ASSESSMENT REPORT

COMPILATION SUMMARY FOR THE YANKEE GIRL WEST GOLD-SILVER-LEAD-ZINC DEPOSIT, YMIR, BC.

YANKEE DUNDEE PROJECT

NELSON MINING DIVISION
YMIR, BRITISH COLUMBIA

NTS 082F/06

49° 17’ 31” NORTH LATITUDE
117° 11’ 04” WEST LONGITUDE
(UTM: 486669E, 5459788N; Zone 11, NAD83)

CLAIMS ON WHICH WORK WAS DONE:

6930023, 705240, 706748, 706757, 706766,
706767, 709722, 709742, 837072

PREPARED FOR

ARMEX MINING CORPORATION
SUITE 2760, 200 GRANVILLE STREET
VANCOUVER, BC V6C 1S4
(OPERATOR)
www.armexmining.com

BY

Malcolm B. Fraser

February 26, 2013
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SUMMARY AND CONCLUSIONS

Armex Mining Corp., a private British Columbia corporation, in mid-2012, acquired a 100% purchase option from the prior owners, Duncastle Gold Corp. and BGM Diversified Energy Inc., with a view to determining the economic suitability of the former producer for redevelopment as a small mine (production limited to 200 metric tonnes per day). As a part of the due diligence review, the author was commissioned to review all available private and/or published information on the mine and immediate environs as part of Armex’s evaluation of the economic viability of the Yankee Girl/Dundee Mine Project.

The Yankee Girl polymetallic deposit is located some three kilometres east of the town of Ymir, in southeastern BC. Ymir is a small community having a long association with mining activities going back to the late 1880’s.

The property consists of 26 crown granted claims covering the area of the Yankee Girl and Dundee mines, 54 located claims and 51 MTO claims. The 26 crown grants are owned by B.G.M. Diversified Energy Inc. and the 105 mineral claims by Duncastle Gold Corp. Armex Mining has entered into option purchase agreements with both parties and is now the acting operator.

Access to the property is via well maintained forest service roads east from Ymir along the Oscar Creeks Forestry Service Road. Secondary mining roads and trails provide access to the old workings.

The western part of the property is underlain by early Jurassic, north trending Elise Formation (lower) basaltic flows and flow breccias overlain by upper Elise Formation mafic to intermediate lapilli, crystal and fine grained tuffs with minor mafic flows and intercalated siltstone and conglomerate. East of the Elise Formation is a north to northeast trending belt of Ymir Group metasediments consisting of several hundred metres of argillaceous quartzites overlain by a thick succession of grit, siltstone and argillite with discontinuous bands of thin bedded impure limestone. The metasediments have a prominent north trending foliation and internally tightly folded. Extending northeasterly through the central part of the property is a lobe of granite with a diorite rind, part of the early to middle Jurassic, Nelson batholith. Within the lobe of the Nelson intrusive rocks are numerous roof pendants of Ymir Group metasediments. The eastern flank of the property is underlain by early Paleozoic northeast trending quartzite, argillite, limestone, slate and phyllite of the Lardeau Group. Within the property are a series of east to northeasterly trending gold-silver-lead-zinc veins within through-going tensional structural zones hosted in Ymir Group metasediments and diorite rocks of the Nelson intrusion. These structural zones can be traced for more than a kilometre. The polymetallic veins were mined from the early 1900s, reached a peak in the 1930s and ceased operation in the early 1950s, with the total production from the Yankee Girl and Dundee mines of 3,881kg Au, 22,508kg Ag, 6.4M kg Pb and 6.6M kg Zn (Høy and Dunne, 2001).

In preparing this compilation, the Author has reviewed all prior Assessment Reports, all prior exploration work carried out by Duncastle Gold Corp., Dundee Mines Ltd, Kingvale Mining Ltd, George Addie, and many of the reports and publications in the extensive bibliography attached to this report. A one day trip to the property was made by the Author on 18th August, 2012 to view the condition of the Property, access and other relevant features. No inspection of the underground workings was possible as the three main access portals on the 400, 540 and 1235 levels are collapsed with rubble infill; the Wildhorse adit is open, but partially flooded needs to be made safe for ingress before any inspections are possible.

It appears that the prior owners, Duncastle Gold Corp. have done sufficient exploratory drilling in the area of the former mine west of the previously mined areas and above the 1235 level to
confirm the existence of good grades of gold polymetallic mineralization ranging from 2-15 g/t gold within the Yankee Girl shear zone structure defining a potential volume of upwards of 1 million tonnes of mineralized vein demonstrating a consistent thickness of 3-5 metres. The presence of 3 parallel horizontal adits driven entirely within the vein for over 500 meters to the former workings makes possible the detailed evaluation of this potential zone from underground at a lesser cost than if carried out from surface while at the same time permitting the preparation of the underground workings for possible production. Underground exploration will permit the drilling of the zone on a year-round basis, a serious consideration in the Ymir area which has rugged relief and high snowfalls during the winter seasons, rendering surface work expensive and hazardous. Drilling of 250 metre high vertical curtains from the 3 re-opened adits will permit resource delineation of the sub-parallel Bonus vein structure lying approximately 150 metres to the north-west of the Yankee Girl vein structure.

Re-opening of the 400, 540 and 1235 levels, by establishing foot-wall by-passes around the old workings, will permit underground drilling access to the unmined upper levels of the former mine which appear to not have been worked and which were demonstrated by prior drilling (2008) of Duncastle Gold, to have good grades of gold (5-10 g/t). Using the same by-pass techniques on the 1235 level, will permit array drilling of the demonstrated down-dip extensions of the former mine workings and to test the eastern extensions of the mineralization. Using the Wildhorse adit will permit array drilling to test further downwards extensions of the former mine workings.

During 2010, Duncastle Gold Corp. commissioned Kemetco Research Inc. to initiate preliminary bench scale metallurgical testing of a composite sample of mineralized drill core (five drillholes) from the central part of the Yankee Girl West deposit.

Results of the preliminary metallurgical testing indicates that conventional flotation circuits producing both a lead and zinc concentrate from a 70-80% grind passing through a -200 mesh screen yielding recovery rates of 90% for gold, 95% for silver, 85% for lead and 95% for zinc.

Further metallurgical testing on fresh rock samples, fully representative of the mineralized area forming the western portion of the Yankee Girl shear, will be required to refine the standard flotation processing for optimal recoveries and overall metal balances.

The relative uniformity of the mineralized structure indicates that a longhole retreating mining method may be employed within the plane of the structure, permitting low mining costs which will have a salutary effect on mining costs, which will in turn permit a lowered cut-off grade.

It is this Author’s recommendation that a carefully risk-managed and sequenced programme of underground exploration and economic evaluation be undertaken on this property at this time, given the probable continuation of high gold prices for the foreseeable future.
INTRODUCTION

This report represents a compilation of all accessible prior public and private reporting of exploration and development work carried out on the Yankee Girl deposit to provide recommendations for developing an economic evaluation of the deposit.

LOCATION AND ACCESS

The Yankee Dundee property is located 30km south of Nelson, BC and 3km east of the town of Ymir along Highway 6. The property, centred on the old workings is at 49° 17’ 31” north latitude, 117° 11’ 04” west longitude on map sheet 082F06. UTM (NAD 83) coordinates for the property centred at the Yankee Girl stope are at 486771E, 5459775N, see Figure 1.

Access to the main mine workings located on the northern slope above Oscar Creek is via the Oscar Creek forest service road. At 2.70km east along Oscar Ck FSR the main mine road heads north up the hill and provides access to the main mine workings and surrounding claims. This road is steep with several narrow switchbacks. The main mine road joins up to the east with new logging roads which also allow access to the northeastern part of the property. The northern part of the property is accessed via the Wildhorse FSR along Ymir Creek. Several old mining roads and trails leading off of the Wildhorse FSR provide access to other mineral showings on the property and the Wildhorse adit. The trail to the adit is overgrown and a bridge crossing Ymir Creek is washed out. New logging roads also provide access to the extreme northeastern part of the property along the Wildhorse FSR.

Topography on the property is varied and moderately rugged. Valley slopes are generally steep in the +60 to +100% range. Elevation ranges from 729m at Salmo River to 2100m in the northeastern part of the claims. In the area of the old mine workings, elevations range from 1100-1600m.

The Nature Conservancy of Canada (NCC) purchased a large region (55,000ha) of the western side of Kootenay Lake from Darkwoods in April, 2008 and is in the process of evaluating the area’s flora and fauna. The western boundary of the NCC ground covers the northeastern part of the claim block.
CLIMATE

Generally the climate is moderate with winter temperatures averaging -5°C and summer +28°C. Annual precipitation averages 530mm with up to 300cm of snow. The old mines have operated year round but due to high runoff in the spring, areas of the mines have experienced high water flow.

FLORA AND FAUNA

Most of the property has been logged over the past 80 years. There are minor first and second growth forests consisting of balsam, spruce, hemlock, minor cedar, fir and pine. Thickets of alder and devils club grow along creek gullies and along southern slopes in the main mine area.

There is the usual assortment of deer, elk and bear scattered throughout the area. The area does not appear to be heavily populated with wildlife.

NATIVE LAND CLAIMS

Almost all of British Columbia lands are subject to treaty negotiations with the Status Indians. The project mineral and Crown-granted claims fall within the K’tunaxa Kinbasket Band SOW. There are no known native reserves within the subject claims area. No other Indian Band has asserted territorial rights within the project area. Preliminary discussions with representatives of the K’tunaxa Kinbasket have covered possible employment of Band members.

ARCHEOLOGY AND ABORIGINAL CULTURE

Preliminary archeological review of the project area does not appear to incorporate any observed evidences of prior (1850) cultural activity.

CLAIMS AND OWNERSHIP

A total of 105 mineral claims (7,099.464ha) and 26 Crown granted claims (362.09ha) are under option by Armex Mining Corp. of Vancouver, British Columbia (Figure 2). The mineral claims are owned by Duncastle Gold Corp. of Vancouver, BC and the 26 crown granted claims are owned by B.G.M. Diversified Energy Inc. Overlapping option agreements exist between Duncastle Gold Corp. and Armex Mining Corp. and between Armex Mining Corp. and B.G.M. Diversified Inc., which permit Armex to acquire 100% ownership and control of the subject mineral claims and Crown granted claims, subject to retention of Net Smelter Royalties aggregating 2.5% in favour of the vendors. All mineral claims are located in the Nelson Mining Division on map sheets 82F/024, 025, 034, 035 and 045.

Seven of the claims 693023, 705240, 706748, 706757, 706766, 709722 and 709742) are having assessment credits created by this Report, applied to them.

Table 1 lists the status of the mineral tenures and crown grants.
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105 Tenures: 7,099.464 ha

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**26 Crown Grants**

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Figure 2 Claims Map

Shows mineral claims overlain on topography. Crown granted claims are shown as irregular outline in lower left corner.
The following Sections on History, Regional Geology, Property Geology and Metallurgical Testing are transcribed in their entirety from the 2010 Assessment Report prepared by D Warkentin, P.Eng., as concise summaries.

YANKEE DUNDEE PROPERTY - EXPLORATION HISTORY

Mining activity on the Yankee Dundee property started with the discovery of mineralized quartz veins at the Dundee Mine in 1896. In late 1899 mineralized quartz veins were discovered at the Yankee Girl Mine located 300m uphill.

Production and exploration at the Yankee Girl Mine and the Dundee Mine were developed separately from their inception to 1940 when Ymir Yankee Girl Gold Mines, Ltd. optioned the property and the two mines were connected by a crosscut tunnel at the 1235ft level.

From 1896 to 1915 at the Dundee, limited development work was done. The first major development was in 1910 with the driving of an adit which intersected the vein at approximately 274m below the discovery outcrop. No further work was reported until 1934 when Ymir Dundee Gold Mining Co., Ltd. acquired the property and work was started on a raise which was driven 30m on the steep dip of the vein.

In 1899 open cutting of the 2ft wide newly discovered Yankee Girl mineralized quartz vein was traced over a 40ft length followed by the development of the Overland Tunnel. From 1899 to 1910 various interests were responsible for development at the mine. Work started on the 1235ft level from the Old Bill claim on the Dundee property which opened up four ore shoots including the Yankee Girl and reportedly produced 7,610 tons of ore.

Drysdale's work for the Geological Survey of Canada in 1917 produced Memoir 94 being the first detailed geological work done in the Ymir mining camp since McConnell in 1897.

Between 1911 and 1919 Hobson Silver-Lead Company Limited operated the mine and reportedly shipped 18,112 tons of ore. Ownership of the property was transferred to Texas Yankee Girl Mines, Limited in 1919 which ceased operations in 1920. Operations at the mine resumed in 1926 and 1927. Exploration included a series of short diamond drill holes to test for ore below the 1235 level. Ore shipped during this period is reported to be 1,500 tons per month. Yankee Girl Consolidated Mines, Limited acquired the property in 1928. The workings at that time totalled some 5,486m including: 2 shafts; 5 adits and 10 levels. The site for the Wildhorse Adit was selected and was driven 869m when all work was suspended at the end of 1929. The ground reverted back to the original owners, Texas Yankee Girl, Limited.

The Two Star Mining Company was formed in 1928 to develop the Morning Star and Evening Star properties. In 1933 outcrop workings consisted of an open cut and a 29m shaft on the Evening Star. Plans for a 914m adit to cut the easterly depth extensions of the Yankee Girl and Dundee vein systems was driven 114m during that year. Trites Gold Mining Company, Limited completed the adit taking it to 956m in 1934 with 46m of drifting to the west of the crosscut to test ground below the shaft, sampling indicated similar gold values to camp ores.

In 1932, E. P. Crawford & Weekes took over the property from Texas Yankee Girl, Limited by way of an agreement and incorporated Ymir Yankee Girl Gold Mines Ltd. in 1934.

During 1932 development work above the 800 and 935 levels produced the majority of the 8,150 tons of ore shipped that year. Stoping and development work mainly carried out in known ore zones focused on the 800 and 935 levels with a minor amount of work done on the 1035 and 540 levels. Development work on the 540 level proved the upward extension of ore bodies in areas
thought to be barren and greater lengths of ore were revealed on the 800 level. Total development work done in 1933 produced 13,456 tons of ore.

Charles C. Starr carried out detailed mapping of the underground workings over a period of six weeks during 1934 on behalf of Crawford & Weekes.

In 1934 they concentrated their efforts in the known ore zones along the Yankee Girl, Spur and Lakeview veins. Development included drifting and raising totalling 518m producing 13,966 tons of ore. The installation of a 100tpd mill came into production January 18, 1935. 1,068.9 tons of lead concentrate was shipped that year. Also, during 1935 a winze was taken to a depth of 91m below the 1235 level extending the workings to a depth of 495m over 11 levels. During 1936 and 1937 continued development work totaling 3,027m produced 82,734 tons of ore. Exploration work included 1,725m of diamond drilling.

During 1938 and 1939 operations continued with development work totalling 2,064m and 1,250m of diamond drilling mainly on the 1235 level. Ore shipments totalled 89,936 tons. Attempts at finding new ore bodies was unsuccessful and leases were given to contract miners to recover all ore left in pillars before abandoning the mine. The contract miners were responsible for extracting 10,987 tons of ore. The mill's capacity was at 100-140tpd.

Wright and Morrell published “Ymir Yankee Girl Gold Mines Ltd.” in Mining Technology September 10, 1937, which to date was the first comprehensive piece detailing the history and geological setting of the mine.

From 1940 to 1941 the Ymir Yankee Girl Gold Mines, Ltd. optioned the adjoining Dundee property and connected the Yankee Girl to the Dundee on the 1235ft level. Development work at the Yankee Girl totalled 437m and produced 36,540 tons of ore. Development work at the Dundee totalled 1,858m and produced 49,796 tons of ore and 90 tons from old tailings. The mill's capacity was 175tpd.

The mine's engineer, H. Sargent, outlined the details for possible recovery of zinc from the mine's tailings in a letter dated June 4, 1942.

The company continued to lease the Dundee property in 1942. The mill operated at capacity until March of 1942 and was then altered to treat zinc tailings at 100tpd until June when operations ceased. L. G. Morrell and associates leased the Yankee Girl. No development work was done and the company milled 19,654 tons with the lessees responsible for 5,244 tons.

During the period 1943 to 1951 Ymir Yankee Girl Gold Mines, Ltd. mined intermittently with clean-up operations by lessees who shipped 79 tons in 1946, 28 tons in 1947, 2,475 tons in 1950 and 69 tons in 1951.

Since the end of production in the early 1950s, exploration in the area was limited. Several small programs of prospecting, geophysical, soil geochemical surveys and trenching, along with some very limited underground drilling was carried out within the Yankee Dundee Project area. A number of these programs identified anomalous results that could justify follow-up work.

Yankee Dundee Mines Limited was formed in 1952 to further develop the Yankee Girl and Dundee mines. The company changed its name to Dundee Mines Limited in 1965. Rehabilitation and extension of the Wildhorse Adit originally started in 1929 resumed in 1953 and now reached a length of 1,417m in 1954. The Yankee Girl vein was located and a new vein, the Bonus vein, was discovered which parallels the Yankee Girl vein.
Newmount Mining optioned the property in 1960 and drilled to test the extension of the Bonus vein between the 2000 level and the known intersection. The option was dropped in December.

During 1961 to 1965 the property was optioned to Cayzor Athabasca Mines Limited. In 1961 the company drove a raise to intersect the 1625 level on the Yankee Girl vein and carried out 126m of drifting. During 1962 the Cayzor raise was driven a further 99m and sampling was done over 4-5ft widths. There was some geological work done in the rehabilitated Dundee and Yankee Girl 1200 level winzes. Efforts were centred on the Yankee Girl vein from the Wildhorse adit in 1963 with 126m of drifting on the vein and 221m of diamond drilling in 2 EX core holes, south-eastward from the southern section of the adit. Cayzor dropped the option in 1965 after drilling a further 3 drillholes totalling 457m on the Yankee Girl vein from the Wildhorse level.


Rehabilitation and maintenance work was done in the Wildhorse Adit in 1966. On behalf of BGM, Mill visited the property in 1967 to investigate the potential of the Lakeview Fault Zone with follow-up reports in 1968, 1973 and 1976.

Hicks visited the property November 22, 1975 at the company’s request. Examination of the main workings was limited due to caved conditions but examination of the 1235ft adit was possible. Hicks relied heavily on data supplied by D.M. Cannon who examined the property in 1951.

During 1976 two drill holes TS#1 (55m) and TS#2 (24m) were drilled to test for mineralization under the Evening Star shaft and along strike to the east as recommended by Mill, 1976.

A 4.05km VLF-EM survey between the Evening Start Shaft and the Yankee Girl Stope was completed in 1978 by Sookochoff (AR 7196).

Hicks followed up in 1979 and again in 1986 with recommendations for a renewed development program including testing the potential of the Yankee Girl and Bonus veins above the Wildhorse adit and the Lakeview vein being a possible future target.

In 1980 the property was optioned to U.S. Borax and Kaufman completed a soil geochemical survey over the mineralized area to determine surface extensions to known structures. The grid consisted of seven NW lines 185m apart with stations at 15m intervals. A total of 394 soil samples were collected together with 45 rock samples. Results are published in AR 9021.

Hicks again followed up with an inspection of the Wildhorse tunnel workings on May 20, 1981 and only 5 samples were collected on the Yankee Girl and Bonus veins due to the poor condition of the old workings.

Arizako Mines Ltd. optioned the property in 1984. Wells and Day reported on the mineral deposit and exploration potential of the Yankee Dundee. Goldrich Resources Inc. optioned the property in 1985 and completed 240m of underground drilling in drill holes 85-1 and 85-2 (AR 14719) on the Wildhorse level to test the Lakeview fault zone as recommended by Mill, 1978.

Kingsvale Resources Ltd. optioned the property in 1988 and carried out a program which consisted of grid establishment, surface geology, 24.7km VLF-EM survey, 19 trenches producing 260 samples, underground mapping and sampling of the Wildhorse, Yankee Girl, Bonus and Two Star mines and tunnels, collecting 146 soil samples and reclamation work.
BGM optioned the property to Blue Sky Mines Ltd. April 17, 2006 who in turn assigned it to Dundee Mines Ltd. (private company) on September 12. A technical report was completed in compliance with NI 43-101 to complete the option of 119 claims covering 4,500ha east of Ymir, BC including the 26 crown-granted claims owned by BGM in 2007. Dundee Mines Ltd. vended the property into ABC Mining Ventures September 25, 2007, ABC was renamed to Dundee Mines Ltd. when the name became available. Dundee Mines Ltd. changed its name to Duncastle Gold Corp. in 2008.

During 2007, compilation work was carried out on all available surface and underground data with a subsequent exploration program which consisted of a soil geochemical survey between the Yankee Girl stope and Evening Star shaft (253 samples), geological mapping and rock sampling (1.0km²/34 rock samples), 3km VLF-EM survey and 18 drill holes totalling 1,955.10m was completed. Stage 1 of the drilling proposed by G. Addie was carried out in the summer of 2007. The drilling concentrated on the area between the Yankee Girl and Spur veins in the belief that lower grade material could be found between them. Results of this drilling suggest that material containing significant Au grade is located between the veins. However, the full extent of the intervening zone was not completely tested. Therefore the ‘lens’ theory is still valid and requires further drill testing. Stage 2 of the drilling carried out during October-December, 2007 was more exploratory in nature and tested the Atlin structure, Yukon shoot and the Dundee structure west of the present workings.

From December 8, 2007 to January 16, 2008, a helicopter-borne geophysical survey was carried out by Fugro Airborne Surveys Corp. The survey was 571 line km in size, covering 4,293 ha. Results of the survey have defined some 729 EM-Mag anomalies throughout the survey area (Smith, 2008).

In 2008, a reconnaissance silt sampling program was carried out throughout the accessible areas of the property, collecting (103 silt samples). Limited prospecting associated with the silt sampling program was carried out, during which 57 rock samples were collected. A core drilling in 19 drill holes (3,003.20m drilled, 1,168 core samples taken and analysed), detailed geological mapping in Yankee Girl mine area, thin section study of selected core samples (33 samples) and a preliminary archaeological study in main mine area where the surface drilling was conducted.

During 2009 a total of 11 drill holes were completed, totalling 2,832.59m. Seven of the drill holes tested exploration targets west of Yankee Girl mine, one drill tested a target in the Yankee Girl mine and three holes tested targets at the Goodenough mine area. The drill holes west of the Yankee Girl mine expanded the mineralized strike extent of the Yankee Girl structure up to 285m from 50m as reported in 2008. The drill test in the old mine area indicates that high grade mineralization was not mined in both the footwall and hangingwall. The three drill holes at the Goodenough mine site did not encounter any significant base or precious metal mineralization.

BC Minfile database lists 18 separate occurrences on the property, and several other unlisted occurrences are also known. Of these, eight are listed as having past production. The recorded historical production from each of these mines is given in Table 2. Production from the Goodenough Mine is understated since an unknown quantity of ore was processed at the adjacent Ymir Mine, and is included with the production figures for that mine. Three separate mills operated in the area, the Ymir, Yankee-Dundee and Wilcox. In addition, a considerable portion of the ore mined was shipped directly to smelters.
REGIONAL GEOLOGY

The property area lies along the eastern boundary of the Omineca Belt close to the western edge of ancestral North America. This regional tectonic boundary separates the late Paleozoic continental margin and rise sedimentary rocks of the Mount Roberts Formation to the east from the Early Jurassic Rossland Group arc volcanic rocks to the west (Little, 1982). This boundary is interpreted as an eastward directed thrust fault related to late Early to Middle Jurassic collision of the eastern margin of Quesnellia with the North American craton between 184 and 174 Ma (Murphy et al. 1995; Colpron et al. 1996). The late Paleozoic Mount Roberts Formation consists of metamorphosed, lower greenschist to amphibolite grade siliceous clastic rocks including grey to black siltstone, slate, argillaceous quartzite, argillite, lithic greywacke, minor limestone, conglomerate and volcanic rock. Detrital zircons from the unit produce an early Proterozoic to Archean age suggesting that the rock is derived in part from the North American craton (Ash, 2001). The early Jurassic Rossland Group in the area west of the property is dominated by intermediate volcaniclastic rocks, intermediate to basaltic flows and interbedded with marine clastic sediments consisting of metamorphosed siltstone and argillite. Hypabyssal subvolcanic intrusions occur as augite porphyritic sills and dikes are also a component of the Rossland Group (Ash, 2001). The property is underlain by north trending Ymir Group argillaceous quartzites, siltstone, argillite and discontinuous bands of thin bedded impure limestone. To the south and north of the property Rossland Group mafic to intermediate volcanic rock are dominant. Overlying the Rossland volcanic package is the Hall Formation which forms a northerly trending syncline cradled in Rossland Group volcaniclastic rocks west of the property. The rocks consist of grey-black argillite and quartzite. Both the Early Jurassic Rossland Group and late Paleozoic Mount Roberts Formation are affected by two major episodes of post collisional magmatism. The earliest intrusions belong to the Middle Jurassic Nelson suite and are intimately associated with mineral deposits in the Ymir area. These occur as batholiths, plutons, stocks, dikes and large ‘fingers’ extending southward through the Ymir camp. The Nelson suite of intrusive rocks range in composition from quartz diorite (dominant) to granodiorite, diorite, granite, porphyritic granite and monzonite. Available age constraints indicate that they were formed during a roughly 10 Ma period of magmatic activity between ca. 172 to 162 Ma, subsequent to middle Jurassic accretion of Quesnellia to the North American craton (Ash, 2001). The Middle Eocene Coryell intrusions and related Marron volcanics are the latest magmatic episodes recorded in the area (Little, 1982; Ghosh, 1995). These rocks form several small plutons south and west of the Yankee Dundee property. They also occur as dikes and sills that intrude all older lithologies. Coryell intrusions include syenites, granites, quartz monzonites and monzonites with quartz monzonite being dominant. Lamprophyre dikes intrude all rocks on the property including mineralized structures, see Figure 3.

Polymetallic Ag-Pb-Zn±Au veins are the most common deposit type in the Nelson-Rossland map area. Many of the mineralized veins from the Ymir camp, those within Elise Formation rocks southwest of Nelson, and a number in the South belt of the Rossland camp are past producers. These veins are commonly along the margins of Middle Jurassic granitic stocks or batholiths.

The Rossland mining camp, southwest of Ymir, is the second largest lode gold producing camp in British Columbia, with recovery of more than 84,000 kilograms of gold and 105,000 kilograms of silver between 1894 and 1941. These vein deposits are in three main belts within or along the margins of the Middle Jurassic Rossland pluton.
2012 COMPILATION STUDY

During the period from June to October, 2012 the Author carried out a preliminary evaluation of the Yankee Girl deposit and particularly the lightly explored western portions of the Yankee Girl shear structure. The purpose of the study was to provide the basis for recommendations and budget to develop a resource base of sufficient grade and tonnage to justify re-opening of commercial mining operations on the property.

The review and report cost $16,150.00. Assessment work consisted of one filing covering the relevant claims (693023, 705240, 706748, 706757, 706766, 709722 and 709742) was filed. The event number is 5414120. The total amount of assessment work being filed is $15,984.08 with the difference ($165.92) to be applied to Duncastle’s PAC account. Expenditures were supplied by the Author.

Software used to interpret data, produce the maps and report, include MS Word, MS Excel, AutoCad, and Adobe Acrobat.

PROPERTY GEOLOGY

The property is underlain by Lower Jurassic Ymir Group argillite, siltstone, argillaceous quartzites, minor grit and discontinuous bands of thin bedded impure limestone. The rocks have a steep westerly to northwesterly dipping foliation which is subparallel to remnant bedding and is isoclinally folded with axial traces subparallel to foliation. The lower Jurassic Ymir Group is some one kilometre thick and comprises 120m of argillaceous quartzite at the base of the unit overlain
Figure 3: Regional Geology
by more than 300m of intercalated grit, siltstone and argillite with thin discontinuous bands of massive to thin bedded impure limestone. This lower succession is overlain by a fining upward sequence of grit, siltstone, argillite and argillaceous quartzite up to 500m thick. The upper sequence terminates with a finely laminated argillite, feldspathic wacke, minor limy siltstone and limestone. Thin (+/-2m) augite porphyry sills or flows occur near the top of the unit, see Figure 4. The Elise Formation conformably overlies the Ymir Group. The contact between the two is exposed in Ymir Creek (Höy and Andrew, 1989).

A northerly trending lobe of middle-Jurassic aged Nelson batholith lies along the eastern side of the property. The intrusive rocks form subparallel, subvertical to east dipping panels (off of the main lobe) which appear to follow or are intruded along bedding/foliation in the host Ymir Group sediments. The sediments have been moderately metamorphosed to lower to medium grade or higher in proximity to the main intrusive body. Lamprophyre dikes cut all rock units on the property as well as mineralized structures.

The area surrounding the main mine workings was mapped by G. Addie in 1988 and limited mapping along the eastern side of the crown grants in 2007 by C. Young and C. Payne. During late 2008, C. Ash started a detailed mapping and structural interpretation program to determine if there is a surface expression to the main mineralized structural elements including the Yankee Girl and Bonus vein structures and attempt to define the controls on the distribution of known mineralization. G. Addie’s 1988 geology map is presented in Figure 5. The Ymir Group sediments in the Yankee Girl mine area have been intruded by various compositional phases emanating from the main lobe of the Nelson batholith. Extending through the central part of the area mapped is a large irregular, elongate (NE-SW) mass of quartz diorite with subparallel tongues of diorite extending to the south and southwest through the Ymir Group package. The tongues of quartz diorite vary in size from <1cm to some 175m wide. Within the main mine area injections of quartz diorite and or fine grained granite occurs forming an intimate injection complex generally on the centimetre to metre scale. Within this area the sediments have been metamorphosed to low (fine grained biotite and porphyroblasts of andalusite) to medium (coarser muscovite-biotite, garnet and andalusite) grade and in proximity to larger intrusive tongues and the main granitic lobe metamorphic grade can be up to high grade (cordierite, sillimanite and k-feldspar) (Pattison and Vogl, 2005).

The contact between diorite on the west side and granitic phases located east of the main mine workings is gradational showing a distinct decrease in mafic content into the granite. The granite is generally massive and coarse grained with minor foliated phases near margins with diorite or metasediments. Petrographic work by McAllister, 1950 suggests that the massive granite shows cataclastic texture with a finer groundmass of granulated quartz and feldspar. Within the main lobe of granite is a porphyritic phase consisting of a slightly finer grained granite with large 1-2cm euhedral megacrysts of feldspar which make up to 35% of the rock. Contacts with massive granite are gradational.
Figure 5: Property Geology Map by G. Addie with Crown granted claim overlay
Quartz Veins

Yankee Girl Structure

Quartz veins observed from dump material and intersected in drilling are generally white to light grey, strongly fractured and rehealed with quartz+/-feldspar. The veins incorporate angular to subrounded fragments of the host rock which is generally altered and silica impregnated schist/metasediments and also minor amounts of rounded fragments of altered intrusive. Fracturing is common and filled with pyrite, sphalerite and poddy euhedral galena. Generally the sulphides occur in irregular patches and interlayered bands up to several centimetres thick exhibiting an intimate mix of sphalerite, pyrite, galena and locally pyrrhotite. Galena generally occurs as euhedral crystals. Silica has permeated the host rock fragments as well, see Figure 6. Based on observed intersections there is usually a massive sulphide component spatially associated with the breccia veins. It ranges in thickness from 5-120cm or more and where cut in the drilling can occur anywhere within the mineralized portion of the structure. Wright and Morrell, 1938 have described the Yankee Girl and Spur veins as sulphide bearing silicified schist veins. Fragments and laminae of schist and minor granite are included in the vein matrix. Such inclusions are “soaked” with mineralizing fluids. Films of graphite are commonly associated with this vein type especially along the faulted walls. Generally one can think of the Yankee Girl ‘composite veins’ as tensional shear/breccia zones which have acted as repositories for multiphase silica rich mineralizing events. Figure 6 shows the generalized ‘stratigraphy’ of the Yankee Girl structure. The hangingwall of the Yankee Girl structure consists of chlorite-sericite-silica altered schist or intrusive. In the Yankee Girl West the most common host lithology to the structure is quartz-biotite schist. Within the hangingwall schist in several of the more western holes there is <1-1.5m thick sheared and brecciated quartz vein structures which are similar in ‘stratigraphy’ to the main Yankee Girl structure only on a smaller scale. Within the Yankee Girl structure the hangingwall usually starts off with a thin graphic shear or fault zone followed by an abrupt and visual change in the rock due to chlorite-sericite-silica alteration of the host schist and/or intrusive. Within the altered schist are <1-3cm wide irregular quartz veins containing pyrite-sphalerite+/-galena. This is generally an indication that the structure is not far away. If the host rock is altered intrusive there is a decrease in vein intensity possibly due to the competency of the intrusive rock over the schist. The lower contact upon
entering the mineralized portion of the structure is usually faulted or sheared and graphitic. Beneath the shear there is an abrupt change in lithology to a quartz breccia consisting of mottled white to grey quartz fragments cemented with quartz and sulphide which can make up to 20-25% of the rock. Locally there are thin bands of massive sulphide cutting through the rock. Also there are small <1-2cm clots of both pyrite and sphalerite. This breccia zone is generally thin say up to 0.5m. The lower contact can be sheared or faulted followed by a 0.05-1.2m thick zone of massive sulphide. This is the main mineralized zone of the structure. The sulphides are generally siliceous and massive and consist of fine grained, intimately related sphalerite, pyrite, galena and minor pyrrhotite. Scattered throughout are rounded fragments of sutured quartz up to 2cm or larger in size making up to 10% of the rock. Small <1-2mm rounded grains or wafer thin irregular stringers of native gold have been observed in the massive sulphide horizon. The lower contact generally grades (or faulted) back into quartz breccia which is similar to the upper quartz breccia horizon but is generally <10cm to 3m thick. The rock consists of broken fragments of quartz cemented with quartz and sulphide. Sulphide also infills voids in the quartz breccia. Pyrite and sphalerite are dominant and can make up to 30-40% of the rock based on the density of fracturing of the quartz and in some cases the fracturing of the ‘first generation’ of pyrite. Within the quartz breccia are angular to rounded fragments of intensely silica flooded and mineralized altered fragments of schist and rarely intrusive. Below the main quartz breccia horizon, usually with a gradational contact is another massive sulphide horizon which generally consists of massive coarse grained pyrite with stringers and clots of sphalerite and galena. In several drillholes, near the base of this horizon the pyrite has a sandy texture and is semi-consolidated usually with a sheared or faulted lower contact. Recovery of this particular part of the structure is usually tenuous. The massive sulphide horizon is usually thinner than the main zone and can be up to 40-50cm thick. The lower contact is generally sheared or faulted and graphitic. Below the massive sulphide horizon is another quartz breccia zone which ranges up to 1m thick. It is similar to the quartz breccia horizons above. It also carries significant sulphide content up to 25% of the rock but is generally pyritic. The lower contact is sheared or faulted. The footwall appears to be slightly less chlorite-sericite altered in comparison to the hangingwall along with a decrease in frequency of mineralized quartz veins and veinlets. The lower contact is generally gradational or it can be sheared or faulted with an abrupt end to the alteration halo surrounding the structure.

Dundee Structure

Generally the veins from the Dundee Mine are similar to the Yankee Girl. The quartz-feldspar is off white to light grey in colour with rambling bands and streaks of pyrite-sphalerite throughout. Euhedral galena occurs in crystal aggregates. Scattered throughout the vein are small <1-2cm silica saturated fragments of host rock of both metasediment and intrusive origins. Rock fragments are matrix (quartz) supported. The veins are saussuritized (yellowish-tan colour) with minor irregular wispy streaks of chlorite-epidote. Graphite is more apparent in the Dundee veins which imparts a darker grey colour. One section of the vein consists of sphalerite-galena (poikilitic) set in a grey vuggy quartz matrix. Near the hangingwall of the vein there is a massive sulphide lens some 52cm thick. This interval is represented by 10cm of recovered massive sulphide fragments which consist of finely laminated pyrite and sphalerite with small 1-4mm, rounded dark grey glassy quartz grains suspended in the sulphide. There are small disseminated euhedral crystals of galena within the massive sulphide. Vein boundaries are generally gradational with an increase in host rock material surrounded by quartz and quartz veinlets. The veins appear to infill tensional shear zones which have been reactivated during several (?) deformational events as evidenced by the cataclastic deformation and re-healing of the veins themselves.

Atlin Structure

Quartz veining in the Atlin structure appears to conform more to conventional quartz veining. The vein is mottled white, grey, tan and orange vuggy white quartz and is strongly fractured in angular
pieces up to 10cm. Incorporated within the vein are ragged, shattered fragments of grey granulated quartz+/−feldspar possibly indicating an older vein set. Locally vugs are lined with quartz crystals stained with limonite or have formed cockscomb texture. Both generations of quartz are shattered and subsequently re-healed. Pyrite makes up 10% of the vein material and occurs as large crystal aggregates, stringers or disseminations. Throughout are irregular 1-2mm wide stringers of grey metallic mineral aggregates possibly a mix of galena and tetrahedrite which makes up <1% of the vein. Generally the sulphide minerals form crude bands throughout the vein. Contacts are generally sharp with the enclosing host rock along with wafer thin graphite. However silica does impregnate the host rock up to several metres.

STRUCTURE

Main Structural Elements

The main post collisional event within the main mine workings is the Lakeview structure which can be traced for some 1.5km northeasterly from west and south of the Dundee Mine to northeast of the Evening Star shaft. This fault structure is reported to be up to 9m wide, averaging 6m. The average trend of the structure is 207°/57°NW. The Lakeview structure is subparallel to the main thrust fault/s separating Quesnellia and the North American craton.

The main mineralized structures in the mine/s area are the Yankee Girl, Dundee, Bonus, Lakeview, Atlin and Lakeview systems, see Figure 7.

C. Ash has stated that the contact zones between the Ymir Group and intrusive phases of the Nelson Batholith host the mineralized zones. *The contacts between the intrusive rocks and the host sediments is a transitional one characterized by a zone mixing with localized migmitization*
and broader hornfelsing of the immediate host sedimentary rocks that dissipates in intensity outward and away from the intrusive contact.

Within the intrusion immediately adjacent to the contact xenoliths of the host sediment as well as cognate xenoliths from the intrusive are often present over several meters. Xenoliths more distal from the contact are often of irregular shapes, however these become progressively more attenuated on approaching a well developed banded zone at the immediate contact."

He further states that there is no observed proof at surface as to the existence of the main mineralized structures, other than what is observed at the Yankee Girl stope.

Ash states that “Even though a number of significant and potentially ore controlling NNE trending fault structures (e.g. Lakeview, Yankee Girl, Dundee, etc.) have been consistently illustrated on previous maps of the mine area they have not been reproduced on his map. This is based largely on the fact that during the course of mapping very little if any evidence was identified at surface to support the existence of a through going planar brittle structure, at least where such structures have been projected to surface from underground workings.

There is no inference that the previously defined faults are not present and it is also possible that the area of mapping did not include adequate coverage to identify potential evidence to support their existence.

Additionally from the limited descriptions of the underground workings, statements such as those provided following with reference to these veins/structures (Minister of Mines 1915 Annual Report):

‘This vein or sheared zone is somewhat irregular in strike, as it conforms to some extent to the contact between the granodiorite and the sediments’

Starr (1934) provides additional insight when discussing ore controls at the Yankee Girl Mine, he writes;

‘The location of the orebodies seems to be controlled by the character of the wall rocks, outward rolls (anticlines) in the hangingwall, and possibly by vein junctions. The anticlinal axes correspond well with the ore shoots in the west and central part of the mine, but not so well in the east part where the junction with the Lakeview vein may have interfered.’

On the basis of this evidence which points to the fact that;

(1) the ore bearing structures are irregular,

(2) anticlinal features, referred to as outward rolls on these structures control the location of ore bodies,

(3) the anticlinal axes correspond well with the ore shoots in the west and central part of the mine, and in conjunction with what has become well established through observations of underground workings that, with few exceptions mineralization is localized at the contacts between the intrusive granodiorite tongues and the host metasedimentary rocks all lead to the suggestion that these mineralized structures may well be the trace of the openly folded N to NE plunging S1 fracture cleavage where developed at the intrusion-sediment contact with ore being concentrated at the anticlinal flexures along that plane” (Ash, 2009).

It is the lack of exposure of the main mineralized structures at surface which has hampered the development and understanding of the ore controls at Yankee Girl mine. It is clear that further
detailed mapping is required to determine why these structures/contact zones are not as expressive as one would think they should be. However, a description of the ‘structures’ is presented below.

The Yankee Girl structure trends 250°/65°NW and intersects the Lakeview structure at an acute angle around 30° in the horizontal (projected to surface). Intersection of the two structures (Yankee Girl and Lakeview) trends at 296° and plunges at 57°. The Yankee Girl structure is up to 9m wide and averages 1.5m. There is a second arcuate (concave) vein structure in the hangingwall which is subparallel to the Yankee Girl known as the Spur vein. Extrapolating the Yankee Girl structure to surface using form line contours, the intersection of the two structures (Lakeview-Yankee Girl) at surface is located at Trench 7 (1988), assuming no offset of the Yankee Girl structure. The Yankee Girl structure has been traced for some 757m and remains open to the west and east.

The Dundee structure trends 245°/65°NW and is up to 6m wide and averages 1.5m. Intersection of the Lakeview and Dundee structures trends 291° and plunges 57°. The angle between the Lakeview and Dundee structures is at 16° in the horizontal. The Dundee structure encompasses several producing veins namely the Hangingwall, Footwall and Blue veins. The Dundee structure is some 195m long and remains open to the west and east.

The Bonus vein structure trends 248°/60°NW. The structure varies in width up to 2.4m and averages 1.5m (Wildhorse Adit Level). The Bonus vein is subparallel to the Yankee Girl structure which is located some 80m to the south. Assuming somewhat straight line geometry (form line contours), and that the Bonus vein extends to surface some 80m north of the Yankee Girl structure, it suggests that the vein would intersect the surface expression of the Lakeview structure close to Trench 10 (1988) at an acute angle of 33° in the horizontal. Strike extent of the Bonus vein is some 23m and remains open to the west and east.

The Atlin structure is a northerly trending feature dipping 59° WNW. The structure is some 1.5m wide with a strike extent of 475m (?) and remains open to the north and south. There is a strong possibility that the Atlin structure intersects the Yankee Girl structure in the area of the Yukon Shoot.

**Proposed Structural History**

Deformational events leading to the creation of the mineralized structures/shoots is not well understood. Previous workers in the area have postulated that the Lakeview and Oscar structures are pre-mineralization and therefore related to one of the first deformational events in the area along which post mineralization movement has taken place. Orientation of these fault structures is subparallel to major thrust faults separating the North American craton from the Omineca Belt. The Oscar structure is located some 380m to the southeast of the Lakeview structure and appears to merge with it some 495m northeast of the Evening Star shaft. Both these structures are considered to be pre-mineralization. The known mineralized structures such as the Yankee Girl and Dundee occur along the western side and intersect with the Lakeview structure at an acute angle generally in the 16-30° range possibly as riedel shears. This angle of intersection suggests that movement along the Lakeview structure has in part created tensile release zones indicating that movement along the west side of the Lakeview structure was to the southwest. Based on the 1988 Fraser Filtered VLF-EM survey results there appears to be an en echelon series of tensional (riedel) shears/faults formed along the western side of the Lakeview structure. The same en echelon structural features are indicated along the western side of the Oscar structure located east of the Lakeview structure. The tensional features hosting mineralization have formed arcuate (convex) pockets (parasitic antiformal fold hinges) which host the mineralization forming the ‘ore’ shoots/panels. These ellipsoidal tensional release zones may have formed in proximity to the Lakeview structure due to ductility contrast between the enclosing
and intimately interfingered metasediments and intrusive rocks or as a fold interference pattern between inclined north-northeast trending series of antiform-synforms and a broader, upright northwest trending fold pattern (warping) along the plane of the Yankee Girl structure. Thus movement within the metasediment dominant package may have been taken up along bedding/foliation planes while the intrusive rocks and hornfels contact zone had a tendency to shatter (brittle fracture). Mineralized veins also show a multiple deformational history with the development of the original pyrite rich quartz veins being sheared and brecciated followed by another pulse of silica/mineralization infusion. The number of pulses and attendant mineralizing events may be as many as three (Wright and Morrell, 1938). Based on the VLF-EM survey results and structural extrapolation of known structures there appears to be three possibly four more favourable occurrences where riedel shears/faults developed along the west side of the Lakeview structure at an acute angle. Another two similar acute angled intersections occur along the Oscar structure.

2010 PRELIMINARY BENCH SCALE METALLURGICAL TESTING

A preliminary metallurgical assessment on a composite of drill core samples from the Yankee Girl West deposit owned by Duncastle Gold Corp. is located some 3km east of Ymir, BC. The testing was primarily aimed at providing a first pass estimate of recovery of base and precious metal values using a standard flotation circuit. At the same time, a first pass evaluation of product separation and cleaning was included. A total of 42 mineralized, crushed drill core reject samples were composited covering some 160m strike length through the central part of the Yankee Girl West deposit. Samples used were from 2009 drillholes YD09-39, 40, 45, 46 and 47. Drillhole reject samples were received from Acme Labs who completed the initial crushing to 6mm (minus). Each reject sample was riffle split with half the sample going to form part of the composite sample and half being re-bagged for future use. The split samples were then composited and riffle split into four, 2.0kg test lots.

Four flotation tests were completed at different grind sizes, with two including front-end gravity separation, and a third including cyanide leaching of the resulting pyrite concentrate.

Overall test results for the four samples are summarized in Table 2.

Table 2: Yankee Girl West Deposit Metallurgical Testing - Summary of Results

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<th>Test No</th>
<th>Grind Size (% - 2008)</th>
<th>Gravity Conc.</th>
<th>Pb Concentrate</th>
<th>Zn Concentrate</th>
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<tr>
<td></td>
<td></td>
<td>Au (%) Rec. (%)</td>
<td>Ag (%) Rec. (%)</td>
<td>Pb (%) Au (%) Rec. (%)</td>
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<td>3.7</td>
<td>2.9</td>
<td>11.7</td>
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<td>2.1</td>
<td>18</td>
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<tr>
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<td>86.4</td>
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Table 2: Yankee Girl West Deposit Metallurgical Testing - Summary of Results

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<th>Pyrite Scavenger Au (g/t)</th>
<th>Ag (g/t)</th>
<th>Au (%) Rec. (%)</th>
<th>Ag (%) Rec. (%)</th>
<th>Overall Float Recoveries Au (%) Rec. (%)</th>
<th>Ag (%) Rec. (%)</th>
<th>Pb (%) Zn (%)</th>
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<td>87.0</td>
<td>95.0</td>
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Conclusions from the preliminary metallurgical testing by Kemetco are:

1) With a grind in the range of 70-80% passing 200 mesh, overall float recoveries are in the range of 90% for Au, 95% for Ag, 85% for Pb and 95% for Zn using flotation.

2) More than 75% of lead was recovered into the lead concentrate and greater than 80% of zinc into the zinc concentrate.

3) Greater than 60% of gold and silver can be recovered to a lead concentrate, where they would receive the highest smelter credits.

4) Best results for gold recovery included 64% in the lead concentrate, a further 15% in the zinc concentrate, and an additional 11% in the pyrite scavenger concentrate.

5) There is not a significant amount of coarse gravity recoverable gold in this ore material.

6) Overall flotation recoveries included a pyrite scavenger concentrate, which contained 10-12% of precious metal values. The pyrite flotation stage resulted in a very clean final float tailing containing 70% of the feed weight.

7) A short cyanide leach of the pyrite concentrate recovered 73% of the gold and 56% of the silver, but further optimization of flotation, together with desliming, may also be an effective alternative for recovering more of these values into the lead and zinc concentrates without cyanidation.
OBSERVATIONS

The Yankee Girl property is dominated by the Lakeview Structure transecting the silicified sediments of the Ymir Formation and the intruding Nelson Batholith. Age dating of the intrusive and subsequent structural features and possibly contemporaneous mineralizing event(s?), have not been utilized to provide a more firm chronological framework.

The widespread occurrence of sulphide and precious metal showings strongly suggests that that application of current mineral evaluation technology may be of assistance in future exploration in the area.

The previous reporting and compilations carried out by D. Warkentin, Craig Payne, Garth Kirkham, G. Addie and others provides a solid database from which to continue evaluation of the Yankee Girl Mine.

To date, the focus of exploration has been the determination of mineralization in the undeveloped areas of the Yankee Girl structure, primarily on the western portions between the former workings and the descending surface topography. This zone of the Yankee Girl structure represents a possible volume of mineralization in excess of 600,000 metric tonnes. Drill hole intersections within in this zone have demonstrated mineralization ranging from 2-15 grams of gold with associated silver, lead and zinc credits.

The current elevated price of gold has effectively elevated formerly uneconomic mineralization into the range of possibly economic, requiring careful re-evaluation. The possibility of gold prices going higher, cannot be discounted while major economies such as the United States and other Asian and European countries continue to practice inflationary policies to cover deficit budgeting. The recent publically announced accumulations of gold by an increasing number of central banks suggest a concerted move towards adoption of gold as the preferred instrument for international bank settlement rather than the United States currency. Gold prices are volatile within a narrow range while the market has an imbalance between new supply and demand which is showing no signs of abating. These movements strongly suggest that gold prices must move upwards and that current prices are at a temporary plateau Increased gold prices will stimulate new production. However, such response time is measured in decades, providing solid opportunity to the earliest new production. This results scenario has been repeated constantly in successive metal cycles during the past 50 years of the author’s experience.

A significant volume of waste rock in a number of dump sites is located at surface in proximity to the various adits. These waste rock dumps were produced from development within the plane of the Yankee Girl vein structure at a time 1905-1939 when the price of gold ranged between $US19 -34 /troy ounce and cut-off grades in the range of 0.25 troy ounces per ton were imposed by labour intensive technology and long shipping distances. At a present gold price of $1,500 per troy ounce, a recovered grade of 0.1 troy ounces per metric tonne (3.11g/t) in those waste dumps represents approximately $US 150 per metric tonne in value, which is more than sufficient to cover the costs of recovery, transport and processing.

To provide the degree of statistical confidence necessary to a derive a Measured Resource by current National Instrument 43-101 Standards, requires close spaced drilling, rigorous sampling
and bulk testing of several faces. Due to the current depth of the target mineralized zone, the cost of carrying out close-spaced pattern drilling from surface will sharply exceed the cost of doing so from underground, particularly where the level of underground development has been as extensive as in the western portions of the Yankee Girl Mine. This type of programme represents a significant step up in invested capital and required skill levels. To minimise the capital risks involved in moving to underground exploration activities, each step must be taken with careful regard to the value of the results obtained and to keep each subsequent risk-step as small as possible.

The preliminary metallurgical evaluation undertaken by Dundee Mines (Kenmet Metallurgical Report) is a valuable contribution towards determination of economic viability. Further metallurgical evaluations of representative samples from the surface waste rock dumps and from the resources identified from the underground drilling program, must be carried out to permit sensible progression towards understanding economic recovery.

The present lack of a dedicated milling and processing facility with permitted tailings disposal facilities presents a significant economic barrier. Fortunately, there are several milling facilities within a 200 kilometer radius which could be employed for processing. The costs of haulage, processing capacity and competitive processing costs will be serious operating cost determinants.

The current smelter schedules provided at the Trail smelter provide no payment for silver in zinc, which is a serious disadvantage requiring resource to processing in other jurisdictions at higher cost. Consideration should be given to alternative hydrometallurgical treatment processes to improve overall metal recovery and payable values.

Three phase grid electrical power is available at Ymir. Consideration should be given to the installation of a connection from the mine to the grid in lieu of running a diesel generator, once economic feasibility is established. Electrical power production from diesel fuel will only continue to become more expensive. Currently, natural gas is not accessible as an alternative energy source.

Commencement of further exploration work is dependent upon issue of a Work Permit from the Ministry of Energy Mines and Petroleum Resources. Currently, issuance of such Permits are experiencing lengthy delays.

**RECOMMENDATIONS:**

1. All Option agreements should be secured; and

2. A Notice of Work covering the suggested surface and underground programmes should be filed with the Ministry of Energy Mines and Petroleum Resources (“MEM&PR”) in Cranbrooke, as soon as possible; and

3. Consultation should be re-established with the K’tunaxa Kinbasket Band SOW for Armex as the new Operator and with the general population in Salmo, Nelson and Ymir,
notwithstanding that such consultations were previously conducted by the prior owners, Duncastle Resources Ltd., in 2008; and

4. Representative samples (approximately one tonne each) should be taken from each waste rock dump under the supervision of an independent consulting geologist, using an hydraulic excavator to dig to the hill-side base of the pile on 15 meter horizontal intervals and taking a sidewall sample of the pile from bottom to top, immediately placing same into a large fabrene bag for subsequent processing and assaying with a suitable independent metallurgical facility; and

5. The waste rock sample assays should be individually crushed to $P_{80}=0.375\text{mm}$, then reduced using a Jones Riffle to obtain an average sample for assay. The sample preparation procedures should be supervised by the QP to ensure avoidance of cross-contamination of samples. The contained volumes of each waste rock dump should be determined by an independent civil engineer with experience in quantitative analysis. The resultant assays for each waste rock pile should be averaged mathematically to provide a single assay for determination of a Measured Resource by an independent Qualified Person. Individual assay pulps should be retained. A weight-averaged aliquot of crushed rock from each pile should be combined to a single sample of several metric tonnes from which grinding, flotation and other appropriate tests should be run to establish reliable recovery rates, grades and metal balances for this oxidized material; and

6. Surface access roads to the waste rock piles and adjoining portals (400 level, 540 level and 1235 levels) and to the Yankee Girl and Dundee stope openings and to the Evening Star shaft should be repaired.

7. Permanent human and animal resistant air-tight coverings should be immediately emplaced over the Yankee Girl, Dundee and Evening Star openings for compliance with The British Columbia Health, Safety and Reclamation Code (“BCHSR”); and

8. Should the assay results from the waste rock dumps prove economic recovery is viable, a milling contract should be established for the recoverable quantum and excavation of the dumps be undertaken at the earliest opportunity. This will require construction of a new (170m) access road from the Oscar Creek FSR to the base of the 1235 rock dump and construction of an elevated 2 compartment storage bin with a slusher-feed apron for underflow truck loading; and

9. The portals of the 400, 540 and 1235 levels should be prepared for re-entry by emplacing suitable lined sumps at each portal drainage point to handle any impounded mine waters and subsequent mine drainage. Preliminary test drilling should be conducted through the portal collapse plug rock to determine the quantity and quality of impounded water, if any, to size the sumps and necessary water treatment facilities. Test drilling should be made through a casing with external shut off to prevent uncontrolled water outflows. Overflow from the 400 and 540 level sumps should be piped to the 1235 level for treatment. Treated drainage water meeting Ministry of Environment (“MOE”) Aquatic Standards, should be piped to Oscar Creek for controlled disposal, or otherwise as approved by MEM&PR and the MOE; and
10. The portals of the 400, 540 and 1235 levels should be reclaimed, rebuilt with industrial concrete blocks, steel frame and roofing and fitted with sturdy steel mesh steel doors with concealed locks and heavy steel frames, meeting BCHSR Code requirements; and

11. Until a connection can be made with BC Hydro grid power by overland line from Ymir, a storage pad with suitable height concrete berms and petroleum fluid impervious liner should be installed near the 1235 level for suitably-sized diesel electric generators and fuel tank and a small air compressor; and

12. Although the Yankee Girl Mine is currently naturally aspirated, provision should be made for installation of a suitably-sized locked enclosures for the mine exhaust fan annex, step down transformer annex and electrical control panel within the 400 level portal. The 400 level exhaust fan should be sized to provide a minimum of 1050 cfm intake at the 1235 level; and

13. The adits from the 400, 540 and 1235 levels should be inspected, barred down and made safe to BCHSR Code standards and all necessary repairs, cleaning and rock-bolting of loose areas undertaken by experienced miners under a certified BC Shift Boss. This work should be undertaken to the edge of the prior workings. Access to the old workings should be closed off with ventilation control doors and appropriately signed; and

14. Suitably-rated electrical service lines should be run from the electrical generator to the 400, 540 and 1235 portals thence to the western limits of the former mine workings with suitably spaced connection power take off points, all in accordance with an Electrical Plan previously approved by MEM&PR. Drilling water service lines should be installed in each adit to the limit of the former mine workings, drawing from the portal sumps and having a back-up supply line to the 1235 sump. Additional water supply can be trucked from the Wildhorse adit. Low voltage diode lighting with 100 metre space proximity switches and telecommunications lines with phone boxes at 100 metres should also be installed in each adit; and

15. A enclosed service bay with separate locking enclosures should be created at the Dundee Mine cross.cut on the 1235 level for installation of a step-down transformer for the locomotive charging station, for the tool crib, the bit sharpening station the mine refuge and lunch room; and

16. A British Columbia Land Surveyor should be engaged to re-establish suitably positioned and marked permanent surface and underground survey benchmarks that are accurately referenced to the BC geodetic grid. Underground survey pins should be placed in the adit backs at approximately 100 meter intervals, numbered and tagged with aluminium tags for easy reference. The surveyor shall provide a fully digitized survey plan in acceptable format for incorporation into the mine GIS; and
17. Channel sampling of the backs (roof) of each of the 400, 540 and 1235 adits should be undertaken using a 12.5 metre sampling interval. Care should be exercised to avoid any disturbance of survey pins. The sampling will run from the portal to the old workings or termination of the adit for each adit (approximately 500 meters horizontally for each adit). Samples should be cut using an inverted diamond saw to produce a sample having an approximate 2 inch by 2 inch cross section. Sampling is to be under the supervision and direction of an independent Qualified Person who shall be responsible for producing a suitable quality control and supervision report for inclusion in an subsequent NI 43-101 compliant Resource report; and

18. A programme of short horizontal “BQ” sized drill holes shall be drilled on either side of each of the 400, 540 and 1235 adits, using the same interval spacing as the channel sampling. The drill holes will be drilled to a minimum of 0.5 meters into each of the hanging wall and foot wall to ensure the entire width of the structure has been sampled at each interval. The drilling and interval sampling is to be under the supervision and direction of an independent Qualified Person who shall be responsible for producing a suitable quality control and supervision report for inclusion in an subsequent NI 43-101 compliant Resource report; and

19. A drilling grid 500m by 250 m in the plane of the Yankee Girl structure shall be established from the 540 and 1235 levels using two equally spaced cross-cuts of 84 metres depth at 125 metres and 375 metres, bearing normal to the strike of the structure. Due to the 70° northwest dip of the structure, the 1235 cross cuts shall bear north-easterly with drilling proceeding upwards and the 540 cross cuts shall bear north-westerly with drilling proceed downwards. Each array will subtend a pattern of 18 holes horizontally and 9 holes vertically at 12.5 metre spacing, co-incident with the channel and drill sampling. Allowance shall be made for existing drill penetrations and for areas indicated as low to non-existent grade from the channel and horizontal drill sampling programs. The drilling and interval sampling is to be under the supervision and direction of an independent Qualified Person who shall be responsible for producing a suitable quality control and supervision report for inclusion in an subsequent NI 43-101 compliant Resource report; and

20. An NI 43-101-compliant Resource Report shall be prepared indicating the quantum and Resource standard obtained from the foregoing programmes.
RECOMMENDED BUDGET

This budget is provided in sequential order and presumes satisfactory results before proceeding to the next budget step.

1. Preparation and filing of Notice of Work .......................... 5,000
2. Preparation of access roads to Yankee Girl and Dundee stopes, Overlander, 400, 540, 1235 portals, and Evening Star shaft; ........ 15,000
3. Cover Yankee Girl and Dundee open stopes and Evening Star open shaft; provide worker safety equipment .......... 35,000
4. Sampling all waste rock dumps; comprehensive metallurgical review of waste rock dump composite sample ............. 55,000
5. Subject to satisfactory results of waste rock sampling, construct new access road to the base of the 1235 waste rock dump, construct slusher pad and overhead truck rock storage bins .......... 25,000
6. Install portal drainage sumps for 400, 540 and 1235 portals; connect 400 and 540 portals to 1235 portal sump .......... 25,000
7. Install water treatment plant at 1235 sump discharge; run treated discharge line to Dispersal field above Oscar Creek ...... 17,500
8. Clear 400, 540 and 1235 portals, rebuild breastworks with concrete block and steel frame roofing; ...................... 23,500
9. Install prefabricated steel gates with concealed locking systems; .......... 34,500
10. Construct impervious pad with berms for electrical generator set, air compressor and diesel fuel storage; .......... 6,750
11. Make safe 400, 540 and 1235 adits to limits of old workings; repair track, install electric locomotive, mucking machine and granby cars; .......... 75,000
12. Slash out service bay, charging station, drill shop and transformer station on 1235 level at Dundee Mine adit; .......... 7,250
13. Install high voltage lines to 400, 540 and 1235 adits to limits of old workings in accordance with certified Electrical Plan; also install air and water lines; 210,000

14. Install telecommunication lines and internal diode lighting lines in all 3 adits; 11,300

15. Slash out 2m x 2m x 20m exhaust fan annex inside 400 portal entrance; 8,000

16. Install mine exhaust fan (36” variable speed, reversible) at 400 portal; 31,500

17. Install mine ventilation control doors on 540, 1235 and Wildhorse adits; 9,000

18. Wash backs, geologically map clean backs; implement channel sampling of adit backs for 400, 540 and 1235 adits at 12.5 metre intervals from portal to old workings using 2” by 2” cut channel; log channel cuttings; truck samples to Vancouver for chemical analysis; 50,000

19. Drill “BQ” sized cored holes horizontally 0.5 metres into hanging wall and foot Wall using the same 12.5 metre increments as for the channel sampling, from portal to western limit of former workings; sample full core lengths; 65,000

20. Develop 4 – 84 metre deep cross-cuts on 540 level (north-westerly) and on the 1235 levels (south-easterly); 175,000

21. Execute array drilling programme, Phase I (includes purchase of diamond drill), with drilling of approximately 50% of 576 hole pattern (22,000 m) 695,000

22. Execute Phase II of array drilling programme, if justified by results of Phase I; 295,000

23. Preparation of NI 43-101-compliant Technical report; 35,000

Total Budget $1,909,300

STATEMENT OF EXPENDITURES

Professional fees to Armex Mining Corp.:

Review of Prior Assessment Reports, Minfile data, private reports 4,250.00
And other data; 5 days @ $850/day
Preparation of Recommendations and detailed budget; 7,650.00
9 days @$850/day
Preparation of Report; 2 days @$850/day 1700.00
Subtotal

Disbursements:

Travel to Property; air fare to Castlegar, car rental, accommodation, and miscellaneous charges, telephone charges

13,600.00

2,550.00

16,150.00

Respectfully submitted,

Malcolm B. Fraser,
February 28th, 2013
STATEMENT OF QUALIFICATIONS

I, Malcolm B. Fraser of Gibsons, British Columbia do hereby certify that:

1. I am a graduate of Queens University, Kingston, Ontario with a Bachelor of Science degree in Geological Engineering, 1960; I hold a Master's Degree in Economic Geology, 1962, from Harvard University, Cambridge, Massachusetts, USA; I hold a Bachelor of Laws degree, 1964, from Osgoode Hall Law School, Toronto, Ontario.

2. I was called to the Bar of the Law Society of Upper Canada, Ontario in 1966 and actively practiced in the field of corporate and mining laws until 1982.

3. I have actively practiced as a professional geological engineer in Australia and in Canada and elsewhere since 1973.


Dated at Vancouver, BC this 28th day of February, 2013.

Malcolm B. Fraser
REFERENCES


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Hicks, H.B. (1979): Report on Yankee Dundee Property; Burlington Gold Mines Ltd.


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Leslie, H.T. (1967): Review of Diamond Drilling; Letter (Page 2 missing) to (?) with reference to 3 diamond drill holes on 2800 level - no gold values in Lakeview structure, recommends to access 1235 level, dated April 17, 1967.


Mathews, W.H. (1944): Lode-Gold Deposits, Southeastern British Columbia; *British Columbia Department of Mines,* Bulletin No. 20 - Part II.


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O'Grady, B.T. (1932): Lode-gold deposits of BC, Ymir camp; BC Department of Mines, Bulletin 1, pp103-105 (Yankee Girl and Dundee) and pp102-104 (Goodenough).


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Ymir District Mines in 1900 (circa 1900): published pieces on the mines in the Ymir, BC area, obtained from Eric Denny.


Historical Maps
McElhanney Contour Map, Ymir, BC, 1988
Cayzor Athabaska Mines Raise
Plan of Centre Star Mining Property (Dundee and Two Star Properties)
Crown Grants Image
Dundee Mine Plan and Vertical Section, Taylor, 1942
Dundee Underground Assay Plan, Level 840
Dundee Underground Assay Plan, Level 900
Dundee Underground Assay Plan, Level 1135
Dundee Underground Assay Plan, Level 1235
Dundee Underground Assay Plan, Level 1325
Geology 82F6E, Ymir, BC
Goodenough Mine Assay Plan, Frith, 1926
Goodenough Mine Vertical Projection, Ymir Consolidated Gold Mines Ltd., 1938
Goodenough Mine Vertical Projection, Ymir Consolidated Gold Mines Ltd., 1940
Goodenough Mine Composite Underground Plan East, Ymir Consolidated Mines Ltd., 1940
Goodenough Mine Composite Underground Plan West, Ymir Consolidated Mines Ltd., 1940
Goodenough Mine, Plan & Longitudinal Section, Pacific Mining Services Ltd., 1952
Plan of Dundee Workings, Map 11
Plan of Part of Yankee Girl and Dundee Workings, Map 10
Plan of Yankee Girl Group, Lakes, 1928
Plan of Yankee Girl Group - Surface Geology and Underground Features, Lakes, 1928
Plan of Yankee Girl Mine, Lakes
Dundee Mine Map 12, Section A
Tonnage Estate by Min. Corp. of Canada, McDowell Ore Body, Yankee Girl Mine, 1920
Wildhorse Adit, Sheet 09, Kingsvale, 1988
Wildhorse Adit, Sheet 10, Kingsvale, 1988
Wildhorse Adit, Sheet 11, Kingsvale, 1988
Wildhorse Adit, Geology, Addie, 1988
Plan of Yankee Girl Group of Mineral Claims Showing Surface Geology, ca 1933
Yankee Girl Mine Plan and Projection, ca 1933
Yankee Girl Mine Plan and Vertical Section, Taylor, 1942
Plan and Longitudinal Section from Yankee Girl Mine Report, Starr, 1934
Yankee Girl Stope Map
Yankee Girl 1235 Level Assays
Yankee Girl 1336 Level Assays
Yankee Girl 1360 Level East Drift Assays
Yankee Girl 1360 Level Assays
Yankee Girl 1360 Level West Assays
Yankee Girl 1360 Level_1 Assays
Yankee Girl 1360 Level_2 Assays
Yankee Girl 1450 Sub-Level Assays
Yankee Girl 1500 Level Assays
Yankee Girl 1625 Level West Assays
Yankee Girl 1625 Level Winze
Ymir Area Image1x1
Ymir Area Image1x1, cropped