

## CUITABOCA PROJECT

29 July 2014. Santana Minerals Limited (“Santana”) is pleased to announce that its wholly owned subsidiary, Cuitaboca Pty Ltd has entered into agreements allowing it to earn 80% of the Cuitaboca Project located in the State of Sinaloa, Mexico.

**Highlights of the Cuitaboca Silver Project include:**

- **Located in Cuitaboca Silver District, Sinaloa, Mexico**
- **5,100ha held under 8 contiguous mining Concessions**
- **Ag-Au rich polymetallic mineralization in known NW-SE trending vein structures within an interpreted low sulphidation epithermal system**
- **Modern exploration work at the Colateral vein includes a 100m underground crosscut to access the vein plus a 110m underground drift along the vein where reported samples include [Note 1.]:**
  - ❖ **1.38g/t Au + 1,359g/t Ag + 6.76%Pb + 3.68%Zn over 1.1m**
  - ❖ **1.41g/t Au + 1,240g/t Ag + 3.55%Pb + 4.03%Zn over 1.5m**
  - ❖ **Average over 110m drift at 3m line spacing: 0.42g/t Au + 425g/t Ag + 1.65%Pb + 2.15% Zn**
- **Exploration drill targets identified allowing early assessment**

**Terms of the agreements** are set out under the heading “About the Transaction Terms” commencing on page 7.

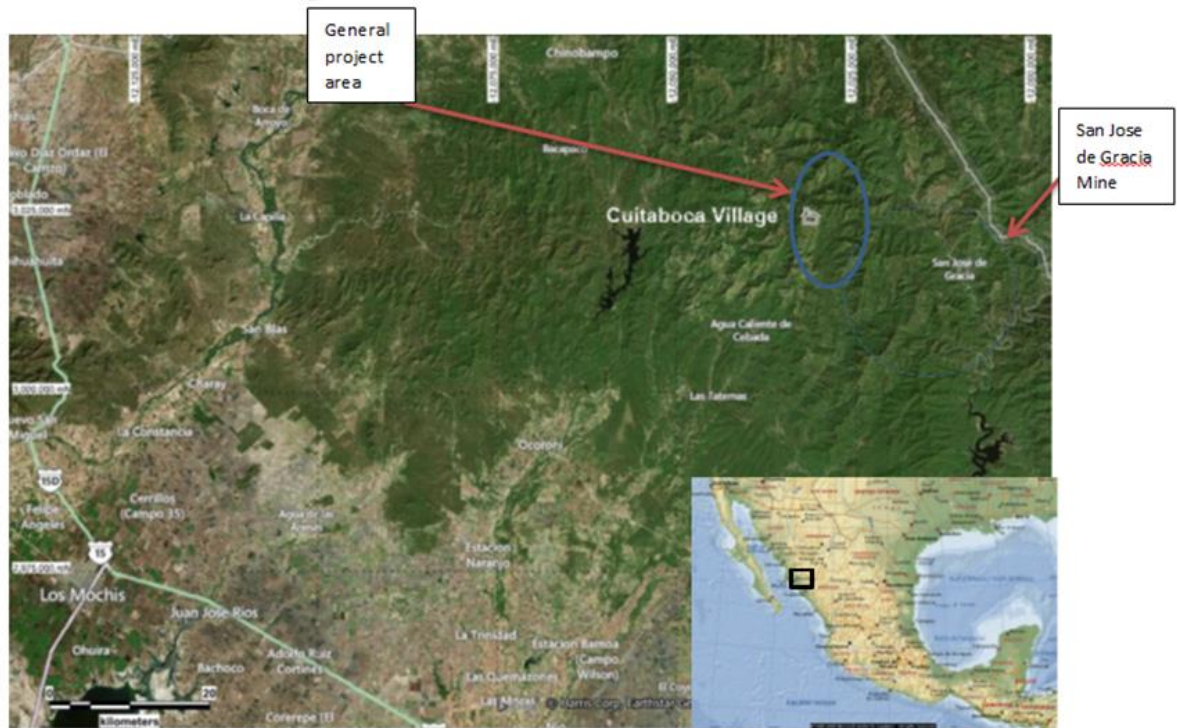
**Highlights include:**

- **Entitlement to earn 80% of the Cuitaboca Project for an upfront payment of A\$100,000 and by meeting 100% of expenditure to a Conversion Event then expenditure reverts to 80:20 or dilution**
- **Transaction effected with related party**
- **Joint venture style arrangement in corporate structure on commercially favourable terms**
- **Santana assumes management and controls exploration expenditure quantum and timing**
- **Santana retains a right to withdraw**

## About the Cuitaboca Silver Project

### *Location*

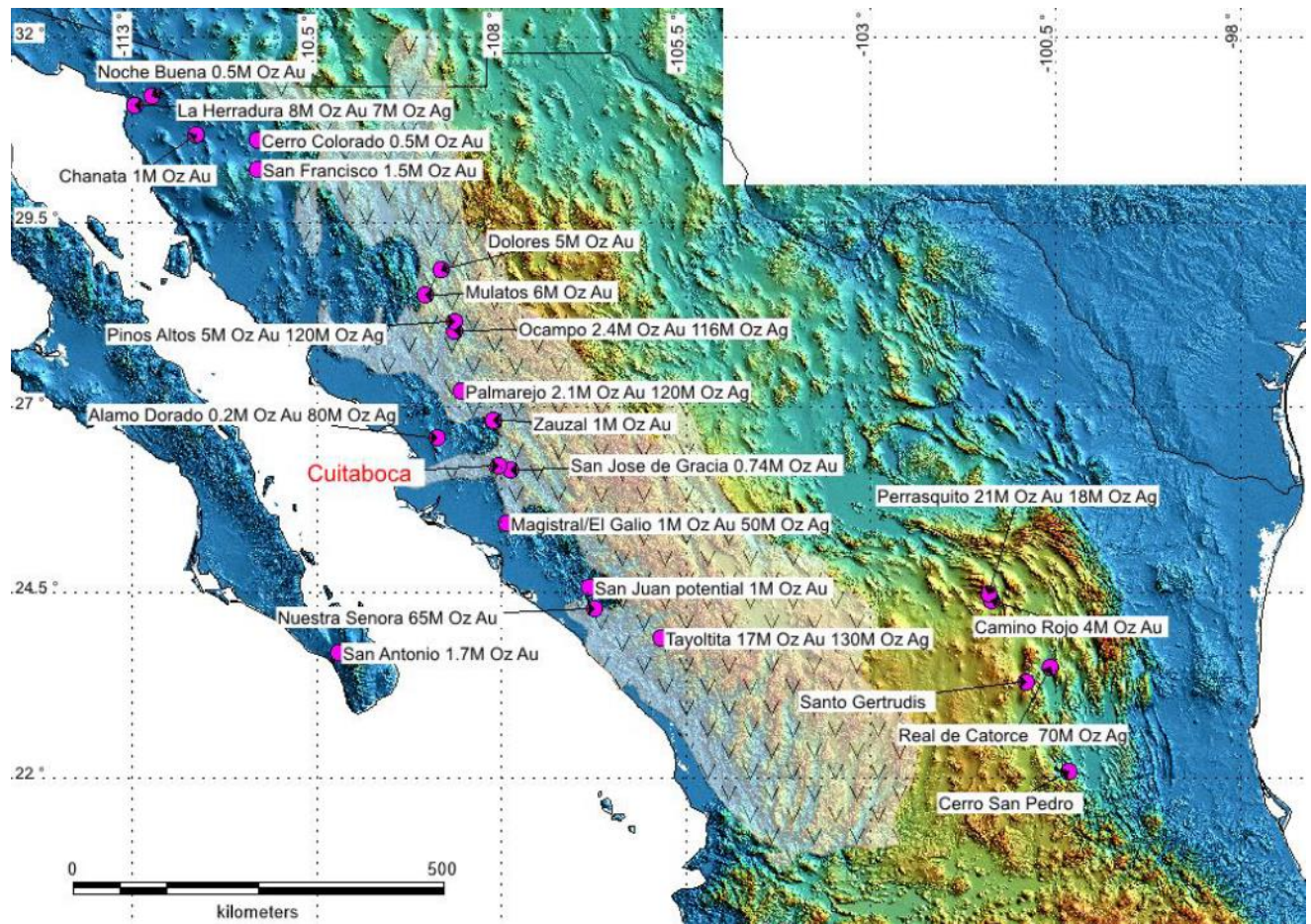
The Cuitaboca Silver Project is located in the state of Sinaloa, Mexico, approximately 100km NE of the city of Los Mochis and 80km NE of the city of Guasave. Access is by a 30km dirt road from the village of Agua Caliente de Cebada, Sinaloa (**Figure 1**).



**Figure 1.** Cuitaboca Project Location

### *Regional Geologic Setting*

Cuitaboca is situated on the western margin of the Sierra Madre Occidental (SMO) geological domain, a 1500 by 250 km volcanic province formed during late Mesozoic to early Cenozoic subduction off the west coast of Mexico. The basement consists of plutonic and sedimentary rocks overlain by two groups of extrusive volcanic rocks. The lower volcanic group comprises mostly intermediate composition andesite and dacite flows and is overlain by the upper volcanic group dominated by felsic composition rhyolites, rhyolite tuffs and felsic ignimbrites (Staudé and Barton, 2001). Most of the major Au-Ag deposits in the SMO lie within the lower volcanics (McDowell and Clabaugh, 1981) (**Figure 2**).



**Figure 2.** Mexico terrain model showing Cuitaboca in relation Au-Ag epithermal mines, and the Sierra Madre Occidental Volcanics (hatched) (using data from Dyna Resources, 2012).

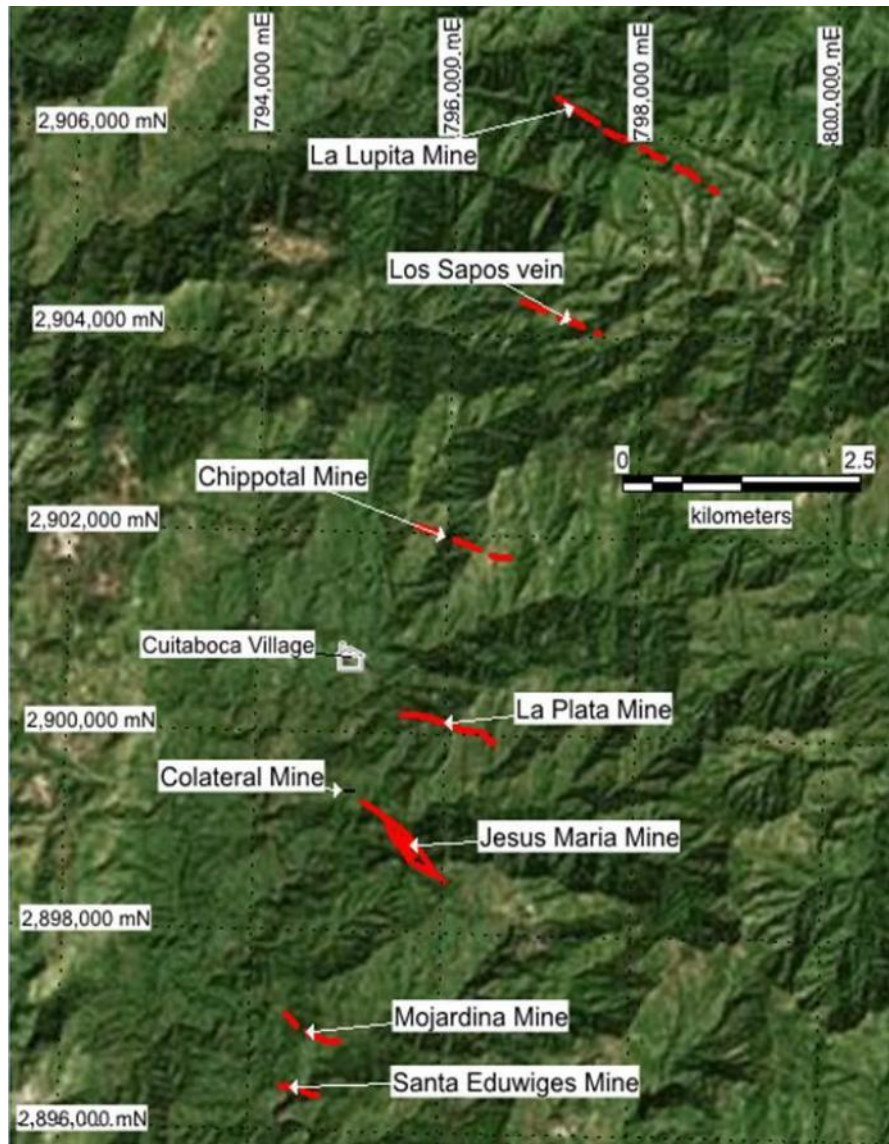
### **Local Geology**

Cuitaboca lies in the foothills of the SMO dominated mostly by andesite flows and tuffs of the lower volcanic group, with minor rhyolites of the upper volcanic group at higher elevations. Au-Ag rich polymetallic mineralisation is hosted in the lower volcanic group andesites.

The Cuitaboca – Pinos Altos area shows at least six well-known veins with sulphide mineralisation carrying high grade silver and low grade lead, zinc and copper. Outcrops vary from 100 to 500m long with observable thicknesses from 0.5m to 4m wide. The main structures are La Lupita, Los Sapos and Chapotal veins in the northern part and the Mojardina, Santa Eduwiges, Jesus Maria and Colateral veins in the south.

The San Jose de Gracia deposit (owned by Dyna Resources, Inc) which is located only 20km SE of Cuitaboca (**Figure 1**) along strike from the Cuitaboca La Lupita vein (**Figure 3**), has recently been ascribed an inferred resource of 741,000 oz of Au [Note 2] with historic production of circa 1M oz Au suggested in the 1800's [Note 2].





**Figure 3.** Regional scale map showing NW-SE veins in red and main mine locations

### *Historic Work*

The area has seen some small scale mining in the 1800's which appears to have been limited to the high-grade oxidized ore, likely because of the limit to technologies to treat sulphide ore at the time.

For several years from 1974 Penoles undertook a number of reconnaissance mapping and sampling programs. In the course of that work they identified five separate sub-parallel veins with several hundred metres of separation.

Very little modern exploration has been undertaken.

**Recent work**

**2004 – 2008**

During this period First Silver Reserve, Inc and First Majestic Silver Corp undertook mapping, sampling and other activities at Cuitaboca. Features of the work included cutting a 26km road access to reach two of the veins in the system: Colateral-Jesus Maria and the Mojardina veins. A 100m long underground crosscut (adit) was developed from the side of the hill to access the Colateral vein, from which a 110m long exploration drift (drive) was completed along the vein. During this exploration samples of the veins were collected every 3m, the assays for which are shown in Tables 1 – 3 as reported by First Majestic Silver Corp [Note 1].

**Table 1.** Highlights of samples from the 110 metre drift (incorporates Tables 2 and 3)

<b>Line Number</b>	<b>Width Metres</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Pb %</b>	<b>Zn %</b>
Line 1 NW	2.30	0.12	251	0.85	4.98
Line 2 NW	1.60	0.18	464	1.64	1.78
Line 3 NW	1.50	0.24	480	0.74	1.44
Line 4 NW	1.10	0.29	169	1.08	1.54
Line 5 NW	1.15	0.20	870	4.05	3.82
Line 6 NW	0.50	1.47	202	0.53	0.78
Line 7 NW	1.10	1.38	1,359	6.76	3.68
Line 8 NW	1.50	1.41	1,240	3.55	4.03
Line 9 NW	2.10	1.28	395	2.56	2.93
Line 10 NW	2.30	0.93	741	5.30	3.03
Line 11 NW	1.35	1.49	756	1.66	2.05
Line 12 NW	1.70	0.25	77	1.06	0.79
Line 13 NW	1.60	0.68	291	3.34	1.84
Line 1 SE	2.00	0.05	216	0.75	1.10
Line 2 SE	2.00	0.08	722	0.84	2.13
Line 3 SE	1.70	0.05	652	0.83	2.25
Line 4 SE	1.50	0.18	718	1.05	1.28
Line 5 SE	1.70	0.51	823	0.80	2.08
Line 6 SE	1.80	1.01	637	1.50	3.39
Line 7 SE	2.20	0.39	413	0.55	1.08
Line 8 SE	1.50	0.41	677	1.84	3.98
Line 9 SE	1.50	0.27	53	0.65	0.39
Line 10 SE	1.20	0.12	37	0.59	0.42
Line 11 SE	1.00	0.04	276	0.38	0.64
Line 12 SE	1.00	0.01	2	0.04	0.08
Line 13 SE	0.70	0.01	6	0.09	0.15
Line 14 SE	1.00	0.01	20	0.07	0.12
Line 15 SE	1.15	0.01	3	0.03	0.04
Line 16 SE	0.60	0.01	4	0.07	0.18
Line 17 SE	0.50	0.04	12	0.17	0.45
Line 18 SE	1.05	0.03	9	0.20	0.30
Line 19 SE	1.70	0.08	72	2.72	6.05
Line 20 SE	1.40	0.01	29	3.39	3.18
<b>Average over 110 m length</b>	<b>1.42</b>	<b>0.42</b>	<b>425</b>	<b>1.65</b>	<b>2.15</b>

**Table 2.** Highlights of samples from the first 40 metres on the NW side of the drift

<b>Line Number</b>	<b>Width Metres</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Pb %</b>	<b>Zn %</b>
Line 1 NW	2.30	0.12	251	0.85	4.98
Line 2 NW	1.60	0.18	464	1.64	1.78
Line 3 NW	1.50	0.24	480	0.74	1.44
Line 4 NW	1.10	0.29	169	1.08	1.54
Line 5 NW	1.15	0.20	870	4.05	3.82
Line 6 NW	0.50	1.47	202	0.53	0.78
Line 7 NW	1.10	1.38	1,359	6.76	3.68
Line 8 NW	1.50	1.41	1,240	3.55	4.03
Line 9 NW	2.10	1.28	395	2.56	2.93
Line 10 NW	2.30	0.93	741	5.30	3.03
Line 11 NW	1.35	1.49	756	1.66	2.05
Line 12 NW	1.70	0.25	77	1.06	0.79
Line 13 NW	1.60	0.68	291	3.34	1.84
<b>Average over 40 m length</b>	<b>1.52</b>	<b>0.72</b>	<b>547</b>	<b>2.60</b>	<b>2.69</b>

**Table 3.** Highlights of the first 33 metres on the SE side of the drift

<b>Line Number</b>	<b>Width Metres</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Pb %</b>	<b>Zn %</b>
Line 1 SE	2.00	0.05	216	0.75	1.10
Line 2 SE	2.00	0.08	722	0.84	2.13
Line 3 SE	1.70	0.05	652	0.83	2.25
Line 4 SE	1.50	0.18	718	1.05	1.28
Line 5 SE	1.70	0.51	823	0.80	2.08
Line 6 SE	1.80	1.01	637	1.50	3.39
Line 7 SE	2.20	0.39	413	0.55	1.08
Line 8 SE	1.50	0.41	677	1.84	3.98
Line 9 SE	1.50	0.27	53	0.65	0.39
Line 10 SE	1.20	0.12	37	0.59	0.42
Line 11 SE	1.00	0.04	276	0.38	0.64
<b>Average over 33 m length</b>	<b>1.65</b>	<b>0.29</b>	<b>493</b>	<b>0.90</b>	<b>1.76</b>

The information in the above tables is extracted from a news release by First Majestic Silver Corp. dated November 13, 2007. The news release was reviewed by Baltazar Solano-Rico, M.Sc., President of Behre Dolbear de Mexico, S.A. de C.V. who was the Qualified Person for the release as defined in the standards for disclosure of mineral projects within Canada (NI 43-101). Full details of the new release are available on Sedar.

The information in the above tables was prepared in accordance with the standards for disclosure of mineral projects within Canada (NI 43-101) and not in accordance with the JORC code. A competent person has not done sufficient work to classify the information reported within the news release in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the reported information will be able to be reported in accordance with the JORC Code.

**2013 -**

Corbett and Menzies Consulting Pty Ltd (CMC) geologists were engaged by Minera Cuitaboca S.A. de C.V. (**Project Company**) to map, evaluate and prioritise drill targets for each of the known Ag-Au-Pb-Zn bearing epithermal quartz veins in the Cuitaboca area and to determine stratigraphic and/or structural controls to mineralisation as an aid to the definition of drill targets to test for blind ore shoots. In doing so they reviewed historic project data, looked at regional and local operations and, with the assistance of local Mexico based field geologists, mapped and undertook sample verification where possible.

Outcomes of the CMC works include recommendations for an early drill program focusing on the Colateral vein at depth to test the mineralisation in the competent andesite and Jesus Maria vein below old workings to seek to identify ore shoots. Additionally the La Lupita vein requires follow-up mapping before a drill program would be set.

**Management View**

The geological setting and opportunity this acquisition presents ‘fits’ Santana’s stated objectives of exploring for precious metals in Mexico in the lower volcanic sequences of the Sierra Madre Occidental where major mines have been discovered and brought into production.

The Cuitaboca Project is early stage exploration but has sufficient work undertaken historically and in recent times to identify targets which will give the opportunity to Santana to make early assessments following drilling and other work.

The directors (other than Mr Seckold who has a conflict of interest and who took no part in the discussions in relation to the acquisition) engaged independent advisors in relation to the transaction and the broader opportunity. More broadly those directors have experience which allowed them to consider what it would cost Santana to generate a project of this nature, to assess what had been expended on the project to date and to consider the terms of the transaction.

In all the circumstances those directors have determined the transaction, and the opportunity it brings, should be pursued for the benefit of Santana.

**About the transaction Terms**

By paying A\$100,000 and committing to meet 100% of expenditure, Santana is given management of the Cuitaboca Project through ownership of the Project Company. Santana is required to meet all expenditure (including option fees which the Project Company has agreed to pay the Concession Holder, concession rentals plus exploration expenditure as Santana determines). Once the Concession Option Agreement is completed the expenditure reverts to 80% Santana 20% Vendors.

Santana undertakes the transaction through its wholly owned subsidiary, Cuitaboca Pty Ltd which has entered into the following agreements entitling it to earn and acquire 80% of the Cuitaboca Project:-

- (1) **Share Purchase Agreement** with Peter James Nightingale ATF Rosignol Pty Limited <Nightingale Family A/C> and Norman Alfred Seckold ATF Permgold Pty Limited (together the **Vendors**) pursuant to which Cuitaboca Pty Ltd has agreed to purchase all of the existing Series 1 Shares held by the Vendors in Minera Cuitaboca S.A. de C.V., a company incorporated in Mexico (**Project Company**), from the Vendors for A\$100,000;

- (2) **Shareholders Agreement** with the Vendors which is the key agreement under which Cuitaboca Pty Ltd will manage the Cuitaboca Project; and
- (3) **Option Agreement** with the Vendors under which Cuitaboca Pty Ltd has agreed to grant the Vendors the right to reacquire the Series 1 Shares in the Project Company if Cuitaboca Pty Ltd elects to withdraw from the Cuitaboca Project,
- (together the **Acquisition Agreements**).

The Acquisition Agreements are subject to customary and usual terms and conditions more fully described below.

### Ownership of the Mining Concessions

The Cuitaboca Project consists of the following Concessions:-

Claim's Name	Title	Hectares	Expiration Date
El Chapotal	210765	126.0000	Nov. 25, 2049
San Rafael	214243	528.0000	Sept. 5, 2051
Nuestra Señora Del Carmen	208560	79.4665	Nov. 23, 2048
San Pedro	210767	29.1475	Nov. 25, 2049
Jesús Maria	205338	13.6228	August 7, 2047
San Rafael II	222493	540.0000	July 15, 2054
Cuitaboca	222494	2,401.7632	July 15, 2054
Los Sapos	226832	1,385.8899	Mar. 2, 2056

The Concessions that form the Cuitaboca Project are owned by Consorcio Minero Latinoamericano S.A. de C.V., a company incorporated in Mexico (**Concession Holder**). The Project Company and the Concession Holder have entered into an agreement whereby the Project Company has the right to acquire the Concessions from the Concession Holder for a price of US\$3,500,000 plus a 2.5% net smelter royalty (**Concession Option Agreement**).

Under the Concession Option Agreement, the right to acquire the Concessions expires on 31 January 2019. The Project Company has paid US\$230,000 to the Concession Holder under the Concession Option Agreement to date. A balance of US\$3,270,000 in option fees remains payable by the Project Company to the Concession Holder. These fees are payable six monthly until 31 January 2019 with the larger payments 'back-ended' (**Table 4**).

**Table 4.** Remaining option fees payable to Concession Holder

Date	USD
31 July 2014	\$45,000
30 January 2015	\$100,000
31 July 2015	\$150,000
30 January 2016	\$175,000
31 July 2016	\$200,000
30 January 2017	\$250,000
31 July 2017	\$300,000
30 January 2018	\$350,000
31 July 2018	\$400,000
30 January 2019	\$1,300,000
<b>Total</b>	<b>\$3,270,000</b>



## **Terms & Conditions of the Acquisition Agreements**

### ***Share Purchase Agreement***

The Share Purchase Agreement is the key agreement under which Cuitaboca Pty Ltd will acquire the Cuitaboca Project from the Vendors. Following the purchase of the Series 1 Shares held by the Vendors in the Project Company under the Share Purchase Agreement, Cuitaboca Pty Ltd will hold all the Series 1 Shares in the Project Company and each of the Vendors will hold 1 convertible Series 2 Share each in the Project Company entitling them each to a 10% free carried interest in the Cuitaboca Project until a Conversion Event.

The Share Purchase Agreement is conditional upon each of the following conditions being satisfied or waived within three months:-

- (a) the issue by the Project Company of the Series 2 Shares to the Vendors;
- (b) completion of technical, financial and legal due diligence by Santana;
- (c) there being no material change in the financial position of the Project Company other than in the ordinary course of business;
- (d) Santana obtaining all necessary regulatory and, if applicable, shareholder approvals;
- (e) there being no material breach, and no fact or circumstance having arisen, that may reasonably be expected to lead to a material breach of any warranty before completion;
- (f) at completion the mining titles to the Cuitaboca Project are in good standing; and
- (g) at completion the Concession Option Agreement is current and enforceable in favour of the Project Company.

If completion of the transaction does not take place prior to 31 July 2014, Cuitaboca Pty Ltd must satisfy any fees payable under the Concession Option Agreement up to the date of completion. If Cuitaboca Pty Ltd is required to make a payment there is no right to claim that payment back if the transaction does not complete.

### ***Shareholders Agreement***

The Shareholders Agreement is the key agreement under which Cuitaboca Pty Ltd will manage the Cuitaboca Project. It will govern the relationship between the Vendors and Cuitaboca Pty Ltd and also the operation of the Project Company and the management of the Cuitaboca Project.

Following the purchase of the Shares under the Share Purchase Agreement, Cuitaboca Pty Ltd will hold all the Series 1 Shares in the Project Company and the Vendors will each hold 1 Series 2 Share in the Project Company.

The Series 1 Shares that will be held by Cuitaboca Pty Ltd in the Project Company, have all the usual rights attaching to ordinary shares.

The Series 2 Shares that will be held by the Vendors have the right to receive notice of and attend, but not vote at, meetings and have no right to receive dividends. The Series 2 Shares have the right to convert into Series 1 Shares as described below.

Conversion of the Series 2 Shares shall happen on the occurrence of any of the following Conversion Events:

- the completion of the acquisition by the Project Company of the Concessions from the Concession Holder through payment of the remaining option fees under the Concession Option Agreement;

- if the Project Company or the holders of the Series 1 Shares receive an offer from a bona fide buyer for all the shares in the Project Company;
- a dissolution, liquidation, winding up or sale of all or substantially all of the assets of the Project Company; or
- if a resolution is passed or an order is made to wind up the Project Company.

The total number of Series 1 Shares that the Series 2 Shares will convert into will equal 20% of the total number of Series 1 Shares on issue immediately following the Conversion Event, including the Series 1 Shares to be issued from the conversion of the Series 2 Shares.

The Series 2 Shares give the Vendors a free carried interest in the Cuitaboca Project of a total of 20% until the Project Company acquires the Concessions under the Concession Option Agreement.

The board of the Project Company will be comprised of up to 4 Directors, three of whom are appointed by Cuitaboca and one Director who is appointed jointly by the Vendors. Resolutions of the board of the Project Company are decided on a simple majority.

Prior to the conversion of the Series 2 Shares:

- Cuitaboca Pty Ltd has the right to manage, maintain, direct and control the Project Company;
- no dividends are to be declared;
- the Project Company must not borrow any money from third parties; and
- Cuitaboca Pty Ltd can terminate the Concession Option Agreement if Cuitaboca Pty Ltd offers the Vendors the option to acquire Cuitaboca Pty Ltd's shares in the Project Company and the Vendors do not accept.

Cuitaboca Pty Ltd is responsible for all expenditure incurred until the Series 2 Shares are converted or until Cuitaboca Pty Ltd offers the Vendors the option to acquire Cuitaboca Pty Ltd's shares in the Project Company.

After conversion, all contributions to the expenditure of the Project Company are to be made by way of cash calls in proportion to each shareholders' holding.

Standard joint venture provisions are included relating to:-

- the preparation and approval of programs and budgets;
- the dilution of the relevant proportion of a shareholder in circumstances where a shareholder does not contribute under a cash call; and
- the sale of a shareholders relevant proportion if such relevant proportion falls below 5%.

### ***Option Agreement***

The Option Agreement is the key agreement under which the Vendors can reassume control of the Project Company if, at any time, Cuitaboca Pty Ltd determines that it will no longer cause the Project Company to pay the option fees under the Concession Option Agreement. If this happens, Cuitaboca Pty Ltd must offer the Vendors to opportunity to purchase back the Series 1 Shares in the Project Company, together with any new shares issued in the Project Company, for 1,000 Mexican Pesos.

The Option shall lapse if it is not exercised.

If the Option lapses, Cuitaboca Pty Ltd shall be entitled to cause the Project Company to terminate the Concession Option Agreement in accordance with its terms and Cuitaboca Pty Ltd shall be released from any and all liability to make any payment in connection with the Concession Option Agreement.

### **Related Party Disclosures**

As Norman Seckold is a Director of Santana, he is a related party of Santana within the definitions of the Corporations Act and the ASX Listing Rules, and, as such, Santana would ordinarily require the approval of its shareholders to the acquisition of the Cuitaboca Project under Chapter 2E of the Corporations Act and ASX Listing Rule 10.1, unless a relevant exemption applies.

The Acquisition Agreements are, in the opinion of the non-related Directors, a transaction being undertaken on arms-length commercial terms, and, pursuant to an exception under Section 210 of the Corporations Act. Consequently, shareholder approval under the Corporations Act is not required. In addition, due to the value of the transaction, shareholder approval under Listing Rule 10.1 is not required as, in the opinion of the non-related Directors, the acquisition is not of a “substantial asset”.

For further information, please contact:

Tony McDonald, Managing Director

+61 7 3221 7501 or [admin@santanaminerals.com](mailto:admin@santanaminerals.com)

### **Competent Person’s Statement**

The information in this report that relates to exploration targets, exploration results, mineral resources or ore reserve is based on information compiled by Mr Richard Keevers, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Keevers is a non-executive director of Santana. Mr Keevers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Keevers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **About Santana**

Santana is a precious metals explorer focused on Mexico where it holds 100% of the Namiquipa silver project in Chihuahua.

Additional information about Santana and its projects is available on the website: [www.santanaminerals.com](http://www.santanaminerals.com)

**Notes**

1. The reported information on the Cuitaboca Project has been extracted from a news release by First Majestic Silver Corp. dated November 13, 2007. The news release was reviewed by Baltazar Solano-Rico, M.Sc., President of Behre Dolbear de Mexico, S.A. de C.V. who was the Qualified Person for the release as defined in the standards for disclosure of mineral projects within Canada (NI 43-101). Full details of the new release are available on Sedar.

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2. The reported information on the San Jose de Gracia deposit has been extracted from the Dyna Resources, Inc NI 43-101 compliant report undertaken by Ramon Luna Espinoza, Bs., P. Geo., Hermosillo, Sonora, México and Robert Sandefur, BS, MSc., PE., Lakewood, CO effective February 2012. Full details of the report are available on Sedar.