SOLID RESOURCES LIMITED

CEHEGÍN MAGNETITE PROJECT
MURCIA, SPAIN

NI-43-101 TECHNICAL REPORT

Effective Date: 28th April 2014

Prepared By

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Page

TABLE OF CONTENTS

Page

Page

LIST OF TABLES

Page

LIST OF FIGURES

Page

1.0 SUMMARY

1.1 INTRODUCTION

Solid Resources Limited (Solid) has engaged Micon International Co Limited (Micon) to complete an independent Technical Report (Report) describing Solid's Cehegín Magnetite Project (Cehegín), located in the Autonomous Community of the Region of Murcia (Murcia) (Comunidad Autonoma de la Region de Murcia, CARM), Spain. Solid holds the right to exploit the Cehegín Magnetite Project and intends to develop the project via a number of funding options. This Report is intended to provide a summary of the project and outline the programme of work developed to explore the Cehegín Magnetite Project and construct an operation that will produce magnetite concentrates for sale on the world market.

This Technical Report was prepared in compliance with the Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects. The purpose of this Report is to provide investors with an independent assessment of the Cehegín Magnetite Project owned by Solid.

The Cehegín Magnetite Project is at an early stage of development, despite the fact that it was a past producer; therefore this Report does not contain a mineral resource estimate as defined by the CIM Standards.

1.2 PROPERTY DESCRIPTION

The Cehegín Magnetite Project is located near the municipality of Cehegín, in the Autonomous Community of the Region of Murcia in south-eastern Spain see Figure 1.1. Cehegín (population circa 16,000) is located 68 km west-northwest of the regional capital city of Murcia (population circa 441,000).

Figure 1.1: Map Showing the Location of Cehegín, Murcia and the Port of Cartagena

Source: Google Maps

Access to the deposit is via a network of paved toll-free highways; the project is located only 6 km north of the main Murcia to Cehegín highway. The deep water port of Cartagena is at a distance of 115 km from the operation towards the south-east. The new Corvera International airport is located 2 km south of Murcia and is expected to be completed in the summer of 2014.

1.3 OWNERSHIP

Solid Resources Limited (Solid) is a publicly-listed company on the Toronto Stock Exchange (TSX Venture Exchange). The company trades under the symbol "SRW", and has registered offices at Suite 505 - 1238 Melville Street, Vancouver, British Columbia, V6E 4N2, Canada. The governing jurisdiction is Alberta, Canada.

The Cehegín Magnetite Project comprises 62 valid mineral concessions (pertinencias mineras) and all 62 mineral permits are held 100% by Solid through its wholly owned subsidiary Solid Mines España, S.A.U.

The Mining Law of 21st July 1973 governs the mineral industry in Spain and the Dirección General de Política Energética y Minas implements these laws. When the Spanish mining law was modified in the 1970's the period of validity was reset to 90 years. Sixty of the original 62 pertinencias mineras are due to expire in 16th March 2069; the San Nicolas and Contraataque concessions will expire in 2016. The mineral concessions (pertinencias mineras) currently have a total surface area of 1,030 ha and according to the present mining law this area can be extended to 3,270 ha by converting these to mining squares or (cuadriculas mineras).

Further expansion of the project concession area is in progress. The Victoria exploration permit (Permiso de Investicación) application (No. 22,364 Register of Mining Rights of Murcia) has been filed at the Dirección General de Industria, Energia y Minas to acquire a further 121 mining units (cuadriculas mineras) covering 3,630 ha.

1.4 DISCLAIMER

Whilst Micon has reviewed the exploration and mining licences, permits and entitlements of the property in so far as these may influence the investigation and development of the mining assets, Micon has not undertaken legal due diligence of the asset portfolio described in this Report. The reader is therefore, cautioned that the inclusion of exploration and mining properties within this Report does not in any form imply legal ownership.

During the preparation of this Report, Micon has relied upon information provided by Solid Resources Limited, which describes the legal title, infrastructure, exploration history for the project. Micon has not independently verified the statements and data contained in the supplied information and has assumed that the information provided is representative and materially complete. The reports that provide this information are recorded in the list of references in Section 27.0

1.5 HISTORY

Solid recently purchased the Cehegín Magnetite Project from Lorente y Pallerés, S.L., a local company that was engaged in magnetite concentrate and construction materials production. The project is at a very early stage of development despite the fact that it was a past producer.

The principal mining operation at Mina María terminated in 1989, and the last available feasibility study, completed by Aurelio using the Altos Hornos de Vizcaya (AHV) data in 1990 (Estudio de Viabilidad de Minas de Cehegín), does not meet modern standards for feasibility studies. A significant amount of exploration and exploitation work was conducted at Cehegín: in excess of 4 Mt of ore was mined and processed and some 38,000 m of drilling was completed. The majority of the past production was derived from the María ore body, and unfortunately, the 38,000 metres of drilling cannot be verified by stored drill core, sample cuttings or sample pulps. The lack of physical evidence with which to verify the geological interpretation and lack of independent quality control data to validate the analytical results presented in the drilling database renders it impossible to generate Canadian Institute of Mining and Metallurgy (CIM) Standards-compliant mineral resource estimates. However, it is a positive fact that the exploratory drilling conducted was not speculative, but was conducted in support of magnetite concentrate production operations. Although a portion of the drilling represents the exploited portion of the María ore body, a significant portion may be representative of the Coloso, Soledad and Villamejor ore bodies. The programme of work described later in this Report is intended to confirm the mineralisation outlined by previous drilling and extend the mineral resources by stepping out along strike and down-dip from known drilling intercepts.

The latest historical resource estimates for Cehegín were presented by Aurelio in the 1990, Estudio de Viabilidad de Minas de Cehegín, Murcia using the historical AHV data. The Aurelio study indicates that the total reserves of the María, Coloso and Soledad deposits is in the order of 7.4 Mt and the total waste to be in the order of 8.3 Mm^3 or 22 Mt. The historical estimates were generated using the sectional polygon method and were not categorised using the mineral resource categories described by the CIM Standards. In addition, no cut-off grades or plant feed grades are mentioned in this study and therefore the estimates cannot be considered to be reliable estimates of mineral resources or reserves. Micon is not aware of more recent estimates of mineral resources or reserves.

The Aurelio development plan described is based on mining 250,000 t/a of waste and mining and processing 100,000 t/a of plant feed commencing at Coloso. The plan projects magnetite concentrate production to be 45,000 t/a. Before this production scenario can be realised, or the historical resources described in Table 1.1 can be realised, a programme of confirmation exploration drilling and feasibility studies is required.

The reserves described in the Aurelio 1990 study are presented in Table 1.1. The proportions of yield to concentrate are estimates roughly based on historical test work.

Table 1.1: Cehegín Historical Resources Estimate

Deposit	Tonnage (Mt)	Yield to Concentrate (%)	Product Potential (Mt)
María	0.9	41	0.37
Coloso	4.5	33	1.49
Soledad	2.0	38	0.76
Total	**7.4**	**35**	**2.62**

An estimate has been made of exploration potential of the district. The estimated volume of potential magnetite mineralisation is based on possible exploration outcomes of drilling of magnetic anomalies to depth of 75 m and 100 m below surface. Different potential tonnages are related to the potential thickness of the mineralisation encountered. Two scenarios have been considered for the thickness of mineralisation: 10 m and 20 m as described in Section 6.0. The yield to magnetite concentrate was assumed to be 35%. The total potential magnetite mineralisation could reasonably be expected to be in the range of 25 Mt to 30 Mt. It should be noted that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a mineral resource. It is uncertain whether further exploration will result in the targets zones being delineated as a mineral resource.

Based on the historical data plant feed was planned to be exploited from conventional open-pit mines developed on the Coloso, Soledad and Villamejor magnetite deposits. Mine development was planned to commence at Coloso, followed by Soledad and Villamejor. Mining was planned to commence at Coloso since this is the largest deposit and appears to be well defined by historical drilling. It was planned that all plant feed will be mined using conventional drilling and blasting methods.

Historical mining was based on 10 m high benches with overall pit slope angles ranging from 40^o to 63^o.

The Cehegín Magnetite Project is at a very early stage of development and hosts no mineral resources or reserves as defined by the CIM Standards for Reporting Mineral Resources or Reserves. Historical data has been made available from archives provided by the project vendor Lorente y Pallarés, S.L.

1.6 GEOLOGY AND MINERALISATION

The Cehegín area is primarily located within the Subbética geological terrane, except for the north-western corner of the area in which a minor portion is underlain by Prebética terrane stratigraphy.

Magnetite mineralisation occurs within Triassic units of the Subbética zone near its overthrust plane upon the Prebética zone. The magnetite deposits are associated with mafic, dolerite-like intrusions (ophite) that occur near the boundary of the Buntsandstein phyllosilicate sediments (micaceous sandstones) and Muschelkalk carbonate rocks.

Within the Cehegín area the distribution of host rocks and magnetite mineralisation varies. At Mina Edison the mineralisation occurs in conglomerate and breccia that lie above clay and gypsum of the Buntsandstein. At Mina María, Coloso-San Antonio and Teresa Panza magnetite mineralisation is associated with relatively fresh ophite beneath a tectonised limestone hangingwall. The magnetite mineralisation occurs as disseminated magnetite (low-grade) within the ophitic intrusions and as magnetite dykes intruded into the limestone (high-grade). The latter preferentially occur in dilation zones formed beneath dolomitised limestone. Within the ophites that carry the magnetite mineralisation pendants of conglomerate and limestone are locally present, such as at Teresa Panza.

1.6.1 Mina María

The area surrounding Mina María is covered by Quaternary alluvial sediments with Tertiary limestones and quartzites dominant to the southeast. In the vicinity of the María pit Keuper marl occurs at the north and south limits of the pit, overthrust onto Muschelkalk limestone, which is in contact with massive ophite. The ophite extends the total length of the west side of the pit and Muschelkalk carbonates extend along the east side of the pit. Muschelkalk sediments appear to have been overthrust by Cretaceous sediments of the Intermediate Unit.

A massive porphyry unit dominates the geology along the eastern wall of the María pit. A steeply-dipping fault zone defines the contact between the mineralised ophite and the porphyry unit. Moving east from the fault the steeply-dipping units comprise ophite, massive magnetite and limestone of the Muschelkalk formation. Along strike the magnetite mineralisation locally occurs against the fault and ophite is locally in contact with the limestone. Magnetite mineralisation also occurs as irregular bodies within the ophite.

1.6.2 Coloso

At Coloso the stratigraphy includes highly tectonised Muschelkalk limestone, which is overthrust by clay-rich, red sandstone of the Buntsandstein unit. This in turn is overlain by Quaternary limestone. The Muschelkalk limestone is locally in contact with massive ophite. Massive magnetite veins up to 50 m thick, are often localised at the contact between the ophite and limestone hangingwall. The magnetite mineralisation is inclined to the south-east at angles ranging from 30^o to 60^o.

1.6.3 Soledad

The magnetite mineralisation at Soledad trends in an east-west orientation for 400 m and ranges from 75 m to 180 m wide. Magnetite occurs within and above the ophite and generally beneath Muschelkalk limestone. In cross-section the mineralisation forms an arch-like structure along an east-west axis and ranges up to 35 m thick.

1.6.4 Villamejor

The geology of Villamejor area is quite simple; a steeply dipping magnetite body approximately 10 m thick is inclined to the east. The hangingwall unit is massive limestone of the Muschelkalk formation; the footwall consists of massive ophite. Locally, the ophite contains significant concentrations of magnetite and along strike the mineralisation can vary from a discrete magnetite body to a complex mix of magnetite, ophite and limestone.

1.7 EXPLORATION AND DRILLING

The Altos Hornos de Vizcaya (AHV) company conducted mining operations between 1975 and 1989, mainly at Mina María, with concurrent exploration work in several of the 62 concessions.

From the 382 holes known to have been drilled between 1975 and 1983 (although so far details are available for 121 of them) it is apparent that exploration was continued both down-dip to deeper levels, and along strike in both directions.

Amongst the historical data topographic maps of different dates have been located, including one from 1960 (before the opencast operations). Digital terrain models have been prepared for the latest available topography. Maps showing the magnetometry have also been prepared.

A detailed report of the exploration is available, which includes delimitation of areas of interest as defined by the magnetic anomalies, drilling, core logging and sampling, sample preparation and Davis Tube recovery (DTR).

1.8 MINERAL PROCESSING AND METALLURGICAL TESTING

There is no representative metallurgical test work available for the Coloso, Soledad or Villamejor magnetite deposits. It is obvious that a significant amount of metallurgical work is required to ascertain the exact quality of Cehegín magnetite concentrates that will be produced in future. Preliminary metallurgical test work is proposed as part of the Phase II work programme.

The Cehegín magnetite mineralisation appears to be coarse-grained, high-grade and capable of yielding relatively coarse-grained, high-grade concentrates via conventional, low and medium-intensity magnetic separation technologies.

1.9 MINERAL RESOURCE ESTIMATE

There are no mineral resources to be declared for the deposit that comply with the requirements of CIM Standards.

1.10 MINING AND MINERAL RESERVES

No CIM Standards-compliant mineral reserves exist for the Cehegín Magnetite Project.

1.11 CONCLUSIONS AND RECOMMENDATIONS

1.11.1 Conclusions

As this is an early stage project it is impossible to accurately characterise the mineral resource potential; however, historical data and consideration of reasonable possible extensions of the deposits, do provide an indication of the available quantity of mineralisation. The mineral potential is estimated to be between 9 Mt and 42 Mt of magnetite mineralisation. It should be noted that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a mineral resource. It is uncertain whether further exploration will result in the targets zones being delineated as a mineral resource.

A SWOT analysis (strengths, weaknesses, opportunities and threats) has been prepared to summarise the conclusions for the Cehegín Magnetite Project.

1.11.1.1 Strengths

1. Although at an early stage, the Cehegín Magnetite Project is supported by some 38,000 m of historical drilling data that could be validated by a limited drilling and metallurgical test work programme. Cehegín is a past producer and the historical data available indicates that the operation produced high-quality magnetite concentrate.
2. High Quality Product - Historical data indicates that the product grade produced was in excess of the standard 62% iron. If the same quality concentrates can be produced, Cehegín concentrates will attract a price premium in the market. Concentrates produced in the past contained impurity elements well below penalty levels, which rendered them attractive to the wider markets.
3. Logistics - The Cehegín project lies within a region of well-developed infrastructure and offers excellent logistics options. Access to the deposit is via a network of paved toll-free highways; the project is located only 6 km north of the main Murcia to Cehegín highway. The distance from the project to the port is 115 km. RENFE, the local rail company, has a spur 12 km distant from the project in the town of Calasparra and the transport distance to the port by rail is 142 km. The rail system terminates at the Cartagena bulk pier.
4. Deep Water Port – The Port of Cartagena is a deep water port capable of receiving Capesize class vessels. The port is equipped with high capacity bulk-loading equipment, capable of loading vessels up to 400,000 DWT, with two cranes of 40 t and 60 t per lift.
5. Presence of Experienced Contractors – Spain offers local contractors of international dimensions with capacity to execute any task. Local companies such as Duro Felguera (plant and EPCM) and Sanchez y Lago (blasting and earth movement) have presented proposals and are working on similar projects in other parts of the world.
6. Advantages of Economic Climate – The current poor economic climate affords Solid the opportunity to lock in contracts at competitive rates. On a higher level, national and local governments are strongly supporting significant investments that would create jobs and tax revenues. This should be leveraged to obtain an attractive mining convention.
7. Brownfield Site – The project is based on a historical mine that was operational until 1990. Site infrastructure will need to be revised and a new plant constructed, but waste dumps and tailings facilities have been permitted in the past. In addition, a significant amount of drilling and Davis Tube analysis has been completed during previous operations and exploration campaigns. The data available for Coloso, Soledad and Villamejor could be validated by a campaign of twinned-hole drilling and Davis Tube analysis.
8. Favourable Regulatory Environment –Murcia has been very supportive of the project in all its aspects, including the environmental issues. A high priority is placed on job creation in the region. The mining activity would be classified as strategic, and as a consequence, fall into a special regulation framework that amongst other advantages reduces by half the period of all the regulatory terms. In addition, it grants special tax reductions via free amortisation plans encouraging reserves for future investments made from up to 30% of net profits tax exempt up to ten years.

9. Most of the area covered by the concessions does not fall within any environmental protection zone and both laws, the EU and National authorities, recognise mining as a priority activity above all other interest. Therefore, rather than banning mining in case of environmental conflict, regulations have been created for the restoration and compensation of third party interest, existing a wide jurisprudence body.
10. Experienced Labour Resource – Murcia has a long historical tradition in iron and other mining production, including extensive quarrying for construction and marble production. There are a significant number of operating quarries in the region. Skills utilised by the quarries could easily be adapted to iron concentrate production. There is an abundant supply of skilled labour resource in the region.
11. Existing Infrastructure – Electrical transmission lines are available to various points throughout the property, including to the processing plant site at Mina María. In addition, roads suitable for commercial activity exist leading from the main road to the processing plant area. Right of way currently exists to all of the project sites.
12. Waste Areas – Waste storage areas exist and are already permitted.

1.11.1.2 Weaknesses

1. European Regulatory Environment and Potentially Conflicting Laws – The European Union (EU) environmental regulatory framework is called Ley Natura 2000. The Mining Law of 21 July 1973 governs the mineral industry and the Dirección General de Política Energética y Minas implements these laws. Below these two legal frameworks, the municipal government implements its own framework within the limits of the National and EU laws. Although the EU law and the present National Mining Law of 1973 recognise the coexistence of mining interests and environmental interests currently, there is no way to assure avoidance of future conflicts between mining and the environment. There is no basis on which to conclude regulations will not conflict between both levels, leading to approval delays.
2. Solid Experience – Solid operates as a development-stage company and has no experience operating iron ore mines. Solid will have to recruit a project team with experience in constructing and operating a producing mine.

1.11.1.3 Opportunities

1. Exploration Potential - The Murcia area is underexplored. Further exploration both regionally and locally could provide for significant resource upside. A detailed programme has been developed in a phased approach (see Section 26.0).
2. Low Cost Exploration – A limited programme of drill hole twinning of the existing holes may serve to validate the currently available exploration data. Additional proposed reconnaissance drilling may significantly increase the reserve base of the four known deposits. It may be possible to extend the project life at a relatively low exploration expense.
3. Additional Licensing - It should be noted that the full magnetometer survey commissioned by Altos Hornos de Vizcaya SA, covered an area of some 58,000 ha. The area covered by the currently known mineralisation and controlled by Solid covers only approximately 6,900 ha. There are a number of additional magnetic anomalies that warrant further exploration.

4. Long Term Contracts and European Sales – The delivered cost to European mills will be competitive with Australian and South American product due to the reduced shipping cost.
5. Conversion of Contractors to Employees – At the present time, Solid has utilised the expertise of consultants. The company could use these consultants as components of the management team by hiring them into the company. This would provide a high degree of stability to the management of the company. Alternatively, suitably experienced Spanish companies might become partners in the project, contributing their local operational expertise.

1.11.1.4 Threats

1. Community Action – Although there is support for the project, which will improve employment prospects in the region, there are potential conflicts that may arise with agriculture groups if a proper environmental management plan is not implemented, requiring compensation or expropriation to a few agricultural crops that could be affected.
2. Labour Action – Specialised mining and processing labour is limited in the region. If a contract miner is not used or a suitable operating partner is not identified, a training programme will have to be initiated at an early stage of the project to ensure that the required compliment of skills is available for the operation to function.
3. Rising Trucking Expense – Competition for trucking resources could result in increased expenses should the local economy improve significantly.
4. Rising Loading Cost – Although the bulk pier of Port of Cartagena has the advantage of a very large loading surface of 200,000 m^2, future economic reactivation could lead to competition for port resources which could result in increased port and loading costs.
5. Political Change - Economic improvement over the next two years could potentially change the political agenda, resulting in diminished support for the project. However, the laws favouring mining activity and have not changed since inception in 1973, even in at the highest peak of economic activity.
6. Licensing and Permitting – The Company has received considerable support from the local government regarding permit applications; however, even in the most favourable of environments, permits can be a source of risk.
7. Falling Iron Prices - Lower iron prices would reduce project revenue and the rate of return on investment.
8. Upside Resource Estimates Don't Materialise – As with all mineral projects, there is a risk that the reserves will not materialise as planned. In spite of the apparent favourable mineral potential of the project area, there is no certainty that the currently identified sources of mill feed, or any expansion of these sources, will be realised.
9. Failure to Achieve Expected Concentrate Levels – Although the project has Davis Tube test results from four areas, these tests were completed some time ago and full documentation covering the samples, test procedures and test results does not seem to be available. Historic concentrate production was limited to the María ore body. Mineral extracted from the other deposits may be different and there is a risk that its metallurgy may differ adversely – or indeed positively - from current projections.

10. Risk of Previous Mining – Prior underground mining at the four sites could present a risk both to any resource estimates, if significant mineral was extracted, (apparently less than 2 Mt was extracted), and to the ability to properly develop open pits. A complete engineering survey of the old work will need to be completed in order to mitigate this risk.

1.11.2 Recommendations

A detailed project execution plan is proposed for the project subject to final approval of the project management team. The high level sequence of development proposed for the base case is as follows:

- Phase I – Exploration and Concept: Cost US$2.5 million,
  Estimated completion 30th April 2015; and,
- Phase II – Pre-Feasibility/Feasibility: Cost US$5 million,
  Estimated completion: 30th April 2016.

2.0 INTRODUCTION

2.1 TERMS OF REFERENCE AND PURPOSE OF THE TECHNICAL REPORT

Solid Resources Limited (Solid) has engaged Micon International Co Limited (Micon) to compile an independent Technical Report (Report) describing Solid's Cehegín Magnetite Project (Cehegín), located in the Autonomous Community of the Region of Murcia (Murcia) (Comunidad Autonoma de la Region de Murcia, CARM), Spain. Solid holds the right to exploit the Cehegín Magnetite Project and intends to develop the project via a number of funding options.

Solid requested that Micon's Technical Report be prepared in accordance with the formatting requirements of National Instrument 43-101F1 for providing documentation for written disclosures, and is intended to be read in its entirety. The purpose of this Report is to provide investors with an independent assessment of the Cehegín Magnetite Project held by Solid. This Report has been compiled in compliance with Canadian National Instrument 43-101.

The current Report does not contain a CIM Standards-compliant mineral resource estimate.

2.2 SCOPE OF WORK

The scope of work for the Technical Report is as follows:

- Review the historical exploration data;
- Review the previous mining data;
- Make recommendations for further resource/reserve development; and,
- Comment on the development possibilities.

2.3 SOURCES OF INFORMATION

The information available with which to prepare the Report was derived from a number of sources including the following:

- Documents provided for review by Solid;
- Documents available in the Lorente y Pallarés archives that were obtained from the vendors of the mineral concessions. These are mainly copies of original documents including technical reports on historical exploration and production; plans detailing the topography, local infrastructure and open pit and underground mine workings; geological plans and sections; geophysical plans and sections detailing magnetometers surveys; drill hole logs that provide Davis Tube results and iron assays; laboratory and assay certificates for rock and iron concentrates;
- An electronic database of drilling and sample analysis data for the Coloso, Soledad and Villamejor deposits compiled by Solid; and,
- Published scientific reports on Murcia available from the internet.

2.4 QUALIFICATIONS OF THE CONSULTANT

2.4.1 General

This Report has been prepared by Micon from its Norwich UK office.

Mr. S. C. Bartlett, M.Sc., PGeo., of Micon, by reason of education, experience and professional registration, fulfils the requirements of an independent Qualified Person (QP) as defined by Canadian National Instrument 43-101 and by CIM Standards. Mr. Bartlett has over 35 years of field experience with metal mineralisation similar to that found within the Cehegín property.

Mr. Bartlett visited the Cehegín property from 26th to 28th February 2014 and during this visit and in subsequent discussion with Solid, information on the nature of the deposit, the project location and its characteristics was verified. During the site visit outcrops and old mine workings were inspected. Drill collars were observed and the distribution of these was compared with drill plans to verify the relative location and density of drilling.

Subsequent to the site visit the electronic database was audited and a number of checks were made to confirm the volumes of mineralisation reported as historical resources. The DTR data was used create a model of the magnetite mineralisation to confirm the volume of the historic estimates and to assist in planning future exploration.

2.4.2 Micon International Limited

Micon International Limited has provided consulting services to the international mining industry since 1988, with particular focus upon mineral resource estimations, metallurgical services, mine design and production scheduling, preparation of pre-feasibility and feasibility studies, independent due diligence reviews of mining and mineral properties, project monitoring, independent engineer roles, financial analysis and litigation support.
Micon's staff is comprised of highly qualified and experienced professionals who are guided by the principles of Integrity, Competence and Independence. Each member has extensive experience with mineral exploration and mining companies and leading consultant groups. Micon applies the skills of its staff and associate consultants to suit the specific requirements of the assignment so as to provide the highest level of service, value and quality.

Micon's clients include mining and mineral exploration companies, financial institutions and government agencies from around the world. Assignments have been carried out in virtually every country of the world for such commodities as precious and base metals, industrial minerals, diamonds and the energy fuels. A particular expertise has been developed in the economic evaluation of mining properties, including studies in support of debt and equity financing. Micon's professional staff have the experience, education and professional credentials to act as Qualified Persons and/or Competent Persons, as required by world-wide regulatory agencies.

Micon fulfilled an integral role in the development of the National Instrument 43-101 legislation in Canada. In 1997 the Mining Standards Task Force of the Toronto Stock Exchange and the Ontario Securities Commission appointed Micon to review and assess the current requirements and procedures for technical reporting by mining and mineral exploration companies falling under the regulatory regime of the OSC and/or administration of the TSE, and assess the need for revising and improving the requirements and procedures with the objective of maintaining the status of, and confidence in, Toronto as the premier international mining finance centre. Micon's report entitled Standards for the Acquisition and Reporting of Technical Information by the Mining Industry was published as Appendix D in the final report of the Mining Standards Task Force in January 1999. The report forms the basis of the current Canadian National Instrument 43-101 legislation and related policy.

Specific examples of Competent Persons, Independent Experts, Qualified Persons, Minerals Expert and Canadian National Instrument 43-101 Reports prepared by Micon are provided below.

Competent Person's Report

Ovoca Gold PLC, United Kingdom: Competent Person's Report on the Goltsovoye Silver Project, Magadan Region, Russian Federation in support of London Stock Exchange listing.

OJSC MMC Norilsk Nickel, Russian Federation: Competent Person's Report on the Mineral Assets of OJSC MMC Norilsk Nickel.

Peter Hambro Mining Limited, United Kingdom: Qualified Person's Report on the Pokrovskoye Gold Mining Project, Amur Region, Chita, Russian Federation, prepared in support of London Stock Exchange listing.

Touchstone Gold Limited, Canada: Independent Technical Report for the Rio Pescado Gold Project, Department of Antioquia, Colombia, prepared for Touchstone Gold Limited and Collins Stewart Europe Limited, in support of Toronto Stock Exchange and AIM listings.

Independent Expert's Report

OJSC Polyus Gold, Russian Federation: Independent Expert Report on the Reserves and Resources of OJSC Polyus Gold, Russian Federation in support of London Stock Exchange listing.

JSC Alrosa, Russian Federation: Independent Expert Report on the Reserves and Resources of JSC Alrosa Diamond Assets.

Alrosa Group of Companies, Russian Federation: Independent Expert Report on the Reserves and Resources of the Diamond Assets of the Alrosa Group of Companies.

Alrosa Group of Companies, Russian Federation: Independent Expert Report on the Reserves and Resources of the Diamond Assets of the Alrosa Group of Companies, in support of Moscow Stock Exchange listing.

Mineral Expert's Report

OJSC Matrosova Mine, Russian Federation: Mineral Expert's Report on the Natalka Gold Deposit, Tenkin District, Magadan Region Russian Federation.

Polyus Gold International, Bailiwick of Jersey: Mineral Expert's Report on the Mineral Reserves and Resources Polyus Gold, Russian Federation.

Independent Engineer's Report

HypoVereinsbank/Unicredit: Independent Engineer services and monitoring of construction of the Voskhod chromite project in Kazakhstan on behalf of HypoVereinsbank/Unicredit as technical agent.

Optimum Capital/ING Bank N.V.: Independent Engineers Report and ongoing monitoring of construction and development of the Hemerdon tungsten-tin project in Devon, United Kingdom, as Independent Engineer to the lenders.

Dannemora Mineral AB, Sweden: Independent Engineer's Report and monitoring of the underground iron mining project.

Canadian National Instrument 43-101 Reports

Endomines OY, Finland: Independent 43-101 Technical Report on the Illomantsi gold project.

Andina Minerals Incorporated, Canada: Technical Report – Review of Gold and Copper Exploration Potential of Mineral Properties in Chile.

Inter-Citic Minerals, Canada: Incorporated Technical Report on an Updated Mineral Resource Estimate, and a Preliminary Assessment and Economic Analysis for the Dachang Gold Project, Qinghai Province, People's Republic of China.

Azerbaijan International Mineral Resources Operating Company (AIMROC), Azerbaijan: Technical Report on the Chovdar Gold Property, Khalnar Administrative District, Azerbaijan.

Dalsvetmet, Russian Federation: Technical Report on the Nasedkino Gold Project, Chita Region, Russian Federation, prepared in support of Toronto Stock Exchange listing.

Portex Minerals Incorporated, Canada: Technical Report on the Toral Zinc-Lead-Silver Project, Castile and León, Spain.

MMC Intergeo, Russian Federation: Technical Report on Mineral Resources of the Kingashsky, Verkhnekingashsky and Kuyovksy Nickel-Copper Deposits and Results of the Preliminary Economic Assessment, Krasnoyarsk Krai, Russian Federation, prepared in support of Toronto Stock Exchange listing.

KGHM Polska Miedź S.A., Poland: Technical Report on the Copper-Silver Production Operations of KGHM Polska Miedź S.A. in the Legnica-Głogów Copper Belt Area of Southwestern Poland. Prepared in support of Warsaw Stock Exchange listing.

Managazeya Mining Limited, Russian Federation: Technical Report on the Savkino Gold Project Mineral Resources and Reserves, Chita Region, Russian Federation.

2.4.3 Independence

Micon is internally owned and is entirely independent of all parties involved in Solid Resources Limited. Micon's consulting staff consists of fulltime employees. In certain circumstances, Micon contracts the specialist services of individual, independent associate consultants. However, Micon selects associates on the basis of their appropriateness to a specific project. Micon has access to the services of its Toronto and Vancouver, Canada offices, Norwich and Cornwall, UK-based staff, supported by senior consultants based in Moscow, Russian Federation and the United States of America.

As Independent Consultant, Micon will receive a fee for its services based on time and expenses and will not receive any capital stock from any of the parties associated with the Cehegín Magnetite Project.

2.5 TECHNICAL REPORT USE

This Report is intended to be used by Solid Resources Limited subject to the terms and conditions of its agreement with Micon.

The conclusions and recommendations in this Report reflect the authors' best judgment in light of the information available to them at the time of writing. The authors and Micon reserve the right, but will not be obliged, to revise this Report and conclusions if additional information becomes known to them subsequent to the date of this Report. Use of this Report acknowledges acceptance of the foregoing conditions.

2.6 UNITS AND CURRENCY

All financial values are reported in either Euros (€) or the currency of the United States of America (US$) while units are reported in the Système Internationale d'Unités (SI), as utilised by the international mining industries, including: metric tons (tonnes, t), million metric tonnes (Mt), kilograms (kg) and grams (g) for weight; kilometres (km), metres (m), centimetres (cm), millimetres (mm) or microns (µm) for distance; cubic metres (m^3), litres (l), millilitres (ml) or cubic centimetres (cm^3) for volume; square kilometres (km^2) or hectares (ha) for area; weight percent (%) for metal grades and grams per metric tonne (g/t) for precious metal grades. Sometimes parts per billion (ppb) or parts per million (ppm) are used to express metal content and tonnes per cubic metre (t/m^3) for density. The magnetite content is expressed in percent (%) and may also be expressed in dry metric tonne units (dmtu), which is 1% of iron (Fe) contained in a tonne of ore, excluding moisture. The price per tonne of a certain quantity of iron ore is calculated by multiplying the cents/dmtu price by the percentage of iron content. Iron ore contracts are quoted in US cents.

A glossary of terms and abbreviations are provided in the next sections.

2.7 GLOSSARY

Arenite: Arenite is a detrital sedimentary clastic rock with sand grain sizes between 0.0625 mm and 2 mm and it contains less than 15% matrix.

Brecciated (breccia): Fragmented rock consisting of angular particles that have not been worn by water (unlike conglomerates).

Conglomerate: Fragmented rock consisting of rounded particles that have been worn by water (unlike breccias).

Cut-off criteria: A set of requirements for the quality and quantity of a mineral in subsoil, for mining and other conditions of the deposit development that define the commercial value of the deposit. The cut-off criteria are used to calculate mineral reserves.

Cut-off grade: The minimum concentration of a valuable component in a marginal sample of the mineral. The cut-off grade is used to delineate parts of the deposit to be mined.

Dilution: Waste rock that is, by necessity, removed along with the ore in the mining process subsequently lowering the grade of the ore.

Dip angle: The angle between the direction of the described geological structure and horizontal plane.

Dolomite: **($CaMg(CO_3)_2$)**: Calcium magnesium carbonate rock.

Dolerite: A medium crystalline dark coloured basic intrusive igneous rock. The chemical composition of dolerite is the same as basalt or gabbro.

Davis Tube Recovery Analysis: This provides the weight percentage of the crude ore that can be recovered by magnetic concentration.

Due Diligence: The procedure of forming an objective opinion about the investment facility that includes investment risks, independent assessment of the facility, comprehensive research on the company's operation, complex inspection of its financial status and market position. Due diligence is usually performed prior to a business purchase, a merger (acquisition) deal or start of cooperation with the company.

Feasibility Study: As defined by the CIM, a Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project.

FOB (Free on board): In general this means that the seller pays for the transportation of the goods to the port of shipment, plus loading costs. The buyer pays freight, insurance, unloading costs and transportation from the port to the goods destination.

Geochemical Exploration: Exploration or prospecting methods depending on chemical analysis of the rocks or soil, or of soil gas and plants.

Greenalite ($(Fe^{2+}, Fe^{3+})_{2\text{-}3}Si_2O_5OH_4$): A hydrated ferrous silicate related to serpentine.

Gypsum ($CaSO_4.2H_2O$): Calcium sulphate, common mineral in sedimentary rocks. This mineral is especially important in evaporate deposits.

Host rock: Wall rock that confines the mineral occurrence zone.

Intrusion: A body of igneous rock that invades older rock. The invading rock may be a plastic solid or magma that pushes its way into the older rock.

Limestone: A common sedimentary rock composed mainly of calcium carbonate.

Mafic: Subsilicic, basic. Pertaining to or composed dominantly of the magnesian rock-forming silicates; said of some igneous rocks and their constituent minerals. In general, synonymous with 'dark minerals'.

Magnetic Susceptibility (MS): A measure of the degree to which a substance is attracted to a magnet; the ratio of the intensity of magnetisation to the magnetic field strength in a magnetic circuit.

Magnetite (Fe_3O_4): Iron oxide common in igneous, metamorphic and sedimentary rocks, strongly magnetic and an important source of iron.

Marl: A calcium carbonate rich mudstone.

Metamorphic rock: A rock that has, in a solid state, undergone changes in mineralogy, texture, or chemical composition as a result of heat or pressure.

Mine: A mineral mining enterprise. The term is often used to refer to an underground mine.

Mineral Deposit: A body of mineralisation that represents a concentration of valuable metals. The limits can be defined by geological contacts or assay cut-off grade criteria.

Mining method: A combination of technical solutions that define the geometry, technology and sequence of mining.

NI 43-101: Standards of Disclosure for Mineral Projects as dictated by the Canadian Securities Administrators (CSA).

Open pit: A mine that is entirely on surface; also referred to as open-cut or open-cast mine.

Operational reserves: Balance mineral reserves that have been adjusted for dilution and losses, and have been incorporated into a mine production schedule.

Ophite: A dolerite-type intrusive rock, locally referred to as ophite.

Ore: Natural mineral formation that contains valuable components in such compounds and concentrations that make the mining technically and economically feasible.

Ore body: A body of mineralisation that either has been, or demonstrates a reasonable probability of being mined profitably.

Ore field: A collection of mines that exploit a common mineral deposit or cluster of closely related mineral deposits.

Overburden: Waste rock overlying and hosting mineral deposits that is subject to excavation in the course of open-pit mining. The process of overburden removal to access and mine the mineral is called stripping.

Porphyry: An igneous rock with large crystals in a fine crystalline matrix.

Processing: A combination of processes for primary treatment of solid minerals in order to extract the products amenable to further technically and economically feasible chemical or metallurgical treatment or use.

Run of mine (ROM): A term used loosely to describe ore of average grade as produced from the mine.

Saleable ore: The term used to describe ore of average grade coming from the mine.

Sampling: The process of studying the qualitative and quantitative composition and properties of natural formations comprising a deposit.

Sedimentary rock: Rock formed by sedimentation of substances in water, less often from air and due to glacial actions on the land surface and within sea and ocean basins. Sedimentation can be mechanical (under the influence of gravity or environment dynamics changes), chemical (from water solutions upon their reaching saturation concentrations and as a result of exchange reactions), or biogenic (under the influence of biological activity).

Stripping ratio: The relation of overburden volume to a mineral volume. A stripping ratio largely defines the economic feasibility of open-pit mining.

Suite: An aggregate of conformable rock beds with similar general properties that differentiate them from overlying or underlying rocks.

Tailings: Liquid wastes of mineral processing with valuable component grade lower than that of the initial material.

Tailings facility: A complex of special structures and equipment used for storage of liquid wastes of mineral processing (tailings).

Turbidite: A sedimentary geological deposit formed from a turbidity current, which is a type of sediment gravity flow responsible for distributing vast amounts of clastic sediment into the deep ocean.

Waste dump: An artificial dump formed as a result of disposing of overburden (waste rock) at specially designated sites.

2.8 ABBREVIATIONS

°	degree (angle)
%	percent
<	Less than
>	Greater than
£	Pound(s) sterling
A	Amp(s)
AHV	Altos Hornos de Vizcaya
A/m^2	Amps per square metre
BF	Blast furnace
BOF	Basic oxygen furnace
°C	Centigrade
CARM	Comunidad Autonoma de la Region de Murcia
CIM	Canadian Institute of Mining
CIS	Commonwealth of Independent States (former Soviet Republics)
CP	Competent Person
d	Day(s)
DFS	Definitive Feasibility Study
DR/DRI	Direct reduced iron furnace
dmt	Dry metric tonne
dmtu	Dry metric tonne unit
DTR	Davis Tube Recovery
DWT	Deadweight
€	Euros
EPC	Early Phase Capital
EAF	Electric Arc Furnace
EIA	Environmental Impact Assessment
Fe	Iron
FOB	Free On Board
g	Gram(s)
g/L	Grams per litre
g/t	Grams per tonne
GDP	Gross Domestic Product
h	Hour(s)
HDPE	High density polyethylene
HIMS	High Intensity Magnetic Separation
HP	Horse power
ICT	Information and Communications Technology
IRR	Internal Rate of Return
JSKT	Japan, South Korea and Taiwan
kg	Kilogramme
km	Kilometre(s)
km^2	Square Kilometre
kV	Kilovolt(s)
kW	Kilowatt(s)
kWh	Kilowatt hour(s)
kWh/t	Kilowatt hours per tonne
L	Litre(s)
LIMS	Low Intensity Magnetic Separation

LOM	Life-of-Mine
Ma	Millions of years ago
m	Metre(s)
mm	Millimetre
µm	Micron
m^2	Square metre
m^3	Cubic metre
m/s	Metres per second
mg	Milligram(s)
mg/L	Milligrams per litre
Mn	Manganese
Mt	Million tonnes
Mt/a	Million tonnes per year
ppm	Parts per million
QA/QC	Quality assurance/quality control
QP	Qualified Person
ROM	Run of Mine
s	Second
SME	Small and Medium Enterprises
Sn	Tin
SRW	Solid Resources Limited trading symbol
st	Short ton (2,000 pounds)
st/d	Short tons per day
st/y	Short tons per year
SWOT	Strengths, Weaknesses, Opportunities and Threats
SYP	Lorente y Pallarés, S.L.
t	Tonne (metric, 2,204.6 pounds)
t/a	Tonnes per year
t/d	Tonnes per day
t/h	Tonnes per hour
t/m	Tonnes per month
t/m^3	Tonnes per cubic metre
TMF	Tailings management facility
TSX	Toronto Stock Exchange
US$	United States dollar(s)
UPVC	Unplasticised polyvinyl chloride
V	Volt(s)
VAT	Value Added Tax
wmt	Wet metric tonne
Wt%	Weight percent
XRF	X-ray fluorescence
y	Year(s)
yd	Yard(s)

3.0 RELIANCE ON OTHER EXPERTS

3.1 GENERAL

The authors of this Report have reviewed and analysed data provided by Solid and have drawn their own conclusions therefrom, augmented by a direct field examination. The authors have not conducted any independent exploration work, drilled any holes or performed any sampling and assaying programmes.

While exercising all reasonable diligence in checking, confirming and testing it, the authors have relied upon the data presented by Solid in preparing the Technical Report.

The descriptions of geology, mineralisation and exploration are taken from reports prepared by various companies or their contracted consultants. The conclusions of this Report rely on data available in published and unpublished reports, information supplied by the various companies which have conducted exploration and or development activities on the property, and information supplied by Solid. Where applicable, the source is noted in the text of this Report and a list of references is provided in Section 27.0 of this Report. The information provided to Solid appears to have been gathered by reputable companies and, having reviewed the information Micon has no reason to doubt its validity.

The various agreements or licences under which Solid holds title to the mineral lands for this project have not been investigated or confirmed by the author and no opinion is offered as to the validity of the mineral title claimed. Micon has read the sales agreement between the vendors of the project, Lorente y Pallarés S.L. and Solid dated 14th March 2014 and a description of the property, and ownership thereof, as set out in this Technical Report, is provided for general information purposes only.

This Technical Report has been prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects on behalf of Solid. It is based on information available at the time of preparation, data supplied by outside sources, and the assumptions, conditions and qualifications set out herein. This Report is intended to be used by Solid, subject to the terms of its agreement with the authors.

The author acknowledges the helpful cooperation of Solid’s management and 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.

Micon retains the right to change or modify its conclusions if new or undisclosed information is provided, which might change its opinion.

4.0 PROPERTY DESCRIPTION AND LOCATION

4.1 LOCATION

The Cehegín Magnetite Project is located near the municipality of Cehegín, in the Autonomous Community of the Region of Murcia in south-eastern Spain. Cehegín is located 68 km west-northwest of the regional capital city of Murcia (see Figure 4.1).

Figure 4.1: Map Showing the Location of Cehegín, Murcia and the Port of Cartagena

Source: Google Maps

4.2 MINERAL TITLE

4.2.1 Solid - Lorente y Pallarés, S.L. Agreement

Solid has acquired the Cehegín Magnetite Project through the purchase of all the issued and outstanding shares of Lorente y Pallarés, S.L. (SYP), a private Spanish company. SYP held all the rights and interests associated with the Cehegín group of 62 mineral concessions. The terms of the purchase agreement include:

- Purchase price €135,000, plus repayment of a mortgage debt for €45,000;
- Solid assumes security deposit to the financial institution for €45,861, in respect of environmental restoration;
- Total price €225,861;
- SME retains two ex-SYP employees on an as-needed basis. Both previously worked on-site; one technical, one administrative;
- No time constraint to obtain permitting, etc;

- A final payment of €2.7 million is due within 4 months of approval of the mining permit (for all the concessions included in the initial submission) if Solid decides to move forward;
- If the mining permit is approved for anything less than all the concessions submitted for in the initial submission €1.8 million is due, if Solid decides to move forward; and,
- No net royalties are due.

4.2.2 Cehegín Mineral Title

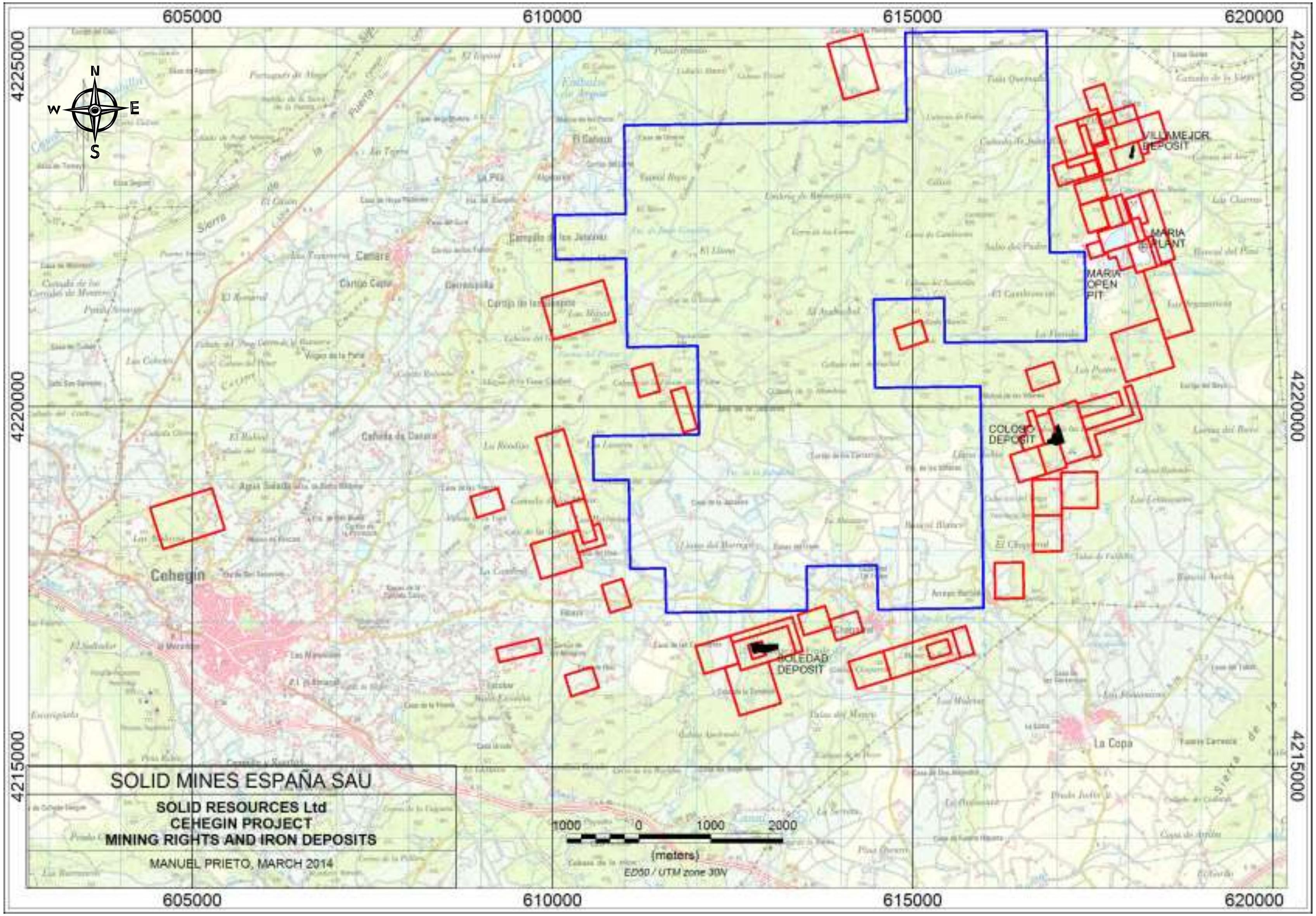
The Cehegín Magnetite Project comprises 62 valid mineral concessions (pertinencias mineras) that cover 1,030 ha (red on Figure 4.2). These 62 mineral concessions are owned by Lorente y Pallarés, S.L., the company that Solid has purchased. Due the history of development and mining, an exploitation permit has been issued for these concessions.

When the Spanish mining law was modified in the 1970's the period of validity was reset to 90 years. Sixty of the original 62 pertinencias mineras are due to expire in March 2069. The San Nicolas and Contraataque concessions are exceptions, having been acquired after the 1973 mining law revision. They were consolidated for 30 years effective 3rd June 1986 and are due to expire 3rd June 2016. These concessions warrant further exploration and new licence terms should be negotiated. Since these concessions form part of the Cehegín mineral concessions renewal for a further 30 years will be negotiated as part of the proposed Solid exploration programme.

To simplify mineral lands holding the mineral rights legislation was modified pertaining to the location of mineral concessions. A system of mining units or cuadriculas mineras was introduced, whereby each mining unit was defined by 20 seconds of latitude and 20 seconds of longitude. In Murcia a mining unit covers approximately 30 ha.

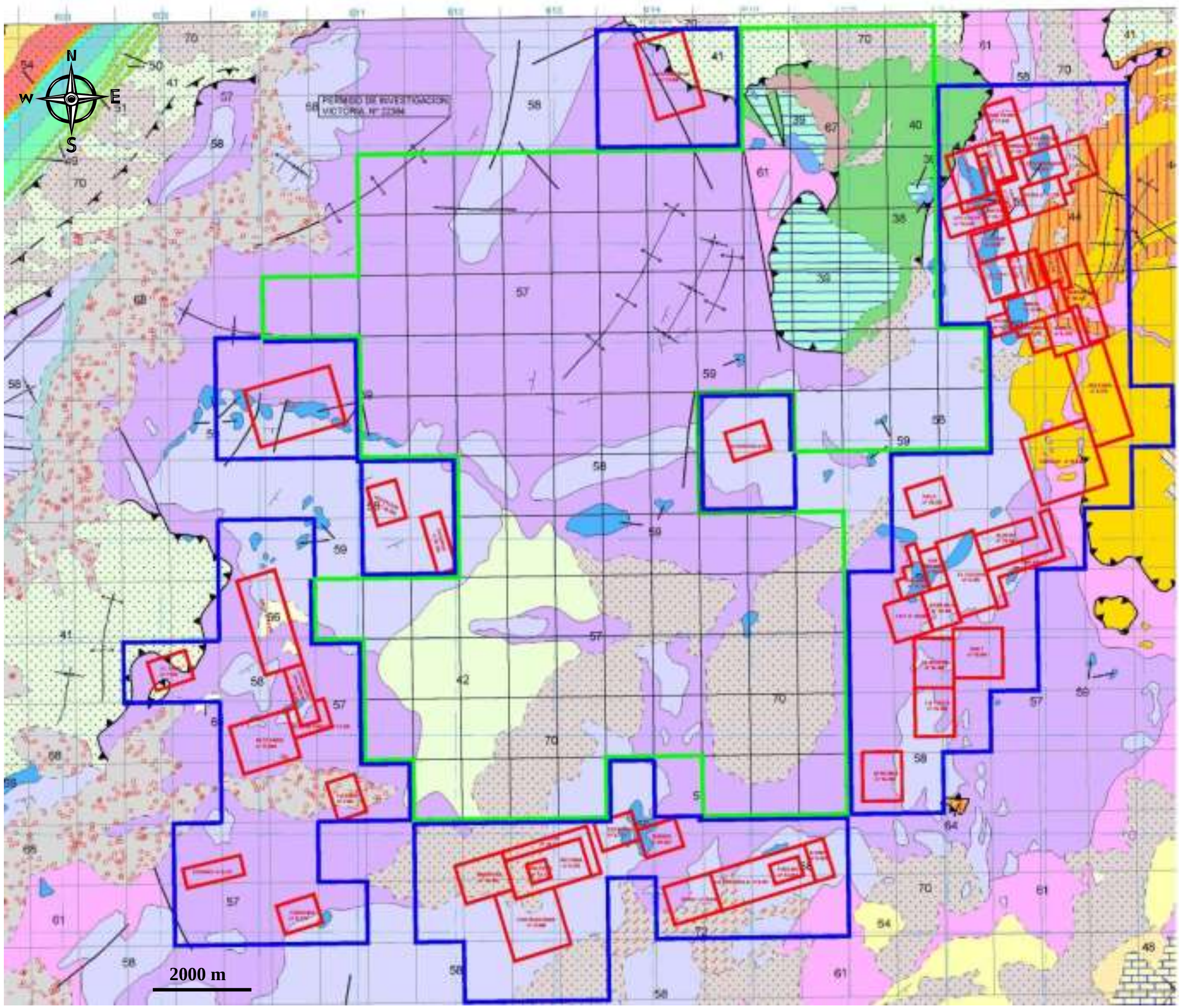
Owners of pertinencias mineras are encouraged to cover their mineral concessions using the new system of cuadriculas mineras. Lorente y Pallarés, S.L. did not apply to convert its pertinencias mineras to the new cuadriculas mineras, probably because it wasn't necessary by law and probably to save the expense. The area required to convert the 62 Cehegín mineral concessions to cuadriculas minerals is shown as the blue outline in Figure 4.3. Solid has stated that no one else can obtain the cuadriculas mineras except the owners of the underlying pertinencias mineras; however, it is recommended that Solid convert to ensure that no problems of mineral title will arise. Normally this should be done before commencing exploration in conjunction with an overall review of the mineral potential of the area to avoid competitor nuisance concessions that may appear on the periphery of the mineral concessions.

Figure 4.2: Cehegín Mineral Concessions



Source: Solid

Figure 4.3: Cehegín Mineral Concessions Showing Consolidated Cuadriculas Mineras



Source: Solid

To cover the 1,030 ha covered by the 62 pertinencias mineras Solid will have to apply for each cuadricula minera that contains a fraction of the original pertinencias mineras. The 109 cuadriculas mineras that are required cover 3,270 ha. It is complicated to calculate the cost of conversion to cuadriculas mineras. Solid has reported that if a pertinencia minera covers a portion of four cuadriculas mineras the cost to register the first cuadricula minera would be €3,960 and each of the remaining three would cost approximately €550 each for a total cost of €5,610. It is obvious from a detailed claim map that a number of pertinencias mineras would fall within a single cuadricula minera. On this basis the worst case cost scenario for conversion would be €245,520 (based on 62 x €3,960), but the actual cost is more likely to be between €50,000 and €100,000.

The expense of converting Cehegín mineral concessions to cuadriculas mineras could be avoided until the initial exploration programme is completed and a decision of whether to continue exploration of the project is made. However, a review of the property status and mineral potential of the district should be undertaken at an early stage of the project, as there is a risk that nuisance concessions will be located on the periphery of Solid's concessions, if the mineral potential of the periphery is deemed by competitors to warrant the expense.

Further expansion of the project concession area is in progress. The Victoria exploration permit (Permiso de Investicación) application (No. 22,364 Register of Mining Rights of Murcia) has been filed at the Dirección General de Industria, Energia y Minas to acquire a further 121 mining units (cuadriculas mineras) covering 3,630 ha (blue outline on Figure 4.2 and green on Figure 4.3). These mining units are intended to cover all land underlain by favourable mineral potential in the immediate area of interest. The 121 Victoria mining units are contiguous with the mining units required to cover the 62 Cehegín mineral concessions. The Victoria application was filed on 19th October 2012 and the award of the mineral concessions for 3 years is pending. The cost of registering the Victoria group of 121 cuadriculas mineras was reported by Solid to be €17,000.

Upon conversion of the 62 pertinencias mineras to cuadriculas mineras, and upon the award of the Victoria group of 121 cuadriculas mineras, the total surface area controlled by Solid at Cehegín will be 6,900 ha or 69 km^2.

To retain the mineral concessions in good standing exploration and development work must be conducted annually based on a plan submitted to, and accepted by the mining authorities. For Murcia this authority is Región de Murcia, Consejería de Universidades, Empressa e Investigación, Dirección General de Industria, Energia and Minas, Servicio de Minas. The sequence of steps required to obtain the permits to conduct exploration and mining activities, and to retain the concessions in good standing, is essentially as follows:

1. Design and present a Work Programme to local mining authorities. This should be a detailed programme showing specific tasks that will be completed so that site access, surface impacts, environmental impacts, safety issues and the utility of the work can be assessed by the mining authorities. The magnitude of the cost and level of detail of the programme will determine the cost of generating the programme and presenting the programme to the local mining authorities. For the proposed Cehegín exploration programme a cost of €6,000 to €10,000 is estimated.

2. The Work Programme should be accompanied by a Preliminary Environmental Impact Assessment. This document is intended to outline the potential impacts of the proposed Work Programme and will be assessed by the environmental authorities to determine mitigation and reclamation requirements, and is fundamental to the approval of the proposed Work Programme. The Preliminary Environmental Impact Assessment must be submitted to local environmental authorities for review and the cost of this work for the Cehegín exploration programme is estimated to be €10,000.
3. The Work Programme must be approved and authorised by State-registered engineers. This review is performed by the Colegio Oficial de la Ingenieros Técnicos de Minas de Cartagena, Castellón, Valencia, Alicante, Albacete, Murcia y Almería. It is difficult to be precise as Solid has no experience with this local authority but a reasonable estimate of the cost of the review is €5,000.

The three reviews are likely to require up to six months to complete, once the proposals and assessments have been submitted. The process can be iterative, depending on the impact assessment and mitigation requirements of the authorities, thus making it difficult to assess the ultimate cost and time requirements. Given that compensations will be assess for agricultural and other private land impacted by the Work Programme, the final cost of the permitting process could be in the range of €50,000 to €100,000.

Failure to complete the proposed work and expend the agreed amount must be rectified through negotiation of an agreement with the mining authorities.

The original Cehegín concession names are provided in Table 4.1 and Table 4.2 provides the limits of the 121 cuadriculas mineras that comprise the Permiso de Investicación Victoria.

Table 4.1: Cehegín Original 62 Mineral Concessions

Concession	No.	Name	Area (Ha)	Authorisation Date	Expiry
1	3.028	La Continuación	51.03	22 08 1875	March 2069
2	4.208	María	34.02	09 12 1875	March 2069
3	6.722	Genaro	34.02	11 08 1879	March 2069
4	6.723	Carolina	34.02	11 08 1879	March 2069
5	6.725	Aurea	34.02	18 09 1879	March 2069
6	6.726	Precaución	17.01	18 09 1879	March 2069
7	6.729	Vulcano	68.04	18 09 1879	March 2069
8	6.753	Elisa	34.02	18 09 1879	March 2069
9	6.756	Victoria	51.03	18 09 1879	March 2069
10	6.757	Espanola	68.04	18 09 1879	March 2069
11	6.775	Entredos	34.02	18 09 1879	March 2069
12	6.776	La Roja	51.03	18 09 1879	March 2069
13	6.777	Jupiter	34.02	18 09 1879	March 2069
14	6.778	La Dudosa	34.02	18 09 1879	March 2069
15	6.799	El Coloso	68.04	18 09 1879	March 2069
16	6.814	San Antonio	17.01	14 06 1880	March 2069
17	7.159	El Copo	51.03	22 04 1880	March 2069
18	7.160	El Sapo	34.02	23 02 1881	March 2069
19	7.160	La Rana	34.02	23 02 1881	March 2069
20	8.193	La Unión	34.02	10 03 1881	March 2069
21	12.316	Rosa	17.01	07 02 1898	March 2069
22	12.317	Paulino	51.03	15 11 1899	March 2069
23	12.318	Soledad	17.01	15 11 1899	March 2069
24	12.552	San Francisco	51.03	03 03 1902	March 2069
25	12.575	San Vicente	34.02	20 09 1910	March 2069
26	12.585	Rosa	17.01	03 03 1902	March 2069
27	12.598	La Ciezana	34.02	03 03 1902	March 2069
28	12.928	La Independencia	34.02	29 02 1912	March 2069
29	12.941	San Pedro	34.02	20 09 1910	March 2069
30	13.107	Guadelupe Salmerón	34.02	22 05 1901	March 2069
31	14.229	San Gabriel	17.01	03 12 1902	March 2069
32	14.262	Los Locos	17.01	03 12 1902	March 2069
33	15.656	La Providencia	68.04	12 03 1904	March 2069
34	16.487	Mariposa	34.02	02 09 1905	March 2069
35	16.488	La Boheme	34.02	02 09 1905	March 2069
36	16.489	La Tosca	34.02	02 09 1905	March 2069
37	16.490	Africana	34.02	02 09 1905	March 2069
38	16.847	Luscinda	17.01	20 09 1910	March 2069
39	16.859	Micomicona	17.01	12 11 1910	March 2069
40	17.246	Teresa Panza	51.03	14 09 1909	March 2069
41	18.057	El Bloque	17.01	20 09 1910	March 2069
42	18.160	Omega	17.01	15 05 1912	March 2069
43	19.940	Bach	51.03	16 03 1927	March 2069
44	19.941	Litz	51.03	16 03 1927	March 2069
45	19.942	Granados	22.01	16 03 1927	March 2069
46	19.943	Albeniz	12.00	16 03 1927	March 2069
47	19.944	Bizet	51.03	16 03 1927	March 2069
48	19.945	Verdi	51.03	16 03 1927	March 2069
49	19.948	San José	34.02	16 03 1927	March 2069
50	19.949	Enrique	85.06	16 03 1927	March 2069
51	19.950	Juanita	34.02	16 03 1927	March 2069
52	20.124	Mariano	17.01	10 03 1931	March 2069
53	20.125	Angel	17.01	10 03 1931	March 2069
54	20.141	Otto	34.02	19 04 1932	March 2069
55	20.360	Remedios	34.02	17 10 1941	March 2069
56	20.361	Paco	34.02	17 10 1941	March 2069
57	20.362	Jaunita	34.02	17 10 1941	March 2069
58	20.363	San Rosendo	34.02	17 10 1941	March 2069
59	20.364	Visitacion	34.02	17 10 1941	March 2069
60	21.075	San Nicolas	102.07	08 11 1982	16 June 2016
61	21.080	Necesaria	51.03	19 01 1962	March 2069
62	21.095	Contraataque	51.03	08 11 1982	16 June 2016

Table 4.2: Limits of Permiso de Investicación Victoria

Vertices	Meridian	Parallel
Pp y 1	1º 40’ 20” W	38º 10’ 00” N
2	1º 40’ 20” W	38º 08’ 20” N
3	1º 39’ 40” W	38º 08’ 20” N
4	1º 39’ 40” W	38º 07’ 40” N
5	1º 41’ 00” W	38º 07’ 40” N
6	1º 41’ 00” W	38º 08’ 00” N
7	1º 41’ 40” W	38º 08’ 00” N
8	1º 41’ 40” W	38º 07’ 20” N
9	1º 40’ 40” W	38º 07’ 20” N
10	1º 40’ 40” W	38º 05’ 40” N
11	1º 41’ 40” W	38º 05’ 40” N
12	1º 41’ 40” W	38º 06’ 00” N
13	1º 42’ 20” W	38º 06’ 00” N
14	1º 42’ 20” W	38º 05’ 40” N
15	1º 43’ 40” W	38º 05’ 40” N
16	1º 43’ 40” W	38º 06’ 00” N
17	1º 44’ 00” W	38º 06’ 00” N
18	1º 44’ 00” W	38º 06’ 40” N
19	1º 44’ 20” W	38º 06’ 40” N
20	1º 44’ 20” W	38º 07’ 00” N
21	1º 43’ 20” W	38º 07’ 00” N
22	1º 43’ 20” W	38º 07’ 40” N
23	1º 44’ 00” W	38º 07’ 40” N
24	1º 44’ 00” W	38º 08’ 20” N
25	1º 44’ 40” W	38º 08’ 20” N
26	1º 44’ 40” W	38º 08’ 40” N
27	1º 44’ 00” W	38º 08’ 40” N
28	1º 44’ 00” W	38º 09’ 20” N
29	1º 41’ 20” W	38º 09’ 20” N
30	1º 41’ 20” W	38º 10’ 00” N

4.3 PERMITTING REQUIREMENTS

4.3.1 General

The governing law for mining operations in Murcia is formulated and regulated by the local government of Murcia. It follows a National Mining Law framework, and local formulation must fall within the National framework. At the present time, Solid management has experienced that the government is favourably disposed toward mining activities. The local authorities have proven their interest in the project through announcements in the local press, and they have completed the administrative work necessary to change the land classification in order to make the mining industry compatible in all land and environmental circumstances.

Informally, the authorities have indicated that local government have offered to expedite the permitting process by applying the strategic industry regulations that may potentially halve all the terms of the different bureaucratic steps to bring the project to completion. Furthermore, the present mining law may give the project special expropriation rights, if required, facilitating any negotiation with land lords and any other third party interest. There exists a wide body of rules and jurisprudence on restoration and compensation to third party interests. The project may qualify for subvention, financial and tax facilities.

4.3.2 Permits

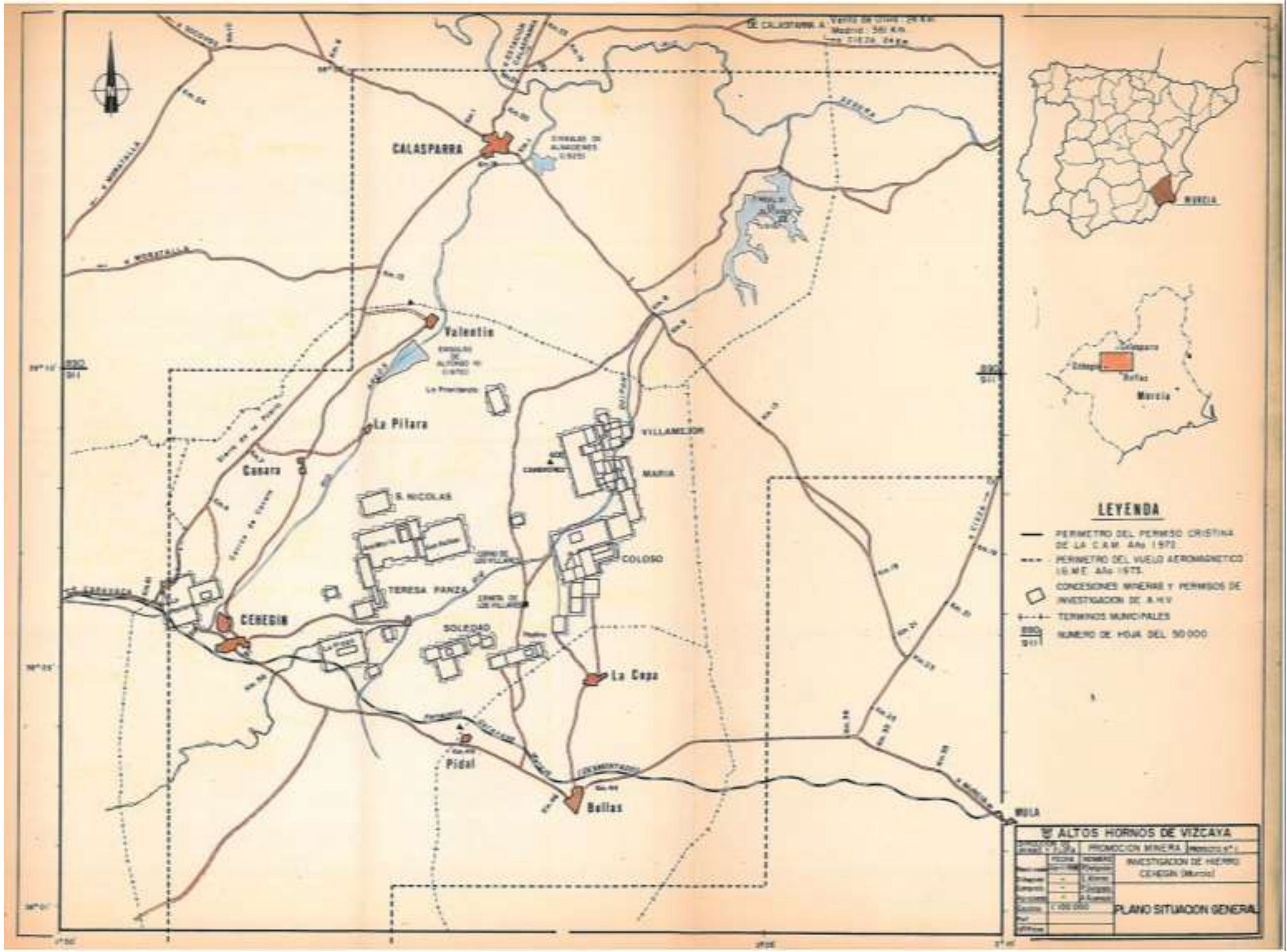
As Cehegín is a brownfield project, basic exploitation permits currently exist. However, the permits need to be brought into compliance in terms of the new Spanish mining laws. In addition, concessions will have to be filed as “cuadriculas mineras” or mining squares, a rationalisation of mining zones to parcels of approximately 30 ha, converting the present 1,030 ha that occupy the 62 concessions, into 109 mining squares or 3,270 ha. This extension borders the investigation permit for which Solid has applied of 121 mine squares or 3,630 ha. Together these form a unified extension of 230 mine squares or 6,900 ha.

In order to commence either exploration or production, plans and environmental studies will have to be completed. It is estimated that exploration drilling permission will take six months for approval. To conduct an exploration campaign a preliminary environmental impact assessment is required. It is expected that this study will require a month to compile and issue of the appropriate permit could require a further six months.

The permitting process to obtain a production permit may require two to three years to obtain the appropriate permit. A full environmental impact assessment would be required. The 12-month schedule proposed is contingent on commencing baseline studies at the earliest practical date. Costs and time estimates will be refined throughout the Phase II process.

The original mineral concessions and principal magnetite deposits are shown in Figure 4.4.

Figure 4.4: Plan Showing Original Mineral Concessions and Principal Magnetite Deposits



Source: Lorente y Pallarés archives

Cehegín permit requirements are summarised in Table 4.3.

Table 4.3: Permit Requirements

Permit Type	Status	Cycle Time	Estimated Approval Date	Note
Exploration (Exploracion)	In process	6 months	4th Quarter 2014	Exploration will not be required for the 62 mining concessions.
Investigacion				
Investigation Plan (Plan de Investigaciones)	Not initiated	Preparation 2 months Approval 4-12 months	TBD	
Environmental Impact Assessment	Not initiated	Preparation 3 months Approval 4-12 months	TBD	EIA may possibly be waived by Murcia Ministry of Mining
Complimentary Investigation Authorisation (Autorizacion Complimentario de Investigacion)			4th Quarter 2014	
Explotacion				
Mining Plan (Plan de Minero)	Not initiated	6 months	TBD	Complete mine plan including mining methods, volumes, pit design, beneficiation and reclamation.
Environmental Impact Assessment for Mining	Not initiated	12 months	TBD	
Municipal Permit	Not initiated			
Final Approval			4th Quarter 2016	
Other Requirements				
EU Environmental Requirements				Requirements depend on the presence of certain species as determined by EIA.

4.3.3 Surface Rights

The majority of the surface where the concessions are located is owned by the Municipality. One exception, the surface of the Mina María Concession is privately owned, and there is an existing contract between the company that holds the exploitation licence, Lorente y Pallarés, and the owner, which is negotiated annually.

4.3.4 Environmental Studies

Preliminary environmental and hydrology studies will be initiated as part of the Phase II activities. Bids have not been solicited at this stage; however, estimated costs have been included in the US$2.5 million Phase II budget. Full environmental and hydrological studies will be completed as part of the pre-feasibility study.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 PROPERTY ACCESS

Access to the deposit is via a network of paved toll-free highways; the project is located only 6 km north of the main Murcia to Cehegín highway. In addition, roads suitable for commercial activity exist leading from the main road to the processing plant area and right of way currently exists to all of the project sites. The towns of Cehegín (Figure 5.1) and Bullas (Figure 5.2) are located near the project.

Figure 5.1: Town of Cehegín

Figure 5.2: Town of Bullas

Figure 5.3 depicts the typical physiography near the Coloso deposit.

Figure 5.3: Typical Physiography near Coloso

5.2 CLIMATE

Murcia region has a hot subtropical, semi-arid climate with mild winters and warm to hot summers (see Table 5.1). It averages more than 300 days of sunshine per year. Occasionally, Murcia has heavy rains where the precipitation for the entire year will fall over the course of a few days. In the coldest month, January, the average temperature ranges from a high of 16°C (61°F) during the day to a low of 4°C (39°F) at night. In the warmest month, August, the average temperature ranges from 33°C (91°F) during the day to 20°C (68°F) at night. Temperatures almost always reach or exceed 40°C (104°F) on at least one or two days per year. In fact, Murcia has realised temperatures close to the highest recorded in southern Europe since reliable meteorological records commenced in 1950. The official record for Murcia stands at 46.1°C (115.0°F), at Alcantarilla airport in the western suburbs on 4th July 1994 with 45.7°C (114.3°F) being recorded at a station near the city centre on the same day.

Table 5.1: Climate Data for Murcia

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Average High °C/(°F)	16.4 (61.5)	18.2 (64.8)	20.4 (68.7)	22.5 (72.5)	25.8 (78.4)	30.0 (86)	33.4 (92.1)	33.6 (92.5)	30.2 (86.4)	25.0 (77)	20.0 (68)	17.0 (62.6)	24.4 (75.9)
Daily Mean °C/(°F)	10.1 (50.2)	11.7 (53.1)	13.5 (56.3)	15.6 (60.1)	19.0 (66.2)	23.1 (73.6)	26.2 (79.2)	26.7 (80.1)	23.6 (74.5)	18.8 (65.8)	14.1 (57.4)	11.1 (52)	17.8 (64)
Average Low °C/(°F)	3.9 (39)	5.2 (41.4)	6.7 (44.1)	8.7 (47.7)	12.2 (54)	16.2 (61.2)	19.0 (66.2)	19.9 (67.8)	16.9 (62.4)	12.7 (54.9)	8.2 (46.8)	5.2 (41.4)	11.2 (52.2)
Precipitation mm (inches)	25 (0.98)	28 (1.1)	30 (1.18)	27 (1.06)	32 (1.26)	20 (0.79)	5 (0.2)	10 (0.39)	27 (1.06)	44 (1.73)	32 (1.26)	21 (0.83)	301 (11.85)
Average Precipitation Days (≥ 1 mm)	3	3	3	4	4	2	1	1	2	4	4	4	35
Mean Monthly Sunshine Hours	172	176	212	240	280	310	338	301	235	203	169	159	2,797

Source: Valores Climatólogicos Normales – Murcia, Agencia Estatal de Meteorología

5.3 LOCAL RESOURCES

Electrical transmission lines are available to various points throughout the property, including to the processing plant site at Mina María. Subject to the results of the definitive feasibility study, transformer substations are planned to be constructed on the project site with medium and low voltage power lines supplying power to the facilities.
A new processing plant is to be constructed and water supplies are planned to be facilitated by a reservoir on site (Mina María pit) with a treatment plant to produce drinking water.

Solid proposes to haul the product 115 km by 41 t truck from site to the deep water port of Cartagena for export via an already existing 4-lane highway. Upgrading of the existing site road network will be required. Bulk material such as pet coke and sulphur is already being transported by truck into the bulk terminal of the Cartagena port. Therefore, no significant issues are foreseen for the suggested transportation by truck of magnetite concentrates.

Alternatively there is the option of transporting the product by rail from Calaspara to Cartagena. Calaspara is located approximately 16 km northeast of Cehegín.

The new Corvera International airport is located 2 km south of Murcia and is expected to be completed in the summer of 2014.

The principal settlements found in the deposit area are Cehegín to the west and Bullas to the east with respective populations of approximately 16,000 and 12,000.

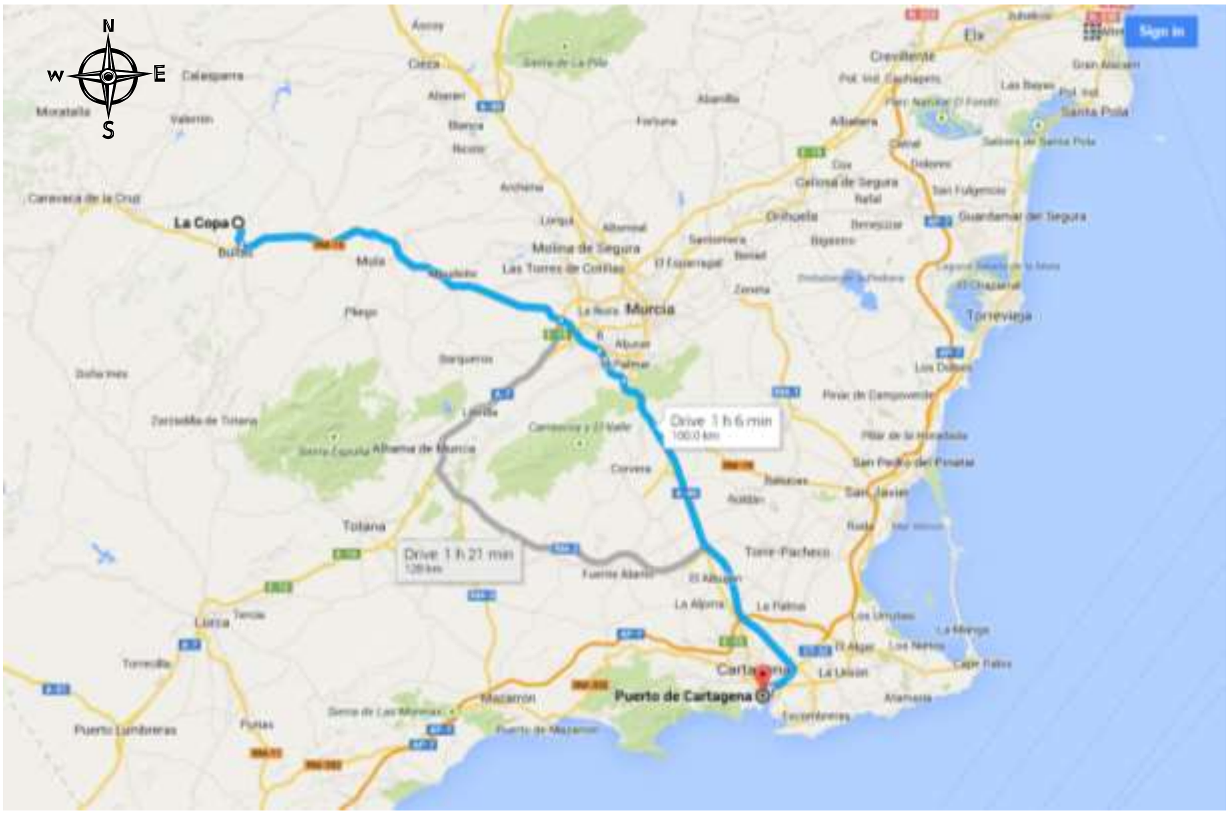
Special preference will be given to residents in north-west Murcia, which has a high percentage of skilled workers related to the mining sector who are currently unemployed, coming from the mining sub-sector of ornamental rocks, seriously affected by the economic crisis. The lack of specialised mine skills in the immediate market may require that Solid bring contractors from other regions to deliver skilled labour services.

5.4 INFRASTRUCTURE

The Cehegín project lies within a region of well-developed infrastructure and offers excellent logistics options. It is, however, expected that site infrastructure will need to be revised and upgraded.

Access to the deep water port of Cartagena is via an existing 115 km long, four-lane highway. Bulk material such as pet coke and sulphur is already being transported by truck into the bulk terminal of the Cartagena port. Therefore, no significant issues are foreseen for the transportation by truck of iron ore concentrates. Upgrading of the existing site road network will be required.

Figure 5.4: Bullas to Cartagena



Source: Google Maps, 2014

Alternatively there is the option of transporting the product by rail from Calaspara to Cartagena. Calaspara is located approximately 16 km northeast of Cehegín.

5.5 PORT FACILITIES

The Cehegín project is connected to the deep-water Cartagena Capesize-capable port by a 115 km-long highway, much of which is a four-lane motorway. The Port of Cartagena is Spain's 6^{th} busiest commercial port has and has recently undergone significant expansion and improvement efforts to provide better services and links to the nation's road network. In the last few years, the port has built a Container Terminal, General Cargo Terminal, Fruit and Vegetable Terminal, and Border Inspection building.

The port is operated by Autoridad Portuaria Cartagena (APC), a state-owned organisation, responsible for managing port services, developing and operating port facilities, overseeing cargo-handling, granting concessions and hiring port services, collecting fees, and reporting on port activities.
The Port of Cartagena contains almost 218 hectares of commercial water surface and 1.7 M m^2 of land area, including 521.6 k m^2 of warehouses. It also operates 4.8 ha outside the basin area.

The Port of Cartagena's Escombreras Basin contains the Solid Bulk Terminal; in particular, the Bastarreche Quay is 762 m long with alongside depth of 21 m, capable of handling Capesized ships.

Several other significant quays are used for ship loading. The Principe Felipe Sur Quay is 350 m long with alongside depth of 13.5 m. It covers over 109 k m^2 with alongside depth of 13.5 m that can accommodate vessels of 75 k tpm. With 6 k m^2 of closed warehouse and warehouses and tanks of 7 k m^2 for chemical fertilisers, the quay is directly connected to Spain's railway system. The Principe Felipe Oeste Quay's berth is 180 m long with alongside depth of 11.9 m dedicated to solid and liquid bulk cargoes. The quay covers over 7 k m^2.

The Port of Cartagena's Isaac Peral Quay covers 164 k m^2, and its wharf is 480 m long with alongside depth of 13.2 m. It can accommodate vessels to 60 k tpm, and it contains five closed warehouses with capacity for 19.2 k m^2 of cargo. The Quay also has direct connections to the nation's rail network.

The Port of Cartagena's Inflammable Cargo Terminal serves several quays. The Principe Felipe Norte Quay is a multi-purpose quay for solid and liquid bulk cargoes, and it can accommodate vessels to 200 m long with 12.5 m draft. The Bastarreche Quay, at 762 m long with alongside depth of 21 m, handles supertankers carrying fuel oil and gas.

The Maese Quay is 367 m long with alongside depth of 10.6 m. With 12 gas oil taps, it handles all kinds of gas oil, petroleum, and lubricant oil. The Pantalan Quay has two berths, one of them 225 m long with alongside depth of 14.5 m and the other 200 m long with alongside depth of 11.1 m. These berths serve butane tankers carrying petroleum, methanol, and liquefied petroleum gases.

The Espigon Quay at 186 m long with alongside depth of 8.6 m, serves liquefied petroleum gases. The Sureste Berth is 250 m long with alongside depth of 14.5 m for liquid bulk. It also has a new pier with alongside depth of 16 m for unloading gas. The Methane Berth is 445 m long with alongside depth of 16 m.

An image of the Escombreras Basin is provided in Figure 5.5 and a detailed image of the surface facilities is shown in Figure 5.6.

5.6 MINESITE RAIL LOOP AND CORRIDOR

There are currently no plans for a mine site rail loop and corridor at this time.

5.7 INDUSTRIAL WASTE DISPOSAL

Waste areas currently exist and are already permitted. The pre-feasibility study will serve to identify more precisely what waste disposal capacities will be necessary to operate the project and additional facilities will be permitted as required.

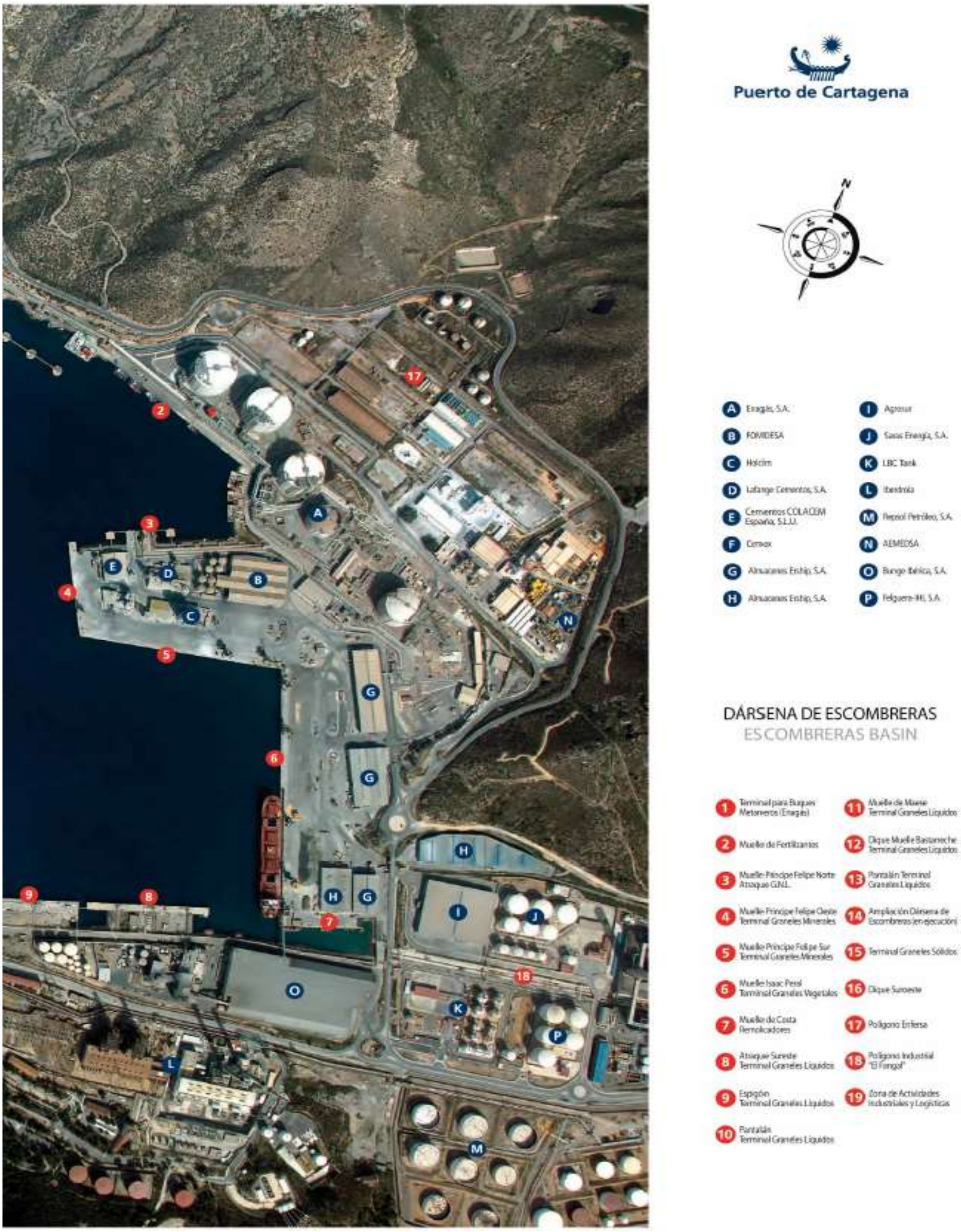
5.8 COMMUNICATIONS AND INFORMATION MANAGEMENT SYSTEMS

No details of these facilities are available at this time.

Figure 5.5: Port of Cartagena Escombreras Basin

Source: Solid

Figure 5.6: Port of Cartagena Surface Facilities



Source: Solid

5.9 ACCOMMODATION

Due to the proximity of local communities no on-site accommodation will be required.

Contractors will be used for the mining and logistics operations. Solid will expand its core team to provide services for permit compliance, community relations, geology and exploration services administration and operation of the processing plant.

Waste areas currently exist and are already permitted. The pre-feasibility study will serve to identify more precisely what waste disposal capacities will be necessary to operate the project and additional facilities will be permitted as required.

A Cehegín project area site map is presented in Figure 5.7.

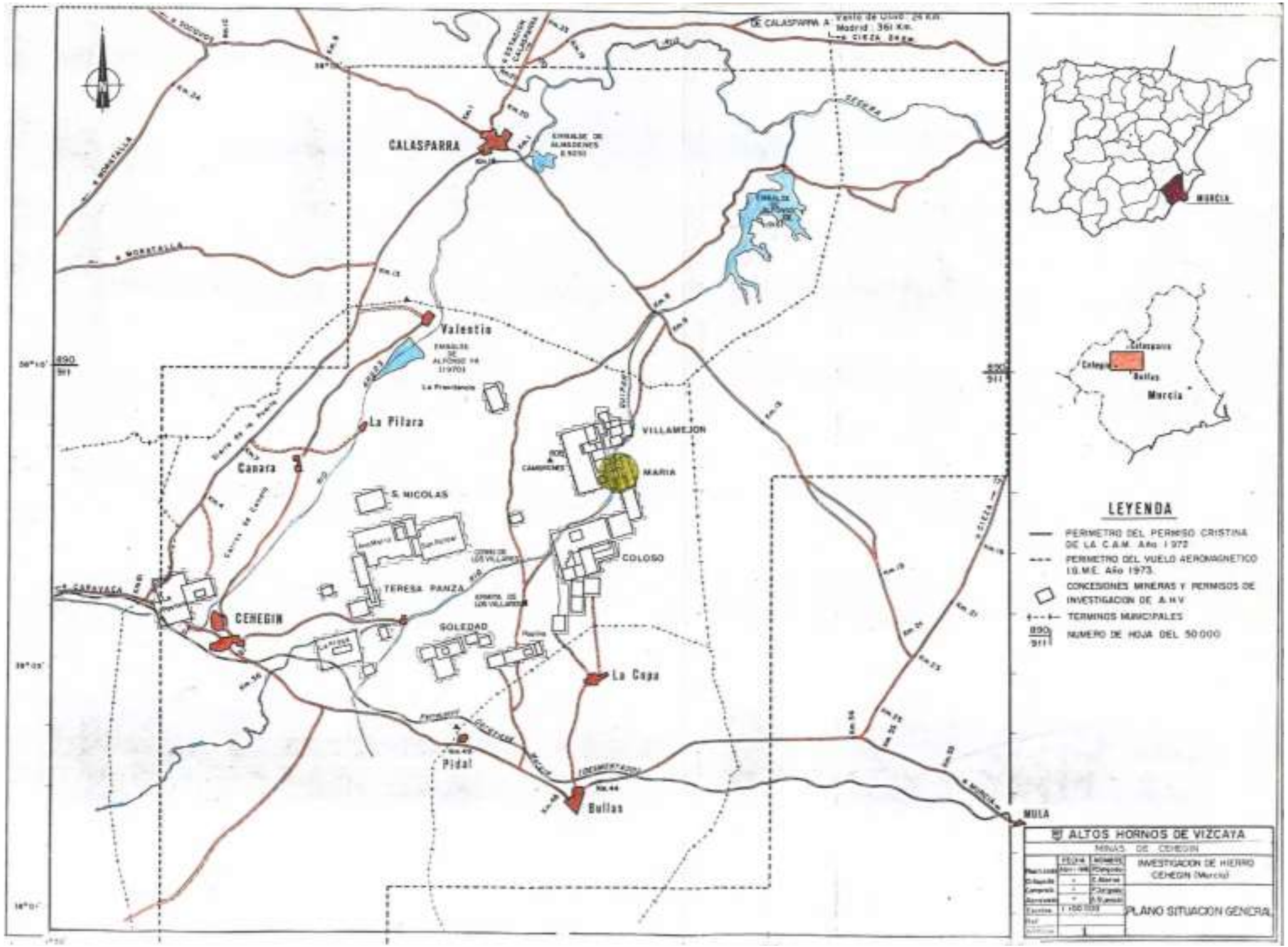
5.10 PHYSIOGRAPHY

The concession area is located in a mountainous region of southeast Spain northeast of Sierra de Quipar and Sierra de Burete. The topography of the concession area however is characterised by low-lying relief ranging between 360 m to 660 m above sea level.

The watersheds, which are composed of mainly seasonal rivers and streams, drain eventually towards the northeast into the Segura River which flows east to the regional capital of Murcia.

The higher slopes are covered in pine forest whereas the lower lying areas are covered by farmland consisting of soft fruit crops in irrigated areas and olive, almond and vines on drier land. The mines are essentially in the agricultural zones where olives, grapes and other fruit are grown.

Figure 5.7: Cehegín Magnetite Project Area Plan



Source: Lorente y Pallarés archives

6.0 HISTORY

6.1 EXPLORATION

In 1975, the Altos Hornos de Vizcaya (AHV) company, through its subsidiary Agrupación Minera S.A. (AGRUMINSA), acquired the deposits of the Commonwealth of Mines of Cehegín. Between 1975 and 1989, modern mining operations were conducted mainly at Mina María, with concurrent exploration work in several of the 62 concessions.

From the 382 holes known to have been drilled between 1975 and 1983 (although so far details are only available on 121 of them) it is apparent that exploration was continued both down-dip to deeper levels, and along strike in both directions.

There are doubts concerning the total volume of material moved, (particularly waste), but amongst the historical data topographic maps of different dates have been located, including one from 1960 (before the opencast operations), digital terrain models have been prepared for the latest available topography. Maps showing the magnetometry have also been prepared.

6.1.1 Geological Mapping

Although 1:50,000-scale geological mapping is available from Empressa Nacional de Investigaciónes Mineras (ENADIMSA) Mapa Geologico de España, Cehegín 911-25-36, comprehensive property scale mapping does not appear to exist. The available archives obtained from Lorente y Pallarés contain very small-scale geological maps but these are not complete and very inconsistent in quality. A comprehensive programme of geological mapping will be required for the project area to understand the mineral potential beyond the limits of the known deposits.

6.1.2 Geophysical Surveys

Evidence of both airborne and ground magnetometer surveys can be found with the Lorente y Pallarés archives. Some ground surveys are based on very closely-spaced measurements and raw data is available for some deposit areas. Reports describing the magnetometer surveys are available and it is assumed that the surveys are based on total magnetic field measurements. Interpretive maps are available for the principle deposit areas. Once exploration begins beyond the immediate limits of the known deposits it is advisable to involve a specialist geophysicist. Also, there may be more modern regional airborne magnetic survey data available from ENADIMSA.

6.1.3 Geotechnical Surveys

No current geotechnical data is available with which to generate pit slope designs. A historical geotechnical report can be found within the Lorente y Pallarés archives but this was used for the Mina María pit walls design. Photographs and topographical survey data demonstrates what pit slopes were achieved at Mina María and these slopes may be used to develop scoping study-level pit slopes.

The Altos Hornos de Vizcaya (AHV) Investment Plan for production from Mina María for the period 1984 to 1989 contains proposed pit slopes for Mina María. Table 3 of the AHV report shows planned overall pit slopes ranging from 40^{o} to 63^{o}. Planned bench height was 10 m with planned face angles that ranged from 56^{o} to 71^{o}. Pit slopes varied for each of the four cardinal directions and for segments of each wall along strike. The west wall of the pit, comprised of ophite was the steepest at 63^{o} but the wall was designed to flatten for the lowest 30 m to 40 m. The overall planned height of the wall was a maximum of 140 m. The east wall of the pit varied from 63^{o} to 42^{o}, some segments were planned to be 42^{o} for the lower 50 m to 70 m. The maximum height of the east wall was designed to be 120 m. Ten geotechnical holes were planned to be drilled in 1985.

6.2 MINING

Iron mining in the municipality of Cehegín has occurred since prehistoric times. The peak periods of activity took place during Roman times, during the late nineteenth century and throughout the twentieth century. During the twentieth century the iron deposits of Cehegín were covered by 62 mining concessions distributed geographically around half a dozen magnetite deposits. These sites are owned by a small group of mining companies, which form the Association of Mines of Cehegín (la Mancomunidad de Minas de Cehegín).

In 1975, the Altos Hornos de Vizcaya (AHV) company, through its subsidiary Agrupación Minera S.A. (AGRUMINSA), acquired the deposits of the Commonwealth of Mines of Cehegín. Between 1975 and 1989, modern mining operations were conducted mainly at Mina María, with concurrent exploration work in several of the 62 concessions.

The exploitation of Mina María, the principal Cehegín mine, was performed in several stages over at least 15 years and the historical records of the operations show the volumes mined and processed, and the quality of the products produced. Prior to the acquisition by AHV in 1975, several underground workings were excavated in the area of Mina María (Figure 6.1). These galleries were of small-scale and for the most part, engulfed by the subsequent open-pit operations.

Between 1975 and 1988, various changes occurred in both the mining operation itself, and in the concentration plant. The historical data is presented in the table below. Table 6.1 shows the tonnage of ore mined and processed, the tonnage of waste mined and the strip ratios achieved. Mining was planned to continue until at least 1990.

Mina María total production was about four million tonnes of ore from reserves evaluated at that time at about five million tonnes.

Historical mining was based on 10 m high benches with overall pit slope angles ranging from 40^{o} to 63^{o}. The Altos Hornos de Vizcaya (AHV) Investment Plan for production from Mina María for the period 1984 to 1989 contains proposed pit slopes for Mina María. Table 3 of the AHV report shows planned overall pit slopes ranging from 40^{o} to 63^{o}. Planned bench height was 10 m with planned face angles that ranged from 56^{o} to 71^{o}. Pit slopes varied for each of the four cardinal directions and for segments of each wall along strike. The west wall of the pit, comprised of ophite was the steepest at 63^{o} but the wall was designed to flatten for the lowest 30 m to 40 m. The overall planned height of the wall was a maximum of 140 m. The east wall of the pit varied from 63^{o} to 42^{o}, some segments were planned to be 42^{o} for the lower 50 m to 70 m. The maximum height of the east wall was designed to be 120 m. Ten geotechnical holes were planned to be drilled in 1985.

From the 382 holes known to have been drilled between 1975 and 1983 (although so far details are only available on 121 of them) it is apparent that exploration was continued both down-dip to deeper levels, and along strike in both directions.

There are doubts concerning the total volume of material moved, (particularly waste), but amongst the historical data topographic maps of different dates have been located, including one from 1960 (before the opencast operations), digital terrain models have been prepared for the latest available topography. Maps showing the magnetometry have also been prepared.

Figure 6.1: Loading Pocket at Soledad

Table 6.1: Mine María Historical Production

Year	Plant Feed (t)	Waste (t)	Total (t)	Strip Ratio (t:t)
1975	16,133	49,305	65,438	3.1
1976	97,875	104,597	202,472	1.1
1977	130,145	253,461	383,606	1.9
1978	255,786	390,829	646,615	1.5
1979	255,270	405,909	661,179	1.6
1980	232,720	363,719	596,439	1.6
1981	364,012	549,020	913,032	1.5
1982	336,152	440,897	777,049	1.3
1983	230,878	490,222	721,100	2.1
1984	193,100	670,500	863,600	3.5
1985	70,000	-	70,000	-
1986	360,000	-	360,000	-
1987	400,000	-	400,000	-
1988	400,000	-	400,000	-
1989	400,000	-	400,000	-
1990	413,376	-	413,376	-
Total	**4,155,447**	**3,718,459**	**7,873,906**	-
Total 1975 to 1984	**2,112,071**	**3,718,459**	**5,830,530**	**1.76**

The available information on the particle size distribution of the "commercial" magnetite concentrate suggests the distribution shown in Table 6.2.

Table 6.2: Particle Size Distribution Mina María Magnetite Concentrate

Particle Size		Distribution
(Mesh)	(Microns, µm)	(%)
+40	420	5
+50	320	10
+70	210	7
+100	150	12
-100	-150	66

Source: Lorente y Pallarés archive, August 1976

A detailed report of the exploration is available, which includes delimitation of areas of interest as defined by the magnetic anomalies, drilling, core logging and sampling, sample preparation and testing systems in a Davis Tube and its limitations, all of which may be of interest for the future exploration work.

6.3 DRILLING

Historical drilling data, including collar surveys, inclination and azimuth for the four major deposits is available in the Lorente y Pallarés archives. The data from Coloso, Soledad and Villamejor has been compiled to form an electronic drilling database.

The Aurelio 1990 feasibility study (Estudio de Viabilidad de Minas de Cehegín) shows that the total amount of drilling completed is at least 37,875 m in 1,243 drill holes at María, Coloso, Soledad and Villamejor. Most of the drilling was achieved using percussion drills but several core holes are reported in the historical data. Sampling of cuttings was conducted at uniform 1 m and 1.5 m intervals with some exceptions.

It appears that cuttings from the majority of drill holes were logged for geology and sampled for DTR analysis, and in some instances for iron and multi-element assay. Cuttings or chip logging during the period in which the project was operated by Altos Hornos de Vizcaya (AHV) appears to have been very systematic and an impressive amount of data has accumulated in the Lorente y Pallarés archives.

A summary of drilling report in the AHV study is presented in Table 6.3.

Table 6.3: Cehegín Drilling Reported by AHV

Deposit	Type	No. Holes	Total Length (m)	DTR Analyses	Chemical Analyses
María	ITH Hammer	352	8,908		
1975-1983	Percussion	30	2,622	7,914	320
1984-1986	ITH Hammer	135	4,836	2,202	
Coloso	ITH Hammer	139	3,924		
1976-1983	Percussion	12	1,560	2,658	38
1984	ITH Hammer	240	5,162	4,591	
Soledad	ITH Hammer	162	4,931	3,597	29
1976-1983	Percussion	27	1,954		
Villamejor	ITH Hammer	139	3,777		
1975-1983	Percussion	2	110	2,714	15
1984-1986	ITH Hammer	5	91		
Total		**1,243**	**37,875**	**23,676**	**402**

In addition, a minor amount of work was conducted at other prospects in the district.

Table 6.4 summarises the drilling data that has been digitised.

Table 6.4: Summary of Cehegín Digital Drilling Data

Deposit	No. Holes	Total Length (m)	DTR Analyses	No. Head Grade Assays	No. Concentrate Assays
Coloso	257	10,986	6,735	208	6
Soledad	186	7,327	3,289	99	18
Villamejor	136	3,740	2,566	0	0
Total	**579**	**22,053**	**12,590**	**307**	**24**

6.4 COLOSO

The drilling includes both vertical and inclined boreholes. Inclined holes are oriented toward the north-west or south-east in the central area of the deposit. On the west flank boreholes are inclined to the south-west and boreholes on the eastern flank are generally drilled toward the west.

Boreholes were drilled on a grid that varies from approximately 8 m by 8 m to 10 m by 10 m. Survey data is recorded in the collar file. Only collar surveys are available for each hole; no down-hole surveys were recorded. Hole toe coordinates are provided in the digital database but these have been calculated by Solid.

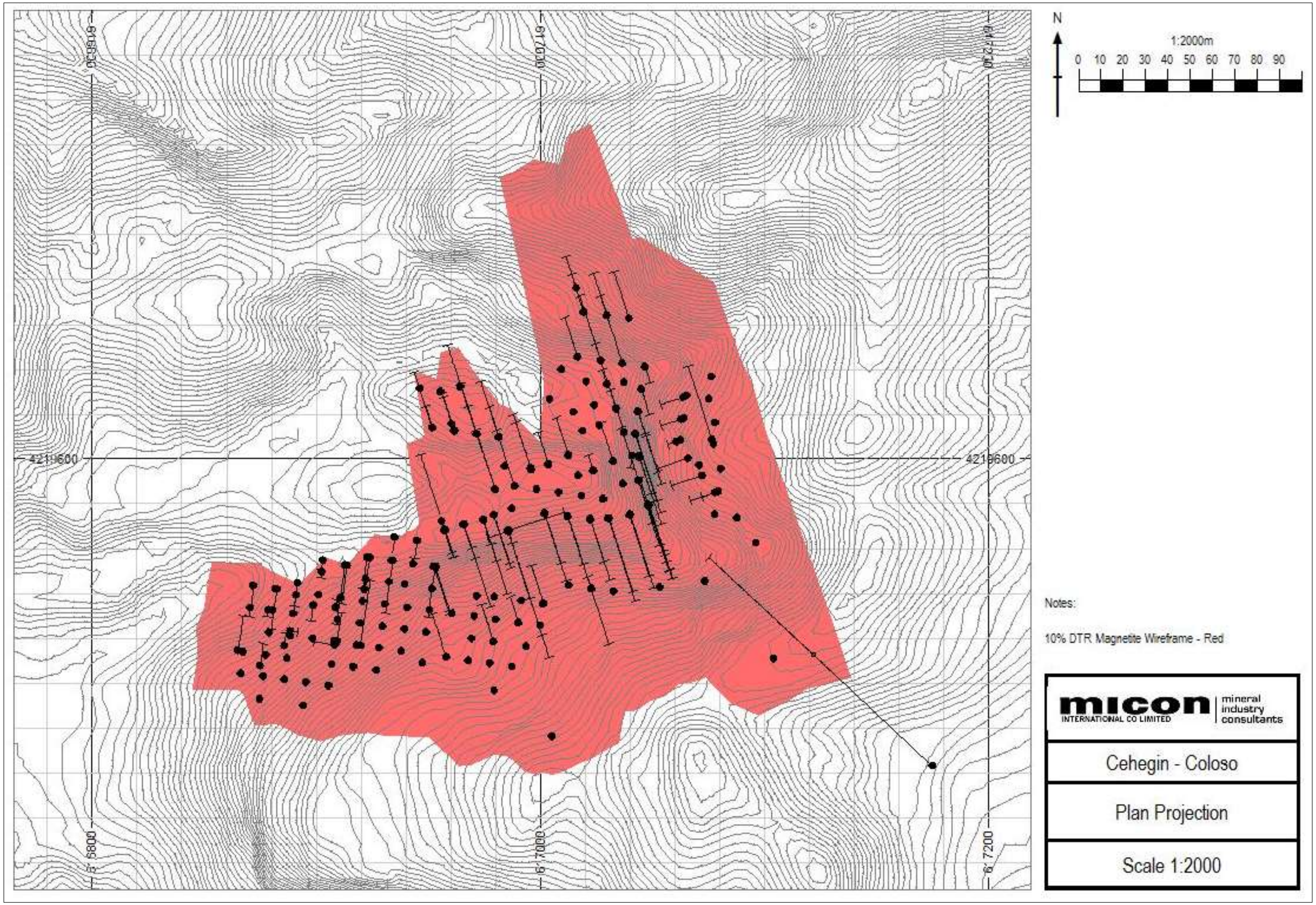
The average length of sample intervals is 1.413 m: the most common sample length is 1.5 m. The logs contain a geology field with rock type. Basic statistics for the analytical data contained in the database are summarised in Table 6.5.

Table 6.5: Coloso Sample Analyses Basic Statistical Parameters

Field	Unit	Number of Samples	Minimum (%)	Maximum (%)	Mean (%)	Standard Deviation	Coefficient of Variation
DTR MAG_100	Magnetite	6,735	1.25	85.50	25.92	17.72	0.68
Fe_100C Concentrate	Iron	6	56.31	66.64	61.95	3.44	0.55
Fe_100OR Rock	Iron	208	0.80	59.15	10.89	13.90	1.28

Drill holes within the current digital drilling database for Coloso are shown on Figure 6.2.

Figure 6.2: Coloso Drill Plan



6.5 SOLEDAD

At Soledad all but two boreholes were drilled vertically; two were inclined to the north-west. The holes were drilled on a grid of approximately10 m by x10 m. Survey data is recorded in the collar file. Only collar surveys are available for each hole; no down-hole surveys are recorded. Borehole toe coordinates are provided in the digital database but these have been calculated by Solid.

The average length of sample intervals is 1.8 m: the most common sample length is 1.5 m. The logs contain a geology field with rock type. Basic statistics for the analytical data contained in the database are summarised in Table 6.6.

Table 6.6: Soledad Sample Analyses Basic Statistical Parameters

Field	Unit	Number of Samples	Minimum (%)	Maximum (%)	Mean (%)	Standard Deviation	Coefficient of Variation
DTR MAG_100	Magnetite	3,289	1.00	85.50	24.00	21.98	0.92
Fe_100C Concentrate	Iron	18	43.96	87.39	68.05	7.55	0.11
Fe_100OR Rock	Iron	99	1.70	59.30	22.87	19.72	0.86

Drill holes within the current digital drilling database for Soledad are shown on Figure 6.3.

6.6 VILLAMEJOR

Boreholes are both inclined and vertical. Inclined holes were drilled both to the north-west and south-east. The drilling grid is approximately 5 m by 5 m.

Survey data is recorded in the collar file. Only collar surveys are available for each hole; no down-hole surveys are recorded. Hole toe coordinates are provided in the digital database but these have been calculated by Solid.

Sample analysis data only includes DTR results. No assay data for Fe concentrate or Fe rock were provided in the database. The average sample length is 1.353 m. The most common sample length is 1.5 m. Basic statistics for the analytical data contained in the database are summarised in Table 6.7.

Table 6.7: Villamejor Sample Analyses Basic Statistical Parameters

Field	Unit	Number of Samples	Minimum (%)	Maximum (%)	Mean (%)	Standard Deviation	Coefficient of Variation
DTR MAG_100	Magnetite	2,566	0.10	90.50	22.19	17.63	0.79
Fe_100C Concentrate	Iron	-	-	-	-	-	-
Fe_100OR Rock	Iron	-	-	-	-	-	-

Drill holes within the current digital drilling database for Villamejor are shown on Figure 6.4.

Figure 6.3: Soledad Drill Plan

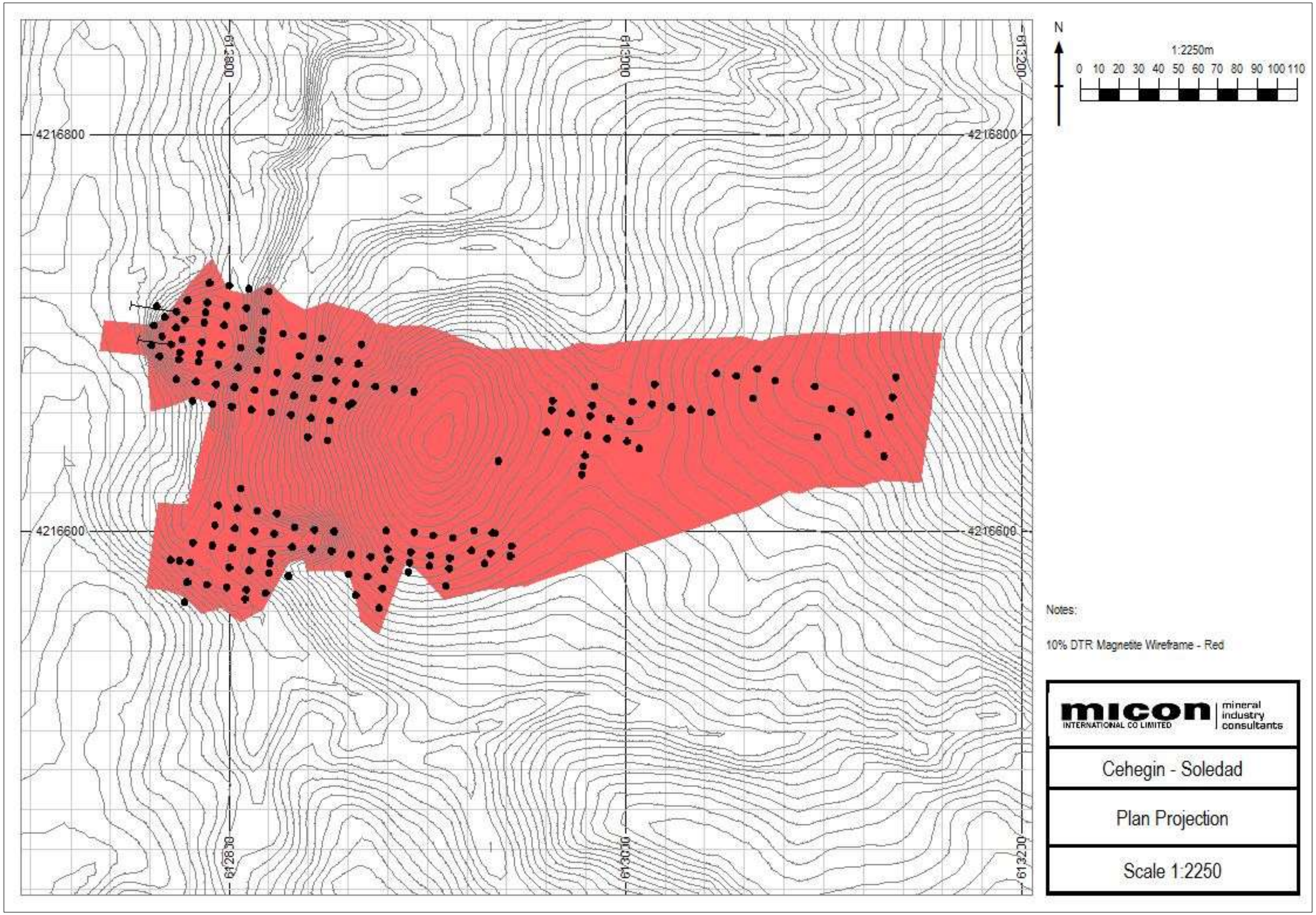
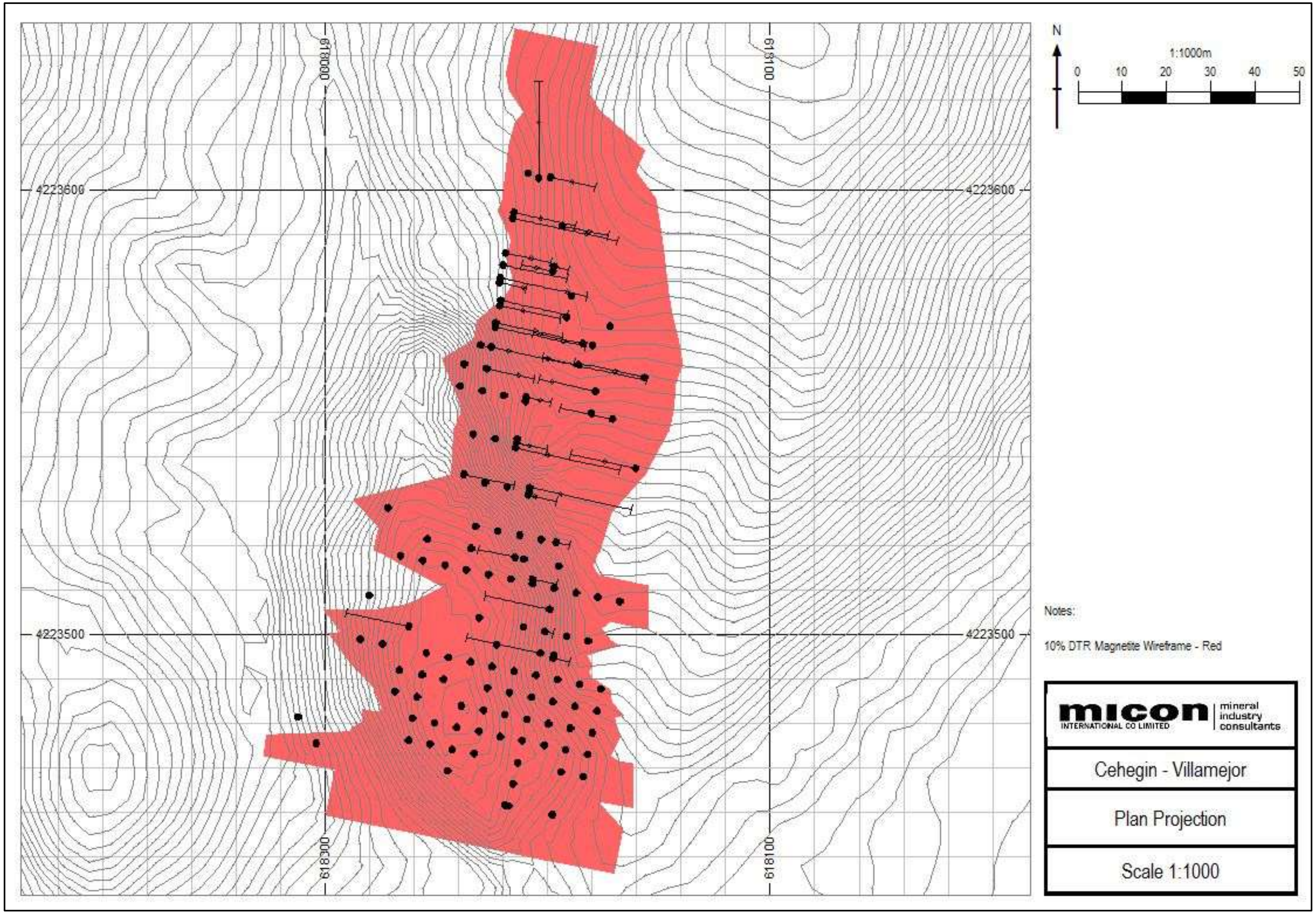


Figure 6.4: Villamejor Drill Plan



6.7 BOREHOLE SAMPLING

The majority of drilling was performed using percussion drilling equipment. The borehole diameter was typically 105 mm yielding approximately 0.0087m^3/m of drilling. This equates to roughly 23 kg/m drilled for waste rock and 28 kg/m drilled for magnetite mineralisation.

Sample cuttings were reported to be collected for each metre of hole length. Limestone samples were discarded. Non-limestone samples were dried, crushed and split using quartering. The size of sample sent to the laboratory for analysis was 0.1 m^3.

The available information is not specific concerning the method of sample collection most likely cuttings were gathered from piles that accumulated around the borehole collar.

6.8 DAVIS TUBE ANALYSIS

Samples sent to the laboratory for magnetite analysis were weighed, composited, ground, homogenised and sieved. Samples were screened to 100% passing 150 µm. Samples were split to 20 g for Davis Tube Recovery (DTR) analysis. The remaining portion of the sample was stored. The percentage of magnetic fraction recovered was recorded on the drill logs. Sectional plots were used to interpret the magnetic concentrate results drawn at a scale of 1:1,000.

There is no available information on the flow rate of water used in the Davis Tube. There is no available data on the strength of the magnetic field used in the Davis Tube.

6.9 SPECIFIC GRAVITY, BULK DENSITY AND MOISTURE CONTENT DETERMINATIONS

Very little historical data is available that refers to specific gravity and bulk density of plant feed, waste and concentrates. The AHV 1990 feasibility study uses a bulk density of 3.2 t/m^3 for plant feed and 2.7 t/m^3 for waste.

A formal study is required to determine bulk density values to be used for mineral resource estimation and mine planning. A correlation function between magnetite content and bulk density should be developed for mineral resource estimation.

The moisture content of the magnetite concentrates historically produced was approximately 9%.

6.10 MINERAL PROCESSING AND METALLURGICAL TESTING

The Cehegín magnetite mineralisation processed historically were coarse-grained, high-grade and capable of yielding relatively coarse-grained, high-grade concentrates via conventional, low and medium-intensity magnetic separation technologies.

6.11 PRODUCT QUALITY

There are a number of concentrate analyses in the Lorente y Pallarés archives. The Altos Hornos de Vizcaya S.A. 1985 report on the expansion of the plant (Proyecto de Modificacion del Lavadero de “Mina María”) indicates that the plant historically treated 284,000 t/a of ore to produce 156,000 t of magnetite concentrate. The weight recovery was reported to be 55%. The grade of the concentrate was reported to be 61% Fe, 0.21% Na_2O and 0.03% K_2O. The product size distribution was reported to be 53% minus 150 µm.

The Altos Hornos de Vizcaya S.A. report of 1982 states that during the last quarter of 1975 and throughout 1976, the operation produced a total of 31,714 t of magnetite concentrate. The average grade of the concentrate was 65.15% Fe, 0.17% Na_2O and 0.041% K_2O. The average particle size of the concentrate is reported to be 88% minus 150 µm.

An assay certificate from the Ministerio de Industria, Instituto Geologico y Minero España dated 14th July 1976 provides assay results for Mina María magnetite concentrate. The average grade of these samples is provided in Table 6.8.

Table 6.8: Mina María Concentrate Analyses

Parameter	Compound /Element	María PCM-6 C 13th July 1976	P16/5 M-30 C 13th July 1976	PCN María 14th July 1976
Iron	Fe %	65.19	61.54	66.42
Manganese	Mn %	0.05	0.11	0.05
Silica	Si %	3.99	6.66	2.57
Alumina	Al_2O_3 %	1.73	1.92	1.06
Lime	CaO %	0.28	0.45	0.07
Magnesia	MgO %	1.80	2.02	0.38
Potash	K_2O %	0.06	0.05	0.02
Soda	Na_2O %	0.16	0.09	0.04
Sulphur	S %	0.01	0.00	0.00
Phosphorous	P %	0.04	0.04	0.02
Zinc	Zn %	0.004	0.005	0.003

Source: Lorente y Pallarés archive

Table 6.9 provides the results of a screen analysis of magnetite concentrate from Mina María found in the Lorente y Pallarés archive.

Table 6.9: Particle Size Distribution Mina María Magnetite Concentrate

Particle Size		Distribution (%)
(Mesh)	(Microns, µm)	
+40	420	5
+50	320	10
+70	210	7
+100	150	12
-100	-150	66

Source: Lorente y Pallarés archive, August 1976

Metallurgical test data from Coloso provide an indication of the product quality that can be achieved. The test work is based on SMBI DTR concentrate Sample M-1182-3. The results are presented in Table 6.10.

Table 6.10: Coloso DTR Magnetite Concentrate Analyses

Grind Size	Product	Weight %	Fe (%)	SiO_2 (%)	P (%)	Index	Fe in Sample (%)	SiO_2 in Sample (%)	% Fe as Fe_3O_4
<200 µm	Concentrate	43.2	62.2	4.4	0.03	67.4	87.6	7.4	78.4
	Reject	56.8	6.7	41.8	-	-	12.4	92.6	-
	Feed	100.0	30.7	25.6	-	-	100.0	100	-
<100 µm	Concentrate	40.1	65.0	2.8	<0.02	74.0	86.5	4.3	82.4
	Reject	59.9	6.8	41.5	-	-	13.5	95.7	-
	Feed	100.0	30.1	26.0	-	-	100.0	100.0	-
<50 µm	Concentrate	38.1	66.4	2.0	<0.02	73.8	84.7	3.0	80.5
	Reject	61.9	7.4	40.7	-	-	15.3	97.0	-
	Feed	100	29.9	25.2	-	-	100.0	100.0	-

6.12 HISTORICAL MINERAL RESOURCE STATUS

6.12.1 General

The latest historical resource estimates were presented by Aurelio in the 1990, Estudio de Viabilidad de Minas de Cehegín, Murcia using the historical AHV data. The Aurelio study indicates that the total reserves of the María, Coloso and Soledad deposits is in the order of 7.4 Mt and the total waste to be in the order of 8.3 Mm^3 or 22 Mt. The historical estimates were generated using the sectional polygon method and were not categorised using the mineral resource categories described by the CIM Standards. In addition, no cut-off grades or plant feed grades are mentioned in this study and therefore the estimates cannot be considered to be reliable estimates of mineral resources or reserves. Micon is not aware of more recent estimates of mineral resources or reserves.

The Aurelio development plan described is based on mining 250,000 t/a of waste and mining and processing 100,000 t/a of plant feed commencing at Coloso. The plan projects magnetite concentrate production to be 45,000 t/a. Before this production scenario can be realised, or the historical resources described in Table 6.11 can be realised, a programme of confirmation exploration drilling and feasibility studies is required.

The reserves described in the Aurelio 1990 study are presented in Table 6.11. The proportions of yield to concentrate are estimates roughly based on historical test work.

Table 6.11: Cehegín Historical Resources Estimate

Deposit	Tonnage (Mt)	Yield to Concentrate (%)	Product Potential (Mt)
María	0.9	41	0.37
Coloso	4.5	33	1.49
Soledad	2.0	38	0.76
Total	**7.4**	**35**	**2.62**

An estimate has been made of exploration potential of the district. The estimated volume of potential magnetite mineralisation is based on possible exploration outcomes of drilling of magnetic anomalies to depth of 75 m and 100 m below surface. Different potential tonnages are related to the potential thickness of the mineralisation encountered. Two scenarios have been considered for the thickness of mineralisation: 10 m and 20 m as described in Table 6.12. The yield to magnetite concentrate was assumed to be 35%. The total potential magnetite mineralisation could reasonably be expected to be in the range of 25 Mt to 30 Mt. It should be noted that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a mineral resource. It is uncertain whether further exploration will result in the targets zones being delineated as a mineral resource.

Table 6.12: Cehegín Exploration Potential

Potential	Depth (m)	Potential Magnetite 10 m Thickness (Mt)	Potential Magnetite 20 m Thickness (Mt)	Potential Contained Magnetite (Mt)	Potential Contained Magnetite (Mt)
Exploration 50% Successful	100	21	42	7	15
Exploration 50% Successful	75	16	32	6	11
Exploration 30% Successful	100	13	19	5	7
Exploration 30% Successful	75	9	13	3	5

6.12.2 Mina María

The Mina María historical resource estimate is 900,000 t with historical mass recovery of 41%. The María pit is currently flooded and the economics of dewatering requires consideration. The condition of the pit slopes and amount of debris in the bottom of the pit is also unknown. However, considering the high historical yield to concentrate and that the deposit remains open down-dip and along strike, more work is required to understand the realistic potential of this deposit.

Figures 6.5 and 6.6 provide panorama views of the Mina María site and flooded open pit. Figure 6.7 shows the Mina María plant site.

Figure 6.5: Panorama of Mina María Mine and Plant Site

Figure 6.6: Panorama of Mina María

Figure 6.7: Mina María Plant Site Detail

6.12.3 Coloso

The Coloso deposit has the most significant volume of historical magnetite resources at 4.5 Mt with a yield to concentrate of 33% Fe. The Coloso deposit remains open down-dip and along strike and more work is required to assess the realistic potential of the deposit Figure 6.8 shows a mineralised outcrop at Coloso.

Figure 6.8: Coloso Mineralised Outcrop

Figure 6.9 shows in detail an outcrop of massive magnetite below limestone at Coloso. The contact occurs immediately above the geologist's head.

Figure 6.9: Coloso Massive Magnetite in Outcrop below Limestone

6.12.4 Soledad

The currently exposed Soledad deposit appears to be smaller than the Coloso deposit and the volume of historical magnetite resources was estimated to be 2.0 Mt with a yield to concentrate of 38% Fe. However, the reported mass recovery of 38% is higher than that at Coloso. Further drilling along strike, targeting an existing magnetic anomaly, is required define the limits of Soledad.

A small concentrating plant was built at Soledad remains of which are visible in Figure 6.10.

Figure 6.10: Soledad Plant Site

6.12.5 Villamejor and Regional Upside

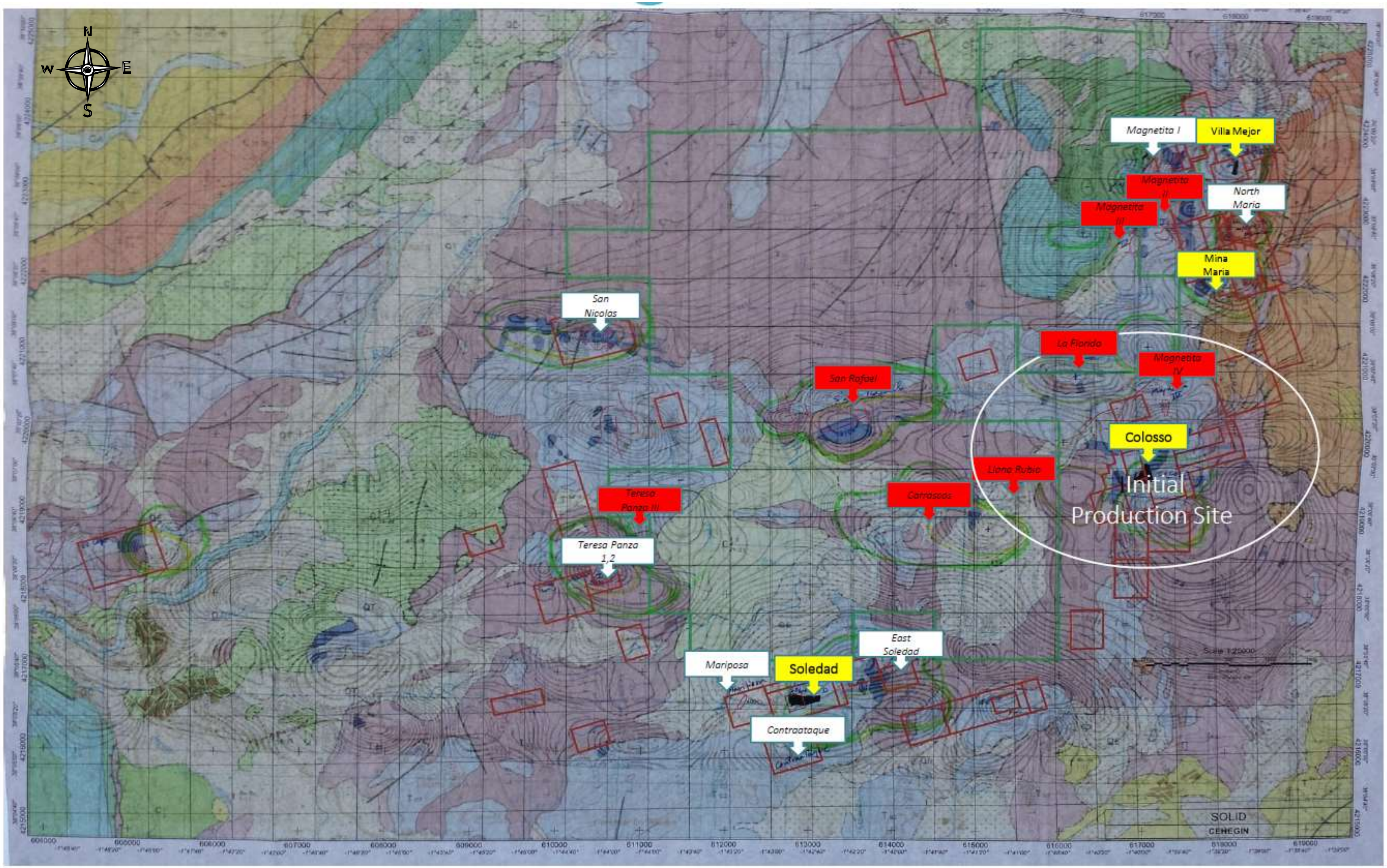
A conservative estimate of the potential volume of magnetite mineralisation of 9 Mt was estimated using the strike-length of the magnetic anomalies, assuming a thickness of mineralisation of 10 m to a depth of 75 m and applying a 30% exploration success rate. Using a more optimistic assumed thickness of mineralisation of 20 m to a depth of 100 m, and assuming a 50% exploration success rate, the magnetite mineralisation potential is 42 Mt. It is apparent that there is significant exploration potential in the region.

The Villamejor pit is shown in Figure 6.11.

Figure 6.11: Villamejor Pit

A number of well-defined magnetic anomalies (at least 9) were identified in the region and are outlined on Figure 6.12.

Figure 6.12: Cehegín Exploration Compilation Map showing Geology and Magnetometry



Source: Solid

7.0 GEOLOGICAL SETTING AND MINERALISATION

7.1 REGIONAL GEOLOGY

The regional geological setting is generally well understood. The Cehegín area is primarily located within the Subbética geological terrane, except for the north-western corner of the area in which a minor portion is underlain by Prebética terrane stratigraphy.

Within the Cehegín area the following tectonic units are recognised:

1. South Prebético or unit of Sierra de la Puerta;
2. Intermediate Unit; and,
3. Subbético, within which are established in turn the following subdivisions:
   a. Outer Northern Subbético, consisting of units Loma de la Solana and Loma de los Rameles;
   b. Outer Southern Subbético, formed by units of the Burete and of the Sierra de las Cabras; and,
   c. Middle Subbético, consisting of the Charco unit.

Cehegín magnetite mineralisation occurs within the Triassic stratigraphy of the South Subbético associated with Late Triassic-age, dolerite-type sub-volcanic intrusions, locally referred to as ophite. In the Cehegín area relatively massive, high-grade magnetite mineralisation occurs beneath dolomitised limestone. In addition, lower grade, disseminated magnetite mineralisation occurs within the ophite.

The oldest units in the South Subbético zone are Triassic age metasediments. The units are strongly tectonised and the near total lack of fossils makes correlation of units within region very difficult. Three primary lithofacies are recognised including the Buntsandstein, Muschelkalk and Keuper. Stratigraphic distinction between these three units may locally be inaccurate, particularly between Buntsandstein and Keuper, due to the similarity of lithologies.

The Buntsandstein is characterised by variegated sandstone, marl and dark red-coloured quartz arenite. The unit comprises interbedded sandstone members that vary in texture, colour and thickness, and range from 0.5 m to 60 m thick. The total thickness of the unit is unknown but it has been measured to be at least 290 m thick.

The Muschelkalk unit comprises dolomite and limestone with interbedded marl. The base of the unit is unknown but where mapped discontinuous dolomite units are overlain by well bedded limestone units that vary from 1 m to 3 m thick. The unit is generally less than 200 m thick. Some fossils have been recovered from near the base of Muschelkalk. Most of these fossils are highly tectonised.

The Keuper comprises mainly green, yellow or grey marl that demonstrates strong tectonic structures. Units of the Keuper resemble units from the upper portion of the Buntsandstein. The Keuper includes thin bedded arenite and the unit hosts ophite intrusions.

The stratigraphy of the Sierra de la Puerta area is dominated by Lower Cretaceous limestone, marl with arenite. A range of fossils have been identified from these units. These units are overlain by Upper Cretaceous limestone and marl with turbidite and conglomerate units. The Upper Cretaceous units are generally red in colour and contain some fossils.

The upper most formations of the Sierra de la Puerta include units of limestone, marl and sandstone of Palaeogene age.

7.2 DEPOSIT GEOLOGY

7.2.1 General

Magnetite mineralisation occurs within Triassic units of the Subbética zone near its overthrust plane upon the Prebética zone. The magnetite deposits are associated with mafic, dolerite-like intrusions (ophite) that occur near the boundary of the Buntsandstein phyllosilicate sediments (micaceous sandstones) and Muschelkalk carbonate rocks.

Within the Cehegín area the distribution of host rocks and magnetite mineralisation varies. At Mina Edison the mineralisation occurs in conglomerate and breccia that lie above clay and gypsum of the Buntsandstein. At Mina María, Coloso-San Antonio and Teresa Panza magnetite mineralisation is associated with relatively fresh ophite beneath a tectonised limestone hangingwall. The magnetite mineralisation occurs as disseminated magnetite (low-grade) within the ophitic intrusions and as magnetite dykes intruded into the limestone (high-grade). The latter preferentially occur in dilation zones formed beneath dolomitised limestone. Within the ophites that carry the magnetite mineralisation pendants of conglomerate and limestone are locally present, such as at Teresa Panza.

The area of interest has been subject to regional airborne magnetic survey. Ground magnetic surveys have been conducted over selected areas. Each of the known deposits are characterised by strong magnetic anomalies. A number of other significant magnetic anomalies remain untested, and a more thorough review of the magnetometry data is required to discern more subtle anomalies that may represent more deeply buried magnetite bodies. These could be the target of future exploration and potential expansion of the resource base.

7.2.2 Mina María

The area surrounding Mina María is covered by Quaternary alluvial sediments with Tertiary limestones and quartzites dominant to the southeast. In the vicinity of the María pit Keuper marl occurs at the north and south limits of the pit, overthrust onto Muschelkalk limestone, which is in contact with massive ophite. The ophite extends the total length of the west side of the pit and Muschelkalk carbonates extend along the east side of the pit. Muschelkalk sediments appear to have been overthrust by Cretaceous sediments of the Intermediate Unit.

A massive porphyry unit dominates the geology along the eastern wall of the María pit. A steeply-dipping fault zone defines the contact between the mineralised ophite and the porphyry unit. Moving east from the fault the steeply-dipping units comprise ophite, massive magnetite and limestone of the Muschelkalk formation. Along strike the magnetite mineralisation locally occurs against the fault and ophite is locally in contact with the limestone. Magnetite mineralisation also occurs as irregular bodies within the ophite.

7.2.3 Coloso

At Coloso the stratigraphy includes highly tectonised Muschelkalk limestone, which is overthrust by clay-rich, red sandstone of the Buntsandstein unit. This in turn is overlain by Quaternary limestone. The Muschelkalk limestone is locally in contact with massive ophite. Massive magnetite veins up to 50 m thick, are often localised at the contact between the ophite and limestone hangingwall. The magnetite mineralisation is inclined to the south-east at angles ranging from 30^{o} to 60^{o}.

7.2.4 Soledad

The magnetite mineralisation at Soledad trends in an east-west orientation for 400 m and ranges from 75 m to 180 m wide (average 120 m). Magnetite occurs within and above the ophite and generally beneath Muschelkalk limestone. In cross-section the mineralisation forms an arch-like structure along an east-west axis and ranges up to 35 m thick.

7.2.5 Villamejor

The geology of Villamejor area is quite simple; a steeply dipping magnetite body approximately 10 m thick is inclined to the east. The hangingwall unit is massive limestone of the Muschelkalk formation; the footwall consists of massive ophite. Locally, the ophite contains significant concentrations of magnetite and along strike the mineralisation can vary from a discrete magnetite body to a complex mix of magnetite, ophite and limestone.

7.3 HYDROGEOLOGY

A limited amount of hydrological information is available for the Lorente y Pallarés archives. It is unlikely that the old reports available will provide currently relevant information. Although currently flooded, photographs of the Mina María pit during operations show that the mine was dry; the influx of groundwater was manageable.

Altos Hornos de Vizcaya (AHV) prepared an Investment Plan for production from Mina María for the period 1984 to 1989, dated October 1985. The plan includes a section on hydrology that indicates that ground water ingress into the pit was manageable; the most significant concern was the chemistry of the water derived from the gypsum that occurs in the Keuper formation. The most significant threat identified was from inundation due to excessive rainfall. The mine closed in 1989 due to flooding following heavy rain in November 1989. The surface area of the watershed around Mina María is approximately 50 km^2. A total of 12 holes were proposed by Aurelio to investigate and monitor groundwater in the vicinity of Mina María.

A hydrological study will be required as part of the feasibility study. A preliminary assessment of current hydrological conditions may be required as part of the environmental permitting process.

If Mina María is ultimately to be de-watered the water quality and methods of disposing of the water may become important issues. Water derived from evaporate sequences within the Triassic series may be saline. At the time of closure the depth of the Mina María pit was approximately 90 m. The 1990 Aurelio study estimated the volume of water in Mina María to be 4 million m^3.

8.0 DEPOSIT TYPE

The Cehegín magnetite deposits are related to the Late Triassic-aged dolerite-type intrusions locally referred to as ophite. The massive magnetite bodies occur as dykes and injections into limestone and these have likely evolved as magnetite-rich phases. Additional magnetite mineralisation occurs as irregular-shaped disseminated bodies within ophite.

9.0 EXPLORATION

No current exploration has been conducted at the Cehegín Magnetite Project. Recommended exploration is presented in Section 26.0.

10.0 DRILLING

The exploratory drilling at the Cehegín Magnetite Project is historical in nature and is therefore described in Section 6.0.

11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

Only historical sampling data is available for the Cehegín Magnetite Project. This data is described in Section 6.0.

12.0 DATA VERIFICATION

12.1 DATA VERIFICATION

During the visit to the Cehegín project are the author inspected the Mina Maria, Coloso, Soledad and Villamejor sites. At Mina Maria the flooded open pit and plant site attest to the former activities there. A large waste dump and tailings pile indicate the large volume of material mined previously. Photographs in the Lorente y Pallarés archives of the pit area prior to flooding suggest that the pit was approximately 70 m deep at the time of the 1989 inundation. No mineralisation was observed in the pit; however, magnetite concentrate was present at the plant site on the drying pads and on the high-intensity magnetic separators as tailings material has been retreated until recently.

At Coloso outcrops of massive magnetite were inspected, including magnetite mineralisation exposed in an old adit excavated to obtain a bulk sample. A number of AHV drill hole collars were observed and these confirmed in part the drill spacing of 10 m by 10 m. The collars were cased with PVC pipe, which at most holes was deteriorating suggesting and age in excess of 20 years.

At disused plant site including transformer building, crusher and mill foundations, and concentrate drying pads were observed at Soledad. Below the plant site the loading pocket shown in Figure 6.1 is located. Several small adits and a shaft are present on the property that the confirm the small scale mining activities evident on plans believed to be from the 1960’s to 1980’s, found in the Lorente y Pallarés archives. A few more recent drill hole collars were observed, which were also lined with PVC pipe. The PVC pipe appeared to be similar in age to that observed at Coloso.

A number of disused buildings and a shallow open pit were observed at Villamejor. The pit forms a steep-sided ravine and the configuration allows water to drain rather than accumulate. Drill roads and drill platforms were observed around the Villamejor site.

In addition to a number of reports on the mining and development activities of the Cehegín operations, the Lorente y Pallarés archives contain a large volume of drilling information and analytical results. The available drilling data is present as drill hole collar plans, cross-sections and drill logs. The drill logs created by AHV are well organised with data on geology and Davis Tube results recorded both graphically and in written form in a very systematic manner.

The fundamental problem with the Cehegín Magnetite Project database is that the Davis Tube results cannot be verified by laboratory certificates. The DTR data was systematically collected but in the Lorente y Pallarés archives the DTR data is recorded only in drill logs; no laboratory records are present in the archives. In addition, the procedure for conducting the Davis Tube analyses was not found in the archive. The lack of detailed parameters described for the Davis Tube analyses is a negative factor since the yield to concentrate may be exaggerated if the material was too finely ground and the magnetic field strength too high. The DTR data could potentially exaggerate the yield of magnetite to commercially-viable concentrates, but it the DTR data does not likely exaggerate the volume of magnetite mineralisation present. Therefore Micon considers the database appropriate for use in modelling the magnetite mineralisation but not suitable for mineral resource modelling.

A proposed campaign of twinned-hole drilling and an additional metallurgical test work programme are required to verify the existing historical data from the three current main deposits Coloso, Soledad and Villamejor. The grid positioning and number of drill holes will be determined by the size and mineralogy of each existing deposit, but four twin drill holes are recommended to be drilled into each deposit. Sampling of the core should be made at regular intervals, such as every 1 m.

Quality assurance and quality control protocol (QAQC) procedures should be adhered to when sampling and assaying the subsequent samples to minimise errors. Generally acceptable standards involve internal and external quality control procedures whereby original samples are duplicated before analysis.

Certified reference samples should be placed within each batch for internal or external analysis, usually representing 5% of the total number of samples. In addition a minimum of 5% of samples should be analysed at a secondary reputable external laboratory that is authorised to act as an independent auditor.

The samples will require Davis Tube analysis and assay analysis for Fe, SiO_2, TiO_2, V_2O_5, Al_2O_3, CaO, MgO, K_2O, Na_2O, Mn, S and P.

The Lorente y Pallarés archives contain an abundance of magnetic survey data, including raw field measurements and interpretive, compilation maps. Signature profiles were also developed for each of the deposits. It is assumed that the data represents total magnetic field strength data but unfortunately, no description of the survey instrument used is available. Micon has not conducted magnetometer surveys of the Cehegín project area and therefore cannot verify the magnetometer data. The use of a field compass and handheld magnet has confirmed the presence of massive magnetite at Coloso and magnetite concentrate at the Mina Maria and Soledad plant sites. Micon has recommended that ground magnetic surveys are conducted as part of the first phase of project development.

13.0 MINERAL PROCESSING AND METALLURGICAL TESTING

No current metallurgical test work is available for the Coloso, Soledad or Villamejor magnetite deposits. Preliminary metallurgical test work is proposed as part of the Phase II work programme.

14.0 MINERAL RESOURCE ESTIMATES

The Cehegín Magnetite Project is at a very early stage of development and as a result there are no mineral resources that comply with the requirements of CIM Standards to be reported at this time.

15.0 MINERAL RESERVE ESTIMATES

The Cehegín Magnetite Project is at a very early stage of development and as a result there are no mineral reserves that comply with the requirements of CIM Standards to be reported at this time.

16.0 MINING METHODS

No mining studies have been completed for the Cehegín Magnetite Project. However, in the past mining production was derived from a conventional open-pit operation developed at Mina Maria.

17.0 RECOVERY METHODS

No current processing studies have been undertaken. However, historical iron concentrate production was derived from a plant flow sheet that utilised conventional crushing, grinding, and high-intensity magnetic separation.

18.0 PROJECT INFRASTRUCTURE

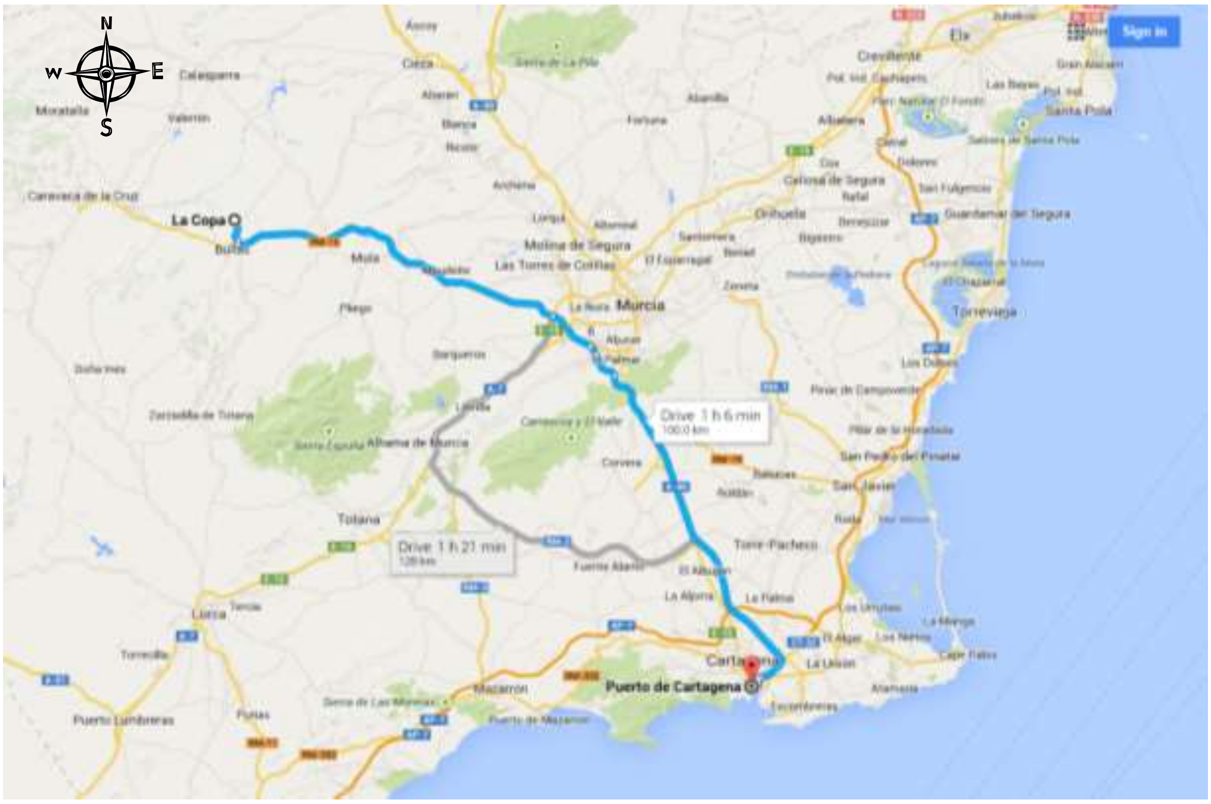
The Cehegín project lies within a region of well-developed infrastructure and offers excellent logistics options. It is, however, expected that site infrastructure will need to be revised and upgraded.

The distance from the project site to the deep water port of Cartagena is 115 km, via a four-lane highway. Bulk material such as pet coke and sulphur is already being transported by truck into the bulk terminal of the Cartagena port. Therefore, no significant issues are foreseen for the transportation by truck of iron ore concentrates.

Upgrading of the existing site road network will be required.

There exists an abundance of freight hauliers in Murcia

Figure 18.1: Bullas to Cartagena



Source: Google Maps, 2014

Alternatively there is the option of transporting the product by rail from Calaspara to Cartagena. Calaspara is located approximately 16 km northeast of Cehegín.

18.1 PORT FACILITIES

The Cehegín project is connected to the deep-water Cartagena Capesize-capable port by a 115 km-long highway, much of which is a multi-lane motorway. The Port of Cartagena is Spain's 6th busiest commercial port has and has recently undergone significant expansion and improvement efforts to provide better services and links to the nation's road network. In the last few years, the port has built a Container Terminal, General Cargo Terminal, Fruit and Vegetable Terminal, and Border Inspection building.

The port is operated by Autoridad Portuaria Cartagena (APC), a state-owned organisation, responsible for managing port services, developing and operating port facilities, overseeing cargo-handling, granting concessions and hiring port services, collecting fees, and reporting on port activities.

The Port of Cartagena contains almost 218 hectares of commercial water surface and 1.7 M m^2 of land area, including 521.6 k m^2 of warehouses. It also operates 4.8 ha outside the basin area.

The Port of Cartagena's Escombreras Basin contains the Solid Bulk Terminal; in particular, the Bastarreche Quay is 762 m long with alongside depth of 21 m, capable of handling Capesized ships.

Several other significant quays are used for ship loading. The Principe Felipe Sur Quay is 350 m long with alongside depth of 13.5 m. It covers over 109 k m^2 with alongside depth of 13.5 m that can accommodate vessels of 75 k tpm. With 6 k m^2 of closed warehouse and warehouses and tanks of 7 k m^2 for chemical fertilizers, the quay is directly connected to Spain's railway system. The Principe Felipe Oeste Quay's berth is 180 m long with alongside depth of 11.9 m dedicated to solid and liquid bulk cargoes. The quay covers over 7 k m^2.

The Port of Cartagena's Isaac Peral Quay covers 164 k m^2, and its wharf is 480 m long with alongside depth of 13.2 m. It can accommodate vessels to 60 k tpm, and it contains five closed warehouses with capacity for 19.2 k m^2 of cargo. The Quay also has direct connections to the nation's rail network.

The Port of Cartagena's Inflammable Cargo Terminal serves several quays. The Principe Felipe Norte Quay is a multi-purpose quay for solid and liquid bulk cargoes, and it can accommodate vessels to 200 m long with 12.5 m draft. The Bastarreche Quay, at 762 m long with alongside depth of 21 m, handles supertankers carrying fuel oil and gas.

The Maese Quay is 367 m long with alongside depth of 10.6 m. With 12 gas oil taps, it handles all kinds of gas oil, petroleum, and lubricant oil. The Pantalan Quay has two berths, one of them 225 m long with alongside depth of 14.5 m and the other 200 m long with alongside depth of 11.1 m. These berths serve butane tankers carrying petroleum, methanol, and liquefied petroleum gases.

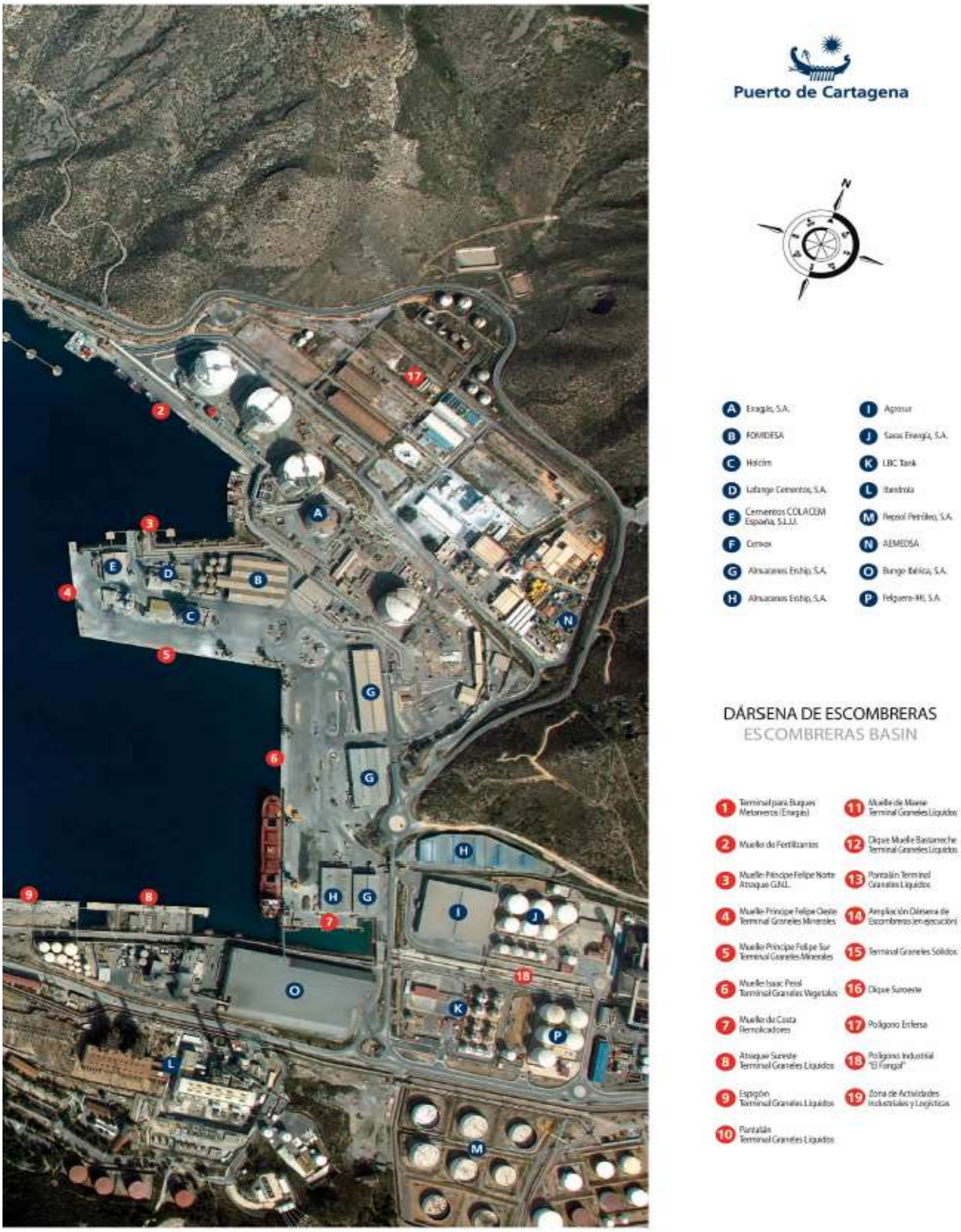
The Espigon Quay at 186 m long with alongside depth of 8.6 m, serves liquefied petroleum gases. The Sureste Berth is 250 m long with alongside depth of 14.5 m for liquid bulk. It also has a new pier with alongside depth of 16 m for unloading gas. The Methane Berth is 445 m long with alongside depth of 16 m.

An image of the Escombreras Basin is provided in Figure 18.2 and a detailed image of the surface facilities is shown in Figure 18.3.

Figure 18.2: Port of Cartagena Escombreras Basin

Source: Solid

Figure 18.3: Port of Cartagena Surface Facilities



Source: Solid

18.2 MINESITE RAIL LOOP AND CORRIDOR

There are currently no plans for a mine site rail loop and corridor at this time.

18.3 INDUSTRIAL WASTE DISPOSAL

Waste areas currently exist and are already permitted. The pre-feasibility study will serve to identify more precisely what waste disposal capacities will be necessary to operate the project and additional facilities will be permitted as required.

18.4 COMMUNICATIONS AND INFORMATION MANAGEMENT SYSTEMS

No details of these facilities are available at this time. These systems will be developed during the pre-feasibility study.

18.5 ACCOMMODATION

There is no indication of on-site accommodation in the present mine plans at this time. Therefore the mine workers will most likely reside in the local region around the project site.

Contractors will be used for the mining and logistics operations. Solid will expand its core team to provide services for permit compliance, community relations, geology and exploration services administration and operation of the processing plant.

Waste areas currently exist and are already permitted. The pre-feasibility study will serve to identify more precisely what waste disposal capacities will be necessary to operate the project and additional facilities will be permitted as required.

18.6 PHYSIOGRAPHY

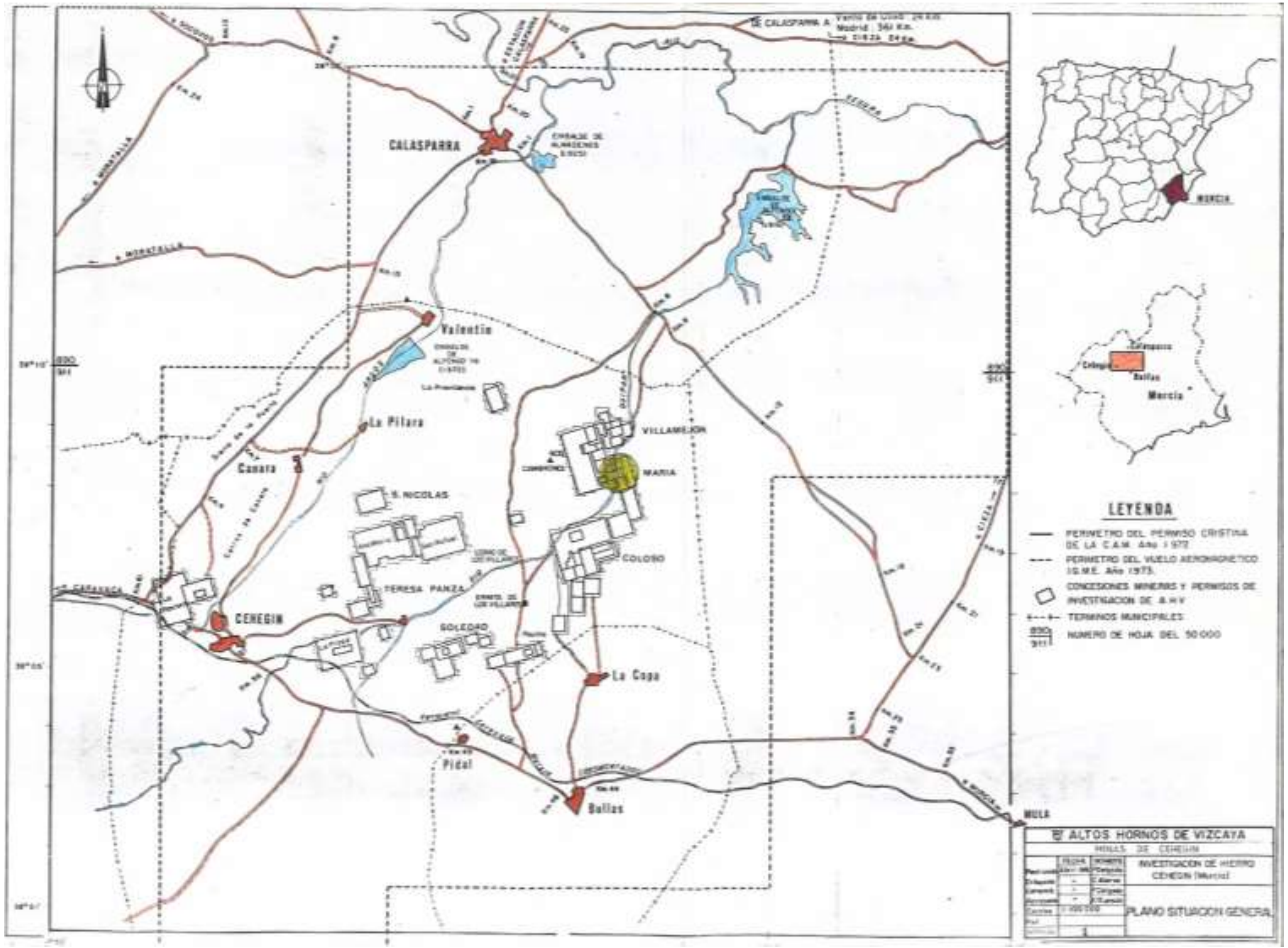
The concession area is located in a mountainous region of southeast Spain northeast of Sierra de Quipar and Sierra de Burete. The topography of the concession area however is characterised by low-lying relief ranging between 360 m to 660 m above sea level.

The watersheds, which are composed of mainly seasonal rivers and streams, drain eventually towards the northeast into the Segura River which flows east to the regional capital of Murcia.

The higher slopes are covered in pine forest whereas the lower lying areas are covered by farmland consisting of soft fruit crops in irrigated areas and olive, almond and vines on drier land. The mines are essentially in the agricultural zones where olives, grapes and other fruit are grown.

A Cehegín project area site map is presented in Figure 18.4.

Figure 18.4: Cehegín Magnetite Project Area Plan



Source: Lorente y Pallarés archives

19.0 MARKET STUDIES AND CONTRACTS

19.1 IRON ORE MARKET OVERVIEW

19.1.1 Iron Ore Demand

Over 98% of all iron ore produced is used in the production of steel – the remaining two percent is used in a range of applications from concrete to the chemicals industry. Consequently iron ore demand is driven by the production of crude steel, in turn driven by consumption of this material as a result of economic growth and development.

The bullet points below outline the link between crude steel consumption and iron ore demand:

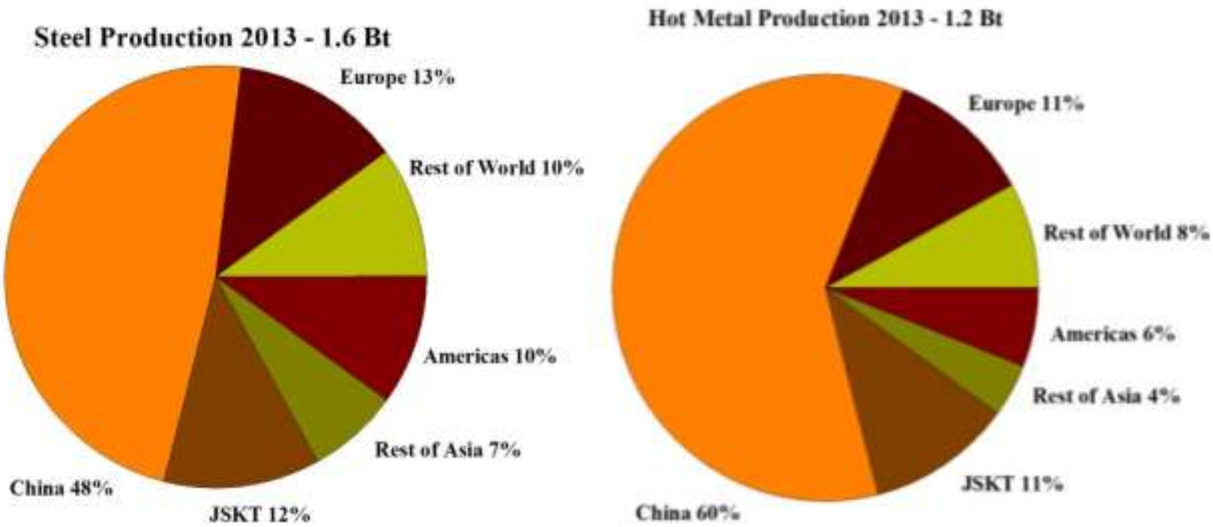
- Crude steel consumption: driven by macro-economic considerations such as GDP;
- Crude steel production: due to trade, production and consumption are rarely equal in a given country. Therefore, this must be accounted for in any analysis;
- Steel production route: crude steel can be produced through either the Basic Oxygen Furnace (BOF) or Electric Arc Furnace (EAF) route. Typically the BOF route drives iron ore demand, whereas EAF steel making relies on scrap; and,
- Iron making: refers to the conversion of primary iron ore into iron in a Blast Furnace (BF) or a Direct Reduced Iron furnace (DR/DRI). Primary iron is then further refined into steel ('steel making') most commonly via a basic oxygen furnace (BOF).

Crude steel production has increased significantly over the past decade from just under 960 Mt/a in 2003 to an estimated 1,620 Mt/a in 2013 – an increase of 60%. Hot metal production, the primary use for almost all of the iron ore used in the steel industry has moved from 670 Mt/a in 2003 to a forecast 1,200 Mt/a in 2013 – again an increase of almost 60%.

Figure 19.1 shows crude steel production and hot metal production in 2013 by key region, the following points are evident:

- Crude steel production
- China dominates with a 48% market share;
- Europe and Japan, South Korea and Taiwan (JSKT) are also strong;
- The rest of the world is smaller in comparison;
- Hot metal production;
- China controls 60% of all hot metal production – the key driver or iron ore demand. Domestic iron ore production unable to keep up so imports have boomed;
- Europe and JSKT are both responsible for around 11% of the market each; and,
- Europe and JSKT must import nearly all iron ore to fulfil this demand.

Figure 19.1: Steel Production 2013

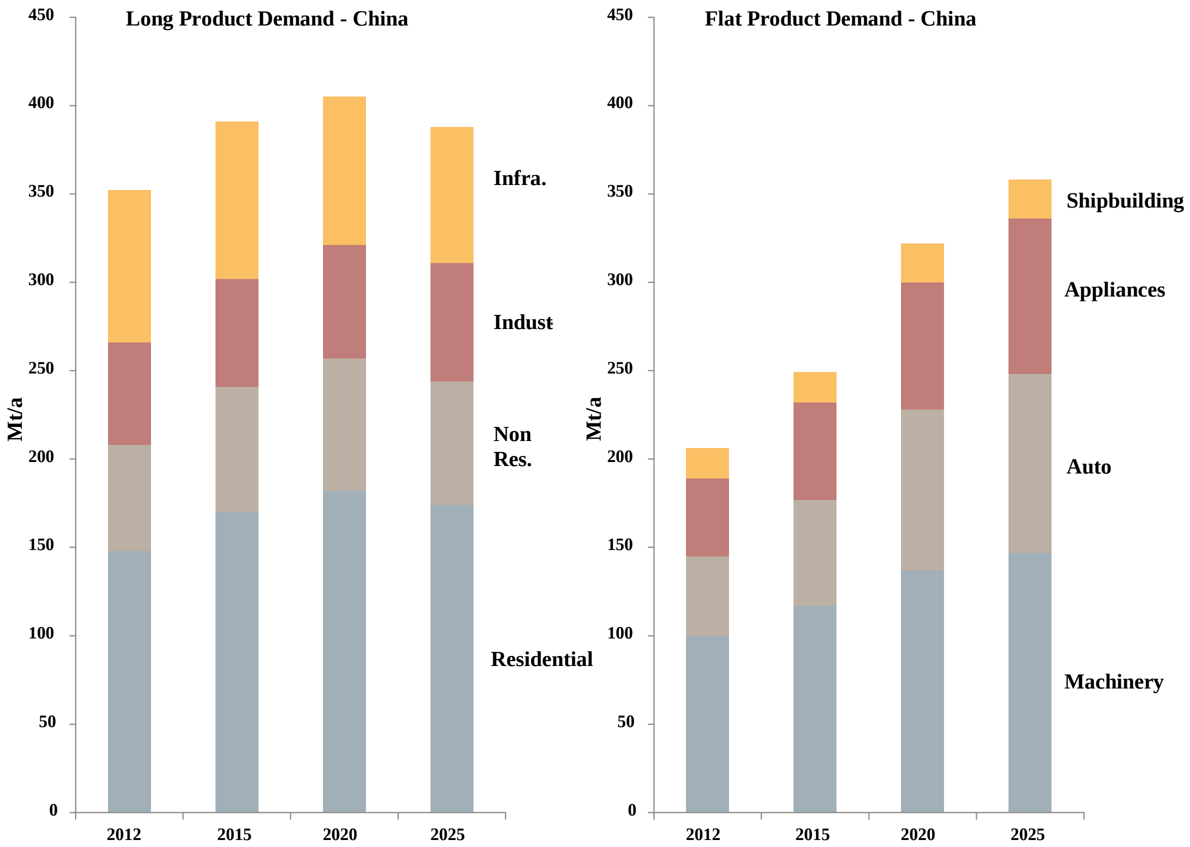


Source: Macquarie October 2013

As discussed previously, China is the key to understanding the iron ore market. Crude steel consumption, and hence production, in China is pushed by the varied needs of population, government and industry to create wealth. This surge occurs across a range of sectors, from large infrastructure projects such as the Three Gorges Dam on the Yangtze, to the construction of homes for workers that will be later filled with consumer goods. Figure 19.2 shows the results of this demand via the product mix of Chinese steel mills – key points below:

- Long product demand: construction and industry driven – initial development Residential is by far the largest sector – expected to peak post 2020. Industrial and non-residential are both forecast to increase marginally;
- Infrastructure will also begin to tail off;
- Flat product demand: consumer goods and manufacturing – later development;
- Machinery is key for future growth – reflecting increased manufacturing; and,
- Auto and appliances will also drive the market – wealth effect.

Figure 19.2: Long and Short Product Demand Source



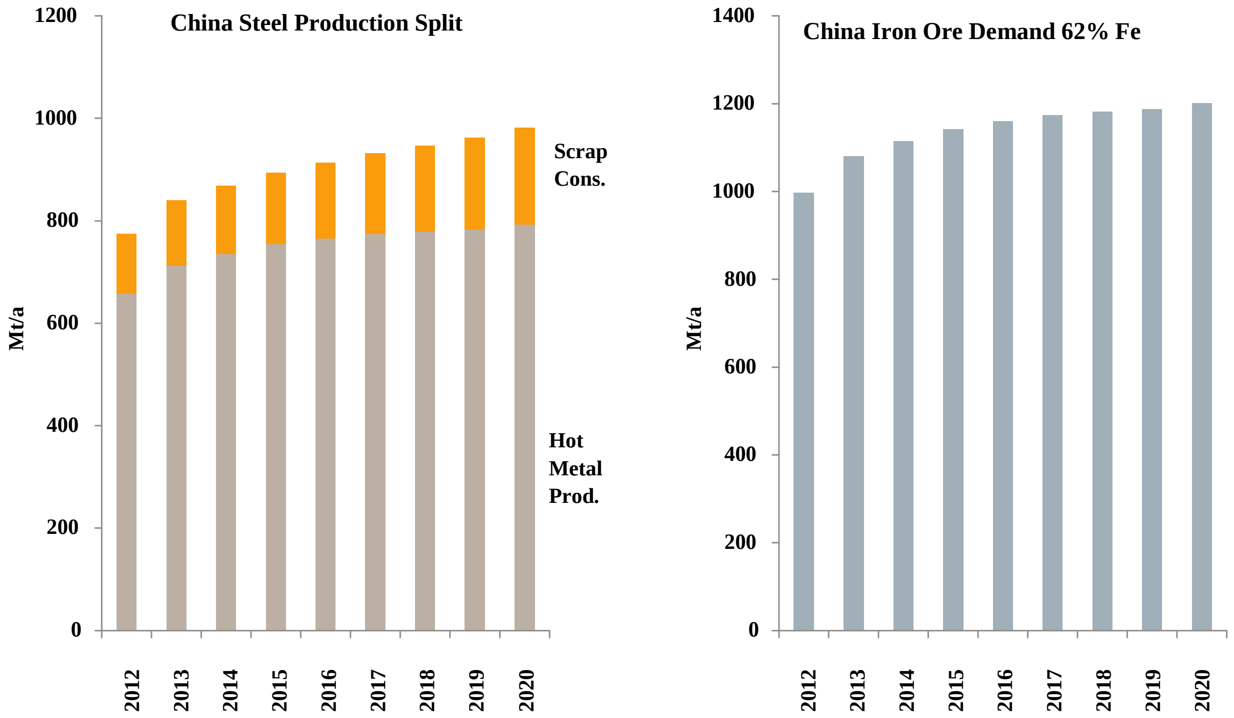
Source: Macquarie October 2013

Crude steel can also be produced using scrap in various ratios, this is typically done using the EAF furnace (as in the USA), but also in the BOF in small amounts across the world. Scrap use is more prevalent in developed regions where a large ‘pool’ of obsolete steel scrap (old cars, old construction steel, etc.) has been accumulated. The two other types of scrap are home (from within the steel mill) and prompt (from manufacturing processes, for example off cuts from the production of car panels).

Currently China uses little scrap in the steel production process other than prompt and home material as the country has not had the change to product a significant obsolete scrap ‘pool’ to feed back into production. This scrap pool will emerge and is forecast by Macquarie to begin to affect primary iron unit demand (hot metal) towards the end of the decade. The impact will initially be minor due to the sheer scale of the industry, but will gradually grow in importance – it should be noted that hot metal is still expected to provide the majority of iron units to the steel making furnaces of the country.

Figure 19.3 shows the expected split between hot metal and steel scrap in Chinese steel furnaces and the profile of iron ore demand as a result of this change in the market.

Figure 19.3: China Steel Production Split

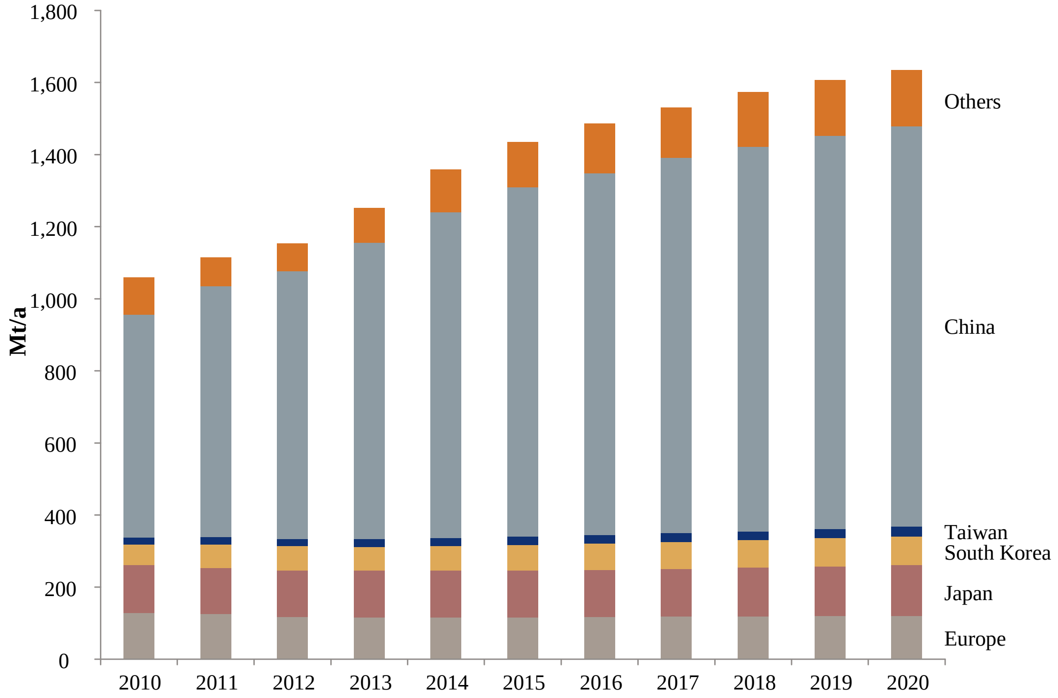


Note: The chart refers to total Chinese iron ore demand – not imports.
Source: Macquarie October 2013

While much of the demand focus is quite rightly on China, the ex-China demand element should not be ignored. In the Macquarie modelling process, given a set amount of supply, ex-China will first take its share, affecting the volume of ore China can import and in turn, the requirement for Chinese domestic ore. While ex-China demand remains around 20% below levels seen in 2007, it does at least look relatively stable. Macquarie expects approximately 2% per annum growth in the coming years, tailing off to 1% through the latter part of the decade (equating to 40 Mt/a greater demand in 2020).

In the longer term, India, Africa and other Asia are expected to develop stronger growth pushing up their respective steel consumption and providing for steady and stable growth. If anything, the risk on this is to the upside in the near term, with European and Japanese conditions improving, and renewed hopes that cheap natural gas could see more direct reduced iron facilities built in the US and other areas. The results of this analysis can be seen in Figure 19.4.

Figure 19.4: Seaborne Ore Demand



Source: Macquarie October 2013

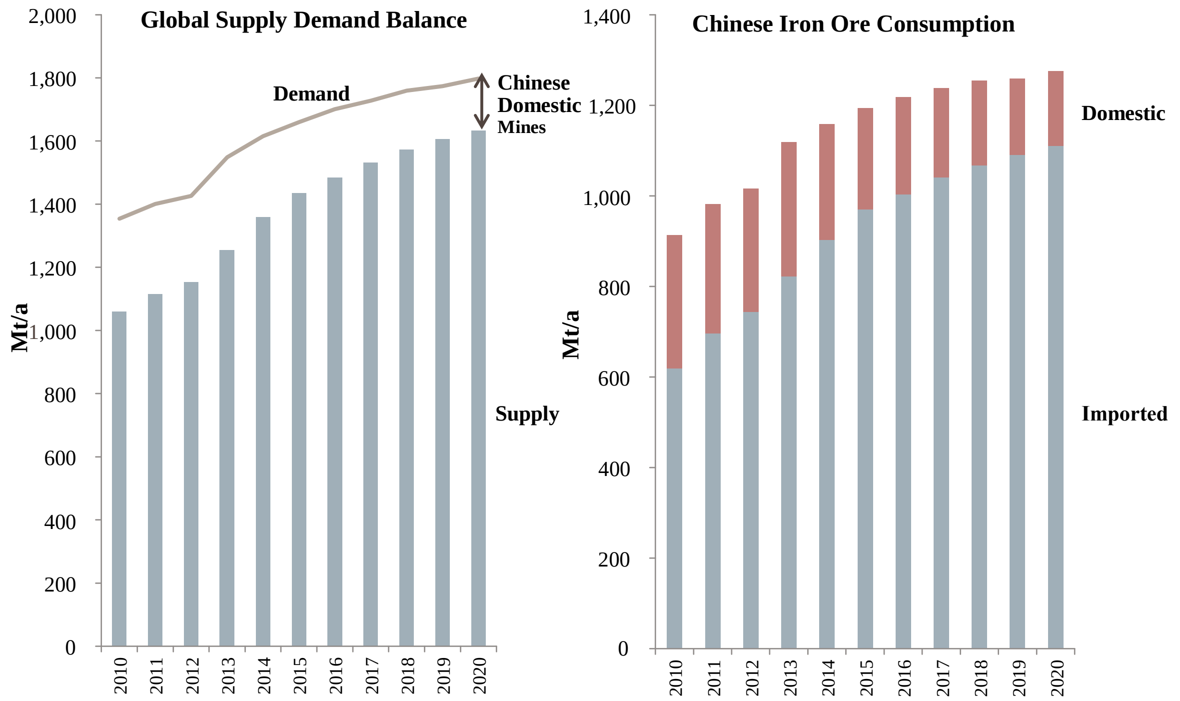
19.1.2 Iron Ore Supply

Iron ore is a bulk material and as such cannot be stored in the same way as an LME metal, hence excluding stocks held at port and steel mills, consumption should always balance with production in a given year.

In the iron ore industry the highest cost producers provide this balance, permitting market fluctuations. Currently domestic Chinese producers occupy this space and are forecast to retain this position through 2020 and potentially beyond – they may also be joined by some of the higher cost operations in the CIS, Canada and elsewhere on a delivered China basis.

Figure 19.5 shows the supply demand balance for the seaborne market indicating the gap filled by domestic Chinese miners.

Figure 19.5: Global Iron Ore Supply Demand Balance

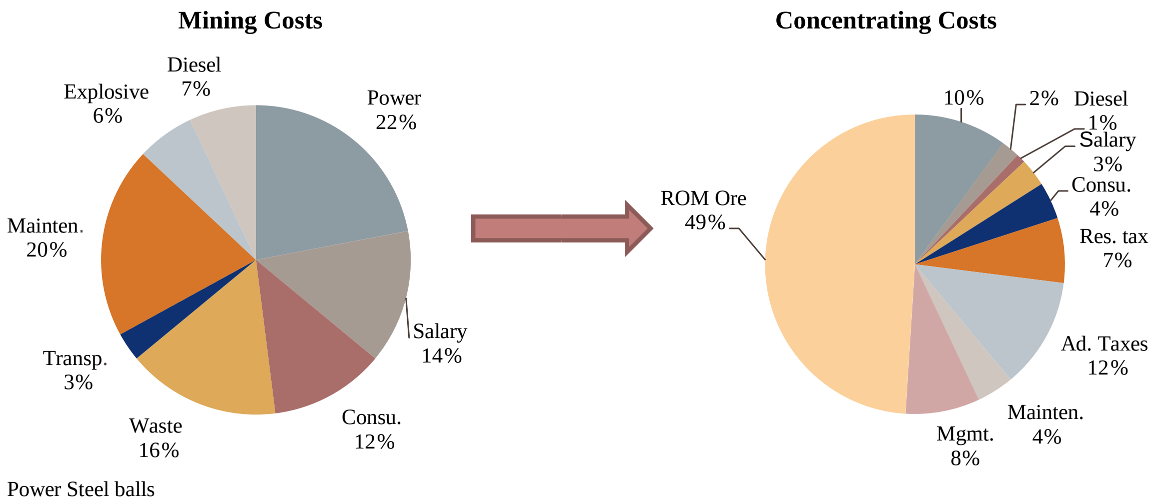


Source: Macquarie October 2013

The high cost of domestic producers in China is a function of the structure of the industry. There are some low cost State Owned Enterprise mines and those operated by the larger steel mills, but the higher portion of the curve is represented by smaller privately operated mines.

These smaller mines typically only extract and sell run of mine ore, this material is then collected by a central concentrator (from up to 80 different mines) for upgrading and final sale. Every section of this production chain from mine, to concentrator, to logistics must make a profit in order for the supply to reach the market. Since every section needs a margin this means that the ultimate cost is high – with around half of Chinese production over US$100/dmt converted to a Platts IODEX 62% Fe basis (a well-known iron ore pricing index, issued by Platts). Figure 19.6 show the cost breakdown of Chinese iron ore producers.

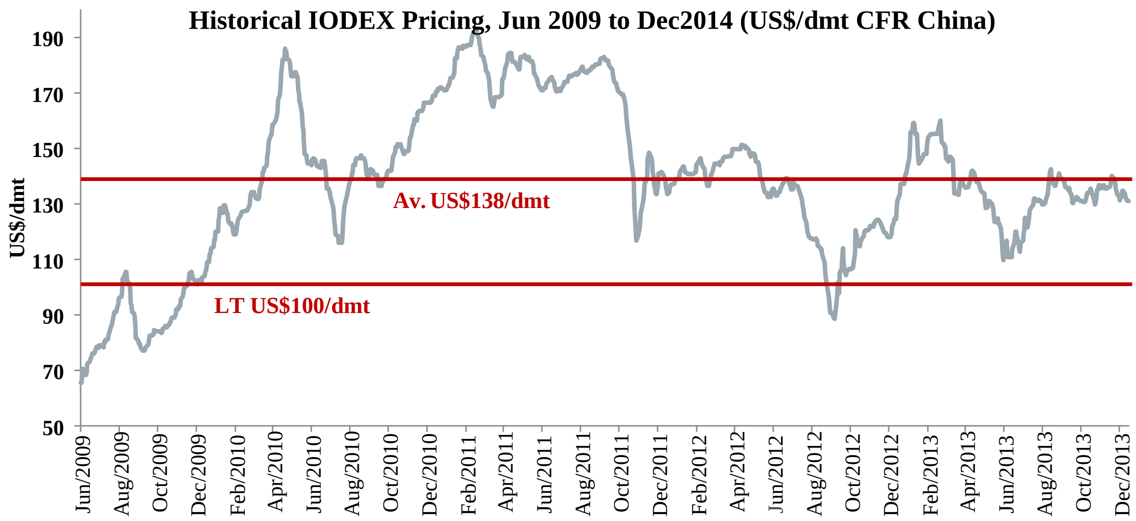
Figure 19.6: Mining and Concentrating Costs



Source: Macquarie October 2013

Iron ore prices moved from a pricing system of annual benchmarks to one based upon a spot index in 2010 – it should be noted that most long term supply contracts are settled against this index on a quarterly or monthly basis. Figure 19.7 shows the historical pricing series, clearly demonstrating the volatility resulting from the steep cost curve. The average value for the Platts IODEX 62% Fe index since June 2009 is US$140/dmt.

Figure 19.7: Historical IODEX Pricing



Source: Platts 2013

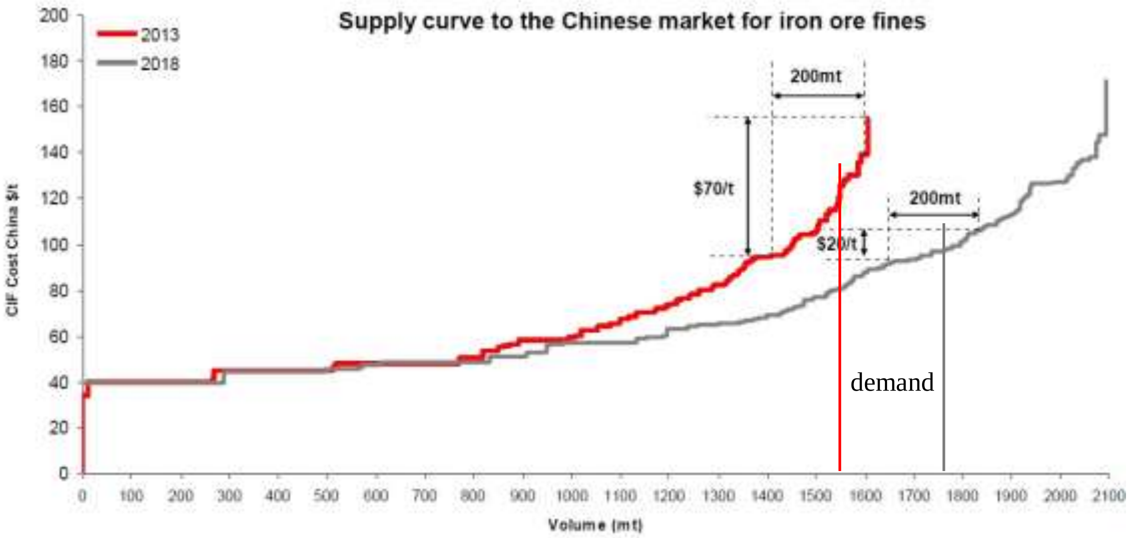
The following text is the description from Macquarie of their price forecast method and rationale. We believe Macquarie, as a third party analyst, has a high quality understanding of the iron ore market.

- *There is little doubt iron ore will be a displacement story into the medium term, involving both Chinese domestic and seaborne material, as increased supply capacity comes to market amid a slowing demand growth trend. What is perhaps more surprising is that, based on efficient market theory, US$100/t CFR China looks set to mark the price equilibrium into the medium and longer term – above many current expectations in the market. With this, the period of elevated iron ore prices continues to have more longevity than the market gives it credit for.*
- *The iron ore market remains the most efficient among metals and bulk Commodities Much is made of how, after the breakdown of annual contracts in 2010, iron ore prices have been inherently volatile, hitting peaks of close to US$200/t CFR China (62% basis) and troughs of US$87/t. Compared with peer metals and mining commodities, the range of pricing in 2012 versus the average price was certainly the highest. However, we would argue that this is "efficient volatility" – the steep gradient of the cost curve requires more dramatic price swings to either incentivise additional supply or push it from the market. Meanwhile, the feedback loop between demand moving, price adjusting and supply reacting is extremely short. Unlike a commodity such as zinc, where financial market intervention means mine supply has not come under suitable pressure over the recent years of surplus, iron ore remains a much purer commodity market.*
- *The behaviour of Chinese domestic ore remains a vital part of the efficiency of the iron ore market, hence why we chose to study it more carefully. Recent years have seen much more aggressive Chinese stocking cycles, driven by a combination of*

enhanced market knowledge, policy swings, sentiment and a lower overall stock buffer. To put this in context, the 200 Mt/a destock of iron ore seen in August last year was even greater than that seen in the financial crisis of 2008 to 2009.

- *The role of Chinese domestic ore in this equation is as a balancer – we would reiterate our view that private sector material in China reacts to price, it doesn't drive it. Only as much of this material as the market needs at any given time is present, being the higher cost, marginal units of supply. During periods of demand (and price) decline in the past, Chinese domestic ore has exited the market due to the short time horizon of investment decisions.*
- *As new iron ore supply comes to market, we expect Chinese private sector material to exit the market in a more structural manner. Certainly, ore which is state-owned and/or geographically advantaged (e.g. in Sichuan or Xinjiang) will remain a permanent feature – this equates to around 140 Mt of material in our estimations. However we would expect volumes of Chinese domestic material on a 62% equivalent basis to fall by a third to a half into the latter part of the decade, with the vast bulk in 2014 to 2015.*
- *While Chinese domestic ore provides the balance in the coming couple of years, into the medium term the market evolution will again change. In our view, after the initial displacement of Chinese domestic material, the next phase of iron ore will see new seaborne market entrants compete with incumbent peers in a pure opex battle, as miners tend to treat capex as sunk when it comes to operating decisions.*
- *Over the past three years of pricing in excess of US$100/t, the big success story has been the emergence of supply from „non-traditional" countries. China now imports over 150 Mt/a of material from origins outside of Australia, Brazil, India and South Africa – the more established players. Around 100 Mt/a of this is just like Chinese ore incentivised by a period of higher pricing. However, in certain cases this material – based on our analysis – looks just as unviable as Chinese high cost ore in the latter part of this decade, and will be displaced by lower operating cost market entrants.*
- *This situation drives an increased dichotomy in iron ore markets between the haves and the have-nots. Major miners will continue to ship as much volume as their balance sheet will justify, (but preventing oversupply) both in terms of existing assets and new projects. Meanwhile, the top end of the curve will see an increased market positioning battle between Chinese domestic material and less established seaborne suppliers. This is different to the way we have modelled iron ore in the past, which has typically relied on purely Chinese displacement. In this environment, the marketing angle will be crucial for smaller suppliers, either directly or by de-risking operations via off-take agreements. We would expect to see much greater trader influence in iron ore markets than seen over the past decade. Meanwhile, hedging price risk in financial markets may well become much more prevalent at the smaller end of the spectrum.*
- *The gradient of the cost curve continues to be the differentiating factor of the iron ore supply side. With the 90th percentile due to remain double that of the 50th over our forecast period, cash margins for those at the bottom end of the curve will remain exceptionally high. Meanwhile, based on our assessment the upper end will tend to flatten, making competition between operations more subject to external factors such as currency and inflation. This curve can be seen in Figure 19.8.*

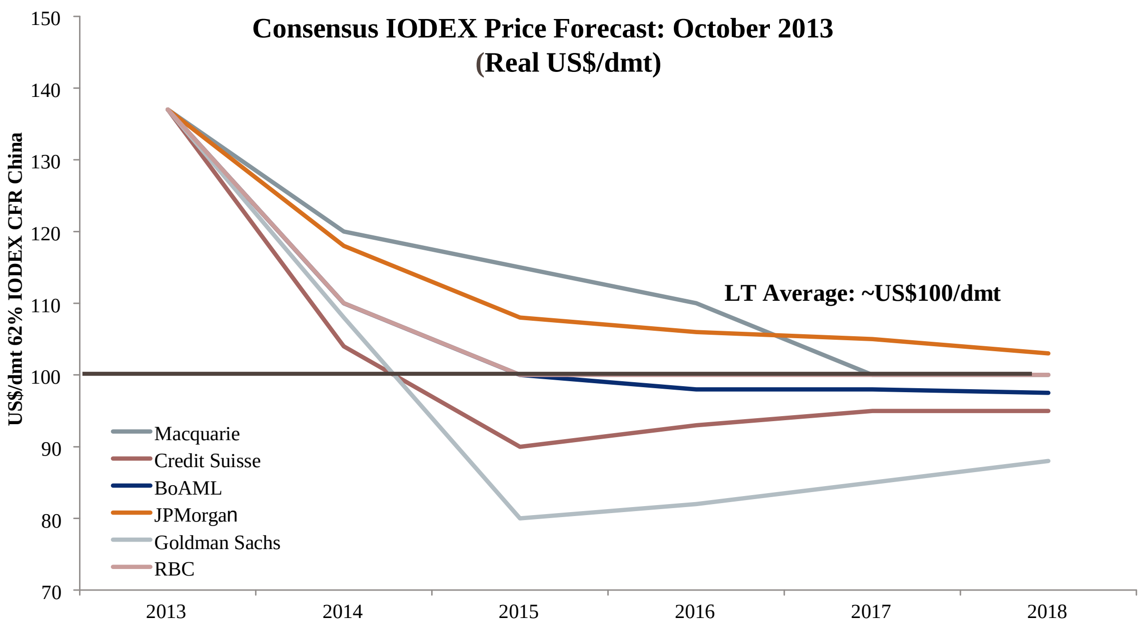
Figure 19.8: Supply Curve to the Chinese Market



Source: SMM, Company Reports, Macquarie Research, September 2013

Figure 19.9 shows the Macquarie forecast against consensus values from a selection of top tier respected investment banks. As can be seen the majority of forecasts settle around the US$100/dmt value, giving an average value of US$97/dmt. It is the therefore fair and reasonable that a long term price of US$100/dmt for IODEX 62% Fe is used for the valuation of this project, based upon the information presented in this Report.

Figure 19.9: Consensus IODEX Price Forecast



Source: Macquarie Research, September 2013

For the intermediate years of operation the 62% Fe forward price curve can be used. This curve extends until calendar year 2016 and is updated by the various companies that provide a 62% Fe index, such as Platts and TSI. For this purpose we have selected the most recent version available at time of publication, which dates 17th January 2014. This price outlook is integrated with the long term price assumption as per above of US$100/dmt post the forward curve latest due date (so 2016) and the overall result is shown in Table 19.1.

Table 19.1: Iron Concentrate Price Forecast

Year	2014	2015	2016	2017	2018	2019	2020+
Price (US$/dmt)	117.5	109.0	104.5	100	100	100	100

20.0 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

The Cehegín project was originally operated as both an underground mine and an open pit operation. However, going forward, the Cehegín project will be operated as a standard open-pit mine.

In terms of environmental impact, there is a small river located next to the former Mina María operation. The Mina María pit is now flooded and exists as a reservoir. The reservoir could potentially serve as a water storage facility for the processing plant; however permission will be required for this use. Local authorities consider this reservoir as beneficial in helping to regulate the irregular seasonal river flow. The water in the reservoir is considered a quality source for irrigation purposes. It has been used in the past to solve severe irrigation shortages due to drought that are frequent in the Region.

Solid has purchased the concessions and therefore has responsibility for Mina María. Currently there is a grandfathered bond of approximately €47,000 in place for reclamation. In the Solid's discussions with regulators the bond required, according to recent restoration studies, could increase from the present €47,000 to €150,000 or €350,000, depending on the criteria applied. The default ceiling of €12,500/ha occupied could be applied bringing the total to €700,000 in case no restoration study is presented. There is no definitive answer at present. Currently there is no objection to leaving the open pit flooded. The only reclamation the municipality is currently considering is landscaping of the tailings areas once the project is completed. The degree to which the site will ultimately require restoration will be established as part of the environmental permitting process.

Similarly, the Villamejor open pit, which has not been reclaimed, could serve as a repository for other mine waste. The new processing plant will be built with closed-circuit water reclamation and filtration in order to significantly reduce impact to the environment. Proper dust prevention and control measures must be taken in production and handling of the concentrate, tailings and mine waste.

21.0 CAPITAL AND OPERATING COSTS

Capital and operating costs have not been estimated for the Cehegín Magnetite Project.

22.0 ECONOMIC ANALYSIS

An economic analysis has not been conducted for the Cehegín Magnetite Project.

23.0 ADJACENT PROPERTIES

There are no adjacent properties that produce iron ore concentrates. There are a number of local operations that produce dimension stone and aggregates.

24.0 OTHER RELEVANT DATA AND INFORMATION

Micon is not aware of other additional information on the Cehegín property and deposit that would make this Report complete and not misleading.

25.0 INTERPRETATION AND CONCLUSIONS

25.1 GENERAL

Solid recently purchased the Cehegín Magnetite Project from Lorente y Pallarés, S.L., a local company that was engaged in magnetite concentrate and construction materials production. The project is at a very early stage of development despite the fact that it was a past producer. The principal mining operation at Mina María terminated in 1989, and the last available feasibility study, completed by Aurelio using the Altos Hornos de Vizcaya (AHV) data in 1990 (Estudio de Viabilidad de Minas de Cehegín), does not meet modern standards for feasibility studies.

A significant amount of exploration and exploitation work was conducted at Cehegín: in excess of 4 Mt of ore was mined and processed and some 38,000 m of drilling was completed. The majority of the past production was derived from the María ore body, and unfortunately, the 38,000 m of drilling cannot be verified by stored drill core, sample cuttings or sample pulps. The lack of physical evidence with which to verify the geological interpretation and lack of independent quality control data to validate the analytical results presented in the drilling database renders it impossible to generate Canadian Institute of Mining and Metallurgy (CIM) Standards-compliant mineral resource estimates. However, it is a positive fact that the exploratory drilling conducted was not speculative, but was conducted in support of magnetite concentrate production operations. Although a portion of the drilling represents the exploited portion of the María ore body, a significant portion may be representative of the Coloso, Soledad and Villamejor ore bodies. The potential programme of work described later in this Report will investigate the mineralisation outlined by previous drilling with a view to define mineral resources. The work will extend mineral resources by stepping out along strike and down-dip from known drilling intercepts, and undertaking regional exploration.

This Report recommends that the next phase of work should focus on reconnaissance exploration drilling to evaluate the potential for a much larger potential resource base, which could support a project with longer mine life and more favourable strip ratios and concentrator yields than have been currently assumed. A favourable outcome to such work could significantly improve economic returns.

As this is an early stage project it is impossible to accurately characterise the mineral resource potential; however, historical data and consideration of reasonable possible extensions of the deposits and regional exploration potential, do provide an indication of the available quantity of ore. The total volume of plant feed available is roughly estimated to be between 9 Mt to 42 Mt. It should be noted that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a mineral resource. It is uncertain whether further exploration will result in the targets zones being delineated as a mineral resource.

Located in Spain, the project's geographic and logistical advantages make the project a potential source of low-cost, high-grade iron ore for steel producers worldwide. The project is connected to the deep-water Cartagena Capesize-capable port by a 115 km-long highway – much of which is a four-lane motorway, providing an efficient logistic solution.

Going forward the recommended next stage of the project is a US$750,000 reconnaissance exploration programme.

25.2 SWOT ANALYSIS

A SWOT analysis (strengths, weaknesses, opportunities and threats) has been prepared to summarise the conclusions for the Cehegín Magnetite Project.

25.2.1 Strengths

1. Although at an early stage, the Cehegín Magnetite Project is supported by some 38,000 m of historical drilling data that could be validated by a limited drilling and metallurgical test work programme. Cehegín is a past producer and the historical data available indicates that the operation produced high-quality magnetite concentrate.
2. High Quality Product - The historical product grade was in excess of the standard 62% iron. Concentrates of this grade generally attract a price premium in the market. Concentrates produced in the past contained impurity elements well below penalty levels, which rendered the product attractive to the market.
3. Logistics - The Cehegín project lies within a region of well-developed infrastructure and offers excellent logistics options. Access to the deposit is via a network of paved toll-free highways; the project is located only 6 km north of the main Murcia to Cehegín highway. The distance from the operation to the port is 115 km. RENFE, the local rail company, has a spur 12 km distant from the project in the town of Calasparra. The distance by rail to the port of Cartagena is 142 km. The rail system terminates at the Cartagena bulk pier.
4. Deep Water Port – The Port of Cartagena is a deep water port capable of receiving Capesize class vessels. The port is equipped with high capacity bulk-loading equipment, capable of loading vessels up to 400,000 DWT, with two cranes of 40 t and 60 t per lift.
5. Presence of Experienced Contractors – Spain offers local contractors of international dimensions with capacity to execute any task. Local companies such as Duro Felguera (plant and EPCM) and Sanchez y Lago (blasting and earth movement) have presented proposals and are working on similar projects in other parts of the world.
6. Advantages of Economic Climate – The current poor economic climate affords Solid the opportunity to lock in contracts at competitive rates. On a higher level, national and local governments are strongly supporting significant investments that would create jobs and tax revenues. This should be leveraged to obtain an attractive mining convention.
7. Brownfield Site – The project is based on a historical mine that was operational until 1990. Site infrastructure will need to be revised and a new plant constructed, but waste dumps and tailings facilities have been permitted in the past. In addition, a significant amount of drilling and Davis Tube analysis has been completed during previous operations and exploration campaigns. The data available for Coloso, Soledad and Villamejor could be validated by a campaign of twinned-hole drilling and Davis Tube analysis.
8. Favourable Regulatory Environment –Murcia has been very supportive of the project in all its aspects, including the environmental issues. A high priority is placed on job creation in the region. The mining activity would be classified as strategic, and as a consequence, fall into a special regulation framework that amongst other advantages

reduces by half the period of all the regulatory terms. In addition, it grants special tax reductions via free amortisation plans encouraging reserves for future investments made from up to 30% of net profits tax exempt up to ten years.

9. Most of the area covered by the concessions does not fall within any environmental protection zone and both laws, the EU and National authorities, recognise mining as a priority activity above all other interest. Therefore, rather than banning mining in case of environmental conflict, regulations have been created for the restoration and compensation of third party interest, existing a wide jurisprudence body.
10. Experienced Labour Resource – Murcia has a long historical tradition in iron and other mining production, including extensive quarrying for construction and marble production. There are a significant number of operating quarries in the region. Skills utilised by the quarries could easily be adapted to iron concentrate production. There is an abundant supply of skilled labour resource in the region.
11. Existing Infrastructure – Electrical transmission lines are available to various points throughout the property, including to the processing plant site at Mina María. In addition, roads suitable for commercial activity exist leading from the main road to the processing plant area. Right of way currently exists to all of the project sites.
12. Waste Areas – Waste storage areas exist and are already permitted.

25.2.2 Weaknesses

1. European Regulatory Environment and Potentially Conflicting Laws – The European Union (EU) environmental regulatory framework is called Ley Natura 2000. The Mining Law of 21 July 1973 governs the mineral industry and the Dirección General de Política Energética y Minas implements these laws. Below these two legal frameworks, the municipal government implements its own framework within the limits of the National and EU laws. Although the EU law and the present National Mining Law of 1973 recognise the coexistence of mining interests and environmental interests currently, there is no way to assure avoidance of future conflicts between mining and the environment. There is no basis on which to conclude regulations will not conflict between both levels, leading to approval delays.
2. Solid Experience – Solid operates as a development-stage company and has no experience operating iron ore mines. Solid will have to recruit a project team with experience in constructing and operating a producing mine.

25.2.3 Opportunities

1. Exploration Potential - The Murcia area is underexplored. Further exploration both regionally and locally could provide for significant resource upside. A detailed programme has been developed in a phased approach (see Section 26.0).
2. Low Cost Exploration – A limited programme of drill hole twinning of the existing holes may serve to validate the currently available exploration data. Additional proposed reconnaissance drilling may significantly increase the reserve base of the four known deposits. It may be possible to extend the project life at a relatively low exploration expense.
3. Additional Licensing - It should be noted that the full magnetometer survey commissioned by Altos Hornos de Vizcaya SA, covered an area of some 58,000 ha. The area covered by the currently known mineralisation and controlled by Solid covers only approximately 6,900 ha. There are a number of additional magnetic anomalies that warrant further exploration.
4. Long Term Contracts and European Sales – The delivered cost to European mills will be competitive with Australian and South American product due to the reduced shipping cost.
5. Conversion of Contractors to Employees – At the present time, Solid has utilised the expertise of consultants. The company could use these consultants as components of the management team by hiring them into the company. This would provide a high degree of stability to the management of the company. Alternatively, suitably experienced Spanish companies might become partners in the project, contributing their local operational expertise.

25.2.4 Threats

1. Community Action – Although there is support for the project, which will improve employment prospects in the region, there are potential conflicts that may arise with agriculture groups if a proper environmental management plan is not implemented, requiring compensation or expropriation to a few agricultural crops that could be affected.
2. Labour Action – Specialised mining and processing labour is limited in the region. If a contract miner is not used or a suitable operating partner is not identified, a training programme will have to be initiated at an early stage of the project to ensure that the required compliment of skills is available for the operation to function.
3. Rising Trucking Expense – Competition for trucking resources could result in increased expenses should the local economy improve significantly.
4. Rising Loading Cost – Although the bulk pier of Port of Cartagena has the advantage of a very large loading surface of 200,000 m^2, future economic reactivation could lead to competition for port resources which could result in increased port and loading costs.
5. Political Change - Economic improvement over the next two years could potentially change the political agenda, resulting in diminished support for the project. However, the laws favouring mining activity and have not changed since inception in 1973, even in at the highest peak of economic activity.

6. Licensing and Permitting – The Company has received considerable support from the local government regarding permit applications; however, even in the most favourable of environments, permits can be a source of risk.
7. Falling Iron Prices - Lower iron prices would reduce project revenue and the rate of return on investment.
8. Upside Resource Estimates Don't Materialise – As with all mineral projects, there is a risk that the reserves will not materialise as planned. In spite of the apparent favourable mineral potential of the project area, there is no certainty that the currently identified sources of mill feed, or any expansion of these sources, will be realised.
9. Failure to Achieve Expected Concentrate Levels – Although the project has Davis Tube test results from four areas, these tests were completed some time ago and full documentation covering the samples, test procedures and test results does not seem to be available. Historic concentrate production was limited to the María ore body. Mineral extracted from the other deposits may be different and there is a risk that its metallurgy may differ adversely – or indeed positively - from current projections.
10. Risk of Previous Mining – Prior underground mining at the four sites could present a risk both to any resource estimates, if significant mineral was extracted, (apparently less than 2 Mt was extracted), and to the ability to properly develop open pits. A complete engineering survey of the old work will need to be completed in order to mitigate this risk.

26.0 RECOMMENDATIONS

26.1 GENERAL

A detailed project execution plan will be developed for the project subject to final approval of the project management team. The high level sequence of development for the base case will be as follows:

- Phase I – Exploration and Concept: Cost US$2.5 million,
  Estimated completion 30th April 2015; and,
- Phase II – Pre-Feasibility/Feasibility: Cost US$5 million,
  Estimated completion: 30th April 2016;

26.2 SELECTED NEXT PHASE OF WORK: PHASE I RECONNAISSANCE DRILLING

The purpose of the proposed reconnaissance drilling programme is to have a more informed view of the resource potential of the project. Current drill information is only available on four of the deposits, and has been extrapolated to nine other deposits. The historical drilling was intended for grade control with concentrated drilling in only very localised areas.

The reconnaissance drilling programme will give a good indication of the resource potential of the project and if the results are encouraging will allow for more flexibility with the assumptions for weight recovery and stripping ratio used in the current financial modelling. It is intended to drill at least two boreholes in each of the selected targets.

With a larger available resource base more selective mining can be done and the cut-off grade can be raised from a weight yield of 15% to 20%, which will improve the overall weight yield used in the assumptions. Also with more ore available, the near surface material can be targeted which will reduce the stripping ratio, at least for the critical initial stages of the mine.

The proposed scope of work is as follows:

26.2.1 Drilling

- A programme of approximately 2,200 m (15 to 18 boreholes) of reverse circulation (RC) drilling will target the best of the regional magnetic anomalies as well as selective near mine magnetic anomalies that might improve the understanding of the historical deposits;
- It is envisaged to use a local drilling contractor provided that the capacity of the machine is suitable to drill below the water table; and,
- A local construction company will be used for road construction and site preparation.

26.2.2 Ground Magnetic Survey

- Drill targets will be selected using the available regional aeromagnetic data set;
- The magnetic anomalies will be ranked in terms of intensity, strike length and distance from the historical operations;
- Once targets have been selected detailed ground magnetic surveys will be used to site individual boreholes;
- A local company will be used for data acquisition and first pass interpretation;
- A reputable geophysical consultant will used for the final site selection; and,
- Some of the airborne anomalies are already covered by historical ground magnetometer data. The historical data will be validated before it is used.

26.2.3 Analyses and Metallurgy

- Sample preparation and archiving will be done locally;
- If a suitable Davis Tube (DT) laboratory is not found a 200 g sample (-1 mm) will be sent to the Sphere Minerals laboratory in Mauritania;
- A short analysis of DT for the weight yield at -80 µm will be conducted and the Head Grade (HG) will be analysed with a Niton analyser; and,
- If the drill results and short analysis proves to be encouraging, full Liberation Size Analyses (LSA) will be conducted on each sample and the concentrates assayed at a reputable laboratory for the full suite of elements.

26.2.4 Manning and Supervision

- It is intended to man and run the programme with local geologists and technicians with support if needed from the Sphere exploration team in Mauritania; and,
- The technical supervision will be supplied by Glencore.

26.2.5 Timing and Duration

- The drilling can commence once all the required permitting has been obtained and a suitable drill rig has been found;
- The ground magnetic survey can potentially last between 6 to 8 weeks and can start as soon as possible;
- Drilling can last between 6 to 8 weeks;
- Analyses and metallurgical testing can take between 10 to 12 weeks; and,
- Some of the above actions can run concurrently and the programme can be concluded in 4 to 6 months.

26.2.6 Budget

The proposed Phase I exploration budget is presented in Table 26.1. Budget estimates are high-level and will be confirmed with actual quotes from service suppliers.

Table 26.1: Phase I Exploration Budget

Element	Item	Units	Cost/Unit	Cost (US$)
Drilling (15 - 18 boreholes)	Metres	2,200	175	385,000
Drilling Consumables		2,200		8,000
Site Preparation				40,000
Mobilisation				30,000
Geophysics				50,000
Analyses	Samples	1,320	100	132,000
Freight Samples				10,000
Manning & Supervision				50,000
Flights and Accommodation				20,000
Contingency (4%)				25,000
			Total	**750,000**

26.2.7 Regional Reconnaissance

Comparing the size of regional magnetic anomalies to the size, grade and tonnage of the known deposits demonstrates that additional reconnaissance exploration is warranted. Initially ground magnetic surveys would enable better drill placement. Reverse circulation drilling will lower cost, improve speed of exploration and provide more flexibility.

The regional reconnaissance exploration programme will be sub divided into several stages including reconnaissance within the concession area, investigation of magnetic anomalies beyond the current concessions and a broader programme of magnetometer surveys. The budget for the first portion of the reconnaissance exploration programme is summarised in Table 26.1. The magnetic targets and exploration work that will be considered is described in Tables 26.2 to Table 26.4.

Table 26.2: Regional Reconnaissance within Concessions

Target	Location	Distance from Coloso (km)	Intensity Peak (δ)	Intensity of Magnetic Isoline (δ)	Size of Magnetic Isoline	Comments	RC Drilling Cost (US$)	Planned Boreholes
Soledad East	0.8 km from Soledad	4.2	3,000	1,000	900 x 290 m	Limestone and ophite, close to Soledad, possible extension to east	35,000	2 holes x 100 m
Teresa Panza-I	2.8 km from Soledad	6.6	7,000	3,000	200 x 150 m	Limestone and ophite. Old workings of 0.5 Mt nearby	35,000	2 holes x 100 m
Teresa Panza-II	2.8 km from Soledad	6.6	4,000	3,000	100 x 70 m		17,500	1 hole x 100 m
North María	0.8 km from Villamejor	3.3	5,760	3,000	180 x 50 m	Possible extension of María deposit	35,000	2 holes x 100 m
Magnetita-I	0.7 km from Villamejor	3.9	985	500	470 x 250 m	Low intensity anomaly on limestone	35,000	2 holes x 100 m
San Nicolas	5.2 km from Soledad	6.8	1,272	500	400 x 100 m	Low intensity anomaly on limestone in contact with ophite	35,000	2 holes x 100 m
Contraataque	0.4 km from Soledad	5.4	300	300	200 x 120 m	Low intensity anomaly close to Soledad on limestone and Tertiary-Quaternary Cover	17,500	1 hole x 100 m
Mariposa	0.6 km from Soledad	5.6	400	400	200 x 50 m	Low intensity anomaly close to Soledad on Tertiary-Quaternary cover	17,500	1 hole x 100 m
						Total	**227,500**	**13 boreholes**

Table 26.3: Additional Reconnaissance

Target	Location	Distance from Coloso (km)	Intensity Peak (δ)	Intensity of Magnetic Isoline (δ)	Size of Magnetic Isoline	Comments
Teresa Panza-III	2.9 km from Soledad	6.3	2,440	2,000	260 x 60 m	Anomaly on ophite. Probably due to disseminated magnetite
Magnetita-IV	0.9 km from Coloso	0.9	400	300	220 x 70 m	Limestone. Close to Coloso
Magnetita-II	1.1 km from Villamejor	3.1	520	400	290 x 100 m	Limestone
Llano Rubio	1.3 km from Villamejor	3.1	1,328	500	480 x 100 m	Anomaly on ophite. Probably due to disseminated magnetite. PI Victoria

Table 26.4: Additional Reconnaissance – Non Detailed Magnetometry

Target	Location	Distance from Coloso (km)	Intensity of Magnetic Isoline (δ)	Size of Magnetic Isoline	Comments	Planned Task
San Rafael	3.4 km from Coloso	3.4	1,000	2,500 x 1,500 m	Regional anomaly on ophites, clay and limestone. Partially covered by detail magnetic survey on its western part.	Detailed magnetic survey
La Florida	1.6 km from Coloso	1.6	3,000	2,000 x 1,100 m	Regional anomaly on limestone with patches of Ophite and clay.	Detailed magnetic survey
Carrascos	2.6 km from Coloso	2.6	3,000	2,000 x 1,400 m	Regional anomaly on cover (Tertiary-Quaternary), ophite, clay and limestone	Detailed magnetic survey
Llano Rubio	0.9 km from Coloso	0.9	3,000	800 x 800 m	Regional anomaly on clay	Detailed magnetic survey
			Total	9.39 km^2		

26.3 PHASE I: CONCEPT WORK

The Phase I concept work programme includes:

- Validation drilling and metallurgical test work (Davis Tube) at Coloso, Soledad and Villamejor; and,
- Step-out drilling along strike at all three deposits.

26.3.1 Additional Exploration of Deposits

Coloso, Soledad and Villamejor all have the potential to be larger than current drilling data indicates. Upside potential has been projected where there is data to support such a conclusion. Drilling along the strike offers potential to increase the deposit resource estimates. A minimum of two exploration holes would need to be drilled on either side of each deposit, along the strike. The total cost would be approximately US$210,000.

26.3.1.1 Coloso

- Two RC drill holes on either side of deposit along strike.
- Depth 100 metres per hole.
- Cost US$175 per metre.
- Budget US$70,000.

26.3.1.2 Soledad

- Two RC drill holes on either side of deposit along strike.
- Depth 100 metres per hole.
- Cost US$175 per metre.
- Budget US$70,000.

26.3.1.3 Villamejor

- Two RC drill holes on either side of deposit along strike.
- Depth 100 metres per hole.
- Cost US$175 per metre.
- Budget US$70,000.

26.3.2 Validation of Deposits

A campaign of drilling and sampling would have been conducted to validate the existing drilling and DTR data. The total cost of Step II was estimated to be US$420,000.

26.3.2.1 Coloso

- Four diamond drill holes to confirm historical drill results.
- Depth 100 metres per hole.
- Cost US$350 per metre.
- Budget US$140,000.

26.3.2.2 Soledad

- Four diamond drill holes to confirm historical drill results.
- Depth 100 metres per hole.
- Cost US$350 per metre.
- Budget US$140,000.

26.3.2.3 Villamejor

- Four diamond drill holes to confirm historical drill results.
- Depth 100 metres per hole.
- Cost US$350 per metre.
- Budget US$140,000.

Potential drill holes are detailed in Table 26.5 and are shown on Figures 26.1 to 26.3.

Table 26.5: Phase I Concept Budget

Element	Item	Units	Cost/Unit	Cost (US$)
Drilling (6 RC holes)	Metres	600	175	105,000
Drilling (12 core holes)	Metres	1,200	350	420,000
Drilling Recon (10 RC holes)	Metres	1,000	175	175,000
Drilling Consumables		2,800		10,000
Site Preparation				50,000
Mobilisation				10,000
Geophysics				50,000
Analyses	Samples	1,500	100	150,000
Freight Samples				12,000
Flights and Accommodation				20,000
Resource Modelling				60,000
Hydrology				30,000
Mine Planning				30,000
Environmental				20,000
Surface Rights				20,000
Logistics				20,000
Owners Team				500,000
Contingency (4%)				68,000
			Total	1,750,000

Figure 26.1: Coloso Proposed Drilling

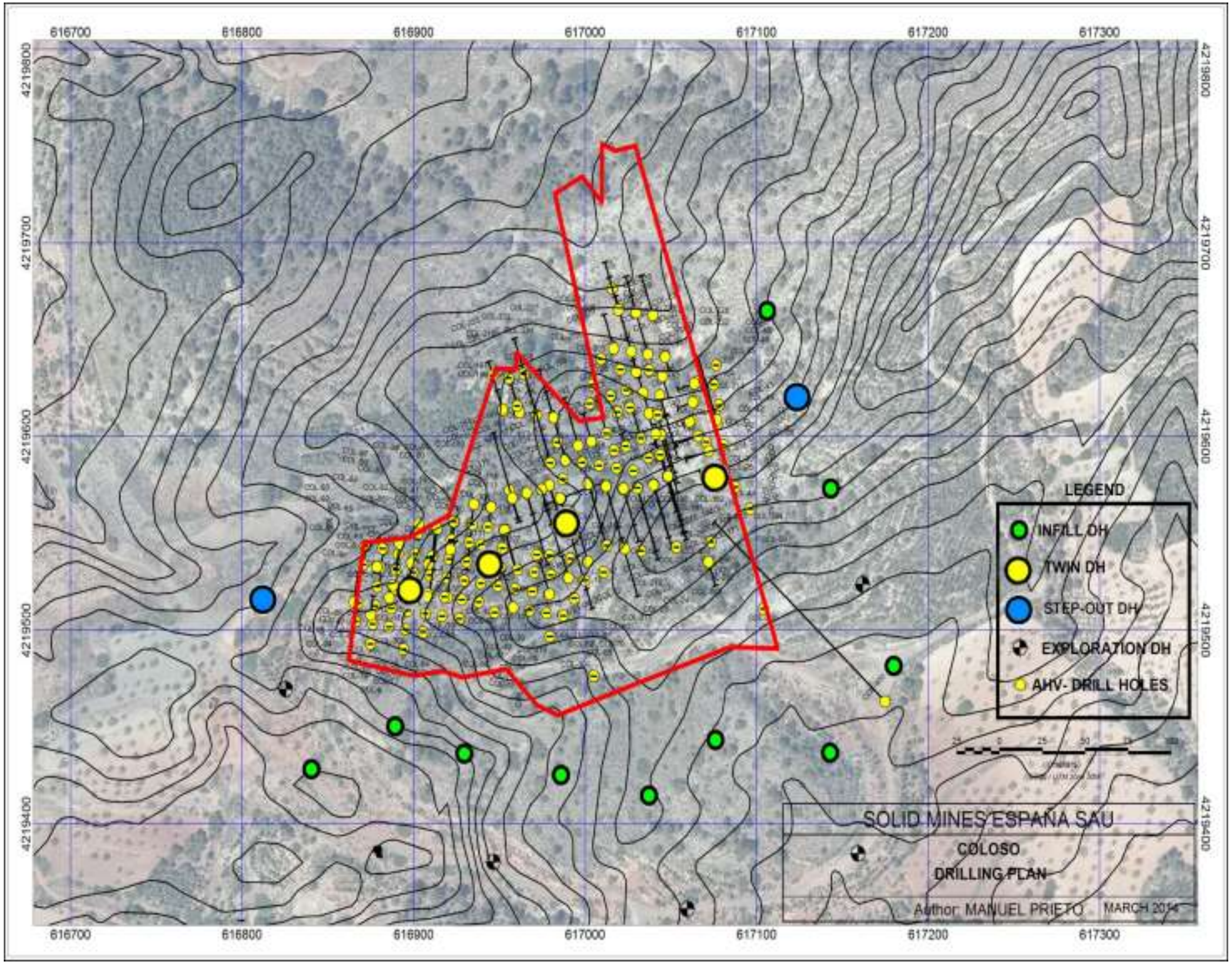


Figure 26.2: Soledad Proposed Drilling

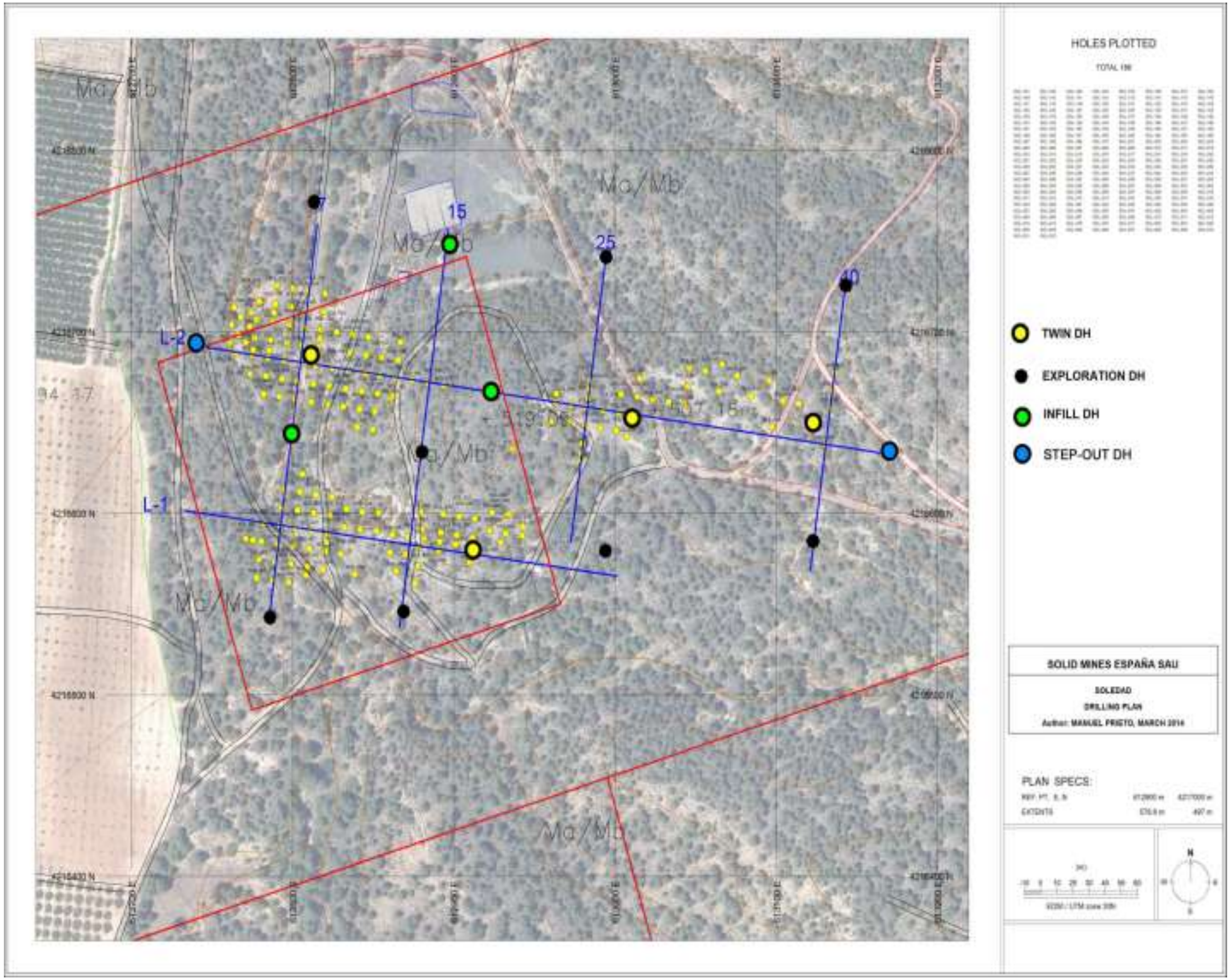
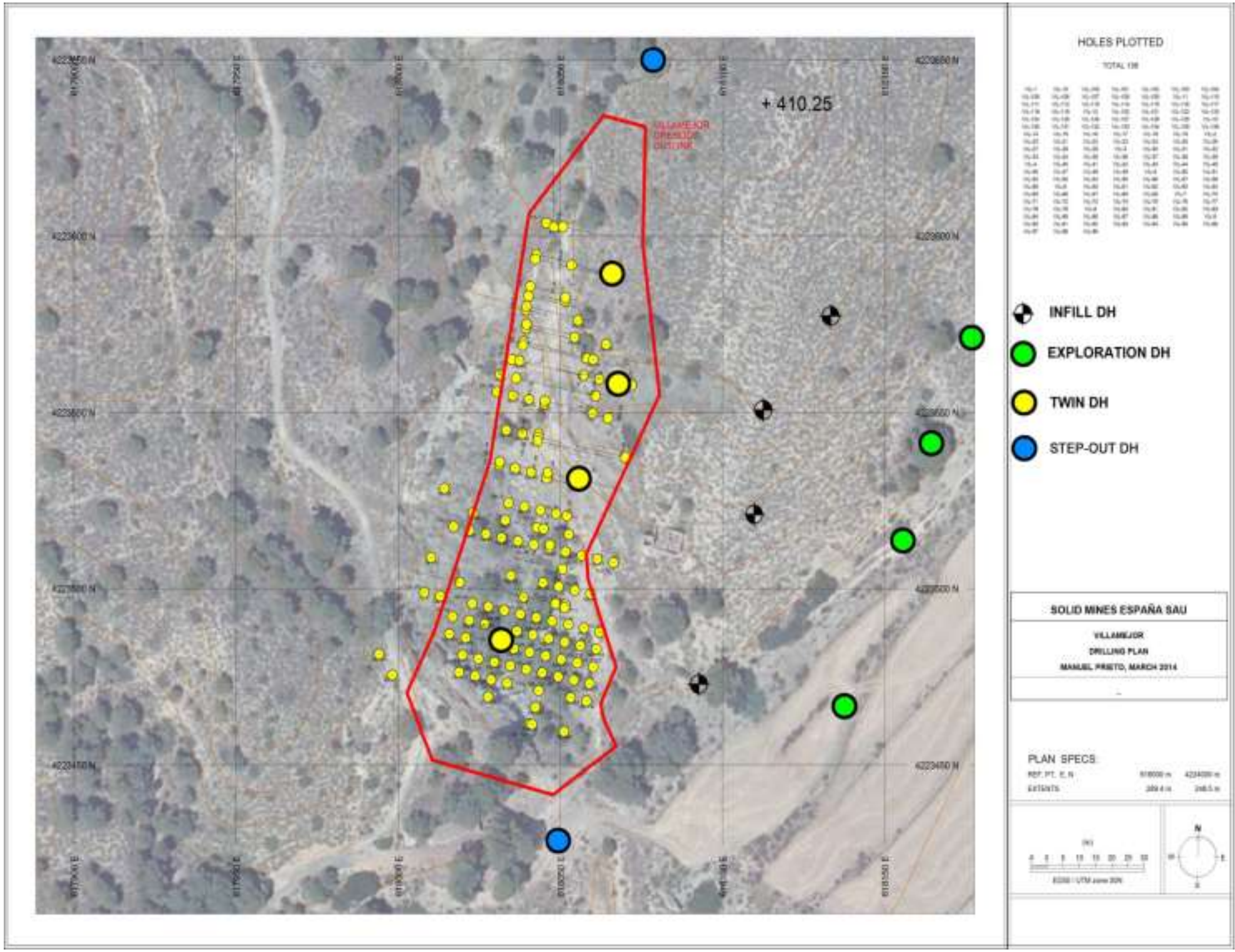


Figure 26.3: Villamejor Proposed Drilling



Once the exploration potential of the Cehegín project is understood the next phase of development will be to complete scoping studies and a pre-feasibility study.

26.4 FUTURE PHASES OF WORK

Once the exploration potential of the Cehegín project is understood the economic rationale for potential future phases of development can be considered. These might include completing further drilling and concept work outlined above, followed by the following phase of work.

A Phase II programme would involve compilation of all previously applied data and studies to generate a pre-feasibility study. The pre-feasibility study would primarily examine processing options, mining rates and the sequence of developing the open pits. Pre-feasibility study activities would include:

- 10 km of definition and exploration drilling;
- Mineral resource estimation;
- Geotechnical investigations;
- Mine design and ore reserves;
- Metallurgical studies;
- Process plant design and engineering studies;
- Infrastructure and support services studies;
- Environment studies; and,
- Cash flow modelling and financial analysis.

The capital and operating cost estimates derived from the pre-feasibility study are likely to have a margin of error in the ±25% range.

A definitive feasibility study would be conducted following completion of the pre-feasibility study. It is likely that pilot plant operations would be conducted in order to develop operating parameters and an optimised process flow sheet. The study would cover all technical, social, administrative and financial issues outstanding and develop capital and operating costs to a level of accuracy of ±15%.

The potential cost of a definitive feasibility study is US$2.5 million.

A Phase II budget of US$5 million including a 10% contingency is proposed.

26.5 FORWARD WORK PLAN

A pre-feasibility study will follow the scoping study-level work to be performed during Phase I. The study is planned to be completed during the 6-month period from 1st May 2015 to 31st October 2015. The pre-feasibility study will provide more detail in the following areas:

- Geology and mineral resources;
- Geotechnical parameters for mine design and plant and infrastructure foundations;
- Hydrological parameters for to ensure that an adequate water supply is available and to ensure water quality downstream from the operations;
- Mine design and ore reserves;
- Mine operations and equipment selection;
- Metallurgical optimisation;
- Process plant design and engineering;
- Infrastructure requirements;
- Support services;
- Environmental impact assessment;
- Cash flow modelling and financial analysis; and,
- Pre-feasibility study report preparation.

The pre-feasibility budget of US$2.5 million includes 10,000 m of drilling to confirm mineral resources. At a rate of 2,000 m per month per drill rig drilling should be completed by the end of July. A further month will be required to complete all of the required laboratory analyses.

Much of the work for the various disciplines will be conducted simultaneously to minimise the time required to complete the study. It is assumed that drilling and analytical work can be completed at the sites successively so that resource modelling and mine planning can be conducted on one deposit whilst work is underway at the others. It is assumed that some boreholes will provide samples for geotechnical characterisation and rock mass quality assessment. It is assumed that no specific boreholes will be drilled for the hydrological study though access to some definition of geotechnical holes will be desirable.

Mine planning can only begin once a resource model is completed. Consequently the work will be spread over a long period of time whilst drilling and analytical data is compiled and mineral resource modelling is completed. Definitive mine plans will be required to supply contractors with pit designs, ramps, haul distances and road networks to the processing plant and waste dumps. Advanced discussions with potential contractors will be required in order to receive quotes in a timely manner following completion of mine planning in mid-September. Mine operating costs will be developed from first principles in order to prepare an informed analysis of contractor quotations.

Metallurgical test work will most likely be based on samples derived from drilling. Careful coordination will be required to ensure that boreholes designed to yield metallurgical samples are drilled with appropriate priority. Final process plant design criteria will depend on the timely completion of metallurgical test work.

Process plant design will evolve as new metallurgical data is acquired. It assumed that major components of the plant can be sized based on work from earlier phases of the development plan. Capital and operating costs will be developed from first principles and compiled with vender quotations.

Infrastructure and support services costs will be based on vendor quotations where possible. The final power supply requirements will depend on the final processing plant equipment selection.

Environmental studies will continue throughout Phases I, and II. Environmental baselines studies will require at least 12 months in which to collect and compile data. It is anticipated that public consultations will be conducted as part of the stakeholder development programme.

Cash flow modelling and financial analysis will be conducted once all capital and operating costs are compiled. It is anticipated that project development incentives and taxation optimisation opportunities will be invested as part of the pre-feasibility study.

A proposed list of activities is proposed in Table 26.6.

Table 26.6: Cehegín Magnetite Project – Preliminary List of Pre-Feasibility Study Activities

Item	Activity
1	Definition Drilling
2	Laboratory Analysis
3	Geology and mineral resource modelling
4	Geotechnical pit slopes, waste dumps, tailings, plant and infrastructure foundations
5	Hydrological studies
6	Pit optimisation, mine design, grade control
7	Mine operations, identify equipment, mining contract discussions and quotations, operating costs
8	Metallurgical studies, optimisation test work
9	Process plant design and engineering, capital and operating costs
10	Infrastructure engineering, operating costs
11	Support services, obtain quotations from suppliers of consumables and services
12	Environmental studies, impact assessment, public consultations
13	Cash flow modelling and financial analysis
14	Pre-feasibility study report preparation

The following preliminary Phase II budget has been developed to conduct a pre-feasibility study to examine development and production options, followed by a definitive feasibility study. Considering the commitment 10,000 m of drilling at an estimated cost of US$1,750,000 the scope of the other elements of the study will have to be well defined with clear battery limits.

A preliminary Phase II budget is presented in Table 26.7.

Table 26.7: Cehegín Magnetite Project – Preliminary Pre-Feasibility Study Budget

Item	Activity	Cost (US$ '000)
1	Definition Drilling	1,750
2	Geology and Mineral Resource Modelling	30
3	Geotechnical Studies	40
4	Hydrological Studies	15
5	Mine Planning Studies	30
6	Mine Operations, Mining Contract, Operating Costs	15
7	Metallurgical Studies	180
8	Process Plant Design, Capital and Operating Costs	15
9	Infrastructure Engineering, Operating Costs	60
10	Support Services, Maintenance	10
11	Environmental Studies	60
12	Cash Flow Modelling and Financial Analyses	15
13	Pre-Feasibility Study Report Management and Preparation	30
14	Contingency 10%	250
15	**Pre-feasibility Total**	**2,500**
16	Definitive Feasibility Study	2,500
17	**Total Phase II**	**5,000**

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Sales Contract for Shares in the Company "Lorente y Pallarés, S.L.", dated 13th March 2014.

28.0 DATE AND SIGNATURE PAGE

Signed on behalf of Micon International Co Limited:

Stanley C. Bartlett, M.Sc., PGeo. (#19698)
Senior Economic Geologist, Managing Director,
Micon International Co Limited
Effective Date: 28th April 2014
Signed date: 15th May 2014

29.0 CERTIFICATE

CERTIFICATE OF AUTHOR STANLEY CURRIE BARTLETT

As the author of the "Independent Technical Report of the Cehegín Magnetite Project, Murcia, Spain", with effective date 28th April 2014, I, Stanley Currie Bartlett, hereby certify that:

1) I am employed by, and conducted this assignment for, Micon International Co Limited, Suite 10, Keswick Hall, Norwich, United Kingdom. tel. 0044(1603) 501 501, fax 0044(1603) 507 007 e-mail sbartlett@micon-international.co.uk;

2) I hold the following academic qualifications:

   B.Sc. Geological Sciences — University of British Columbia, Vancouver, Canada, 1979;

   M.Sc. (Mining Geology) — Camborne School of Mines, Redruth, England, 1987;

3) I am a registered Professional Geoscientist with the Association of Professional Engineers and Geoscientists of the Province of British Columbia (membership # 19698); In addition I am a member in good standing of the Society for Mining, Metallurgy and Exploration;

4) I have worked as a geologist in the minerals industry for 35 years;

5) I do, by reason of education, experience and professional qualifications fulfil the requirements of a Qualified Person as defined by NI 43-101 and CIM Standards. My work experience includes five years as an exploration geologist developing tungsten, gold, silver and base metal deposits, more than 14 years as a mining geologist in both open pit and underground mines and 16 years as a consulting geologist working in precious, ferrous and base metals and industrial minerals. I have more than 28 years of experience of mineral resource estimation;

6) I visited the property that is the subject of this Technical Report from 26th to 28th February, 2014;

7) I am responsible for the preparation or supervision of preparation of all sections of this Report;

8) I am independent of Solid Resource Limited, its directors, senior management, and its other advisers, and I have had no prior involvement in the Cehegín Magnetite Project;

9) I have read Canadian National Instrument 43-101 and the Technical Report and confirm that this Report has been prepared in compliance with the instrument; and,

10) As of the date of this certificate, to the best of my knowledge, information and belief, the "Independent Technical Report of the Cehegín Magnetite Project, Murcia, Spain", with effective date 28th April 2014, contains all scientific and technical information that is required to be disclosed to make this Report not misleading.

Stanley C. Bartlett, M.Sc., PGeo. (#19698)
Senior Economic Geologist, Managing Director,
Micon International Co Limited
Effective Date: 28th April 2014
Signed Date: 15th May 2014