Preliminary Report

MINERAL TENURE EVALUATION

Contract - CC60002202

BLANEY and SAM CRAIG Mining Claims
Tenure Numbers 200568 to 200575

Owner: Thomas Earl Kirk
Evaluator: John R. Kerr, P. Eng.

-- in compliance with --

The Mining Rights Compensation Project
Ministry of Energy and Mines
PO Box 9320 Stn Pro Govt
1810 Blanshard Street
Victoria, B.C. V8W 9N3

Prepared By:

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August 10, 2001

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SUMMARY

The eight Sam Craig and Blaney two-post mining claims were expropriated by the provincial government on April 19, 1990. The claims are located within the boundaries of Strathcona Park on Vancouver Island, British Columbia. Mr. Thomas Earl Kirk located claims in early August, 1987 and subsequently filed two years of cash-in-lieu of assessment work to hold the claims until August 10, 1990. Mr. Kirk did not complete any field work on his claims during the period of tenure. At the request of the government, and under compliance of the Mining Rights Compensation project, this preliminary Evaluation Report is being prepared to assist in providing Mr. Kirk with fair compensation.

Gold-bearing quartz veins were first discovered on the claim area in 1938. The veins occur in a quartz diorite stock related to the Jurassic Island intrusions. Mine production occurred from three veins during the period 1942 - 1973, amounting to 220,000 grams of gold (from 14,600 tonnes of ore). At the time of expropriation, an indicated resource of 109,000 grams of gold remained on the Sam Craig claims and an inferred resource of 120,000 grams existed on the Blaney claims. The property contains no stated mineral reserve. Under the economic conditions prevailing at the time of expropriation, the known indicated and inferred resource by itself, could not have been mined at a profit. Modern day exploration techniques have never been completed on the claims. For this reason, the geological resource expectation is considered excellent, the potential being the discovery and development of a significant vein-bearing gold resource. This expectation provides the most value of the Sam Craig and Blaney claims.

In order to provide an evaluation of mineral tenure, knowledge of mining activity globally and locally is required. At the time of expropriation, mineral exploration and development of small gold-bearing veins was active. Gold at this time was strong, $13.40 per gram, and flow-through financing for Canadian mineral exploration projects was at a peak. The west coast of Vancouver Island has abundant gold vein occurrences, and therefore was alive with exploration activity in 1990. The ability to sell mineral tenure at this time was good.

There are six criteria that were used to provide value to the Blaney/Sam Craig claims: 1) Comparable transactions; 2) Historical and present-day work; 3) Warranted work; 4) Identified resource; 5) Geological expectation; and 6) Within confines of park. The value of each of these criteria influenced the final evaluation summary. From these criteria, a **Comparable Sales Value** of **$112,700** was classified as "probable"; a **Work Value** of **$62,400** was classified as "probable"; and a **Resource Value** of **$67,400** was classified as "possible".

For the purposes of this preliminary **Evaluation Report,** the range of **Fair Market Value** for the Blaney and Sam Craig claims on the date of expropriation is **$62,400 to $112,700.**

INTRODUCTION

General: The Sam Craig and Blaney mining claims are located in Strathcona Park on Vancouver Island, British Columbia. Strathcona Park was established as a provincial park in 1911. From 1918 to 1973, mining, exploration and development were allowed within the park under limited and stringent conditions. In 1973, a moratorium on mining ended all mining activities that was subsequently lifted in August, 1987.

The Sam Craig and Blaney claims were located for Thomas Earl Kirk of Victoria, B.C., immediately after the lifting of the moratorium. Mr. Kirk paid two years of cash-in-lieu of work maintaining the claims in good standing until August 10, 1990. There is no evidence provided that documents work performed on the property on behalf of Mr. Kirk. On April 19, 1990, the claims were expropriated by the government. During the 1990s, the Mineral Rights Compensation Project was initiated in order to facilitate compensation to holders of mineral tenure that was expropriated. This preliminary evaluation report is prepared in attempt to provide early settlement and adequate compensation to Mr. Kirk.

Fact sheets are prepared for this property, which summarize all the property data required for this evaluation. The property has been subdivided into two entities: Schedule A(i) - the Musketeer property (Sam Craig claims); and Schedule A(ii) - the Buccaneer property (Blaney claims). Historically, the two properties were run by two separate ventures, therefore in order to prevent confusion of these ventures, the evaluation process shall consider each entity separately, and then combine the results to provide the required **Fair Market Value** range for this preliminary report. All dollars expressed are Canadian, unless otherwise stated. The property is referred to as the Blaney/Sam Craig claims.

Evaluation Rationale: Schedule C develops the rationale used by John R. Kerr, P. Eng. for evaluating mineral tenure with no stated reserve, and expresses the methodology used to quantify value from various property criteria. The Sam Craig and Blaney claims clearly do not contain a known mineral reserve, even though a resource exists and limited mineral production came from each property.

Summary Property Data and History: The claims are located on Vancouver Island, British Columbia, 40 km north of Tofino. Access is now possible only by an eight km hike from Bedwell Sound up the Bedwell River, or by helicopter from Tofino or Campbell River. Figure 1 shows location of claims with respect to Strathcona Park boundary.

Mining activities commenced in the area in the late nineteenth century with the discovery of several significant gold bearing quartz veins in all rock types and massive sulphides in Paleozoic Sicker volcanics. The earliest documented discoveries of the Musketeer and Craig (Buccaneer) veins was in 1938 by two separate prospectors. The two properties were separately controlled during the initial four years of existence and the early production period of 1942. Mining activity ended in 1942 due to World War II and lack of manpower. Exploration and development continued intermittently on each property through 1973, when a moratorium on mining within the park was enforced. Approximately 15,000 tonnes of ore were mined during the period 1942 - 1973 from both properties.

In August, 1987, Mr. Kirk had the eight mineral claims (200 hectares) located in his name:

Claim Name	Type	No. Units	Tenure Numbers	Mining Division	Expiry Date
Blaney 1 - 4	Two-post	1 each	200568 - 200571	Alberni	August 10, 1990
Sam Craig I and II	Two post	1 each	200572 - 200573	Alberni	August 10, 1990
Sam Craig 3 and 4	Two post	1 each	200574 - 200575	Alberni	August 10, 1990

From all data reviewed for this evaluation, the property has never been subjected to modern-day exploration techniques, including geochemistry, geophysics, geological mapping and drilling. All development apparently was recognition of gold-bearing quartz veins and underground sampling of these veins in preparation for the brief periods of mine production, summarized:

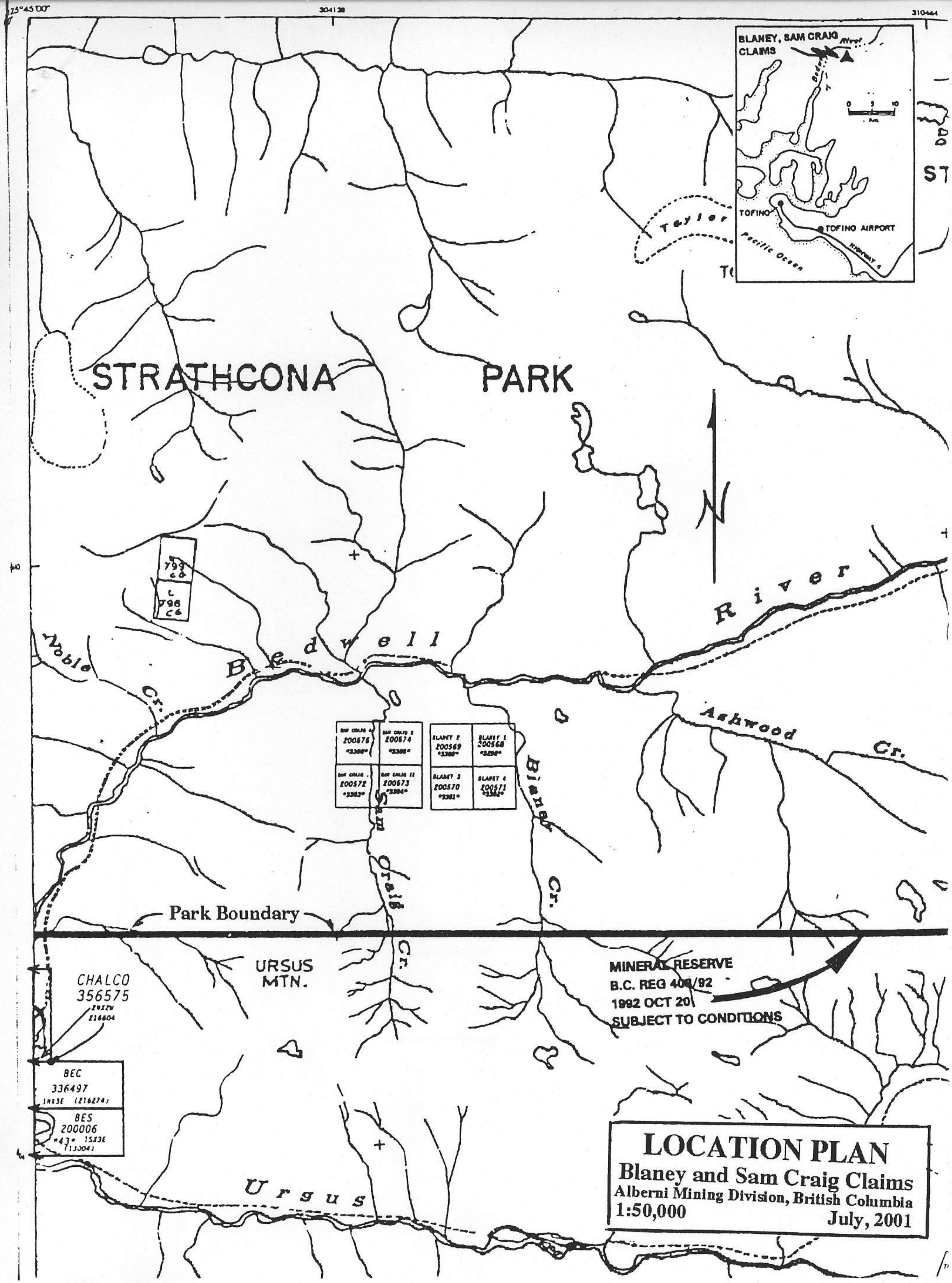
Mine	Ore Mined	Gold Grade	Silver grade	Lead Grade	Copper Grade
Musketeer (Sam Craig)	9,623 tonnes	9.3 gm/tonne	5 gm/tonne	1%	0.05%
Buccaneer (Blaney)	4,987 tonnes	24 gm/tonne	8 gm/tonne	0.2%	0.05%

A total of eight mineralized veins have been identified on both properties. It is believed that most of the production came from the Musketeer and Trail veins on the Sam Craig claims and the Craig vein on the Blaney claims. Although values of silver, copper, and lead were recovered from mill concentrates, gold contributed to in excess of 98% of the value of ore produced from both mines. For the purpose of this study, only the value of gold shall be considered.

BCDM Minfile states that the Musketeer mine (Sam Craig claims) "in 1942, a reserve (resource?) of 18,034 tonnes grading 11.32 grams per tonne of gold were reported (Northern Miner, November 28, 1974)". As 9,623 tonnes have been mined at a grade approximating 9.3 gm/tonne, an indicated resource of 8,400 tonnes grading 13 gm/tonne remains in situ. A resource calculation has not been provided for the Buccaneer mine (Blaney claims). Simple measurements taken from the two level plans indicate that 5,000 - 6,000 tonnes of mineralized rock was developed between levels. As 4,987 tonnes were mined, there would be little of this resource remaining. Vein extension along strike and to depth provides a geologically inferred resource of some 2,000 to 5,000 tonnes of a similar grade. Underground mining plans provided with the data package support the resource estimates, however could not be used for detailed resource calculations. A volume estimate of resource on the Musketeer vein indicates approximately 7,200 tonnes remain in-situ. Due to insufficient assay and sample data, average grades and sample widths cannot be estimated. Notwithstanding this insufficiency, it is this writer's opinion that the known inferred and indicated resource by itself could not be mined, producing gold bullion and/or a concentrate and marketing at a profit.

It is the writer's opinion that the grass-roots geological expectation of Blaney/Sam Craig property is what provides the excitement and most value. Gold-bearing quartz veins are known to cluster. In this camp, with only fundamental prospecting and underground development, a total of eight mineralized veins have been identified. These veins are developed over short distances as there is no evidence of drilling. There is also no evidence of modern-day surface exploration, such as geochemistry and geophysics, required as the initial phase of work to discover and develop this expectation.

During the period 1987 - 1991, mineral exploration and development on vein gold deposits in British Columbia was very active. The value of gold through this period was strong, ranging \$370 - 420/ounce (\$12.50 - 14.50/gram) and flow-through funding (133% write-off) was abundant for Canadian projects. The west coast of Vancouver Island is dotted with many gold vein occurrences. In the immediate area (40 km radius) of the Blaney/Sam Craig claims, in excess of 80 gold-bearing quartz veins are documented. Of these, some 25 were being actively explored and 15 were being operated by public mining companies.



LOCATION PLAN

Blaney and Sam Craig Claims

Alberni Mining Division, British Columbia

1:50,000 July, 2001

EVALUATION CRITERIA

Comparable Transactions: For the purpose of this study, the window-of-opportunity to make valid comparisons to the date of expropriation of the Blaney/Sam Craig claims is 1987 - 1991. The quality of the comparable transactions researched can be classified as providing "probable" value, and cannot be classified as providing "definite" value. Reasons for this are: a) There were no examples of direct cash sales of mineral properties with gold-bearing quartz veins found for this period, all transactions researched contain option or joint venture terms with payments as cash or share releases; b) There were no transactions found within Strathcona Park; c) One transaction was a lease, not a purchase; d) One property had no history of mining or a known resource; and e) There were great variations in property size.

The activities of public companies are published in local mining publications, such as the Northern Miner, George Cross Newsletter and Canada Stockwatch. These publications provided the required information to research property transactions. The private files of the writer were reviewed to source property transactions, and those referenced by Dr. N.C. Carter, P. Eng in the property data were verified. Two of these transactions are being used in this evaluation. A total of ten transactions on mineral properties having gold-bearing veins were found that could be considered of interest for this project. Five are being used, details summarized for each in Schedule B, and compiled below:

	Value		Factored Value*	
Ursus Creek Property (1988)	$ 328,500		$ 328,500	
Fandora Property (1990)	134,000		134,000	
Toquart Bay Property (1987)	158,000		158,000	
Captain Hook Property (1989)	219,600		219,600	
Georgia River Property (1989)	397,000 }			
(1990)	733,500 }	(x 0.5) avg	286,400	
(1994)	588,000 }			
Average Value				**$ 225,300**

* As in real estate transactions, home or property sales are related by factoring similar property areas or home living areas. The analogy for mining properties would be the relationship of size of property (generally not significant) or the contained quantity of indicated resource. The Georgia River property is 10x larger in area and contains 15x more resource value, and is therefore factored down by 0.5 to provide relative comparison to the Blaney/Sam Craig claims.

All property transactions considered for comparable transactions were outside of the Strathcona park boundaries, and were therefore not subject to the restrictions of being in the park or under the threat of having mining operations end. Three mining properties researched were all in the park, 5 - 8 km west of Blaney/Sam Craig claims, and being worked during the period 1987 - 1989. There were property transactions during this period, however insufficient information could be assimilated to derive a property value. This is unfortunate as it would have related the affect of a property transaction within Strathcona park. With no other guideline to go by, it is essential that the park encumbrance would depress values of tenure in the park, therefore the final comparable value must be discounted by 50%.

Comparable Transaction Value: (226,800 x 0.5) = **$ 112,700**

Market Value or Capitalization: As there is no publicly traded company involved in property ownership, this criterion is not used.

Value of Historical and Present-day Work: Present day work on the property amounts to staking and property maintenance costs to hold the claims for three years. This is documented as $ 7,460, or $3,730 on each property. Only a limited value of historical work completed from 1942 - 1973 can be used for this evaluation as very little of this data meets quality for present-day evaluation. As a resource remains on each property, a residual value of $10,000 is assigned to the Musketeer property and $5,000 is assigned to the Buccaneer property. Therefore value of present day and historical work is classified as "probable", and is summarized as follows:

Mine	Present Day Work	Historical Work	Totals	
Musketeer (Sam Craig)	$ 3,730	$ 10,000	$ 13,730	
Buccaneer (Blaney)	3,730	5,000	8,730	
Total				**$ 22,460**

Value of Warranted Work: An engineering report has not been provided that recommends and costs warranted work on the property. During the late 1980s and early 1990s, properties with gold vein potential were in demand and money was available for development and exploration of properties with vein potential. As modern day exploration has not been completed on the property, the property itself had excellent exploration potential to discover new veins and extend the size of the known veins. An engineering report would certainly have been justified on this property during the period 1987 - 1990. In addition to summarizing all the property data, this report would have recommended work programs, estimating the cost of completing the initial phase of work. The initial phase costs would constitute the value of warranted work. Initial phase exploration for a property of this nature would consist of 23km of grid, soil sampling, magnetic and VLF electromagnetic surveys, geological mapping, and limited contingencies allowed for opening underground workings and sampling. The writer has not been on the property to validate the nature of the topography, forest cover or condition of underground workings, however provides an estimate of program costs based on experience in other properties located on the west coast of Vancouver Island. The program is based on a 9 day helicopter supported fly camp with a 4 man crew and 1990 costs: The value of warranted work is classified as "probable", and is derived from the following cost estimate of an initial phase program:

Labour: Geologist - 11 days @ 400/day	$4,400		
Geophysical technician - 10 days @ 300/day	3,000		
2 Assistants - 18 mandays @ 200/man/day	3,600	$ 11,000	
Soil and Rock Analysis: 800 soils and rocks		12,000	
Helicopter Support: 6 hours @ 750/hour		4,500	
Camp and Equipment Rental:		1,000	
Food and Equipment Purchases:		2,000	
Mob/demob:		1,000	
Reporting:		2,000	
Contingency @~20%: (weather/opening underground)		6,500	
Total:			**$40,000**

Value of Inferred and Indicated Resource: There is an indicated resource of some 109,000 gms of gold remaining on the Sam Craig claims, and an inferred resource of some 120,000 gms of gold on the Blaney claims. Equating this to value is based on partial assumptions, and therefore the value is classified as "possible". There was a 5% probability that the indicated resource could be upgraded to a mining reserve with 20% profitability, and a 2.5% probability the inferred resource could have been upgraded to a mineable reserve with 20% profitability, and would be dependant on discovering more resource. At existing prices of metals in 1990, the value of the indicated resource is $0.16 per gram of gold and the inferred resource is $0.08 per gram of gold. Value of the indicated resource is $ 17,400 and the inferred resource is $ 9,600, totalling **$ 27,000.**

Value of the Geological Expectation: One cannot use an estimate of expected resource for obtaining value to mineral property. Even though this property may contain a significant vein resource, there is no method of quantifying this potential until some conventional exploration techniques have been attempted. Value of this expectation is classified as "probable" and is derived from the warranted exploration value of **$ 40,000.**

Other Criteria That Effects Value: The principle factor that has hampered the value of sales of mineral tenure in this area of Vancouver Island is the fact that a provincial park has existed since 1911. Although there has been windows of opportunity for mining during this park tenure, there is always a threat of cease orders for mining activities. Also during the tenure of a park when mining was allowed, the more stringent requirements make exploration, development, and mining more costly. This would limit the number of potential buyers, thus running the risk of lowering the competition of sales and value. To factor this into valuation, a discount of 50% is applied to the value of all comparable transactions without a park encumbrance.

PRELIMINARY ESTIMATE of VALUE

The rationale of establishing property value from values placed on the criteria is summarized in Schedule C. From the research and assessment of the Blaney/Sam Craig claims, it is ascertained that six of the criteria can be used to provide three values for the property, two with "probable" value and one with "possible" value.

Value A - Comparable Sales Value:			**$ 112,700** (probable)
Value B - Work Value:	Present day and Historical	- $ 22,400	
	Warranted Work	- 40,000	**$ 62,400** (probable)
Value C - Market Capital Value: not applicable			
Value D - Resource Value	Indicated and Inferred Resource	- $ 27,400	
	Geological Expectation	40,000	**$ 67,400** (possible)

For the purposes of this preliminary report, a **Fair Market Value** range of **$ 62,400 - 112,700** is placed on the Sam Craig (Musketeer) and Blaney (Buccaneer) claims, tenures 200568 - 200575 on the day of expropriation, April 19, 1990. The resource value of $ 67,400 falls within this range and is used to support the value range.

Respectfully Submitted in Compliance with the
Mineral Rights Compensation Project, by:

John R. Kerr

John R. Kerr, P. Eng.
Date: August 10, 2001

FACT SHEET (property with no Mineral Reserve) **SCHEDULE A(i)**

Mining Rights Compensation Project
Mineral Tenure Evaluation, British Columbia
Evaluator: John R. Kerr, P.Eng

Contract Number: CC60002202
Property Name(s): SamCraig Claims (Musketeer)
Tenure Holder: Thomas Earl Cook
Park or PA Name: Strathcona **Date of Expropriation:** April 19, 1990

Mineral Tenure Data:

Number of Claims: 4 Type of claims: 2-post Mining Division: Alberni Area (unsurveyed): 100 ha

Name of Claims	Tenure Numbers	Expiry Dates
Sam Craig I and II	200572 and 200573	August 10, 1990
Sam Craig 3 and 4	200574 and 200575	August 10, 1990

Location and Access:

NTS Map Sheet: 92F/5E Coordinates: 49 deg 26 min N; 125 deg 41.7W
Geographic Reference: Vancouver Island, 20km southwest Buttle Lake; 40km north of Tofino, British Columbia
Access: Helicopter Access from Tofino or Campbell River; 8km walk from Bedford Sound.

Historical Summary:

Dicovery Year or First Recorded Mineral Tenure: 1938
Date of Location of Current Tenure: August 10, 1987
Estimate of Expenditures (value indexed to date of expropriation):
Discovery to Current Tenure: ?? (approximately $500,000 to 1,000,000) - $10,000 of current value
Under Current Tenure: $ 3,730
(of positive nature): $ 3,730
Non-contingent Warranted Expenditures: None stated - estimate $20,000
Nature of Work Completed: 1938 - 1973 - Approx 600 meters u/g development; 9,623 tonnes mined, producing 94,960gm gold; 53,990gm silver; 522kg copper; and 11,100kg lead.

Principle Metals or Commodities Indicated:

List of Metals or Commodities	Value of Metal at Date of Expropriation (1US$ = 0.86Cdn$)	
Gold	US $ 13.40 per gm	Cdn $ 15.60 per gm
Silver	$ 0.20 per gm	0.24 per gm
Copper	$ 2,600 per tonne	3,020 per tonne
Lead	$ 980 per tonne	1,150 per tonne

Geological Summary (includes nature of deposit(s) being explored for): Structurally hosted vein occurrences in quartz diorite of Bedwell River batholith, part of the early - mid Jurassic Island Intrusions. The Bedwell Batholith intrudes intermediate to basic volcanic rocks of the Triassic Karmutsen group, located 1.5 - 2km west of the claims. Two sets of veins exist a) strike 010 to 030 degrees, dipping steep west and east; and b) strikes 060 - 090 degrees, dipping 45 - 75 degrees north. The principle vein (Musketeer) strikes 080 degrees, dipping 050 degrees north. Four other veins have been identified. The veins have been developed over maximum length of 225m over down-dip distance of 130 meters. Mineralization consists of pyrite, sphalerite, galena, chalcopyrite and free gold in dominantly quartz gangue. Wallrock of the veins are generally highly altered and sheared quartz diorite

Resource Status:

A) Resource: Proven/Indicated - 8,400 tonnes grading 13 gm/tonne gold; 5 gm/tonne silver; and 1% lead.
Inferred - nil
B) Geological Expectation(s) - continued development lode veins of similar grade(1,500,000gms)

Number of Valid Comparables Researched: 10 **Used:** 5

Direct Cash Sales - All parameters match, including time: 0 Lack match of all parameters: 0
Sales for Other Consideration - Option/JV Agreement: 5
Comparables (with value derived by other methods; eg trading price of stock): 0

Other: Park existed since 1911. Mining and development allowed with stringent controls in park 1918 - 1973. 1973 - Moratorium placed on all mining in park, which was lifted in August, 1987. Development in park was forbidden in 1989, and claims expropriated April 19, 1990.

FACT SHEET (property with no Mineral Reserve) **SCHEDULE A(ii)**

Mining Rights Compensation Project
Mineral Tenure Evaluation, British Columbia
Evaluator: John R. Kerr, P.Eng

Contract Number: CC60002202
Property Name(s): Blaney Claims (Buccaneer)
Tenure Holder: Thomas Earl Cook
Park or PA Name: Strathcona **Date of Expropriation:** April 19, 1990
Mineral Tenure Data:

Number of Claims: 4 Type of claims: 2-post Mining Division: Alberni Area (unsurveyed): 100 ha

Name of Claims	Tenure Numbers	Expiry Dates
Blaney 1 to 4	200568 to 200571	August 10, 1990

Location and Access:
NTS Map Sheet: 92F/5E Coordinates: 49 deg 26 min N; 125 deg 40.5W
Geographic Reference: Vancouver Island, 21km southwest Buttle Lake; 40km north of Tofino, British Columbia
Access: Helicopter Access from Tofino or Campbell River; 9km walk from Bedford Sound.

Historical Summary:
Dicovery Year or First Recorded Mineral Tenure: 1939
Date of Location of Current Tenure: August 10, 1987
Estimate of Expenditures (value indexed to date of expropriation):
Discovery to Current Tenure: ?? (approximately $250,000 to 500,000) - $5,000 of cuurent value
Under Current Tenure: $ 3,730
(of positive nature): $ 3,730
Non-contingent Warranted Expenditures: None stated - estimate $20,000
Nature of Work Completed: 1938 - 1973 - Approx 380 meters u/g development; 4,987 tonnes mined*, producing 121,580gm gold; 39,130gm silver; 315kg copper; and 3,206kg lead.
*5,957 tonnes reported milled (source of additional tonnes unknown).

Principle Metals or Commodities Indicated:

List of Metals or Commodities	Value of Metal at Date of Expropriation (1US$ = 0.86Cdn$)	
Gold	US $ 13.40 per gm	Cdn $ 15.60 per gm
Silver	$ 0.2 per gm	0.24 per gm
Copper	$ 2,600 per tonne	3,020 per tonne
Lead	$ 980 per tonne	1,150 per tonne

Geological Summary (includes nature of deposit(s) being explored for): Structurally hosted vein occurrences in quartz diorite of Bedwell River batholith, part of the early - mid Jurassic Island Intrusions. The Bedwell Batholith intrudes intermediate to basic volcanic rocks of the Triassic Karmutsen group, located 2.5 - 2km west of the claims. Two parallel veins follow andesite dykes in quartz diorite striking 025 degrees and dipping steeply east. The principle vein (Craig) has been developed and mined over strike length of 250 meters, with downdip length of 50 meters, with average width of 0.14 meters. Average width of sampling is 0.91 meters. The West vein has been explored on one level of 140 meters, averaging 0.19 meters wide. Mineralization consists of pyrite, sphalerite, galena, chalcopyrite and free gold in dominantly quartz gangue. Wallrock of the veins are generally highly altered and sheared andesite and quartz diorite

Resource Status:
A) Resource: Proven/Indicated - nil
Inferred - 2,000 - 5000 tonnes grading 24 gm/tonne gold; 8 gm/tonne silver; and 0.2% lead.
B) Geological Expectation(s) - continued development lode veins of similar grade (1.5 million grams).

Number of Valid Comparables Researched: 10 **Used:** 5
Direct Cash Sales - All parameters match, including time: 0 Lack match of all parameters: 0
Sales for Other Consideration - Option/JV Agreement: 5
Comparables (with value derived by other methods; eg trading price of stock):

Other: Park existed since 1911. Mining and development allowed with stringent controls in park 1918 - 1973. 1973 - Moratorium placed on all mining in park, which was lifted in August, 1987. Development in park was forbidden in 1989, and claims expropriated April 19, 1990.

SCHEDULE B

Property Transaction Comparables

-- to be used for --

Mining Rights Compensation Project
Contract: CC60002202
Evaluator: John R. Kerr, P.Eng.

1) **Ursus Creek Property:** The property is in similar geology as the Musketeer/Buccaneer deposit, ie a gold-bearing structure/vein in quartz diorite. The Ursus Creek property is located 6 km southeast, outside of the Strathcona Park boundary. There is no identified resource on the property, however showings along a four km strike length assay up to 0.8 oz/ton gold. There is no reported historical production. Size of property estimated - 8,000 hectares.

In 1988, Pezgold Resources Ltd. (then Corptech) optioned the property from Pacific Sentinel to earn a 55% interest in the property. Terms were $250,000 (optional) work in 1988, with a further $550,000 (total - $800,000) in 1989 and 1990 to earn their interest. The value of this deal equates to:

1988	- $ 250,000 x .4	=	$ 100,000	
1989/90	- $ 550,000 x 0.15	=	82,500	
Value of transaction				**$ 182,500**
Related to Property Value (182,500 x 1.8)			=	**$ 328,500**

2) **Fandora Gold Property (Tofino Gold Mine):** The property is a gold-bearing quartz vein occurrence in volcanic rocks and consists of two parallel quartz veins in an andesite dyke. Underground workings trace the veins over a strike length of 900 meters and vertically over 200 meters. Widths are up to 0.45 meters. Gold grades range up to 16.5 gm/tonne over a width of 1.27 meters. Past production in the early 1960s yielded 45,660 grams gold and 8367 grams silver from 972 tonnes of ore. An indicated resource of 42,000 tonnes exist grading 15.1 gm/tonne. The property is located 15 km south of the Buccaneer/Musketeer property, and outside the park boundary. Estimated size of property - 200 hectares.

In early 1990 an agreement was arranged that Alice Lake Mines Ltd. lease the property to New Privateer Mines Ltd. Although the definition of the transaction is lease, the terms can provide a value in the same fashion as a sale. Terms are an annual rental of $20,000, with optional expenditures of $100,000 in 1990 and $150,000 in 1991. In addition, a one-time release of 100,000 shares of Alice Lake Mines Ltd. would occur on approval of the agreement. Alice Lake Mines Ltd. traded on the VSE at a price of 0.30/share. The terms equate to a 100% purchase of the mineral rights subject to a 5%NSR. The value of this transaction is looked at over a three year period as follows:

1990 payment		=	$20,000	
	100,000 shares @ 0.30	=	30,000	
1990 work	100,000 x .4	=	40,000	
1991 payment	20,000 x .4	=	8,000	
1991 work	150,000 x .2	=	30,000	
1992 payment	20,000 x .2	=	4,000	
1993 payment	20,000 x .1	=	2,000	
Value of Transaction = Property Value				**$ 134,000**

3) **Torquart Bay Property (Lucky Vein):** A high grade gold-bearing quartz vein occurs in volcanic rocks of the Triassic Karmutsen Group. Drilling and surface trenches have traced the north trending, steeply dipping Lucky vein over a strike length of 140 meters and down-dip 60 meters. Two adit levels have traced the vein over lengths of 30 meters. Two sets of assay grades: a) Underground samples grading 66.4 gm/tonne across an average width of .23 meters; and b) Drill samples grading 32.3 gm/tonne across 0.5 meters. Carter estimates that drilling has indicated a resource of 3,500 tonnes grading 32.3 gm/tonne. There has been no reported production from the property. The property is located 20 km northeast of Ucluelet, B.C. and 35 km southeast of the Buccaneer/Musketeer property. Size of property - 5,000 hectares (unsurveyed).

In early, 1987, and agreement was negotiated whereby Freemont Gold Corporation would option a 100% interest in the property from Electrum Resources Corp. over a four year period. The deal calls for a $24,000 downpayment, issuance of 200,000 shares over the four years in tranches of 50,000 shares per year, with a $100,000 work commitment in the initial year. Share of Electrum were trading 0.40 - 0.50 at the time of the transaction. Value of this deal is as follows:

Downpayment		=	$ 24,000	
Work commitment		=	100,000	
Initial Share Release	50,000 x .40	=	20,000	
2nd tranch	50,000 x .40 x .40	=	8,000	
3rd Tranch	50,000 x .40 x .20	=	4,000	
4th Tranch	50,000 x .40 x .10	=	2,000	
Value of Transaction = Property Value				**$ 158,000**

4) **Captain Hook Property (Grand Central Lake):** In the late 1980s, International Coast Minerals had acquired a sizeable land package on the south shores of Grand Central Lake, some 30 - 35 km east southeast of the Buccaneer/Musketeer property. In early 1989, this company optioned two crown grants. At least one significant gold-bearing vein (Shack) is located on one of the claims, where an indicated resource of 42,000 tonnes grades 24 gm/tonne of gold. The veins in the area are believed to be mainly in quartz diorite intrusions, similar to the Buccaneer/Musketeer veins. The property size is probably less than 50 hectares.

International Coast Minerals could earn a 25% interest in the property, subject to 2.5%NSR by spending (optional) $250,000 in the first year. The company may earn an additional 35% interest by paying the vendors 100,000 shares within 18 months. Price of International Coast Minerals at the time of the transaction was 0.38 - 0.45/share. Value of this transaction is:

To earn 25% interest (250,000 x 0.4)	=	$ 100,000	
To earn additional 35% interest (100,000 x 0.40 x 0.3)	=	12,000	
Value to earn 55% interest			**$ 122,000**
Related to Property (122,000 x 1.8)			= **$ 219,600**

5) **Georgia River Property, Stewart area, B.C.:** This property is more distal from the Buccaneer/Musketeer property, being located on the Portland Canal, some 400 km north. It is currently owned 100% by Blackline Oil and Gas Co. Ltd., formerly Avatar Resource Corp. The property contains gold-bearing quartz veins in Triassic volcanic rocks. Some 20(+) veins have been identified. The principle Bullion and Southwest veins carry very rich shoots, grading 65 gm/tonne over 1.2 meters. Approximately 270 meters of drifting were completed on two levels, and 8900 meters of drilling were completed by 1990. Production from the 1930s is reported 450 tonnes of ore, yielding 10,230 grams of gold. Prior to 1990, a drill indicated resource of 76,000 tonnes was estimated grading 19.5 gm/tonne gold. Size of property - 2500 hectares (unsurveyed).

In 1989, Avatar Resource Corp. entered an option agreement to sell 70% of the property to Highgrade Ventures Ltd. in consideration of $ 30,000 and 50,000 shares (valued at 0.45/share) of Highgrade immediately, work expenditures of $ 400,000 in the first year, an additional $ 30,000 and 50,000 shares and $ 600,000 in the second year to earn their 70% interest. Value of this transaction is:

Downpayment		=	$ 30,000	
Shares - 50,000 @ 0.45		=	22,500	
Work 1990 (optional)	400,000 x 0.3	=	120,000	
Cash and shares 1990	$52,500 x 0.3	=	15,750	
Work (1991)	600,000 x 0.15	=	90,000	
Value of Transaction to Earn 70%				**$ 278,250**
Related to Property Value	(278,250 x 1.43)		=	**$ 397,500**

In 1990, Avatar Resource Corp. entered an option agreement to sell 70% of the property to Lac Minerals Ltd. over a four year option period by paying $ 30,000 immediately and spending $ 500,000 in the initial year. Cash payments totalling an additional $ 330,000 and work expenditures totalling $ 2,500,000 are required over the next three years to complete the earn-in. Value of this transaction is:

Downpayment		=	$ 30,000	
Work 1991 (optional)	500,000 x 0.4	=	200,000	
Cash and Work over three years	2,830,000 x 0.1	=	283,000	
Value of Transaction to Earn 70%				**$ 513,000**
Related to Property Value	(513,000 x 1.43)		=	**$ 733,600**

In 1994, Aquaterre Mineral Development Ltd. negotiated an option/joint venture agreement to earn a 50% interest in the property by paying $40,000 and total expenditures of $960,000 over three years. Although this transaction falls outside the window-of-opportunity (1987 - 1991), it is being used here to substantiate the the values of 1989 and 1990 transactions. Value of this transaction is as follows:

Downpayment		=	$ 40,000	
Work 1995 (optional)	360,000 x .4	=	164,000	
Work 1996/97	600,000 x .15	=	90,000	
Value of Transaction to earn 50%				**$ 294,000**
Related to Property Value	(294,000 x 2)		=	**$ 588,000**

Several other properties and property transactions were reviewed during the research period of this assignment. Most of the transactions were rejected for one of the following reasons: 1) The window-of-opportunity for acceptable transactions is outside the bounds of 1987 to 1991; 2) Only properties with gold-bearing quartz veins were included; and 3) Insufficient information was gleaned about the property transaction.

Other transactions researched, however never used were:

1) Charlemagne transactions in the Phillips Arm area involving the Doratha Morton, Alexandria and other gold-bearing quartz veins.
2) Tamara Resources Ltd. and reported transactions on the Prosper claim group.
3) Stoney Creek Mines, Gold Parl Resources Ltd. and Consort Energy Corp. and reported transaction, on the Cotter, Abco and Lazy K claims.
4) Transactions of Coast Mountain Minerals Ltd. on their large land holdings on the southern shore of Grand Central Lake.
5) The Eldorado agreement to option the Eureka Claim group from Sam Craig on Ursus Creek.

SCHEDULE C

CRITERIA and METHODOLOGY
of providing value to mineral property with NO STATED MINERAL RESERVES

Contract Number: CC60002202 **Property Names:** Blaney/Sam Craig Claims

Tenure Holder: Thomas Earl Kirk **Evaluator:** John R. Kerr, P. Eng.
For: British Columbia Mineral Rights Compensation Project

The rationale for developing a **Fair Market Value** (FMV) for mineral tenure with no stated mineral reserve is based on several criteria, most having assumptions of varying degree. The accepted method of establishing FMV of a property with mineral reserve is from projected cash-flows of a mining operation. A **Mineral Reserve** is established when exploration work performed on a mineral tenure has identified a mineral resource and developed a significant portion of this resource to a measured category. The resource is then subjected to a feasibility study which shall determine the potential profitability of a commercial mining venture under existing economic events. The **Net Present Value** (NPV) derived from feasibility equates under most circumstances to the FMV of the property.

The several inherent problems of placing value to (evaluating) mineral properties with no stated reserves are: 1) There are virtually no cash sales to make valid comparisons, such as real estate appraisals; 2) Sales are generally option or option/joint venture transactions with contingency value; 3) There is no projected cash flow that can be translated to NPV; 4) The value of a property falls somewhere between zero (or even a liability) and the exploration objective or expectation of a mineral reserve; and 5) Parameters of the value change rapidly, pending metal price, investor confidence, stage of exploration, general market activity, local mining activity, and ability of the company to raise funds to continue exploration. To compound matters, the Mineral Rights Compensation Project dates the value to the time of expropriation, which makes the research of comparable sales more difficult.

The critical aspect of evaluation is relativity and consistency. To provide this consistency, a criteria check list has been developed, each criterion reviewed in the evaluation report - highlighting or expounding on the criterion(ia) best suited for the subject evaluation. A fact sheet (Schedule A) provides a summary of property data to be used for criteria selection and evaluation. These criteria are as follows:

1) **Comparable Property Transactions** - Comparing direct cash sales of mineral properties with all similar parameters, including time of sale, is the best method of providing value. This rarely occurs, as most comparable transactions have an option period. To make a valid comparison, sufficient knowledge is required of: a) the geology, location and stage of exploration of both properties; and b) the terms of agreement. Committed payments, stock releases and/or work programs provide direct value to property. Option payments are success driven contingencies, therefore option terms must be discounted to provide present day value. Discount rates are based on industry statistics and range: 1st option period - 20 to 40%; 2nd option period - 10 to 25%; 3rd option period - 5 to 12%; 4th option period - 2 to 7%; and 5th(+) option period - 0.5 to 3%. Terms of the agreement as it relates to property parameters, govern the specific discount rate applied. Net Smelter Returns (NSR), Net Profits Interest (NPI) or buy-out clauses are rarely factored into value unless there is reason to suspect the value from NPI or NSR imminent.

2) **Market Value or Capitalization of Public Corporations** - The principle consideration is the number of corporate assets. If more than one, the subject property must have the most influence on trading price of stock. The evaluation process must provide assessment of the value of company versus asset worth; validity of news releases and concern of over-promotion; and assessment of management and technical team. Market value or capitalization can be used to provide value of comparable transactions, subject to conditions of criterion 1).

3) **Value of Historical and Present Day Work** - Exploration work on a property adds value to the proporty, only if it is positive in nature. The reported accounting records must represent valid industry standard expenditures. Historical work must be of such quality and of present day standards that they may be used for resource interpretation or calculation, and may only be used if a major event has changed parameters of the property (ie dramatic change of commodity price). An assessment of quality of all data of previous work campaigns is required prior to using the value of the data. Historical work can be indexed to present dny value.

4) **Value of Warranted Work** - Most technical reports of mineral properties come with Phase I and Phase II recommendations and estimated expenditures for ongoing programs, the Phase II program generally contingent on results of Phase I. Phase I recommendations are regarded as warranted work, only minimum value of Phase II expenditures should be included if they are contingent in nature. An assessment of the quality of technical report and recommendations is required prior to allowing value of recommended work to be included.

5) **Indicated/Inferred Resource** - Once a resource is inferred or indicated, it is possible to express value based on the probability of upgrading to reserve status. The most common method is assigning a value to the commodity(ies) of the resource. An example would be $5 per ounce of gold indicated. As gold is currently valued at $400(C) per ounce, the expressed probability of upgrading the resource to a reserve with a potential 20% profitability margin is therefore 6.25%. Much discretion of the evaluator is required if this criterion is to be used in the evaluation, and for this reason, the resulting value is limited and can only be utilized in conjunction with other criteria to provide real value. Mining analysts commonly use this method to substantiate trading values of common stock.

6) **Geological Expectation** - A property with geochemical/geophysical anomalies, comparable geology to a nearby resource/reserve and/or a surface showing has geological expectation. Industry defines this property as grass-roots. Based on the data, it should be possible to forecast a potential resource size; small (vein), medium (skarn), or large (porphyry). Assays from the surface showing may indicate if the potential grade is sufficient to host a commercial resource. There is no method of quantifying value from such an expectation, therefore the use of this criterion would be to substantiate or support the value derived from other criteria. Warranted expenditures (criterion 4) reflect to some extent this geological expectation.

7) **Other Factors Affecting Value** - Underlying property agreements, local government mineral tenure laws, environmental issues, and government stability. An example is an excessive NSR in a property agreement. Some property deals have never been consummated due to onerous NSRs, the principle reason being that NSRs affect the profitability of a mine and therefore the ability of upgrading a mineral resource to a mineral reserve. A prudent evaluator should discount value if these factors affect property development or mine profitability.

During the course of evaluating a mineral property, it becomes clear as to what criterion(ia) best defines the FMV. An attempt is made to express a value for each criterion. The value rationale is then reviewed, and categorized as:

1) "**Definite**" value - where no (or limited) assumptions have been made in deriving value.
2) "**Probable**" value - where assumptions made can be mainly qualified.
3) "**Possible**" value - where assumptions made can only be partially qualified.
4) "**Unable to**" value - where assumptions cannot be qualified, and is not used.

Only the criteria classified as definite and probable are used to express value, the definite value carrying the most weight. Possible value criteria may be used to support value. If there are no definite or probable values derived, the evaluation can be expressed as a range, and final value strongly qualified.

The criteria are reviewed to ensure that the values expressed are relevant to the date of expropriation, factoring out any depreciated value due to a proposed expropriation. All criteria values are thence combined according to the following methodology to provide a "**Preliminary**" and "**Final**" Fair Market Value to the subject property. From the list of criteria, four sets of property value are obtained:

A **Comparable Sales Value.** If a comparable cash-sale value can be found that has all property parameters matching, this criterion shall provide the principle Fair Market Value of the property. All other criteria shall support this value. If a property transaction without matching parameters or indirect optional terms are found, the value of this comparable transaction must be combined with other criteria to establish FMV.

B **Work Value.** The value of historical, present day, and warranted work programs are additive criteria to provide FMV. If historical and present day work can be demonstrated to add value to a property, and the historical work is grandfathered into the current property ownership or is of significant importance to provide value, this work and the present day cost of this work is regarded as the "book" value of the property. The warranted expenditures are a direct reflection of the worth of the previous programs and express an "excitement" value to the property. There must be incentive for a property owner to have more value than the "book" value of a property, otherwise the spending of money to maintain ownership is an exercise of futility.

C **Market Capitalization Value.** Market capitalization of a stock exchange listed company can be used to derive FMV, especially if the subject property is the sole asset of the company. The trading value of a company reflects small portions of its assets worth. This criterion is even more relevant if the company makes (or loses) an acquisition, and the value of the acquisition is reflected in the rise (or decline) of the trading price.

D **Resource Value.** To derive FMV from an inferred or indicated resource into evaluations is limited There are many assumptions required to use this criterion, the major assumption being the probability of upgrading an indicated resource to a mineable reserve. An inferred or indicated resource is a statement of an advanced stage property, thereby commanding more value than a grass-roots property with only geological expectation.

The **Preliminary Report** is to express the **Fair Market Value** as a range. This range will likely be the lower value of **A, B, C, or D** to the higher value value of **A, B, C, or D.** Unless a credible argument can be established by the titleholder, the **Final Report** shall express the **Fair Market Value** as a weighted average of **A, B, C and D.**

SCHEDULE D

Contract No: CC60002202 **Property Name:** Blaney/Sam Craig Claims

Tenure Holder: Thomas Earl Kirk **Evaluator:** John R. Kerr, P. Eng

For: Mineral Rights Compensation Project

STATEMENT of QUALIFICATIONS and LIMITING CONDITIONS

I, **John R. Kerr**, of the City of Vancouver, British Columbia, hereby certify that:

1) I meet all the criteria and have been accepted by the Province of British Columbia to be included on their roster as an Evaluator of Mineral Tenure. I have in excess of twenty-five years of experience in evaluating mineral properties. I am a member of the Association of Professional Engineers and Geoscientists of British Columbia (membership # 6858).

2) I am a graduate of the University of British Columbia (1964), having acquired a Bachelor of Applied Science degree in Geological Engineering.

3) I have established a Fair Market Value range to the subject property to the best of my ability, and according to the following definition. Fair Market Value is the most probable price a mineral property, consisting of one or more contiguous mineral tenures, should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and at arm's length.

4) I have no interest direct or otherwise in the subject mineral property or the holder of the mineral property. I have no knowledge of the terms established by negotiation between the Province of British Columbia and the title holder to this date.

5) The values and range of values expressed in this report are subject only to the date of expropriation of mineral tenure by the Province of British Columbia. I must provide written consent to application of this value to any other date or for any other purpose outside the intent of the Mineral Rights Compensation Project.

6) I assume no responsibility for matters pertaining to property title. I have verified title at the Vancouver Mineral Titles Office, however rely only on the contents of filings that have been made by the holder or his (their) agent.

7) I have relied solely on the information and data provided under Schedule D of the agreement between the title holder and the Province of British Columbia and the title holder's affidavit. I, nor any agent of mine, has been on site to review or substantiate the quality of the property data used for this evaluation. The evaluation and expressed property values are based only on the property information and data submitted as Schedule D, the research of comparable property transactions, the research of property title, and my experience in providing value to mineral property.

8) Opinions expressed and estimates of value are derived from sources considered to be reliable and are assumed to be true and correct. No responsibility is placed upon myself for the accuracy of data and information furnished by other parties.

Permission is given to both the Province of British Columbia and the title holder to use the contents of this report to settle the dispute arising from expropriation of the mineral tenures, as defined in Schedule A of this report.

CERTIFIED CORRECT:

John R. Kerr, P. Eng.
Date: August 10, 2001