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El Dorado-Minitas

El Dorado-Minitas Project, Nayarit

El Dorado Project is located in the Pacific Coastal Plain, near the village of Las Minitas, Municipality of Rosamorada, State of Nayarit, 70 kilometers north-northwest of Tepic, the state capital, and 180 kilometers southeast of Mazatlan, Sinaloa (Figure 1). The project has excellent road and rail infrastructure and currently consists of 1098 hectares, of which 701 hectares are under contract with two independent claimholders. The Company's 100% owned Mexican subsidiary Minera Fumarola, SA de CV has claimed a total of 397 hectares and covers 700 meters of strike length along the SW extension of the El Dorado vein system (Figure 2).

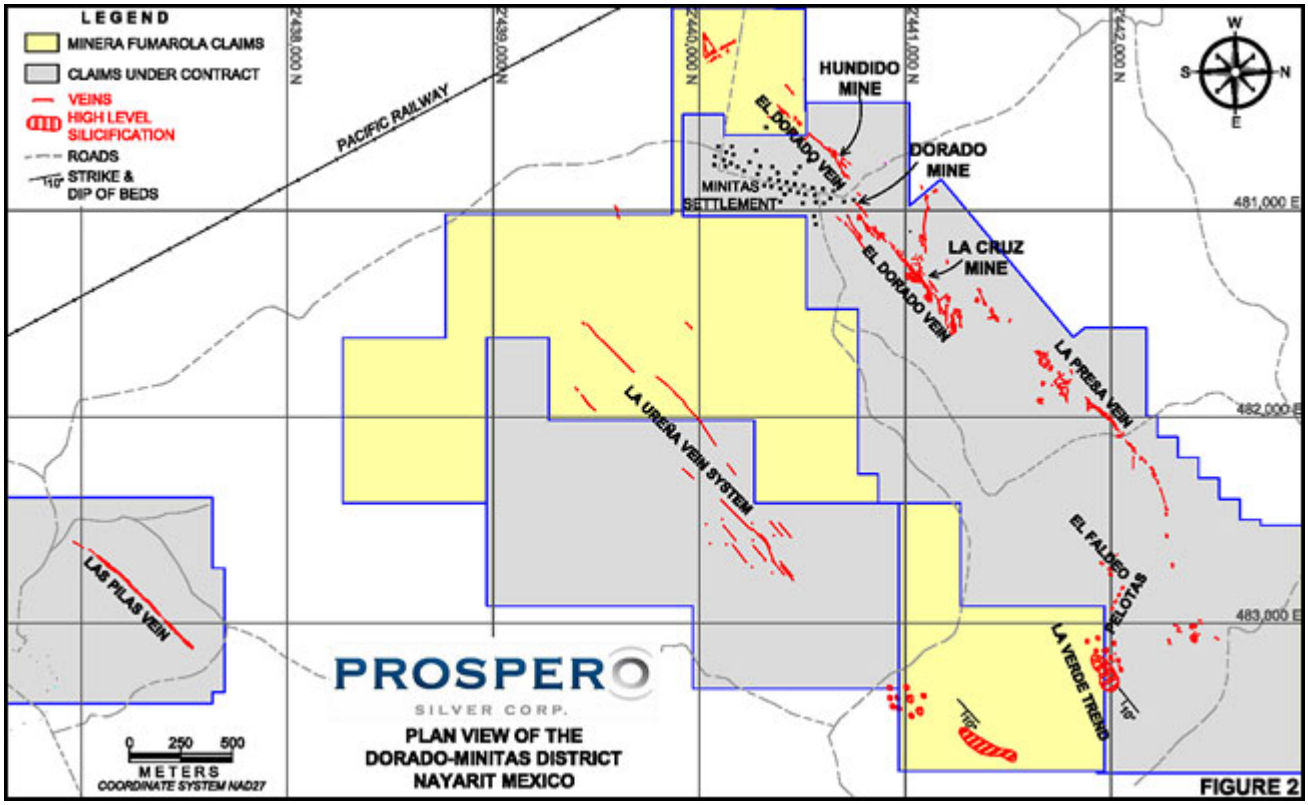
Drilling will initially focus on vein systems in and around historic mines on claims owned by a private Mexican company and then move to vein extensions on claims held by Industrial Minera Mexico, SA de CV as well as claims owned by Prospero's Mexican subsidiary, Minera Fumarola, SA de CV.

District scale mapping indicates the presence of an epithermal vein system within an area 5 km x 3.5 km in size (Figure 2). The principal vein system in the district, El Dorado vein trend, exhibits a general N50°E strike dipping steeply to the NW and a continuous reef outcrop 1.5 kilometers in length. Additional discontinuous outcrops both to the NE and SW indicate a strike length of 3.5 kilometers.

History.

The project has a history of small scale mining. In the period 1900-1927 a mineralized zone was mined in the Hundido Mine. A historic longitudinal section of this portion of El Dorado vein indicates

that it was mined for gold and silver to a maximum depth of 150 meters from the surface. The workings from this mine are largely inaccessible and there are no records of production and grade from the stopes of this mine. Based on the extent of old workings and the size of the stope shown on the historic longitudinal section approximately 45,000 tons of gold-silver mineralization was extracted from the Hundido mine (Figure 3).



From 1965 to 1975 Rafael Velasco extracted mineralized material from the El Dorado mine, located 250 meters further NE of El Hundido mine (Figure 2), and from 1975 to 1983 American interests mined direct-to-smelter grade material from the El Dorado mine. From 1985 to 1990 the company Ingenieros Mineros SA de CV continued operations in the El Dorado Mine in three levels to a depth of 30 meters below the surface and shipped the ore to the "El Venado" processing plant located near Ruiz, Nayarit, for toll treatment to produce a flotation concentrate.

- Historic metallurgical balance sheets from this plant indicate the grade of the material was in the order of 5 g/t Au and 70 g/t Ag.
- In a report dated May 1986 by Compañia Fresnillo, S.A. de C.V., a list of 46 underground samples reported an average grade of 7.88 g/t Au and 55 g/t Ag for the three levels with vein widths ranging from 1.2 meters to 4.0 meters.

Prospero believes that reports by large Mexican companies such as Compañia Fresnillo normally contain reliable observations and assay data, however, Prospero has not verified available historic data because the underground workings are presently flooded and inaccessible. When the necessary work to verify data and define the size and grade of the mineralization is carried out by the Company, it will restate the information in accordance with the requirements of NI 43-101.

Geology.

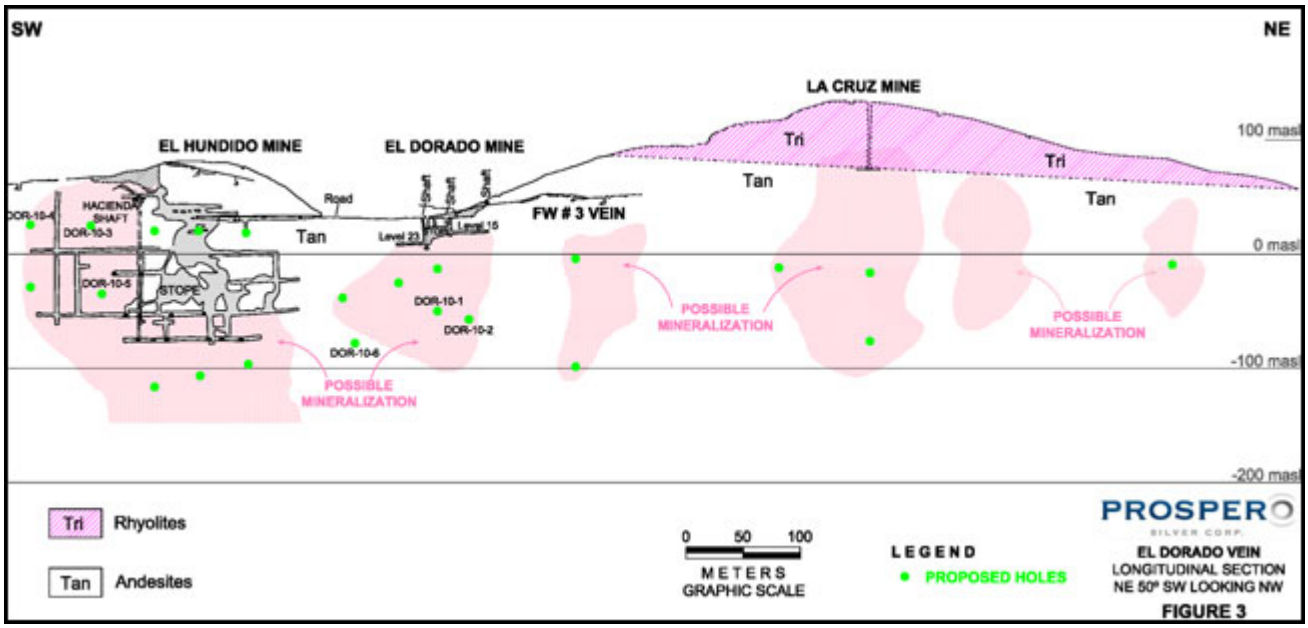
The stratigraphy of the project consists predominantely of a thick andesitic lithic lapilli tuff, with a dacitic crystal tuff marker horizon within the andesitic pile. A pre-vein rhyolitic pyroclastic sequence

also occurs above the andesitic sequence indicating the presence of an andesitic/rhyolitic bimodal volcanic pile in the district. In the central part of the area a complex of domes and dikes of rhyolitic composition exhibit a NE-SW orientation similar to the vein system. The pre-vein volcanic stratigraphy shows a general tilt of 8°-15° to the east, exposing the deepest portions of the stratigraphy and hydrothermal system in the SW and central segments of the district, and the higher geologic level of the deposit towards the NE where high level silicification and argillization outcrop (Figure 2).

The vein pattern is the result of a right lateral structural regime which developed a N50°E fault system exhibiting a horizontal component of movement, and a conjugate system of N70°E to E-W faults with dilational and normal movement. The principal mineralized structure in the district is the El Dorado Vein which can be traced on the surface for a distance greater than 3 kilometers, and exhibits structural complexity with numerous conjugate vein splits both in the hangingwall and footwall.

Prospero has carried out systematic sampling and mapping of the El Dorado vein outcrops and dumps, and has identified at least three targets for diamond drilling under old mines (Figure 3). A total of 283 surface samples have been obtained which range in values from high grade gold and silver in dumps and outcrops to limit of detection values in the high level environment in the eastern portion of the district. Both the NE striking as well as E-W striking splits of the main structure exhibit structural complexity and potential for multi-meter wide precious metal mineralization. Anomalous base metal assays (100's to 1000's of parts per million Pb, Zn and Cu) are ubiquitious as evidenced by the common occurrence of visible galena, sphalerite and chalcopyrite in outcrop and dumps.

Two main stages of vein formation are present consisting of early fine to medium grained crystalline quartz with Pb-Zn-Cu and Ag sulfides (Stage I), and a later Stage II which consists of generally barren coarse crystalline quartz that is commonly observed cementing breccia fragments of Stage I vein material. In the hangingwall and footwall of the veins it is common to observe quartz stockwork-stringer zones with Pb-Zn-Cu sulfides as well as dissemination of sulfides in permeable zones of coarse-grained tuffs and pyroclastic breccias. In the geologically deeper central part of the El Dorado vein system where the Hundido and El Dorado mineralized zones were mined, quartz with Au-Ag values and base metal sulfides of Stage I are commonly present accompanied by strong propilitization (epidote and chlorite) of the andesitic volcanic, particularly in the footwall portion of El Dorado vein system. Towards the upper parts of the vein at La Cruz mine, Stage II quartz is predominant, and more abundant along the NE extension of the vein system where it is named La Presa vein (Figure 2), and where the stratigraphy indicates a higher erosional level which could host a productive mineralized zone at depth.



The El Dorado vein exhibits potential to contain multiple mineralized zones either higher grade over minable widths for underground mining, or lower-grade open pitable stockwork zones which are observed over tens of meters in width in both the hangingwall and footwall of the El Dorado vein system.

On a district-wide scale additional veins and structural controls have been identified in the SE sector of the district (La Ureña vein system, las Pilas vein), and in the NE sector (El Faldeo, Las Pelotas and La Verde trends) which control the high level alteration mapped in the district (Figure 2). Tilt of the volcanic sequence and mineralized zone to the east-southeast provides depth potential to structurally controlled mineralization in the eastern sectors of the district, below the argillic alteration caps.

Tawn Albinson, M.Sc., President of the Company, is a Qualified Person, as defined in N-43-101, and is responsible for the technical content of this disclosure and quality assurance of the exploration data and analytical results.

For more information, send questions and comments to info@prosperosilver.com

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