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SILVERMEX RESOURCES LIMITED

NI 43-101 TECHNICAL REPORT FOR THE SAN MARCIAL PROPERTY LA RASTRA MINING DISTRICT SINALOA, MEXICO

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November 23, 2007

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TABLE OF CONTENTS

Page

List of Tables

Page

List of Figures

Page

1.0 SUMMARY

Silvermex Resources Limited (Silvermex) has retained Micon International Limited (Micon) to review the San Marcial silver project (San Marcial project) in the state of Sinaloa, Mexico. The review of this property is being performed in support of Silvermex's disclosure of its option agreement to purchase 100% of the San Marcial project from Silver Standard Resources Inc. (Silver Standard).

This report includes a review of the previously completed resource estimate for the San Marcial project released by Silver Standard and contained in an October, 2002 Technical Report. The review of the mineral resource has been conducted by Mr. N. Eric Fier, C.P.G., P.Eng., a co-author of the original Technical Report and a co-author of this report.

Finally, this report also comments on Silvermex's exploration program designed to increase these resources as stated in its October 9, 2007 press release.

The San Marcial property is located in the Sierra Madre mountains in the state of Sinaloa, Mexico. The property is approximately 90 kilometres (km) due east of Mazatlan in the La Rastra mining district. The term San Marcial project refers to the area covered by the historical exploration programs and Silvermex's proposed exploration program, while the term San Marcial property refers to the entire land package optioned by Silvermex.

Silvermex advises that it holds the San Marcial project through its wholly owned Mexican subsidiary Minera Terra Plata S.A. de C.V. (Terra Plata) via two mineral concessions. The two mineral concessions are contiguous and are 119 ha and 1,131 ha in size, for a total property area of 1,250 ha. The older and smaller "Mina San Marcial" mineral concession is contained within the newer and larger "Ampliacion San Marcial" mineral concession which completely surrounds the original concession. The concessions are subject to a bi-annual fee and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year.

Silvermex advises that on October 5, 2007 it entered into an option agreement with Silver Standard to purchase a 100% interest in the San Marcial property held by its wholly owned subsidiary Silver Standard Mexico S.A. de C.V. (Silver Standard Mexico) According to the "Term Sheet" signed between Silvermex and Silver Standard, the property is "free from any liens, encumbrances or rights of others, subject only to a 3% Net Smelter Return Royalty ("NSR") in favour of a previous owner that can be purchased for $600,000 for each 1 percent and a payment ("Payment") of $100,000 due to International American Resources Inc. upon commercial production."

Silvermex has made the offer to Silver Standard to acquire a 100% interest in the San Marcial property subject to the NSR and the Payment on the following terms:

1) The base purchase price is US $15,000,000 which will be paid over 36 months according to the parameters outlined in the term sheet.

- In the event that the price of silver is above US $15/oz at the time that the final payment is made, the purchase price will be increased to US $18,000,000.

2) In addition to the purchase price, Silvermex shall assume the obligation to pay the NSR and make the Payment.

3) Silvermex shall also be obligated to expend the sum of US $3,500,000 on exploration of the property within 36 months of the date of execution of the formal agreement and deliver to Silver Standard an updated resource estimate within 39 months of the execution date of the formal agreement.

4) Silver Standard shall have the right to review and revise all exploration programs proposed by Silvermex on the property and shall have the right to make the final decision with respect to all work programs.

5) In the event that the resource estimate determines that there are 100,000,000 oz or more of silver equivalent (based on silver and gold) present on the property, Silver Standard may elect to exercise a back-in right for 50% of the property. The back-in right shall be exercised by Silver Standard incurring exploration expenditures on the property equal to three times the costs expended by Silvermex on exploration. In addition, Silvermex shall pay Silver Standard US $0.50/oz for 50% of the silver ounces in the resource estimate less 14.26 Moz. The NSR shall also be paid equally.

6) In the event the back-in right is exercised, the parties shall form a joint venture with Silver Standard being the operator. The operator shall present work programs and budgets to the management committee for approval. In the event of a tie vote, the operator shall have the deciding vote.

Other terms and conditions related to press releases, due diligence and entering into the formal agreement are also included in the term sheet.

The San Marcial project area is situated along the western edge of the Sierra Madre Occidental geological province. This linear belt of volcanic rocks, approximately 1,500 km long by 250 km wide, is known to host many important gold and silver producing mines and prospects. The province is divided into two main Tertiary volcanic units referred to as the Upper and Lower Volcanic groups, both of which are separated unconformably by a period of erosion and associated with local felsic intrusive activity. The contact between the two volcanic groups is highly prospective for precious metal mineralization, as a majority of the other known gold and silver mines and prospects in the belt occur close to, if not just below the contact interval.

The geology at the San Marcial project can be sub-divided into two distinct rock types. The Upper Volcanic group, composed of basal conglomerates, rhyolites and dacites, occurs in the higher and more mountainous portions of the property in the northeast. The basal

conglomerate lies on the erosional surface above the Lower Volcanics. Basaltic to andesitic dykes and sills intrude into the Upper Volcanic group.

Unconformably underlying the Upper Volcanic group is the Lower Volcanic group of andesites and dacites which occur at lower elevations in the southwest. The known silver prospects on the San Marcial property are hosted along what appears to be a narrow set of northwest trending fault structures with a 60° northeast dip which is in close proximity to the prospective unconformity. Along the trend and within the local area are prominent outcrops of highly weathered hydrothermal breccia and relatively fresh dacite porphyry intrusives. The volcanics vary from andesitic to dacitic ash tuffs, banded rhyolite flows interbedded with lapilli tuffs grading to agglomerate and andesitic conglomerate/agglomerate.

Faulting is common within the San Marcial area and is an important structural feature relating to the silver mineralization. There are at least four orientations of structural breaks or features interpreted from satellite imagery, trending primarily northwest, with fewer trending east, west, north and northeast. Movement along the northwest feature is normal but the displacement is unknown. The intersections of the east-west with northwest features are considered the most prospective areas for mineralization at San Marcial.

Prior to 2005, exploration concessions were valid for six years and could not be extended. However, the exploration concession could be converted into one or more exploitation concessions after the six-year period concluded provided the bi-annual fee and work requirements were in good standing. Exploitation concessions were the only concessions that were valid for a period of 50 years. Exploitation concessions are extendable provided that the application is made within the five-year period prior to the expiry of the concession and the bi-annual fee and work requirements are in good standing.

When the Mexican mining laws were changed in 2005, all mineral concessions granted by the Dirección General de Minas (DGM) became simple mining concessions and there were no longer separate specifications for mineral exploration or exploitation concessions. A second change to the mining laws resulted in all mining concessions being granted for a period of 50 years provided the concessions remained in good standing. As part of the second change all former exploration concessions that were previously only granted for a period of 6 years became eligible for the 50 year term.

For any concessions to remain valid the bi-annual fees must be paid and a report has to be filed by May of each year that covers the work conducted during the preceding year. Concessions are extendable provided that the application is made within the five-year period prior to the expiry of the concession and the bi-annual fee and work requirements are in good standing.

The bi-annual fees are based on a number of factors. Prior to January, 2006, exploration and exploitation mineral concessions had two different fees per hectare based on the type of mineral concession they were and the amount of time since they were issued. After January,

2006, in accordance with the mining laws changed in 2005, a single fee per hectare was implemented with the fees continuing to escalate based on the age of the title.

The original resource estimation for San Marcial was completed by Jim Cuttle, P.Geo. a consultant employed by Gold-Ore in 2002. This resource was reviewed and updated by N. Eric Fier in 2002 and reported in the October, 2002 Technical Report as being compliant with the CIM standards and definitions required by NI 43-101 regulations. The following 2007 updated estimate is based on a review of the previously stated resource found in the October, 2002 Technical Report. No further relevant exploration work has been completed since the last resource estimation in 2002.

Based on the drill hole spacing, the number of intercepts on a section and, in particular, the irregular nature of the veins, both along strike and down dip, it is N. Eric Fier's opinion that the resources should be classified as Inferred Mineral Resources. The San Marcial property contains an Inferred Mineral Resource of 2.31 million tonnes at a grade of 191.79 g/t silver, 0.32% lead, and 0.66% zinc, containing 14.26 million ounces of silver. The resource estimate is summarized in Table 1.1.

Table 1.1
Mineral Resources, San Marcial Property

Resource Classification	Tonnes	Grade			Contained Ounces Silver
		g/t Silver	% Lead	% Zinc	
Inferred	2,310,000	191.79	0.32	0.66	14,260,000

The stated resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, unless stated in this report, to the best knowledge of the authors. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this resource estimate.

The resource estimate by Mr. N. Eric Fier, C.P.G., P.Eng., is compliant with the current CIM standards and definitions required by NI 43-101 and is, therefore, reportable as a mineral resource by Silvermex. However, the reader should be cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Silvermex has outlined the following objectives for the first phase of the exploration program at San Marcial:

- Re-construct the access road to the San Marcial project site.
- Build a camp and facilities to store the drill cores of the past drill programs.
- Re-habilitate the existing trenches.
- Geological mapping and sampling along the 400 m of known mineralization to confirm the geological concepts and check the silver and associated mineral values.

- Confirmation drilling comprised of at least three drill holes to confirm the geology and assays in the known mineral zone.

- Geological mapping, trenching and sampling across the extensions of the veins in the northwest and southeast directions which will investigate the break between the Lower and Upper Volcanic Series.

- Drilling to identify the veins-breccia system at depth, along strike and down dip to increase the resource base.

- Geological mapping and sampling of the secondary mineral occurrences on the property.

If the results of the first phase of exploration are sufficient to indicate that a second phase is warranted, the following objectives will be among those stated for this phase.

- Infill drilling to upgrade the current inferred resource into the indicated and measured categories.

- Initial drilling on any of the other mineral occurrences based on the results of the first phase in order to explore the secondary targets and potentially generate additional resources.

- If it is convenient and safe, rehabilitate the old underground workings in order to conduct sampling.

Silvermex will spend an estimated US $882,955 during the first phase of exploration and a further US $1,167,690 during a second phase. However, the second phase of the program is dependent on the results of the first phase. If the next two phases of the exploration program are completed Silvermex will spend an estimated US $2,050,645 including payments for the mining taxes, surface rights and access.

Micon agrees with the general direction of Silvermex's exploration programs for the San Marcial project and makes the following additional recommendations.

1. Micon recommends that Silvermex completes its own compilation of the San Marcial data. All available data should be entered into a computer database. This will allow Silvermex to evaluate the existing exploration data together with future data. An electronic database will also allow computer-generated resource estimates to be conducted in the future.

2. Micon recommends that during its drilling program Silvermex twins a number of the diamond drill holes. This will allow Silvermex to further validate the previous data collected by Gold-Ore and Silver Standard and use it for its own purposes.

3. Micon recommends that Silvermex re-log and re-box the previous core in order to validate the previous work conducted on the San Marcial property.

4. Micon recommends that Silvermex document its general QA/QC program that will be set-up for the San Marcial property. The company's QA/QC program should address all aspects of the exploration program from initial project investigation to major drilling programs. This QA/QC program should be added as an appendix to any future exploration reports.

5. Micon recommends that further resource estimations should consist of increased data collection (sampling), additional specific gravity test work, capping silver grades, variography, and use of ordinary kriging for interpolation and reclassification of the resource.

The San Marcial project should be regarded as a mid-stage project which may have a significant economic potential, should the mineralization prove to be more extensive than is presently indicated by the current inferred resource estimate.

Given the prospective nature of the San Marcial project and the current metal prices, it is Micon's opinion that the project is worthy of further exploration work.

Micon has reviewed the results of the historical exploration programs and the inferred resource estimate and, in light of the observations made in the Conclusions and Recommendations Sections of this report, supports the concepts outlined by Silvermex for further exploration. It is Micon's opinion that the property merits further exploration and that Silvermex's proposed exploration plans are properly conceived and justified.

2.0 INTRODUCTION AND TERMS OF REFERENCE

At the request of Mr. Arturo Bonillas, a director and President, and Mr. Bruce Bragagnolo, a director and CEO of Silvermex Resources Limited (Silvermex), Micon International Limited (Micon) has been retained to provide an independent summary and review of the San Marcial project located in the state of Sinaloa, Mexico, and to comment on the propriety of Silvermex's planned exploration program and and budget for the project.

This report also presents a review of the 2002 San Marcial resource estimate which was contained in an October, 2002 Technical Report. The review of the mineral resource has been conducted by Mr. N. Eric Fier, C.P.G., P. Eng., a co-author of the original technical report and a co-author of this report. The original October, 2002 Technical Report stated that the mineral resource estimate is compliant with the thencurrent Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions required by Canadian National Instrument 43-101 (NI 43-101) "Standards of Disclosure for Mineral Projects".

The geological setting of the property, mineralization style and occurrences, and exploration history were described in reports that were prepared by Southworth, J.R., (1905), Vargas, J.C., et al, (1992), Wallis and Fier (2002) and in various government and other publications listed in Section 21 "References". The relevant sections of those reports are reproduced herein.

All currency amounts are stated in US dollars or Mexican pesos, as specified, with costs and commodity prices typically expressed in US dollars. Quantities are generally stated in metric (SI) units, the standard Canadian and international practice, including metric tons (tonnes, t) and kilograms (kg) for weight, kilometres (km) or metres (m) for distance, hectares (ha) for area, grams (g) and grams per metric tonne (g/t) for gold and silver grades (g/t Au, g/t Ag). Wherever applicable, imperial units have been converted to Système International d'Unités (SI) units for reporting consistency. Precious metal grades may be expressed in parts per million (ppm) or parts per billion (ppb) and their quantities may also be reported in troy ounces (ounces, oz), a common practice in the mining industry. Table 2.1 summarizes a list of the various abbreviations used throughout this report.

Micon conducted its site visit to the San Marcial property between October 12 and 15, 2007, with the assistance of Raphael Gomez a geologist with Silvermex. The purpose of the site visit was to review the current state of the core storage, independently verify the geology and mineralization, and locate the previous drilling sites. All of these objectives were completed.

The review of the San Marcial project was based on published material researched by Micon, as well as data, professional opinions and unpublished material submitted by the professional staff of Silvermex or its consultants. Much of these data came from reports prepared and provided by Silvermex. N. Eric Fier based his review of the resource estimate on the work which both Stewart Wallis and he conducted in 2002 when he co-authored the Technical Report.

The qualified persons responsible for the preparation of this report are William J. Lewis, P.Geo. (APEGBC #20333, APEGM #20480, NAPEGG #1450, and APGO #1522) and N. Eric Fier, C.P.G., P. Eng. (AIPG #10622, APEGBC #135165).

Table 2.1
List of the Abbreviations

Description	Abbreviation
Canadian Institute of Mining, Metallurgy and Petroleum	CIM
Canadian National Instrument 43-101	NI 43-101
Centimetre(s)	Cm
cubic feet per minute	Cfm
Day	D
Degree(s)	º
Degrees Celsius	ºC
Digital elevation model	DEM
Dirección General de Minas	DGM
Dollar(s), Canadian and US	$, Cdn $ and US $
Gold Ore Resources Ltd.	Gold Ore
Gram(s)	G
Grams per tonne	g/t
Greater than	>
Hectare(s)	Ha
Insituto Nacional de Estadistica, Geografia e Informatica	INEGI
InterGeografica de Mexico, S.A. de C.V.	InterGeografica
Internal rate of return	IRR
Kilogram(s)	Kg
Kilometre(s)	Km
Less than	<
Litre(s)	L
Metre(s)	M
Mexican peso	peso
Micon International Limited	Micon
Million tonnes	Mt
Million ounces	Moz
Million years	Ma
Million tonnes per year	Mt/y
Milligram(s)	Mg
Millimetre(s)	Mm
Minera Terra Plata, S.A. de C.V.	Terra Plata
Net present value	NPV
Net smelter return	NSR
North American Datum	NAD
Not available/applicable	n.a.
Ounces	Oz
Ounces per year	oz/y
Parts per billion	Ppb
Parts per million	Ppm
Percent(age)	%
Quality Assurance/Quality Control	QA/QC
Rock Quality Designation	RQD
Second	S
SGS Mineral Services	SGS
Silvermex Resources Limited	Silvermex
Silver Standard Resources Inc.	Silver Standard
Specific Gravity	SG
Système International d'Unités	SI
Tonne (metric)	T
Tonnes (metric) per day	t/d

Description	Abbreviation
TSL Laboratories Inc.	TSL
Universal Transverse Mercator	UTM
Year	Y

Mr. Lewis, a Senior Geologist with Micon is responsible for the independent summary and review of the historical exploration on the San Marcial project and the comments on the propriety of Silvermex's plans and budget for the next phase of exploration.

Mr. N. Eric Fier, C.P.G., P. Eng. is responsible for the resource estimate for the San Marcial project. Mr. Fier is one of the co-authors of the previous NI 43-101 Technical Report written on the San Marcial project for Silver Standard. The Silver Standard Technical Report was entitled "Technical Report on the San Marcial Project" dated October 15, 2002.

3.0 RELIANCE ON OTHER EXPERTS

Micon has reviewed and analyzed data provided by Silvermex, its consultants and the previous operator of the property, and has drawn its own conclusions therefrom, augmented by its direct field examination. Micon has not carried out any independent exploration work, drilled any holes or carried out an extensive program of sampling and assaying on the property. No sampling of the mineralization was conducted during the site visit by Micon. However the core from the previous drilling programs which is located in La Rastra was reviewed and the descriptions of the geology and mineralization were found to be consistent with the logs.

To complete the review of the 2002 resource estimate on the San Marcial project, Mr. Fier reviewed material upon which both Stewart Wallis and he based their resource estimate. The details of this review are discussed in Section 17 of this report.

While exercising all reasonable diligence in checking, confirming and testing it, Micon has relied upon Silvermex's presentation of the project data for the San Marcial property, including data from the previous operator, in formulating its opinion.

The English translations of the various agreements under which Silvermex and Terra Plata hold title to the mineral lands for this project have been reviewed by Micon. Micon, however, offers no legal opinion as to the validity of the mineral title claimed. A description of the property, and ownership thereof, is provided for general information purposes only. The existing environmental conditions, liabilities and remediation have been described where required by NI 43-101 regulations. However, these statements are provided for information purposes only and Micon offers no opinion in this regard.

The description of geology, mineralization, exploration and mineral resource estimation methodology used in this report are taken from reports prepared by various companies or their contracted consultants, as well as from various government and academic publications. The conclusions of this report rely on data available in published and unpublished reports

supplied by the various companies which have conducted the exploration on the property, and information supplied by Silvermex. The information provided to Silvermex was supplied by reputable companies and Micon has no reason to doubt its validity.

The authors are pleased to acknowledge the helpful cooperation of Silvermex's management and consulting field staff, all of whom made any and all data requested available and responded openly and helpfully to all questions, queries and requests for material. The maps and some of the tables and figures for this report were supplied by Silvermex staff. The photographs were taken by Mr. Lewis.

4.0 PROPERTY DESCRIPTION AND LOCATION

Silvermex's San Marcial silver project is located in the western Mexican state of Sinaloa. Specifically, the project is located within the southeastern corner Sinaloa, approximately 12.5 km south of the town of Las Rastra within the La Rastra mining district. The San Marcial project is centred at UTM coordinates 451000E and 2545700N with datum WGS-84 used. The elevation of the property is approximately 900 m above sea level. The location of the San Marcial project is shown in Figure 4.1.

Silvermex advises that it holds its option on the San Marcial project through its wholly owned Mexican subsidiary Minera Terra Plata S.A. de C.V. (Terra Plata) via two mineral concessions. **T**he two mineral concessions are contiguous and are 119 ha and 1,131 ha in size, for a total property area of 1,250 ha. The older and smaller "Mina San Marcial" mineral concession is contained within the newer and larger "Ampliacion San Marcial" mineral concession which completely surrounds the original concession. The concessions are subject to a bi-annual fee and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year. The information for the individual mineral concessions is listed in Table 4.1.

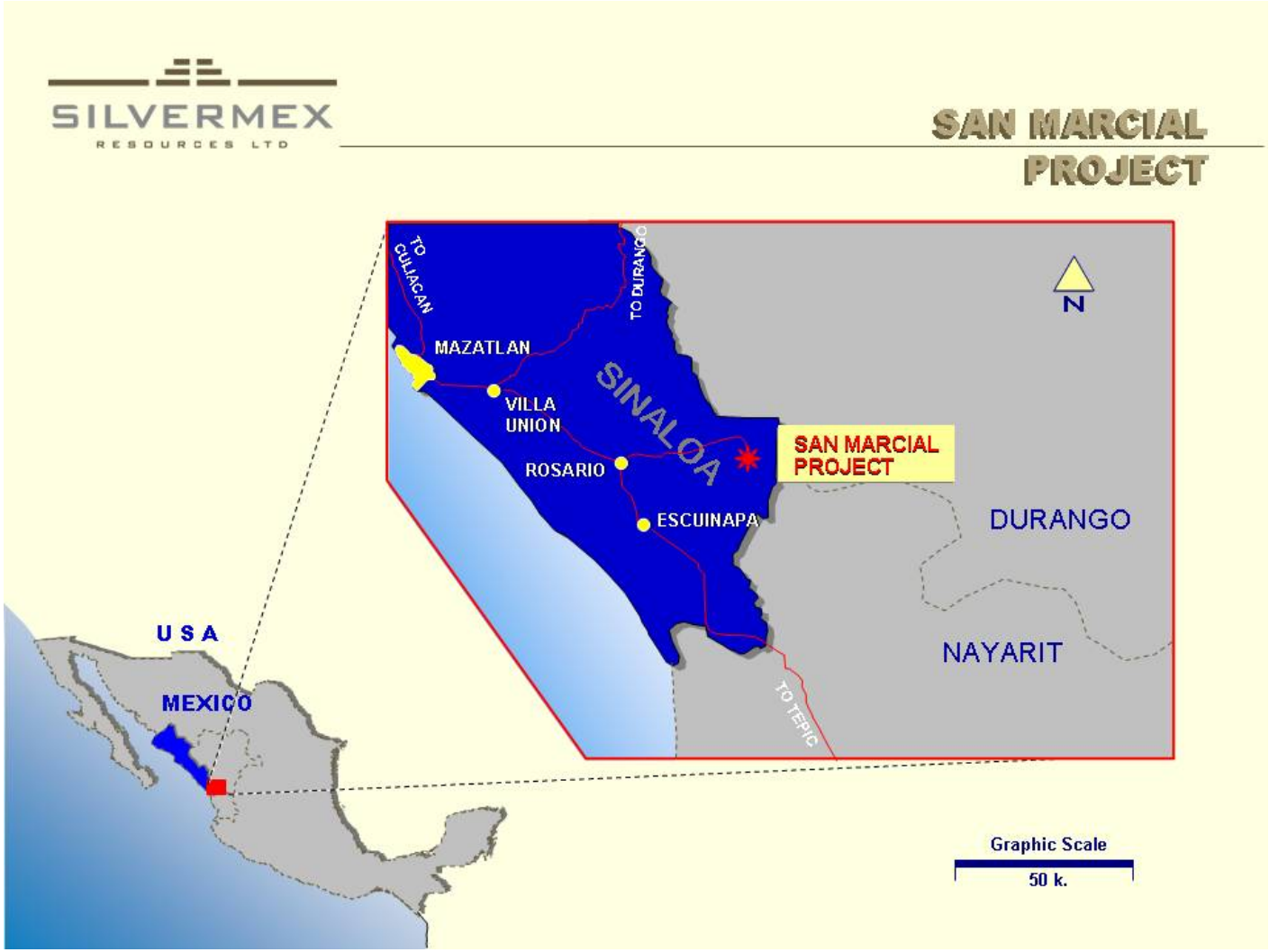
Table 4.1
Summary of the Mineral Concession Information for the San Marcial Project

Licence Name	Title Number	Location (UTM NAD 27 Mex.	Type of Concession	Area (ha)	Date Granted	Expiry Date	Bi-Annual Fee ($US)
Mina San Marcial	180998	451,032.3300E 2,545,695.245N	Exploitation	119	Aug. 13, 1987	Aug. 13, 2037	1,400
Ampliacion San Marcial	211650	451,032.3300E 2,545,695.245N	Exploitation	1,131	June 22, 2000	June 22, 2050	3,600
Total				**1,250**			**5,000**

Table supplied by Silvermex Resources Ltd.

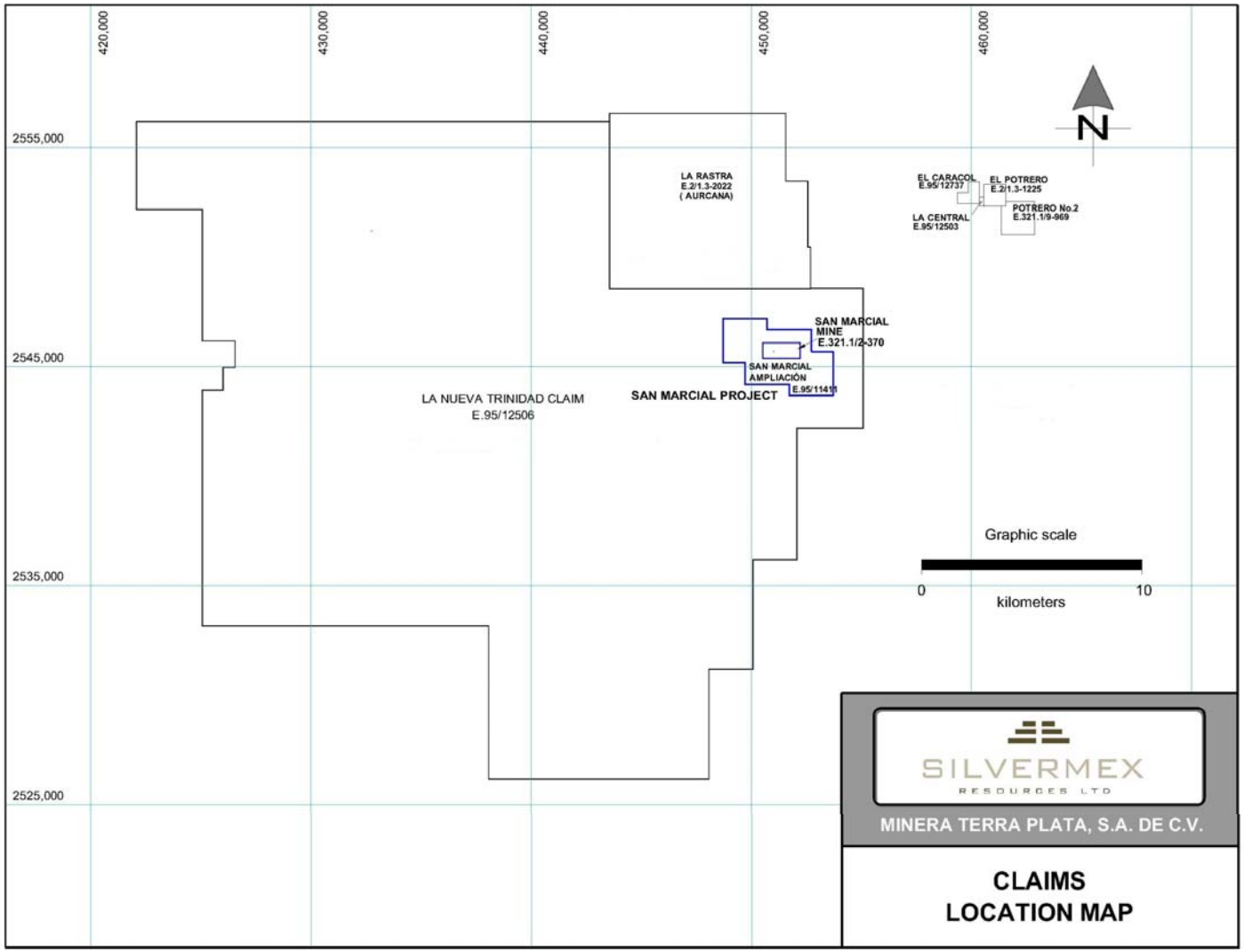
See Figure 4.2 for a view of the mineral concessions held by Silvermex and Terra Plata incorporated into the San Marcial property.

Figure 4.1
San Marcial Project Location Map



Map provided by Minera Terra Plata, SA de CV.

Figure 4.2
Mineral Concession Map for the San Marcial Project



Map provided by Minera Terra Plata, SA de CV.

An investigation conducted recently in the Agency of Durango resulted in the indication that the UTM coordinates are 451,032.030E and 2,54,694.245N (datum NAD 27) for the "primary post' of both claims.

Silvermex advises that on October 5, 2007 it entered into an option agreement with Silver Standard Resources Inc. (Silver Standard) to purchase a 100% interest in the San Marcial project held by its wholly owned subsidiary Silver Standard Mexico S.A. de C.V. (Silver Standard Mexico) According to the "Term Sheet" signed between Silvermex and Silver Standard, the property is "free from any liens, encumbrances or rights of others, subject only to a 3% Net Smelter Return Royalty ("NSR") in favour of a previous owner that can be purchased for $600,000 for each 1 percent and a payment ("Payment") of $100,000 due to International American Resources Inc. upon commercial production."

Silvermex has made the offer to Silver Standard to acquire a 100% interest in the San Marcial property subject to the NSR and the Payment on the following terms:

1) The base purchase price is US $15,000,000 which will be paid in the following manner:

    a. The issuance of 1,000,000 common shares to Silver Standard at the deemed price of $1.00 per share immediately upon the receipt of regulatory acceptance of the transaction and the execution of a formal agreement.

    b. The issuance of a further 1,000,000 common shares within 12 months of the execution date of the formal agreement with the shares issued at a deemed price equal to the market price of Silvermex's shares at the time of the issuance.

    c. The issuance of a further 1,000,000 common shares within 24 months of the execution date of the formal agreement with the shares issued at a deemed price equal to the market price of Silvermex's shares at the time of the issuance.

    d. The balance of the outstanding purchase price within 36 months of the date of execution after deducting the deemed price of the above shares, at the election of Silver Standard to be paid in whole or in part, in cash, or shares at a deemed price equal to the market price of Silvermex at the time of the issuance.

    e. In the event that the price of silver is above US $15/oz at the time that the final payment is made, the purchase price will be increased to US $18,000,000.

2) In addition to the purchase price, Silvermex shall assume the obligation to pay the NSR and make the Payment.

3) Silvermex shall also be obligated to expend the sum of US $3,500,000 on exploration of the property within 36 months of the date of execution of the formal agreement

and, deliver to Silver Standard an updated resource estimate within 39 months of the execution date of the formal agreement.

a. A minimum of US $500,000 shall be expended in the first year.

b. A minimum of US $1,000,000 shall be expended in the second year.

c. A minimum of US $2,000,000 shall be expended in the third year.

d. "Resource estimate" shall mean an estimate of the measured, indicated and inferred resources of silver in ounces for the property based on a silver cut-off of 30 g/t prepared by an independent qualified person in accordance with NI 43-101.

e. Within 90 days of the delivery of the resource estimate Silvermex shall pay Silver Standard US $0.50/oz for every ounce of silver in excess of 14.26 Moz determined by the resource estimate to be present on the property.

f. The formal agreement shall contain a mechanism to resolve any dispute by Silver Standard over the amount of silver determined to be present on the property by the resource estimate.

4) Silver Standard shall have the right to review and revise all exploration programs proposed by Silvermex on the property and shall have the right to make the final decision with respect to all work programs.

5) In the event that the resource estimate determines that there are 100,000,000 oz or more of silver equivalent (based on silver and gold) present on the property, Silver Standard may elect to exercise a back-in right for 50% of the property. The back-in right shall be exercised by Silver Standard incurring exploration expenditures on the property equal to three times the costs expended by Silvermex on exploration. In addition, Silvermex shall pay Silver Standard US $0.50/oz for 50% of the silver ounces in the resource estimate less 14.26 Moz, instead of 100%. The NSR shall also be paid equally.

6) In the event the back-in right is exercised, the parties shall form a joint venture with Silver Standard being the operator. The operator shall present work programs and budgets to the management committee for approval. In the event of a tie vote, the operator shall have the deciding vote.

Other terms and conditions related to press releases, due diligence and entering into the formal agreement are also included in the term sheet.

Other parties control a number of mineral concessions which occur alongside the boundaries of the San Marcial property, but none of these concessions impacts the main area of the San Marcial project.

Prior to 2005, exploration concessions were valid for six years and could not be extended. However, the exploration concession could be converted into one or more exploitation concessions after the six-year period concluded provided the bi-annual fee and work requirements were in good standing. Exploitation concessions were the only concessions that were valid for a period of 50 years. Exploitation concessions are extendable provided that the application is made within the five-year period prior to the expiry of the concession and the bi-annual fee and work requirements are in good standing.

When the Mexican mining laws were changed in 2005, all mineral concessions granted by the Dirección General de Minas (DGM) became simple mining concessions and there were no longer separate specifications for mineral exploration or exploitation concessions. A second change to the mining laws resulted in all mining concessions being granted for a period of 50 years provided the concessions remained in good standing. As part of the second change all former exploration concessions that were previously only granted for a period of 6 years became eligible for the 50 year term.

For any concessions to remain valid the bi-annual fees must be paid and a report has to be filed by May of each year that covers the work conducted during the preceding year. Concessions are extendable provided that the application is made within the five-year period prior to the expiry of the concession and the bi-annual fee and work requirements are in good standing.

The bi-annual fees are based on a number of factors. Prior to January, 2006, exploration and exploitation mineral concessions had two different fees per hectare based on the type of mineral concession they were and the amount of time since they were issued. After January, 2006, in accordance with the mining laws changed in 2005, a single fee per hectare was implemented with the fees continuing to escalate based on the age of the title. See Table 4.2 for the present fee rates per hectare.

Table 4.2
San Marcial Project Present Fee Rates Per Hectare

Year	Type of Concession	Fee for the period after issue	Fee (Pesos)
Prior to January, 2006	Exploration	For the first year	2.0230
		For the second through fourth years	6.01
		After the fifth year of issue	12.43
	Exploitation	For the first and second years	25.06
		For the third and fourth years	50.34
		After the fifth year of issue	88.29
After January, 2006	All concessions are mining concessions	For the first and second years	4.60
		For the third and fourth years	6.88
		For the fifth and sixth years	14.24
		For the seventh and eighth years	28.64
		For the ninth and tenth years	57.26
		After the tenth year of issue	100.79

Table supplied by Minera Terra Plata, SA de CV.

All mineral concessions must have their boundaries orientated astronomically north-south and east-west and the lengths of the sides must be one hundred metres or multiples thereof, except where these conditions cannot be satisfied because they border on other mineral concessions. The locations of the concessions are determined on the basis of a fixed point on the land, called the starting point, which is either linked to the perimeter of the concession or located thereupon. Prior to granting a concession the company must present a topographic survey to the DGM within 60 days of staking. Once this is completed the DGM will usually grant the concession.

In order to begin an exploration program on a mineral concession upon which no substantial mining has been conducted, Silvermex is required to file a "Notice of Initiation of Exploration Activities" with the local authorities to inform them of the scope and environmental impact of the exploration work.

Prior to beginning exploration Silvermex will have to enter into surface access agreements with the owners of the surface rights covering the property.

Micon is unaware of any outstanding environmental liabilities attached to the San Marcial project and is unable to comment on any remediation that may have been undertaken by previous companies.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The San Marcial property is accessible from Mazatlan, in Sinaloa, via both paved and good quality dirt roads. Access is primarily via the Mexican State Highway 15 south from Mazatlan to the city of El Rosario. From El Rosario it is a 2 hour drive east to the small mining community of La Rastra by paved and dirt roads. La Rastra is located 12 km to the north of the San Marcial property. The main international airport for Sinaloa and one of the two main ports are located in Mazatlan.

The major population centre and supply centre for the region is El Rosario which has a population of approximately 50,000. The closest accommodations are located in La Rastra which offers numerous houses for rent with electricity and telephone, however, accommodations could be set-up on site if necessary. Figure 5.1 is a view of the community of La Rastra.

The owner of the ranch upon which the San Marcial project is located is the Ejido Tebaira, and it controls the surface rights. If an economic discovery were to be made, negotiations with the owner would need to be conducted to acquire the surface rights. Although water wells and creeks exist on the property, Micon has not investigated the issues regarding Silvermex's ability to acquire water use rights for the project in the long term, should a commercial mining operation be developed.

Figure 5.1
View of the Community of La Rastra

Exploration work can generally be conducted year round with the exception of certain times from July to November during the rainy season when heavy rainfall can hamper exploration. During the rainy season 4-wheel drive vehicles are required and access may be delayed if the river crossings are flooded. The climate at the project site ranges from semi-warm to sub-humid with the vegetation ranging from a medium forest to a pine and oak forest.

The San Marcial property is situated within the Sierra Madre mountains which are part of the Sierra Madre Occidental physiographic province. The Sierra Madre Occidental physiographic province is characterized by a relief of high and large volcanic plateaus, dissected by deep gorges which drain towards the Pacific Ocean. San Marcial is located in an area of high relief where the topography averages approximately 900 m above sea level.

Figure 5.2 and 5.3 are views of the topography at the San Marcial property.

Figure 5.2
View of the Topography Surrounding the San Marcial Property

Figure 5.3
Another View of the Topography Surrounding the San Marcial Property

The state of Sinaloa is well known for its mining industry and best known for its gold, silver, lead, copper and zinc deposits.

6.0 HISTORY

6.1 GENERAL PROPERTY AND EXPLORATION HISTORY

The San Marcial property is located in the southeast corner of Sinaloa State, western Mexico, in the Mining District of La Rastra. While this district is known historically as a significant area for silver, gold, lead and zinc production as early as the 1600's little is known about the exact discovery of San Marcial itself. However, during the 1780's and well into the early 1900's there are several local references from the library in El Rosario which indicate that the La Rastra to San Marcial corridor was an active silver-gold camp with over 20 known prospects and mines within a 15 km radius. Specifically these would include prospects such as Plomosas, El Saltito, Papayal and San Marcial. Table 6.1 summarizes the recent chronology of work at the San Marcial property

Table 6.1
Recent Chronology of Exploration on the San Marcial Property

Year	Company/Individual	Work	Target	Conclusion	Reference
1930's	American Company from Texas	Approximately 277 m of underground drifting and a 54 m shaft.	Veins 1 and 2 at San Marcial Silver.		Former property owner Jose Ruis Armenta
1985 to 1988	Armenta Family	Hand sorted "hi-grade" silver ore from underground workings.	Veins 1 and 2 at San Marcial Silver.	+1 kg silver in hand sorted ores.	Former property owner Jose Ruis Armenta
1988	Frisco, S.A de C.V	Underground and surface sampling of vein.	Veins 1 and 2 at San Marcial Silver.	Resource estimate of 504,250 t at 320 g/t silver.	Internal maps and report by Jose Veldzquez B.
1984 to 1990	Grupo Mexico, S.A de C.V	Underground and surface sampling of vein structures and mapping.	Veins 1 and 2 at San Marcial Silver.		Internal maps and report
1999	CDE Mexico, S.A de C.V	Underground and surface sampling of vein structures.	Veins 1 and 2 at San Marcial Silver.	Resource estimate of 0.5 Mt on high grade oxide silver	Internal maps and report by Guillermo Florenzani.
2000 to 2002	Gold-Ore Resources Ltd	Stream sediments, 1,282 m trenching and 601.7 m of core drilling in 6 drill holes	Veins 1 and 2 at San Marcial Silver	Resource estimation 2.3 Mt @ 191 g/t silver, 0.32% lead, and 0.66% zinc	August, 2002 report by J. Cuttle
2002	Silver Standard Resources Inc.	2,526.8 m core drilling in 14 drill holes	Veins 1 and 2 at San Marcial Silver		October, 2002 report by C.S. Wallis and N.E. Fier
After 2002	No work conducted by Silver Standard after exercising the option				

Modified from Table 2 contained in August 2002 Cuttle report

As indicated by the previous table the most recent work on the San Marcial property was conducted by Gold-Ore Resources Ltd. (Gold-Ore) and Silver Standard between 2000 and 2002. The following sections describe the exploration work conducted by both companies.

6.2 GOLD-ORE AND SILVER STANDARD EXPLORATION PROGRAMS (2000 TO 2002)

The text contained in this section has been extracted from the August, 2002 report on the "Exploration Activities to July, 2002" prepared by Cuttle and the October, 2002 Technical Report prepared by Wallis and Fier for Silver Standard.

6.2.1 Regional Exploration

Regional structural interpretation conducted by Gold-Ore of Ikonos satellite imagery over the San Marcial property identified at least 14 structural targets which were similar to the San Marcial project. Only two of the targets were investigated in the field. The two targets were named the Las Cuadrillas Gold and Las Cuadrillas Gold North and are located 1,200 m west and 1,500 m northwest of the San Marcial project, respectively. The Las Cuadrillas Gold target area consists of several old pits, a caved shaft, and possibly two levels of caved underground workings. Extensive hydrothermal alteration and local bleaching occurs over an area of approximately 500 m by 1,000 m which appears to flank the Las Cuadrillas Gold area. A 25 m hand trench (Tr-5) was cut through the northeast trending quartz veinlets in silicified breccias and assayed 2.95 g/t gold over 27.5 m. This location is bound between two well defined northwest and east-west regional structures. The second prospect at Las Cuadrillas Gold North hosts a northeast trending quartz vein with widths up to 2.0 m and assays up to 3.39 g/t gold over 0.40 m.

Gold-Ore obtained 23 stream sediment samples from a creek north and northeast of the old workings at Las Cuadrillas Gold which returned several anomalous values in gold and silver, with values up to 105 ppb gold and 6.6 ppm silver. The creek is situated in a dominant northwest trending structure and results appear to suggest that mineralization could easily flank this location. Float samples picked up by Gold-Ore in the same creek, including red jasperoid, and hematized breccias assayed up to 1.5 g/t gold and 7.4 g/t silver.

Gold-Ore also took other anomalous samples, from areas close to or on the strike extension of the San Marcial project and its fault structure. Included in this sampling were samples from the hydrothermal breccias at Rio Rayado and the highly altered and impressive quartz vein stockwork at La Mariposa occurring approximately 800 m to the west and northwest of the San Marcial project which returned anomalous values as well. See Table 6.2 for the regional sampling conducted by Gold-Ore.

Table 6.2
Regional Sampling Conducted by Gold-Ore

Location	Rock Type/Description	Sample Number	Easting	Northing	Gold (ppb)	Silver (ppm)
Las Cuadrillas Gold North	Qtz vein and breccia	751	449472	2546467	3,390	12.0
Las Cuadrillas Gold	Red andesite breccia, qtz healed, diss py	753	449387	2546030	1,510	7.4
Las Cuadrillas Gold	Qtz stockwork in volcanics (27.5 m chip sample in trench Tr 5,)	685 – 704	449405	2545766	2,950	
Rio Rayado	Hydrothermal breccia (approx 200m SE along strike from San Marcial	475	451353	2545531	20	21.6
Rio Rayado	"	476	451354	2545529	10	5.2
Rio Rayado	"	477	451355	2545527	135	28.6
Rio Rayado	"	478	451356	2545518	20	5.2
Rio Rayado	"	479	452040	2545330	45	1.3
Esperence	Highly altered volcanics (south of San Marcial Silver	168	451141	2545279	225	7.2
San Marcial Silver North	Weathered hydrothermal breccia	786	450618	2545774	90	1.4
San Marcial Silver North	"	787	450577	2545781	15	0.6
La Mariposa	Quartz veining,	773	450015	2545686	310	45.8
La Mariposa	"	781	449902	2545469	1,185	42.5
La Mariposa	"	768	450334	2545749	225	1.0

Table extracted from Cuttle, 2002

6.2.2 Trenching

A total of nine trenches were opened between March and May, 2000 on the San Marcial property. The trenches comprised two small hand trenches (Tr-4 and Tr-5) at Las Cuadrillas as discussed previously and seven mechanically excavated trenches (Tr-1 to Tr-3, and Tr-6 to Tr-9) in the San Marcial Silver project. The trenching was supervised by Gold-Ore.

The trenches exposed silver mineralization in oxidized and moderately fractured, brecciated and silicified volcanic rocks, intermittently over a total strike distance of 330 metres. The leach cap varied from one to three metres thick. Assay results from the trench sampling identified a core zone of higher grade silver veins which is surrounded by a lower grade envelope zone of fracture filled and disseminated silver mineralization located within the hanging wall portion of the northwest trending structure. Results of the trenching are summarized in Table 6.3. Figure 6.1 shows the trench locations.

Table 6.3
Trench Sampling Assay Results (March to May 2000)

Trench	Location	Silver (g/t)	Width (m)	True Width (m)	Comments
Tr-1	SE area	192	38	35	Envelope
Including		258	13	13	Core
Tr-2	SE area	193	65	40	Envelope
Including		326	25	20	Core
Tr-9	SE area	55	155	110	Envelope
Including		174	30	26	Core
Tr-6	Central	274	15	15	Open
Including #735		332	5	5	"Hangingwall"
Tr-7	Central	No significant assays			Anomalous Ba, Mn
Tr-8	Central	32	10	10	Open
Tr-3	NW area	196	190	75	Envelope
Including		402	70	45	Core
Chip 1	NW area	387	28	18	Core

Table extracted from Cuttle, 2002.

Figure 6.1
Plan View Indicating the Locations of the Trenches

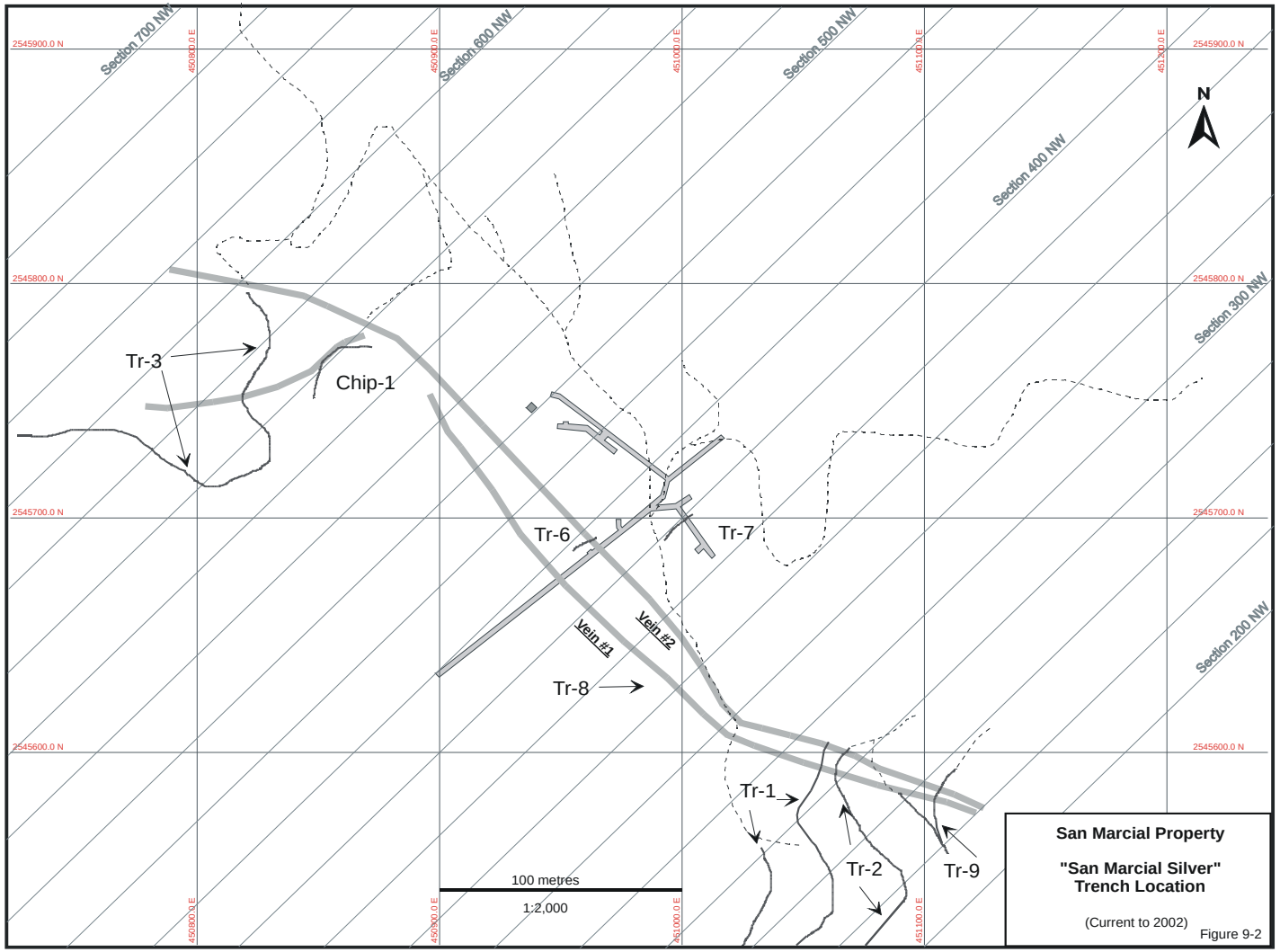


Figure obtained from Wallis and Fier 2002 Technical Report.

6.2.3 Drilling

Gold-Ore and Silver Standard completed a three phase drilling program totalling 3,128.47 metres in 22 drill holes with the holes specifically targeting the two parallel silver veins at the San Marcial project. Six holes (SM-1 thru SM-6) totalling 601.7 metres were drilled in January, 2001, eight holes (SM-7 thru SM-14) in March, 2002 and eight holes (SM-15 thru SM-22) in June, 2002. Major Drilling de Mexico S.A de C.V completed all drilling with a Longyear 38 and Christensen CS1000 drill rigs. All drill hole collars were surveyed and a downhole single-shot Ausmin system was used to survey the downhole dip, and azimuth. Measurements were generally taken at 100 m depth and at the bottom of the holes. A summary of the drill holes completed in 2001 and 2002 are listed in Table 6.4. Figure 6.2 is a plan view of the drill holes.

Table 6.4
Summary of the 2001 and 2002 Drill Hole Information

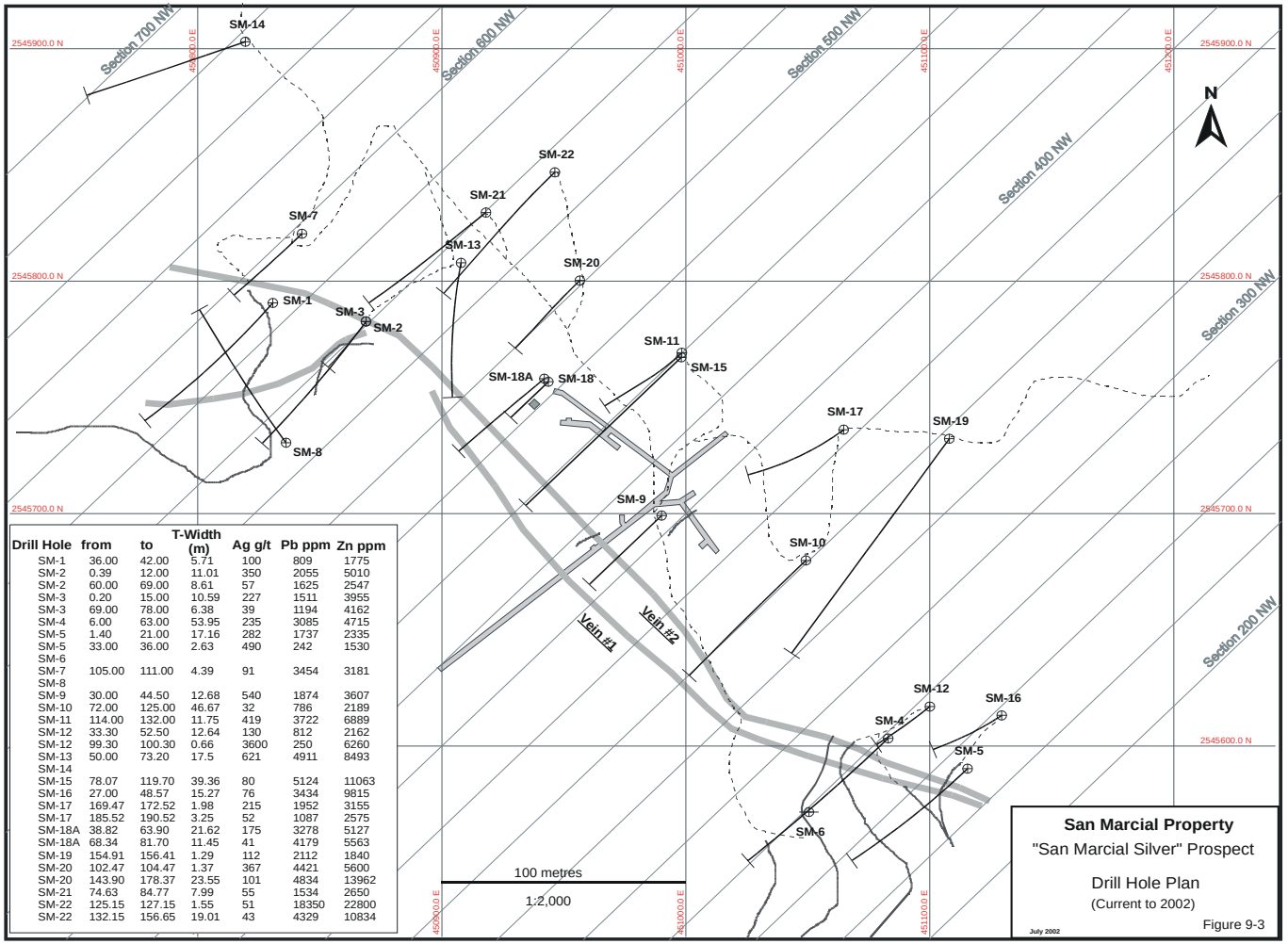
Drill Hole Number	Easting	Northing	Elevation (m)	Length (m)	Dip	Azimuth
SM-1	450830.75	2545790.65	908.66	110.03	-48	220
SM-2	450868.95	2545782.68	896.7	100.28	-48	215
SM-3	450868.95	2545782.68	896.7	100.28	-75	215
SM-4	451082.91	2545603.3	881.25	120.09	-50	225
SM-5	451115.45	2545590.28	857.87	120.4	-60	225
SM-6	451050.45	2545571.62	903.57	50.6	-90	0
SM-7	450842.69	2545820.4	918.19	139.29	-74	225
SM-8	450836.16	2545730.51	917.59	104.85	-50	325
SM-9	450990.09	2545699.18	920.63	83.82	-60	225
SM-10	451049.22	2545679.86	945.09	135.64	-60	225
SM-11	450998.35	2545769.21	926.24	225.55	-80	225
SM-12	451100	2545617	880.67	150.57	-80	230
SM-13	450907.9	2545807.88	906.88	124.36	-62	190
SM-14	450819.51	2545903	932.72	120.4	-55	250
SM-15	450998.13	2545767.22	927	140.21	-50	225
SM-16	451129.46	2545613.17	851.93	121.92	-76	235
SM-17	451064.7	2545736.11	949.7	244.8	-80	232
SM-18	450943.66	2545756.74	916.88	43.59	-60	225
SM-18A	450942	2545758.06	916.87	97.54	-60	229
SM-19	451107.97	2545732.2	944.35	230.31	-60	215
SM-20	450956.59	2545800.28	921.7	185.82	-78	225
SM-21	450918.12	2545829.53	914.48	170.69	-68	230
SM-22	450946.33	2545846.84	929.94	207.43	-72	225

Table extracted from Wallis and Fier, 2002

Phase 1 consisted of 601.68 metres of NQ size core drilling in six holes. Holes SM-1, 2 and 3 were collared on the northwestern end of the vein structures to test silver mineralization under trenches Tr-3 and Chip-1 where previous chip samples assayed 402 g/t silver over 45 m and 387 g/t silver over 18 m, respectively. Holes SM-4, 5 and 6 were drilled approximately 300 m to the southeast to test the silver mineralization under trenches Tr-1, 2 and 9. Previous chip samples from these trenches assayed 258 g/t silver over 13 metres, 326 g/t silver over 20 m and 174 g/t silver over 26 m respectively.

Phase 2 (8 holes, 1,084.48m) and phase 3 (8 holes, 1,442.31m) were designed to test the down dip continuity of the two vein structures. Both programs were successful in extending the mineralization and providing sufficient data to carry out a resource estimate.

Figure 6.2
Plan View Indicating the Locations of the Diamond Drilling



Drill Hole	from	to	T-Width (m)	Ag g/t	Pb ppm	Zn ppm
SM-1	36.00	42.00	5.71	100	809	1775
SM-2	0.39	12.00	11.01	350	2055	5010
SM-2	60.00	69.00	8.61	57	1625	2547
SM-3	0.20	15.00	10.59	227	1511	3955
SM-3	69.00	78.00	6.38	39	1194	4162
SM-4	6.00	63.00	53.95	235	3085	4715
SM-5	1.40	21.00	17.16	282	1737	2335
SM-5	33.00	36.00	2.63	490	242	1530
SM-6						
SM-7	105.00	111.00	4.39	91	3454	3181
SM-8						
SM-9	30.00	44.50	12.68	540	1874	3607
SM-10	72.00	125.00	46.67	32	786	2189
SM-11	114.00	132.00	11.75	419	3722	6889
SM-12	33.30	52.50	12.64	130	812	2162
SM-12	99.30	100.30	0.66	3600	250	6260
SM-13	50.00	73.20	17.5	621	4911	8493
SM-14						
SM-15	78.07	119.70	39.36	80	5124	11063
SM-16	27.00	48.57	15.27	76	3434	9815
SM-17	169.47	172.52	1.98	215	1952	3155
SM-17	185.52	190.52	3.25	52	1087	2575
SM-18A	38.82	63.90	21.62	175	3278	5127
SM-18A	68.34	81.70	11.45	41	4179	5563
SM-19	154.91	156.41	1.29	112	2112	1840
SM-20	102.47	104.47	1.37	367	4421	5600
SM-20	143.90	178.37	23.55	101	4834	13962
SM-21	74.63	84.77	7.99	55	1534	2650
SM-22	125.15	127.15	1.55	51	18350	22800
SM-22	132.15	156.65	19.01	43	4329	10834

Figure obtained from Wallis and Fier 2002 Technical Report.

6.2.4 Sampling Methodology

During the two initial trenching programs on the San Marcial property in March, and May, 2000, Gold-Ore collected 290 continuous 2.5 m to 5.0 m rock chip samples from nine separate hand and mechanically excavated trenches and 56 rock-grab samples from other portions of the property. In addition, 882 half-core samples were collected from 22 NQ and HQ size drill holes during the three phases of drilling at the San Marcial project in between January, 2001 and June, 2002.

The geologist on site logged the core and a standardized drill log form was used to record the observed data, including collar data, survey data, sample intervals, rock descriptions, alteration, mineralization, fracture density and orientation, and the rock quality designation (RQD). Core recovery averaged between 90% and 98%. All potentially mineralized rocks were sampled with mineralized intervals sampled at 1 to 2 m intervals using geologic boundaries. The overlying generally barren volcanics were occasionally sampled in 3 to 4 m intervals. The geologist added one blank sample to the samples from each drill hole. The sample intervals were split with a mechanical splitter by two local helpers, bagged in plastic bags, tied, and stored in the office until they were driven to El Rosario where they were loaded on a bus for shipment to the assay laboratory. Pulps and rejects are stored at the assay laboratory.

6.2.5 Sample Preparation, Analysis and Security

All rock and core samples were shipped to ALS Chemex's preparation laboratory in Guadalajara, Mexico where they were dried, crushed, split and a one kilogram portion was pulverized to 85% passing a 75-micron mesh. A 250 g portion of the pulverized sample was then forwarded to ALS Chemex Laboratories in Vancouver, Canada. For each gold analysis a 30 g sample was taken from the pulp and run by the fire assay method with an atomic absorption finish. In addition, silver and 26 other elements including arsenic, copper, lead, zinc and barium among others were digested using four different acids and finished with atomic emission, using an inductively coupled plasma (ICP) package. Any silver analysis greater than 100 ppm was subsequently re-run by fire assay and finished by the gravimetric method.

The Technical Report by prepared by Wallis and Fier noted that; "although the independent check assays fall well within accepted variances, an appropriate number of duplicate check assays and standards should be submitted into the sample stream for future drill programs."

Wallis and Fier also noted that while four samples of the vein and host rocks were taken for specific gravity measurements only one was of mineralized material. They recommended that due to the variability in the mineralized intervals additional samples should be submitted to provide a better statistical base for the data which would be used in future resource estimates. See Table 6.5 for a summary of the samples submitted for specific gravity testwork and their results.

Table 6.5
Summary of the Specific Gravity Testwork

Sample Number	Weight (kg)	Bulk Density (g/cc)	Rock Type	Description	Location
# 1 HW	0.88	2.54	mCGL	Superior maroon volcanics	From DDH SM-20, at 92.20 m
# 2 FW	0.58	2.75	PKD	Felsic intrusive pebble dyke	From DDH SM-20, at 181.30 m
# 3 BX	0.56	2.82	Brecciated AND	Mineralized andesite breccia	From DDH SM-20, at 107.8 m
# 4 AND	0.24	2.76	AND	Intermediate to mafic volcanics	From DDH SM-20, at 124.5 m

Table extracted from Cuttle, 2002

6.3 HISTORICAL RESOURCE ESTIMATES

A number of historical resource estimates are reported for the San Marcial property. These resource estimates for the most part predate the introduction of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and definitions. Therefore the historical resource estimates do not conform to the presently accepted industry standards and definitions as referred to in Canadian National Instrument 43-101 (NI 43-101). Figure 6.6 summarizes the historical resource estimates for the San Marcial property

Table 6.6
Summary of the Historical Resource Estimates on the San Marcial Property

Year	Company/Individual	Work	Target	Conclusion	Reference
1988	Frisco, S.A de C.V	Underground and surface sampling of vein.	Veins 1 and 2 at San Marcial Silver.	Resource estimate of 504,250 t at 320 g/t silver.	Internal maps and report by Jose Veldzquez B.
1999	CDE Mexico, S.A de C.V	Underground and surface sampling of vein structures.	Veins 1 and 2 at San Marcial Silver.	Resource estimate of 0.5 Mt on high grade oxide silver	Internal maps and report by Guillermo Florenzani.

Modified from Table 2 contained in August 2002 Cuttle report

Micon has been unable to confirm these historical estimates and Silvermex should not rely on them as justification for its exploration programs

A resource estimate was completed by Gold-Ore and Silver Standard in 2002 and was reported by both Cuttle in his August, 2002 report and by Wallis and Fier in their Technical Report of October, 2002. This resource estimate has been reviewed by Mr. Fier and is discussed in Section 17 of this report.

There are no known resource estimates for any of the other portions of the San Marcial property. Further work is required to locate and evaluate the true extent and nature of the mineralization at San Marcial.

6.4 HISTORICAL PRODUCTION

Some historical production has occurred on the San Marcial property as evidenced by the old adits and mention of some old stoping. Also, there is evidence of small scale mining,

probably conducted prior to the 1910 revolution; however, no reliable records remain of the previous mining activities at the San Marcial property.

There are other mines or exploratory shafts within the district but there is very little information and data published on these workings and production statistics for these mines or exploratory shafts are unavailable.

7.0 GEOLOGICAL SETTING

The text contained in this section has been extracted from the October, 2002 Technical Report prepared by Wallis and Fier for Silver Standard.

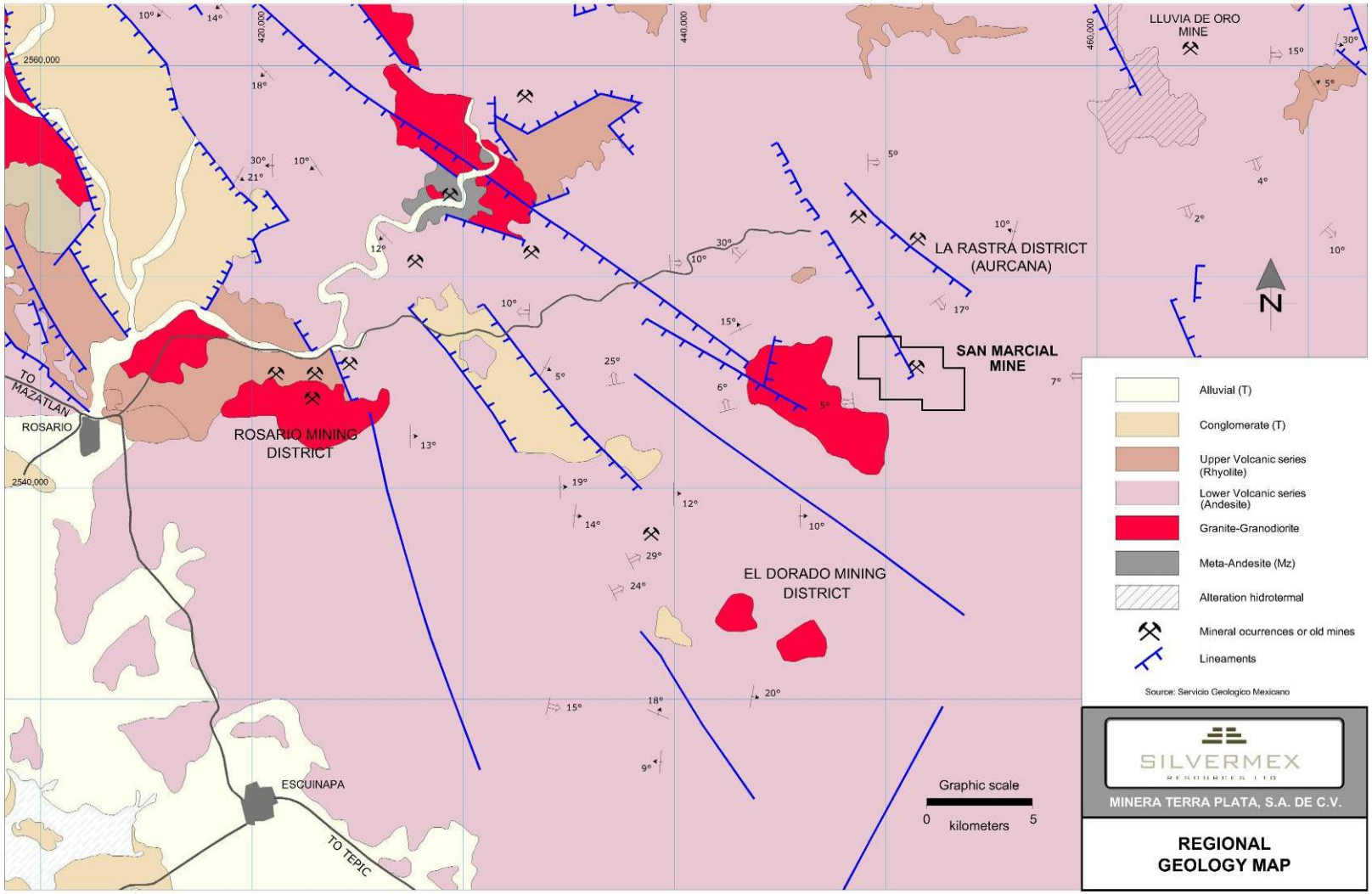
7.1 REGIONAL GEOLOGY

The San Marcial project area is situated along the western edge of the Sierra Madre Occidental geological province. This linear belt of volcanic rocks, approximately 1,500 km long by 250 km wide, is known to host many important gold and silver producing mines and prospects. The province is divided into two main Tertiary volcanic units referred to as the Upper and Lower Volcanic groups, both of which are separated unconformably by a period of erosion and associated with local felsic intrusive activity. The Lower Volcanic group is characterized by basal conglomerates, ignimbrites, rhyolites and felsic tuffs. The contact between the two volcanic groups (Lower and Upper) is highly prospective for precious metal mineralization, as a majority of the other known gold and silver mines and prospects in the belt occur close to, if not just below the contact interval. See Figure 7.1 for the regional geology of the San Marcial area.

7.2 PROPERTY GEOLOGY

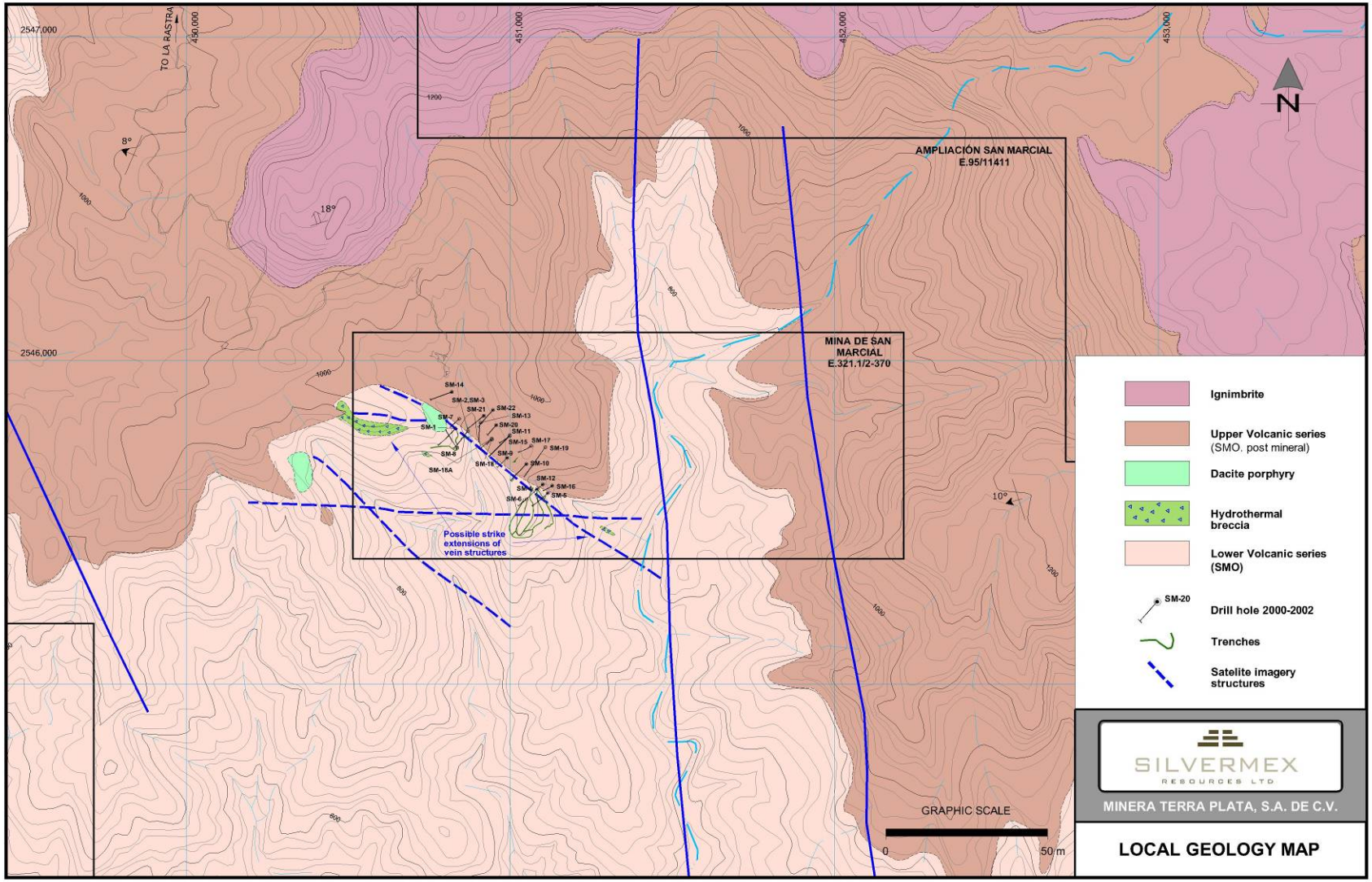
The geology at the San Marcial project can be sub-divided into two distinct rock types. The Upper Volcanic group, comprised of basal conglomerates, rhyolites and dacites, occurs in the higher and more mountainous portions of the property in the northeast. Individual lithologies in this group are generally flat lying and trend 052° and dip 28° southeast. The basal conglomerate is a reddish to maroon volcanic conglomerate to agglomerate, with dacitic and rhyolitic fragments derived from the underlying volcanics and hematized fragments from contemporaneous volcanism. Fine grained tuffs and flows are common. The basal conglomerate lies on the erosional surface above the Lower Volcanics. Basaltic to andesitic dykes and sills intrude into the Upper Volcanic group. See Figure 7.2 for the geology of the San Marcial property.

Figure 7.1
San Marcial Regional Geology Map



Map provided by Minera Terra Plata, SA de CV.

Figure 7.2
San Marcial Property Geology Map



Map provided by Minera Terra Plata, SA de CV.

Unconformably underlying the Upper Volcanic group is the Lower Volcanic group of andesites and dacites which occur at lower elevations in the southwest and generally trend 015° and dip 45° to 68° easterly. The known silver prospects on the San Marcial property are hosted along what appears to be a narrow set of northwest trending fault structures with a 60° northeast dip which is in close proximity to the prospective unconformity. Along the trend and within the local area are prominent outcrops of highly weathered hydrothermal breccia and relatively fresh dacite porphyry intrusives. The volcanics vary from andesitic to dacitic ash tuffs, banded rhyolite flows interbedded with lapilli tuffs grading to agglomerate and andesitic conglomerate/agglomerate.

Faulting is common within the San Marcial area and is an important structural feature relating to the silver mineralization. There are at least four orientations of structural breaks or features interpreted from satellite imagery, trending primarily northwest, with fewer trending east, west, north and northeast. Movement along the northwest feature is normal but the displacement is unknown. The intersections of the east-west with northwest features are considered the most prospective areas for mineralization at San Marcial.

8.0 DEPOSIT TYPES

Based on the mineralization characteristics, the San Marcial property is considered to belong to the low sulphidation epithermal class of deposits. These deposits form in predominantly felsic to intermediate subaerial volcanic complexes in extensional strike-slip structural regimes. In these regimes regional scale fracture systems and extensional fractures are common and near surface hydrothermal systems are the sites of mineralization. The deposition of the mineralization occurs as the fluids undergo cooling by fluid mixing, boiling and decompression.

9.0 MINERALIZATION

The text contained in this section has been extracted from the October, 2002 Technical Report prepared by Wallis and Fier for Silver Standard.

There are two known vein systems, veins 1 (upper vein) and 2 (lower vein), both of which are located in the centre of the Mina San Marcial mineral concession. Both mineralized veins outcrop at surface and can be identified by small historical inclined diggings and holes over a strike length of 300 m. On the southeastern end of the two vein structures, where the topography becomes steep, small drifts on three levels have sporadically and to a very limited extent developed the silver mineralization. Approximately 120 m to the northwest and roughly in the middle of the structures, the veins were further exposed 83 m below surface by approximately 277 m of underground drifts. There is also a 54 m shaft located over these underground workings which may access old stopes up dip from the drifts but this is unconfirmed.

Both veins occupy the hanging wall portion of a wider envelope of brecciation. The veins vary in width from 0.5 to 8.0 m and have a general orientation of 312° with a 60° northeast dip. Drilling has confirmed that the silver mineralization is hosted principally in vein 2 and extends over 350 m along strike. Each vein structure is linear in form with a separation of approximately 20 m between them. Silver is primarily found in silicified and hematized breccias, and to a lesser extent quartz veins, micro fractures and cavity fills. The veins are confined to the intermediate volcanic tuffs of the Lower Volcanic group.

Mineral associations are commonly argentite, acanthite, native silver, sphalerite, galena, chalcopyrite, pyrite with local bornite and marcasite. Galena is not always linked to high silver assays. Gangue minerals include quartz, calcite, amethyst, barite and hematite. A wider envelope of brecciation with fracture fill galena and yellow sphalerite commonly surrounds these local silver zones and is a distinct marker horizon for the northwest structures.

According to the October, 2002 Technical Report, "insufficient information has been collected from the drill core to define specific alteration halos although in broader terms it has been noted the footwall zones to veins 1 and 2 are generally dominated by chlorite, calcite and pyrite enrichment, grading upwards into sericite – silica – pyrite near the silver mineralization followed by hanging wall zones enriched with chlorite." The high degree of weathering and leaching seen in the core immediately below the unconformity most likely represents an old erosional surface. Native silver occurs in several locations with open cavity quartz growth as well as very distinctive light grey-green fracture planes of chlorite alteration.

10.0 EXPLORATION

A description of the historical exploration work conducted on the property is provided in Section 6 of this report.

Silvermex has not yet conducted an exploration program on the San Marcial property to date. The basic outline of the exploration program and expenditures contemplated by Silvermex are discussed in Section 19 of this report.

11.0 DRILLING

A description of the historical drilling conducted on the property is provided in Section 6.

Silvermex has not conducted a drilling program on the San Marcial property to date, as it is in the process of completing its due diligence on the project. Once Silvermex has completed its due diligence it will outline an exploration program for the San Marcial project. The basic outline of the exploration program and expenditures contemplated by Silvermex are discussed in Section 19 of this report.

12.0 SAMPLING METHOD AND APPROACH

A description of the historical sampling methods conducted on the project is provided in Section 6.

Silvermex has not conducted any sampling programs on the San Marcial property to date and Silvermex has not outlined a sampling method or approach for this property at this time. It is expected that Silvermex will outline a Quality Assurance/Quality Control (QA/QC) program which will include a section regarding the sampling methods and approaches which will be used at the San Marcial project once the proposed exploration program is initiated.

13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

A description of the historical sampling methods conducted on the project is provided in Section 6. Silvermex has not yet conducted any sampling programs on the San Marcial property.

14.0 DATA VERIFICATION

14.1 MICON VERIFICATION

Micon conducted its site visit to the San Marcial property between October 12 and 15, 2007, with the assistance of Raphael Gomez a geologist with Silvermex. The purpose of the site visit was to review the current state of the core storage, independently verify the geology and mineralization, and locate the previous trenches and drill sites.

The core is currently stored in a securely locked addition to a house located behind the church in La Rastra. Figures 14.1 and 14.2 are photographs of the current core storage area.

In general the core was found to be in good condition. However, the core boxes were found to be labelled inconsistently with the drill hole labelling contained in Table 10.1 of the October, 2002 Technical Report which summarizes the drill holes completed by previous operators. After a thorough investigation and comparison of the drill hole numbers and their stated length, it was determined that all of the core boxes for the drill holes mentioned in the October, 2002 Technical Report were contained in the storage area. Table 14.1 outlines the discrepancies between Table 10.2 of the October, 2002 report and the actual labelling on the core boxes in storage.

The error in core box labelling has not resulted in any other errors such as mis-plotting the hole locations as this error only affected the core boxes.

Figure 14.1
Core Storage at La Rastra

Figure 14.2
View of the Interior of the Core Storage

Table 14.1
Summary of the Drill Hole Identification Discrepancy October, 2002 Technical Report vs Core Boxes

Drill Hole Identification From Table 10.1 (October, 2002 Technical Report)		Drill Hole Identification According To Core Boxes in Storage (Micon October, 2007)	
Table 10.1 Drill Hole ID	**Length of Drill Hole (m)**	**Core Box Drill Hole ID**	**Length of Drill Hole (m)**
SM-7	139.29	SM-02-1	139.29
SM-8	104.85	SM-02-02	104.85
SM-9	83.82	SM 02-3	83.82
SM-10	135.64	SM 02-4	135.64
SM-11	225.55	SM 02-5	225.55
SM-12	150.57	SM 02-6	150.57
SM-13	124.36	SM-02-7	124.36
SM-14	120.4	SM 02-8	120.4

Micon recommends that Silvermex re-box the core and note the discrepancy on the core boxes in order to be able to identify the core correctly when referring to the labelling contained in prior Technical Reports. This will hopefully avoid confusion in the future when referencing the core.

The core from a number of drill holes was extracted from the storage building and reviewed against the data contained within the respective drill logs. The geology and mineralization seen in the drill core was found to correspond to the geology and mineralization identified in the drill logs.

Micon also visited the San Marcial property which is located approximately 12.5 km from the community of La Rastra. The road is in a major state of disrepair and the last half of the journey was facilitated by the use of a front-end loader as transportation as the road is currently not passable even with a 4-wheel drive vehicle. The exploration sites and workings are fairly overgrown; however, a number of drill holes were located and one of the historical colonial adits was identified. The main two adits on the property which access the No. 1 and 2 veins and are mentioned in the Technical Reports were not visited due to the disrepair and overgrown nature of the access to them. See Figure 14.3 for a photograph of the historical colonial adit.

Figure 14.4 is a photograph of the cement markers and casing for drill holes SM-18 and SM-18A located in a corn field. The collar of drill hole SM-18 is located in the foreground of the photograph with the collar of drill hole SM-18A located in the background. Unlike the majority of the drill holes in which the collar locations are identified by cement markers only in the case of drill holes SM-18 and SM-18A the drill casing remains in the hole. Figure 14.5 is a typical cement collar marker, which in this case denotes the collar location for drill hole SM-21.

Figure 14.3
Old Colonial Adit

Figure 14.4
Collars of Drill Holes SM-18 and SM-18A

Figure 14.5
Drill Hole Collar Marker for SM-21

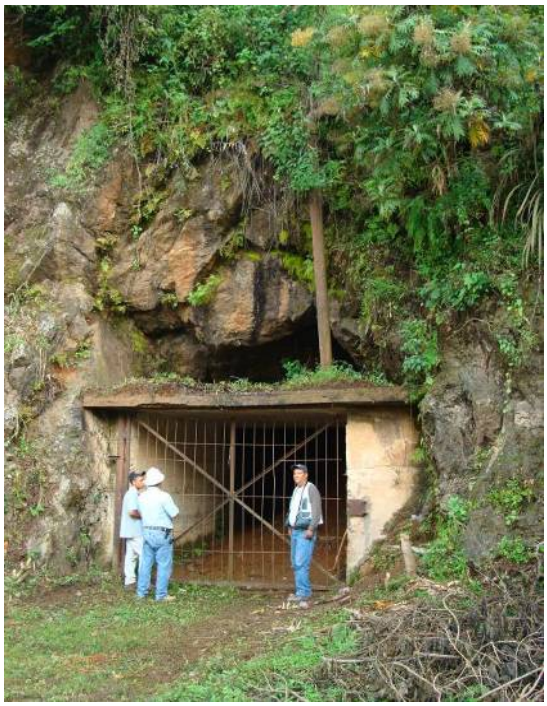
15.0 ADJACENT PROPERTIES

The San Marcial property is located in the Mining District of La Rastra which is nestled within the Sierra Madre mountains in the southeastern corner of Sinaloa. The district has been known historically as a significant area for silver, gold, lead and zinc production as early as the 1600's; however, little is known about the exact discovery of San Marcial itself. During the 1780's and well into the early 1900's there are several local references from the library in El Rosario which indicate that the La Rastra to San Marcial corridor was an active silver-gold camp with over 20 known prospects and mines within a 15 km radius. Specifically these would include prospects such as Plomosas, El Saltito, Papayal and San Marcial. Figure 15.1 is a view of the muck pile from a small mine worked by individuals located close to La Rastra.

Figure 15.1
Muck Pile from a Small Mine close to La Rastra

Figure 15.2 is a view of Grupo Mexico's Mina San Juan portal on the road to the San Marcial property and near Las Rastra. This property was reported to have produced from 50 t/d to 80 t/d for a bulk sample, but was never in production (conversation with local miner).

Figure 15.2
Grupo Mexico's Mina San Juan Portal



Based on the apparent historical mining activity in the district and the occurrence of other metallic mineral deposits in the area, and the exploration potential of the area as stated in previous reports, Micon considers that these factors positively affect the prospectivity of the ground.

16.0 MINERAL PROCESSING AND METALLURGICAL TESTING

Silvermex has performed no metallurgical testwork on the mineralization at the San Marcial property. However, according to the October, 2002 Technical Report prepared by Wallis and Fier for Silver Standard, Gold-Ore submitted five oxide and sulphide samples for cyanide leach tests. The metallurgical testwork conducted by Gold-Ore is discussed below in Section 16.1

Silvermex's focus, through its Mexican subsidiary Terra Plata, will be concentrated on conducting further exploration programs to evaluate the known silver mineralization at the San Marcial property. In addition, Silvermex will prospect and explore the remaining portions of the property to locate any secondary areas of mineralization. Therefore, the

economic and technical evaluation of metallurgical processing options will likely be required in the future.

16.1 GOLD-ORE METALLURGICAL TESTING

The text contained in this section has been extracted from the October, 2002 Technical Report prepared by Wallis and Fier for Silver Standard.

> "In March, 2001, Gold-Ore submitted five specific oxide and sulphide samples from holes SM-2, SM-4 and AM-5 to ALS Chemex in Reno NV for cyanide leach tests. The original reject split was pulverized to 90% passing minus 200 mesh and subject to cyanide leaching in vats for a 72 hour period. Recoveries ranged from 80 to 120 percent. The recoveries greater than 100 percent reflect a common 3-7 percent Loss on Ignition during the original fire assays on the core samples."

> "Additional preliminary metallurgical testwork was carried out on four samples made up of drill core rejects that were submitted to Process Research Associates Ltd. in Vancouver. Composites were made up from the mineralized intervals in holes SM-3, SM-5, SM-6, and SM-7. Overall recovery using flotation followed by cyanidation ranged from 90 to 97.9 percent with an average of 94.8 percent. The flotation concentrate grades following one stage of cleaning varied from 900 g/t to 54,000 g/t silver. The lead varied from 0.48 to 12.3 percent and the zinc grade varied from 1.17 to 16.2 percent. The lower grade concentrate corresponds to high pyrite content. Only one-half of the metal content was recovered to the cleaned concentrates. No fatal flaws in the metallurgy are indicated. Additional testwork is required to determine optimum conditions for flotation, particularly in terms of the concentrate grade."

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

The updated resource estimate discussed in this report is compliant with the current CIM standards and definitions required by NI 43-101 regulations.

17.1 2007 MINERAL RESOURCE ESTIMATE

The original resource estimation for San Marcial was completed by Jim Cuttle, P.Geo. a consultant employed by Gold-Ore in 2002. This resource was reviewed and updated by N. Eric Fier in 2002 and reported in the October, 2002 Technical Report as being compliant with the CIM standards and definitions required by NI 43-101 regulations. The following 2007 updated estimate is based on a review of the previously stated resource discussed in the October, 2002 Technical Report. No further relevant exploration work has been completed since the last resource estimation in 2002.

17.1.1 Database and Statistics

The collection and compilation of all information with respect to the resource estimation for San Marcial was previously completed by Gold-Ore. This information was recently retrieved

from Silver Standard and reviewed in light of current economic conditions for the purpose of this report.

The database consists of 22 core drill holes for a total of 3,128.47 m drilled and used in the 2002 resource estimation. Table 17.1 summarizes the significant drill intercepts used in estimating the resource.

Table 17.1
Summary of the Significant Drill Hole Intercepts

Drill Hole	Significant Intercepts (m)				Assays		
	From	To	Interval	True Width	Silver (g/t)	Lead (ppm)	Zinc (ppm)
SM-1	36	42	6	5.71	99.8	809	1,775
SM-2	0.39	12	11.61	11.61	350.2	2,055	5,010
	60	69	9	8.61	56.8	1,625	2,547
SM-3	0.2	15	14.8	10.59	227	1,511	3,955
	69	78	9	6.38	39	1,194	4,162
SM-4	6	63	57	53.95	235	3,095	4,715
SM-5	1.4	21	19.6	17.16	282	1,737	2,335
	33	36	3	2.63	490	242	1,530
SM-7	105	111	6	4.39	91	3,454	3,181
SM-9	30	44.5	14.5	12.68	540	1,874	3,607
SM-10	72	125	56	46.67	32	786	2,189
SM-11	114	132	18	11.75	419	3,722	6,889
SM-12	33.3	52.5	19.5	12.64	130	812	2,162
	99.3	100.3	1	0.66	3600	250	6,260
SM-13	50	73.2	23.2	17.50	621	4,911	8,493
SM-15	78.07	119.7	40.93	39.36	80	5,124	11,063
SM-16	27	48.57	21.57	15.27	76	3,434	9,815
SM-17	169.47	172.52	3.05	1.98	215	1,952	3,155
	185.52	190.52	5	3.25	52	1,087	2,575
SM-18A	38.82	63.9	25.08	21.62	175	3,278	5,127
	68.34	81.7	13.36	11.45	41	4,179	5,563
SM-19	154.91	156.41	1.5	1.29	112	2,112	1,840
SM-20	102.47	104.47	2	1.37	366.5	4,421	5,600
	143.9	178.37	34.47	23.55	101	4,834	13,962
SM-21	74.63	84.77	10.14	7.99	54.9	1,534	2,650
SM-22	125.15	127.15	2	1.55	50.5	18,350	22,800
	132.15	156.65	24.5	19.01	43	4,329	10,834

Previously, all available data were compiled and entered into Excel data spreadsheets and then imported into a Gemcom database by Gold-Ore.

Composites were generated using a nominal 30-gram cut-off, although most of the mineralized intervals are veins with sharp contacts and appear to have a natural 50 g cut-off. Maximum composite length was 2 m.

None of the high-grade silver assays have been capped for resource estimation. A review by Wallis and Fier in 2002 shows geostatistically that there are three populations of silver values. If the high values were to be cut at the 97.5 percentile, this would equate to a value of about 300 g/t silver. Cutting the high grades to this value reduces the contained ounces by

about 20 percent. It is also noted that the probability plot shows breaks at 600 (12 samples above) and 1,800 g/t silver (4 samples above) and with more data, the higher cuts may be more appropriate. While it is considered appropriate to cap the silver grades for resource estimation, the current estimate is acceptable for inferred resources based on the limited amount of statistical data.

For estimating resources, drill holes were projected onto cross-sections and the intercepts were projected up and down the dip a maximum of a 30 m radius. Each drill hole was limited to a maximum 25 m radius horizontal area of influence. Interpolation methodology consisted on ID^2 with a minimum sample population of 1 and maximum of 8.

A specific gravity of 2.82 g/cc was used as determined by the testwork completed in 2002. There are insufficient samples to determine an accurate specific gravity. However, the number used is close to the value of quartz and is considered appropriate at this stage of exploration. No surface or underground samples were used in the resource estimation.

17.1.2 Solid and Block Modelling

Solid modelling was completed by Gold-Ore in 2002 and validated by N. Eric Fier in 2002. A recent review of the solids used for resource estimation, indicates that they are appropriate for inferred resources. Solids are based on geologic constraints as observed in core logging and interpretation and the use of a 30 g/t silver cut-off based on sample assays.

The resource estimation completed by Gold-Ore and reviewed by N. Eric Fier was based on a block model constructed in Gemcom. Blocks measured 10 m along strike, 5 m across strike and 10 m vertically. No rotation was applied to the model. Grade for silver, lead and zinc were interpolated into the blocks using ID^2 and partial blocks.

17.1.3 Classification and Mineral Resource

Based on the drill hole spacing, the number of intercepts on a section and in particular, the irregular nature of the veins, both along strike and down dip, it is N. Eric Fier's opinion that the resources should be classified as Inferred Mineral Resources. The San Marcial property contains an Inferred Mineral Resource of 2.31 million tonnes at a grade of 191.79 g/t silver, 0.32% lead, and 0.66% zinc, containing 14.26 million ounces of silver. The resource estimate is summarized in Table 17.2.

Table 17.2
Mineral Resources, San Marcial Property

Resource Classification	Tonnes	Grade			Contained Ounces Silver
		g/t Silver	% Lead	% Zinc	
Inferred	2,310,000	191.79	0.32	0.66	14,260,000

The stated resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, unless

stated in this report, to the best knowledge of the authors. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this resource.

The resource estimate by Mr. N. Eric Fier C.P.G., P.Eng. is compliant with the current CIM standards and definitions required by NI 43-101 and is, therefore, reportable as a mineral resource by Silvermex. However, the reader should be cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Further resource estimations should consist of increased data collection (sampling), capping silver grades, variography, use of ordinary kriging for interpolation and reclassification of the resource.

18.0 OTHER RELEVANT DATA AND INFORMATION

All relevant data and information regarding Silvermex's San Marcial project is included in other sections of this report.

19.0 INTERPRETATION AND CONCLUSIONS

On October 5, 2007, Silvermex entered into an option agreement with Silver Standard to purchase a 100% interest in the San Marcial project. At this time Silvermex also acquired all of the available exploration data for the project from Silver Standard.

The San Marcial property acquired by Silvermex contains silver mineralization and associated lead and zinc mineralization hosted in at least two semi-parallel vein systems and within the surrounding hydrothermal breccias which envelop the higher grade silver veins. At the present time the known length of the mineralized zone is approximately 400 m and it is open in all directions. In addition to the semi-parallel vein systems there are approximately 15 other targets on the property which need to be covered by a systematic exploration program in order to prioritize these targets for future programs.

Silvermex has outlined the following objectives for the first phase of the exploration program at San Marcial:

- Re-construct the access road to the San Marcial project site.
- Build a camp and facilities to store the drill cores of the past drill programs.
- Re-habilitate the existing trenches.
- Geological mapping and sampling along the 400 m of known mineralization to confirm the geological concepts and check the silver and associated mineral values.

- Confirmation drilling comprised of at least three drill holes to confirm the geology and assays in the known mineral zone.

- Geological mapping, trenching and sampling across the extensions of the veins in the northwest and southeast directions which will investigate the break between the Lower and Upper Volcanic Series.

- Drilling to identify the veins-breccia system at depth along strike and down dip to increase the resource base.

- Geological mapping and sampling of the secondary mineral occurrences on the property.

If the results of the first phase of exploration are sufficient to indicate that a second phase is warranted, the following objectives will be among those stated for this phase.

- Infill drilling to upgrade the current inferred resource into the indicated and measured categories.

- Initial drilling on any of the other mineral occurrences based on the results of the first phase in order to explore the secondary targets and potentially generate additional resources.

- If it is convenient and safe, rehabilitate the old underground workings in order to conduct sampling.

Silvermex will spend an estimated US $882,955 during the first phase of exploration and a further US $1,167,690 during a second phase. However, the second phase of the program is dependent on the results of the first phase. If the next two phases of the exploration program are completed Silvermex will spend an estimated US $2,050,645 including payments for the mining taxes, surface rights and access.

The Tables 19.1 and 19.2 are summaries of Silvermex's estimated budgets for both phases 1 and 2 of future exploration work on the San Marcial property.

Table 19.1
Estimated Budget for the Phase 1 of Exploration on the San Marcial Project and Property

Category	Unit	Unit Cost (US $)	No. of Units	Total Cost (US $)
Geology and Exploration				
Project Management	Monthly	3,000	5	15,000
Geologists	Monthly	8,000	5	40,000
Field Hands	Monthly	800	20	16,000
Camp and Accommodation	Monthly	2,000	5	10,000
Kitchener and Helper	Monthly	800	10	8,000
Exploration Expenses and Supplies	Lump	5,000	1	5,000

IP-R and Magnetics Ground Survey	Lump	50,000	1	50,000
Trenching	Hours-Dozer	90	100	9,000
Core Drilling	Metres	150	3,000	450,000
Assaying (Surface geology mapping and sampling)	Samples	30	1,000	30,000
Assaying (Drilling)	Samples	30	2,000	60,000
Access Roads and Drill Sites	Hours-Dozer	90	300	27,000
Gasoline	Monthly	1,400	5	7,000
Vehicles Maintenance	Lump	300	2	600
Tires	Lump	1,000	2	2,000
Metallurgical Testwork	Lump	50,000	1	50,000
Drafting, Reporting, Reproduction, Maps	Monthly	2,000	5	10,000
Office Materials (paper for plot maps, inks, etc)	Lump	500	3	1,500
Telecommunications	Monthly	500	5	2,500
Travel Expenses	Lump	3,000	5	15,000
Vehicle Rental	Monthly-Rent	1,500	5	7,500
Other Equipment Acquisition (GPS)	Lump	1,000	1	1,000
Social Security and Administration	Estimated	40,855	1	40,855
Total Geology and Exploration				**857,955**
Property Acquisition & Maintenance Costs				
Mining Taxes	Bi-annual	5,000	1	5,000
Surface Rights and Rights of Way	Lump	10,000	1	10,000
Environmental Permitting	Report	10,000	1	10,000
Total Property Acquisition & Maintenance Costs				**25,000**
Total Project Expenditures				**882,955**

Table provided by Silvermex Resources Limited/Minera Terra Plata, S.A. de C.V.

Table 19.2
Estimated Budget for the Phase 2 of Exploration on the San Marcial Project and Property

Category	Unit	Unit Cost (US $)	No. of Units	Total Cost (US $)
Geology and Exploration				
Project Management	Monthly	3,000	7	21,000
Geologists	Monthly	4,000	7	28,000
Field Hands	Monthly	800	28	22,400
Camp and Accomodation	Monthly	2,000	7	14,000
Kitchener and Helper	Monthly	800	14	11,200
Exploration Expenses and Supplies	Lump	5,000	2	10,000
IP-R and Magnetics Ground Survey	Lump			
Trenching	Hours-Dozer			
Core Drilling	Metres	150	5,000	750,000
Assaying (Surface geology mapping and sampling)	Samples			0
Assaying (Drilling)	Samples	30	3,000	90,000
Access Roads and Drill Sites (Maintenance and new roads)	Hours-Dozer	400	90	36,000
Gasoline	Monthly	1,400	7	9,800
Vehicles Maintenance	Lump	300	3	900
Tires	Lump	1,000	2	2,000
Metallurgical Testwork	Lump	50,000	1	50,000
Drafting, Reporting, Reproduction, Maps	Monthly	2,000	7	14,000
Office Materials (paper for plot maps, inks, etc)	Lump	500	3	1,500
Telecommunications	Monthly	500	7	3,500

Travel Expenses	Lump	3,000	7	21,000
Vehicle Rental	Monthly-Rent	1,500	7	10,500
Other Equipment Acquisition (Computer)	Lump	2,000	1	2,000
Social Security and Administration	Estimated	54,890	1	54,890
Total Geology and Exploration				**1,152,690**
Property Acquisition & Maintenance Costs				
Mining Taxes				
Surface Rights and Rights of Way		10,000	1	10,000
Environmental Permitting	Report-update	5,000	1	5,000
Total Property Acquisition & Maintenance Costs				**15,000**
Total Project Expenditures				**1,167,690**

Table provided by Silvermex Resources Limited/Minera Terra Plata, S.A. de C.V.

Based on the drill hole spacing, the number of intercepts on a section and in particular, the irregular nature of the veins, both along strike and down dip, it is N. Eric Fier's opinion that the resources on the San Marcial property should be classified as Inferred Mineral Resources. The resource estimate is summarized in Table 19.3.

Table 19.3
Mineral Resources, San Marcial Property

Resource Classification	Tonnes	Grade			Contained Ounces Silver
		g/t Silver	% Lead	% Zinc	
Inferred	2,310,000	191.79	0.32	0.66	14,260,000

The stated resources are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues, unless stated in this report, to the best knowledge of the authors. There are no known mining, metallurgical, infrastructure, or other factors that materially affect this resource.

The resource estimate by Mr. N. Eric Fier C.P.G., P.Eng. is compliant with the current CIM standards and definitions required by NI 43-101 and is, therefore, reportable as a mineral resource by Silvermex. However, the reader should be cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Further resource estimations should consist of increased data collection (sampling), capping silver grades, variography, use of ordinary kriging for interpolation and reclassification of the resource.

Since the mineral resource is compliant with the current CIM standards it can be used as the basis for Silvermex to conduct further exploration to build upon this existing resource base and to conduct further economic evaluations on the deposit.

19.1 CONCLUSIONS

At San Marcial, Silvermex has acquired a project with known silver mineralization and associated mineralization occurring in a series of two parallel veins which have been the

subject of a number of historical workings and drill holes. The two parallel veins have been the subject of a CIM compliant mineral resource estimate which was originally conducted in 2002 and has been reviewed and found to be still valid in 2007. In addition to the two parallel veins there are a number of identified but unexplored targets on the property as well. However, very little work has been conducted on the property to adequately determine the true extent of the mineralization and, therefore, the potential economic viability of the project.

Further exploration is needed to determine whether, or not the existing inferred mineral resource can be upgraded and expanded.

The San Marcial project should be considered as a mid-stage exploration project. Given the present silver prices the project has seen a significant enhancement in potential economics should mineable deposits be discovered. Micon believes that a program of compilation and analysis of the historical data, combined with a focused exploration program to follow-up on the historical drilling results, is both warranted and justified. Micon considers that the scope of work and budget proposed by Silvermex for its exploration is appropriate.

20.0 RECOMMENDATIONS

Micon agrees with the general direction of Silvermex's exploration programs for the San Marcial project and makes the following additional recommendations.

1. Micon recommends that Silvermex completes its own compilation of the San Marcial data. All available data should be entered into a computer database. This will allow Silvermex to evaluate the existing exploration data together with future data. An electronic database will also allow computer-generated resource estimates to be conducted in the future.

2. Micon recommends that during its drilling program Silvermex twins a number of the diamond drill holes. This will allow Silvermex to further validate the previous data collected by Gold-Ore and Silver Standard and use it for its own purposes.

3. Micon recommends that Silvermex re-log and re-box the previous core in order to validate the previous work conducted on the San Marcial property.

4. Micon recommends that Silvermex document its general QA/QC program that will be set-up for the San Marcial property. The company's QA/QC program should address all aspects of the exploration program from initial project investigation to major drilling programs. This QA/QC program should be added as an appendix to any future exploration reports.

5. Micon recommends that further resource estimations should consist of increased data collection (sampling), additional specific gravity test work capping silver grades,

variography, and use of ordinary kriging for interpolation and reclassification of the resource.

The San Marcial project should be regarded as a mid-stage project which may have a significant economic potential, should the mineralization prove to be more extensive than is presently indicated by the current inferred resource estimate.

Given the prospective nature of the San Marcial project and the current metal prices, it is Micon's opinion that the project is worthy of further exploration work.

Micon has reviewed the results of the historical exploration programs and the inferred resource estimate and, in light of the observations made in this report, supports the concepts outlined by Silvermex for further exploration. It is Micon's opinion that the property merits further exploration and that Silvermex's proposed exploration plans are properly conceived and justified.

MICON INTERNATIONAL LIMITED

"William J. Lewis"

William J. Lewis, B.Sc., P.Geo.
Senior Geologist November 23, 2007

MICON INTERNATIONAL LIMITED

"N. Eric Fier"

N. Eric Fier, C.P.G., P. Eng. November 23, 2007
Consulting Resource Geologist and Engineer

21.0 REFERENCES

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Vargas, J.C., et al, (1992), Geological – Mining Monograph of the State of Sinaloa, M-1E, published by the Consejo de Recursos Minerales, 176 p.

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CERTIFICATE OF CO-AUTHOR
WILLIAM J. LEWIS

As the co-author of this report on certain mineral properties of Silvermex Resources Limited, in the state of Sinaloa, Mexico, I, William J. Lewis do hereby certify that:

1. I am employed by, and carried out this assignment for, Micon International Limited, Suite 900, 390 Bay Street, Toronto, Ontario M5H 2Y2, tel. (416) 362-5135, fax (416) 362-5763, e-mail wlewis@micon-international.com;

2. This certificate applies to the technical report titled "NI 43-101 Technical Report for the San Marcial Property, La Rastra Mining District, Sinaloa, Mexico", dated November 23, 2007;

3. I hold the following academic qualifications:

   B.Sc. (Geology) University of British Columbia 1985

4. I am a registered Professional Geoscientist with the Association of Professional Engineers and Geoscientists of Manitoba (membership # 20480); as well, I am a member in good standing of several other technical associations and societies, including:

   Association of Professional Engineers and Geoscientists of British Columbia (Membership # 20333)
   Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories (Membership # 1450)
   Association of Professional Geoscientists of Ontario (Member #1522)
   The Geological Association of Canada (Associate Member # A5975)
   The Canadian Institute of Mining, Metallurgy and Petroleum (Member # 94758)

5. I have worked as a geologist in the minerals industry for 21 years;

6. I am familiar with NI 43-101 and, by reason of education, experience and professional registration, I fulfill the requirements of a Qualified Person as defined in NI 43-101. My work experience includes 4 years as an exploration geologist looking for gold and base metal deposits, more than 11 years as a mine geologist in underground mines and 5 years as a surficial geologist and consulting geologist on precious and base metals and industrial minerals;

7. I have read NI 43-101 and this technical report has been prepared in compliance with the instrument;

8. I visited the San Marcial property between October 12 and 15, 2007;

9. I am independent of the parties involved in the transaction for which this report is required, other than providing consulting services;

10. I am responsible for all Sections of this report except for Section 17, and portions of Sections 1, 14, 19, and 20 which I co-wrote with N. Eric Fier;

11. That, as of the date of this certificate, to the best of my knowledge, information and belief, the technical report contains all scientific and technical information that is required to be disclosed to make this technical report not misleading;

12. I consent to the filing of the report with any Canadian stock exchange or securities regulatory authority, and any publication by them of the report.

    Dated this 23rd day of November, 2007

    "William J. Lewis"

    William J. Lewis, B.Sc., P.Geo.

CERTIFICATE OF CO-AUTHOR
N. ERIC FIER

As the co-author of this report on certain mineral properties of Silvermex Resources Limited, in the state of Sonora, Mexico, I, N. Eric Fier do hereby certify that:

1. I am a contractor and carried out this assignment for, Micon International Limited, Suite 900, 390 Bay Street, Toronto, Ontario M5H 2Y2, tel. (416) 362-5135, fax (416) 362-5763, e-mail ericfier@hotmail.com

2. This certificate applies to the technical report titled "NI 43-101 Technical Report for the San Marcial Property, La Rastra Mining District, Sinaloa, Mexico", dated November 23, 2007;

3. I hold the following academic qualifications:

B.Sc. (Geological Engineering)	Montana Tech	1984
B.Sc. (Mining Engineering)	Montana Tech	1986

4. I am a registered Professional Engineer with the Association of Professional Geoscientists of BC (membership # 135165); as well, I am a member in good standing of the American Institute of Professional Geologists (#10622)

I have worked as a geologist in the minerals industry for 23 years;

5. I am familiar with NI 43-101 and, by reason of education, experience and professional registration, I fulfill the requirements of a Qualified Person as defined in NI 43-101. My work experience includes plus 20 years as an exploration and mine geologist/engineer/manager in over 30 countries primarily working on precious and base metal deposits.

6. I have read NI 43-101 and this technical report has been prepared in compliance with the instrument;

7. I visited the San Marcial property in 2002 to review the project.;

8. I have written a previous NI 43-101 for the mineral property that is the subject of this technical report;

9. I am independent of the parties involved in the transaction for which this report is required, other than providing consulting services;

10. I am responsible for all Sections of this report which I co-wrote with William Lewis;

11. That, as of the date of this certificate, to the best of my knowledge, information and belief, the technical report contains all scientific and technical information that is required to be disclosed to make this technical report not misleading;

12. I consent to the filing of the report with any Canadian stock exchange or securities regulatory authority, and any publication by them of the report.

Dated this 23rd day of November, 2007

"N. Eric Fier"

N. Eric Fier, CPG., P.Eng.