BRITISH COLUMBIA

Ministry of Energy & Mines
Energy & Minerals Division
Geological Survey Branch

ASSESSMENT REPORT
TITLE PAGE AND SUMMARY

TITLE OF REPORT [type of survey(s)]	TOTAL COST $ 27756.99

AUTHOR(S) JOHN OSTLER SIGNATURE(S) John Ostler

NOTICE OF WORK PERMIT NUMBER(S)/DATE(S) NON-DESTRUCTIVE → NO PERMIT REQUIRED YEAR OF WORK 2005

STATEMENT OF WORK - CASH PAYMENT EVENT NUMBER(S)/DATE(S) 4075450 2006/03/21

PROPERTY NAME KARALEE

CLAIM NAME(S) (on which work was done) KARALEE #2 (510898)

COMMODITIES SOUGHT COPPER, MOLYBDENUM

MINERAL INVENTORY MINFILE NUMBER(S), IF KNOWN NO MINFILE ENTRIES

MINING DIVISION SKEENA NTS 103 H/2 (NTS) 103H 027 (BC MAP)

LATITUDE 53 ° 13 ' 28 " LONGITUDE 128 ° 41 ' 21 " (at centre of work)

OWNER(S) 53 UTM 5,897,295 N 520,745 E

1) _____ 2) _____

MAILING ADDRESS

OPERATOR(S) [who paid for the work]

1) _____ 2) _____

MAILING ADDRESS

PROPERTY GEOLOGY KEYWORDS (lithology, age, stratigraphy, structure, alteration, mineralization, size and attitude):

Copper skarns and molybdenum bearing veins occur near the contact between Butedale Pluton granodiorite and an sub-vertical keel of Alexander terrane metamorphosed sedimentary and volcanic rocks. The skarns are in marble bands at their contact with the intrusion on the northeastern side of the keel.

REFERENCES TO PREVIOUS ASSESSMENT WORK AND ASSESSMENT REPORT NUMBERS

BC MIN MINES ANN REPTS: 1913 p78, 1916 p K50, 1917 p F42, 1922 p N44, 1923 p A46, 1925 pp A66-A67, 1926 pp A70-A71, 1929 p C69, 1930 p A66

GSC SUMMARY REPT: 1921 pp 38A-39A.

(OVER)

TYPE OF WORK IN THIS REPORT	EXTENT OF WORK (IN METRIC UNITS)	ON WHICH CLAIMS	PROJECT COSTS APPORTIONED (incl. support)
GEOLOGICAL (scale, area)			
Ground, mapping	1:250 0,08 ha	Karalee #2	537.73
Photo interpretation			
GEOPHYSICAL (line-kilometres)			
Ground			
Magnetic			
Electromagnetic			
Induced Polarization			
Radiometric			
Seismic			
Other			
Airborne			
GEOCHEMICAL (number of samples analysed for ...)			
Soil			
Silt			
9 Rock Au, Ag, Pt, Pd, Al, As, B, Ba, Be, Bi, Ca, Cd, Co, Cr, Cu, Fe		KARALEE #2	332.81
Other Ga, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sr			
DRILLING Ti, Tl, U, V, W, Zn (total metres; number of holes, size)			
Core			
Non-core			
RELATED TECHNICAL			
Sampling/assaying	0.2 ha	Karalee #2	2150.92
Petrographic			
Mineralographic			
Metallurgic			
PROSPECTING (scale, area)	350 ha	Karalee #2	13980.95
PREPARATORY/PHYSICAL			
Line/grid (kilometres)			
Topographic/Photogrammetric (scale, area)			
Legal surveys (scale, area)			
Road, local access (kilometres)/trail	1300m × 0.6m = 0.078 ha	Karalee # 2	10754.58
Trench (metres)			
Underground dev. (metres)			
Other			
		TOTAL COST	27756.99

THE KARALEE PROPERTY

Map-staked Claims

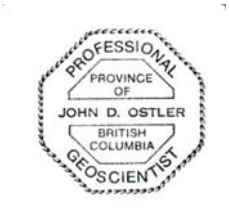
Karalee	**309.733 ha.**	**506081**
Karalee #2	**387.167 ha.**	**510898**
	696.900 ha.	

Owner:
Joseph T. Lawrence
Box 753
Cache Creek, British Columbia
V0K 1H0

Location:
Skeena Mining Division
N.T.S.: 103 H/2
53° 13' 28"N., 128° 42' 51" W.
U.T.M.: 5,8967,288 N., 519,084 E.

By:
John Ostler; M.Sc., P.Geo.
Consulting Geologist

February 8, 2006



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THE KARALEE PROPERTY

SUMMARY

The writer was retained by Rene Bernard through Cassiar East Yukon Expediting Ltd. to examine and report upon the Karalee property. The writer had conducted no previous work on this property. This report dated July 12, 2005 was produced to assist in deciding the future of the property.

The Karalee property area comprises 2 contiguous map-staked claims owned by Joseph T. Lawrence of Cache Creek, British Columbia. The claims cover 696.9 hectares (1,721.3 acres). These claims are located in the Skeena Mining Division, Coast Range 4 Land District of northwestern British Columbia, Canada. The Karalee property is located on N.T.S. map sheet 103 H/2 and B.C. map sheet 103H 027.

During late spring of 2005, a no-staking reserve was placed over most of the Karalee property and the area surrounding it. If that reserve is converted into a park, the exploration potential of the land between Klekane Inlet and Princess Royal Channel will be destroyed.

The claims comprising the Karalee property are located on steep slopes of an eastern spur of a ridge located between Klekane Inlet and Princess Royal Channel on the northern coast of British Columbia.

Elevations range from sea level at Klekane Inlet, to about 1,097 m (3,600 ft) near the small lake on the Karalee claim (Figure 2). Most of the property is covered by steep slopes, commonly in excess of 30°.

Adequate fresh water for mining purposes could be obtained from the lake in the northern part of the property or from Klekane River, which enters the sea at the northern end of Klekane Inlet.

The property is covered with dense coastal rainforest, dominated by yellow cedar and fir.

The lower slopes on the eastern part of the Karalee #2 claim were logged in the early part of the 20th century. The central part of the property is covered by first-growth forest where widely spaced trees are in excess of 1 m (3.3 ft) in diameter. This forest grades up-slope into alpine vegetation.

There is sufficient timber on the property to support a moderate-sized underground mining operation.

The property is remote from any electrical grid. Consequently, electricity for a mining operation would have to be generated on site or by damming a nearby river.

From 1911 to 1931 this area was explored for high-grade copper skarn deposits. Porphyry-type molybdenum-copper mineralization in the area was ignored at that time. At that time, the area was covered by the Pink Rose (Bolton) claim group.

During the writer's examination of the Karalee property, all of the cabins and workings of the Pink Rose group described in the B.C. Minister of Mines' Annual Reports were found, positively identified ,and located using a G.P.S. unit. The crown grants of the Pink Rose group are located 3,520 m too far south and 1,208 m too far east on all British Columbia maps as well as images available on B.C. government web sites. They are plotted in their proper locations according to the 1930 survey notes of C.J. Heaney, B.C.L.S. in this report.

The only modern exploration conducted in the Karalee property area was a program of chip sampling done by J.T. Lawrence in 1996 and his current (2005) prospecting and trail cutting work.

The Karalee property covers the northwestern end of a northwesterly trending keel of metasedimentary and metavolcanic rocks that extend southeasterly along the shores of Princess Royal Channel. These rocks were deposited in a deep open basin during the Middle to Late Palaeozoic Era. They form part of the Alexander terrane.

Around Klekane Inlet, the keel is surrounded by the Cretaceous-age granodioritic Butedale Pluton.

The longest contiguous band of rock outcrop in the property area is along the wave-washed shore of Klekane Inlet. Areas of fresh biotite granodiorite and a zone of granodiorite contaminated with presumably Alexander terrane material are exposed along the shore line northeast of the property. All of the rock exposures along the inlet east and south of the property are of Alexander terrane rocks. These comprise predominantly fine to medium-grained metagreywackes containing minor amounts of what may have originally been either tuffaceous or pelitic beds.

East of the property, these rocks strike at about 310° and generally dip almost vertically. First-phase folds are isoclinal. Second-phase folds are tight and at low angles to the first-phase ones. The first two cleavages are at low angles to what is presumed to be bedding. The third cleavage cuts across earlier planar structures at a high angle. All major fabrics are steeply dipping.

Regional metamorphism progressed to biotite-garnet grade in the middle amphibolite facies throughout the Alexander terrane rocks northwest of Klekane Inlet. Hornblende was recognized in some layers; mapping

was insufficient to plot isograds.

The only carbonate unit observed along the shoreline is the Pink Rose marble. It is exposed at Alex McLeod's cabin just east of the property. There, the marble is a 16-m thick white to grey unit that contains several silty layers. Re-crystallization during metamorphism has obliterated all original sedimentary textures and structures in the marble. Consequently its mode of deposition can not be determined.

MINERALIZATION

Pink Rose Skarn

The Pink Rose skarn is located around the workings that are located at U.T.M. co-ordinates: 5,897,942 N., 520,110 E. at an elevation of 563 m (1,847 ft). The workings are located 140 m (459 ft) north of the northern boundary of the Karalee #2 claim. They currently comprise: the main Pink rose adit, which now is caved near the portal, a short upper adit, and a small pit. The other trenches and area of surface stripping described in the 1920s era reports of the property area have sloughed in due to soil creep down the steep slope.

The skarn has two components, a mineralized exoskarn and a barren endoskarn. The exoskarn is composed of 2 mm to 1 cm (up to ½ inch) thick crystals of white to brown calcite, orange-brown garnet (probably andradite and grossular) epidote, and diopside. Economic minerals include bornite, chalcocite, and traces of chalcopyrite. Malachite is the predominant secondary copper mineral. The endoskarn has corroded, rounded crystals of quartz and feldspar containing blebs and segregations of coarse-grained, pale orange to white orthoclase. Very little biotite is present in the endoskarn.

Sample K 7-1, a composite chip sample of material with visible bornite-chalcocite mineralization, was taken from around the caved portal and from what remained of the main adit dump. The sample contained 0.939% copper, with minor amounts of other metals.

Sample K 8-1 was a composite chip sample taken across the 1.2-m (4-ft) wide, malachite-stained face in the upper adit. It contained 0.484% copper with minor amounts of other metals.

Samples K 8-3 and K 8-4 were taken from around the small pit above the upper adit. Sample K 8-3 was a composite chip sample of visibly mineralized material and sample K 8-4 was a selected high-grade bornite sample. Those samples contained 0.693% and 11.650% copper respectively.

From this very limited sampling, the writer concluded that the Pink Rose skarn contained about 0.7% copper in the area of the workings.

The size of the Pink Rose skarn is currently unknown, however a 1921 description of it hints that it is small.

Copper Cliff Skarn

Presently, the Copper Cliff skarn is not exposed, however the writer is confident that it is located beneath a thin cover of alpine vegetation at the head of the Bee Creek canyon. Its probable location is at U.T.M. co-ordinates: 5,898,200 N., 519,692 E at an elevation of 753 m (2,470 ft). It is about 450 m (1,476 ft) north of the northern boundary of the Karalee #2 claim.

This skarn is located at the contact of Butedale Pluton granodiorite with the Copper Cliff marble, a 1.5-m (5-ft) thick pale green carbonate.

Mineralized exoskarn from the Copper Cliff occurrence looks very similar to that of the Pink Rose skarn, both in mineralogy and bornite-chalcocite content. A composite sample of high-grade bornite-bearing exoskarn, sample K 15-2, was taken from the upper part of the Bee Creek canyon. It contained 6.78% copper with minor amounts of other metals. The tenor of the whole of he Copper Cliff skarn probably is between 0.5 and 1% copper, similar to that of the Pink Rose skarn.

Trenching during the 1920s revealed that the Copper Cliff skarn was a rather small occurrence and that there was no significantly mineralized area along the intrusive contact between them.

Upper Camp Zone

The Upper camp zone adit is located at U.T.M. co-ordinates: 5,897,413 N., 520,503 E. at an elevation of 360 m (1,181 ft) in the northeastern part of the Karalee #2 claim. The adit, along with several small trenches and cuts expose a series of molybdenite-bearing quartz lenses on the northeastern side of the Pink Rose marble.

The Upper Camp zone adit probably is the location of the last significant work on the Pink Rose claim group. That working, now partly caved, explores a narrow quartz lense for about 4 m (13 ft) along the eastern margin of the Pink Rose marble. The 12-lb rails, a ½-ton mine cart and tools are still present at the dump.

The writer is certain that these lenses are the "quartz vein" that was developed near the upper cabin from 1923 to 1930. It is unlikely that the coarse-grained rosettes of molybdenite in these lenses were of much interest to prospectors during the 1920s. Probably they sought lodes of pyrite and chalcopyrite for their gold potential.

The gold potential of these quartz lenses is very low as can be ascertained from the sampling results. Samples K 3-1 and K 4-1 were composite chip samples of typical molybdenite-bearing quartz. Sample K 4-1 was taken from the Upper Camp zone adit; sample K 3-1 was a composite chip sample taken from a quartz lense about 30 m (98.4 ft).

Sample K 3-1 contained 0.484% molybdenum with traces of other metals. Sample K 4-1 contained 0.114% molybdenum with traces of other metals.

The Upper Camp zone showings are not important sources of molybdenum themselves. Their relevance to exploration is that they demonstrate that there is a significant amount of molybdenum in fluids that moved through the rocks near the margin of the Butedale Pluton.

In the writer's opinion, these coarse-grained molybdenite occurrences are very similar to those found around Hastings Arm in the Alice Arm-Anyox molybdenum belt. As such, they are very positive mineral indicators.

K 9 Showing

The K 9 showing is located at U.T.M. co-ordinates: 5,896,650 N., 521,444 E. at an elevation of 95 m (312 ft) east of the Karalee #2 claim (Figure 7). This is a showing of disseminations of chalcopyrite, bornite and pyrite in a 1-m (3.3-ft) long quartz lense near the eastern margin of the Pink Rose marble. Sample K 9-1 from this showing contained 461 ppm copper and traces of other metals.

Bee Creek Molybdenum-Copper Occurrence

The Bee Creek molybdenum-copper occurrence is located at U.T.M. co-ordinates: 5,898,000 N., 519,862 E. at an elevation of 620 m (2,034 ft) in the Bee Creek canyon. This molybdenite showing is about 240 m (787 ft) north of the northern Karalee #2 claim boundary.

At this showing, disseminated molybdenite and chalcopyrite occur in a granodioritic dyke that crosses the canyon at a high angle. Locally, the attitude of the dyke is about 080°/ 85°S. The regional strike and dip of this dyke is unknown.

Sample K 15-1 was a composite chip sample taken from slabs of dyke rock that were wedged in the notch of the canyon. It contained 0.414% molybdenum, 0.697% copper, and traces of other metals.

In the writer's opinion, this is the most important mineral showing in the property area because it shows that there is a molybdenum and copper-rich intrusive phase in the local area. If such an intrusive phase could be found to be sufficiently large and have sufficient tenor, it would be a major "porphyry molybdenum-copper" discovery.

Mineralization in the Karalee property area warrants a program of silt sampling followed by prospecting and detailed mapping. Any new mineral showings found should be trenched, sampled and drilled.

The 2005 exploration program comprised, prospecting, access trail development, location, mapping, and sampling of mineral showings. A total of 1.3 km (0.8 mi) of access trail was brushed out to an average width of 0.6 m (2 ft) resulting in a total of 0.078 ha (0.192 A) of brushing.

The cost of the 2005 exploration program was $27,756.99 + $1,897.45 G.S.T. = $29,654.44. The 2005 work program was conducted from June 4 to 24, 2005.

THE KARALEE PROPERTY

1.0 INTRODUCTION

1.1 Introduction and Terms of Reference

The writer was retained by Rene Bernard through Cassiar East Yukon Expediting Ltd. to examine and report upon the Karalee property. The writer had conducted no previous work on this property. This report dated July 12, 2005 was produced as a record of work for assessment credit.

This report is based published records of the results of previous exploration on the Karalee property area, of property examinations and regional mapping conducted by geologists of the British Columbia Geological Survey and the Geological Survey of Canada, the 2005 exploration conducted by Joseph Lawrence's prospecting crew from June 7 to June 22, 2005, and the writer's work on the Karalee property area from June 20 to 22, 2005.

The current program extended from June 4 to June 24, 2005 including road and marine transport time. The cost of the 2005 work was $27,756.99 + $1,897.45 G.S.T. = $29,654.44 (Table 7).

1.2 Property Description and Location

The claims comprising the Karalee property are located on steep slopes of an easterly spur of a ridge located between Klekane Inlet and Princess Royal Channel on the northern coast of British Columbia (Figures 1and 2).

The Karalee property area comprises 2 contiguous map-staked claims covering 696.9 hectares (1,721.3 acres). These claims are located in the Skeena Mining Division, Coast Range 4 Land District of northwestern British Columbia, Canada. The Karalee property is located on N.T.S. map sheet 103 H/2 and B.C. map sheet 103H 027.

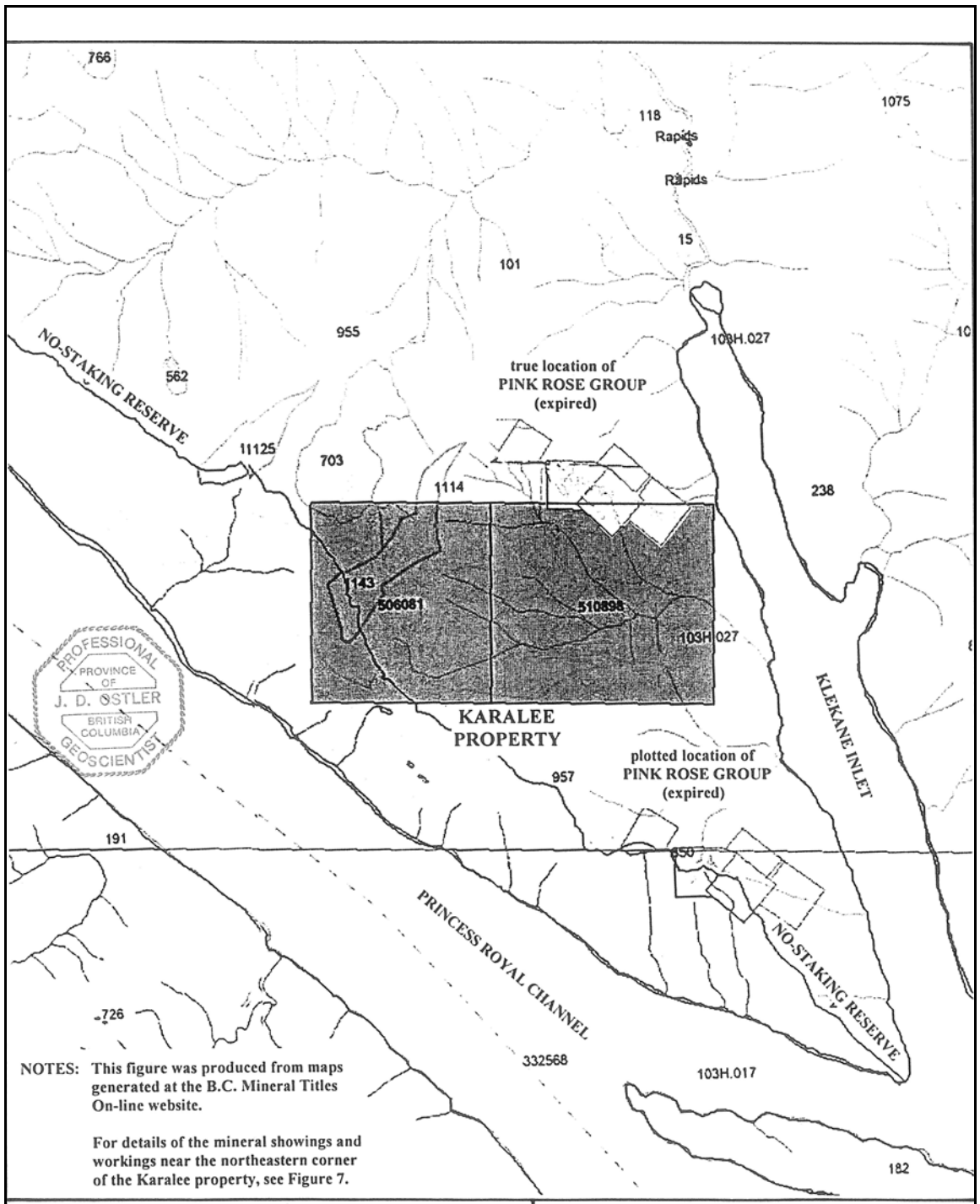
Figure 1

CASSIAR EAST YUKON EXP. LTD.

GENERAL LOCATION

KARALEE PROPERTY

53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006


766
1075
118
Rapids
Rapids
15
101
955
103H.027
NO-STAKING RESERVE
562
true location of
PINK ROSE GROUP
(expired)
11125
703
1114
238
143
506081
510898
103H.027
KARALEE
PROPERTY
KLEKANE INLET
PROFESSIONAL
PROVINCE
OF
J. D. OSTLER
BRITISH
COLUMBIA
GEOSCIENTIST
plotted location of
PINK ROSE GROUP
(expired)
957
191
650
PRINCESS ROYAL CHANNEL
NO-STAKING RESERVE
726
332568
103H.017
182
NOTES: This figure was produced from maps generated at the B.C. Mineral Titles On-line website.
For details of the mineral showings and workings near the northeastern corner of the Karalee property, see Figure 7.
N.
21°
N. mag.
SCALE
0 0.5 1 1.5 2 km
0 0.25 0.5 0.75 1 mi
Figure 2
CASSIAR EAST YUKON EXP. LTD.
LOCATION and TERRAIN
KARALEE PROPERTY
53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY 2006

The locations of the centres of significant areas on the property are as follow (Figures 2 and 7):

TABLE 1
Locations of Significant Areas on the Karalee Property

Centre of Entity	U.T.M. Co-ordinates
Property center	5,897,288 N., 519,084 E.
Landing on Klekane Inlet	5,896,334 N., 521,721 E.
Upper camp cabin	5,897,505 N., 520,324 E.
Pink Rose copper skarn area	5,897,942 N., 520,110 E.
Main working in the Upper Camp zone	5,897,413 N., 520,503 E.
Bee Creek Molybdenum mineralization	5,898,000 N., 519,862 E.
Copper Cliff copper skarn	5,898,200 N., 519,692 E.

Tenure of the of the claims comprising the Karalee property is as follow (Figure 2):

TABLE 2
Map-staked Claims

Claim Name	Record Number	Area (ha.)	Record Date	Expiry Date	Owner
Karalee	506,081	309.733	April 11, 2003	Feb. 7, 2006	Joseph T. Lawrence
Karalee #2	510,898	387.167	April 18, 2005	April 18, 2006	Joseph T. Lawrence
		696.900			

Although the boundaries of the claims comprising the Karalee property have not been surveyed and their exact positions have not been defined on the ground, those positions have been defined precisely on the provincial mineral tenure grid. Consequently, there is no legal uncertainty regarding the area covered by those claims.

There is no private land or aboriginal homeland on or adjacent to the claims comprising the Karalee property. During late spring of 2005, a no-staking reserve was placed over most of the Karalee property and the area surrounding it. If a new park is established in this area, the exploration potential of the land between Klekane Inlet and Princess Royal Channel will be destroyed.

There is no plant or equipment, inventory, mine or mill structure of any value on these claims.

1.3 Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The claims comprising the Karalee property are located on steep slopes of an eastern spur of a ridge located between Klekane Inlet and Princess Royal Channel on the northern coast of British Columbia.

The terrain around the Karalee property forms part of the Kitimat Ranges of the Coast Mountains. Those ranges were described by S.S. Holland (1976) as follows:

> The Kitimat Ranges ... comprise the granitic mountains which extend from the Nass River southward for more than 200 miles (322 km) to Burke Channel and Bella Coola River. They are flanked on their western side by the Coastal Trough and on their eastern side by the Hazelton Mountains. They include the mountains on the island archipelago and mainland, rising from the sea to heights of 6,000 to 8,000 feet (1,828.8 to 2,438.4 m).
>
> The highest peaks in the ranges are Atna Peak (9,040 feet, 2.755.4 m) just east of Kitimat and Thunder Mountain (8,797 feet, 2,681.3 m) just north of the Bella Coola River. For the most part, the peaks are between 6,500 and 7,500 feet (1,981.2 and 2,286 m) and are characteristically round-topped, dome-like mountains ... with cirques on their north and northeastern sides. These round-topped mountains, many of which were overridden by the ice-sheet, present a rather uniform summit elevation above which the higher matterhorns project.
>
> These ranges have considerably fewer glaciers than those to the north and south, and no extensive icefields remain. Nevertheless, they have been heavily glaciated, and a remarkable feature of them is that cirque erosion along their western margin reached sea-level.
>
> Major rivers ... cross the ranges in valleys that are a few hundred feet above sea-level, creating a relief of 5,000 to 8,000 feet (1,524 to 2,438.4 m).
>
> The mountains are very largely eroded in the granitic rock of the Coast Intrusions and bold, impressive, massive mountains of monolithic granite, almost devoid of small-scale jointing, are a common feature in the ranges. The granite in places has a sheeting developed on a grand scale, so that dome-like mountains have huge plates peeling off from their sides and tops. Many of the erosional forms in these ranges rival those of the Yosemite in design and grandeur.
>
> ... Topographic maps and aerial photographs of the Kitimat Ranges display numerous large-scale lineaments. The lineaments take the form of long straight valleys or channels, the alignment of short valleys along a straight line, or the straight-line alignment of smaller features such as cliffs, lakes and valleys. Grenville Channel is one of a set of northwesterly trending lineaments which are essentially parallel to the coastline. Many of them are controlled by belts or septa of older sedimentary or volcanic rocks within the dominantly granitic terrain. Another prominent set of lineaments is at right angles to the first and transverse to the direction of the coastline. The direction of the set running parallel to the grain of the coastline shows from south to north a progressive change, corresponding to the compound curved plan of the coastline. It is interp0reted as being directly related to the trend of fold axes in belts of pre-batholithic rocks...
>
> Holland, S.S.; 1976: p. 41.

Elevations range from sea level at Klekane Inlet, to about 1,097 m (3,600 ft) near the small lake on the Karalee claim (Figure 2). Most of the property is covered by steep slopes, commonly in excess of 30°.

Adequate fresh water for mining purposes could be obtained from the lake in the northern part of the property or from Klekane River, which enters the sea at the northern end of Klekane Inlet.

The property is covered with dense coastal rainforest, dominated by yellow cedar and fir .

The lower slopes on the eastern part of the Karalee #2 claim were logged in the early part of the 20th century. The central part of the property is covered by first-growth forest where widely spaced trees are in excess of 1 m (3.3 ft) in diameter. This forest grades up-slope into alpine vegetation.

There is sufficient timber on the property to support a moderate-sized underground mining operation.

The property is remote from any electrical grid. Consequently, electricity for a mining operation would have to be generated on site or by damming a nearby river.

Terrain on the property is rugged and rock outcrops are common in the higher parts of the property.

The writer's experience on this part of the coastal rainforest has been that soil surveys have been of little use in mineral exploration. Rainfall causing leaching of metals in soils is so intense that even right on top of highly mineralized veins, soil-geochemical anomalies are poorly developed. However, the skarns on this property contain sufficient copper to produce distinct soil-geochemical anomalies despite soil leaching.

The closest weather station to the property-area is at McInnes Island, British Columbia. Climatic statistics for that station are quoted from Environment Canada as follow:

Average temperature: January, High 5.68°C. August, High 16.9°C
Low 2.15°C. Low 12.0°C.

Average annual precipitation: 2,595 mm of which 2,522 mm falls as rain and 72.3 cm falls as snow

Driest month: July with 100.2 mm rain
Wettest month: November with 340.2 mm rain

Average Snow depth (cm):

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
0.56	0	0	0	0	0	0	0	0	0	0	0

Note: **This data were obtained from the National Climate Archive (Climate Data On Line, Canadian Climate Normals) at www.climate.weatheroffice.ec.gc.ca/climate**

The climate at higher elevations around the property-area is colder and snowier in the winter than that near sea level.

There is no road access to anywhere near the Karalee property. The two closest coastal ports to the property are Kitimat, located about 112 km (70 mi) to the north, and Bella Coola, located about 193 km (120 mi) to the south (Figure 3). Kitimat is much larger than Bella Coola and together with Terrace can supply all of the needs of a small exploration project with the exception of cheap water transport. Local water taxis are

quite expensive.

During the 2005 work program on the Karalee property, Joe Lawrence rented a herring punt from a friend at Kitimat Village.

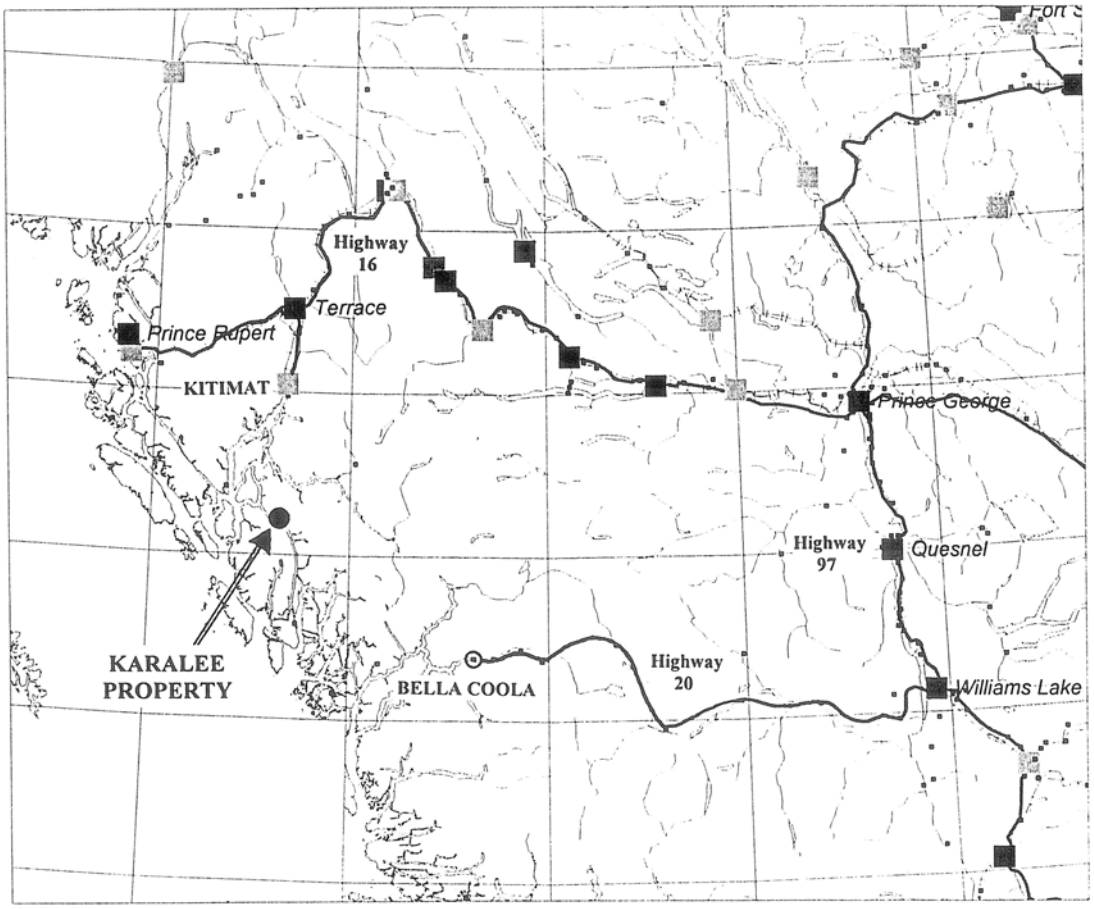
If quick access to the property area is required, helicopters are available in Terrace and float planes can be chartered from a base at Lakelse Lake, located between Terrace and Kitimat. The premier port on the northern British Columbian coast is Prince Rupert, which is about a 1.5 hour drive along Highway 16 west of Terrace. Airplane, helicopters, boats and barges are available there.

During the mid-1980s, the writer conducted a drill program on a property a few kilometers east of the Karalee claims. Camp supplies and equipment were moved to the area from Prince Rupert and a helicopter was hired in Terrace to fly the gear onto the site.

The writer's recent trip from Kitimat to Klekane Inlet took about 6.5 hours, mostly due to high waves in Douglas Channel south of Kitimat. The return trip took only four hours due to favourable wind and wave directions.

Much was made in the B.C. Minister of Mines' Annual Reports about the road that Alex McLeod built from the cabin on Klekane Inlet to the Upper camp (section 2.2, this report). That was no road; it was far too steep and narrow. However, its design no longer matters because it has deteriorated to the point where only parts of it can be used as a foot trail. If a new access road is built on the property its route will have to be determined anew using reasonable grades and curves.

Trails have been cut out from the lower cabin at tidewater to the upper camp and the main copper skarn showings as part of the current work program.



SCALE 1 : 4,500,000

50 0 50 100 150

MILES

PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
J. D. OSTLER
GEOSCIENTIST

NOTE: This figure was generated from an image produced by the B.C. MapPlace: www.em.gov.bc.ca/mining/Geosurv/MapPlace/Default.htm

N.

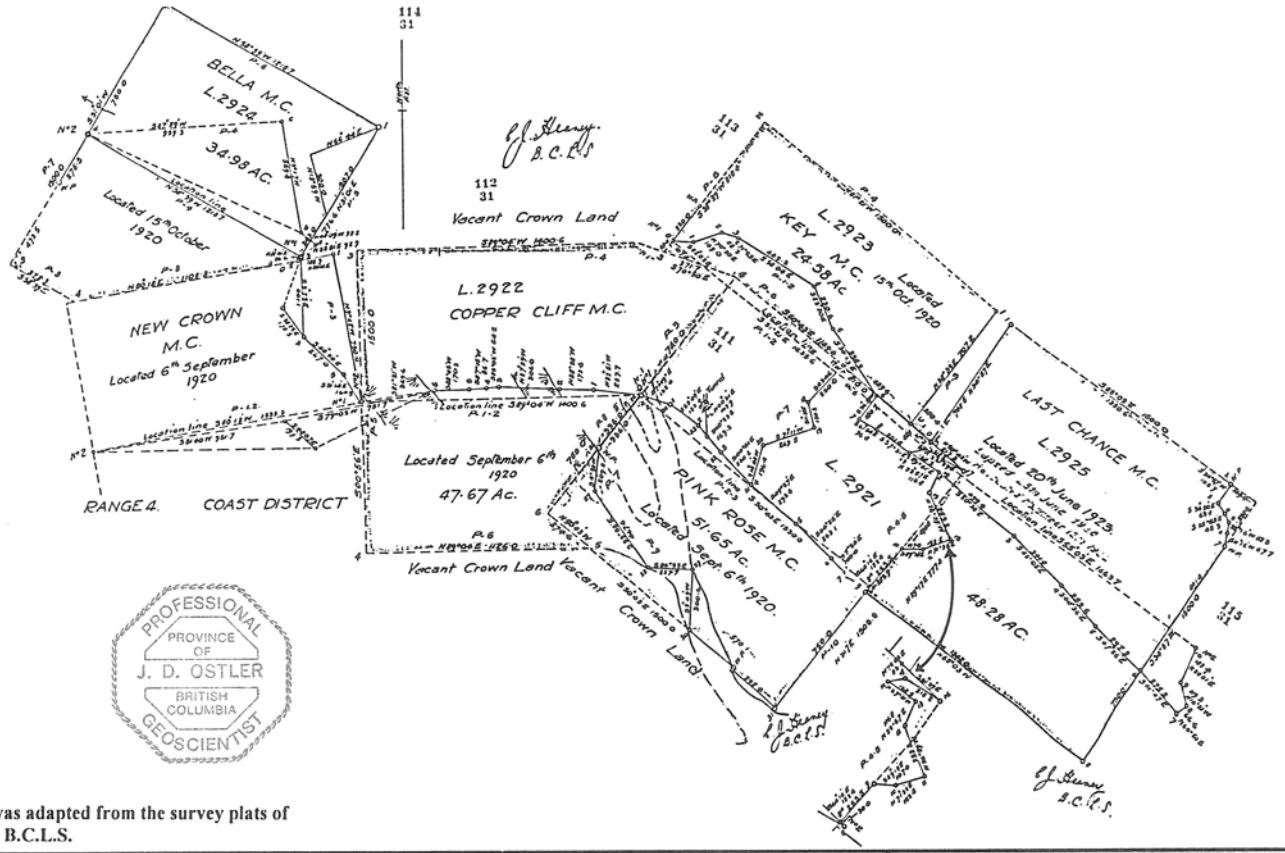
CASSIAR EAST YUKON EXP. LTD.

Figure 3

ROAD AND WATER TRANSPORT

KARALEE PROPERTY

53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006



NOTE; This figure was adapted from the survey plats of C.J. Heaney, B.C.L.S.

N.

21° N. mag.

SCALE

0 100 200 300 400 500 m

0 500 1000 1500 ft

Figure 4

1930 SURVEY of the PINK ROSE CLAIMS

KARALEE PROPERTY

53° 13' 28" N., 128° 42' 51" W.

U.T.M.: 5,897,288 N., 519,084 E.

N.T.S.:103 H/2, SKEENA M.D., B.C.

JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006

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2.0 HISTORY

2.1 Chronology of Exploration in the Karalee Property Area

1911 The Bolton group comprising six claims was staked to cover a skarn copper showing on the slopes above the northern side of Klekane Inlet.

1911 to 1916
Stripping , trenching and trail construction was done. A gold-bearing quartz vein was discovered.

1916 to 1917
The Bolton group was optioned to Granby Consolidated Mining, Smelting and Power Company Limited which continued exploration.

1921 to 1922
The Bolton group was acquired by Alexander McLeod and associates. A tote road was built from the shore of Klekane Inlet to the upper camp down hill from the main workings. An adit and a drift were driven one stoping height beneath the main surface showing.

1923 to 1924
The name of the Bolton group was changed to the Pink Rose group. Mineralization was traced along the intrusive contact both north and south of the main skarn showing area and a parallel "quartz vein" was opened up for a length of 152.4 m (500 ft) near the upper Pink Rose camp.

1930 Five of the claims of the Pink Rose group were surveyed and crown-granted.

1996 Joseph Lawrence staked the Karalee claim, a predecessor of the current Karalee claims. That claim was prospected and two cuts were sampled upon being acquired by Whiskey Creek Resources Inc. At the conclusion of the prospecting program Bruce and Jason Lawrence, sons of Joseph Lawrence discovered the Bee Creek molybdenum occurrence.

1997 The predecessor Karalee claim lapsed.

2005 Joseph Lawrence map-staked the current Karalee property, access trails were brushed out showings were prospected and sampled.

2.2 Exploration in the Karalee Property Area

During 1911, a skarn copper occurrence had been discovered at about 1.6 km (1 mi) north of the northern side of Klekane Inlet at a reported elevation of about 670.5 m (2,200 ft).

Stripping, trenching, and prospecting were done on the property for the next five years. A pack trail was built from the shore of the inlet to a base camp located down hill from the main workings to supply the exploration effort. A gold-bearing quartz vein (actually a series of discontinuous lenses in a marble unit) was discovered down hill from the copper skarn.

During 1916, the Bolton claims were optioned to Granby Consolidated Mining, Smelting and Power Company Limited.

A provincial government geologist described the progress of work as follows:

> The *Bolton* group of six claims is situated at Klekane inlet and are under option to the Granby Consolidated Mining, Smelting and Power Company Limited. This property was located in 1911 and considerable development-work has been done. The ore is copper-gold.
>
> B.C. Minister of Mines, Annual Report; 1916: p. K50.

Granby, disappointed with the results of its 1916-17 exploration program, dropped its option on the Bolton claims.

A geologist from the Geological Survey of Canada visited the Bolton claims during 1921. By that time, the property was bonded to Alexander McLeod and an associate (probably W.H. Mason), of Vancouver, B.C. who were then widening the trail from the inlet to the upper camp into a road to facilitate high-grading the copper skarn.

The 1921 description of progress on the Bolton property was as follows:

> ... It (the Bolton group) is under a working bond to A. McLeod and associate of Vancouver, who were engaged at the time of the writer's visit, in building a sleigh road for the high-grade ore. The property is situated at an elevation of 2,150 feet (655.3 m) and about 2 miles (3.2 km) north of the shore of Klekane inlet, which lies about 100 miles (161 km) south of Prince Rupert. The deposit is of the contact metamorphic type, formed in limestone near the contact of an intrusion of quartz diorite of Coast Range batholith age. The limestone forms a bed about 7 feet (2.1 m) in width interbedded with chloritic schists all of which are steeply folded, strike north 60 degrees west, and dip vertically. The contact of the quartz diorite is exceedingly irregular and surrounds the limestone on three sides. The limestone is altered into the usual minerals epidote, actinolite, hornblende, augite, quartz, and garnet, and for a width of about 18 inches (0.46 m) is heavily mineralized with chalcocite and bornite, making fairly high-grade ore. The ore can be traced over a horizontal distance of 100 feet (30.5 m) and a vertical distance of 60 feet (18.3 m), but over most of this distance the ore-shoot is quite narrow and much of it is of fairly low grade. Mr. McLeod reported that there was a lead in the schist which assayed $125 a ton in gold, but this could not be found.
>
> Geological Survey of Canada, Summary Report; 1921: pp. 38A-39A.

By the following year, McLeod and his associate had acquired an interest in the Bolton property and secured funding for an aggressive work program on the copper skarn comprising surface stripping and underground development of a haulage way beneath the main skarn showing.

A provincial government geologist's description of the 1922 work on the skarn was as follows:

> There are four claims in the (Bolton) group - *Copper Cliff, New Crown, Lily*, and *Pink Rose.* They are situated about 2 miles (3.2 km) from the beach on the north side of Klekane inlet about 7 miles (11.2 km) from the Butedale cannery. The owners are W.H. Mason and Alexander McLeod, Vancouver; R.E. Honeyman, Victoria; and F.A. Nicol, at the property. A very creditable road has been built by the owners from the beach camp to within half a mile (0.8 km) of the workings. The property was under development all last summer, but work suspended during the winter. A small cabin has been built at the workings, at 1,750 feet (533.4 m) elevation, and considerable work done on the showings.
>
> The deposit is of contact metamorphic type, formed by the replacement of limestone along and near the contact with the Coast Range granodiorite. Work done is an open cut and a tunnel 30 feet (9.15 m) below. The open cut shows a width from 12 to 15 feet (3.7 to 4.6 m) of lenses and bunches of crystalline limestone and its alteration products epidote, hornblende, garnetite, etc., all more or less mineralized with chalcocite and bornite. About 2 feet (0.65 m) of ore-body is fairly well mineralized, and from this high-grade ore could be sorted. The contact appears to strike about east-west, although it is very irregular.
>
> The tunnel below this, at 2,200 feet (670.6 m) has been driven on a bearing of N. 10° W. 65 feet (19.8 m), cutting across the granite and schists; then for 30 feet (9.15 m) as a drift on the vein, which discloses about the same conditions as in the open-cut above. The mineralization exposed so far is probably a low-grade milling-ore, but further work is warranted along the contact in search of shoots of high-grade ore. Operations will likely be resumed next summer.
>
> B.C. Minister of Mines, Annual Report; 1922: p. N44.

During the 1923 season, exploration focused on tracing mineralization down hill and east of the main showing. That work resulted in the extension of known mineralization along the trend of the main showing and the discovery of a parallel structure near the upper camp.

For some unknown reason, the property was renamed the Pink Rose group.

Subsequent stripping of these new finds was described by a provincial geologist upon an examination of the property during 1924 as follows:

> This property (the Pink Rose group) was formerly called the *Bolton* group and is situated at the north side fo Klekane inlet, about 2 miles (3.2 km) from the beach, at an elevation of 2,200 feet (670.5 m). The group is now comprised of seven mineral claims - *Copper Cliff, New Crown, Bella, Key, Pink Rose, Last Chance*, and *Bonanza*. The work done on the property since last reported on consists of some surface-stripping about 40 feet (12.2 m) long above the upper cabin in a small open-cut. This work exposed a quartz vein up to 6 feet (1.8 m) in width, carrying a little chalcopyrite. This can be traced on the surface for 500 feet (152.4 m) and apparently parallels the old showing on which the work was done at 2,300 feet (701.4 m) (the main skarn zone at 2,200 feet, or 760.5 m elevation). Also two or three open-cuts were put in on what is supposed to be the downward extension of the old showing on which the work was done at 2,300 feet (701.4 m) elevation. The full width of the vein was not definitely determined by these cuts, but there are several feet of mineralized material from which an assay of 32 oz (1,097 gm/mt) silver was obtained by Mr. McLeod, one of the owners, who was on the property all summer doing the above work.
>
> B.C. Minister of Mines, Annual Report; 1924: p. B45.

Prospecting continued on the Pink Rose (Bolton) claims through 1925 and 1926 with a westward extension of the main skarn zone having been found. The description of mineralization along that contact in the 1926 Minister of Mines' Annual Report was as follows:

> ... The tunnel, at 2,200 feet (670.5 m) elevation, has been driven on a bearing of N. 10° W., cutting the vein at 65 feet (19.8 m) from the portal, and continued 35 feet (10.7 m) on the vein, demonstrating similar conditions to the surface. Farther west another granite-limestone contact has been traced for several hundred feet , showing a little mineralization, but being along the course of a creek, it is difficult to open it up to any extent.
>
> East of the main showing and possibly its continuation, another vein has been traced, following down a deep gulch . A few open-cuts were put in on the lower end of it in the creek-bed, showing fair mineralization in places. The owners intended doing some further work on this vein farther up the gulch, where the cropping is on the side and therefore away from the creek-water.
>
> I think that the extension of the drift in the upper (only) tunnel would be the best development, for above it is the best surface showing exposed so far on the property.
>
> B.C. Minister of Mines, Annual Report; 1926: pp. A70-A71.

The other "granite-limestone contact" described in the 1926 report resembles the copper skarn at the head of Bee Creek as examined by the writer (Figure 7; section 4.2, this report).

It is interesting to note that no mention was made in the 1926 property examination description of the parallel vein exposed near the upper cabin. By 1926 it must have been obvious that the "vein" was in reality a series of discontinuous lenses with little economic potential.

The last visit to the Pink Rose group by a provincial government geologist seems to have been in 1929. It does not appear that many new showings had been found since 1926. A report of the 1929 property examination including the only description of skarn mineralogy was as follows:

> This property (Pink Rose) was formerly known as the *Bolton* group. It consists of eight claims owned by a syndicate composed of Alex. McLeod, of Butedale, and associates. The property is situated on the north side of Klekane inlet, off Graham reach, and about 1 mile (1.6 km) from the head of the inlet. There is a good trail from the cabin on the beach to the upper camp at 1,800 feet (548.6 m) elevation. Exploration of the property has been continuously prosecuted by Alex. McLeod.
>
> The ore occurrence is a contact-metamorphic development of chalcocite and bornite in an altered schist-limestone inclusion in quartz diorite. The ore occurs in lenticular aggregations of blebs from pea to walnut size and is best developed where the limestone has been completely altered to garnetite and epidote. The showing has been explored by open-cuts and a tunnel. In the large open-cut a 12-foot (3.6 m) width of mineralized zone with about 2 feet (0.6 m) of fair-grade ore is exposed. The tunnel at 2,200 feet (670.5 m) crosscuts the zone at 65 feet in, from which point a drift is run, showing a similar character to the open-cut exposure.
>
> To the east of this showing several open-cuts have been put in on a possible continuation of the main showing outcropping in a creek-bed. Fair mineralization is exposed in these cuts. The property is conveniently situated for economical operation.
>
> B.C. Minister of Mines, Annual Report; 1929: p. C69.

Despite the onset of the Great Depression, Alexander McLeod's syndicate continued to develop the Pink Rose claims. A summary of the 1930 work was recorded in the Annual Report if that year as follows:

> ... During the 1930 season five claims of the group were surveyed for Crown-granting. The remaining three claims are being prospected and may be Crown-granted later. Work was concentrated on the new discovery in the canyon about 300 feet (91.4 m) below the outcrop, where 10 feet (3.05 m) of encouraging mineralization was encountered. One shot was put in the lower lead at altitude 600 feet (182.9 m) and tools placed there for preparation for further work at that locality next season.
>
> B.C. Minister of Mines, Annual Report; 1930: p. A66.

The writer assumes that the new discovery 300 feet beneath the "outcrop" may be in the gulch beneath the main skarn working where work was being conducted in 1929.

The tools are still at the "lower lead" near the upper camp.

By 1930, there were no more big open cuts and no more underground development, the writer presumes that the McLeod syndicate was out of cash. Paying for the cost of a legal survey on only five out of eight key claims must have been a desperation move, designed to lower the cost of holding the core claims. The writer believes that the syndicate "hunkered down" to wait for better times as the depression closed in around it.

Five of the claims of the Pink Rose (Bolton) group were surveyed by C.J. Heaney, B.C.L.S. during September, 1930 (Figure 4) and subsequently crown granted in the Coast Range 4 land district as follows:

TABLE 3
Crown-granted Claims of the Pink Rose Group

Claim Name	District Lot No.	Area acres	Area hectares
Pink Rose	2921	20.90	8.46
Copper Cliff	2922	19.29	7.81
Key	2923	9.95	4.03
Bella	2924	14.16	5.73
Last Chance	2925	19.54	7.91

During the writer's work of the Karalee property, all of the cabins and workings of the Pink Rose group described in the B.C. Minister of Mines' Annual Reports were found, positively identified ,and located using a G.P.S. unit (section 1.2, this report). The crown grants of the Pink Rose group are located 3,520 m too far south and 1,208 m too far east on all British Columbia maps as well as images available on B.C. government web sites. They are plotted in their proper locations according to the 1930 survey notes of C.J. Heaney, B.C.L.S. in this report.

The Pink Rose claims and the crown-grants eventually were allowed to lapse and revert to the crown.

No further work was known by the writer to have been done in the property area until 1996 when Joseph Lawrence, of Cache Creek, British Columbia staked the area formerly covered by the Pink Rose claims. Lawrence's 1996 property was vended to Whiskey Creek Resources Inc. and R.G. Hilker was commissioned to write a brief description of it without the benefit of a property visit. That description formed part of a summary report of several of Whiskey Creek's property holdings (Hilker, 1997).

J. Lawrence conducted a program of prospecting and trench sampling during that year. R.G. Hilker summarized the results of the preliminary program as follows:

> Recent chip samples were obtained from "below" the old cuts by J. Lawrence in September 1996. The samples were obtained about 1000 m (3,280 ft) below the old workings and extended the zone by about 1000 metres. Two samples were assayed: Cut #1, Cu 6.0% and Au 0.76 g/t (0.022 oz/ton); Ag 290 g/t (8.46 oz/ton); Cut #2, Cu 4.9%, Au 0.02 g/t (trace), Ag 78 g/t (2.32 oz/ton) ...
>
> Hilker, R.G.; 1996: un-numbered page

Reportedly, at the conclusion of the 1996 program J. Lawrence's sons, Bruce and Jason, discovered

a zone of disseminated molybdenite mineralization in the upper part of the Bee Creek canyon (Figure 7). At that time, the price of molybdenum was so low that money could not be raised to develop the new discovery. Hard times forced abandonment of Lawrence's claim.

A substantial rise in the price of molybdenum recently, fostered renewed interest in porphyry molybdenum systems and their precious metal haloes.

J. Lawrence re-acquired the area around the expired Pink rose group crown grants to gain control of the 1996 molybdenum discovery and surrounding copper skarn mineralization.

In late spring, 2005 the government of British Columbia placed a no-staking reserve over most of the Karalee property and much of the surrounding area without giving any notice to the owner, J.T. Lawrence. Lawrence's prospecting team brushed out trails to major workings. The copper skarns and molybdenum mineralization in Bee Creek were examined and sampled by the writer from June 20 to 22, 2005.

3.0 GEOLOGICAL SETTING

3.1 Regional Geology

Rocks of both the Palaeozoic-age Alexander terrane and the late Mesozoic-age Coast Plutonic Complex form the stratigraphy of the North Coast around Butedale and the Karalee property. W.W. Hutchison et al. (1973) compiled previous work in that area to produce G.S.C. Map 1385A (Figure 5).

Their descriptions of rocks of the Alexander terrane and the Coast Plutonic Complex are as follow:

> The Skeena River sheet (N.T.S. 103) includes parts of the Pacific Plate and Continental Shelf, Insular Belt, Coast Plutonic Complex, Intermontane Belt and in Alaska, Alexander Terrane and Gravina Belt....
>
> Alexander Terrane in southeastern Alaska (metamorphosed equivalents on the North Coast of British Columbia) includes sedimentary, volcanic and metamorphic rocks ranging in age from probable Precambrian to Upper Triassic. The strata are multiply deformed and intruded by granitic and ultramafic plutons of several ages, but are generally only gently folded and slightly metamorphosed. Locally, however, the rocks have been penetratively folded and subjected to at least two periods of metamorphism, one probably of early Palaeozoic age and the other Cretaceous. Westerly directed thrusts occur, some juxtaposing rocks of contrasting structure and metamorphic grade. The terrane is segmented into several blocks by Tertiary, high-angle, probably transcurrent faults; some may have had earlier displacements. It is possible that the entire terrane, or part of it, is allochthonous with respect to more easterly components of Cordilleran Orogen ...
>
> The northwesterly trending Coast Plutonic Complex is dominated by three elements: intermediate granitic rocks, the central gneiss complex, and discontinuous zones of schists. The most abundant granitic rocks are quartz diorite and granodiorite; diorite and quartz monzonite are less common; gabbro and granite are rare. Some of the granitic rocks occur in partly allochthonous zoned plutons which may root within and form an integral part of the central gneiss complex. In the central gneiss complex migmatite is common and sillimanite is rare but widely distributed. Kyanite occurs west of the Quottoon Pluton. Between Skeena and Nass Rivers the leucocratic nature of the gneisses suggests an original cratonic or sialic derivation. Early major recumbent folds north of Skeena River have east-west axes and may verge north or south; younger structures trend north-northwest and usually have steep dips. Large recumbent structures between Douglas Channel and Skeena River verge west. The metasedimentary and metavolcanic schists form discontinuous northerly plunging synformal screens between plutons or within the central gneiss complex...
>
> Hutchison, W.W., Berg, H.C. and Okulitch, A.V. comp.; 1973: Notes to G.S.C. Map 1385A.

Mapping of rocks in the Karalee property area were was compiled in greater detail by J.A. Roddick (1970) of the Geological Survey of Canada. On his map (G.S.C. Map 23-1970) (Figure 6) the area between Klekane Inlet and Princess Royal Channel is underlain by a northwesterly trending keel of mostly thinly laminated micaceous quartzite, crystallized limestone, skarn and schist rimmed by a contact zone of gneissic diorite and migmatite. The keel is in the Butedale Pluton, a body of hornblende-biotite granodiorite.

NOTE: For legend, see Figure 5A.

N.

21° N. mag.

SCALE

0 10 20 30 40 50 km

0 5 10 15 20 25 30 mi

Figure 5

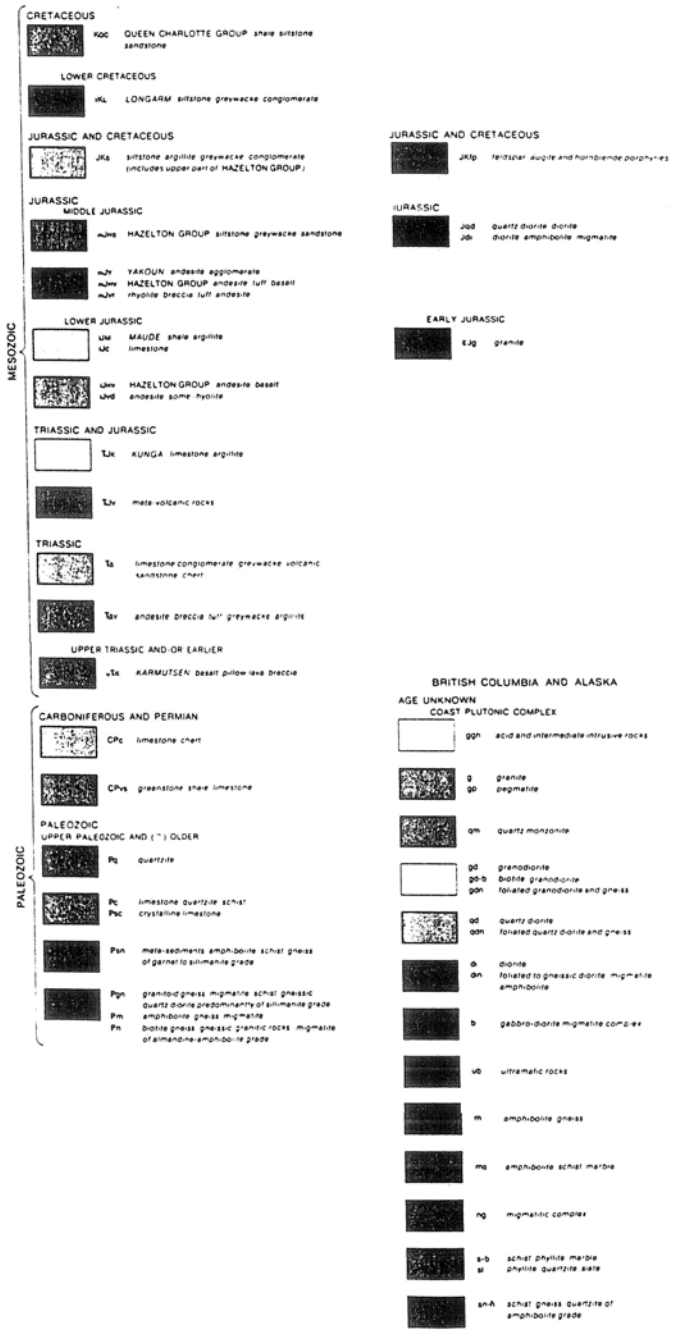
CASSIAR EAST YUKON EXP. LTD.

REGIONAL GEOLOGY
from G.S.C. MAP 1385A

KARALEE PROPERTY
53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006

FIGURE 5A

LEGEND to FIGURE 5



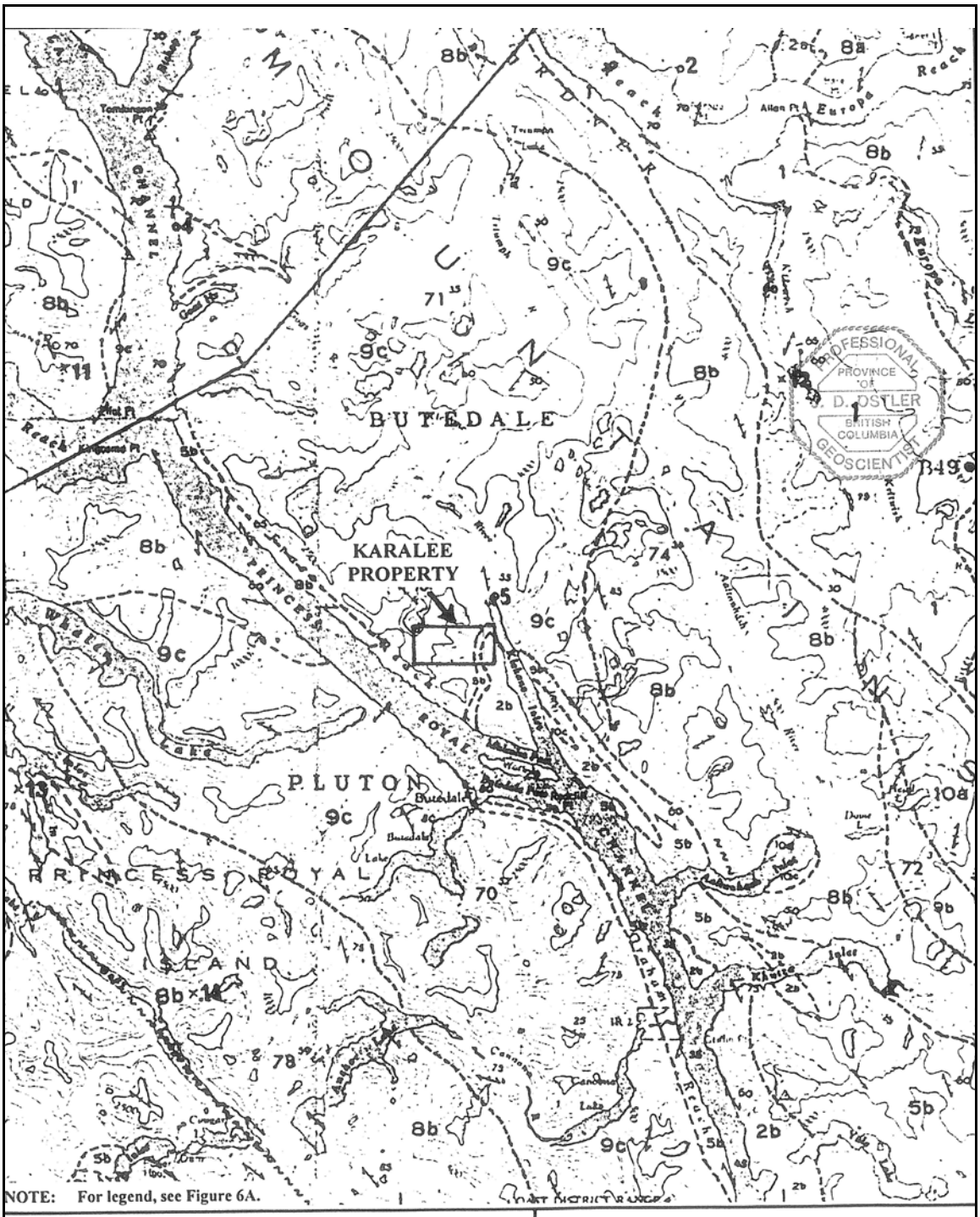

KARALEE PROPERTY
BUTEDALE
PLUTON
PRINCESS ROYAL ISLAND
PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
J. D. OSTLER
GEOSCIENTIST
NOTE: For legend, see Figure 6A.
N.
21°
N. mag.
SCALE
0 2 4 6 8 10 km
0 1 2 3 4 5 mi
Figure 6
CASSIAR EAST YUKON EXP. LTD.
REGIONAL GEOLOGY
from G.S.C. MAP 29-1970
KARALEE PROPERTY
53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006

FIGURE 6A

LEGEND to FIGURE 6

LEGEND

STRATIFIED ROCKS

CENOZOIC

QUATERNARY
PLEISTOCENE AND RECENT

12 — Alluvium and glacial deposits

UPPER MIOCENE (?)

11 — Basalt flows (pillows common)

MESOZOIC

JURASSIC
MIDDLE JURASSIC
HAZELTON GROUP

4 — Greenstone, siliceous tuff, calcareous and micaceous quartzite, breccia, greywacke, argillite, slate

LOWER JURASSIC (?) OR
UPPER TRIASSIC (?)

3 — Greenstone, chlorite schist

PALEOZOIC

PERMIAN (?) AND/OR OLDER

2 — Mainly metasediments: 2a, hornblende-biotite-plagioclase amphibolite and schist; biotite schist (locally garnetiferous), kyanite-staurolite-almandine mica schist, sericite-epidote schist, sillimanite-quartz-plagioclase gneiss, graphitic schist, quartzite, crystalline limestone; conglomerate; lit-par-lit gneiss, agmatite and minor granitic rock; 2b, mainly thinly laminated micaceous quartzite; crystalline limestone, skarn, schist; 2c, mainly massive to thick bedded crystalline limestone; 2d, mainly thin bedded crystalline limestone, skarn, intercalated quartzite and schist

1 — Granitoid gneiss, gneissic quartz diorite, rusty fine grained gneiss and schist, migmatite; minor garnet-sillimanite-biotite schist, crystalline limestone, diopsidic skarn, garnet-staurolite-kyanite schist; 1a, agmatite

PLUTONIC ROCKS
(Age of formation and intrusion unknown)

10 — 10a, mainly biotite quartz monzonite; 10b, biotite hornblende quartz monzonite; 10c, leucoquartz monzonite or granite; 10d, aplitic, garnetiferous quartz monzonite

9 — Granodiorite: 9a, biotite only; 9b, biotite hornblende; 9c, hornblende biotite; 9d, sheared granodiorite and gneiss; 9e, fine-grained, even textured granodiorite

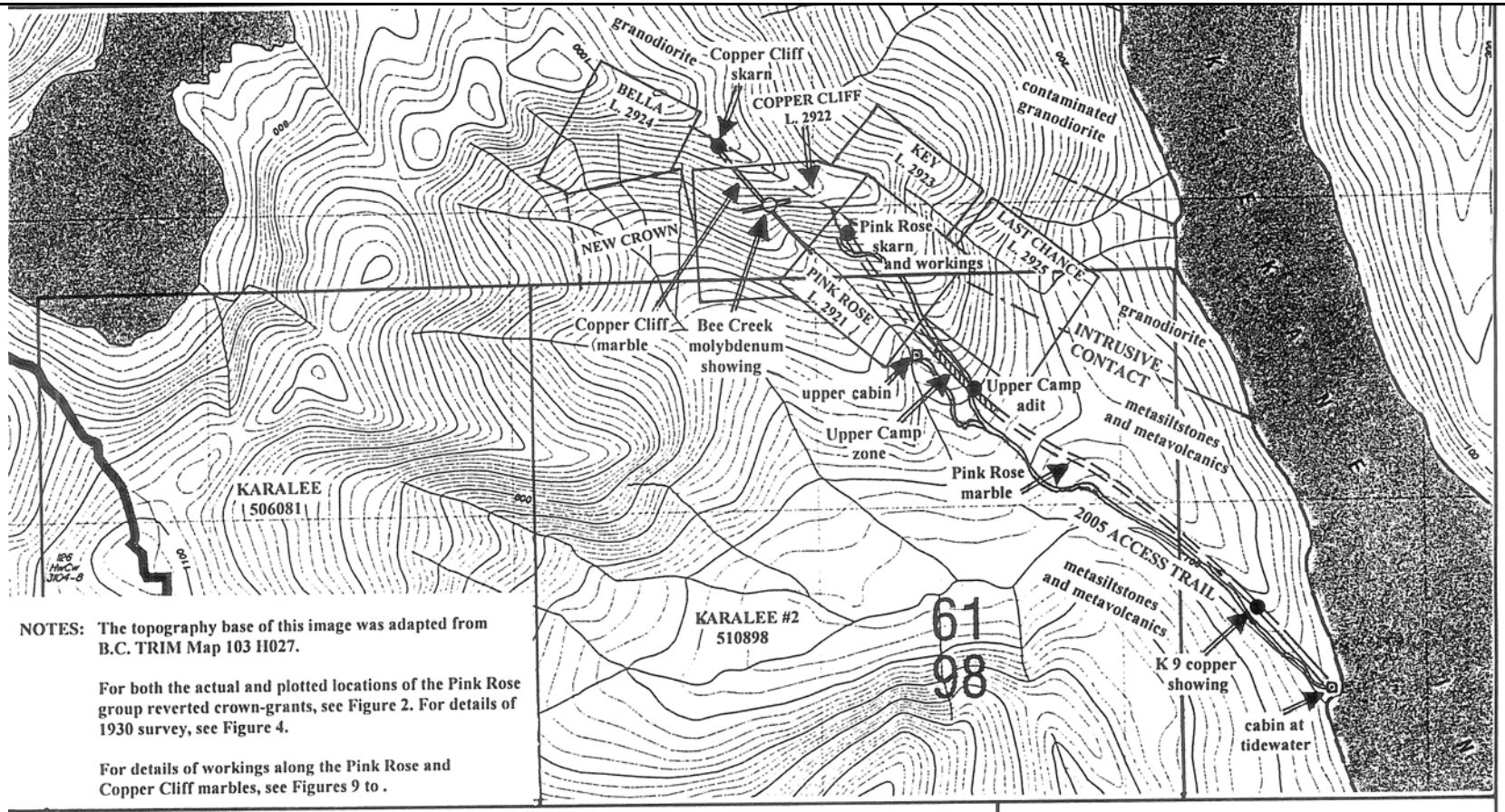
8 — Quartz diorite: 8a, biotite hornblende; 8b, hornblende biotite; 8c, hornblende-chlorite; 8d, hornblende only; 8e, quartz diorite and abundant gneiss

7 — Diorite: 7a, biotite hornblende; 7b, hornblende and hornblende-biotite

6 — Gabbro

5 — Basic complexes: 5a, gabbro-diorite-migmatite complex; 5b, gneissic diorite-migmatite complex

Geological boundary (approximate or assumed)
Limit of alluvium
Bedding (horizontal, inclined, vertical) + //
Foliation (horizontal, inclined, vertical, dip unknown) +
Anticline
Fault (approximate, assumed)
Specific gravity (2.65 on 16 specimens) 68
Isotope age determination in millions of years (on biotite B, on hornblende H) ⊕ B70 H74
Thermal springs (reference number used in text) o5
Mineral occurrence x12


granodiorite
Copper Cliff skarn
BELLA L. 2924
COPPER CLIFF L. 2922
contaminated granodiorite
KEY L. 2923
NEW CROWN
Pink Rose skarn and workings
LAST CHANCE L. 2925
PINK ROSE L. 2921
Copper Cliff (marble
Bee Creek molybdenum showing
granodiorite
INTRUSIVE CONTACT
upper cabin
Upper Camp adit
metasiltstones and metavolcanics
Upper Camp zone
Pink Rose marble
KARALEE 506081
2005 ACCESS TRAIL
metasiltstones and metavolcanics
KARALEE #2 510898
61 98
K 9 copper showing
cabin at tidewater
NOTES: The topography base of this image was adapted from B.C. TRIM Map 103 H027.
For both the actual and plotted locations of the Pink Rose group reverted crown-grants, see Figure 2. For details of 1930 survey, see Figure 4.
For details of workings along the Pink Rose and Copper Cliff marbles, see Figures 9 to .
N.
21°
N. mag.
PROFESSIONAL ENGINEER
PROVINCE OF BRITISH COLUMBIA
J. D. OSTLER
GEOSCIENTIST
SCALE
0 200 400 600 800 1000 m
0 1500 3000 ft
Figure 7
PROPERTY GEOLOGY and MINERAL SHOWINGS
KARALEE PROPERTY
53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.: 103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006
CASSIAR EAST YUKON EXP. LTD.

3.2 Regional Geophysics and Geochemistry

No useful regional geophysical or geochemical surveys have been conducted over the area around the Karalee property.

3.3 Property Geology

The Karalee property covers the northwestern end of a northwesterly trending keel of metasedimentary and metavolcanic rocks that extend southeasterly along the shores of Princess Royal Channel (Figure 6). These rocks were deposited in a deep open basin during the Middle to Late Palaeozoic Era. They form part of the Alexander terrane.

Around Klekane Inlet, the keel is surrounded by the granodioritic Butedale Pluton. A sample of granodiorite from this pluton taken from the head of Cornwall Inlet on Princess Royal Island was dated at 93.5 +/- 0.5 million years (B.C. Age No. 12397), placing its crystallization at the boundary between the Turonian and Cenomanian ages of the Late Cretaceous Period.

The longest contiguous band of rock outcrop in the property area is along the wave-washed shore of Klekane Inlet. Areas of fresh biotite granodiorite and a zone of granodiorite contaminated with presumably Alexander terrane material are exposed along the shore line northeast of the property (Figure 7). All of the rock exposures along the inlet east and south of the property are of Alexander terrane rocks. These comprise predominantly fine to medium-grained metagreywackes containing minor amounts of what may have originally been either tuffaceous or pelitic beds.

East of the property, these rocks strike at about 310° and generally dip almost vertically. First-phase folds are isoclinal. Second-phase folds are tight and at low angles to the first-phase ones. The first two cleavages are at low angles to what is presumed to be bedding. The third cleavage cuts across earlier planar structures at a high angle. All major fabrics are steeply dipping.

Regional metamorphism progressed to biotite-garnet grade in the middle amphibolite facies throughout the Alexander terrane rocks northwest of Klekane Inlet. Hornblende was recognized in some layers; mapping was insufficient to plot isograds.

The only carbonate unit observed along the shoreline is the Pink Rose marble. It is exposed at Alex McLeod's cabin just east of the property (Figure 7). There, the marble is a 16-m thick white to grey unit that

contains several silty layers. Re-crystallization during metamorphism has obliterated all original sedimentary textures and structures in the marble. Consequently its mode of deposition can not be determined.

The Pink Rose marble, although poorly exposed on the lower slopes in the northeastern part of the property, can be traced up slope quite easily from the shore of the inlet to the workings at the Pink Rose copper skarn. Carbonate float, small old workings, and rock exposures are common along its trend below the Upper Camp zone. In the Upper Camp zone, the marble has been preferentially weathered to form a 200-m (656-ft) long dry gulch on the hill slope. All of the Upper Camp zone workings are on the northeastern side of this gulch.

In the Upper camp zone, some of the marble has a pale pink colour that increases in intensity toward the copper scarn at the contact between the Alexander terrane metasediments and the Butedale Pluton granodiorite. The writer assumes that the pink colour is due to the interaction of contact metamorphism with trace elements in the marble.

Between the Pink Rose copper skarn and the Upper Camp zone, this marble unit is beneath debris sloughing down a steep, grassy watershed.

The Pink Rose skarn has two components, a mineralized exoskarn and a barren endoskarn. The exoskarn is composed of 2 mm to 1 cm (up to ½ inch) thick crystals of white to brown calcite, orange-brown garnet (probably andradite and grossular) epidote, and diopside. Economic minerals include bornite and chalcocite with traces of chalcopyrite. Malachite is the predominant secondary copper mineral. The endoskarn has corroded, rounded crystals of quartz and feldspar containing blebs and segregations of coarse-grained, pale orange to white orthoclase. Very little biotite is present in the endoskarn. For details of the Pink Rose skarn and other showings observed on the Karalee property, see section 4.2 of this report.

The only other carbonate rock unit that has been identified in the northeastern part of the property area is the Copper Cliff marble. It is a 10-cm (0.3-ft) thick stringer in the floor of the Bee Creek canyon at an elevation of 368 m (1,307 ft). It widens to about 1.5 m (5 ft) near the head of the canyon at an elevation of about 770 m (2,526 ft). The Copper Cliff marble is a light green colour.

Copper-bearing skarn float similar to that of the Pink Rose skarn is emanating from a regolith-covered area at the head of the canyon. It is assumed that another skarn is located in that area (Figure 7).

The contact between Alexander terrane metasediments and the Butedale Pluton granodiorite has been

traced intermittently from the shore of Klekane inlet to just beneath the ridge crest at near the assumed location of the Copper Cliff skarn. Its surface trace in the western part of the property area remains unmapped.

A general table of geological events and lithological units in the Alexander terrane and Coast Plutonic Complex around Klekane Inlet is as follows:

TABLE 4
Geological Events and Lithological Units near Klekane Inlet

Time	**Formation or Event**
Recent 0.01-0 m.y.	**valley rejuvenation**, down cutting of stream gullies through till, development of soil profiles
Pleistocene 1.6-0.01 my.	**glacial erosion and deposition:** deepening of major valleys, removal of Tertiary-age regolith, deposition of till and smoothing of the Tertiary-age land surfacce
Eocene to Pliocene 35.4-1.6 m.y.	**weathering, erosion, and incision of the land surface:**
Eocene 56.5-35.4 m.y.	**tensional faulting**
Early Tertiary 65-56.5 m.y.	**faulting, erosion and unroofing**
Late Cretaceous 93.5 m.y.	**Crystallization of the Butedale Pluton,** **MINERALIZATION:** development of the Pink Rose and Copper Cliff skarns emplacement of the Bee Creek and Upper Camp zone molybdenum showings
Middle Jurassic to Cretaceous 160-65 m.y	**Mountain building and emplacement of the Coast Plutonic Complex** regional deformation and amphibolite to granulite facies metamorphism isolation of Alexander terrane rocks in keels and panels among Coast plutons
Early Jurassic 190-160 m.y.	**accretion to the North American plate:** regional deformation and metamorphism
Late Triassic 227-200 m.y.	**Volcanism and plutonism related to island arc development in terranes east of the Alexander terrane.**
Middle to Late Palaeozoic 418-251 m.y.	**Deposition of Alexander terrane sedimentary and volcanic rocks**
	m.y. = million years ago

4.0 DEPOSIT TYPES SOUGHT ON THE KARALEE PROPERTY

4.1 Mesothermal Gold Veins, Copper Skarns, and Porphyry Molybdenum Mineralization

Mineralization related to four mineral deposit types are present on the North Coast of British Columbia between the town of Bella Coola and the city of Prince Rupert. They are: massive sulphide deposits, mesothermal gold veins, copper skarns and porphyry molybdenum deposits that carry copper and gold as by products. Copper skarns and molybdenum-copper mineralization have been found in the Karalee property area. Mesothermal gold veins like those of the Hunter property, located a few kilometers east of the Karalee property area, are also sought in the Karalee property area.

Mesothermal gold veins were described by Chris Ash and Dani Alldrick in; Lefebure Höy, ed. (1996) as follows:

Au-QUARTZ VEINS I01

IDENTIFICATION

SYNONYMS:

Mother Lode veins, greenstone gold, Archean lode gold, mesothermal gold-quartz veins, shear-hosted lode gold, low-sulphide gold-quartz veins, lode gold.

COMMODITIES (*BYPRODUCTS)*: Au (Ag Cu, *Sb*)

EXAMPLES (British Columbia (MINFILE #)-*Canada/International*):

- Phanerozoic: Bralorne-Pioneer (092JNE001), Erickson (104P029), Taurus (104P012), Polaris-Taku (104K003), Mosquito Creek (093H010), Cariboo Gold Quartz (093H019), Midnight (082FSW119); *Carson Hill, Jackson-Plymouth, Mother Lode district; Empire Star and Idaho-Maryland, Grass Valley district (California, U.S.A.); Alaska-Juneau, Jualin, Kennsington (Alaska, U.S.A.), Ural Mountains (Russia).*

- Archean: *Hollinger, Dome, McIntyre and Pamour, Timmins camp; Lake Shore, Kirkland Lake camp; Campbell, Madsen, Red Lake camp; Kerr-Addison, Larder Lake camp (Ontario, Canada); Granny Smith, Kalgoorlie and Golden Mile (Western Australia); Kolar (Karnataka, India); Blanket-Vubachikwe (Zimbabwe, Africa).*

NOTE: The bracketed number and letter designations in the above list are B.C. MINFILE deposit designations.

GEOLOGICAL CHARACTERISTICS

CAPSULE DESCRIPTION:

Gold-bearing quartz veins and veinlets with minor sulphides crosscut a wide variety of hostrocks and are localized along major regional faults and related splays. The wallrock is typically altered to silica, pyrite and muscovite within a broader carbonate alteration halo.

TECTONIC SETTINGS:

- Phanerozoic: Contained in moderate to gently dipping fault/suture zones related to continental margin collisional tectonism. Suture zones are major crustal breaks which are characterized dismembered ophiolitic remnants between diverse assemblages of island arcs, subduction complexes and continental-margin clastic wedges.

- Archean: Major transcrustal structural breaks within stable cratonic terranes. May represent remnant terrane collisional boundaries.

DEPOSITIONAL ENVIRONMENT / GEOLOGICAL SETTING:

Veins form within fault and joint systems produced by regional compression or transpression (terrane collision), including major listric reverse faults, second and third-order splays. Gold is deposited at crustal levels within and near the brittle-ductile transition zone at depths of 6-12 km, pressures between 1 to 3 kilobars and temperatures from 200° to 400° C. Deposits may have a vertical extent of up to 2 km, and lack pronounced zoning.

AGE OF MINERALIZATION:

Mineralization is post-peak metamorphism (i.e. late syncollisional) with gold-quartz veins particularly abundant in the late Archean and Mesozoic.

- Phanerozoic: In the North America Cordillerra gold veins are post-Middle Jurassic and appear to form immediately after accretion of oceanic terranes to the continental margin. In British Columbia deposits are mainly Middle Jurassic (~165-170 Ma and Late Cretaceous (~95 Ma). In the Mother lode belt they are Middle Jurassic (~150 Ma) and those along the Juneau belt in Alaska are of early Tertiary age (~56-55 Ma).

- Archean: Ages of mineralization for Archean deposits are well constrained for both the Superior Province, Canadian Shield (~2.68 to 2.67 Ga) and the Yilgarn Province, Western Australia (~2.64-2.63 Ga).

HOST/ASSOCIATED ROCK TYPES:

Lithologically highly varied, usually of greenschist metamorphic grade, ranging from virtually undeformed to totally schistose.

- Phanerozoic: Mafic volcanics, serpentinite, peridotite, dunite, gabbro, diorite, trondjemite/plagiographites, greywacke, argillite, chert, shale, limestone and quartzite, felsic and intermediate intrusions.

- Archean: Granite-greenstone belts - mafic, ultramafic (komaitiitic) and felsic volcanics, intermediate and felsic intrusive rocks, greywacke and shale.

DEPOSIT FORM:

Tabular fissure veins in more competent host lithologies, veinlets and stringers forming stockworks in less competent lithologies. Typically occur as a system of en echelon veins on all scales. Lower grade bulk-tonnage styles of mineralization may develop in areas marginal to veins with gold associated with disseminated sulphides. May also be related to broad areas of fracturing with gold and sulphides associated with quartz veinlet stockworks.

TEXTURE/STRUCTURE:

Veins usually have sharp contacts with wallrocks and exhibit a variety of textures, including massive, ribboned or banded and stockworks with anastomosing gashes and dilations. Textures may be modified or destroyed by subsequent deformation.

ORE MINERALOGY (Principal and *subordinate*):

Native Gold, pyrite, arsenopyrite, *galena, sphalerite, chalcopyrite, pyrrhotite, tellurides, scheelite, bismuth, cosalite, tetrahedrite, stibnite, molybdenite, gersdorffite (NiAsS), bismuthanite (Bi_2S_2), tetradymite (Bi_2Te_2S).*

GANGUE MINERALOGY (Principal and *subordinate*):

Quartz, carbonates (ferroan dolomite, ankerite, ferroan-magnesite, calcite siderite), *albite, mariposite (fuchsite), sericite, muscovite, chlorite, tourmaline, graphite.*

ALTERATION MINERALOGY:

Silicification, pyritization and potassium metasomatism generally occur adjacent to veins (usually within a metre) within broader zones of carbonate alteration, with or without ferroan dolomite veinlets, extending up to tens of metres from the veins. Type of carbonate alteration reflects the ferromagnesian content of the primary host lithology; ultramafic rocks-talc, Fe-magnesite; mafic volcanic rocks-ankerite, chlorite; sediments-graphite and pyrite; felsic to intermediate intrusions-sericite, albite, calcite, siderite, pyrite. Quartz-carbonate rock (listwanite) and pyrite are often the most prominent alteration minerals in the wallrock. Fuchsite, sericite, tourmaline and scheelite are common where veins are associated with felsic to intermediate intrusions.

WEATHERING:

Distinctive orange-brown limonite due to the oxidation of Fe-Mg carbonates cut by white veins and veinlets of quartz and ferroan dolomite. Distinctive green Cr-mica may also be present. Abundant quartz float in overburden.

ORE CONTROLS:

Gold-quartz veins are found within zones of intense and pervasive carbonate alteration along second order or later faults marginal to transcrustal breaks. They are commonly closely associated with, late syncollisional, structurally controlled intermediate to felsic magmatism. Gold veins are more commonly economic where hosted by relatively large, competent units, such as intrusions or blocks of obducted oceanic crust. Veins are usually at a high angle to the primary collisional fault zone.

- Phanerozoic: Secondary structures at a high angle to relatively flat-lying to moderately dipping collisional suture zones.

- Archean: Steep, transcrustal breaks; best deposits overall are inn areas of greenstone.

ASSOCIATED DEPOSIT TYPES:

Gold placers (C01,C02), sulphide manto Au (J04), silica veins (I07); iron formation Au (I04) in the Archean.

GENETIC MODEL:

Gold-quartz veins form in lithologically heterogeneous, deep transcrustal fault zones that develop in response to terrane collision. These faults act as conduits for CO_2-H_2O-rich (5-30 mol% CO_2), in low salinity (<3 wt % NaCl) aqueous fluids, with high Au, Ag, As, (+/-Sb, Te, W, Mo) and low Cu, Pb, Zn metal contents. These fluids are believed to be tectonically or seismically driven by a cycle of pressure build-up that is released by failure and pressure reduction followed by sealing and repetition of the process (Sibson et al., 1988). Gold is deposited at crustal levels within and near the brittle-ductile transition zone with deposition caused by sulphidation (the loss of H_2S due to pyrite deposition) primarily as the result of fluid-wallrock reactions, other significant factors may involve phase separation and fluid pressure reduction.

The origin of the mineralizing fluids remains controversial, with metamorphic, magmatic and mantle sources being suggested as possible candidates. Within an environment of tectonic crustal thickening in response to terrane collision, metamorphic devolitization or partial melting (anatexis) of either the lower crust or subducted slab may generate such fluids.

COMMENTS:

These deposits may be a difficult deposit to evaluate due to “nugget effect”, hence the adage, “Drill for structure, drift for grade”. These veins have also been mined in British Columbia as a source of silica for smelter flux.

EXPLORATION GUIDES

GEOCHEMICAL SIGNATURE:

Elevated values of Au, Ag, As, Sb, K, Li, Bi, W, Te, and B +/- Cd, Cu, Pb, Zn and Hg in rock and soil, Au in streams.

GEOPHYSICAL SIGNATURE:

Faults indicated by linear magnetic anomalies. Areas of alteration indicated by negative magnetic anomalies due to destruction of magnetite as a result of carbonate alteration.

OTHER EXPLORATION GUIDES:

Placer gold or elevated gold in stream sediment samples is an excellent regional and property-scale guide to gold-quartz veins. Investigate broad ‘deformation envelopes’ adjacent to regional listric faults where associated with carbonate alteration. Alteration and structural analysis can be used to delineate prospective ground. Within carbonate alteration zones, gold is typically only in areas containing quartz, with or without sulphides. Serpentinite bodies, if present, can be used to delineate favourable regional structures. Largest concentrations of free gold are commonly at, or near, the intersection of quartz veins with serpentinized and carbonate-altered ultramafic rocks.

ECONOMIC FACTORS

TYPICAL GRADE AND TONNAGE:

Individual deposits average 30,000 t with grades of 16 g/t Au and 2.5 g/t Ag (Berger, 1986) and may be as large as 40 Mt. Many major producers in the Canadian Shield range from 1 to 6 Mt at grades of 7 g/t Au (Thorpe and Franklin, 1984). The largest gold-quartz vein deposit in British Columbia is the Bralorne-Pioneer which produced in excess of 117, 800 kg of Au from ore with an average grade of 9.3 g/t.

ECONOMIC LIMITATIONS:

These veins are usually less than 2 metres wide and therefore, only amenable to underground mining.

IMPORTANCE:

These deposits are a major source of the world’s gold production and account for approximately a quarter of Canada’s output. They are the most prolific gold source after the ores of the Witwatersrand basin.

Ash, Chris and Alldrick, Dani,
in:
Lefebure, D.V. and Höy, Trygve ed.; 1996, pp. 53-56.

Copper skarns like the one discovered on the Bolton claims, now in the central Karalee property area, are described by Gerald E. Ray in Lefebure and Ray ed. (1995) as follows:

Cu SKARNS K01

IDENTIFICATION

SYNONYMS: Polymetasomatic and contact metasomatic copper deposits.

COMMODITIES (*BYPRODUCTS*): Cu (*Au, Ag, Mo, W, magnetite*).

EXAMPLES (British Columbia-*Canada/International*): Craigmont (092ISE 035), Phoenix (082ESE 020), Old Sport (092L 035), Queen Victoria (082FSW 082); *Mines Gaspe deposits (Quebec, Canada), Ruth, Mason Valley and Copper Canyon (Nevada, U.S.A.), Carr Fork (Utah, U.S.A.; Ok Tedi (Papua New Guinea); Rosita (Nicaragua).*

NOTE: The bracketed number and letter designations in the above list are B.C. MINFILE deposit designations.

GEOLOGICAL CHARACTERISTICS

CAPSULE DESCRIPTION:

Cu-dominant mineralization (generally chalcopyrite) generically associated with a skarn gangue (includes calcic and magnesian Cu skarns).

TECTONIC SETTING:

They are most common where Andean-type plutons intrude older continental-margin carbonate sequences. To a lesser extent (but important in British Columbia), they are associated with oceanic island arc plutonism.

AGE OF MINERALIZATION:

Mainly Mesozoic, but may be any age. In British Columbia they are mostly Early to mid-Jurassic.

HOST/ASSOCIATED ROCK TYPES:

Porphyritic stocks, dikes and breccia pipes of quartz diorite, granodiorite, monzogranite and tonalite composition, intruding carbonate rocks, calcareous volcanics or tuffs. Cu skarns in oceanic island arcs tend to be associated with more mafic intrusions (quartz diorite to granodiorite), while those formed in continental margin environments are associated with more felsic material.

DEPOSIT FORM:

Highly varied; includes stratiform and tabular orebodies, vertical pipes, narrow lenses, and irregular ore zones that are controlled by intrusive contacts.

TEXTURES:

Igneous textures in endoskarn. Coarse to fine-grained massive granoblastic to mineralogically layered textures in exoskarn. Some hornfelsic textures.

ORE MINERALOGY (Principle and *subordinate*):

Moderate to high sulphide content. Chalcopyrite +/- pyrite +/- magnetite in inner garnet-pyroxene zone. Bornite +/- chalcopyrite +/- sphalerite +/- tennanite in outer wollastonite zone. Either hematite, pyrrhotite or magnetite may predominate (depending on oxidation state). Scheelite and traces of *molybdenite, bismuthinite, galena, cosalite, arsenopyrite, enargite, tennanite, loellingite, cobaltite and tetrahedrite* may be present.

ALTERATION MINERALOGY:

Exoskarn alteration: high garnet:pyroxene ratios. High Fe, low Al, Mn andradite garnet (Ad 35-100), and diopsidic clinopyroxene (Hd 2-50). The mineral zoning from stock out to marble is commonly: diopside + andradite (proximal); wollastonite +/- tremolite +/- garnet +/- diopside +/- vesuvianite (distal). Retrograde alteration to actinolite, chlorite and montmorillonite is common.. In British Columbia, skarn alteration associated with some of the alkalic porphyry Cu-Au deposits contains late scapolite veining. Magnesian Cu skarns also contain olivine, serpentine, monticellite and brucite.

Endoskarn alteration: Potassic alteration with K-feldspar, epidote, sericite +/- pyroxene +/- garnet. Retrograde phyllic alteration generates actinolite, chlorite and clay minerals.

ORE CONTROLS:

Irregular or tabular orebodies tend to form in carbonate rocks and/or calcareous volcanics or tuffs near igneous contacts. Pendants within igneous stocks can be important. Cu mineralization is present as stockwork veining and disseminations in both endo and exoskarn; it commonly accompanies retrograde alteration.

COMMENTS:

Calcic Cu skarns are more economically important than magnesian Cu skarns. Cu skarns are broadly separable into those associated with strongly altered Cu-porphyry systems, and those associated with barren, generally unaltered stocks; a continuum probably exists between these two types ... Copper skarn deposits related to mineralized cu porphyry intrusions tend to be larger, lower grade, and emplaced at higher structural levels than those associated with barren stocks. Most Cu skarns contain oxidized mineral assemblages, and mineral zoning is common in the skarn envelope. Those with reduced assemblages can be enriched in W, Mo, Bi, Zn, As and Au. Over half of the 340 Cu skarn occurrences in British Columbia lie in the Wrangellia terrane of the Insular Belt, while another third are associated with intraoceanic island arc plutonism in Quesnellia and Stikinia terranes. Some alkalic and calc-alkalic Cu and Cu-Mo porphyry systems in the province (e.g. Copper Mountain, Mount Polley) are associated with variable amounts of Cu-bearing skarn alteration.

EXPLORATION GUIDES

GEOCHEMICAL SIGNATURE:

Rock analyses may show Cu-Au-Ag-rich inner zones grading outward through Au-Ag zones with high Au:Ag ratios to an outer Pb-Zn-Ag zone. Co-As-Sb-Bi-Mo-W geochemical anomalies are present in the more reduced Cu skarn deposits.

GEOPHYSICAL SIGNATURE:

Magnetic, electromagnetic and induced polarization anomalies.

ASSOCIATED DEPOSIT TYPES;

Porphyry Cu deposits (L04), Au (K04), Fe (K03), Pb-Zn (K02) skarns, and replacement Pb-Zn-Ag deposits (M01).

ECONOMIC FACTORS

GRADE AND TONNAGE:

Average 1 to 2% copper. Worldwide, they generally range from 1 to 100 Mt. Although some exceptional deposits exceed 300 Mt. Craigmont, British Columbia's largest Cu skarn, contained approximately 34 Mt grading 1.3% Cu.

IMPORTANCE:

Historically, these deposits were a major source of copper, although porphyry deposits have become much more important during the last 30 years. However, major Cu skarns are still worked throughout the world, including China and the U.S.

Ray, G.E,
in:
Lefebure, D.V. and Ray, G.E.; 1995: pp. 59-60.

Molybdenum mineralization within the Coast Range plutonic rocks in the northwestern part of the Karalee property may be related to a low-fluorine porphyry molybdenum deposit as described by W.D. Sinclair in Lefebure and Ray ed. (1995).

Sinclair's description of low fluorine porphyry molybdenum deposits is as follows:

PORPHYRY Mo (Low-F-TYPE) L05

IDENTIFICATION

SYNONYMS: Calcalkaline Mo stockwork; Granite-related Mo; Quartz monzonite Mo.

EXAMPLES (British Columbia-*Canada/International*):

Endako (093K006), Boss Mountain (093A001), Kitsault (103P120), Adanac (104N052), Carmi (082ESW029), Bell Moly (103P234), Red Bird (093E026), Storie Moly (104P069), Trout Lake (082KNW087); *Red Mountain (Yukon, Canada), Quartz Hill (Alaska, USA), Cannivan (Montana, USA), Thompson Creek (Idaho, USA), Compaccha (Peru), East Kounrad (Russia), Jinduicheng (China).*

NOTE: The bracketed number and letter designations in the above list are B.C. MINFILE deposit designations.

GEOLOGICAL CHARACTERISTICS

CAPSULE DESCRIPTION:

Stockwork of molybdenite-bearing quartz veinlets and fractures in intermediate to felsic intrusive rocks and associated country rocks. Deposits are low grade but large and amenable to bulk mining methods.

TECTONIC SETTING(S):

Subduction zones related to arc-continent or continent-continent collision.

DEPOSITIONAL ENVIRONMENT/GEOLOGICAL SETTING:

High-level to subvolcanic felsic intrusive centres; multiple stages of intrusion are common.

HOST/ASSOCIATED ROCK TYPES:

All kinds of rocks may be hostrocks. Tuffs or other extrusive volcanic rocks may be associated with deposits related to subvolcanic intrusive rocks. Genetically related intrusive rocks range from granodiorite to granite and their fine-grained equivalents, with quartz monzonite most common: they are commonly porphyritic. The intrusive rocks are characterized by low F contents (generally <0.1%F) compared to intrusive rocks associated with Climax-type porphyry Mo deposits.

DEPOSIT FORM:

Deposits vary in shape from an inverted cup, to roughly cylindrical, to highly irregular. They are typically hundreds of metres across and range from tens to hundreds of metres in vertical extent.

TEXTURE/STRUCTURE:

Ore is predominantly structurally controlled; mainly stockworks of crosscutting fractures and quartz veinlets, also veins, vein sets and breccias.

ORE MINERALOGY (Principle and *subordinate*):

Molybdenite is the principle ore mineral; *chalcopyrite, scheelite, and galena are generally subordinate.*

GANGUE MINERALOGY:

Quartz, pyrite, K-feldspar, biotite, sericite, clays, calcite and anhydrite.

ALTERATION MINERALOGY:

Alteration mineralogy is similar to that of porphyry Cu deposits. A core zone of potassic and silisic alteration is characterized by hydrothermal K-feldspar, biotite, quartz and, in some cases, anhydrite. K-feldspar and biotite commonly occur as alteration selveges on mineralized quartz veinlets and fractures but may be pervasive in areas of intense fracturing and mineralization. Phyllic alteration typically surrounds and may be superimposed to various degrees on the potassic-silicic core; in consists mainly of quartz, sericite and carbonate. Phyllic chlorite and epidote may extend for hundreds of metres beyond the zones of potassic-silicic alteration. Zones of argillic alteration, where present, are characterized by clay minerals such as kaolinite and are typically overprinted on other types of alteration; distribution of argillic alteration in typically irregular.

WEATHERING:

Oxidation of pyrite produces limonitic gossans; oxidation of molybdenite produces yellow ferrimolybdite.

ORE CONTROLS:

Quartz vein and fracture stockwork zones superimposed on intermediate to felsic intrusive rocks and surrounding country rocks; multiple stages of mineralization commonly present.

GENETIC MODEL:

Magmatic-hydrothermal. Large volumes of magmatic, highly saline aqueous fluids under pressure strip Mo and other ore metals from temporally and genetically related magma. Multiple stages of brecciation related to explosive fluid pressure release from the upper parts of small intrusions result in deposition of ore and gangue minerals in crosscutting fractures, veinlets and breccias in the outer carapace of the intrusions and associated country rocks. Incursion of meteoric water during waning stages of the magmatic-hydrothermal system may result in late alteration of the hostrocks, but does not play a significant role in the ore-forming process.

ASSOCIATED DEPOSIT TYPES:

Ag-Pb-Zn veins (I05), Mo-bearing skarns (K07) may be present.

EXPLORATION GUIDES

GEOCHEMICAL SIGNATURE:

Mo, Cu, W and F may be anomalously high in hostrocks close to and overlying mineralized zones; anomalously high levels of Pb, Zn and Ag occur in peripheral zones as much as several kilo metres distant. Mo, W, F, Pb, Zn and Ag may be anomalously high is stream sediments. Mo, W and Pb may be present in mineral concentrates.

GEOPHYSICAL SIGNATURE:

Magnetic anomalies may reflect presence of pyrrhotite or magnetite in hornfels zones. Radiometric surveys may be used to outline anomalous K in altered and mineralized zones. Induced polarization and resistivity surveys may be used to outline high-pyrite alteration zones.

OTHER EXPLORATION GUIDES:

Limonitic alteration of pyrite can result in widespread gossan zones. Yellow ferrimolybdite may be present in oxidized zones. Ag-Pb-Zn veins may be present in peripheral zones.

ECONOMIC FACTORS

GRADE AND TONNAGE:

Typical size is 100 Mt at 0.1 to 0.2% Mo. The following figures are for production plus reserves.

TABLE 5
Tonnage and Grade of Selected Molybdenum Deposits

DEPOSIT and LOCATION	TONNAGE tonnes	GRADE (% Mo)
Endako (B.C.)	336	0.087
Boss Mountain (B.C.)	63	0.074
Kitsault (B.C.)	108	0.115
Lucky Ship (B.C.)	14	0.090
Adanac (B.C.)	94	0.094
Carmi (B.C.)	34	0.091
Mount Haskin (B.C.)	12	0.090
Bell Moly (B.C.)	32	0.066
Red Bird (B.C.)	34	0.108
Storie Moly (B.C.)	101	0.078
Trout Lake (B.C.)	50	0.138
Glacier Gulch (B.C.)	125	0.151
Red Mountain (Yukon)	187	0.100
Quartz Hill (Alaska)	793	0.091
Thompson Creek (Idaho)	181	0.110
Compaccha (Peru)	100	0.072
East Kounrad (Russia)	30	0.150

NOTE: The writer rearranged the previous data in tabular form.

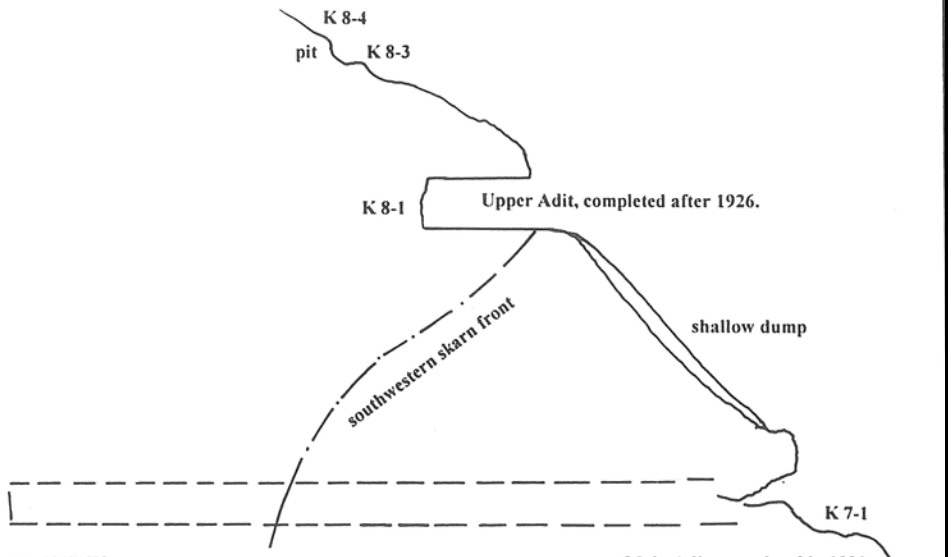
IMPORTANCE:

Porphyry Mo deposits associated with low-F felsic intrusive rocks have been an important source of world molybdenum production. Virtually all of Canada's Mo production comes from these deposits and from porphyry Cu-Mo deposits...

Sinclair, W.D.
in:
Lefebure, D.V. and Ray, G.E.; 1995: pp. 93-94.

SECTION

300° (N. 60°W.) **120° (S. 60° E.)**



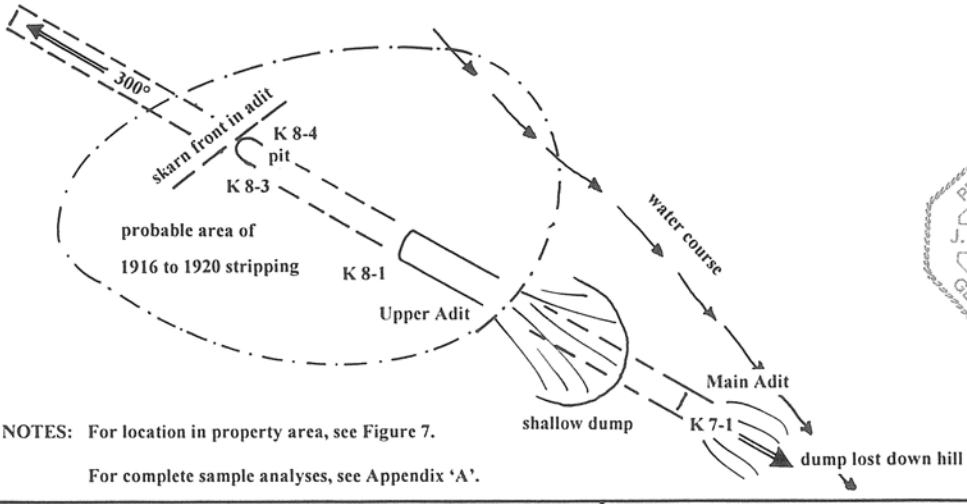
SAMPLE RESULTS

Sample:		Cu %	Mo ppm	Au ppb	Ag ppm
K 7-1	composite dump sample	0.939	24	8	13.1
K 8-1	chip sample across 1.2 m	0.484	5	3	5.9
K 8-3	composite dump sample	0.693	9	97	7.8
K 8-4	selected high-grade sample	11.650	1	45	120.0

U.T.M. Location: 5,897,942 N. 520,110 E.

Elevation: 568 m

PLAN



NOTES: For location in property area, see Figure 7.

For complete sample analyses, see Appendix 'A'.

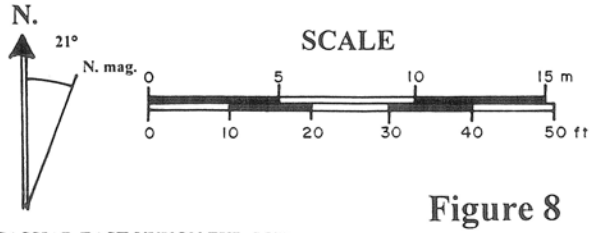


Figure 8

CASSIAR EAST YUKON EXP. LTD.

PINK ROSE COPPER SKARN WORKINGS

KARALEE PROPERTY

53° 13' 28" N., 128° 42' 51" W.

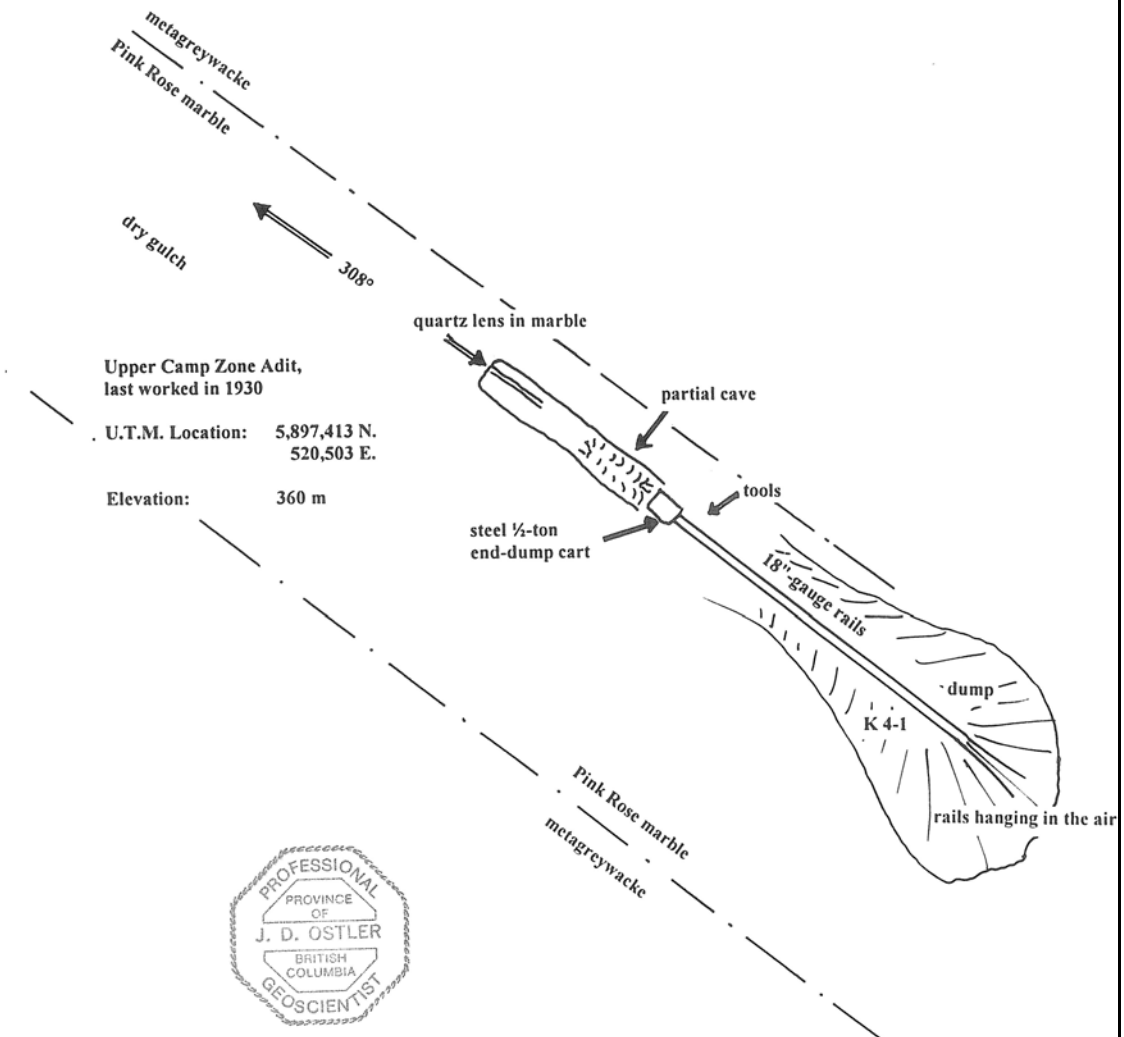
U.T.M.: 5,897,288 N., 519,084 E.

N.T.S.: 103 H/2, SKEENA M.D., B.C.

JOHN OSTLER; M.Sc, P.Geo. FEBRUARY 2006

SAMPLE RESULTS

Sample:		Cu ppm	Mo %	Au ppb	Ag ppm
K 3-1	composite sample from a quartz lens on the trail about 90 m SSE of the adit	7	0.484	4	<0.2
K 4-1	composite dump sample from the Upper Camp zone adit	7	0.114	1	0.2



PROFESSIONAL ENGINEER PROVINCE OF BRITISH COLUMBIA J. D. OSTLER GEOSCIENTIST

NOTES: For location in property area, see Figure 7.

For complete sample analyses, see Appendix 'A'.

N.

21° N. mag.

SCALE

0 5 10 15 m

0 10 20 30 40 50 ft

Figure 9

CASSIAR EAST YUKON EXP. LTD.

UPPER CAMP ZONE ADIT

KARALEE PROPERTY

53° 13' 28" N., 128° 42' 51" W.
U.T.M.: 5,897,288 N., 519,084 E.
N.T.S.:103 H/2, SKEENA M.D., B.C.
JOHN OSTLER; M.Sc, P.Geo. FEBRUARY, 2006

4.2 Mineralization on the Karalee Property

Steep terrain and dense forest has made prospecting in the Karalee property area challenging. Presently, only the northeastern part of the property area is explored, the rest is yet to be seen.

During the years between 1911 and 1931, the whole property area must have been prospected for high-grade copper mineralization. Unlike current explorers of the Karalee property area, Alexander McLeod, promoter of the property during the 1920s, was not interested in disseminated porphyry-style molybdenum occurrences. Thus molybdenite showings like the one in the Bee Creek canyon (Figure 7) were disregarded and left unrecorded. Whatever knowledge Alex McLeod's prospectors had about molybdenum mineralization in the current Karalee property area has been lost.

During the current exploration program, several important sites have been located and identified. They include McLeod's tidewater and upper cabins, the trail to the upper camp, the Pink Rose adit, and the Upper Camp zone workings (for original descriptions, see section 2.2 of this report).

Fortunately, the Pink Rose adit was plotted by C.J. Heaney on his 1930 survey maps (Figure 4). Its portal was located 100 m (328 ft) at a bearing of 097° from the No.1 posts of the Pink Rose and Copper Cliff claims. The writer determined the portal's location with a Garmin G.P.S. 12 XL unit at U.T.M.: 5,897,942 N., 520,110 E. That location enabled the precise location of the old Pink Rose claims (Figure 7).

The location and orientation of the Pink Rose reverted crown grants is useful for current exploration because they are indications of where Alex McLeod's field crew found the best high-grade copper showings. By 1929, the Pink Rose group comprised eight claims. Probably, the five claims that were chosen for crown-granting covered the best copper showings on that property.

The intrusive contact both southeast and northwest of the Pink Rose adit was prospected extensively. Probably, the Last Chance, Pink Rose and Copper Cliff claims were crown-granted to protect possible extensions within a claim length of the Pink Rose skarn showing.

By 1926, the Copper Cliff skarn and the intrusive contact flanking it had been trenched. The results were unimpressive and were recorded as follow:

> ... Farther west another granite-limestone contact has been traced for several hundred feet , showing a little mineralization, but being along the course of a creek, it is difficult to open it up to any extent...
>
> B.C. Minister of Mines, Annual Report; 1926: pp. A70-A71.
> (See section 2.2, this report for full description.)

Consequently whatever claim covered the Copper Cliff copper skarn was not crown-granted.

The reasons for crown-granting the Key and Bella claims are currently unknown. The writer believes that another copper skarn may be located on the slope near the ridge crest on the Bella claim. The Key claim covered an area of unmineralized granodiorite. Perhaps, it was staked to protect a possible portal site for a haulage way through the ridge to beneath the Pink Rose skarn. If so, that claim would be a testament to the extent of Alex McLeod's optimism concerning his property.

Pink Rose Skarn

The Pink Rose skarn is located around the workings that are located at U.T.M. co-ordinates: 5,897,942 N., 520,110 E. at an elevation of 563 m (1,847 ft). The workings are located 140 m (459 ft) north of the northern boundary of the Karalee #2 claim (Figure 7). They currently comprise: the main Pink rose adit, which now is caved near the portal, a short upper adit, and a small pit (Figure 8). The other trenches and area of surface stripping described in the 1920s era reports of the property area (see section 2.2, this report) have sloughed in due to soil creep down the steep slope.

The Pink Rose skarn probably received its name from the pale pink colour of the marble near its contact with the Butedale Pluton granodiorite. The skarn has two components, a mineralized exoskarn and a barren endoskarn. The exoskarn is composed of 2 mm to 1 cm (up to ½ inch) thick crystals of white to brown calcite, orange-brown garnet (probably andradite and grossular) epidote, and diopside. Economic minerals include bornite, chalcocite, and traces of chalcopyrite. Malachite is the predominant secondary copper mineral. The endoskarn has corroded, rounded crystals of quartz and feldspar containing blebs and segregations of coarse-grained, pale orange to white orthoclase. Very little biotite is present in the endoskarn.

The writer's examination of mineralization at the Pink Rose workings confirmed its previous (1929) description

> ... The ore occurrence is a contact-metamorphic development of chalcocite and bornite in an altered schist-limestone inclusion in quartz diorite. The ore occurs in lenticular aggregations of blebs from pea to walnut size and is best developed where the limestone has been completely altered to garnetite and epidote. The showing has been explored by open-cuts and a tunnel. In the large open-cut a 12-foot (3.6 m) width of mineralized zone with about 2 feet (0.6 m) of fair-grade ore is exposed. The tunnel at 2,200 feet (670.5 m) crosscuts the zone at 65 feet in, from which point a drift is run, showing a similar character to the open-cut exposure...
>
> B.C. Minister of Mines, Annual Report; 1929: p. C69.
> (See section 2.2, this report for full text.)

Sample K 7-1, a composite chip sample of material with visible bornite-chalcocite mineralization, was taken from around the caved portal and from what remained of the main adit dump. The sample contained 0.939% copper, with minor amounts of other metals (Figure 8, Appendix 'A').

Sample K 8-1 was a composite chip sample taken across the 1.2-m (4-ft) wide, malachite-stained face in the upper adit. It contained 0.484% copper with minor amounts of other metals.

Samples K 8-3 and K 8-4 were taken from around the small pit above the upper adit. Sample K 8-3 was a composite chip sample of visibly mineralized material and sample K 8-4 was a selected high-grade bornite sample. Those samples contained 0.693% and 11.650% copper respectively.

From this very limited sampling, the writer concluded that the Pink Rose skarn contained about 0.7% copper in the area of the workings.

It was reported (previous) that the main adit intersected the boundary of the skarn about 19.8 m (65 ft) in from the portal. The upper-adit portal is at the skarn front itself. Thus locally, the southern boundary of the skarn must dip northward into the slope. Skarn boundaries are notoriously complex and difficult to predict over long distances. The dip of the skarn front among the workings can not be used to assume its orientation anywhere else around the skarn body. The size of the Pink Rose skarn is currently unknown, however a 1921 description of it hints at its general size.

That description was as follows:

> ... The limestone forms a bed about 7 feet (2.1 m) in width interbedded with chloritic schists all of which are steeply folded, strike north 60 degrees west, and dip vertically. The contact of the quartz diorite is exceedingly irregular and surrounds the limestone on three sides. The limestone is altered into the usual minerals epidote, actinolite, hornblende, augite, quartz, and garnet, and for a width of about 18 inches (0.46 m) is heavily mineralized with chalcocite and bornite, making fairly high-grade ore. The ore can be traced over a horizontal distance of 100 feet (30.5 m) and a vertical distance of 60 feet (18.3 m), but over most of this distance the ore-shoot is quite narrow and much of it is of fairly low grade...
>
> Geological Survey of Canada, Summary Report; 1921:
> pp. 38A-39A.
> (For complete text, see section 2.2, this report.)

Copper Cliff Skarn

Presently, the Copper Cliff skarn is not exposed, however the writer is confident that it is located beneath a thin cover of alpine vegetation at the head of the Bee Creek canyon. Its probable location is at U.T.M. co-ordinates: 5,898,200 N., 519,692 E at an elevation of 753 m (2,470 ft). It is about 450 m (1,476 ft) north of the northern boundary of the Karalee #2 claim.

This skarn is located at the contact of Butedale Pluton granodiorite with the Copper Cliff marble, a 1.5-m (5-ft) thick pale green carbonate.

Mineralized exoskarn from the Copper Cliff occurrence looks very similar to that of the Pink Rose skarn, both in mineralogy and bornite-chalcocite content. A composite sample of high-grade bornite-bearing exoskarn, sample K 15-2, was taken from the upper part of the Bee Creek canyon. It contained 6.78% copper with minor amounts of other metals (Appendix 'A'). The tenor of the whole of he Copper Cliff skarn probably is between 0.5 and 1% copper, similar to that of the Pink Rose skarn.

Trenching during the 1920s (section 2.2, this report) revealed that the Copper Cliff skarn was a rather small occurrence and that there was no significantly mineralized area along the intrusive contact between them.

Upper Camp Zone

The Upper camp zone adit is located at U.T.M. co-ordinates: 5,897,413 N., 520,503 E. at an elevation of 360 m (1,181 ft) in the northeastern part of the Karalee #2 claim. This adit is about 240 m (787 ft) east-southeast of the upper cabin (Figure 7). The adit, along with several small trenches and cuts expose a series of molybdenite-bearing quartz lenses on the northeastern side of the Pink Rose marble.

The Upper Camp zone adit probably is the location of the last significant work on the Pink Rose claim

group. That working, now partly caved, explores a narrow quartz lense for about 4 m (13 ft) along the eastern margin of the Pink Rose marble (Figure 9). The 12-lb rails, a ½-ton mine cart and tools are still present at the dump.

The writer is certain that these lenses are the "quartz vein" that was developed near the upper cabin from 1923 to 1930 (section 2.2, this report). It is unlikely that the coarse-grained rosettes of molybdenite in these lenses were of much interest to prospectors during the 1920s. Probably they sought lodes of pyrite and chalcopyrite for their gold potential.

The gold potential of these quartz lenses is very low as can be ascertained from the sampling results. Samples K 3-1 and K 4-1 were composite chip samples of typical molybdenite-bearing quartz. Sample K 4-1 was taken from the Upper Camp zone adit; sample K 3-1 was a composite chip sample taken from a quartz lense about 30 m (98.4 ft).

Sample K 3-1 contained 0.484% molybdenum with traces of other metals (Figure 9, Appendix 'A'). Sample K 4-1 contained 0.114% molybdenum with traces of other metals.

The Upper Camp zone showings are not important sources of molybdenum themselves. Their relevance to exploration is that they demonstrate that there is a significant amount of molybdenum in fluids that moved through the rocks near the margin of the Butedale Pluton.

In the writer's opinion, these coarse-grained molybdenite occurrences are very similar to those found around Hastings Arm in the Alice Arm-Anyox molybdenum belt. As such, they are very positive mineral indicators.

K 9 Showing

The K 9 showing is located at U.T.M. co-ordinates: 5,896,650 N., 521,444 E. at an elevation of 95 m (312 ft) east of the Karalee #2 claim (Figure 7). This is a showing of disseminations of chalcopyrite, bornite and pyrite in a 1-m (3.3-ft) long quartz lense near the eastern margin of the Pink Rose marble. Sample K 9-1 from this showing contained 461 ppm copper and traces of other metals (Appendix 'A').

Bee Creek Molybdenum-Copper Occurrence

The Bee Creek molybdenum-copper occurrence is located at U.T.M. co-ordinates: 5,898,000 N., 519,862 E. at an elevation of 620 m (2,034 ft) in the Bee Creek canyon. This molybdenite showing is about 240 m (787 ft) north of the northern Karalee #2 claim boundary (Figure 7).

At this showing, disseminated molybdenite and chalcopyrite occur in a granodioritic dyke that crosses the canyon at a high angle. Locally, the attitude of the dyke is about 080°/ 85°S. The regional strike and dip of this dyke is unknown.

Sample K 15-1 was a composite chip sample taken from slabs of dyke rock that were wedged in the notch of the canyon. It contained 0.414% molybdenum, 0.697% copper, and traces of other metals.

In the writer's opinion, this is the most important mineral showing in the property area because it shows that there is a molybdenum and copper-rich intrusive phase in the local area. If such an intrusive phase could be found to be sufficiently large and have sufficient tenor, it would be a major "porphyry molybdenum-copper" discovery.

5.0 CURRENT EXPLORATION

5.1 2005 Exploration on the Karalee Property

Current exploration on the Karalee property was conducted by a prospecting crew led by Joseph T. Lawrence and by the writer. Work comprised trail cutting and prospecting in the eastern part of the claim group by Lawrence's crew and mineral showing location, mapping and sampling by the writer. The 2005 work program was non-destructive and required no environmental bond.

All of the 2005 exploration work in the property area was conducted on and around the Karalee #2 claim (510898). No exploration was conducted on the Karalee claim (506061).

A total of 1.3 km (0.8 mi) of access trail was brushed out to an average width of 0.6 m (2 ft) resulting in a total of 0.078 ha (0.192 A) of brushing. Of that, 850 m of trail (0.051 ha) was cut across the Karalee #2 claim and the other 450 m of trail (0.027 ha) was opened in adjacent areas east and north of the claim (Figure 7).

The trail from Alex McCleod's 1921 cabin on the shore to his upper camp mostly followed the route of the pre-1921wagon road. The trail to the upper camp adit and the Pink Rose workings took the most practical route up very steep terrain. No trace of the original foot path remained in that area.

Prospecting focused on the Bee and Pink Rose creek drainages and the lower part of the Pink Rose marble.

During June, 2005, the writer visited, located by G.P.S., examined ,and sampled all mineral showings that had been discovered (section 4.2, this report).

A total of 9 composite chip samples were taken from four mineralized areas. The samples were sealed in plastic bags and transported by the writer to ALS Chemex Limited in North Vancouver, British Columbia. Laboratory methods and results comprise Appendix 'A' of this report.

A grand total of 94 man-days of work was conducted on the Karalee property during the 2005 exploration program. The current program extended from June 4 to June 24, 2005 including road and marine transport time.

Although at first glance, the amount of time spent on transport may seem to be excessive, it must be remembered that boats travel a lot slower than do trucks, and high seas and bad weather makes traveling in the channels of the north coast of British Columbia even slower and more difficult.

TABLE 6
Current Exploration Program: Time and Activity

Name	Prospecting	Mapping and Sampling	Transport	Expediting + Program Mgt.	Trail Cutting	Research, Data Comp., Reporting
Bradley Lawrence Cache Creek, B.C.	5		4		5	
Joseph Lawrence Cache Creek, B.C.	7		7	2	5	
John Ostler; M.Sc., P.Geo. West Vancouver, B.C.		3	5			14
Bruce Squinas Cache Creek, B.C.	7	1	5		5	
Barry Squinas Cache Creek, B.C.	7	1	5		5	
Total man-days	26	5	27	2	20	14

5.2 Contractors

The 2005 exploration program on the Karalee property was conducted by the following contractors:

Cassiar East Yukon Expediting Ltd.
2224 Jefferson Avenue
West Vancouver, British Columbia
V7V 2A8 (604) 926-8454

Geological mapping, sampling, research and reporting

Joseph T. Lawrence
1315 Stanley Park Drive
Cache Creek, British Columbia
V0K 1H0 (250) 457-9919

Prospecting, trail construction, project management

ALS Canada Ltd.
212 Brooksbank Avenue
North Vancouver, British Columbia
V7J 2C1 (604) 984-0221

Assay and analysis

5.3 Cost of 2005 Work

TABLE 7
Current Exploration Program: Contractors and Costs

Contractor and Item	Cost Applied to Karalee Property	
Cassiar East Yukon Expediting Ltd.		
Wages:		
John Ostler; M.Sc., P.Geo: 22 days @ $400/day	$ 8,800.00	$ 8,800.00
Transport:		
Rental of 1-ton 4X4 truck: 4 days @ $75/day	$ 300.00	
Gasoline and oil	$ 449.55	
Marine Gasoline	$ 100.14	
	849.69	$ 849.69
Camp and Crew Costs:		
Hotel	$ 211.90	
Camp food and meals ($12.85 is G.S.T. exempt)	$ 127.09	
Field supplies	$ 37.25	
	$ 376.24	$ 376.24
Office and reporting Costs:		
Long Distance telephone	$ 27.00	
Maps and survey notes	$ 183.40	
Scale changes and text photocopy	$ 67.94	
Scanning and report production	$ 27.10	
	$ 305.44	$ 305.44
		$10,331.37
Joseph T. Lawrence Exploration Services		
Wages:		
Bradley Lawrence; 14 days @ $80/day	$ 1,120.00	
Joseph Lawrence; 21 days @ $300/day	$ 6,300.00	
Barry Squinas; 18 days @ $120/day	$ 2,160.00	
Bruce Squinas; 18 days @ $150/day	$ 2,700.00	
	$ 12,280.00	$ 12,280.00
Transport:		
Bus fare	$ 109.19	
Truck rental: 1 4 X 4 SUV; 7 days @ $50/day	$ 350.00	
Gasoline and oil	$ 316.77	
Marine Gasoline	$ 226.37	
	$ 893.14	$ 893.14
Camp and Crew Costs:		
Hotel	$ 251.61	
Camp food and meals ($637.67 is G.S.T. exempt)	$ 1,437.67	
Rental of 4-man camp including line-cutting tools;	$ 1,630.39	
3/4 month @ $800/month	$ 600.00	
	$ 3,919.67	$ 3,919.67
		$ 17, 092.81
ALS Canada Ltd.		
Analysis and assay: 9 samples ICP and assay for high copper and molybdenum concentrations	$ 332.81	$ 332.81
Cost of 2005 Exploration Work on the Karalee property		**$27,756.99**
G.S.T.: 7% of $27,106.47		$ 1,897.45
Total Cost of the 2005 Exploration Program		**$29,654.44**

6.0 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Historic work and recent prospecting have resulted in the identification of two types of economic mineralization in the Karalee property area: contact metamorphic copper skarns and disseminated molybdenum-copper and molybdenum mineralization.

Probably, the Pink Rose and Copper Cliff copper skarns are typical of the skarn mineralization that may be found elsewhere in the Karalee property area. They are small, and consequently have limited exploration potential.

Porphyry-type molybdenum-copper mineralization is represented directly by the Bee Creek molybdenum-copper occurrence and indirectly by the molybdenum-bearing lenses along the trend of the Pink Rose marble. Porphyry deposits can be very large bodies capable of sustaining extensive open-pit operations that can sustain production for many years.

Porphyry-type molybdenum-copper mineralization is the primary exploration target in the Karalee property area and throughout the land between Klekane Inlet and Princess Royal Channel.

6.2 Recommendations

Since no relevant regional geochemical or geophysical programs have been conducted near the Karalee property area, a silt survey should be conducted in all of the drainage crossing the central part of the Karalee property.

Detailed prospecting and geological mapping should be conducted throughout the whole area, paying specific attention to: possible extensions of the Bee Creek molybdenum-copper mineralization.

New mineral showings should be trenched, sampled, mapped and drilled.

John Ostler: M.Sc., P.Geo.
Consulting Geologist

West Vancouver, British Columbia
February 8, 2006

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APPENDIX ‘A’

METHODS and RESULTS
of ASSAYS and ANALYSES

ALS Chemex
EXCELLENCE IN ANALYTICAL CHEMISTRY
ALS Canada Ltd.
212 Brooksbank Avenue
North Vancouver BC V7J 2C1
Phone: 604 984 0221 Fax: 604 984 0218 www.alschemex.com

To: CASSIAR EAST YUKON EXPEDITING LTD.
2224 JEFFERSON AVE
WEST VANCOUVER BC V7V 2P8

Finalized Date: 7-JUL-2005
Account: DYQ

CERTIFICATE VA05051190

Project: KARALEE

P.O. No.:

This report is for 9 Rock samples submitted to our lab in Vancouver, BC, Canada on 27-JUN-2005.

The following have access to data associated with this certificate:

JOHN OSTLER	J. OSTLER	

SAMPLE PREPARATION

ALS CODE	DESCRIPTION
WEI-21	Received Sample Weight
PUL-31	Pulverize split to 85% <75 um
SPL-21	Split sample - riffle splitter
CRU-31	Fine crushing - 70% <2mm
LOG-22	Sample login - Rcd w/o BarCode

ANALYTICAL PROCEDURES

ALS CODE	DESCRIPTION	INSTRUMENT
ME-ICP41	34 Element Aqua Regia ICP-AES	ICP-AES
Ag-AA46	Ore grade Ag - aqua regia/AA	AAS
Cu-AA46	Ore grade Cu - aqua regia/AA	AAS
PGM-ICP23	Pt, Pd, Au 30g FA ICP	ICP-AES

To: CASSIAR EAST YUKON EXPEDITING LTD.
ATTN: JOHN OSTLER
2224 JEFFERSON AVE
WEST VANCOUVER BC V7V 2P8

This is the Final Report and supersedes any preliminary report with this certificate number. Results apply to samples as submitted. All pages of this report have been checked and approved for release.

Signature:

ALS Chemex
EXCELLENCE IN ANALYTICAL CHEMISTRY
ALS Canada Ltd.
212 Brooksbank Avenue
North Vancouver BC V7J 2C1
Phone: 604 984 0221 Fax: 604 984 0218 www.alschemex.com

To: CASSIAR EAST YUKON EXPEDITING LTD.
2224 JEFFERSON AVE
WEST VANCOUVER BC V7V 2P8

Finalized Date: 7-JUL-2005
Account: DYQ

Project: KARALEE

CERTIFICATE OF ANALYSIS VA05051190

Sample Description	Method Analyte Units LOR	WEI-21 Recvd Wt. kg 0.02	PGM-ICP23 Au ppm 0.001	PGM-ICP23 Pt ppm 0.005	PGM-ICP23 Pd ppm 0.001	ME-ICP41 Ag ppm 0.2	ME-ICP41 Al % 0.01	ME-ICP41 As ppm 2	ME-ICP41 B ppm 10	ME-ICP41 Ba ppm 10	ME-ICP41 Be ppm 0.5	ME-ICP41 Bi ppm 2	ME-ICP41 Ca % 0.01	ME-ICP41 Cd ppm 0.5	ME-ICP41 Co ppm 1	ME-ICP41 Cr ppm 1
K-3-1		0.24	0.004	0.010	<0.001	<0.2	0.68	4	290	10	2.5	<2	0.82	<0.5	3	53
K-4-1		0.10	0.001	0.009	<0.001	0.2	3.61	12	10	10	<0.5	<2	7.64	<0.5	3	30
K-7-1		1.26	0.008	0.011	<0.001	13.1	1.72	7	<10	<10	<0.5	7	5.31	1.7	2	22
K-8-1		1.40	0.003	<0.005	<0.001	5.9	1.89	4	<10	<10	<0.5	4	5.52	1.2	1	22
K-8-3		0.42	0.097	0.006	<0.001	7.8	2.49	8	<10	<10	<0.5	7	7.33	2.4	1	13
K-8-4		0.38	0.045	0.007	<0.001	>100	1.84	<2	<10	<10	<0.5	185	4.90	39.0	5	21
K-9-1		0.32	<0.001	0.006	<0.001	0.5	0.57	3	<10	40	<0.5	<2	0.23	<0.5	2	14
K-15-1		0.10	0.001	0.007	<0.001	7.5	0.78	<2	<10	80	<0.5	15	0.68	3.0	2	51
K-15-2		0.16	0.020	0.006	<0.001	80.8	2.22	<2	<10	<10	<0.5	121	5.33	4.8	2	27

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WEST VANCOUVER BC V7V 2P8

Finalized Date: 7-JUL-2005
Account: DYQ

Project: KARALEE

CERTIFICATE OF ANALYSIS VA05051190

Sample Description	Method Analyte Units LOR	ME-ICP41 Cu ppm 1	ME-ICP41 Fe % 0.01	ME-ICP41 Ga ppm 10	ME-ICP41 Hg ppm 1	ME-ICP41 K % 0.01	ME-ICP41 La ppm 10	ME-ICP41 Mg % 0.01	ME-ICP41 Mn ppm 5	ME-ICP41 Mo ppm 1	ME-ICP41 Na % 0.01	ME-ICP41 Ni ppm 1	ME-ICP41 P ppm 10	ME-ICP41 Pb ppm 2	ME-ICP41 S % 0.01	ME-ICP41 Sb ppm 2
K-3-1		7	0.90	<10	<1	0.02	<10	0.03	521	4840	0.06	1	160	9	0.36	6
K-4-1		7	2.56	10	<1	0.01	<10	0.12	1670	1135	0.06	3	160	12	0.09	3
K-7-1		9390	1.92	10	<1	0.01	10	0.08	1530	24	0.02	1	2010	5	0.19	2
K-8-1		4840	1.72	10	1	<0.01	<10	0.08	1260	5	0.01	1	1260	6	0.07	2
K-8-3		6930	3.26	10	<1	0.01	<10	0.04	2670	9	0.02	1	350	4	0.10	2
K-8-4		>10000	2.90	10	<1	<0.01	<10	0.03	1470	1	0.01	1	420	15	3.04	4
K-9-1		461	0.98	<10	<1	0.28	<10	0.13	171	1	0.07	<1	100	6	0.07	<2
K-15-1		6970	1.46	<10	<1	0.13	<10	0.15	227	4140	0.16	1	320	8	0.79	4
K-15-2		>10000	2.17	10	<1	0.01	<10	0.04	1615	13	0.02	3	520	16	2.17	3

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CERTIFICATE OF ANALYSIS VA05051190

Sample Description	Method / Analyte / Units / LOR	ME-ICP41 Sc ppm 1	ME-ICP41 Sr ppm 1	ME-ICP41 Ti % 0.01	ME-ICP41 Tl ppm 10	ME-ICP41 U ppm 10	ME-ICP41 V ppm 1	ME-ICP41 W ppm 10	ME-ICP41 Zn ppm 2	Ag-AA46 Ag ppm 1	Cu-AA46 Cu % 0.01
K-3-1		<1	15	0.03	<10	<10	11	<10	28		
K-4-1		<1	21	0.11	<10	<10	89	<10	30		
K-7-1		3	14	0.35	<10	<10	81	<10	20		
K-8-1		4	8	0.22	<10	<10	73	<10	18		
K-8-3		2	9	0.07	<10	<10	188	<10	16		
K-8-4		2	6	0.07	<10	<10	64	20	1115	120	11.65
K-9-1		1	17	0.05	<10	10	9	<10	18		
K-15-1		1	35	0.05	<10	<10	11	<10	101		
K-15-2		1	6	0.05	<10	<10	39	10	28		6.78

APPENDIX 'B'

CERTIFICATE OF QUALIFICATION

I, John Ostler, of 2224 Jefferson Avenue in the City of West Vancouver, Province of British Columbia do hereby certify:

That I am a consulting geologist with business address at 2224 Jefferson Avenue, West Vancouver, British Columbia;

That I am a graduate of the University of Guelph in Ontario where I obtained my Bachelor of Arts degree in Geography (Geomorphology) and Geology in 1973, and that I am a graduate of Carleton University of Ottawa, Ontario where I obtained my Master of Science degree in Geology in 1977;

That I am registered as a Professional Geoscientist with the Association of Professional Engineers and Geoscientists of British Columbia;

That I have been engaged in the study and practice of the geological profession for over 30 years, and as a result of my experience and qualification, I am a Qualified Person as defined in National Policy 43-101;

That I have conducted exploration on porphyry projects in Nevada and Washington state for Occidental Minerals Corp. (USA) in 1977, in the Nicola volcanic belt for Newmont Exploration (Canada) in 1978, and I developed a porphyry molybdenum project for Enfield Resources Inc. (one of my own public companies) from 1981 to 1982. During the 1980s and 1990s, I examined several porphyry prospects for a diverse group of clients. From 1997 to 2000, I explored an alkalic porphyry copper project in the Pelambres camp of north-central Chile for Rock Resources Inc. From 1998 to 2002, I conducted exploration on the Picton-Margurete molybdenum belt near Phillips Arm, B.C. for Thurlow Resources Ltd. During 2002, I conducted mapping and drilling on the Sadim porphyry copper property for Toby Ventures Inc, and I did the same on the Murphy Lake porphyry copper property for Candorado Operating Company Limited during 2004.
Since 1976, I have examined and explored many gold-bearing quartz vein systems in western Canada, western United States and Chile. From 1983 to 1984 I developed the Hunter gold vein system located in the Butedale area for Arnhem Resources Inc. (one of my own public companies) and I conducted exploration on the Doratha Morton gold vein system for Thurlow Resources Inc. located near Phillips Arm, B.C. from 1998 to 2002.
Since 1976, I have examined copper skarns in western British Columbia and Chile.;

That this report is based on data in the literature and exploration of the Karalee property personally conducted from June 20 to 22, 2005, during which time I located, examined and sampled mineral showings;

That I am the sole author of this report and all sources of information not based on my personal knowledge of the Karalee property area are referenced in a standard format. In my opinion, the record of previous exploration on the Karalee property areas is reasonably accurate and correct;

That in matters concerning legal title to the Karalee property areas and on economic, environmental, and legal aspects of developing a mine in British Columbia, I disclaim responsibility. I am not licenced to practice law in the Province of British Columbia;

That I have no interest in the Karalee property area, nor do I expect to receive any. I am independent of Rene Bernard and Joseph Lawrence as defined by Section 1.5 of National Instrument 43-101;

John Ostler; M.Sc., P.Geo.
Consulting Geologist

West Vancouver, British Columbia
February 8, 2006