ASSESSMENT REPORT

describing

AIRPHOTOGRAPHY SURVEY AND INTERPRETATION

at the

RANCH PROPERTY

Ranch 1 508813
2 508983
3-4 511817-511818
5-8 511820-511823
9-11 518640-518642

NTS 104O/15E and 104O/16W
Latitude 59°47’N; Longitude 130°30’W

Field work performed August 31, 2012

in the

Rancheria district, Northern British Columbia

prepared by


for

STRATEGIC METALS LTD.

by

H. Burrell, B.Sc., P.Geo.
and
E. Flavelle

February 2013
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INTRODUCTION

The Ranch property covers multiple low sulphidation silver-lead-bismuth veins and veinlets that cut granitic rocks of the Cassiar Batholith in the Rancheria district of northern British Columbia. The property is 100% owned by Strategic Metals Ltd.

This report describes interpretation of airphotographs from flight lines completed on August 31, 2012 by Underhill Geomatics Ltd. for Strategic Metals. It also includes a compilation of historical work done on the property between 1979 and 2006. The authors’ Statements of Qualifications appear in Appendix I, while a Statement of Costs is in Appendix II.

PROPERTY LOCATION, TENURE DATA AND ACCESS

The Ranch property is located in northern British Columbia (Figure 1), at latitude 59º47' north and longitude 130º30' west on NTS map sheets 104O/15E and 16W. It comprises 11 contiguous mineral tenures covering a total area of 4173.85 ha (41.74 km²). The tenures are registered with the British Columbia Mining Recorder in the name of Archer, Cathro & Associates (1981) Limited, which holds them in trust for Strategic Metals. Specifics concerning tenure registration are tabulated below, while the locations of the individual tenures are presented in Figure 2.

<table>
<thead>
<tr>
<th>Tenure Name</th>
<th>Tenure Number</th>
<th>Expiry Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranch 1</td>
<td>508813</td>
<td>April 29, 2015</td>
</tr>
<tr>
<td>2</td>
<td>508983</td>
<td>April 29, 2015</td>
</tr>
<tr>
<td>3-4</td>
<td>511817-511818</td>
<td>April 29, 2015</td>
</tr>
<tr>
<td>5-8</td>
<td>511820-511823</td>
<td>April 29, 2015</td>
</tr>
<tr>
<td>9-11</td>
<td>518640-518642</td>
<td>April 29, 2015</td>
</tr>
</tbody>
</table>

* Expiry dates include 2012 work which has been filed for assessment credit but not yet accepted.

The Ranch property is best accessed by helicopter. The closest land access is a gravel road that branches off the Alaska Highway at km 1110 and extends about 20 km south to Regional Resources Ltd.’s Silvertip Deposit, which lies 15 km northeast of the Ranch property. The nearest year-round helicopter base is at the community of Watson Lake, Yukon, which is situated about 100 km east-northeast of the property (Figure 1).

HISTORY AND PREVIOUS WORK

The following general history of mineral exploration in the Cassiar Mountains is based primarily on Yukon Minfile (Deklerk and Traynor, 2005) and British Columbia Minfile (2012). More than 250 mineral occurrences have been reported in the Cassiar Mountains of northern British Columbia and southern Yukon. A high proportion of these occurrences are in the Rancheria district where various types of silver-bearing mineralization are associated with Cretaceous igneous activity. Although some discoveries were made in the first half of the twentieth century, most were made after 1950 when construction of the Alaska Highway greatly improved access.
The period of maximum exploration activity occurred in the early to mid-1980s and was stimulated by drill discoveries at the Silvertip Deposit, the Logan Deposit (Fairfield Minerals Ltd.) and the Silver Hart Deposit (Silver Hart Mines Ltd.).

The area of the current Ranch property was staked in 1979 and explored annually until 1982, by Canadian Occidental Petroleum Ltd. These work programs consisted of geological mapping, prospecting, rock and soil geochemical surveys and a variety of ground geophysical surveys including radiometric, magnetic and electromagnetic techniques. Canadian Occidental’s work identified a large area of anomalous lead-silver soil geochemical response. The strongest values reportedly coincide with narrow intermittent quartz veins and shear zones, exposed along a northwesterly trending ridge system. Much of the geochemical anomaly lies on an alpine plateau that is largely covered by felsenmeer and glacial till. The best values in this area are from prominent east-trending lineaments believed to mark the surface trace of large structures. Low sulphide quartz vein float located in the vicinity of the lineaments reportedly returned up to 3367 g/t silver (Kuehnbaum, 1982).

Strategic Metals restaked the area as the Ranch property in spring 2005 and explored it later that year with prospecting, mapping and hand trenching. Subsequent exploration in 2006 focussed on extending hand trenches across vein zones previously exposed within the Shoulder Zone (Figure 2). Four targets spanning a 300 m strike length were excavated to bedrock, mapped in detail and channel sampled. The trench targets identified in 2005/06 are summarized in Table I. Results are described in more detail in the Mineralization section.

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
<th>Assay</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Three trenches exposed a north-trending, steeply dipping quartz vein over a 12 m strike length. Adjacent granitic host rocks are moderately sericitized with pyritic selvages. The vein is composed of rusty weathering, highly fractured white quartz with fine to coarse pyrite along some fractures. Irregularly disseminated black patches are also present. Total sulphide content does not exceed 3% of the vein.</td>
<td>A 2005 chip sample across this vein and its selvages returned 1525 g/t Ag, 3080 ppm Bi and 0.17% Pb over 1.5 m. Vein samples collected from three trenches yielded values ranging from 20.9 to 54.7 g/t Ag over about 1 m widths. The highest response from the selvages was 7.7 g/t Ag.</td>
</tr>
<tr>
<td>II</td>
<td>This 1.7 m wide zone contains four veins ranging between 2 and 11 cm wide. Sulphides consist primarily of pyrite with patches of grey-black material. A 5 m trench excavated across the zone in 2006 identified a band of quartz veining and limonite altered granodiorite approximately 2 m wide.</td>
<td>Chip samples collected in 2005 averaged 107 g/t Ag across 2.5 m. Channel samples taken in 2006 from both vein and selvage material were disappointing, not exceeding 6.1 and 3.6 g/t Ag respectively.</td>
</tr>
</tbody>
</table>
III and IV Three trenches dug beside an outcrop of granodiorite exposed a series of narrow east-trending quartz veins. Manganese oxide, limonite and silica occur locally in the vicinity of the veins and within some fractures in the adjacent intrusive. In 2005, rock samples of vein returned up to 598 g/t Ag while a chip sample returned 146 g/t Ag over 3.0 m. The best results were obtained from TR-RN-06-06, where chip samples returned a weighted average of 14.8 g/t Ag across 6.0 m.

GEOMORPHOLOGY

The Ranch property is centred on a broad, north and northwest-trending ridge system that is flanked by alpine and sub-alpine creek valleys at the headwaters of the Tootsee River. Local elevations range from 1350 m in valley bottoms up to 1980 m atop the highest ridge crest. Topographic relief ranges is moderate to steep above 1650 m. Most slopes are largely talus covered except those that are north facing, where cliffs are common. Pleistocene glacial till of variable thickness covers much of the gentler, lowland areas. Vegetation consists mostly of isolated stands of alpine fir and stunted spruce in the valley bottom. Tree cover gradually gives way to buckbrush and alpine grass at about 1500 m, and eventually to moss and lichen at higher elevations.

AIRPHOTOGRAPHY SURVEY AND INTERPRETATION

A high resolution airphoto survey was conducted by Underhill Geomatics Ltd. of Whitehorse, Yukon on August 31, 2012, across a grid that covers all of the Ranch 1-11 tenures. The survey was flown with an Aero Commander 690A fixed wing airplane operated by Geographic Air Survey Ltd. of Edmonton, Alberta from a temporary base at the Whitehorse airport. The photos were taken with a Zeiss DMC II 230 camera. A total of 170 images were collected across nine lines spaced 1000 m apart. Based on these airphotos, the locations of outcrops, prominent topographic linears and historical trenches were confirmed or identified. The locations of these features can be seen on Figure 3.

REGIONAL GEOLOGY

Geology in the Rancheria district was mapped at 1:250,000 scale in the late 1950s, 1960s and 1970s by the Geological Survey of Canada (Poole et al., 1960, Gabrielse, 1969 and Tempelman-Kluit et al., 1976). Various parts of the area have been remapped at 1:50,000 scale by geologists working for Indian and Northern Affairs Canada (Lowey and Lowey, 1986; and Amuken and Lowey, 1987), B.C. Ministry of Energy and Mines (Nelson and Bradford, 1986 and 1993), and the Yukon Geological Survey (Roots et al., 2004). The following description of regional geology is based on the most recent published data.

The Ranch property lies within a belt of calcareous and non-calcareous sedimentary and metasedimentary rocks belonging to the Cassiar Platform tectonic element (Figure 4). This belt extends through northern British Columbia and into central Yukon. The northeastern edge of the
belt is defined by the Tintina Fault Zone, a series of sub-parallel transcurrent faults that produced about 420 to 460 km of dextral offset in Early Tertiary times (Mortensen et al., 2000). The southwest side is bounded by the D'Abbadie Thrust Fault (Keijzer et al., 1999). Cassiar Platform rocks were mainly deposited as shallow water sediments during Paleozoic times along the margin of North America. They were deformed and metamorphosed by arc-continent collision in the early Mesozoic and were subsequently intruded by various plutonic suites. The regional metamorphic fabric strikes southeasterly and dips moderately toward the northeast.

Intrusions in the area range from Early Jurassic to Early Tertiary in age (Mihalynuk and Heaman, 2002) but most belong to the Mid-Cretaceous Cassiar Plutonic Suite (Mortenson et al., 2000). The Cassiar Plutonic Suite intrusions include batholiths (Cassiar, Hake and Seagull), stock and dyke complexes.

The major high angle faults in the area are sub-parallel to each other and primarily exhibit dextral strike-slip offsets. Movement on these northwesterly striking structures produced a series of smaller, northeast-trending extensional faults that are associated with silver bearing mineralization at a number of prospects in the district.

Figure 5 illustrates regional geology while the main lithological units in the Rancheria district are summarized on Table II.

**Table II – Lithological Descriptions (after Roots et al., 2004)**

<table>
<thead>
<tr>
<th>Age</th>
<th>Unit Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent</td>
<td>Overburden</td>
<td>Glacial till, lateral and terminal moraines, and glaciofluvial outwash</td>
</tr>
<tr>
<td>Tertiary</td>
<td></td>
<td>Monzogranite and quartz-feldspar porphyry dykes</td>
</tr>
<tr>
<td>Cretaceous</td>
<td></td>
<td>Granite, granodiorite, quartz monzonite, alaskite, and diorite</td>
</tr>
<tr>
<td>Jurassic</td>
<td></td>
<td>Hornblende diorite and quartz diorite; minor biotite-hornblende-quartz monzonite</td>
</tr>
<tr>
<td>Lower Devonian to Lower Mississippian</td>
<td>Earn Group</td>
<td>Recessive, carbonaceous shale and slate, locally phyllitic</td>
</tr>
<tr>
<td>Silurian to Upper Devonian</td>
<td>McDame Formation</td>
<td>Grey to black, laminated and thickly bedded, fetid limestone</td>
</tr>
<tr>
<td>Upper Cambrian to Lower Ordovician</td>
<td>Kechika Group</td>
<td>Chloritic volcanic fragmental rocks with limestone lenses and orange weathering, brown and green lime-cemented volcaniclastic rocks</td>
</tr>
<tr>
<td>Upper Cambrian</td>
<td></td>
<td>Recessive, buff weathering, thickly bedded grey slate and argillaceous limestone</td>
</tr>
<tr>
<td>Lower Cambrian</td>
<td>Atan Group</td>
<td>Grey, buff and orange massive dolostone, limestone and calc-silicate rocks</td>
</tr>
<tr>
<td>Lower Cambrian and older</td>
<td>Boya Formation</td>
<td>Biotite schist, carbonaceous schist and quartzite</td>
</tr>
</tbody>
</table>
PROPERTY GEOLOGY

The Ranch property is underlain by intrusive rocks of the Cassiar Batholith (Figure 6) that are dominantly of quartz monzonite and granodiorite composition. The intrusions are medium grained, granular and weakly foliated at several locales. Later quartz porphyry and basaltic dykes are observed to cut steeply across the main intrusive units along a north to northwest trend.

The main area of exploration interest lies within a 1000 m long by 900 m wide till and felsenmeer covered alpine plateau that is traversed by five prominent east-trending topographic linears up to 35 m wide. These linears are believed to mark the surface trace of large-scale faults or fracture zones. Joint and fracture orientations observed within intrusive outcrops along the edges of the linears show a broad array of strikes but generally steep dips. Hydrothermal alteration is commonly observed along vein and fracture selvages and is characterized by sericite, chlorite, limonite and coarse grained pyrite. These altered rocks appear bleached with rusty weathering.

MINERALIZATION

Hydrothermal fluids related to formation of the silver-bearing mineral occurrences in the Rancheria district are genetically associated with Mid-Cretaceous igneous activity. However, the distribution of the silver occurrences is largely controlled by structural features and proximity to chemically reactive or brittle lithologies. There are more than 100 silver-bearing mineral occurrences in the district (B.C. Minfile, 2012, Deklerk and Traynor, 2005). The Silvertip, Logan and Silver Hart Deposits are the best documented.

The Ranch property hosts lead-in-soil anomalies that are scattered across the area of historical grid sampling coverage (Figure 7). The strongest values occur on a northwest-trending ridge where outcrop exposure is moderate to good. A number of narrow lead-silver-zinc bearing quartz veins and shear zones were documented by Canadian Occidental in this part of the property.

The main targets of 2005/2006 exploration were the largest topographic linears on the upland plateau, where silver occur with sparse sulphide mineralization in quartz veins, veinlets and fractures, and their hydrothermally altered selvages. Crystalline quartz veins, with weak to moderate rusty weathered surfaces contain patchy to disseminated pyrite, unidentified fine-grained grey-black minerals and rare galena, sphalerite, molybdenite and chalcopyrite. Galena-rich samples with very little grey-black minerals usually yielded low silver values; therefore, the grey-black minerals are suspected to contain most of the silver. Although the grey-black minerals resemble sulphosalts, their chemical signature is characterized by very low arsenic and antimony values.

Samples of mineralized vein material associated with the main linears typically assay between 100 and 500 g/t silver, with a peak value of 3130 g/t (Wengzynowski, 2006). Bismuth and lead values peaked at 9200 ppm and 10.65%, respectively.
Lead contour intervals:

- 540 ppm
- >360 <540 ppm
- >180 <360 ppm
- > 90 <180 ppm

Limit of soil geochemical surveys
Focus of 2006 exploration
Airphoto lines

Property boundary

FIGURE 7
ARIDER, CATHRO & ASSOCIATES (1981) LIMITED
LEAD GEOCHEMISTRY
RANCH PROPERTY

UTM ZONE 9, NAD 83, 104/09, 10, 15 & 16, Contour interval: 20 m
FILE:...2012/Ranch
DATE: FEBRUARY 2013
Although no bedrock was encountered in trenches dug across the main linears in 2005, mineralized veins and vein zones were exposed in several hand trenches excavated along northwest-trending structures that splay off the main linears to the southeast. The area containing these splay structures is termed the Shoulder Zone. Veins exposed in trenches within this zone are up to one metre wide and are flanked by narrow veinlets in surrounding sericite-altered pyritic granodiorite. The veins and veinlets generally strike northwesterly and dip moderately to steeply to the southwest.

Continuous chip sampling across veins and altered selvages was attempted at 11 sites; however, the zones were only partially exposed at some sites. The best interval from 2005 returned 1525 g/t silver, 3100 ppm bismuth and 0.17% lead across 1.5 m. Results from 2006 chip sampling yielded lower values as shown on Table III.

Table III – Chip Sample Results (after Wengzynowski, 2007)

<table>
<thead>
<tr>
<th>Trench</th>
<th>Sample #</th>
<th>Interval (m)</th>
<th>Ag (g/t)</th>
<th>Bi (ppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TR-RN-06-01 B376461</td>
<td>0.91</td>
<td>20.9</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-01 B376462</td>
<td>0.99</td>
<td>5.5</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-02 B376477</td>
<td>1.0</td>
<td>42.9</td>
<td>164</td>
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</tr>
<tr>
<td>TR-RN-06-03 B376490</td>
<td>1.0</td>
<td>4.4</td>
<td>4</td>
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</tr>
<tr>
<td>TR-RN-06-03 B376491</td>
<td>1.2</td>
<td>54.7</td>
<td>255</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-03 B376492</td>
<td>1.0</td>
<td>7.7</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-04 B376553</td>
<td>1.0</td>
<td>3.6</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-04 B376554</td>
<td>1.0</td>
<td>6.1</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-05 B376557</td>
<td>1.5</td>
<td>2.2</td>
<td>6</td>
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</tr>
<tr>
<td>TR-RN-06-05 B376558</td>
<td>1.5</td>
<td>2.7</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-05 B376559</td>
<td>1.5</td>
<td>4.8</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-05 B376560</td>
<td>1.5</td>
<td>9</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-06 B376561</td>
<td>1.5</td>
<td>20.7</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-06 B376562</td>
<td>1.5</td>
<td>2.5</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-06 B376563</td>
<td>1.5</td>
<td>14.1</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-06 B376564</td>
<td>1.5</td>
<td>21.8</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-07 B376569</td>
<td>1.5</td>
<td>20.6</td>
<td>316</td>
<td></td>
</tr>
<tr>
<td>TR-RN-06-07 B376570</td>
<td>1.5</td>
<td>12.9</td>
<td>68</td>
<td></td>
</tr>
</tbody>
</table>

Rock samples taken from 30 locations on the roughly 1 km² upland plateau, where the main linears and splays are located, yielded assays exceeding 340 g/t silver.
GEOPHYSICS

A VLF-EM survey was conducted by Aurora Geosciences Ltd. in August of 2006. Readings were taken on nine, 1000 m long lines, spaced 100 m apart, and three shorter infill lines. Four conductors were identified by the survey: three are characterized as strong and one is weak to moderate. All four conductors are east to east-northeast-trending and range from 300 to 500 m in length (Figure 8). Three of the conductors appear to coincide with major topographic lineaments, while the fourth is situated south of the upland plateau, along the edge of the geophysical grid. The possible significance of the conductors has not yet been properly assessed. Hand trenching done in 2006 in the vicinity of the strongest VLF-EM readings on the northernmost conductor did not reach bedrock, and no vein material was reported in the soil.

DISCUSSION AND CONCLUSIONS

The Ranch Property covers an extensive system of relatively unexplored, low sulphidation silver-lead-bismuth veins and veinlets that cut granitic rocks of the Cassiar Batholith. The main targets are the broad recessive linear gullies on the upland plateau where hand trenching has been unable to reach bedrock. Splay structures oriented oblique to the main lineaments have been exposed in a few trenches. Rock samples of vein material collected in the vicinity of various linears have produced encouraging assay values for silver, to a maximum of 3130 g/t, but chip samples from hand trenches across some of the splay structures returned mostly low values.

The next stage of exploration should include mechanized trenching and/or drilling. Reverse circulation (RC) drilling with a self-propelled track-mounted drill is the preferred exploration method for the following reasons: 1) there is no guarantee excavator trenching will reach bedrock through the deep layers of glacial outwash and felsenmeer that blanket the main lineaments; 2) the RC drill has a smaller footprint (gross weight and psi) than most excavators; and 3) a lack of water on the upland plateau will make diamond drilling difficult. The RC drilling should be done on fences across the lineaments in the vicinity of the strongest VLF-EM responses.

Respectfully submitted,

ARCHER, CATHRO & ASSOCIATES (1981) LIMITED

H. Burrell, B.Sc., P.Geo.

E. Flavelle
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B.C. Minfile

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Mortensen, J.K., Hart, C.J.R., Murphy D.C. and Heffernan, S.

Nelson, J.L., and Bradford, J.A.


Poole, W.H., Roddick, J.A. and Green, L.H.

Roots, C., Nelson, J., and Stevens, R.

Tempelman-Kluit, D.J., Gordey, S.P. and Read, B.C

Wengzynowski, W.A.

APPENDIX I

STATEMENTS OF QUALIFICATIONS
STATEMENT OF QUALIFICATIONS

I, Heather Burrell (née Smith), geologist, with business addresses in Vancouver and Squamish, British Columbia and Whitehorse, Yukon Territory and residential address in Squamish, British Columbia do hereby certify that:

1. I graduated from the University of British Columbia in 2006 with a B. Sc in Geological Sciences.

2. From 2004 to present, I have been actively engaged in mineral exploration in the Yukon Territory, British Columbia and Northwest Territories.

3. I am a Professional Geoscientist (P.Geo.) with the Association of Professional Engineers and Geoscientists of British Columbia (Member Number 34689).

4. I supervised the interpreted data resulting from this work.

H. Burrell, B.Sc., P.Geo.
STATEMENT OF QUALIFICATIONS

I, Elizabeth Flavelle, with business addresses in Whitehorse, Yukon Territory and Vancouver, British Columbia and residential address in Vancouver, British Columbia, hereby certify that:

1. I am a candidate for a B. Sc. in Earth and Ocean Sciences from the University of British Columbia in May of 2013.

2. From 2011 to present, I have been actively engaged in mineral exploration in Yukon Territory, British Columbia, Northwest Territories, Manitoba, and Newfoundland.

3. I am a candidate for Geoscientist in Training (G.I.T.) with the Association of Professional Engineers and Geoscientists of British Columbia in May of 2013.

4. I have interpreted all data resulting from this work.

E. Flavelle
APPENDIX II

STATEMENT OF COSTS
### Statement of Costs

**Ranch 1-11**

Mineral Tenures 508813, 508983, 511817-511818, 511820-511823 & 518640-518642

**February 8, 2013**

**Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underhill Geomatics Ltd. – air photos</td>
<td>$37,305.88</td>
</tr>
<tr>
<td>Report preparation</td>
<td>2,000.00</td>
</tr>
</tbody>
</table>

**Total** $39,305.88
APPENDIX III

2012 DIGITAL AIRPHOTOS
REFER TO ATTACHED HARD DRIVE FOR AIRPHOTOS

(153 MB)