2006 Exploration Report

of the

KQ group of Mineral Claims
Tenures: 520256, 520332, 520362, 520388, 520589

Osoyoos mining division
British Columbia

NTS map 082E04E (NAD 83)
Lat. 49 09’ Long. 119 36’

Physical and technical work
Event number: 4103081

E. K. Nelson, sole proprietor
who conducted the exploration and is the author of this report.
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1.0- Introduction

After historical research and preliminary prospecting, the first K.Q. mineral claims were staked in the fall of 2005, by E. K. Nelson. The claims cover the ground of several former producers of the Fairview gold camp, including the Tinhorn occurrence (MINFILE # 082ESW005), which is thought to be the most southeastern mineralization of the historic Fairview camp.

1.1- Location and Access

The K.Q. property is located several kilometers west of the village of Oliver, BC. The property can be easily accessed via Fairview Rd. and the southern portion by following the old wagon trail that turns south and terminates at the remains of Tinhorn stamp mill.

1.2- Property Status

This assessment report deals with five tenures of the K.Q. group of claims and comprises 24 contiguous cells.

<table>
<thead>
<tr>
<th>Claim Name</th>
<th>Number of cells</th>
<th>Tenure Number</th>
<th>Expiry Date</th>
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<tr>
<td>Tinhorn</td>
<td>4</td>
<td>520256</td>
<td>2007/SEPT/21</td>
</tr>
<tr>
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<td>4</td>
<td>520332</td>
<td>2007/SEPT/22</td>
</tr>
<tr>
<td>Smuggler fractions</td>
<td>4</td>
<td>520362</td>
<td>2007/SPET/23</td>
</tr>
<tr>
<td>Funny face</td>
<td>4</td>
<td>520589</td>
<td>2007/SEPT/29</td>
</tr>
<tr>
<td>Big Tipi</td>
<td>8</td>
<td>520388</td>
<td>2007/SEPT/24</td>
</tr>
</tbody>
</table>

*N.B. all dates pending acceptance of this report.

1.3- Physical Geography and Climate

The mineral tenures covered by this report are located in the south Okanagan valley largely between Reed and Tinhorn creek. The properties are located on a series of benches and lower eastern slopes of the Kobau formation which rises to an elevation of 1875 m. Historically the formation was subdivided by the creeks that cut the eastern face, going south from the Fairview town site being Tinhorn, Hester, and Testalinden. The lower benches are relatively open grasslands with ponderosa pine and bunch grass with minor sagebrush at the lowest elevations. Above 600 meters on the
lower slopes of the Kobau formation the dominant vegetation becomes Douglas fir, with associated grasses (Interior Montane). This region has one of the lowest rates of precipitation in the southern interior and the temperatures can range from 40°C in the summer to –30°C in the winter.

1.4- Exploration and Production History

Fairview camp is one of the oldest mining camps in B.C. It’s exploration history spans a period of over 120 years. The camp is the site of over 10 past producers though there has been great variation in the production of these former producers. The smaller of these might today be seen more in the light of bulk samples. Historical production records are missing or incomplete. However, based on the information we do have, it can be inferred that the main zone of Fairview camp comprising the Morning Star (082ESW006), Stemwinder (082ESW007), and Fairview (082ESW008) produced more than 500,000 tonnes of polymetallic ore, resulting in the recovery of 5,273,143 grams silver, 638,212 grams gold with addition copper, lead and zinc. This production was intermittent and spans a period from 1890 to 1961. The claims covered by this report do not cover the main Fairview zone. The main area of interest in this report is to the southeast, the Tinhorn occurrence (082ESW005) staked in 1896. Historical production from Tinhorn is estimated at 274 tonnes with a recovery of 1400 grams gold and 467 grams silver. This is a ratio of 3:1, gold to silver. This is in marked contrast to the rest of the Fairview Camp where gold to silver ratios were approximately 1:8. The author has reservations about the likelihood of the Tinhorn figures*. From an examination of the physical workings and the remnant of the sizable stamp mill on the property the author suggests the historical cited ore tonnage may be low. This is consistent with the observation that early miners sometimes downplayed numbers in official reports. There are no visible stamp mill tailings on the property that the author could locate. This is most likely due to their probable removal in 1942 by Ewers and McKay. In more recent exploration, Lawrence Mining corp. conducted soil sampling of the workings in 1984.

*Chip sample JDK 306 across the entrance to #5 adit by Yuriko Resources Corp (1988) shows 17.2 g/t Ag and 15.36 g/t Au
In 1989 Shangri-La Minerals staked the Tinhorn workings and significant work was carried out under option to Yuriko Resources corp. for several years but did not include drilling.

2.0- 2006 Work

1. Preliminary property survey
2. 15 km of property traverses
3. 20 rock samples
4. 5 rock samples for 28 element ICP and 30g Au

2.1- Property Survey

A preliminary property survey was conducted on July 10th, 11th and 12th, 2006 using G.P.S. to navigate the approximate boundaries of the Tinhorn, Stemboy, Smuggler fractions, Big Tipi, and Funnyface claims.

2.2- Traverses

Traverses for the purpose of prospecting the Tinhorn and Stemboy claims were the focus of our 2006 technical work program. These two claims were targeted as being the most unlike the deposit model of the main Fairview Camp, where most former producers are located in close proximity to the Fairview Granodiorite (60 m). After the preliminary claim boundary survey, the Tinhorn and Stemboy claims were traversed on a 250 m grid pattern using G.P.S. Topography generally allowed unbroken lines with the exception of the Tinhorn creek canyon, on the Tinhorn claim, where the near vertical rock faces necessitated arduous detours on the north/south traverses.

2.3- Samples

Twenty rock samples were collected in traverses of Tenures # 520256 and # 520332. Five of these were sent for 28 element ICP and 30g Au assay.
*Photographs of rock samples Fig. (D)
*Geochem certificate of analysis Appendix 1
3.0- Geology

**Lithology:** Metasedimentary  
**Tectonic belt:** Intermontane  
**Terrane:** Okanagan  
**Metamorphic type:** Regional  
**Grade:** Greenschist

3.1- Regional Geology

The K.Q. group of claims are located in the south eastern corner of the Intermontane tectonic belt of the Canadian Cordillera. Five kilometers to the east of the Tinhorn claim the Okanagan valley fault defines the boundary between the Intermontane and Omineca Belts. In the southern Okanagan, this detachment fault is believed to dip west at an uncommonly shallow angle of about 10 degrees. Seismic reflections made farther north across the Okanagan valley indicates that the fault descends westward at a shallow angle to a depth of 20 km with a down dip movement of up to 80 kilometers. Highly deformed, low-grade metamorphic rocks of the Kobau group, quartzite lithologies with phyllite, schist, greenstone and marble underlie the region. There is a great thickness of rock comprising a 1900 meter structural succession. The absence of fossils in the Kobau formation has precluded fossil dating and the age of the formation is unknown. It has been postulated by Monger that these rocks could be more metamorphosed lithologies of the late Paleozoic rocks between Hedley and Keremeos or conversely be related to the early Paleozoic strata near Kootenay Lake. The Kobau Group rocks are composed of banded, foliated quartzite lithologies with lenses of mafic schist, and thick mafic schist layers interspersed with quartzite bands. Metacarbonates and minor metavolanic flows or sills are also present. In the vicinity of Fairview camp the rocks of the Kobau group are cut by two plutons: the Fairview granodiorite, and the Oliver granite. The predominate deposit model for Fairview camp is the association of auriferous quartz veining adjacent and parallel to the Fairview granodiorite. Auriferous quartz veins also occur within the Oliver and Fairview plutons. Other small intrusive stocks and dikes cut the Kobau group with associated quartz veining. The main Au zone of Fairview camp occurs where the Kobau group is most constricted between the Fairview granodiorite in the south and the Oliver granite in the north. The quartz veins are sulphide poor and locally contain pyrite, galena, sphalerite, chalcopyrite, and graphite.
3.2 – Property Geology

The lower elevations of the property are a series of glacial fluvial benches. Just to the east of tenure # 520388 (Big Tipi) two gravel pits have exploited this deposit to good depth. These pits expose no outcroppings. This depth of overburden is in close proximity to outcropping of the Fairview granodiorite to the west. Tenures #520362 (Smuggler fractions), and #520589 (Funny face) to the southwest are largely composed of Fairview granodiorite with good rock exposure. Tenure #520362 encloses legacy claim #246628 which contains the past producer Smuggler (MINFILE #082ESW089). To the south tenure #520332 (Stem boy) is largely composed of Kobau Group rocks with fine grain stratified volcaniclastic metasediments with visible sulphides. Further south of tenure #520256 (Tinhorn) there are good outcroppings of both Kobau quartzite and mafic shists. No granodiorite outcroppings were located on the Tinhorn claim.

4.0- Conclusions and Recommendations

Considering the highly deformed nature of the Kobau rocks and the prevalence of brittle faulting with associated gold bearing quartz, the author suggests the claims warrant more intensive prospecting. Historical grades were good to bonanza. There is a possibility that such grades still exist under overburden on tenure # 520388 where the contact between the Fairview Granodiorite and the Kobau group is obscured. Further exploration for extensions to the Smuggler and Tinhorn veining is probably warranted as well.

5.0- Statement of Qualifications

E.K. Nelson studied maritime geography at St. Mary’s University, Halifax, Nova Scotia and resource inventory and analysis at N.S.C.A.D. He has been involved in exploration in the Western Cordillera since 1984.
FIG. (A)- Tinhorn creek cutting rocks of the Kobau group
FIG. (D)- Rock Samples
APPENDIX 1

| El. # | Tag #   | Au (ppb) | Ag | Cu | Bi | Ca | % | Cd | Cr | Cu | Fe | % | Mg | % | Mn | Na | % | Ni | P | Pb | Sb | Sn | Sr | TI | % | U | V | W | Y | Zn |
|-------|---------|----------|----|----|----|----|---|----|----|----|----|---|----|---|----|----|---|----|---|----|----|----|---|----|---|----|---|----|---|---|---|
| 1     | AM08KQ01| 5        | 0.2 | 0.46 | 25 | 225 | <5 | 1.65 | 1 | 11 | 74 | 122 | 2.96 | <10 | 0.20 | 466 | 8 | <0.01 | 52 | 1720 | 22 | <5 | <20 | 28 | <0.01 | <10 | 54 | <10 | <10 | 19 | 121 |
| 2     | AM08KQ011| 5        | <5  | <0.2 | 0.21 | 10 | 220 | <5 | 0.02 | <1 | 11 | 80 | 22 | 0.85 | <10 | 0.11 | 32 | <0.01 | <1 | 10 | 4 | 100 | 14 | <5 | <20 | 4 | <0.01 | <10 | 9 | <10 | <1 | 14 |
| 3     | AM09KQ012| 130      | 1.3 | 0.27 | 116 | 30  | <5 | 2.08 | 2 | 17 | 67 | 190 | 3.33 | <10 | 0.49 | 1168 | 3 | 0.03 | 20 | 500 | 20 | <5 | <20 | 121 | <0.01 | <10 | 4 | <10 | 4 | 76 |
| 4     | AM09KQ014| 240      | 0.5 | 0.06 | 86  | 30  | <5 | 0.61 | 2 | 8 | 103 | 26 | 1.50 | <10 | 0.13 | 458 | <0.01 | <1 | 13 | 100 | 15 | <5 | <20 | 27 | <0.01 | <10 | 2 | <10 | <1 | 63 |
| 5     | AM09KQ020| 36       | 0.5 | 0.67 | 16 | 120 | <5 | 0.06 | 1 | 5 | 66 | 171 | 3.65 | <10 | 0.33 | 270 | 4 | 0.04 | 8 | 900 | 34 | <5 | <20 | 39 | <0.01 | <10 | 20 | <10 | <1 | 119 |
| 6     | AM09TQ201| 4        | <0.2 | 2.49 | 6 | 45  | 25 | 0.37 | <1 | 38 | 250 | 108 | 8.99 | <10 | 2.38 | 772 | <0.01 | 51 | 220 | 90 | <5 | <20 | 36 | 0.21 | <10 | 195 | <10 | <1 | 37 |

**QC DATA:**

- **Repeat:**
  - AM09KQ01: 5
  - AM08KQ014: 290

- **Standard:**
  - GEO02
  - OxT41

- **Sample:**
  - Artisan Minerals
  - P.O. Box 1191
  - Ashcroft, BC
  - V0K 1A0

- **Project:**
  - KO

- **No. of samples received:** 6

- **Submitted by:** Eric Nelson

- Phone: 250-573-5700
- Fax: 250-573-4557

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APPENDIX 1
## APPENDIX 2

**ITEMIZED COST STATEMENT**

Prospecting E.K. Nelson  
42 hr. @ $30/h  
$1,260.00

Prospector's assistant W. I. Nelson  
42 hr. @ $20/h  
$840.00

5-28 element ICP 30g Au assay  
$133.82

Sample delivery  
$45.00

Report preparation  
$400.00

Miscellaneous expenses  
$21.36

Total  
$2,700.18