



## Esperanza Resources Corp. (EPZ-V)

Update Report – May 14, 2012

Esperanza Resources Corp. is a Canadian mineral exploration Company focused on advancing the development of its 100% owned Cerro Jumil silver/gold project in Morelos State, Mexico, and its 26.8%-owned Strieborná silver/copper/antimony project in Rožnava, Slovakia.

In a September 2011 Preliminary Economic Assessment Cerro Jumil was described as a typical open pit, heap leachable project with an estimated average production of 106,000 ounces of gold per year, which can be mined at \$499 per ounce.

Moreover, positive analytic results from an ongoing drill program should lead to a significant expansion of Cerro Jumil's current resource estimate of 1.168 million gold equivalent ounces. More drilling in high prospective zones is ahead, so it wouldn't be a surprise when the next resource estimate moves the property to 2 million gold equivalent ounces.

After completing a recently announced \$30 million financing, Esperanza will be extremely well funded with approximately \$45 million in the bank and about \$10.8 million in marketable Global Minerals securities. This is enough to continue the development of its properties and to bring Cerro Jumil into full feasibility in the course of 2012 with the ultimate goal of advancing the property to production.

We reiterate our buy recommendation for Esperanza Resources with a price target of \$3.78 or 175% higher than today's 30-day average stock price.



✓ Early May 2012, Esperanza appointed Mr. Greg Smith as the new President and Chief Executive Officer and Mr. Laurence Morris as the new Chief Operating Officer of the Company. Both were previously engaged at Minefinders Corporation, which was recently acquired by Pan American Silver (TSX: PAA) in a deal valued at approximately \$1.5 billion. As Cerro Jumil moves closer to production, this may be an ideal time for Mr. Smith and Mr. Morris to join Esperanza as their Minefinders past shows they have the knowledge and the necessary skills to move a project towards that goal.

✓ The Strieborná property is 100% owned by Global Minerals Ltd. (CTG: TSX), which in its turn is 26.8% owned by Esperanza Resources. In April 2008, an NI 43-101 technical report was published on Strieborná that included 1.9 million tonnes in the Measured and Indicated category grading 231.7 g/t silver, 1.1% copper, and 0.7% antimony and 1.5 million tonnes in the Inferred category grading 180.0 g/t silver, 0.9% copper and 0.7% antimony. Right now, the property is being prepared for underground drilling to expand the resource.



## The Company

Esperanza Resources Corp is a Canadian development Company working to bring its 100% Cerro Jumil gold project into production as soon as possible. In 2010 the Company changed its name from Esperanza Silver Corporation to Esperanza Resources Corp. to better reflect its diverse activities.

Since Esperanza's startup in 2002 its geologists have discovered two major gold projects: Cerro Jumil in Mexico and San Luis in Peru, which was sold earlier this year. Additionally, since 2010 Esperanza acquired an approximate 26.8% interest in Global Minerals Ltd., 100% owner of the Strieborná silver/copper project in Roznava, Slovakia.

## Cerro Jumil

### Introduction

Cerro Jumil is a 15,025 hectares silver/gold property located in the State of Morelos, Mexico, about 80 kilometres south of Mexico City. The property is easily accessible year round and is nearby excellent infrastructure.



Satellite image of the Cerro Jumil property in Mexico with its three gold dominant zones: the Southeast, Las Calabazas and the West Zone. Gold associated silver mineralization is mainly concentrated in the West and Las Calabazas Zones.

Esperanza acquired Cerro Jumil from Recursos Cruz del Sur in 2003, after which the Company initiated a first drill program. Based on 41,000 metres of drilling

conducted by Esperanza and previous owners, a resource estimate was produced in 2010, which included 935,000 gold equivalent ounces in the measured and indicated categories and 233,000 gold-equivalent ounces in the inferred category. The mineralized area is primarily delineated in three gold dominant zones, the Southeast Zone, Las Calabazas Zone and the West Zone. Gold associated silver mineralization is mainly concentrated in the West and Las Calabazas Zones.

| Category  | Tonnes (000)  | Au oz (000)  | Ag oz (000)  |
|---|---------------|--------------|--------------|
| Measured  | 10,111        | 282          | 296          |
| Indicated   | 24,295        | 630          | 1,655        |
| Inferred  | 8,596         | 230          | 1,904        |
| <b>Total</b>  | <b>43,002</b> | <b>1,142</b> | <b>3,855</b> |
| <b>The NI 43-101 compliant resource estimate for Cerro Jumil from September 2010. Source: Company Filings</b> |               |              |              |

In September of 2011, a Preliminary Economic Assessment (PEA) was published based on the 2010 resource estimate. The PEA shows that, at a very conservative gold price of \$1,150 per ounce, the project has an after tax Net Present Value (NPV) of \$122 million at a 5% discount rate generating an Internal Rate of Return (IRR) of 26%. **At a near present gold price of \$1,700 per ounce, Cerro Jumil produces an after tax NPV of \$309 million and an IRR of 53%.**

In January of 2011, the Company began a new drill program to expand and upgrade the currently defined gold resource. Analytic results from 94 holes, drilled so far under this program, have been very good and should lead to a significant increase of the current resource estimate. The Company anticipates to update the resource in the second half of 2012.

Moreover, mapping and sampling of the greater Cerro Jumil property revealed 10 additional target areas that warrant further exploration. Four target areas are in close proximity to the known mineralized zone and will also be tested during the current drill program. The six other target areas are about 3 to 6 kilometers outside the known resource area. Permits and community approvals will need to be obtained first before these can be drilled.

## History

There are several inaccessible shafts, adits, and prospect pits on Cerro Jumil estimated to be from the 1970s. Total mining production from that era was insignificant.

Recursos Cruz del Sur, S.A. de C.V. was the first professional company to carry out reconnaissance geology in 1993 and to acquire an exploration concession over the area in 1994. In 1995, the property was optioned to Teck Cominco Ltd., which conducted line cutting, surface mapping and rock chip sampling, trenching, airborne magnetic and radiometric surveys. In 1998, Teck completed four diamond drill holes totaling 822 metres, but returned the property to Recursos that same year.

In 2003, Esperanza signed an agreement with Recursos whereby it could acquire a 100% ownership interest in Cerro Jumil, subject to a 3% Net Smelter Royalty (NSR). Three years later, EPZ exercised its option to complete the purchase in return for paying US\$417,375 and issuing 500,000 common shares to Recursos.

## Exploration Programs

In early 2005, Esperanza initiated a drill program to test targets in and around the West Zone of Cerro Jumil. Eight drill holes, totaling 1,200 metres, were completed, in which the Company discovered gold and silver mineralization. This was followed by the discovery of extensive surface gold mineralization in the Southeast Zone, a few months later.

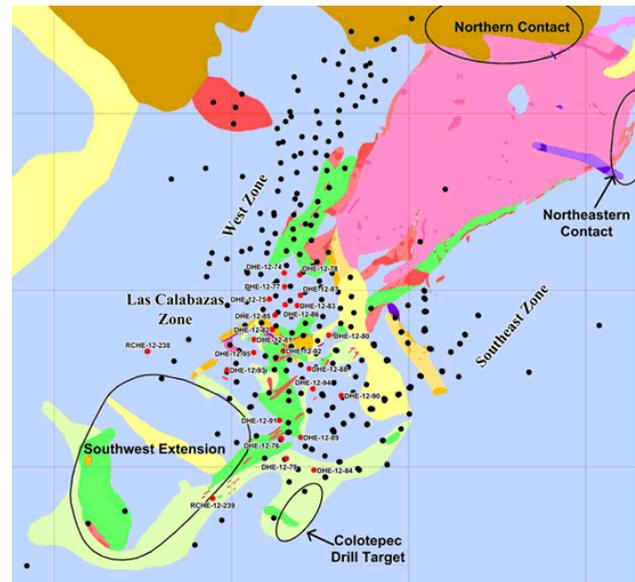
Curious to find out more about the Southeast Zone, the Company began a second program of diamond core drilling in November of 2005. A total of 4,850 metres were drilled, and again extensive gold and silver mineralization was found.

Encouraged by these results, EPZ started an extensive drill program late 2006, consisting of a combination of exploration drilling and in-fill drilling to collect sufficient information necessary to complete a resource estimate. The drilling continued into the first quarter of 2008. By that time, 66 diamond core and 101 reverse circulation drill holes, totaling 31,420 metres, had been completed.

The Company also conducted additional metallurgical testing indicating 72 to 73 percent recovery of gold under simulated heap-leach conditions. All this information led to an initial resource estimate in September 2008, followed by a Preliminary Economic Assessment one year later.

The Company continued with an in-fill and expansion drill program in which it was demonstrated that mineralization is continuous between the Las Calabazas Zone and Southeast Zone.

With 251 holes drilled since the beginning of the project, totaling 41,750 metres, EPZ increased its 2008 resource estimate with 46% in the measured and indicated category. The 2010 resource estimate included 935,000 gold equivalent ounces in the measured and indicated categories and 233,000 gold-equivalent ounces in the inferred category.



The Cerro Jumil geologic map with red and black dots indicating the holes drilled.

Adjacent to the primary gold zone, drilling also confirmed the presence of a silver resource of 2,392,000 tonnes averaging 43.2 g/t silver (3,322,000 million contained silver ounces) at a silver cut-off grade of 25 grams per tonne. **Important to note is that this silver resource is not included in Cerro Jumil's current resource estimate.**

## PEA

In September 2011, Esperanza published results of an independently prepared Preliminary Economic Assessment (PEA) for Cerro Jumil based on the 2010 resource estimate. The PEA showed that, at a very conservative gold price of \$1,150 per ounce, the project has an after tax Net Present Value (NPV) of \$122 million at a 5% discount rate generating an Internal Rate of Return (IRR) of 26%. At a near present gold price of \$1,700 per ounce, Cerro Jumil produces an after tax NPV of \$309 million and an IRR of 53%.

The PEA also concluded that Cerro Jumil is a technically straight-forward and economically viable project with an average production of 106,000 ounces of gold per year. Start-up and closure costs are calculated at \$120.6 million, which is mild, and

operating costs are \$499 per ounce of gold, which is fairly low.

For the PEA, two methods for open-pit mining and heap-leach gold recovery were evaluated. In the first method, the mined rock will be crushed to a maximum size of 55mm (approx. 2 inches). From there, it will be conveyed to the leach pad and irrigated with recovery solutions. Gold will be recovered from pregnant solutions utilizing carbon adsorption, subsequent electrowinning and on-site smelting to produce a **doré bar**. The doré will be shipped off-site for final refining. This is considered the “Base Case”.

## DORE

A doré bar is a semi-pure alloy of gold or silver, usually created at the site of a mine. The bars are normally sent to gold refineries for further refining into bars of high purity (99.5% or more).

Doré bars have variable weights of up to 25 kg, and the proportions of silver and gold in them can vary widely.

The second method is identical to the first one, except that the mined rock will directly be fed to the heap leach pads without being crushed first. This is called the “Run-of-Mine” (ROM) alternative.

|  | Base Case | Run of Mine |
|--|-----------|-------------|
| Mine Life (yrs)  | 6         | 6           |
| Av. Annual Production (Au oz 000)  | 106       | 92          |
| Gross Revenue @ 1,150/oz (\$ million)  | \$735     | \$640       |
| Total Costs (excl. Initial working capital) (\$ million)   | \$120.6   | \$106.6     |
| <b>Economic Indicators (After Tax)</b>   |           |             |
| Gold Price (\$/oz)   | \$1,150   | \$1,150     |
| Silver Price (\$/oz)   | \$21      | \$21        |
| NPV (5%) (\$ million)  | \$122     | \$107       |
| IRR  | 27%       | 26%         |
| <b>Key results from the Cerro Jumil Preliminary Economic Assessment, comparing the Base Case with the Run-of-Mine recovery method. Source: Company Press Release</b> |           |             |

## Current Drill Program

In January of 2011, the Company began a new drill program to both upgrade areas currently classified

as inferred resource with infill drilling and to expand the resource with step-out drilling.

94 holes, totaling approximately 20,000 metres, have been completed since the start of this drill campaign, and results have overall been very good.

First, analytic results from step-out drill holes on the Las Calabazas Zone, one of the three gold zones that comprise the current resource estimate, indicated an extension of the gold mineralization with gold values between 0.90 and 3.86 grams per tonne. Later, expansion holes in southwestern direction all intersected gold mineralized veins grading between 0.37 and 2.25 grams per tonne, indicating an extension of the gold mineralized Southwest Extension Zone.



**Drilling activities at Cerro Jumil.**

Also successful infill drilling was completed at the West Zone and the Las Calabazas Zone. At the same time, several holes drilled all the way to the north came up with no significant intervals, indicating the end of the mineralized area.

Esperanza still has two drill rigs turning at Cerro Jumil, which are being employed for expansion drilling, metallurgical sampling and geotechnical sampling for pit-slope and foundation design. The

Company anticipates to update the Cerro Jumil resource estimate in the second half of this year.

**The positive analytic results from both step-out holes and infill holes should lead to a significant expansion of Cerro Jumil's current resource estimate of 1.168 million gold equivalent ounces.**

**More drilling in high prospective zones is ahead, so it wouldn't be a surprise when the next resource estimate moves the property to 2 million gold equivalent ounces.**

## Upcoming Milestones

Besides infill and expansion drilling, the rigs are also employed to collect large diameter core from various locations and depths of the deposit for metallurgical testing. Approximately 75 tonnes of material, including bulk-samples from five surface locations, large diameter core from various locations and depths of the deposit and numerous reverse-circulation drill cuttings, have been shipped to McClelland Labs in Sparks, Nevada to test the gold recovery by cyanide leaching. Results from these tests are expected late this year.

### CYANIDE BOTTLE ROLL TEST

**A cyanide bottle roll test is the first step in assessing the gold recovery by cyanide leaching. During a bottle roll test, prepared ore is gently agitated in a cyanide lixiviant or leaching solution. Oxygen levels, alkalinity, acid consumption and other parameters are monitored and strictly controlled throughout the test. Test results provide information on expected recovery rates and reagent costs.**

Esperanza also wants to have a Definitive Feasibility Study completed by the end of 2012.

Such a study is necessary to attract debt providers and other investors who will finance moving the project into production. It includes an estimate of ore reserves; description of the suggested methods of breaking, haulage and extraction; description of proposed processing and waste disposal; an economic evaluation including an estimate of the capital expenditure requirements and operating costs and a comparative analysis of the effect of various assumptions, financing costs, operating costs and taxation; and an estimate of operating levels, environmental costs, shutdown and reclamation costs.

Instead of finishing the Definitive Feasibility Study first and then presenting it to potential bankers, Esperanza has taken a somewhat different route. It has already initiated talks with non-equity capital providers with the aim of awarding the Lead Arranger mandate in the second quarter of 2012. This will allow the Lead Arranger an early review and participation in the feasibility study, which will expedite the financing process afterwards.

Esperanza also started work on an Environmental Impact Statement. Although actual completion of this document is dependent on completion of the Feasibility Study, as much background information as possible, including hydrology, flora and fauna characterization, socio-economic studies, etc, is already being collected.

## Strieborná

### Introduction

The **Strieborná** property in the Republic of Slovakia is a well defined silver/copper resource ready to be advanced to the feasibility level. This project is 100% owned by Global Minerals, which is 26.8% owned by Esperanza.

The April 2008 NI 43-101 technical report on the property defined a silver/copper/antimony resource which is expected to be economically significant. It included 1.9 million tonnes (Measured and Indicated) grading 231.7 g/t silver, 1.1% copper, and 0.7% antimony along with 1.5 million tonnes (Inferred) grading 280.0 g/t silver, 0.9% copper and 0.7% antimony.

| Category             | Tonnes (000) | Ag g/t     | Cu %       | Ag oz (000)   | Cu Lbs (000)  |
|----------------------|--------------|------------|------------|---------------|---------------|
| Measured             | 215          | 468        | 2.2        | 3,235         | 10,428        |
| Indicated            | 1,710        | 202        | 1          | 11,105        | 37,699        |
| <b>M&amp;I Total</b> | <b>1,925</b> | <b>232</b> | <b>1.1</b> | <b>14,340</b> | <b>48,127</b> |
| Inferred             | 1,500        | 280        | 0.9        | 13,500        | 29,762        |

**The Strieborná resource estimate from April 2008. The mineral resource is based on 394 channel samples taken on four levels, one raise and 10 drill hole intercepts. No cut-off grade was applied. Note that we've omitted the antimony data. Source: Company Filings**

The NI 43-101 resource occurs within a mineralized structure of 1.2 kilometres long, 600 metres deep and an average thickness of 3.4 metres. This is the so-called Strieborná (which translates as "Silver") vein. The resource was defined by diamond drilling

and a series of four horizontal underground tunnels totaling 3,000 metres.

The property's infrastructure is currently being rehabilitated as it was abandoned in the late 1990s. Renovation and upgrading of some of the surface buildings provides sufficient office space, service and change areas. The haulage and access tunnel has been restored. And the underground tunnel, which provides access to the Strieborná vein, is being dewatered.

Strieborná has excellent infrastructure, including sufficient electrical power, railway access, paved highways and a work force experienced with underground operations.

## History

The Mária Vein, which is part of the Strieborná property, has been mined since the 14<sup>th</sup> century, making it one of the oldest known and mined vein occurrences in the region. The Mária Mine was in operation until the end of the second World War when it became part of the newly established state enterprise Železorzudné Bane š.p. (ŽELBA). The mine continued to be in operation under ZELBA until the 1990s.

The Strieborná vein itself was discovered in 1981 adjacent to the Maria mine. It was subsequently explored on four underground levels totaling over 3,000 metres in length. Underground exploration and diamond core drilling on the vein was conducted from 1982 until 1994 by the exploration branch of the Slovak Geological Survey.

The resource, reported by the Slovak Geological Survey, was verified and confirmed by London-based CMX Resources Limited (CMX) in 1994. The program involved detailed geological mapping of the underground workings, structural and mineralogical studies and verification sampling. After CMX stopped its exploration activities, all underground workings were flooded. The reason for this is because the transition from a communist to a market economy created a lot of confusion in Slovakia. Additionally, it was a time of very depressed metal prices.

In 2007, Global Minerals gained control over the Strieborná property and contracted AMC Consultants (AMC) to prepare a NI 43-101 Technical Report based on the following information and data:

- Results of underground exploration and diamond core drilling on the Strieborná Vein

conducted by the Geological Survey from 1981 until 1994;

- Results of the verification program conducted by CMX Resources Limited in 1994; and
- Reports on structural geology, geochemistry, mineralogy, hydrogeology, historical resource estimates, metallurgical test work, and on mining and economic studies generated by the Geological Survey.

Process test work on a bulk sample from the Strieborná vein, using the process developed by Sunshine Mining and Refining Company, indicated that 90-95% of the minerals bearing silver and copper can be recovered by conventional flotation. Hydrometallurgical treatment of the concentrate can then be used for selective removal of antimony, arsenic and mercury. The residual concentrate, containing the silver and copper, may be sold to independent smelters.

In October and November of 2010, Esperanza acquired a strategic interest of close to 36% in Global Minerals Ltd. for a total investment of approximately \$2.9 million. In October 2011, Esperanza made an additional investment in Global by exercising all of its share purchase warrants at a price of \$0.55 for a total investment of \$1,143,973. And in March of this year, Esperanza participated for \$1.5 million in a private placement of Global Minerals. Esperanza now owns close to 28.91 million common shares of Global Minerals, or about 26.8% of all issued and outstanding shares.

Since Esperanza took a stake in Global Minerals, significant progress has been made at Strieborná to bring the property back to production.

In March of 2011, Global Minerals initiated a drill program designed to re-confirm high grade mineralization in the upper portion of the Strieborná vein, to test for extensions along strike and to test known parallel veins. This projected target area was not included in the NI 43-101 compliant resource estimate from AMC. Six holes, totaling 1,703 metres, were drilled and showed promising results consistent with previous underground sample data.

| Hole Number | From (m) | To (m) | Interval (m) | Grade Au g/t | Grade Ag g/t | Grade Cu % |
|-------------|----------|--------|--------------|--------------|--------------|------------|
| GMB-02      | 234.7    | 241.7  | 7.0          | 0.147        | 345.0        | 1.31       |
| GMB-03      | 239.0    | 243.95 | 4.95         | 0.098        | 235.6        | 1.06       |
| GMB-04      | 230.0    | 243.0  | 13.0         | 0.246        | 500.9        | 1.85       |

**Highlights of the holes that intercepted the Strieborná vein. Holes GMB-01, GMC-01 and GMC-02 did not hit any mineralization. Source: Company press release.**

Metallurgical samples, composed of material collected from the spring 2011 drill program were subjected to conceptual level grindability and flotation studies at SGS and Blue Coast Research. Test work again demonstrated that a conventional, low cost flotation process would yield a high grade silver/copper/antimony concentrate with as much as 5,423 grams silver per tonne (158 tr. ounces per ton) at recoveries of 96% for silver and 97% for copper.

## Current Activities

The infrastructure rehabilitation program, which will help to provide access to the Strieborná vein, is in full progress.

The 1600 meter haulage and access tunnel has been fully restored. Additionally, full electrical service has been restored along with the hoisting mechanism to get people and equipment up and down the shaft.



**Access to the 1,600 meter haulage and access tunnel has been restored, along with full electrical service. It took about 6 months to clean out and restore the entire tunnel.**

Also, the dewatering of the underground tunnel, which has been flooded since the 1990s, is ongoing. The water has been drained down to about 135 metres, and the company expects to reach Level 6 (~250 m below surface) by late spring 2012, after which a drill program will begin with the intent to expand the resource and to improve the potential economics of the project. Mine ventilation and underground power systems are also being refitted as deeper access becomes available.

While access to the Strieborná vein is being restored, Global is preparing a Preliminary Economic Assessment, or PEA. Next to the NI 43-101 resource report from April 2008, the PEA will include results

from the metallurgical testing, a mine plan and a production schedule. The PEA should give us an indication of the economic value of the property.



**The hoisting mechanism at Strieborná to get people and equipment up and down the 250 meter deep shaft has been fully restored.**

## Private Placement

In March of 2012, Global Minerals issued 27,777,556 units at a price of \$0.45 per unit for gross proceeds of \$12.5 million. One unit consisted of one common share of Global Minerals and one warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.75 per share until March 22, 2014.

Esperanza participated for \$1.5 million in the financing and certain Sprott funds and clients of Sprott Private Wealth purchased \$10,222,000. Sprott affiliates now control close to 12% of all issued and outstanding shares of Global Minerals.

**With a cash position of over \$15 million, Global Minerals has enough money to rehabilitate the rest of the property, restore access to the Strieborná vein, commence an underground drill program to increase the already substantial resource estimate and prepare a Preliminary Economic Assessment.**

**Additionally, the funds will also be used to explore some of the newly identified prospects on the Company's 135 square kilometer exploration block. There are about 90 known vein occurrences on the property, mostly identified by the Slovakian Geological Survey on which no detailed work has been conducted so far. Trenching and initial drilling at Paca and Cucma, the two most advanced prospects, is expected this year.**

## Other Properties

Esperanza Resources has active prospecting programs in Mexico and Peru. In Mexico it controls the following properties:

- **Biricu** in Guerrero - In December 2011 the Company granted Citation Resources Inc. (TSX: CTT) an option to acquire a 100% interest in the Biricu property. Esperanza received \$20,000 on signing the agreement and in order to earn the 100% interest, Citation must issue 1,050,000 common shares and conduct exploration programs totaling \$4,000,000 over four years.
- **El Canario** in Nuevo Leon - On October 18, 2011 Esperanza entered into an option agreement to acquire the El Canario property. In order to acquire the two mineral concessions, totaling 9,521 hectares, Esperanza paid US\$50,000 on signing the agreement and must make additional payments totaling US\$440,000 on the property on or before October 18, 2016.
- **Gallos Blancos** in San Luis Potosi – This property consists of three concessions totaling 12,510 hectares.

Agreements with all surface owners for the El Canario and Gallos Blancos projects have been made and drill permits have been applied for. These properties are early-stage exploration and are as yet undrilled.

In Peru, Esperanza controls the following projects:

- **Guadalupe** - Votorantim Metais has an option to purchase the Guadalupe property. In order to acquire a 100% interest in the property, Votorantim must conduct \$1.85 million of exploration over a four year period, pay \$2 million to Esperanza after completing the exploration expenditures and pay a net smelter returns royalty on all commercial production.
- **Pucarana** - In May of 2007, the Company finalized an earn-in agreement with Estrella Gold Corporation (TSX: EST) whereby it could earn a 60% interest in the Pucarana Gold Property. The Company incurred sufficient exploration expenditures on the property to earn the 60% interest. Because drill results did not meet the requirements of the joint-venture partners to continue exploration activities, they are considering their alternatives.

- **Colqi Orcco** - This property has been drill tested and will be abandoned in 2012.
- **Seven other properties** which are in early stage exploration. They're all 100% owned by the Company, and are being advanced through surface exploration to drill status.

## Financials

Esperanza recorded a \$16.5 million net income in fiscal year 2011 thanks to a significant gain on the sale of its 30% stake in the San Luis property.

Originally, both Esperanza and Silver Standard Resources Inc (SSO: TSX) held 50% of the San Luis property in Peru. Then Silver Standard increased its holdings, first to 55% by funding US\$500,000 in exploration work and later to 70% by funding all activities necessary to complete a feasibility study. In February of 2011, Esperanza agreed to sell its remaining interest in the property for \$17 million in cash, the return and cancellation of the approximately 6.5 million Esperanza shares owned by Silver Standard and a 1% net smelter return royalty on all production from the property..

The profit on the San Luis sale was partially offset by higher exploration expenses at Cerro Jumil and a loss from its equity investment in Global Minerals.

### Balance Sheet as of December 31, 2011

Next to its actual properties, a mining company's most important asset is its cash position, as it enables the company to move its projects forward. Esperanza Resources is very well funded with about \$19.4 million in its treasury at year's end.

|   | 12/31/11          |
|---|-------------------|
| Cash and Cash Equivalents   | 19,394,059        |
| Investment in associated Company  | 1,247,640         |
| Exploration & evaluation assets   | 1,747,809         |
| <b>Total Assets</b>   | <b>22,933,881</b> |
| Accounts Payable & Accrued Liabilities  | 610,408           |
| <b>Total Liabilities</b>  | <b>610,408</b>    |
| Total Stockholder Equity  | 11,829,549        |
| <b>Most important balance sheet data for the period ending December 31, 2011. Source: Company Filings</b> |                   |

Noteworthy is that the investment in Global Minerals is recorded in the balance sheet at \$1,747,809, while the 26.8% stake currently has a market value of over \$10.84 million.

## Recent Events

### New Management

A few days ago, Esperanza appointed Mr. Greg Smith as the new President and Chief Executive Officer and Mr. Laurence Morris as the new Chief Operating Officer of the Company. Both were previously engaged at Minefinders Corporation, which was recently acquired by Pan American Silver (TSX: PAA) in a deal valued at approximately \$1.5 billion.

At Minefinders, Mr. Smith served as Vice President, Finance and Chief Financial Officer. In this position he developed key financial and business strategies to help lead the company from an exploration stage to a respected gold producer.

And Mr. Morris is a geologist and mining engineer with more than 30 years of hands-on experience. He most recently held the position of Vice President of Operations for Minefinders where he oversaw all aspects of development, mining operations, exploration activities and resource management. His operational leadership at the Dolores gold mine in Mexico led to significant improvements in operating efficiencies and production. Dolores' minable reserves are 2 million ounces of gold and 114 million ounces of silver.

As Cerro Jumil moves closer to production, this may be an ideal time for Mr. Smith and Mr. Morris to join Esperanza as their Minefinders past shows they have the knowledge and the necessary skills to move a project towards that goal.

Mr. William Pincus, the former President and Chief Executive Officer, was appointed Chairman of the Board of Directors of Esperanza. He will remain the Chief Executive Officer of Global Minerals Ltd.

### New Financing

Early May, the Company announced a new private placement of 24 million units at a price of \$1.25 per unit for gross proceeds of \$30 million. Each unit consists of one common share and half a warrant. A full warrant entitles the holder to acquire an additional common share at a price of \$1.80 for a period of five years. The money will be used to further advance Cerro Jumil.

On May 2nd, Esperanza announced that it wanted to do a financing of up to 8 million units. Two days later, the Company says it will triple the financing.

Although the placement hasn't been completed yet, this indicates to us that demand is very high and that they've actually received offers to participate for \$30 million, which shows strong investor confidence in the Company and Cerro Jumil.

## Outlook & Valuation

EPZ owns 100% of Cerro Jumil, a silver/gold property in Mexico and approximately 26.8% of Global Minerals Ltd, a Company with the 100% owned Strieborná silver/copper/antimony property as its main asset. Both properties have an NI 43-101 resource estimate and lots of potential for expanding that resource.

The positive analytic results from both step-out holes and infill holes should lead to a significant expansion of Cerro Jumil's current resource estimate of 1.168 million gold equivalent ounces. More drilling in high prospective zones is ahead, so it wouldn't be a surprise when the next resource estimate moves the property to 2 million gold equivalent ounces.

A September 2011 Preliminary Economic Assessment describes Cerro Jumil as a typical open pit, heap leachable project with an estimated average production of 106,000 ounces of gold per year, which can be mined at \$499 per ounce. Making it a economically viable project with a Net Present Value of \$309 million at a gold price of \$1,700/oz.

When compared with Esperanza's current market capitalization of \$51.4 million, it's clear that the further development of Cerro Jumil will have a strong and positive impact on the Company's stock price.

At Strieborná, the latest technical report defined a silver/copper/antimony resource which is expected to be economically significant. It included 1.9 million tonnes (Measured and Indicated) grading 231.7 g/t silver, 1.1% copper, and 0.7% antimony and 1.5 million tonnes (Inferred) grading 280.0 g/t silver, 0.9% copper and 0.7% antimony.

The new management members of Esperanza have experience with moving projects towards production and with building mines.

Despite the so-called uncertainty in the market where commodities prices are headed, they've declined very little. As a result, mining activities remain highly profitable. Although there may be some speculation in the metals market, we believe that the gradual rise, over the past 8 years indicates this is a solid trend that won't see a strong reversal any time soon.

And finally, Esperanza Resources is extremely well funded. It currently has approximately \$15 million in the bank, it's bound to receive \$30 million from its financing and it has about \$12.3 million in marketable Global Minerals securities. This is enough to continue the development of its properties and to bring Cerro Jumil into full feasibility in the course of 2012 with the ultimate goal of advancing the property to production.

To put this in perspective, the Company will have \$57.3 million in cash and cash equivalents when the financing is complete, while its current market capitalization is around \$64.3 million. That gives the entire Cerro Jumil project a valuation of only \$5.4 million!

We believe there's very little that would block Esperanza Resources from becoming a gold and silver producer in the foreseeable future.

## Peer Comparison

In order to determine Esperanza's fair value, we've compared it with two similar companies. They both have gold/silver properties in Mexico which have an NI 43-101 compliant resource estimate. Also, one of them has a project that recently entered production, which might give us an indication where the stock valuation of Esperanza is headed.

Kimber Resources Inc. (KBR: TO) owns a 100% interest in the Monterde gold/silver project located in the Sierra Madre, Mexico. Kimber Resources has a NI 43-101 resource estimate for this property.

| Company          | Stock Price | EV (M)       | Gold Eq Oz (M) | EV/Resource  |
|------------------|-------------|--------------|----------------|--------------|
| Kimber           | 0.90        | 65.53        | 1.57           | 41.84        |
| SilverCrest      | 2.31        | 172.36       | 2.35           | 73.21        |
| Average          |             |              |                | <b>57.53</b> |
| <b>Esperanza</b> | <b>1.37</b> | <b>19.82</b> | <b>1.28</b>    | <b>15.54</b> |

**Enterprise Value per Gold Equivalent resource comparison for Esperanza and two of its peers. Source: Filings from each company and Smallcaps.us calculations. Gold Equivalent values are based upon a Ag:Au price ratio of 52:1.**

SilverCrest Mines Inc. (SVL: TSX) owns a 100% interest in the Santa Elena Mine, which is located 150 km northeast of Hermosillo, in the State of Sonora, Mexico. Its other advanced mines in Mexico are Cruz De Mayo and La Joya. SilverCrest has a NI 43-101 resource estimate for Santa Elena and Cruz De Mayo and commenced production at Santa Elena in 2011.

We've used the Enterprise Value / Gold Equivalent to compare the companies. This ratio is a measure of a company's market capitalization relative to its total estimated gold equivalent in the ground. We also took into account the volatility in stock price by using the 30-day average closing price.

## Valuation

What the table above shows is that for Esperanza each ounce of gold equivalent in the ground is valued at \$15.54.

At the same time, the market gives Kimber Resources a valuation of \$41.84 per ounce of gold equivalent in the ground it owns, or 34% higher compared with Esperanza. For SilverCrest Mines the market assigns a value of \$73.21 per ounce of gold equivalent, or more than double Esperanza's value. SilverCrest's higher valuation is somewhat justified as it recently entered production. So in order to calculate a peer Enterprise Value / Gold Equivalent benchmark for Esperanza, we'll apply a 40% discount to SilverCrest's valuation. This discount leads to a value of \$43.93 for SilverCrest.

The average Enterprise Value / Gold Equivalent for Kimber and SilverCrest is \$42.88. Using this number, we conclude that Esperanza is almost 175% undervalued compared with its peers.

Mind, when Esperanza publishes its updated NI 43-101 resource report for Cerro Jumil in a few months, and when it shows an increase of the resource estimate, its Enterprise Value per Gold Equivalent will drop again. For example, if Esperanza were to report a resource estimate of 1.75 million equivalent ounces of gold at Cerro Jumil, and if all other values remained equal, its Enterprise Value per Gold Equivalent would immediately drop to \$11.33.

**Based on these calculations and the very positive outlook for the Company, we reiterate our buy recommendation for Esperanza Resources with a price target of \$3.78 or 175% higher than today's 30-day average stock price.**

## Share Data

As of April 27, 2012, the Company had 51,432,321 common shares issued and outstanding. There were 3,826,000 stock options outstanding with exercise prices ranging between \$0.69 and \$1.91 per option and expiration dates from September 12, 2012 through to November 22, 2016. All of the options

have vested except for 125,000, which are subject to a performance condition.

| Type of Securities  | Number of Securities |
|---|----------------------|
| Common shares   | 51,432,321           |
| Options   | 3,826,000            |
| Warrants  | 3,062,846            |
| <b>Outstanding shares, warrants and options for Esperanza Resources Corp. as of April 27, 2012.</b> |                      |

Additionally, the Company has 3,062,846 common share purchase warrants outstanding with an exercise price of \$2.75 per warrant. These warrants expire on December 22, 2012.

## Management

### ➤ **Greg Smith - President and Chief Executive Officer**

Mr. Smith is the former Vice President, Finance and Chief Financial Officer for Minefinders Corporation Ltd. Mr. Smith is a Chartered Accountant with extensive experience in the mining industry focused on executive management, finance and capital markets. At Minefinders he developed key financial and business strategies to help lead the company from an exploration stage to a respected gold producer. Prior to joining Minefinders Mr. Smith held management positions with the KPMG mining practice in Vancouver and with Goldcorp Inc.

### ➤ **William Pincus - Chairman of the Board**

Mr. Pincus became CEO of Esperanza in 2002 and has over 30 years of industry experience. He resigned his role as CEO and was appointed Chairman in May, 2012. Prior to Esperanza he was Vice President of Sunshine Mining Company, overseeing the development of the 155-million-ounce Piriquitas silver deposit. Previously, Mr. Pincus was Executive Vice President of the mining consulting firm, Pincock, Allen and Holt. Prior experience includes both FMC Gold (now Meridian Gold) and Atlas Corporation where he was involved in the successful exploration and acquisition of various precious metal projects. He is a Certified Professional Geologist. Mr. Pincus also became the CEO of Global Minerals Ltd. as of August 2011.

### ➤ **Laurence Morris - Chief Operating Officer**

Mr. Morris is a geologist and mining engineer with more than 30 years of experience in the metals and mining business. Mr. Morris has broad international experience in construction, operating and planning roles ranging from exploration stage to large scale operating mines in a variety of commodities and countries. Most recently he held the position of Vice

President of Operations for Minefinders. In this position he oversaw all aspects of development, mining operations, exploration activities and resource management. His operational leadership at the Dolores gold mine in Mexico led to significant improvements in operating efficiencies and production and ultimately to the acquisition of Minefinders. Prior to joining Minefinders, Mr. Morris worked in mine management for First Quantum Minerals Ltd. in Zambia and Mauritania.

### ➤ **J. Stevens Zuker - Senior V.P.**

Mr. Zuker is an explorationist with 25 years experience in metals exploration throughout the Americas and central Asia. He joined the Company as Senior Vice President in September 2005. Most recently, he was Vice President Exploration of Gallant Minerals (formerly Harrods Minerals), a private Company. While at Gallant he was responsible for managing and performing grassroots exploration for base and precious metals in Peru and Mongolia, generating new projects and joint venturing them to both major and junior mining Companies. He holds a B.Sc. in Earth Sciences from California State Polytechnic University at Pomona, and an M.Sc. in Geology from the Colorado School of Mines.

### ➤ **Paul Bartos – V.P. and Chief Geologist**

Dr. Bartos joined the Company in January 2007 to assist in overseeing its exploration activities in Mexico and South America as the Company expanded its programs. Dr. Bartos is a noted authority on epithermal deposits and was with ASARCO Inc. for 20 years, latterly as its Latin American Exploration and Business Development Manager. Among other exploration accomplishments, he is responsible for the discovery and development of mineral resources of the San Bartolome silver deposit in Bolivia. This deposit, owned by Coeur d'Alene Mines, contains an estimated 150 million ounces of silver reserves and is currently in production.

### ➤ **William Bond - V.P. Exploration**

Mr. Bond has been involved with precious metals exploration and production for 30 years, previously as Mines Operations Geologist for Homestake Mining Company, Chief Geologist for Asamera Minerals (U.S.) Inc., Chief Geologist for Sunshine Precious Metals, Inc., and Vice President of Exploration for Sunshine Mining & Refining Company. Mr. Bond was instrumental in the discovery and exploration of several major deposits including the 30-million-ounce West Chance silver deposit at the Sunshine Mine, the 155-million-ounce Piriquitas deposit and a multi-million-ounce gold

deposit in Argentina. Mr. Bond earned a B.A. in geology from Winona State University and an M.S. in geology from the South Dakota School of Mines and Technology. He is a Professional Geologist registered by the State of Oregon.

➤ **David Miles - Chief Financial Officer**

Mr. Miles is a C.A. with a B.Sc. in Geology who has over 25 years experience in the mining and exploration industry, with over 20 years in a large

multinational corporate environment at Teck Cominco Limited. While with Teck Cominco, he held various positions in corporate finance. From 2002 to 2004 Mr. Miles was the corporate controller for Quest Capital Corp. (formerly Viceroy Resource Corporation). Since 2004, Mr. Miles has been the CFO for a number of junior exploration Companies which are listed on the TSX Venture Exchange and whose exploration projects are located in Europe, Asia, Africa and Central and South America.



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