operate the nearby Nuestra Señora and La Verde Mines and processing plant. The Company may proceed with the expansion of the current processing plant, either to a nameplate capacity of 2,750 tpd or up to the permitted 4,000 tpd. Such a decision will depend on the mine development schedule of other sources of feed for such an expanded plant in the Cosalá District, following completion of the El Cajón mine ramp-up, and the prevailing metal price environment. Exploration will continue on prospective targets, with an emphasis provided to the Cosalá District.

With completion of the commissioning of the Nuestra Señora processing plant in January 2009 and the commencement of production of copper, 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 Company's sole and exclusive marketing agent for the sale of its concentrates from the Nuestra Señora Plant. In December 2010, the Company re-negotiated and extended its contract with Ocean to continue to act as the

Company's marketing agent until December 31, 2015.

Currently, lead concentrate is sold to a smelter in Mexico, and zinc and copper concentrates are sold to two purchasers in Manzanillo, Mexico. The Company is under contract with these parties to sell lead and copper concentrates until June 30, 2014 and zinc until December 31, 2014.

During the past twelve years, the Company has been successful in raising over $124 million by way of private placements, debt financings and the exercise of warrants and stock options, and $11.8 million from the sale of Scorpio Gold shares. These funds were expended on exploration and development of its properties, including the Nuestra Señora Mine and processing plant, the Cosalá Norte properties, and the Parral area properties, all located in Mexico, and for general working capital purposes.

The Company's business is not materially affected by intellectual property such as licenses, patents and trademarks, nor is it affected by seasonal changes. The Company 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 Liability

The Company's exploration and exploitation activities are subject to various federal, state and local laws and regulations in Mexico which govern the protection of the environment. These laws and regulations are continually changing and becoming more restrictive. The Company 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 Company 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 Company reviews its estimates of the provision for environmental rehabilitation associated with retirement, including reclamation, of its mining properties.

Employees

At December 31, 2013, the Company had five employees based in Canada and 356 employees based in Mexico.

MATERIAL MINERAL PROPERTIES

The Company has three material mineral projects – the Nuestra Señora Mine and processing plant, the El Cajón Project and the San Rafael Project.

The Company operates the Nuestra Señora Mine and processing plant 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 commissioning and commenced commercial production in January 2009. The Nuestra Señora processing plant which is located 7 km northwest of the Nuestra Señora Mine is a conventional flotation operation which currently operates at approximately 1,600 tpd and processes ore feed from the Nuestra Señora Mine and, since Q4 2013, a small amount of complementary feed from the nearby La Verde underground silver-copper mine.

The Company's indirectly owned Mexican subsidiary, MPRG, controls four groups of concessions in Mexico, the most important of which is the polymetallic Cosalá Norte District, near Cosalá, Sinaloa. MPRG controls 9,936 ha of mineral concessions in this area which includes the El Cajón and San Rafael

Projects, and the previously operated La Verde Mine, all contiguous to the northern boundary of Scorpio's Cosalá district land holdings.

The following is the Summary from the technical report (the "MDA Technical Report") entitled "Technical Report and Preliminary Economic Assessment, Nuestra Señora , San Rafael and El Cajón Deposits" prepared by Mine Development Associates. Report dated April 12, 2013 for Reserve Estimate and Preliminary Economic Assessment as at December 31, 2012. The full text of MDA Technical Report is available for viewing on SEDAR at www.sedar.com and is incorporated by reference in this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the MDA Technical Report.

Summary of MDA Technical Report

Introduction

Mine Development Associates ("MDA") has prepared this Technical Report on the Nuestra Señora, San Rafael, and El Cajón silver-copper-gold-lead-zinc deposits in the Cosalá mining district, Sinaloa, Mexico at the request of Scorpio Mining Corporation ("Scorpio"). The purpose of this report is to provide a technical summary in support of updated mineral resource estimates for the San Rafael and El Cajón deposits, a new mineral reserve calculation for the Nuestra Señora deposit, and a Preliminary Economic Assessment ("PEA") for all three deposits. Note that a PEA is preliminary in nature and includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied that would enable them to be classified as mineral reserves; there is no certainty that the preliminary economic assessment will be realized. The resource estimate for Nuestra Señora was reported in a 2012 Technical Report by MDA and has not been updated for this report; MDA has reviewed the results of 66 holes drilled since completion of that resource estimate and has concluded that while this drilling did extend narrow, high-grade silver zones and substantially supported the 2012 resource estimate at Nuestra Señora, the new drilling did not expand the resource in any material way. This report and associated resource and reserve estimates have been prepared in compliance with the disclosure and reporting requirements set forth in the Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101"), Companion Policy 43-101CP, and Form 43-101F1, as well as with the Canadian Institute of Mining, Metallurgy and Petroleum's ("CIM") Mineral Resource and Reserves definition standards.

The effective date of the Nuestra Señora database on which the resource was previously estimated is February 20, 2012. The effective date of the previously reported Nuestra Señora resource estimate is June 22, 2012. The effective date of both the San Rafael and El Cajón databases on which the resources described in this Technical Report are estimated is July 20, 2012. The effective date of both the El Cajón and San Rafael resource estimates is September 7, 2012. The effective date of the new Nuestra Señora reserve and the PEA is December 31, 2012. The effective date of this report is December 31, 2012.

Location and Ownership

The Cosalá mining district is located in the east-central portion of the state of Sinaloa, Mexico. The town of Cosalá is about 240 km by road from Mazatlán. The Nuestra Señora mine is about 10km east of the town of Cosalá and about 10km southeast of San Rafael. The San Rafael and El Cajón deposits are located about 12 km north-northeast of the town of Cosalá. The district is accessible from the town of Cosalá via rural paved and dirt roads. All primary access roads can accommodate standard highway vehicles.

Scorpio's property in the Cosalá mining district, on which the Nuestra Señora, San Rafael, and El Cajón deposits are located, consist of 70 mineral concessions that cover approximately 26,819 hectares. The concessions occur in two non-contiguous blocks, and within both blocks are a number of areas of land that Scorpio does not control. One such concession not controlled by Scorpio lies immediately adjacent to the southwest boundary of the San Rafael deposit and also covers a portion of the El Cajón deposit.
Scorpio owns the concessions through its wholly owned subsidiaries, Minera Cosalá, S.A. de C.V. ("Minera Cosalá) and Minera Platte River Gold, S. de R.L. de C.V. Although five of the 70 concessions are subject to a 1.25% net smelter return royalty, the Nuestra Señora, San Rafael, and El Cajón resources do not extend onto any of these five concessions.

History and Exploration

The Cosalá mining district, where polymetallic mineralization occurs as primarily skarn-related deposits, was discovered and locally worked by the Spanish approximately 400 years ago. At the turn of the 19th century, French engineers reportedly developed and worked the Nuestra Señora mine with a 10-stamp mill that produced 800 to 1,000kg of silver per month. In 1949, Asarco Mexicana (“Asarco”) purchased the Nuestra Señora mine and also mined material from La Estrella mine north of San Rafael. In addition, Asarco did some work at El Cajón, sending the material to the mill at La Estrella. In or about February 1965, Asarco ceased production and subsequently removed all of the mining equipment. Asarco let its concessions at Nuestra Señora lapse in 1980.

There was no exploration drilling or geologic activity in this area from 1965 until 1991, when the Consejo de Recursos Minerales, (Mexican government mineral division) drilled three core holes beneath Santo Domingo, intersecting narrow widths of mineralization. Some small-scale mining occurred sporadically from 1980 until 1992 in the Nuestra Señora area, but no records of these activities were filed.
Scorpio acquired the right to earn 100% interest in the Nuestra Señora property in 1998 and began an exploration program there in 1999. Since 1999, Scorpio’s exploration at the Nuestra Señora property has included airborne magnetic, electromagnetic, and radiometric surveying; ground magnetic and electromagnetic surveying; geologic mapping; and sampling. Scorpio drilled a total of 1,503 core holes at Nuestra Señora from 2000 through 2011 that were used for the 2012 resource estimate. Additional drilling has been done, and MDA has reviewed the results of 66 holes totaling 12,192m. MDA concludes that this drilling did extend narrow, high-grade silver zones and substantially supported the 2012 resource estimate, but the drilling did not expand the resource in any material way. Scorpio began underground mine development at Candelaria in 2004 and in the Nuestra Señora Main Zone in 2005. The mill components were moved on-site from San Manuel, Arizona, starting in 2006, and the mill began producing concentrates in 2008.

Since 1965, several small Mexican mining operators have worked the mines in the vicinity of San Rafael and El Cajón. 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, and road building, and drilled 15 reverse circulation (“RC”) holes primarily within the San Rafael area exploring for precious metals. 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 drilled seven core holes at San Rafael totaling 1,347.5m in 2001.

Platte River Gold Inc. (“PRG”) became interested in the San Rafael-El Cajón-La Verde property in early 2004. On June 1, 2004, PRG, through their Mexican subsidiary, signed a four-year option agreement for 100% of the exploration and mining concessions along with all of the infrastructure and mining equipment used at the La Verde mine and project area but excluding the mill in Cosalá. PRG made the final payment and acquired the property in July 2008. During their tenure, PRG conducted induced polarization (“IP”), resistivity, and ground magnetic surveying; geological mapping; chip-channel sampling of outcrops and road cuts; and the drilling of 371 holes. They tested 15 different targets, but the focus of their work was on San Rafael and El Cajón.

Scorpio acquired PRG in 2010, thereby acquiring the San Rafael and El Cajón projects. On March 16, 2011, Scorpio acquired five mineral concessions from Grupo Industrial Minera Mexico S.A. de C.V. in the Cosalá district immediately adjacent to its existing concessions. From 2010 through July 20, 2012, Scorpio’s exploration in the San Rafael and El Cajón area has consisted of mapping and the drilling of 282 core holes totalling 35,296m. The focus of the work has been on the San Rafael and El Cajón resource areas and all of these drill data is included in the current resource estimates for these deposits.

Scorpio also drilled four other targets including surface and underground drilling at the historic La Verde mine area. In 2010, Quantec Geoscience Ltd. completed a 48-line-kilometer Titan-24 DC/IP geophysical survey centered over the San Rafael area; results of subsequent drilling to test some of the anomalies were not encouraging.

Geology and Mineralization

The Cosalá mining district lies along the western edge of the Sierra Madre Occidental, an extensive Tertiary volcanic province covering approximately 800,000 km^2. Mineralization within the Cosalá mining district is related to granodioritic or granitic intrusions emplaced between 140 and 45 million years ago into Cretaceous sedimentary rocks that overlie older basement terranes.

The Nuestra Señora property lies within a sub-circular inlier of Cretaceous limestone approximately 10 km in diameter situated in the eastern part of the 139 to 45 Ma-old Sinaloa Batholith. Contact metamorphism of the limestones created re-crystallized limestone, marble, and skarn. Initial skarn development in the area was contemporaneous with emplacement of the batholith; however, there were several pulses of magmatic and hydrothermal activity. Carbonate replacement-style mantos, veins, chimneys, chimney breccias, and mineralized exoskarn and endoskarn occur within limestone and felsic and lesser mafic intrusions. Pyrite, sphalerite, chalcopyrite, galena, and lesser tetrahedrite are the principal minerals.

In the San Rafael-El Cajón area, Cretaceous limestone, commonly recrystallized and marbleized but only locally skarn-altered, is exposed within windows in Tertiary volcanic rocks. Massive sulfide mineralization at San Rafael occurs primarily along the contact of dacite tuff with Cretaceous limestone, with additional mineralization within the dacite in the Upper Zone and within skarn-altered limestone in the 120 Zone. The protolith at El Cajón is altered limestone, thought to be of Cretaceous age. San Rafael contains silver, lead, and zinc mineralization with minor gold and copper. The main minerals are pyrite, pyrrhotite, sphalerite, and galena with minor marcasite, chalcopyrite, and magnetite. The El Cajón-type of mineralization, also seen within the San Rafael deposit’s 120 Zone, is related to skarn alteration of calcareous sediments and occurs as both mantos and chimneys. It 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.

Metallurgical Testing

Nuestra Señora

Pre-production metallurgical studies for various mineralized zones of Nuestra Señora have included petrography, mineralogy, grindability determinations, and batch-scale flotation optimization test work leading to locked cycle tests. The most complete series of pre-production processing test work was performed by SGS Lakefield Research Ltd. in Canada between May 2006 and May 2007. Their test work included mineralogical analyses, Bond Work Index determinations, batch flotation testing, and confirmatory testing of fully sequential flowsheet through locked cycle tests.

Ore representative of Nuestra Señora assaying 1.48% Cu, 1.36% Pb, 3.24% Zn, and 151g Ag/t was tested through locked cycle test producing three concentrates. A lead concentrate assaying 45.1% Pb, 9.51% Cu, and 3,863g Ag/t recovered 91.7% of the lead and 58.6% of the silver, while recovering 15.5% of the copper. A copper concentrate grading 35.6% Cu and 1,408g Ag/t recovered 73.1% of the copper and a further 26.9% of the silver. The zinc concentrate graded 53.4% Zn, while recovering 87.9% of the zinc.
Ore representative of the Hoag Zone assaying 0.23% Cu, 2.53% Pb, 3.63% Zn and 71.1g Ag/t was tested through locked cycle test producing two concentrates. A combined lead + copper/lead concentrate

assaying 57.8% Pb, 3.58% Cu, and 1,598g Ag/t recovered 97.4% of the lead, 55.9% of the copper, and 89.5% of the silver. The zinc concentrate assayed 54.3% Zn, while recovering 91.5% of the zinc.

While pre-production testing constituted a solid basis and reference for earlier resource/reserve reporting and design of the processing plant, the relevance of laboratory-based results for predicting the metallurgical outcome of processing the same ore types as those mined and processed to date has been largely superseded by the availability of actual production data from the Nuestra Señora process plant.

Metallurgical performance on a daily production scale is highly dependent upon the head grades, the ratios of each base metal head grade to the others, and the mineralogy of the ore zones being processed at that time. For 2012, with average ore head grades of 0.28% Cu, 0.87% Pb, 1.85% Zn, and 89 Ag g/t, the plant provided metal recoveries of 77.4% for Zn and 6.9% for Ag to the zinc concentrate, 65.6% for Pb and 47.5% for Ag to the lead concentrate, and 49.2% for Cu and 24.5% for Ag to the copper concentrate for a total silver recovery of 78.9%.

San Rafael and El Cajón

Metallurgical testing was conducted over a period of roughly four years (2005 – 2009) on a total of seven drill-cuttings or drill-core composites at McClelland Laboratories, Inc. ("McClelland") in Sparks, Nevada. The testing conducted was focused exclusively on processing by flotation treatment. Testing included samples of El Cajón, San Rafael (Main Zone) sulfide, San Rafael oxide, 120 Zone, and Main/120 overlap sulfide mineralization. Additional flotation testing was conducted by McClelland in 2011 and 2012 on the 120 Zone material.

Testing established that the El Cajón mineralization type was amenable to bulk sulfide flotation treatment, at a feed size of as coarse as 80%-106μm. Upgrading of a final concentrate product was possible through reagent-optimization testing. The most recent (2009) optimization testing included a locked-cycle flotation test series conducted on an El Cajón drill core composite, using optimized conditions. Results showed that it was possible to produce a flotation cleaner concentrate with copper, gold, and silver recoveries of 96.7%, 87.3%, and 97.8%, respectively. Ore-variability testing will be required to determine if this response can be expected throughout the El Cajón mineralization.

Testing conducted on the San Rafael (Main Zone) sulfide mineralization type has shown this ore type can be processed using a sequential flotation scheme to produce separate lead/silver concentrate and zinc concentrate products. Reagent optimization for this mineralization type has proven to be significantly more difficult than for the El Cajón mineralization type, and carry-over of gangue minerals into the concentrate products presents a significant challenge. The most recent batch sequential rougher/cleaner flotation testing (average of two tests) on the drill-core composite showed that it was possible to produce a lead cleaner concentrate with lead and silver recoveries of 68% and 27%, respectively. The zinc cleaner concentrate produced from the corresponding lead rougher flotation tailings had zinc and silver recoveries of 81% and 20%, respectively. Further reagent-optimization testing, locked-cycle flotation testing, and ore variability testing will be required for the San Rafael (Main Zone) sulfide mineralization type.

Early testing on the 120 Zone and 120 Main Overlap Zone mineralization types was less successful than the work summarized above for the El Cajón and San Rafael Main Zone sulfide mineralization types. Attempts at applying the flotation processing schemes optimized for the El Cajón and San Rafael mineralization types to the 120 Zone and Main/120 Overlap Zone mineralization types were not particularly successful. Significant progress was made in reagent optimization and improvement in the flotation response of the 120 Zone material during 2011-2012 testing of a 120 Zone composite. Locked cycle flotation testing showed that it was possible to produce a final cleaner concentrate that was 2.1% of the feed weight, assayed 21.39% Cu and 5,978g Ag/t, and represented copper and silver recoveries of

84.7% and 72.1%, respectively.

Mineral Resource Estimates

Nuestra Señora Resources

This report describes MDA's 2012 mineral resource estimate for Nuestra Señora, which was first reported in MDA's 2012 Technical Report. The effective date of the Nuestra Señora database on which the resource was estimated was February 20, 2012. The effective date of the Nuestra Señora resource estimate was June 22, 2012. Since completion of that estimate, 66 additional holes have been drilled at Nuestra Señora. MDA reviewed the results of new holes and concludes that this drilling did extend narrow, high-grade silver zones and substantially supported the 2012 resource estimate, however, drilling did not expand the resource in any material way. For this reason, the 2012 Nuestra Señora resource estimate described in this report is still current.

Nuestra Señora is a skarn deposit in which the lower grade mineralization generally occurs as fine-grained disseminated sulfides and the high-grade mineralization occurs as massive, clotty sulfides (Main and Hoag Zones) and carbonate replacements (at Candelaria). The deposit is extraordinarily complex, made up of many isolated bodies and pods of mineralization, and continuity of mineralization is often low. The ability to predict the presence of mineralization beyond 20m should be considered the exception rather than the rule. In particular, the spectacular grades to which Scorpio has become accustomed and which have proven economically important generally occur in small and highly irregular pods.

Upon completion of the database validation process, MDA constructed cross sections on 20m intervals looking northwest (in the local mine coordinate system), with individual sets of sections created for silver, zinc, copper, and lead. Based on natural distributions of the metals and knowledge of the geology, low-grade and mid- to high-grade mineral domains were defined for each metal separately. Geometries, continuity, and orientation of the mineral domains relied heavily on geologic cross sections interpreted by Scorpio geologists. Outside these domains, the rock is considered either unmineralized or discontinuously mineralized. The sectional mineral-domain polygons were used to code drill holes. Quantile plots along with global zone statistics were made to assess the validity of these domains and to determine capping levels. Compositing of capped grades was done to 3m down-hole lengths, honoring mineral domain boundaries. Using Scorpio's cross-sectional geologic interpretations, MDA modeled the major lithologies on 3m plans. Subsequently, four different plan models of the metal domains, guided by the lithology plans, were constructed and later combined into one block model for economic and engineering studies. The 3m by 3m by 3m blocks inside each mineral domain were estimated using only composites from inside its respective domain. MDA assigned density values, ranging from 2.76g/cm3 to 3.09g/cm3, to the blocks by major rock type.

The reported estimates were made using inverse distance to the fifth power; kriging and nearest neighbor estimates were used for comparison and validation. MDA classified the Nuestra Señora resources by a combination of distance to the nearest sample, number of samples, and number of holes used to estimate a particular block, while also taking into account reliability of underlying data and understanding and use of the geology. There is significant mineralization outside the defined domains, but because this mineralization does not have demonstrable continuity and cannot be modelled as a domain, it does not meet the requirement for defining resources for underground mining scenarios.

The stated resource is diluted to 3m by 3m by 3m blocks and is tabulated on a silver-equivalent ("AgEq") cut-off grade of 60g AgEq/t. The equation for calculating AgEq is given below:

g AgEq/t = g Ag/t + (%Zn*24.2857) + (%Pb*24.2857) + (%Cu*77.1429)

The ratio of the metals was derived from prices for silver, zinc, lead, and copper of $24/oz Ag, $0.85/lb Zn, $0.85/lb Pb, and $2.70/lb Cu. While some gold is recovered at Nuestra Señora, it is a small part of the total value of the mineralization and was neither modelled, estimated, nor considered in the equivalency calculation. No metal recoveries are applied, as this is the in situ resource. Table 0.1 lists the mineral resources for Nuestra Señora.

Table 0.1 Nuestra Señora Resources

Cut-off					Measured					
g AgEq/t	Tonnes	g AgEq/t	g Ag/t	%Zn	%Pb	%Cu	oz Ag	lbs Zn(x1000)	lbs Pb(x1000)	lbs Cu(x1000)
60.0	332,000	184.12	92.76	2.01	0.98	0.24	990,000	14,712	7,173	1,757
Cut-off					Indicated					
g AgEq/t	Tonnes	g AgEq/t	g Ag/t	%Zn	%Pb	%Cu	oz Ag	lbs Zn(x1000)	lbs Pb(x1000)	lbs Cu(x1000)
60.0	2,088,000	178.62	95.26	1.70	0.89	0.27	6,395,000	78,255	40,969	12,429
Cut-off					Measured and Indicated					
g AgEq/t	Tonnes	g AgEq/t	g Ag/t	%Zn	%Pb	%Cu	oz Ag	lbs Zn(x1000)	lbs Pb(x1000)	lbs Cu(x1000)
60.0	2,420,000	179.37	94.92	1.74	0.90	0.27	7,385,000	92,967	48,142	14,186
Cut-off					Inferred					
g AgEq/t	Tonnes	g AgEq/t	g Ag/t	%Zn	%Pb	%Cu	oz Ag	lbs Zn(x1000)	lbs Pb(x1000)	lbs Cu(x1000)
60.0	2,025,000	160.98	88.98	1.44	0.71	0.26	5,793,000	64,287	31,697	11,607

El Cajón Resources

The El Cajón resources reported here are based on Scorpio's database as of July 20, 2012. The effective date of the El Cajón resource estimate is September 7, 2012.

Upon completion of the database validation process, MDA modified the 2009 geologic cross-sections which are evenly spaced on 25 m intervals looking northwest at 330°. Individual sets of sections were created for silver, copper, gold, and percent sulfide. Low-, mid-, and high-grade domains were modeled for each of the three metals independently, and low- and high-grade domains were modeled for percent sulfide. The cross-sectional domains were sliced to long section on 3 m intervals, to coincide with the center of each row of blocks in the model. After reinterpretation, the long section domains were used to code the block model to percent of block in each mineral domain.

The cross-sectional mineral domains for the three metals were used to code the samples. Quantile plots were made to assess validity of these domains and to determine capping levels; MDA capped 22 samples (six gold, eleven silver, and five copper). Compositing was done to 3 m down-hole lengths, matching the model block size, honoring all material-type and mineral-domain boundaries. The sulfide domains were used by MDA to assign density values, ranging from 2.95 g/cm^3 to 3.23 g/cm^3, to the blocks.

The reported estimates were made using inverse distance to the second power; ordinary kriging and nearest neighbor estimates were used for comparison and validation. MDA classified the El Cajón resources by a combination of distance to the nearest sample and the number of samples, while at the same time taking into account reliability of underlying data and understanding and use of the geology.

The stated resource is volume-diluted to the entire 3 m by 3 m by 3 m blocks and is tabulated on a silver-equivalent ("AgEq") cut-off grade of 60g AgEq/t. Using the individual metal grades of each block, the AgEq grade is calculated using the following formula:

g AgEq/t = g Ag/t + (77.142857* %Cu) + (54.166667* g Au/t)

This formula is based on prices of US$24.00 per ounce silver, US$2.70 per pound copper, and US$1,300 per ounce gold. No metal recoveries are applied, as this is the *in situ* resource. The El Cajón resources controlled by Scorpio are tabulated in Table 0.2.

Table 0.2 Summary Table of El Cajón Resources

Indicated Resource:

Cutoff g AgEq/t	Tonnes	Silver (g Ag/t)	Copper (%)	Gold (g Au/t)	Silver (oz)	Copper (lbs)	Gold (oz)	AgEq g/t
60.00	2,597,000	149.1	0.48	0.21	12,451,000	27,742,000	18,000	198.1

Inferred Resource:

Cutoff g AgEq/t	Tonnes	Silver (g Ag/t)	Copper (%)	Gold (g Au/t)	Silver (oz)	Copper (lbs)	Gold (oz)	AgEq g/t
60.00	850,000	121.8	0.41	0.17	3,331,000	7,679,000	5,000	162.4

Various checks were made on the El Cajón resource model and it is believed that the resource estimate is reasonable, honors the geology, and is supported by the geologic model.

It is expected that additional drilling will increase the size of the estimated resource. There is potential for additional mineralization to the east down dip within the limestone and to the south and east along the diorite contact. Additional infill drilling and QA/QC work is recommended to bring greater confidence to the interpretation of the mineralization and increase the resource classification.

San Rafael Resources

The San Rafael resources reported here are based on Scorpio's database as of July 20, 2012. The effective date of the San Rafael resource estimate is September 7, 2012.

Upon completion of the database validation process, MDA modified the 2009 geologic cross-sections, which are evenly spaced on 25 m intervals looking northwest at 330°. Individual sets of sections with unique mineral domains were created for zinc, lead, silver, copper, gold, and percent sulfide. The mineral domains represent distinct styles of mineralization with unique statistical characteristics. The cross-sectional domains were sliced to long section on 3 m intervals to coincide with the center of each row of blocks in the model. After reinterpretation, the long-section domains were used to code the block model to percent of block in each mineral domain.

The cross-sectional mineral domains for the five metals were used to code the samples. Quantile plots were made to assess validity of these domains and to determine capping levels; MDA capped 26 samples (three zinc, six lead, eight silver, eight gold, and one copper). Compositing was done to 3 m down-hole lengths, matching the model block size, honoring all material-type and mineral-domain boundaries. The sulfide domains were used by MDA to assign density values, ranging from 2.55 g/cm^3 to 3.88 g/cm^3, to the blocks.

The reported estimates were made using inverse distance to the second power; ordinary kriging and nearest neighbor estimates were used for comparison and validation. MDA classified the San Rafael resources by a combination of distance to the nearest sample and the number of samples, while at the same time taking into account reliability of underlying data and understanding and use of the geology. The stated resource is volume-diluted to 3m by 3m by 3m blocks and is tabulated on a zinc-equivalent (“ZnEq”) cut-off grade of 1.5% ZnEq. Using the individual metal grades of each block, the ZnEq grade is calculated using the following formula:

%ZnEq = %Zn + (1.0 * %Pb) + (0.041176 * g Ag/t) + (3.176471 * %Cu) + (2.230392 * g Au/t)

This formula is based on prices of US$0.85 per pound zinc, US$0.85 per pound lead, US$24.00 per ounce silver, US$2.70 per pound copper, and US$1,300 per ounce gold. No metal recoveries are applied, as this is the *in situ* resource. The San Rafael resources, excluding a very small fraction of the deposit that lies within the northeast corner of the Silvia Maria concession, are tabulated in Table 0.3.

Table 0.3 Summary Table of San Rafael Resources

Measured and Indicated Resources (1.5% ZnEq cut-off)

Class	Tonnes	Zinc (%)	Lead (%)	Silver (g Ag/t)	Copper (%)	Gold (g Au/t)	Zinc (lbs)	Lead (lbs)	Silver (oz)	Copper (lbs)	Gold (oz)	ZnEq (%)
Measured	5,124,000	2.10	0.93	72.9	0.06	0.14	237,277,000	104,906,000	12,013,000	7,187,000	23,000	6.55
Indicated	14,788,000	1.37	0.56	57.6	0.10	0.10	446,863,000	182,409,000	27,409,000	31,776,000	48,000	4.84
M+I	19,912,000	1.56	0.65	61.6	0.09	0.11	684,140,000	287,315,000	39,422,000	38,963,000	71,000	5.28

Inferred Resource (1.5% ZnEq cut-off)

Class	Tonnes	Zinc (%)	Lead (%)	Silver (g Ag/t)	Copper (%)	Gold (g Au/t)	Zinc (lbs)	Lead (lbs)	Silver (oz)	Copper (lbs)	Gold (oz)	ZnEq (%)
Inferred	3,331,000	0.18	0.58	56.1	0.08	0.16	13,170,000	42,619,000	6,006,000	5,584,000	17,000	3.67

The low zinc grade for the Inferred resource in Table 0.3 is a result of the Inferred resources occurring primarily within the silver-dominant Upper and 120 Zones. The use of a zinc equivalent cut-off has been done for convenience for combining resources from the different zones into a single table. Using a more appropriate silver equivalent cut-off for these resources would not change the total Inferred tonnes or metal content.

The San Rafael resource estimate is based on analytical measurements and geology from 288 drill holes and 14 surface trenches. For the Main Zone of the San Rafael deposit, the most important observation that can be presented to the reader is the relatively even distribution of metals, primarily zinc, lead, and silver, within tabular zones that for the most part occur along the volcanic/limestone contact. The recent infill drilling provided increased confidence in the continuity of the mineralization. Additional infill drilling is not expected to materially change the currently defined Main Zone resource.

The 120 Zone silver-copper-gold mineralization occurs within skarn-altered limestone as bedding horizons and irregular zones along intrusive contacts. The 120 Zone is more variable, both in geology and mineral grades, than the Main Zone mineralization. Additional drilling and more density measurements are recommended to bring greater confidence to the interpretation of this mineralization. The Upper Zone is primarily silver-gold mineralization within a number of small tabular zones sub-parallel to and within the hanging wall of the Main Zone. The Upper Zone is more erratic than the Main Zone, though the recent drilling has provided greater confidence in the continuity of mineralization and the lithologic interpretation. Additional drilling is not expected to materially change the Upper Zone resource.

The depth of oxidation is generally shallow, though in the northeast portion of the deposit, oxidation can reach up to 200 m down-dip. Zinc mineralization is strongly leached within the oxide zone, and there are uncertainties as to metallurgical recoveries and processing costs associated with the oxide mineralization. Further work is needed to better characterize the oxide material.

Mineral Reserves Estimate

While this Technical Report includes a PEA which evaluates mining at Nuestra Señora, El Cajón, and San Rafael, Proven and Probable reserves have been defined only for Nuestra Señora. The El Cajón and San Rafael deposits have not been studied to the level of detail necessary for reporting reserves at this time.

The Proven and Probable reserves for Nuestra Señora have been calculated based on underground development and stope designs created by MDA. Net smelter return (“NSR”) values were determined for each block using only Measured and Indicated material. Inferred material was considered to be waste with no value or metal content. Designs were created based on an NSR cut-off of $60/t. Reserves calculations are based on the total tonnage of material inside of the final designs and include internal dilution. Ore loss and external dilution have also been considered for the reporting of reserves.

Resources estimated by MDA were depleted to account for subsequent production through the end of 2012. The effective date of the Nuestra Señora reserves is December 31, 2012.

Reserves are processed on site to create copper, lead, and zinc concentrates. Treatment and transportation costs were derived from existing contracts and used in the NSR calculation for design. By the end of the study, additional contracts had been completed, which were used in the final economic evaluation. Table 0.4 shows the smelter costs used for both design and the final smelter cost parameters.

Table 0.4 Smelter Parameters ($/Dry Tonne of Concentrate)

	Treatment	Transport	Penalties	Marketing
	Used for Design			
Zinc	$ 160.00	$ 57.31	$ 12.00	$ 11.00
Lead	$ 284.91	$ 47.44	$ 12.00	$ 11.00
Copper	$ 290.00	$ 57.31	$ 91.00	$ 11.00
	Used for Final Economics			
Zinc	$ 160.00	$ 67.62	$ 12.00	$ 11.00
Lead	$ 337.20	$ 52.59	$ 12.00	$ 11.00
Copper	$ 290.00	$ 62.97	$ 91.00	$ 11.00

Other economic parameters for reserve estimation include metal prices, mining costs, processing costs, and other general and administrative costs. Metal prices used are shown in

Table **0.5**, and operating cost assumptions are shown in

Table **0.6**.

Table 0.5 Reserve Metal Prices

Metal Prices		
Silver	$ 25.00	$/oz Ag
Zinc	$ 0.85	$/lb Zn
Copper	$ 3.40	$/lb Cu
Lead	$ 0.90	$/lb Pb

Table 0.6 Reserve Operating Cost Assumptions

NSR Cutoff for Design		
Long Hole Mining Cost	15.85	$/t
Cut and Fill Mining Cost	20.97	$/t
Process Plant Costs	10.97	$/t
Process Maintenance	5.41	$/t
Technical Services	2.47	$/t
Safety and Environment	1.79	$/t
Administration	8.07	$/t
Total Long Hole Cost	44.56	$/t
Total Cut and Fill Cost	49.68	$/t

Underground designs were completed based on the depleted resources. Both long-hole and cut-and-fill stopes were designed to exploit continuous blocks above a $60.00 per tonne NSR cut-off value. Underground development was designed to access each of the designed stopes, and resources too isolated from existing development to be economically accessed were excluded from reserves. Pillars for geomechanical stability were identified adjacent to current and historic stopes. Some of those pillars contain mineral resources that have been excluded from the reserve estimation.

Long-hole designs were kept to a maximum of 15 m high and take into account the shape of the orebody to define their width and length. Cut-and-fill stopes were used as a more selective method to access resources that did not have continuity to be economically mined using long-hole stoping.

Block dilution, internal dilution, and external dilution have been included in the statement of reserves. Block dilution is the result of the resource estimate; internal dilution is the inclusion of sub-grade resources and non-resource material within the stope designs; and external dilution of 35% was included to represent additional unintended rock breakage.

Ore loss occurs where ore grade material cannot be physically mined from its designed stope due to unforeseen circumstances or misclassification of material during mining. Additionally, because of the complex nature of the orebody, it is inevitable that some ore will go unidentified, and thus unmined. Ore loss has been accounted for using a 35% reduction of mine design volumes, which offsets the external dilution and reduces the overall grade of reserves.

Proven and Probable reserves have been estimated using only Nuestra Señora Measured and Indicated resources. The estimates use the economic and dilution factors described above. Table 0.7 shows the fully diluted Proven and Probable reserves for Nuestra Señora.

Table 0.7 Nuestra Señora Proven and Probable Reserves

	Proven	Probable	Proven & Probable	Internal Dilution	Ore Loss	External Dilution	Fully Diluted Proven & Probable
K Tonnes	89	333	422	111	187	187	533
g Ag/t	164.5	186.6	181.9	34.0	151.0	-	98.2
K Oz Ag	470	1,997	2,467	122	906	-	1,683
% Zn	3.29	3.14	3.17	0.77	2.67	-	1.74
K Lbs Zn	6,448	23,052	29,500	1,901	10,990	-	20,411
% Pb	1.50	1.64	1.61	0.41	1.36	-	0.88
K Lbs Pb	2,932	12,026	14,958	1,008	5,588	-	10,378
% Cu	0.50	0.47	0.47	0.09	0.39	-	0.25
K Lbs Cu	976	3,416	4,393	218	1,614	-	2,997

Proven and Probable reserves are based on designs using a $60 NSR cutoff grade

Dilution includes grades for Measured and Indicated material within designs

Dilution also includes internal and external waste tonnage at zero grades

A factor of 35% is added for ore loss and external dilution to reflect current reconciliation

Comparison of Measured and Indicated Resources to Proven and Probable Reserves

The 2012 Nuestra Señora Measured and Indicated resources were estimated using data current as of February 2012 and with as-built solids current at the end of June 2012, with a reporting cut-off grade of 60 g AgEq/t.

There is a fairly low conversion rate of resources to reserves due to:

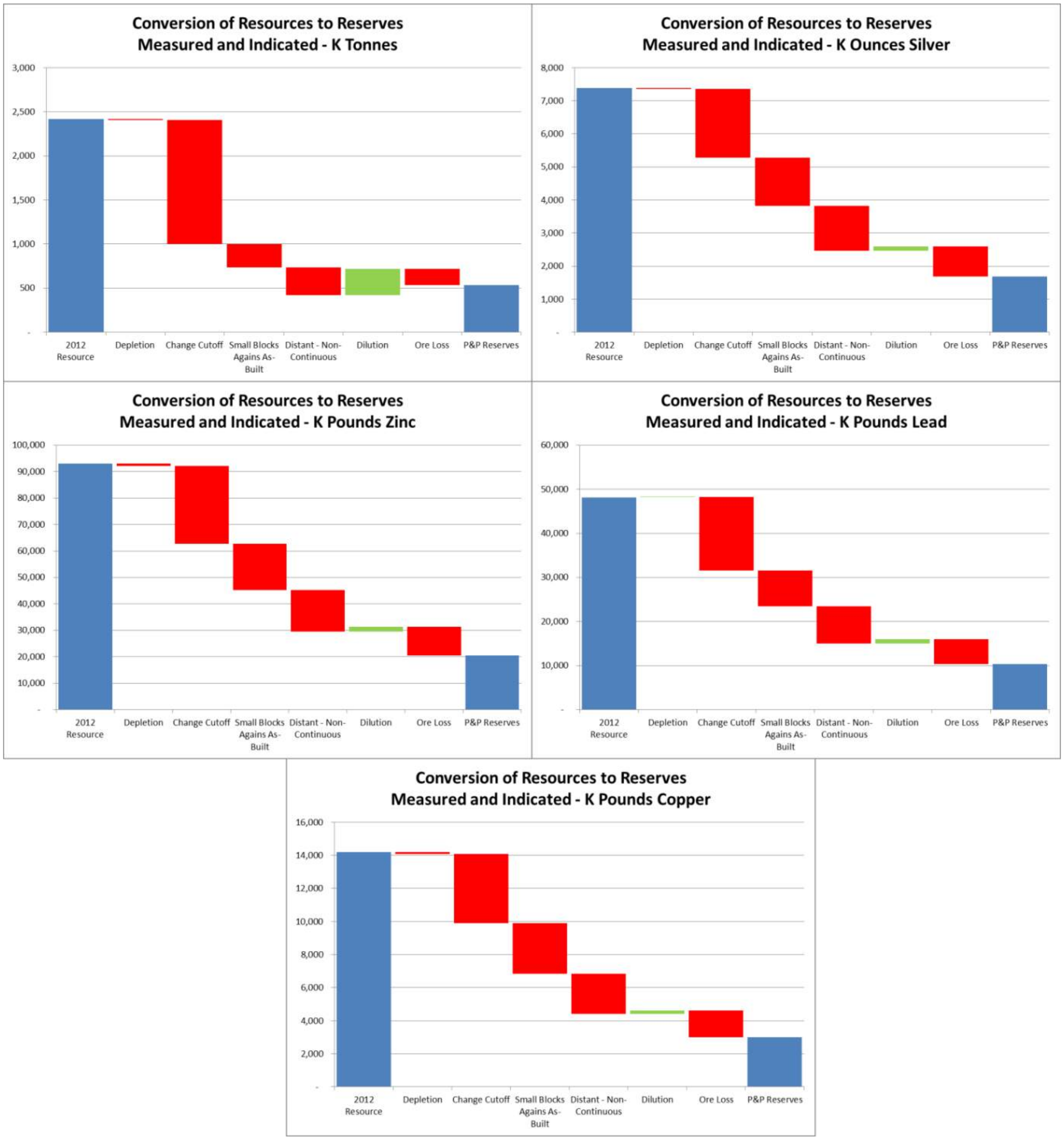
- Reduction due to depletion from July through December mining;
- Reduction due to the application of $60/t NSR value cut-off, which includes metallurgical and smelter recoveries (versus the 60g AgEq/t cut-off, exclusive of recoveries applied for the reported resource);
- Reduction due to sterilization of blocks against or near mined out areas;
- Reduction of portions of the resource that were too distant and not continuous to be economic;
- Addition of both internal and external dilution; and
- Reduction due to ore loss.

The conversion of resources to reserves is shown in Table 0.8 and Figure 0.1.

Table 0.8 Conversion of Resources to Reserves

	Measured & Indicated / Proven and Probable								
Change Due to Depletion	**K Tonnes**	**g Ag /t**	**Zn%**	**Pb%**	**Cu%**	**K Ozs Ag**	**K Lbs Zn**	**K Lbs Pb**	**K Lbs Cu**
Reported Resource (60 g AgEq/t)	2,420	94.92	1.74	0.90	0.27	7,385	92,967	48,142	14,186
Depleted Resource (60 g AgEq/t)	2,405	95.24	1.74	0.91	0.27	7,364	92,071	48,202	14,087
Change Due to Depletion	**(15)**	**0.32**	**(0.01)**	**0.01**	**(0.00)**	**(21)**	**(896)**	**60**	**(99)**
Change Due to Cutoff Grade									
Depleted Resource ($60 NSR)	999	164.27	2.85	1.43	0.45	5,275	62,643	31,568	9,903
Change Due to Cutoff	**(1,421)**	**69.35**	**1.10**	**0.53**	**0.18**	**(2,110)**	**(30,324)**	**(16,574)**	**(4,283)**
Change Due to Design									
M&I Inside Designs	422	181.9	0.00	0.00	0.00	2,467	29,500	14,958	4,393
M&I Dilution Inside Designs	111	34.0	0.77	0.41	0.09	122	1,901	1,008	218
M&I Ore Loss Inside Designs	187	151.0	2.67	1.36	0.39	906	10,990	5,588	1,614
External Dilution (zero grade)	187					-			
Reported Reserve (Fully Diluted)	533	98.2	0.00	0.00	0.00	1,683	20,411	10,378	2,997
Change Due to Design	**(466)**	**(66.1)**	**(2.84)**	**(1.43)**	**(0.45)**	**(3,592)**	**(42,232)**	**(21,191)**	**(6,906)**

Figure 0.1 Chart Illustrating Conversion of Resources to Reserves



There is a history of successfully delineating mineable material at Nuestra Señora with infill drilling, both in areas predicted by exploration drilling and in areas not encountered by exploration drilling. This reflects the poddy nature of the deposit. It is likely this history of success will continue with the upgrade and/or discovery of additional resources.

Reserve Case Mining and Economics

Two mining cases have been developed and are described in this Technical Report: the "Reserve Case" and the "PEA Case". The Reserve Case applies only to Nuestra Señora and is based on current mining methods and metallurgical processes used to develop Proven and Probable reserves from the Measured and Indicated resources. The Nuestra Señora Reserve Case mines the Proven and Probable reserves to completion and assumes that the plant would be shut down at the end of mine life with closure costs and salvage value applied in the cash-flow. This evaluation was done only to confirm that Proven and Probable reserves can be economically extracted. It is not intended to imply the coming closure of the Nuestra Señora mine or plant in the near future because mining of resources is anticipated to continue as additional ore is defined by short-term definition drilling.

The Reserve Case mining and economic highlights include:

- 533,000 tonnes mined through 2013;
- $42,956,000 in net revenue (after smelting treatment and transportation charges);
- Operating costs of $26,641,000;
- Capital costs of $4,870,000;
- Net after-tax cash-flow of $21,444,000; and
- Net present value (5%) of $20,470,000.

The cash-flow assumes a $10,000,000 salvage value and $1,908,000 closure costs attributed to the end of the year 2013. The cash-flow was developed solely to determine the economic viability of the Proven and Probable reserves. Due to the complex geological nature of the deposit, there may be zones that have not been included, and it is anticipated that Scorpio will continue to find and develop ore that is not included in the current Proven and Probable reserves.

PEA Case Mining and Economics

The PEA Case assumed continued mining at Nuestra Señora along with the development of El Cajón and San Rafael underground operations and San Rafael open pit mining. Unlike the Reserve Case, the PEA Case is based on Measured, Indicated, and Inferred resources.

Note that a PEA is preliminary in nature. It includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied that would enable them to be classified as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized.

Mining and operational highlights for the PEA include:

- Continued mining from Nuestra Señora of 1,461,000 tonnes adding approximately three and a half years of mining at Nuestra Señora at 750,000 tonnes per year;
- Expansion of the process plant from 1,500 tonnes per day to 2,750 tonnes per day upon commencement of El Cajón ore mining;
- Development of San Rafael’s 120 Zone as an underground mine to achieve production at the end of the El Cajón mining; and

- Mining of San Rafael's Main Zone as an open pit starting in year three.

Financial highlights include:

- A total of 10.2 million tonnes processed through an 11-year project life;
- 40,318,000 ounces of equivalent silver produced through the project life;
- Total life of project net revenue (after smelting and transportation charges) of $863,068,000;
- Total operating costs of $480,618,000 over the project life;
- Total capital cost of $85,267,000 with $49,999,000 over the first two years;
- Payback of the first two years of capital occurs half-way through year three;
- Total life-of-project cash flow of $229,792,000; and
- Net present value (5%) of the project is $166,653,000.

The PEA for Nuestra Señora, El Cajón, and San Rafael shows a strong return on investment and cash-flow to strengthen Scorpio's operations in Mexico. The high rate of return on the project is due to strong resources providing strong revenues and existing infrastructure reducing capital requirements.

The resources considered in the PEA Case include Measured, Indicated, and Inferred resources. Material processed in the PEA include these resources along with allowances for dilution and ore loss. The total material processed in the PEA case are shown in Table 0.9.

Table 0.9 PEA Material Processed

	Underground			Open Pit San Rafaell	
Units	**Nuestra Senora**	**El Cajon**	**San Rafael**	**Main / Upper**	**120 Zone**
K Tonnes	1,461	2,319	518	5,474	438
g Ag/t	99.5	144.3	151.5	94.1	149.8
KOz Ag	4,675	10,760	2,523	16,563	2,110
% Zn	1.63	-	-	3.61	-
K Lbs Zn	52,475	-	-	435,276	-
% Pb	0.78	-	-	1.49	-
K Lbs Pb	25,142	-	-	179,443	-
% Cu	0.28	0.47	0.41	-	0.41
K Lbs Cu	9,049	24,053	4,668	-	3,933
g Au/t	-	0.21	0.12	0.13	0.17
K Oz Au	-	15	2	23	2

PEA Case designs are based on a $60 NSR cutoff grade

Dilution includes grades for Measured, Indicated, and Inferred material within designs

Dilution also includes internal and external waste tonnage at zero grades

Recommendations

Recommendations for Nuestra Señora emphasize expanding the resource and reserve and evaluating the on-going operations. Exploration drilling should include: 1) continued drilling in the area of the Inferred resources in order to upgrade those resources to at least Indicated; 2) expanding the resource up dip, along strike, and down dip as guided by geologic projections of favorable horizons or mineralized structures; and 3) drilling both underground and from the surface to search for, and develop additional deposits in the Nuestra Señora district. The total cost for these programs is approximately $1.25 million.

Nuestra Señora, as with any mine operation, should have production and operation audits to ensure that all available efficiencies and proper accounting are being employed, but also to gather all data and information that would ensure more efficient production. Ongoing operations should also include:

- Constant underground mine mapping, incorporating the interpretations on the geologic cross sections;
- Regular comparisons of production data to the block model to assess how the model has performed and how best to use it;
- Use of Scorpio's newly acquired X-ray fluorescence analyzer to determine sample grades, but first assessing the quality and reliability of these analyses;
- Implementing a QA/QC program for grade-control sampling and Scorpio's in-house laboratory; and
- Undertaking a complete review of the mining and processing operations and material balances.

The following recommendations are made for the optimization of processing operations at Nuestra Señora:

- Continuing metallurgical test work to confirm ore hardness and to optimize the flotation processing route for each ore type, and then applying those results to variability test work samples; and
- Appropriate performance monitoring of the new flash flotation cell to confirm the expected concentrate product improvements.

These operational recommendations would be paid for out of on-going operational budgets, with the possible exception of an estimated $50,000 for outside assistance in the mining and processing operations review and an estimated $50,000 for external consultants and laboratory work for the continuing metallurgical testing.

A feasibility level of study is recommended for San Rafael and El Cajón. This should include infill drilling, geotechnical work for pit slopes and facilities, and additional metallurgical studies as required. Feasibility study costs are estimated to be $750,000 with an additional $600,000 for more definition drilling. Infill drilling would primarily cover the open pit area; the feasibility study would combine El Cajón and San Rafael open pit and underground into a single integrated study. The study would also include hydrological and geotechnical issues.

Additional exploration drilling is recommended on the east side of El Cajón, following up on structural targets, and to the south and east along the diorite contact. A 6,000 m drill program is recommended at a cost of about $900,000.

RECONCILIATION OF RESERVES AND RESOURCES - NUESTRA SEÑORA

The Company completed an internal reconciliation of its Mineral Reserves and Resources as at December 31, 2013, against the amounts declared as at December 31, 2012 in the MDA Technical Report. The reconciliation was prepared by the Company's technical services team under the supervision of the Company's V.P. Exploration, James Stonehouse who is a Qualified Person in accordance with NI 43-101.

Table 0.10 presents the remaining reserves and resources in the Nuestra Señora Mine, accounting for mining operations and definition drilling work through 2013.

Table 0.10 Reconciliation of Nuestra Señora Reserves and Resources at EOY 2013

	Reserves - Proven and Probable								
	K Tonnes	g Ag /t	Zn%	Pb%	Cu%	K Ozs Ag	K Lbs Zn	K Lbs Pb	K Lbs Cu
Balance, December 31, 2012(1)(2)	533	98.2	1.74	0.88	0.25	1,683	20,411	10,378	2,997
2013 depletion	167	91.6	1.88	0.97	0.13	494	7,590	3,932	526
Balance, December 31, 2013	366	101.2	1.46	0.73	0.28	1,189	12,821	6,446	2,471

	Resources - Measured and Indicated								
	K Tonnes	g Ag /t	Zn%	Pb%	Cu%	K Ozs Ag	K Lbs Zn	K Lbs Pb	K Lbs Cu
Balance, December 31, 2012(1)(2)	2,420	94.92	1.74	0.90	0.27	7,385	92,967	48,142	14,186
2013 depletion	175	92.68	2.26	0.99	0.22	520	8,710	3,805	834
Balance, December 31, 2013	2,245	95.09	1.56	0.82	0.25	6,865	84,257	44,337	13,352

	Resources - Inferred								
	K Tonnes	g Ag /t	Zn%	Pb%	Cu%	K Ozs Ag	K Lbs Zn	K Lbs Pb	K Lbs Cu
Balance, December 31, 2012(1)	2,025	88.98	1.44	0.71	0.26	5,793	64,287	31,697	11,607
2013 depletion	50	120.74	2.18	1.10	0.41	193	2,389	2,939	20
Balance, December 31, 2013	1,975	88.18	1.30	0.61	0.24	5,600	61,898	28,758	11,587

(1)Based on MDA Technical Report

(2)Reserves included in M&I Resources

During 2013, only 31% of the reserves were thus depleted, representing 31% of the overall plant feed tonnage processed, with the balance provided from non-reserve material within Nuestra Señora and from La Verde. The remaining reserves of 366 kilotonnes represent 65% of the budgeted plant feed in 2014, with the possibility of adding more tonnage as plant feed from the resource envelope, as mining and development progress during the year

PARRAL DISTRICT, CHIHUAHUA AND DURANGO, MEXICO

In and around the Parral District, in the states of Chihuahua and Durango, Mexico, MPRG owns 16 mineral concessions covering 3,891 ha. The 82 ha 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 3,809 ha Tepozán Project is located in Durango State, approximately 20km southwest from La Revancha.

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

CONCESSION STATUS – 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					**82.5**

CONCESSION STATUS – 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	843
*El Tepozan 1		25/37326			792
*El Tepozan 2		25/37327			816
Fernando 2		95/14458			1,000
Total in Project					**3,809**

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

Parral Area Exploration and Development

The Company has completed 4,068 metres of its Phase I drilling program at La Revancha and completed a 2,640 metre drilling program at Tepozán. Both projects are located in the Parral Mining District, which has a mining history dating back to colonial times and hosts several 100 million ounce silver deposits.

La Revancha has over 1.5 km of outcropping veins oriented north-south and dipping steeply. Mineralization is hosted in silicified breccia and replacement zones filling fractures and faults. A considerable amount of historic mining has taken place in the vein system. At least three veins are observed: La Revancha, El Alto and San Nicholas. Drilling to date of the La Revancha and El Alto vein systems has indicated reasonably consistent mineralization over a strike length of at least 500 m and possibly up to 700 m, including one identified gap in the mineralization. Mineralization has been tested up to 250 m vertical depths. It remains open at depth, at least 100 m to the south and at least 300 m to the north. The near vertical nature of the mineralizing system, and the fact that nearly all mineralization drilled to date is above the valley floor, indicates the potential for relatively easy development and mining in the future. A follow up program of at least 2,000 m is planned to begin upon receipt of currently active metallurgical sampling and testing designed to determine a suitable cut-off for future calculations and planning. La Revancha may then receive additional drilling which should allow for an assessment of the entire property.

The Tepozán silver-gold vein system has been traced over a 1.3 km strike length. The vein system has seen limited historical production and offers excellent potential for down-dip, high-grade silver-lead-zinc sulphide mineralization. Mineralized veins mapped on surface range up to 6 m in thickness and are hosted in felsic volcanics. It is postulated that the downward extension of these veins could transect the sedimentary Parral Formation, which is considered to be a more productive horizon by Scorpio Mining's geological team working in the Parral District. The Tepozán program has been completed. The results to date have not been promising, however more work needs to be done as water problems in 2012 inhibited the testing of the more important portions of the target.

Currently, all logging, sampling and database management are up to date and work continues using mapping, geochemistry and geophysics to select targets for upcoming drill programs.

TAXES

Corporate profits in Mexico are taxed only by the Federal Government. During 2013, there were two federal taxes in Mexico that applied to Scorpio's operations in Mexico; corporate income tax and a Flat Rate Business Tax ("IETU"). 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 2013, the corporate income tax rate in Mexico was 30%. The same rate of 30% is expected for 2014 and onwards with no reduction to 28% in 2015 as previously contemplated. The IETU is a cash-based minimum tax that applies in addition to the corporate income tax. This tax has been eliminated by the Mexican Government as of January 1, 2014. 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, 17.5% during 2010, 2011 and 2013.

In late 2013, a new income Tax Law was enacted in Mexico ("Mexican Tax Reform") which became effective January 1, 2014. Key provisions of the Mexican Tax Reform that may affect the Company consist of:

- New 7.5% mining royalty. This royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base which is computed as taxable revenues (except interest and inflationary adjustments), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses for the year;
- New environmental duty of 0.5% of gross income arising from the sale of gold and silver;
- Corporate income tax rate to remain at 30%, eliminating the scheduled reduction to 29% in 2014 and to 28% in 2015;
- Elimination of the IETU
- Elimination of the option for depreciation of capital assets on an accelerated basis;
- Elimination of 100% deduction on exploration expenses for locating and quantifying new deposits in pre-operating periods. These exploration costs will be amortized on a straight-line basis over 10 years;
- Reduction of deductibility for various employee fringe benefits; and
- Imposes a 10% withholding tax on dividends distributed to resident individuals or foreign residents (including foreign corporations). According to the Mexico-Canada tax treaty, this dividend withholding tax rate may be reduced to 5%.

DIVIDENDS

The Company 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 Company will determine if and when dividends or distributions should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share of any dividends declared and paid.

DESCRIPTION OF CAPITAL STRUCTURE

General description of capital structure

Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at December 31, 2013 and March 13, 2014, the Company had 198,588,913 common shares issued and outstanding. Each common share of the Company ranks equally with all other common shares of the Company with respect to the dissolution, liquidation or winding-up of the Company and the payment of dividends. The holders of common shares of the Company 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 Company out of funds legally available therefore and to receive pro rata the remaining property of the Company on dissolution. The holders of common shares of the Company have no pre-emptive or conversion rights. The rights attaching to the common shares of the Company 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 Company is not aware of any constraints imposed on the ownership of its securities to ensure that the Company has a required level of Canadian ownership.

Ratings

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

MARKET FOR SECURITIES

Trading Price and Volume

The Company's common shares are listed and posted for trading on 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, 2013 are as follows:

Month	High	Low	Volume
December, 2013	$0.26	$0.19	10,937,700
November, 2013	$0.26	$0.19	6,583,000
October, 2013	$0.30	$0.25	6,232,900

September, 2013	$0.38	$0.29	27,639,900
August, 2013	$0.46	$0.34	7,053,100
July, 2013	$0.45	$0.31	5,249,500
June, 2013	$0.49	$0.28	7,415,700
May, 2013	$0.53	$0.45	5,560,900
April, 2013	$0.68	$0.46	7,560,400
March, 2013	$0.89	$0.70	4,593,800
February, 2013	$0.98	$0.73	3,733,600
January, 2013	$1.19	$0.98	4,398,100

Prior Sales

Stock Options

During the most recently completed financial year ended December 31, 2013, the Company granted incentive stock options pursuant to its stock option plan which entitle the holders to purchase up to 4,310,000 common shares of the Company as follows:

Number of options granted	Date of issuance	Exercise price	Expiry date
		$	
500,000(1)	March 1, 2013	0.74	March 1, 2018
2,400,000(1)	May 24, 2013	0.475	May 24, 2018
830,000(1)	May 27, 2013	0.47	May 27, 2018
480,000(1)	August 16, 2013	0.425	August 16, 2018
100,000(1)	November 12, 2013	0.24	November 12, 2018

(1) These stock options remain outstanding as at the end of the Company's most recently completed financial year ended December 31, 2013.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the names of the current directors and officers of the Company (as at March 13, 2014), the provinces or states and countries of residence, positions with the Company, principal occupations during the five preceding years and periods during which each director has served as a director of the Company.

The term of each of the current directors of the Company will expire at the next Annual General Meeting of the shareholders of the Company, unless his/her office is earlier vacated in accordance with the Articles of the Company, or he/she becomes disqualified to act as a director. The Company has an audit committee, compensation committee, technical 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 Company and period of service	No. of common shares and percentage of issued capital(5)
EWAN D. MASON(1)(3) Ontario, Canada	Owner and Proprietor of Bert's Sports, Mississauga, Ontario, November 2009 to present. Vice-President Finance and Director of Tryniti.ca. since December 2010. Strategic consultant to the board of HudBay Minerals Inc. from June 2009 to October 2009; Managing Director and Head of Global Mining Investment Banking at TD Securities LLC from January 2005 to May 2009.	Director since January 5, 2010 and Chairman since July 20, 2012	20,000 0.01%
PIERRE LACOMBE Quebec, Canada	President and Chief Executive Officer of the Company since April 22, 2013. Vice-President, Project Development, Pershimco Resources, May 2012 to April 2013; Principal Process Engineer with AMEC Mining & Metals, March 2000 to May 2012.	Director since March 1, 2010 and President and CEO since April 22, 2013.	23,500 0.01%
PETER J. HAWLEY(2) Quebec, Canada	Chief Executive Officer of Scorpio Gold Corporation. President and CEO of the Company from July 20, 2012 to April 21, 2013 and prior to December 2010. Non-executive Chairman and Director of the Company from January 1998 to July 20, 2012	Director since May 12, 1998.	1,843,436 0.93%
JONATHAN BERG(1)(2)(3) New York, USA	Corporate Director. From 2007 to 2009, non-executive Chairman of Colombia Goldfields, Ltd. From April 2005 to May 2010, Vice-President, Finance of PeriCor Therapeutics, Inc. From January 2012 to February 2013 Director of International Tower Hill Mines, Ltd.	Director since January 20, 2011	25,000 0.01%
THOMAS WENG(1) New Jersey, United States	Co-Founding Partner with Alta Capital Partners, a provider of investment banking services, since February 2011. From February 2007 to January 2011, Managing Director at Deutsche Bank and Head of Equity Capital Markets for Metals and Mining throughout the Americas and Latin America, across all industry segments.	Director since June 13, 2013	Nil

Name, position, province/state and country of residence	**Principal occupation for the last five years**	**Current position with the Company and period of service**	**No. of common shares and percentage of issued capital**[5]
THOMAS McGRAIL[4] Nicaragua	Chief Operating Officer of the Company from March 1, 2013 to October 31, 2013. General Manager of the Mulatos Mine for Alamos Gold. His previous positions include Vice-President of Operations for Aura Minerals with responsibility for their San Andres open-pit mine in Honduras and the Aranzazu underground mine in Mexico, consultant to Cia Minera de Caldas, S.A., General Manager for Desarrollo Minera de Nicaragua, S.A., and President and General Manager of HEMCO de Nicaragua, S.A.	Director since November 1, 2013	Nil
HEMDAT SAWH Ontario, Canada	Chief Financial Officer of the Company since May 1, 2011. Chief Financial Officer of Crystallex International Corporation from 2007 – 2011 and Goldbelt Resources Ltd. from 2005 – 2007.	Chief Financial Officer since May 1, 2011	10,500 0.005%
FELIPE MARTINEZ Mazatlan, Mexico	Mexico Country Manager since November 1, 2013, General Manager and Director of several projects in México. Worked on the start-up of important projects with Gold Corp, Agnico Eagle and Torex Gold, international experience in Argentina´s Bajo La Alumbrera, Venezuela and Honduras.	Mexico Country Manager since November 1, 2013	Nil
JAMES STONEHOUSE Mazatlan, Mexico	Vice President, Exploration from January 3, 2012 to present. Vice President, Exploration from January 3, 2012 to present. In-House Advisor to Board, Grupo de Bullet from May 2011 – January 2012. CEO Mercer Gold Corp, January-May 2011 Vice President, Exploration from April 2010 – Jan 2011. Vice President of Operations and Project Manager January 2007 – August 2009, Redstone Resources.	Vice President – Exploration since January 3, 2012	Nil

Name, position, province/state and country of residence	Principal occupation for the last five years	Current position with the Company and period of service	No. of common shares and percentage of issued capital(5)
VICTORIA VARGAS Ontario, Canada	Vice President Investor Relations and Corporate Communications of the Company since November 1, 2011. 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 since 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 since July 20, 2010	Nil

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Nomination and Corporate Governance Committee Member
(4) Technical Committee Member
(5) Based upon the 198,588,913 common shares of the Company issued and outstanding as at March 13, 2014.

As of the date hereof, all the directors and executive officers of the Company, as a group beneficially own, control or direct, directly or indirectly, an aggregate of 1,929,436 common shares of the Company, representing 0.97% of the Company's 198,588,913 common shares outstanding as at March 13, 2014.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

(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 Company) 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 Company, and, to the knowledge of the Company, no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company 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 Company'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 Company may participate, the directors of the Company 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 Company'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 Company 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 Company. In determining whether or not the Company 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 Company may be exposed and its financial position at the time.

The directors and officers of the Company 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 Company 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 Companies 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 Company is not aware of any such conflicts of interest.

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

The Company incurred an aggregate amount of $231,000 as directors' fees during the year ended December 31, 2013.

PROMOTERS

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

In November 2010, the Company 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 $16.0 million (MXP 196.8 million), of which $6.9 million (MXP 84.4 million) would be applied against available tax losses. The Company appealed this reassessment and the Mexican tax authorities subsequently reversed $7.7 million (MXP 94.6 million) of their original reassessment. The remaining $8.3 million (MXP 102.2 million) consists of $6.9 million (MXP 84.4 million) related to transactions with certain suppliers and $1.5 million (MXP 17.8 million) of value added taxes thereon. The Company appealed the remaining reassessment with the Mexican Tax Court in December 2011. The Company may be required to post a bond of approximately $1.5 million (MXP 17.8 million) to secure the value added tax portion of the reassessment. The deductions of $6.9 million (MXP 84.4 million), if denied, would be offset by available tax losses. No amount has been recognized in the consolidated financial statements as the Company believes it is not likely that the reassessment will be upheld by the Tax Court. There has been no change in status of the tax assessment as the Company waits for it to be addressed by the tax authorities.

The Company may be involved in certain non-material claims incurred in the normal course of business, none of which management believes can have a material impact on the results of operations or financial position of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this AIF and in the Company's audited consolidated financial statements for the year ended December 31, 2013 and other than transactions carried out in the ordinary course of business of the Company or its subsidiaries, within the three most recently completed financial years, none of the following:

(a) director or executive officer of the Company;

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

TRANSFER AGENT AND REGISTRAR

The Company'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 Company 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, 11^{th} Floor, Toronto, Ontario, 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 Company's business that are material to the Company and which was entered into in the most recently completed fiscal year ended December 31, 2013 or before the most recently completed financial year but are 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 Company under National Instrument 51-102 – Continuous Disclosure Obligations prescribed by the Canadian Securities Administrators, during or relating to the Company's most recently completed financial year ended December 31, 2013:

1. Deloitte LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

2. "Technical Report and Preliminary Economic Assessment, Nuestra Señora , San Rafael and El Cajón Deposits" dated April 12, 2013 was prepared by Mr. Steven Ristorcelli, C.P.G. et al, of Mine Development Associates, and may be obtained from SEDAR under the Company's name at www.sedar.com.

Interests of Experts

To the best of the Company'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 Company 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 Company is required to have an audit committee composed of not less than three directors of the Company, a majority of whom are not officers or employees of the Company or any of its affiliates.

The Company 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 Company's Audit Committee Charter.

Organization

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

This Charter and the bylaws of the Company 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 Company'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 Company's internal audit function (if applicable) and independent auditors;

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

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

Composition

The Committee shall be composed of at least three directors of the Company (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 Company 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 Company 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 Company.

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

The Company 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 Company'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 Company'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 Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company'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 Company (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 Company 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 Company 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 Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (e.g. Company'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.

<u>Specifically delegated duties</u>

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

<u>Accounting and financial</u>

1. Receive regular reports from the independent auditor on the critical policies and practices of the Company, 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 Company 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 Company'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 Company'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 Company's financial and auditing personnel;

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

   (e) significant transactions outside of the normal business of the Company; 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 Company.

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.

<u>Treasury related</u>

1. Monitor and review risk management strategies as they pertain to the Company'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 Company'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 Company 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 Company 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 Company at least three days before the date of the meeting.

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

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 Company 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 Company'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 Company 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
Thomas Weng	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 since January 5, 2010 and is the current Chairman of the Board since July 20, 2012. Mr. Mason’s foundation in financial analysis and his experience in the mining, 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; he also served as Vice-President, Finance of PeriCor Therapeutics, Inc; and from January 2012 to February 2013 was a director of International Tower Hill Mines, Ltd. Mr. Berg’s expertise is in the areas of corporate strategy and structure, capital raising and commercial negotiation.

Thomas Weng

Mr. Weng is currently Co-Founding Partner with Alta Capital Partners, a provider of investment banking services, and has held this position since February 2011. From February 2007 to January 2011, Mr. Weng was a Managing Director at Deutsche Bank and Head of Equity Capital Markets for Metals and Mining throughout the Americas and Latin America, across all industry segments.

Audit Committee Oversight

At no time since the commencement of the Company'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 Company's most recently completed financial year has the Company 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

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

Financial year ended	Audit fees	Audit related fees	Tax fees	All other fees
December 31, 2013	$116,000	Nil	$113,777	Nil
December 31, 2012	$122,500	$18,000	$45,087	Nil

Company Information

Additional information relating to the Company is available under the Company's profile on the SEDAR website at www.sedar.com. Financial information relating to the Company is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the most recently completed financial year ended December 31, 2013.

FINANCIAL RISK FACTORS

As at December 31, 2013, the Company's risk exposures and the impact on the Company'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 Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. The credit risk on cash and cash equivalents is limited because the Company invests its cash in deposits with well-capitalized financial institutions with strong credit ratings. Under 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 at the time of shipment. As of December 31, 2013, the Company's exposure to credit risk with respect to trade receivables amounts to $4,407,000 (US$4,145,000) (December 31, 2012: $5,439,000 (US$5,457,000)). The Company believes credit risk for Mexican Value Added Taxes of $5,391,000 (December 31, 2012: $2,807,000) is not significant as they relate to amounts receivable from Mexican taxation authorities. There are no receivables that are past due and the Company has no allowance for doubtful accounts at

December 31, 2013 and December 31, 2012.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's current policy to manage liquidity risk is to keep cash in bank accounts and term deposits. As at December 31, 2013, the Company had cash and cash equivalents of $16,419,000 to settle trade and other payables of $2,774,000. The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

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 Company is not subject to significant interest rate risk.

Currency Risk

As at December 31, 2013, the Company 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, 2013	
	USD (000s)	MXP (000s)
Cash	4,345	3,914
Trade and other receivables	4,145	10,778
Trade and other payables	(107)	(19,077)

As at December 31, 2013, the USD/CAD and CAD/MXP exchange rates were 1.06 and 12.3, respectively. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rates as at December 31, 2013 is included in the following table:

	USD/CAD Exchange rate	CAD/MXP Exchange rate
	+/- 10%	+/- 10%
	$ (000's)	$ (000's)
Approximate impact on:		
Net earnings	5	36
Comprehensive income	820	-

The Company may, from time to time, employ derivative financial instruments to manage exposure to fluctuations in foreign currency exchange rates as discussed above.

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, 2013, the Company had certain amounts related to the sales of concentrates that have only been provisionally priced. A +/- 10% fluctuation in silver, lead, copper and gold prices would affect trade receivables by approximately $303,000 (US$285,000). The Company does not use derivatives to manage its exposure to price risk. The Company sometimes fixes metal prices with the purchaser of its concentrates for specific sales for which concentrates have been delivered.

Financial Instruments

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

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

The investment in Scorpio Gold is accounted for as an available-for-sale financial asset which is reviewed quarterly for significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. This review includes an analysis of the fact and circumstances of this financial asset, its market price, the severity of loss and the length of time the fair value has been below cost.

As at September 30, 2013, after management's review and based on objective evidence, an impairment of $5.5 million, previously recorded in Other Comprehensive Loss ("OCL"), was reclassified from OCL and recognized in Q3 2013. This impairment represented the difference between the carrying value and the fair market value of this investment. The subsequent increase in fair market value of the investment of $0.2 million was recorded in OCI during Q4 2013.

RISK FACTORS

The financing, exploration, development and exploitation of the Company's properties and the operation of the Company'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 Company operates.

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

Current Global Financial Condition

Global financial markets continue to experience significant volatility following the U.S.-led financial crisis in 2008, which impacted numerous financial institutions globally. More recently the escalating financial turmoil in Europe has added to this economic uncertainty and resulted in excessive government debt levels giving rise to the unprecedented steps currently being taken to avert a full blown global crisis. The Company is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Company's cash and cash equivalents; and (ii) through the Company's insurance providers. The Company 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. Although there have been certain signs of economic recovery, these increased levels of volatility and market turmoil may continue and, as a result, the Company's business, financial condition, results of operations and share price could be adversely impacted.

Financial Condition and Liquidity

The primary factors that will affect the future financial condition of the Company 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 Company'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 concentrates to maintain the Company's cash position. Depending on future metal price levels or needs for prospective investments, the Company may need to rely on share or debt issuances to meet its planned development of existing properties or growth objectives.

Industry and Economic Factors Affecting Performance

Certain factors affect the Company'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 and development.

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

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

The price of silver is affected by numerous factors beyond the Company'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.

The Company'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 Company'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 Company'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 Company'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 Company to obtain any required financing for its projects.

The Company 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 Cosalá District properties, or in any other projects that the Company 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.

Title to Properties

While the Company has diligently investigated the title to all of the mineral concessions making up its properties and to the best of the Company'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 Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions. If title to the Company's property is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the partial or complete loss of the property, which events may affect the economic viability of the property and the Company.

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 Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company 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 Company's cash flows, results of operation and financial condition.

The Company'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 Company 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 Company.

Surface Rights and Access

The Company has reached various agreements for surface access and rights with certain Ejidos for mining exploitation activities, including open pit mining, in the project area of Cosalá Norte. In addition, the Company 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 Company and is not exposed to disruptions by third party ownership claims.

For future activities the Company 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 Company 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 Company 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 Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

Future Capital Requirements

As of March 13, 2014, the Company had cash and cash equivalents of approximately $18.0 million. The Company expects to use some current cash and future cash flows from operations to fund development work at El Cajón, consider opportunities to develop its existing resource basis in the Cosalá District, for further exploration on its properties, to purchase additional required mine capital and for general corporate purposes. There can be no assurance that operating cash flows and asset sale proceeds will be sufficient to cover these expenditures, which may require the Company to raise additional financing. The Company may also encounter significant unanticipated liabilities or expenses. The Company'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 Company 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 Company 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 Company will be able to obtain the necessary financing in a timely manner, on acceptable terms, or at all. If additional funds are not available, the Company may not be able to maintain its rights to all of its properties.

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

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

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

The Company 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 Company

The Company 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 Company's operations expand, additional general management resources will be required. Key man life insurance is not in place on management and key personnel. If the services of the Company's management and key personnel were lost, it could have a material adverse effect on future operations.

Directors and Officers of the Company

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

Dividend Record

The Company 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 Company 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 rock formations, rock 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 Company 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 Company may not be able to raise sufficient funds for development.

The Company has two producing mines, the Nuestra Señora and La Verde mines located in Cosalá, State of Sinaloa, Mexico, at the present time and projects under development in Cosalá Norte. 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 Company to write each respective property off, thus sustaining a loss on write-off of assets.

The mineral reserve and resource estimates contained or incorporated by reference in this AIFare 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 Company relies on laboratory-based recovery models and historical performance of its processing plant to project estimated ultimate recoveries by ore type at optimal grind 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 Company'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 Company has engaged expert independent technical consultants to advise it on, among other things, mineral resources and reserves, metallurgy and project engineering. The Company 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 resource and reserve estimates of these experts are ultimately found to be incorrect or inadequate in any material respect, such events could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

Production Estimates

The Company prepares internal estimates of mine production for the Nuestra Señora and Cosalá Norte projects. The Company cannot give any assurance that it will achieve its production estimates. The failure of the Company 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 estimated rates and costs of mining and processing.

The Company'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 Company 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 Company 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 expenditures on its projects, 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 Company's business, financial condition, results of operations and cash flows.

Mine Development and Expansion

The Company's ability to sustain its present levels of production and any planned expansion is dependent upon the identification of additional mineral reserves at the Cosalá District properties or otherwise. If the Company 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 Company's activities are subject to environmental regulations

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

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 Company's operations in Mexico may be difficult

The Company 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 Company's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Company to attract investors or obtain any required financing for its mining projects.

The Company also hires some of its employees or consultants in Mexico to assist it in conducting its operations in accordance with Mexican laws. The Company 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 Company 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 Company 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 Company not receiving an adequate return on invested capital. Currently the Mexican Government is conducting a highly publicized crack down on the drug cartels, 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 Company 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 Company'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 orebody, 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, resulting in a material effect not only on cash flow but also on project capital expenditures.

The marketability of natural resources which may be acquired or discovered by the Company 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 Company not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Company may result.

Enforcement of Civil Liabilities

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

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

The Company’s functional currency is the Canadian dollar, which is exposed to fluctuations against other currencies. The Company’s primary operations are located in Mexico and many of its expenditures and obligations are denominated in Mexican pesos. The Company 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 Company’s results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and results of the Company. The Company may, from time to time, employ derivative financial instruments to manage exposure to fluctuations in foreign currency exchange rates.

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

The Company's business is intensely competitive, and the Company 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 Company. Such competition may result in the Company 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 Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operation and business.

Concentrate Sales Risks

The Company currently sells its concentrates under offtake contracts with a limited number of counterparties, and these contracts expire on June 30, 2014 for lead and copper, and on December 31, 2014 for zinc. Based on past practice, and the quality of its concentrates, the Company 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 Company 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 later, based on prevailing metals prices at that time. In an environment of volatile metal prices, this can lead to negative cash adjustments, with amounts owing to the purchaser, and such amounts could potentially be substantial. In volatile metal markets, the Company may elect to fix the price of a concentrate sale at the time of initial delivery.