



Esperanza Resources Corp. (EPZ-V)

Update Report – October 9, 2012

According to the latest report from Natural Resource Holdings, a gold mine or deposit with over 1 million ounces is a very rare asset. In fact, there are only 439 assets that meet the industry's perceived economic threshold of 1 million gold ounces, the report says. Esperanza Resources' 100% owned Cerro Jumil silver/gold project in Morelos State, Mexico, is such an asset!

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.

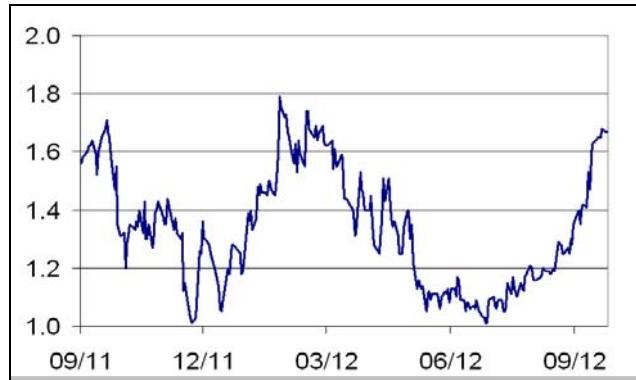
A September 2012 updated NI 43-101 compliant resource estimate, increased the gold equivalent ounces for Cerro Jumil to approximately 1.85 million ounces, up 55 percent compared with the previous resource estimate from September 2010. This new resource will also have a positive influence on the economics of the September 2011 PEA.

After completing a recent \$34 million financing, Esperanza is well funded with approximately \$41 million in the bank and about \$14 million in marketable Global Minerals securities. This is enough to bring Cerro Jumil into full feasibility with the ultimate goal of advancing the property to production in 2014.

We reiterate our buy recommendation for Esperanza Resources with a short term price target of \$2.40 or 85% higher than today's 30-day average stock price.



**ESPERANZA
RESOURCES**



- ✓ 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 acquired by Pan American Silver (TSX: PAA) in a deal valued at approximately \$1.5 billion. Their Minefinders past shows they have the knowledge and the necessary skills to move a project like Cerro Jumil towards production.

- ✓ The Strieborná property is 100% owned by Global Minerals Ltd. (TSX: CTG), 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.

Market Data	
Price	C\$1.65
Sector	Metals & Mining
52-Week Price Range	C\$1.18 - C\$2.48
Shares Issued (m)	78.70
Market Cap (m)	C\$129.85
Listings	EPZ.V (TSX Venture) ESPZF (OTC)
Website	http://www.epzresources.com

The Company

Esperanza Resources Corp is a Canadian development Company working to bring its 100% owned 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. The latter was sold in August of 2011 to Silver Standard Resources for CAD\$17 million. Additionally, since 2010 Esperanza acquired an approximate 26.8% interest in Global Minerals Ltd. (TSX: CTG), which is 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.



View of the drill roads on the Las Calabasas zone at Cerro Jumil.

Esperanza acquired Cerro Jumil from Recursos Cruz del Sur in 2003. Shortly thereafter, the Company initiated a first drill program and has continued to develop the property ever since.

A few days ago, a new NI 43-101 compliant resource estimate was published based on 362 drill holes, totaling 64,809 metres. It contained 50.34 million

tonnes grading 0.91 grams per tonne (g/t) gold and 9.89 g/t silver in the measured and indicated categories. There is an additional 7.97 million tonnes grading 0.66 g/t gold and 10.90 g/t silver in the inferred category.

Cerro Jumil now has approximately 1.85 million gold equivalent ounces in the ground.

Category	Tonnes (000)	Au Grade (g/t)	Ag Grade (g/t)	Au oz (million)	Ag oz (million)
Measured	30.36	0.97	9.63	0.94	9.40
Indicated	19.98	0.82	10.30	0.53	6.61
Inferred	7.97	0.66	10.90	0.17	2.79
Total	58.31	-	-	1.64	18.8

The September 2012 NI 43-101 compliant resource estimate for Cerro Jumil. Note that the resource is presented at a cut-off grade of 0.3 grams per tonne gold-equivalent using assumed metal prices of \$1,200 per gold ounce and \$22.50 per silver ounce and having regard for metallurgical recoveries. Source: Company Press Release.

In September of 2011, a Preliminary Economic Assessment (PEA) was published based on a previous 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%.

Although Esperanza will now focus on bringing Cerro Jumil into production, the Company may also continue drilling at the Southwest extension to further expand the resource.

The Company is in full preparation of a Bankable Feasibility Study, it started work on a Environmental Impact Statement and hopes to get the necessary permits to commence mining operations by the middle of next year.

This should form the basis to start construction of the mine immediately thereafter with the ultimate goal of becoming an actual producer in the course of 2014.

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 however 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

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.

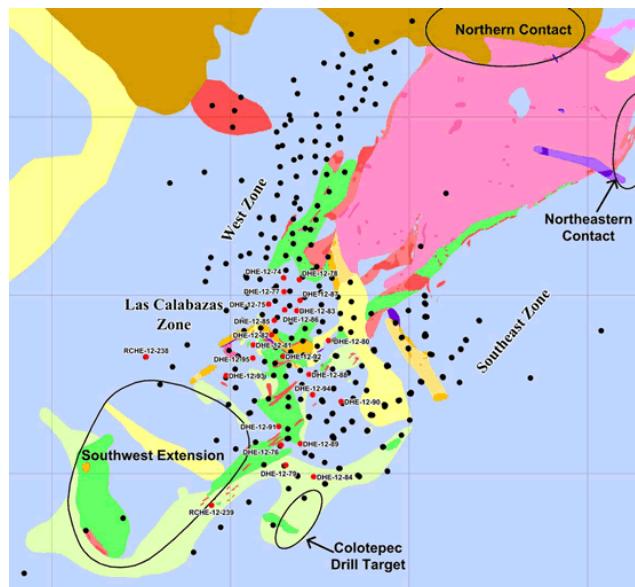
Curious to find out more about the Southeast Zone, the Company began a second program of diamond core drilling in November of 2005. A total of 4,850 metres were drilled, and again extensive gold and silver mineralization was found.

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 (PEA) 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.

In 2010, 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 updated estimate included 935,000 gold equivalent ounces in the measured and indicated categories and 252,000 gold-equivalent ounces in the inferred category.



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

Since 2010, over 22,000 metres of additional drilling have increased both the resource tonnes and the average grade of the gold and silver resource. Step-out drill holes on the Las Calabazas Zone indicated an extension of the gold mineralization with gold values between 0.90 and 3.86 grams per tonne. Also expansion holes in southwestern direction intersected gold mineralized veins grading between 0.37 and 2.25 grams per tonne.

Further, successful infill drilling was completed at the West and Las Calabazas Zones, which increased the confidence levels in the overall resource, improved the understanding and definition of the mineralization and confirmed overall higher gold and silver grades.

The new resource estimate, based on 362 drill holes, totaling 64,809 metres, was published in September of 2012. It contained 50.34 million tonnes grading 0.91 grams per tonne (g/t) gold and 9.89 g/t silver in the measured and indicated categories. There is an additional 7.97 million tonnes grading 0.66 g/t gold and 10.90 g/t silver in the inferred category.

In the 2010 estimate the silver presence, located in the and West Zone, wasn't included because the

Company decided it wasn't significant enough to be mined. Thanks to additional drilling, conducted the last two years, the silver resource has expanded significantly and has now been included in the resource.

In the new NI 43-101 compliant resource estimate, the gold equivalent ounces for the project increased to approximately 1.85 million ounces, up 55 percent compared with the previous resource estimate from September 2010. It's clear that this updated resource also has a positive influence on the economics of the September 2011 PEA, which was based on the September 2010 resource estimate.

2011 PEA

Based on the 2010 resource estimate, Esperanza published results of an independently prepared Preliminary Economic Assessment (PEA) for Cerro Jumil in September 2011. 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%.

Gold Price (\$/oz)	\$950	\$1,150	\$1,700
Base Case			
NPV (5%) (million)	\$54	\$122	\$309
IRR	15%	26%	53%
ROM			
NPV (5%) (million)	\$51	\$106	\$260
IRR	16%	27%	54%
The sensitivity of the project to metals prices is illustrated by the table above. The \$1,150 per ounce gold price is the trailing three-year average price at the time of the PEA (September 2011). Source: Company Press Release.			

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".

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 the "Run-of-Mine" (ROM) alternative. The gold and silver production forecast assumes a 105 day leaching cycle consisting of 45 days of primary leaching and 60 days of secondary leaching to achieve full recovery.

	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
Economic Indicators (After Tax)		
Gold Price (\$/oz)	\$1,150	\$1,150
Silver Price (\$/oz)	\$21	\$21
NPV (5%) (\$ million)	\$122	\$107
IRR	27%	26%
Key results from the Cerro Jumil Preliminary Economic Assessment, comparing the Base Case with the Run-of Mine recovery method. Source: Company Press Release		

Later this year, results from additional gold recovery tests with cyanide leaching are expected. 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, were shipped to McClelland Labs in Sparks, Nevada for testing.

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.

Upcoming Milestones

Although Esperanza will now focus on bringing Cerro Jumil into production, the Company may also continue drilling at the Southwest extension to further expand the resource.

The Company is in full preparation of a Bankable Feasibility Study, which is aimed to be completed in the first quarter of 2013. 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.

Esperanza also started work on a Environmental Impact Statement, which it aims to finish by the end of this year. This document contains information on hydrology, flora and fauna characterization, socio-economic studies, etc.

Esperanza hopes to get all the necessary permits to commence mining operations by the mid 2013.

All the above items form the basis to start construction of the mine in the second half of 2013 with the ultimate goal of becoming an actual producer in the course of 2014.

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.

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
M&I Total	1,925	232	1.1	14,340	48,127
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 mineralization is open in various directions along the vein structure. Other similar structures have been identified within the mining and exploration leases and will be the focus of future exploration drilling programs.

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.

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.

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 14th 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 Železorudné 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 as the transition from a communist to a market economy created a lot of confusion and uncertainty 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 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 (see 'Financials' below). As a result, Esperanza now owns close to 28.91 million common shares of Global Minerals.,

Since Esperanza took a stake in Global Minerals, significant progress has been made to bring Strieborná 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.

Mine Rehabilitation

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. Surface facilities have been updated and inspected including the electrical room along with connection to local grid power. The hoisting mechanism, to get people and equipment up and down the shaft, has been restored.

Also, the compressor room, water treatment plant, mine water discharge lines, and general rehabilitation of office and other on-site facilities has been completed. Finally, safety and security systems have been installed in accordance with the mining code.



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.

The dewatering of the underground tunnel, which has been flooded since the 1990s, is progressing well. The water has been drained down to Level 6, located approximately 180 metres below surface. At this level a drill will be installed with the intent to expand the already substantial Strieborná resource and to improve the economics of the project. 3,500 to 4,000 metres of drilling is planned, targeted to intersect the Strieborná vein.



The water that's being pumped out of the mine contains iron and manganese, which has to be treated and removed at the water treatment facility, located on the Strieborná property.

Drilling should commence before the end of the year. Additionally, samples of the mineralized ore will be collected for additional metallurgical testing (see 'Recovery Methods' below) at this Level.

At the same time, dewatering of the shaft will continue to at least Level 9 (330 m below surface). This will allow mining to begin in some of the higher grade areas of the deposit.

In total, 10,000 metres will be drilled from level 6. Although the property, in addition to the Strieborná vein, includes several parallel veins and similar structures which are known to be mineralized, they won't be targeted in this drill campaign.

Recovery Methods

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. Tests on the collected samples 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), 22% copper and up to 17% antimony at recoveries of 96% for silver and 97% for copper.

ANTIMONY

Antimony is a lustrous grey metallic-looking solid, with intermediate to relatively good electrical conductivities. It's found in nature mainly as the sulfide mineral stibnite (Sb_2S_3) and has the chemical symbol Sb, which is derived from the Latin stibium, the name given to antimony sulfide in the classical period.

China is by far the largest producer of antimony. It's often used as alloying material for lead and tin as it improves the properties of the alloys which are used in solders, bullets and plain bearings. Additionally, antimony is used in some medicines, lead-acid batteries and microelectronics.

Ongoing metallurgical and engineering studies have focused on the downstream processing of the concentrate for the recovery of antimony. Although, results have been positive, the Company may delay the start-up of an antimony recovery circuit to reduce capital investments. This does not preclude the future development of an antimony plant. The Company is also investigating the handling of mercury and arsenic that is found in the concentrate.

The level of mercury found in Strieborná concentrates is too high for smelters to accept the concentrate as is. In the case of antimony and arsenic, smelters will accept the concentrate, but will charge a fee to Esperanza.

A number of experimental tests were conducted to examine mercury and antimony removal from the

Strieborná copper concentrate by first roasting the concentrate to volatilize mercury followed by an oxidizing roast to volatilize antimony oxides and some sulphur. Four of the five tests resulted in a 99.9% elimination of mercury from the concentrate. Antimony elimination was more problematic ranging from <1% to 34%.

Leaching tests at varying temperatures and reagent concentrations, yielded recovery of antimony to solutions from 73 to 97%. The tests also measured mercury extraction of 67% to 92%, while arsenic extraction varied from 6% to 19%. On-going testing will evaluate leaching at higher temperatures.

Further testing to provide design parameters for an economic assessment is now on-going under the supervision of Global Minerals and Blue Coast Metallurgy Ltd. Roasting and flotation options, together with environmentally safe recovery of the mercury for sale or other disposal, are being considered and will be evaluated as part of a Preliminary Economic Assessment the Company is preparing.

Cucma & Paca

Next to the actual Strieborná vein, the 135 square kilometer exploration block hosts a couple of other attractive prospects. Regional exploration activity has focused on the Paca area, 3 kilometers southeast of the Strieborná vein system, and the historic Cucma gold/antimony district approximately 4-5 km northeast of Strieborná.

During the 2011 field season, the Company identified several potential surface drill targets in each of these areas based on the use of geochemical and geophysical prospecting methods including mercury spectrometry of surface soils, resistivity and induced polarization geophysical methods. Follow up surveys this spring have offered additional data currently being evaluated in order to select specific drill targets.

The Cucma region is an historic gold district with limited production dating back to medieval times. While the Paca area contains a potential buried vein system, which may be analogous to the Strieborná system, based on geophysical data obtained during the recent exploration program.

Financials

Similar to Esperanza, Global Minerals has a cash rich balance sheet thanks to a March 2012 private placement, in which the Company issued 27,777,556

units at a price of \$0.45 per unit for gross proceeds of \$12.5 million.

Amounts in \$000's	03/31/12	03/31/11
Cash and Cash Equivalents	14,061	1,073
Receivables	828	306
Property, Plant & Equipment	1,392	154
Mineral Property	2,042	2,042
Total Assets	18,923	4,733
Accounts Payable & Accrued Liabilities	566	215
Total Liabilities	639	277
Total Stockholder Equity	18,284	4,456
Most important balance sheet data for the periods ending March 31, 2012 and March 31, 2011. Source: Company Filings		

With a current cash position of approximately \$13 million, Global Minerals is sufficiently funded to rehabilitate the rest of the property, restore access to the Strieborná vein and commence an underground drill program.

Near-term work will also include metallurgical testing, process flow-sheet design, concentrate marketing and mine planning with the goal of completing a preliminary economic assessment in 2013.

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:

- **Guadelupe** - Votorantim Metais has an option to purchase the Guadelupe 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.
- **Seven other properties** are in early stage exploration. They're all 100% owned by the Company, and are being advanced through surface exploration to drill status.

Financials

The Company recorded a net loss of \$4,423,996 for the three months ended June 30, 2012, compared with a loss of \$3,023,233 in the second quarter last year. The higher loss can be attributed to higher exploration expenses and higher professional fees partially offset by lower share based compensation.

Exploration expenses were higher due to expansion drilling on the Cerro Jumil property, whereas there was only a minor amount of drilling at Cerro Jumil in the second quarter of 2011. Professional fees increased significantly in the quarter mainly due to one-time costs as previous management hired consultants to provide strategic advice to the Company, incurred recruiting fees when new management personnel were hired and incurred additional legal fees related to the special warrant

financing. Share based compensation on the other hand was lower in 2012 because most of the stock options and all of the Restricted Share Units which were granted, vest over 3 years, whereas the options granted in the prior year vested immediately and therefore the expense was higher.

Balance Sheet as of June 30, 2012

The most obvious change in the balance sheet is the Company's cash position, which increased from slightly over \$8 million on June 30, 2011 to almost \$43 million one year later.

Late May, 2012, Esperanza closed a private placement of 24 million units at a price of \$1.25 per unit for gross proceeds of \$30 million. Each unit consisted 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. Additionally, the agents that conducted the offering, partially exercised their agents' options and sold 3,214,000 special warrants at the issue price for gross proceeds of approximately \$4 million.

Initially, the Company only wanted to do a financing of up to 8 million units. A couple of days later however, Esperanza announced it would triple the financing, including that demand was very high, which shows strong investor confidence in the Company and the Cerro Jumil project.

Amounts in \$000's	06/30/12	06/30/11
Cash and Cash Equivalents	42,965	8,051
Receivables	1,309	312
Investment in Associated Company	1,995	2,045
Exploration & Evaluation Assets	1,748	1,747
Total Assets	48,322	12,306
Accounts Payable & Accrued Liabilities	933	476
Total Liabilities	933	476
Total Stockholder Equity	47,390	11,830
Most important balance sheet data for the periods ending June 30, 2012 and June 30, 2011. Source: Company Filings		

Also noteworthy is that Esperanza's investment in Global Minerals is recorded in the balance sheet at \$1,994,538, while the stake actually has a current market value of close to \$13 million.

New Management

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 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.

At the same time, 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.

As Cerro Jumil moves closer to production, this is 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.

Next to Messrs. Smith and Morris, four more people joined Esperanza's management team during the last few months.

Ms. Kylie Dickson became the new Chief Financial Officer. Ms. Dickson is a Canadian Chartered Accountant and was the Corporate Controller for Minefinders from 2007 through the acquisition of Minefinders by Pan American Silver. Prior to her role with Minefinders, Ms. Dickson was an Audit Manager with the mining group at KPMG LLP in Vancouver where she planned and executed audit and advisory engagements for public mining companies.

Mr. Daniel O'Flaherty joined the Company as Executive Vice President, Corporate Development. Prior to his role with Esperanza, Mr. O'Flaherty was

a Director in the Investment Banking team of Scotia Capital focused exclusively on the metals and mining sector where he specialized in providing advice to clients on acquisitions, divestitures, mergers, and hostile takeover defenses as well as on equity and debt financings. Over the past nine years, Mr. O'Flaherty has been directly involved in more than \$20 billion of successful mining transactions. Mr. O'Flaherty holds a Bachelor of Commerce degree, with Honours, from the University of British Columbia.

Mr. Johannes J. Miller is the new Vice President Operations. A mine engineer by training, Mr. Miller's experience combines engineering, operations, and project management. He has worked in a range of positions in open-pit and underground mines around the world, supervising all facets of mine engineering, operations, construction and development. Mr. Miller most recently held the position of Operations Manager for Minefinders where he oversaw development and operations at the Dolores open-pit heap leach gold mine in Mexico. Prior to that, Mr. Miller was a Planning Manager with First Quantum Minerals.

And Mr. Warren Beil was appointed as the Corporate Secretary of the Company. Mr. Beil is a corporate and securities lawyer with experience in advising and assisting public companies. Mr. Beil obtained a B.A. from the University of Victoria in 2003, a J.D., with Honors, from Bond University on the Gold Coast of Australia in 2007, and a J.D. from the University of Toronto in 2007. Mr. Beil is the General Counsel to Pathway Capital Ltd., a private venture capital company based in Vancouver, B.C. Mr. Beil was previously an associate in the securities and corporate finance group of the Vancouver office of Blake, Cassels & Gradyon, LLP.

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.

A September 2011 Preliminary Economic Assessment, based on the September 2010 resource estimate, 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.

Moreover, a couple of days ago a new NI 43-101 compliant resource estimate was published, in which Cerro Jumil's resource was increased to approximately 1.85 million gold equivalent ounces, 55% higher compared with the 2010 resource. This obviously has a positive economic impact on the already solid Preliminary Economic Assessment from 2011.

Company	Stock Price	EV (M)	Gold Eq Oz (M)	EV/ Resource
Orko	1.53	196.89	4.41	44.60
SilverCrest	2.49	185.08	2.24	82.72
Average				63.66
Esperanza	1.30	56.09	2.11	26.60

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 56:1.

The Company now focuses on bringing Cerro Jumil into production. It's preparing a Bankable Feasibility Study, started work on a Environmental Impact Statement and is in the process of obtaining all the necessary permits with the goal of becoming a gold producer in 2014.

The new management members of Esperanza were previously employed at Minefinders Corporation and have experience with moving projects towards production and with building mines.

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.

Commodities prices remain high, making mining activities 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 more than \$40 million cash in the bank, and it has close to \$13 million in marketable Global Minerals securities. This is enough to bring Cerro Jumil into full feasibility in the

course of 2012 with the ultimate goal of advancing the property to production.

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 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 EPZ's stock valuation is headed.

Orko Silver Corp. (OK: TSX) owns a 100% interest in the La Preciosa Project that covers 80,000 acres of contiguous mining claims in Durango State, a historically prolific silver mining region located along the Sierra Madre Occidental Mountains. Orko has a NI 43-101 resource estimate for this property.

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 \$26.60.

At the same time, the market gives Orko Silver a valuation of \$44.60 per ounce of gold equivalent in the ground it owns, or 68% higher compared with Esperanza. For SilverCrest Mines the market assigns a value of \$82.72 per ounce of gold equivalent, or more than three times Esperanza's value. SilverCrest's higher valuation is justified as one of its properties is in production. So in order to calculate a peer Enterprise Value / Gold Equivalent benchmark for Esperanza, we'll apply a 35%

discount to SilverCrest's valuation. This discount leads to a value of \$53.77 for SilverCrest.

Taking SilverCrest's discount into account, the average Enterprise Value / Gold Equivalent for Orko and SilverCrest is \$49.18. Using this number, we conclude that Esperanza is 85% undervalued compared with its peers.

Based on these calculations, the relative short time to production and the excellent cash position, we reiterate our buy recommendation for Esperanza Resources with a price target of \$2.40 or 85% higher than today's 30-day average stock price.

Mind, this price target illustrates Esperanza's undervaluation as of today. As Cerro Jumil moves towards production, the Company's price target is bound to increase as its peers become much higher priced 'in production' companies.

Share Data

There are 78,696,321 common shares issued and outstanding and 6,426,000 stock options outstanding with exercise prices ranging between \$0.69 and \$1.91 per option, which expire from September 12, 2012 through to June 12, 2017. Of the total options outstanding, 3,651,000 are fully vested and exercisable. Additionally, there are 3,225,000 restricted share units, which were granted to certain officers and employees in June of 2012.

Type of Securities	Number of Securities
Common shares	78,696,321
Options	6,426,000
Warrants	16,669,846

Outstanding shares, warrants and options for Esperanza Resources Corp. as of June 30, 2012.

Also, the Company has 16,669,846 common share purchase warrants outstanding with exercise prices ranging from \$1.75 to \$2.75 per warrant. Of these warrants, 3,026,846 expire on December 22, 2012 and 13,607,000 expire on May 24, 2017.

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 Pirquitas 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.

➤ Kylie Dickson - Chief Financial Officer

Ms. Dickson is a Canadian Chartered Accountant and was the Corporate Controller for Minefinders from 2007 through the acquisition of Minefinders by Pan American Silver. Prior to her role with Minefinders, Ms. Dickson was an Audit Manager with the mining group at KPMG LLP in Vancouver where she planned and executed audit and advisory engagements for public mining companies.

➤ Daniel O'Flaherty - Executive Vice President, Corporate Development

Prior to Mr. O'Flaherty role with Esperanza, Mr. O'Flaherty was a Director in the Investment Banking

team of Scotia Capital focused exclusively on the metals and mining sector where he specialized in providing advice to clients on acquisitions, divestitures, mergers, and hostile takeover defenses as well as on equity and debt financings. Over the past nine years, Mr. O'Flaherty has been directly involved in more than \$20 billion of successful mining transactions. Mr. O'Flaherty holds a Bachelor of Commerce degree, with Honours, from the University of British Columbia.

➤ **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 Pirquitas 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.



**ESPERANZA
RESOURCES**

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