

Dear Shareholder,

We published news earlier today about our planned drilling and how we intend to fund the program. In a follow on to the program outline we released on April 26, we rejiggered the drilling schedule to focus initially on the Buenavista project rather than Bermudez. This change was made to account for the rainy season later this year and its potential impact on the forest roads at Buenavista, which are all dirt. Starting at Buenavista while it's dry there made more sense to our team than kicking off at Bermudez.

As we stated in April, the key objective for us and our strategic partner (Fortuna Silver Mines Inc.) is to complete first-pass, proof-of-concept drill testing of 3 more key projects in the Altiplano belt of northern Mexico. Success in mineral exploration often comes down to simple numbers. The more targets you drill, the better the chances of finding something, which is why we're particularly keen to give as many of our projects a first-pass drill test as we possibly can.

A crucial part of any drill program is obviously having the funding in place to pay the bills. So the second part of today's release covered recent negotiations with Fortuna which would allow for them to exercise their 5.37-million share purchase warrants. These were well out of the money at 35c so we've agreed on a repricing to 15c (subject to exchange approval of course) after which they will exercise all of the warrants, injecting roughly \$800k or so in cash and clearing out some of our warrant overhang. Our discussions with Fortuna also contemplate a follow-on financing, most likely in late Q3, to inject additional funding to complete this year's planned drilling of 6,000m. After the warrant exercise, Fortuna will have the right to choose a second project to move forward as a joint venture.

In discussion with Fortuna's technical people, they've told us that they're extremely pleased with Tawn's team and the work done to date. They indicated that they want Tawn and our team to handle the much larger drilling programs on the two projects they select for option/joint venture. The team has considerable experience of running major drill programs – they completed over 60,000m of drilling on the Boleo project in Mexico a few years back.

So to sum up, today's news is the last piece in this year's puzzle which should allow us to continue drill testing our key projects.

Look for more information on the Trias project in the coming weeks. It's an exciting epithermal project close to a highway which shows many of the key features geologists look for in an epithermal system. It's location however is the kicker – logistically very simple with power, road and rail nearby, and within 30km of a major city.

As ever, we're happy to answer any questions you may have. Please e-mail Ralph Rushton at [ralphr@prosperosilver.com](mailto:ralphr@prosperosilver.com) or you can contact us via Twitter ([@ProsperoSilver](https://twitter.com/ProsperoSilver)) or simply send us a message via the website [here](#).

Regards

Ralph Rushton

PS: For information on Tawn Albinson, the QP who oversees our technical disclosure, click [here](#).