# Summary of Exploration at the Monclova Project, Coahuila, Mexico

Report Date: August 3, 2020

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I, Craig Gibson, hereby certify that:

1. I am a Certified Professional Geologist #11096 with the American Institute of Professional Geologists of Westminster, Colorado since 2007.

2. I graduated with a BS degree in Geosciences in 1984 from the University of Arizona, and MS. and PhD degrees in Geology in 1986 and 1992 respectively, from the Mackay School of Mines, University of Nevada, Reno.

3. I have accrued more than 30 years of experience in exploration, evaluation, discovery and research of mineral deposits in North and South America. Relevant experience includes investigation, evaluation, and exploration of multiple types of mineral systems throughout Mexico since 1993.

4. I have personally conducted examinations of the Monclova Project on May 16-17, 2018 and July 12-15, 2018, during a six month exploration program carried out by the Author’s consulting company under contract.

5. I am the author of the technical report titled “Summary of Exploration at the Monclova Project, Coahuila, Mexico” dated August 3, 2020 and am solely responsible for its content.

6. I do not have any present interest or past involvement in the Minerva Project or Property other than remuneration for consulting services, nor shares or interest in Discovery Metals, Inc. (DSV) or in any adjacent properties, nor do I expect to receive any such interest or shares.

DATED this 3rd day of August, 2020

Craig Gibson, Ph.D. CPG.

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Guadalajara, Jal., Aug 3, 2020

**Roman Solis**
**Discovery Metals Inc.**

**Summary of Exploration at the Monclova Project, Coahuila, Mexico**

Please find enclosed a report summarizing exploration work carried out on Discovery Metal's (Discovery, DSV or Company) Monclova Project (Monclova or Project), located near Monclova in Coahuila State.

The Project data package provided by Discovery was reviewed and combined with observations from previous visits to the Project during the exploration program managed by ProDeMin.

**Scope of Report.**

This report summarizes the exploration data at the Monclova project as provided in a digital database provided by Discovery. Public information from the SGM has also been reviewed. Property visits were completed in 2018 during the undertaking of the 6 month exploration program carried out by the Author's company, ProDeMin, under direction of the DSV, and no additional visit was made for this report. A detailed review of mineral property ownership, surface rights and environmental permits was not made and the author has relied upon information provided by Discovery.

**Executive Summary and Recommendations**

The mineralization at the Monclova project is intriguing, and several targets that warrant drill testing have been identified. Two general types of potentially economic mineralization occur: copper-gold mineralization associated with magnetite skarns that is spatially and possibly temporally separate from polymetallic mineralization. Significant exploration work has been carried out in several target areas. An additional type of mineralization, polymetallic veins with epithermal textures, has been recognized at the Teodulo target, but little work has been accomplished in this area.

Polymetallic mineralization provides a good exploration target, mainly in the Real de Viejo area. Relatively large siliceous bodies with strong brecciation are located at the intrusive-limestone contact and also in limestone away from the contact, along structures or in bedding parallel mineralization or mantos. There is road access near some of the workings and a first round drill program would be relatively easy to accomplish.

Copper-gold mineralization as defined to date occurs with relatively small bodies of magnetite skarn, but the association of copper-gold mineralization with garnet endoskarn is important, and several areas of such skarn mineralization with small occurrences of copper-gold mineralization warrant further work.

The relative timing and distribution of the different mineralization types is not completely understood, but the geochemical characteristics of each are different. The spatial relationship between the skarn and polymetallic mineralization is also not obvious, but it appears that the polymetallic mineralization formed lateral to and after skarn mineralization, but a zoning relationship is not clear. The Company has hypothesized that the different mineralization types are two separate episodes, both related to the intrusions.

Recommendations:

Polymetallic mineralization has been explored for 1,500 meters along the southern contact of the intrusive body in the Real de Viejo area and provides a priority drill-ready exploration target. Exploration drilling should be a priority for this area.

The Cu-Au skarn mineralization could be an important target and should be incorporated into the continued exploration program including ground geophysics at Romulo and Ponciano. Further exploration is warranted along the eastern contact zone where skarn with some Cu and Au values has been mapped between the Soledad pit and the Romulo area

The SGM data should be added to the Project database and maps and cross-sections should be completed in the areas where they have not been completed such as Romulo and Ponciano.

Drilling of the Soledad area, and possibly Romulo and Ponciano, should be considered. Holes should test the gold mineralization at El Cobre defined by the SGM as well as the magnetic high defined in the ground magnetometer survey. Romulo and Ponciano are probably worth some drilling if a rig is in the area to drill other targets.

Further work should be carried out in the Teodulo target to better define it and lay out some possible drill holes.

**Access and Infrastructure, Climate, Physiography.**

The Monclova Project is located in the Castaños municipality southwest of Monclova in central Coahuila state, and lies in the Sierra Madre Oriental physiographic province (Figs. 1, 2). The Project lies on the northern end of foothills to the Sierra La Purisima in an area known as Cerro Real Viejo. The topography of the Cerro Real Viejo is abrupt and rises to about 1,350 meters elevation with the surrounding valley at about 900 to 1,000m, but the Project is located in topographically varied areas ranging from subdued to abrupt and ranges from about 960 m to a about 1,200 m. The Project is accessed via highway 57 from Monclova or Monterrey to Castaños, and from there by good all season dirt road about 20 km to the pueblo of la Soledad. Several different dirt roads in good to poor condition provide access to different portions of the Project (*see* Fig. 4) The Project is mostly covered by the G14-A62 1:50,000 La Gloria topographic sheet.

The Project area is arid scrub desert but restricted areas of oak trees are present at higher elevations in the ranges. Average maximum and minimum temperatures range from 3 to 20°C in winter and 25 to 36°C in summer and is arid with average annual precipitation of about 40cm, mostly as rain from May to September, but snow may fall at higher elevations in winter months, mainly in January. The region can be affected by significant rainfall from hurricanes that enter from the Gulf coast. The region is sparsely populated and has only rudimentary infrastructure but is relatively close to larger population centers such as Castaños and Monclova with all of the required infrastructure and labor. The nearest international airport is at Monterrey, about 3-4 hours by highway from the Project.

Fig. 1. Location of the Monclova Project in Northern Mexico.

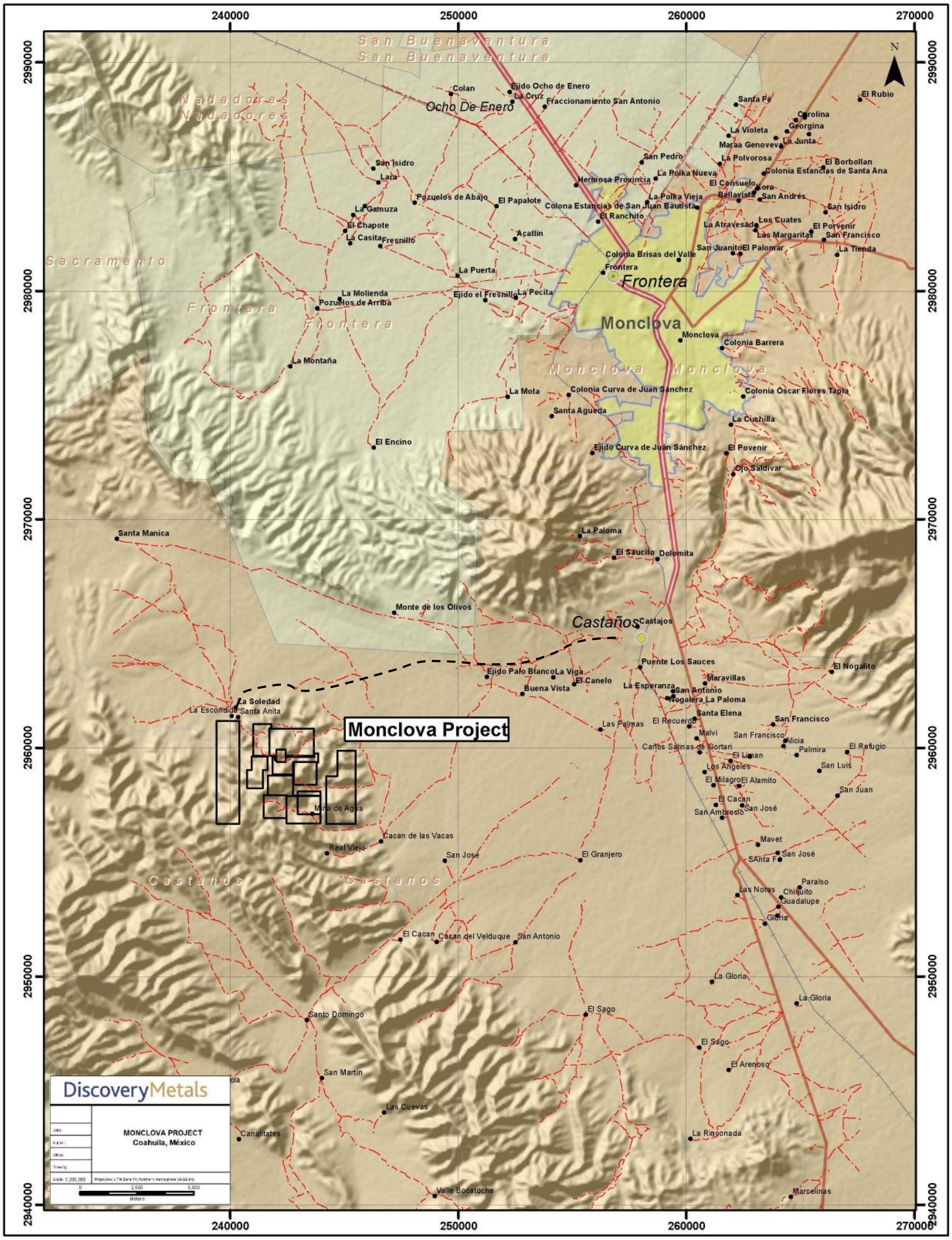



Fig. 2. Location and access, Monclova Project.

**Mining rights, surface access and permitting.**

The Monclova Project consists of 2,528 hectares in 14 contiguous concessions owned by third parties. Table 1 and Figs. 3 & 4 show the mineral concessions that make up the Project, as well as one concession shown as an application pending title on the Company's maps. The validity of the concessions were not examined as the online database of the Public Mining Registry is no longer accessible under the current government.

The surface ownership for the portions of the project of main interest for exploration is controlled by two Ejidos and two ranches (Fig. 4). The western limit of the concessions is controlled by an unknown surface owner, but this area is not important for the exploration program at this time. The Company has completed contracts with the two ranches and an access agreement with the Palo Blanco Ejido to allow access to the Real del Viejo ranch. There is no information with respect to an agreement with the Soledad Ejido. The agreement for the Mina de Agua ranch is for 10 years from Feb 1, 2018 and requires payments of 20,000 pesos per month. The agreement for the Real del Viejo ranch is for 5 years, renewable for a second five years, from Feb 7, 2018, with payments of 60,000 pesos per month. The agreement with the Ejjdo requires payments of 10,000 pesos per year and construction of 4 kilometers of road, but it is not known if the road was built.

According to information provided, the Company submitted an Environmental Impact Statement (*Manifiesto de Impacto Ambiental* or MIA) for exploration work including road construction and drilling in September, 2018, although the copies provided are not stamped by the receiving office of Semarnat. The application was to establish Monclova Mining Unit (Unidad Minera Monclova) in the Sierra Real Viejo and included 70 drill pads with access roads. There is no information as to the status of the application.

Table 1. Mining Concessions of the Monclova Project

| Concession | Hectares | File | Title | Title Date | Expiration |
|---|---|---|---|---|---|
| Blanquita | 100 | 7/1.3-747 | 209712 | | |
| Blanquita II | 223.8992 | 007/14849 | 217011 | 6/14/2002 | 6/13/2052 |
| Blanquita III | 20 | | 217041 | 6/14/2002 | 6/13/2052 |
| Dadiva | 86.8746 | 007/16301 | 228694 | 01/12/2007 | 01/11/2057 |
| Dadiva | 94.6012 | 007/16302 | 230536 | | |
| Dadiva I | 100 | 007/16297 | 207912 | | |
| Dadiva I | 100 | 007/16298 | 228693 | 01/12/2007 | 01/11/2057 |
| Dadiva I | 99.6226 | 007/16299 | 228673 | | |
| Dadiva I | 94.7678 | 007/16300 | 228674 | | |
| Las Monicas 2 Fracc I | 450 | 007/16531 | 232331 | 07/29/2008 | 07/28/2058 |
| Las Monicas 2 Fracc II | 3.0847 | 007/16531 | 232332 | 07/29/2008 | 07/28/2058 |
| Las Monicas 2 Fracc III | 360.50 | 007/16531 | 232333 | 07/29/2008 | 07/28/2058 |
| Las Monicas | 694.8847 | 007/16532 | pending | - | - |
| Paz | 99.7945 | 007/16513 | 233047 | 12/02/2008 | 12/01/2058 |
| **Total** | **2528.0293** | | | | |

The concessions are titled to various individuals.
Concessions titled prior to 2006 with expiry data modified to 50 years under modification of Mining Law of 1992.
Las Monicas is a concession applications that has not yet been titled.

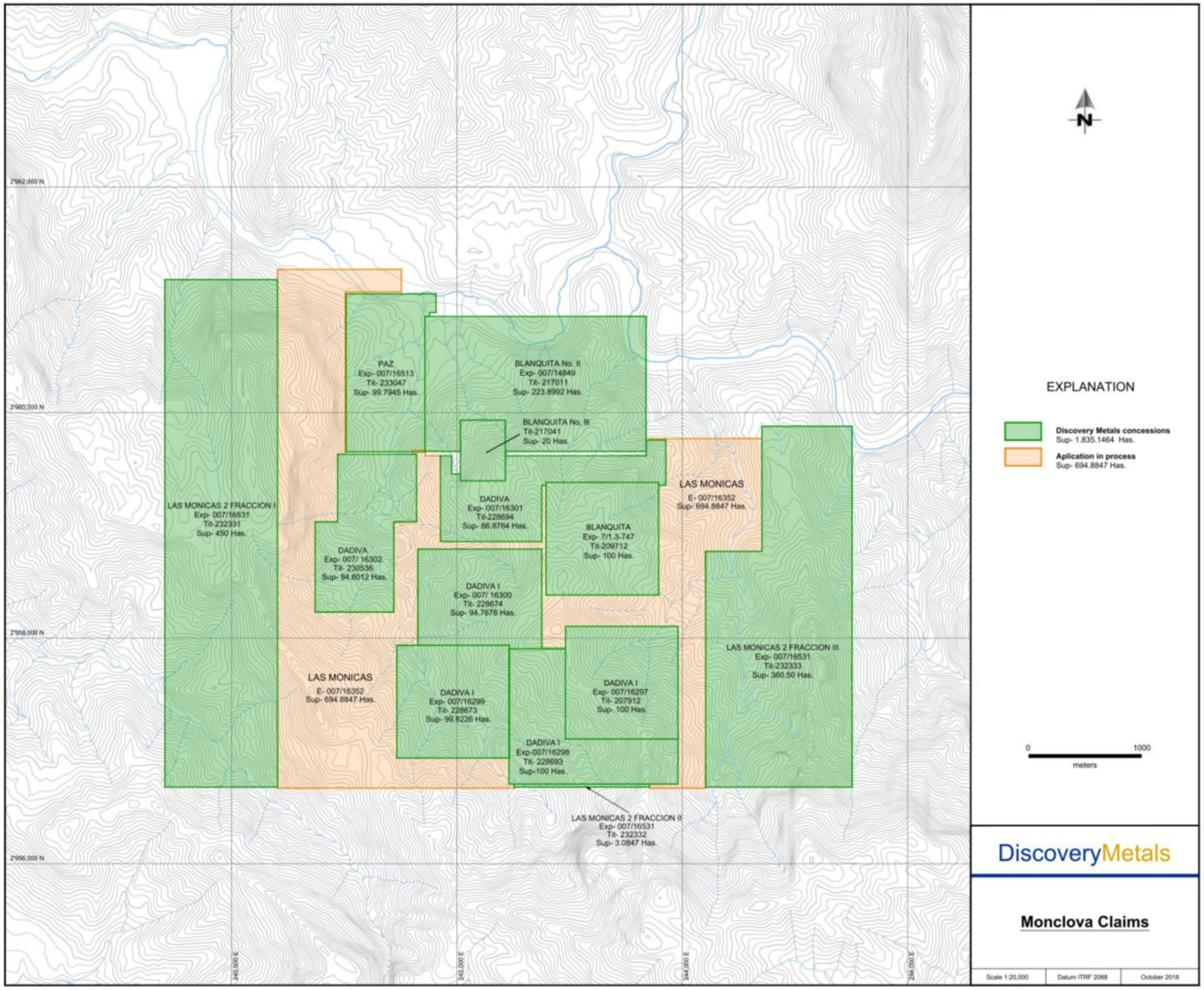



Fig. 3. Topographic base with concessions that make up the Monclova Project.

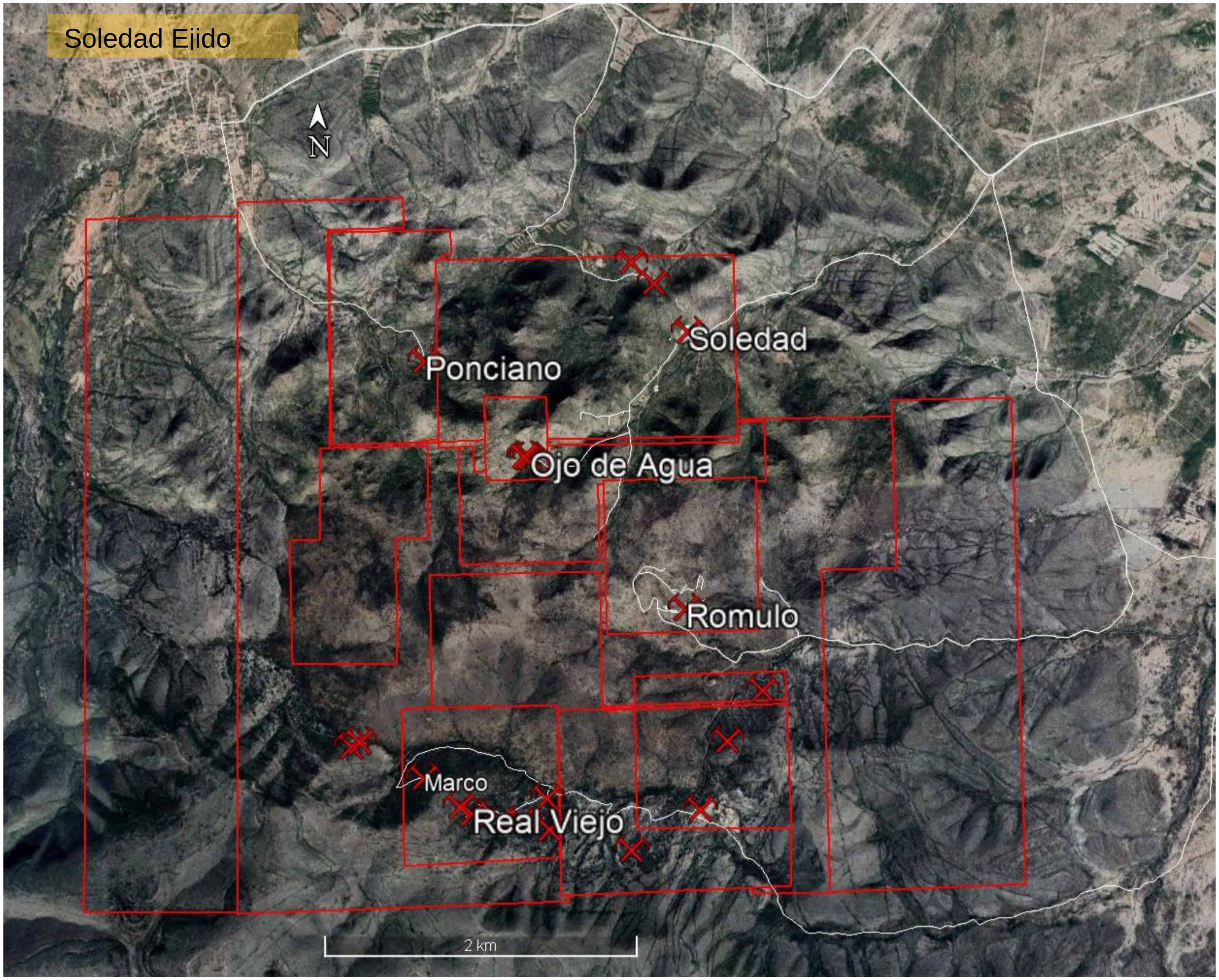



Fig.4. Google earth image of Cerro Real Viejo with concessions that make up the Monclova Project shown in red outline. Historic mines are shown as well as the village of Soledad. Some of the mine names are different in SGM and other reports.

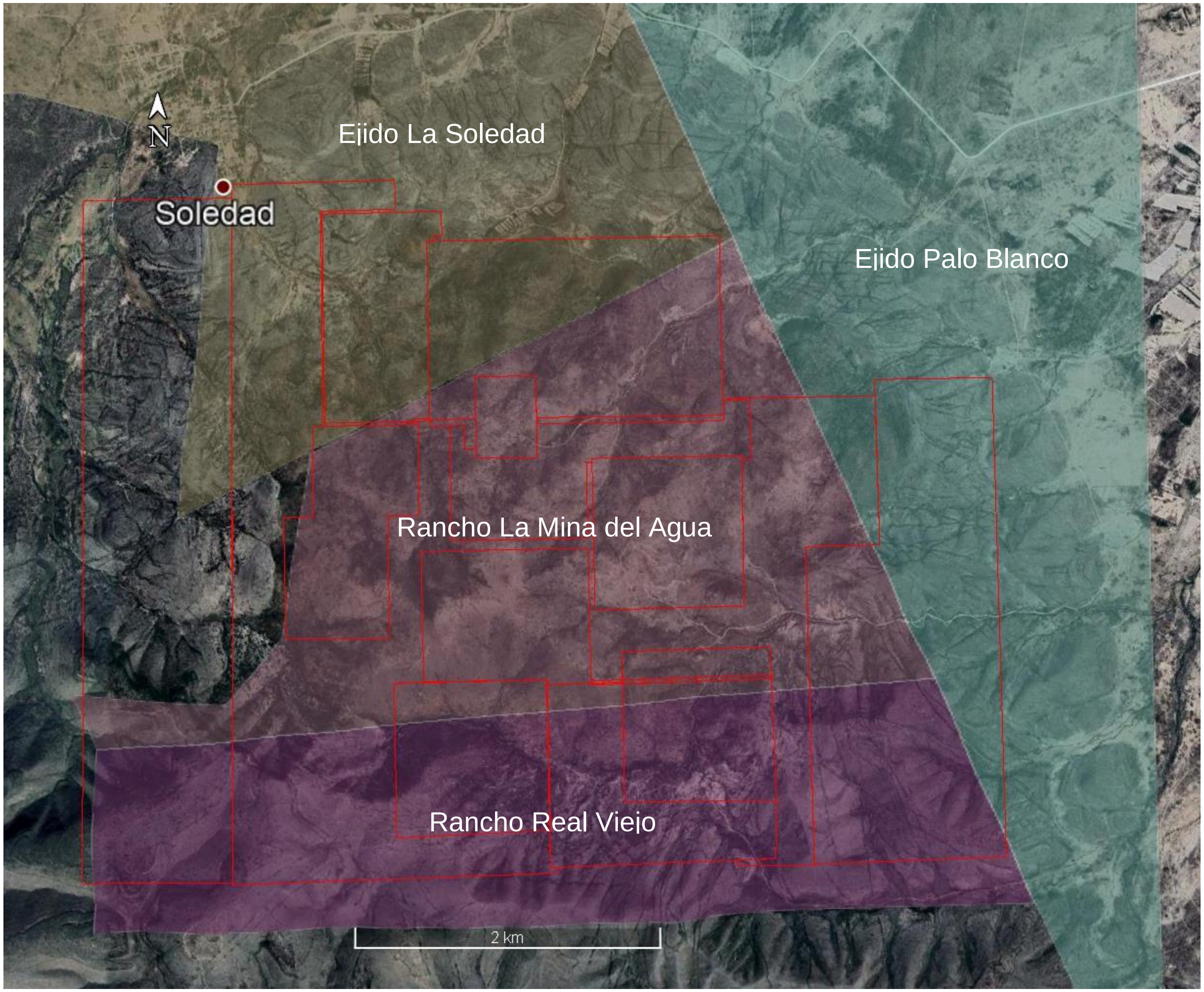


Fig. 5. Google earth image of Cerro Real Viejo with surface ownership overlain on concessions that make up the Monclova Project shown in red outline.

## History.

There are numerous small historic mines and prospects in the Cerro Real Viejo area attesting to past mining and exploration activity in the last century or so. More recently the SGM carried out exploration for iron and other types of deposits in the 1980's and compiled data and a brief description along with publication of the Geological-Mining sheet in 2001. Noel McAnulty also completed prospecting work in 2007-2008. Some of the names of the mines or localities have different names in the different reports.

Based on review of Google Earth images the owners of the concessions did some road construction and mining and prospecting work in several of the areas between 2010 and 2014.

Discovery carried out exploration for about 6 months from late February through August, 2018. The Company has taken 555 samples at the project and plus 64 control samples for QA/QC.

## Regional Geology.

The Monclova project is located within the northwestern portion of the Mexican fold and thrust belt in the Coahuila tectonic block (Fig. 6). The regional geology is characterized by tight to open anticlines and domes in Cretaceous platform sedimentary rocks forming mountain ranges separated by wide valleys covered by young sediments with local outcrops of upper Cretaceous rocks that are underlain by synclines. The Cretaceous rocks are part of a general transgressive sequence with mostly massive limestone at the base and grading to interbedded limestone and shale to shale at the top. These rocks formed in the Sabinas basin that was part of the trough system that extended from Tamaulipas to the southeast to Chihuahua to the northwest and was adjacent to the Coahuila and Burro-Salado highlands of the Cretaceous arc (Fig. 7, 8). Regional scale faults such as the San Marcos fault controlled the locations of graben boundaries.

Mineralization in the region is associated with proximal skarns at and near the contact between the sedimentary rocks and igneous intrusions of Tertiary age as well as more distal carbonate replacement mineralization and sedimentary deposits of various types hosted by the Mesozoic rocks (Fig. 8). The Project lies within the carbonate replacement deposit belt of northern Mexico that hosts major polymetallic mineral deposits including Concepcion del Oro, Peñasquito, Naica and Santa Eulalia (Fig. 9).

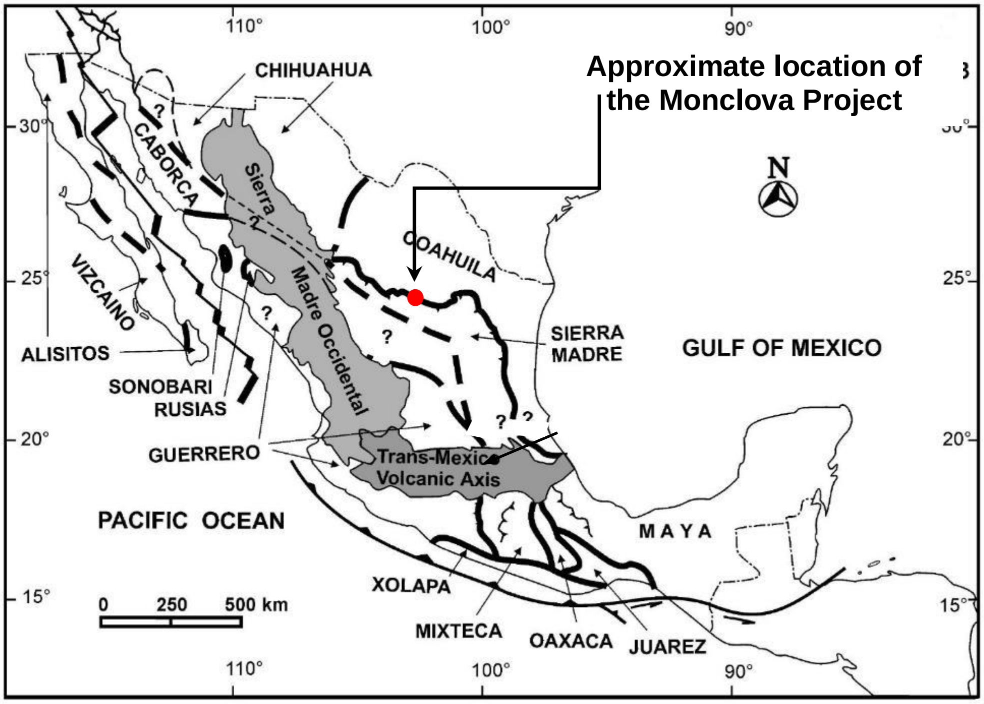



Fig. 6. Map showing the terranes and plate tectonic framework for Mexico as well as the Sierra Madre Occidental and Trans-Mexico volcanic belts and the Sierra Madre Oriental fold and thrust belt. After Campa and Coney (1983).

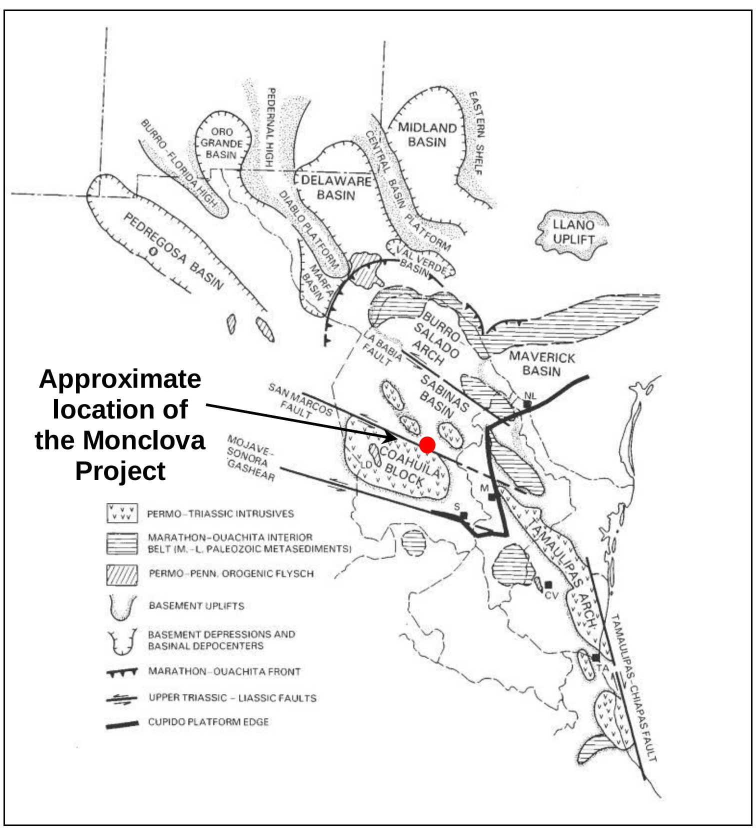



Fig. 7. Physiography of Northeast Mexico during the Mesozoic.

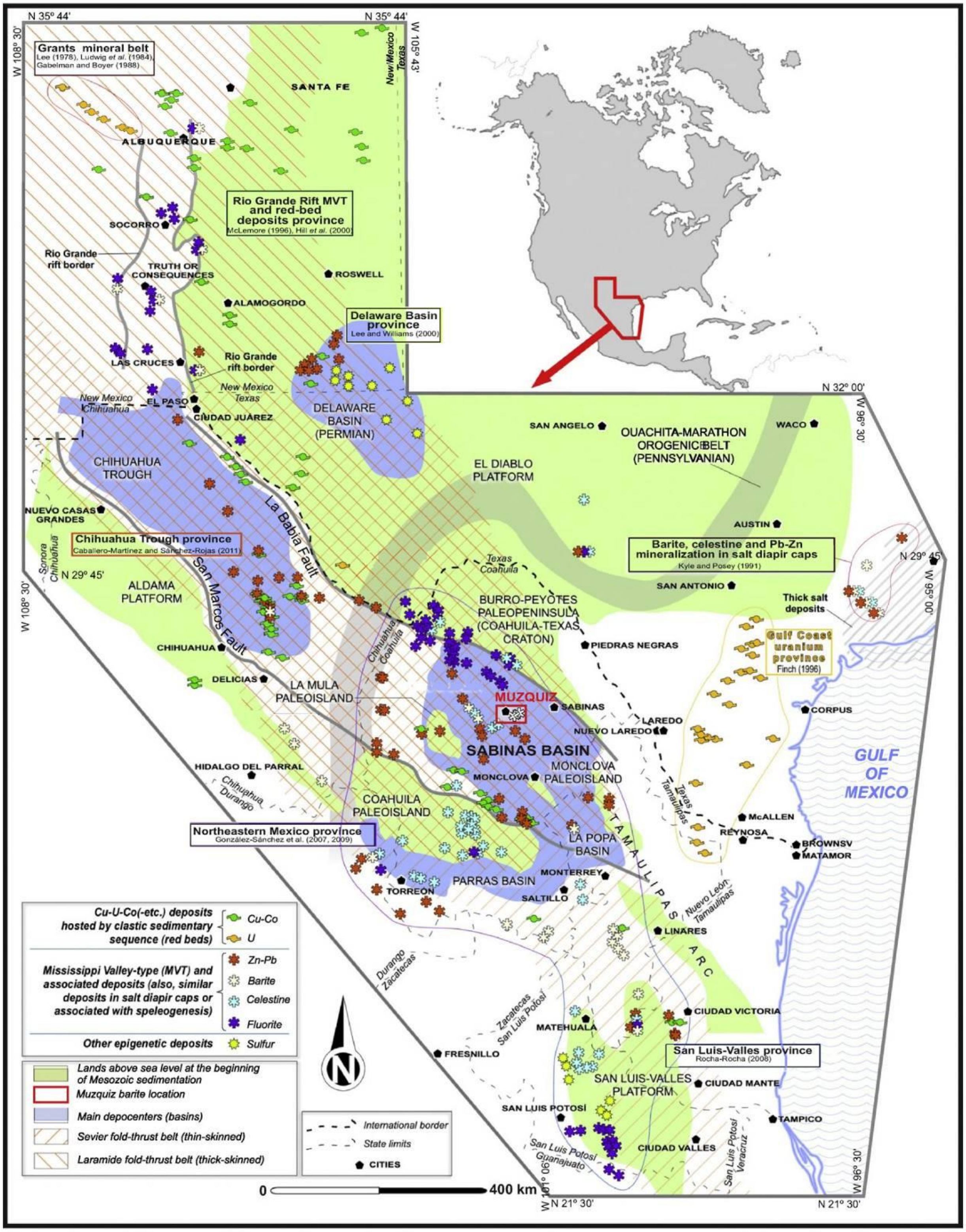



Fig. 8. Map showing the distribution of Mesozoic mineral deposits in Northeastern Mexico associated with sedimentary rocks and their tectonic and physiographic features. From Gonzales-Sanchez et al., 2017.

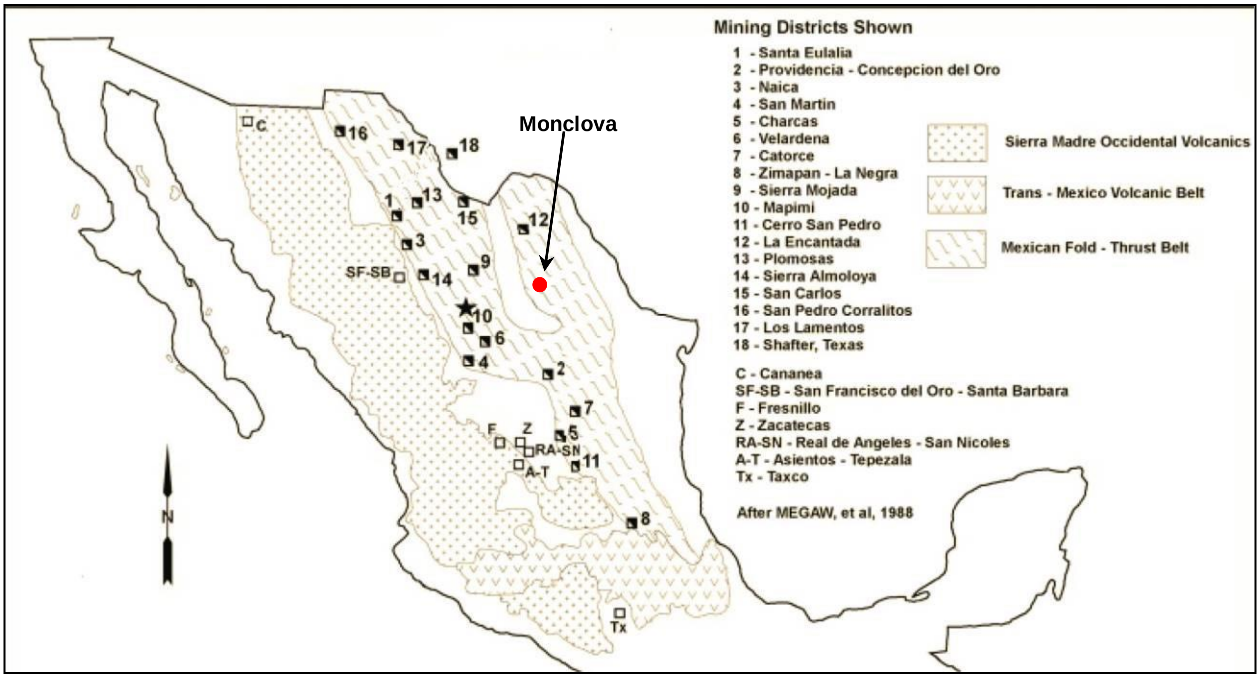



Figure 9. Carbonate Replacement Belt, Mexico.

**Local Geology**

The geology of the Cerro Real Viejo is characterized by intermediate intrusions in the core of a circular domal feature on the limb of a large anticline in Cretaceous sedimentary rocks that measures about 5 km in a northerly direction and 5 km easterly (Figs. 10-12). The SGM 1:50,000 Geologic-Mining map shows that the intrusion consists of granodiorite-diorite (Fig. 10) but several phases ranging from granodiorite to several more mafic diorite phases are present, with some andesitic dikes. The main mass classified by the SGM as granodiorite is composed of quartz and feldspar with accessory hornblende and has been dated by the Ar-Ar method on hornblende at 41Ma (Santiago and Chiapa, 2001). More mafic phases are locally present and are dark against the light gray granite and contain variable quartz and ferromagnesian minerals. Some porphyritic phases are observed, and rhyolite porphyry intrusions and dikes are locally common.

The main structural feature is the asymmetrical dome formed on the northeastern limb of the Sierra Purisima anticline (Figs. 10-12). The sedimentary stratigraphy can be traced around the southeastern to northeastern part of the dome with the western portion largely composed of one unit. A radial fracture pattern is visible on the satellite images, with several large structures that seem to cut into the intrusive body. What appears to be a dike swarm is visible in the southwestern quadrant of the intrusive mass (Fig. 12).

The SGM describes several small mines and prospects in the area of the Monclova Project (Figs. 4, 10), comprising mostly Fe skarns and Ag-Pb-Zn deposits but also including gold and gold-copper targets mineralization. The SGM maps show large areas of skarn within the intrusive body, but these areas may be exaggerated and are not all strong skarn, but consist of weaker alteration and oxidation.

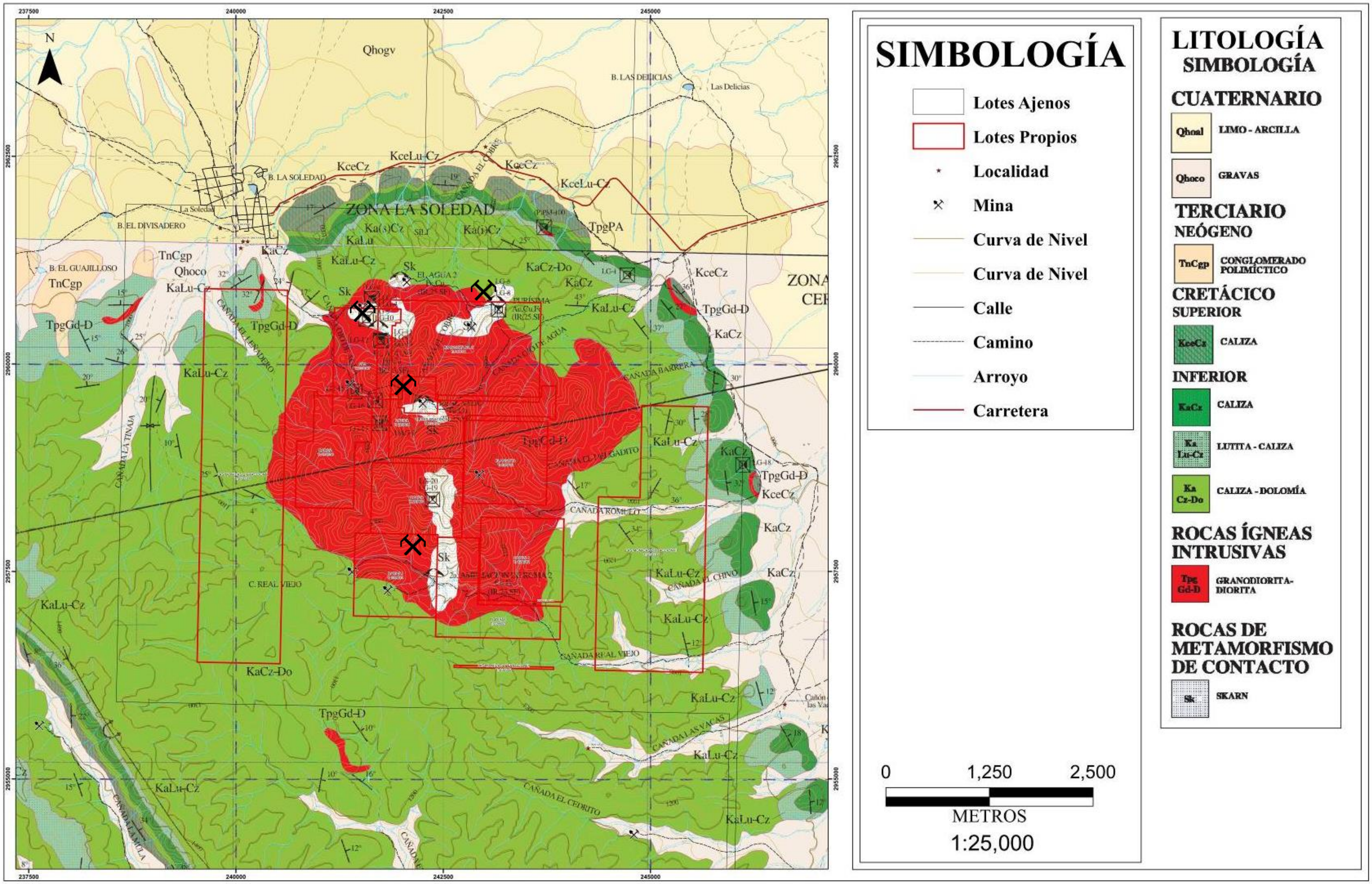



Fig. 10. Geologic map of the Monclova project with small mines and prospect, after SGM Carta Geologico-Minera, La Gloria 1:50,000 sheet, G14-A62. The line of section for figure 8 is indicated.

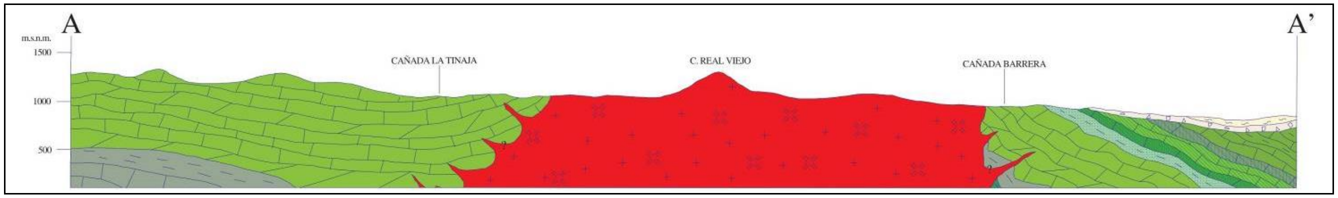



Fig. 11. Geologic section through the Cerro Real Viejo, Monclova project,
from the SGM Carta Geologico-Minera, La Gloria 1:50,000 sheet, G14-A62.

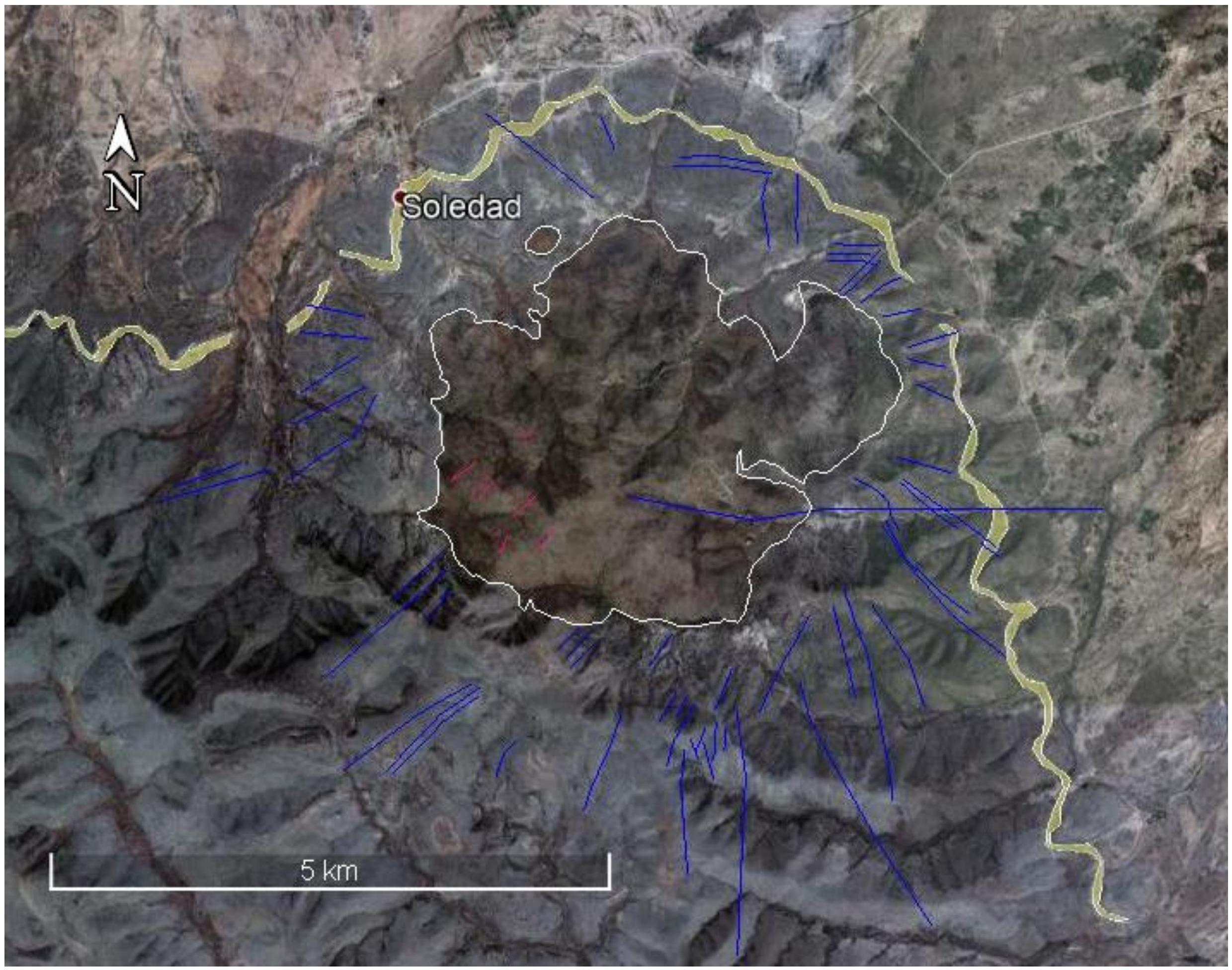



Fig. 12. Structural interpretation in the region of the Monclova project. Blue lines are structural linears, red lines are dike swarms in intrusive rocks, yellow is a marker horizon in the sedimentary rocks and the white line is the intrusive contact. Google Earth image from Oct. 2013.

**Project Geology.**

The understanding of the geology and mineralization was developed by DSV as exploration was undertaken for about six work periods over a 6 month period. The advance in mapping and sampling has been significant and was largely complete over the project area (Fig. 13).

Rock units

The Monclova project is characterized by a series of plutons of mainly intermediate composition that intrude the Cretaceous sedimentary rock package. The rocks have not been studied in detail but information from the Servicio Geologico Mexicano is available as well as observations made during the exploration program. The limestone unit in contact with the intrusions is a massive thick bedded micrite with local fine laminations visible and is believed to be part of the Aurora Fm., but other more thin-bedded units are also observed.

Several intrusive lithologies are present. The main mass is fine to medium grained hornblende biotite granodiorite. More mafic dioritic phases are locally observed and are in part earlier than the granodiorite as xenoliths of mafic intrusive rocks were observed within the granodiorite. A monzonite or syenite occurs in the southern portion of the project. Felsic dikes and aplite are locally common and locally occur as dike swarms in the intrusive package. The intrusive units are generally relatively unaltered visually except in zones of garnet (andradite with some grossular) endoskarn.

Mineralization

Two general types of mineralization are observed. The first is iron skarn mineralization mainly developed at the contact of intrusive rocks with the limestone unit but also locally as endoskarn near the contacts or along structural zones. The second type of mineralization consists of silica rich polymetallic replacement, breccia and vein mineralization also developed at the intrusive-sedimentary rock contact but also hosted within the limestone. The relationship between these mineralizing events is not completely clear, but the polymetallic mineralization seems to postdate the skarn mineralization (M. Gayon, pers. comm.). An epithermal vein is observed in one area but the relationship to the other types is not known.

The skarn mineralization consists of widespread prograde massive iron-rich garnet (probably andradite) with bodies of magnetite-rich mineralization locally with some copper and gold values. Diopside was observed in float but the relationship to the endoskarn is not known. Retrograde alteration is generally not present but actinolite and was observed in float. Sulfide content is generally low in the magnetite skarns but local pyrite and pyrrhotite are observed, particularly at the Mark chimney. The magnetite is oxidized to massive goethite and hematite in shallow exposures with relict magnetite observed on broken surfaces. Copper occurs dominantly as copper carbonates and locally chalcanthite, but chalcopyrite has been observed. To date the magnetite mineralization occurs as relatively small bodies along the intrusive-limestone contacts. The alteration feature in the limestone is bleaching and recrystallization/marbleization.

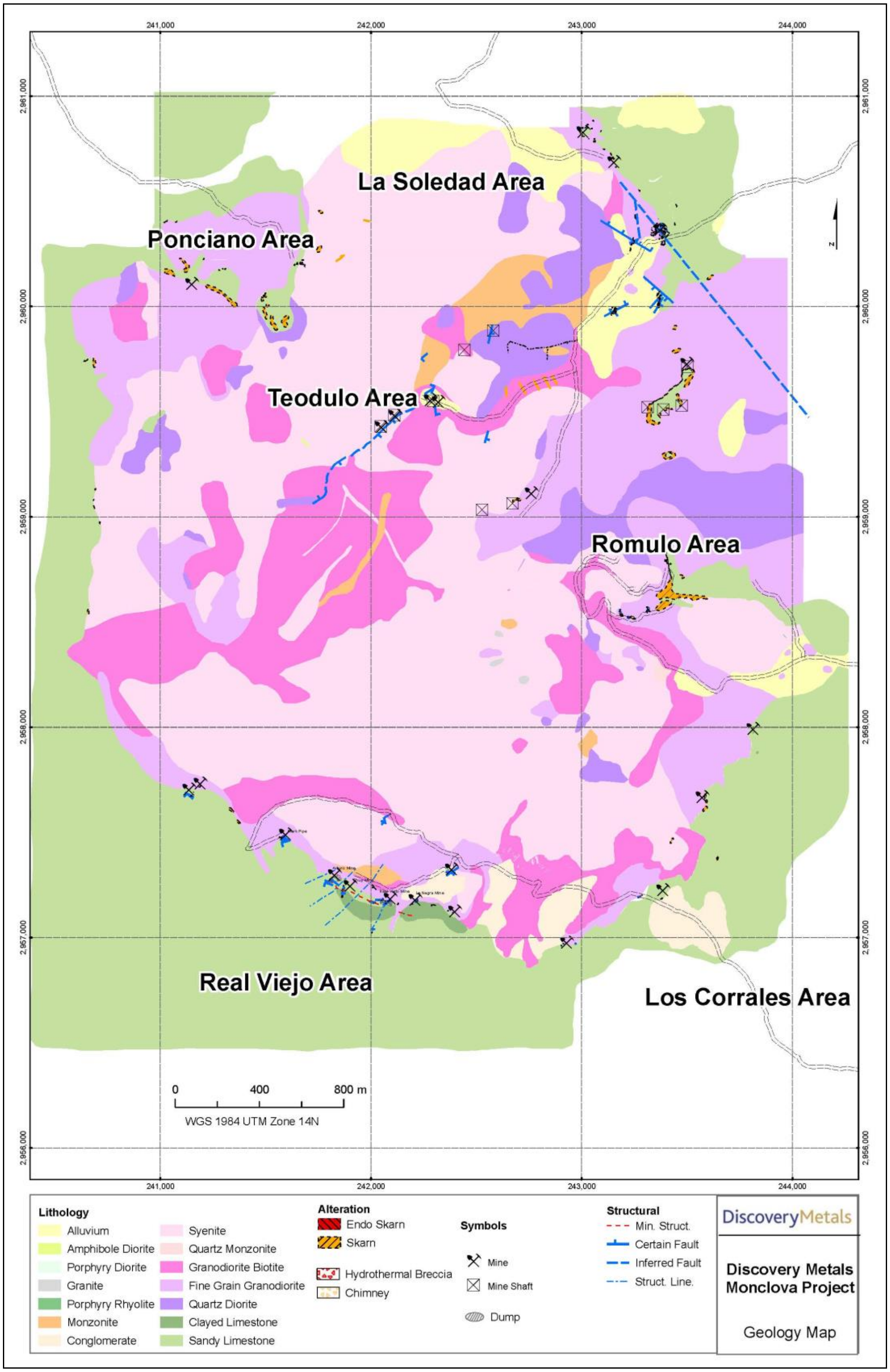



Fig. 13. Geologic and target map, Monclova project.

The second type of mineralization present consist of silica-rich vein and replacement mineralization with important Ag-Pb-Zn values exposed in the Real Viejo area. This type of mineralization is multistage and appears to have formed with early silicification of carbonate rocks, quartz veining and brecciation, with later light brown ferroan calcite/dolomite or siderite and finally white calcite veins and vug filling. The Ag and base metals are within the earlier stages, but some sulfide may be present in the late calcite.

**Exploration targets**

The mineralization at the Monclova project is located and the margins of the intrusive stock at and near the contact with the limestone unit as well as locally within the stock where there are limestone roof pendants. Several areas have been studied, including Ponciano, Soledad, Teodulo, Romulo, Real Viejo and Los Corrales (Table 2, Fig. 13). These areas have had different names throughout the years as indicated in Table 2. The Teodulo and Los Corrales areas have not been visited by the author.

Table 2. Exploration areas, mineralization type and names from reports, Monclova project.

| DSV area or mine | Mineralization type | SGMS technical archive 1986 | SGM report Geologic-Mining map 2001 | McAnulty reports 2007-2008 |
|---|---|---|---|---|
| La Soledad | Skarn/Fe | El Cobre | Purisima | El Cobre |
| Ponciano | Skarn/Fe? | La Soledad | El Agua 1 | La Soledad |
| Teodulo | Polymetallic vein | La Rosa Azul | Real Viejo | Ojo de Agua |
| Romulo | Skarn/Fe | Jazmin | - | Romulo |
| Real Viejo | Contact/manto breccia | Real Viejo | 2ª Amp La Roma | Real Viejo |
| Los Corrales | Skarn/Fe | - | - | - |

Entries with no information were not described in those reports.

<u>SGM reports and information</u>. A review of the information in the technical archive of the Servicio Geologico Mexicano (SGM) shows that geological investigations were carried out in the Project area as part of the government exploration programs, probably for iron, in the 1980's. The work carried out is relevant to the modern exploration at the Ponciano and Soledad targets and is discussed in the sections of each individual area. To the knowledge of the author this information has not been incorporated into the project database by the Company.

A map and report by Equipos Mineros de Monclova on the Teodulo area is referred to in reports by the technical crew, but this report was not available to the author, and only a poor image of a map was available.

The descriptions and maps presented for each target area included here are largely taken from the DSV digital database, augmented with information from SGM reports and observations by the author during two visits to the project in 2018.

Soledad

The Soledad area is located in the northeastern portion of the project (Figs. 3, 13) and has been referred to as El Cobre in the past. A series of small to large pits have explored and exploited magnetite skarn formed at the northwesterly trending contact of hornblende biotite granodiorite a more mafic version of the intrusion (hbl-bt diorite) and limestone (Fig. 14). A large pit at the southeastern portion of the mineralized zone, here termed the Soledad pit, exploited a magnetite skarn at the contact between the intrusive rocks and the carbonate rocks (Fig. 15).

Previous sampling by the SGM in the El Cobre area had high gold grades, averaging about 3 g/t over a width of 2.5 m in an underground working that is now inaccessible, as well as in surface workings and trenches (Figs. 16, 17). It is not clear if a structure was sampled, as the contacts appears to dip at a moderate to low angle to the northeast (Figs. 16, 18), and little information is available with current exposures.

Work by DSV has defined Cu and Au mineralization in several areas and a sample with 7 g/t gold was taken in the El Cobre pit (Fig. 16, 18). The area explored by the SGM is in the northwestern portion of the contact zone as defined in the current work. Several workings, including the large Soledad pit that exploited irregular magnetite skarn formed at contacts with irregular limestone blocks within the intrusion in the southeastern portion of the contact zone was developed after 2010 and was not present during the SGM work as shown by historic satellite photos, indicating the potential for finding new mineralized zones (Fig. 19).

The contact between the limestone and intrusive rock provides an important exploration target but the orientation is probably irregular. In places the contact appears to be relatively flat, striking northwest and dipping moderately to shallowly to the northeast. The SGM work generally indicates a steeper, near-vertical contact, and they proposed drilling from the southwest. It would probably be more prudent to drill the first holes from the northeast to determine the orientation of the mineralized zone. Access is by existing roads and no new roads would be required for initial drilling in this area. Ground magnetics was recommended by the author to explore for magnetite bodies as discussed in a 2018 report (Gibson, 2018a, b).

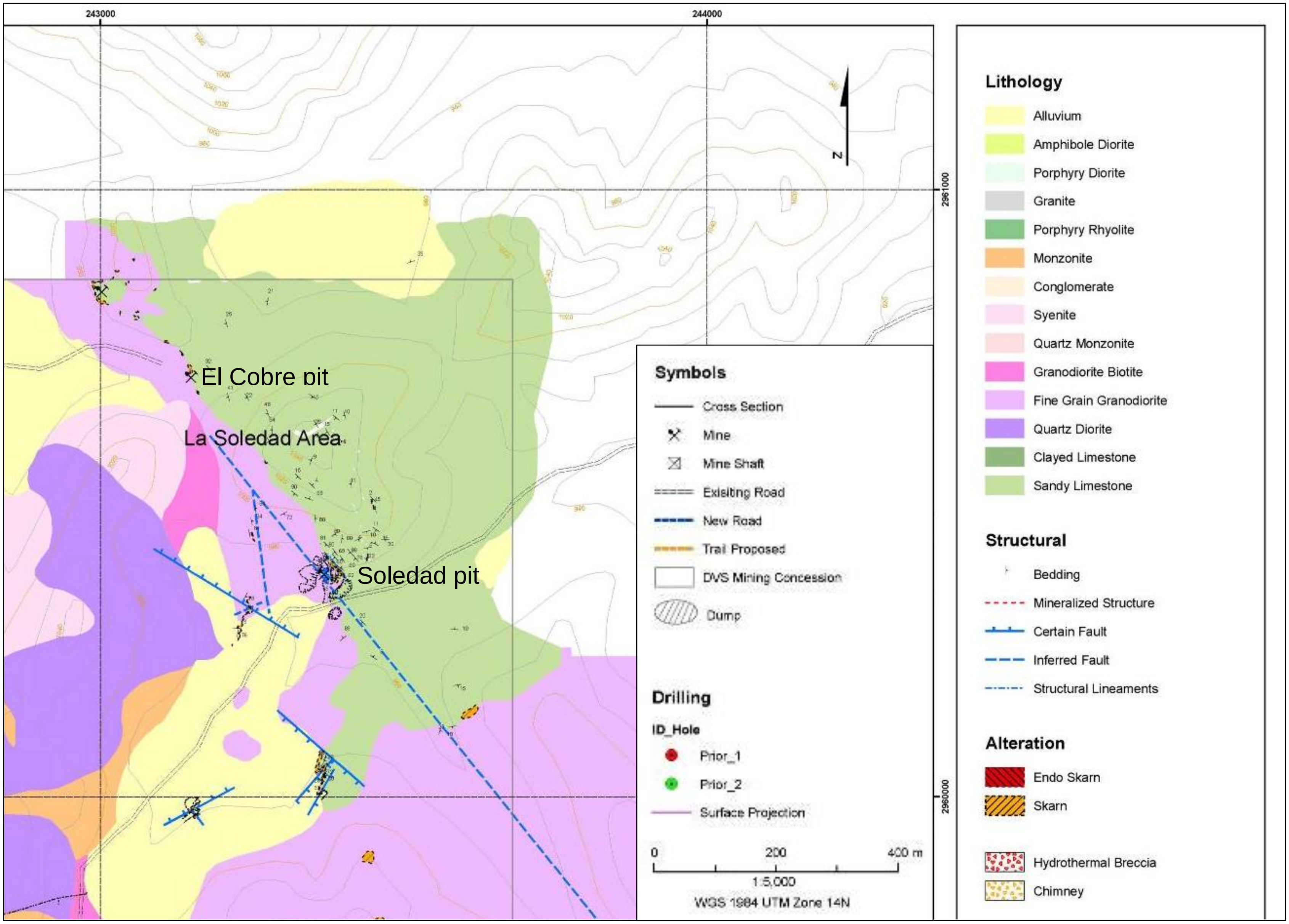
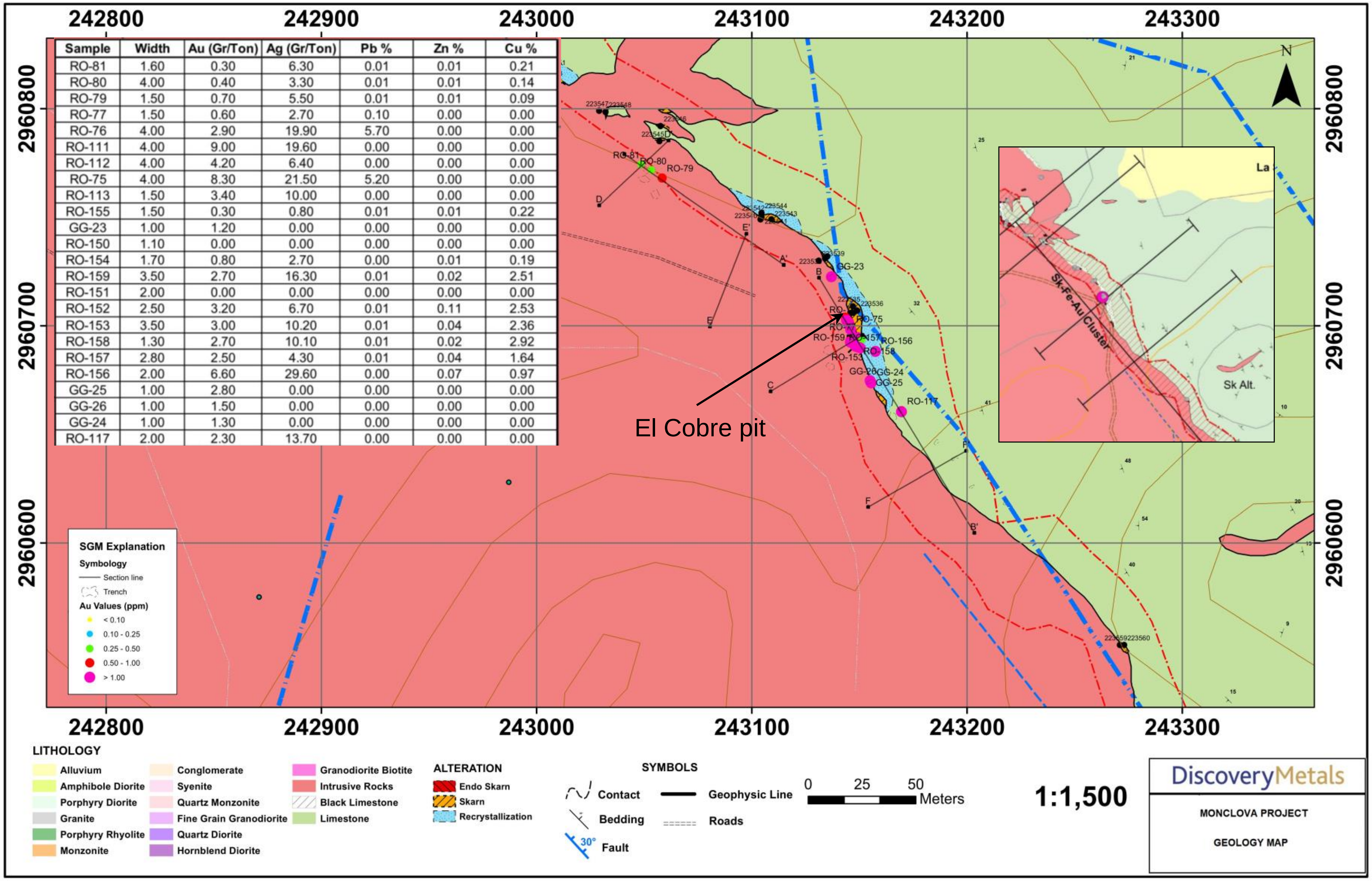



Fig. 14. Geology of the Soledad (El Cobre) area from DSV showing locations of workings described in text.

Fig. 15. Iron skarn at Soledad pit. Left photo: View of oxidized magnetite skarn at the contact between horblende granodiorite and recrystallized and bleached limestone. Right photo: Detail of contact between magnetite-garnet skarn and marbleized limestone.




| Sample | Width | Au (Gr/Ton) | Ag (Gr/Ton) | Pb % | Zn % | Cu % |
|---|---|---|---|---|---|---|
| RO-81 | 1.60 | 0.30 | 6.30 | 0.01 | 0.01 | 0.21 |
| RO-80 | 4.00 | 0.40 | 3.30 | 0.01 | 0.01 | 0.14 |
| RO-79 | 1.50 | 0.70 | 5.50 | 0.01 | 0.01 | 0.09 |
| RO-77 | 1.50 | 0.60 | 2.70 | 0.10 | 0.00 | 0.00 |
| RO-76 | 4.00 | 2.90 | 19.90 | 5.70 | 0.00 | 0.00 |
| RO-111 | 4.00 | 9.00 | 19.60 | 0.00 | 0.00 | 0.00 |
| RO-112 | 4.00 | 4.20 | 6.40 | 0.00 | 0.00 | 0.00 |
| RO-75 | 4.00 | 8.30 | 21.50 | 5.20 | 0.00 | 0.00 |
| RO-113 | 1.50 | 3.40 | 10.00 | 0.00 | 0.00 | 0.00 |
| RO-155 | 1.50 | 0.30 | 0.80 | 0.01 | 0.01 | 0.22 |
| GG-23 | 1.00 | 1.20 | 0.00 | 0.00 | 0.00 | 0.00 |
| RO-150 | 1.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| RO-154 | 1.70 | 0.80 | 2.70 | 0.00 | 0.01 | 0.19 |
| RO-159 | 3.50 | 2.70 | 16.30 | 0.01 | 0.02 | 2.51 |
| RO-151 | 2.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| RO-152 | 2.50 | 3.20 | 6.70 | 0.01 | 0.11 | 2.53 |
| RO-153 | 3.50 | 3.00 | 10.20 | 0.01 | 0.04 | 2.36 |
| RO-158 | 1.30 | 2.70 | 10.10 | 0.01 | 0.02 | 2.92 |
| RO-157 | 2.80 | 2.50 | 4.30 | 0.01 | 0.04 | 1.64 |
| RO-156 | 2.00 | 6.60 | 29.60 | 0.00 | 0.07 | 0.97 |
| GG-25 | 1.00 | 2.80 | 0.00 | 0.00 | 0.00 | 0.00 |
| GG-26 | 1.00 | 1.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| GG-24 | 1.00 | 1.30 | 0.00 | 0.00 | 0.00 | 0.00 |
| RO-117 | 2.00 | 2.30 | 13.70 | 0.00 | 0.00 | 0.00 |

Fig. 16. Geology of the El Cobre pit area from DSV with gold geochemistry from the SGM. The inset shows the sample results from the DSV exploration with 7 g/t Au sample.

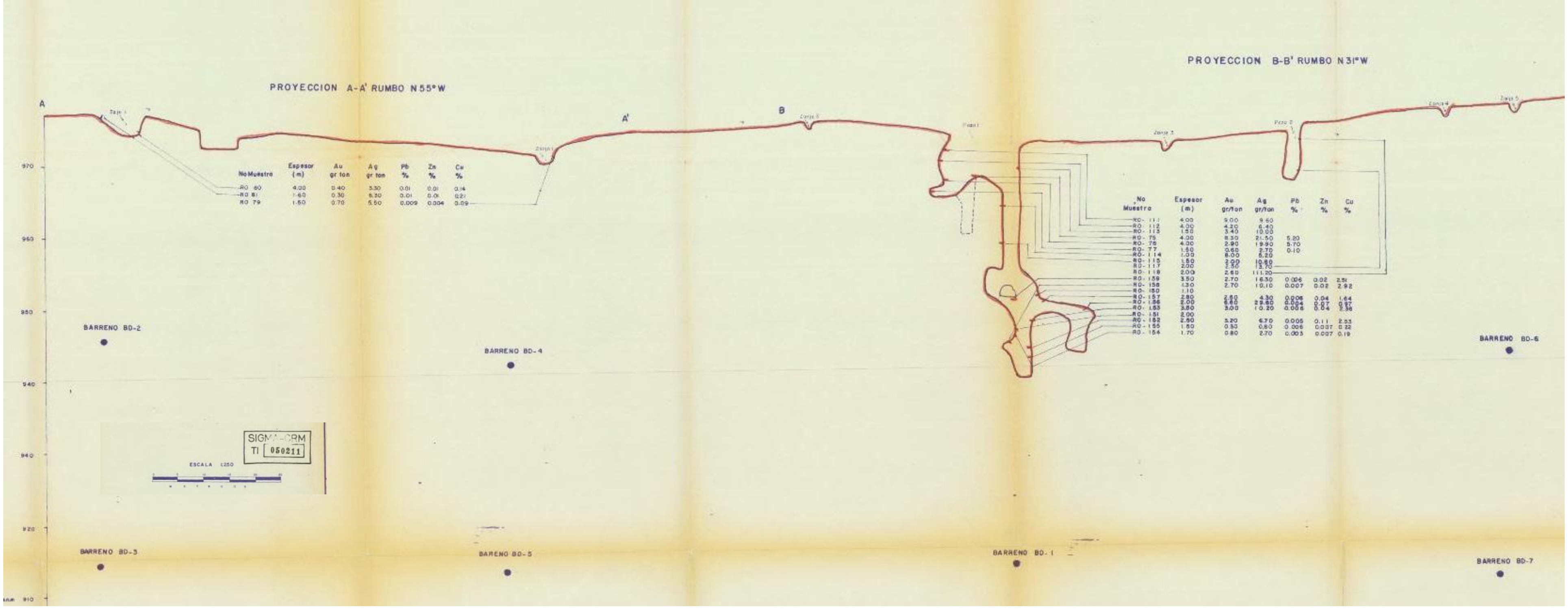



Fig. 17. Longitudinal projection of the Soledad area showing sampling in surface pits and underground workings as well as a planned drill program. From SGM report by G. Garcia Hoyos, 0586GAHG0001.

Fig. 18. Soledad area, El Cobre Pit. Brown iron skarn at apparently relatively flat contacts with limestone above and intrusive rocks. Photo is in pit with gold assay of 7 g/t in one sample.


Fig. 19. Google Earth images of the Soledad area showing data from the SGM 1985 sampling for El Cobre. Left image from Oct. 2005, right image from Feb. 2017. The amount of work done after the SGM study is significant, and the Soledad pit is recent.

## Ponciano

The Ponciano area is located in the northwestern portion of the project (Fig. 13). Exploration work has indicated the presence Fe skarns along an irregular limestone intrusive contact in what is probably a roof pendant (Fig. 20). A small tunnel and several pits were developed in these zones, and notably along a northerly trending septum of limestone on the eastern edge of the area (Figs. 20, 21).

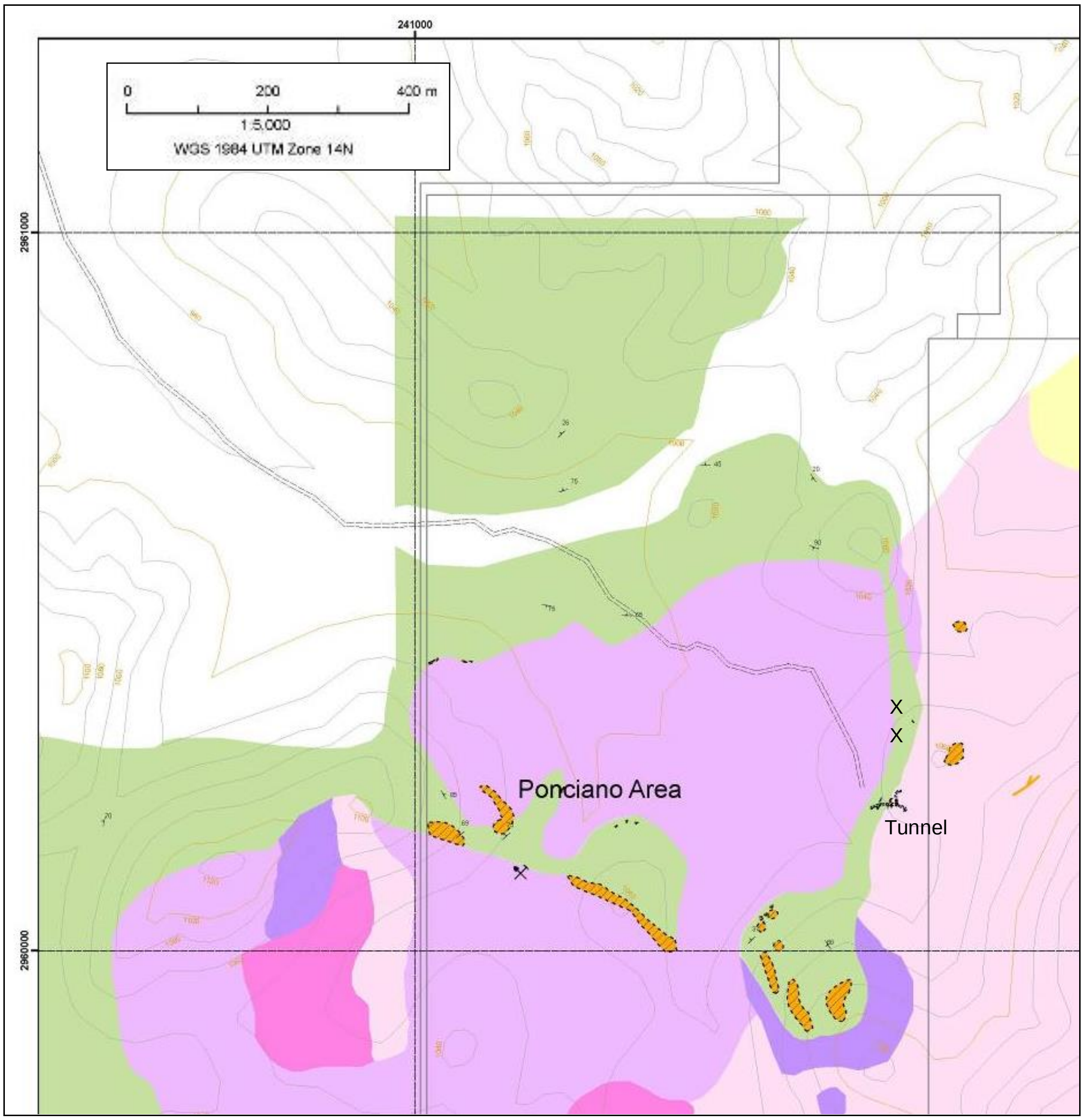
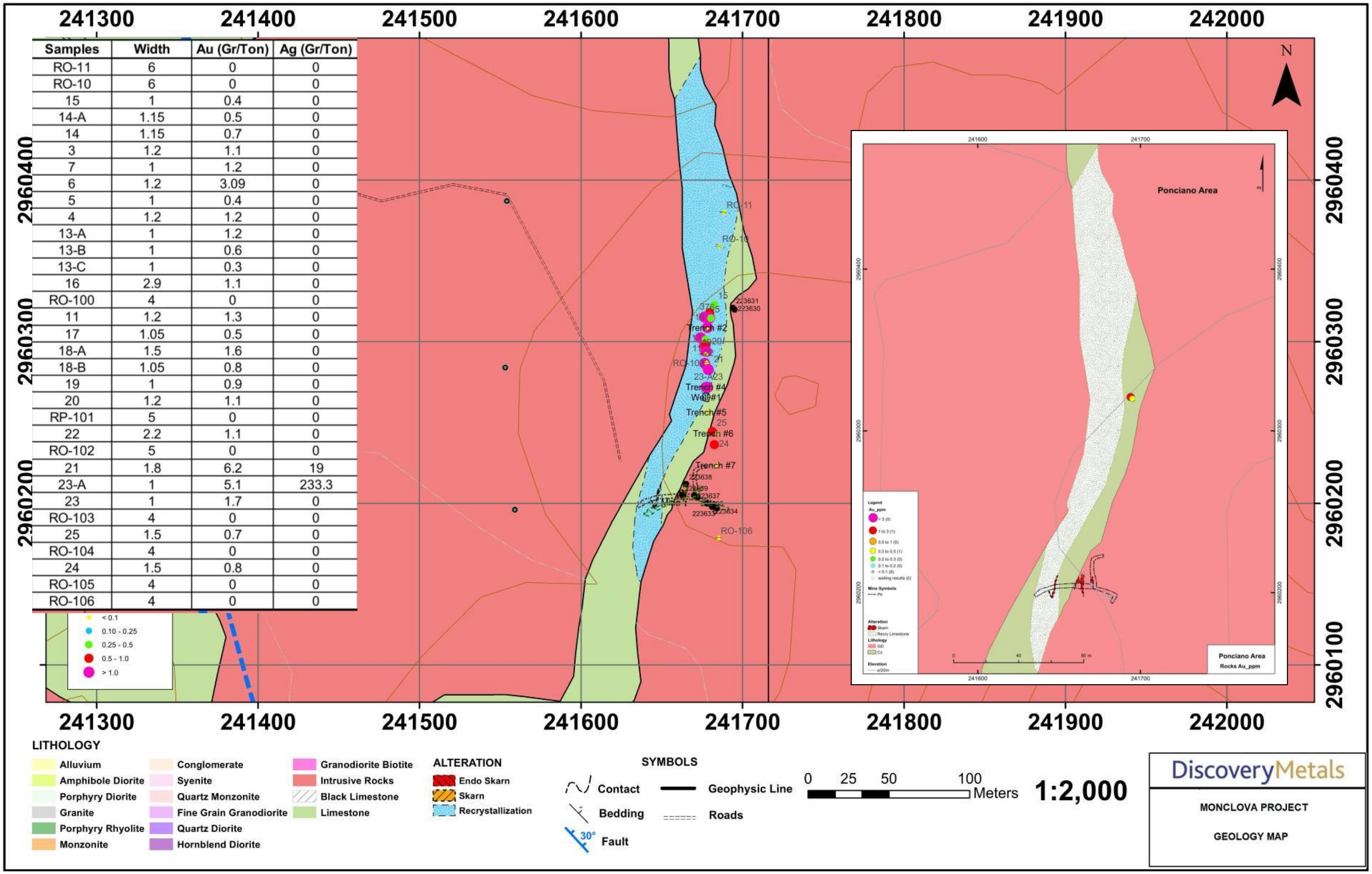



Fig. 20. Geology of the Ponciano area. Small skarns formed along roof pendants of limestone in intrusive rocks. A small tunnel and several pits were developed along a northerly trending septa of limestone on the eastern edge of the area. Explanation as in Fig. 15.

The SGM completed exploration in the area, which they called Soledad. According to the SGM sampling in surface workings, trenches, the underground tunnel as well as two short drill holes in the tunnel yielded an average grade of 1.5 g/t Au; results from an 80 meter hole under the structure yielded lower but anomalous gold values (Fig 22)(Garcia de los Hoyos, 1986). DSV has completed relatively little work in the area as it was deemed a small target, but the reported values basically correlate with those of the current sampling program (Fig. 22) except for those in the tunnel, but perhaps more sampling is warranted. Also, the drill hole that was completed did not test under the area of anomalous gold at the surface.

Fig. 21. Ponciano area. Pits along the mineralized structure and detail of iron skarn at the contact.




| Samples | Width | Au (Gr/Ton) | Ag (Gr/Ton) |
|---|---|---|---|
| RO-11 | 6 | 0 | 0 |
| RO-10 | 6 | 0 | 0 |
| 15 | 1 | 0.4 | 0 |
| 14-A | 1.15 | 0.5 | 0 |
| 14 | 1.15 | 0.7 | 0 |
| 3 | 1.2 | 1.1 | 0 |
| 7 | 1 | 1.2 | 0 |
| 6 | 1.2 | 3.09 | 0 |
| 5 | 1 | 0.4 | 0 |
| 4 | 1.2 | 1.2 | 0 |
| 13-A | 1 | 1.2 | 0 |
| 13-B | 1 | 0.6 | 0 |
| 13-C | 1 | 0.3 | 0 |
| 16 | 2.9 | 1.1 | 0 |
| RO-100 | 4 | 0 | 0 |
| 11 | 1.2 | 1.3 | 0 |
| 17 | 1.05 | 0.5 | 0 |
| 18-A | 1.5 | 1.6 | 0 |
| 18-B | 1.05 | 0.8 | 0 |
| 19 | 1 | 0.9 | 0 |
| 20 | 1.2 | 1.1 | 0 |
| RP-101 | 5 | 0 | 0 |
| 22 | 2.2 | 1.1 | 0 |
| RO-102 | 5 | 0 | 0 |
| 21 | 1.8 | 6.2 | 19 |
| 23-A | 1 | 5.1 | 233.3 |
| 23 | 1 | 1.7 | 0 |
| RO-103 | 4 | 0 | 0 |
| 25 | 1.5 | 0.7 | 0 |
| RO-104 | 4 | 0 | 0 |
| 24 | 1.5 | 0.8 | 0 |
| RO-105 | 4 | 0 | 0 |
| RO-106 | 4 | 0 | 0 |

Fig. 22. Ponciano area geologic map from DSV and gold geochemistry from the SGM. The inset shows the DSV gold geochemistry. The area was termed Soledad by the SGM

Teodulo

The Teodulo area is located near the geographic center of the Project west of the Ojo de Agua ranch (Fig. 13) and has not been visited by the author. This area was formerly known as La Rosa Azul evidently from the name of a concession. Mineralization consists of a polymetallic vein with epithermal textures that can be traced on the surface for more than half a kilometer (Fig. 23). The vein is generally narrow, but significant workings, including a reported 450 meter tunnel to dewater the vein, imply that high grades were encountered in the past. A report on the area by Equipos Mineros de Monclova is referred to in a project report by the technical field crew, but only a poor image of a plan map showing the surface trace of the structure and the long tunnel as available for review.

DSV has completed relatively little work on this target, taking 41 samples. The highest value was of 1150 g/t Ag, 16.45 g/t Au, 1.3% Cu and 1.6% Pb from a selected sample of vein material from a 1-5 cm vein along the southwestern portion of the structure; this sample had high Sb, Hg and Bi, exhibiting different geochemistry than the mineralization observed in other areas.

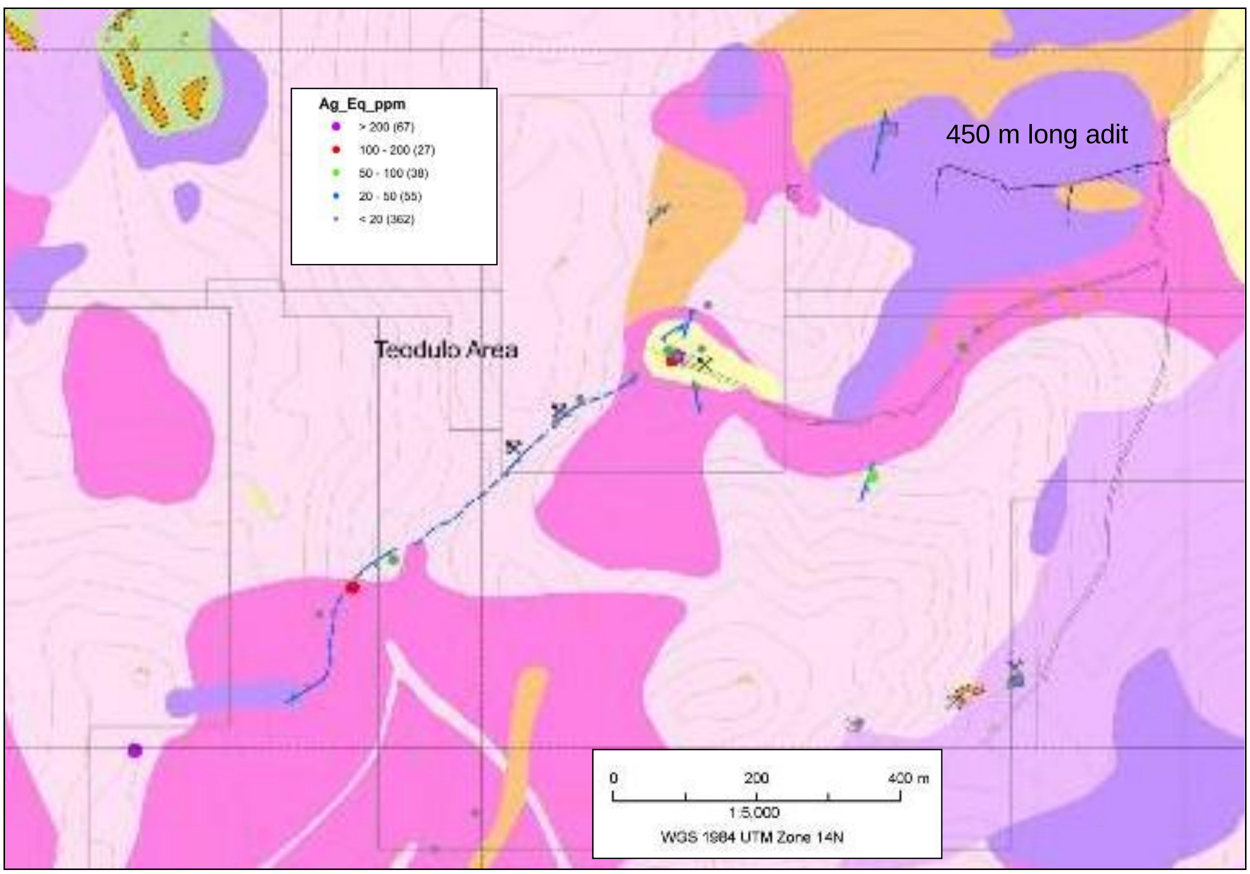



Fig. 23. Teodulo area geology. Silver equivalent values shown along northeast striking epithermal vein showing workings along the structure and a reported 450 meter long adit that attempted to dewater the vein.

Romulo

The Romulo area is located in the east central part of the project area (Fig. 13). Similar to the other areas, irregular bodies of skarn mineralization were developed along roof pendants and septa of limestone within the intrusive mass. Open cuts were developed along an easterly trending contact of irregular blocks of limestone floating in the intrusive, and along easterly and northerly trending contacts between an irregular septa of limestone and intrusive rock (Fig. 24 to 27). Most of the workings are along the east-west trending zone of irregular blocks of limestone within the intrusive along the structural trend of the limestone septa, where relatively small replacements formed at the contacts with the isolated limestone blocks. Underground workings in this area also exploited a northerly trending structure that cuts the contact (Fig. 27). Massive andradite garnet endoskarn is abundant near the east-west contact to the east of the area of mining and along the northerly contact to the northeast (Figs. 25, 26) providing a target for exploration. The garnet skarn has a significant strike length and is exposed over a significant vertical distance, but generally does not have anomalous copper or gold values except in a few small workings. A series of roads and the larger open cut were constructed in the area after 2010 and were reportedly used to explore the area with short drill holes, although this information is not available.

Ground magnetics could be used in this area to test the altered contacts for hidden mineralized bodies to provide targets for future drilling. Significant road work has already been completed in this area and first pass drilling could probably be accomplished without major new road construction.

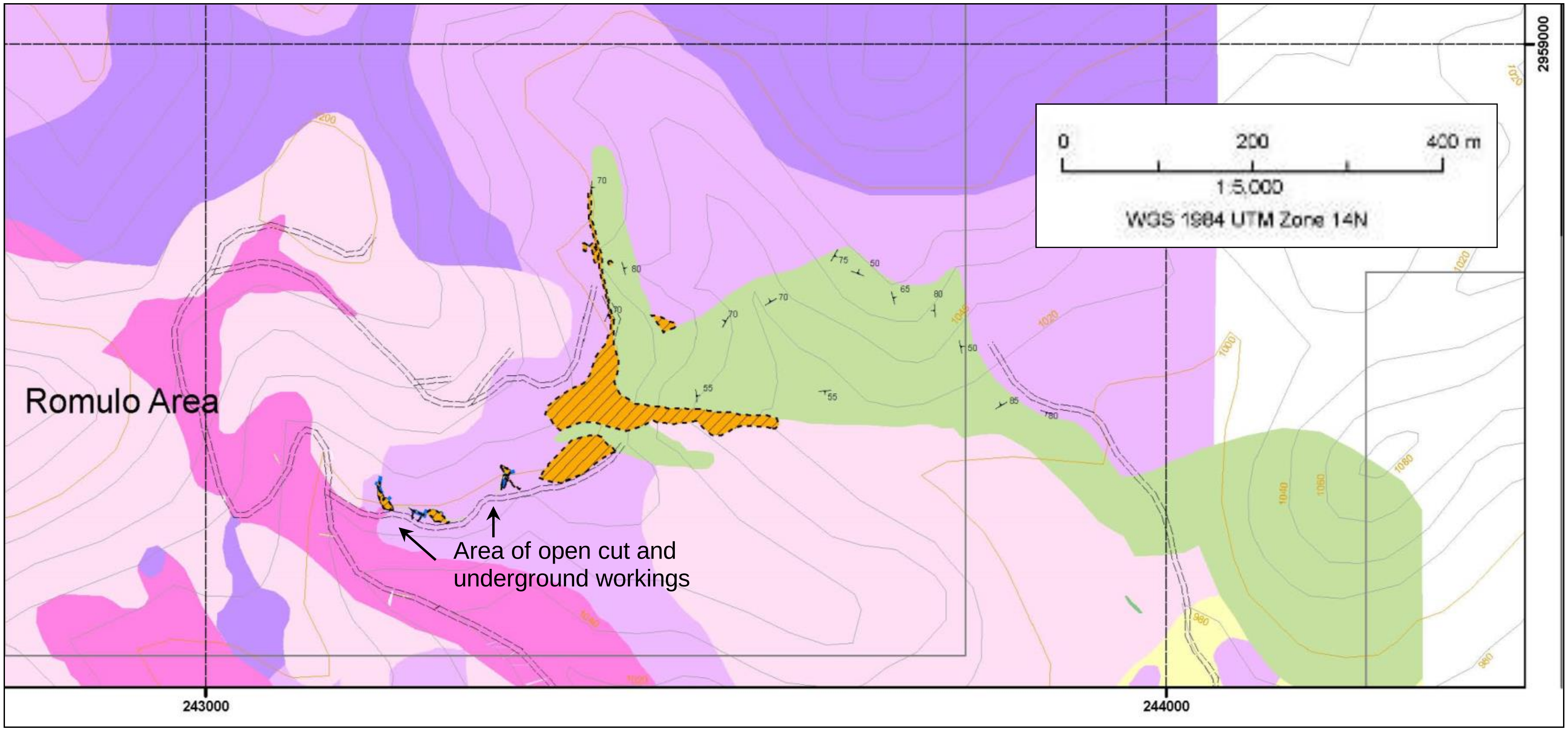



Fig. 24. Romulo area geology. Iron skarns formed at the contacts between intrusive rocks and limestone.

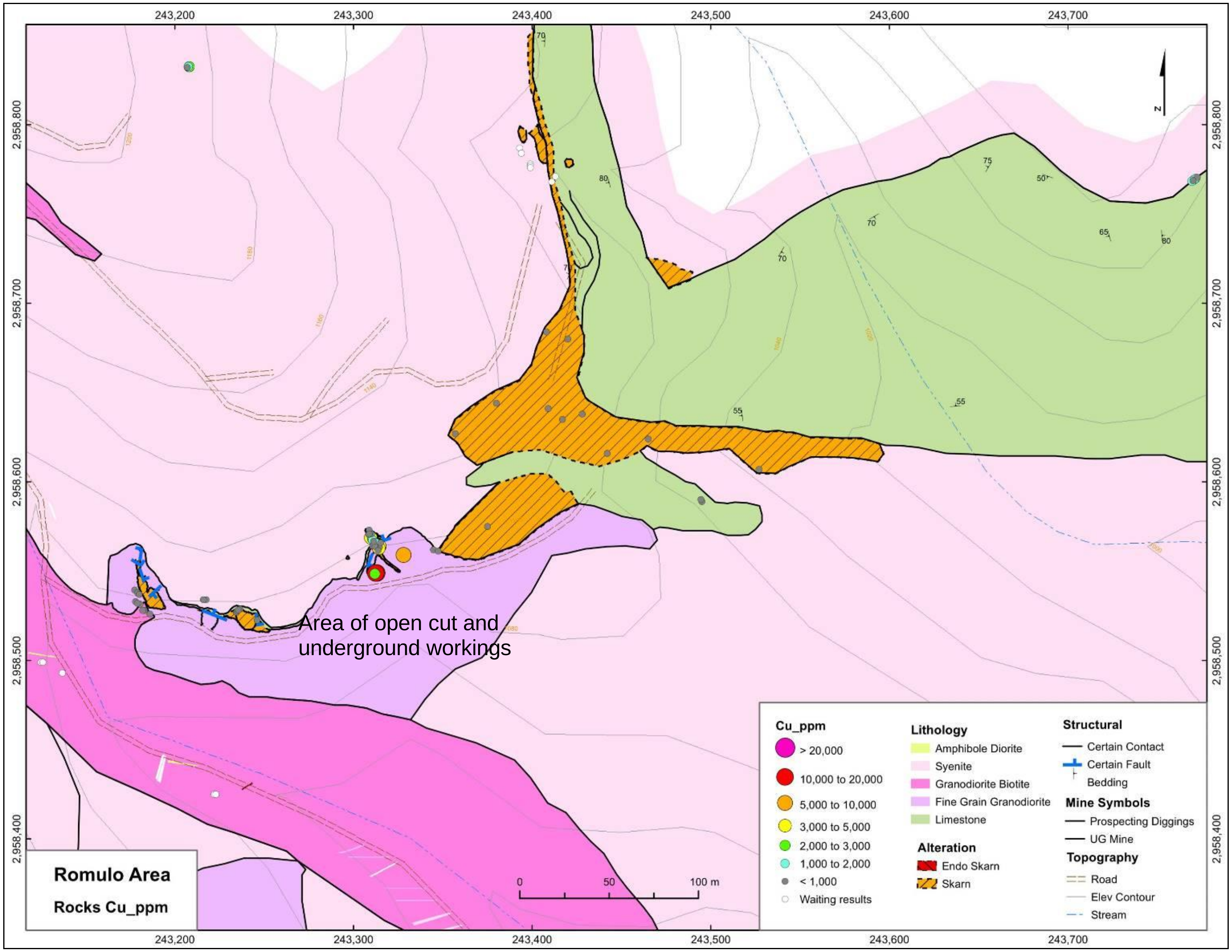



Fig. 25. Romulo area geology. Copper values in irregular bodies of Fe skarn in along a poorly defined contact zone and garnet skarn at along contact of limestone septa to east and northeast.


Fig. 26. Romulo area. Northerly trending septa of limestone (gray, in center of photo) with brown garnet skarn alteration at western contact, and local small workings with copper mineralization that provides an exploration target. Road access in the upper left of photo. The outcrop in the left foreground is garnet skarn.

Fig. 27. Romulo area. Left photo: Northerly trending structure with copper sulfate efflorescence.
Right Photo: Sharp contact between limestone and garnet skarn to east of main workings.

Real Viejo-Los Corrales

The Real Viejo and Los Corrales areas are located along the southern contact of the intrusive body with the carbonate rocks (Figs. 13, 28). Workings at several areas along the southern contact of the intrusions and carbonate rocks have exploited both iron skarns and polymetallic mineralization. The skarns are located at the western and eastern extremes with the polymetallic mineralization in the middle portion. The western occurrence of skarn is termed the Marco area or Mark pipe, the central area Real Viejo, and the eastern part Los Corrales (Fig. 28, 29). The Real Viejo area exhibits significant Ag-rich polymetallic mineralization in several occurrences referred to by separate names of small historic workings (Fig 30), while the magnetite rich mineralization is prevalent in the other areas.

The low lying part of the Real Viejo area in the area of the Real Viejo and La Negra mines has the largest thicknesses of exposed mineralization and would be the easiest to explore as it would require less road construction due to topography and resistant limestone exposures (Figs 29, 30). Real Viejo (3 pits and underground workings) and La Negra exploited polymetallic mineralization with high Ag values in strongly silicified limestone with some quartz veining and locally strong brecciation and later siderite or ferroan calcite/dolomite (Figs. 30, 31). This mineralization is located at the contact of intrusive rocks with the limestone and also as veins or replacements along the limestone strata. Mina de Arturo and Mina de Chuy have more laterally extensive manto replacements exposed in the workings (Fig. 29, 32), but are somewhat smaller and have more difficult access for road construction.

The skarn mineralization at the Marco Chimney to the west occurs at a structural intersection within limestones near the intrusive contact (Figs. 33, 34) and provides an easily accessible drill target as an old road accesses the mine portal, but would perhaps be difficult to explore by drilling due to the geometry of the apparent pipe-like body. A program of two initial drill holes drilled partly down the mineralization would aid in determining the presence and orientation of mineralization underneath the stope as discussed in the recommendations section.

The Los Corrales area lies east of the Real Viejo target (Fig. 28); the author has not visited this area. A series of small mine workings were developed on skarn mineralization along the contact between the intrusive rocks and the sedimentary rocks and also is reported to have structurally controlled vein breccias.

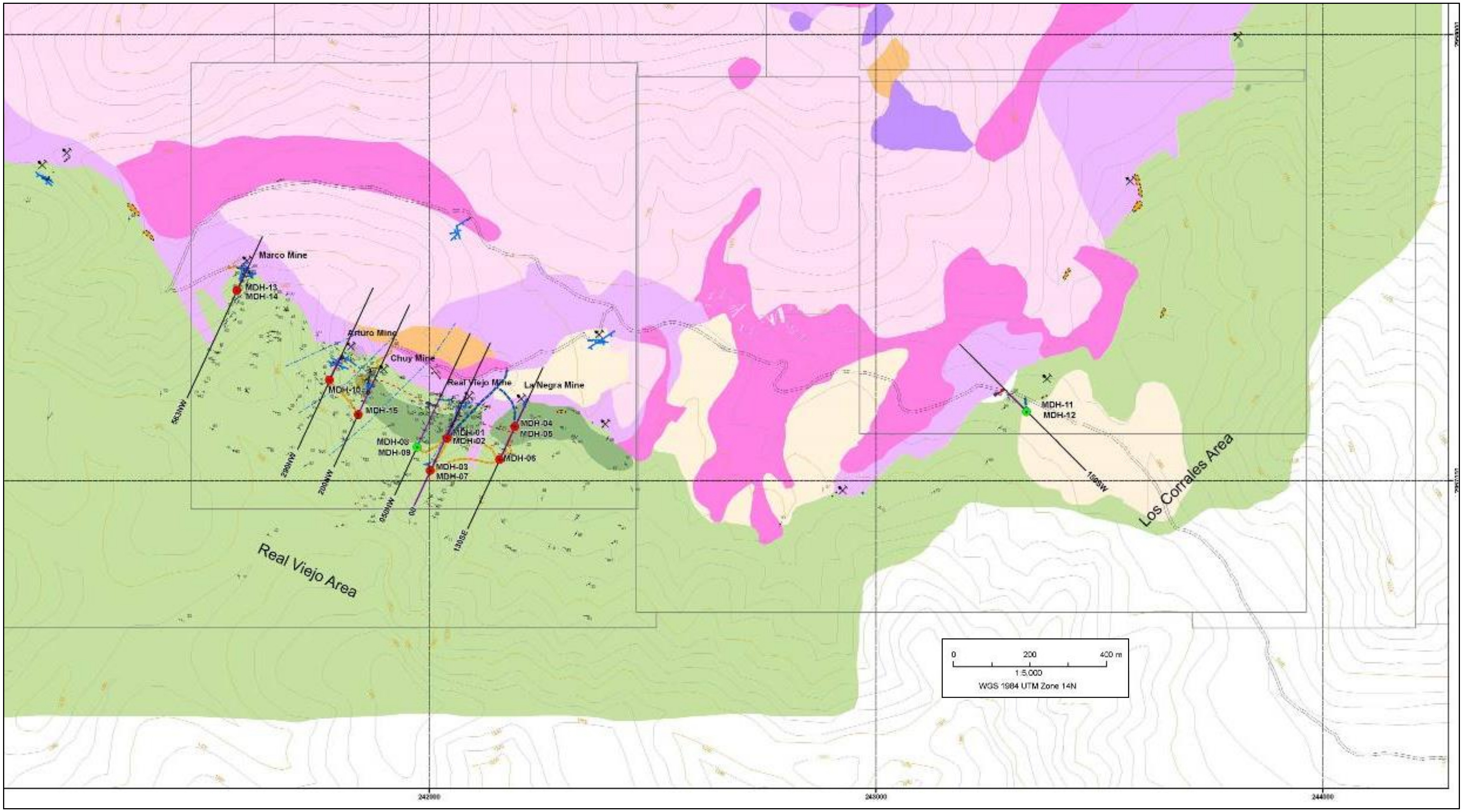



Fig. 28. Geology of the Real Viejo and Los Corrales areas. Numerous small mines and prospects are developed along the contact between the intrusive package and the carbonate rocks. Section lines and planned drill holes are also shown. Explanation same as in Figure 15.

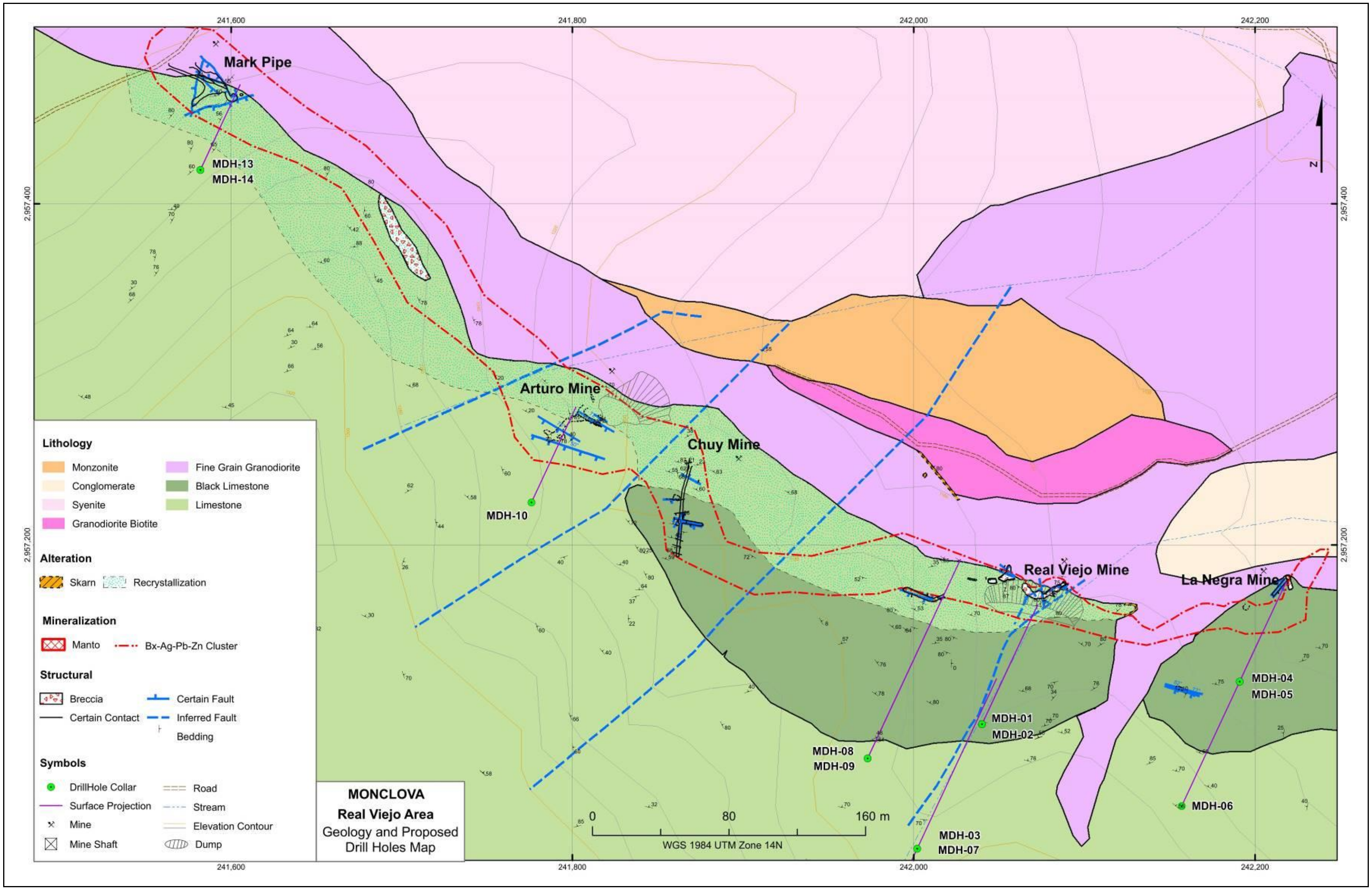



Fig. 29. Real de Viejo area and Mark pipe target.

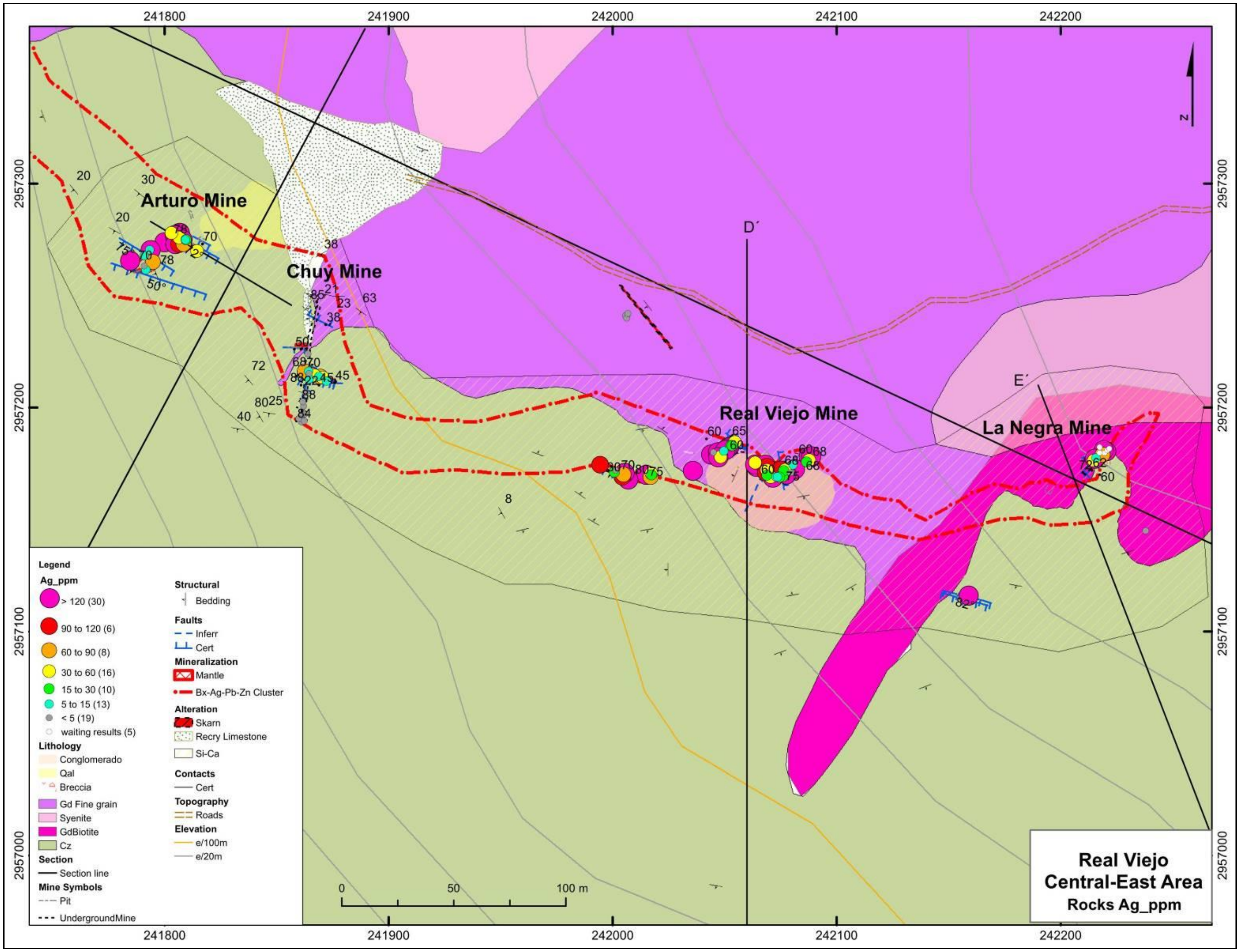



Fig. 30. Real de Viejo area with Ag geochemistry.

Fig. 31.  Real de Viejo Pit 1 and La Negra, Real Viejo area.  Siliceous polymetallic mineralization in contact zone.

Fig. 32. Polymetallic mineralization, Mina de Arturo. Left photo: View of workings along dipping manto mineralization following bedding in limestone. Right photo: Detail of replacement mineralization at sample 223733 showing tabular breccia fragments of silicified limestone with quartz vein at the edge of the fragments, within a mass of light brown ferroan dolomite or siderite. All cut by late white calcite veins and vug fillings.

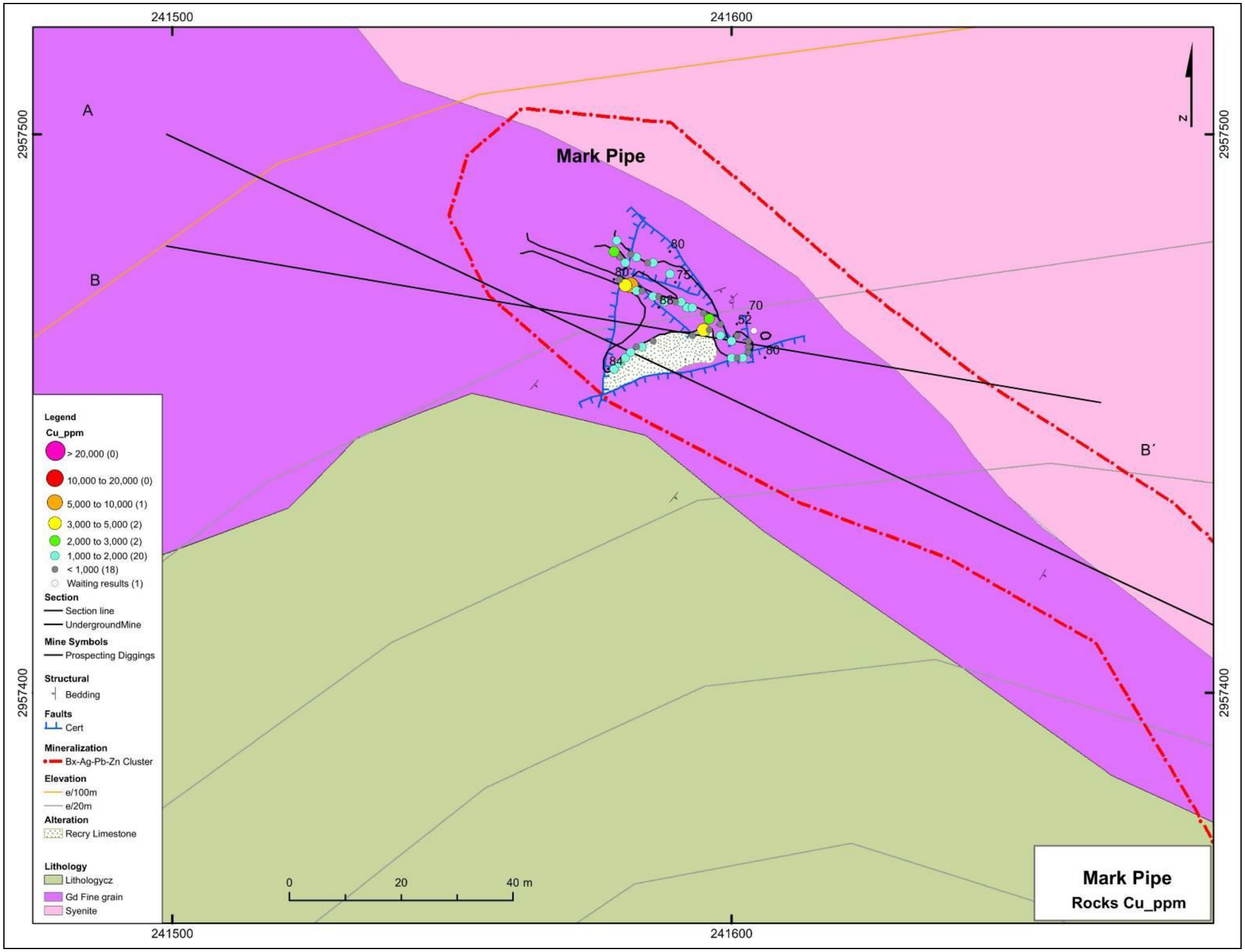



Fig. 33. Mark chimney geology and copper geochemistry.

Fig. 34.  Mark chimney in the Real Viejo area.  Brown oxidized magnetite skarn at structural intersections.

## Sampling and geochemistry

The sampling program consists of 555 rock samples along with 64 control samples for QA/QC, including 18 standards, 31 blanks (both coarse and pulp) and 15 duplicate samples taken over the 6 month period of the exploration work (Fig. 35). The duplicates were of both pulp and coarse rejects and were apparently done at the prep lab under instructions of DSV. All samples were submitted to ALS in Zacatecas and run for gold using a 50g fire assay with AA finish that was changed to a 30g fire assay with AA finish during the program, with one overlimit sample analyzed by gravimetric methods. The remaining samples were analyzed as part of a multi-element ICP-ES package using a 4 acid digestion. The first 164 samples were run using a high detection limit for indicator elements such as Bi and Sb and did not included Hg. The author recommended a change in the package and this was done with a lower detection limit and Hg added by ICP-MS and aqua regia digestion. The results of the QA/QC program are acceptable for this stage of work.

The sample geochemistry shows a marked difference between the Fe skarn mineralization and the polymetallic replacement mineralization (Table 3, Fig. 36a to e). The Fe skarn mineralization has high iron content along with elevated and locally high copper and gold. Only the Mark breccia has high sulfide content. The polymetallic mineralization has high Ag, Pb and Zn along with elevated As, Sb, and Hg values. The epithermal vein at Teodulo is different than the other areas with local high Au and Ag along with Cu and Pb, but with high Sb, Hg and Bi.

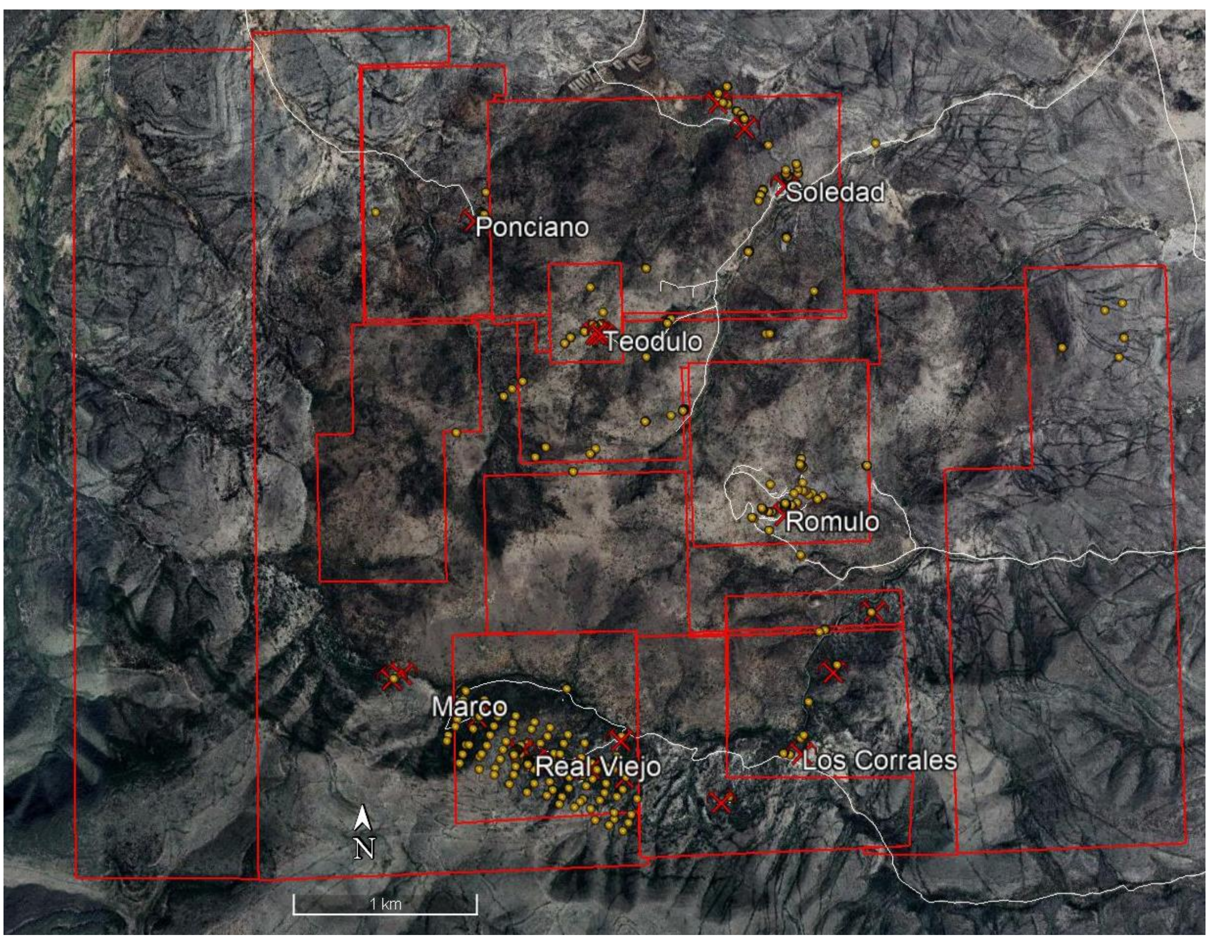



Fig. 35. Samples taken at the Monclova project, along with Project concessions and target areas.

Table 3. Average geochemistry for the different targets, Monclova project.

| Area | Samples | Au g/t | Ag g/t | Cu % | Pb % | Zn % | As ppm | Sb ppm | Hg ppm | Mn ppm | Mo ppm | Bi ppm | S % | Fe % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| La Soledad | 101 | 0.17 | 1.1 | 0.19 | 0.00 | 0.00 | - | - | - | 2001 | - | - | 0.03 | 11.1 |
| Ponciano | 11 | 0.16 | 0.8 | 0.09 | 0.00 | 0.01 | - | - | - | 1947 | - | - | 0.03 | 11.9 |
| Teodulo | *41 | 0.01 | 11.6 | 0.01 | 0.04 | 0.04 | 4.8 | 9.1 | 0.07 | 1408 | 1.2 | 1.9 | 0.04 | 5.9 |
| Romulo | *93 | 0.06 | 2.5 | 0.09 | 0.01 | 0.02 | 4.4 | 11.7 | 0.12 | 3200 | 2.5 | 1.1 | 0.47 | 18.2 |
| Marco | 46 | 0.02 | 0.6 | 0.13 | 0.00 | 0.03 | 2.9 | 6.8 | 0.01 | 5418 | 1.3 | 2.7 | 1.28 | 29.8 |
| Los Corrales | 23 | 0.13 | 2.0 | 0.14 | 0.00 | 0.02 | 3.3 | 2.8 | 0.02 | 3210 | 20.9 | 1.3 | 0.31 | 9.3 |
| Real Viejo | 229 | 0.01 | 87.5 | 0.04 | 0.62 | 2.01 | 221.2 | 194.9 | 5.32 | 978 | 35.1 | 1.2 | 0.06 | 3.1 |

Elements with no data were below detection limit for the method used. *For Teodulo y Romulo, only samples run with low detection limits used, 13 and 75 samples respectively. Weighted averages using sample widths were used for the calculations, so samples with no widths were discarded.

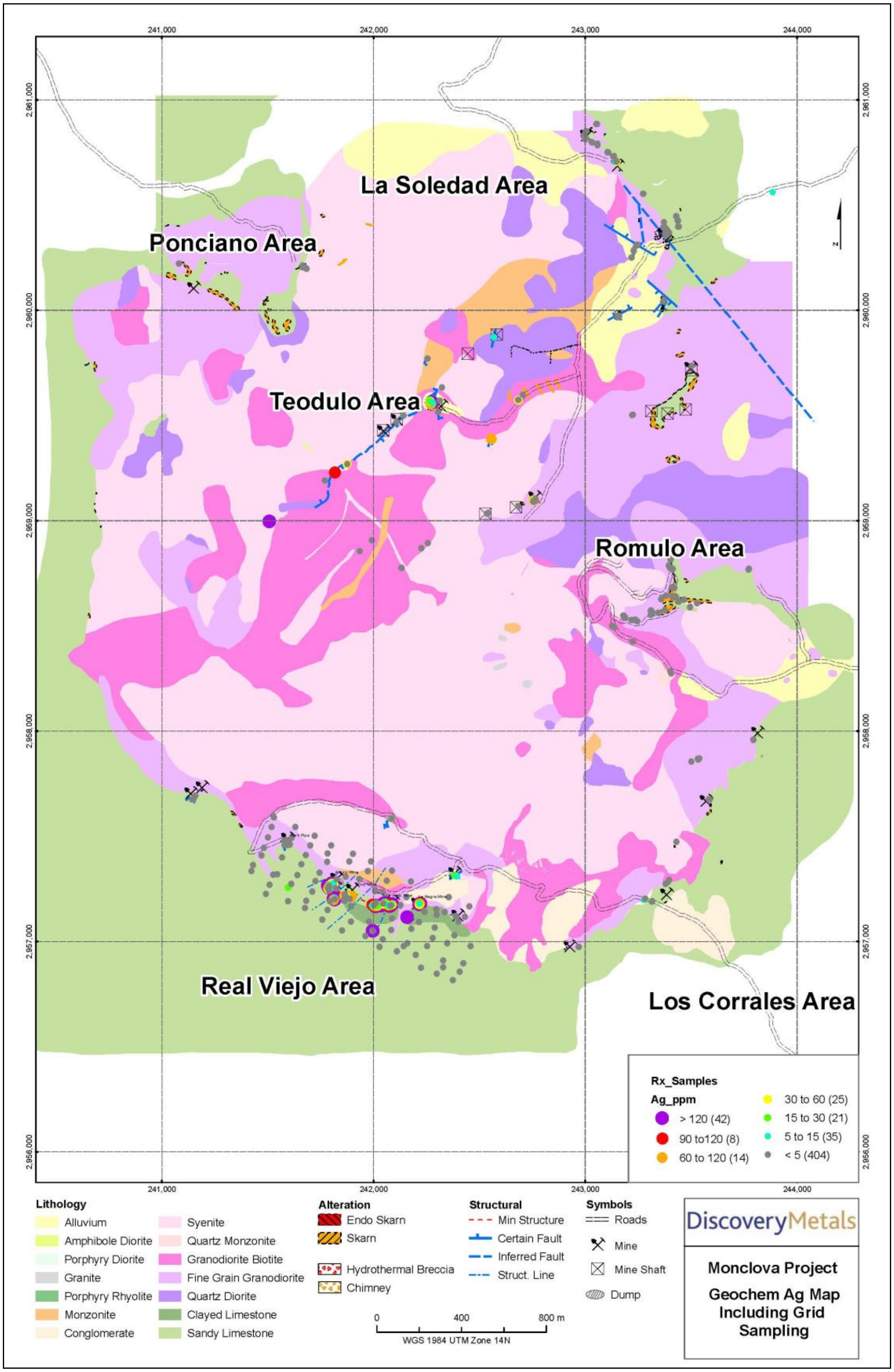



Fig. 36a. Silver assays from the Monclova Project.

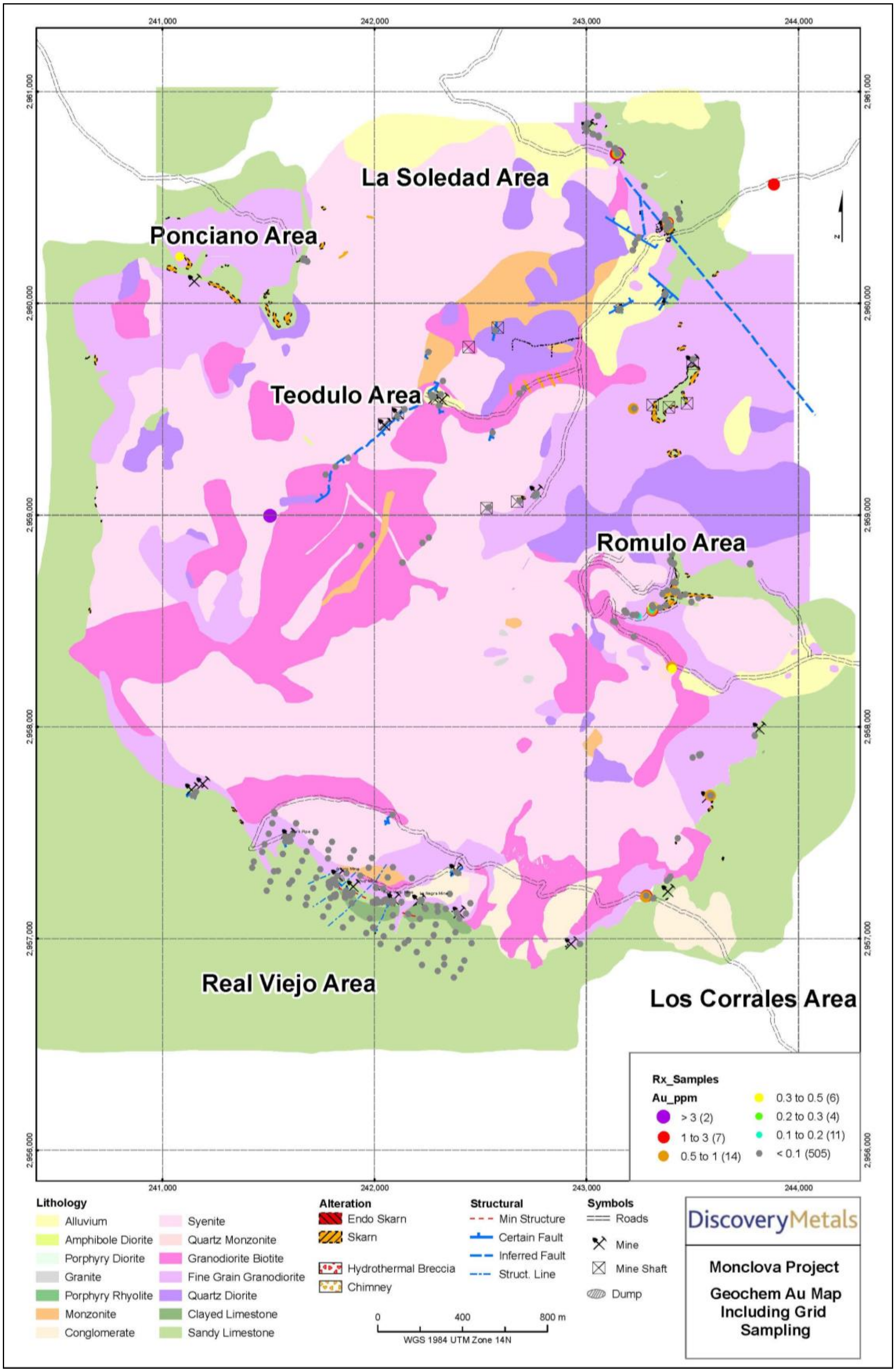



Fig. 36b. Gold assays from the Monclova Project.

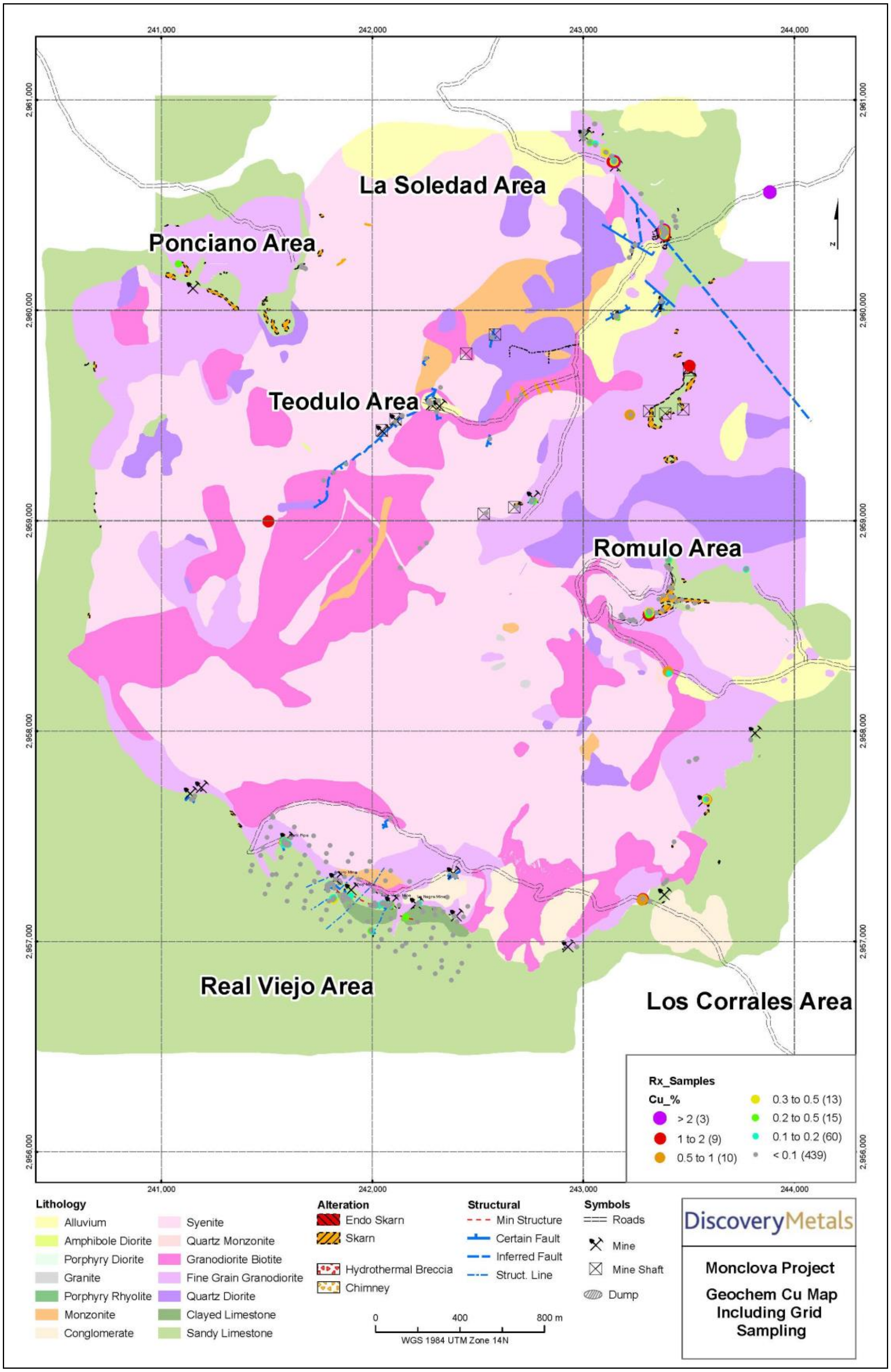



Fig. 36c. Copper assays from the Monclova Project.

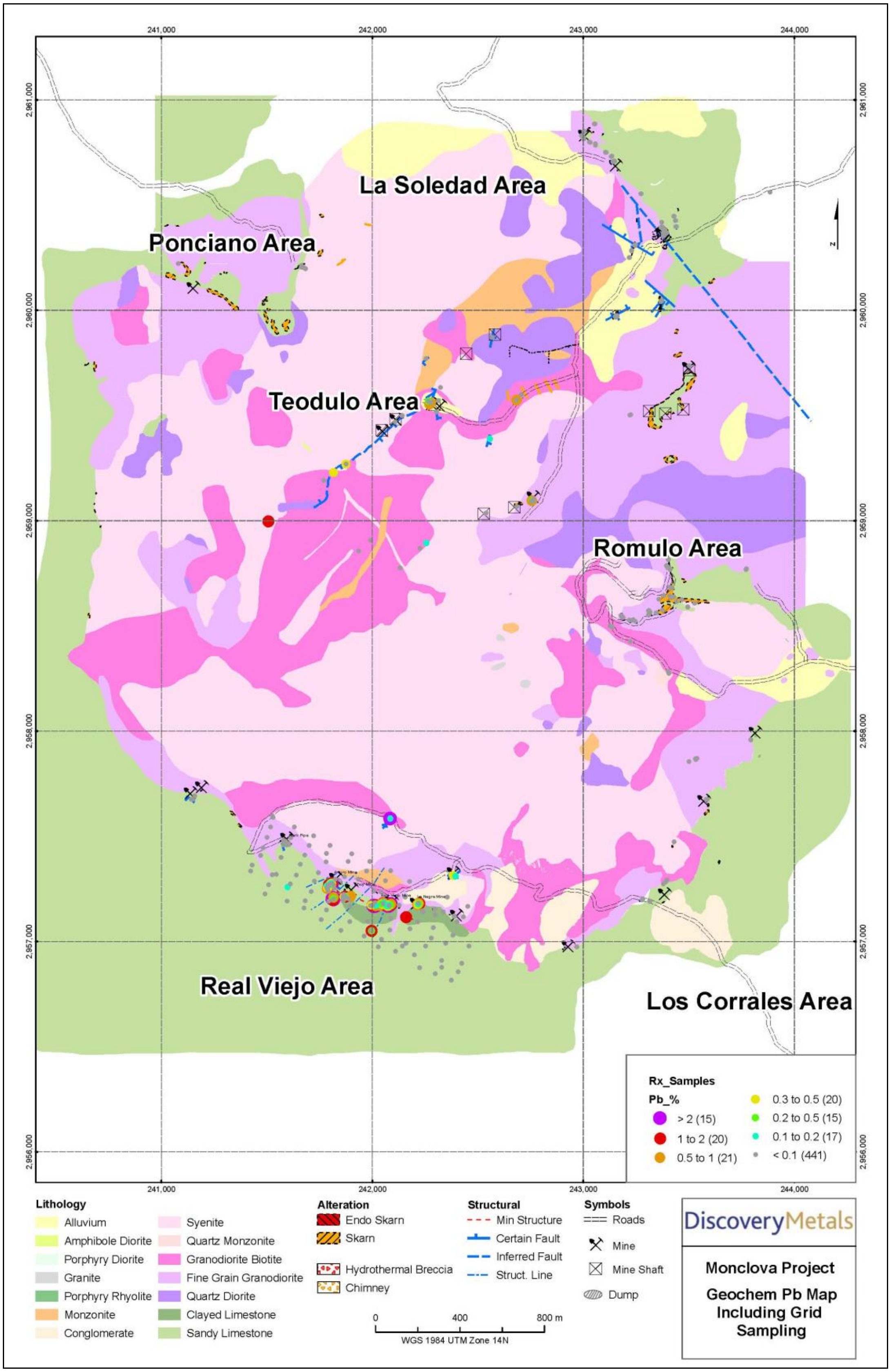



Fig. 36d. Lead assays from the Monclova Project.

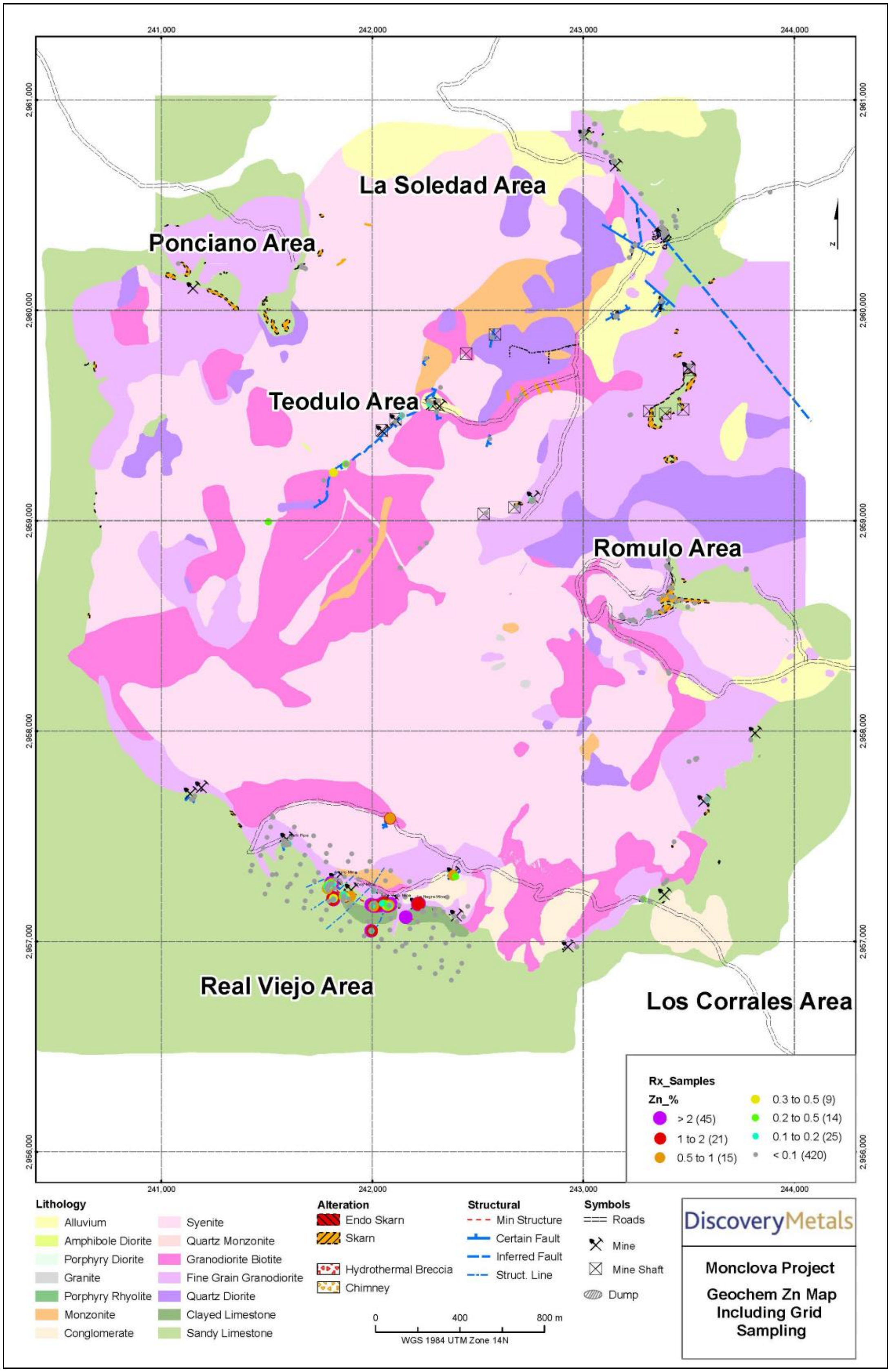



Fig. 36e.  Zinc assays from the Monclova Project.

**Geophysics.**

The Monclova project is covered by the national SGM airborne magnetic survey but this is not useful for detailed work as it was flown at high elevation and a large magnetic anomaly obscures detail. No processed data is available publicly. Discovery contracted Zonge International to conduct ground magnetometer surveys over the Soledad, Real Viejo and Los Corrales areas (Fig 37). The ground magnetic surveys were conducted on lines spaces at 50 meters over the Real Viejo and Soledad grids and 100 meters over the Los Corrales grid.

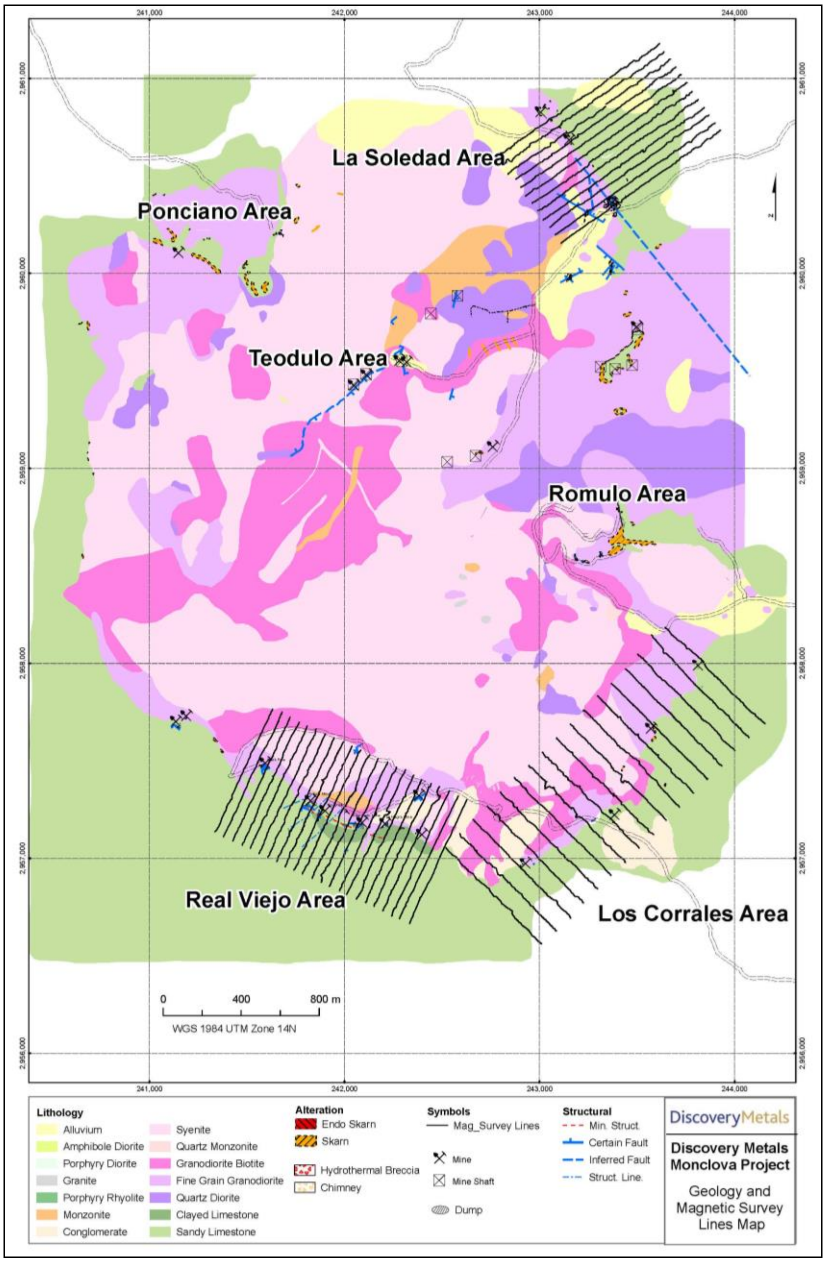



Fig. 37. Geologic map with ground magnetic grid lines for the Monclova project.

The ground magnetometer survey over the Soledad area covered the mineralized area and contact zone for 550 meters from the large Soledad pit northwest to the smaller pit at El Cobre with 1 km log lines for 12 line km (Fig. 38). The survey identified several magnetic lows as well as a large magnetic high to the east of the mineralized contact zone (Figs. 39, 40). The magnetic high may be due to a separate intrusion and skarn under the east dipping limestone. The magnetic lows seem to be partly in the area of the high gold values in the SGM data. There is also a partial ring structure visible in the magnetic data with magnetic highs surrounding a magnetic low that should be evaluated.

The ground magnetometer survey over the Real Viejo area covered the extent of mineralization 1,100 meters along the contact from the Mark pipe on the west to East of the La Negra occurrence with lines 700 meters in length for 16.1 line km (Fig 41). Several small magnetic highs to the south of the intrusive contact are visible (Figs. 42, 43), some of which are associated with small intrusive bodies when field checked. It is interesting that the Marco breccia is a magnetic low, and there are several similar lows visible in the data.

The ground magnetometer survey at Los Corrales was wider spaced and covered 1.6 kilometers of the northeast trending contact zone for 11.9 line km (Fig. 41). A strong magnetic high is observed in the area covered by limestone (Figs. 42, 43). This could be a hidden intrusive with related skarn.

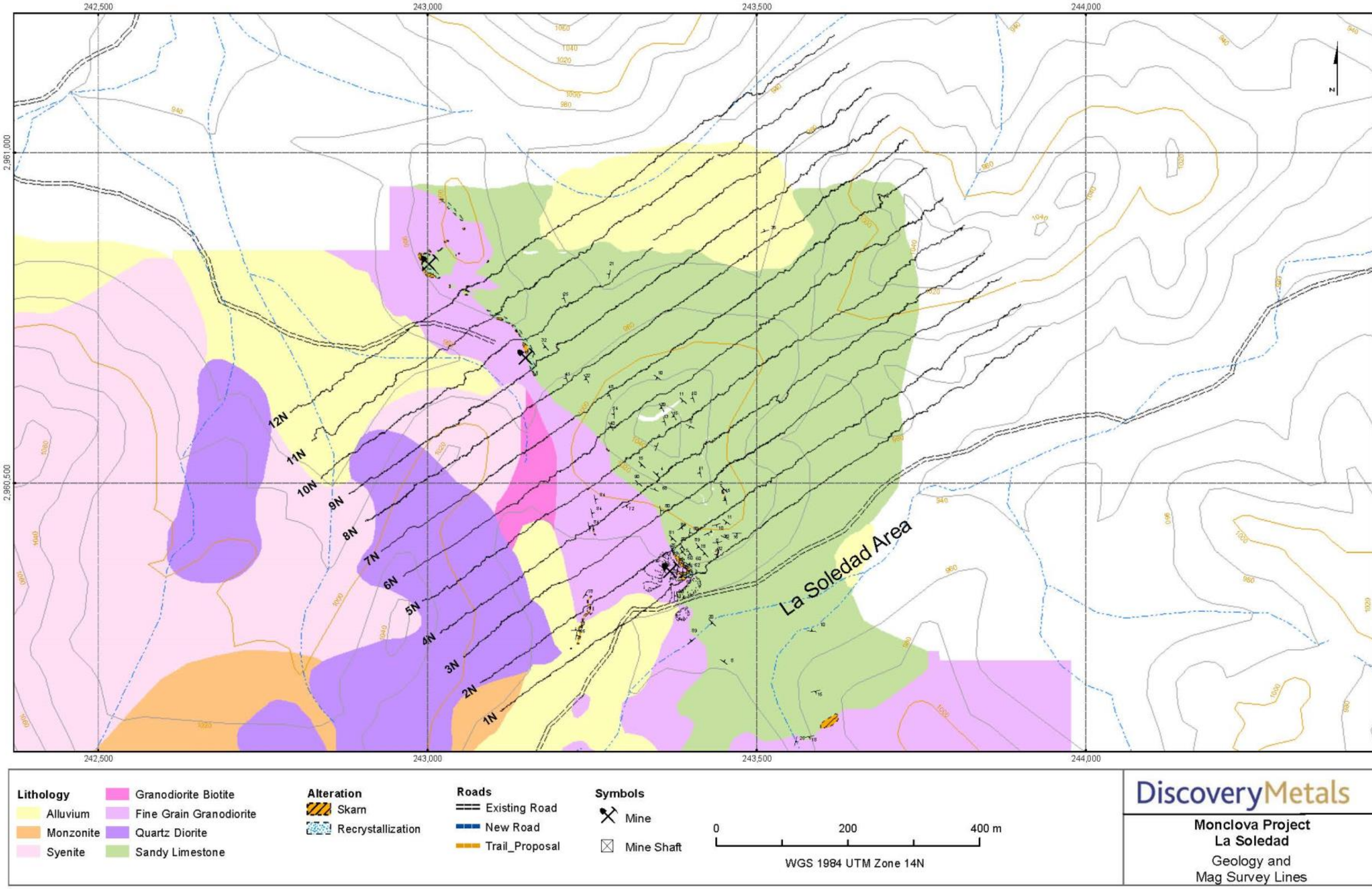



Fig. 38. Geologic map of the Soledad area with the lines of the ground magnetometer survey.

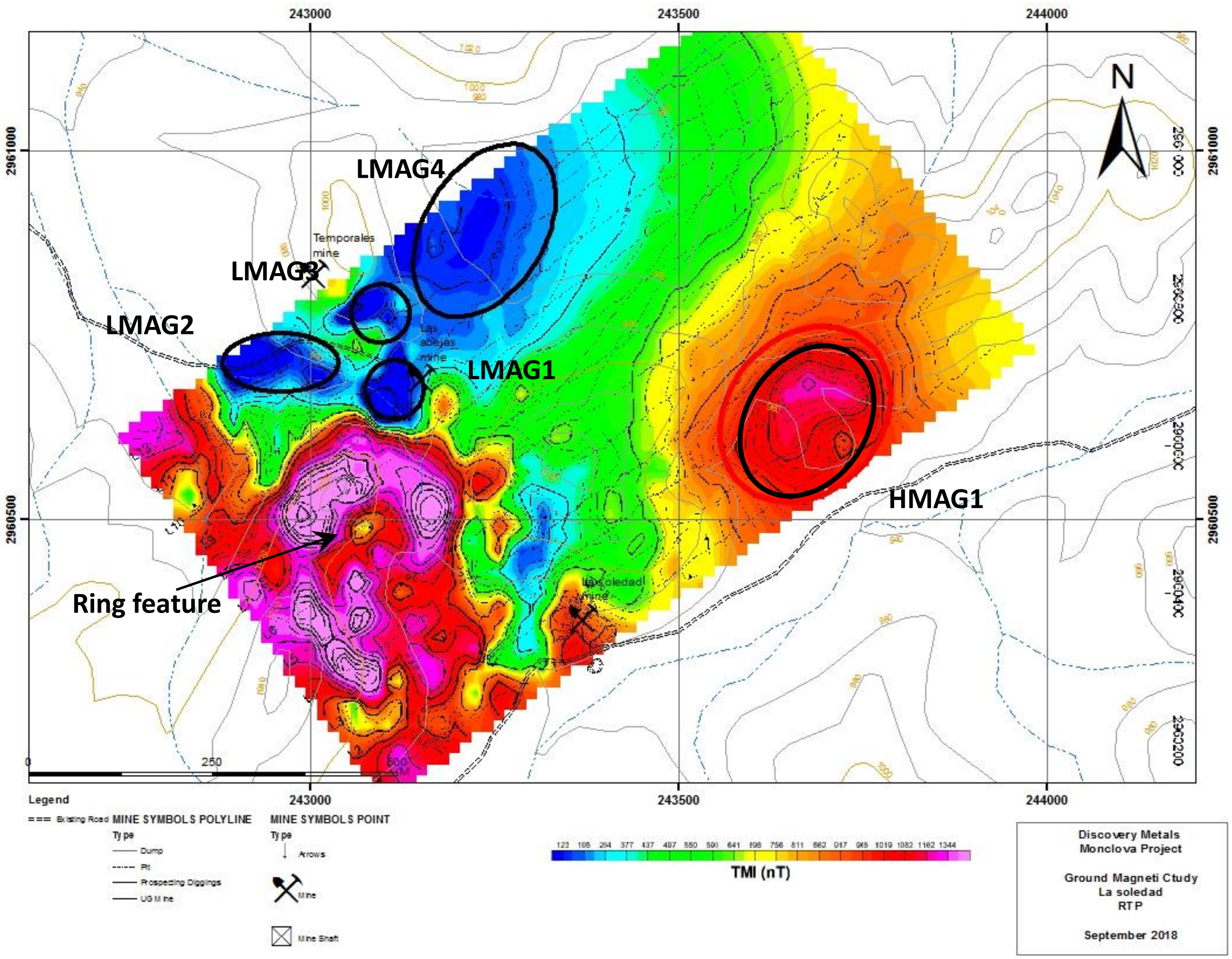



Fig. 39. Results of the ground magnetometer survey for the Soledad area showing total magnetic intensity, reduced to the pole (RTP). Several magnetic lows and highs are present.

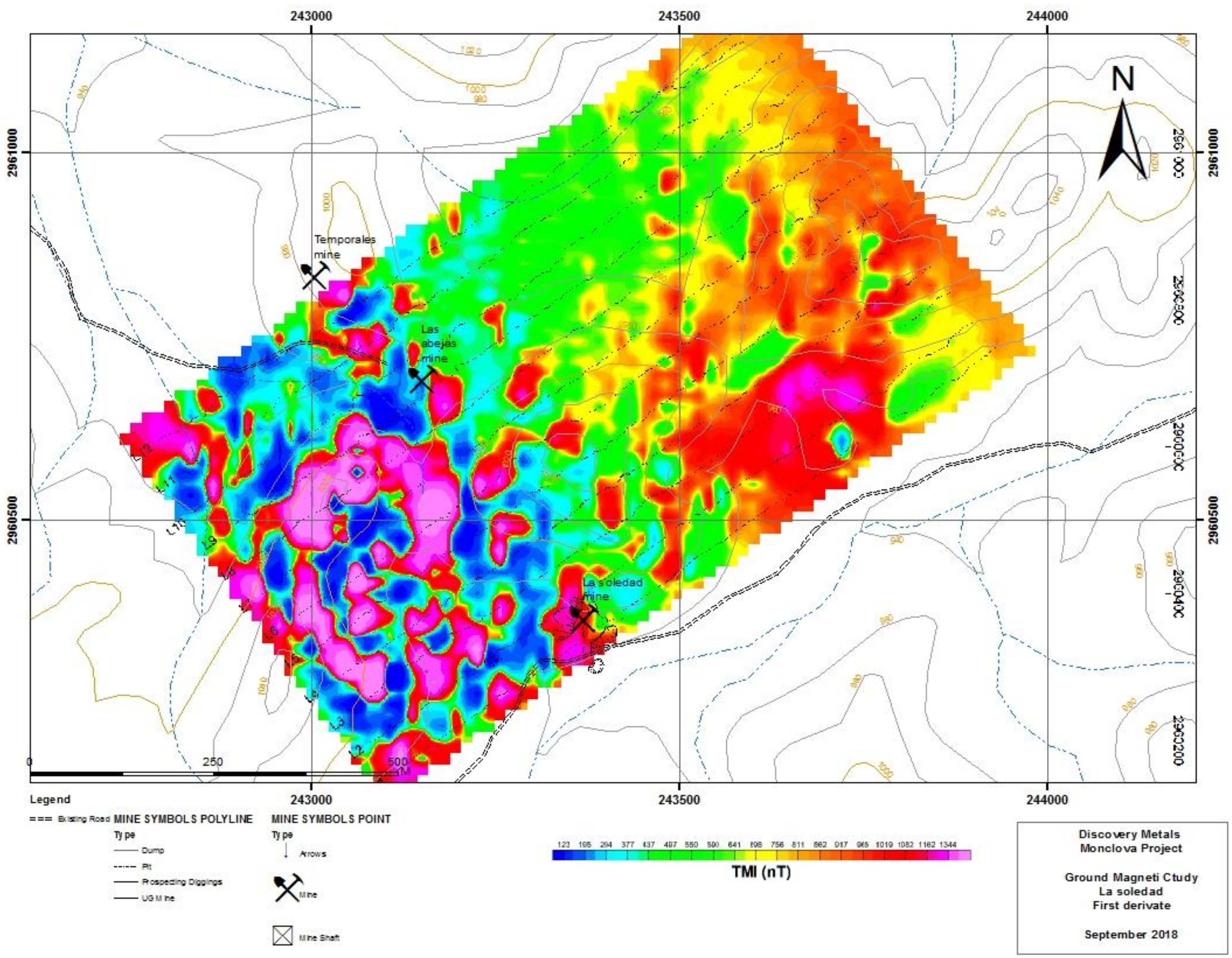



Fig. 40. Results of the ground magnetometer survey for the Soledad area showing the first vertical derivative of RTP.

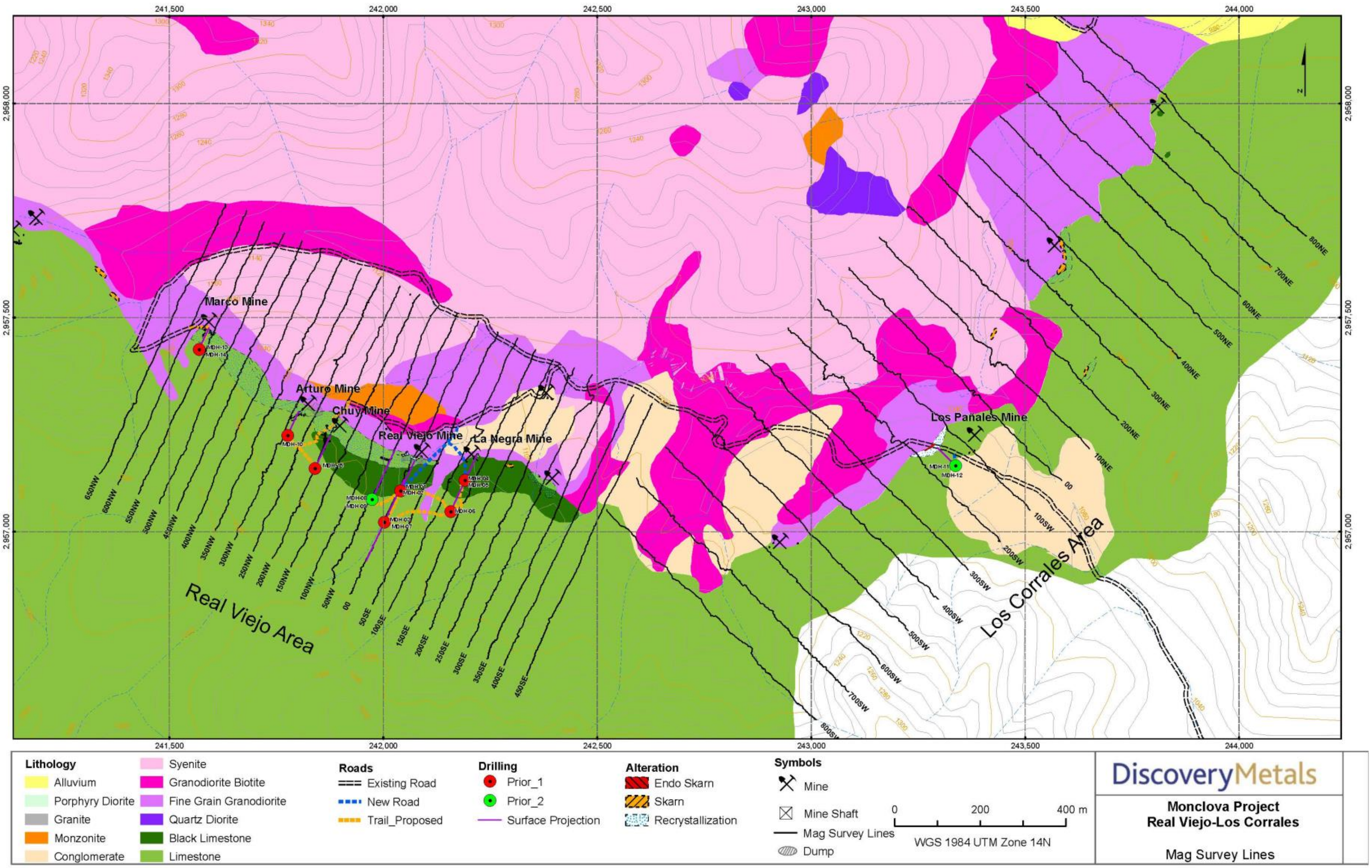



Fig. 41. Geologic map of the Real Viejo and Los Corrales areas with the lines of the ground magnetometer survey.

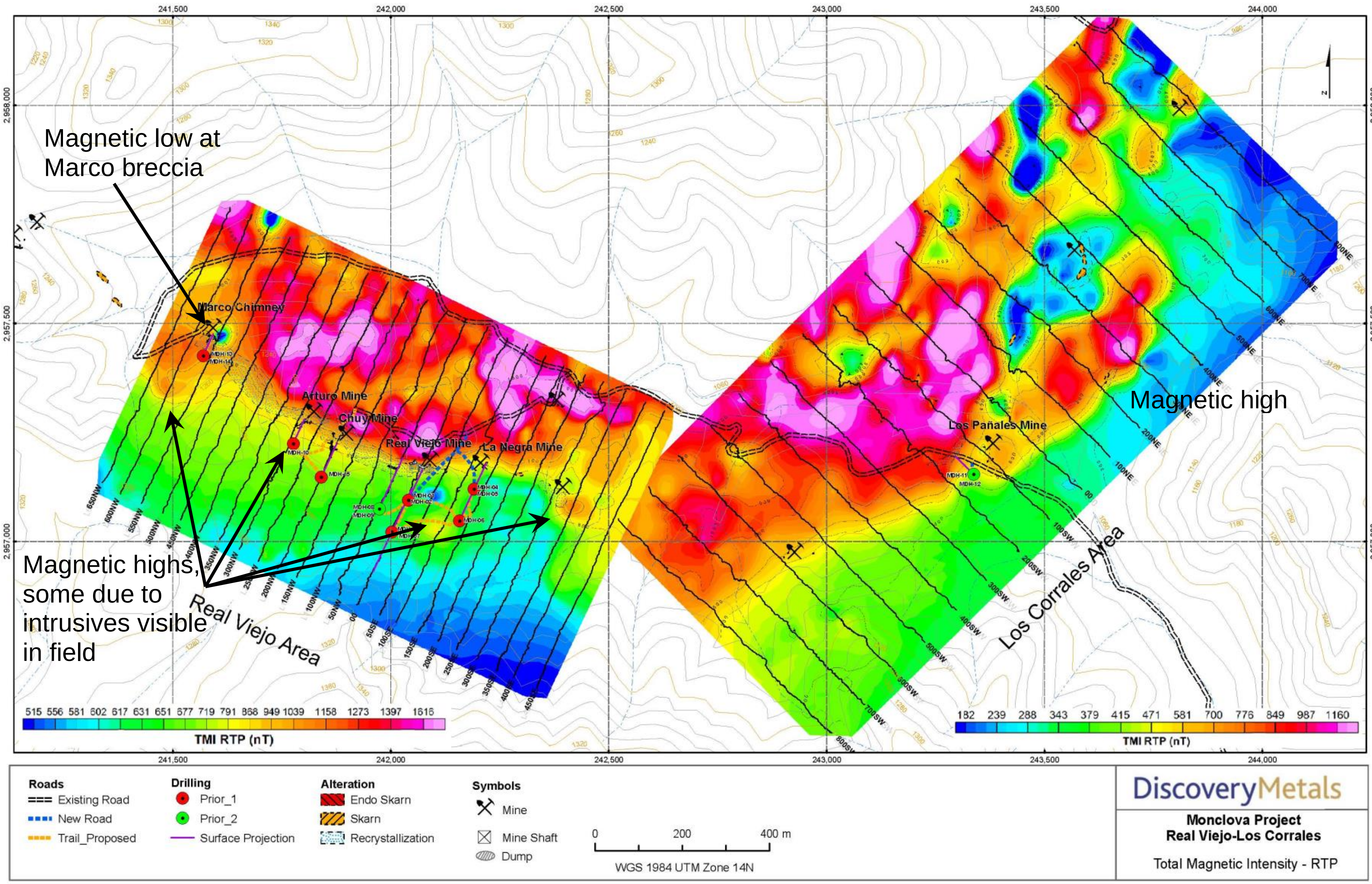



Fig. 42. Results of the ground magnetometer survey for the Real Viejo and Los Corrales areas showing total magnetic intensity, reduced to the pole. Several anomalies are indicated. Planned drill holes from DSV.

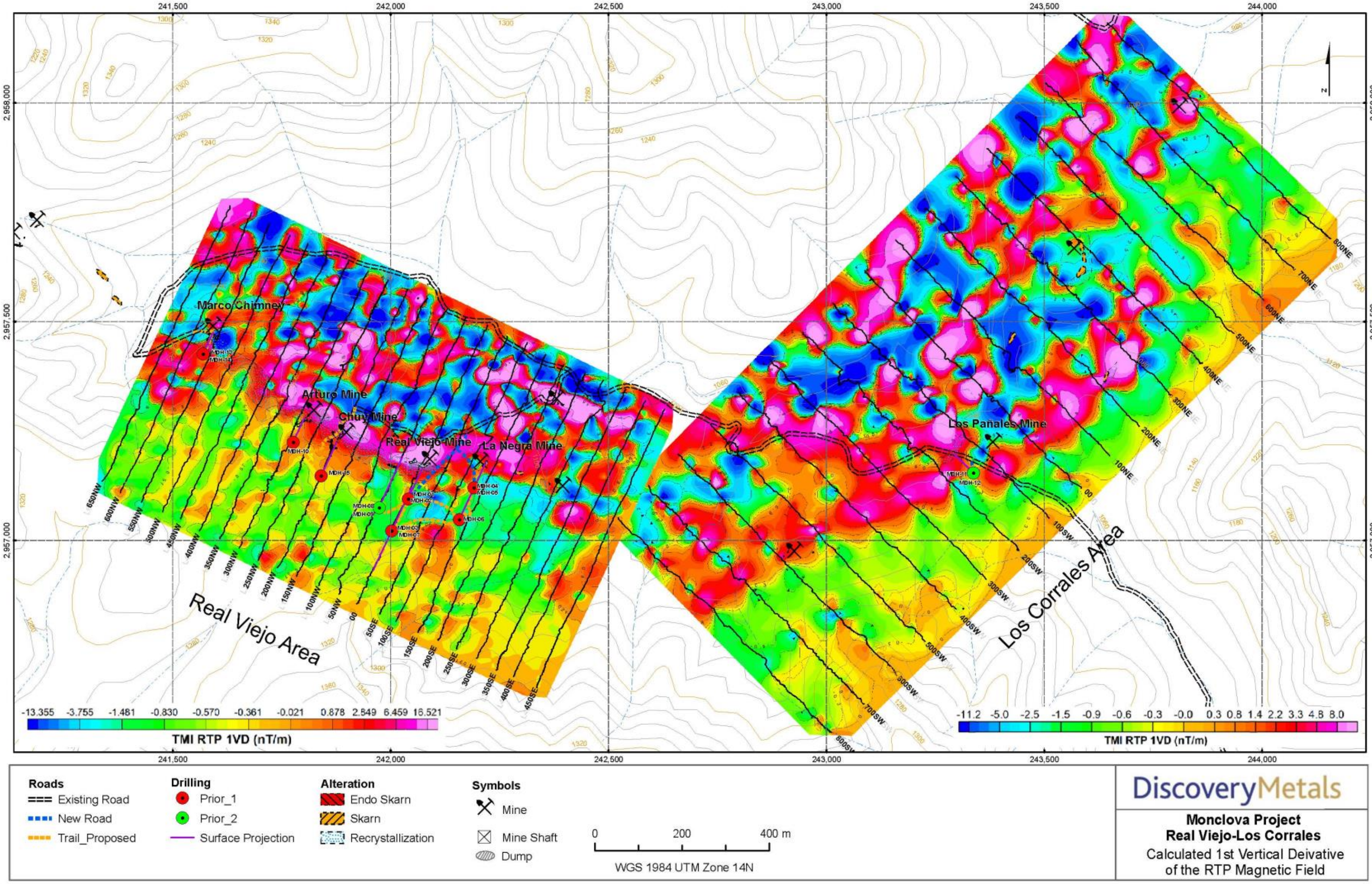



Fig. 43. Results of the ground magnetometer survey for the Real Viejo and Los Corrales areas showing the first vertical derivative of the reduced to the pole magnetic data. Several anomalies are indicated. Planned drill holes from DSV.

## Drilling.

There has been no drilling completed at the project.

The Company has proposed a series of drill holes to test the mineralization identified at the different targets in the Real Viejo and Los Corrales areas. Fig. 44 shows the locations of the holes and surface projection of drill traces on topography with road access and new roads and man portable drill trails that would be required, and Table 4 lists the information for the holes. The drill holes are designed to test the main mineralized targets defined in this area during the exploration program, including the polymetallic replacement mineralization, the Marco breccia and the skarn at Los Corrales. There are no planned holes in other targets.

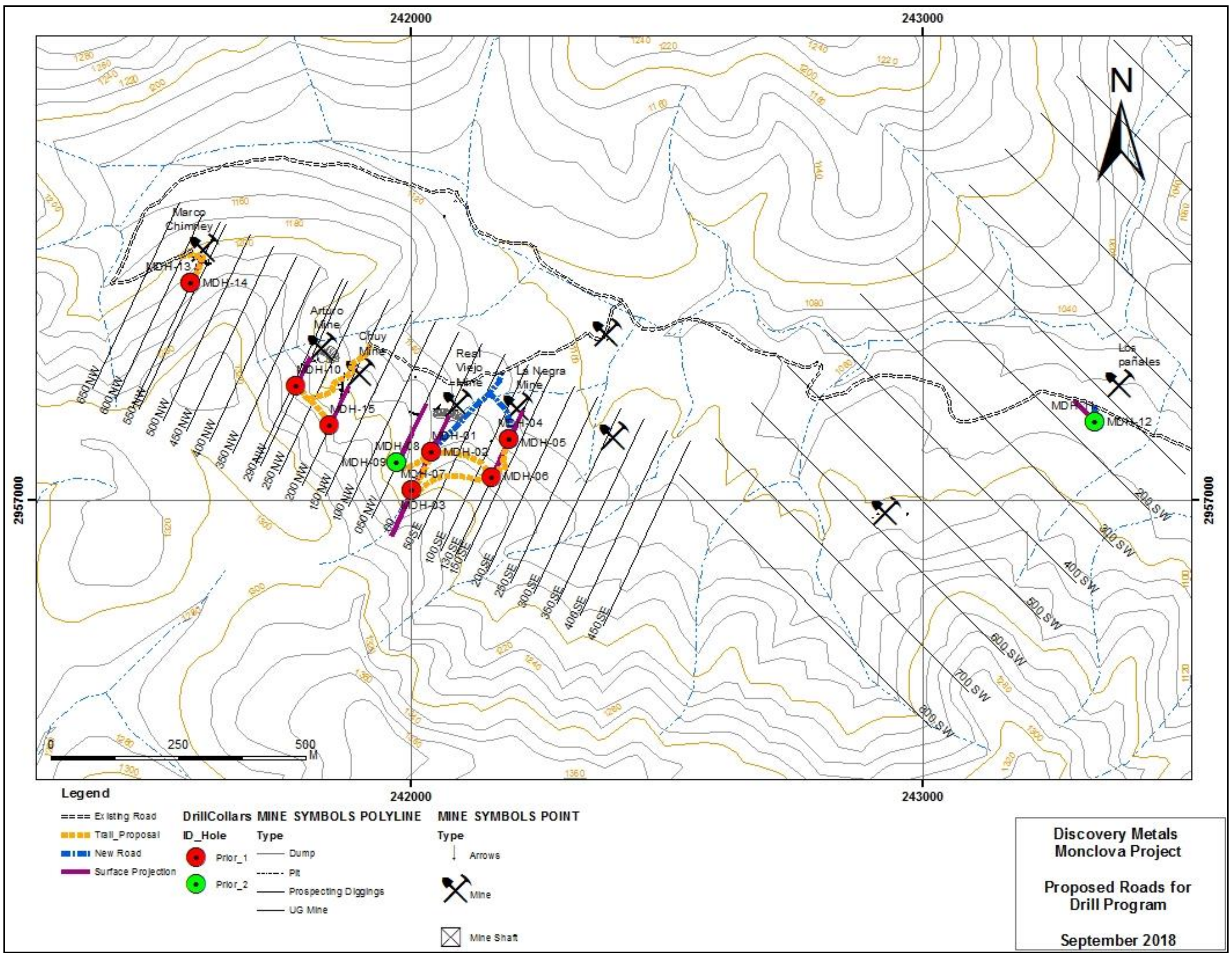


Fig. 44. Planned drill program at the Monclova project, showing road access and drill roads and trails to be constructed in blue and orange, respectively.

Table 4. Proposed drill holes at the Monclova Project

| Proposal Hole | Priority | Section | East_WGS84 | North_Wgs84 | Elevation | Az | Dip | Program_Depth (m) | Area | Objective |
|---|---|---|---|---|---|---|---|---|---|---|
| MDH-01 | 1 | 0 | 242040 | 2957095 | 1187 | 25 | -50 | 120 | Real del viejo | Intercept mineralization zone at 55 meters along dip of structure from surface. Expected True width 08 meters of |
| MDH-02 | 2 | 0 | 242040 | 2957095 | 1187 | 25 | -75 | 170 | Real del viejo | Intercept mineralization zone at 105 meters along dip of structure from surface. Expected True width 08 meters of |
| MDH-03 | 9 | 0 | 242002 | 2957022 | 1212 | 25 | -65 | 260 | Real del viejo | Intercept mineralization zone at 160 meters along dip of structure from surface. Expected True width 08 meters of |
| MDH-04 | 3 | 130 SE | 242191 | 2957120 | 1137 | 25 | -50 | 100 | La Negra mine | Intercept mineralization zone at 40 meters along dip of structure from surface. Expected True width 12 meters of |
| MDH-05 | 4 | 130 SE | 242191 | 2957120 | 1137 | 25 | -80 | 150 | La Negra mine | Intercept mineralization zone at 95 meters along dip of structure from surface. Expected True width 12 meters of |
| MDH-06 | 10 | 130 SE | 242157 | 2957047 | 1170 | 25 | -70 | 230 | La Negra mine | Intercept mineralization zone at 150 meters along dip of structure from surface. Expected True width 12 meters of |
| MDH-07 | | 0 | 242002 | 2957022 | 1212 | 205 | -60 | 200 | Real del viejo | Exploration in the axis of a possible anticline. |
| MDH-08 | | 50 NW | 241973 | 2957075 | 1189 | 25 | -50 | 200 | Real del viejo | Cut mineralized structure at 70 m depth, possible axis of an anticline and the contact bettwen limestones and Hb Gd. |
| MDH-09 | | 50 NW | 241973 | 2957075 | 1189 | 25 | -65 | 210 | Real del viejo | Cut possible axis of an anticline and the contact bettwen limestones and Hb Gd (depends on the results of MDH-08) |
| MDH-10 | 6 | 290 NW | 241776 | 2957225 | 1238 | 25 | -70 | 180 | Arturo Mine | Cut Arturo manto at 60 m depth and the contact bettwen limestones and Hb Gd |
| MDH-11 | | 150 SW | 243337 | 2957154 | 1073 | 315 | -50 | 90 | Los Corrales | Cut Los corrales mineralized skarn zone at 60 m depth |
| MDH-12 | | 150 SW | 243337 | 2957154 | 1073 | 315 | -85 | 120 | Los Corrales | Cut Los corrales mineralized skarn zone at 120m depth |
| MDH-13 | 7 | 550 NW | 241569 | 2957424 | 1230 | 25 | -60 | 110 | Marco Chimney | Cut the Bx at 50 m depth |
| MDH-14 | 8 | 550 NW | 241569 | 2957424 | 1230 | 25 | -80 | 160 | Marco Chimney | Cut the Bx at 100 m depth |
| MDH-15 | 5 | 200NW | 241840 | 2957147 | 1228 | 25 | -65 | 200 | Chuy Mine | Cut Chuy structure at 70 m depth and the contact bettwen limestones and Hb Gd |

## Deposit Types

The mineralization of interest at the Monclova project is generally located at or near the contacts of carbonate sedimentary rocks with the intrusive rock package. Much of the mineralization is hosted in replacement skarns, contact breccias and bedding controlled breccias or mantos, but in some cases structures that cut both sedimentary and intrusive rocks also host mineralization. Contacts between intrusive rocks and the limestone country rock and roof pendants are the main control on mineralization with brecciation an important characteristic. There may be iron-rich skarn mineralization in the district but this does not appear to occur on the Project.

Figures 45 & 46 show schematic models for polymetallic mineralization. Mineralization can occur as proximal skarns at or near the contacts of intrusions with carbonate sedimentary rocks and as more distal mantos hosted by recrystallized and locally silicified or silicated limestone. Structurally controlled replacements and breccia fillings in sedimentary and intrusive rocks and polymetallic veins can also occur, and these deposit types may be related to a porphyry system.

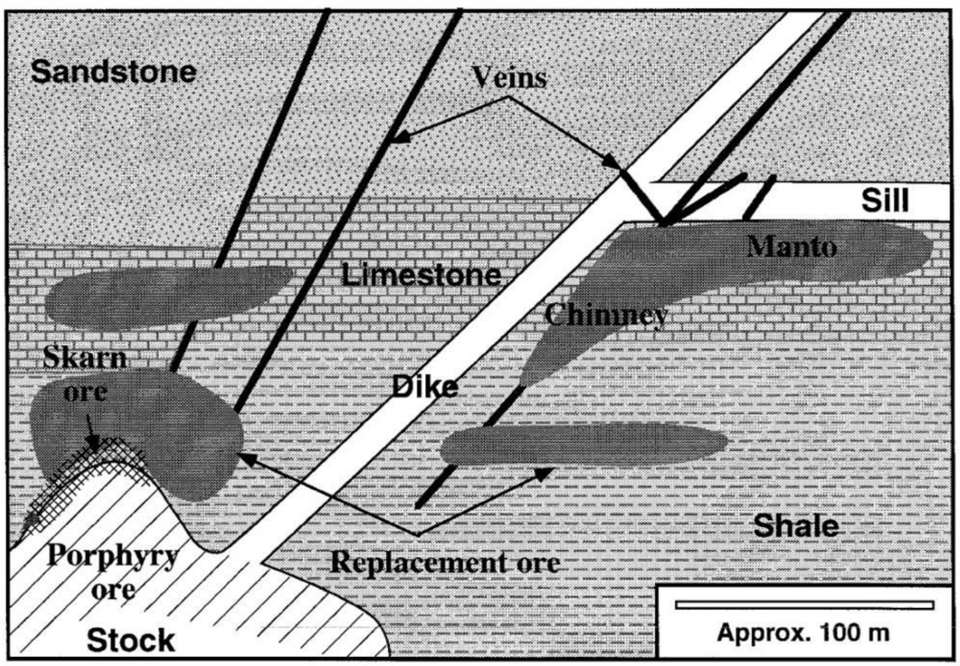



Figure 45. Schematic model for polymetallic mineralization related to intrusions into carbonate rocks and carbonate replacement deposits. Mineralization can range from proximal skarn to distal replacements in sedimentary rocks, and can be hosted at contacts, in receptive layers and or along structures and structural intersections. From Plumlee et al, 1995.

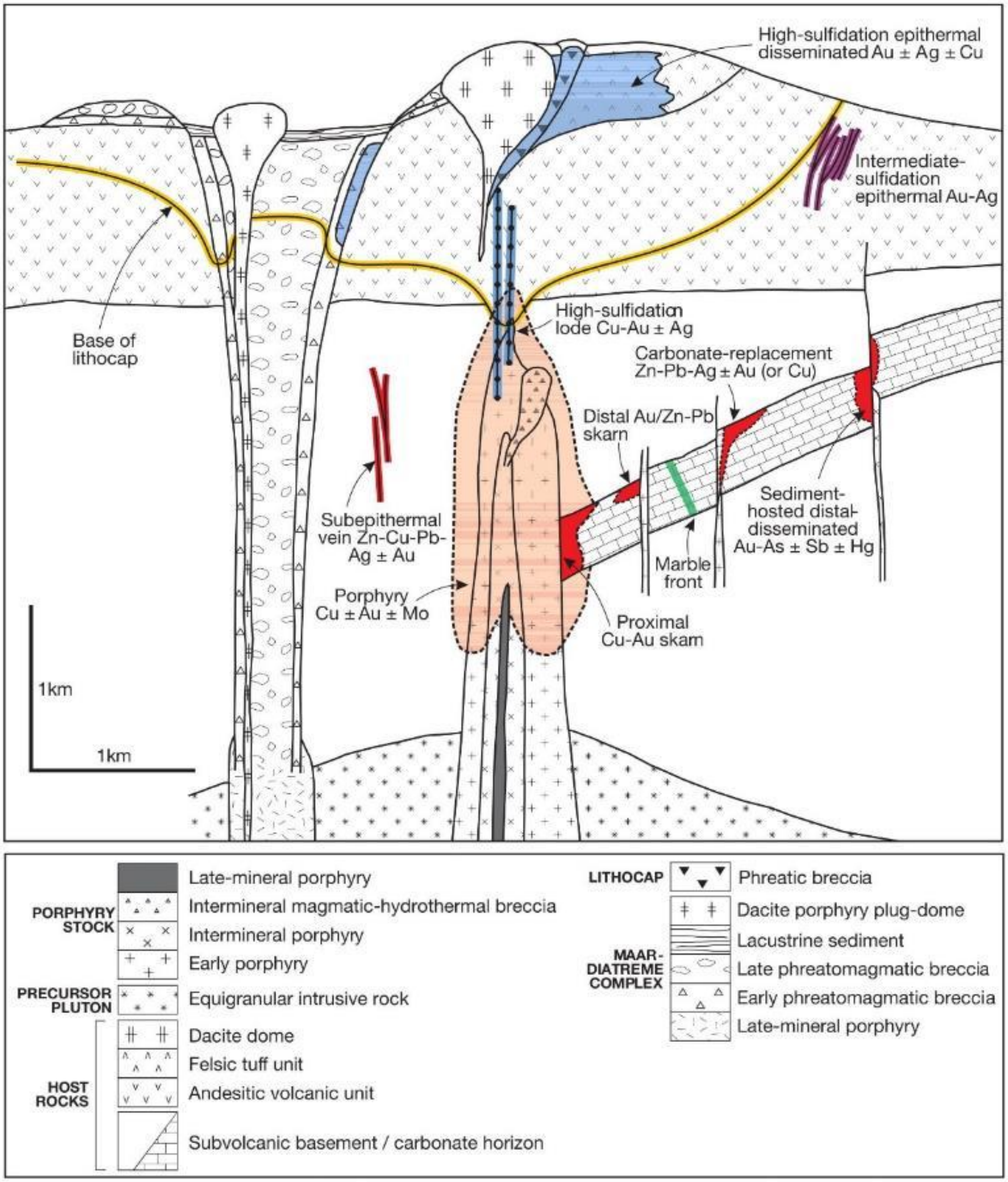



Figure 46. Schematic mineralization model for porphyry systems. The Monclova project ranges from proximal skarn to distal replacements in carbonate, as well as polymetallic veins. After Sillitoe (2010).

**Sample Preparation, Analyses and Security.**

The author was partly responsible for the organization of the technical work at the Monclova project and visited the project twice during the exploration program. Sample security and chain of command procedures followed ProDeMin's protocols and industry standards were followed.

Samples were prepared and analyzed by ALS Global, with preparation at the Zacatecas Lab, and analyses completed at the Vancouver lab. The analytical procedures used were gold by fire assay of a 30 gram aliquot with an AA finish, a multielememt ICP package with a four acid digestion and a standard preparation routine. At the beginning of the program the ICP package used was the ME-ICP61a used for samples expected to have intermediate level metals values. Unfortunately this package has a high detection limit for some of the associated elements that can be useful such as Sb and Bi, and does not include mercury, which can be important in this type of system. Later samples were run with the ME-ICP61m package, with a lower detection limit for indicator elements of interest as well as mercury analyses using MS on a separate agua regia digestion. Samples with more than 100 g/t Ag and 1 % Pb or Zn were rerun using a digestion for higher concentrations. Samples with more than 20% Pb or 30% Zn were run by volumetric analyses, and samples with more than 1,500 g/t Ag were run by fire assay with a gravimetric finish.

**Data Verification.**

Field visits of several days each were made by the author in May and July, 2018. No verification samples were taken by the author, but exposures, sampling results and sampling procedures were reviewed in the field.

A QA/QC program was undertaken during the exploration program and control samples consisting of pulp standards and coarse and fine blanks were inserted into the samples sent to the lab at a rate of about 1 control sample for each 10 field samples and duplicates. Duplicate samples were described as pulp and reject duplicates of the preceding field sample but the protocol for insertion of these was not described and they may have been inserted by the lab contractor during sample preparation under instructions of the Company.

The assay values reported for the control samples are generally within the accepted ranges and no problem with the assays was detected.

**Conclusions and Recommendations.**

The mineralization at the Monclova project is intriguing, and several targets that warrant drill testing have been identified. Two general types of potentially economic mineralization occur: copper-gold mineralization associated with magnetite skarns that is spatially and possibly temporally separate from polymetallic mineralization. The copper-gold mineralization as defined to date occurs with relatively small bodies of magnetite skarn, providing a difficult exploration target unless larger bodies can be found. Some of the occurrences are localized on structures that cut across the main contact zones, but the significance of this is unclear and most seem to be small. The association of copper-gold mineralization with garnet endoskarn is important, and several areas of such skarn mineralization with small occurrences of copper-gold mineralization are present, such as at Soledad, Romulo and Ponciano.

The polymetallic mineralization provides a good exploration target in the Real de Viejo area. Relatively large siliceous bodies with brecciation are located at the intrusive-limestone contact and also in limestone away from the contact, along structures or in mantos. There is road access near some of the workings, but new roads or drill pads will be necessary for a first round drill program. The easiest access is in the area of the La Negra and Real Viejo workings.

An additional type of mineralization, polymetallic veins with epithermal textures, has been recognized at the Teodulo target, but little work has been accomplished to date.

The relative timing and distribution of the different mineralization types is not completely understood, but the geochemical characteristics of each are different. The spatial relationship between the skarn and polymetallic mineralization is also not obvious, but it appears that the polymetallic mineralization formed lateral to and after skarn mineralization, but a zoning relationship is not obvious.

With respect to the polymetallic replacements, it is hosted in what is believed to be the upper Cretaceous stratigraphy, but in general the lower Cretaceous and upper Jurassic stratigraphy is more favorable for mineralization in other areas in Northeast Mexico. These units may occur at depth, although it is not clear whether the Jurassic rocks formed in this part of Mexico due to the control of Mesozoic basins on the distribution of the sedimentary rocks.

Mineralization model

The mineralization of most interest to DSV at the Monclova project has been the silver rich polymetallic mineralization that occurs at the Real Viejo area. Figure 47 shows a schematic cross section as a model for mineralization in the Real de Viejo polymetallic area by the field crew at the project. Mineralization occurs as silicified limestone and epithermal style siliceous breccias at the contact of limestone with intrusive units and along bedding in the limestone. It is hypothesized that the mineralization may improve in lower Cretaceous units that are the main host rocks for mineralization in many districts in northwest Mexico. Upper Jurassic units are also favorable for mineralization, but it is unclear whether these formed in this region as it may have been emergent during the Jurassic.

The relationship between early skarn-magnetite with associated Fe-Cu-Au mineralization and apparently later Ag-Pb-Zn replacement-breccia mineralization is unclear. The latter type may be a type of retrograde event or may have formed due to lateral zoning, as the two types of mineralization do not seem to occur together. The minor element signatures of the two types of mineralization is distinct, with low As and Sb in the skarn related mineralization and high As, Sb, and Hg as well as Mo in the polymetallic mineralization. It is interesting that the S content is low in all area except for the Mark breccia (Table 3). The polymetallic vein mineralization also has distinct geochemical characteristics.

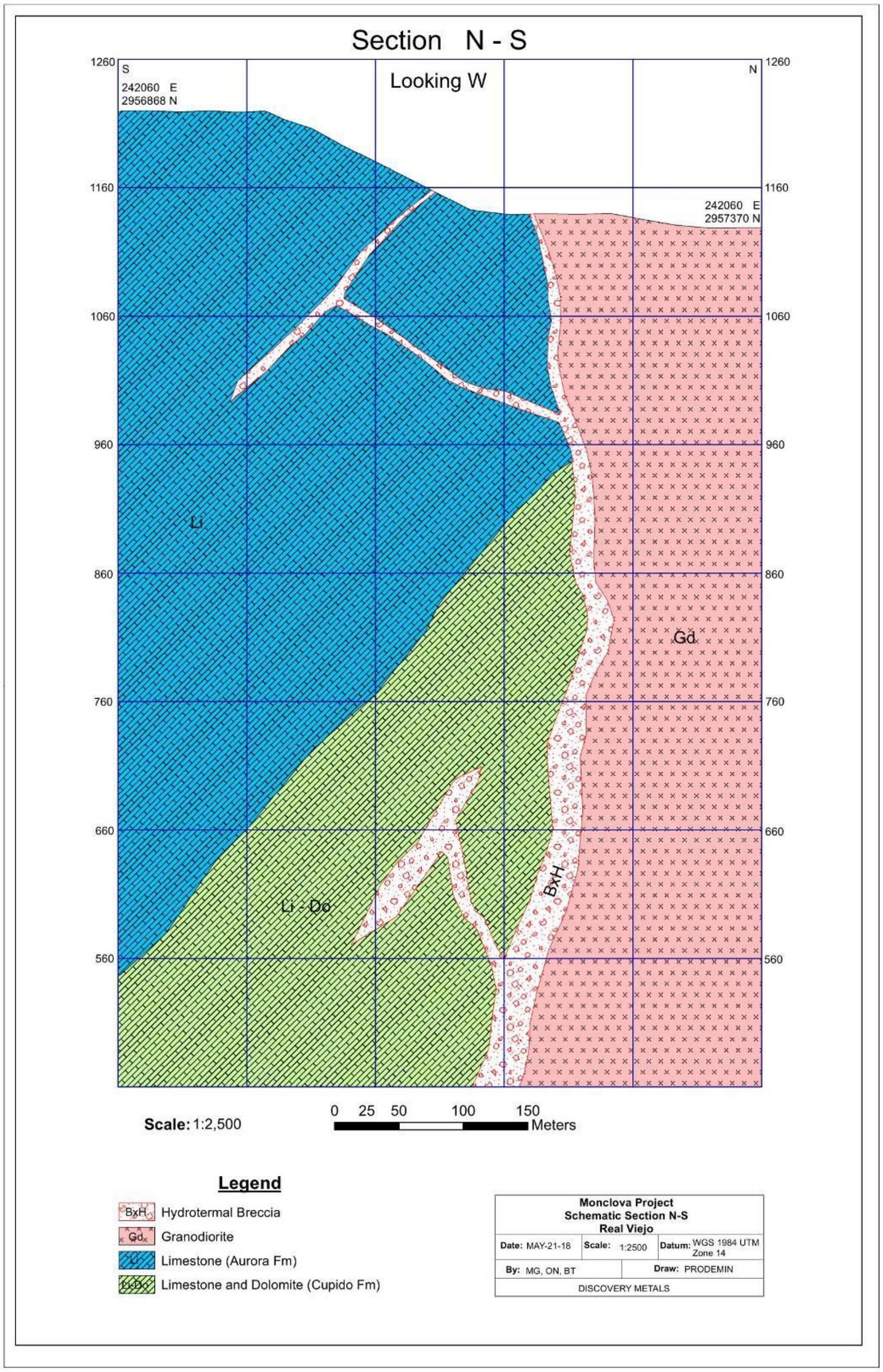



Fig. 47. Schematic cross section of polymetallic mineralization at the Real Viejo area.

Recommendations:

Based on the work completed to date, several recommendations can be made.

The Cu-Au skarn mineralization could be an important target and should be incorporated into the continued exploration program.

- Ground magnetic surveys in the Romulo and Ponciano areas should be completed, possibly combined with an IP survey (Fig. 48).
- Three or four 500-750 meter lines should be sufficient to test the Romulo area for hidden mineralization.
- A few short lines could be completed at Ponciano just to test for a larger hidden body, but this is a secondary target.
- Further exploration is warranted along the eastern contact zone where skarn with some Cu and Au values has been mapped between the Soledad pit and the Romulo area, although this work could be delayed until further exploration at the other targets is completed.

Drilling of the Soledad area, and possibly Romulo and Ponciano, should be considered (Fig. 49).

- At Soledad, an initial two hole program could be completed to test the gold mineralization defined by the SGM. This could be completed on existing roads and in disturbed areas. An additional hole in the magnetic high defined in the ground magnetometer survey should also be considered.
- Planning of drill holes at Ponciano and Romulo could await the results of the geophysical surveys but preliminary proposed sites are shown in Fig. 49.

Drilling at the Real Viejo area might best be undertaken with an initial program that includes few new roads might be preferable due to difficulty in constructing roads in thick bedded limestone with significant relief.

- Access to proposed drill sites at the La Negra and Real Viejo areas is relatively simple (Fig. 44), but some of the access roads for proposed sites at Arturo and Chuy as well as Mark may be more difficult.
- The Mark target could be drilled from the existing road to the adit to evaluate the form and continuity of the mineralization as a first pass effort as it may be difficult to build a road in the steep terrane and limestone in this area (Fig. 44).

Further work should be carried out in the Teodulo target to better define it and lay out some possible drill holes.

The SGM data should be added to the Project database and maps and cross-sections should be completed in the areas where they have not been completed such as Romulo and Ponciano.

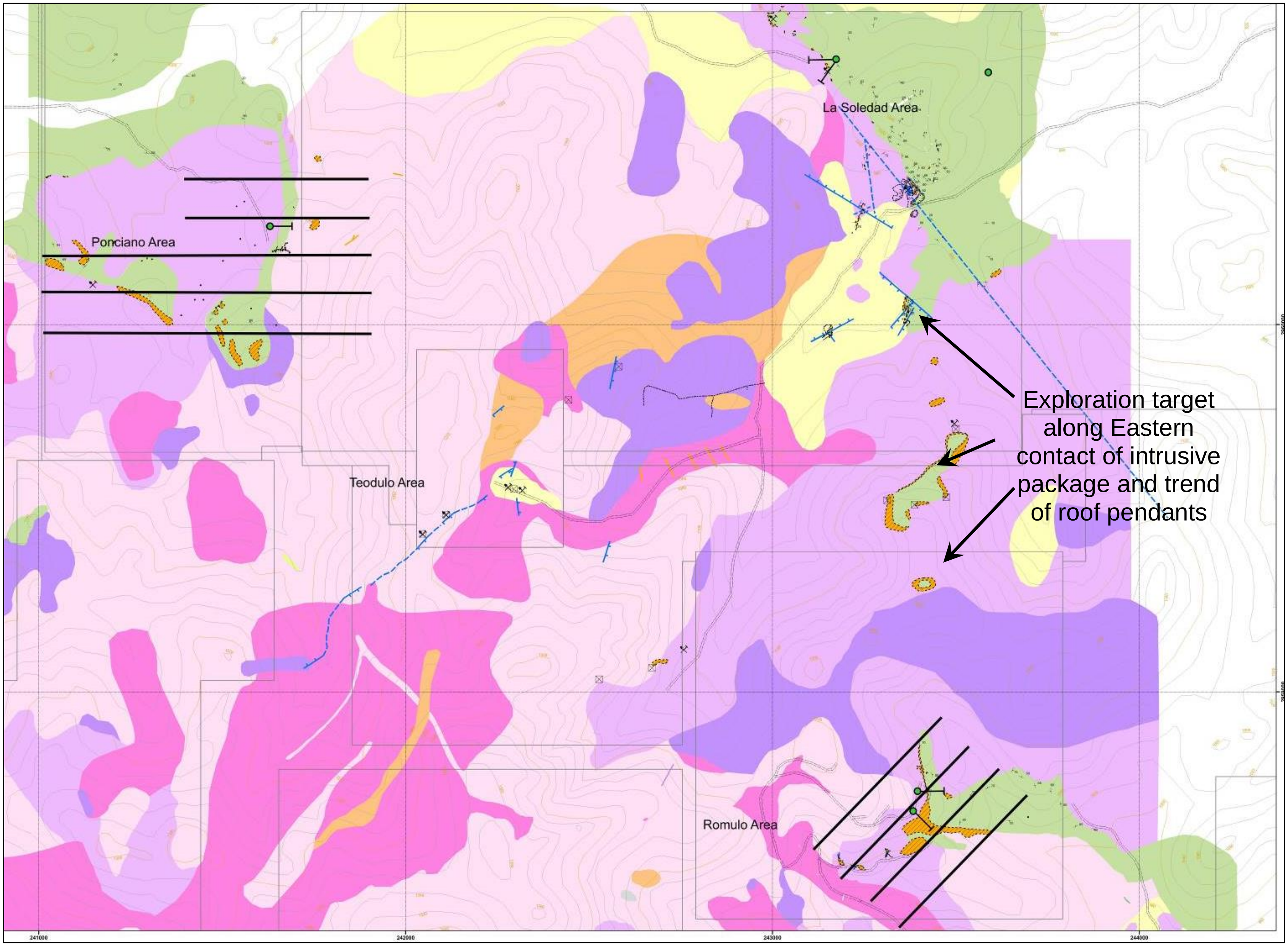



Fig. 48. Proposed ground magnetometer and possible E-M lines for Romulo and Ponciano areas.
Some possible drill holes are also shown with green dots with traces.

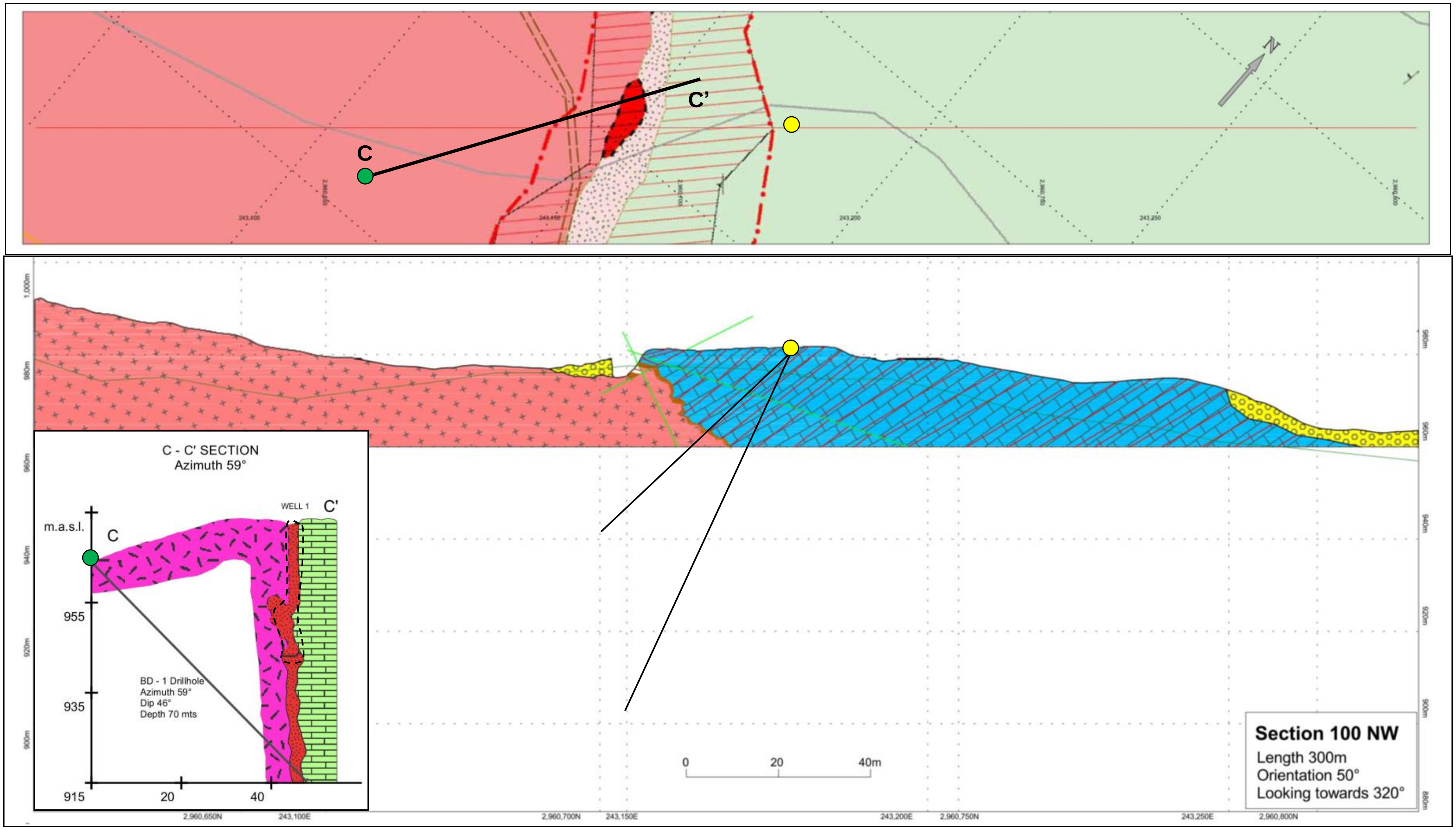



Fig. 49. Proposed drilling of the El Cobre gold target defined by the SGM at the Soledad area. Cross section through the working with 7 g/t Au in a sample taken by DSV. The inset shows the SGM interpretation, with the mine working shown as vertical. The approximate location of the section in the inset is shown on the plan map strip above the cross section. Drilling from the limestone side of the contact is recommended and will cut the structure if vertical and also if it dips to the northeast. The drill hole collar proposed by the SGM is indicated by a green dot and those recommended here are indicated with a yellow dot.

A stream sediment sampling program around the project would be useful to explore for unknown areas of polymetallic mineralization that can be distinguished based on the distinct minor element signature (Fig. 50). The existing data from the SGM should be added to the database, but this data has poor coverage for much of the area except to the north (Fig. 51). The sampling proposed for the Real Viejo arroyo is more closely spaced as an orientation survey to provide data on the geochemical response of the known mineralization as well as to explore the surrounding areas mainly in the intrusive rocks where some mine dumps are visible (Fig. 52).

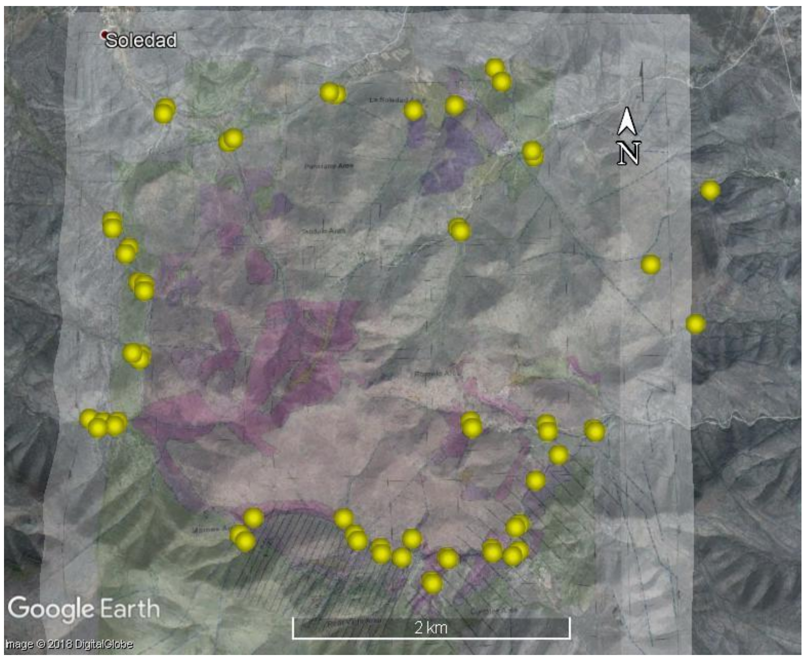



Fig. 50. Google Earth image with DSV geology and proposed stream sediment samples.

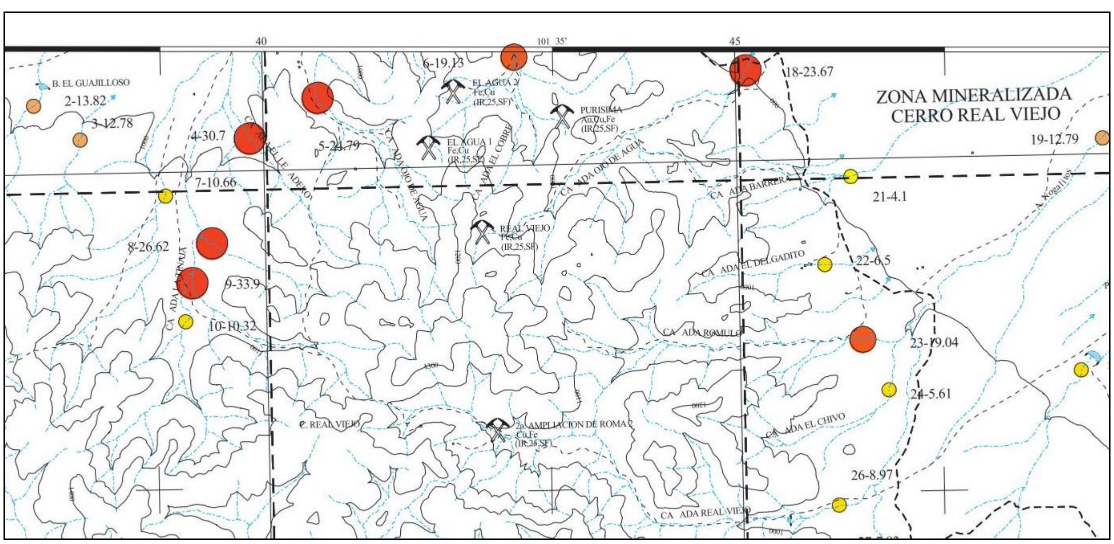



Fig. 51. Copper geochemistry in stream sediment samples by the SGM.

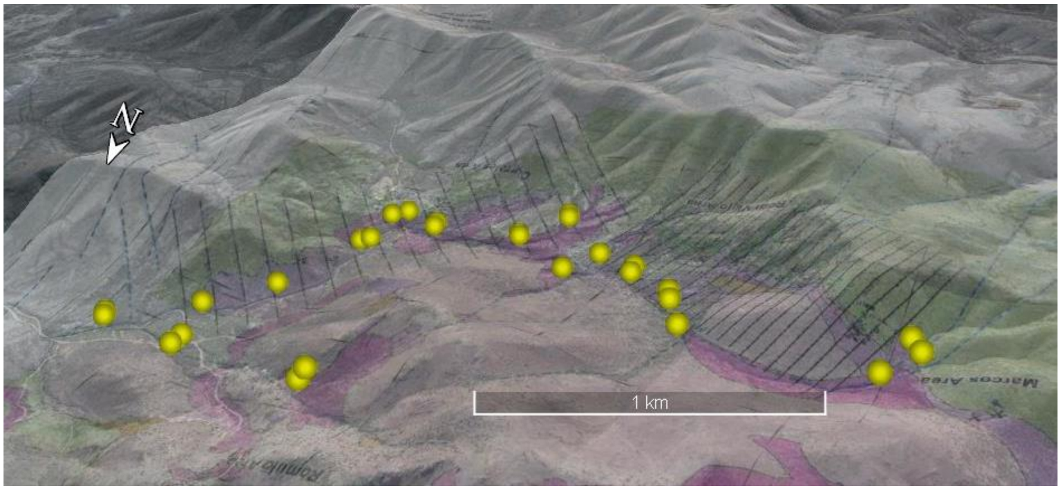



Fig. 52. Oblique view of proposed stream sediment sampling, Real Viejo arroyo.

Respectfully submitted,

Craig Gibson
**Technical Director**

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The Project database provided by DVS was used for this report along with the following:

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