TOREX GOLD RESOURCES INC.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

January 26, 2012

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GENERAL

Reference is made in this annual information form (the "**Annual Information Form**" or "**AIF**") to the audited financial statements (the "**Financial Statements**") and management's discussion and analysis ("**MD&A**") for Torex Gold Resources Inc. (the "**Company**") for the fiscal years ended October 31, 2011 and 2010, together with the auditor's report thereon.

The Financial Statements are available for review on the SEDAR website located at www.sedar.com. All financial information in this Annual Information Form is prepared in accordance with Canadian generally accepted accounting principles.

Unless otherwise noted herein, information in this Annual Information Form is presented as at January 26, 2012. In this AIF, references to "$" are to Canadian dollars.

All references in this AIF to the Company also include references to all subsidiaries of the Company as applicable, unless the context requires otherwise.

STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this AIF constitutes "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the future exploration and development plans concerning the Morelos gold project (the "**Morelos Gold Project**"), the adequacy of the Company's financial resources, business plans and strategy and other events or conditions that may occur in the future. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with the exploration, development and mining industry generally such as economic factors as they effect exploration, future commodity prices, obtaining financing, market conditions, changes in interest rates, safety and security, access to the Morelos Gold Project, actual results of current exploration activities, government regulation, political, social or economic developments, environmental risks, insurance risks, capital expenditures, operating or technical difficulties in connection with development activities, personnel relations, the speculative nature of gold exploration and development, including the risks of diminishing quantities of grades of mineral resources, contests over property title, and changes in project parameters as plans for the Morelos Gold Project continue to be refined as well as those risk factors included herein. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the

Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this AIF, assumptions have been made regarding, among other things: the Company's ability to carry on its exploration and development activities planned for the Morelos Gold Project, the timely completion of the proposed feasibility study and receipt of any required approvals, the price of gold, the ability of the Company to obtain qualified personnel, equipment and services in a timely and cost-efficient manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain financing on acceptable terms, the ability of the Company to access the Morelos Gold Project, the accuracy of the Company's mineral resource estimates and geological, operational and price assumptions on which these are based and the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

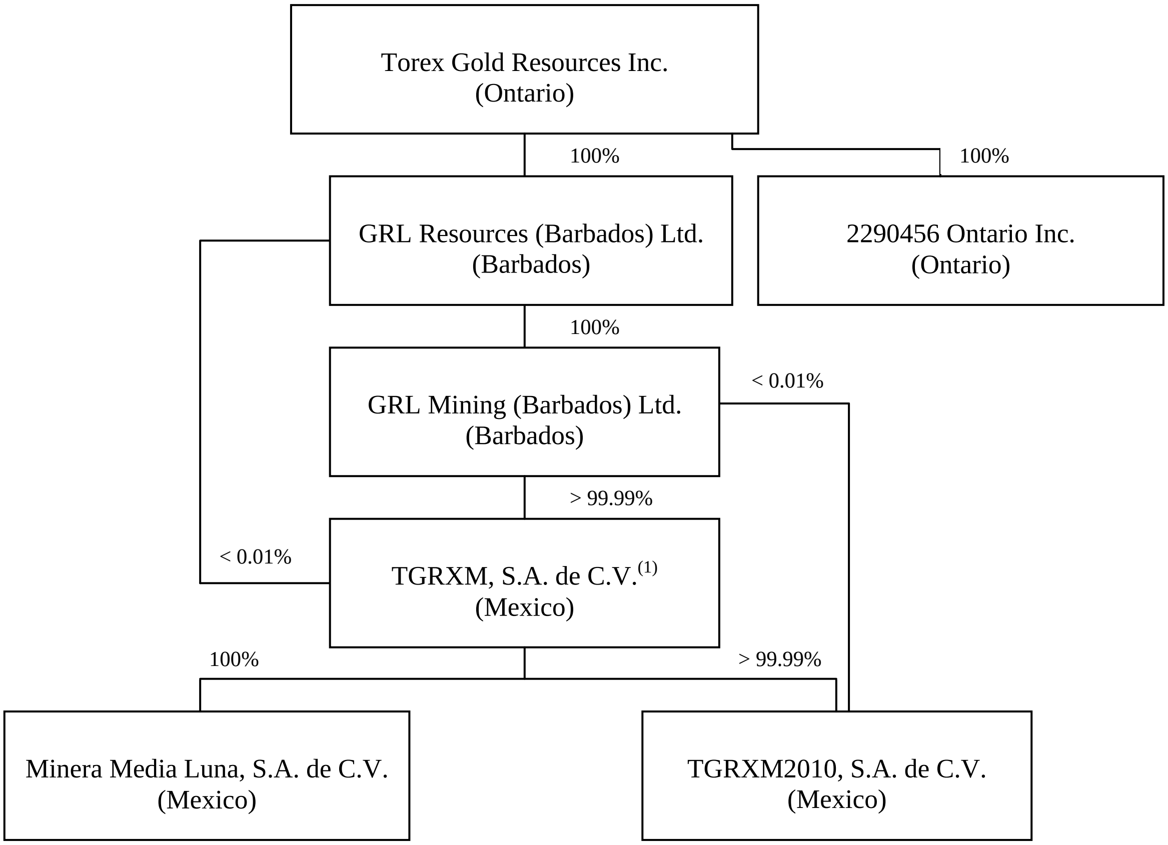
CORPORATE STRUCTURE

Name, Address and Incorporation

Torex Gold Resources Inc. was incorporated under the Company Act of British Columbia on November 13, 1980 under the name Pulsar Energy & Resources Inc. The Company filed notices of amendment on (i) November 30, 1987 to change its name to Star One Resources Inc.; (ii) June 26, 1989 to change its name to Hyder Gold Inc.; and (iii) August 3, 2006 to change its name to Gleichen Resources Ltd. On April 30, 2010, the Company continued its corporate jurisdiction into the Province of Ontario under the *Business Corporations Act* (Ontario) and changed its name to Torex Gold Resources Inc.

The head and registered office of the Company is located at 145 King Street West, Suite 1502, Toronto, Ontario M5H 1J8.

The following chart illustrates the inter-corporate relationships of the Company and each of its subsidiaries:



Note:

(1) Previously Oroteck Mexico, S.A. de C.V. ("**Oroteck**"), which entity changed its name to TGRXM, S.A. de C.V. ("**TGRXM**") effective December 21, 2009.

DESCRIPTION OF THE BUSINESS

General

The Company is a Canadian-based gold exploration and development company engaged in the acquisition, exploration and development of mineral properties. The Company's principal asset is the Morelos Gold Project, in which it holds a 100% interest. The Company's principal subsidiary, TGRXM, is a Mexican-based holding company whose sole business is to hold shares of Mexican-based subsidiary Minera Media Luna, S.A. de C.V. ("**MML**"). MML's sole business is, and has historically been, the exploration and potential development of the Morelos Gold Project. See "General Development of the Business". The Company's main goals are to significantly add to the resources of the Morelos Gold Project, while developing existing resources and transitioning the Company into a mid-tier gold producer in the near term.

The Morelos Gold Project

The Morelos Gold Project is an advanced stage gold exploration and development property located in the state of Guerrero, approximately 180 kilometers to the southwest of Mexico City. The Morelos Gold Project consists of a group of seven claims, totaling approximately 29,006 hectares. Teck Resources Limited ("**Teck**") was the prior operator of the Morelos Gold Project in a joint venture with Goldcorp Inc. ("**Goldcorp**"). MML is obliged to pay a royalty, as described below, on all of the claims within the Morelos Gold Project area. Specifically, it is obliged to pay Servicio Geólogico Mexicano a royalty equivalent to 2.5% of the invoice value or the smelter return value derived from the products of the Reducción Morelos Norte mining lot, concession title #224,522. MML is also obliged to pay Minas de San Luis, S.A. de C.V. (formerly Minera Nafta, S.A. de C.V.) a 2.5% net smelter royalty on minerals mined and sold under the following mining lots: Apaxtla 2, concession title #217,558; El Cristo, concession title #214,331; San Francisco, concession title #214,334; El Anono, concession title #214,333; and El Palmar, concession title #214,332.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company's material expenditures during the past two fiscal years have been costs relating to exploration and project development, such as negotiating and signing land access agreements, establishing an infrastructure, including a field geology team, identifying exploration and infill drilling targets, mobilizing drill teams to explore those targets, and initiating engineering and drilling to move the Morelos Gold Project to feasibility stage. During fiscal 2010, the Company's principal business was to identify and evaluate potential business opportunities and to complete the acquisition of the Morelos Gold Project. During that year, its material expenditures were for costs relating to the completion of the acquisition of the Morelos Gold Project, exploration and project development, maintaining the Company's status as a public company in good standing, and reviewing and considering property acquisitions. The Company's primary source of cash over the past three years has been from the issuance of equity. The Company's revenues over the past three years have been limited to interest income earned from funds on deposit.

During the current fiscal year, the Company's objectives include: expanding the resource base through exploration by identifying new deposits both north and south of the Balsas River; developing the Morelos Gold Project by completing infill, step-out and geo-tech drilling on existing deposits; finalizing updated National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") resource estimates for existing deposits incorporating additional drilling results; obtaining long-term leases for the remaining land required to build the Morelos Gold Project; completing an environmental impact study ("**EIS**"); obtaining required permits and licenses to enable construction and mining; and completing a bankable feasibility study.

2011 to Date

The Company renewed one-year surface access agreements with the Rio Balsas, Puente Balsas Sur and Real del Limon *Ejido*s on June 21, 2011, July 29, 2011 and August 25, 2011, respectively. These three surface access agreements allow the Company to continue road construction, exploration and all work necessary for the completion of feasibility study work for potential future operations at the Morelos Gold Project and for exploration programs focused on the identification of new deposits.

Long-term land lease negotiations with the Rio Balsas and Real del Limon *Ejidos* began in the fourth quarter of fiscal 2011, by the joint effort of the Company's consultant, Grupo GAP S.A. de C.V. and the Company's community relations team. On December 16, 2011, the Company announced that

MML signed a long-term common land lease agreement with the Rio Balsas *Ejido* for the use of 507 hectares of land, for the future construction, mining, and processing of gold at its Morelos Gold Project. In addition, the Company signed long-term lease agreements for 77 individually "owned" land parcels (representing an additional 576 hectares), under the same terms as the common land leases. Work is underway to resolve certain administrative issues, such as succession rights and absentee ownership, so that agreements on 10 additional individually "owned" land parcels can be finalized and executed. The lease agreements are for 30 years with annual payments of 23,000 Mexican pesos per hectare during the first two years and then for the next 13 years, the equivalent, in Mexican pesos, of 2.5 troy ounces of gold per hectare, calculated at the annual average gold price published by the London Bullion Market Association. Starting in year 16, and every five years thereafter, the amount of the annual payments will be renegotiated. Negotiations with the Real del Limon *Ejido* for long-term land leases are ongoing.

There is a pending case against the Rio Balsas *Ejido* involving approximately 600 hectares of the area covered in the recently signed land access agreements. Although there was a recent court decision in favour of the Rio Balsas *Ejido* that indicates that the Rio Balsas *Ejido* has legal title and possession of the land, the case has been appealed by a third party. If the appeal is ruled against the Rio Balsas *Ejido*, the Company would have to secure surface rights from the third party. In such circumstances, the Company could negotiate with the third party to acquire the land or an expropriation process could be undertaken to obtain legal title to the land. The Company would not expect the results of either scenario to have a material adverse effect on the Company.

The Company also began negotiations with the Real del Limon, Atzcala and Comunidad Valerio Trujano *Ejidos* for the right of way to develop a road from the Morelos Gold Project site to Highway 95. In addition to the right of way, the Atzcala *Ejido* agreement will address the right to drill exploratory water wells for a long-term supply of water for the potential future mining and processing operations and the right to construct camp facilities.

On November 16, 2011, the Company announced that 63.9 million Warrants (as defined herein) had been exercised into an equivalent number of common shares (the "**Common Shares**") of the Company at a price of $1.30 per Common Share, for total proceeds to the Company of $83 million.

On September 8, 2011, the Company hired Mr. Alejandro Kakarieka as its new Vice-President of Exploration and Corporate Development. On March 28, 2011, the Company appointed James Crombie to its board of directors (the "**Board**").

On March 30, 2011, the Company adopted a shareholder rights plan, whose principal purpose is to ensure that its shareholders and Board have adequate time to consider and evaluate any unsolicited bid for Common Shares as well as to generally enhance shareholder value.

2010

During the year ended October 31, 2010, the Company acquired a 100% interest in the Morelos Gold Project pursuant to two transactions. On November 16, 2009, the Company acquired an indirect 78.8% interest in the Morelos Gold Project (the "**Initial Acquisition**") by way of the acquisition of 100% of TGRXM (then Oroteck) from Teck's subsidiaries Teck Metals Ltd. and Teck Exploration Ltd., pursuant to the terms of an acquisition agreement (the "**Initial Acquisition Agreement**") for a purchase price of US$150,000,000 in cash, the issuance of 1,560,857 Common Shares and the issuance of securities of the Company which, following qualification by the Long Form Prospectus (as defined herein), resulted in the issuance of 12,443,218 Common Shares and 3,110,804 Common Share purchase warrants. The Company filed a business acquisition report on SEDAR, dated January 15, 2010, in respect of the Initial Acquisition.

On December 2, 2009, Goldcorp announced that it had entered into an agreement with Newstrike Resources Ltd. to sell its 21.2% indirect interest in the Morelos Gold Project, triggering TGRXM's (then Oroteck) right of first refusal pursuant to the bylaws of MML which grant a right of first refusal to existing shareholders with respect to a sale or transfer of shares in the capital of MML to any party other than existing shareholders or a parent or subsidiary of an existing shareholder. On January 25, 2010, the Company, through TGRXM, exercised its right of first refusal and subsequently entered into a share purchase agreement (the "**Subsequent Acquisition Agreement**") with Desarrollos Mineros San Luis, S.A. de C.V. ("**DMSL**"), a wholly-owned subsidiary of Goldcorp, to acquire the remaining 21.2% indirect interest in the Morelos Gold Project (the "**Subsequent Acquisition**") for cash consideration of $52,000,000. On February 24, 2010, the Company completed the Subsequent Acquisition by acquiring all of the shares in the capital of MML held by DMSL, representing 21.2% of the issued and outstanding shares of MML. As a result of the Subsequent Acquisition, the Company now holds 100% of the issued and outstanding shares of MML, through its wholly-owned subsidiary TGRXM. MML is the registered holder of a 100% interest in the Morelos Gold Project. The Company filed a business acquisition report on SEDAR, dated May 10, 2010, in respect of the Subsequent Acquisition.

During the year ended October 31, 2010, the Company completed two financings. On November 12, 2009, the Company completed a private placement (the "**Financing**") of 241,500,000 special warrants (the "**Special Warrants**") of the Company issued at a price of $1.00 per Special Warrant for gross proceeds of $241,500,000 in connection with funding the Initial Acquisition and future activities at the Morelos Gold Project. Each Special Warrant was exercisable for no additional consideration to acquire one unit comprised of one Common Share (each, a "**Unit Share**") of the Company and one-quarter of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Warrant**"). The Special Warrants were issued pursuant to the terms of a Special Warrant indenture dated November 12, 2009, between the Company and Computershare Trust Corporation of Canada, as special warrant agent. Each Warrant entitled the holder thereof to purchase one Common Share (each, a "**Warrant Share**") at a price of $1.30 per Warrant Share at any time prior to 5:00 p.m. (Toronto time) on November 14, 2011. The Special Warrants were issued on a best efforts private placement basis pursuant to the terms of an agency agreement dated November 12, 2009 among the Company and Macquarie Capital Markets Canada Ltd. ("**Macquarie**"), BMO Nesbitt Burns Inc., GMP Securities L.P., Dundee Securities Corporation, Scotia Capital Inc. and Jones, Gable & Company Limited ("**Jones**"). The Company was receipted by the applicable securities regulators for the long form prospectus (the "**Long Form Prospectus**") qualifying the Unit Shares and Warrants underlying the Special Warrants on January 15, 2010 and all outstanding Special Warrants were automatically exercised into Unit Shares and Warrants as of January 20, 2010. After deducting the agents' fees and expenses of the Financing, the Company received net proceeds of approximately $227 million.

On February 24, 2010, the Company completed a public offering of 50 million Common Shares issued at a price of $1.00 per Common Share for gross proceeds of $50 million. After deducting the agents' fees and expenses of the offering, the Company received net proceeds of approximately $47 million.

The Company began trading its Common Shares and Warrants on the Toronto Stock Exchange (the "**TSX**") and delisted its Common Shares from the TSX Venture Exchange (the "**TSXV**") on February 24, 2010.

In connection with the Initial Acquisition, the Company made certain changes to the Board and management team and built infrastructure to support project development, including establishing corporate offices in Toronto, Ontario and Guerrero State, Mexico.

During the year ended October 31, 2010, the Company signed three key one-year surface access agreements. The first agreement with the Rio Balsas *Ejido* was signed in May, the second agreement with the Puente Balsas Sur *Ejido* was signed in July and the third agreement was signed with the Real del Limon *Ejido* in August. The signing of these agreements provided the Company with full access to the highly prospective exploration areas of the Morelos Gold Project and was a critical step to allow the Company to execute on its planned exploration programs, while removing an important risk factor which had been associated with the Morelos Gold Project for some time.

MML has generally maintained reasonable relations with the *ejidos* directly affected by the Morelos Gold Project. Prior to the Company acquiring the Morelos Gold Project, there was a period of time when access to the Morelos Gold Project was compromised by the Real de Limon *Ejido*. See "Risk Factors – Government Regulation" and "Risk Factors – Political and Social Risks". In the summer of 2007, two external parties held a blockade near the Fundicion community, within the boundaries of the Real de Limon *Ejido*. According to MML, the external parties were not community members nor did they possess legal rights or own land within the community and such external parties promised members of the Real de Limon *Ejido* that they could acquire more funds from MML if they effectively prevented any mineral exploration activities from being completed within their *ejido* boundaries. In 2010, upon the Company acquiring the Morelos Gold Project, MML staff created and executed a strategy involving more engagement with the *ejido* and supported Real de Limon as they built internal capacity around conflict resolution. These efforts have been successful and the Company has since renewed a one-year surface access agreement with the Real del Limon *Ejido*. See "Other Information Regarding the Business — Social and Environmental Policies".

2009

During the year ended October 31, 2009, the Company began negotiating the acquisition of an indirect 78.8% interest in the Morelos Gold Project from Teck and the related financing required for such acquisition. In connection therewith, the Company also searched for new management candidates and made certain changes to the Board.

On July 6, 2009 the Company entered into a financial advisory agreement with Macquarie that provided for, *inter alia*, a "success fee" of 0.70% of the purchase price of the Morelos Gold Project payable by the Company to Macquarie upon the closing of the Initial Acquisition.

On June 15, 2009 the Company entered into a financial advisory agreement with Jones, as amended on October 29, 2009, that provided for, *inter alia*, a "success fee" of 0.70% of the purchase price of the Morelos Gold Project payable by the Company to Jones upon the closing of the Initial Acquisition.

On May 1, 2009 the Company entered into an agreement with Primary Capital Inc. ("**Primary**"), as amended on October 29, 2009, that provided for, *inter alia*, a "success fee" of 0.30% of the purchase price of the Morelos Gold Project payable by the Company to Primary upon the closing of the Initial Acquisition.

MATERIAL PROPERTY

Unless otherwise stated, the information, tables and figures that follow relating to the Morelos Gold Project are derived from, and in some instances are extracts from, the technical report entitled "Torex Gold Resources Inc., Morelos Gold Project, Guerrero, Mexico – NI 43-101 Technical Report – Underground and Open Pit Resources", dated January 26, 2011 and effective October 22, 2010 (the "**Technical Report**"), prepared by (the "**Qualified Persons**") Daniel H. Neff, PE, Principal Author, and Thomas L. Drielick, PE, Principal Metallurgist, each of M3 Engineering and Technology Corp. ("**M3**"), and Edward J.C. Orbock III, MAusIMM, Principal Geologist, of AMEC E&C Services Inc. ("**AMEC**"). The technical information contained in this section of the Annual Information Form, other than the technical information under the headings "– Morelos Gold Project, Mexico – Mineral Resource Estimates – Open Pit Mineral Resource Estimate – El Limon" and "– Morelos Gold Project, Mexico – Exploration and Project Development Update", has been reviewed and approved by the Qualified Persons, each of whom is a "qualified person" for the purpose of NI 43-101. See "Interests of Experts". The Technical Report is based on drilling, and results thereon, completed by Teck and does not include any drilling results from the time the Company purchased the Morelos Gold Project.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Technical Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on SEDAR at www.sedar.com.

Morelos Gold Project, Mexico

Pursuant to the terms of the Initial Acquisition Agreement, the Company acquired the Morelos Gold Project from Teck via the acquisition of 100% of TGRXM (then Oroteck) from Teck's subsidiaries Teck Metals Ltd. and Teck Exploration Ltd., for a purchase price of US$150,000,000 and a 4.9% stake in the Company post-Financing. TGRXM (then Oroteck) was the holding entity for Teck's 78.8% interest in the joint venture company MML in Mexico. The remaining 21.2% interest in MML was acquired by the Company from DMSL, a wholly-owned subsidiary of Goldcorp, through the exercise of a right of first refusal held by TGRXM. The Company now holds 100% of the issued and outstanding shares of MML, through its wholly-owned subsidiary TGRXM. MML is the registered holder of the Morelos Gold Project concessions. Upon acquisition, the Company became the Morelos Gold Project operator.

Morelos Gold Project Description and Location

The Morelos Gold Project is an advanced stage gold exploration and development property located in Guerrero State, Mexico, approximately 180 kilometers to the southwest of Mexico

City. The Morelos Gold Project consists of three gold-enriched skarn deposits and a number of other prospects.

Mexican law provides that only the Mexican Nation has direct ownership of mineral deposits within the national territory, which cannot be transferred. The use and exploitation of such national resources by private parties is only permitted if concessions are granted by the Federal Executive Branch, through its corresponding government agencies. While mining concessions may only be granted to Mexican nationals and companies, *ejidos*, agrarian communities and communes, and Indian communities, foreign companies can hold mining concessions through Mexican-domiciled companies. Mining concessions give the holder the right to mine within the concession boundary, sell the mining product, dispose of waste material generated by mining activities within the lease boundary, and have access easements. Concessions can be transferred between companies, and can be consolidated.

The Morelos Gold Project consists of seven mineral concessions, covering a total area of approximately 29,006 hectares. All concessions were granted for a duration of 50 years. The concessions are held in the name of MML. A small tenement, Vianey, is held by a third-party, and is excised from the Morelos Gold Project. Concession details of the Morelos Gold Project are summarized in the table below:

Type of tenure	Issuance Date	Expiration Date	Duration	Area (ha)
Mining Concession No. 188793 (La Fe)	November 29, 1990	November 28, 2040	50 years	20
Mining Concession No. 214331 (El Cristo)	September 6, 2001	September 5, 2051	50 years	20
Mining Concession No. 214332 (El Palmar)	September 6, 2001	September 5, 2051	50 years	429.5
Mining Concession No. 214333 (El Anono)	September 6, 2001	September 5, 2051	50 years	25
Mining Concession No. 214334 (San Francisco)	September 6, 2001	September 5, 2051	50 years	27
Mining Concession No. 217558 (Apaxtla 2)	July 31, 2002	July 30, 2052	50 years	2,283.2
Mining Concession No. 224522 (Reducción Morelos Norte)	May 17, 2005	May 1, 2055	50 years	26,201.5
Total Hectares				29,006.2

Securing long-term surface rights is a key milestone in any permitting stage for the Morelos Gold Project since secure tenure must be demonstrated at the time the permit applications are made.

Current project environmental liabilities are restricted to exploration site activities and access roads constructed to service exploration programs. M3 notes that maps and plans show artisanal workings; there is an expectation that there will be surface disturbances and potentially contamination associated with these sites.

Current exploration work is performed in accordance with applicable Mexican Official Standards (Normas Oficiales Mexicanas 120) and therefore no other permits are required at this time. A number of additional permits will be required for Morelos Gold Project development. Federal permits that are likely to be required for Morelos Gold Project development include the Preventative Notice (Informe Preventivo), the Environmental Impact Assessment (Manifestación de Impacto Ambiental), the Risk Study (Estudio de Riesgo), and the Permit for Change of Land Use in Forested Area issued by the State Delegations of Secretaría de Medio Ambiente y Recursos Naturales ("**SEMARNAT**").

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The Morelos Gold Project is located approximately 60 kilometers southwest of Iguala and 18 kilometers northwest of Mezcala. The closest village, Nuevo Balsas, is a small agricultural-based community with approximately 1,000 families in the region. Nuevo Balsas is accessed by narrow, paved highway from Iguala. The deposits are accessed from Nuevo Balsas via a five kilometer single-lane gravel road. The nearest port to the Morelos Gold Project is in Acapulco.

The Morelos Gold Project is located in a sub-tropical zone that receives about 1,000 millimeters of precipitation annually. The months with the most rainfall are June through August. Very little precipitation occurs between November and April. However, the Morelos Gold Project area can be affected by tropical storms and hurricanes which can result in short-term high precipitation events. These events can produce severe erosion, flash flooding, debris flows and poor road conditions.

The average annual temperature is 26 – 28 degrees Celsius. The dominant wind direction from May to December is north – northwest, and from January to April the dominant wind direction is southwest. It would be expected that any future mining activities within the Morelos Gold Project would be able to be operated on a year-round basis.

The Morelos Gold Project is located near established power transmission lines. As well, roads and nearby centers of supply for materials and workers at Chilpancingo, Iguala and Cuernavaca.

The Morelos Gold Project is currently isolated from major public infrastructure. Exploitation of the deposits will require building a greenfields project with attendant infrastructure. Workforce for any future mining activity could be sourced from the local area; however, the workforce would require dedicated training programs.

Power for any mining operation would be available from a 115 kilovolt line that crosses over the Morelos Gold Project, and is approximately two kilometers from the deposits. Process water availability was evaluated as part of internal Teck studies. Three separate areas were identified as being potentially suitable for plant supply. Application would need to be made to the Comisión

Nacional del Agua for use of the water from any of these areas. Potable water for any mining operation could come from wells. Current site communications consist of internet and land-based and cellular telephones.

The region is characterized by large limestone mountains divided by wide valleys. The slopes of the hills vary from flattened (5% – 10%) to very steep slopes (50%). Within the Morelos Gold Project area, relief ranges from 470 meters above sea level to 1,540 meters above sea level.

History

In 1995, the former Morelos mineral reserve, created in 1983, was divided into a northern and southern portion, and portions allocated to mining companies through lottery. The Miranda Mining Development Company ("**MMC**")/Teck joint venture vehicle named MML submitted the winning bid for the Morelos Norte licence in mid-1998.

In 1998, the first year of exploration, work comprised data review, regional geological mapping, rock chip collection and silt sampling. During 1999, additional regional-scale reconnaissance work was undertaken, consisting of additional geochemical sampling and mapping. By 2000, the El Limon and Media Luna oxide mineralization had been discovered. A trenching program was followed up by reverse circulation drilling, totaling 1,888 meters.

During 2001, additional drilling, which included 11,088 meters intersected skarn-hosted gold mineralization at El Limon and Los Guajes East. A test induced polarization geophysical program was undertaken to identify the areas of sulphide mineralization. Road building, geological mapping at more detailed scales and additional rock chip sampling were completed.

From 2002, core drilling methods were used. A program of 4,265 meters of core drilling was focused on the El Limon North Oxide and Los Guajes East prospects during 2002. The same program intersected the blind Los Guajes West skarn. A first-pass mineral resource estimate was undertaken by Teck personnel, based on the reverse circulation drilling. A total of twenty line kilometers of induced polarization survey were completed, outlining a number of highs.

Mineralization characterization studies to support metallurgical testwork were initiated. During 2003, a total of 3,781 meters of core drilling focused on El Limon and Los Guajes West areas, and the El Limon Sur oxide zone was discovered. Shallower mineralization in the vicinity of the Los Guajes West skarn, the Limon Sur oxide zone and the Azcala, La Amarilla and El Naranjo targets were the target of some 10,111 meters of core drilling in 2004. Additional metallurgical testwork was undertaken on the drill core, and the mineral resource estimate was updated.

A total of 22,580 meters of drilling was completed in 2006 over the El Limon East, Los Mangos, and La Amarilla areas. Detailed mapping and rock and soil sampling continued at the El Querenque and Azcala areas, with encouraging results from soil sampling obtained at El Querenque. In 2007, drilling comprising 33,603 meters was undertaken at the El Limon East, Los Mangos, and La Amarilla areas. Mineral resource estimates were again updated. Additional drilling in 2008 (10,544 meters) was undertaken at the Guajes and Guajes West zones, Los Mangos and El Querenque.

For planning purposes, internal studies to the MML joint venture evaluated the merits of mining the El Limon, Los Guajes East and Los Guajes West deposits either by open pit methods only, or by a combination of underground and open pit methods, and processing the mineralization through a conventional gold cyanidation plant. This work was undertaken during 2007/2008. During the preparation of a previously completed technical report entitled "Gleichen Resources Ltd. – Morelos Gold Project, Guerrero State, Mexico – NI 43-101 Technical Report", dated effective October 6, 2009 (the "**2009 Technical Report**"), AMEC was given access to the internal studies. The intention was that these studies would support pre-feasibility level project evaluation; however, the work was not fully completed. The 2009 Technical Report is based on drilling, and results thereon, completed by Teck and does not include any drilling results from the time the Company purchased the Morelos Gold Project.

Since taking over ownership of the project in November 2009, the Company undertook two work packages 1) an update to the MML joint venture internal studies with the goal to complete a pre-feasibility study ("**PFS**") on the El Limon, Los Guajes East and Los Guajes West deposits and 2) drilling on both the three known deposits and exploration drilling outside of these resources. As part of the PFS work, an underground resource was completed for the El Limon deposit for which the Technical Report is in support of. As a result of this underground resource estimate, the Company elected to extend work on its PFS until it fully evaluates the underground mining potential at El Limon.

Geological Setting

The Morelos Gold Project is situated in the Nukay district of the Morelos – Guerrero Basin of southern Mexico. The roughly circular basin is occupied by a thick sequence of Mesozoic platform carbonate rocks successively comprising the Morelos, Cuautla, and Mezcala Formations, and has been intruded by a number of early Tertiary-age granitoid bodies. The basin is underlain by Precambrian and Palaeozoic basement rocks. The Cretaceous sedimentary rocks and granitoid intrusions are unconformably overlain by a sequence of intermediate volcanic rocks and alluvial sedimentary rocks (red sandstones and conglomerates) which partially cover the region. The Mesozoic succession was folded into broad north – south-trending paired anticlines and synclines as a result of east-vergent compression during Laramide time (80 – 45 million years). The Morelos Gold Project area lies at the transition between belts of overthrust rocks to the west and more broadly-folded rocks to the east.

Regional structures include sets of northeast and northwest-striking faults and fractures which cut both the carbonate sequence and the intrusive rocks. The distribution of intrusive bodies in northwest-trending belts is thought to reflect the control on their emplacement by northwest trending faults.

Regional mineralization styles comprise skarn-hosted and epithermal precious metal deposits and volcanogenic massive sulphide deposits. In Guerrero, these occur as two adjacent arcuate belts, with the gold belt lying to the east and on the concave margin of the massive sulphide belt. Both belts are approximately 30 kilometers wide and over 100 kilometers long, from northwest to southeast.

The Morelos Formation comprises fossiliferous medium to thickly-bedded finely-crystalline limestones and dolomites. The lower contact is not exposed within the Morelos Gold Project, but from available drill data from Petróleos Mexicanos, the Morelos Formation has a thickness of at least 1,570 meters near the community of Mezcala. The formation is widely distributed in the central and eastern parts of the Morelos Gold Project and is found altered to marble outboard of the skarn zones, in addition to hosting small jasperoid occurrences.

The Cuautla Formation transitionally overlies the Morelos Formation. It comprises a succession of thin-to medium-bedded silty limestones and sandstones with argillaceous partings and minor shale intercalations. The thickness of the Cuautla Formation is variable but averages twenty meters. At El Limon, the skarn body is developed at the stratigraphic position of the Cuautla Formation, although a complete lack of silty limestone exposures suggests that the Cuautla Formation is absent in most of the drill area. Some small exposures of thin-bedded silty limestones that could represent the Cuautla Formation are present at the El Limon North Oxide Zone and also near the Los Guajes area.

The Mezcala Formation transitionally overlies the Cuautla Formation and consists of a platformal to flysch-like succession of intercalated sandstones, siltstones, and lesser shales which have been extensively altered to hornfels near intrusive contacts at the El Naranjo and El Limon areas on the west part of the Morelos Gold Project. In contrast to the Morelos and Cuautla Formations, the Mezcala Formation sedimentary rocks are commonly strongly deformed into tight folds. Differential folding between units implies that formational contacts have served as dislocation surfaces. Dykes and sills crosscut hornfels altered Mezcala Formation adjacent to contacts with Palaeocene intrusive rocks. At the El Limon deposit, hornfelsed sedimentary rocks form the hanging wall and acted as a seal during the process of skarn development. The Mezcala Formation has been eroded away in most of the eastern part of the Morelos Gold Project.

An intrusive stock complex, oriented northwest – southeast, intrudes the carbonate sedimentary rocks. The dominant intrusive composition is granodiorite, although some quartz monzonites, monzonites, and diorites have been identified, in addition to minor, late andesitic dykes. Geochemical data indicate that the intrusive rocks are sub-alkaline with alkali-calcic to calc-alkalic characters, and are strongly reduced. Argon dating returned age dates of approximately 66 million years. Skarn-hosted gold mineralization is developed along the contacts of the intrusive rocks and the enclosing carbonate-rich sedimentary rocks. In the northeast corner of the property, there is post-mineral cover comprising felsic volcanic rocks, which are probably coeval with the last Tertiary igneous events.

Exploration

Exploration activities on the Morelos Gold Project have included regional and detail mapping, rock, silt and soil sampling, trenching, reverse circulation and diamond drilling, ground induced polarization geophysical surveys, mineralization characterization studies and metallurgical testing of samples from Los Guajes, Guajes West, El Limon and El Limon Sur. Petrographic studies and density measurements on the different lithologies have also been carried out. Small-scale mining activity has been undertaken by artisanal miners in some areas of the Morelos Gold Project. In addition to the exploration activities outlined in the section entitled " – History" above, the following activities, among others, have been completed:

Teck acquired a reduced-to-pole airborne magnetic image early in the Morelos Gold Project history. The image showed that large magnetic intrusions lay under carbonate sequences in the project area. The El Limon skarn complex was located at a northwest-trending break between intrusions. During 2002, a twenty line-kilometer induced polarization survey was completed. The survey identified a number of magnetic highs for follow-up drill testing.

Between 1999 and 2008, Teck personnel collected 10,747 rock chip samples, 111 whole-rock geochemistry samples, 185 stream sediment samples, and 2,022 soil samples. The sampling programs identified gold, arsenic and silver anomalies that could be tested using drill methods.

During early exploration on the Morelos Gold Project, trenches were cut into the side of hills using a bulldozer to expose lithologies, alteration, and mineralization. Trench sample results were used to confirm the presence of mineralization in areas that had geochemical anomalies.

Mineralization

The El Limon skarn has a high pyroxene to garnet ratio. The pyroxene is typically dark green, very fine-grained, and is more abundant towards the contact with the hanging wall hornfels. In contrast, garnet abundance increases towards the intrusion and its contact with the footwall marble. Petrographic observations suggest that pyroxene is calcium-rich with some iron; garnet is typically grossularite with lesser almandine. Magnetite is very rare and has been observed in pods only very locally in one or two core holes in the Los Guajes area.

Gold occurs most often with early sulphide mineralization but also with late carbonate, quartz, and adularia. Native gold most commonly occurs in close association with bismuth and bismuth tellurides but also occurs with chalcopyrite and as inclusions in arsenopyrite. The gold associated with bismuth tellurides is extremely fine-grained, in the range of a few micrometers to some tens of micrometers.

The dominant sulphides are pyrrhotite and pyrite with lesser but locally abundant amounts of chalcopyrite and arsenopyrite occurring in veinlets and open-space fillings. Petrographic studies indicate that pyrrhotite commonly has been partially replaced by a mixture of pyrite-marcasite, although the earliest pyrite is replaced by pyrrhotite. Chalcopyrite is associated with pyrrhotite and usually is present as very fine grains. Very minor amounts of tennantite have been noted in a few thin section samples. Fluorite is rarely observed.

Minor amounts of sphalerite and molybdenite are also present. Sphalerite tends to occur with, or as inclusions in, chalcopyrite. Molybdenite, although spatially closely associated with sulphides, usually is free in gangue and occurs as small laths and bent lamellae in the 20 – 50 micrometers size range. Coarse-grained stibnite along surface cavities has been found along some holes drilled in the east portion of El Limon skarn.

Drilling

Drilling between 1997 and 2008 comprised 608 drill holes (98,358 meters), including 545 core holes (87,905 meters) and 63 reverse circulation holes (10,453 meters).

All reverse circulation drilling was performed dry unless water injection became necessary to stabilize the hole. Some reverse circulation drilling was performed as pre-collars for core drill holes. Sample recoveries were not recorded for reverse circulation holes.

Diamond drilling typically recovered HQ size core (63.5 millimeters) from surface, then was reduced to NQ size core (47.6 millimeters) above skarn alteration and mineralization. Any break in the core made during removal from the barrel was marked with a “colour line”. When breakage of the core was required to fill the box, edged tools and accurate measure of pieces to complete the channels was the common practice to minimize core destruction. The end of every run was marked with a wooden tick and the final depth of the run.

Core was transferred to wooden core boxes, marked with "up" and "down" signs on the edges of the boxes using indelible pen. The drill hole number, box number and starting depth for the box was written before its use, whilst end depth were recorded upon completion. All information was marked with indelible pen on the front side of the box and also on the cover. Transport of core boxes to the core shed was done by personnel from the company that was managing the drill program, or the drilling supervisor. Core handling logs were completed that included details for all persons involved in any step during the logging and sampling procedures.

Core logging meets industry standards for gold exploration. Collar surveys have been performed using industry-standard instrumentation. Recovery data from core drill programs are acceptable.

Sampling and Analysis

Drill and trench samples from the 2000 and 2001 Morelos drill campaigns were prepared by ALS Chemex. Samples were crushed to 60% passing 10 mesh prior to splitting a 300 gram sub-sample which was pulverized to 95% passing 150 mesh.

The pulverized pulp sample was analyzed by ALS Chemex for gold using a 1 (assay tonne, approximately 30 grams of sample) fire assay with an atomic absorption finish. Samples returning assays greater than 10 grams-per-tonne gold were assayed again using a 1 assay tonne fire assay with a gravimetric finish. Silver, arsenic, copper, and 31 additional elements were determined by aqua regia digestion followed by Inductively Coupled Plasma – Atomic Emission Spectroscopy.

Drill and trench samples from the 2002 through 2004 programs were sent to the Lacme sample preparation facility. Samples were dried and crushed to 70% passing 10 mesh prior to splitting a 300 gram sub-sample which was pulverized to 95% passing 150 mesh.

The pulverized pulp samples were sent to Teck's Global Discovery Laboratory for assay. The Global Discovery Laboratory assayed all samples by a wet chemical method using an aqua regia digestion, methyl isobutyl ketone extraction and atomic adsorption finish. Samples returning greater than 200 parts-per-billion gold were re-assayed using a 1 assay tonne fire assay with an atomic absorption finish. Gold assays greater than 10 grams-per-tonne gold by fire assay were assayed again by 1 assay tonne fire assay but with a gravimetric finish. Additional elements were determined by Inductively Coupled Plasma – Atomic Emission Spectroscopy.

Coarse reject samples were stored at the Lacme facility in Guadalajara, Mexico and are now stored in a warehouse in Nuevas Balsas. Their condition is good and the storage is secure.

Once assay data were reviewed by Teck personnel, any intervals that returned less than 200 parts-per-billion gold but that fell within the mineralized skarn or oxide interval envelope were fire assayed by 1 assay tonne fire assay with an atomic absorption finish.

At the beginning of the 2006 program, a preparation laboratory was established in Nuevo Balsas. This preparation laboratory was run by an independent contractor, and was used for the 2006 – 2008 campaigns. Samples were dried and crushed to 85% passing 10 mesh prior to splitting a 300 gram sub-sample. The sub-sample was pulverized to 95% passing 150 mesh before shipment to Teck's Global Discovery Laboratories where the analytical methodology was the same as that described for the 2002 — 2004 programs.

The quality assurance/quality control program for the first two drill campaigns relied on the internal quality control of ALS Chemex. Starting in 2002, an external quality assurance/quality control program was initiated by Teck personnel. This program consisted of inserting two standards and four blanks in the project sample stream with each drill hole submittal. In 2003, the program changed to include 5% blanks, 5% field duplicates, and 10% certified reference materials. Because of the good results from the 2003 program, the number of insertions in the 2004 quality assurance/quality control program was reduced to 2% blanks, 2% field duplicates and 5% certified reference materials.

The 2006 – 2008 quality assurance/quality control programs consisted of the insertion of 5% certified reference materials, 5% blanks and 5% field (core) duplicates. The preparation laboratory inserted 5% coarse crush duplicates and laboratory replicates were used as pulp duplicates.

During 2010, the Company entered into an agreement with SGS de Mexico S.A. de C.V. ("**SGS**") to establish a sample preparation laboratory (the "**Prep. Lab**") in the town of Nuevo Balsas, to prepare both soil and rock samples at the Prep. Lab and to analyze samples at the SGS Durango laboratory. The Prep. Lab has been operational since the end of June 2010 and most of the sample preparation has been done at this facility. The prepared pulps are retained by SGS at the Prep. Lab until a complete drill hole has been prepared whereupon it is shipped to SGS Durango for analysis. The Company follows a quality assurance/quality control program developed by AMEC as part of normal analytical procedure. The Company currently includes 5% each of certified standard materials, blanks, preparation duplicates and field duplicates with all drill hole samples submitted to SGS for preparation and analysis. The results from this sampling were not incorporated in the Technical Report.

Security of Samples

Sample security was not generally practiced at Morelos during the drilling programs, due to the remote nature of the site. Sample security relied upon the fact that the samples were always attended or locked at the sample dispatch facility. Sample collection and transportation have always been undertaken by company or laboratory personnel using company vehicles.

Prior to 2002, drill and trench samples were picked up at site by ALS Chemex, prepared to a pulp in Guadalajara, Mexico, and sent by ALS Chemex via air to the ALS Chemex analytical laboratory in Vancouver, Canada. Starting in 2002, samples were delivered by Teck personnel to the Lacme sample preparation laboratory in Guadalajara, Mexico, prepared to a pulp by Lacme, and then shipped by Lacme to Teck's Global Discovery Laboratory in Vancouver, Canada.

Chain of custody procedures consisted of filling out sample submittal forms that were sent to the laboratory with sample shipments to make certain that all samples were received by the laboratory.

Mineral Resource Estimates

Open Pit and Underground Mineral Resource Estimate – El Limon and Guajes

The El Limon mineral resource estimate and lithology model, assuming underground mining methods, was prepared by Edward J.C. Orbock III, MAusIMM, Principal Geologist (AMEC, Reno). The Guajes mineral resource estimate, assuming open pit extraction methods, was prepared by Mark Hertel, P.Geo., Principal Geologist (AMEC, Phoenix) and the lithology model for the Guajes deposit was constructed by Ken Brisebois, P.Eng., Principal Geostatistician (AMEC, Reno), both under the supervision of Mr. Orbock.

Mineral resources for the Morelos Gold Project are summarized from the Technical Report in the table below:[(1)]

Deposit	Cutoff Grade (Au g/t)	Resource Category	Tonnes (000)	Grade (Au g/t)	Contained Gold (000 oz)
El Limon	1.5	Indicated	*7,450*	6.79	1,626
Guajes East & West	0.9	Measured	279	2.69	24
	0.9	Indicated	10,271	3.02	997
Sub-Total	0.9	*M + I*	*10,550*	*3.01*	*1,021*
Total	*Various*	*M + I*	*18,000*	*4.57*	*2,647*
El Limon	1.5	Inferred	2,350	5.9	446
Los Guajes	0.9	Inferred	2,087	3.3	221
Total	*Various*	*Inferred*	*4,437*	*4.7*	*667*

Notes:

(1) Morelos Open Pit and Underground Mineral Resource Statement. The effective date for El Limon is October 22, 2010, and the effective date for Guajes is October 6, 2009 by Edward J.C. Orbock III, MAusIMM.
(2) Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
(3) Mineral Resources are reported above as Guajes 0.9 g/t Au cut-off grade and El Limon 1.5g/t Au cut-off grade.
(4) Mineral Resources are reported as undiluted.
(5) Mineral Resources are reported within a conceptual pit shell and a conceptual underground mine design.
(6) Mineral Resources at El Limon are reported using a long-term gold price of US$1,035/oz and at Guajes US$865/oz, recoveries range from 60% to 91% and average approximately 89%, and appropriate mill, general and administrative, and mining costs appropriate to the mining method selected.

Open Pit Mineral Resource Estimate – El Limon

The technical information contained in this subsection of the Annual Information Form, "– Open Pit Mineral Resource Estimate – El Limon", is summarized from the 2009 Technical Report, prepared by (the "**2009 Qualified Persons**") Edward J.C. Orbock III, MAusIMM, Principal Geologist, Scott Long, MAusIMM, Chief Geochemist, Mark Hertel, P.Geo., Principal Geologist and Alexandra Kozak, P.Eng., Manager, Process Engineer, each of AMEC, and has been reviewed and approved by the 2009 Qualified Persons, each of whom is a "qualified person" for the purpose of NI 43-101. See "Interests of Experts".

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2009 Technical Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on SEDAR at www.sedar.com.

The El Limon mineral resource estimate and lithology model, assuming open pit extraction methods, was prepared by Edward J.C. Orbock III, MAusIMM, Principal Geologist (AMEC, Reno).

Mineral resources for El Limon are summarized from the 2009 Technical Report in the table below:[(1)]

Deposit	Cutoff Grade (Au g/t)	Resource Category	Tonnes (000)	Grade (Au g/t)	Contained Gold (000 oz)
El Limon	0.9	Measured	1,724	3.47	193
	0.9	Indicated	16,547	3.30	1,754
Total	0.9	*M + I*	*18,271*	*3.31*	*1,947*
El Limon	0.9	Inferred	6,584	3.2	669
Total	0.9	*Inferred*	*6,584*	*3.2*	*669*

Notes:

(1) Morelos Open Pit Resource Statement. The effective date is October 6, 2009 by Edward J.C. Orbock III, MAusIMM.
(2) Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
(3) Mineral Resources are reported above a 0.9 g/t Au cut-off grade.
(4) Mineral Resources are reported as undiluted.
(5) Mineral Resources are reported within a conceptual pit shell.
(6) Mineral Resources are reported using a long-term gold price of US$865/oz, mining costs at US$1.30 per tonne, with an incremental bench cost of US$0.01 per bench per tonne and processing costs at US$11.68 per tonne, with recoveries ranging from 60% to 91% and averaging approximately 88%. General and administrative costs were estimated at US$3.19 per tonne.

Exploration and Development

M3 and AMEC consider that sufficient data is available for the Company to proceed with the following two-stage program. The following program was recommended by AMEC in the 2009 Technical Report. M3 and AMEC have duplicated it in the Technical Report with the understanding that the work is currently being carried out by the Company, based on the recommendations below. M3 has also made additional recommendations on which the Company is acting. See "–Additional Recommendations".

The Phase 2 program is partly contingent on the results of Phase 1 and comprises a feasibility study if the results of Phase 1 are sufficiently encouraging to support progression to feasibility.

Phase 1 Work Program

In the Technical Report, AMEC estimates the Phase 1 work program will take approximately 6 – 12 months to complete and cost between US$13.3 million and US$13.7 million.

Infill and Step-out Drilling

For each deposit, AMEC recommends that the Company select at least three short sections and two long sections for core hole review/partial relogging. From this, the Company should construct basic cross sections based on this re-evaluation and look for areas of agreement/disagreement with Teck's modelling. Where areas of discrepancy occur, a list of highest priority infill drill holes should be compiled. Assuming a total drilling cost, including assays, of US$200 per meter, AMEC has estimated that approximately 5,000 meters of drilling, in 30 drill holes, may be required. The estimated cost is US$1 million.

In the Technical Report, AMEC recommends that special attention should be paid to areas on the periphery of the known mineralized areas where mineralization has been interpreted to "end" based on the results of a single drill hole, or where known mineralization has not been adequately closed-off by drilling. Assuming a total drilling cost, including assays, of US$200 per meter, AMEC has estimated that approximately 5,000 meters of drilling, in 30 drill holes, may be required. The estimated cost is US$1 million.

In the Technical Report, AMEC recommends that the El Limon deposit requires additional infill drilling to support potential upgrades in mineral resource confidence categories. Assuming a total drilling cost, including assays, of US$200 per meter, and a final approximate drill spacing for the deposit of 32 meters by 32 meters, AMEC recommends about 14,000 meters of drilling, in approximately 90 drill holes. The estimated cost is US$2.8 million.

Resource Models

On review of the geological logging of rock codes, AMEC noted high-grade assays that are coded as marble and intrusive that are contiguous with high-grade skarn codes. Drill hole geological logging should be revisited after assays are entered into the database and before grade estimation. The estimated cost is US$10,000 – US$20,000.

In the Technical Report, AMEC indicates that some lithological intervals were noted to be missing the relevant geological code. The missing code should be established, either from the original geological logs, or by core re-logging where appropriate. The estimated cost is US$10,000 – US$20,000.

In the Technical Report, AMEC recommends that the Company review the assay database, and identify which composites used in the resource model are flagged as "mineralized", and identify composites in contact with mineralization-grade composites. Samples within such composites that have not been fire assayed should then be fire assayed regardless of their aqua regia gold grade. The estimated cost is US$25,000 – US$40,000.

In the Technical Report, AMEC recommends that the Company review that skarn logging code in database match those on drill logs. AMEC noted that a relative high error rate of above 3% is due to mismatched skarn codes between the database and original drill logs. The estimated cost is US$10,000 – US$20,000.

In the Technical Report, AMEC recommends that pulp samples from the channel sampling campaign should be re-assayed following quality assurance/quality control protocol of inserting certified reference materials, blanks, and duplicates. The estimated cost is US$20,000.

In the Technical Report, AMEC recommends that geology staff should create lithology models based on detailed cross-sections and long sections at 35 meter spacing. Lithology boundaries from cross- and long-sections should then be projected onto bench plans from which bench level lithology polygons are drawn using input from the geological staff. Bench lithology polygons would then be extruded to bench height and used to develop the resource model. The estimated cost is included in the feasibility study section under Phase 2 recommendations set out below.

Metallurgical Testwork

In the Technical Report, AMEC recommends a further metallurgical testing program to evaluate specific details for a potential process plant design. These tests include an ore type versus recovery relationship, a tailing detoxification test program and a tailing filter test program. The estimated cost for this work is US$100,000.

Infrastructure

In the Technical Report, AMEC recommends that a study should be performed to assess the most appropriate infrastructure locations. Key areas that may require trade-off studies include plant and mining infrastructure location, tailings dam location, road access to deposits, and use of conventional truck haulage versus trolley-assisted haulage. The estimated cost is US$20,000 – US$50,000.

Land Acquisition

In the Technical Report, AMEC also recommends that the Company continue to advance a surface land acquisition program. This is a key component to developing the Morelos Gold Project and continuing the environmental permitting development. The cost of land must be negotiated with the individual stake holders and could not be estimated for the Technical Report.

Economical Viability

In the Technical Report, AMEC also recommends that the Company evaluate the technical and economic viability of the Morelos Gold Project by executing a feasibility study. The estimated cost for a feasibility study is US$3 million – US$5 million, depending on the complexity of the work to be done.

Water Resource Evaluation

In the Technical Report, AMEC also recommends that the Company continue their current water resource evaluation in the area of the Morelos Gold Project. The Company has already contracted Ideas En Agua (Hermosillo, Mexico) to further evaluate the water source. The estimated cost for this work is US$100,000.

Site Survey

In the Technical Report, AMEC notes that the existing aerial survey is not accurate enough for development purposes. A new survey should be flown with sufficient accuracy to support engineering design. The estimated cost is US$100,000 – US$200,000.

Exploration

In the Technical Report, AMEC notes that given the size of the Morelos Gold Project, and the abundance of prospective target areas, a grass-roots exploration program should be initiated. Key aims of the program area continued exploration of previously-identified outlying prospects (e.g. Atzcala, Querenque), and exploration of outlying unexplored or lightly-explored target areas based on reconnaissance knowledge and generation of new targets through further geological work.

In the Technical Report, AMEC recommends that for the first twelve months of exploration work, exploration work programs should include geological data compilation (US$50,000), geophysical and related surveys (US$500,000), provision for work and geological crews (US$850,000), road and drill pad construction (US$200,000), and security and land management (US$100,000). In addition, AMEC has made provision for management costs and consultant hire (US$200,000). The estimated cost of exploration programs prior to drilling is US$1.9 million.

In the Technical Report, AMEC has allocated about 18,000 meters to grass-roots exploration drilling, assuming a total drilling cost, including assays, of US$200 per meter, in approximately 110 drill holes. The estimated total cost is US$3.6 million.

Phase 2 Work Program

In the Technical Report, AMEC notes that when Teck's internal studies have been independently validated as being accurate and complete, AMEC is of the opinion that the Company will be able to update the cost estimates used in such studies and commence a feasibility study. The feasibility study can commence while the infill and step-out drill program results are underway. The remaining work recommended in Phase 1 can be incorporated into the feasibility study as and when results are available.

In the Technical Report, AMEC notes that depending on the results of the review portion of Phase 1, AMEC estimates that a feasibility study on the Morelos Gold Project could take between twelve and eighteen months to complete, and range in cost from US$3 million – US$10 million, where US$3 million is a typical feasibility study cost estimate using third-party consultants, and US$10 million represents an upper limit assuming significant additional work is required.

Such a study will not be predicated on the results of the recommended exploration drilling, but results of the drilling should be continuously monitored in case a significant new discovery is made during the term of the feasibility study that could be incorporated into the study.

In addition to the feasibility study, AMEC estimates approximately US$1 million – US$3 million may be required to support an EIS.

In the Technical Report, AMEC has not estimated costs associated with permitting the Morelos Gold Project. Such costs will be dependent on the outcome of talks and negotiations with local stakeholders, and until such consultation has been undertaken, no reliable estimate of the permitting costs is possible.

Additional Recommendations

Land Tenure

In the Technical Report, M3 recommends that the Company continue to advance a surface land acquisition program. This is a key component to developing the Morelos Gold Project and continuing the environmental permitting process. The cost of land must be negotiated with the individual stake holders and could not be estimated for the Technical Report.

Water Resource Evaluation

In the Technical Report, M3 recommends that the Company continue their current water resource evaluation in the area of the project. The Company has already contracted Ideas En Agua (Hermosillo, Mexico) to further evaluate the water source. The estimated cost for this work is US$100,000.

See also the disclosure in this Annual Information Form under the heading "Interests of Experts".

Exploration and Project Development Update

The technical information contained in this subsection of the Annual Information Form, "– Exploration and Project Development Update", has been reviewed and approved by Jerry Eugene Snider, BSc Mining Engineer, MBA, Project Manager of the Company, who is a "qualified person" for the purpose of NI 43-101. See "Interests of Experts".

Overview

The Company's exploration activities during the year ended October 31, 2011 were negatively impacted by the temporary suspension of surface exploration programs, which occurred beginning March 24, 2011 until the resumption of activities on May 16, 2011. Although the temporary suspension slowed exploration activities, the Company was able to meet its objective of expanding the existing deposits north of the Balsas River. Drilling during the year consistently encountered significant and high-grade gold mineralization in step-out and infill drilling on all known deposits. The successful 2011 drill results from the three known gold deposits north of the Balsas River are expected to extend the known gold mineralization and add significant ounces to the global mineral resource. Mapping, target identification and strategy development were completed for the south of the Balsas River lands during fiscal 2011. In addition, limited road building and drilling were completed. The principal focus of the Company's drilling activities during fiscal 2011 was the completion of the resource drilling required for the feasibility study. This combined with the reduced availability of drills from the number the Company had originally planned and the loss of drilling days due to security issues, resulted in the Company continuing the objective of identifying new deposits south of the Balsas River into 2012.

Following on the success of its fiscal 2011 exploration programs, the Company has approved a $32 million exploration budget for the fiscal year ended October 31, 2012. The initial focus will be the completion of the resource drilling on the north of the Balsas River deposits, which the Company expects to continue until approximately mid-February 2012. Using the results of this drill program and previous exploration results, the Company has established an objective of completing new mineral resource estimates by the end of the first quarter of calendar 2012. Work on the resource models has begun and will incorporate additional drilling results as they become available. Once drilling is complete, the primary focus will shift to drilling greenfield targets aimed at identifying new deposits north and south of the Balsas River. A complete review of the historical project data compiled in ArcGIS Project has been completed and assessed interactively. Field orientation and validation of key geological elements followed by target selection and technical ranking were completed and form the basis of the fiscal 2012 exploration program.

The fiscal 2012 exploration program can be separated into four primary activities as follows:

1. completion of north of the Balsas River resource drilling;

2. drilling on targets both north and south of the Balsas River aimed at identifying new deposits;

3. mapping and sampling of the contact zone between the Mezcala and Morelos formations near the central Morelos granodiorite; and

4. reconnaissance exploration of targets that lie outside the area of current focus.

In addition to the approval of a $32 million exploration budget for the fiscal year ended October 31, 2012, the Company has also approved a $34 million project development budget for the fiscal year ended October 31, 2012. In addition to the drilling and exploration plans discussed above, other project development work budgeted during the upcoming year includes completion of a feasibility study, negotiation of long-term land access agreements, beginning the relocation process for two villages located within the mine disturbance area, and filing for and obtaining various permits related to mine, road, camp, water well field and power line construction.

Drilling

The number of drills available to complete exploration programs fluctuated throughout the year. Additional drills were mobilized through the first quarter of fiscal 2011, bringing the total number of drills operating on site to 11 by the end of the first quarter. As a result of security concerns, which led to the temporary suspension of surface exploration programs, the drilling contractors at the site at the time decided to terminate their services. Following the resumption of activities at site in the third fiscal quarter of 2011, G4 Drilling Mexico S.A. de C.V. mobilized five surface drill rigs. In addition, the Company repaired two drills it inherited with the purchase of the Morelos Gold Project. Moles Drilling S. de R.L. de C.V. was hired to operate these drills. Subsequent to the year end, the Company entered into an agreement with Integracion y Evaluacion de Proyectos Mineros S.A. de C.V. to mobilize three surface drill rigs by the middle of February 2012. These rigs will be dedicated to greenfield drilling programs.

Total drilling during the fiscal year ended October 31, 2011 totalled approximately 62,000 metres. The majority of this drilling occurred north of the Balsas River with the balance south of the Balsas River. This represents approximately half of the total drilling originally budgeted for fiscal 2011 as the temporary suspension of surface exploration programs and the need to mobilize new drill contractors caused the schedule slippage. As a result of additional positive assays from the continued resource drill program, it was decided to continue this drilling into 2012. Previously, the Company had reported that it would be completed by the end of calendar 2011. Resource drilling will continue to approximately mid-February 2012, with the results of those drill holes being incorporated into the mineral resource estimates. It is expected that this will be accomplished from a combination of new in-fill drilling and additional selective drilling. This drilling will be prioritized and thus drill rigs will not be released for work on greenfield areas. The additional drilling will not delay the completion of the mineral resource estimates, which is scheduled for the end of March 2012. The Company has budgeted for approximately 85,000 metres to be drilled in fiscal 2012, the majority of which will be completed on greenfield targets.

Step-out drilling at the El Limon deposit has continuously intersected high grade gold mineralization outside of the known resource area that contributed to the existing mineral resource estimate. To date, step-out drilling at the El Limon deposit has encountered gold mineralization approximately

400 metres to the east and 50 metres to the west of the deposit. As well, more recent drilling results suggest the continued eastern extension of the southern end of the deposit, and a new opportunity with a south-western extension. The drilling to the east could more than triple the known width of the deposit at its southern end. A significant portion of the drilling at the El Limon deposit has been in-fill drilling designed to upgrade inferred ounces to measured and indicated and to increase the confidence in the current mineral resource estimate. The El Limon deposit continues to remain open to further expansion to the east, west, south and as more recent drilling suggests, at depth.

Step-out drilling at the Guajes East deposit has encountered gold mineralization approximately 100 metres to the west, 75 metres to the east and 50 metres to the south of the deposit. Also, infill drilling has confirmed the existence of a high grade gold mineralization area at the western end of the Guajes East deposit, which appears to be at least 300 metres in strike length. Step-out drilling at the Guajes West deposit has confirmed the continuation of high grade gold mineralization along the intrusion to the northeast, towards the Guajes East deposit. Joining the two Guajes deposits over a distance of 350 metres could significantly add to the global gold resource of the Morelos Gold Project and provide for economies of scale in potential future mining operations. Previous step-out drilling, on the south edge of the Guajes West deposit, intersected significant gold and highly anomalous trace elements, which will be followed-up in 2012. This southwest extension of the Guajes West deposit is correlated to the presence of skarn in outcrop towards the Balsas River.

With the continued success of step-out drilling between each of the existing deposits, the Company now believes that these deposits connect and they are in fact one deposit. The impact on the design of the open pit(s) and the mining schedule has not been fully explored but management expects that this will greatly contribute to the internal goal of delivering mineral resource estimates with a combined measured and indicated total of five million ounces.

In general, infill drilling at El Limon and the Guajes East and West deposits has intersected gold mineralization that is consistent with the existing geological interpretations and the existing mineral resource estimates and therefore should result in the upgrading of a number of gold ounces from inferred to measured and indicated. The majority of mineralization greater than three grams per tonne reported from boreholes drilled to date has been associated with skarn and endoskarn type of mineralization spatially related to the granodiorite intrusion or to variations of the granodiorite.

Exploration

Detailed mapping and sampling is required to characterize the favorable Mezcala-Morelos Formation contact zone (locally known as the Cuautla Formation) in the south of the Balsas River area. This work will help identify the presence of favorable skarn formation within or near this horizon and will allow for better drill hole planning within future target areas. The potential contact zone within the favorable targets will be examined as a first priority during the first calendar quarter of 2012. To support the geological mapping, rock sampling was performed on exploration targets south of the Balsas River in the El Cristo, Naranjo and Media Luna areas. A total of approximately 2,000 rock channel and rock chip samples were collected during 2011. Waste rock samples were collected and the related assay work was completed during the fourth quarter of 2011.

The Company completed an exploration EIS for the area covering the known deposits north of the Balsas River, which was submitted in May 2011 to SEMARNAT. In addition, the Company prepared an EIS for the area south of the Balsas River, which was submitted in August 2011 to SEMARNAT. Final permits were received during fiscal 2011 for both the north and south of the

Balsas River areas. The Company works closely with the governing agencies, the federal attorney for environmental protection, Procuraduría Federal de Protección al Ambiente ("**PROFEPA**") and the ministry of environment and natural resources, SEMARNAT to ensure it continues to operate in compliance with Mexican environmental laws.

Metallurgical testing of the various ore types identified within the Morelos Gold Project deposits was completed during the year. This testing was used to develop grade versus recovery curves, which will be used to determine the ultimate gold recovery for the project within the feasibility study.

Humidity cell testing began during the fourth fiscal quarter of 2011 and will continue into 2012. Tailings samples were generated and geochemistry work thereon, commenced during the fourth quarter. Waste management work is being completed under the direction of AMEC Earth & Infrastructure ("**AMEC E&I**") with SGS Canada Inc. of Burnaby, British Columbia, responsible for the actual geochemistry testing. Once this work is completed final designs for water management for the waste dumps can be finished.

At the Morelos Gold Project, all of the analytical work is performed by SGS and Acme Analytical Laboratories Mexico S.A. de C.V. ("**ACME**"). Sample preparation is done at a dedicated sample preparation laboratory operated by SGS at the project site in Nuevo Balsas, Guerrero, Mexico. The gold analyses (fire assay with an atomic absorption or gravimetric finish) and multi-element geochemical analyses are completed by SGS at their analytical facilities in Durango, Durango, Mexico or by ACME at their analytical facilities in Vancouver, British Columbia, Canada. The Company has a Quality Assurance/Quality Control ("**QA/QC**") program in place that includes 5% each of the certified reference materials, blanks, field duplicates and preparation duplicates. The QA/QC program as designed has been approved by AMEC and is currently overseen by Jose Escamilla, Chief Geologist for the Morelos Gold Project.

During the second quarter of 2011, the Company issued a letter of intent to SGS for the purchase, construction and operation of an on-site assay lab. The lab has now been constructed and is now being commissioned. The Company has entered into an agreement with SGS for the operation of the assay lab. This assay lab will allow for quicker turnaround on sample processing and will eventually be moved to the mine facilities on construction of the long-term infrastructure.

Project Development

The Company's logistical operations at the Morelos Gold Project grew during the first quarter of fiscal 2011, with the increase in the number of drills mobilized to site. Logistical and geological staff were added, along with growth in support facilities to accommodate the increase in drill core and personnel. The on site team has grown from 76 employees at October 31, 2010 to 173 employees at October 31, 2011. As well, there are approximately 150 drilling, security and other contractors on site. The Company is well staffed to carry out its operations for the upcoming year.

Throughout the year, four fleets of heavy equipment, each consisting of a bull-dozer and backhoe with hydraulic hammer, were operating on site resulting in approximately 23.5 kilometres of roads being reopened or constructed. Other activities during the year include the erection of a cellular telephone tower in the town of Neuvo Balsas with cellular phone service becoming available in September 2011. During the year the core storage area was expanded and the Company now has capacity for approximately 140,000 metres of drill core.

The Company's principal ongoing objective is the development of the Morelos Gold Project. In order to accomplish this, a number of objectives were outlined in the Company's 2010 management's discussion and analysis, which were to be completed during the 2011 fiscal year. Overall, the commissioning of the Morelos Gold Project remains on target and is expected to commence prior to the end of calendar 2014. All of the Company's individual 2011 project development objectives were well advanced or completed by the end of the 2011 fiscal year. Given the continued positive results of the infill and step out drilling at the deposits north of the Balsas River and the extensive high quality engineering completed, the Company made the decision, during the year, to advance directly to a feasibility study, which is expected to be completed by the end of June 2012.

The Company has been evaluating the pros and cons to both the underground and open pit mining options for the El Limon deposit. The evaluation of the mining methods was completed during the second fiscal quarter of 2011, resulting in a decision that using open pit mining methods is the preferable alternative for the El Limon deposit. An evaluation of different tailings disposal methods was completed by AMEC E&I during the second fiscal quarter, supporting a decision to utilize dry staked filtered tailings as the tailings disposal method.

Also during the second fiscal quarter of 2011, the project development engineering team was selected. M3 of Tucson, Arizona was retained as the lead consultant for completion of the feasibility study. M3 is also directly responsible for the metallurgy, the design of the process plant, related infrastructure and for project economics. M3 will be supported by a number of other consultants in various capacities. SRK Consulting (Canada) Inc. ("**SRK**") was been selected to complete the mine design for the deposits. SRK has been involved in the mine design of the Morelos Gold Project since the Company purchased the property. AMEC E&I was engaged to perform the design work for waste and water management. Geology for the project will continue to be handled by AMEC Mining and Metals, of Nevada. Heuristica ambiental Connsultoria was selected to complete environmental baseline work and prepare additional studies to be used in the planning and permitting phases. They have been working on the property since March 2010.

Through the remainder of fiscal 2011 project development included the preliminary designs of the pits, dumps and mine haul roads using the existing resource model, which incorporates all resource drilling to February 2011. These designs are being used to advance mine, plant and infrastructure design while the planned mineral resource drilling program is completed.

Work on the detailed design of the east service road was commenced in the fourth quarter of fiscal 2011. This road will provide alternate access to the project site and will serve as the main transportation route for equipment and supplies during construction. The road will connect the Morelos Gold Project to Highway 95, which is one of the main highway routes between Mexico City and Acapulco. The land required for the road crosses the boundaries of four separate *ejido* groups. Negotiation for the road allowances commenced in the third quarter of fiscal 2011 with the Real del Limon, Atzcala and Comunidad Valerio Trujano *Ejidos*. The fourth *ejido* affected by the road construction is the Rio Balsas *Ejido*. The Company's surface access agreement covers the use of existing roads; therefore, no further agreement is required at this time. An additional EIS and a change of land use permit will need to be filed and approved prior to road construction commencing.

The Company identified several prospective areas, which could produce the long-term local supply of water for the construction and operation of a mine. An application for the rights to a long-term water supply will be made to the national Mexican water commission, Comision Nacional del Agua

("**CONAGUA**"), upon exploration drilling confirming the quantity of available water in the prospective areas. An agreement for the right to drill exploratory wells has been completed with the Atzcala Ejido and CONAGUA has issued a permit for the right to drill exploratory holes.

OTHER INFORMATION REGARDING THE BUSINESS

Specialized Skill and Knowledge

Various aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as finance and accounting. It is possible that delays or increased costs may be experienced by the Company in locating and/or retaining skilled and knowledgeable employees and consultants in order to proceed with its planned exploration and development at the Morelos Gold Project.

Business Cycle

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. The price of the Common Shares, and the financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of gold and other metals. Metal prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company.

Economic Dependence

The Company's business is dependent on one mineral property, being the Morelos Gold Project, however, the business is not substantially dependent on any one contract such as a contract to sell any products or services or to purchase the major part of its requirements for goods, services or raw materials.

Environmental Protection

The environmental law in Mexico, called the General Law of Ecological Balance and Protection to the Environment provides for general environmental policies, with specific requirements set forth in regulations called "Ecological Technical Standards". Responsibility for federal environmental matters rests primarily with the Secretariat of Environmental and Natural Resources ("**SEMARNAT**") with the assistance of the National Institute of Ecology. The enforcement of environmental laws, regulations, and Ecological Technical Standards is entrusted to the Federal Environmental Protection Agency. Primary laws and regulations governing environmental protection for mining in Mexico are found in the General Law, the Ecological Technical Standards and also in the air, water and hazardous waste regulations, among others. In order to comply with the environmental regulations, a concessionaire must obtain a series of permits during the exploration and exploitation stages.

In common with other natural and mineral resource companies, the Company's operations have the potential to generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. The Company operates in compliance with local and international regulations and standards. The Company seeks to adopt the best environmental practices programs to manage environmental matters and compliance with local and international legislation.

The Company is working closely with the governing agencies, the federal attorney for environmental protection, PROFEPA and SEMARNAT to ensure it continues to operate in compliance with Mexican environmental laws.

Employees

The Company currently has 173 full or part time employees.

The Company is dependent on the services of key executives, including the President and Chief Executive Officer of the Company and a small number of highly skilled and experienced executives and personnel. See "Risk Factors – Dependence on Key Executives and Employees".

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and the acquisition of potentially productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes with other resource companies, many of whom have greater financial resources and/or more advanced properties, in attracting equity and other capital necessary for the Company to advance the exploration and development of its mineral properties.

The ability of the Company to acquire additional properties depends on, among other things, its available working capital, its ability to explore and develop its existing properties, its ability to attract and retain highly-skilled employees, and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. Mineral prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Company.

Foreign Operations

The Company's material mineral project, the Morelos Gold Project, is located in Mexico (see "Mineral Property" for a summary of the Morelos Gold Project). Any changes in regulations or shifts in political attitudes in this jurisdiction, or other jurisdictions in which the Company may have projects from time to time, are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety and receipt of necessary permits. The effect of these factors cannot be accurately predicted.

Social and Environmental Policies

The State of Guerrero in which the Morelos Gold Project is situated is poor, and very few federal funds are allocated for social, economic, and infrastructural development. Given these economic circumstances, private investment offers an excellent opportunity for an increase in the standard of living of residents in the vicinity of the Morelos Gold Project. However, even with the potential opportunities that the Morelos Gold Project provides, the Company appreciates that relationships will need to be nurtured to build and maintain an appropriate level of trust between the parties. Developing these relationships has been and will continue to be among the highest priorities for the Company and has formalized a Community Relations Plan. The Company was successful in re-negotiating one-year land access agreements and entering into long-term land access agreements for most of the lands required to build the Morelos Gold Project. Following these negotiations and agreements, the focus will shift to maintaining long-term relationships that preserve the support of the communities to operate the Company's business.

On March 24, 2011, the Company announced that it had temporarily suspended surface exploration programs, including diamond drilling, at its Morelos Gold Project. The Company had experienced criminal activity and violence in the immediate area of the Morelos Gold Project that culminated in the armed robbery of several of the Company's trucks. Working together, the Company, its security advisors, and various levels of government, designed a security solution that was implemented during the third quarter of fiscal 2011. The security system was developed to better protect the Company, its people and assets. The government authorities have made significant commitments of resources to police the area. This includes a state police detachment in Nuevo Balsas and routine army patrols. The Company resumed activities on May 16, 2011, with the commencement of the return of employees and contractors to the Morelos Gold Project. Drilling resumed as of June 29, 2011. On September 14, 2011, the Company announced that it was back on track to complete the release of new mineral resource estimates, the preparation of a bankable feasibility study and, pending positive results, to start project development by the end of calendar 2014.

RISK FACTORS

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business, financial condition and results of operations, or the trading price of the Common Shares or Warrants.

Nature of Mineral Exploration, Mine Development and Mining Operations Business

The exploration for and development of mineral deposits involves significant risks typical to such activity which even a combination of careful evaluation, experience and knowledge may not eliminate.

The success of the Company is directly related to its ability to acquire and maintain properties with sufficient mineral reserves. However, while the discovery of precious metals and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. There is no certainty that the expenditures made by the Company towards the search and evaluation of precious metals and other minerals will result in discoveries of mineral resources, mineral reserves or any other mineral occurrences.

Major expenses may be required to locate and establish mineral resources and reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. The Company's ability to develop potential properties into commercially viable operations directly impacts its profitability. It is impossible to ensure that the exploration or development programs currently planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which include: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical and subject to fluctuation; actual costs required to bring a deposit into production; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals, and environmental protection and reclamation. Additional challenges may be encountered due to technical, mechanical, logistics, transportation and labour force problems. The exact effect of these and other factors cannot be accurately predicted but could have a material adverse effect upon the Company's properties and operations. Mining operations generally involve a high degree of risk.

The operations of the Company are subject to inherent hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and industrial hazards and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or the failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

Single Principal Property Focus

The Company's principal asset is its 100% interest in the Morelos Gold Project in Mexico. The Company's goal is to significantly add to the resources of the Morelos Gold Project, while developing existing resources. Unless the Company acquires additional property interests, any adverse developments affecting the Morelos Gold Project could have a material adverse effect upon the Company and would materially adversely affect the potential consolidated profitability, financial performance and results of operations of the Company.

Negative Operating Cash Flow

The Company is an exploration and development stage company and has not yet commenced commercial production on the Morelos Gold Project or any other property and accordingly has not generated cash flow from operations. The Company is devoting significant resources to development of the Morelos Gold Project, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it enters into commercial production and not to generate consolidated revenues sufficient to fund the continuing operation of the Morelos Project.

The Company has negative cash flow from operations to-date, reporting a net loss for the year ended October 31, 2011 of $27.3 million compared to a net loss of $16.4 million reported for the year ended October 31, 2010 as set forth in the audited consolidated financial statements of the Company.

Foreign Operations

The Company's principal asset is located in Mexico and the Company's operations are therefore subject to Mexican federal and state laws and regulations. The risks normally associated with the conduct of business in foreign countries include various levels of political, economic and other risks and uncertainties. Such risks may include, but are not limited to: local economic instability, restrictions on foreign ownership and activities, limitations on repatriation of earnings or other currency controls, limitations on gold exports, labour unrest, invalidation of governmental orders and permits, corruption, sovereign risk, war (including neighbouring states), civil disturbances and terrorist activity, unanticipated changes in laws or policies, the failure of foreign parties to honour contractual relations, foreign taxation, delays or inability to obtain necessary governmental permits, and opposition to mining from environmental or other non-governmental organizations. These risks may limit or disrupt the Company's consolidated operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The Company believes that the current attitude of the Mexican government and State of Guerrero (where the Morelos Gold Project is situated) to foreign investment is favourable, however shifts from the current regulatory, economic and political climate cannot be predicted and could have an adverse effect on the affairs of the Company. The Company's personnel and representatives are guided by a Foreign Corrupt Practices policy which reflects the Company's high standards of integrity in all of its activities in foreign dealings.

Safety and Security

The Morelos Gold Project is located in the State of Guerrero, Mexico. Criminal activities in the region, or the perception that activities are likely, may disrupt the Company's operations, hamper the Company's ability to hire and keep qualified personnel and impair the Company's access to sources of capital. Risks associated with conducting business in the region include risks related to personnel safety and asset security. Risks may include, but are not limited to: kidnappings of employees and contractors, exposure of employees and contractors to local crime related activity and disturbances, exposure of employees and contractors to drug trade activity, and damage or theft of Company or personal assets including future gold shipments. These risks may result in serious adverse consequences including personal injuries or death, property damage or theft, limiting or disrupting operations, restricting the movement of funds, impairing contractual rights and causing the Company to shut down operations, all of which may expose the Company to costs as well as potential liability. Such events could have a material adverse effect on the Company's cash flows, earnings, results of operations and financial condition and make it more difficult for the Company to obtain required financing. Although the Company has developed procedures regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Company's efforts are able to effectively mitigate risks and safeguard personnel and Company property effectively.

The Company is committed to controlling security risks and activity in this regard includes the completion of security assessments by experienced security experts, working with the government and army to provide additional security and the hiring of security professionals to assess, prepare for and respond to both personal and property safe-guarding issues which may arise in connection with the Company's activity in the region. See "Other Information Regarding the Business – Social and Environmental Policies".

Government Regulation

The mining, processing, development and mineral exploration activities of the Company are subject to various laws, rules and regulations governing prospecting, development, production, taxes, employment and labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters.

Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable material rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. To facilitate staying abreast of changes to laws and regulations in Mexico, the Company engages local experts to communicate and evaluate the impact of potential changes in Mexican laws and regulations which may have an impact on the Company's activities. Amendments to current laws, rules and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Political and Social Risks

The Company's mineral exploration and development activities may be affected in varying degrees by political stability and governmental regulations which affect activity in jurisdictions in which it operates. Currently, most of the operations of the Company are conducted in Mexico at the Morelos Gold Project located in the State of Guerrero, approximately 180 kilometres to the southwest of Mexico City. An increasing concentration of mining activity is occurring in the region. The Company believes the present attitude of the governments of Mexico and of the State of Guerrero to foreign investment and mining to be favourable, however variations from the current regulatory, economic and political climate could have a significant adverse effect on the Company's activity at the Morelos Gold Project.

Any changes in regulations or shifts in political attitudes in Mexico, or in the State of Guerrero specifically, are beyond the control of the Company and may adversely affect its consolidated business. Nationally, Mexico currently encourages foreign investment in mining. Locally, the Company is working to develop broad-based local support for the Morelos Gold Project through initiatives which include local community liaison activities established early in the development stage. However, it is possible that a deterioration in economic conditions or other factors could result in a change in government policies at either the National or State level.

Furthermore, the Company may acquire or invest in additional properties located in less stable jurisdictions in the future and, as such, the operations of the Company are and may increasingly be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; challenges by third parties; illegal mining; changes in taxation policies; and changing political conditions and governmental regulations, including changing environmental, mining and property rights legislation.

The Company understands that activities at the Morelos Gold Project directly affect a number of *ejidos* (a communal form of agrarian land ownership) and communities. *Ejidos* in the area include Real del Limon, Rio Balsas, Puente Balsas Sur, Mezcala and Atzcala. The Company has successfully re-negotiated land access agreements with the three currently affected *ejidos* and places a high priority on developing mutually beneficial long-term relationships in this regard. The Company has entered into, through MML, a long-term common land lease agreement with the Rio Balsas *Ejido* for the use of land, for the future construction, mining, and processing of gold at the Morelos Gold Project. In addition, the Company has signed long-term lease agreements for individually "owned" land parcels under the same terms as the common land leases. Negotiations with the Real del Limon *Ejido* for long-term access to the remaining lands required to build the Morelos Gold Project are ongoing. See "General Development of the Business – 2011 to Date". Since acquiring the Morelos Gold Project, the Company has generally maintained reasonable relations with the three currently affected *ejidos.* Prior to the Company acquiring the Morelos Gold Project, there was a period of time during 2007 when a blockade was established on the property by the Real del Limon *Ejido* which limited Teck's access to the Morelos Gold Project. No demonstrations or disputes of this nature have occurred since that time. The Company is committed to working with local stakeholders to realize shared objectives, however there is no assurance that social tensions with the *ejidos* will not arise in the future which could have a material adverse impact on the Company and its ability to carry out its planned exploration and development programs.

Permits and Licenses

The Company will require a number of permits and licenses from various levels of governmental authorities in connection with its current development program at the Morelos Gold Project as well as conducting future operations at the Morelos Gold Project. Necessary permits and licenses including surface rights access and use, environmental impact authorization, forestry land use change authorization, concession for the use of national waters, concession for the occupation of national assets, discharge permit, hazardous waste register, land use license, and a permit for the use of explosives, will be required in order to proceed to development.

As development of the Morelos Gold Project advances, delays in obtaining surface and water rights which affect water supply may cause delays in development and complications as well as potential interruptions to future production. Currently, the Company has, through MML, long-term access agreements with the Rio Balsas *Ejido* and agreements for individually "owned" land parcels, which comprise a portion of the lands required for development of a mine on the Morelos Gold Project property. Negotiations with the Real del Limon *Ejido* for long-term access to the remaining lands required to build the Morelos Gold Project are ongoing. See also "–Government Regulation" and "–Political and Social Risks".

The Company is taking a proactive approach to obtaining necessary permits by, for example, planning to seek future operations permits based on environmentally responsible mining practices.

Government approvals, approval of members of surrounding communities and permits and licenses are currently and will in the future be required in connection with the operations of the

Company. The Company cannot be certain that it will receive the necessary permits, licenses and approvals or on acceptable terms required to conduct exploration and to develop any properties that it may acquire from time to time. The failure to obtain such permits, licenses or approvals, delays in obtaining such permits, licenses or approvals, failure to comply with such permits, licenses or approvals, or challenges to issuance by third parties could increase the Company's costs and delay its activities, and could adversely affect the business or operations of the Company. To the extent such permits, licenses or approvals are required and not obtained, or not obtained on a timely basis, the Company may be curtailed or prohibited from continuing mining operations or from proceeding with planned exploration or development of mineral properties.

Land Title

The Company has at this time secured the right to mine within the concession boundaries of the mining concessions it holds, in connection with the Morelos Gold Project; however, legal title and possession of the land is currently held by various *ejidos* and private parties. See "Material Property – Morelos Gold Project Description and Location". The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's consolidated business operations, condition and results of operations. In addition, should title issues arise, the Company may be unable to explore, develop or produce from its properties as permitted or to enforce its rights with respect to its properties. See also "General Developments of the Business – 2011 to Date".

Reliability of Resource Estimates

Mineral resource and reserve estimates are based upon estimates made by Company personnel and independent geologists. These estimates are inherently subject to uncertainty and are based on geological interpretations and inferences drawn from drilling results and sampling analyses and may require revisions based on further exploration or development work. There is no certainty that any of the mineral resources identified on the Morelos Gold Project will be realized at the anticipated level of recovery. Drilling results evaluations are ongoing, but until a deposit is actually mined and processed the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity and resulting valuation of mineral resources may vary depending on, among other things, precious metal prices which may render resources uneconomic, cut-off grades applied and estimates of future operating costs which may be inaccurate. Any material change in quantity of mineral resources, grade, or stripping ratio may also affect the economic viability of any project undertaken by the Company. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

Fluctuations in gold and other precious metal prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Declines in market prices for gold and other metals may cause portions of the Morelos Gold Project mineralization to be evaluated as uneconomic, resulting in reduced reported mineralization. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's ability to finance and develop the Morelos Gold Project, other properties, and consolidated results of operations and financial condition.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation under Mexican law and under laws of any other jurisdictions in which the Company carries on business. These laws address, among other things, the maintenance of air and water quality standards and land restoration and reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. At the Morelos Gold Project, a water reservoir and river located near the mine development site are being considered by management in plan development to ensure that reasonable environmental measures are put in place to prevent contamination of ground water and the surrounding environment, however there can be no assurance that water contamination or related disturbances which may affect the residents of the local town will not occur. Leaks or discharges from containment systems may cause the Company to be subject to liability for cleanup work that may not be insured.

Environmental legislation in many countries is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business, condition or operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Government approvals, approval of stakeholders including land ownership groups, aboriginal people and other members of surrounding communities, and licenses and permits are currently, and will in the future, be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with development of the Morelos Gold Project or planned exploration or development of other mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

It is difficult to determine the exact amounts which will be required to complete future site restoration and land reclamation activities that may be necessary in connection with the Morelos Gold Project or any future properties in which the Company may hold an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. At this time, it is not necessary for the Company to provide any reclamation bonds or assurances in respect of the Morelos Gold Project. In future, it will be necessary to estimate and continually revise planned expenditures and operating plans in order to fund future restoration and reclamation activities. Such costs may have a material adverse impact upon the consolidated business, financial condition and results of operations of the Company.

Additional Capital

The Company does not currently have sufficient funds to bring the Morelos Gold Project into production. The development of the Morelos Gold Project will require substantial additional future financing. Failure to obtain sufficient financing could result in the delay or indefinite postponement of construction, development or production on any or all such property or even loss of property interest. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favourable to the Company. The Company's ability to obtain future financing may be impacted by factors beyond the Company's control, such as the economic climate in capital markets which affect the availability of equity as well as metal price fluctuations which affect economic evaluations of the Morelos Gold Project. In addition, it is possible that future financing may include an equity issue and any such future financing may be dilutive to existing shareholders of the Company. The recent economic instability being experienced in Europe has negatively impacted the availability of debt financing. European banks have traditionally been a major source of project debt for single asset companies developing mining projects throughout the world. The Company will continue to monitor economic conditions and its impact on the availability of project debt finance.

No History of Mineral Production

The Company has never had any interest in mineral producing properties and has no experience in placing mineral deposit properties into production. The Company is committing significant resources to the Morelos Gold Project and has assembled a capable team of experts to guide the Company through the development stage and into production; however, there can be no assurance that the Morelos Gold Project will be brought to a stage where mineral resources can profitably be produced thereon. Factors which may limit the ability of the Company to guide the Morelos Gold Project through to successful commercial production of gold which generates revenue and operates profitably, include the Company's ability to acquire or retain experienced personnel, ability to enter into agreements with third parties that can provide such expertise as well as other project development related factors including the availability of additional financing, and technical and engineering challenges.

Furthermore, there is no assurance that commercial quantities of minerals will be discovered at any of the Company's properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered at the Company's properties, factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing, the actual costs of bringing the properties into production and the nature of any mineral deposits. There can be no assurance that any property of the Company will ever be brought to a stage where mineral resources can profitably be produced thereon.

Dependence on Key Executives and Employees

The Company is dependent upon the services of key executives, including the directors of the Company. Additionally, the success of the Company's Morelos Gold Project exploration and development programs is to a significant degree directly dependent on the efforts and abilities of a small number of highly skilled and experienced executives, management, key employees and contractors whose expertise and competence is relied upon at management's discretion.

As the Morelos Gold Project is located in a foreign jurisdiction (Mexico), there is a risk that the Company may not be able to hire or retain individuals or firms with appropriate expertise to conduct Mexican on-site activities. Availability of resources may be impacted by factors including, but not limited to, skill shortages and competition for skilled employees within the mining industry and restrictive or prescriptive hiring and employment regulations in Mexican jurisdictions where the Company operates.

Due to the relatively small size of the Company, the loss of key persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations. The Company is currently developing human resource policies and guidelines which seek to establish a favourable work environment based on fair treatment principles, with a goal of attracting and retaining key and skilled employees. There can be no assurance that such a program will be successful in achieving that goal and the loss of one or more key employees, if not replaced, could adversely affect the Company's Morelos Gold Project exploration and development programs, consolidated operations and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, in varying degrees, on the availability of adequate infrastructure. Reliable roads, bridges, power sources, fuel and water supply and the availability of skilled labour and other infrastructure are important determinants, which affect capital and operating costs and can affect the development timeframe and cost of the Morelos Gold Project.

The Morelos Gold Project is situated in a region where other mining activity is developing. The Morelos Gold Project is within proximity to existing paved highways, with access to local power supply and located near established centres of supply for materials and workers. As part of Morelos Gold Project development, work on an alternative transportation route from the main highway and Company generated power supplies has commenced but despite provision for backup infrastructure, there can be no assurance that challenges or interruptions in infrastructure and resources will not be encountered. Where alternative infrastructure is not available, this may result in delays or other adverse effects on the Morelos Gold Project and the Company's other operations.

Additionally, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of infrastructure could also adversely affect the consolidated business, operations, financial condition and results of operations of the Company.

Competition

The international mining industry is highly competitive in all of its phases. The Company faces strong competition from other mining companies in connection with (i) the acquisition of mineral-rich properties producing, or capable of producing, precious metals economically, (ii) technical expertise to find, develop and produce on such properties, (iii) skilled labour to productively operate such properties and (iv) available capital to finance development of such properties.

The Morelos Gold Project is located in a region of Mexico where competing mining companies also conduct business. Many of the competing companies operating within the region or within other regions where the Company may conduct its activities currently or in the future have a broader range of international activity and operations, greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may suffer a competitive disadvantage and be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all, unable to attract and retain the necessary technical expertise, unable to attract and retain experienced mining professionals, unable to attract and retain experienced labour, or unable to secure necessary financing.

Inadequate availability of resources and expertise can result in cost increases, scheduling and availability challenges or other detrimental effects resulting in project delays or operational inefficiencies. Consequently, the consolidated operations and financial condition of the Company could be materially adversely affected.

Fluctuations in Gold and other Metal Prices

Depending on the price of gold, there can be no assurance that metal prices received will be sufficient to cover costs of production and capital expenditures such that any property of the Company can be mined at a profit.

The price of the Common Shares, and the financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of gold and other minerals. The price of gold and other minerals fluctuates on a daily basis and is affected by numerous factors beyond the control of the Company, including but not limited to, the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the Canadian and U.S. dollars and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, and supply and demand dynamics including the cost of substitutes, inventory levels and carrying charges.

The development and success of the Morelos Gold Project will be significantly dependent on the future price of gold. Economic evaluations underlying commercial viability of the Morelos Gold Project may be impacted by fluctuations in the price of gold, with a resulting impact on the Company’s ability to finance the Morelos Gold Project.

Future price declines in the market value of gold and other minerals could cause development of and commercial production from the Morelos Gold Project or future any future properties to be uneconomic and impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties.

Future production from the Company's mineral properties, if any, is dependent upon the prices of gold and other minerals being adequate to make these properties economic. In addition to adversely affecting any resource and reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Hedging Policy

Hedge and derivative products are generally used to manage risks associated with changes in commodity prices and foreign currency exchange rates. At this time, the Company does not have any producing properties and, therefore, does not have a hedging policy. The Company has no current intention of adopting such a policy and accordingly, the Company has no protection from declines in gold and other mineral prices or from currency fluctuations.

Management may, in future, undertake to adopt hedging strategies designed to mitigate the risks resulting from the effects of fluctuating gold prices, however due to the unpredictable nature of gold prices, such strategies may not be practical or effective.

Currency Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Precious metals including gold and other minerals are generally sold in U.S. dollars and the costs of the Company are incurred in Canadian dollars, U.S. dollars and in Mexican pesos. Accordingly, the Company will be exposed to currency fluctuations relative to the U.S. dollar on expenditures that are denominated in Canadian dollars and in Mexican pesos if production commences. Such currency fluctuations could have a significant impact on Morelos Gold Project costs and on future production costs, whereby an appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the Company's costs of exploration and production in U.S. dollar terms, which could materially and adversely affect the Company's profitability, results of operations and financial condition. The Company does not currently use any derivative products to manage or mitigate any foreign exchange exposure.

The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities.

Litigation

Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Like most companies, the Company is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The results of litigation or any other proceedings cannot be predicted with certainty. The Company is not currently involved in any disputes with other parties which it believes might result in litigation. Management is committed to conducting business in an ethical and responsible manner which it believes will reduce the risk of conflict and legal disputes with third parties. However, if the Company is unable to resolve future legal disputes favourably, it could have a material adverse effect on its consolidated financial position, results of operations or the Company's development of the Morelos Gold Project.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards generally, including, but not limited to, adverse environmental conditions, industrial accidents, labour disputes, materials shortages, unusual or unexpected geological conditions, metallurgical or processing problems, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability. Planned development at the Morelos Gold Project includes design of processes and operations to mitigate known risks, for example containment of potential spills through controlled procedures relating to storage and transportation of hazardous substances.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations and insurance obtained may contain exclusions and limitations on coverage. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, consolidated financial performance and results of operations.

Price and Volatility of Public Stock

The market price of the Common Shares has experienced fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of the Company. Fluctuations in the Company's share price may be affected by industry and market fluctuations such as short-term changes in the price of gold and other metals. The trading price may also be affected by factors and events such as the public's reaction to press releases, public announcements, effects of proposed equity offerings, the arrival or departure of key personnel, alliances or joint venture arrangements. Accordingly, the market price of the Common Shares at a point in time may not accurately reflect the Company's long-term value. It may be anticipated that any market for the Common Shares will be subject to market and industry trends generally and the value of the Common Shares on the TSX, or such other stock exchange as the Common Shares listed, from time to time, may be affected by such volatility. The Company's ability to obtain or secure financing required to advance the Morelos Gold Project may be adversely affected by market downturns, resulting in delays in project financing and consequently on project development timeframes.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company's directors understand that any decision made by any of such directors and officers involving the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the applicable corporate laws and other applicable laws, as amended or supplemented from time to time.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date or will be paid in the foreseeable future. Payment of any future dividends, if any, will be at the discretion of the Board after taking into account many factors, including the Company's consolidated operating results, financial condition, and current and anticipated cash needs.

Global Financial Condition

In recent years, global financial conditions have been subject to volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. As such, the Company is subject to (i) counterparty risk and (ii) liquidity risk.

The Company is exposed to various counterparty risks including through financial institutions that hold the Company's cash and through the Company's insurance providers. The Company is also exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If volatility and market turmoil continues, the Company operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

Future Sales of Common Shares by Existing Shareholders and Future Issuances of Common Shares or Equity-Related Securities (Dilution Risk)

Sales of a large number of the Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the ability of the Company to raise capital through future sales of additional Common Shares. The Company has previously issued Common Shares at an effective price per share which is lower than the current market price of its Common Shares. Accordingly, a significant number of shareholders of the Company have an investment profit that they may seek to liquidate.

Any issuance of additional equity securities could dilute the interests of existing shareholders and could substantially decrease the trading price of the Common Shares. The Company may issue equity securities in the future for a number of reasons, including to finance the Morelos

Gold Project, finance its other operations, for general business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust the ratio of debt to equity and to satisfy the Company's obligations upon the exercise of outstanding warrants or options or for other reasons. Sales of a substantial number of Common Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Common Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. Except as described in the public disclosure record of the Company, there is no restriction on the Company's ability to issue securities or the ability of any of its shareholders to dispose of, encumber or pledge its Common Shares, and there can be no assurance that the Company will not issue securities or that such shareholder will not dispose of, encumber or pledge its Common Shares. The Company cannot predict the effect that future sales of the Common Shares or other equity-related securities would have on the market price of the Common Shares.

DIVIDENDS

The Company has never declared or paid cash dividends on the Common Shares. Any future dividend payment will be made at the discretion of the Board, and will depend on the Company's financial needs to fund its planned programs and its future growth, and any other factor that the Board deems necessary to consider in the circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares, of which as at January 26, 2012 there were 413,163,790 Common Shares issued and outstanding. Holders of Common Shares are entitled to receive notice of any meetings of the holders of Common Shares of the Company, and to attend and to cast one vote per Common Share held at all such meetings.

Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a *pro rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Common Shares

The Company began trading its Common Shares on the TSX and delisted its Common Shares from the TSXV on February 24, 2010. The Common Shares are listed and traded on the TSX under the symbol "TXG". The following table indicates the high and low values and volume with respect to trading activity for the Common Shares on the TSX on a monthly basis during the fiscal year ended October 31, 2011.

Month	High	Low	Volume
2010			
November	1.75	1.18	21,537,314
December	1.67	1.38	19,691,400
2011			
January	1.67	1.38	14,936,449
February	2.2	1.46	22,661,656
March	2.39	1.64	24,917,733
April	2.08	1.76	25,754,833
May	1.83	1.52	17,272,385
June	1.88	1.5	36,173,032
July	2.18	1.68	6,754,465
August	2.02	1.65	10,728,845
September	1.73	1.16	30,554,806
October	1.62	1.22	24,785,917

The price of the Common Shares as quoted by the TSX at the close of business on January 26, 2012 was $2.07.

Warrants

The Company began trading its Warrants on the TSX on February 24, 2010. The Warrants expired on November 14, 2011. All of the Warrants were exercised upon or prior to their expiry. The Warrants were listed and traded on the TSX under the symbol "TXG.WT". The following table indicates the high and low values and volume with respect to trading activity for the Warrants on the TSX on a monthly basis during the fiscal year ended October 31, 2011.

Month	High	Low	Volume
2010			
November	0.43	0.25	199,400
December	0.45	0.34	795,532
2011			
January	0.43	0.305	593,480
February	0.89	0.33	1,261,730
March	1.08	0.6	1,048,655
April	0.75	0.5	1,053,646
May	0.57	0.38	777,750
June	0.59	0.33	697,976
July	0.86	0.4	784,026
August	0.71	0.35	988,412
September	0.39	0.04	5,773,466
October	0.32	0.045	10,945,600

DIRECTORS AND OFFICERS

The following table sets forth the name and province and country of residence of each director and executive officer of the Company, as well as such individual's position with the Company, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Company will hold office until the next annual meeting of shareholders of the Company unless his office is earlier vacated. As of January 26, 2012, an aggregate of 1,684,500 Common Shares (representing less than 1% of all issued and outstanding

Common Shares as of January 26, 2012) are beneficially owned or controlled or directed (directly or indirectly) by all of the directors and executive officers of the Company, as a group.**(1)**

Name and Province and Country of Residence	Position	Principal Occupation Within Five Preceding Years(2)	Director Since	Number of Common Shares Owned, Controlled or Directed(1)
Fred Stanford(5) Ontario, Canada	President and Chief Executive Officer and Director	President and Chief Executive Officer of the Company	November 16, 2009	85,000(8)
Andrew Gottwald Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company	Not Applicable	145,000(9)
Gabriela Sanchez Ontario, Canada	Vice President Investor Relations	Vice President Investor Relations of the Company	Not Applicable	26,000(10)
Alejandro Kakarieka Santiago, Chile	Vice President Exploration and Corporate Development	Exploration Manager and Country Manager for Colombia of IAMGOLD Corporation	Not Applicable	Nil(11)
A. Terrance MacGibbon(5) Ontario, Canada	Director	Chairman, Quadra FNX Mining Company Inc.	November 16, 2009	625,000(12)
Michael Murphy(5) British Columbia, Canada	Director	President of Woodman Capital Ltd., a private consulting company	April 23, 2008	293,500(13)
David Fennell(4)(6) Nassau, Bahamas	Director	Chairman of Bear Lake Gold Ltd., Chairman of Reunion Gold Corporation, Chairman of Queensland Minerals Ltd., and Executive Chairman of Odyssey Resources Limited	November 26, 2009	100,000(14)
Andrew Adams(3)(4)(6) Ontario, Canada	Director	Corporate Director	November 26, 2009	250,000(15)
Frank Davis(3)(4)(6)(7) Ontario, Canada	Director	Counsel of the law firm Fraser Milner Casgrain LLP	November 26, 2009	160,000(16)
James Crombie(3)(5) Nassau, Bahamas	Director	President and Chief Executive Officer of Reunion Gold Corporation, Odyssey Resources Limited and Avala Resources Ltd.; Chief Executive Officer of Queensland Minerals Ltd.	March 18, 2011	Nil(17)

Notes:

(1) The information as to the number of securities beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company is based upon information furnished by the directors and executive officers.

(2) Each of the foregoing individuals has held his present principal occupation, other office or position with the same firm set opposite his name above for the past five years, other than: (i) Mr. Stanford, who was with Vale Inco (formerly Inco Limited) from 1981 to June 2009 holding senior management and executive positions, including vice president of Business Services, Milling, Smelting and Refining and culminating as President of Vale Inco's Ontario operations; (ii) Mr. Gottwald, who was with Tahera Diamond Corporation from 2000 to June 2009 holding senior management and executive positions, including Controller, Chief

Financial Officer, Executive Vice President Finance and Chief Restructuring Officer, and with Homeland Energy Group Ltd. from April 2009 to September 2009 as the Chief Financial Officer; (iii) Ms. Sanchez, who was with Dundee Precious Metals Inc. from September 2004 to December 2008 as Vice President Investor Relations; (iv) Mr. Kakarieka, was with IAMGOLD from September 2008 to June 2011, holding senior management positions, including Exploration Manager and Country Manager for Columbia and Exploration Manager – New Business Opportunities Latin America, and was with Breakwater Resources Ltd. from July 1997 to August 2008, holding positions including Regional Manager Exploration – Latin America and Exploration Manager Chili – Project Generation; (v) Mr. MacGibbon, who was Chairman and Chief Executive Officer of FNX Mining Company Inc. ("**FNX**") since August 2008, which company merged with Quadra Mining Ltd. to form Quadra FNX Mining Company Inc., and prior thereto was Executive Chairman of FNX from September 2007 to August 2008 and President and Chief Executive Officer of FNX from November 1997 to September 2007; (vi) Mr. Murphy joined Woodman Capital Ltd. in 2007; and (vii) Mr. Davis, who prior to February 2011, was a partner with Fraser Milner Casgrain LLP.

(3) Member of the Audit Committee. See "Audit Committee".
(4) Member of the Compensation Committee.
(5) Member of the Safety, Health and Environmental Affairs Committee.
(6) Member of the Corporate Governance and Nominating Committee.
(7) Independent lead director.
(8) Mr. Stanford also holds 1,250,000 stock options and 1,000,000 restricted share units ("**RSUs**").
(9) Mr. Gottwald holds 9,000 of these Common Shares in his name, and has direction or control over 113,000 of these Common Shares held through 2192640 Ontario Inc., 9,000 of these Common Shares held through Caralyne Donnet, Mr. Gottwald's wife, and 14,000 of these Common Shares held through Olivia Gottwald, Mr. Gottwald's daughter. Mr. Gottwald also holds 750,000 stock options.
(10) Ms. Sanchez also holds 187,500 stock options.
(11) Mr. Kakarieka holds 300,000 stock options.
(12) Mr. MacGibbon also holds 6,500,000 stock options and 2,000,000 RSUs.
(13) Mr. Murphy holds 5,750,000 stock options.
(14) Mr. Fennell has direction and control over 100,000 Common Shares held by Laurentian Mountain Investments Ltd. Mr. Fennell also holds 1,250,000 stock options.
(15) Mr. Adams also holds 1,250,000 stock options.
(16) Mr. Davis has direction and control over 120,000 Common Shares held by LH Enterprises Company Inc. and 40,000 Common Shares held by Pony Heath, Mr. Davis' wife. Mr. Davis also holds 1,250,000 stock options.
(17) Mr. Crombie holds 1,000,000 stock options.

Corporate Cease Trade Orders

No director or executive officer of the Company is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that:

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

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

Bankruptcies and Other Proceeding

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

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

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

  (i) Tahera Diamond Corporation ("**Tahera**"), a company listed on the TSX (Andrew Adams, director from April 2004 – March 2008, and Andrew Gottwald, Controller from 2000 – 2001, Chief Financial Officer from 2001 – 2009, Executive Vice President Finance from 2007 – 2009 and Chief Restructuring Officer from December 2008 – June 2009). Mr. Adams was a director of Tahera and Mr. Gottwald was Chief Financial Officer and Executive Vice President Finance of Tahera at the time it sought protection under the *Companies' Creditors Arrangement Act* in January 2008 and suspended operations in February 2008. Tahera was delisted from the TSX in November 2009. Tahera subsequently sold its tax assets to Ag Growth International and certain properties, including the Jericho diamond mine, to Shear Minerals Ltd.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect material the control of the Company, has been subject to:

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

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

Conflicts of Interest

In the future, circumstances may arise where officers or members of the Board are directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by such Board members will be provided to the Company. Pursuant to applicable law, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction. See also "Risk Factors – Conflicts of Interest".

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Company's Audit Committee is set forth at Schedule "A" hereto.

Composition of the Audit Committee

The following are the current members of the Audit Committee[(1)]:

Andrew Adams	Independent[(2)]	Financially literate[(2)]
Frank Davis	Independent[(2)]	Financially literate[(2)]
James Crombie	Independent[(2)]	Financially literate[(2)]

Note:

(1) Mr. Adams was appointed on December 1, 2009, Mr. Davis was appointed on April 29, 2010 and Mr. Crombie was appointed on March 28, 2011.
(2) As defined by National Instrument 52-110 — *Audit Committees* ("**NI 52-110**").

Relevant Education and Experience

Each member of the Audit Committee has experience relevant to his responsibilities as an Audit Committee member.

	Education	Experience
Andrew Adams	Bachelor of Science (B.Sc.) from Southampton University in the United Kingdom and a qualified chartered account	Currently serves as an independent non-executive director of Uranium One Inc. and First Quantum Minerals Ltd. and acts as the audit committee chairman for both companies. Previously he held the position of vice president and chief financial officer in each of AngloGold North America and Aber Diamond Corporation.
Frank Davis	Bachelor of Commerce, Doctor Juris (JD) and Master of Business Administration, all from the University of Toronto	Currently counsel, and previously a partner, of the law firm Fraser Milner Casgrain LLP, practicing principally in the areas of securities and capital markets, corporate finance, mergers and acquisitions and mining. Currently a director of Quadra FNX Mining Ltd. and Primary Corp.
James Crombie	B.Sc. (Hons) in Mining Engineering, from the Royal School of Mines, London	Currently President and Chief Executive Officer and a director of Reunion Gold Corporation, President and Chief Executive Officer of Avala Resources, Chief Executive Officer, Executive Vice Chairman and a director of Queensland Minerals Ltd. and Cerro Resources NL and President, Chief Executive Officer and a director of Odyssey Resources Limited.

Audit Committee Oversight

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

Reliance on Certain Exemptions

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

Pre-approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, as described in the Audit Committee Charter attached hereto as Schedule "A".

External Auditor Service Fees (By Category)

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

Financial Year Ending	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees
2011	$85,000	$40,000	$79,000	Nil
2010	$60,000	$65,500	$10,588	Nil

Note:

(1) Audit Fees relate to the audit of the Financial Statements.
(2) Audit Related Fees relate to services provided in connection with the review of interim unaudited financial statements and work done in connection with the Financing and Long Form Prospectus.
(3) Tax Fees relate to tax compliance, tax advice and tax planning.

LEGAL PROCEEDINGS

There are no pending legal proceedings or regulatory actions to which the Company is a party or of which any of the Company's properties are subject, nor have any such actions been pending during the most recently completed financial year of the Company. In addition, no such proceedings or actions are currently known by the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Annual Information Form, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's the transfer agent and registrar for the Common Shares is Computershare Investors Services Inc., at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

There are no contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into by the Company within the most recently completed financial year or were entered into since January 1, 2002 and are still in effect, other than as follows:

1. Initial Acquisition Agreement dated August 6, 2009, as amended October 7, 2009, among Teck Metals Ltd., Teck Exploration Ltd., Teck, TGRXM (then Oroteck) and the Company; and

2. Subsequent Acquisition Agreement dated February 9, 2010 among DMSL, TGRXM and the Company.

INTERESTS OF EXPERTS

The following are the names of each person or company who is named as having prepared or certified a report, valuation, statement or opinion described, included or referred to in a filing made under National Instrument 51-102 – *Continuous Disclosure Obligations* by the Company during or relating to the financial year ended October 31, 2011, whose profession or business gives authority to such report, valuation, statement or opinion:

1. KPMG LLP, Chartered Accountants (regarding the Financial Statements and auditor's report thereon). KPMG LLP has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario; and

2. Daniel H. Neff, PE, Principal Author and Thomas L. Drielick, PE, Principal Metallurgist, each of M3, and Mr. Orbock III, MAusIMM, Principal Geologist, of AMEC (regarding the Technical Report), Edward J.C. Orbock III, MAusIMM, Principal Geologist, Scott Long, MAusIMM, Chief Geochemist, Mark Hertel, P.Geo., Principal Geologist and Alexandra Kozak, P.Eng., Manager, Process Engineer, each of AMEC (regarding the technical information under the heading "Material Property – Morelos Gold Project, Mexico – Mineral Resource Estimates – Open Pit Mineral Resource Estimate – El Limon"), and Jerry Eugene Snider, BSc Mining Engineer, MBA, Project Manager of the Company (regarding the technical information under the heading "Material Property – Morelos Gold Project, Mexico – Exploration and Project Development Update").

   The Technical Report is available on SEDAR at www.sedar.com and a summary of such report is contained in this Annual Information Form under "Mineral Property". The 2009 Technical Report is available on SEDAR at www.sedar.com and a summary of the mineral resource estimate for El Limon, assuming open pit extraction methods, is contained in this Annual Information Form under "Material Property – Morelos Gold Project, Mexico – Mineral Resource Estimates – Open Pit Mineral Resource Estimate – El Limon".

   The aforementioned firms and persons held either less than one percent or no securities of the Company or of any associate or affiliate of the Company at or following the time when they prepared the Technical Report or the technical information under the headings "Material Property – Morelos Gold Project, Mexico – Mineral Resource Estimates – Open Pit Mineral Resource Estimate – El Limon" or "Material Property – Exploration and Project Development Update", as applicable, and either did not receive any or received less than a one percent direct or indirect interest in any securities of the

Company or of any associate or affiliate of the Company in connection with the preparation of the Technical Report or the technical information under the headings "Material Property – Morelos Gold Project, Mexico – Mineral Resource Estimates – Open Pit Mineral Resource Estimate – El Limon" or "Material Property – Exploration and Project Development Update", as applicable.

Other than Mr. Snider, Project Manager of the Company, none of the aforementioned persons, nor any directors, officers or employees of such the aforementioned firms, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management proxy circular of the Company dated March 30, 2011.

Additional financial information is provided in the Company's Financial Statements and MD&A for the financial year ended October 31, 2011.

APPENDIX "A" – MANDATE OF THE AUDIT COMMITTEE

TOREX GOLD RESOURCES INC.

Mandate of the Audit Committee

Purpose

1. The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Torex Gold Resources Inc. (the "Corporation") to assist the Board in fulfilling its obligations relating to the integrity of the internal financial controls and financial reporting of the Corporation.

Composition

2. The Committee shall be composed of three or more directors as designated by the Board from time to time.

3. The Chair of the Committee shall be designated by the Board from among the members of the Committee.

4. The Committee shall meet all applicable securities laws, instruments, rules and policies and regulatory requirements (collectively "Applicable Laws"), including those relating to independence and financial literacy. Accordingly, each member shall be independent and financially literate within the meaning of Applicable Laws.

5. Each member of the Committee shall be appointed by, and serve at the pleasure of, the Board The Board may fill vacancies in the Committee by appointment from among the Board.

Meetings

6. The Committee shall meet at least quarterly in each financial year of the Corporation. The Committee shall meet otherwise at the discretion of the Chair or a majority of the members or as may be required by Applicable Laws.

7. A majority of the members of the Committee shall constitute a quorum.

8. The Committee shall hold an in camera session without any senior officers present at each meeting of the Committee.

9. The time and place at which meetings of the Committee are to be held, and the procedures at such meetings, will be determined from time to time by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other communication equipment, given at least 48 hours prior to the time of the meeting, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent waive notice or otherwise signify their consent to the holding of such meeting.

10. Members may participate in a meeting of the Committee by means of conference telephone or other communication equipment.

11. The Committee shall keep minutes of all meetings which shall be available for review by the Board.

12. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.

13. The Committee may invite such directors, senior officers and other employees of the Corporation and such other advisors and persons as is considered advisable to attend any meeting of the Committee.

14. Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

15. The Committee shall report its determinations and recommendations to the Board.

Resources and Authority

16. The Committee has the authority to:

    (a) engage, at the expense of the Corporation, independent counsel and other experts or advisors as is considered advisable;

    (b) determine and pay the compensation for any independent counsel and other experts and advisors retained by the Committee;

    (c) communicate directly with the independent auditor of the Corporation (the "Independent Auditor");

    (d) conduct any appropriate investigation;

    (e) request the Independent Auditor, any senior officer or other employee, or outside counsel for the Corporation, to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee; and

    (f) have unrestricted access to the books and records of the Corporation.

Responsibilities

(a) Financial Accounting, Internal Controls and Reporting Process

17. The Committee is responsible for:

    (a) reviewing management's report on, and assessing the integrity of, the internal controls over the financial reporting of the Corporation and monitoring the proper implementation of such controls;

(b) reviewing and approving the quarterly unaudited financial statements, management's discussion and analysis ("MD&A") thereon and the other financial disclosure related thereto required to be reviewed by the Committee by Applicable Laws;

(c) reviewing and reporting to the Board on the annual audited financial statements, the MD&A thereon and the other financial disclosure related thereto required to be reviewed by the Committee by Applicable Laws;

(d) monitoring the conduct of the audit function;

(e) discussing and meeting with, when considered advisable to do so and in any event no less frequently than annually, the Independent Auditor, the Chief Financial Officer (the "CFO") and any other senior officer or other employee which the Committee wishes to meet with, to review accounting principles, practices, judgments of management, internal controls and such other matters as the Committee considers appropriate; and

(f) reviewing any post-audit or management letter containing the recommendations of the Independent Auditor and management's response thereto and monitoring the subsequent follow-up to any identified weaknesses.

(b) Public Disclosure

18. The Committee shall:

(a) review the quarterly and annual financial statements, the related MD&A, quarterly and annual earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under Applicable Laws; and

(b) review the procedures which are in place for the review of the public disclosure by the Corporation of financial information extracted or derived from the financial statements of the Corporation and periodically assess the adequacy of such procedures.

(c) Risk Management

19. The Committee should inquire of the senior officers and the Independent Auditor as to the significant risks or exposures, both internal and external, to which the Corporation is subject, and review the actions which the senior officers have taken to minimize such risks. In conjunction with the Corporate Governance and Nominating Committee of the Board, the Committee should annually review the directors' and officers' third-party liability insurance of the Corporation.

(d) Corporate Conduct

20. The Committee should ensure that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Corporation.

21. The Committee should establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters; and

(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(e) Independent Auditor

22. The Committee shall recommend to the Board, for appointment by shareholders, a firm of external auditors to act as the Independent Auditor and shall monitor the independence and performance of the Independent Auditor. The Committee shall arrange and attend, as considered appropriate and at least annually, a private meeting with the Independent Auditor and shall review and approve the remuneration of Independent Auditor.

23. The Committee shall ensure that the lead audit partner at the Independent Auditor is replaced every five years.

24. The Committee should resolve any otherwise unresolved disagreements between the senior officers and the Independent Auditor regarding the internal controls or financial reporting of the Corporation.

25. The Committee should pre-approve all audit and non-audit services not prohibited by law (including Applicable Laws) to be provided by the Independent Auditor. The Chair of the Committee may, and is authorized to, pre-approve non-audit services provided by the Independent Auditor up to a maximum cost of $25,000 per engagement.

26. The Committee should review the audit plan of the Independent Auditor, including the scope, procedures and timing of the audit.

27. The Committee should review the results of the annual audit with the Independent Auditor, including matters related to the conduct of the audit.

28. The Committee should obtain timely reports from the Independent Auditor describing critical accounting policies and practices applicable to the Corporation, the alternative treatment of information within GAAP that were discussed with the CFO, the ramifications thereof, and the Independent Auditor’s preferred treatment and should review any material written communications between the Corporation and the Independent Auditor.

29. The Committee should review the fees paid by the Corporation to the Independent Auditor and any other professionals in respect of audit and non-audit services on an annual basis.

30. The Committee should review and approve the Corporation’s hiring policy regarding partners, employees and former partners and employees of the present and any former Independent Auditor.

31. The Committee should monitor and assess the relationship between the senior officers and the Independent Auditor and monitor the independence and objectivity of the Independent Auditor.

(f) Code of Conduct and Ethics

32. With regard to the Code of Business Conduct Ethics of the Corporation (the “Code”), the Committee should:

(a) review periodically, and recommend to the Board any amendments in respect of, the Code and monitor the policies and procedures established by the senior officers to ensure compliance with the Code;

(b) review actions taken by the senior officers to ensure compliance with the Code and the results of the confirmations, and any violations, of the Code;

(c) monitor the disclosure of the Code, any proposed amendments to the Code and any waivers to the Code granted by the Board; and

(d) review the policies and procedures instituted to ensure that any departure from the Code by a director or senior officer which constitutes a "material change" within the meaning of Applicable Laws is appropriately disclosed in accordance with Applicable Laws.

(g) Other Responsibilities

33. The Committee should review and assess the adequacy of this mandate from time to time and at least annually and submit any proposed amendments to the Board for consideration.

34. The Committee should perform any other activities consistent with this mandate and Applicable Laws as the Committee or the Board considers advisable.

Chair

35. The Chair of the Committee should:

(a) provide leadership to the Committee and oversee the function of the Committee;

(b) chair meetings of the Committee, unless not present, including in camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee and otherwise at such times and in such manner as the Chair considers advisable;

(c) ensure that the Committee meets at least four times per financial year of the Corporation and otherwise as is considered advisable;

(d) in consultation with the Chairman of the Board and the members, establish dates for holding meetings of the Committee;

(e) set the agenda for each meeting of the Committee with input from other members, the Chairman of the Board, the Lead Director, if any, and any other appropriate individuals;

(f) ensure that Committee materials are available to any director upon request;

(g) act as liaison and maintain communication with the Chairman of the Board, the Lead Director, if any, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

(h) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

(i) assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

(j) foster ethical and responsible decision making by the Committee;

(k) consider complaints covered by the Corporation's Whistleblower Policy (the "Policy"), undertake an investigation of the violation or suspected violation, and promptly report to the Committee and the Board any complaint that may have material consequences for the Corporation;

(l) for each financial quarter of the Corporation, report to the Committee and to the external independent auditor of the Corporation, in the aggregate, the number, the nature and the outcome of the complaints received and investigated under the Policy;

(m) together with the Corporate Governance and Nominating Committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

(n) ensure appropriate information is provided to the Committee by the senior officers to enable the Committee to function effectively and comply with this mandate;

(o) ensure that appropriate resources and expertise are available to the Committee;

(p) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;

(q) facilitate effective communication between the members of the Committee and the senior officers and encourage an open and frank relationship between the Committee and the Independent Auditor;

(r) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders that may be asked of the Committee; and

(s) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.