Orex Minerals Inc.

Sandra Escobar Project Technical Report, Boleras Mineral Resource Estimate

December 2016

Orex Minerals Inc.
Sandra Escobar Project Technical Report, Boleras Mineral Resource Estimate, December 2016

Durango, Mexico

Report by:

John Michael Collins, P.Geo.
Andrew Fowler, MAusIMM CP(Geo)
Sean Butler, P.Geo.

For:

Orex Minerals Inc.
Suite 1130 - 1055 W. Hastings Street
Vancouver, BC Canada V6E 2E9

and

Canasil Resources Inc.
1760 - 750 West Pender Street,
Vancouver, BC, Canada V6C 2T8

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Boleras Mineral Resource Estimate,
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Photo on the cover is of the hill at the Boleras zone

CERTIFICATES

CERTIFICATE OF AUTHOR

I, John Michael William Collins, P.Geo., do hereby certify that:

1. I am currently employed as Manager North American Operations by: Mining Plus Canada Consulting Ltd., 440 - 580 Hornby St., Vancouver, BC, Canada.
2. I am a graduate of the University of Dalhousie and received a Bachelor of Science degree with Honours in Earth Sciences in 1996.
3. I am a Registered Professional Geologist in the provinces of Ontario (No. 0828) and British Columbia (No. 38766), Canada.
4. I have worked in exploration geology and project management for 15 years. I have worked as a consulting geologist for companies for 11years and for Mining Plus Canada Inc. for 3 years.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am jointly responsible for Sections 1 to 13 and parts of 25 and 26 of the report titled "Orex Minerals Inc., Sandra Escobar Project Technical Report, Boleras Mineral Resource Estimate, December 2016" dated December 1, 2016 (the "Technical Report").
7. As of the effective date of the Technical Report, October 25, 2016, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information required to be disclosed to make the report not misleading.
8. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
9. I am independent of Orex Minerals Inc. applying all of the tests in section 1.5 of NI 43-101.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.
11. I visited the Sandra Property on May 13, 2016.

Dated December 1, 2016.

"Signed and Sealed"

John Michael William Collins P.Geo.

CERTIFICATE OF AUTHOR

I, Andrew Fowler PhD, MAusIMM CP(Geo), do hereby certify that:

1. I am currently employed as Principal Geological Consultant by: Mining Plus Peru Consulting Ltd., Calle Recavarren 111, of 505 Miraflores, Lima 18 PERU.
2. I am a graduate of the University of Melbourne majoring in Geology (Ph.D., 2004).
3. I am a Chartered Professional in the discipline of Geology and a registered member in good standing of the Australasian Institute of Mining and Metallurgy. MAusIMM CP(Geo) membership number: 301401.
4. I have practiced my profession continuously since November 2004. My relevant experience includes two years as Exploration Geologist with a junior greenfields explorer, Mithril Resources; two years as Project Geologist/Head Geologist with an operating underground gold-antimony mine operated by AGD Operations; and eight years as a Senior Geologist with AMC Consultants Pty Ltd.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for Section14, and the relevant parts of sections 1 and 26 of the report titled "Sandra Escobar Project Technical Report, Boleras Mineral Resource Estimate" dated December 1, 2016 (the "Technical Report").
7. As of the effective date of the Technical Report, October 25, 2016, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information required to be disclosed to make the report not misleading.
8. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
9. I am independent of Orex Minerals Inc. applying all of the tests in section 1.5 of NI 43-101.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.
11. I have not visited the Sandra Property nor have I had any prior involvement with the Property.

Dated December 1, 2016.

"Signed"

Andrew Fowler PhD, MAusIMM, CP(Geo)

CERTIFICATE OF AUTHOR

I Sean P. Butler, P.Geo., do hereby certify that:

1. I am currently employed as a Senior Geology Consultant by Mining Plus Canada Consulting Ltd., Suite 440 - 580 Hornby St., Vancouver, BC, V6C 3B6.
2. I am a graduate in 1982 with a Bachelor of Science, in Geology from the University of British Columbia.
3. My professional affiliation is member of the Association of Professional Engineers and Geoscientists of British Columbia, Canada, Professional Geoscientist (No. 19,233).
4. I have been professionally active in the mining industry for approximately 25 years since graduation from university. I have worked extensively exploring for both base and precious metals from early stage programs up to advanced underground exploration and mining.
5. I have not visited the Sandra Escobar property.
6. I am jointly responsible for Sections 1 to 13 and 15 to 27, of the report titled “Orex Minerals Inc., Sandra Escobar Project Technical Report, Boleras Mineral Resource Estimate, December 2016” dated December 1, 2016 (the "Technical Report").
7. I am independent of Orex Minerals Inc. applying all of the tests in section 1.5 of NI 43-101.
8. I have no prior involvement with the property that is the subject of this Technical Report.
9. I have read NI 43-101 and Form 43-101-F1, and the Technical Report has been prepared in compliance with that instrument and form.
10. As of the effective date of the Technical Report, to the best of the my knowledge, information and belief, this Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
11. I have read the definition of "qualified person" set out in National Instrument 43-101 and certify that by reason of my education, affiliation with a professional association and past relevant work experience, I fulfil the requirements to be a "qualified person" for the purposes of NI 43-101.
12. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated December 1st, 2016.

“Signed and Sealed”

Sean P. Butler, P.Geo.

EXECUTIVE SUMMARY

At the request of Ben Whiting, Vice President – Exploration for Orex Minerals Inc. (Orex) Mining Plus (MP) has prepared a National Instrument 43-101 compliant technical report on the Sandra Escobar project in Durango State, Mexico. The purpose of the report is to determine and document the estimated grade and tonnage of the metal mineralization at the Sandra Escobar project, Durango, Mexico within the Boleras zone.

Mr. John Michael William Collins, P.Geo. visited the Sandra Escobar project on May 13, 2016 in the company of Ben Whiting, Dale Brittliffe and Rob van Egmond and others of Orex Minerals. He had access to all areas on the property. Multiple aspects of the project were reviewed for completeness, meeting industry standards and relevance to the Boleras deposit mineral resource estimate process.

The Sandra Escobar project is located in Durango State, Mexico. It is located about 40 kilometres north of Santa Catarina de Tepehuanes, near the town of Cienega de Escobar. The total area of the concessions in the Sandra property is 6,333 hectares. The coordinates of 25° 37" north and 105° 40' west, using Datum WGS84 is located near the drilling completed recently in the Boleras area.

The Sandra Escobar project consists of two adjoining projects; the Sandra project which is 100% owned by Canasil was located by paper application with the Mexican government, the Escobar project is 40% owned by Canasil. The Canasil ownership rights are maintained through its Mexican subsidiary Minera Canasil SA de CV. Orex operates in Mexico under its local subsidiary OVI Exploration de Mexico SA de CV.

The Sandra concessions are subject to an option agreement between Canasil Resources Inc. and Orex Minerals Inc. dated September 15, 2015. Orex can earn up to 55% of Canasil's interests in the Sandra Escobar project by making staged cash payments and completing staged exploration expenditures in the first three years. Once Orex has earned its 55% in the project Orex can earn a further 10% (totalling 65%) by further expenditures and payments. Totals of CAD$1 million in cash/share payments and US$4 million expenditures will be required in the first five years to earn the 65%. When Orex has earned 65% in the project it will be run as a joint venture of Canasil and Orex.

Exploration agreements are in place with Ejido Boleras y Pitorreal and with Ejido Escobar y Anexos with respect to the eastern and central parts of the Sandra claims. Negotiation has not been completed for agreement to allow exploration activities on the western side of the Sandra property (part of the Ejido Cienega de Escobar lands).

The Sandra Escobar project is accessed by paved Federal Highways 45 and 23 from the city of Durango for 172 km to Santiago Papasquiaro. A further 77 km of driving on Highway 23 arrives at the town of Cienega de Escobar. The final six km is along concrete paved road towards Santa Maria del Oro with final access to various parts of the project by local unpaved ranch and logging roads.

The region has a semi-arid climate that is generally warm and temperate with July to November being the rainy season with some rain into January possible and occasionally snow between December and February. Annual average precipitation in Cienega de Escobar is about 600 mm.

The region has national grid electrical, telephone and internet services along with paved highways to parts of the property. There is adequate water locally for exploration drilling. Water for future mine operations is locally available but regulatory issues may slow permitting. There are several communities nearby available to provide unskilled staff and the region has multiple operating and historically operating mines, so the supplies, equipment and skilled staff are regionally available for exploration and mining.

The Sandra Escobar project is within the Eastern Sierra Madre Occidental physiographic region. The project area is mountainous with elevations between about 2,000 and 2,500 MASL. The vegetation locally is scrub pine and occasional oak.

The history of mining in the region is generally to the north of the current area of focus. The La Candelaria vein was mined of 25,000 tonnes in 1998 from the San Francisco Mine and direct shipped to the smelter. The property was explored in 1997 by La Cuesta International Inc. with further work by Crown Resources Corp. was completed in 1998. Minera Hecla SA de CV collected samples in 1999 as part of a property review. In 2002, Luismin collected 25 chip samples. In 2001 Plata Panamericana, SA de CV located 400 Ha at Cerro Rojo and found three veins in 2002.

In 2005 Canasil located the Sandra concessions by registration with the government. Canasil has since done several campaigns of exploration. In 2006 these included samples from veins, float, dumps and altered rock areas as well as stream sediment samples to zero in on the more prospective areas of the Sandra project.

In early 2011 a ZTEM helicopter based airborne was completed on a 420 kilometre long grid. The first phase of diamond drilling in 11 holes totalling 1,849 metres was done in 2011.

In 2012 Canasil completed an ASTER satellite imagery survey of the project. This study looked at the mineral alteration of the property and uncovered a strong central linear structure that included the Boleras area. This was followed up by an 11.8 line kilometre in five lines Induced Polarization survey focused on the ZTEM airborne anomalous area.

The expenditures by Canasil to earn the 51% of the Escobar group were completed in 2012. Plata Panamericana elected to exercise the request for a full 100% buy out or reduction of Canasil's ownership to 40% interest in the Escobar property. Canasil retains a 40% interest in Escobar.

The regional geology of northwest Durango State is primarily extensive volcanic formations that form a large region of rhyolitic ignimbrite and tuff. The volcanic zones have been divided into an early, Lower Volcanic Group (LVG) which is primarily intermediate composition volcanic and volcaniclastic rocks and a later (Oligocene), Upper Volcanic Group (UVG) consisting of acid volcanic rocks of primarily Oligocene age and intruded by the Tertiary aged units.

The mineralisation and alteration are assumed to be related to a buried intrusive unit not seen. Argillic and locally propylitic alteration has bleached the rocks at Sandra Escobar. The porphyritic dacite has caused the development of a pervasive fabric in the region.

Four superimposed hydrothermal events have been recognised due to high relief and resistive weathering representing a possible gold-enriched porphyry-epithermal transition zone. The potential size of the exploration area could be up to ten square kilometres, including the intrusive zone of Cerro Rojo and the peripheral veins. Mineralization related to the Escobar intrusive includes:

- Flat-lying to gently dipping, stratiform, disseminated silver mineralisation formed preferentially in the interstitial pores of a tuffaceous unit
- Gold-silver rich, quartz-barite veins containing galena-sphalerite-tetrahedrite?-pyrargyrite-gold-acanthite (Pb-Zn-Au-Ag-Sb-Cu-Cd-Hg±Te)
- Porphyry-style Cu-Au stage consisting of pervasive potassic alteration
- Structurally controlled, auriferous quartz-barite-pyrite veins
- Brecciation of the porphyritic dacite and lower rhyolite rocks developing local veins due to microfraturing and brecciation
- Unmineralised, advanced-argillic alteration

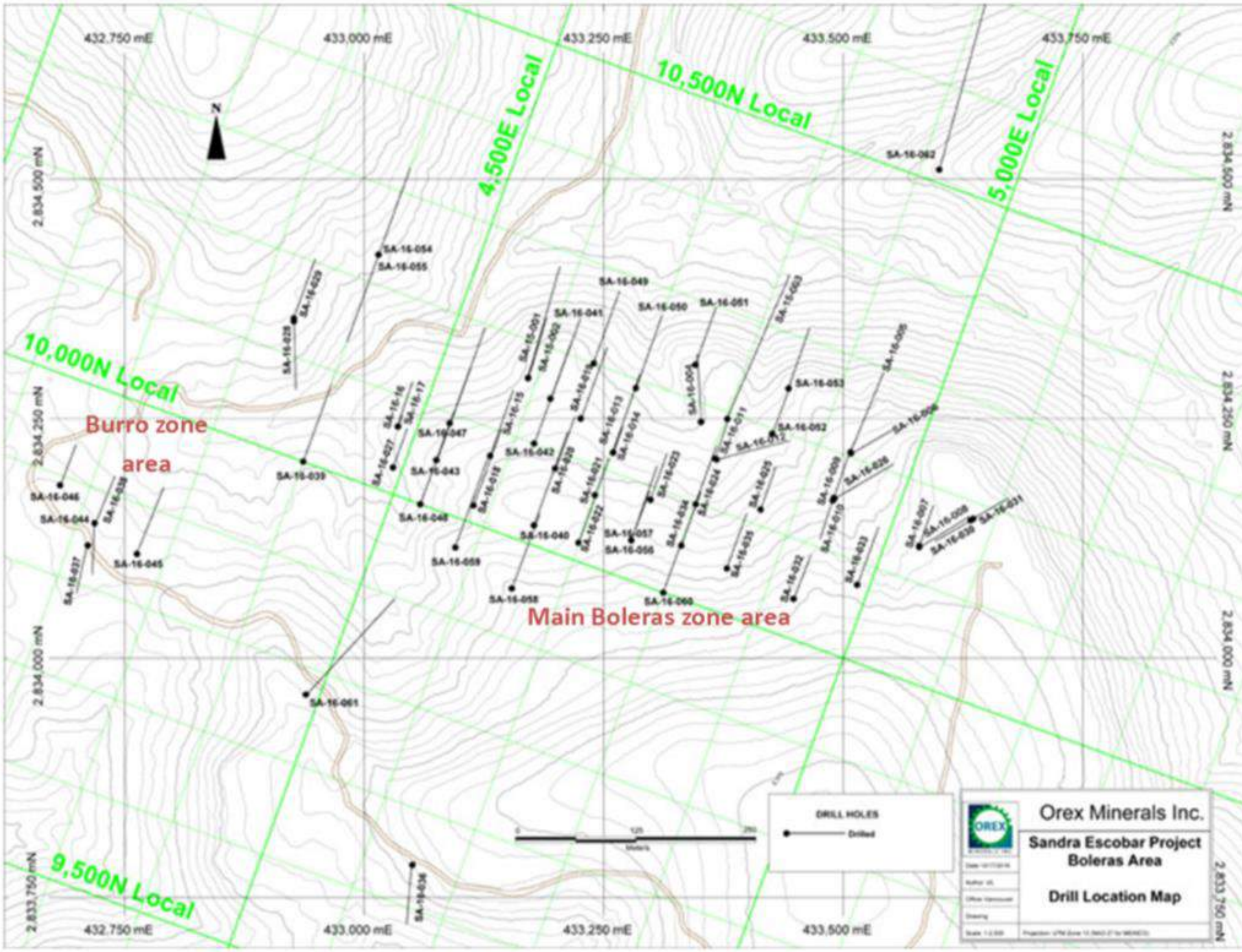
The veins on and in the region of the Sandra Escobar project have the characteristics of a low sulfidation epithermal vein system. They occur in a region characterised by numerous, high silver-grade intermediate sulfidation epithermal vein systems. The area around and in the Boleras zone is seen as an epithermal vein and stockwork system having some of the mineralising fluids leaked out of the veins into a porous tuffaceous unit and flooded the pores in the tuff, leaving native silver, silver salts (possibly secondary to native silver) and minor base metals interstitial in the pore cavities, veins and stockworks. The development of fractures and faults within the tuff has allowed the free flow of fluids into much of the flat lying to gently dipping tuffaceous unit. These fractured areas in the tuff are the location of the higher grade zones.

In October 2015, Orex collected 11 representative rock chip samples and one composite mine workings dump sample from workings in the Boleras target area. These samples were sent to SGS Mineral Services of Durango for analysis. Two samples came back with greater than 1,000 ppm silver.

There have been three phases of drilling at the Sandra project by Orex with the next phase started as this report is finalized. These have included 62 holes all in or near the Boleras zone. See Figure 0-1 or Figure 10-1 (larger) for a plan of the holes in the 2015-2016 drill project.

Core is brought in to the camp at Boleras and it is measured, marked, logged and sampled. Samples were assayed by XRF internally and subsequently by ICP-ES at first SGS then Bureau Veritas labs in Durango. Silver values over 200 g/t by ICP were re-analysed and reported by fire assay. During the first phase of drilling all samples were analysed by both ICP and fire assay and the values were acceptably similar to use ICP for the balance of the project. Both SGS Laboratories and Bureau Veritas Laboratories are internationally accredited centres for the determination of geochemical and ore grade metal values. Both are IOS 9001:2008 accredited for quality.

There is an ongoing QA/QC program managed by Orex on its project for assay management.



Source: Orex, 2016

Figure 0-1 Map of Drill Hole Locations

Mining Plus has estimated a maiden Inferred Mineral Resource for the Boleras Deposit at a cut-off grade of 45 g/t Ag of **9.8 Mt at 106 g/t Ag**, which gives a contained silver metal content of **33.3 Moz**. The Mineral Resource was estimated by ordinary kriging and was constrained by conventional wire-framing techniques.

Table 0-1Grade Tonnage by cut-off

Cut-off Grade Ag (g/t)	Tonnes (Mt)	Average Grade Ag (g/t)	Contained Silver (Moz)
15	12	92	35.8
30	11	96	35.4
45	**9.8**	**106**	**33.3**
60	8	118	30.4
75	6.4	131	26.9
90	5	145	23.1

Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves.

The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The Mineral Resource was estimated by Dr. A. Fowler, MAusIMM, CP(Geo), Independent Qualified Person under NI 43-101., of Mining Plus Consultants. Data was verified by Mr. Michael Collins P.Geo., Independent Qualified Person under NI 43-101., of Mining Plus Consultants. The Mineral Resource was estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standards Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014. The Mineral Resource is sub-horizontal, outcropping or close to surface, and is therefore expected to be mineable by open pit methods with a low strip ratio. A grade cut off was established based on economics of similar scale and style deposits in Mexico. It has reasonable prospects of economic extraction at a cut-off grade of 45 g/t silver. Drilling results as of 7 October 2016 are included. The numbers may not divide due to rounding.

No environmental studies other than the initial studies for the drilling permits have been done to date.

The Boleras deposit is a variant on an epithermal gold-silver deposit. Boleras is the distal deposition of epithermal system in the interstitial spaces of a porous tuffaceous unit. There is a more conventional epithermal gold-silver vein system elsewhere on the Sandra Escobar property.

The mineral resource estimate presented in this report is based on a program of 62 diamond drill holes completed in 2015 and 2016 by Orex Minerals. The drill holes are concentrated in the primary Boleras zone area of this estimate, but several holes outside the core area were drilled in attempts to extend it beyond were locally successful such as the Burro zone area.

The modelling of the zone at Boleras was completed by grade shells and estimation by the ordinary kriging method used was determined to best reflect the present geological understanding of this new deposit type. Due to the lack of analogues of this deposit type the modelling based on grade shells was determined to be most likely to follow the mineable modelling of this deposit.

There are very good opportunities to extend the size of the Boleras zone generally to the north and east. This area has been identified as having a similar geology with the porous tuffs and similar alteration patterns. The potential for discovery of conventional epithermal quartz vein deposits, what attracted attention to this project, surrounding and below the Boleras deposit is high as well.

Mining Plus has reviewed the project and has a suggested work program for the Sandra Escobar project of Orex Minerals. It includes:

- 10,000 metres of diamond drilling
- Soil sampling program using an XRF to collect 2,500 samples
- Geological mapping at 1:10,000 scale to complete mapping of the project area
- Geological mapping at 1:2,500 scale infilling areas
- Environmental sampling

A budget of the estimated cost for the completion of the recommendations proposed by MP totals $1,782,000.

CONTENTS

FIGURES & TABLES

Table of Figures

Table of Tables

Table of Photos

2 INTRODUCTION

2.1 Purpose

At the request of Mr. Ben Whiting, Vice President – Exploration for Orex Minerals Inc. (Orex) Mining Plus (MP) has prepared a National Instrument 43-101 compliant technical report on the Sandra Escobar project in Durango State, Mexico.

The purpose of the report is to determine and document the estimated grade and tonnage of the metal mineralization at the Sandra Escobar project, Durango, Mexico in the Boleras deposit.

2.2 Sources of Information

This report was prepared on the basis of information collected by mining professionals employed and related to Orex Minerals Inc. This data was provided by the management of Orex. Mining Plus also reviewed information prepared by mining professionals for Canasil Resources Inc. (Canasil). MP has tested this data and assumes these sources are dependable and has reviewed such for errors and discrepancies.

The effective date of this report is October 25, 2016. Assay values received up to October 7, 2016 were used in the preparation of the resource estimate.

2.3 Site Visit

Mr. John Michael Collins, P.Geo. visited the Sandra Escobar project on May 13, 2016 in the company of Ben Whiting, Dale Brittliffe and Rob van Egmond and others of Orex Minerals. He had access to all areas on the property. Mr. Collins observed the following details:

- Drill core
- Drill collars
- Surface geology
- Core logging and core sampling area
- Portable XRF testing and confirmation of outcrops and drill core for silver
- GPS confirmation of locations
- Compass confirmation of direction and dips

Drill core was examined and the porosity of the tuff was noted. The core is well stored. The core logging and sampling area was visited and confirmed the site to be suitable for logging and sampling and that reasonable efforts at limiting sample cross contamination were taken.

It was noted that sampling in the first drill hole did not accurately make a 50/50 split of core resulting in inconsistent sample sizes. Samples were also checked for splitting oblique to veins but no problems were observed in relation to this possible issue. In review the initial samples that were taken were still considered to be representative of the mineralization in the core. Discussion with OVI staff indicate that there were some initial problems with training of core logging staff but that there is now a clear understanding of the requirements and objectives of the core sampling program. Review of drill core that was processed later in the program indicates good compliance with sampling techniques which should ensure representative sampling on an ongoing basis.

Photo 2-1 Drill collar markings and location in the field (SA-16-015)

Photo 2-2 Outcrop of tuff with 197 ppm silver by pXRF

Photo 2-3 Adit in the Boleras zone area

Multiple drill collars were seen in the field across the width of the deposit and are well marked and easily surveyed accurately (Photo 2-1). The direction and dip as well as handheld GPS locations were collected during the visit for comparison to the final data set after the survey is complete.

The relationship between mineralization and porosity of the tuff was visually confirmed in drill core and it varies with its level in the stratigraphic column and demonstrates a consistency across the deposit with this frame of reference. Weak alteration related to the mineralizing fluids was also observed in the drill core. These details are consistent with the drill logs provided.

Multiple outcrops of the tuff and veins / stockworks on surface were visited and a handheld XRF was used to confirm the presence of silver. The field examination is consistent with the information presented in the drill core and core logs (Photo 2-2). There are number of historic workings both trenches and adits in the Boleras area and many were visited and location confirmed as well as collecting XRF silver values (Photo 2-3). Silver is widespread and elevated throughout the tuffaceous unit on surface, consistent with the drill data.

The workings are likely developed on the higher grade vein and stockwork blowouts, as seen in the trenches and adits that are higher grade than in the nearby mineralized tuff.

The surface visit also confirmed various aspects of the geology including a probable post mineralisation fault crossing the zone and offsetting the zone vertical and possibly horizontally.

The site visit confirmed the information provided by Orex to be consistent with the location as seen in outcrop and drill hole collars. The collars of drill holes completed after the site visit were located and photographed by OVI employees and the data reviewed and correlated subsequently with a professional survey.

As well as the Boleras zone a short visit was made to the Maria Fernanda vein. This is a zone with a system of epithermal veins outcropping.

2.4 Units Used

Units of measurement used in this report are largely metric. Conversion of grams to troy ounces, a factor of 31.1035 grams/troy ounce is used. Currency is in United States dollars (US$) unless noted otherwise.

2.5 List of Abbreviations

µm	micrometre
°C	degree Celsius
°F	degree Fahrenheit
2SD	two standard deviations
3D	three dimensions
Au	gold
Ag	silver
BV	Bureau Veritas Laboratory
C$	Canadian dollars
cal	calorie
Canasil	Canasil Resources Inc.
cm	centimetre
cm^2	square centimetre
CNA	Comisión Nacional del Agua, (a.k.a. CONAGUA)
COG	cut-off grade
Cu	copper
d	day
dia	diameter
dmt	dry metric tonne
dwt	dead-weight ton
EIA	Environmental Impact Assessment
g	gram
G	giga (billion)
g/L	gram per litre
g/t	gram per tonne
g/cm^3	gram per cubic centimetre
gr/m^3	grain per cubic metre
Ha	hectare
hr	hour
ICP	Inductively Coupled Argon Plasma analysis
in	inch
k	kilo (thousand)
kg	kilogram
km	kilometre
km^2	square kilometre
km/h	kilometre per hour
kPa	kilopascal
kt	kilotonnes
L	litre
L/s	litres per second
LOM	Life of Mine
LVG	Lower Volcanic Group
m	metre
m^2	square metre
m^3	cubic metre
µ	micron
MASL	metres above sea level
MIA	Mitigation Impact Assessment
µg	microgram
m^3/h	cubic metres per hour
mi	mile
min	minute
mm	millimetre
Moz	million troy ounces
Mt	Mega (million) tonnes
Orex	Orex Minerals Inc.
OVI	OVI Exploration de Mexico Sa de CV (Orex's Mexican subsidiary corporation)
oz	Troy ounce (=31.1035g)
oz/t	troy ounce per short ton
Pan American	Pan American Silver Corp.
pH	measure of alkalinity / acidity based on negative logarithm of hydrogen-ion concentration
ppb	part per billion
ppm	part per million
RL	relative elevation

s	second
SD	standard deviation
SEMARNAT	Secretaría de Medio Ambiente y Recursos Naturales (Mexican Ministry of Environment and Natural Resources)
SGS	SGS Laboratory
t	metric tonne
tpa	metric tonnes per year
tpd	metric tonnes per day
TMF	tailings management facility
US$	United States dollar
UVG	Upper Volcanic Group
wmt	wet metric tonne
wt%	weight percent
XRF and pXRF	X-ray fluorescence detector
X, Y, Z	are the directions for easting, northing and elevation
yd^3	cubic yard
yr	year

3 RELIANCE ON OTHER EXPERTS

Mining Plus has depended on Bravo Campos Asociados for a title search review of the mineral concessions in Durango state owned by Canasil Resources and under agreement with Orex Minerals that was delivered on October 25, 2016. This was completed by Spanish speaking legal professionals resident in Mexico and with experience in Mexican mining law to determine the concession ownership and validity. This is outside of Mining Plus' scope of practise and expertise. This document is attached in Appendix 1.

4 PROPERTY, DESCRIPTION AND LOCATION

4.1 Location and General Description

The Sandra Escobar project is located in Durango State, Mexico. It is located about 40 kilometres north of Santa Catarina de Tepehuanes, near the town of Cienega de Escobar. The total area of the concessions in the Sandra property is 6,333 hectares. The coordinates of 25° 37" north and 105° 40' west, using Datum WGS84 is located near the drilling completed recently in the Boleras area.

Source: Orex 2016

Figure 4-1 Location Map, (source, Orex Minerals)

4.2 Property and Mineral Ownership and Maintenance

All minerals found in Mexico are the property of Mexico and may be exploited by private entities under concessions granted by the Mexican government. The process was defined under the Mexican Mining Law of 1992 and excludes petroleum and nuclear resources from consideration. The Mining Law also requires that non-Mexican entities must either establish a Mexican corporation, or partner with a Mexican entity.

Under current Mexican mining law, amended April 29, 2005, the Director General of Mines ("DGM") grants mineral concessions for a period of 50 year terms with maintenance obligations. There is no distinction between mineral exploration and exploitation concessions. As part of the requirements to maintain a concession in good standing, semi-annual fees must be paid, and a report must be submitted to the DGM each May. This report covers work conducted over the previous year on the concession.

The semi-annual fee is calculated on a per-hectare basis. For concessions granted prior to January 2006, the fee is updated based on the amount of time that has passed since granting of the concession and the Mexican Consumer Price Index. For concessions granted after January 2006, a per-hectare escalating fee applies. Some of the concessions that comprise the Sandra Escobar property were granted prior to January 2006.

4.3 Concession Ownership

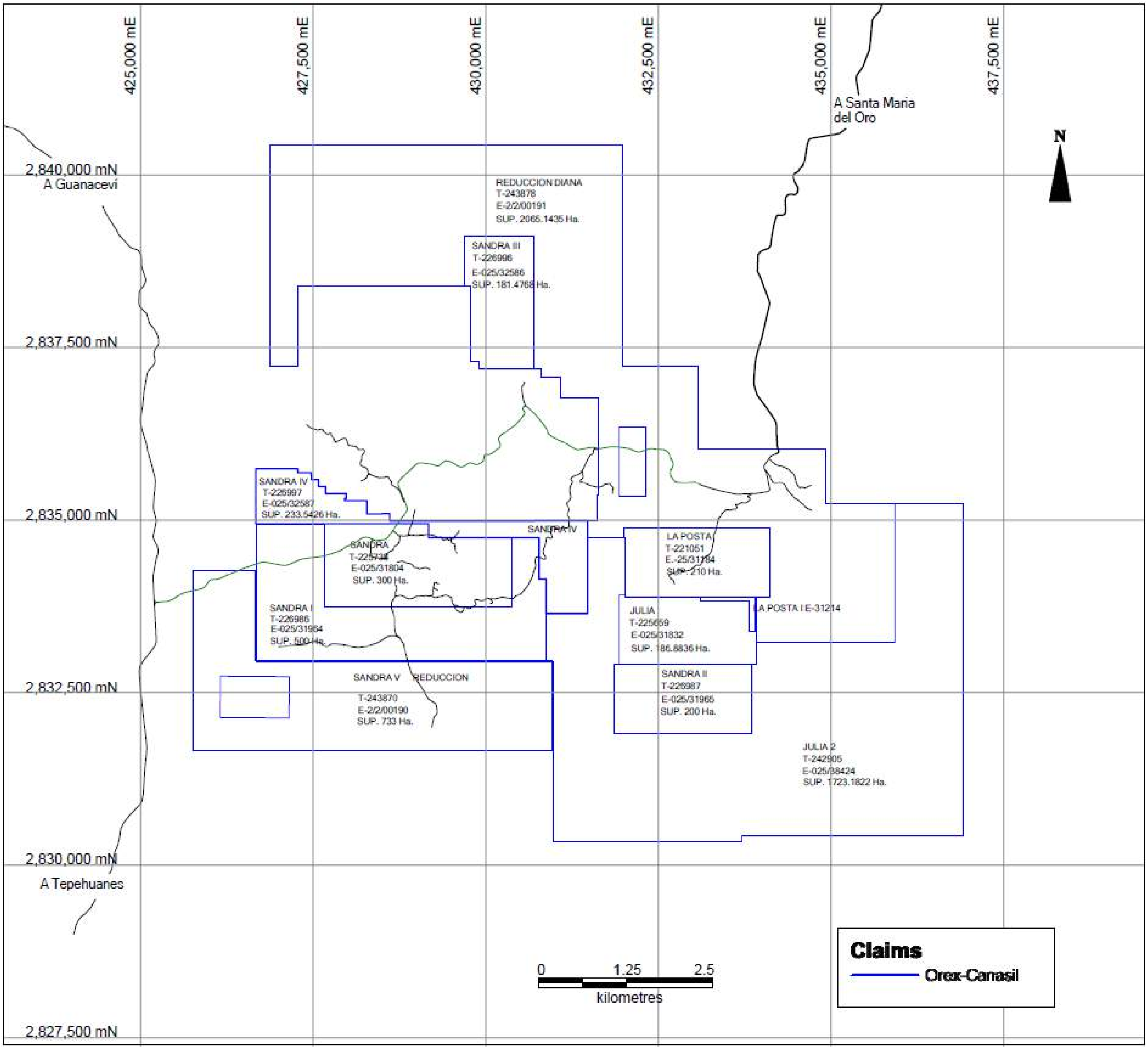
The Sandra Escobar project consists of two adjoining projects; the Sandra project which is 100% owned by Canasil, and was located by paper application with SEMARNAT of the Mexican government. The Canasil ownership rights are maintained through its Mexican subsidiary Minera Canasil SA de CV. Orex operates in Mexico under its local subsidiary OVI Exploration de Mexico SA de CV.

The Escobar Property is 40% owned by Canasil through a joint venture with Plata Panamericana. This report has not addressed the Escobar concessions of the Canasil project as Orex's final earn ownership percentage would be a minority interest and not relevant to the economics or management of the project.

The concessions are subject to an option agreement between Canasil Resources Inc. and Orex Minerals Inc. dated September 15, 2015. The terms of this option agreement as described in the Orex news release of September 15, 2015 are:

> *"The Option Agreement provides, among other things, that Orex may earn a 55% ownership interest (the "First Option") in the Project by making a payment of $500,000 to Canasil upon execution of the Option Agreement and completing US$2,000,000 in exploration and development expenditures (the "Expenditures") on the Project within three years of entering into the Option Agreement. In connection with the First Option, Orex must incur a minimum of US$675,000 in Expenditures in the first year of the Option Agreement and US$500,000 in Expenditures in the second year of the Option Agreement. Provided that Orex exercises the First Option, Orex may earn an additional 10% ownership interest (the "Second Option", and together with the First Option, the "Options") in the Project, for a total 65% ownership interest, by completing a further US$2,000,000 in Expenditures within two years of exercising the First Option and by making a payment to Canasil of $500,000 in cash and/or Orex shares, at the option of Orex. In connection with the Second Option, Orex must incur a minimum of US$675,000 in Expenditures during the first year of the Second Option.*
>
> *Upon exercise of the Options, Orex and Canasil will enter into a joint venture with respect to the development of the Project based on their respective interests in the Project. If Orex exercises the Second Option, Orex's interest in the joint venture will be increased to 65%."*

The concessions are located as seen in Figure 4-2.



Source: Orex Minerals 2016 grid is UTM Datum WGS84 zone 13

Figure 4-2 Concession Map

There are some small internal concessions held be third party owners as seen in Figure 4-2. The work reported in this resource estimate is within the Sandra concession area.

Table 4-1 List of Concessions

Concessions of the Sandra Project - Canasil 100% interest					
Concession Name	**Concession Holder**	**Title No.**	**Exp. No.**	**Expiry**	**Area (Ha)**
JULIA	Minera Canasil/E. Enriquez*	225659	025/31632	04.10.2055	186.88
SANDRA	Minera Canasil/ E. Enriquez*	225738	025/31804	20.10.2055	300.00
SANDRA I	Minera Canasil/E. Enriquez*	226986	025/31964	10.04.2056	500.00
SANDRA II	Minera Canasil/E. Enriquez*	226987	025/31965	10.04.2056	200.00
SANDRA III	Minera Canasil	226996	025/32586	10.04.2056	181.47
SANDRA IV	Minera Canasil	226997	025/32587	10.04.2056	233.54
REDUCCION DIANA	Minera Canasil	243870	2/2/00191	03.07.2058	2,065.14
REDUCCION SANDRA V	Minera Canasil	235788	2/2/00190	01.04.2060	733.00
JULIA 2	Minera Canasil	242905	025/38424	14.03.2064	1,723.18
TOTAL					**6,123.21**
***These concessions are covered by a cession of rights agreement transferring 100% interest from Erme Enriquez to Minera Canasil**					
Concession within the Sandra Project Area - Canasil Option to Acquire 100% interest:					
Concession Name	**Concession Holder**	**Title No.**	**Exp. No.**	**Expiry**	**Area (Ha)**
LA POSTA	Ramon Rodriguez Leon*	221051	25/31184	13.11.2053	210.00
TOTAL					**210**
***Transfer agreement for the title to be registered in the name of Minera Canasil**					
TOTAL (all)					**6,333.21**

Source Orex Minerals, 2016

4.4 Required Permits

The permits for continuing exploration by Orex are in place. Permits for exploration such as drilling are issued by the Mexican government. An Environmental Impact Study is required before significant disturbances of the surface can be undertaken on mineral exploration or mining projects in Mexico.

4.5 Surface Rights and Access

The surface rights in the area are held by various Ejidos for the Eastern parts of this large property. Orex has exploration agreements with Ejido Boleras y Pitorreal and also with Ejido Escobar y Anexos, both located in the Guanacevi municipality. An agreement in the western side of the Sandra property with Ejido Cienega de Escobar is not yet in place to allow access to their land.

Further agreements with the relevant Ejido's would be required to construct and operate a mine on the Sandra Escobar Property.

4.6 Royalties

There are no royalties on the Sandra Escobar property.

4.7 Environmental Liabilities

There are a number of small adits and pits on the property dug by itinerant miners. These ground openings may be a safety issue but due to their small size are not seen to be an environmental issue at this time.

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Access

The Sandra Escobar project is accessed by paved Federal Highways 45 and 23 from the city of Durango for 172 km to Santiago Papasquiaro. A further 77 km of driving on Highway 23 arrives at the town of Cienega de Escobar. The final six km is along the paved road towards Santa Maria del Oro with final access to various parts of the project by local unpaved ranch and logging roads. The local site for Orex staff is in the community of Boleras.

5.2 Climate

The region has a semi-arid climate that is generally warm and temperate with July to November being the rainy season with some rain into January possible. The maximum temperatures in the summer are about 30°C with about 21°C the average temperature in June. Between December and February it is possible to have freezing temperatures including snow. Annual average precipitation in Cienega de Escobar is about 600 mm according to http://en.climate-data.org/location/1069835/.

5.3 Local Resources and Infrastructure

The region has national grid electrical, telephone and internet services along with paved highways to parts of the property. There is adequate water locally for exploration drilling. Water for future mine operations is locally available but regulatory issues may slow permitting.

There are several communities nearby available to provide unskilled staff and the region has multiple operating and historically operating mines so the supplies, equipment and skilled staff are regionally available for exploration and mining.

The road network through the middle of the Sandra Escobar claims is pavement or cement, allowing for heavy transport without requirement for upgrading.

The local area is gentle to locally moderately steep. There are gently rolling areas of ground adequate for development of mine infrastructure that is close to the Boleras zone. Although water is not abundant in the area there is enough locally to operate a mine.

5.4 Physiography and Vegetation/Fauna

The Sandra Escobar project is within the Eastern Sierra Madre Occidental physiographic region. The project area is mountainous with elevations between about 2,000 and 2,500 MASL.

Scrub pine and the occasional oak characterise the larger vegetation, with local natural meadows of grass for grazing. There are also shrubs, brush and locally some cacti. The fauna is not widely seen but includes deer, rabbit, coyote, birds and rattlesnakes.

6 HISTORY

There are a several small pits and adits on the property that confirm historic mining and exploration but no record is available when or by who developed these. These are most likely completed by local itinerant miners.

The history of mining in the region is generally to the north of the Boleras zone area. The La Candelaria vein was historically mined. Carlos Quinones of Torreon, Coahuila mined 25,000 tonnes in 1998 from the San Francisco Mine and direct shipped it to the smelter. The San Francisco vein is located 250 m south of the La Candelaria vein.

The property was explored in 1997 by La Cuesta International Inc. by collecting 66 surface samples. Further work by Crown Resources Corp. was completed in 1998 by collecting 184 rock samples in the same Cerro Rojo area. Minera Hecla SA de CV collected 420 samples in 1999 as part of a property review. In 2002, Luismin collected 25 chip samples.

In 2001 Plata Panamericana, SA de CV located 400 Ha at Cerro Rojo and found three veins in 2002. Pan American has completed sampling on surface and underground of 61 samples in 2004. No systematic work had been completed up to 2009 in the Escobar area. The Escobar property is nearly fully surrounded by the Sandra concessions of this project and Canasil is a partial owner of the Escobar concessions.

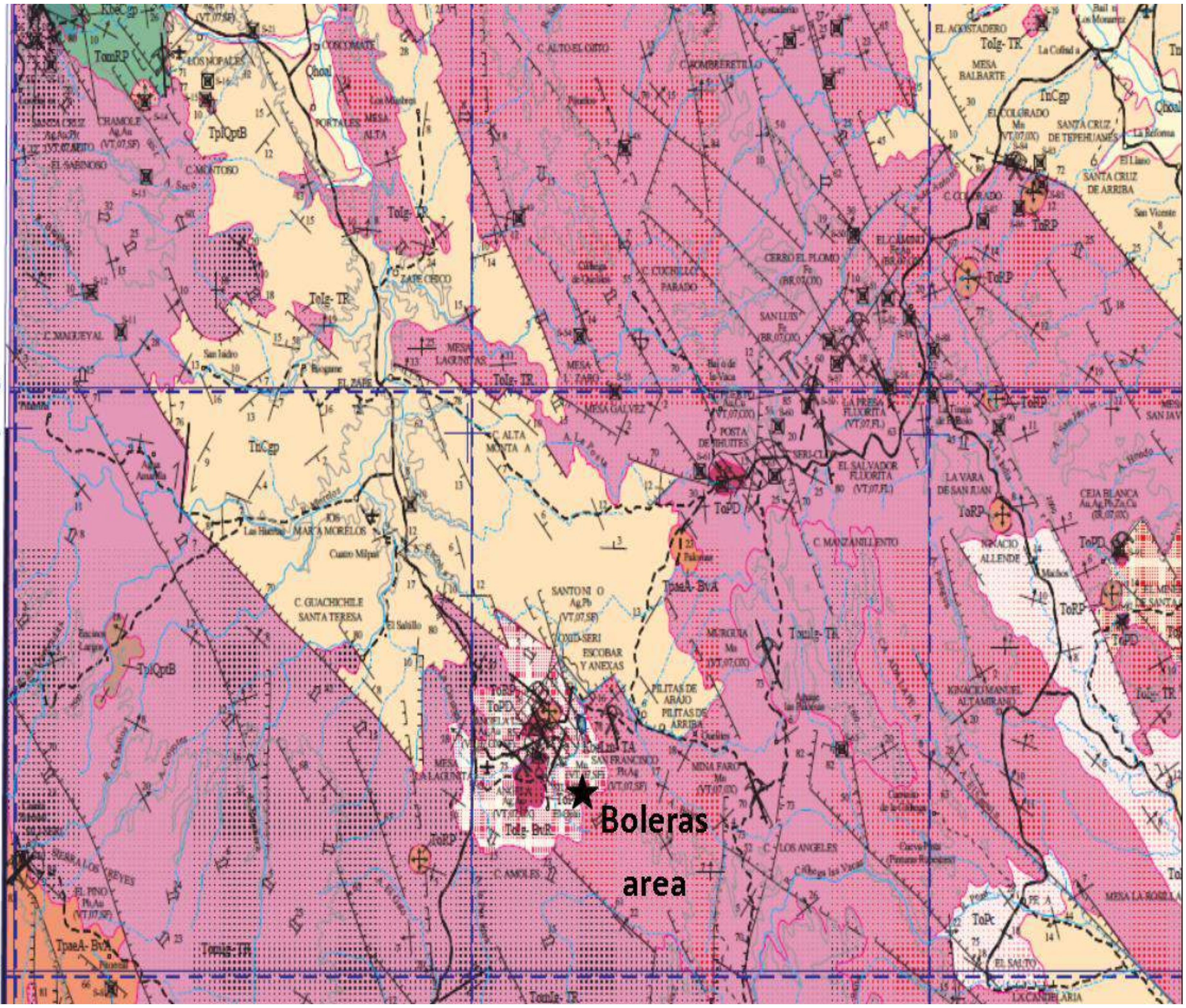
In 2005 Canasil located the Sandra concessions by registration with the government. The report by Peter Christopher in 2006 outlined the initial acquisition of the Sandra project. Canasil has since done several campaigns of exploration. These have included 509 samples in 2006 which included veins, float, dumps and altered rock areas. This program included 76 stream sediment samples to zero in on the more prospective areas of the Sandra project. Geological mapping and sampling with stream sediment samples were done in 2010.

ZTEM helicopter based airborne was completed in early 2011 on a 420 kilometre long grid. The first phase of diamond drilling in 11 holes totalling 1,849 metres was done in 2011. Seven of the holes tested five different vein targets and four were focused on breccia targets.

In 2012 Canasil completed an ASTER satellite imagery survey of the project. This study looked at the mineral alteration of the property and uncovered a strong central linear structure that included the Boleras area. This was followed up by an 11.8 line kilometre Induced Polarization survey focused on the ZTEM airborne anomalous area in five lines.

7 GEOLOGICAL SETTING AND MINERALISATION

7.1 Regional Geology



Source: Servicio Geologico Mexicano, Carta Geologico-Minera Santiago Papasquiaro G13-8 Durango 1:250,000, 2000

Figure 7-1 Regional Geology map

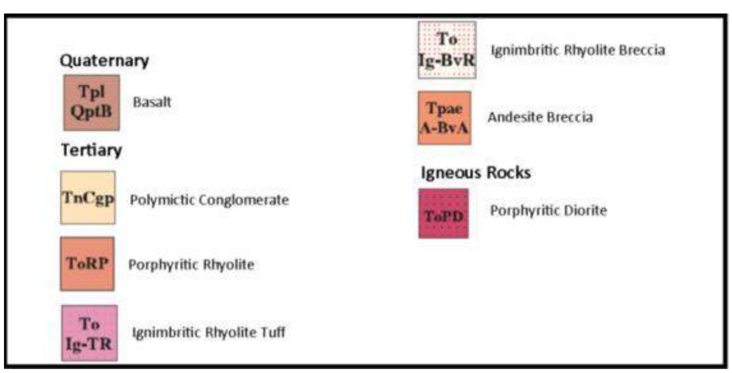


Figure 7-2 Geological Legend for Regional geology

The regional geology of northwest Durango State is primarily extensive volcanic formations that form a large region of rhyolitic ignimbrite and tuff. The volcanic zones have been divided into an early, Lower Volcanic Group (LVG) which is primarily intermediate composition volcanic and volcaniclastic rocks and a later (Oligocene), Upper Volcanic Group (UVG) consisting of acid volcanic rocks of primarily Oligocene age and intruded by the Tertiary aged units in Figure 7 1.

The LVG is generally seen deep in the canyon country due to the erosion of rivers exposing the group. Many old mining districts like San Jose de Gracia, Tayoltita, Bacis, are hosted in the LVG. Bacis also has mineralization in the lower units of the UVG, as does the La Cienega mine of Fresnillo.

The major regional geological structures are Cenozoic in age and related to compressional and extensional tectonic events. These events affect much of the Sierra Madre Occidental volcanic province. These events resulted in northwest- southeast trending blocks in the region.

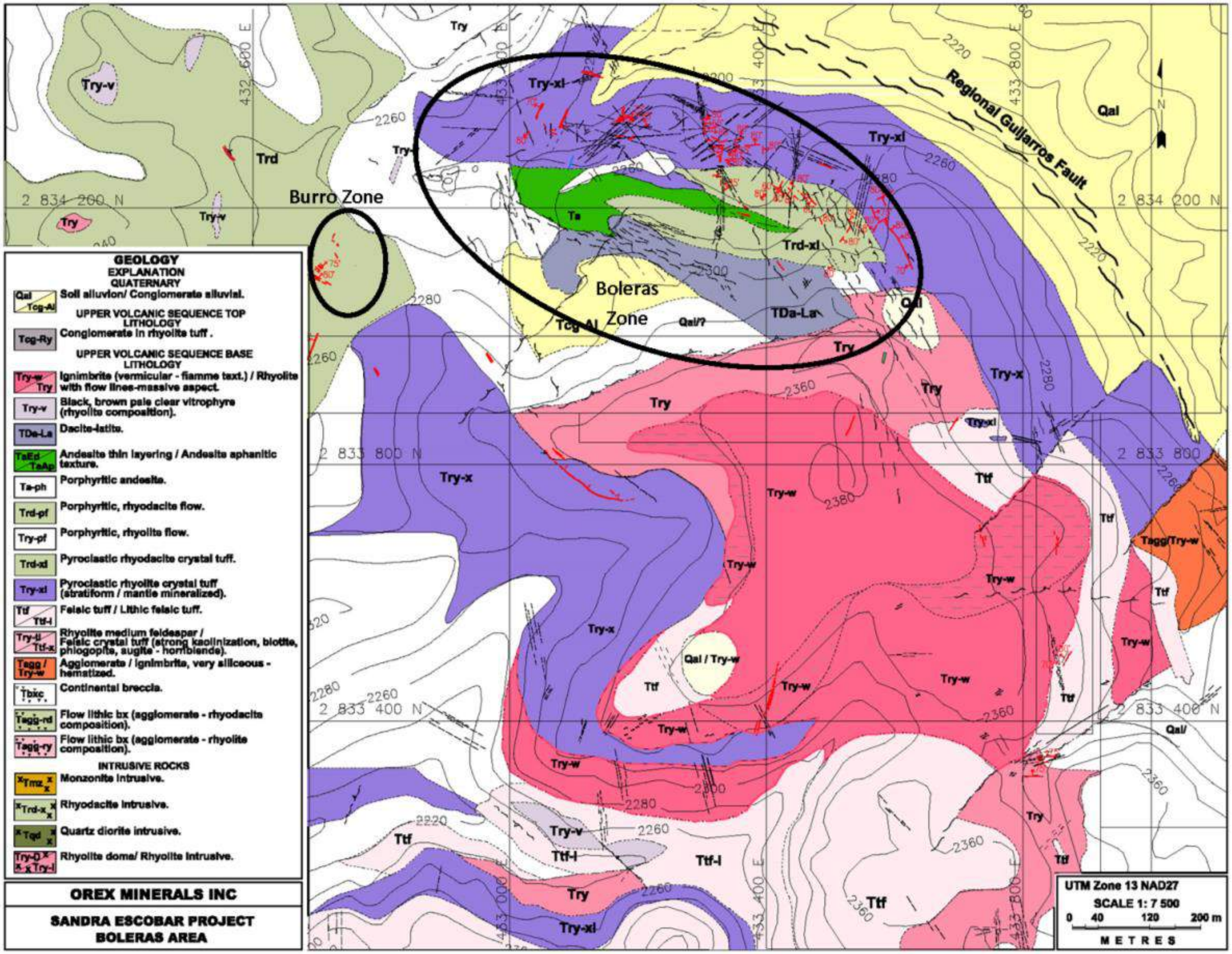
7.2 Local Geology

The **Upper Volcanic Group** (UVG) consisting mainly of andesites, dacites, and rhyolitic ash flows and tuffs is the primary Tertiary sequence in the Sandra Escobar area. Sub-horizontal flows with a thickness of 500 to 700 metre thickness are common. The UVG is intruded by a series of intrusive dykes and stocks of uncertain age but are Lower Tertiary or younger. Locally the UVG includes a lower unit mostly composed of intermediate flows, mainly rhyolitic and rhyodacitic composition and an upper unit of primarily rhyolitic ash-flow tuffs.

The lowest unit in the UVG is titled the **Lower Dacite**. It is composed of about 150 metres of fresh grey to light grey in colour, massive, medium welded lithic ash flow porphyritic dacite. Phenocrysts of plagioclase, quarts and hornblende are found throughout this unit. Possible andesite fragments are seen in the unit in outcrops. Chlorite, pyrite and weak silicification are the primary alteration seen. This unit is found in the southeast part of the Sandra concessions and only in the deepest creek valleys.

Above the Lower Dacite is a unit titled the **Intermediate Andesite**. It is primarily composed of poorly welded, grey to purplish thin-bedded andesitic ash flows and agglomerates. Contacts between the Lower Dacite and the Intermediate Andesite are not seen throughout the project and therefore the Lower Dacite occurs unconformably under the Lower Rhyolite Formation in several areas.

The **Lower Rhyolite** has a type location in the central Sandra concessions and is regionally common is a Lithic-Crystal Rhyolite. A relatively massive, reddish-brown-weathering, rhyolite crystal-rich ash-flow tuff that can be found inter-fingering with a medium to coarse grained flow-banded rhyolite. It is a partially welded tuff with fiamme structures indicating the flow character. This rock is creamy-pinkish with buff coloured zones. It is locally missing between the Upper and Lower Volcanic Groups. Occasionally this unit is seen as an arkosic sandstone including rock fragments and shales. The bedding is titled to the northwest about 30° strike near 080°. The thickness of this unit generally ranges between 40 and 60 metres but can be over 150 meters. This unit contains some of the vein and breccia zones.



Source: Orex, 2016

Figure 7-3 Local Boleras Geology map with approximate areas of the resource estimate circled

The Lower Dacite, Intermediate Andesite and Lower Rhyolite are intruded by a **Massive Porphyritic Andesite**. It has formed a broad argillic alteration in these units surrounding the intrusions. The unit is grey-green with feldspar and amphibole phenocrysts. The best mineralization and values occur where the veins are in this unit intrusive unit.

Rhyodacite flows overlie the Lower Rhyolite. This is greater than 150 metre thick unit of grey to light grey, with feldspar, quartz and amphibole (possibly hornblende) phenocrysts in laths up to 1mm. The veins at the Julia concession are hosted in this unit.

The higher elevation areas are commonly covered by the **Upper Rhyolite** unit. This porous tuffaceous volcanic unit consists of greater than 500 metres of a poorly welded rhyolitic tuff with fine grained phenocrysts of feldspar and quartz.

Feldspar Porphyry Dykes outcrop throughout the area of Cerro Rojo and intrude the Lower Rhyolite. The dykes are coarse to fine grained with 0.5 mm to 1 cm size plagioclase and potassium feldspar phenocrysts and up to 4 mm hornblende lathes with minor biotite, and quartz phenocrysts. The groundmass is fine grained plagioclase, K-feldspar, quartz and magnetite. These dykes are post-mineralization.

Andesite Dykes occur cross-cutting the intrusions, the Lower Volcanic Group and the lower portion of the capping rhyolite of the Upper Volcanic Group. The thickness of these dykes varies from a few centimetres to 5 meters. Generally the dykes are massive andesite greenish to green-black consisting of feldspar and pyroxene phenocrysts and opaque minerals composed mainly of plagioclase, pyroxene, opaque minerals and glass. The andesite dykes are cut by the Feldspar Porphyry Dikes near Escobar y Anexas town.

The valley bottoms and some hills are covered by unconsolidated recent alluvial deposits. Alluvial soils are mainly composed of rocks fragments, loosely packed at surface, red-yellowish from the hematite contained in the rocks. Soils are from a few centimetres up to 5.0 metres thick.

7.3 Mineralisation and Alteration

The mineralisation and alteration are assumed to be related to a buried intrusive unit not seen. Argillic and locally propylitic alteration has bleached the rocks at Sandra Escobar. The porphyritic dacite has caused the development of a pervasive fabric in the region.

7.3.1 Mineralisation on the Sandra Escobar claims

Four superimposed hydrothermal events have been recognised due to high relief and resistive weathering representing a possible gold-enriched porphyry-epithermal transition zone. The potential size of the exploration area could be up to ten square kilometres, including the intrusive zone of Cerro Rojo and the peripheral veins. Mineralization related to the Escobar intrusive includes:

- Flat-lying to gently dipping, stratiform, disseminated silver mineralisation formed preferentially in the interstitial pores of a tuffaceous unit along within quartz, barite and calcite veins and veinlets, stockworks and shears. Native silver with minor silver salts of bromine and chlorine, plus argentiferous manganese oxides. Haematite and chlorite alteration of the tuff. Little or no gold is present in this variety of mineralisation. (Boleras area).

- Gold-silver rich, quartz-barite veins containing galena-sphalerite-tetrahedrite?-pyrargyrite-gold-acanthite (Pb-Zn-Au-Ag-Sb-Cu-Cd-Hg±Te) best developed in higher and peripheral positions (Sandra zone style). This disseminated gold mineralisation occurs proximal to a high-level stockwork zone and beneath and laterally adjacent to an advanced-argillic cap. Within the veins, abundant barite and absence of adularia are evidence that fluid mixing as opposed to boiling led to precipitation of gold and metal sulfides. Although pyrite veins may contain high but erratic gold grades, textural relations indicate that gold (with galena-sphalerite-tetrahedrite) was introduced by a late stage of fluids. Higher grade silver quartz-barite-sulphide veins (e.g., Maria Fernanda, Barite, Los Encinos, Candelaria and San Francisco veins) are found distal to, but on trend with, the intrusive body.
- Porphyry-style Cu-Au stage consisting of pervasive potassic alteration (K feldspar-magnetite-biotite-specularite) of a shallow-level, intrusive body and into the surrounding volcanic rocks; Au-bearing quartz-barite veinlets (near the town of Escobar) developed at high levels within the volcanic and intrusive rocks; electrum seems to be the main gold ore and occurs in association with chalcopyrite, and there is a strong positive correlation between Au, Cu and Bi.
- Structurally controlled, auriferous quartz-barite-pyrite veins within both the intrusion and surrounding volcanics, especially proximal to the southern contact.
- Brecciation of the porphyritic dacite and lower rhyolite rocks develops local veins due to microfraturing and brecciation. Veinlets are mainly barite and quartz with massive hematite. In late stage breccias fragments are composed of silicified rhyolite tuffs and dacite rocks and occasionally brittle quartz with fragments from 1 mm up to 2 cm, cemented microcrystalline quartz, a mixture of ground wall-rock and hematite.
- Unmineralised, advanced-argillic alteration (kaolinite-pyrite-hematite-barite) in flat zones at high elevations.

It is possible that two gold bearing events have occurred at Sandra Escobar. They are:

- Within or above the intrusive the first gold deposition is related to the copper porphyry phase in which the gold was in solution as a chloride solution at high temperatures with possible high salinity.
- A later higher level or distal from the intrusive base-metal related event, with gold mineralisation similar to adularia-sericite type epithermal systems, with gold apparently carried as a sulfide complex at lower temperatures in a relatively alkaline and reduced fluid with a larger component of meteoric water.

Gold has been characterised as highly nuggetty suggesting that it may be as free gold or electrum in the project area.

7.3.2 Silver Mineralization at the Boleras Deposit

The silver at Boleras is considered to be discrete from the general mineralizing system in the Sandra Escobar Claims. Mineralization at Boleras is likely the most distal or deposited as the nearest surface fluid phase of one of these gold bearing events with silver and little else left in solution.

The maximum dimensions of the zone as defined by the existing drilling are about 800 meters grid east by 400 metres grid north. The vertical extents are up to 60 metres. When the separate lower block is considered as well the total vertical extent from the top of the main (upper) zone and the bottom of the lower zone is up to 90 metres.

As well there are zones such as the Burro zone not included in the estimate that are defined over a small area by multiple drill holes and open in all directions.

7.3.3 Alteration Types

There is a large variation in the alteration seen in the Sandra project including:

Oxidation

Oxidation is the most common type of alteration, occurring throughout the entire project area. Oxidation is typically disseminated to pervasive and forms reddish stain varying from light mauve to deep red in most rock types. It includes pseudomorphs after iron sulphides, hematite, limonite, goethite, jarosite and other unidentified forms of iron oxides. Silica encapsulation has protected some pyrite from oxidation, especially in veins. Veinlets up to 10 cm of massive hematite are common, sometimes together with silicification and argillic alteration.

Propylitic Alteration

Pervasive propylitic alteration is found throughout the Cerro Rojo mountain area as an early stage alteration pattern. Propylitic alteration is easily recognised in the porphyritic dacite and in the rhyolite tuffs by dark green to pale green colours resulting from the chloritisation of ferromagnesian minerals and glass in the matrix.

Silicic Alteration

Silicic alteration presents itself as replacement by quartz of plagioclase phenocrysts, albitised plagioclase, biotite or white mica. Also microcrystalline quartz replaces various minerals as well as pores. Silicic alteration is seen to overprint the propylitic alteration.

Argillic Alteration

Fine grained white mica and smectite completely replace plagioclase or albite after plagioclase. Moderate argillic alteration is widespread. Remnant feldspars are weakly altered to sericite. The porphyritic dacite and the rhyolite rocks are the most susceptible units to this alteration. Sections of the Cerro Rojo area have sericite replacement and advanced argillic alteration. Kaolinite is replacing feldspar crystals and the matrix of the rhyolite rocks.

Potassic Alteration

Potassic alteration presents itself as the presence of adularia-sericite-quartz-pyrite. In the field potassic alteration can be difficult to identify in the rocks and often presents as a well-indurated matrix, and generally bleached appearance.

8 DEPOSIT TYPES

The veins on and in the region of the Sandra Escobar project have the characteristics of a low sulfidation epithermal vein system. They occur in a region characterised by numerous, high silver-grade intermediate sulfidation epithermal vein systems. See Figure 8-1on the left side and centre for the model by Corbett, 2004.

The area around and in the Boleras zone is seen as an epithermal vein and stockwork system having some of the mineralising fluids leaked out of the veins into a porous tuffaceous unit and flooded the pores in the tuff, leaving native silver, silver salts (possibly secondary to native silver) and minor base metals plus argentiferous manganese oxides interstitial in the tuffaceous pore cavities, veins and stockworks. The development of fractures and faults within the tuff has allowed the free flow of fluids into much of the flat lying to gently dipping tuffaceous unit. These fractured areas in the tuff are the location of higher grade zones. The authors are not aware of similar deposit types elsewhere, but it is a variant on and sourced from within an epithermal environment.

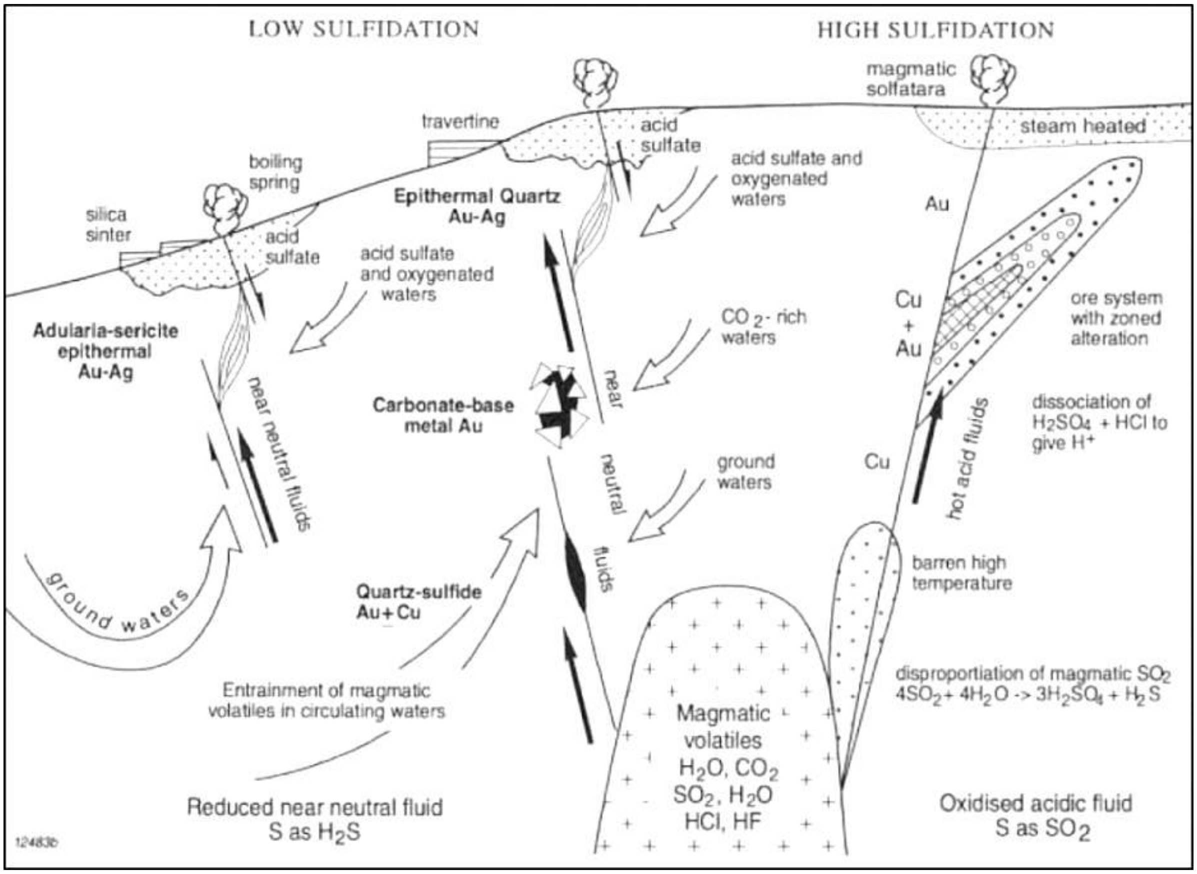
There are some similarities to the La Pitarrilla deposit (Somers, et. al., 2010) of Silver Standard. The basic premise of the deposit environment in a porous tuff shares similarities but the deposit is generally more sulfide rich. It is sourced from a different fluid flow and is likely at a deeper sub terrain level in the epithermal deposition model.

Figure 8-1 outlines the general epithermal deposit model, but the Boleras deposit has few or no analogous deposits so the specific deposition environment is not shown in this or other depictions of epithermal deposit models. It is likely a near surface deposit of low sulfidation fluids having cooled somewhat and migrated into the surrounding porous tuffs.

Epithermal systems may be classified as high, intermediate, and low sulfidation styles. They are characterised by the sulfidation state of the hypogene sulfide mineral assemblage, and show general relations in volcano-tectonic setting, precious and base metal content, igneous rock association, proximal hypogene alteration, and sulfide abundance (Sillitoe and Hedenquist, 2003). Ore in all occurrences of the type form under epizonal conditions, which is generally within 2 kilometres of the paleo-surface. Veins in epithermal systems often display textures indicative of repetitive and sustained open-space filling, and boiling.

Low sulfidation epithermal veins are generally not considered transitional to intermediate sulfidation state epithermal systems (Sillitoe and Hedenquist, 2003), although this is based solely on the different tectonic environments under which they may typically form. It does not exclude them from occurring in a similar area however. Significant members of the intermediate sulfidation epithermal class are well represented in Mexico, and include Fresnillo and Pachuca-Real del Monte. They are related to andesite, rhyodacite and occasionally rhyolite sequences. Adularia is rare to absent in the proximal alteration assemblage, and the gangue contains abundant, often manganiferous, carbonate. Sulfide content in veins typically exceeds 5% volume, and comprises pyrite, iron-poor sphalerite, galena, chalcopyrite, and tennantite-tetrahedrite.

Vertical zonations in metal content occur in some low and intermediate sulfidation state systems. In systems displaying such zoning, gold, silver, mercury and tellurium are relatively enriched in the upper portions of the system, and base metal contents occur in higher concentrations at deeper levels in the system.



Source: Corbett, 2004

Figure 8-1 Epithermal Deposit Model

9 EXPLORATION

In October 2015, Orex collected 11 representative rock chip samples and one composite mine workings dump sample from workings in the Boleras target area. These samples were sent to SGS Mineral Services of Durango for analysis. A summary is provided in Table 9-1.

Table 9-1 Surface Samples collected by Orex

Sample	Width (m)	Au (g/t)	Ag (g/t)	Ba (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)
13101	5.5	<0.010	**189**	3639	12	305	145
13102	1.4	<0.010	**210**	1504	7	295	121
13103	1.3	<0.010	**1,128**	7488	22	1900	697
13104	4.5	<0.010	**920**	6874	37	2090	274
13105	Dump	<0.010	**1,436**	8114	58	1260	233
13106	1.0	<0.010	**367**	7565	635	8110	434
13107	1.2	<0.010	**566**	5097	350	11200	516
13108	1.0	<0.010	**988**	7783	201	978	350
13109	2.2	<0.010	**230**	3166	135	3610	182
13110	1.1	<0.010	**705**	7658	339	1330	401
13111	0.8	<0.010	**400**	>10000	1760	3480	1140
13112	0.4	<0.010	**370**	5969	280	6410	340

Source: Orex Minerals, News Release November 9, 2015

According to the news release of November 9, 2015 the following procedures were used:

> *"Chip samples were obtained at each site using chisel and maul, with material collected on a clean tarpaulin prior to bagging. Care was taken to ensure a representative sample across the chosen interval and in the case of larger intervals where more than 2 kg of sample was obtained, rock chips were broken down to <3 cm size by hand, mixed manually on the tarpaulin then coned and quartered until a 2 kg sample was obtained. Samples were bagged and tagged and transported to SGS Mineral Services in Durango for analysis. In addition to multi-element ICP analysis, samples were submitted for high-grade 30g Gravimetric fire-assay analysis for silver."*

These results confirmed previous sampling and preliminary mapping by Canasil and along with the presence of pre-existing mine workings allowed Orex to plan a first phase of drilling to determine if there is any continuity.

10 DRILLING

Canasil has completed historic drilling on the property outside of the Boleras area targeted mainly on epithermal veins. See Section 6 of this report for more details of this drilling.

Phase One diamond drilling by Orex in the Boleras area was started in December, 2015 and included 17 drill holes. These holes were targeted at the disseminated and stockwork controlled silver mineralisation in the Boleras area. This phase of drilling ended in February, 2016. This drilling was the first drilling in this part of the property and the Boleras zone. Positive results in this phase of drilling allowed continuation of drilling into Phase Two and later Phase Three.

Phase Two drilling included holes SA-16-018 to 038. A total of 33 of the holes are in the Boleras zone, with the others very close nearby. This phase was begun in February, 2016.

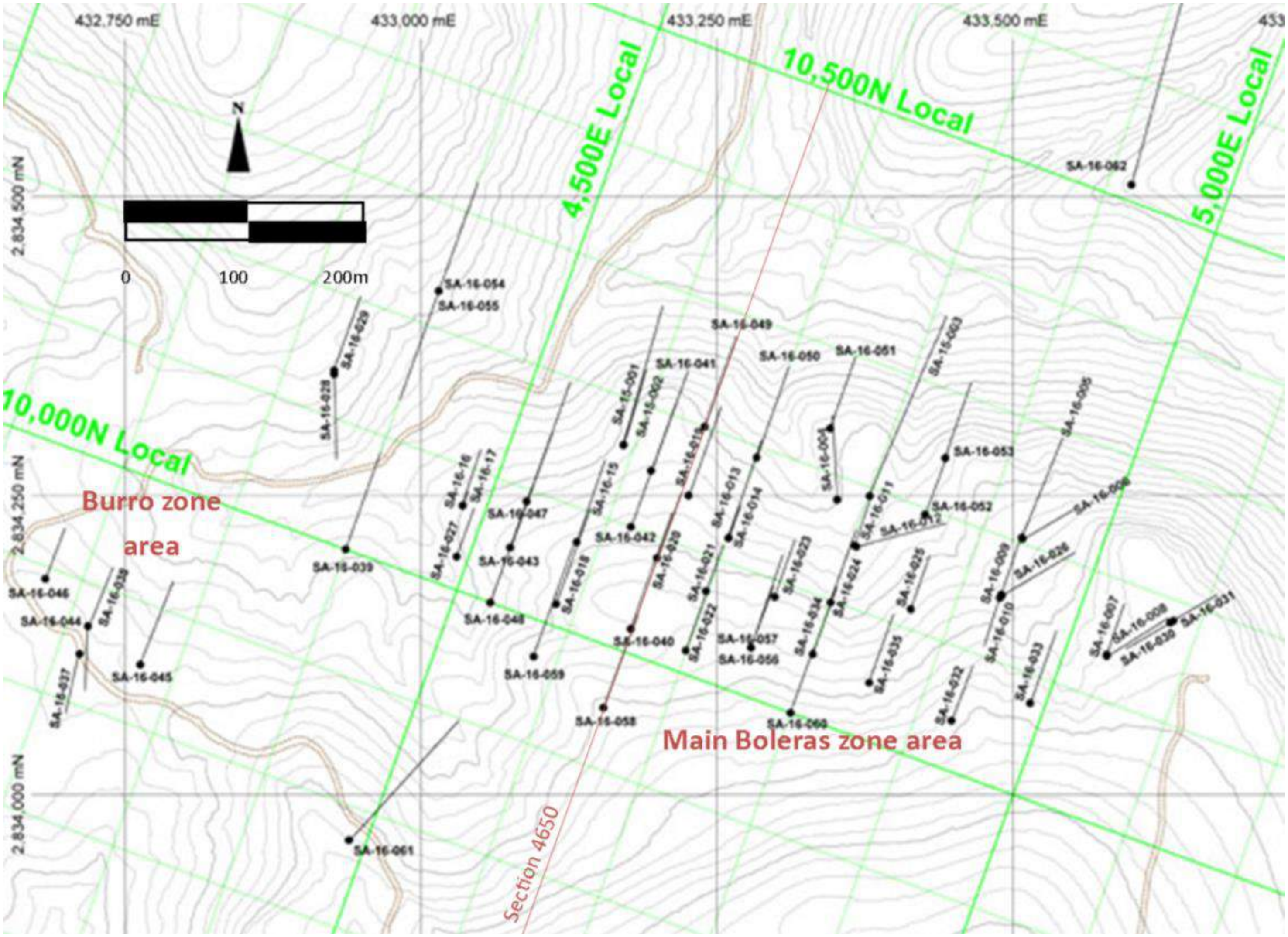
Orex continued to drill Phase Three of the program. It included drilling starting at hole SA-16-039 up to hole SA-16-062. The assay data from holes SA-16-060 to SA-16-062 was not available at the time of final cut-off for data to complete the resource estimate and SA-16-061 and 062 are outside the area estimated.

Drilling is completed by Kluane Mexico S.A. de C.V., a subsidiary of Kluane Drilling Ltd. an experienced diamond drilling company, with a service and supply office in Durango, Mexico. A KD-1000 man-portable drill rig was used for HTW and NTW sized wireline core diamond drilling. These portable rig designs minimize the social and environmental impact of the drilling programs.

The drilling is generally completed with a wireline diamond drill bit of HTW core size with a diameter of 70.92 mm but was occasionally reduced to NTW with a diameter of 56.00mm following poor ground.

Further details on the drilling are outlined in Section 14 of this report.

See Figure 10-1 for the collar locations and vertical projection of the holes reported here.



Source: Orex, 2016

Figure 10-1 Diamond Drill Hole Plan Phases I to III– Boleras zone

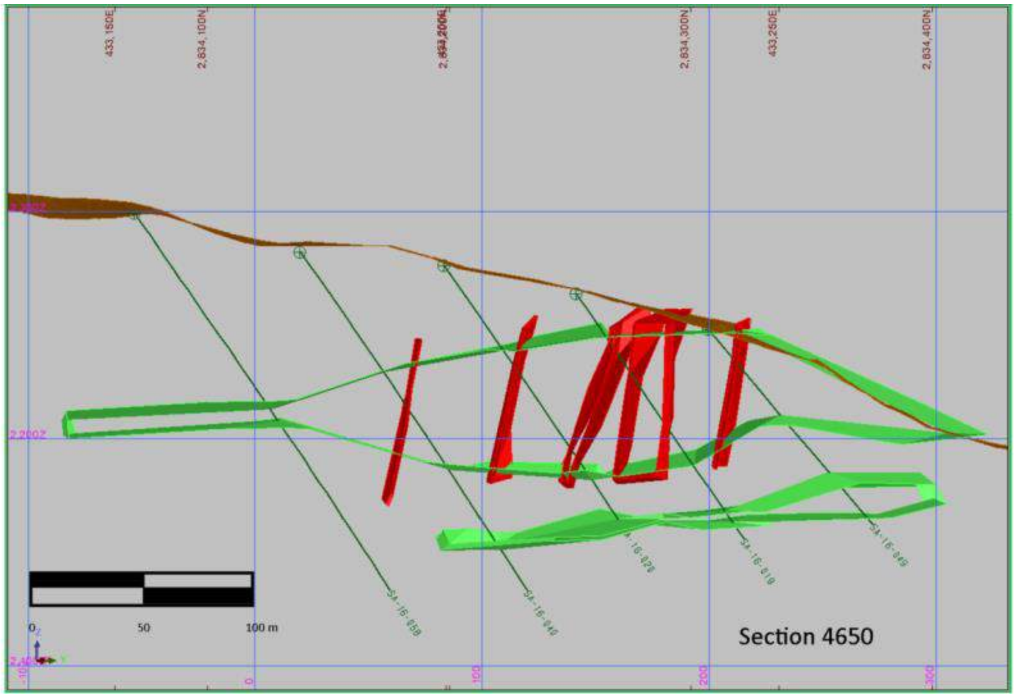


Figure 10-2 Section 4650

Figure 10-2 is a cross section of the drilling on section 4650 (seen as red line in Figure 10-1). Two of the 30 g/t silver zones were modelled (green outlines of solids used) for this deposit plus topography (brown) are shown. The 225 g/t silver zones, that run sub-perpendicular to the section, are shown outlined in red.

11 SAMPLE PREPARATION, ANALYSES AND SECURITY

The following notes are based on the site visit of May 13, 2016 by Michael Collins and information from Orex professional staff on site.

11.1 Core Data Collection

As core is brought in to the camp at Boleras, it is laid out in an open air core logging facility. Core is measured and marked on one meter intervals. XRF analysis is conducted at the centre of each one meter interval. If the sample centre is on a vein, the XRF analysis is conducted to one side or another to get a clear value of the disseminated mineralization in the core. Information is collected regarding recovery and general RQD geotechnical values. Core is then logged for lithology, alteration, and veining.

Density measurement locations are also marked throughout the core on a regular basis and 10cm sections are cut out of the drill core for testing. These values were often collected by two different methods; a dimension method, where the dimensions and weight in air of the sample were used to calculate the bulk density; and an immersion method where the weight in air and weight in water were used to calculate a density value. Mining Plus notes that the immersion method did not include coating the sample in paraffin wax, and therefore, the density measured should not be considered a true bulk density value.

The range of sampling for assaying was generally done based on a core area where the handheld XRF silver values in the tuffaceous rock (no veins) exceed 25 ppm with shoulder samples outside this 25 ppm area extending up and down the hole for ten metres outside the zone.

Samples are generally a standard one meter in length with blanks and standards inserted alternating every tenth sample. Three standards are used and inserted in rotation with occasional swapping to ensure that the higher grade standard is inserted into areas of anticipated high grade mineralization.

11.2 Sample Processing

After sample locations are marked on the core by the geologist the boxes are taken to the core cutting area. The core is cut in half with a rock saw with the splitting cut running down the centre of the core, and perpendicular to any veins that may cut the core. One half of the core is removed and bagged with a sample tag and then sealed with a zap strap. The other half is returned to the box and marked with a tag with the same number as the sample. Where the sample is not cohesive core, a trowel is used to split fine material and large blocks are split in the saw. The samplers work to collect the same side of the cut core for consistency. Samples are collected by drill hole and then transported to the SGS Preparation facility in Durango by OVI staff under their care and security. The samples later in the program have been transported to the Bureau Veritas preparation facility in Durango for preparation and analysis in the Vancouver testing facility.

11.3 Sample Analysis

Samples were sent to the two laboratory preparation centres in Durango. The samples were crushed and pulverized at these facilities and sent to Vancouver, BC, Canada for final analysis.

The samples were all analysed for multi-elements using ICP-ES after a four acid digestion. The early stage of the program all the samples were analysed for gold and silver by Lead Fusion Fire Assay, for Au by AAS and Ag by Gravimetric (Au, Ag; AAS; 30g). Following the determination that the ICP studies returned accurate silver values to determine the lower grade samples, it was decided to continue with ICP only and fire assaying of ICP samples in excess of 200 ppm silver. Several other elements were tested by AA testing such as lead and zinc when the values exceeded detection limits in the ICP testing, which is generally about one percent.

Both SGS Laboratories and Bureau Veritas Laboratories are internationally accredited centres for the determination of geochemical and ore grade metal values. Both laboratories are IOS 9001:2008 accredited for quality.

The sample collection, processing and assay meets industry standards and the resulting data is acceptable for inclusion in this report and the mineral estimate.

12 DATA VERIFICATION

Mining Plus has done several comparisons of the assay data provided to confirm the quality and accuracy including:

- Review inserted standards
- Review blank values

Steps have been taken by Orex throughout the various phases of drilling to correct issues that have arisen in the internal reviews of the QA/QC data by Orex technical staff. This has included changing laboratory companies from SGS to Bureau Veritas (BV). They have also changed the source of the locally sourced "blank" sample.

The standards used by Orex were changed as part of the internal project QA/QC program when it was noted that there was a large percentage of samples outside the anticipated values. The standards primarily used by Orex include two from CDN Resource Laboratories Ltd. of Langley, BC. These samples are ME-1303 and ME-1407. These are multi-element standards, but only silver was considered in the analysis review since it was the only value used in the resource estimation. See Table 12-1for a review of all the Standards used in the three phases of drilling.

Table 12-1 CDN Standards Used by Orex

Standard	Average Silver Grade g/t	Two Standard Deviations Ag g/t
ME-1303	152	± 10
ME-1407	242	± 12
CDN-GS-5Q *	60.3	± 3.9
CDN-GS-2Q *	73.2	± 4.4
CDN-GS-1Q *	40.7	± 2.2
* used in the very beginning of the project		

Throughout the program the standards showed multiple standard samples failing. Efforts were made with changes, including changing to different laboratories.

Standard ME-1407 showed the highest rate of substandard values (outside of two standard deviations) with the reports being generally lower than the certified values should report as.

Standard ME-1303 over reported when it was outside the two standard deviations.

The early phases of drilling had similar rates of low values as Figure 12-1 and Figure 12-2 which show the Phase III drilling results. As this high failure rate is across two different laboratories, the laboratories seem to repeat samples accurately in comparison to each other (Figure 12-3) and the laboratories internal standards are reportedly within values, the problem may be in the standards.

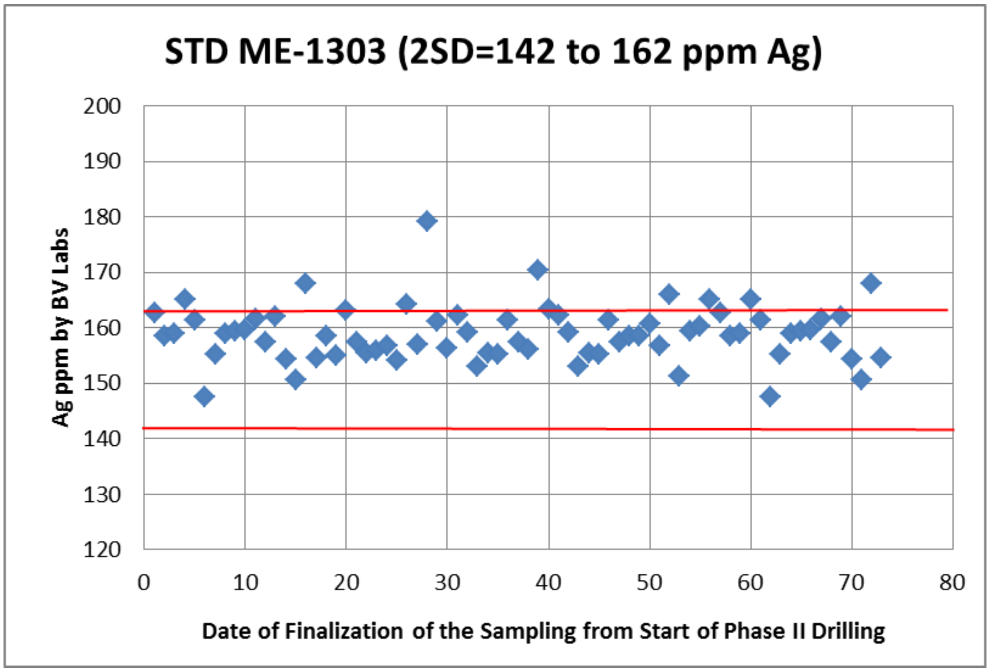


Figure 12-1 Phase III Standard ME-1303 Results

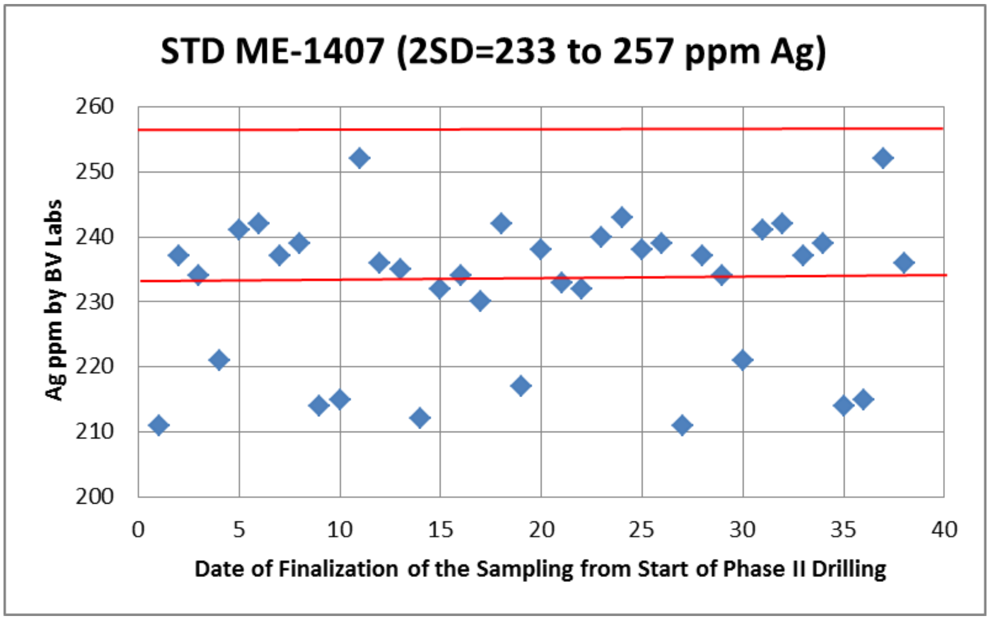


Figure 12-2 Phase III Standard ME-1407 Results

Due to the low values in the standard ME-1407 and high values in standard ME-1303, during the first phase of drilling quarter core repeats were collected to confirm the repeatability of the sampling method and confirm the consistency of the SGS Durango laboratory. The second quarter cores were sent to Bureau Veritas lab in Durango. Results are shown in Figure 12-3 with an idealized perfect 1:1 result indicated by the red line. The result is very similar from one lab to the other with a negligible although generally low for Bureau Veritas difference as indicated by the regression.

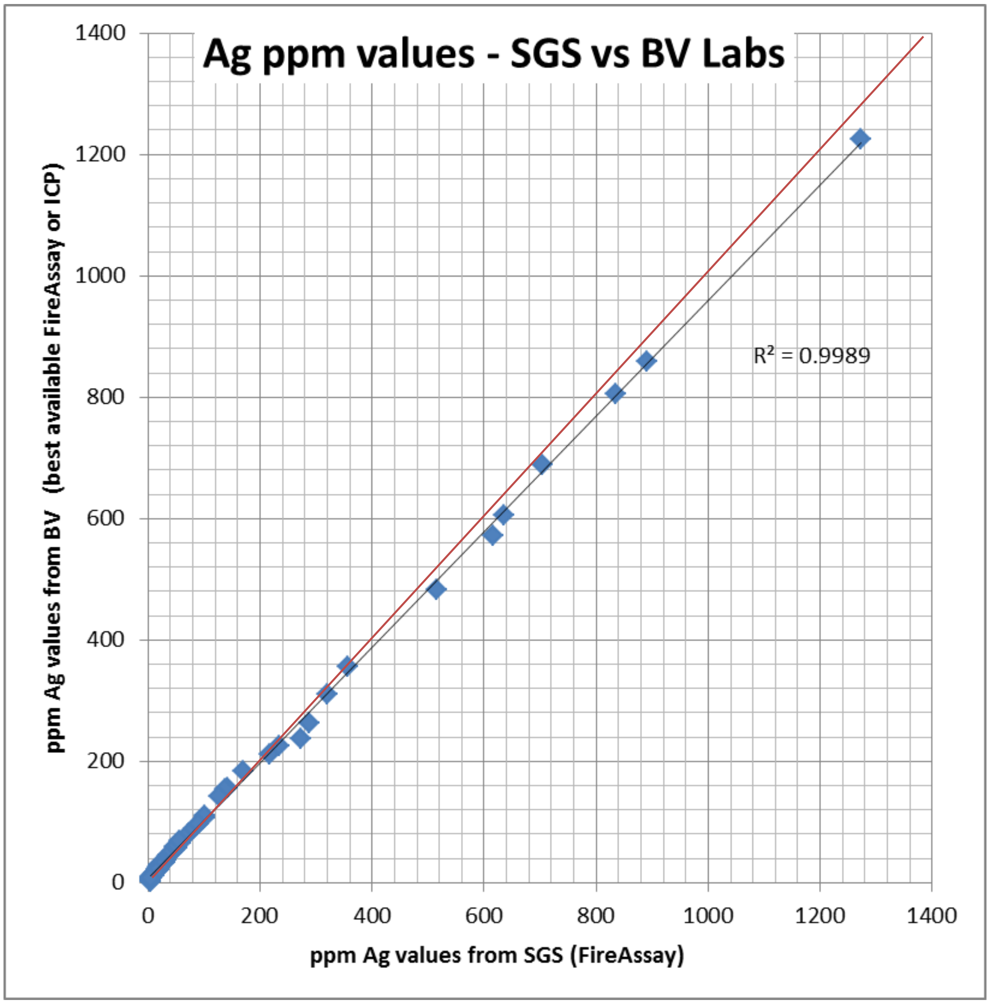


Figure 12-3 Quarter Core comparison Phase I drilling

The "blank" samples were sourced from local country rock assumed to be distant from the silver mineralization. The source of this material was changed several times, generally at the end of each drill phase due to a high failure rate of the samples used. Improvement was seen and values in the final phase were well below the grades used as the cut-off grades for solid modelling. The values for Phase III are shown in Figure 12-4. The blank values in the early part of the program showed a probable source of the rock from an area with low levels of silver. Although this was not cleared up by the end of the project it had improved due to sourcing a "cleaner" sample. It is not clear if this is due to a poor blank sample source or low level contamination in the laboratory preparation areas.

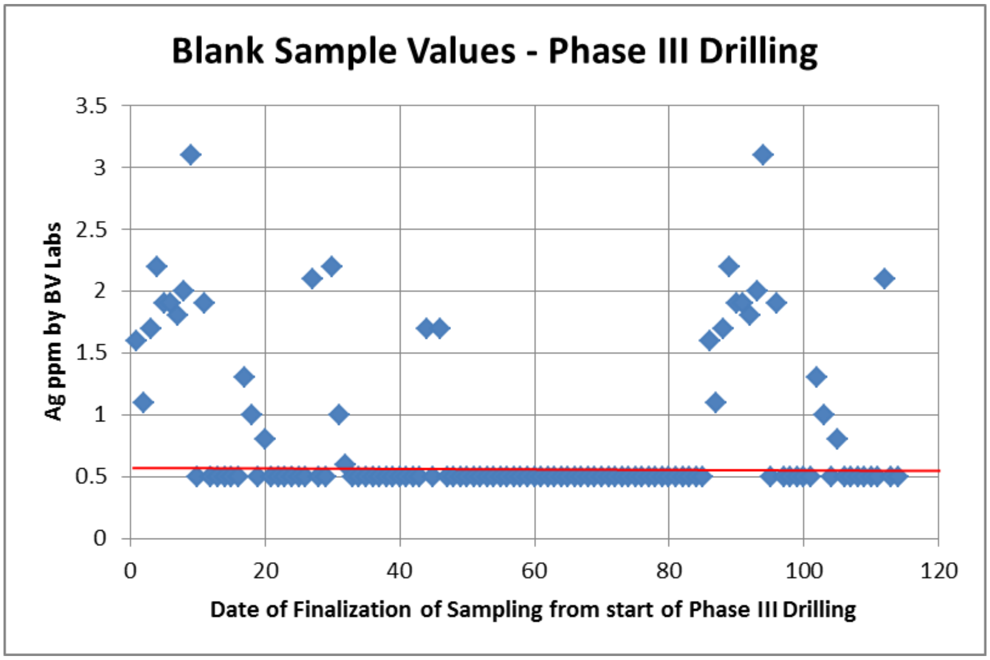


Figure 12-4 Phase III Blank Sample Results

Further investigations in the internal QA/QC process by Orex technical staff including possibly changing standard sample material again are recommended. The blank sample source location, including possibly acquiring a certified standard from a laboratory, should be considered as well.

During Mr. Collins visit the detailed level of control from sample chain of custody, efforts to limit cross contamination, detail of data collection, quality of marking drill collars and retention of drill core are consistent with industry standards.

Although there was frequently a value returned outside the anticipated two standard deviation range for many of the certified standards inserted in to the data stream they are split with one over reporting and the other under reporting silver. Due to the high level of internal review by Orex technical staff, strong agreement between the two laboratories on comparison samples, and continual tracking of values during the program, the data used in this study is considered acceptable for this stage of the development process.

Mr Collins considers the QA/QC program to be acceptable but recommends trial of additional standard and blanks material from a different supplier.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

Bench scale metallurgical testing has been ordered by Orex Minerals and is ongoing. Representative samples were collected from drill core rejects to be tested by SGS Laboratories in Durango, Mexico.

This testing was conducted over various average silver grade distributions and began with bottle roll testing. Further tests have been ordered by Orex to optimize the proposed mineral recovery processes. This is a process in progress and results are not available at this time.

14 MINERAL RESOURCE ESTIMATES

14.1 Introduction

Mining Plus estimated a Mineral Resource for the Boleras deposit by ordinary kriging. The estimate was constrained by conventional wireframing techniques. Details are provided in the subsequent sections.

14.2 Input Data

Orex supplied Mining Plus with the following files that were used as input to the Mineral Resource estimate (Table 14-1). The cut-off date for the input assay data was 7 October 2016. The effective date of the Mineral Resource estimate is 25 October 2016.

Table 14-1 Data supplied

File name	File type	Description
Listado_Coordenadas_ITRF_08_NAD27_BASE_01 Final	excel	collar surveys for phases 2 and 3
Listado_Coorenadas ITRF08_NAD27	excel	collar surveys for phase 1
Sandra_Lithology_2016_Corrected	excel	lithology holes 1 to 54
SA_Density (7).xlsx	excel	specific gravity data
SA_Recovery_RQD (4).xlsx	excel	core recovery
Sandra_Downhole_Survey_revised_for _declination.xlsx	excel	downhole surveys
Sandra_assays_final	excel	assays hole 1 to 38
Sandra_Assays_39_43.xlsx	excel	assays holes 39 to 43
Sandra_Assays_SA-16-044 to SA-16-048 Final.xlsx	excel	assays holes 44 to 48
Sandra_Assays_SA-16-049 to SA-16-054.xlsx	excel	assays holes 49 to 54
Sandra_Assays_SA-16-054 to SA-16-059	excel	assays holes 54 to 59
Extra samples SA-16-016 and SA-16-031 assays.xlsx	excel	assays additional samples
SandraEscobar_Lithology.xlsx	excel	lithology holes 44 to 60
sandra_escobar_5m_contours	DXF	topography

Mining Plus imported the data into Surpac and Datamine mining software and no errors were encountered during the process. Mining Plus performed standard checks including:

- Duplicate and overlapping samples
- Collar locations not matching topography
- Anomalous downhole surveys
- Unusual grade values

Mining Plus encountered minor errors, which were corrected in consultation with Orex.

The drillholes used to inform the resource estimate are summarised in Table 14-2.

Table 14-2 Drillhole summary

No. holes	Total metres	Total assays
59	7482	4020

14.3 Drillhole Recovery

All assayed intervals contain recovery information. A histogram of core recovery for all drillholes is displayed in Figure 14-1. The histogram shows >95% recovery was accomplished >87% of the time, which Mining Plus considers acceptable. In addition, no correlation between recovery and silver grade is observed in the scatterplot in Figure 14-2.

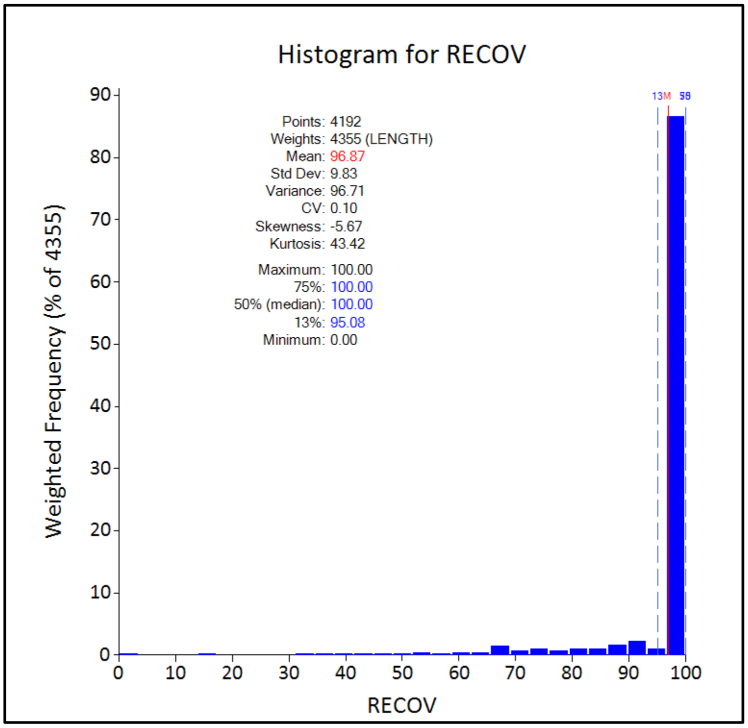


Figure 14-1 Drillhole recovery histogram

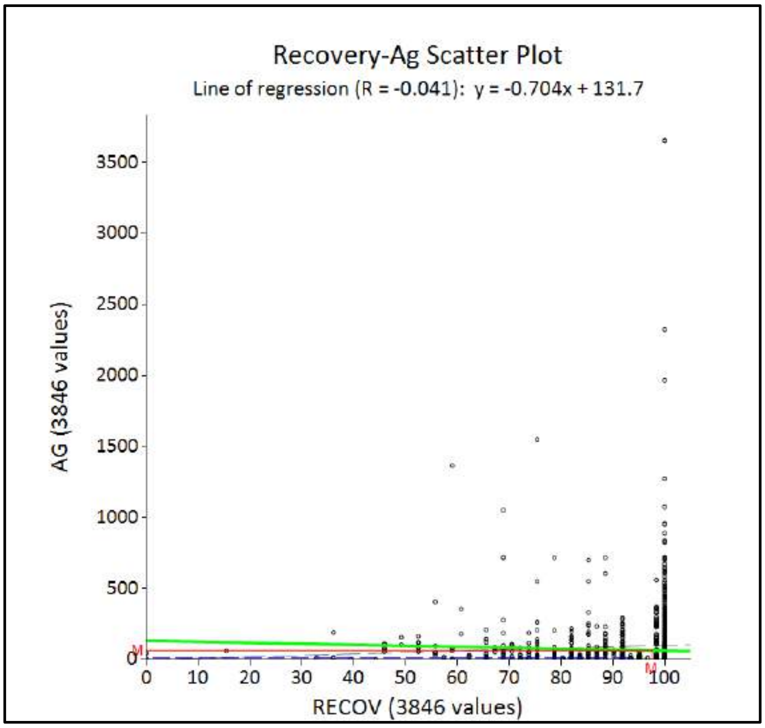


Figure 14-2 Drillhole recovery - Silver grade scatterplot

14.4 Geological Controls on Silver Mineralization

The geology of the deposit area is dominated by varieties of felsic tuff. This was recorded in Orex's geological logs as a combination of rock composition and texture (Table 14-3). Structural features were also recorded. Textures and structural features were sometimes recorded as combinations of groups (e.g. a partly crystalline and partly welded tuff was recorded as xw).

Mining Plus investigated possible relationships between these geological features and the distribution of silver grade in the deposit area by plotting and comparing each group on box and whisker plots and viewing the spatial continuity of the groups in three dimensions (3D) (Figure 14-3 to Figure 14-5). Length-weighted statistics for each group are also presented in Table 14-4 to Table 14-6.

Box and whisker plots present summary statistics graphically. The mean and median are displayed as red and blue lines respectively. The dark grey box represents the 50% – 75% quartile, while the light grey box represents the 25% – 50% quartile. The upper and lower ticks represent the maximum and minimum data values respectively. The group label is above the upper tick with the number of samples in brackets. The box and whisker on the right-hand side of the plot represents the total dataset.

Mining Plus makes the following observations:

- The rhyolite and rhyodacite rock compositions are indistinguishable in terms of silver grade. The andesite group contains significantly more low-grade samples than rhyolite and rhyodacite, however, the relatively few samples show that it is volumetrically insignificant.

- More than 80% of the textures fall into the crystalline (x) or crystalline-lithic/lapilli group (xl). Other textural groups are significantly lower-grade or higher-grade than these two main groups, but individually they are volumetrically insignificant and spatially discontinuous.
- The structural feature box and whisker plot suggests that some combinations of groups might be useful in constraining high-grade zones in future.

Mining Plus considers that the rock composition varieties within the tuff sequence were not an important control on mineralization. The textural statistics suggest that some textural features might have been preferential sites for mineral deposition (e.g. tx and xls), however, they are volumetrically insignificant. The structural statistics suggest that some structural features host higher-grade mineralization; however, with the current drill spacing their spatial continuity is unclear. Further drilling and investigation might assist in better defining these relationships.

Table 14-3 Geological logging codes

Rock Composition		Texture		Structural feature	
Description	Code	Description	Code	Description	Code
Andesite	Ta	Tuff-undiff	t	Fault Zone	FZ
Rhyolite	Try	Tuff-crystal	x	Brecca Zone	BX
Rhyodacite	Trd	Tuff-lithic/lapilli	l	Stockwork	STK
		Tuff-welded	w	Veining	V
		Agglomerate	a	Broken rock	K
		Flow	f		
		Dyke	d		
		Sill	s		

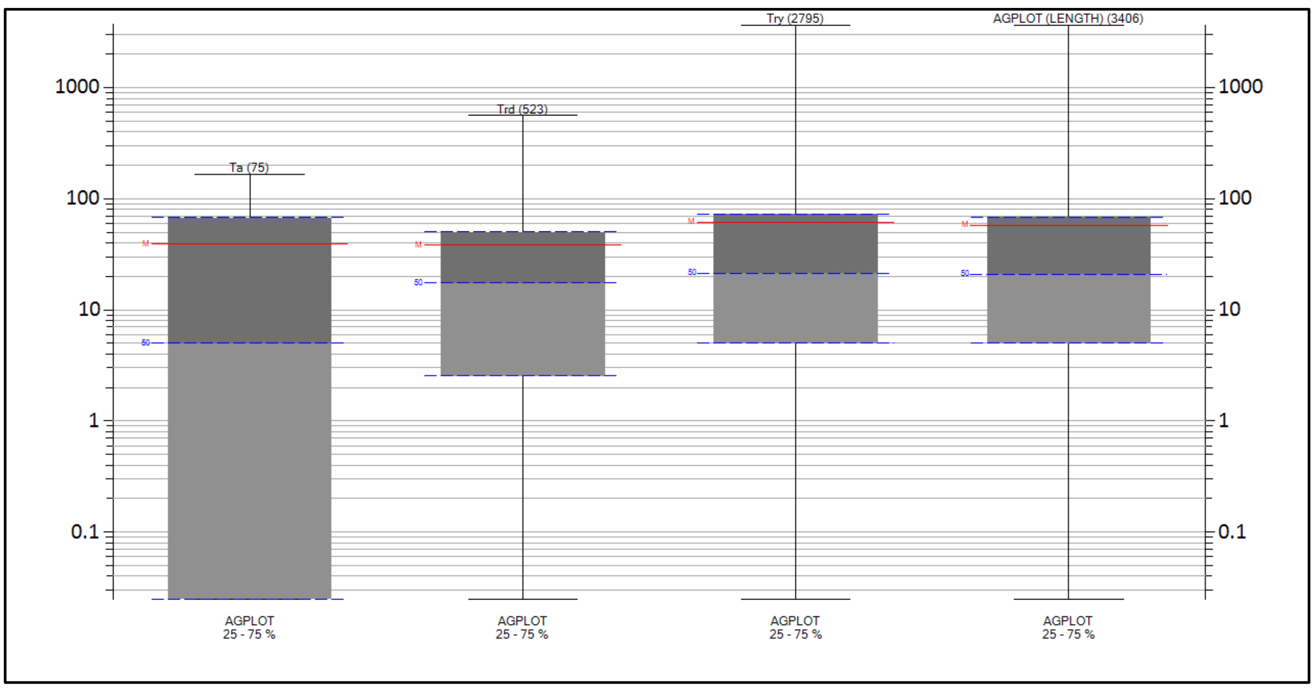


Figure 14-3 Silver box and whisker plot: Rock compositions

Table 14-4 Silver statistics grouped by rock composition

Values	TA	TRD	TRY	(blank)
No. Samples	126	633	4,090	16
Minimum	0.5	0.5	0.5	7.5
25th percentile	0.5	11.03	9.2	11.51
Median	16.6	38.9	33.8	31.65
Mean	32.31	50.16	61.2	30.6
75th percentile	54.31	76.2	96.64	43.54
Maximum	166.23	560.04	3654.89	115.5
Coeff Variation	1.29	1.25	2.11	0.65

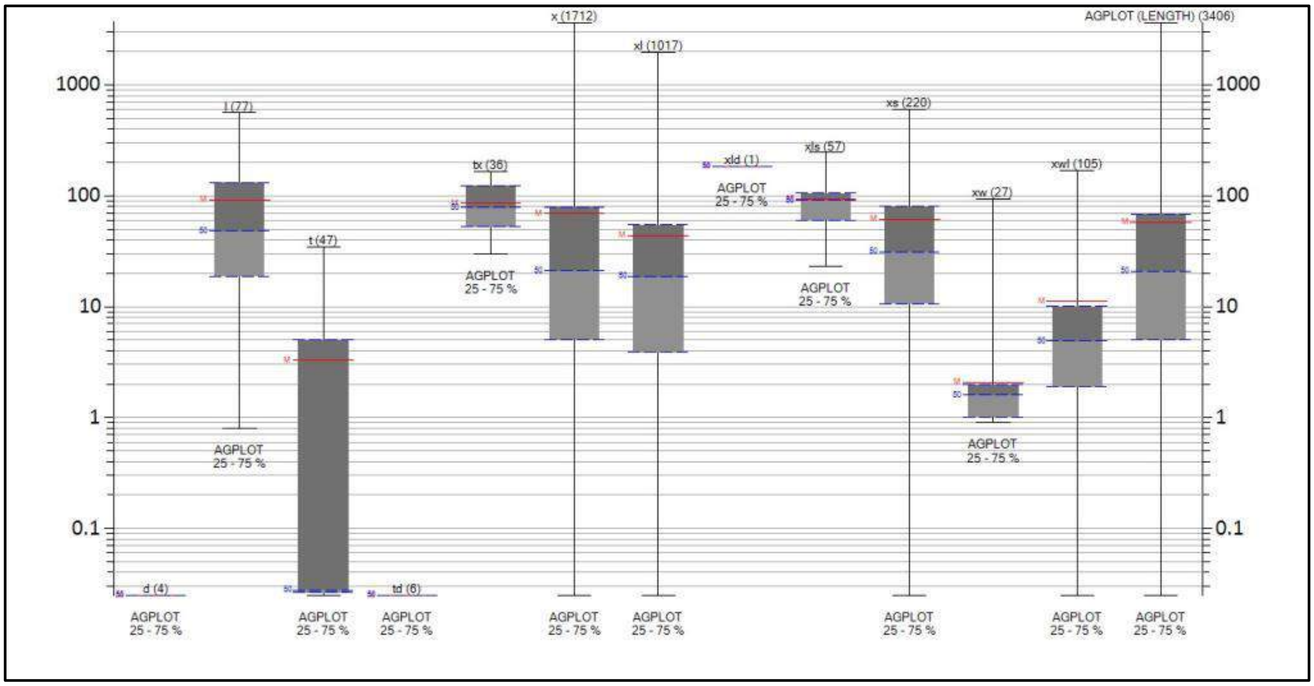


Figure 14-4 Silver box and whisker plot: Rock textures

Table 14-5 Silver statistics grouped by rock texture

Values	A	D	L	LA	LS	T	TD	TF	TL	TX	W	X	XA	XD	XL	XLD	XLS	XS	XW	XWL	(blank)
No. Samples	32	3	59	16	32	69	0	5	0	36	0	2,023	10	6	1,857	1	169	192	1	41	313
Minimum	0.8	2.3	5.4	0.5	57.88	0.5	0	0.7	0	29.95	0	0.5	0.5	0.7	0.5	185.8	15.6	0.5	93.2	1.2	0.5
25th percentile	16.3	1.73	33.2	1.1	123.7	0.5	0	0.78	0	52.44	0	8.79	0.5	1.2	10.2	0	36.8	29.2	0	4.93	1.6
Median	25.55	3.9	56.2	1.4	240	0.7	0	1.6	0	79.91	0	30.96	46.95	44.25	36.96	0	61.15	58.1	0	10.8	10.7
Mean	31.7	3.49	85.64	1.42	249.43	4.25	0	2.47	0	85.41	0	64.77	28.22	23.79	56.01	185.8	75.3	74.09	93.2	21.54	25.48
75th percentile	44.2	4.23	131.34	1.6	309.28	2.5	0	2.95	0	124.13	0	99.84	62.65	62.65	91.28	0	98.39	104.24	0	27.1	43.53
Maximum	91.3	5.2	258	2	560.04	63.3	0	5.9	0	166.23	0	3654.9	86.7	70	1966	185.8	373	606	93.2	169.1	673
Coeff Variation	0.58	0.36	0.71	0.34	0.55	2.52		0.77		0.45		2.37	1.01	1.21	1.71		0.69	1.14		1.47	2.07

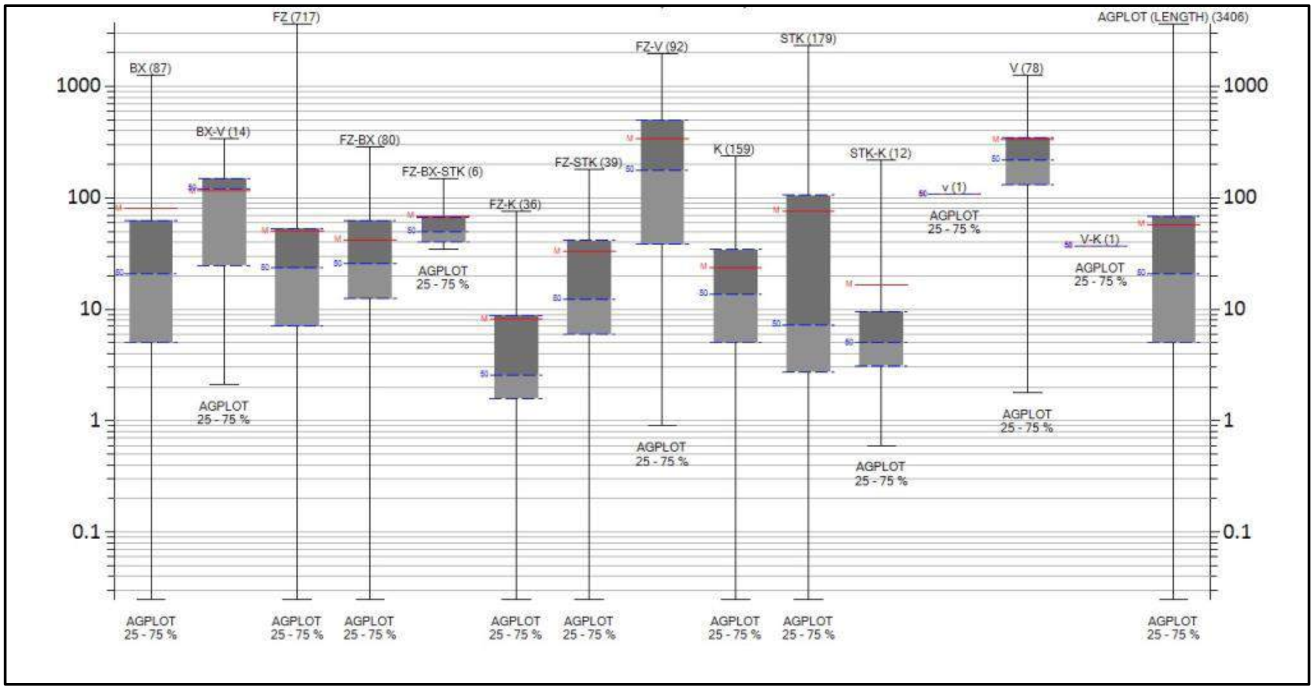


Figure 14-5 Silver box and whisker plot: Structural features

Table 14-6 Silver statistics grouped by structural feature

Values	BX	BX-K	BX-STK	BX-V	FZ	FZ-BX	FZ-BX-STK	FZ-K	FZ-STK	FZ-STK-K	FZ-V	FZ-V-K	K	STK	STK-FZ	STK-K	V	V-BX	V-K	(blank)
No. Samples	92	4	2	14	939	109	6	64	26	8	121	1	616	199	7	52	94	2	1	2,508
Minimum	0.7	0.5	0.5	2.1	0.5	1.2	34.85	0.7	0.5	3.8	3.5	38	0.5	0.5	102.1	1.7	1.6	57.2	37.05	0.5
25th percentile	2.5	0	0	98.43	14.54	11.65	41.01	7	2	6.6	41.42	0	7.2	3.15	123.33	5.6	82.71	28.6	0	8
Median	27.42	0	0	135.55	37.8	25.8	56.67	21.1	69.71	11.2	120.43	0	20	72.6	185.2	7.45	174.77	66.7	0	34.68
Mean	75.73	0.5	0.5	115.24	64.6	36.93	68.5	26.35	43.07	18.14	288.17	38	35.33	90.11	173.48	11.78	344.06	72.75	37.05	52.9
75th percentile	88.9	0	0	156.74	89.87	59.22	69.54	43	110.83	18.3	239.18	0	54.4	152	208.9	13.7	287.47	66.7	0	90.4
Maximum	1273	0.5	0.5	341.17	3654.9	289.24	150.08	132	181.52	44.9	1966	38	346	2324.8	273	219	1415	76.2	37.05	1966
Coeff Variation	2.3			0.68	2.4	1.07	0.55	0.95	1.15	0.77	1.37		1.31	1.77	0.32	1.86	0.93	0.1		1.56

14.5 Geological solid modelling

The currently available drillhole information shows that the majority of mineralization is disseminated through the tuffeceous sequence, while the units above and below the tuffeceous sequence are unmineralized. The grade distribution is a gradational from mineralized to unmineralised tuff. Mining Plus chose to use grade shells within the tuffaceous sequence to constrain the Mineral Resource estimate as other geological controls on mineralization are unclear at this stage of the project.

A grade cut off was established based on economics of similar scale and style deposits in Mexico such as the La Pittarrilla deposit of Silver Standard, located in Durango state, Mexico. The NI 43-101 Feasibility level report by Boychuk, et. al., 2012 states that the cut-off grade is expected to be 30 g/t silver at La Pitarrilla. In conservative reporting by MP the Boleras deposit was grade modelled at 30 g/t Ag and as discussed in Section 14.14 below, reported at 45 g/t Ag.

A silver grade threshold of 30 g/t was selected to define the outer limits of mineralization, while high-grade zones were modelled with a silver grade threshold of 225 g/t. The lower 30 g/t threshold was selected to be consistent with the interpreted economic cut-off grade (see section 14.13), while the higher 225 g/t threshold was selected from the grade distribution on a log probability plot, combined with observations in the field and of the drillholes in 3D. Steeply-dipping high-grade zones can be observed in the field and in 3D striking approximately 125˚ azimuth and dipping between 70 and 90˚ towards the south. The inflection at approximately 225 g/t on the silver log probability plot and the continuity between drillhole sections suggests these zones represent a distinct sub-population.

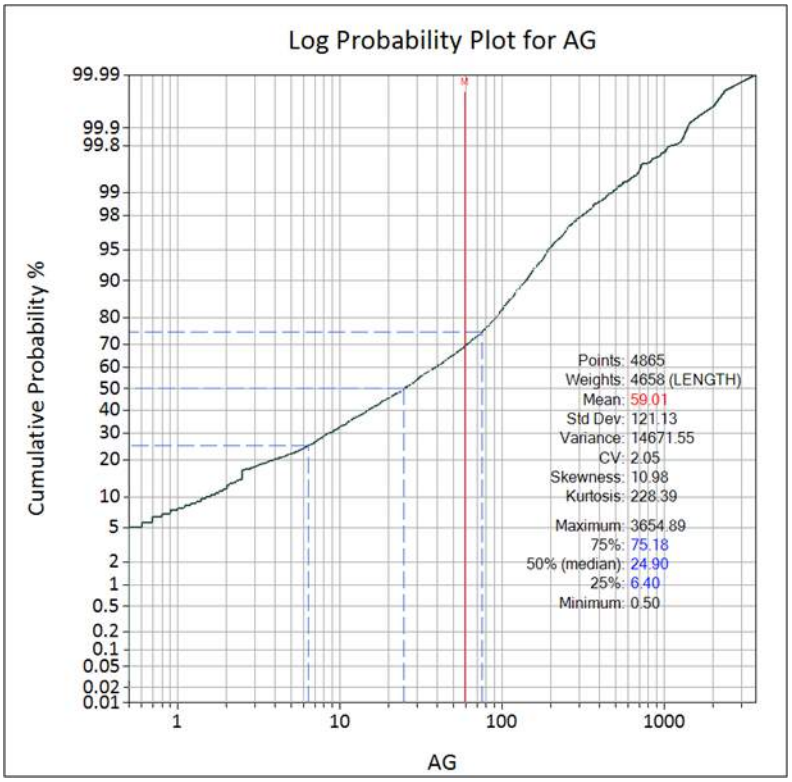


Figure 14-6 Silver log probability plot: all data

Strings were interpreted on two dimensional (2D) sections and points were snapped to drillhole sample boundaries. The 2D sectional strings were then linked to form 3D wireframe solids. A post-mineralization vertical fault is interpreted to transect the deposit. It is modelled with an approximate six meter vertical displacement. Horizontal displacement is unknown at this stage. The fault separates the deposit into the west and east blocks. A perspective view of the 30 g/t grade shells is presented in Figure 14-7 (blue wireframe), while 225 g/t grade shells are presented in Figure 14-8 (magenta wireframe). Drillhole traces are displayed in white for spatial reference.

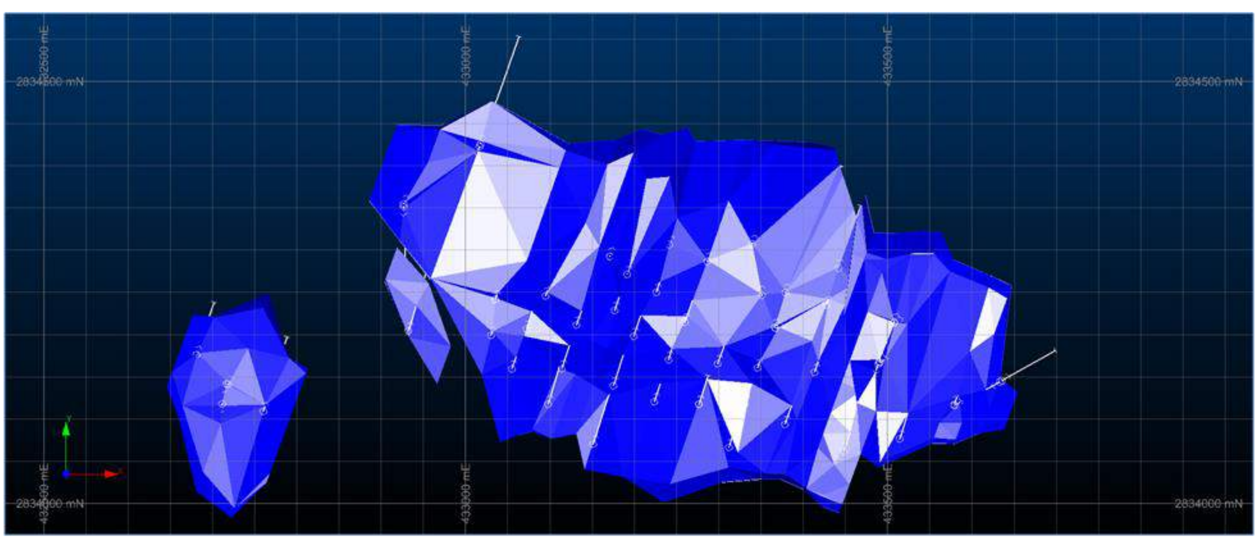


Figure 14-7 Plan view of 30 g/t grade shells

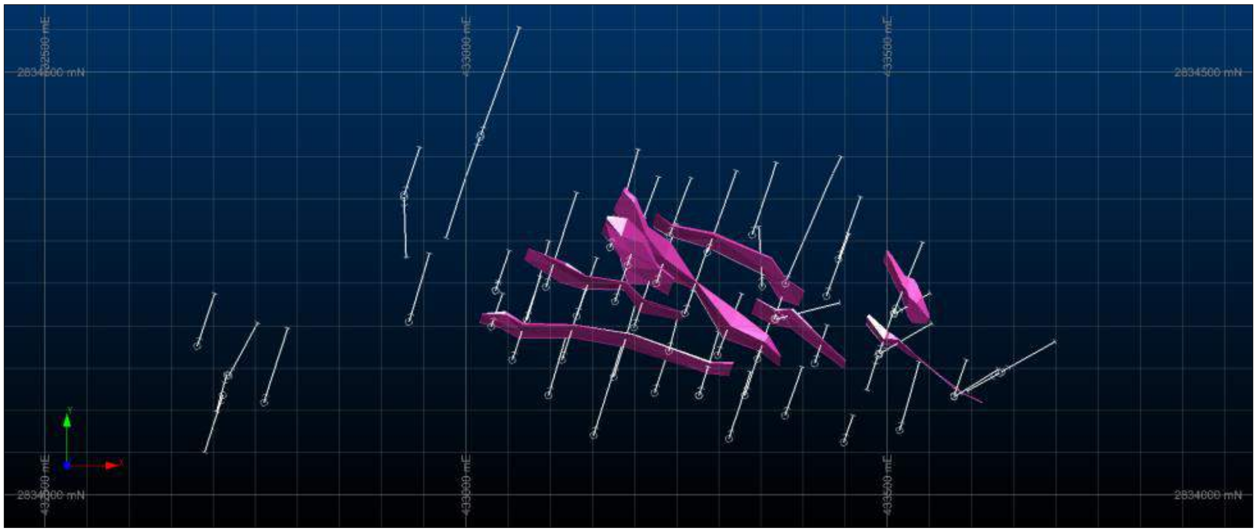


Figure 14-8 Plan view of 225 g/t grade shells

14.6 Compositing

Mining Plus selected a composite length of 1m, which is the median sample length (Figure 14-9). It is also appropriate for modelling the narrow high-grade zones, whose median downhole thickness is 5 m. Drillhole samples were coded with grade shells before compositing. Samples in the 30 ≥ 225 g/t grade shell were coded as domain 1, while those in the >225g/t were coded as domain 2. Samples were then composited by domain with a minimum composite length of 0.5 m. Sample intervals less than 0.5 m were discarded. The number of retained sample lengths was 4676 and the number of discarded lengths was 18. Mining Plus considers the discarded samples are not material to the Mineral Resource estimate.

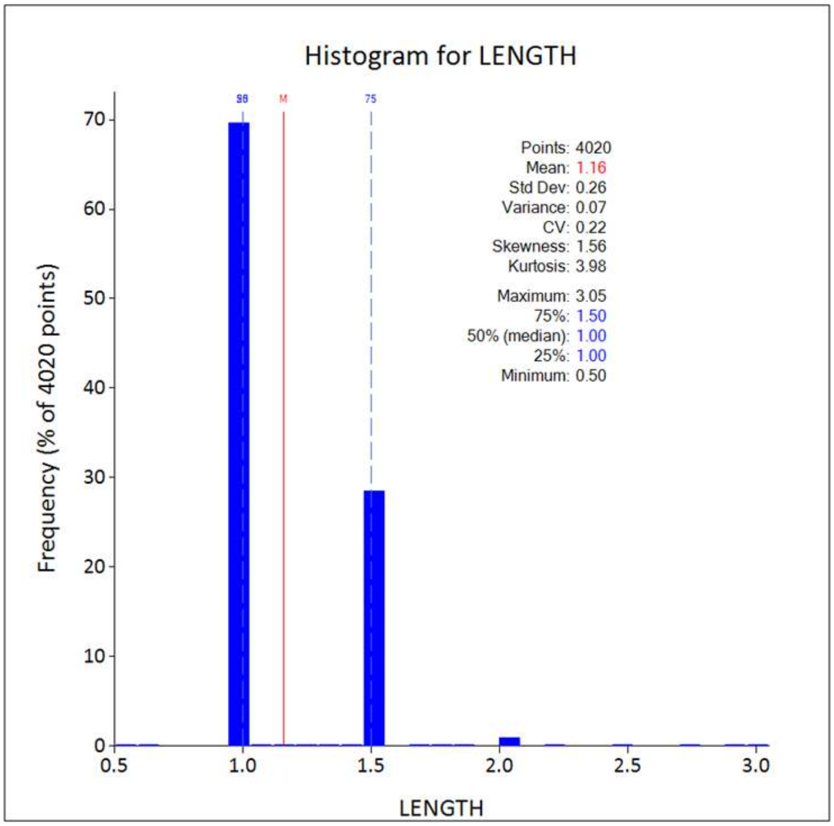


Figure 14-9 Length histogram

14.7 Grade Capping

Grade capping is the process of reducing the grade of an outlier sample to a value that is representative of the surrounding grade distribution, thereby minimizing the overestimation of adjacent blocks in the vicinity of the outlier.

A grade cap value should not result in an excessively large number of values being capped; typically this should be less than 5% of the total database. The impact of this capping varies depending on the grade distribution, value of the outliers, and the number of samples in the grade domain.

In order to determine the optimal grade capping strategy, the following steps were undertaken for each grade cap exercise:

- The skewness of the grade distribution was evaluated by looking at the grade log histogram and log probability plot and the coefficient of variation statistic.
- The spatial location of the outlier values were visually evaluated in 3D to determine if they are clustered (suggesting the existence of a high-grade zone within the domain), or randomly distributed (suggesting the presence of outliers that may need to be capped).
- An appropriate capped grade was interpreted based on the above criteria and in keeping with the surrounding grade distribution.

Grade caps were applied to the 1m composites after compositing. Figure 14-10 shows the selected grade caps on log probability plots for the 30 – 225 g/t Ag (domain 1), and >225 g/t Ag (domain 2) domains. The grade caps affected <2% of samples in both cases. Table 14-7 presents silver statistics grouped by domain. Composites are weighted by declustered weights assigned using the grid-declustering method with a 40 mX × 40 mY × 1 mZ grid size. Length-weighted, composite and grade capped statistics show insignificant differences between them.

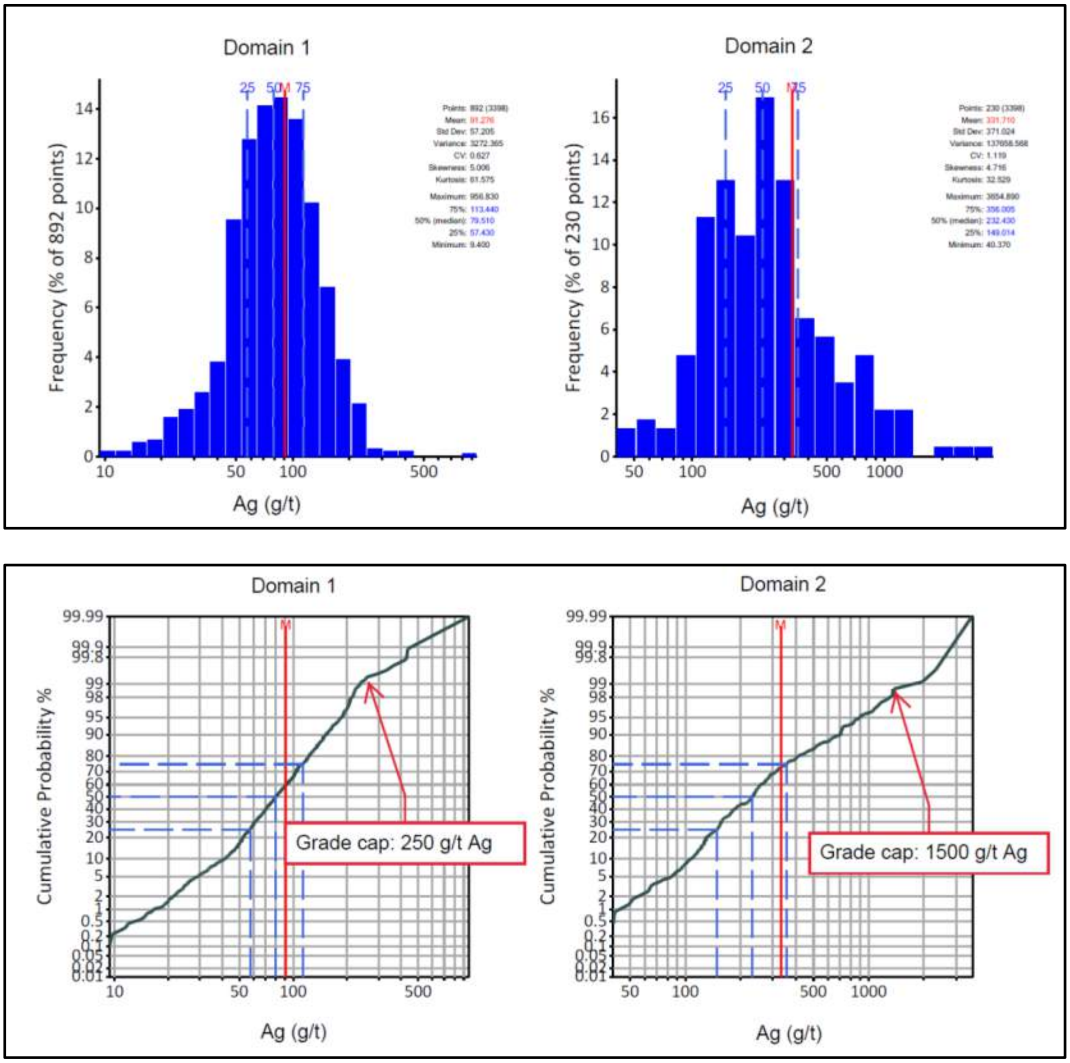


Figure 14-10 Selected grade caps

Table 14-7 Silver statistics grouped by estimation domain

Estimation Domain	Statistic	Raw Drillhole (length weighted)	Composites (declustered weights)	Composites with Grade cap (declustered weights)
1	No. Samples	1,983	2,084	2,084
	Minimum	3.6	3.6	3.6
	Median	65	64.5	64.5
	Mean	78	77.1	76.4
	Maximum	956.8	956.8	250
	Coeff of Var.	0.7	0.69	0.63
2	No. Samples	268	276	276
	Minimum	49.16	49.16	49.16
	Median	239.7	232.4	232.3
	Mean	331.9	315.9	307.1
	Maximum	3,654.90	3,654.90	1,500.00
	Coeff of Var.	1.07	1.01	0.85

14.8 Variography

Variography reflects the mean spatial continuity for a located variable. A variogram or correlogram is used to assign the appropriate kriging weights in the estimation process, taking into account the mean spatial characteristics of the underlying grade distribution. Traditional variograms and correlograms were calculated for comparison purposes. Correlograms were chosen to model the 3-D grade continuity as they were found to give better structures. A correlogram is more resistant to heteroscedasticity and clustering[1] than a traditional variogram (Srivastava & Parker, 1989).

Experimental correlograms were generated in a fan at 10° increments in the horizontal plane, as the vertical dimension is relatively small in this deposit. The direction showing the best continuity (longest range) and the two perpendicular directions were modelled. Spherical models with a nugget and three structures were manually fit to the directional correlograms. The correlogram modelling was completed using Supervisor™ software. Results are presented in Figure 14-11.

The >225 g/t Ag domain had insufficient samples from which to model a robust correlogram, so the correlogram from the 30 – 225 g/t domain was used for grade estimation. The rotations and ranges are represented by a purple ellipsoid in Figure 14-12, with the drillholes displayed in white for spatial reference.

[1] Heteroscedasticity means that the dispersion of the values is related to their magnitude. Clustering means that available samples are preferentially clustered in areas with high values.

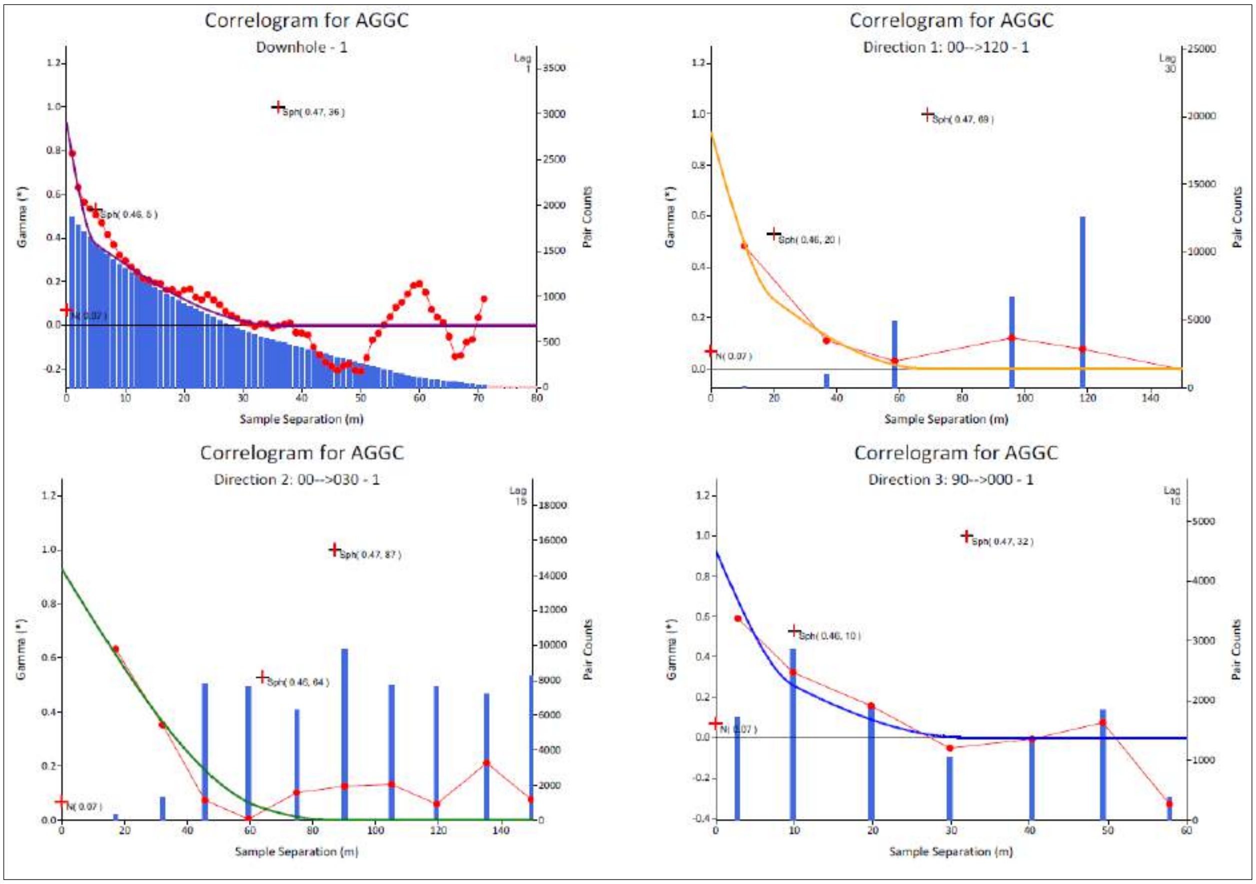


Figure 14-11 Correlograms with fitted models: Domain 1

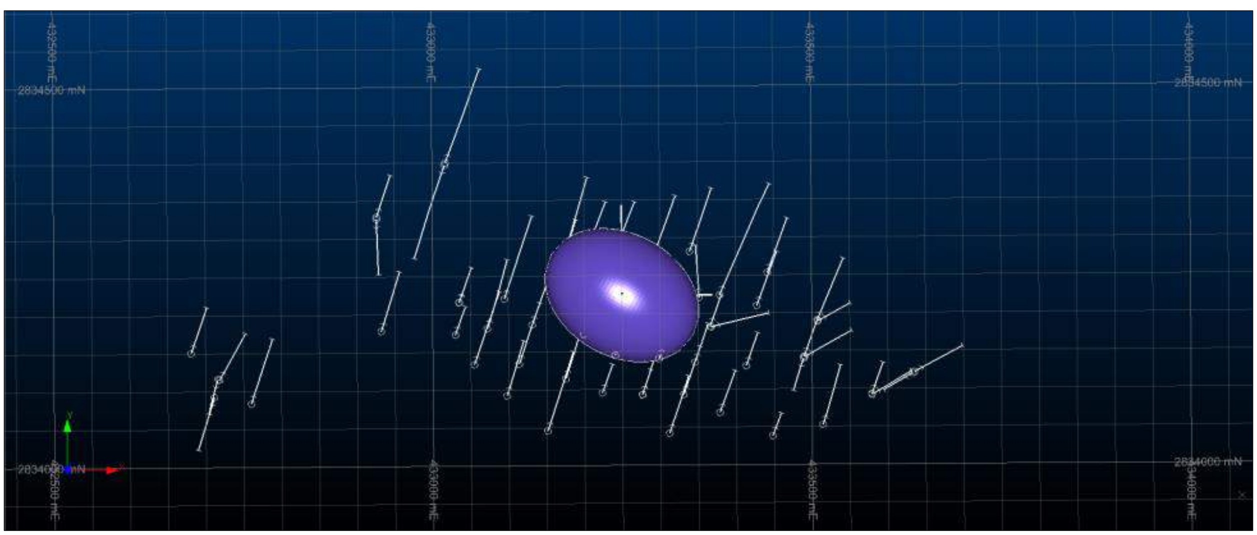


Figure 14-12 Plan view of ellipsoid representing correlogram ranges

Table 14-8 Silver correlogram model: Domain 1

Rotation °				1st Structure				2nd Structure			
Z	Y	X	Nugget	Sill 1	Along strike	Down dip	Perpend-icular	Sill 2	Along strike	Down dip	Perpend-icular
30	0	0	0.07	0.46	64m	20m	10m	0.47	87m	69m	32m

14.9 Bulk Density

Bulk density measurements were collected by two different methods; the dimension method, where the value is calculated from the sample weight in air and its dimensions, and the immersion method, where the value is calculated from the sample weight in air and weight in water. The immersion method did not include coating the sample in wax. The Boleras mineralization has significant porosity, and therefore, Mining Plus expects that the immersion method without wax coating will over-estimate the bulk density. This effect can be seen on a Q-Q plot comparing the two methods (Figure 14-13). The immersion method returns bulk density values consistently 2.3 % higher than the dimension method. Mining Plus considers that the dimension method has returned more accurate bulk density values than the immersion method in this case, and therefore, the dimension method results were used to assign bulk density values in the block model.

Bulk density does not show a correlation with silver grade (Figure 14-14), however, there is a weak correlation with elevation (Figure 14-15). The correlation with elevation could be related to rock type or weathering. Mining Plus recommends that this relationship is studied to improve the estimation of bulk density in future iterations of the Mineral Resource Estimate.

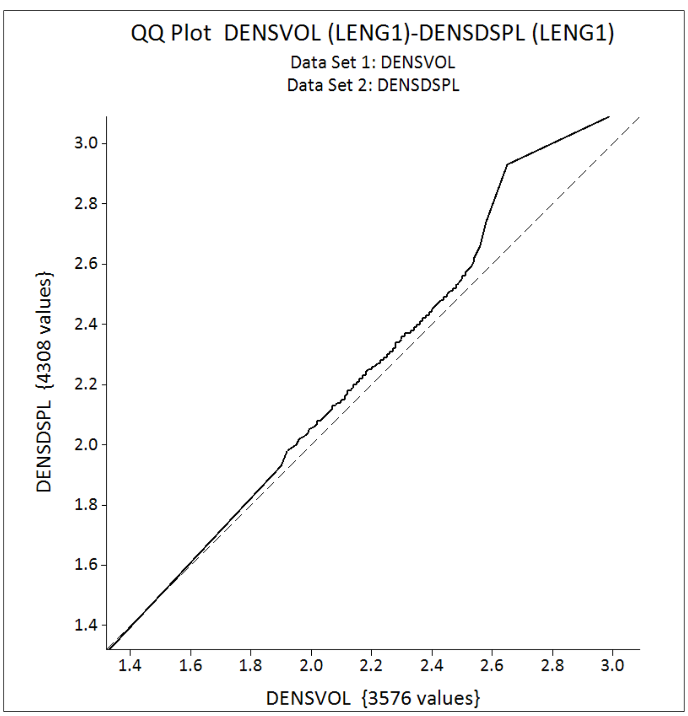


Figure 14-13 Q-Q plot of density measurement by dimension (x) and immersion methods (y)

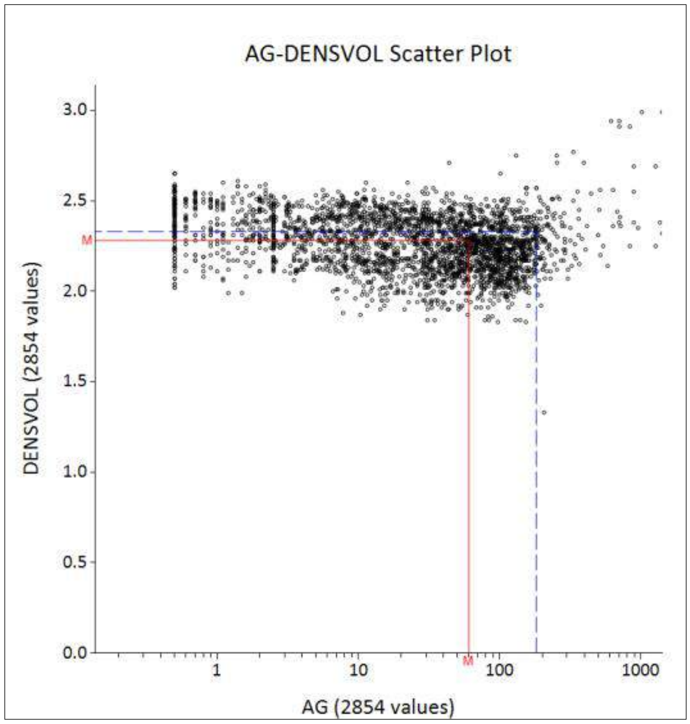


Figure 14-14 Scatterplot: Bulk density (dimension method) versus Silver grade

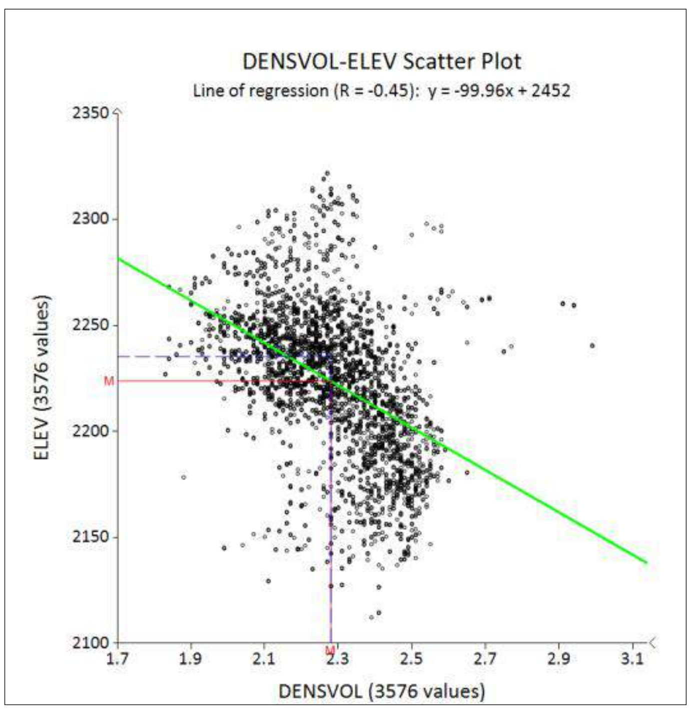


Figure 14-15 Scatterplot: Elevation versus Bulk density

14.10 Block Model Construction

Two parent block sizes have been run to test for potential bias in grade-tonnage estimates at various cut-off grades. Block models were constructed with 20 mX by 20 mY by 3 mZ blocks (approximately 1/3 of the drillhole grid), and 5 mX by 5 mY by 3 mZ blocks (approximately 1/12 of the drillhole grid). Sub-blocking in both cases was down to 1 mX by 1mY by 1mZ for effective mineralization boundary definition (Table 14-9). The grades within the sub-blocks have been estimated into the parent block volume.

Table 14-9 Block model definitions

	Block Model Origin (m)			No. of Parent Blocks			Parent Block Size (m)			Sub-Block Size (m)		
Scheme	X	Y	Z	X	Y	Z	X	Y	Z	X	Y	Z
20 x 20 x 3	432,600	2,833,950	2,150	60	35	71	20	20	3	1	1	1
5 x 5 x 3	432,600	2,833,950	2,150	240	140	71	5	5	3	1	1	1

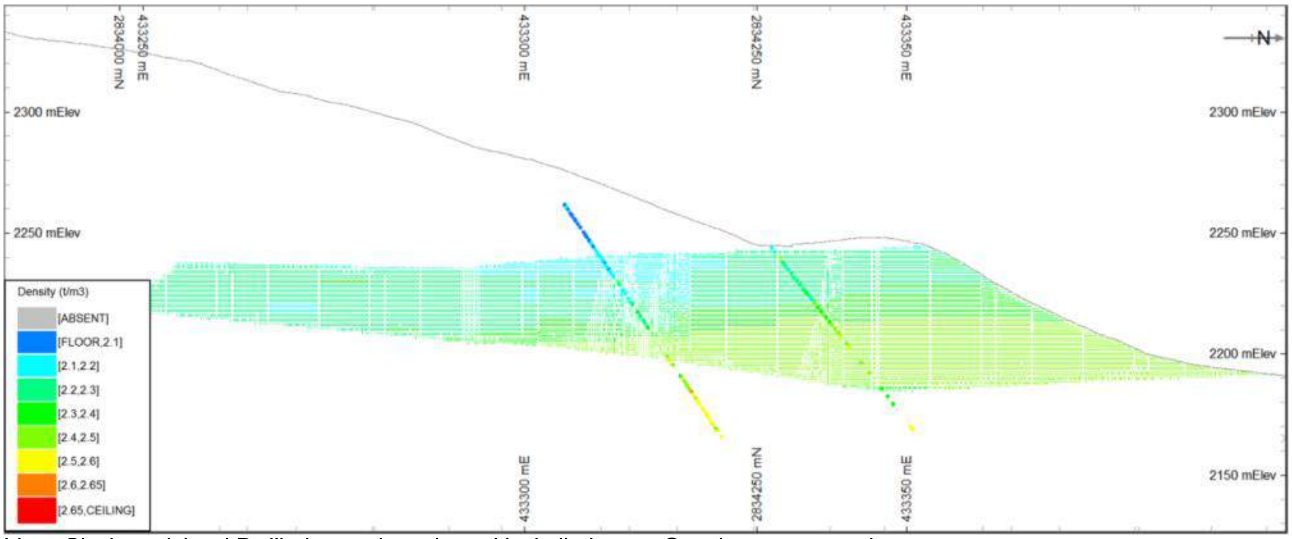
14.11 Search and Estimation Parameters

Mining Plus notes the following with regards to the search and estimation parameters:

- Grade estimation has been undertaken using Ordinary Kriging (OK) with the 30-225 g/t Ag (domain 1) and >225 g/t Ag (domain 2) grade shell wireframes used as hard boundaries during the estimation.
- Variography from domain 1 was used in the grade estimation of domain 2 due to a lack of sample pairs for meaningful variography in domain 2.
- Grade estimation has been completed in three passes with the search parameters for each pass provided below (Table 14-10).
- A maximum of two composites per drill-hole requirement has been used. This requirement, in combination with the minimum number of composites set at 6 in the first pass, meant that at least three drill-holes informed the estimate in the first pass.
- All cells were estimated after 3 passes.
- Octant searching was not used.
- Discretisation was set to 4 × 4 × 3.
- Nearest neighbour (NN) and inverse distance squared (ID) grade estimates were run simultaneously for comparison.
- Bulk density was estimated in one pass using ID due to a lack of sample pairs for meaningful variography. An example section of the bulk density estimate is provided below, where the drillholes and block model are coloured by bulk density (g/cm^3, legend displayed) (Figure 14-16). The search ellipsoid had a radius of 70m down-dip × 90m along-strike × 10m perpendicular. Unestimated blocks were assigned a bulk density of 2.28 g/cm^3, which is the mean bulk density using the dimension method discussed in section 14.9.

Table 14-10 grade search parameters

Domain	First Pass					Second Pass					Third Pass				
	Search			# Samples		Second Pass			# Samples		Third Pass			# Samples	
	along-strike	down-dip	Perpin-dicular	Min	Max	along-strike	down-dip	Perpin-dicular	Min	Max	along-strike	down-dip	Perpin-dicular	Min	Max
1	90	70	30	6	16	180	140	60	4	16	360	280	120	1	16
2	70	50	10	6	16	140	100	20	4	16	280	200	40	1	16



Note: Block model and Drillhole samples coloured by bulk density. Grey line is topography

Figure 14-16 Cross Section centred on 433000 mE: Density estimate

14.12 Resource Classification

The mineralization outcrops in numerous places along its northern edge and is transected by a small valley in the west. Surface mapping of the outcrops support the sub-surface geological continuity interpreted from drillholes. This information and the QP's experience in similar deposit styles on other projects, lead them to consider that a nominal drill hole spacing of 60 m × 60 m in plan view is sufficient to define the outer limit of an Inferred Mineral Resource at this stage of the project.

Mean distance to the three nearest drillholes was estimated into a block model and was used as the basis for digitizing the resource classification boundary. Figure 14-17 shows the digitized resource classification boundary string and block model coloured by estimated drillhole spacing, where turquoise blocks represent <60 m × 60 m spacing, and purple blocks represent >60 m × 60 m spacing. The southern depth extension of the mineralization does not have sufficient drilling support to be included in the Mineral Resource and was therefore clipped out.

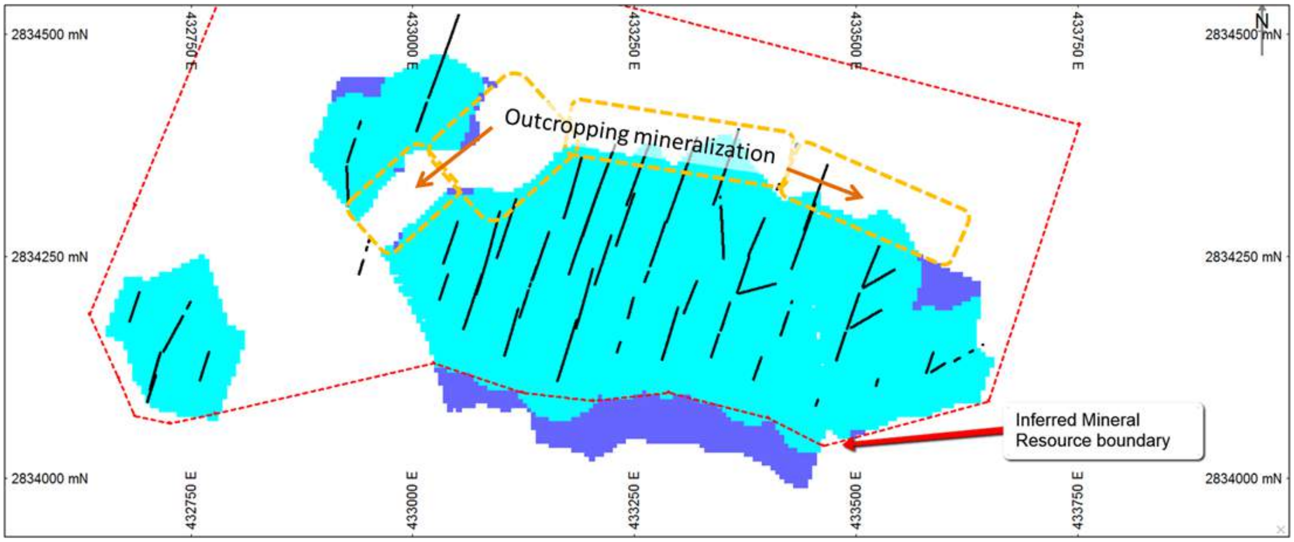


Figure 14-17 Plan view: Mineral Resource classification boundary

14.13 Reasonable Prospects of Economic Extraction

The Mineral Resource is sub-horizontal, outcropping or close to surface, and therefore, Mining Plus expects it to be mineable by open pit methods with a low strip ratio. It has reasonable prospects of economic extraction at a cut-off grade of 45 g/t silver based on information derived from feasibility level study on the La Pittarrilla deposit of Silver Standard, located in Durango state, Mexico. The NI 43-101 Feasibility level report by Boychuk, et. al., 2012 states that the cut-off grade is expected to be 30 g/t silver at La Pitarrilla.

Mining Plus is not aware of any deleterious elements, or any environmental, permitting, legal, title, taxation, socio-economic, marketing, political and/or other relevant factors that could materially affect the economics of the project.

14.14 Mineral Resource

Mining Plus has estimated a maiden Inferred Mineral Resource for the Boleras Deposit at a cut-off grade of 45 g/t Ag of **9.8 Mt at 106 g/t Ag**, which gives a contained silver metal content of **33.3 Moz**.

Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The Mineral Resource was estimated by Dr. A. Fowler, MAusIMM, CP(Geo), Independent Qualified Person under NI 43-101., of Mining Plus Consultants. Data was verified by Mr. Michael Collins P.Geo., Independent Qualified Person under NI 43-101., of Mining Plus Consultants. The Mineral Resource was estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standards Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014. Drilling results as of 7 October 2016 are included. The numbers may not divide due to rounding.

Cross sections through the Mineral Resource are presented in Figure 14-18 and Figure 14-19. A grade – tonnage table is presented in 14-11.

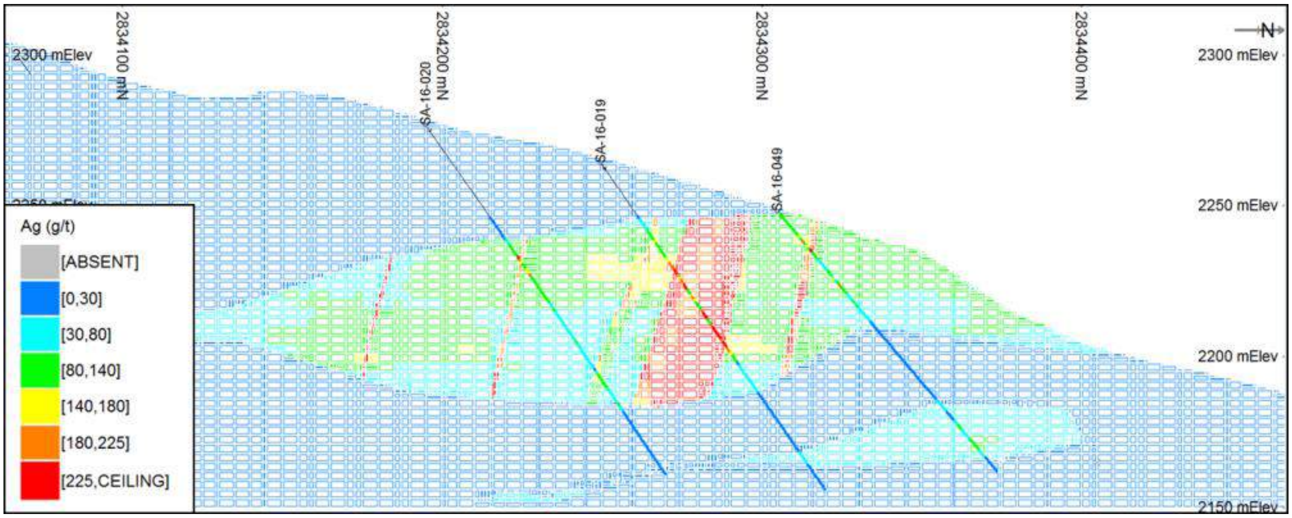


Figure 14-18 Mineral Resource cross section centered on 433230 mE, 2834300 mN

Note: Section azimuth 030°. Section clipping +/- 12.5m. Not to scale. Drillholes and block model

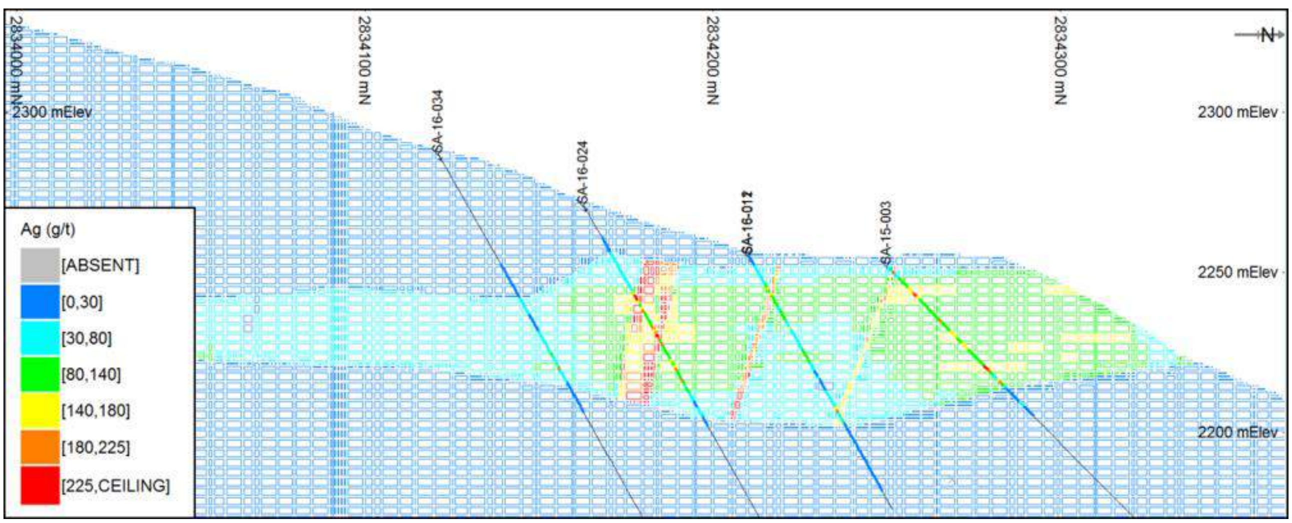


Figure 14-19 Mineral Resource cross section centered on 433350 mE, 2834200 mN

Note: Section azimuth 030°. Section clipping +/- 12.5m. Not to scale. Drillholes and block model coloured by silver grades (legend displayed). Drillhole names annotated.

14-11 Grade – Tonnage Table by Cut-Off Grade

Cut-off Grade Ag (g/t)	Tonnes (Mt)	Average Grade Ag (g/t)	Contained Silver (Moz)
15	12	92	35.8
30	11	96	35.4
45	**9.8**	**106**	**33.3**
60	8	118	30.4
75	6.4	131	26.9
90	5	145	23.1

14.15 Validation

Declustered composite and block model estimate statistics by domain are presented in Table 14-12. Declustered weights were calculated using the cell declustering method on a 40 mX × 40 mY × 1 mZ grid. Block model statistics were weighted by tonnes. Swath plots show the declustered composite and block model mean silver grades by domain calculated along swaths through the deposit by easting, northing and elevation (Figure 14-20 to Figure 14-22 and Figure 14-26 to Figure 14-28). Declustered composite and block model estimate silver grades by domain are compared on log histograms, log probability plots and Q-Q plots (Figure 14-23 to Figure 14-25 and Figure 14-29 to Figure 14-31). Grade-tonnage curves for the 20 mX by 20 mY by 3 mZ block size and 5 mX by 5 mY by 3 mZ block size are displayed in Figure 14-32. Silver grade is represented by the green line and tonnes are represented by the blue line for the 20 mX by 20 mY by 3 mZ block size. Silver grade is represented by the purple line and tonnes are represented by the red line for the 5 mX by 5 mY by 3 mZ block size.

Discussion

The statistics table shows good global agreement between the input composites and the OK estimate. In the 30-225 g/t silver domain (domain 1), the OK estimated mean grade is 3% higher than the input composite mean grade. In the >225 g/t silver domain (domain 2), the OK estimated mean grade is 6% lower than the input composite mean grade. Mining Plus considers that these differences are acceptable at this stage of the project. As the project advances, the increased geological knowledge will improve the domaining, which should lead to an improvement in the agreement between the composites and block model.

The agreement is also good between the NN, ID and OK estimation methods, which gives greater confidence in the OK results.

The swath plots show good agreement between the input composites, the NN estimate and the OK estimate through the centre of the deposit where the most composites are encountered. Towards the edges the agreement is poorer due to a lack of composites informing the estimate. The input composites display considerably more variability than the block model estimates due to the volume-variance relationship.

The log histograms, log probability plots and Q-Q plots show more variability in the input composites and the NN estimate than the OK estimate due to the smoothing effect of Kriging. Mining Plus considers that that amount of smoothing in the model is appropriate for the current level of geological understanding. Further drilling might allow a more selective model to be estimated in the future.

The grade-tonnage curves are almost identical, which shows that using a block size that is considerably smaller than the drillhole grid has not biased the grade-tonnage estimate at the cut-off grades of interest.

Table 14-12 Composite versus Block Model comparison statistics

Domain	Source	No. samples	Minimum	Maximum	Mean	Median	Coeff. of Variation
1	Declustered Composites	2,084	3.6	250	76.4	64.54	0.63
	NN estimate	289,484	3.6	250	78.41	62.96	0.68
	ID estimate	289,484	8.673	195.942	78.88	73.74	0.47
	OK estimate	289,484	7.484	209.747	78.77	72.75	0.47
2	Declustered Composites	276	49.16	1500	307.13	232.35	0.85
	NN estimate	74,471	49.16	1500	282.5	233.41	0.78
	ID estimate	74,471	93.387	945.539	283.34	253.54	0.41
	OK estimate	74,471	89.597	921.705	288.36	258.14	0.38

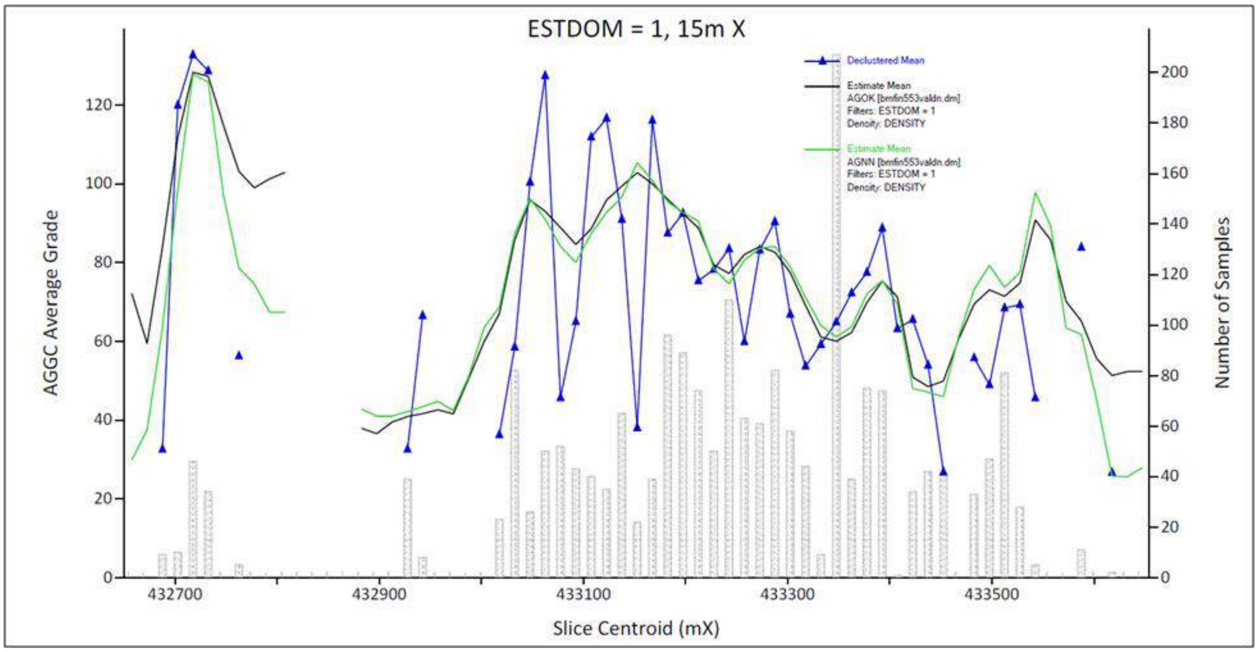


Figure 14-20 Swath plot: Domain 1 by Easting

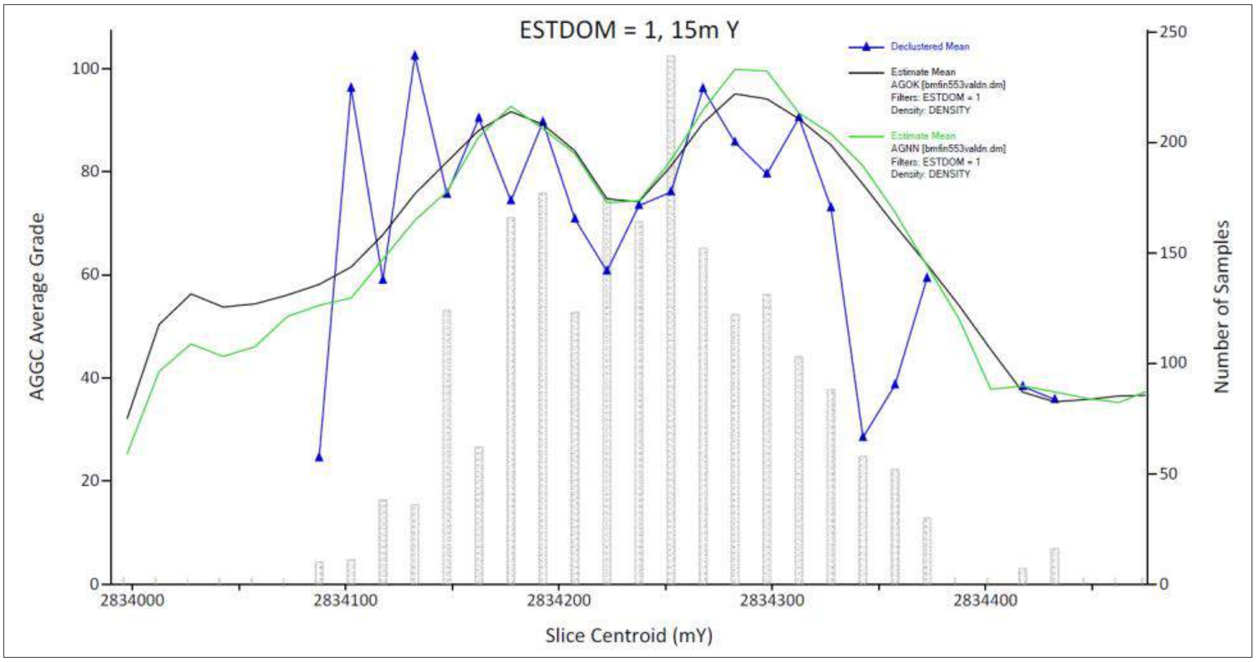


Figure 14-21 Swath plot: Domain 1 by Northing

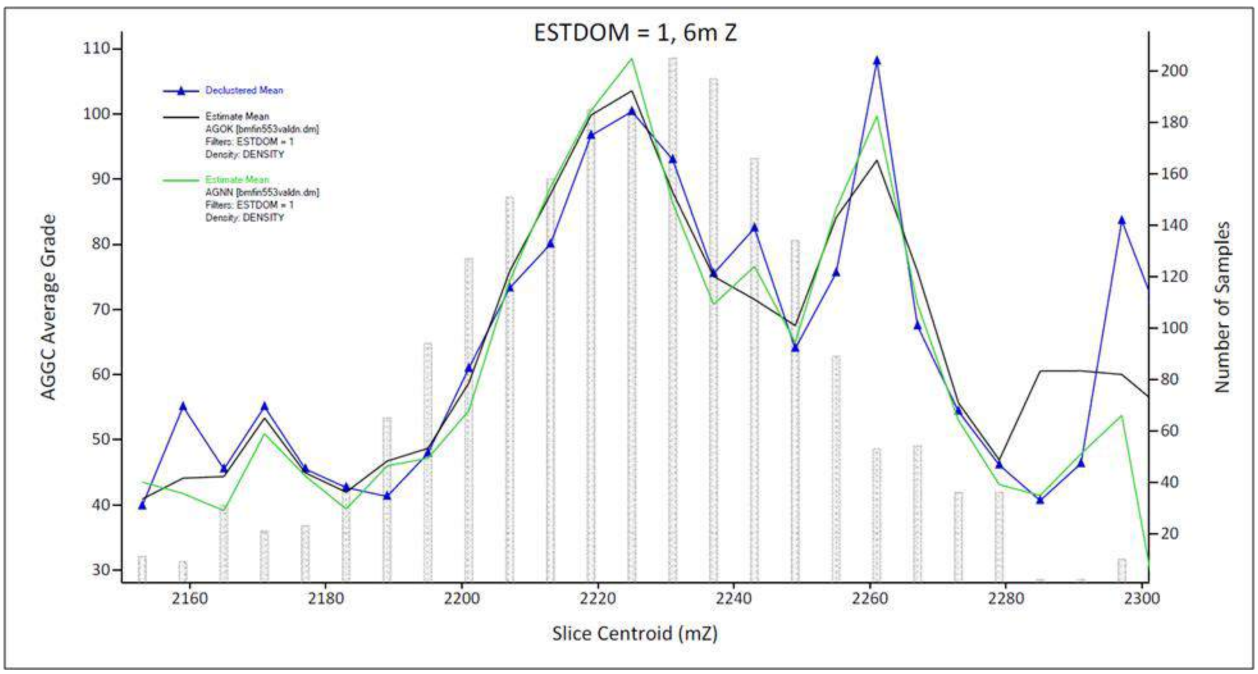


Figure 14-22 Swath plot: Domain 1 by Elevation

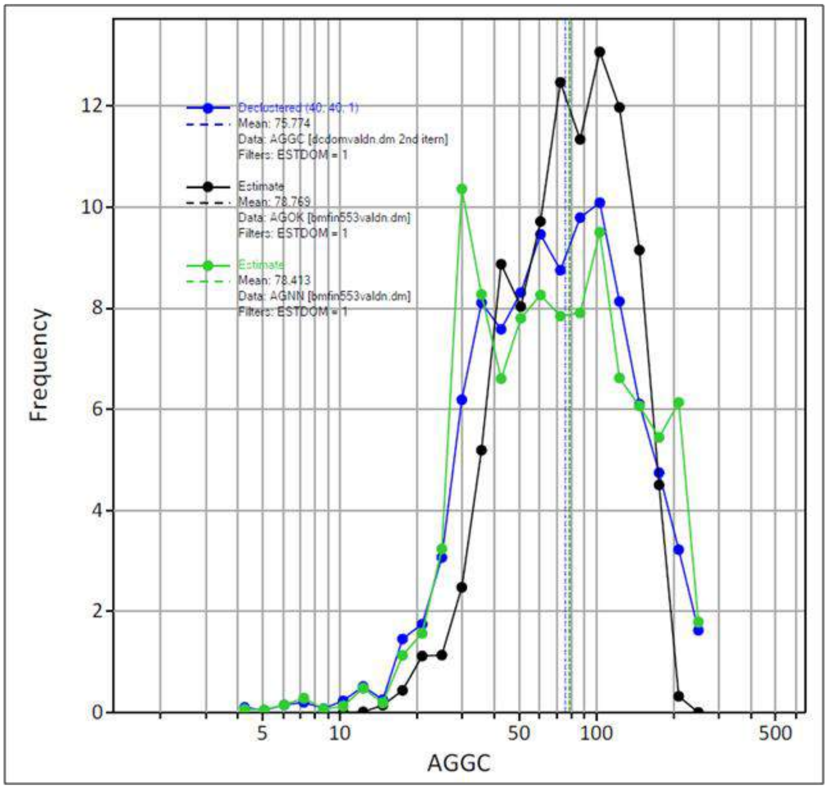


Figure 14-23 Log Histogram: Domain 1

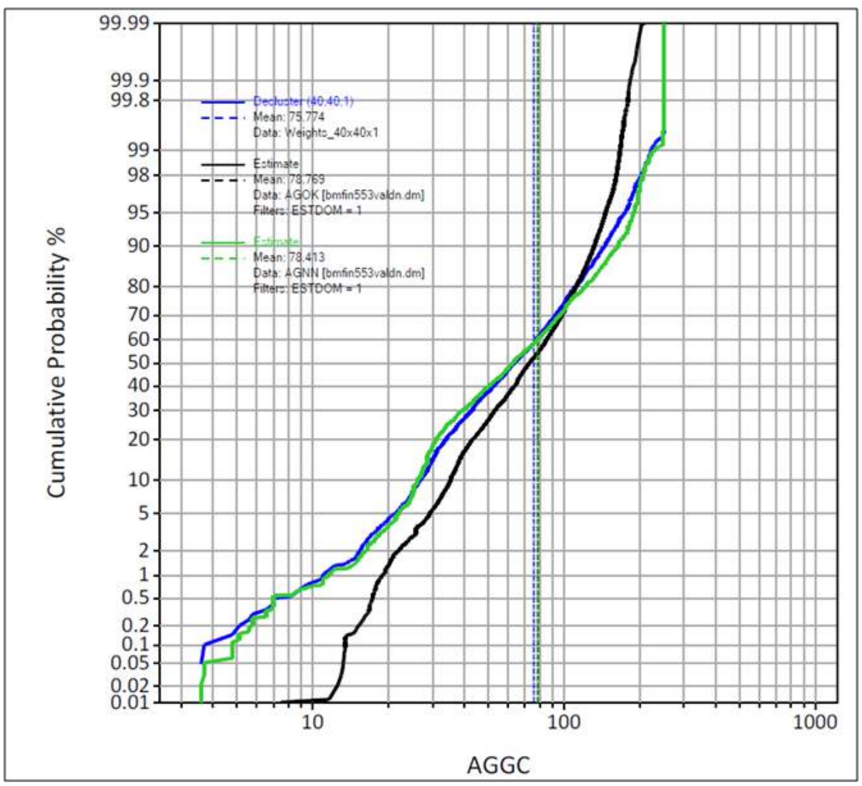


Figure 14-24 Log Probability plot: Domain 1

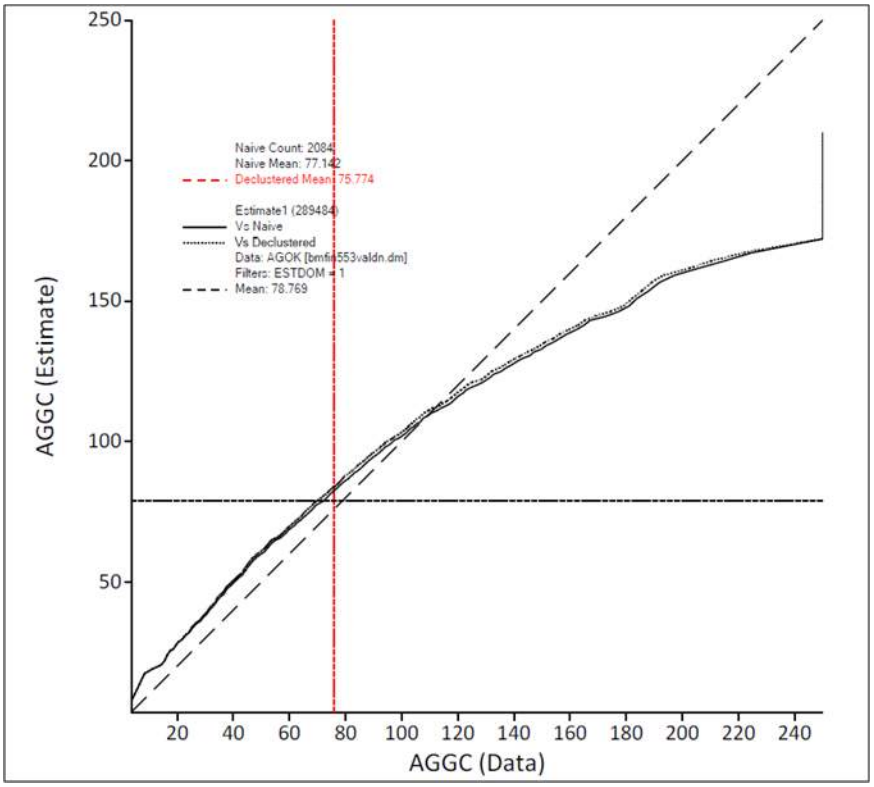


Figure 14-25 Q-Q plot: Domain 1

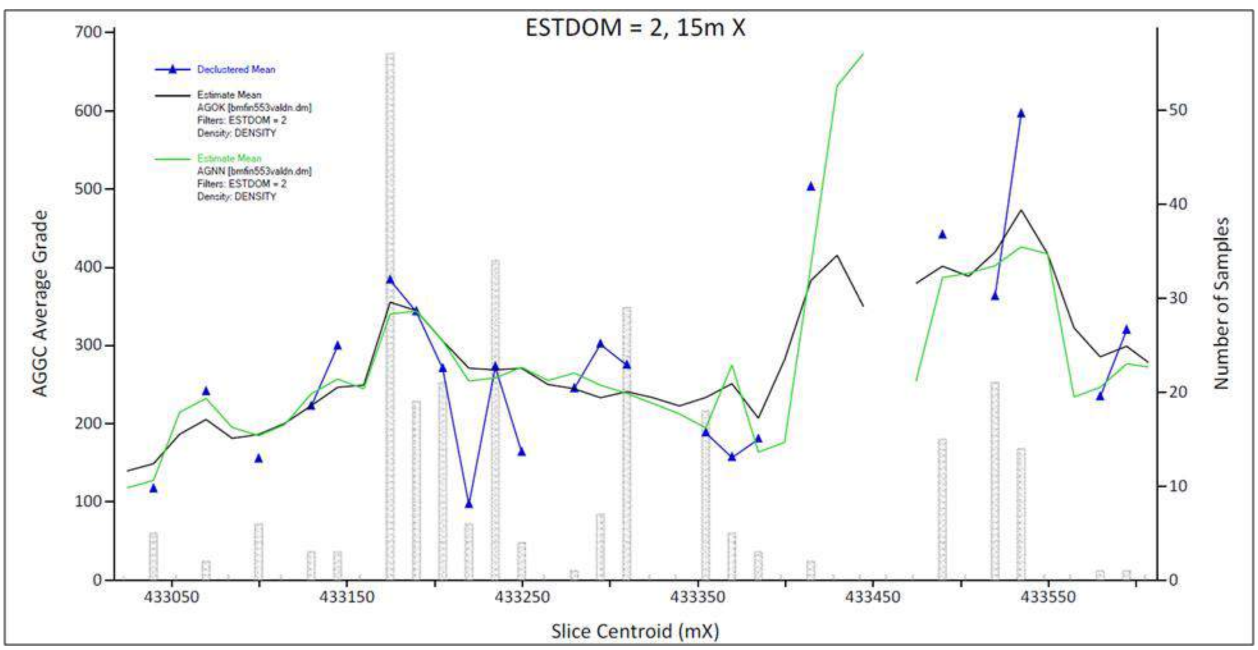


Figure 14-26 Swath plot: Domain 2 by Easting

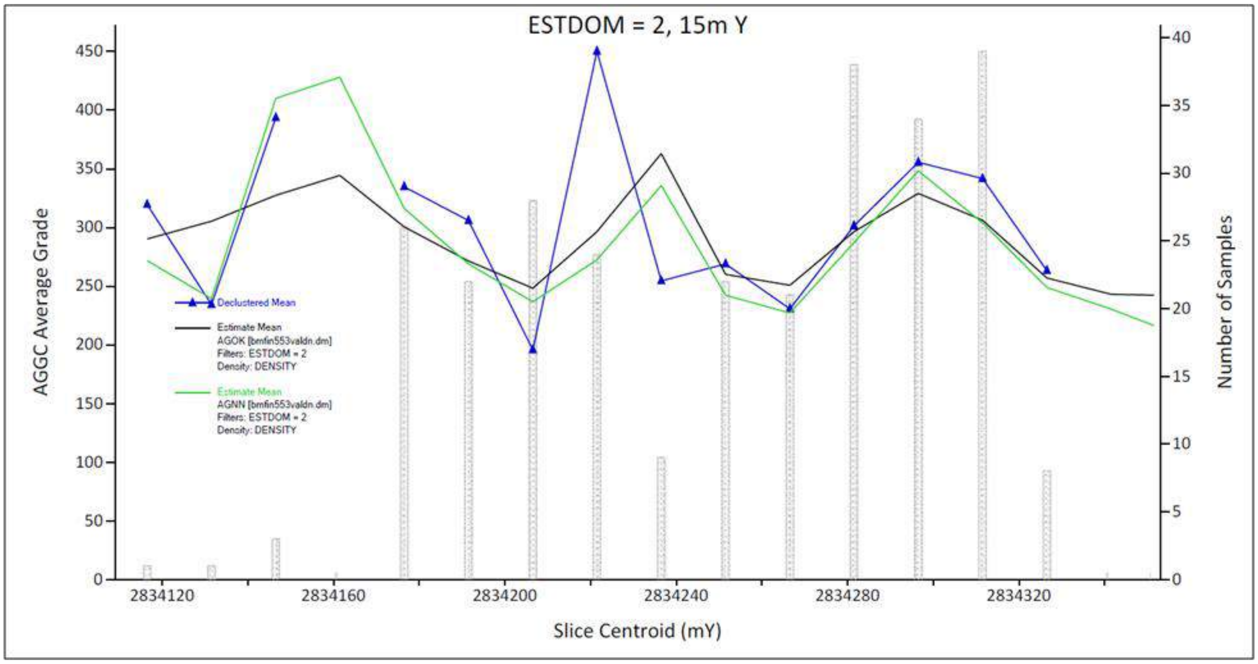


Figure 14-27 Swath plot: Domain 2 by Northing

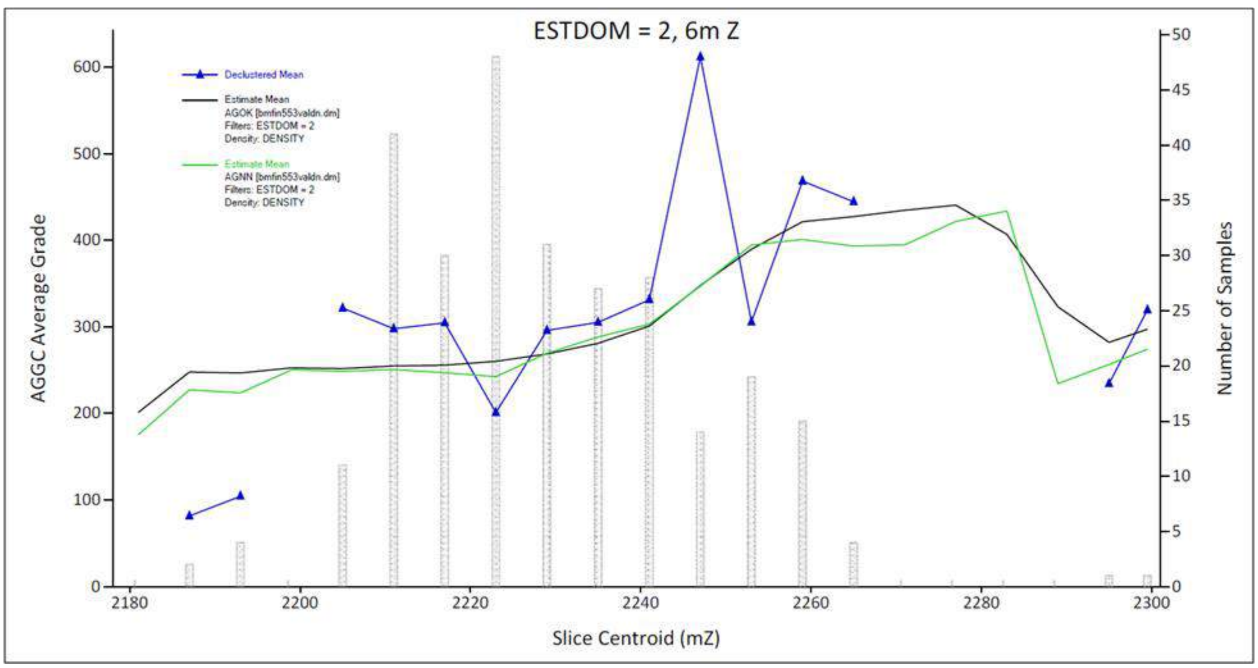


Figure 14-28 Swath plot: Domain 2 by Elevation

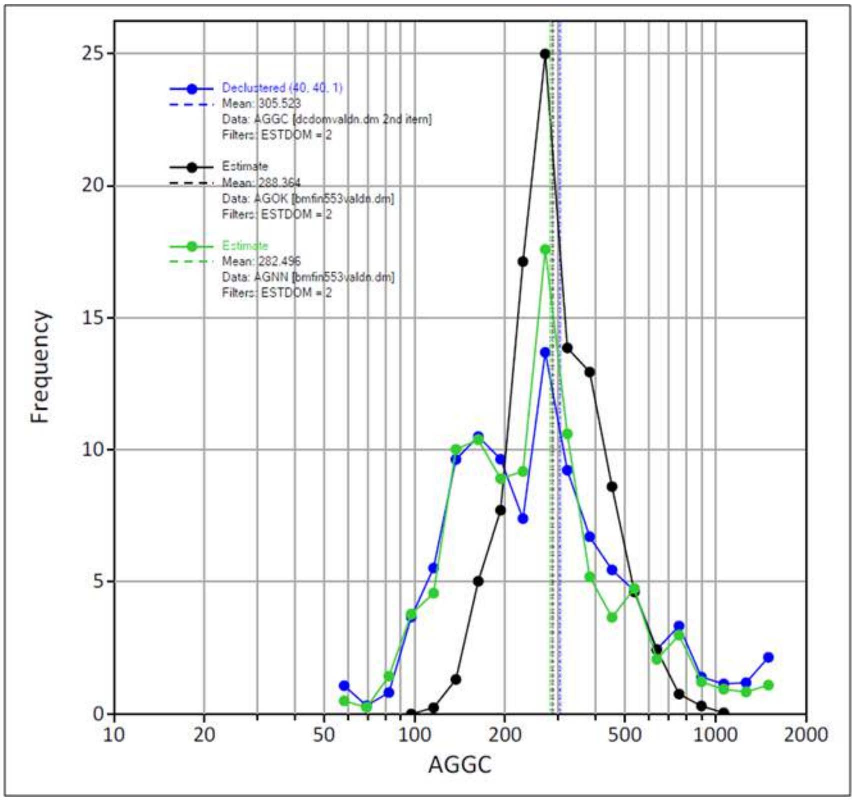


Figure 14-29 Log Histogram: Domain 2

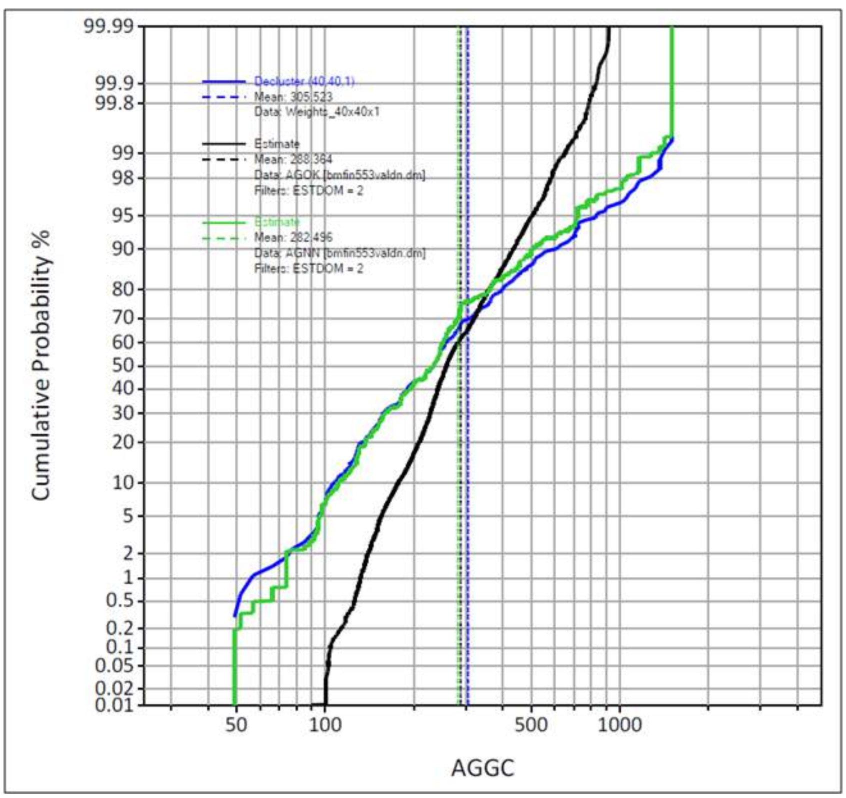


Figure 14-30 Log Probability plot: Domain 2

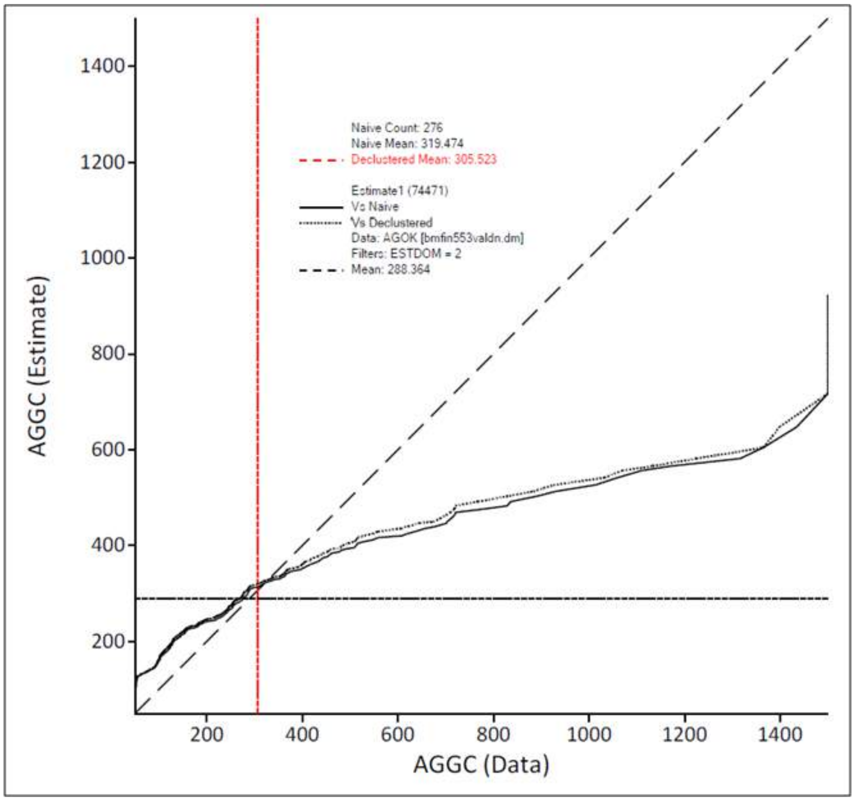


Figure 14-31 Q-Q plot: Domain 2

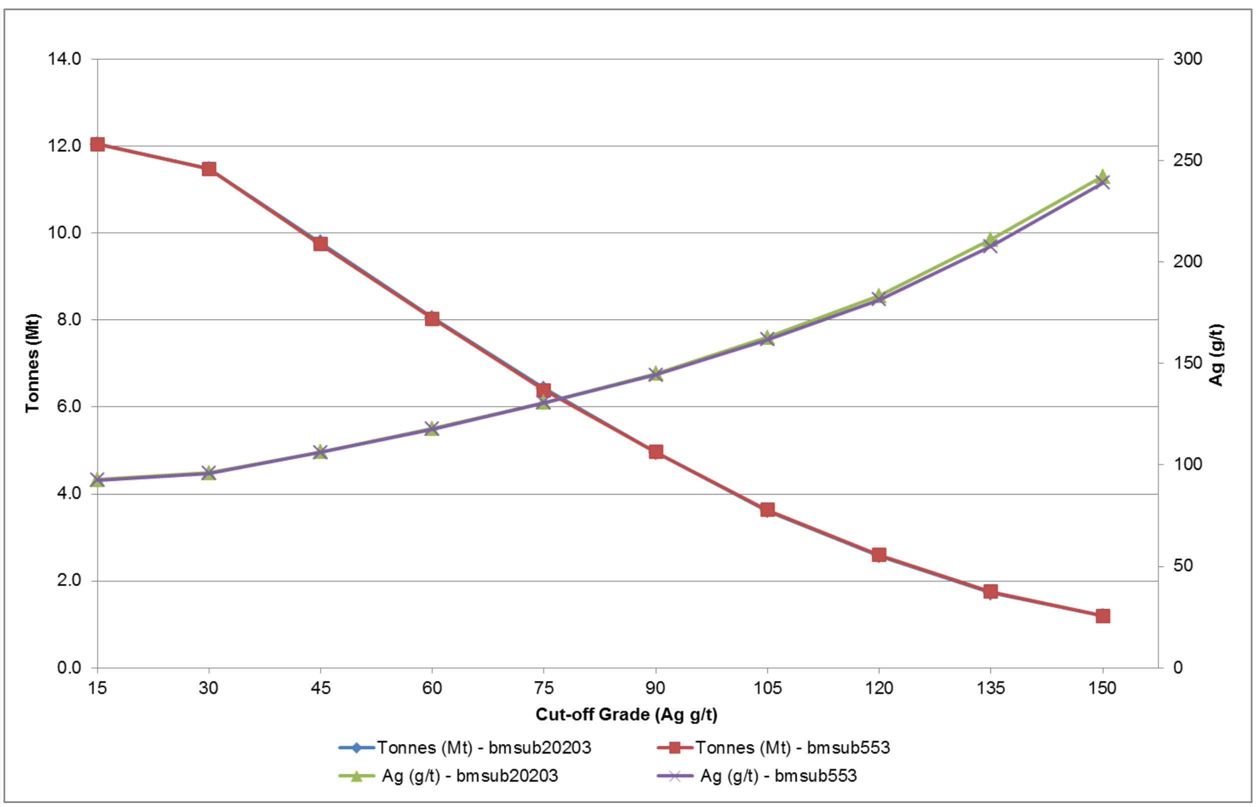


Figure 14-32 Grade-tonnage curves by parent block size

14.16 Risks and Opportunities

There has been some artisanal mining of high grade mineralization. While this is not wide spread it should be noted that the volume and location of artisanal mining has not been quantified and has not been subtracted from the estimated resource reported in this report.

The mineralized zone as defined has not been fully closed off in any direction yet, although it thins greatly in several directions particularly to the west and south. The thinning, low grades and increasing depth combine to make this area to the west uneconomic by open pit methods. Surface geological sampling and mapping plus geophysical studies have outlined areas of similarity to the area of the resource estimate, to the east and northeast. There are indications of potential to add resources in this area that are similar to the existing zone in grade and thickness through systematic diamond drilling and surface sampling.

15 MINERAL RESERVE ESTIMATES

This is not an advanced project and no reserves can be determined at this time until more detailed engineering and costing are completed.

16 MINING METHODS

This is not an advanced study and this section is not part of this report.

17 RECOVERY METHODS

This is not an advanced study and this section is not part of this report.

18 PROJECT INFRASTRUCTURE

This is not an advanced study and this section is not part of this report.

19 MARKET STUDIES AND CONTRACTS

This is not an advanced study and this section is not part of this report.

20 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

20.1 Environmental

There have been limited environmental studies to date. There has been a flora and fauna study completed by contractors for Orex to acquire the SEMARNAT permits for exploration.

No environmental studies or sampling has begun towards mine permitting.

There are no known environmental issues at Boleras.

20.2 Permitting

Orex has a permit to complete exploration including diamond drilling. This permit was recently approved as an extension for five more years. No permits for mining have been applied for.

There are no known archaeological sites in the Sandra Escobar property.

20.3 Community and Social Agreements

Orex has agreements for exploration access to the ejido land in the Boleras area. The Ejidos Boleras y Pitorreal and Escobar y Anexos have made agreements with Orex for work on their land. These two ejidos are in the Guanacevi municipality.

Orex has not concluded a surface access agreement for the western part of the Sandra project with Ejido Cienega de Escobar yet.

21 CAPITAL AND OPERATING COSTS

This is not an advanced study and this section is not part of this report.

22 ECONOMIC ANALYSIS

This is not an advanced study and this is not part of this report.

23 ADJACENT PROPERTIES

There are several small concessions internal to the Sandra Escobar group. There is some small scale silver and gold mining on these concessions but they are small in both size and scale of production and unlikely to host a deposit of any commercial significance.

24 OTHER RELEVANT DATA AND INFORMATION

Mining Plus is not aware of any other relevant data regarding the Sandra Escobar project.

25 INTERPRETATION AND CONCLUSIONS

The Boleras deposit is a variant on an epithermal gold-silver deposit. Boleras is the distal deposition of epithermal system in the interstitial spaces of a porous tuffaceous unit. There is a more conventional epithermal gold-silver vein system to the west on the Sandra Escobar property.

The mineral resource estimate presented in this report is based on a program of 62 diamond drill holes completed in 2015 and 2016 by Orex Minerals. The drill holes are concentrated in the primary Boleras zone area of this estimate, but several holes outside the core area were drilled in attempts to extend it beyond were locally successful such as the Burro zone area.

The modelling of the zone at Boleras was completed by grade shells and estimation by the ordinary kriging method used was determined to best reflect the present geological understanding of this new deposit type. Due to the lack of analogues of this deposit type the modelling based on grade shells was determined to be most likely to follow the mineable modelling of this deposit.

There are very good opportunities to extend the size of the Boleras zone generally to the north and east. This area has been identified as having a similar geology with the porous tuffs and similar alteration patterns. The potential for discovery of conventional epithermal quartz vein deposits, what attracted attention to this project, surrounding and below the Boleras deposit is high as well.

26 RECOMMENDATIONS

Mining Plus has reviewed the project and has a suggested work program for the Sandra Escobar project of Orex Minerals. It includes:

- 10,000 metres of diamond drilling to add to the existing resource area and test areas outside the existing resource estimate area for similar mineralization to the Boleras zone
- Soil sampling program using an XRF to collect a further 2,500 samples to add to the existing database of about 2,500 samples
- Geological mapping at 1:10,000 scale to complete mapping of the project area
- Infill detailed geological mapping at 1:2,500 scale of surface exposed mineralization and follow up in areas of anomalous soil sampling or geophysics
- Environmental sampling including water samples to get a baseline background dataset for future environmental permitting should be started
- Do a test insertion of extra standard samples and certified blanks from a different source than they are presently acquired from and determine if the existing standards are the problem or the laboratories
- Further research on the relationship between depth and bulk density and possible weathering related changes
- Further research on the relationship of silver grade and different structural units (breccias, stockworks, etc.)
- Survey artisanal mining excavations within the deposit area
- Collection of more rock density samples in the next phase of drilling possibly using a shrink wrap lining method to limit water ingress into the pores of the tuffaceous units
- Completion of the metallurgical testing program begun earlier this year

A budget of the estimated cost for the completion of the recommendations proposed by MP is shown in Table 26-1. Not all items are budgeted since they are either presently underway and the budget is set such as the metallurgy or are suggestions for ongoing programs with limited or no extra cost.

Table 26-1 Budget for the Completion of the Recommendations

Item	Number of units	US$ per unit	Total (US$)
Diamond drilling (m)	10,000	150	1,500,000
Soil sampling (XRF based samples)	2,500	10	25,000
Geological Mapping (1:10,000 scale)			50,000
Geological Mapping (1:2,500 scale)			10,000
Excavation surveys			$20,000
Environmental Studies			15,000
10% contingency			162,000
Total			**$1,782,000**

Following completion of this proposed drilling and exploration work and based on positive results further diamond drilling will be required to follow up on the extension and infill definition of the deposit.

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APPENDIX I – TITLE OPINION

BRAVO CAMPOS
& ASOCIADOS

CORPORATIVO JURIDICO Y EMPRESARIAL

MICHAEL COLLINS, P GEO

MINING PLUS LTD 350-380 HORNBY ST.

VANCOUVER, BC , V6C3B6

Dear Mr. Mike Collins:

MARGARITA BRAVO CAMPOS, I am an authorized and qualified person, according to our Mexican Law to confirm you that:

1).- As a result of the Joint Venture agreement between the companies Orex Minerals and Canasil Inc., which is in force in Canada, about the mining proyect SANDRA ESCOBAR, who has the following concession titles, all them are current and in good standing:

	NAME OF THE CLAIM	EXP.	TITLE	HECTARES
1	SANDRA	25/31804	225738	300.0000
2	JULIA	25/31832	225659	186.8836
3	SANDRA I	25/31964	226986	500.0000
4	SANDRA II	25/31965	226987	200.0000
5	SANDRA III	25/32586	226996	181.4768
6	SANDRA IV	25/32587	226997	233.5426
7	REDUCCION DIANA	2/2/00191	243878	2,065.1435
8	REDUCCION SANDRA V	2/2/00190	243870	733.0000
9	JULIA 2	25/38424	242905	1,723.1822
10	LA POSTA **	25/31184	221051	210.0000
	TOTAL			**6,333.23**

2).- The mining concession LA POSTA I, TITLE 221053, was CANCELLED, Canasil SA DE CV lost the Amparo against the direction of Minas, so this concession no longer belongs more to this company.

3).- All relevant fiscal requirements thay may affect title, or title transfer are paid and up to date.

Francisco Sarabia #401 Pte. Centro C.P. 34000 Durango, Dgo. Tels. (618) 811.59.88 y 825.53.48 Cel. 044 618 804.81.31
corporativobravocampos@hotmail.com mbravocampos@hotmail.com

BRAVO CAMPOS
& ASOCIADOS

4).- All SEMARNAT permits required for activities completed to date are in compliance.

5).- That no formal legal actions that may impact the proyect are outstanding.

6).- The access agreements with local landholders and the Ejido Authorities from the Ejidos Escobar y Anexos as well Boleras, Pitorreal y Anexos, both from the Municipality of Guanacevi, Durango., are in good standing.

Sincerely Yours

Durango, Dgo., México, October 25 of 2016

MARGARITA BRAVO CAMPOS

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corporativobravocampos@hotmail.com mbravocampos@hotmail.com