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Robert D. Gibbens  
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Dear Sir:

**Re: Valuation of the Blue Ice Property, British Columbia, Canada, dated May 31, 2005 and prepared by Roscoe Postle Associates Ltd. (RPA) for the British Columbia Ministry of Attorney General**

Pursuant to your request of July 21, 2005, I have reviewed the foregoing report authored by William E. Roscoe, Ph.D., P.Eng. and offer the following summary comments for various sections of the report as noted.

Property Description, Location and Access, Claims Status (pages 14, 15)

- Not noted in the description is the fact that the subject mineral claims are within 2 kilometres of the northeast boundary of Wells Gray Provincial Park and four kilometres northwest of the former Summit property which consisted of a number of Crown granted mineral claims and was the subject of the 1985 Supreme Court of Canada Tener decision. The outline of these claims is shown on Figure 2 (p.17) but not labeled.
- Reference is made throughout the report regarding the remote location, inclement weather and rugged terrain of the property area with the implication that these aspects detract from the value of the property. In reality, this particular area is not that different from many parts of the province and in fact is more accessible, has better weather and less hostile terrain than most parts of northwestern BC which has been a focus for much of the province's mineral exploration activity over the past 20 years.
- The four mineral claims comprising the Blue Ice property are 2-post mineral claims each measuring 1,500 x 1,500 feet (457 x 457 metres = 20.9 hectares) and collectively covering an area of 83.6 hectares, as opposed to the 64.8 hectares reported by Roscoe. Roscoe's figure is applicable to Ontario mining claims which are 1,320 x 1,320 feet (400 x 400 metres = 16 hectares).

Exploration History (pages 18,19)

- Most of the previous exploratory work was carried out in 1938 and 1939. The RPA report makes numerous references to the fact that no work has been carried out since that time and implies that this was reflective (in their view) of the marginal results obtained prior to 1940. RPA is of the opinion that because no additional work is warranted for the Blue Ice property, the value of the property is greatly diminished.

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- There are a number of reasons why no exploratory work was undertaken on the Blue Ice gold prospect after 1939, the principal one being the creation of Wells Gray Provincial Park which incorporated the Blue Ice and other mineral claims near its northeastern boundary. While initially created as a Class B park which allowed for mineral related activities, it was necessary to obtain permission to record new mineral claims and to apply for Park Use Permits to carry out subsequent exploratory work.
- Another impediment in 1939 was the onset of World War II and the emphasis on the search for strategic metals rather than gold. Gold mining was deemed to be a "non war" industry making it difficult to secure labour and supplies. Manpower shortages resulted in the closure of a number of gold mines across Canada; many of these would not reopen in the immediate postwar years due to sharply increased operating costs. With the gold price fixed at US\$35 per ounce, there was little incentive to explore for new gold deposits and most of the existing gold mines kept operating only by way of the Emergency Gold Mining Assistance Act introduced by the Federal Government in the early 1950s. The inception of a free market for gold in 1968, causing prices to rise to between US\$40 and \$100 per ounce, resulted in a renewed interest in gold deposits across Canada including British Columbia. Evidence of renewed interest in the Blue Ice property in 1968 is the J.H. Hachey report, referred to in the current RPA report and apparently prepared for property owner Silver Standard Mines Ltd. who at that time held interests in several British Columbia gold properties including the Blackdome prospect in the southern Cariboo region.
- Following the legalization of direct ownership of gold by US investors, the gold price averaged US\$160 per ounce in 1973/74, marking the beginning of renewed and sustained interest in the exploration for, and the development of gold deposits. In British Columbia, the Northair Warman gold-silver deposit was brought into production and Silver Standard Mines Ltd. succeeded in attracting investment in its Blackdome gold prospect which was later developed as a producing mine.
- It is probable that additional investigation of the potential of the Blue Ice property would have been undertaken at this time were it not for the upgrading of Wells Gray and a number of other BC parks to Class A status in late 1973. Applications for Park Use Permits to work on valid mineral claims in parks throughout the Province were routinely refused from 1974 onwards.
- A suit against the Provincial Government by the owners of the Summit Crown granted mineral claims (several kilometres southeast of the Blue Ice property), culminated in the Supreme Court of Canada "Tener" decision in 1985 which ruled that these claims had in fact been expropriated.
- The court decision caused the Provincial government to re-examine the issue of Park Use Permits to allow for work on mineral claims and there were indications that these would be allowed in some provincial parks including Strathcona, Tweedsmuir and Wells Gray. It may be reasonably concluded that Silver Standard was considering a work program for the Blue Ice property; evidence for this is the note in the Northern Miner Handbook of Mines for 1987/1988 which states that a work program on the Blue Ice property was planned for 1988.
- Public opposition to any form of mining exploration in provincial parks, and Strathcona Park in particular, caused the government to abandon the idea of the issuance of Park Use Permits in 1988. Whether or not Silver Standard completed a program is conjectural but the company's 1988 annual report apparently contains reference to "better intersections of gold mineralization from drill core were obtained and assays were 51.4 grams per tonne gold across 4.57 metres, 24.0 grams per tonne across 1.52 metres and 7.2 grams per tonne gold over 2.13 metres" (BC Minfile 083D 003). It is not known if these assay values represent results from a re-sampling of old drill core or a reinterpretation of 1939 drilling records. Regardless, there is little doubt that the company was seriously interested in further investigating the property and subsequently reported a geological resource of 22,000 tons averaging 0.7 oz/ton gold (Northern Miner Handbook of Mines 2001/2002).

### Geology and Mineralization (pages 19-24)

- Comments following Table 7 – Drill Hole Assays for No.3 Zone (page 24) – “The average grade of the intersection in Hole 3 is 1.48 oz/ton Au uncut or 0.70 oz/ton Au with high assays cut to 1.0 oz/ton. Cutting of high assays is a common practice in many gold mines.” The last statement is correct with the emphasis on operating old mines where actual production records can assist in determining the significance of high grade assays and a proper gold value to which higher grades should be reduced rather than an arbitrary 1.0 oz/ton Au. Cutting of high grade gold assays at any gold property in the early exploration stages is not warranted or justified.

### Exploration Potential (pages 25-27)

- The RPA report suggests that the potential of the Blue Ice property is limited to small, moderate grade gold deposits and that the results obtained from previous exploratory work were not sufficiently encouraging to justify additional work after 1940. The numerous reasons for no work having been done on the property after 1939 are documented in a previous section.
- The writer is of the opinion that additional work on the Blue Ice property was warranted and would have been carried out had it been possible to do so. Drilling of the property in 1939 consisted of 10 closely spaced, shallow holes which tested gold-bearing, replacement sulphides in two sections of a limestone horizon. Reasonably consistent gold grades were obtained from one section (No.3 Zone) for which the reported geological resource of 22,000 tons grading 0.7 oz/ton Au was calculated. Not tested by drilling were areas of quartz veining exposed over several hundred feet in three areas of the property (Nos.1, 2 and 3 Zones) and containing gold values in grab samples ranging between trace and 2.90 oz/ton.
- Sampling of the best documented of these, No. 1 Zone, is described by Hedley (1939) as being “difficult, and a few samples only were taken, of selected material in each case” and “A great number of samples would, of course, have to be taken before generalities could be made regarding the location of values.” The writer is of the opinion that No.1 Zone and the other two areas of extensive gold-bearing quartz veining would have been obvious targets for additional investigation in the 1970s and 1980s had this been possible.

### Valuation of the Blue Ice Property (pages 25-35)

- Determination of property value by the Appraised Value Method involves an analysis of previous expenditures on the subject mineral property. Only those expenditures which have yielded exploration results encouraging enough to justify additional work on the property are retained as value and these are combined with the estimated costs of carrying out future work programs to provide an estimate of property value. The RPA report estimates that the cost of duplicating the late 1930s work on the Blue Ice property would amount to \$300,000 in 1989 dollars but discounts this to 25% or \$75,000 because of “its age and mixed results.” RPA is of the opinion that, in view of the results obtained from the 1930s programs, no additional exploratory work would have been justified on the Blue Ice property
- The Lawrence report of February 23, 2005 estimates the costs of carrying out the late 1930s exploration programs would have been in the order of \$460,000 in 1989 dollars. The previous work programs are considered to have advanced the property sufficiently to warrant additional exploratory work and as such 100% of the estimated \$460,000 expenditures are retained for the purposes of determining property value. The estimated costs of additional work on the property amount to \$529,000 and these are added to the estimated costs of duplicating late 1930s work to arrive at an appraised value of \$990,000.

- Neither the RPA nor Lawrence reports include property maintenance costs in their estimates of previous expenditures. These would have been \$100 per mineral claim per year and over the 20 year span between 1953 and 1974 (the year the claims were protected from forfeiture by an Order-in-Council) would have amounted to \$8,000 or more than \$34,000 in 1989 dollars. The writer is of the opinion that these costs should be included in estimates of previous property expenditures which are estimated to be in the order of \$400,000 or closer to the figure proposed by Lawrence. The writer concurs with Lawrence that 100% of these expenditures should be retained for purposes of determining property value. Previous work not only outlined a small resource with moderate to good gold grades but also identified several prospective areas warranting follow up work. The writer is of the opinion that additional work would have been undertaken on the Blue Ice property during favourable market conditions in the 1970s and 1980s had it been possible to obtain Park Use Permits. Lawrence's proposed future exploration program, designed to include 2000 metres of diamond drilling and estimated to cost \$529,000, is considered to be a fair and reasonable estimate.
- The RPA report also provides an estimate of property value based on comparable market transactions for 64 BC mineral properties between September 1998 and December 1989 or a time frame bracketing the expropriation or valuation date of March 21, 1989. Market transaction values ranging from \$30,000 to \$50,000 are considered to represent the worth of the Blue Ice property in 1989. It is not immediately apparent from the transaction details provided just how comparable the various mineral properties are with the Blue Ice property. Many of the transactions listed for the Skeena Mining Division apparently involve mineral claims with little or no evidence of mineralization while several properties elsewhere in the Province, known to the writer, include vastly different styles of mineralization not at all similar to that indicated on the Blue Ice.
- The best fit approach used by Lawrence (2005) for comparable market transactions, in the writer's view, provides a much better estimate of property value. Lawrence uses examples of three transactions for B.C. gold properties deemed to be similar to the Blue Ice property to arrive at a range of values of between \$1.3 and \$1.6 million.

#### Conclusions

The writer is of the opinion that a fair and reasonable value for the Blue Ice mineral property in early 1989 would have been in the order of \$1 million.

Respectfully submitted,

N.C. Carter, Ph.D. P.Eng.