

REPORT

on the

CHU MOLYBDENUM PROJECT

Omineca Mining Division, British Columbia

**Latitude 53° 21' N., Longitude 124° 37' W.
NTS map sheet 93F/7E**

by

James W. McLeod, P. Geo.

on behalf of

Nustar Resources Inc.

**GEOLOGICAL SURVEY BRANCH
ASSESSMENT REPORT**

27,323

**January 7, 2004
Delta, British Columbia**

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SUMMARY

During October 2003 a fieldwork program was conducted over a portion of the Chu molybdenum property situated in the Omineca Mining Division in central British Columbia, Canada. The present program includes prospecting, a spontaneous or self potential (SP) grid-controlled survey that was conducted over a portion of the claims. This survey utilized the 1969-82 grid. The program also included geological mapping of rock exposures and logging and sampling DDH 1970, B1-B6 derived from the 1970 10 hole, diamond core drilling program conducted by Rio Tinto Canadian Exploration Ltd. A large zone of molybdenum-copper-tungsten mineralization is indicated that appears to be mainly contained within a hornfelsed, fine grain-sized meta-siltstone unit. This unit is fracture prepared and is a well developed quartz stockwork that is thought to be the main host of the molybdenum mineralization.

The results obtained to date from the fieldwork conducted are encouraging and the writer recommends that further exploration work be carried-out on the property. The recommended work program is mainly as diamond core drilling and the related studies of four x 380 metre deep, vertical holes for a total of 1,525 metres (5,000') and is expected to take two months to complete at an estimated cost of \$250,000.



BRITISH COLUMBIA

Scale 1:7,500,000



NUSTAR RESOURCES INC.	
CHU PROPERTY LOCATION MAP	
N.T.S. 93F-7E	OMINECA M.D., B.C.

SCALE: 1:7,500,000	DATE: JAN. 2004
DRAWN BY: J.M.	FIGURE NO. 1

INTRODUCTION

The current fieldwork program was conducted by the writer with an assistant and consists of a grid controlled SP survey (see Figure 3), as well as prospecting, geological rock exposure mapping, core logging and sampling.

The work program was conducted on behalf of Nustar Resources Inc. of Delta, British Columbia, Canada.

LOCATION AND ACCESS

The Chu property area may be located on NTS map sheet, 93F/7E at latitude 53° 21' north and longitude 124° 37' west. The property area is situated south of the Town of Vanderhoof, B.C., at the southeast end of the Nechako Range, 6.5 km. west of Chutanli Lake. The property lies within the Omineca Mining Division, British Columbia, Canada.

Access to the property is gained by traveling approximately 26.5 km. southwest of the Town of Vanderhoof, B.C. on the Kenney Dam road and then southerly for about 100 km. on the Blue road, which can be described as a wide, good all weather, gravel surfaced logging road. Just north of the cutoff to Chutanli Lake, the Kluskus-Ootsa road branches off the Blue road toward the west, it is taken 7.5 km. to the junction with the Chu property road. The property road traverses much of the claims north to the site of the old exploration camp and the main mineralized zone.

TOPOGRAPHICAL AND PHYSICAL ENVIRONMENT

The property lies within the intermontane (physiographic) belt between the Coastal mountain belt on the west and the Rocky mountain belt on the east. More particularly the Chu property is found to occur in the transition zone on the south end of what is termed the Nechako range between the northwesterly trending Nechako and Fraser plateaux. The claim area generally is fluvial-glacial covered, rounded mountainous

terrain exhibiting generally sparse rock exposures. The claim area ranges in elevation from 1,160 metres (3,800') to 1,430 metres (4,700') mean sea level. The area is conifer covered as lodgepole pine and spruce. Much of the claim and general area has undergone massive clearcutting of the coniferous forest cover to try and salvage some goodness from widespread insect infestation. The general area lies within the sub-alpine biotic zone and experiences greater than 100 cm. of precipitation annually, of which 15%-25% may occur as a snow equivalent i.e. about 20 cm. The summers are generally mild with moderate precipitation and the winters can be bitterly cold, but usually not for extended periods.

PROPERTY AND OWNERSHIP

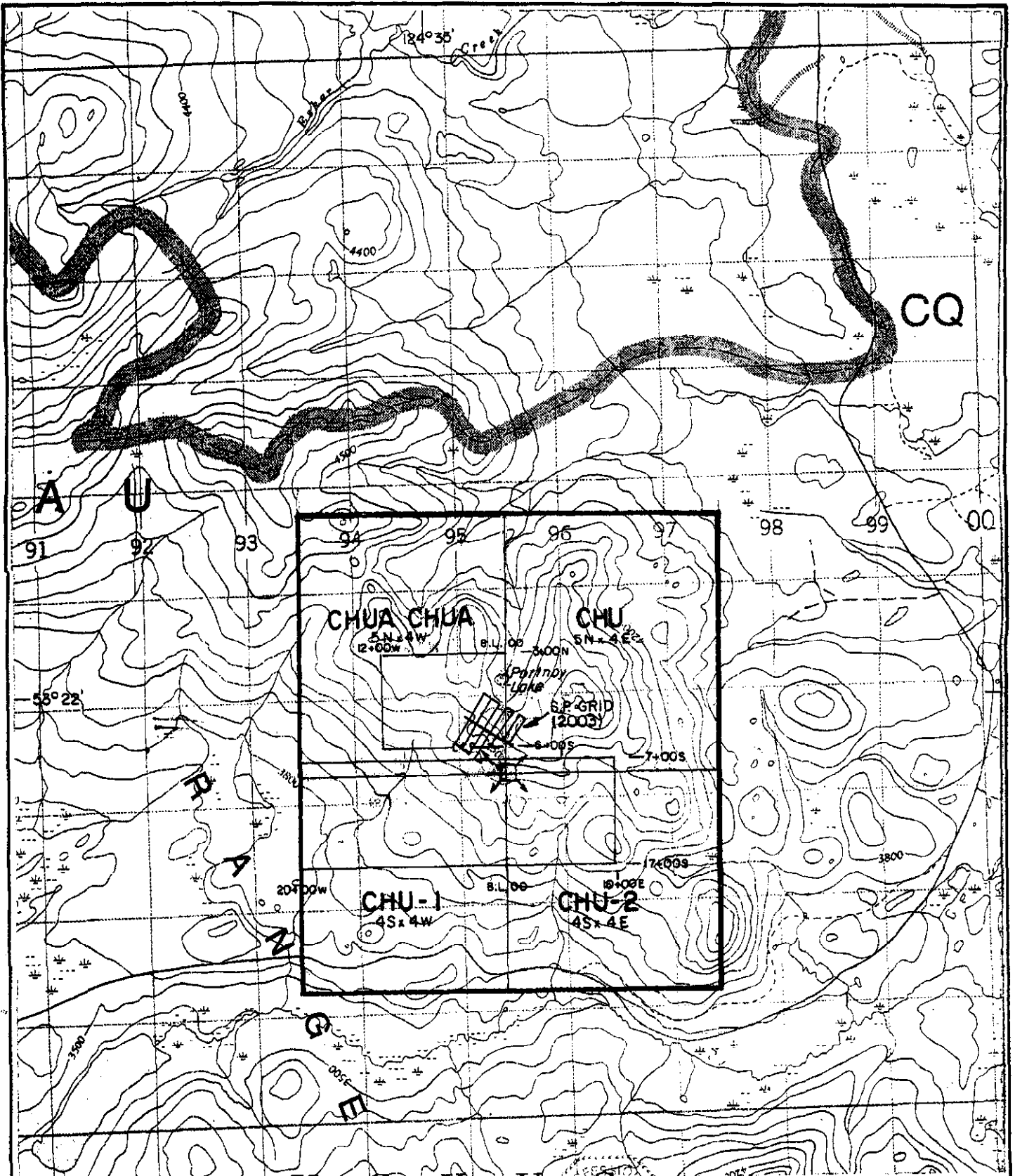
The Chu property is comprised of 4 – four post, lode mineral claims which totals 72 contiguous units (see Figure 2). The claim particulars are listed as follows:

<u>Name</u>	<u>Tenure No.</u>	<u>Units</u>	<u>Anniversary Date</u>
Chua Chua	366737	20	October 15
Chu	390574	20	October 15
Chu - 1	390575	16	October 15
Chu - 2	390576	<u>16</u>	October 15
	Total	72	

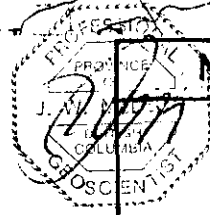
The claim area totals approximately 1,800 hectares or 4,447 acres. The above listed lode mineral claims are 100% owned by Nustar Resources Inc. of Delta, British Columbia, Canada.

HISTORY

The recorded mining exploration history of the property area dates from 1969 when a prospecting and regional reconnaissance geochemical survey indicated the anomalous copper, molybdenum and tungsten values in the immediate area.



K L U S K



NUSTAR RESOURCES INC.

**CHU PROPERTY
CLAIM MAP**

NTS. 93F-7E OMINECA M.D.B.C.
 0 1 2 3 KM.

SCALE: 1:50,000	DATE: JAN. 2004
DRAWN BY: J.M.	FIGURE NO. 2

The construction of the Kluskus-Ootsa logging road in the mid-1970's saw the entry of Asarco Incorporated and Rio Tinto Canadian Exploration Ltd. into the area. During this early period, they undertook some shallow diamond core drilling for which the writer found the drill core from Rio Tinto's DDH 1970 drilling program. This program consisted of 10 holes, B1-B10 of shallow A-sized core drilling. All together Asarco and Rio Tinto drilled 14 holes, A1-A4 and B1-B10, respectively which revealed a large zone of mainly anomalous molybdenum values. After Rio Tinto decided to quit the project area, Asarco consolidated the project areas and carried out geochemical surveys in 1977. They were joined by Armco Mineral Exploration Ltd. in a joint venture in 1979. Together they conducted core drilling programs in 1980: DDH 1-3, 1981: DDH 1-7 and 1982: DDH 1-2.

REGIONAL GEOLOGY

The oldest rocks in the general area are volcanics and sediments which have been assigned to the Hazelton Group of Jurassic age. These rocks in places have been intruded by late Jurassic and early Cretaceous aged Coast Range intrusive rocks of granitic to dioritic composition, which are referred to in the property area as the Nechako intrusions. More than one period of intrusive activity may have effected the area and in fact may be younger than the Nechako intrusions. The youngest rocks observed in the area are the andesite to basalt flow volcanics which are thought to be of Oligocene age.

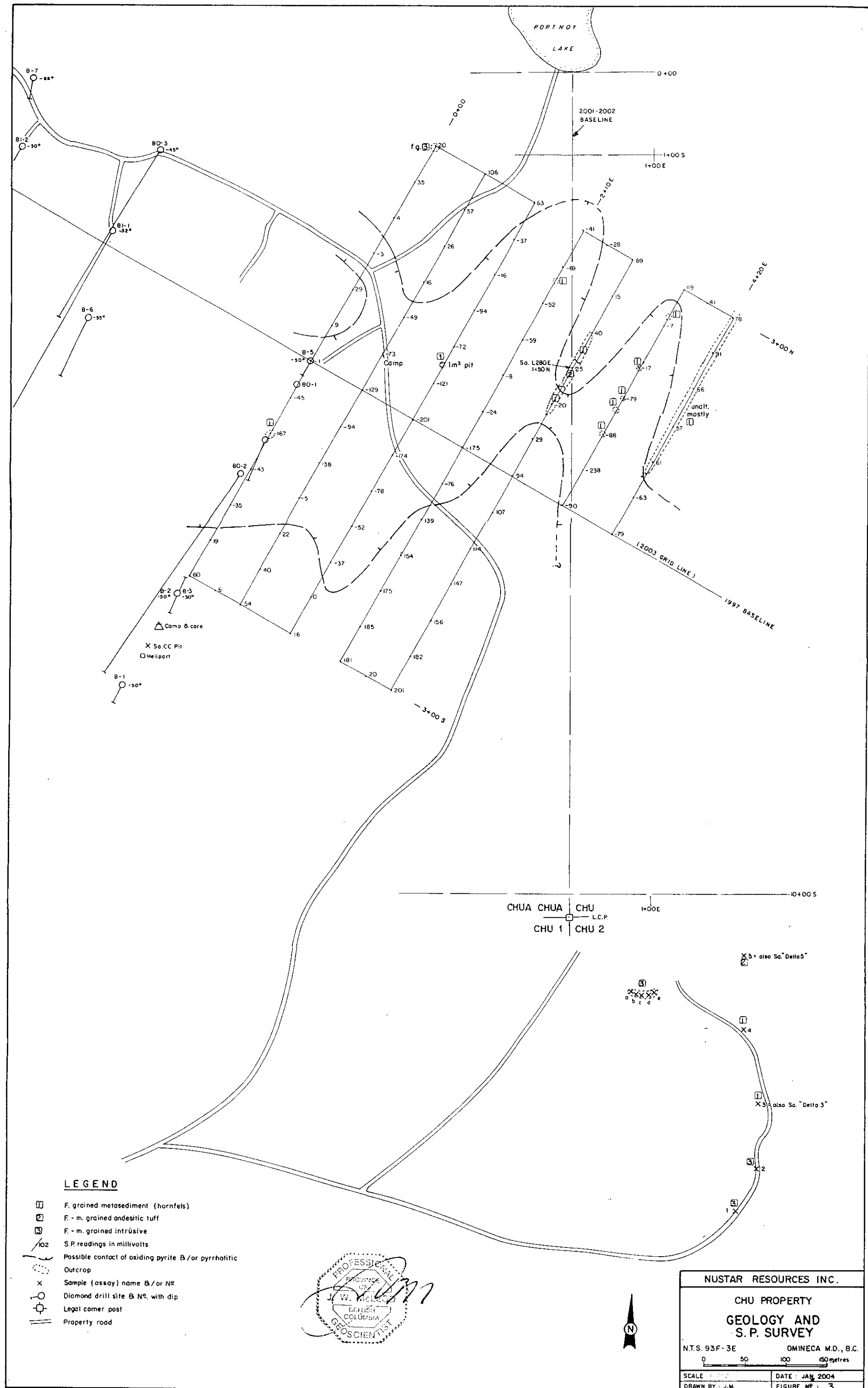
LOCAL GEOLOGY

The different rock units are found to occur as northerly striking and steep easterly dipping sediments and volcanics. The oldest underlying bedded rocks are found to occur on the westside of the property as hornfelsed siltstone, mudstone and quartzite and overlain on the eastside by steeply contacting clastic andesitic tuffs. The bedded sediments and volcanics are intrusive contacted mainly on the westside by granitic rocks thought to be Coast Range intrusions of Jurassic age. All three rock types are seen infrequently in the drill core to be cut by granodiorite dykes.

The molybdenum mineralization related to a quartz vein stockwork is best developed in the hornfelsed (siltstones) that has undergone varying degrees of biotitization following structural preparation (brittle fracture). Pyrite and pyrrhotite are found widespread throughout the MoS₂ mineralized zones and the core in general. The overall trend of the molybdenum mineralized package appears to dip at varying degrees toward the northeast.

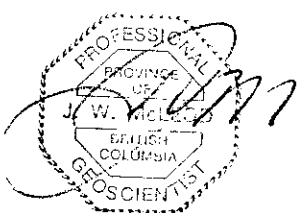
PRESENT WORK PROGRAM

The present fieldwork program was undertaken during the period October 1-14, 2003. The work program consisted of brushing-out portions the property road (500 metres) and re-establishing a portion of the 1970-82 grid (see Figure 3). The baseline (BL) starting at the site of DDH 1970 B-5 located at coordinates (10,000N – 10,000E) that is also the junction of BL - L0+00 and going to 4+20E for a total of 420 metres of baseline. The following survey lines trending N030° are for a total of 3,900 metres of grid line, comprised of L0+00, L0+70E, L1+40E, L2+10E, L2+80E, L3+50E and L4+20E. The end-of-grid tie-lines totaled 770 metres (see Figure 3). The SP survey was conducted over this grid with a line spacing of 70 metres and a station interval of 50 metres for a total of 4,670 metres of SP survey. The survey was conducted from the N120° baseline every 70 metres toward the east and then in north, then south directions, actually N030° and N210°, respectively for 300 metres in each direction. Readings every 50 metres along the gridlines were taken of the potential difference between the copper sulphate saturated, porous (unglazed ceramic) pots using a high impedance voltmeter. The units of measure are reported in millivolts (mv), (see Figure 3). The prospecting and mapping performed on both the property and outside the boundaries, but adjacent to the same totaled approximately 405 hectares (1,000 acres). A total of 316 metres (1,035') of A-sized diamond drill core in 6 holes, B1-B6 was logged and sampled. The core (106) and some surface rock (5) samples for a total of 111 samples were analysed in Vancouver at the Global Discovery Laboratory. The samples underwent 28 element analyses by the induction coupled plasma (ICP) method subsequent to 0.5 gm. of each sample being digested in hot aqua regia solution (see Appendices).



LEGEND

- F. grained metasediment (hornfels)
- F. - m. grained andesitic tuff
- F. - m. grained intrusive
- S.P. readings in millivolts
- Possible contact of oxidizing pyrite &/or pyrrhotitic Outcrop
- Sample (assay) name B/ or N#
- Diamond drill site & N#, with dip
- Legal corner post
- Property road



NUSTAR RESOURCES INC.

**CHU PROPERTY
GEOLOGY AND
S. P. SURVEY**

N.T.S. 93F-3E Omineca M.D., B.C.

0 50 100 150 metres

SCALE: 1:25,000	DATE: JAN 2004
DRAWN BY: J.M.	FIGURE NO.: 3

CONCLUSIONS

The current exploration program revealed a number of features that were unknown to the writer until this time. The areal extent of the property and more particularly the indicated zone of molybdenum mineralization is large and appears to lie dipping into the southwest facing slope of the hill. The mineral zone has excellent potential to be expanded from its present indicated size toward the northwest, southeast, downdip toward the northeast and possibly in indicated width toward the southwest. Dipping into the hill may constraint the open-cut potential of any mineable molybdenite-bearing body, but that can only be determined by further extensive and expensive exploration and development work. The SP survey data illustrates an irregular west-east trending zone that may reflect increased pyrite-pyrrhotite content in the underlying rocks, regardless of type. The writer had the opportunity to examine the split core from six, A-sized holes, diamond drilled by Rio Tinto Canadian Explorations Ltd. in 1970. All of the split core was found intact, but the core boxes were rotting and had to be handled with extreme care while carrying out logging and sampling. The results are thought to be very encouraging in reinforcing some prevailing ideas about the mode and trend of the mineralized zone and some possibly unrecognized features that can be derived from the data.

RECOMMENDATIONS (not done yet!)

Further drilling is recommended in the areas where favourable mineralized zones have been drill intersected or where mineralized zone are projected to occur. A 2-3 hole diamond core drilling program totaling 700 metres is recommended to test the true thickness of the molybdenum mineralized zone and its' possible downdip extension toward the south and southeast. All drilling should have quality grid control (in three dimensions) to enable accurate calculations to be made from the acquired data.

COST ESTIMATE

The writer has included the following cost estimate from the results of previous fieldwork data that he has had access to and from discussions

**Diamond core drilling 700 metres, all inclusive
i.e. mob-demob, core boxes, etc. @ \$120/metre \$ 183,000**

**Geology, supervision, core logging, sample
preparation, transport to the assayers, transportation,
room and board 51,500**

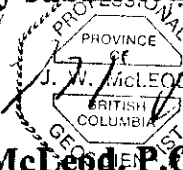
Assaying and analyses 11,000

Reports, maps and filings 4,500

Total \$ 250,000

Respectfully submitted,

James W. McLeod P. Geo.



STATEMENT OF COSTS

Geological mapping, core logging, sampling and supervision, J. McLeod	\$ 4,300
Rehabilitate 0.4 km. of property road	400
Grid rehabilitation, 6 km.	900
SP survey with H. Fournier	1,000
Core preparation and analyses	1,100
Camp and board	1,440
Transportation, 4x4 rental, fuel, etc.	<u>1,900</u>
Total	\$ 11,000

CERTIFICATE

I, JAMES WAYNE McLEOD, of the Municipality of Delta, Province of British Columbia, hereby certify as follows:

I am a Consulting Geologist with an office at #203 - 1318 56th Street, Delta, B.C., V4L 2A4.

I am a Professional Geoscientist registered in the Province of British Columbia and a Fellow of the Geological Association of Canada.

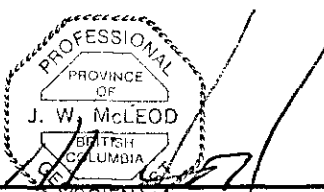
I graduated with a degree of Bachelor of Science, Major Geology from the University of British Columbia in 1969.

I have practiced my profession since 1969.

I have an indirect interest in the Chu molybdenum property because of my position as President and CEO of Nustar Resources Inc., the owner of the property.

The above report is based on personal field experience gained by the writer during the period 2001-03. I also researched private and public reports written about the Chu property and discussed the property in detail with knowledgeable parties.

DATED at Delta, Province of British Columbia this 7th day of January 2004.


James W. McLeod, P. Geo.
Consulting Geologist

REFERENCES

**British Columbia Ministry of Energy, Mines and Petroleum Resources
Assessment Reports – 8476 and 9691.**

**McLeod, J.W., January 7, 2002-03. Magnetometer Survey Reports on
the Chua Chua Claim for Chris Delorme (the previous property
owner).**

**Ostenoe, E.A., 1980-82. Private Chu Project, Progress Reports to
Armco Mineral Exploration Ltd.**

**Ostenoe, E.A., February 15, 2002. Private Chu Property Report for
Javelin Capital Corp.**

Appendix 1

Core Logs

DRILL CORE LOG

Company: Nustar Resources Inc.

Project: Chu

Location: Central UTM 5913500m. N. & 394900m. E.

Area: Southern end Nechako Range, Omineca M.D.B.C., NTS 93F7E

Date: Drilled 1970, logged 2003

Hole No.: DDH 1970 B-1

Azimuth: N210°

Dip: -50°

Total Depth: 111 feet

Core Size: A Standard

Interval	Recovery (%)	Description
0 - 12 feet	-	Casing.
12' - 47'	90+	Very fine grained (vfg.) sillstone, metamorphosed to a hornfels that contains abundant pyrite. This unit is a rusty, yellowish (oxidized) colour of original pyrite and molybdenite to yellow - ferro-molybdenite.
47' - 54'	90+	F.g. granodiorite. Sa BB4.
54' - 63'	95%+	white coloured, f.g. quartzite.
63' - 65'	95+	Quartz (white)
65' - 96'	95+	back to similar hornfels. Sa. BB5
96' - 111'	95+	F.g. granodiorite.
(cont) End of Hole		

DRILL CORE LOG

Company: Nustar Resources Inc.

Project: Chu

Location: see Log page 1

Area: see Log page 1

Date: see Log page 1

Hole No.: DDH 1970 B-2

Azimuth: N205°

Dip: -50°

Total Depth: 121 feet

Core Size: A standard

Interval	Recovery (%)	Description
0 - 14 feet	-	Casing.
14' - 36'	95% ^{at}	F.g., rusty, but not bleached granodiorite. ^{5a} B2-34
36' - 41'	95 ⁺	F.g. transition zone to altered siltstone.
41' - 43'	95 ⁺	Dark brn - blk siltstone.
43' - 46'	95 ⁺	Large siltstone.
46' - 64'	95 ⁺	F.g. granodiorite (gd)
64' - 76.6'	95 ⁺	Black, aphanitic, mudstone with abundant quartz stringers from 1/32" to 1/2" in width at 45° - 70° to core axis (ca).
76.6' - 83'	95 ⁺	F.g. gd.
83' - 114'	95 ⁺	V.f.g. Hornfels (rusty). 5a B2-84
114' - 121'	95 ⁺	F.g. gd. 5a B2-110.
EOH		

DRILL CORE LOG

Company: Nustar Resources Inc.
Project: Chu
Location: see Log page 1
Area: see Log page 1
Date: see Log page 1

Hole No.: DDH 1970 B-5
Azimuth: N210°
Dip: -50°
Total Depth: 173 feet
Core Size: A standard

Interval	Recovery (%)	Description
0 - 10 feet	-	Casing.
10' - 42'	90%+	<i>Asbestic brownish-yellow hornfels.</i>
42' - 102'	90+	<i>Eq - hornfels mix.</i>
102' - 126'	90+	<i>More sd than hornfels.</i>
126' - 155'	90+	<i>Increase in sd to hornfels, still mix.</i>
155' - 173'	90+	<i>Increase in hornfels and this hole</i>
	EOT	<i>has some melchite again and less</i>
		<i>ferro-magnetite. See B5-13,</i>
		<i>29, 43, 47, 54, 58, 64, 70, 87, 99, 106, 127, 134,</i>
		<i>129, 137 and 172.</i>

DRILL CORE LOG

Company: Nustar Resources Inc.

Project: Chu

Location: see Log page 1

Area: see Log page 1

Date: see Log page 1

Hole No.: DDH 1970 B-6

Azimuth: N210°

Dip: -55°

Total Depth: 256 feet

Core Size: A standard

Interval	Recovery (%)	Description
0 - 26 feet	-	Casing.
26' - 256' EOL	90	<p>Asbestos, rusty, ferruginous - yellow-stained. This hole displays abundant sericite and muscovite, sericite and magnetite and metallic pyrite + quartz stringers. The mineralization continues to EOL. See logs 35, 39, 43, 48, 54, 57, 64, 69, 75, 78, 83, 89, 94, 102, 103, 109, 114, 119, 123, 127, 134, 138, 146, 153, 158, 163, 168, 171, 178, 181, 188, 192, 194, 199, 201, 204, 208, 215, 218, 220, 225, 230, 235, 240, 248, 251 and 254. The hole is all a porous section with quartz - stock work fractures - veins + nodules - strong alteration.</p>

Appendix 2
Core and Sample Analyses

Report date: 23 OCT 2003

Job V03-0625R

LAB NO	FIELD NUMBER	Cu ppm	Pb ppm	Zn ppm	Ag ppm	As ppm	Ba ppm	Cd ppm	Co ppm	Ni ppm	Fe %	Mo ppm	Cr ppm	Bi ppm	Sb ppm	V ppm	Sn ppm	W ppm	Sr ppm	Y ppm	La ppm	Mn ppm	Mg %	Ti %	Al %	Ca %	Na %	K %	P ppm
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ICP PACKAGE : 0.5 gram sample digested in hot reverse aqua regia (soil,silt) or hot Aqua Regia(rocks).

Teck Cominco Ltd.

Global Discovery Labs 1486 East Pender Street Vancouver, B.C. Canada V5L 1V8 Phone: (604) 685-3032 Fax: (604) 844-2686