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Ministry of Energy, Mines & Petroleum Resources
Mining & Minerals Division
BC Geological Survey

Assessment Report
Title Page and Summary

TYPE OF REPORT [type of survey(s)]: Airphoto

TOTAL COST:

AUTHOR(S): J. T. Shearer, M.Sc., P.Geo. **SIGNATURE(S):** J Shearer

NOTICE OF WORK PERMIT NUMBER(S)/DATE(S): JUNE 15, 2013 **YEAR OF WORK:** 2013

STATEMENT OF WORK - CASH PAYMENTS EVENT NUMBER(S)/DATE(S): # 5454113

PROPERTY NAME: Quatse

CLAIM NAME(S) (on which the work was done):

COMMODITIES SOUGHT: Ag/Cu

MINERAL INVENTORY MINFILE NUMBER(S), IF KNOWN:

MINING DIVISION: Nanaimo **NTS/BCGS:** 92L/12E (92L.062)

LATITUDE: 50 ° 38 ' 39 " **LONGITUDE:** 127 ° 36 ' 17 " **(at centre of work)**

OWNER(S):
1) J. T. Shearer 2)

MAILING ADDRESS:
Unit 5 - 2330 Tyner Street
Port Coquitlam, BC V3C 2Z1

OPERATOR(S) [who paid for the work]:
1) Same as above 2)

MAILING ADDRESS:
Same as above

PROPERTY GEOLOGY KEYWORDS (lithology, age, stratigraphy, structure, alteration, mineralization, size and attitude):
Triassic Quatsino Limestone and Karmutsen Formation basalt in contact with Jurassic pluton causing skarn garnet-epidote along contact

REFERENCES TO PREVIOUS ASSESSMENT WORK AND ASSESSMENT REPORT NUMBERS:
Assessment Report 23268, 15876, 21751

Next Page

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			
Photo interpretation			5400
GEOPHYSICAL (line-kilometres)			
Ground			
Magnetic			
Electromagnetic			
Induced Polarization			
Radiometric			
Seismic			
Other			
Airborne			
GEOCHEMICAL (number of samples analysed for...)			
Soil			
Silt			
Rock			
Other			
DRILLING (total metres; number of holes, size)			
Core			
Non-core			
RELATED TECHNICAL			
Sampling/assaying			
Petrographic			
Mineralographic			
Metallurgic			
PROSPECTING (scale, area)			
PREPARATORY / PHYSICAL			
Line/grid (kilometres)			
Topographic/Photogrammetric (scale, area)			
Legal surveys (scale, area)			
Road, local access (kilometres)/trail			
Trench (metres)			
Underground dev. (metres)			
Other			
		TOTAL COST:	$ 5400

AIRPHOTO INTERPRETATION REPORT

on the

CALEDONIA PROSPECT/QUATSE SILVER PROPERTY
Port Hardy – Coal Harbour Area

Nanaimo Mining Division
Latitude 50°38'39"N/Longitude 127°36'17"W
NTS 92L/12E (92L.062)
Permit: MX-8-75 Mine 0800429
Event # 5454113

Prepared for
Quatse Silver Resources Inc.
#5-2330 Tyner St.
Port Coquitlam, B.C.
V3C 2Z1
Phone: 604-970-6402, Fax: 604-944-6102

Prepared by

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#5-2330 Tyner St.
Port Coquitlam, B.C.
V3C 2Z1
Phone: 604-970-6402, Fax: 604-944-6102

July 9, 2013

Fieldwork completed between July 15, 2012 and July 14, 2013

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ILLUSTRATIONS

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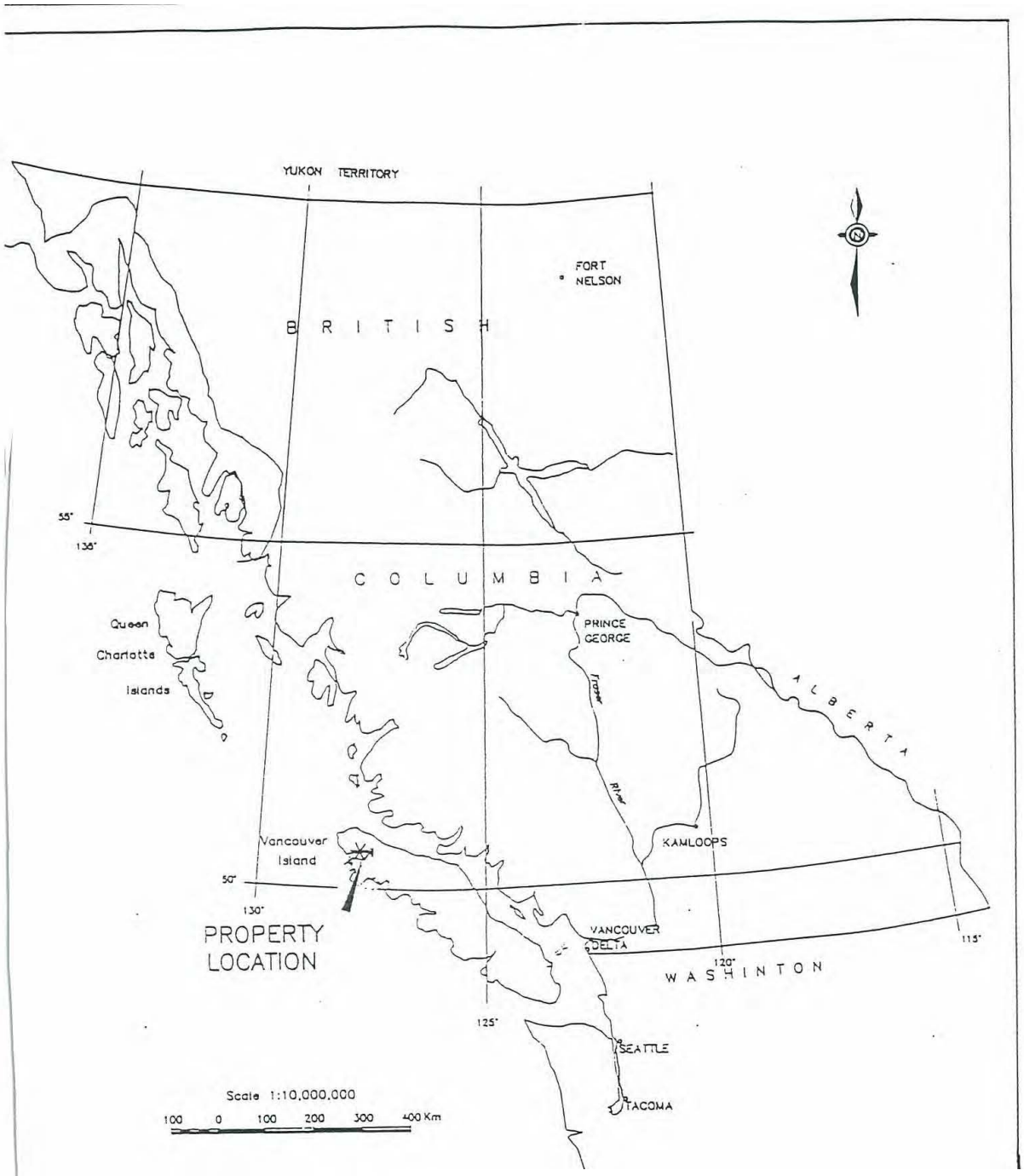


QUATSE SILVER RESOURCES INC.		
CALEDONIA PROJECT		
LOCATION MAP		
NTS 92L/12E	May 2011	Scale as shown
WORK BY J. T. Shearer, M.Sc.,	FIGURE 1	

SUMMARY

1) The Caledonia occurrence area is underlain by Upper Triassic Karmutsen Formation volcanics and Quatsino Formation limestone (both formations of the Vancouver Group) and Lower Jurassic Bonanza Group volcanics, intruded by bodies of the Early-Middle Jurassic Island Plutonic Suite.

2) Locally, epidote-garnet-actinolite skarn containing tennanite [CuAs(Ag)S] occurs at a contact between Quatsino limestone, Karmutsen volcanics and granodiorite. Some of the mineralization extends into the granodiorite in sericitized fractures. The limestone strikes 315°, dipping 25° to the south..

3) East of the workings, garnet, epidote, magnetite and minor tennanite are present in a skarn zone in limestone at a granodiorite contact. A narrow wedge-shaped body of mineralization extends about 12 metres into the granodiorite.

4) North of Quatse Lake, bornite replaces siliceous and tuffaceous beds in the upper part of the Karmutsen Formation.

5) In 1929, 0.9 tonnes of ore was shipped from the property, grading 514.2 grams per tonne silver and 7.3% copper (Malcolm, 1969). A chip sample collected across 1.8 metres in 1926 assayed trace gold, 418.2 grams per tonne silver, 2.9% copper, 0.8% Lead and 10.0% zinc (Minister of Mines Annual Report, 1926).

6) Underground development outlined a possible resource of 68,000 tonnes grading 704.2 grams per tonne silver (20.54 oz./ton) 6.1% copper, 7.45% zinc, 0.6% lead and 0.34 g/tonne gold in a 3 to 5 metre wide zone over a strike length of 100 metres (George Cross News Letter #221, 1981; Statement of Material Facts July 5, 1972 – North Island Mines Ltd., D.C. Malcolm, April 24, 1972). Later work has expanded the surface mineralized zone for a strike length of 600 metres over a 300 metre width (George Cross News Letter #221, 1981).

7) Sampling in 2007 from trenching returned values of 581.7 g/tonne silver (16.97 oz./ton), 4.42% Copper, 0.13% Pb, 8.97% Zn from tennanite bearing skarn.

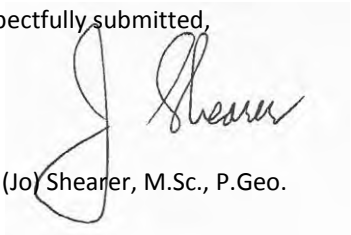
8) Metallurgical testing indicates that flotation gives high recovery rates for Silver and Copper. Discussions have been initiated with NVI regarding shipping a 10,000 tonne bulk sample to Myra Falls.

9) Fourteen percussion holes were drilled to an average depth of 15m with drill chip samples collected 1.5m. Some of these holes were used to blast and remove a 50 tonne bulk sample for future shipment to a flotation mill.

10) Airphoto linears are dominated by strong northeast-southwest linears which reflect late stage faults. Equally strong west-northwest- east-southeast linears reflect primary lithological boundaries. The main Caledonia showing is on the intersection of a strong west-northwest linear (carbonate trend) and a north-south linear (from the intrusive stock).

11) A Phase II exploration program consisting of geological mapping, continued percussion drilling, geophysics and bulk sampling at a cost of $232,000 is recommended for 2013.

Respectfully submitted,



J. T. (Jo) Shearer, M.Sc., P.Geo.

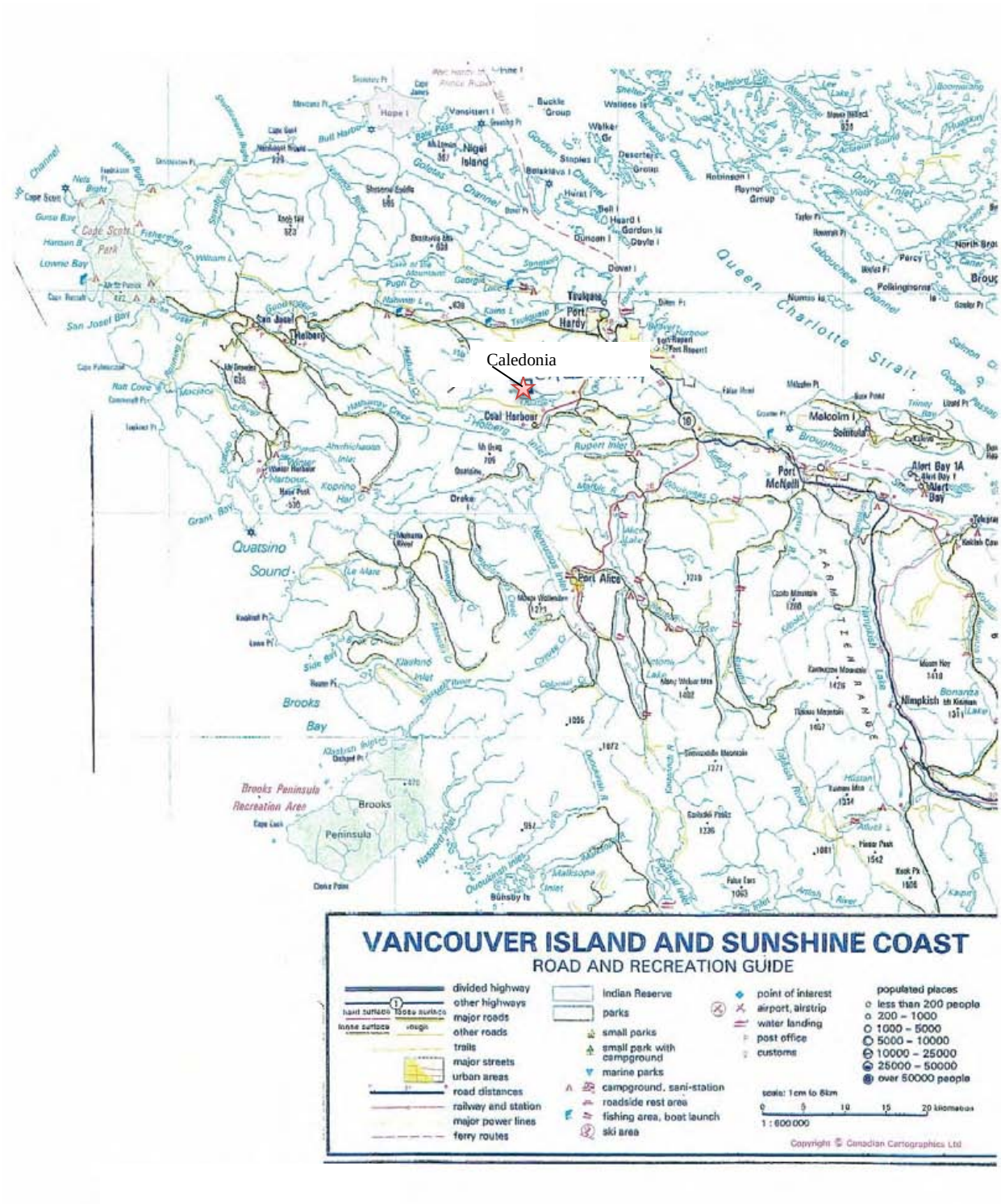


Figure 2 Access Map

INTRODUCTION

The Caledonia Property is located 15km southwest of Port Hardy, a short distance northwest of Quatse Lake.

The deposit is an epidote-garnet-actinolite skarn containing mainly tennanite with minor bornite and chalcopyrite occurs at the contact between Quatsino limestone, Karmutsen volcanics and granodiorite. Some of the mineralization extends into the granodiorite in sericitized fractures. The limestone strikes 315°, dipping 25° to the south.

The property has been known for many years. A substantial amount of surface and underground exploration was completed prior to 1929. The property is held by 3 crowngrants (in good standing) and surrounding located claims. The taxes on these crowngrants have been paid for many years by R. Zimmerman, and who also owns the surrounding claims.

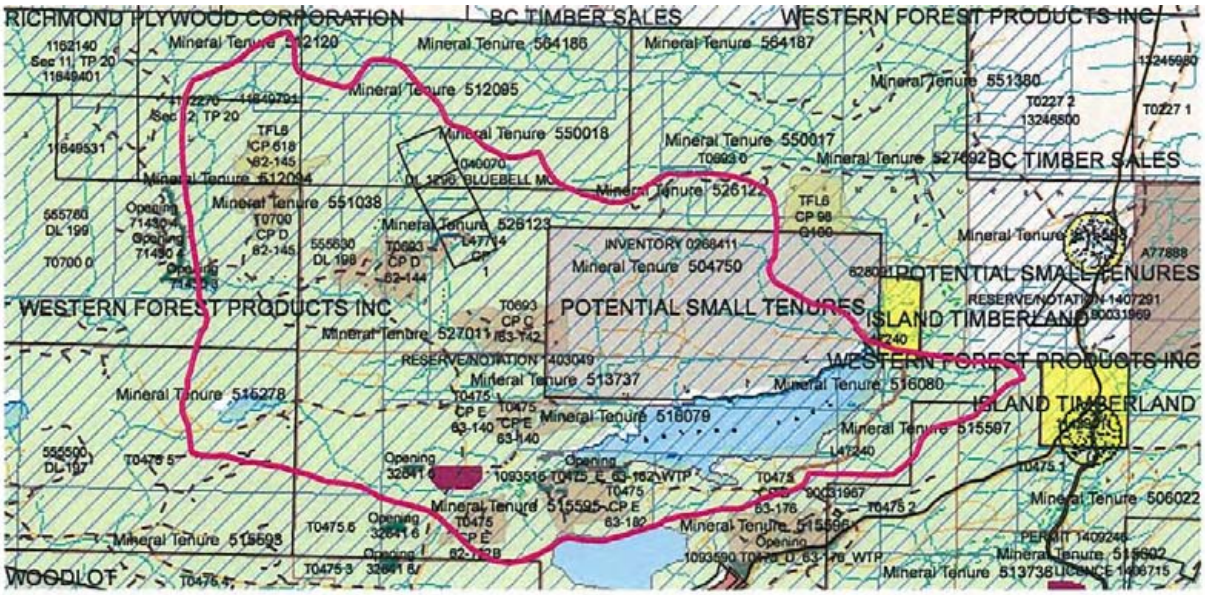
Access is by all-weather logging roads a distance of 8km from paved road between Port Hardy and Coal Harbour. A 200m bulldozer trail from the end of branch logging road CH1210 to the underground workings.

The property is with the shared Traditional Territory of the Quatsino First Nation and the Kwakiutl First Nation. Two Letters of Support have been received from the Quatsino First Nation (one for the trenching and opening the bulldozer trail completed and one for the bulk sample). A permit, MX-8-75 Mine 0800429, has been issued by the Ministry of Energy, Mines and Petroleum Resources.

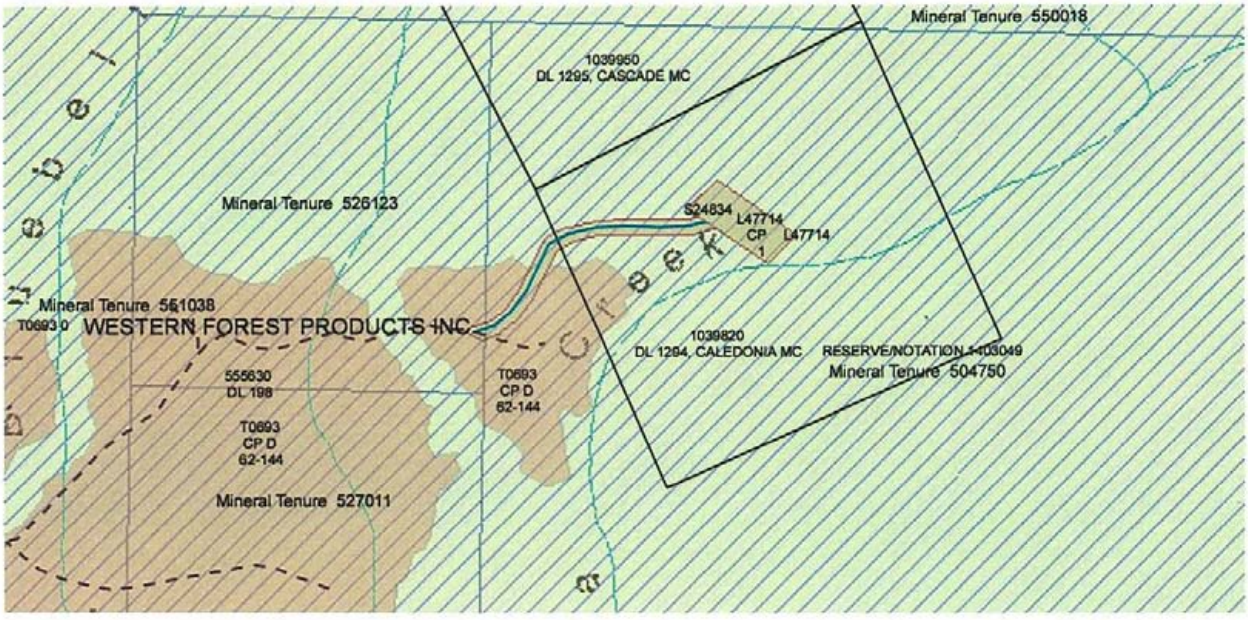
Previous work (from BC Minfile is as follows: underground development outlined possible reserves of 68,000 tonnes grading 704.2 grams per tonne silver (20.54 oz./ton), 6.1% copper, 7.45% zinc, 0.6% lead and 0.34 g/tonne gold in a 3 to 5 metre wide zone over a strike length of 100 metres (George Cross News Letter #221, 1981; Statement of Material Facts July 5, 1972 – North Island Mines Ltd., D.C. Malcolm, April 24, 1972). Later work has expanded the surface mineralized zone for a strike length of 600 metres over a 300 metre width (George Cross News Letter #221, 1981).

Work in 2007 consisted of approximately $60,000 spent to date for completing trenching, sampling, geological mapping, ABA assays, First Nations negotiations, Timber cruising, haul road layout, metallurgical flotation tests, stripping, drafting Environmental Baseline Study and permit application plus Reclamation Bond.

The current program was initiated in May 2012 with ground magnetometer and soil sampling.



Mineral and Other Tenure Map Caledonia Area showing current access



Detail Access Map of Caledonia Claims

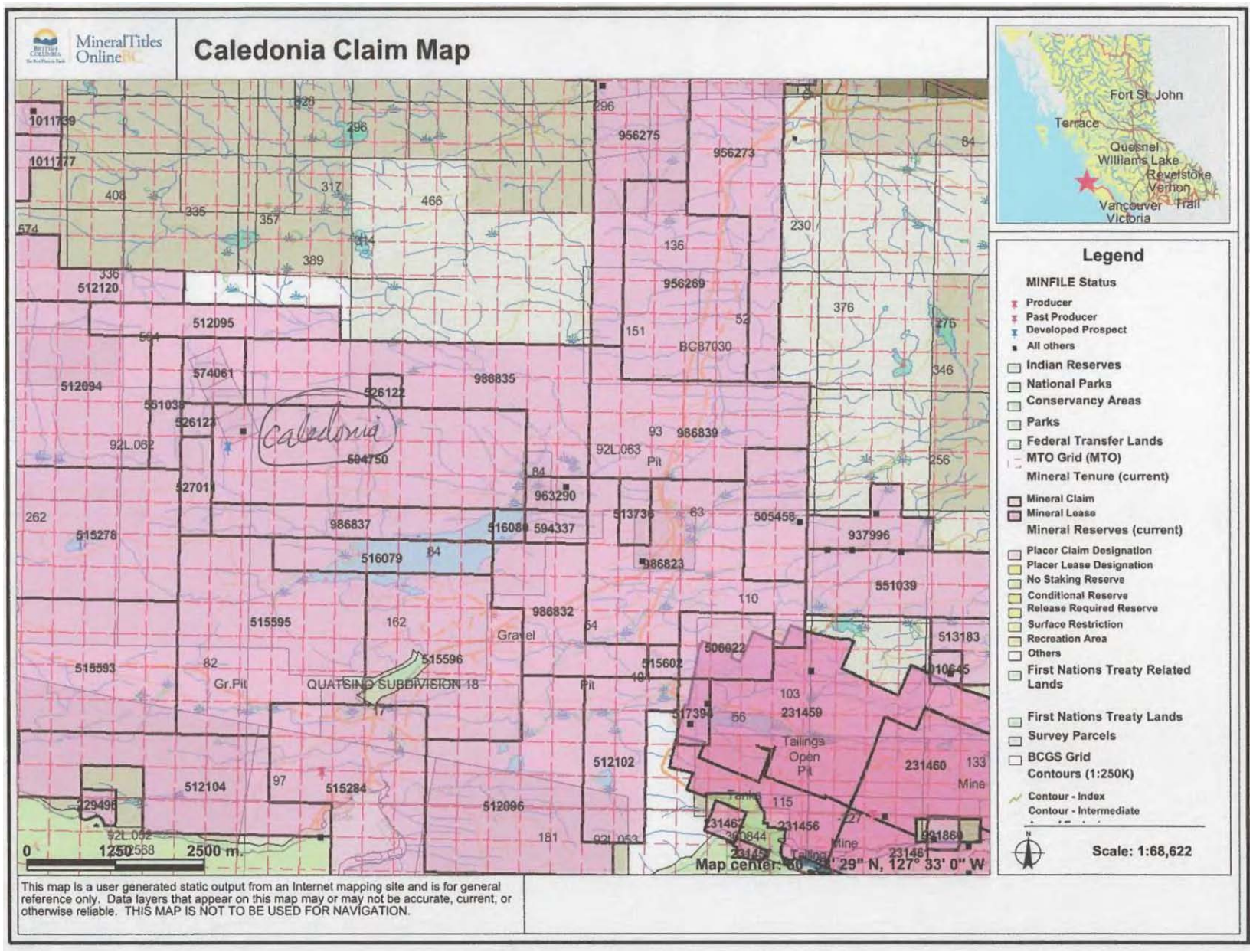
Figures 2a and 2b

LOCATION AND ACCESS

The Caledonia Project is located on northern Vancouver Island in the Nanaimo Mining Division at Latitude 50°38'39"N and 127°36'17"W Longitude. The map reference is NTS 92L/12W (92L.062).

Access to the claims is gained by travelling south for 14km from Port Hardy along the Port Hardy – Coal Harbour paved road. From Coal Harbour travel west along the Coal Harbour Mainline logging road to CH1210 branch road a distance of 8km to the mineralized zone.

The area is within the traditional territory of the Quatsino First Nation who have provided 3 letters of support for the project.


MineralTitles Online BC
Caledonia Claim Map
Fort St. John
Terrace
Quesnel
Williams Lake
Revelstoke
Vernon
Vancouver
Victoria
Trail
Legend
MINFILE Status
Producer
Past Producer
Developed Prospect
All others
Indian Reserves
National Parks
Conservancy Areas
Parks
Federal Transfer Lands
MTO Grid (MTO)
Mineral Tenure (current)
Mineral Claim
Mineral Lease
Mineral Reserves (current)
Placer Claim Designation
Placer Lease Designation
No Staking Reserve
Conditional Reserve
Release Required Reserve
Surface Restriction
Recreation Area
Others
First Nations Treaty Related Lands
First Nations Treaty Lands
Survey Parcels
BCGS Grid
Contours (1:250K)
Contour - Index
Contour - Intermediate
Caledonia
QUATSINO SUBDIVISION 18
Gravel
Gr.Pit
Pit
Tailings Pond
Open Pit
Mine
0
1250
2500 m.
Scale: 1:68,622
Map center: 50° 34' 29" N, 127° 33' 0" W
This map is a user generated static output from an Internet mapping site and is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. THIS MAP IS NOT TO BE USED FOR NAVIGATION.

CLAIMS STATUS

TABLE I
List of Claims

Name	Tenure #	Area	Issue Date	Current Expiry Date	Registered Owner
Caledonia W	551038	81.96	February 3, 2008	June 15, 2013	R. Zimmerman
	504750	614.79	January 24, 2005	October 15, 2013	R. Zimmerman
Caledonia West One	527011	61.48	February 2, 2006	October 15, 2013	R. Zimmerman
Caledonia Extention One	526123	20.49	January 24, 2006	October 15, 2013	R. Zimmerman
Caledonia N.E.	526122	20.49	January 24, 2006	June 15, 2013	R. Zimmerman
Quatse East 1	513736	40.99	June 1, 2005	June 15, 2013	R. Zimmerman
	506022	123.02	February 6, 2005	June 15, 2013	R. Zimmerman
	505458	163.96	February 2, 2005	June 15, 2013	R. Zimmerman
Rupert Arm 2	515602	20.50	June 30, 2005	June 15, 2013	R. Zimmerman
Quatse Three	516080	20.50	July 5, 2005	June 15, 2013	R. Zimmerman
Pick 2	551039	245.98	February 3, 2007	June 15, 2013	R. Zimmerman
Rupert 4	517394	41.01	July 12, 2005	June 15, 2013	R. Zimmerman
Caledonia N.E.	574061	81.95	January 18, 2008	June 15, 2013	R. Zimmerman
Quatse East	594337	40.99	November 16, 2008	June 15, 2013	
Q Lake	963290	40.99	March 15, 2012	October 15, 2013	
Caledonia 10	986823	491.96	May 16. 2012	June 16, 2013	
Caledonia 12	986832	246.01	May 16. 2012	June 16, 2013	
Caledonia 13	986835	512.23	May 16. 2012	June 16, 2013	
Caledonia 14	986837	184.47	May 16. 2012	June 16, 2013	
Caledonia 15	986839	409.81	May 16. 2012	June 16, 2013	
		3,463.58 ha			
Crown Grants					
Caledonia	Lot 1294	19.21	March 26, 1957	Yearly taxes	R. Zimmerman
Cascade	Lot 1995	19.96	March 26, 1957	Yearly taxes	R. Zimmerman
Bluebell	Lot 1996	20.89	March 26, 1957	Yearly taxes	R. Zimmerman
		Total 3,523.64 ha			

Cash may be paid in lieu if no work is performed. Following revisions to the Mineral Tenures Act on July 1, 2012, claims bear the burden of $5 per hectare for the initial two years, $10 per hectare for year three and four, $15 per hectare for year five and six and $20 per hectare each year thereafter.

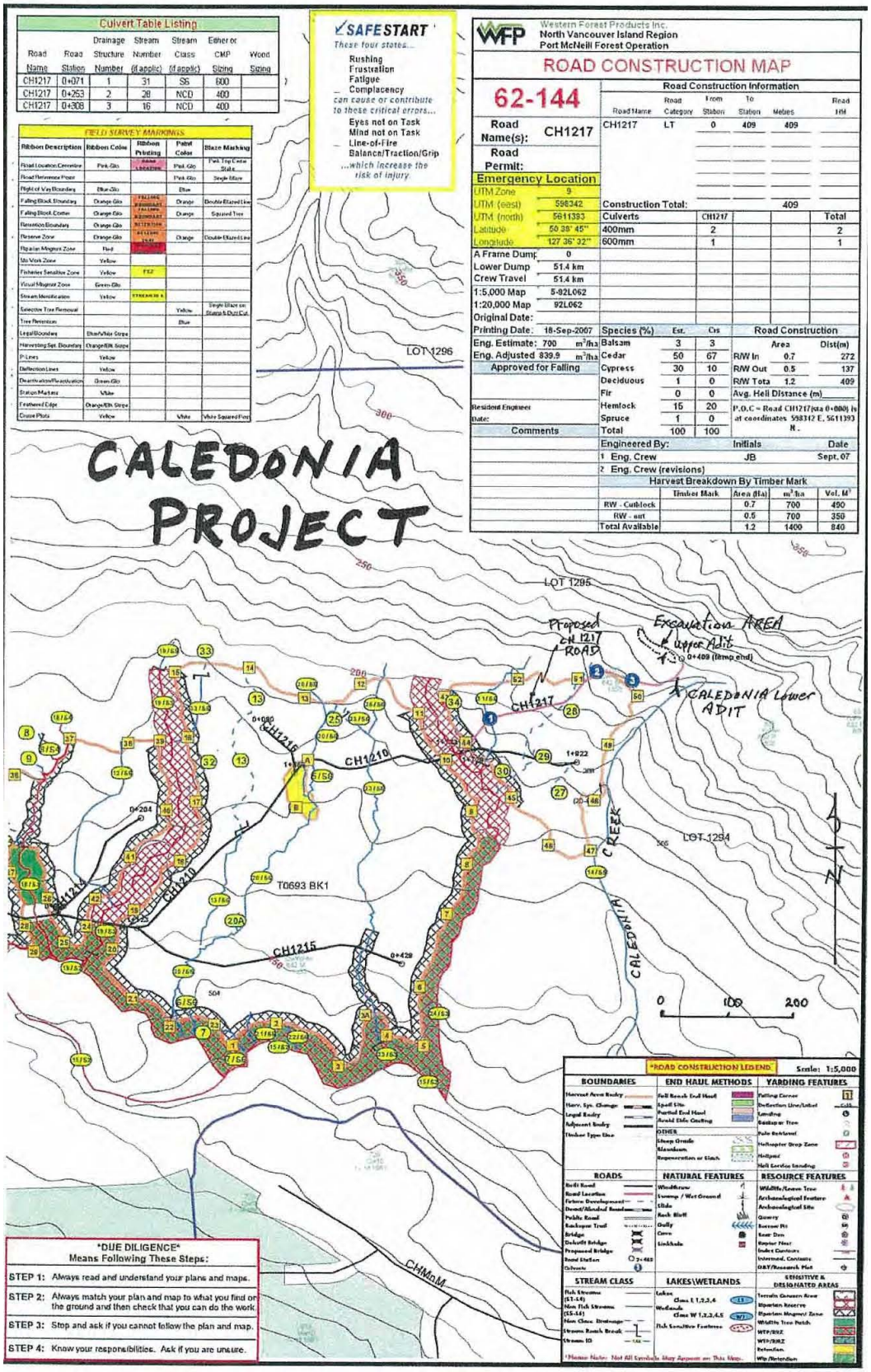


Figure 4 Logging Map Showing Access Road

HISTORY

The Caledonia Property was discovered prior to 1923. At that time, stripping and open-cutting on the Caledonia and Cascade claims exposed a band of mineralization first seen in the creek bed nearby. The adit had advanced 50 feet but not far enough to intercept the mineralization. The body of mineralization in the creek was 30 feet wide and assayed – copper 3.2%, zinc 10% and silver 16 oz./ton. Open cut No. 2, 300 feet west from Caledonia Creek exposed 9 feet of mineralization assaying – copper 3.2%, Zinc (not assayed) and silver 19 oz./ton.

Further work in the next two years included new open cuts, demonstrating continuity of the mineralized band in excess of 300 feet in a N 60° W (mag) direction. All open cuts which reached bedrock showed strong mineralization. (Open cuts 1A and 2A, though 10 feet deep, did not reach bedrock.) As well, the crosscut adit was extended to intersect the mineralization.

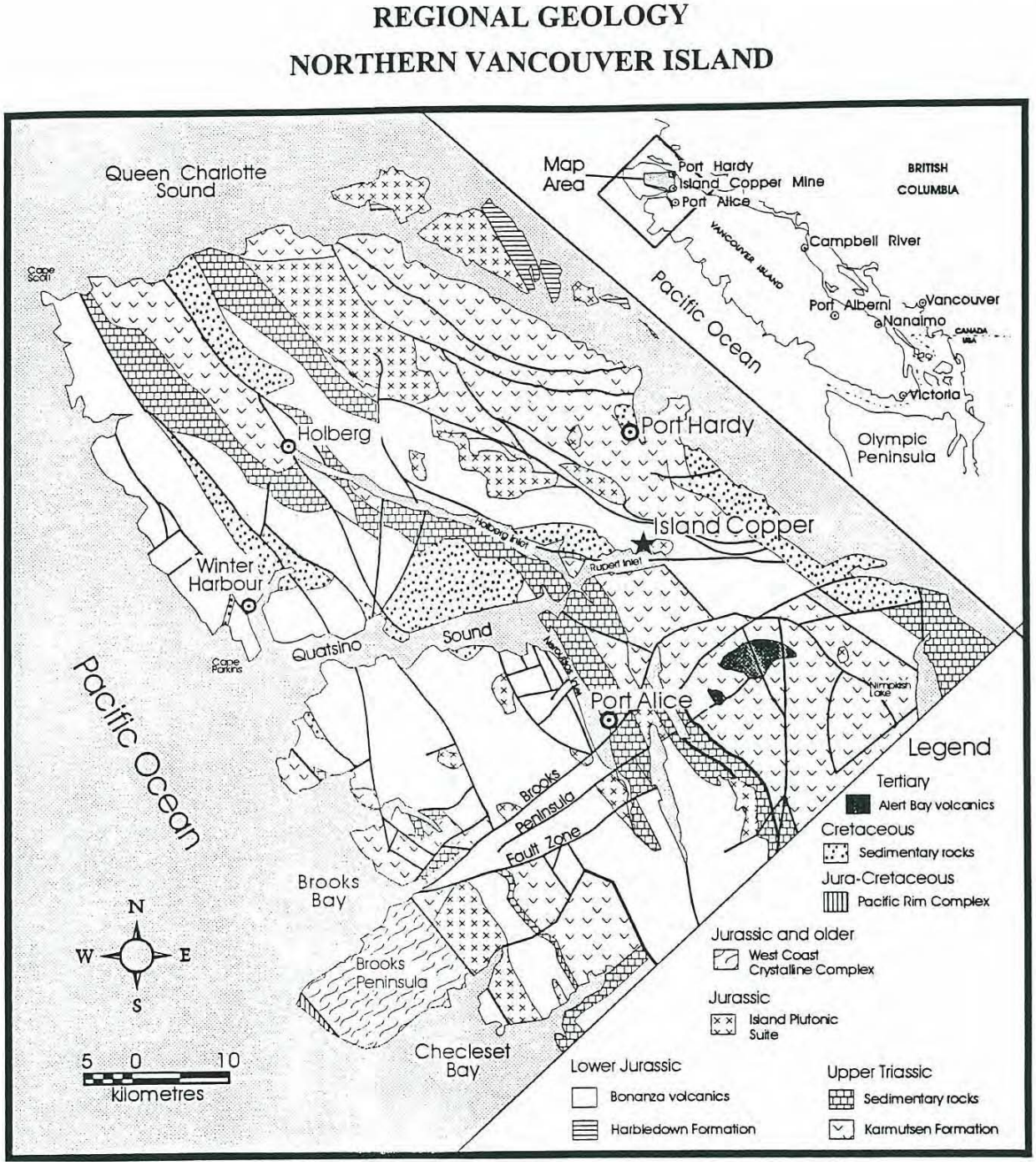
No further work of any consequence was done on the property until 1968 when it was acquired by North Island Mines Ltd. In 1968 access roads were upgraded, cat trenching was done, additional claims were staked (total 170 claims), geochemical soil surveys were done and 15 diamond drill holes were completed totalling 2,300 feet (BCDM 1968). Following the diamond drilling, a tonnage estimate was made by D. C. Malcolm, P.Eng. using cut-off grades. This estimate was 75,000 tons averaging 6.09% copper, 7.45% zinc, 0.6% lead, 20.54 oz./ton silver and 0.01 oz./ton gold. The zone was reported to have good extension possibilities to the west (GCNL August 15, 1972). Trenches and workings are shown in the accompanying plan figures 5 and 7 (C. R. Saunders, 1968), and drill Holes are shown in Figure 2. D. C. Malcolm indicates that the massive mineralization is “younger”, replacing pre-existing skarn (personal communication 1982).

Additional zone 350 feet uphill from the above-mentioned zone trenched by C. M. and S. in 1929 was reported to exhibit a magnetite-copper “vein” 2 to 5 feet wide exposed for nearly 1,000 feet having an east-west strike and 80° south dip. This zone, occurring at the top of a band of grey crystalline limestone not more than 50 feet thick, is underlain and overlain by andesitic lava flows. A similar zone on the Scotia claim “includes a fair amount of chalcopyrite, sphalerite and galena” and may represent the same zone exposed in the Cascade trenches.

On the Bluebell claim, roads and trenches expose numerous copper-magnetite bands in the Karmutsen volcanics. Several percussion drill holes were completed on some of the zones but results are unknown.

Trenching done on an area within the present Pick 10 claim in 1972, northwest of the Bluebell revealed copper-magnetite mineralization within the Karmutsen volcanics adjacent to the same porphyritic intrusive seen at Caledonia. The trenching exposed copper mineralization over an area 1,200 feet by 400 feet (D. C. Malcolm in GCNL). Six surface grab samples from various zones assayed from 0.39% Cu to 2.0% Cu. Several percussion drill holes were completed but results have not been located.

Figure 5 Regional Geology – Northern Vancouver Island



REGIONAL GEOLOGY

Comprehensive geological mapping of Northern Vancouver Island was carried out during the late 1960's, the bulk of it by Dr. Jan Muller of the Geological Survey of Canada with major assistance by Dr. Kenneth Northcote of the B.C. Department of Mines and J. A. Jeletzky. The results of their mapping are summarized on G.S.C. Map 1552A. More recently, mapping was carried out on map sheets NTS 97L/12 and 92L/11W by Hammock, J. L. et al in the 1990's. The result of this work, which was produced by the Geological Survey Branch of the British Columbia government, is available in both digital and hard copy formats.

The basement upon which the rocks of northern Vancouver Island were laid down is probably of Middle to Upper Palaeozoic Age. At the time of deposition, the landmass, which now makes up Vancouver Island, was located in the equatorial regions of the Pacific Ocean. It consisted of felsic to basic volcanics deposited in a submarine environment. The very important copper-zinc-gold-silver ore bodies at Western Mines' Buttle Lake operations were developed within this sequence.

In Upper Triassic time (about 200 million years ago), these basement rocks were covered by a series of pillow lavas and flows largely of basaltic composition. Total thicknesses extruded probably exceed 2400 metres. These rocks are known as the Karmutsen Formation.

Following this period of basaltic volcanism, carbonate rocks (the Quatsino Limestone) accumulated to thicknesses of about 300 metres, although a much thinner section appears to be the rule north of Holberg Inlet. Of importance from an economic standpoint is the correlation between the Karmutsen – Quatsino section of Vancouver Island and the Nikolai Greenstone – Chitistone Limestone section of southeastern Alaska, both of which are part of the same Central Pacific terrane. The Nikolai, like the Karmutsen, is considerably enriched in copper as compared with the average basalt. The Chitistone Limestone was host to the very high-grade Kennecott Copper deposit, which was apparently derived by re-concentration of the much lower-grade copper disseminated through large volumes of Nikolai rock.

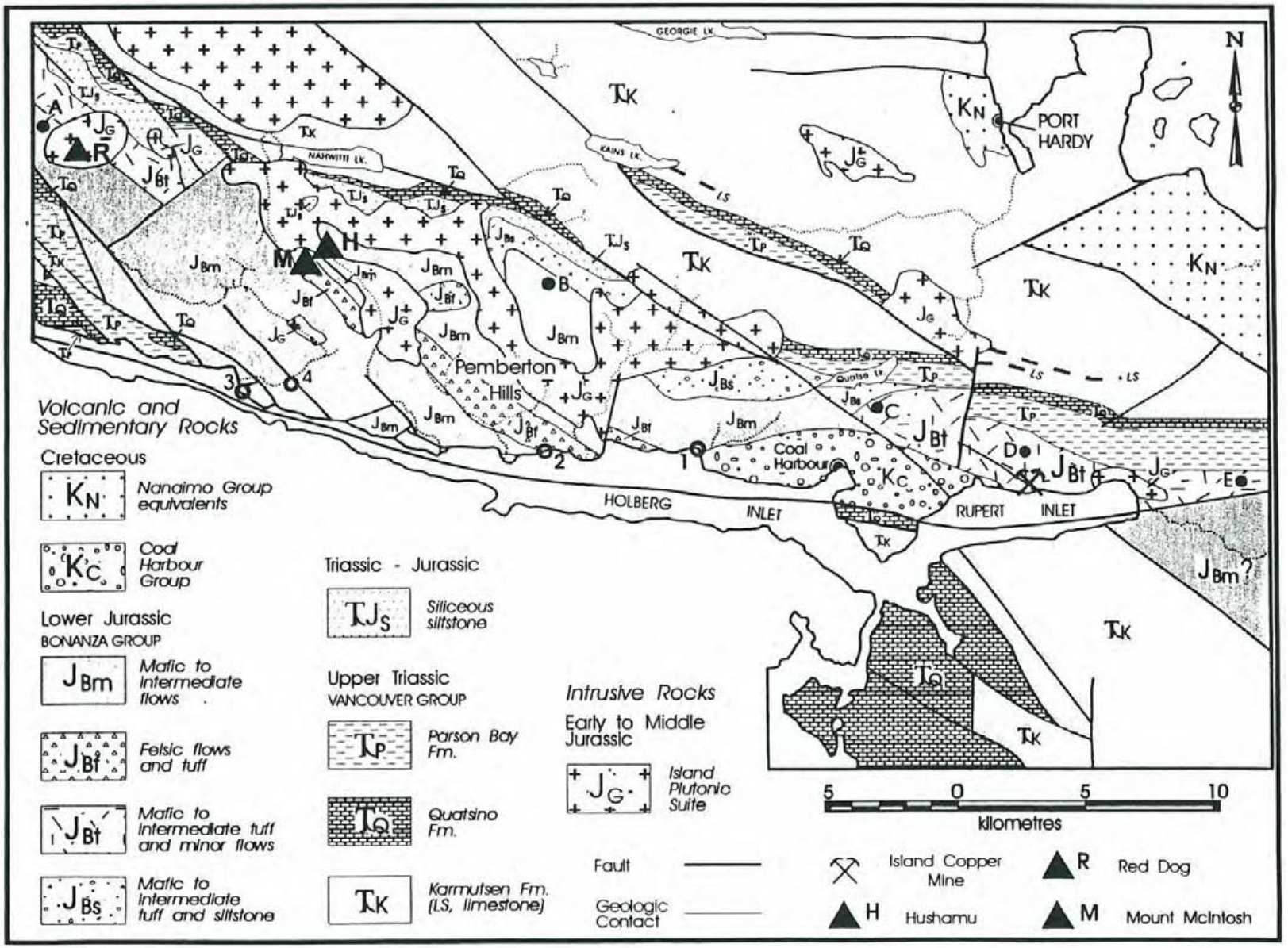
Above the Quatsino Formation there is generally found a clastic section of which appears to be of slightly different age and of varying composition in different parts of northern Vancouver Island. Depending on age, composition and location, it is known as the Parson Bay Formation or the Harbledown Formation. The Parson Bay is somewhat calcareous and of upper-most Triassic age while the Harbledown is more argillitic and of lower-most Jurassic age. Above the sedimentary section are the Jurassic Bonanza Volcanics, an assemblage of flows, tuffs and fragmentals largely of andesitic composition, but with minor basaltic and rhyodacitic sections.

During and after eruption of the Bonanza Volcanics, granitic bodies were emplaced within the Karmutsen-Quatsino-Bonanza sequence. These bodies ranged in size from dykes and small plugs to masses of batholithic proportions. Some of these intrusives formed the underground reservoirs, which broke through to surface to deposit the Bonanza Volcanics.

Reaction between these very hot, high-level vent zones and circulating groundwater and seawater led to the development of numerous zones of highly altered rock, within or adjacent to which are copper-gold-molybdenum deposits. The alteration zones are generally characterized by the presence of large amounts of silica, clay minerals, pyrite, pyrophyllite and laumontite. Of the various alteration zones, perhaps 90% are located in the belt immediately north of Rupert and Holberg Inlets particularly in the vicinity of the PEM100 Quarry and Pemberton Hills, which are covered by the Apple Bay and Jody Claims.

At some time during the latter part of the Jurassic, following a long period of northward drift, the Vancouver Island – Queen Charlotte Islands – Southeast Alaska terrane, apparently somewhat fragmented, collided with and fused to the North American Continent. Following this accretion, and a

Figure 6 Regional Geology – Holberg Inlet



general elevation of the landscape probably caused related to the mechanics of collision, highland portions of the terrane were eroded into basinal areas, forming continental transgressive sandstones of Cretaceous age, which included numerous coal measures, those of the Nanaimo basin being most notable.

One of the small Lower Cretaceous basins of sandstone and conglomerate extends from the western edge of the Island Copper Mill area to the vicinity of Apple Bay, which lies to the west of the claims. Since the deposition of these various sandstones, there has been minor volcanic and intrusive activity on the island.

LOCAL GEOLOGY and MINERALIZATION

The Caledonia Property was discovered prior to 1923. At that time, stripping and open-cutting on the Caledonia and Cascade claims exposed a band of mineralization first seen in the creek bed nearby. The adit had advanced 50 feet but not far enough to intercept the mineralization. The body of mineralization in the creek was 30 feet wide and assayed – copper 3.2%, zinc 10% and silver 16 oz./ton. Open cut No. 2, 300 feet west from Caledonia Creek exposed 9 feet of mineralization assaying – copper 3.2%, Zinc (not assayed) and silver 19 oz./ton.

Further work in the next two years included new open cuts, demonstrating continuity of the mineralized band in excess of 300 feet in a N 60° W (mag) direction. All open cuts which reached bedrock showed strong mineralization. (Open cuts 1A and 2A, though 10 feet deep, did not reach bedrock.) As well, the crosscut adit was extended to intersect the mineralization.

The new open cuts provided the following intersections at surface:

		Cu	Zn	Pb	Ag		Au
3A	10.0 ft.	2.5%	5%	1%	12 oz./t	411.42 g/tonne	Tr.
1	6.0 ft.	2.0%	10%	0.8%	12.2 oz./t	418.28 g/tonne	Tr.
1B	2.6 ft.	0.5%	3%	Tr.	6.5 oz./t	222.85 g/tonne	Tr.

In 1927 the crosscut was advanced a further 60 feet and 300 feet of drifting planned.

In 1929 the property was bonded to Consolidated Mining and Smelting Company, who completed at least 400 feet of drifting eastward and westward from the crosscut and another drift 50 feet westward.

A raise was driven to intersect the mineralized band in open cut 3A. The work in 1929 demonstrated that the mineralized band was shallowly dipping at the contact of granodiorite and limestone and the contact was irregular, but well mineralized, with widths of 5 to 25 feet of copper/lead/zinc “ore” “which looked very promising” (BCDM, 1929).

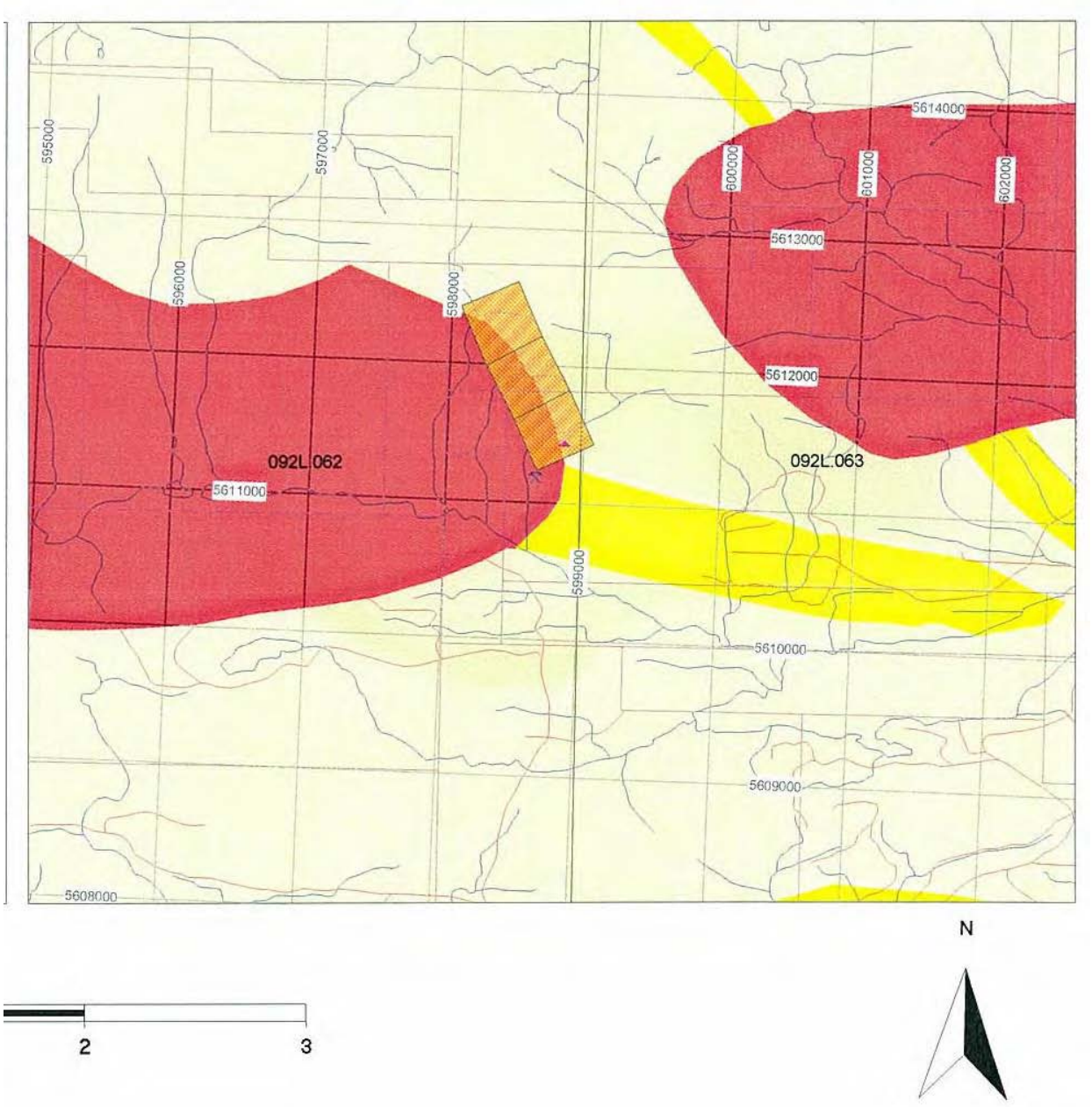
Mineralization in this zone consisted of an irregular replacement of sphalerite, chalcopyrite, magnetite, specularite, bornite, pyrite, and galena with quartz, epidote and garnet in limestone at or adjacent to the granodiorite contact. The granodiorite-volcanic contact is a fault, and the limestone overlying the volcanics (Karmutsen) dips shallowly (20° - 25°) southwestward toward the granodiorite. The skarn is developed at the base of the limestone unit, which appears to be overlain by further volcanic flows. The rocks are cut by dark green dykes (lamprophyre?) and several granodiorite dykes. Amethystine quartz is present in silicified limestone areas in the drift, and thin stringers of sphalerite have been traced into the granodiorite, which is strongly altered near the contact and turned pinkish by the addition of K-feldspar, as discrete veinlets and also as pervasive alteration of the intrusive.

North of Quatse Lake, near the logging access road which gives access to the Caledonia claims, several areas of disseminated copper and skarn copper mineralization are known.

The area is underlain by the typical Karmutsen-Quatsino-Parsons Bay and Bonanza sequence trending westerly to north westerly and dipping shallowly southward. The granodioritic Island Intrusion is in probable fault contact with the Karmutsen volcanics in the northern part of the area, and it is in the Karmutsen volcanics and Karmutsen-Quatsino contact near the intrusive contact that the best mineralization is present.

Exploration work was initiated in this area by Thomas Kirk, North Island Mines in 1968. Copper mineralization was discovered on the banks of Kettle Pot Creek and on the series of rocky hills known as Hill 140, 160 and 155. In 1972 geological mapping, geochemical sampling and magnetometer surveys were completed under the supervision of R. K. Germundsen, Ph.D. with engineering consultation provided by D. C. Malcolm, P. Eng.

Figure 7 Local Claim Geology


595000
597000
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598000
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601000
602000
5614000
5613000
5612000
5611000
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092L 063
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2
3

On the Hill 140 occurrence, a grid was cut and flagged and the area was gridded with 265 blast holes. Twenty-five of these pits, covering an area 400 feet by 400 feet were sampled with 40 lb. samples. Results ranged from 0.18% Cu to 0.80% Cu averaging 0.29% copper (GCNL, August 16, 1972). The mineralized zone coincides with a prominent 2,000 gamma airborne and ground magnetometer survey (Map 8b).

The rocks are reported to be strongly fractured basic volcanics – the fracturing may result from concentration of northeast and east northeast fault intersections in an area 2,600 feet long by 1,500 feet wide (R. K. Germundson, 1973). Fractures have abundant chlorite, calcite, epidote and K-feldspar with silica, pyrite and chalcopyrite.

In 1973, a drillhole (73-1) placed approximately halfway between Kettle Pot Creek and 140 Hill was trilled N 10° E and 45° approximately 600 feet. Chalcopyrite, fracturing and K-feldspar alteration increased with depth in the hole but assays are not known at this time.

The Kettle Pot zone centred on the creek, is associated with a magnetic anomaly and an airborne EM conductor (Map 8b). Magnetite and copper mineralization is present on both banks of the creek.

A north-east trending coincident mag anomaly with EM response is centred on Kettle Pot Creek 400 metres north of the above-mentioned zone, apparently within the intrusive and may represent an area of alteration and mineralization.

Copper is also present in two other zones tested by pits and drill holes. Zone 160 on geologic strike northwest of the 140 zone has significant bornite disseminations in fine banded silicic tuff between amygdaloidal andesite units (A. O. Birkeland).

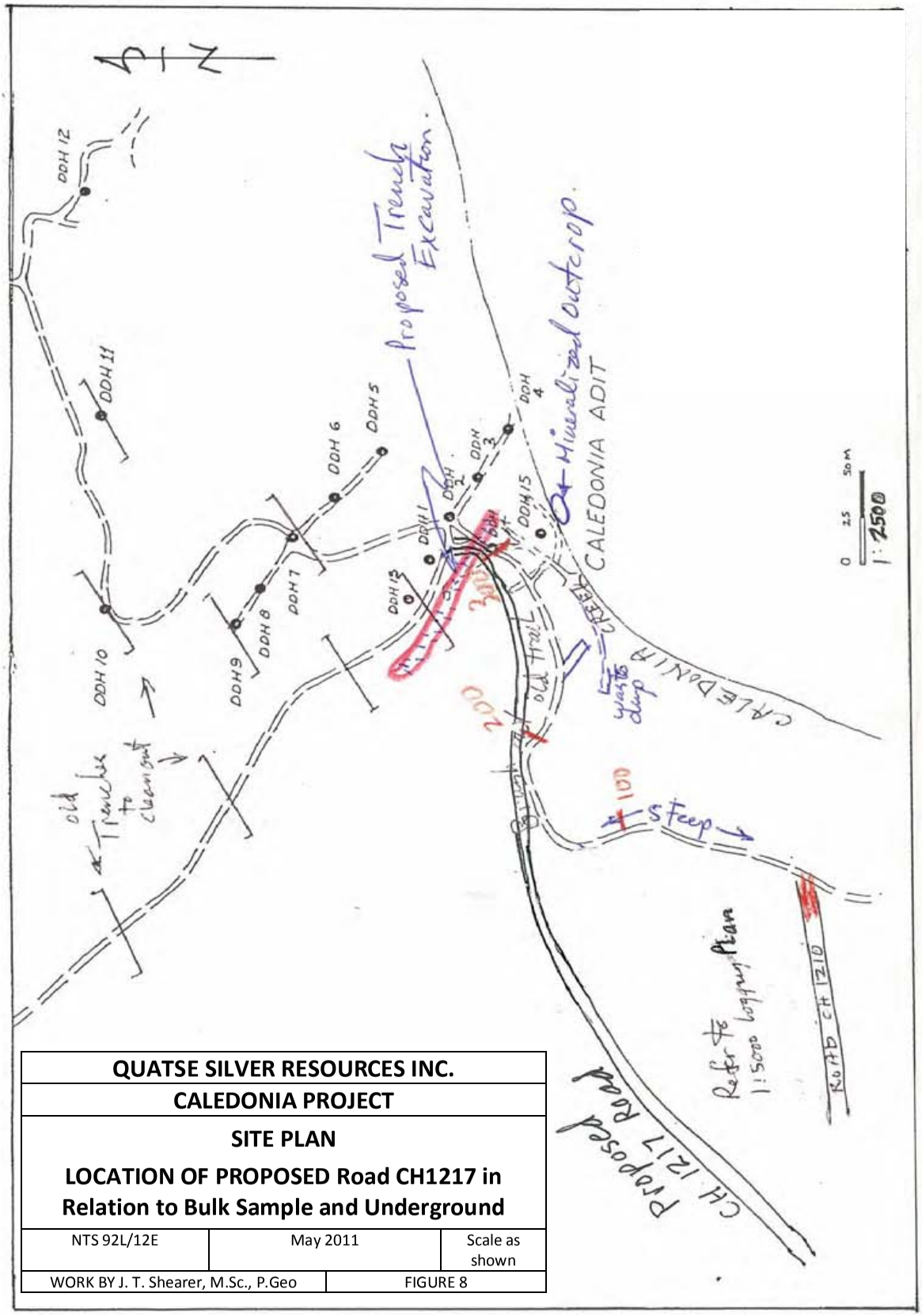
Zone 165 has numerous pits with copper and is tested partially by DDH 165-1 and 165-2 (results unknown).

A zone known as the 155 zone, situated 775 metres southwest of Hill 140 has copper mineralization in a 5 ft. skarn band. DDH 155-1 drilled in 1972 extends northward at -45° encountered 10 feet of skarn in altered andesite. Additional skarn bands trending southwest occur in several exposures from 200 to 5000 metres northwest of DDH 155-1. It is not known whether these have been evaluated.

A soil geochemical survey conducted by G. Anselmo, Tricon Exploration Ltd. resulted in several anomalies with values exceeding 100 ppm and ranging up to 800 ppm. The largest of these are shown on Map 8c and coincide with areas of known mineralization.

To test all targets on the property, D. C. Malcolm recommended a two phase program with 35 percussion holes in Stage I.

At least 11 diamond drill holes and 67 percussion drill holes have known locations marked on the accompanying maps. Diamond drill holes numbered to 25 suggest this number of holes, and additional percussion holes are suspected to have been drilled. However, as yet, no results have been located for any of the holes. Summarizing known data from the Caledonia-Quatse Lake area, 20 drill holes in 1968 outlined 75,000 tons of high grade copper-zinc-silver mineralization at the Caledonia prospect and numerous additional skarn and disseminated copper showings occur along the trend from Quatse River 7km northwestward. Sufficient room and encouragement exists within the belt for further exploration for porphyry and high-grade skarn deposits.



QUATSE SILVER RESOURCES INC.		
CALEDONIA PROJECT		
SITE PLAN LOCATION OF PROPOSED Road CH1217 in Relation to Bulk Sample and Underground		
NTS 92L/12E	May 2011	Scale as shown
WORK BY J. T. Shearer, M.Sc., P.Geo	FIGURE 8	

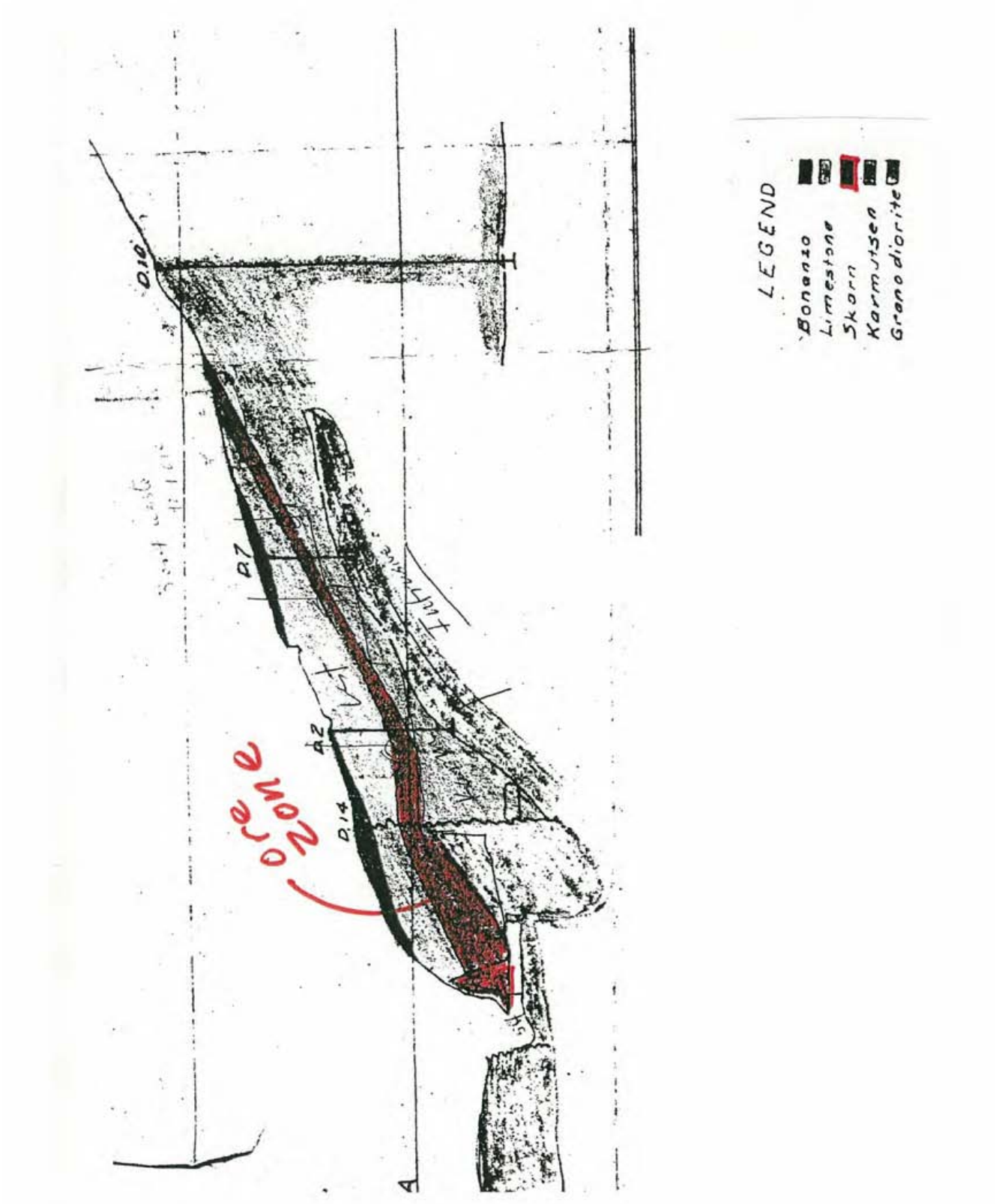


Figure 9 Cross Section of 1980 Drilling

TRENCHING and BULK SAMPLING 2010

The 250m access trail dating from the 1920's and 1980's was cleaned out to a driveable condition with ATV's and 4x4 trucks. The old trenches were cleaned out, extended and sampled.

Sampling in 2007 from the upper adit and raise returned values of 581.7 g/tonne silver (16.97 oz. /ton), 4.42% Copper, 0.13% Pb, 8.97% Zn from tennanite bearing skarn. The location of this sampling is plotted on Figure 13.

The area between trench 1 and 5 was stripped with the Excavator to more clearly show the contact between the silicified limestone and altered intrusive.

Trench 1 is 20m long by 1.5m wide with variable depth averaging 1.5m deep.

Trench 2 is 18m x 1.5m x 1.2m.

Trench 3 is 25m x 1.5m x 2m.

Trench 4 is 8m x 1.5m x 1.2m in overburden.

Trench 5 is 27m x 1.5m x 1.8m.

Trench 6 is 31m x 1.5m x 2.5m all in overburden.

An all-weather road was engineered to provide access from the end of Logging road CH1020.

Fourteen percussion holes were drilled to an average depth of 15m with drill chip samples collected 1.5m. Some of these holes were used to blast and remove a 50 tonne bulk sample for future shipment to a flotation mill (current program).

The bulk sample was excavated and loaded onto a longbox tridem truck with a capacity of 25 tonne loads. Two loads were transported to the Koprino shop. The location of the bulk sample and drillholes are shown on Figures 12 and 13.

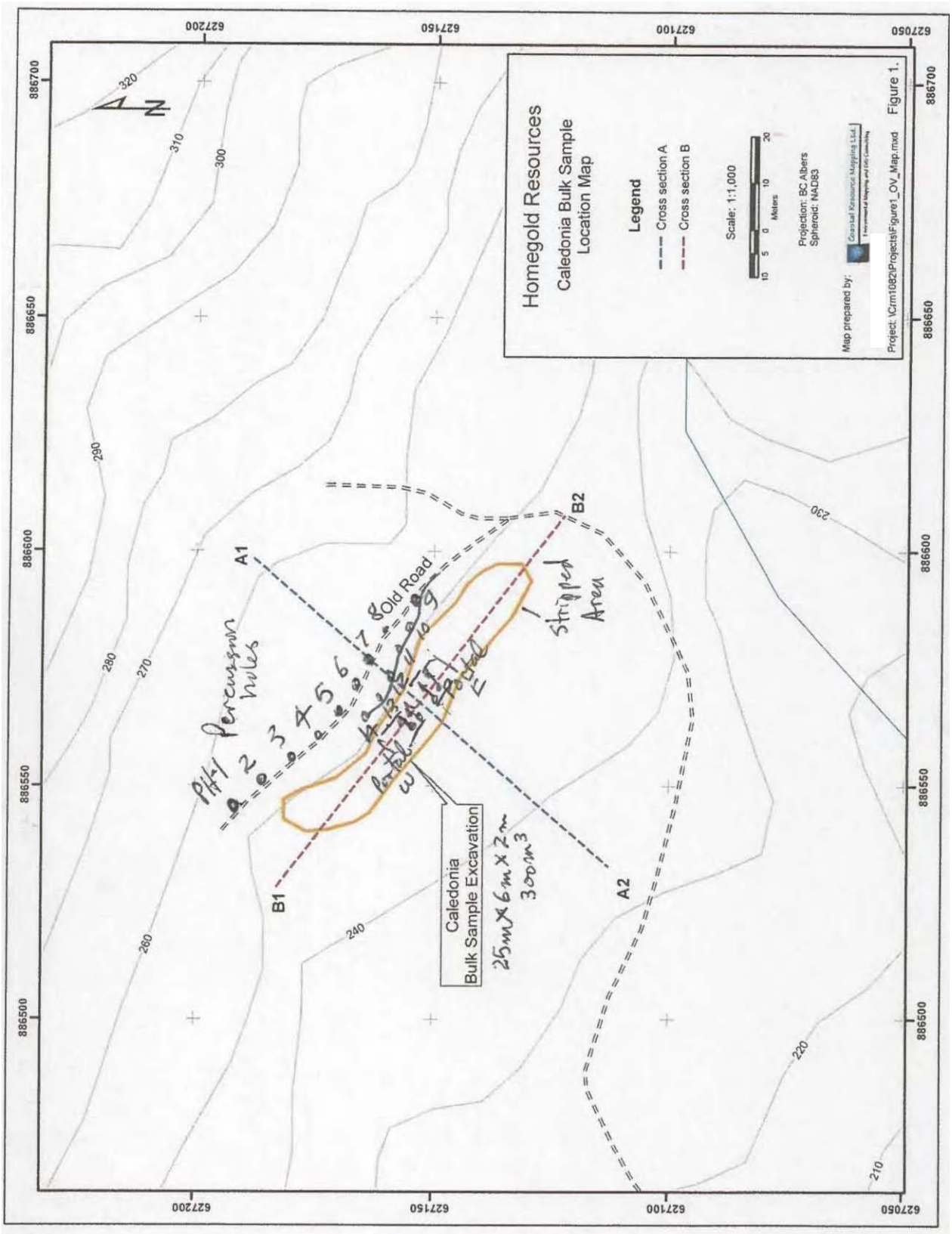


Figure 10 Detail Plan of Bulk Sample 2010

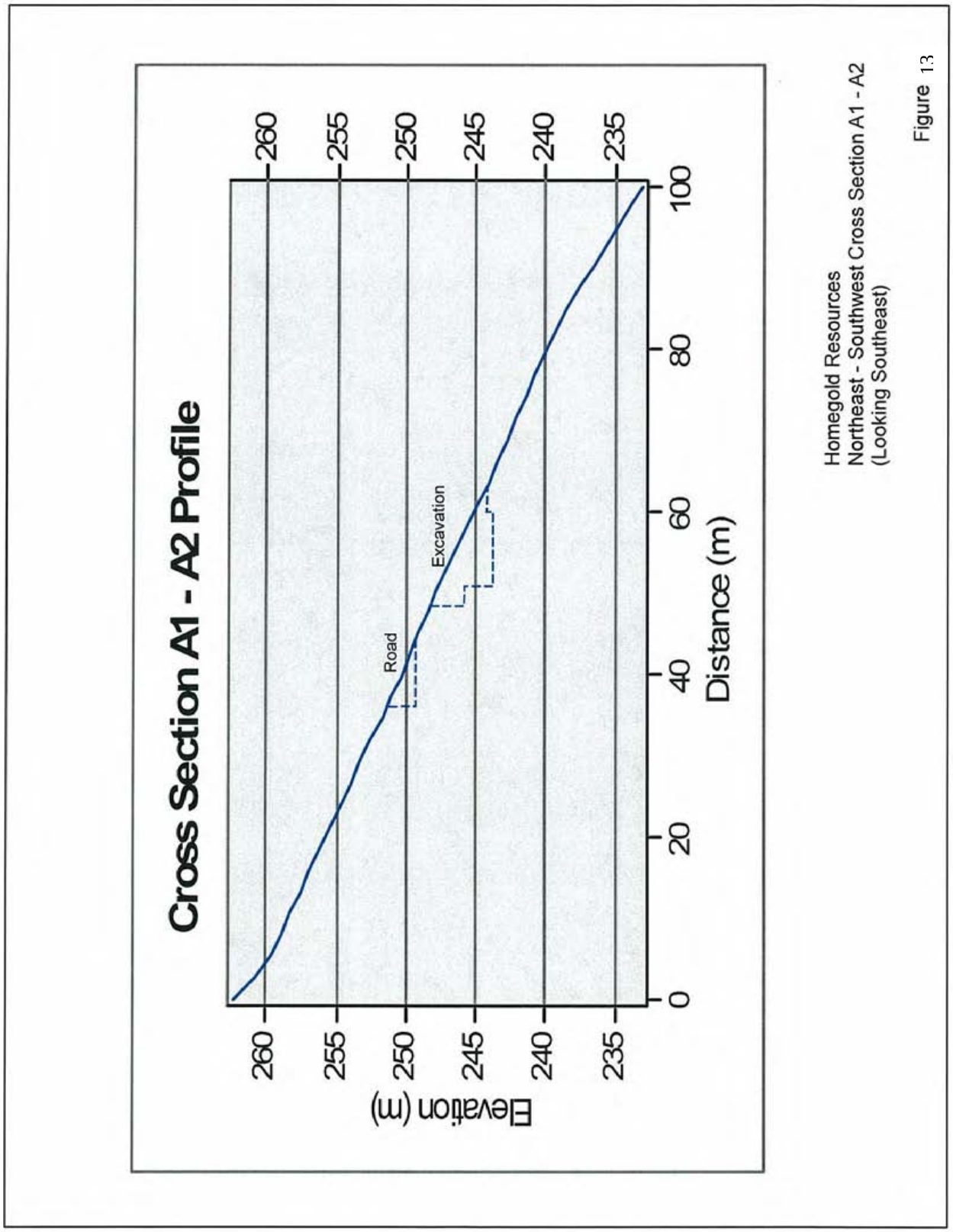


Figure 11 Cross Section of Bulk Sample 2010

PREVIOUS METALLURGY 2007

The initial results of 3 rougher flotation tests have a high recovery rate. As expected from tennanite, the silver follows both the copper and arsenic. The mineralization does not require a fine primary grind, since the tailings fractions indicate that it is not grind sensitive.

Tests on separating the sphalerite from the tetrahedrite by depressing sphalerite and experiment with cleaning tests is recommended. Since it would appear that we will be able to make a suitable concentrate with silver reporting with copper (and separate zinc – to be confirmed), it is appropriate to initiate discussions between NVI and Quatse Silver as to the possibility of shipping mineralized material from the Caledonia Project to Myra Falls.

EXPLORATION 2012

The magnetic survey was carried out, using a Sharpe MF-1 fluxgate magnetometer (Serial #703270). This instrument measures variations in the vertical component of the earth's magnetic field. Corrections for diurnal variations of the earth's field were made by tying-in to previously established base stations at intervals. Return readings were taken at the original base station to measure any change in diurnal variations.

Readings were taken facing north using the 30k X gamma reading selection. All metal objects were removed; magnets, metal field books, caulk boots, metal belt buckles, coins, pens etc. As a prospecting tool the Sharpe MF1 can give anomalous readings that can be followed up by prospecting of Geochemistry sampling survey. Both high and low readings are worth considering. Because of the highly mineralized area there were many high low readings that in some cases correspond to highly mineralized bodies. In other cases culverts or old buried metal cables gave high/low readings. There are some results that do not have obvious sources for the responses given by the magnetometer. In general the magnetic pattern is relatively flat (refer to figures 15 and 15a).

Rock chip samples were taken while prospecting the area. The rock samples were labeled in a heavy plastic bag, on the bag, wrapped with an identifying label on the bag and as well the site had a corresponding identifier. Notes were taken about the sample and a GPS reading was given for the site. Eight rock chip samples taken on the property and identified by the letters “RC”. Assays are pending.

The geochemistry survey was done with a treeplanting shovel going from 10 cm to 50 cm deep. Generally the horizon was the “B” horizon though at times only “B” & “C” contact was the available soil. The soil had rock chips and debris removed and put into marked kraft bags. Results are plotted in Figures 16 and 16a.

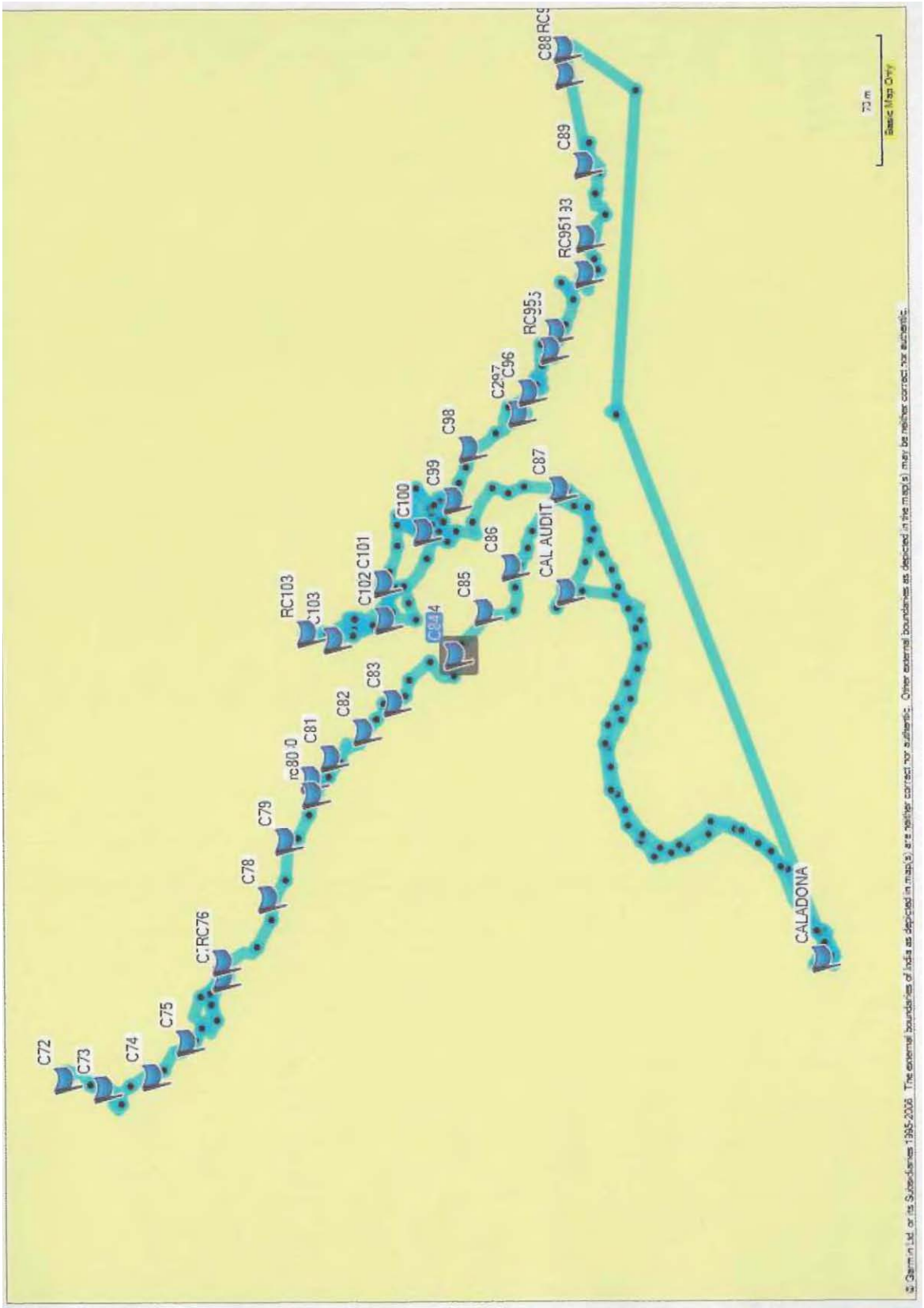


Figure 12 Garmin Sample Locations

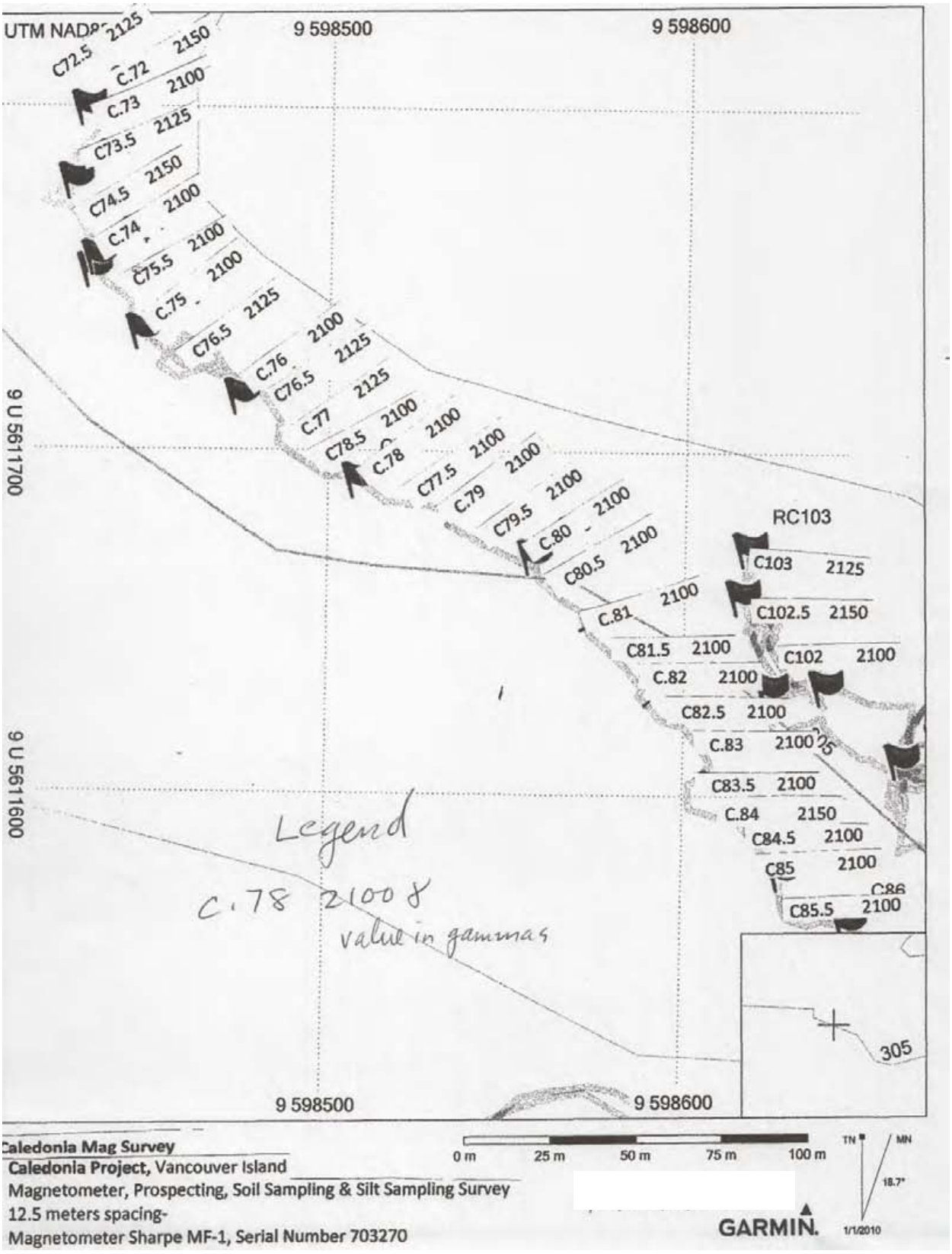


Figure 13 Magnetometer Results

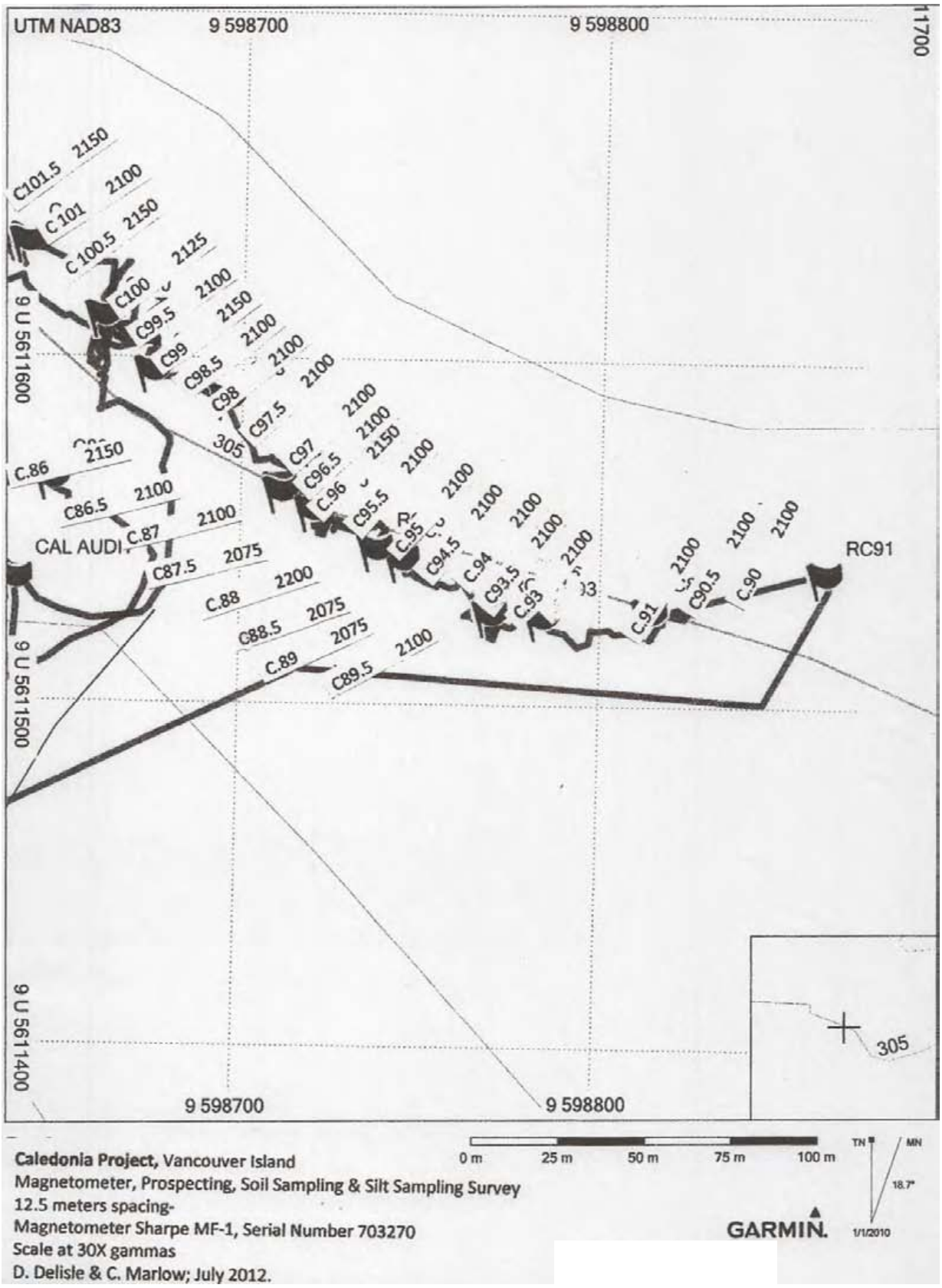


Figure 13a Magnetometer Results

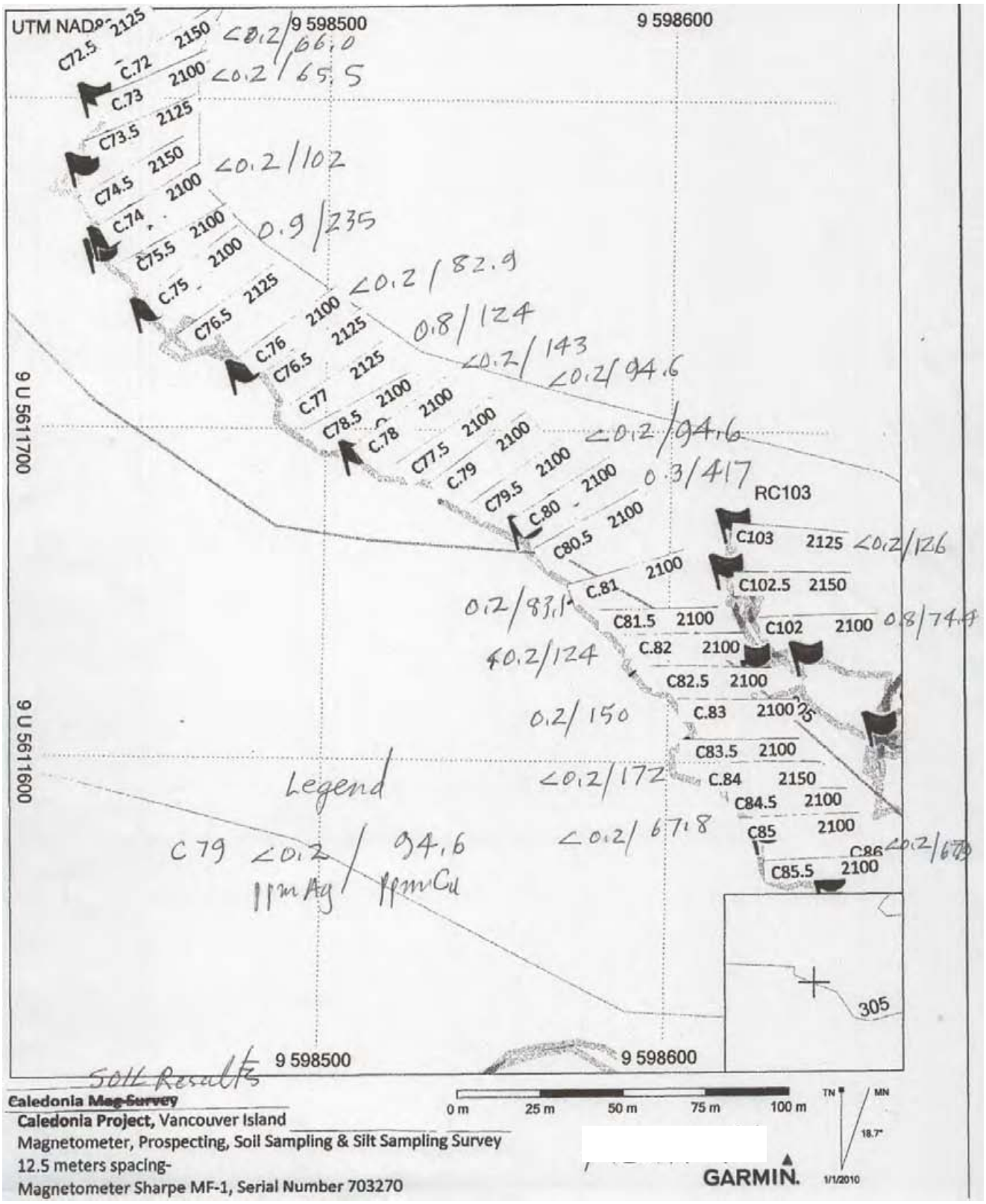


Figure 14 Soil Results 2012

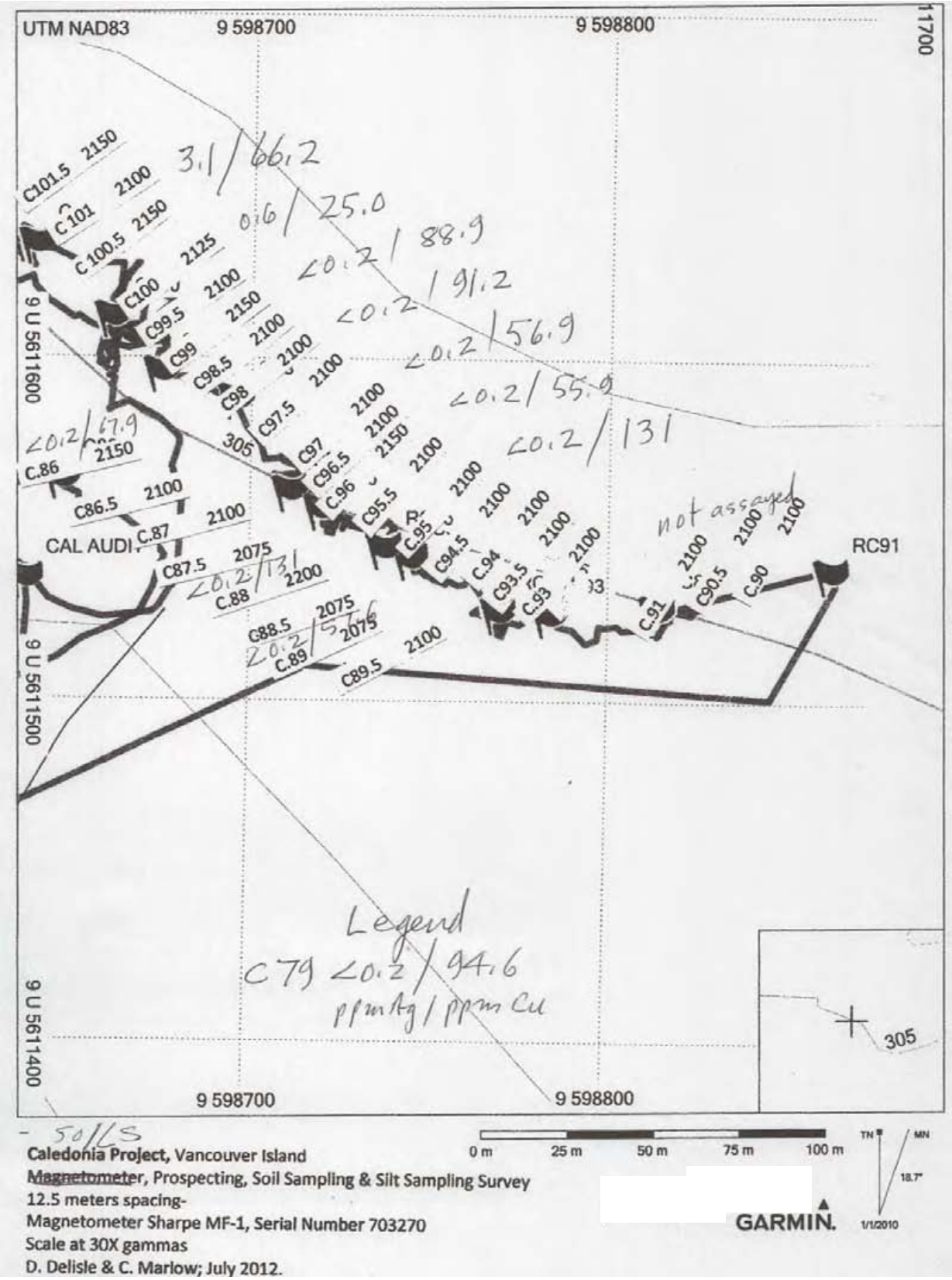


Figure 14a Soil Results 2012

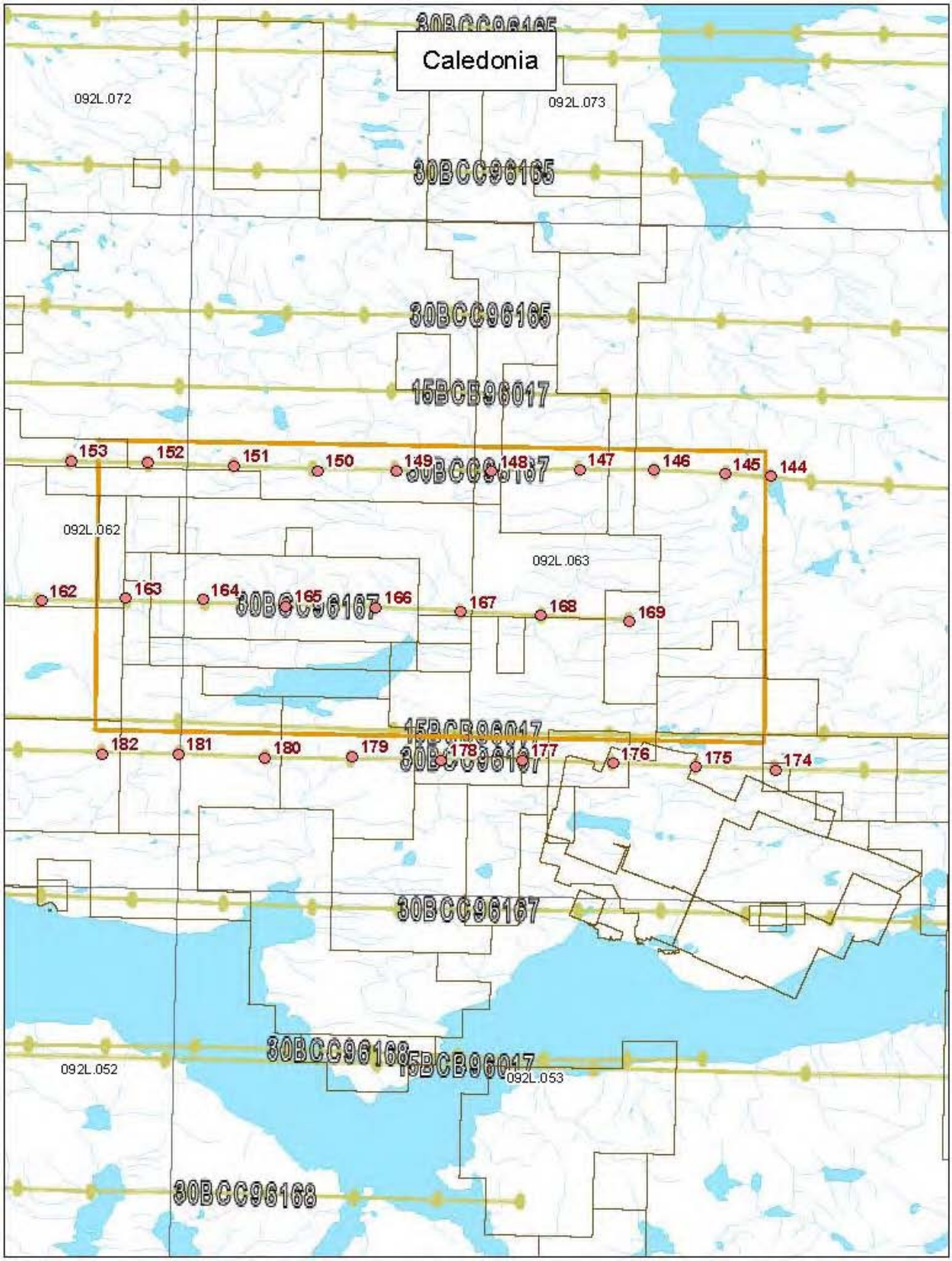


Figure 15 Airphoto Key Map

AIRPHOTO INTERPRETATION

A total of a 34 colour airphotos were received on digital DC format (consisting of 5 CD's). Each photo was greater than 1 GB of data. A selection of low digital scans of the printed product are contained in Appendix III. Each photo was plotted on standard airphoto size as to 9 inch by 9 inch and grouped to the flight lines.

The most important series are:

(1) Flight line 30BCC96167 No. 153, 152, 151, 150, 149, 148, 147, 146, 145, 144
(2) Flight line 30BCC96167 No. 162, 163, 164, 165, 166, 167, 168, 169
(3) Flight line 30BCC6167 No. 182, 181, 180, 179, 178, 177, 176, 175, 174

A transparent overlay was attached and the prominent geological features as mapped were noted. Each stereo pair was examined in detail using a Gordon stereoscope type F-71 serial #9466. Detailed attention was given to the mapped location of the known alteration and mineralized zones.

Airphoto linears are dominated by strong northeast-southwest linears which reflect late stage faults. Equally strong west-northwest- east-southeast linears reflect primary lithological boundaries. The main Caledonia showing is on the intersection of a strong west-northwest linear (carbonate trend) and a north-south linear (from the intrusive stock).

Figure 16 Airphoto 30BCC96167 No. 163

Figure 17 Airphoto 30BCC96167 No. 164

CONCLUSIONS AND RECOMMENDATIONS

Work to be completed in the near future is a percussion drill program to more closely define the resource available to the bulk sample open cut.

The deposit is an epidote-garnet-actinolite skarn containing mainly tennanite with minor bornite and chalcopyrite occurs at the contact between Quatsino limestone, Karmutsen volcanics and granodiorite. Some of the mineralization extends into the granodiorite in sericitized fractures. The limestone strikes 315 degrees, dipping 25 degrees to the south (dips are variable).

Airphoto linears are dominated by strong northeast-southwest linears which reflect late stage faults. Equally strong west-northwest- east-southeast linears reflect primary lithological boundaries. The main Caledonia showing is on the intersection of a strong west-northwest linear (carbonate trend) and a north-south linear (from the intrusive stock).

There is also considerable larger exploration potential along the intrusive-limestone contact.

General Plans for the property are twofold:

Phase (I) Bulk sampling at least 10,000 tonnes custom milling at Myra Falls and sale of concentrates to Myra Falls. Gross value of ore approximately $400 per tonne = approximately$4 million. Cost of transportation and custom milling approximately $1.5 million. Possible profit could be up to approx. $2.5 million. (Negotiations are ongoing with Myra Falls and Metallurgy tests.)

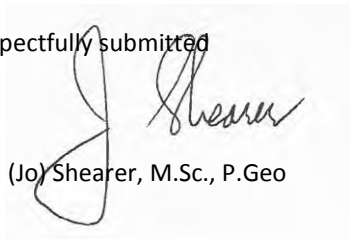
Phase (II) Longterm exploration of Property along intrusive-limestone contact. Possible budget - $1 million.

COST ESTIMATE

Phase I: mapping, soil sampling, IP/Resistivity, trenching, drilling.

1)	Soil sampling, 10 md @ $175/md.	$ 1,750.00
	250 samples (Au, As) @ $12.00/sample	3,000.00
2)	Grid preparation, surveying & cutting, 8 line-km, 32 md @ $175/md.	5,600.00
3)	IP/Resistivity, 8 line-km, @ $1350/line-km	10,800.00
4)	Geological mapping, 12 md @ $300/md	3,600.00
5)	Trenching (525m) 42 hr. @ $85/hr.	3,570.00
	Mob/Demob	500.00
6)	Drilling 1000 m @ $120/m	120,000.00
	Mob/Demob	6,000.00
7)	Site supervision, geology, sampling/drilling and trenching program	
	Geologist, 40 md @ $300/md.	12,000.00
	Assistant, 40 md @ $175/md.	7,000.00
	1000 assays @ $1650/sample (Au,As,Sb)	16,500.00
8)	Support Costs	
	- room and board, 170 md @ $50/md	8,500.00
	- vehicle, 1.5 months @ $1,500/mo.	2,500.00
	- fuel	1,000.00
	- airfares, 5 x $400	2,000.00
	- consumables & equipment rental	2,000.00
	- communications & freight	1,000.00
9)	Engineering, drafting, reporting	10,000.00
10)	Geology, 5 md @ $300/md	1,500.00
	Prospecting, 5md @ $175/md	875.00
	Assays, 100 (Au,As,Sb) @ $16.50/sample	1,650.00
11)	Support Costs	
	- room and board, 30 md @ $100/md	3,000.00
	- vehicle, 10 md @ $100/d	1,000.00
	- consumables & equipment rental	600.00
	- communications & freight	400.00
12)	Engineering, drafting, reporting	$ 4,000.00
	TOTAL PHASE I	$ 230,345.00

Respectfully submitted



J. T. (Jo) Shearer, M.Sc., P.Geo

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APPENDIX I

STATEMENT OF QUALIFICATIONS

JULY 9, 2013

APPENDIX I

STATEMENT OF QUALIFICATIONS

I, JOHAN T. SHEARER, of 3572 Hamilton Street, in the City of Port Coquitlam, in the Province of British Columbia, do hereby certify:

1. I am a graduate of the University of British Columbia (B.Sc., 1973) in Honours Geology, and the University of London, Imperial College (M.Sc., 1977).

2. I have over 35 years of experience in exploration for base and precious metals and industrial mineral commodities in the Cordillera of Western North America with such companies as McIntyre Mines Ltd., J. C. Stephen Explorations Ltd., Carolin Mines Ltd. and TRM Engineering Ltd.

3. I am a fellow in good standing of the Geological Association of Canada (Fellow No. F439) and I am a member in good standing with the Association of Professional Engineers and Geoscientists of British Columbia (Member No. 19,279) and Ontario. I am also an elected Fellow of the Society of Economic Geologists (SEG) Fellow #734877.

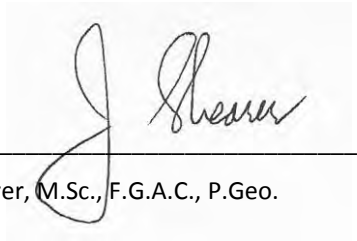
4. I am an independent consulting geologist employed since December 1986 by Homegold Resources Ltd. Unit #5-2330 Tyner Street, Port Coquitlam, British Columbia.

5. I am the author of this report entitled "Airphoto Interpretation Report on the Caledonia/Quatse Silver Property" dated July 9, 2013.

6. I have visited the property on May 5-6, 2013. I carried out geological mapping and sample collection. I am familiar with the regional geology and geology of nearby properties. I have become familiar with the previous work conducted on the Caledonia property by examining in detail the available reports, plans and sections, and have discussed previous work with persons knowledgeable of the area.

7. I own an interest in the property described herein.

Dated at Port Coquitlam, British Columbia, the 9th day of July 2013.



J. T. Shearer, M.Sc., F.G.A.C., P.Geo.

APPENDIX II

STATEMENT OF COSTS

JULY 9, 2013

CALEDONIA PROJECT
STATEMENT of COSTS

		Total without GST
Wages and Benefits		
	J. T. Shearer, M.Sc., P.Geo., Senior Geologist	
	May 5-7, 2013, 2 days @ $700/day	$ 2,100.00
Transportation		
	Truck Rental, Fully equipped 4x4	
	2 days @ $120/day	240.00
	Gas	135.00
	Hotel & Meals	178.00
	Ron Savelieff, Prospector, May 5-6, 2013, 2 days @ $400/day	800.00
	Airphoto Cost, 26 photos @ $21.50 ea.	559.00
	Report Preparation	1,400.00
	Word Processing and Reproduction	300.00
	Subtotal	$ 5,712.00
	GRAND TOTAL	**$ 5,712.00**

Event #	5454113
Date Filed	June 15, 2013
Amount Filed	$5,400.00
PAC Filed	$1,330.30
Total Filed	$6,730.30

APPENDIX III

AIRPHOTOS

JULY 9, 2013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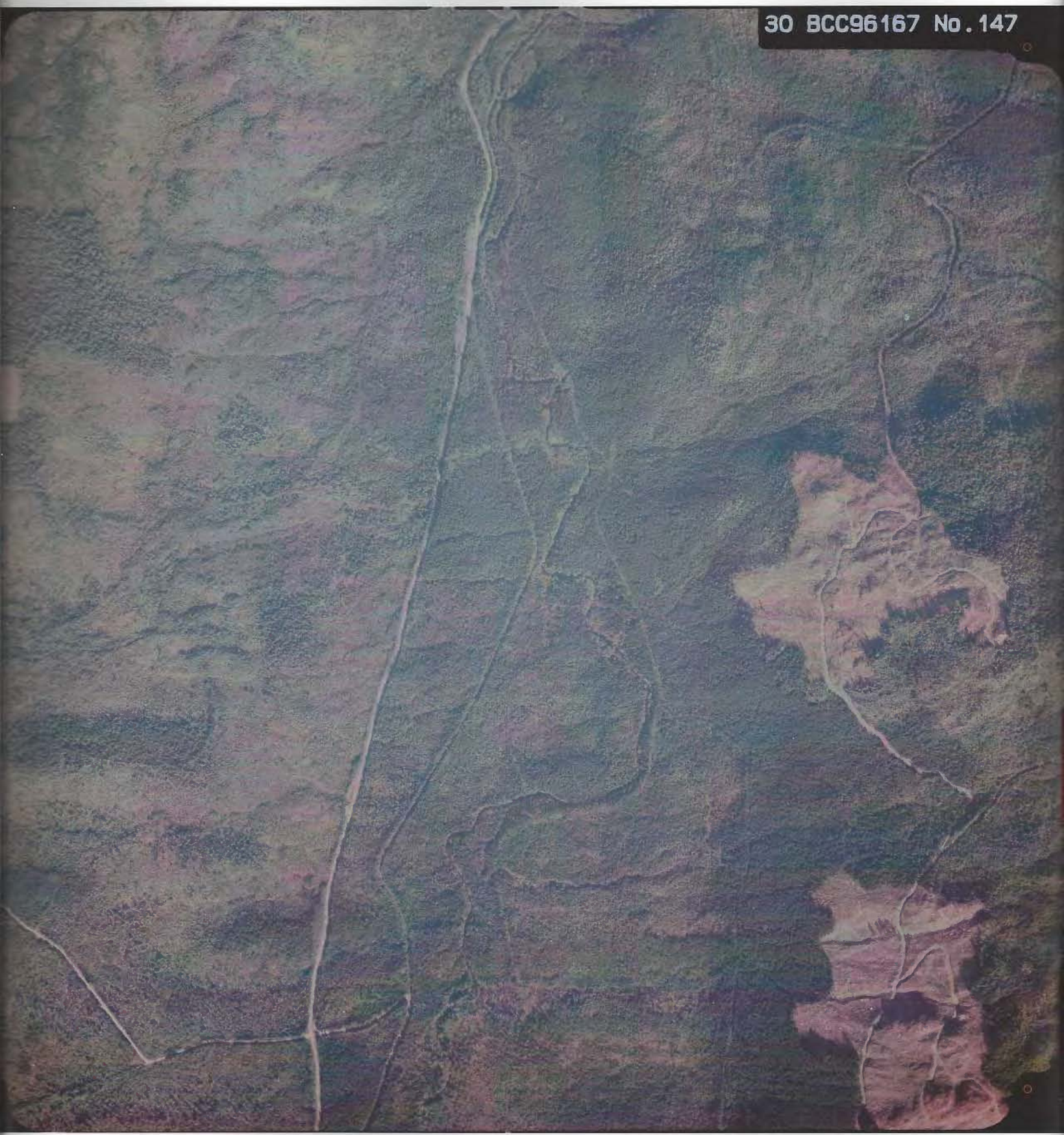
30 BCC96167 No. 145


30 BCC96167 No. 146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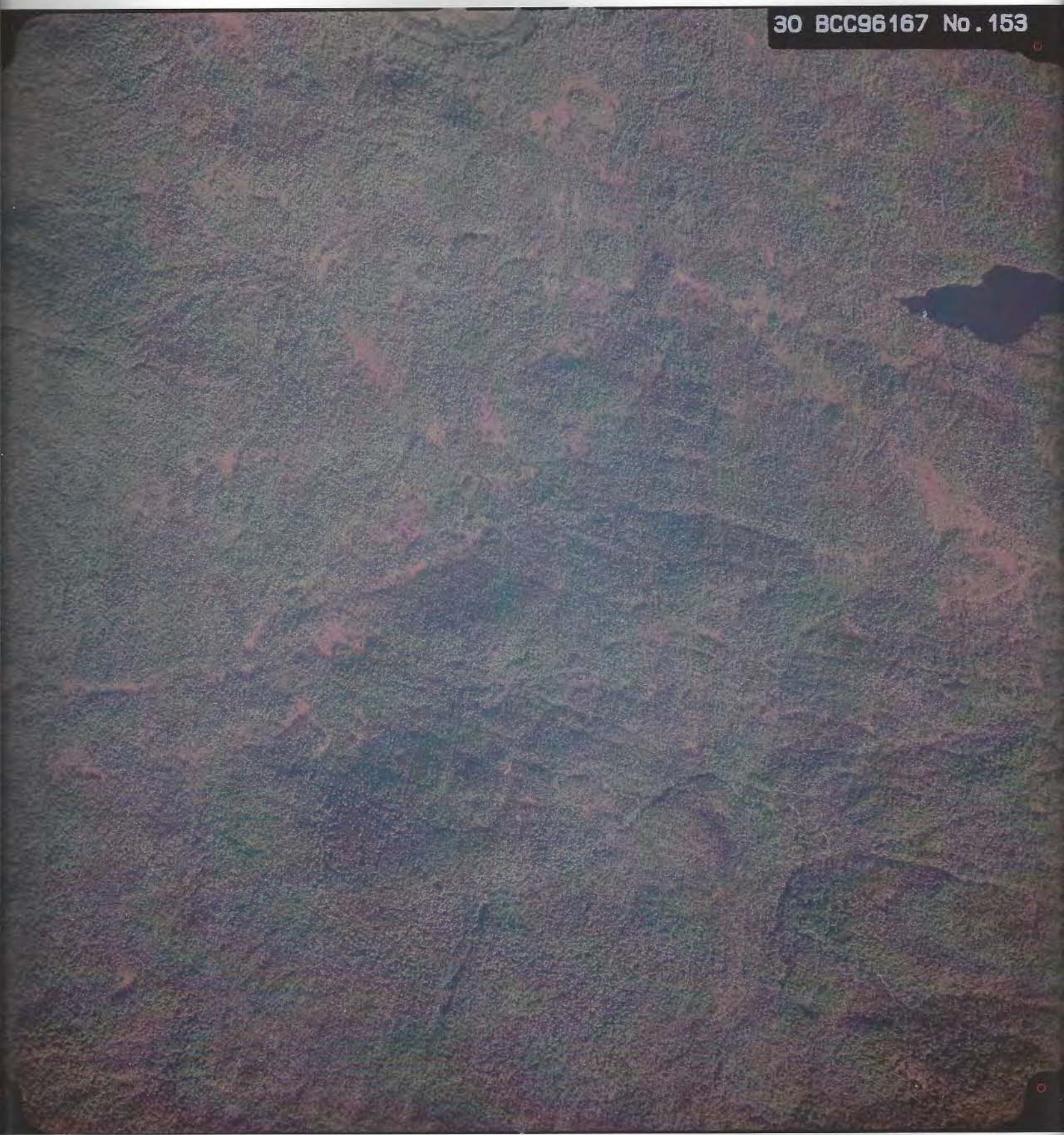
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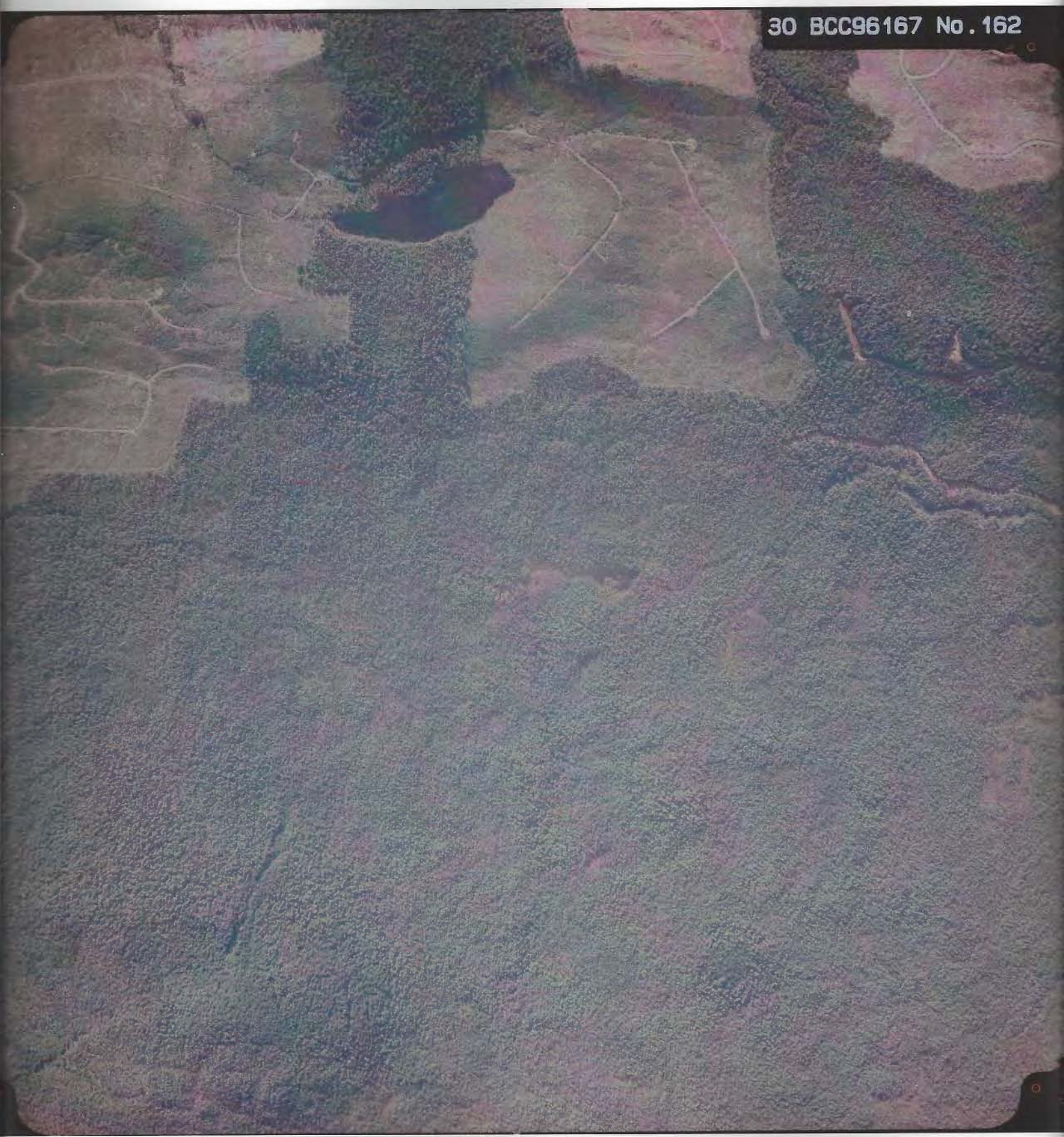
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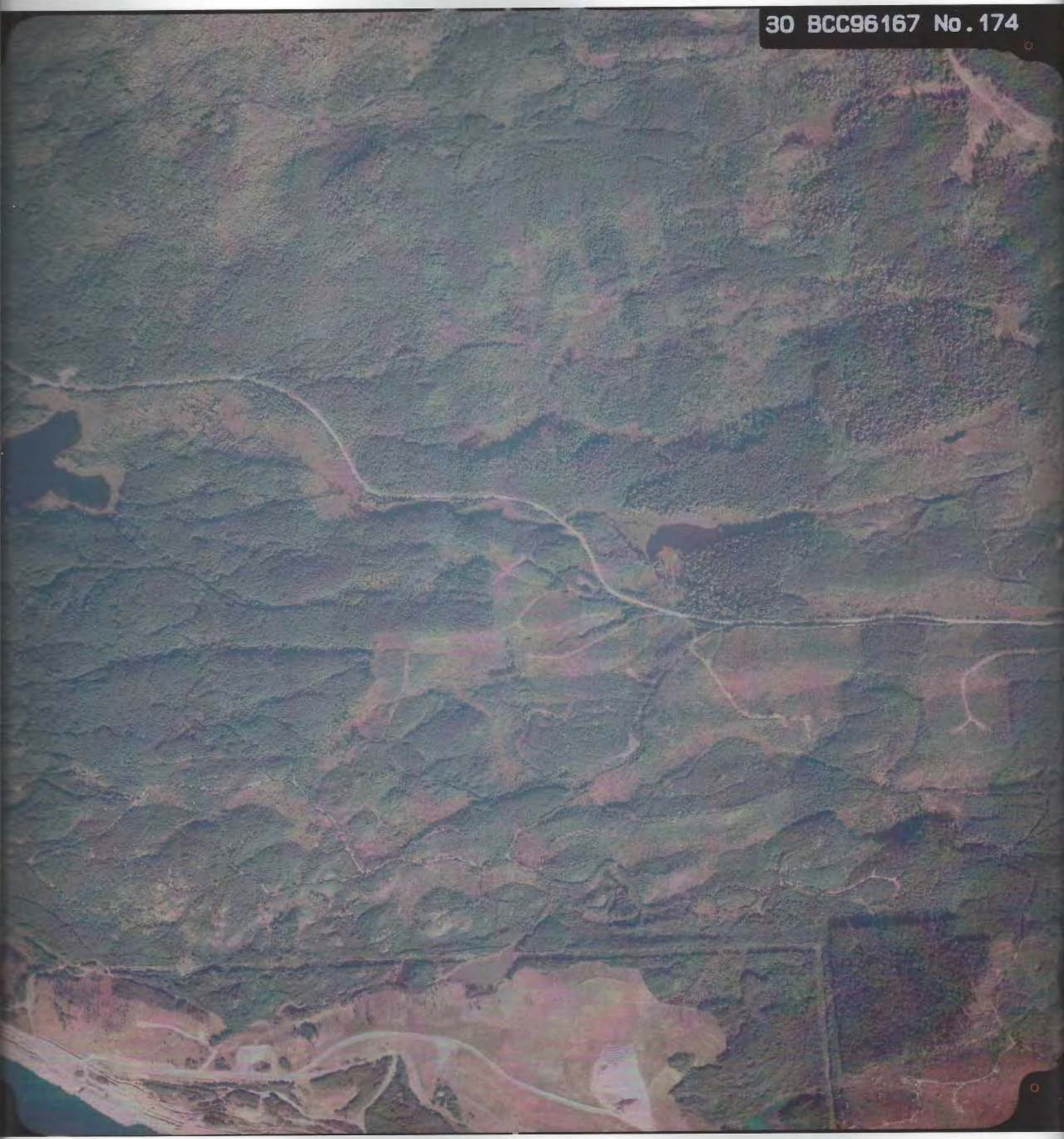
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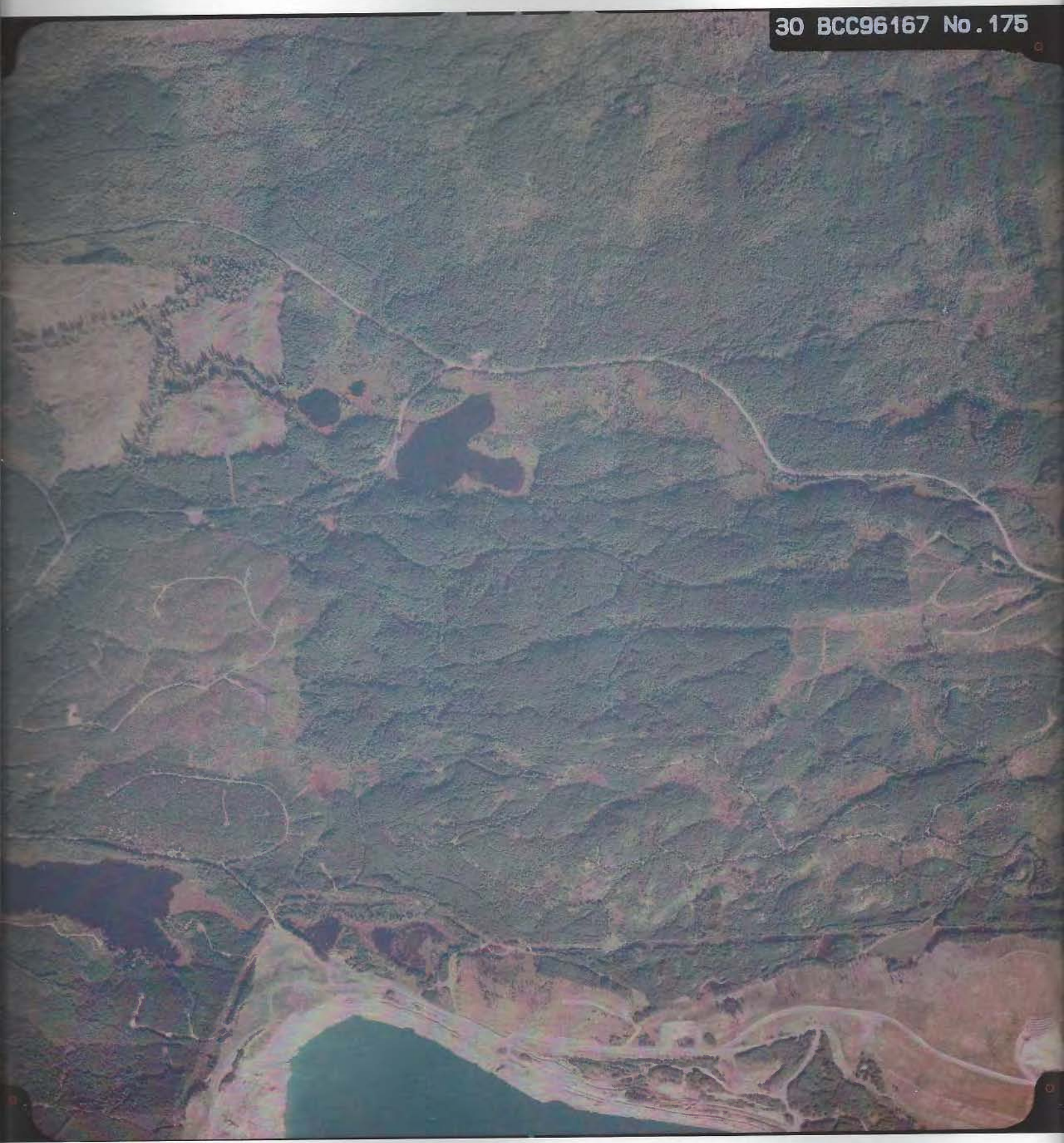
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