

# GEOLOGICAL AND HISTORICAL SUMMARY AND OPINION OF VALUE

## EXPROPRIATED CROWN GRANTED MINERAL CLAIMS WESTERN COPPER PROPERTY

### Khutze River Area,

Skeena Mining Division, British Columbia  
Latitude 53° 05' 49" N Longitude 128° 20' 06" W  
Northing 5883262 Easting 544528  
UTM 09 (NAD 83)

Owned by

**Moira Movanna and William Bell**  
**Robert Meldrum**

By

### **B.J. PRICE GEOLOGICAL CONSULTANTS INC.**

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**OCTOBER 22, 2014**



## ORIGINAL KHUTZE AGREEMENT - 1904

Vancouver B. C.  
August 10, 1904

Agreement  
Between Alex McLeod of Vancouver  
+ C. W. Meldrum of the same place in  
consideration of the said C. W. Meldrum  
accompanying the said A. McLeod on a  
prospecting expedition for gold, copper +  
any other minerals except C. W. Meldrum  
to receive three tenths ( $\frac{3}{10}$ ) of any thing  
found.

witness } P. Frazier  
C. W. Meldrum  
Alex McLeod

*PHOTOGRAPH OF PORTAL AT WESTERN COPPER MINE 1927 ?*  
(Ward Smith, second from right, C.W. Meldrum on right)



## GEOLOGICAL HISTORY AND SUMMARY

### WESTERN COPPER (LOT 380) AND BEAR (LOT 385) Expropriated Crown Granted Mineral Claims Khutze River Area, BC

## SUMMARY

This Report is composed of two parts; the first is a summary of history and geology of the **Western Copper Property**, situated on East fork of Khutze River, which flows westward into Khutze Inlet, some 570 kilometres northwest of Vancouver and 180 kilometres south of Prince Rupert BC. The purpose of the geological summary is to describe the history, geology, mineralization and exploration potential of the property.

The second part, *The Opinion of Value* is required to determine Fair Market Value following the expropriation of the property in 2006 when the BC government created The Khutze Conservancy, one of a large number of Conservancies on the Central BC Coast. Of the total of 8 crown granted claims which formed the core of the historical 48 claim property, the Bear and Western Copper claims belong to Moira Movanna and Bill Bell, grandchildren of Maisie Hurley, who bought 6 of the claims as an investment in 1945 and the North Star and Empire claims are owned by Robert Meldrum for the estate of JM Meldrum and Rachel Donovan. These two key claims and the above-noted claims were originally discovered in 1904 and staked by CW Meldrum in 1905. In all, the 8 crown granted claims, are the balance of the large claim block which originally existed, and these cover the significant copper-gold showings which have been explored since 1904.

The Western Copper Property is situated on East fork of Khutze River, which flows westward into Khutze Inlet, some 570 kilometres northwest of Vancouver and 180 kilometres south of Prince Rupert BC., or 100 km south of Kitimat BC

The adjacent Hunter Gold property, also subject to expropriation, is situated about 10 kilometers to the north on the north fork of Khutze River. In the past access has been by boat, trail railroad and tram; at present, with negligible logging in the area, access is most easily by helicopter from Kitimat (about 100 km) or Terrace BC.

The Western Copper property is described in Minfile as follows:

*“A quartz-feldspar vein, striking 070 degrees and dipping 20 to 30 degrees south, along a narrow shear zone, occurs in granodiorite of the Coast Plutonic Complex. The vein is up to 2 metres wide and is traced for 1200 metres. Mineralization occurs as isolated lenses of massive and disseminated pyrite, chalcopyrite, chalcocite, and covellite. The largest lens measures 10 metres long and 1.5 metres wide of which a 60 centimetre sample assayed 15.5 per cent copper, 212.6 grams per tonne silver, and 5.5 grams per tonne gold. Recorded production for 1928 and 1928 from 215 tonnes mined was 5,319 grams of gold, 45,193 grams of silver and 30,812 kilograms copper”.*

The property was first explored in 1904, staked in 1905, and crown granted in 1907 to 1911. At that time, the property was easily accessed by steamship via Swanson Bay, and eventually a railroad and a trail and ladders gave access to the high grade copper-silver gold vein along the steep mountain face. Two aerial trams facilitated moving equipment and ore. A large camp was built which included a sawmill and accommodation for 100 men. Exploration proceeded intermittently from 1905 onward, interrupted by World War I, the Great Depression and World War II. A speculative resource was outlined in 1909, followed later by smaller but more secure estimates. Several companies optioned the property and completed underground workings with an inclined shaft, a raise and drifts along the mineralized vein or shear.

The property has been inspected by some of the more respected geologists and engineers in the Mining industry of BC. An interesting and more complete narrative history of the property is provided in an Appendix to this report.

Initial interest in the area was because of very high grades in gold and copper in several veins or shears one of which extends for over 2000 meters through the property. During the period 1928-29, 237 tons of ore were shipped from the property, from which 171 ounces of gold, 1,453 ounces of silver, and 67,930 pounds of copper were recovered. (This corresponds to recovered grades of 0.72 oz/ton gold, 6.1 oz./ton silver and 14% copper).

The Meldrum family has been associated with the property from 1904 to the present; Robert Meldrum is grandson of the discoverer C.W. Meldrum and son of the late J. Milton Meldrum who was instrumental in exploring the property. The property was examined in detail in 1909 by pioneer mining engineer Ronald Campbell Campbell-Johnston, and about 1945, Maisie Hurley daughter of the first geologist/engineer to inspect the property, (Ronald C. Campbell-Johnston) acquired her claims by purchase, and Moira Movanna and Bill Bell, present title holders, are great grand-children of Campbell-Johnston.

The property has varied in size over the years, from an original count of 48 surveyed Crown Granted claims, to 8 claims in 2006, and now rights to 4 claims owned by the Murphy family heirs appear to have been purchased by the government after expropriation and extinguished, leaving the four claims owned by Moira Movanna and Bill Bell and Robert Meldrum. The property has virtually always been explored as a group and not as individual claims.

In 1988, the property, including the eight original Crown granted claims, was optioned by **Freemont Gold Corporation** and partners, who rehabilitated and sampled the underground workings, built a modern camp and two helipads, (one above the camp and another on the Bear claim), mapped and sampled the workings and completed ten diamond drill holes from two helicopter-supported sites. R. Meldrum held 6 reverted crown grants Emerald, Verdure, Harkley, Goat Bird and Rita to protect the central claims. Approximately \$600,000 was spent in this program before the company ran out of funds.

Efforts to continue exploration continued to 1994, when the property was inspected by engineer Alex Burton, but attempts to refinance and begin exploration anew were thwarted by very high reclamation bonding costs (\$50,000) demanded by the Ministry of Mines, driven by negotiations with native and non-governmental interest groups for the Spirit Bear Wilderness proposal.

Beginning as early as 1986, environmental efforts to "protect" the area were sponsored by the Valhalla Wilderness society and other very vocal groups. This culminated in the Central Coast Land Use plan, under which the Khutze area in its entirety was selected for protection. From 2002 onward, claim

holders were notified by the Provincial Government that no exploration would be allowed, although it was not until mid-2006 that the claim holders were notified of formal "expropriation".

After expropriation of the entire property, the BC government through the Ministry of Energy Mines and Petroleum Resources retained **Scott Wilson Roscoe Postle Associates** (SWRPA) of Toronto (later renamed Roscoe Postle Associates) to provide an Opinion of Value, which in this author's opinion was extraordinarily low, based on a facile and largely discredited method of valuation which compared the surface area of this unique property to several unrelated properties hundreds of kilometers distant in other parts of British Columbia. The valuation placed on the properties by SWRPA/RPA was as follows:

TITLES	OWNERS	RPA VALUE	MINISTRY OFFER
Western Copper and Bear	Moira Movanna/Bill Bell	\$3,000	\$3,000
Empire and North Star	Robert Meldrum	\$5,000	\$8,500
<b>Under Expropriation from 2006</b>		<b>TOTAL</b>	<b>\$13,500</b>

The author was retained by Moira Movanna/Bill Bell and Robert Meldrum to review the geology and exploration potential of their respective claims on the property and to prepare a more realistic estimate of the value of the property.

Based on the low valuation by SWRPA, the government of BC made corresponding low offers to several, but not all of the claim holders as shown in the above table. Several of the Hurley family heirs have since settled with the Ministry for about twice the valuation, as shown below, but the Ministry has failed to negotiate with the owners of the four remaining Crown Granted claims.

Holder	Claim	Preliminary Evaluation	Offer Amount*
Jack Hill	Joanna	\$3-4,000	\$6,500
Marg Nielson, Terrence Murphy	Ida	\$3-3,500	\$6,000
Maureen Woodcock	Argentile	\$3-3,500	\$6,000
Eileen Murphy heirs	Anna	No information	\$6,500
<b>All claims purchased by the BC Government</b>		<b>TOTAL</b>	<b>\$25,000</b>

My report describes and justifies the exploration expenditures made to date, and provides a more accurate and defensible Opinion of Value for the Western Copper property as a whole based on several valuation methods. This valuation is outlined in the second part of this report. This report was initially completed in 2009, for claim holders Moira Movanna, and her brother Bill Bell and was later modified to include the Robert Meldrum interest. The author is an experienced consulting exploration geologist, Qualified Person and valuator, registered with the Association of Professional Engineers and Geoscientists in British Columbia, having completed numerous valuations for properties in Canada, the USA and several other countries, and is independent of the property and the vendors.

## SUMMARY AND OPINION OF VALUE

This valuation has been prepared for the Western Copper property as a whole, in compliance with generally accepted valuation practice.

***“In the case of dual or multiple property ownership, the Appraised Value of the whole property is determined first. Then the value is apportioned to one or more of the property owners” (Roscoe, 1990).***

Exploration expenditures on the property over the years, in terms of 2006 dollars, probably exceed \$6 or 7 million. The last major work program in 1988 undertaken by Freemont Gold Corp. and Joint-Venture partners, cost approximately \$600,000.00 (or, in 2006\$, approximately \$1,000,000).

The valuation of exploration stage properties is a subjective exercise, and particularly for properties with intermittent exploration over many years, there is no single method of valuation which is infallible. The valuator must determine, based on past results, past option agreements, past production, historical or current resources or reserves, and most importantly, the perceived exploration potential, what is a sensible value and defensible estimate of Fair Market Value or in this case, Expropriation value..

The major vein system at Western Copper has been traced by prospecting, mapping, sampling and exploration works including open cuts, short adits, and underground workings for a distance of over 2000 feet extending both east and west from North Star Canyon. The structure is a strong fracture or shear with high grade copper and gold values contained in a number of “Shoots”. The same structure has been intercepted by drilling, with up to 218 grams/tonne gold (6.18 oz/ton) 50 g/t silver and 0.88% copper. Other gold intercepts are indicative that other veins are present. The property has achieved past production (testing) of 245 tons which averaged 0.83 oz ton gold and almost 15% copper. A small inventory of bagged mineralization (unknown size) remains on the property.

The property has had several bouts of exploration, interrupted by the World War 1, the Depression and World War 2, and beyond 1988, exploration was inhibited by land use negotiations leading toward the creation of the Khutze Conservancy within the “Spirit Bear Wilderness”.

Notwithstanding its relatively isolated location, access in the Past was good with almost daily trips by Union Steamships. The area lies within a belt deemed high exploration potential, and a brief regional geochemical survey established other precious metal anomalies nearby. For these reasons, numerous consulting geologists visited the property up to 1994, and all recommended additional work. In the

writer's opinion, the property has exploration potential that, because of its position within the protected area, will never be realized.

In summation, the statement by Scott Wilson Roscoe Postle Associates ("SWRPA") (later Roscoe Postle Associates or "RPA" that "no further work on the property is warranted" is discredited and is seen to be an inherently biased statement prejudicial to the logical valuation of the property. Other well experienced and qualified consulting geologists and engineers throughout the years to 1994 have recommended further work, and I believe their recommendations are valid.

**The present valuator's opinion is that the Western Copper property does have, and did have, exploration potential in 2006, and that further exploration would have been warranted at that time, considering the high grade of the mineralization and elevated metal prices, which have continued to the present.**

## OPINION OF VALUE

For the TSX and BCSC purposes, "Fair market Value" is defined as:

### **"The highest price available**

- **in an open and unrestricted market**
- **between informed and prudent parties,**
- **acting at arm's length**
- **under no compulsion to act,**
- **expressed in terms of cash".**
- **Fair Market Value is estimated as the highest outcome of a sale**
- **it requires the valuator to estimate the value based on what the most willing buyer would pay.**

Valuation is best done when the evaluator is an experienced exploration geologist or engineer who:

- Understands the property
- Understands its potential strategic value
- Verifies that potential buyers exist
- Selects the most reliable single approach to measuring value of that particular property.
- Justifies the selection
- Uses other valuation methods to check the results
- Presents a value that can be substantiated by business logic.

The author has estimated the value of the Western Copper property as a whole, in compliance with basic valuation concepts, and by fifteen different valuation methodologies.

William Roscoe (1999) states

*"In the case of dual or multiple property ownership, the Appraised Value of the whole property is determined first. Then the value is apportioned to one or more of the property owners. During an option or earn-in period, the property interests of each party are assumed to be the final earned interests".*

Scott Wilson RPA or Roscoe Postle Associates have valued the Bear and Western Copper claims using one limited method only as lying within the range of \$2,500 - \$3,000 with a preferred value of \$3,000 and the Market Value of the North Star and Empire Claims as of July 14, 2006, was in the range of \$4,500 to \$5,500 with a preferred Market Value of \$5,000. The government's final offer, based on the SWRPA reports was only \$3,000 and \$8,500 respectively. This does not cover the claim holder's costs to date. In the author's opinion, mining properties rarely transact for this small amount, particularly when all rights are extinguished in perpetuity. Adjacent fringe claims held by other family members were purchased (at distress levels) for \$6,000 to \$6,500) above the values offered for the subject claims.

The writer estimates that, based mainly on Appraised Value, which for exploration properties is often the best index of value, the Fair Market Value would be in the range of \$600,000 to \$1 million. My instincts in 2009 were to reduce this to \$600,000, which corresponds with the amount of last substantial exploration program.

While estimation of value is subjective, use of a number of different estimation methods enables arriving at an average which is reasonable, relevant and defensible

**Erring on the conservative side, the average value of all valuation methods available to the author, omitting some estimators which are not representative of Fair Market Value results in an estimate of \$450,000.000 for the entire property (eight expropriated crown granted claims) as of 2006.**

**Had the Murphy family been cohesive and acted together to defend their interests instead of selling out at amounts which would be considered a stress sale, the author would have retained the original estimate of \$600,000 as Fair Market Value and argued for that value.**

In the writer's opinion, the value of Western Copper property as a whole, including allowances for the absence of Net Smelter royalties, back in rights, potential share appreciation and many other factors which, on expropriation, can no longer be applied, would, in a Fair Market transaction, be in the range of \$43,00.00 to \$6,000,000.00, omitting the highest values, which could skew the estimation, the author chooses the rounded average of Can\$450,00.00 as his best estimate of Fair Market (under Expropriation). This compares favourably with the geometric mean of \$313,000.

**The Fair Market and Expropriation Value chosen by the author, based mainly on Appraised value, which is an industry standard for exploration properties, but taking into account the exploration potential of the property in 2006, is \$375,000**

This estimate for the whole property can be assigned to the various ownership as follows

<b>OWNERS</b>	<b>APPORTIONED VALUE</b>
Estate of J.M Meldrum and Donovan/Mathers	\$300,000
Moira Movanna/Bill Bell	\$50,000
All other Murphy family holdings (4 claims)	\$25,000 already paid
<b>TOTAL VALUE</b>	<b>\$375,000.00</b>

## FINAL OFFER

Notwithstanding the amounts noted above, the author, on behalf of Moira Movanna issued in 2009 a final offer concerning the rights of Moira Movanna and Bill Bell for the Western Copper and Bear Crown Granted claims of \$50,000.00 and for the central North Star and Empire claims of \$300,000

RESPECTFULLY SUBMITTED

**B.J. Price Geological Consultants Inc.**



*"Barry Price"*

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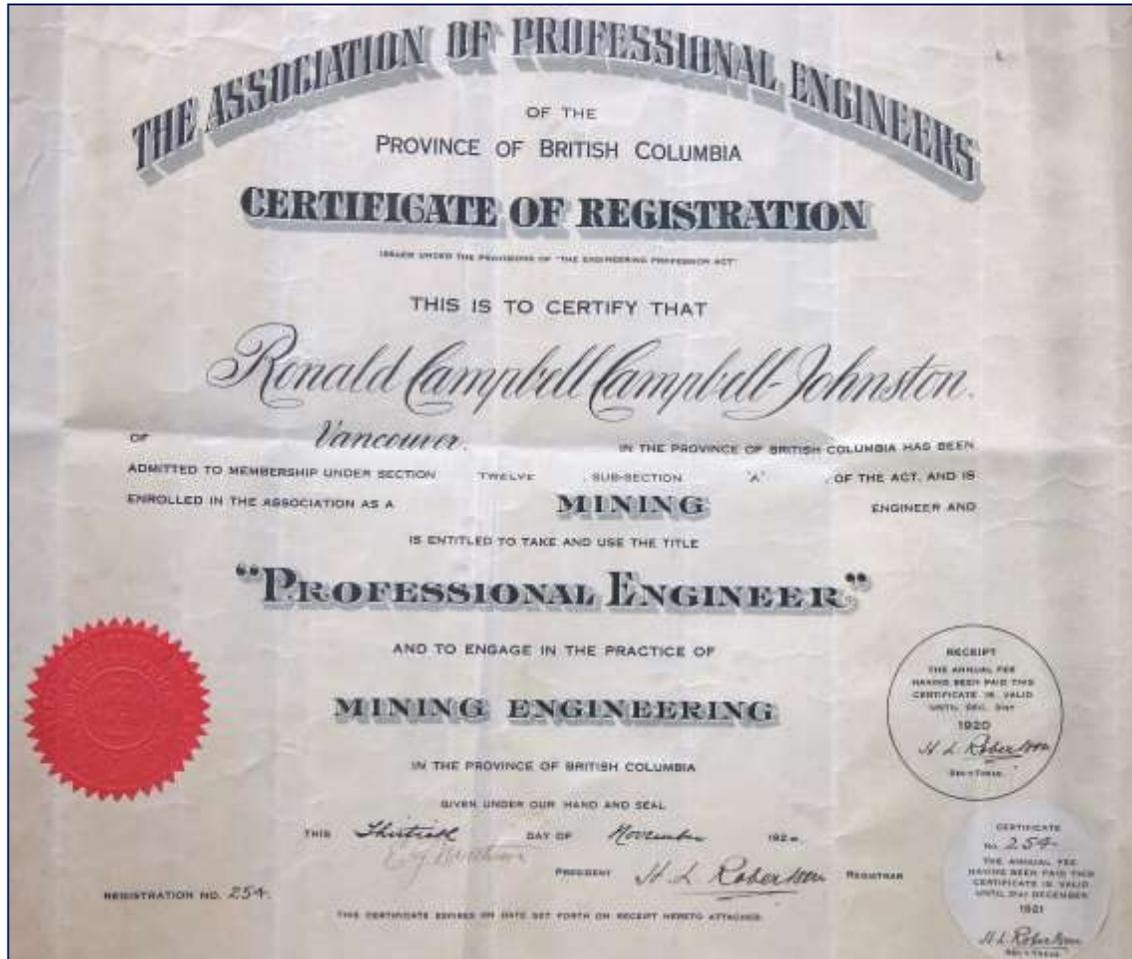
Barry J. Price, P.Geol.

For: Moira Movanna and Bill Bell, and R. Meldrum interests

Claim holders.

October 22, 2014

CERTIFICATE OF RONALD CAMPBELL-JOHNSTON, MINING ENGINEER  
Great Grandfather Of Moira Movanna And Bill Bell



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## PART 1: GEOLOGICAL AND HISTORICAL SUMMARY

### WESTERN COPPER PROPERTY

Khutze River Area, Skeena Mining Division  
British Columbia

## INTRODUCTION

In a letter dated July 14, 2006, Claim holders of the Western Copper property - Moira Movanna, Bill Bell, Robert Meldrum and others were served with a **Notice of Expropriation** from the Government of BC (Chris Trumpy, Deputy Minister, **Ministry of Environment**) pursuant to Section 11 of the **Park Act** with respect to the Crown Granted claims Western Copper (Lot 380), Bear (Lot 385), North Star (Lot 376 and Empire, Lot 378 and four others.

In accordance, owners Moira Movanna and Bill Bell and other title holders were asked to transfer title in 2007 to the Crown (Province of BC). The original claims were staked in 1904 and 19055 and were later surveyed and Crown Granted in 1908. In 1944-45, the subject Western Copper and Bear crown grants along with 4 other crown grants were acquired by Amy C. Campbell Johnston Hurley, and these were passed down to the grandchildren (members of the Murphy, Hill and Bell families) in the estate of Mrs. Hurley and her daughter Kathleen Bell. Thus the claims have been in existence for over one hundred years and the family has had the claims for 65 years.

Compensation for the Expropriation is governed by the **Mining Rights Compensation Regulations of the Mineral Tenure Act**. A formal request for Data was served by letter from Ken Davidson, Provincial Representative, Resource Compensation (*Invictus Consulting Inc.*) to all title holders. In late 2007, Barry Price, M.Sc., P.Geo. was retained by the claim owners to assist in the obtaining of fair compensation for the expropriation at an agreed fee of \$2,500.00 for each group.

In October 2007 a "Fact Picture" - (more accurately called List of Relevant Documents) essentially a compilation of all data pertaining to the Khutze area claims) was provided by Price to Ken Davidson for the Ministry of Energy and Mines. All data provided by Price originated from family database held by Moira Movanna and her husband Mike Devine, and from documents gained from the author's files and from government websites. At the same time documents were also provided by Robert Meldrum and others in the arbitrarily named "Hurley Group"

The owners have received a preliminary or Draft Valuation done by William Roscoe, P.Eng. and Paul Chamois, P.Geo., or Scott Wilson Mining and Scott Wilson Roscoe Postle Associates (SWRPA) dated November 25, 2008. The valuation for the Western Copper and Bear crown grants was stated to be in the range of \$2,500 to \$3,000 and that for the North Star and Empire was estimated at \$5,000.

Oddly, the owners have no record of an initial offer from the government. The author has filed a strong objection to the valuation. Three additional reports have now been prepared for each of the properties by Roscoe Postle Associates (RPA) which values the properties at only \$3,000 and \$5,000 respectively.

The second and third valuation reports, all very much identical to the initial drafts. These respective amounts have been offered to the owners by the Ministry as their "Final Offer". However, these amounts do not cover the basic costs of the expropriation process, which, to date, has taken eight years. Based on what appears to be an inappropriate valuation tendered by SWRPA and the anomalously low offers by the Government of BC, the owners asked that the matter be settled by arbitration, but when it became clear that the arbitration was both costly, inefficient and as yet untested, removed themselves from the arbitration process.

The "Hurley" (or Murphy Family) family have owned the Crown Grants since they were acquired in 1945 by Moira's grandmother, Maisie Campbell Johnston Moore Hurley. **Robert Meldrum** is grandson of C. W. Meldrum, one of the original prospectors (1905) and owners of claims and Crown Grants in the area, and son of J. Milton Meldrum, who wrote much of the past history. Mr. Meldrum holds the North Star and Empire Crown Grants.

While the final offers have been made to the Moira Movanna and Robert Meldrum claim holders, the adjacent claims, which logically should be of less value, were settled at much higher values and the claims extinguished.

## LOCATION AND ACCESS

The Western Copper Property which at one time comprised 48 crown grants but now includes 8 (four of which have now been purchased by the BC Government and settled) is situated on East fork of Khutze River, which flows westward into Khutze Inlet, some 570 kilometres northwest of Vancouver and 180 kilometres south of Prince Rupert BC. The adjacent Hunter Gold property, also subject to expropriation, is situated about 10 kilometers to the north on the north fork of Khutze River.

In the past access has been by boat; in the past, almost daily steamship service was available on the Inside Passage route from Vancouver to Prince Rupert and Alaska allowing transportation of personnel, equipment and ore. At present, with diminished logging in the area, access is easiest by helicopter from Kitimat (about 100 km) or Terrace BC. In the 1910's and 1920's, a railroad was built into the property; the roadbed remains. From the rail head at a main camp, jig-back trams and trails gave access to the underground workings and surface outcrops.

FIGURE 1. LOCATION MAP OF BC





FIGURE 3. LOCATION MAP OF KHUTZE CONSERVANCY

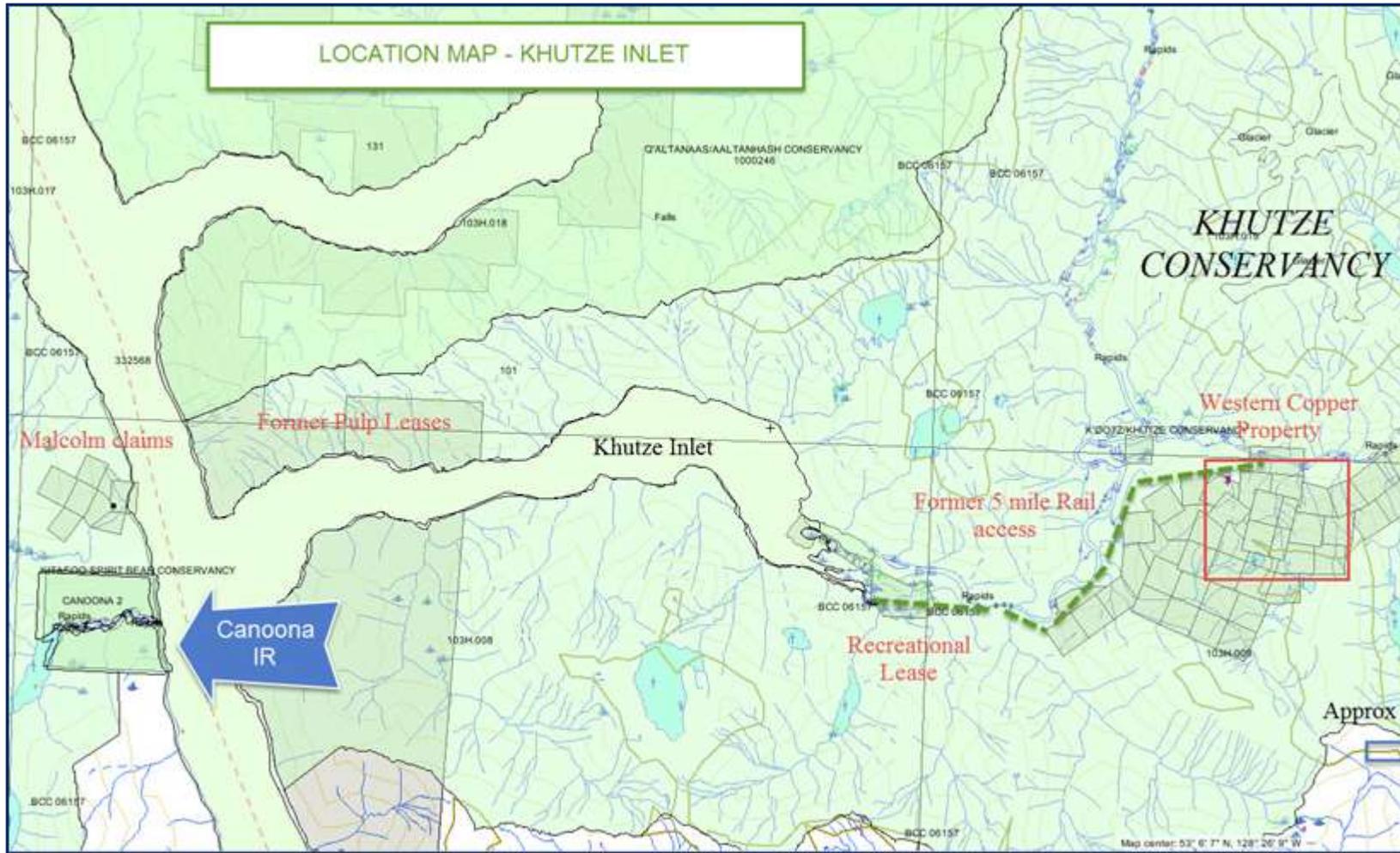
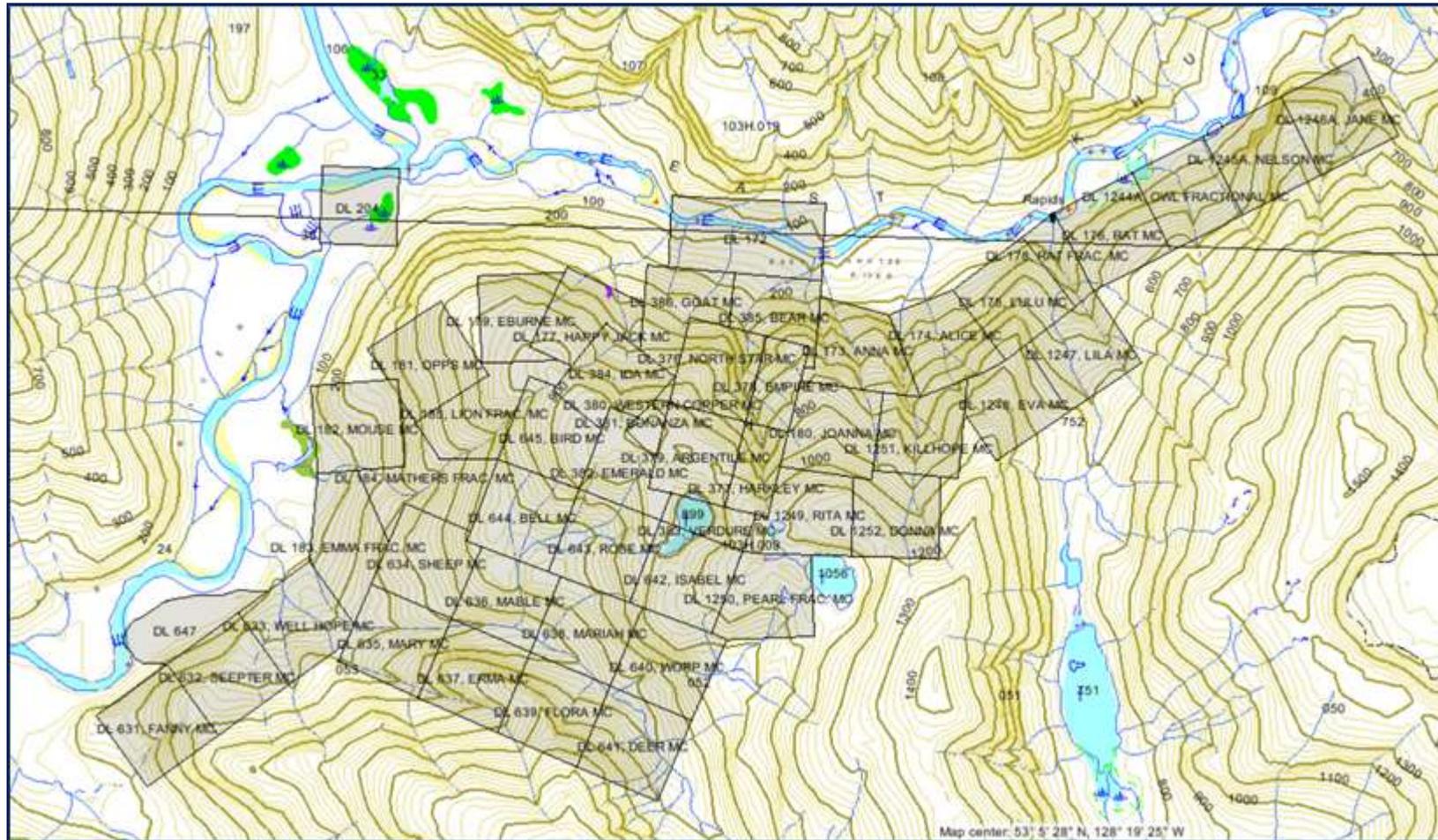


FIGURE 4. LOCATION MAP OF CROWN GRANTED CLAIMS AT WESTERN COPPER



## MINERAL TITLES

The claims in question were originally staked as 2 post claims and later surveyed and held as Crown Granted Claims. These were surveyed in the field (at cost to the owner), included Surface and subsurface mineral rights and, as was common with early Crown Grants, also had timber rights and surface rights attached. These crown grants are treated as land titles.

Some of the titles were staked as early as 1906 and have been held continuously as Crown Grants since 1907 and 1910, in the range of 100 years. The claims were explored about 1908 by Ronald Campbell Campbell-Johnston, and thus the family of Moira Movanna has been associated with the claims from this time. The crown grants have been in the physical possession of the family from 1945 through four generations to the present day. Taxes have been paid on the claims by the claimants family since at least 1945. In general, Crown Granted claims have been considered to have a higher value than all other forms of simple staked claims, which only convey subsurface mineral rights for as long as yearly fees per hectare are paid. Note that a number of other Crown Grants were secured to be used as shipping docks, camps, railroad terminus etc. The status of these Crown Grants is unknown.

The original 13 claims staked in 1904 and 1905 were:<sup>1</sup>

CLAIM	LOCATED	RECORDED	OWNERS
North Star	27 Dec 1904	5 Jan 1905	CW Meldrum
Harkley	27 Dec 1904	5 Jan 1905	"
Empire	28 Dec 1904	5 Jan 1905	"
Argentile	28 Dec 1904	5 Jan 1905	"
Famous	28 Dec 1904	5 Jan 1905	"
Ben D'Or	2 Jan 1905	5 Jan 1905	"
Bonanza	May 27, 1905	26 June 1905	"
Western Copper	May 26, 1905	26 June 1905	"
Excelsior	May 26, 1905	26 June 1905	"
Emerald	May 27, 1905	26 June 1905	"
Verdure	May 27, 1905	26 June 1905	"
Sunrise	May 27, 1905	26 June 1905	"
Purita	May 28, 1905	26 June 1905	"

<sup>1</sup> Exhibit 1

When the claims were Crown granted, titles were in the names of:

ORIGINAL OWNERSHIP OF CROWN GRANTS					
C.G	C.G	ORIGINAL OWNER	ORIGINAL OWNER	ORIGINAL OWNER	REGISTERED OWNER
LOT	NAME				2006
173	ANNA	George Martin 2/5	William Shannon 2/5	James Bolivar Mathers 1/5	<b>Eileen Murphy, heirs</b>
180	JOANNA	George Martin 2/5	William Shannon 2/5	James Bolivar Mathers 1/5	<b>Hill family</b>
376	NORTH STAR	Alexander McLeod 50%	Charles W. Meldrum 30%	James Bolivar Mathers 20%	<b>Robert Meldrum</b>
378	EMPIRE	Alexander McLeod 50%	Charles W. Meldrum 30%	James Bolivar Mathers 20%	<b>Robert Meldrum</b>
379	ARGENTILE WESTERN	Alexander McLeod 50%	Charles W. Meldrum 30%	James Bolivar Mathers 20%	<b>Shirley Murphy heirs</b>
380	COPPER	Alexander McLeod 50%	Charles W. Meldrum 30%	James Bolivar Mathers 20%	<b>Moira Movanna Bill Bell Terrence Murphy, Marjorie Nielsen</b>
384	IDA	George Martin 2/5	William Shannon 2/5	James Bolivar Mathers 1/5	<b>Moira Movanna Bill Bell</b>
385	BEAR	George Martin 2/5	William Shannon 2/5	James Bolivar Mathers 1/5	<b>Moira Movanna Bill Bell</b>

Additional Crown Grants, later reverted, which were acquired as part of the Meldrum Group of claims by JM Meldrum in 1981 and optioned to Freemont et al. in 1988 are:

CLAIM NAME	LOT NO.	ORIGINALLY OWNED BY	AREA	EXPIRY DATE
Harkley	377	Meldrum, Robert D.		Nov. 2/88
Bonanza	381	Meldrum, Robert D.		Nov. 2/88
Emerald	382	Meldrum, Robert D.		Nov. 2/88
Verdure	383	Meldrum, Robert D.		Nov. 2/88
Goat	386	Meldrum, Robert D.		Nov. 2/88
Bird	645	Meldrum, Robert D.		Nov. 2/88
Rita	1249	Meldrum, Robert D.		Nov. 2/88

*MINERAL TITLES AFFECTED BY EXPROPRIATION*

<b>THE HURLEY GROUP</b>				
<b>CLAIM NAME</b>	<b>LOT NO.</b>	<b>ORIGINALLY OWNED BY Then by</b>	<b>AREA</b>	<b>EXPIRY DATE</b>
Joanna	180	Maisie Hurley Hill, Miriam Jack Hill	51.65	NA
Argentile	379	Maisie Hurley Murphy, Shirley	48.55	NA
Western Copper	380	Maisie Hurley Bell, Kathleen Helen (Sparrow) Moira Movanna, Bill Bell	2.37	NA
Bear	385	Maisie Hurley Bell, Kathleen Helen (Sparrow) Moira Movanna, Bill Bell	37.3	NA
Anna	173	Maisie Hurley Mrs. Eileen Murphy	45.74	NA
Ida	384	Maisie Hurley Marjorie Nielsen Terrence M. Murphy	49.9	NA
TOTAL AREA			235.51	

*THE MELDRUM GROUP OF CLAIMS*

<b>THE MELDRUM GROUP</b>				
<b>CLAIM NAME</b>	<b>LOT NO.</b>	<b>ORIGINALLY OWNED BY</b>	<b>AREA</b>	<b>EXPIRY DATE</b>
North Star	376	Donovan, James Mathers and Meldrum, J. Milton	44.12	NA
Empire	378	Donovan, James Mathers and Meldrum, J. Milton	25.8	NA
TOTAL AREA			69.92	

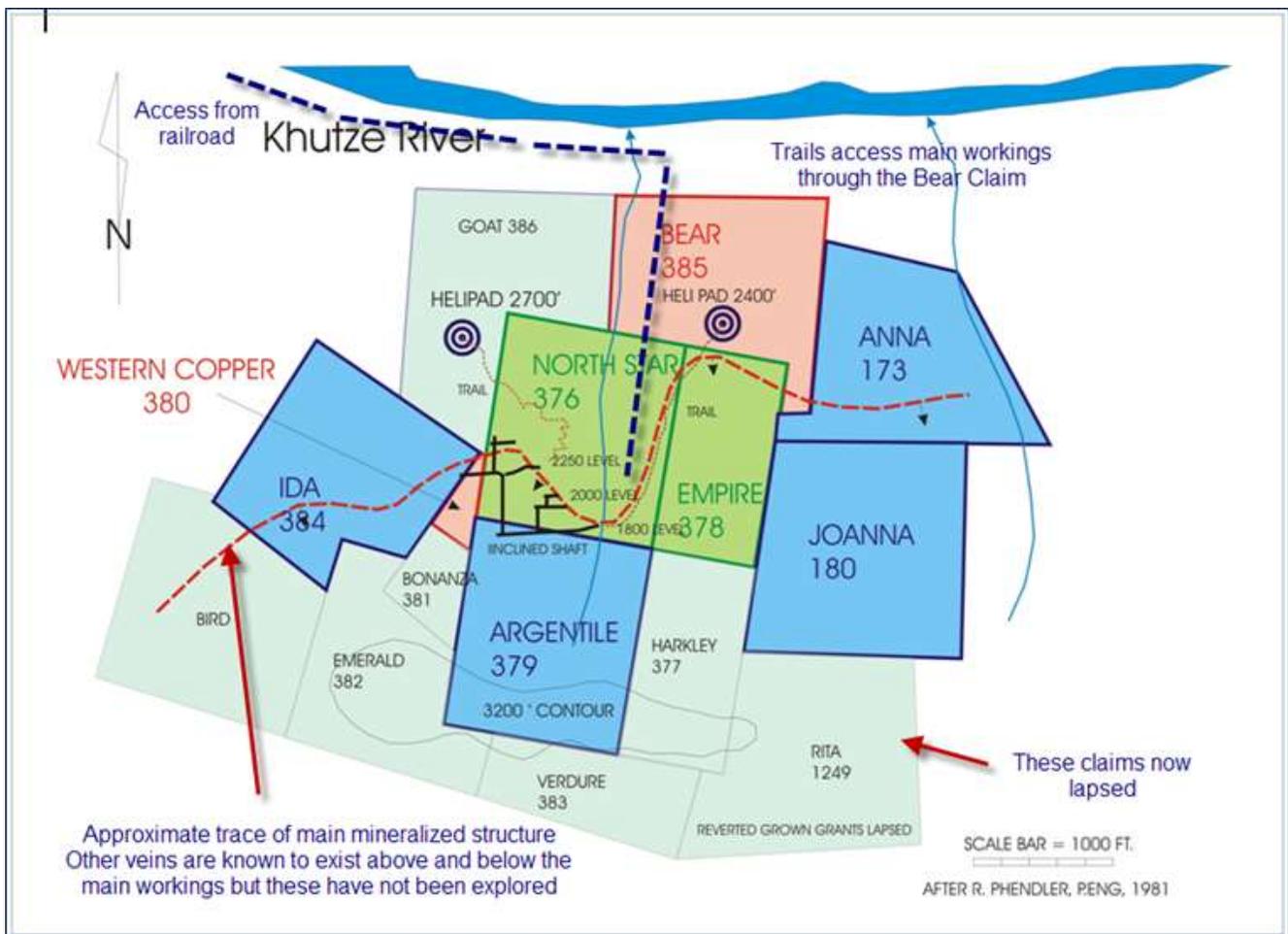
It should be noted that the crown-granted claims held by Moira Movanna/Bill bell and Robert Meldrum are treated as land and may have surface rights and other rights attached, which rights are not held by common mineral claims. Accordingly, many valuers assign a higher value to such Crown granted claims.

### OWNERSHIP IN 2006

As of 2006, the date of expropriation, the 6 crown grants held by the Hurley family members are thought to have been owned 100% by the participants. The Meldrum group, as late as 1990 still showed J.B. Mathers descendant James M Donovan or his daughter Rachel Donovan as 2/5 (40%) owners. **The author has no indication that the Ministry of Mines has recognized this ownership in their expropriation.** According to R Meldrum, he has been paying 100% of the taxes for some time, and to the present.

Nevertheless, the JB Mathers heirs may claim some residual ownership. Expropriated crown grants are shown below:

FIGURE 5. EXPROPRIATED CROWN GRANTS AT WESTERN COPPER



## INFRASTRUCTURE AND LOGISTICS

The Great Bear Rainforest supports a population of approximately 22,000 people, half of which are of First Nations ancestry (Price et al. 2009). The territories of more than two dozen coastal First Nations fall within this region, the majority of which live in small, isolated communities accessible only by water or air. The region suffers from a severely depressed economy, with high unemployment rates, low incomes, and limited economic opportunities

The communities primarily rely on commercial fishing and forestry, with some employment in aquaculture, tourism, agriculture, and roe-on-kelp operations

## HISTORY

The Western Copper Mineral Claims situated at Khutze Inlet, B.C. are some of the longest surviving Crown Granted claims in British Columbia. This history is based primarily on lists and a detailed history written by J.M. Meldrum about 1994 based on his father's recollections.<sup>2</sup> There are few mining properties in BC that have such a well-documented history.

1903 The showings were reportedly discovered by a First Nations trapper about 1903<sup>3</sup>. The discoverer was in hospital in Bella Bella BC, and had a well-mineralized rock under his bed. The discovery was reported to Dr. Large of Price Rupert BC who was in Bella Bella BC.

1904 The next spring two prospectors, Messrs. **McLeod and C.W. Meldrum**, paid the First Nations trapper for the information on location which led them toward the discovery. They got to the area by rowboat from Swanson Bay. Claims were located by Meldrum & McLeod in December 1904

1905 The initial claims, 6 in all were recorded 5 January 1905 in Port Simpson BC appear to have been owned by Alexander McLeod (50%) Charles W. Meldrum (30%) and James Bolivar Mathers (20%). An additional 7 claims were located in May 1905 and recorded in June 1905. Note that at that time Crown Granted Claims included timber rights. CW Meldrum agreed to transfer his 30% interest to George Martin, of Martin and Shannon.<sup>4</sup> Thirty percent Interest in some claims was optioned to Alexander McLeod for \$15,000. (Exhibit 1) Additional claims were optioned to McLeod by Meldrum for \$5,000. (Exhibit 1)

1906 The property was examined by Mr. Nelson M.E. (Mining Engineer) for **British Mining Co.** first payment \$10,000 was made. However British Mining Co. then went to South Africa.

1907 **Martin & Shannon** agents for another British firm made final payment to complete the purchase of the property for \$50,000.

1908 A very considerable amount of work, consisting of open cuts and adits, had been done on the showings by 1908. Many of the Central claims were surveyed and Crown Granted in 1908. <sup>5</sup>The Western Copper claim (L 380),

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<sup>2</sup> Exhibit 128

<sup>3</sup> Exhibit 128

<sup>4</sup> Exhibit 1

<sup>5</sup> Exhibit 6

along with a number of other claims, was Crown-granted to Messrs. Alexander McLeod (50%) , Charles W. Meldrum (30%) and James Bolivar Mathers (20%) in 1908<sup>6</sup>.

1909 The original property inspection and detailed geological work was done in 1908 or 1909 by **Ronald Campbell Campbell-Johnston**, Mining Engineer and Great Grandfather of the present claimants **Moirra Movanna and Bill Bell**.<sup>7</sup> He produced a lengthy and detailed report (1909). Recommendations were for an additional 1000 feet of drifting, 2000 ft. raising, tramway, buildings and power plant. The report indicated that showings were present on many of the claims, including North Star, Empire, Western Copper, Bear, Anna and Joanna. At this time the claims (40 in all) were divided into several groups. A small shipment was made to the **Tyee Copper Co.** smelter at Ladysmith<sup>8</sup>. At that time, ship traffic on the coast was common (to and from Alaska) affording easy access to Khutze Inlet.

The work completed under Campbell-Johnston was the most detailed geological work done to date on the property. The discovery of high grade mineralization extending for thousands of feet east and west along the cliffs provided the impetus for the considerable engineering work, construction of access and underground development that followed. Campbell Johnston's assays, validated by later work by Fawley, Dolmage, Burton and others, are listed below.

The 1908-09 work showed that mineralization extends both directions (east and west) from North Star Canyon across the following claims:

- North Star and Empire
- Bear
- Anna
- Joanna
- Rat
- Western Copper
- Ida
- Bird

The vein is shown in Figure 4, and may extend farther in both directions. Campbell Johnston's assays along the strike of the vein are given on the following page.

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<sup>6</sup> (James Bolivar Mathers is believed to have been a placer miner on Lightning Creek in the 1890's and pre-empted a lot at Loughborough Inlet on the BC coast later in 1909. He was councilor of West Vancouver in 1912, and a street is named after him as well as Shannon Falls near Squamish.

<sup>7</sup> Exhibit 2

<sup>8</sup> Exhibit 17

## CAMPBELL-JOHNSTON ASSAYS IN 1909

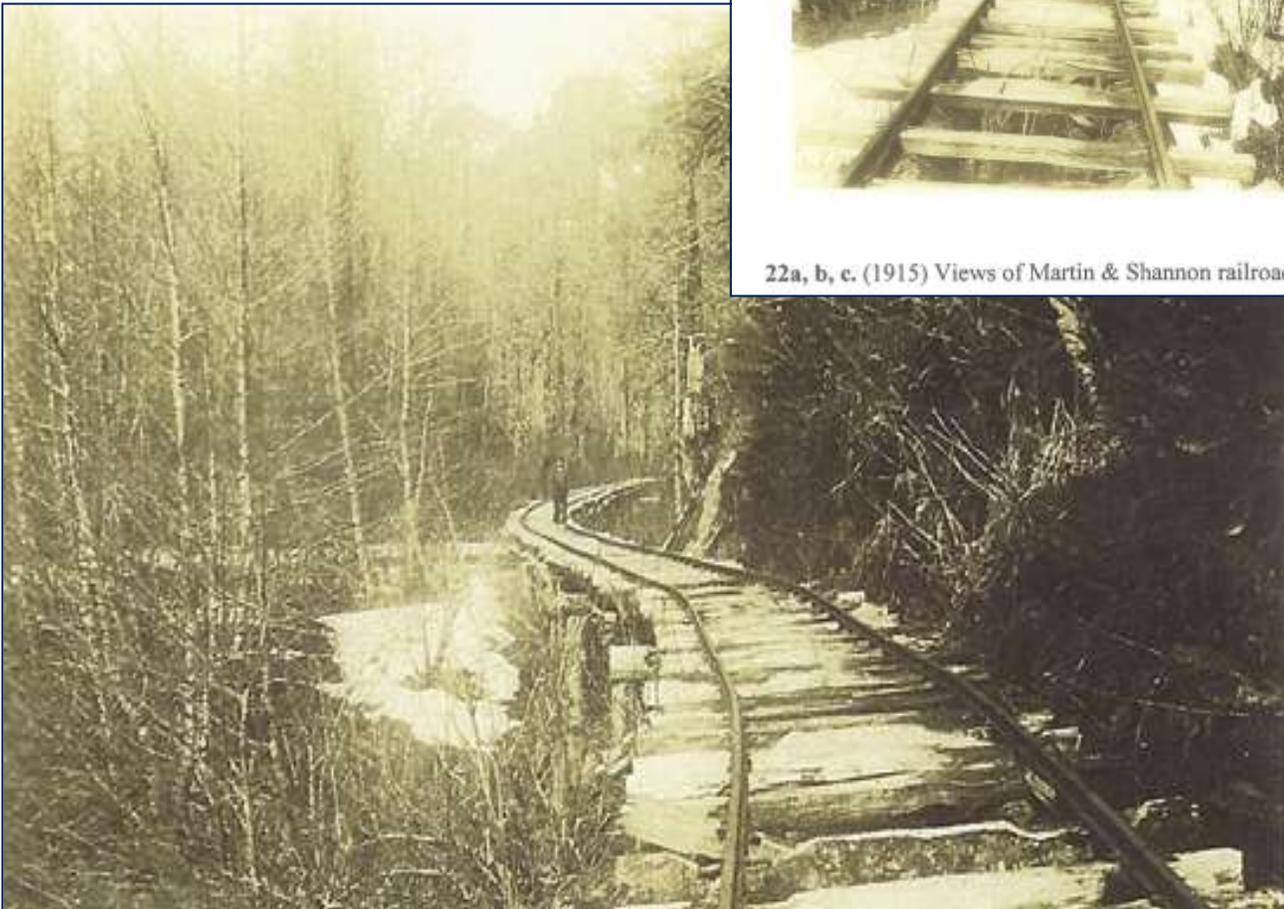
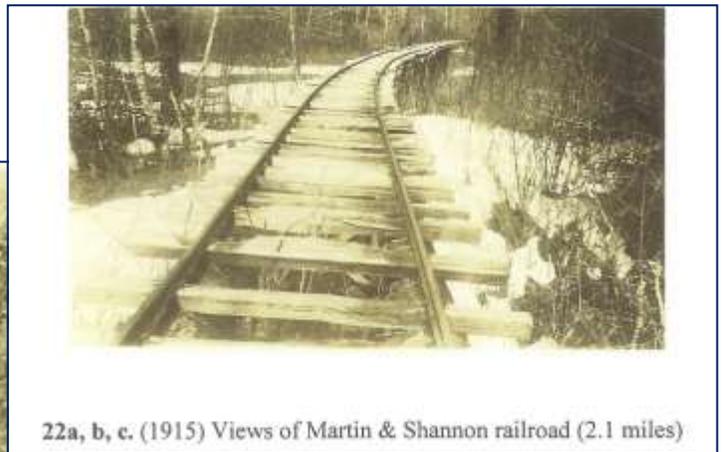
CAMPBELL JOHNSTON ASSAYS 1909							
Metal Prices		Au	Ag	Cu			
	1909	\$20/oz	0.50/oz	\$0.10/lb			
	2006	600	\$12.00	\$ 2.00			
Number	Claim	Au oz/ton	Ag oz/ton	Cu %	Value 1909	Value 2006	COMMENTS
1	North Star tunnel	1.8	11.25	12.85	\$ 67.20	\$ 1,729.00	
2	North Star tunnel	0.3	0	1.4	\$ 8.80	\$ 236.00	
3	Empire? 300 ft E	5.2	3.5	5.34	\$ 116.35	\$ 3,375.60	
4	"	0.65	1.5	10.5	\$ 34.85	\$ 828.00	
5	350 ft E	3.6	2.8	2.6	\$ 78.60	\$ 2,297.60	
6	' Blacksmith Shop	3.8	3	6.98	\$ 91.40	\$ 2,595.20	
7	ANNA	0.03	1.7	0.65	\$ 2.75	\$ 64.40	
8	" 200 ft East	0.2	0	10.3	\$ 44.20	\$ 532.00	
9	" 250 ft East	0.12	1	2.85	\$ 8.50	\$ 198.00	
10	450 ft E of 7	1.25	0	0	\$ 25.00	\$ 750.00	
11	Farther on	0.54	0	0	\$10.00	\$ 324.00	
12	BEAR	5.7	1	1.3	\$ 117.10	\$ 3,484.00	
13	" Farther on	7.88	0	0	\$ 157.60	\$ 4,728.00	
14	ANNA	1.55	0	0	\$ 31.00	\$ 930.00	Oxidized quartz stripped for 300 ft
15	50 ft further on trail	5.4	0	0	\$ 108.00	\$ 3,240.00	
16	10 ft wide vein	9.6	8	12.3	\$ 219.00	\$ 6,348.00	
17	Tunnel mouth laid out	0.4	5.25	25.65	\$ 61.00	\$ 1,329.00	
18	120 yds further	3.24	0	0.4	\$ 64.80	\$ 1,960.00	
	RAT	1.8	1	0.74	\$ 28.00	\$ 1,121.60	FLOAT
19	NORTH STAR	0.28	2.9	22.5	\$ 52.50	\$ 1,102.80	solid pyrite
20	westward	0.25	2	1.94	\$ 9.90	\$ 251.60	exposed for 1000 ft.
21	100 ft w	0.1	3.5	26.9	\$ 57.55	\$ 1,178.00	
22		0.14	3	12	\$ 28.30	\$ 600.00	
23		0.05	0	3.48	7.9	\$ 169.20	
24		0.05	4	28.78	60.5	\$ 1,229.20	8 ft wide
25		0.16	10	12.2	32.6	\$ 704.00	
26	BIRD	0.34	2	2.5	12.2	\$ 328.00	
27		0.15	2.3	1.74	7.55	\$ 187.20	
28	50 FT WEST	0.91	2.8	1.3	22	\$ 631.60	
29	150 YARDS WEST	0.2	0	0.25	4	\$ 130.00	
30	IDA	0.16	0	0.6	4.2	\$ 120.00	
31	"	5.6	8.5	27.85	151.95	\$ 4,576.00	
32	"	0.21	11.5	16.5	44.95	\$ 924.00	
33		1.88	6.4	3.86	48.5	\$ 1,359.20	
34		0.28	4.5	23.5	54.85	\$ 1,162.00	
35	100 FT WEST	0.32	5.5	20.7	50.55	\$ 1,086.00	
	AVERAGES	1.78	2.87	8.346	\$ 53.45	\$ 1,439.14	

(Values are in Dollars per ton)

1910 A total of 48 Crown Granted Claims were present. A report was prepared by William Shannon Mining Engineer.<sup>9</sup> Supplemental reports were written to 1914 by Shannon.

1911 Commenced railroad First mile built on piles. The Bear Claim Crown Grant L. 385 was granted to George Martin, William Shannon (40% interest each) and James Bolivar Mathers (20% interest).

1912. An unsigned report (Exhibit 5) notes that seven groups of claims totaling 48 claim covered 2134.44 acres. In addition, five additional land lots were acquired for a dock, smelter site, grazing and camp use, power site and main camp on East Khutze River, (Lots 394,395, 647, 204 and 172 respectively). A main camp a mile up the river from the dock had a 20 man camp, stable, store-house and barn etc.



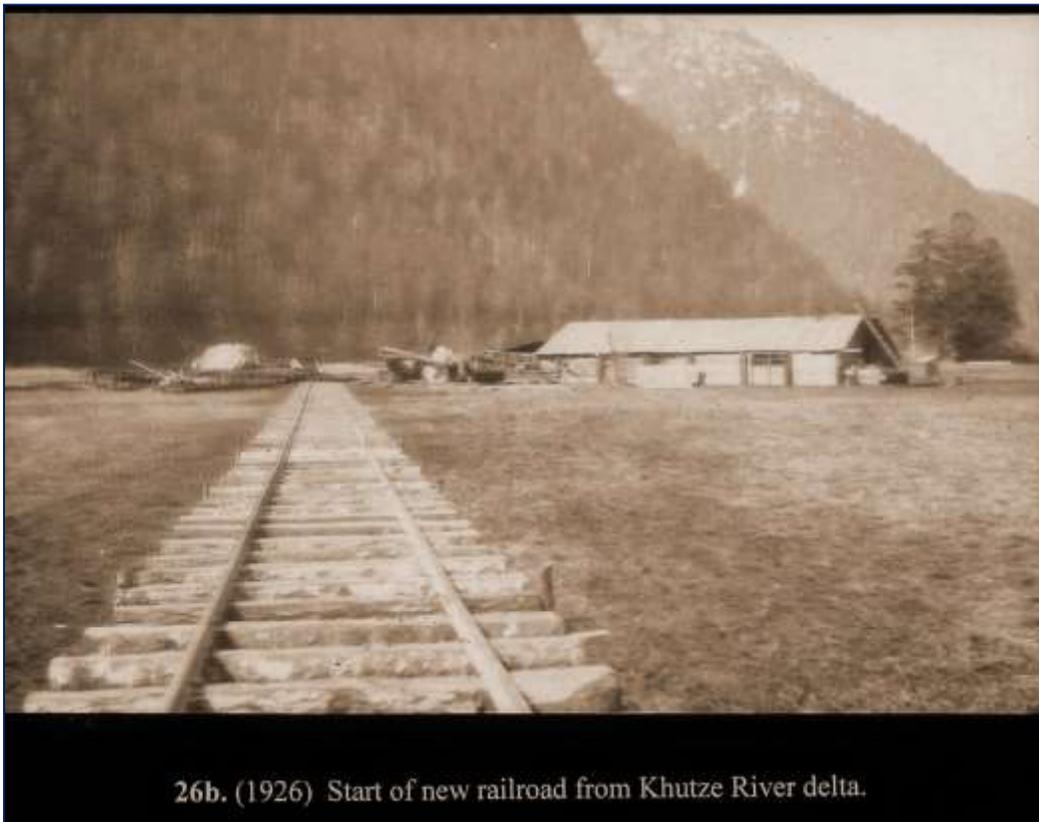
<sup>9</sup> Exhibit 3

1915 Project was closed down because of World War 1, railroad was stopped at about 2 miles up river valley.

1925 After lying idle from about 1909 until 1925, the property, then consisting of 47 Crown-granted claims, was bonded (optioned) by E.W. Scully and later taken over on an agreement by **Khutze River Mines, Limited**. **The camp at the inlet was rehabilitated and tramway trails and ladders were repaired. (Exhibit 21)**

1926 the property (47 claims) was optioned by the A.S. McCulloch, for **Revenue Mining Company, Limited**, for the sum of \$1,250,000 who did some preliminary work and commenced a new railroad from tidewater on a grade. Detroit Western Syndicate bought the property in the same year and retained the former owners to administer the development work. An inspection by Ministry of Mines stated that “...the property has considerable prospective merit”. A brief report by A.S. MacCulloch, Managing Director.<sup>10</sup>

### *RAILROAD FROM KHUTZE INLET TO THE CLAIMS, 1926*



<sup>10</sup> Exhibit 7

1927 The property consisted of 54 claims. The work in 1927 included construction of a permanent camp and a new railway, 5 miles long, extending from the inlet to the base of the hill below the main workings. Construction also began on a 3,000 foot aerial tramway to connect the railway with the tunnel site. This syndicate, later reorganized under the name **Detroit Western Mining Company**. The property was optioned to Detroit Western Mining for \$1,500,000. A camp was built about 4.5 miles from the beach and a second camp was situated near the showings, with accommodation for 100 men. About 60 men were working, and a fully-equipped sawmill provided lumber for the large camp. The property was inspected in May 1927 by Charles G. Bush, General CW Harrah, Colonel A.S. MacCulloch, J.P. Rowe (geologist) and Ronald C. Campbell Johnston (mining engineer). Reports were prepared by J.P. Rowe, Geologist and Professor, Missoula Montana<sup>11</sup>, Harvey Hannah<sup>12</sup> and Ward B. Smith, Mining Engineer<sup>13</sup> and R.C. Pryor, Mining Engineer, Houghton Michigan<sup>14</sup>. It was noted that abundant water power and timber were available (The rights to timber for mining were probably part of the original crown grant benefits).

### *ACCESS IN 1928 FROM KHUTZE INLET*



24. (1928?) "Big shot" from Detroit Western Syndicate(?) at Main Camp.

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<sup>11</sup> Exhibit 9

<sup>12</sup> Exhibit 11

<sup>13</sup> Exhibit 12

<sup>14</sup> Exhibit 13

1928 Railroad was re-laid with heavier (65 lb.) steel. A substantial Jig back tram was built the previous year to connect to workings and including one to East side of North Star canyon. A camp supported up to 100 men. A 700 ft. declined shaft started down from 2200 ft. level. Two shipments of ore were made totaling 165 tons. A crosscut adit was started about 12 feet below the vein, in the footwall. During the period 1928-29, 237 tons of ore were shipped from this property. From this ore, 171 ounces of gold, 1,453 ounces of silver, and 67,930 pounds of copper were recovered. Union Steamships called in regularly at Khutze and at Butedale.<sup>15</sup>

**An Canadian geological Survey of Canada Report (GSC Summary Report 1921A - Exhibit 4) states that “The sum of \$150,000 has been spent in developing the property”.**

Looking at the photographs of the railroad, tram and bunkhouses, this cost is not hard to imagine.

### *SUSPENSION BRIDGE NEAR THE CAMP AND WORKINGS*



**8b.** (1928) C.W. Meldrum (rear) and Pardoe Wilson on east side suspension bridge

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<sup>15</sup> Exhibit 15

*ENGINEERING WORKS 1927-1928*

19a. (1928?) Ladders and suspension bridges lead to tunnel camp at 1500 ft on west side. Ore bunkers and terminus of tram to railroad at main camp are shown.



19b. (1928?) Another view of tunnel camp bunkers on west side. Cables seen overhead.



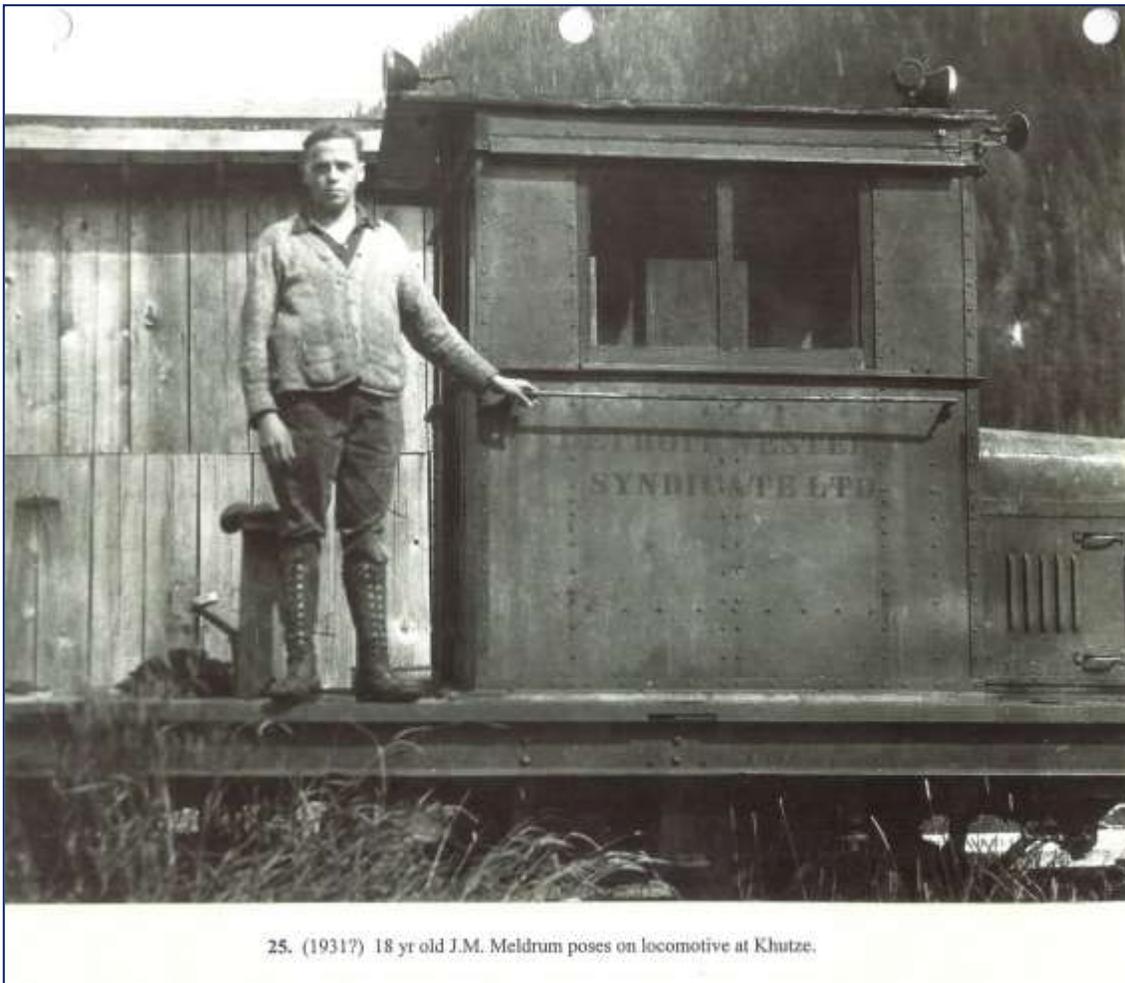
19c. (1928?) Tram terminal or bunker by railroad on valley floor.

1929 The property was supervised by W.B Smith, Manager and S. Bryant, superintendent. A power plant was installed (Diesel electric). A larger shipment of ore was made to Anyox smelter (farther north on the coast, north of Prince Rupert). A raise made to block out ore. The property closed later in the year due to 1929 stock market crash. The mine operated from the beginning of the year to October. During 1929 a small shipment of ore (72 tons) was made and work continued on a shaft. In November operations ceased. Due to the depression, the mine closed and equipment which had been purchased from the Surf Inlet mine was sold.

Work on the claims was also described by government engineers in Annual Reports of the Minister of Mines 1926-1929<sup>16</sup>. (See Appendix). The property reverted to the previous owner A.S. McCulloch.

1931 In about 1931 the property was acquired by a syndicate called the **Western Copper Venture**, of Vancouver. Exploration work was carried on by the syndicate. The inclined shaft was dewatered and deepened, with a crew of 12 men, encountering 24 inches of mineralization. A report was prepared by Dr. Victor Dolmage, P.Eng. one of the most respected Mining Engineers in the Province. (Exhibit 24)

### *LOCOMOTIVE FROM 1928*



25. (1931?) 18 yr old J.M. Meldrum poses on locomotive at Khutze.

<sup>16</sup> Exhibits 4, 6,14,16

1932. The property was examined and reported on by **Dr. Victor Dolmage, P.Eng.** a well-respected Vancouver Mining Engineer and Consultant. The property was also visited by **J.T. Mandy, Provincial geologist.1931.** A lapsed tenure was staked by J. M. Meldrum in 1931. It straddles the height of land between two small lakes on the southern boundary of the Khutze drainage.

Exploration and development work to that date totaled some 1,200 feet of drifts and crosscuts in several adits, about 60 feet of raising, a 750 foot deep inclined shaft, and considerable surface trenching. The shaft was dewatered and drift made out into canyon 162 ft. The money ran out before the job was completed; the men voluntarily completed the drift for drainage of the 711 ft. shaft. The vein was intersected in several places.

1934. A summary by A.S. MacCulloch, owner, noted that amounts of \$45,000 and **\$400,000 had been spent on the property**<sup>17</sup>. This was to approximately 1929. MacCulloch outlines additional expenditures by him in 1931 consisting of underground development. As the company funds were exhausted, the property reverted back to owners Martin, Shannon and Mathers.

1937 The railroad and equipment were removed for salvage to pay creditors of Detroit Western.

1938 The company completed removal of all salvageable equipment and machinery which was sold to a Japanese firm. Five miles of 65# railroad steel, 5 miles 20# railroad steel, diesel electric plant, air compressors electric motors assay office, oil concentrators milling machinery were brought from Surf Inlet etc. With the onset of the Second World War Many of the outlying crown grants were allowed to lapse.

1939 Con-West Mining Co. had an option on the property. (Exhibit 51)

1945 A portion of the claims, comprising the Joanna, Anna, Western Copper, Ida, and Bear claims were acquired (purchased?) by **Amy (Campbell Johnston) Armytage Moore (Murphy)**, later known as "Maisie" Hurley.

(Missing is the Argentile Crown Grant but it may have also been transferred. Purchase price for the claims may have been by purchase from Meldrum or may have been to the government for back taxes. The latter is suggested by one document that outlines purchase of the Western Copper claim March 6, 1945 under the Taxation Act for \$8.79. It should be noted that these were not Reverted Crown Grants, but full Crown Granted claims, with all of the original benefits of ownership. The two crown grants held by the Meldrum Group (or Martin Shannon and Mathers) were also full crown granted claims. The other 44 claims appear to have reverted to the crown about 1988-90.

1952. This, apparently, was the property acquired by **Inlet Mining Corporation Limited** in 1952. The company was reported to have held 2 claims, with an option on 5 adjoining claims. A limited amount of work was reported done during the year.

1955: An agreement was prepared between Mrs. Amy (Maisie) Campbell Hurley and **Alexander Stuart McCulloch**, of 409 Vancouver Block, Vancouver BC for option of six mineral claims on the Khutze River: Anna, Bear, Joanna, Western Copper, Ida and Argentile claims.

1957: After McCulloch failed to pay certain cash payments, he was served notice of forfeiture of the option on the claims. (Exhibit 35)

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<sup>17</sup> Exhibit 28

1960 An option agreement was signed between Maisie Hurley and Edward Allen. For the Anna, Joanna, Argentile, Western Copper, Bear and Ida claims<sup>18</sup>. Whether any proceeds were realized by the owner from this option is not known.

1960's: Although there is no record of work conducted on the Western Copper deposit in the 1960s, staking records indicate that Mr. C. W. Hunt staked claims to the west (4) and east (5) of the main block of Western Copper crown grants in 1968. At the time, the south side of the Khutze River was covered by claims for over ten kilometers, from south of the head of Khutze Inlet in the west to well beyond Rat Lake in the east. At the same time, Mr. Hunt staked another block (6) on the mountain across the east fork of the Khutze River from Western Copper (See Map from Pinsent 2000). The Khutze River area, on the east side of Graham Reach was mapped at 1:250 000-scales by the Geological Survey of Canada in the mid-1960s as part of its Coast Mountain Project (Roddick et al., 1965; Roddick, 1970). A helicopter apparently crashed at the western helipad in 1960 and remains there.<sup>19</sup>

1961 An option was prepared assuming 48 crown granted claims, for payments of \$500,000 over 4 years, with a down payment of \$3,000 and an additional \$7,000 in the first year. Maisie Hurley and Ike Schulman applied for a lease on 32 of the 40 adjacent crown granted claims surrounding the core 8 claims. Allowance for the external claims in the proposed option was \$100,000.<sup>20</sup>

1964 Kathleen Bell (Mother of the present Owners) was approached by Isaac Shulman, probably on behalf of others, to determine ownership of the 6 Crown Grants. Maisie Hurley appears to have prepared a Power of Attorney to her daughter Kathleen Bell. Maisie Hurley passed away in 1964. The claims were willed to her family.

1965 A proposed option was signed between A. Lloyd Jordan and Kathleen Bell, under which Jordan would pay a total of \$37,500 and 200,000 shares for the 6 crown grants noted above and the Verdure and Harkley leases (Probably reverted crown grants).<sup>21</sup>

1966: the late **Doug, Malcolm Mining Engineer** made report and co. formed **Khutze Mines Ltd.** and undertook to build a truck road into property (along the railroad grade). Malcolm outlined a "reserve" of 2680 tons of ore averaging 1.46 opt gold, 7.4 opt silver and 8% copper<sup>22</sup>. (Note that this "reserve" would now more appropriately be called a "historic resource estimate"

The company completed four miles of new road building and stopped, and Khutze Mines principals never examined the mine workings. **John Buckle M.E.** recommended the road and exploration work for Khutze Mines. An option appears to have been arranged with the Meldrum/Martin, Mathers, Donovan and Hurley Groups. A cash disbursement May 1967 from Orville Burkinshaw gave \$2,500 to Mrs. Bell (Mother of Moira Movanna).

1967 A Financial statement from **Khutze Mines Ltd.** stated that Mineral Leases and claims (at cost) had a book value of \$35,500 represented by 710,000 shares at par value \$0.50 (discounted to 10%).<sup>23</sup> Similarly Maps and written documents for the property were valued at \$2,000 (discounted). Independently, Khutze Mines also optioned the North Star and Empire CG's for \$75,000 at the rate of \$10,000 per year.

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<sup>18</sup> Exhibit 37

<sup>19</sup> Exhibit 51.

<sup>20</sup> Exhibit 39

<sup>21</sup> Exhibit 43

<sup>22</sup> Exhibits 41, 42

<sup>23</sup> Exhibit 46

1967. Commercial Oil and Gas obtained an option to earn 25% interest in the property from Khutze River for expenditures of \$30,000 guaranteed and subsequent \$120,000 for a total of \$150,000. (Exhibit 43). In addition, a cheque of \$5,000 was written to the Donovan-Mather owners (North Star and Empire Crown Grants). (Exhibit 43). A payment of \$2500 was made to Kathleen Bell. Later, Khutze Mines Ltd. bought from J. Milton Meldrum, the basic claim and exploration data for his 2 claims for 40,000 shares with a deemed value of \$2,000.

1973. The property was transferred back from Khutze Mines Ltd. to Kathleen (Kitty) Bell later Kitty Sparrow.

1974. Khutze Mines Ltd. was notified that they were to be struck from the register of companies<sup>24</sup>

1977. The property was examined by T Schroeter, P.Geo. (BC Ministry of Mines - Smithers), Jim Hutter Sr., Bill McGowan and Richard Morgan (Mines Inspector).

1981. The property was examined by the late and respected Engineer **Roy Phendler, P. Eng. along with JM Meldrum and A. Arsenault for Rebel Developments Ltd.**<sup>25</sup> **He recommended a program of Geological work totaling \$300,000 in Phase I and an additional \$200,000 in Phase II. (Exhibit 49).**

1982 The property was examined by **J Wayne Murton, P.Eng. accompanied by JM Meldrum and Robert Meldrum for Duane Poliquin. (Exhibit 50).**

1984. The property was examined by **Fabian Forgeron.**

1987. The property was inspected on August 25, 1987 by Consulting Engineer **Dr. Allan P. Fawley., Ph.D., P.Eng.**<sup>26</sup> Hawley recommended 4 phases of work at a cost of \$455,000. Earlier, a small geochemical program had been attempted by Noranda Exploration on a block of titles staked for Noranda by R Baerg, surrounding and partly overlapping the Hurley Group claims. The work was done in February, when snow and bad weather made any practical work difficult. Based on these minimal results, Noranda let their (reverted ) Crown grants and LCP claim lapse.

1987: Fourteen of the outlying reverted crown grants and a 12 unit Modified grid claim were staked by W. Baerg, on behalf of Noranda, and Noranda sent in Gordon Maxwell and a small exploration crew in February (an ill-conceived plan). Access was by Helicopter from Terrace BC. Nine stream sediment samples were collected, but snow prevented any meaningful work on the property, although assessment of \$2700 was filed.



15b. (1987) J.M. Meldrum and A.P. Fawley scrambling over debris in the "jaw" of the canyon to reach east side trail.

<sup>24</sup> Exhibit 43

<sup>25</sup> Exhibit 49

<sup>26</sup> Exhibit 56

**1988.** The property was shown to a number of major mining companies by **J.M Meldrum**, son of the original staker. An option agreement for some but not all of the claims was negotiated by Meldrum with Ben Ouellette, **Freemont Gold Corporation** on behalf of that company and JV partners **Alcove Gold Corporation** and **Maret Resources Ltd.** The JV hired **Sam Zastavnikovich, P.Geo.**, along with **Christian Soux, P.Geo.** to supervise an exploration program, which was duly completed. **Bryan Slim, P.Eng.** visited the property and prepared an engineering report (Not found in the data file).

The option agreement was for \$25,000 for 1988 (paid) of which \$10,000 (or proportionate, deducting expenses) was to go to the Sparrow Group (now essentially the Campbell-Johnston descendants, \$2,500 to the Mathers/Donovan Group (descendants of James Bolivar Mathers) and \$12,500 to the Meldrum Group (descendants of the original staker J. Milton Meldrum). Management of the company (Freemont) included Bernard (Ben) Ouellette, who had explored the Cyprus Anvil property in the Yukon and who was involved in the repatriation of the Silbak Premier mine. The claims were transferred to Freemont. Work included building a camp, replacing the inclined shaft (ladders), sampling, underground mapping and geological reports. Diamond drilling was done from two sites, of which one hole returned "good values" (Meldrum letter June 15, 1989) The program confirmed the existence of rich mineralization at surface and a drill hole east of the canyon intersected 6.358 ounces of gold, 1.47 ounces of silver in a ten inch pyrite seam in a ten foot quartz vein at 180 feet. Further diamond drilling was planned for the, 1989 season. The geological work is documented in Assessment Report No 18343 dated December 1988 (Exhibits 71-73) . The report does not document the diamond drilling but the details and assays are found in Exhibit 72 . A mineralogical study was done by C.L. Soux B.Sc.<sup>27</sup>

**1989** Freemont and partners defaulted on the second option payment. An extension to the option was requested, as Freemont intended to continue exploration and further diamond drilling, but the request was denied by some members of the family. At least three of the claim holders including Kathleen Bell (for Lots 380 and 385) signed an agreement to an extension of the option.<sup>28</sup>

**1990.** An option agreement was drafted between the claim holders and STM Resources Ltd. for the (then) 13 crown grants forming the property. <sup>29</sup>

**1993.** The property was reviewed for option by one of the previously involved mining company but the claim holders could not agree on Option terms.

**1994.** A property inspection and report (40 pages) was completed for **Alcove Gold Corporation** (one of the 1988 participants) by **Alex Burton, P.Eng.** a well-known and respected consultant.<sup>30</sup> Burton noted that past work had traced the vein system westward and down slope to the 300 ft. elevation (near the old road). Burton had seen the diamond drill results and noted "Diamond drilling was done at the sight (sic) with very encouraging results (assays up to 6 ounces of gold (per ton)". And references the relevant Min-En assay certificates. However the second site (to the west) did not provide encouraging results.

Burton made detailed recommendations for future expenditures of \$156,000. The government however had requested a very large bond (\$50,000) perhaps trying to discourage exploration in this uninhabited area.

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<sup>27</sup> Exhibit 71

<sup>28</sup> Exhibit 81

<sup>29</sup> Exhibit 83

<sup>30</sup> Exhibit 88

*1994 PROPERTY INSPECTION, ALEX BURTON P.ENG.*

16b. (1937) J.M. Meldrum and A. Burton  
on the east side trail above the old  
blacksmith shop.

1998. The claims Western Copper and Bear were returned to registered owner Moira Movanna (daughter of Kathleen Bell) and Bill Bell (son). J.M Meldrum took an interested group into the Hunter property and the Western Copper Property, but with the death of Mr. Meldrum shortly afterwards, an agreement was not reached.

**2006. The claims were expropriated with the final creation (after 10-20 years of planning) of the Khutze area "conservancy".**

However, R. Meldrum has paid taxes on the North Star and EWmpire property to the present day.  
(ie. The Ministry of Lands has not provided any relief from taxes.)

## LAND USE PLANNING HISTORY AND ALIENATION

Relevant to the valuation is a full discussion of the land use planning and environmental action in the Central and North Coast area.

1982 The KITASOO XAIXAIS First Nation introduced their comprehensive land claim which included numerous Protected areas, including "Area 4 – Khutze Inlet Protected Area" in which no mining or logging would be allowed. It is clear that the Khutze Area Protected area was specifically chosen as early as 1982 in an area substantially as is now protected. The plan stated: "Co-management Agreement with KITASOO/XAIXAIS before any resource planning or tourism development begins". Actually there may be four or more separate land claims in the area.

1985. Government bureaucrats, particularly in Forestry and Environmental agencies started to put together a "Plan " for land use on the North and Central Coasts, accepting input from native groups.

1986. About this time environmental groups began agitating for the Great Spirit Bear Wilderness"

1990's The Parks Amendment Act created 80 new parks in B.C. in the early 1990s. This legislation (and other park amendment acts) expropriated existing mineral claims on land within the newly appointed parks, leaving those who held mineral claims in parks created after January 1999 with no compensation rights other than the reduced compensation under the Mining Rights Amendment Act (MRAA). The governments record on claim compensation has not been exemplary. One expropriation initiated in 1995 has not as yet been settled.

1994. The claim optionors were notified by the Inspector of Mines that henceforth, a reclamation bond of \$50,000 would be required. This was probably in anticipation of the pending alienation of the claims.

1995 The Rainforest Action Network (based in San Francisco California) urged the protection of a large area of the North Coast including Khutze River: "I urge the government of British Columbia to create the 265,000 hectare "Spirit Bear Park" as proposed by the Valhalla Society, Great Bear Foundation, and others. I urge you to include the southern portion of Princess Royal Island, all of Swindle Island, Campania Island, and the mainland areas of Khutze, Green, and Carter Inlets".

1996 Phase 1 of the Central Coast Land Resources Management Plan began in 1996 (primarily with input from First Nations, Provincial and Federal agencies). The Framework Agreement was defined in April 2001) after 5 years of planning during which time claim holders were not notified or invited to the process. The second (Completion) phase was initiated December 2001. Protocols were signed in 2001 with First Nations.

1997 In 1997, the BC government created land-use planning tables (Land and Resource Management Planning processes) for BC's central coast, and later the north coast. These two planning tables constituted the official forum for recommendations concerning land use in the region. However, environmental groups opposed the way the process was structured and would not sit at the table.

The Western Canada Wilderness Committee specifically listed the Khutze River area as a "Proposed" protected area. They also proposed that these areas be set aside with park-like status: "We believe that all new protected areas established on the Raincoast must be created in consultation with the First Nations whose traditional territories are affected. The protected areas must be Tribal Parks or other designations that provide co-management for First Nations. In this way, First Nations can share in the economic benefits that protected areas bring--especially the recovery of fisheries and increased ecotourism". Newly protected areas must be established under a status (like "park reserve") that does not prejudice the outcome of a settlement under the Treaty negotiation process that the Federal and Provincial govern.

1999. Under the Mineral Tenure Act, a new “MINING RIGHTS COMPENSATION REGULATION” was brought into effect. Outlining the process of negotiation flowing expropriation leading hypothetically to Arbitration. It is important to note that 15 years after the fact there has still not been any arbitration completed.

1998. A letter from Graeme McLaren, P.Geo., Director of Environment and Land Use Branch, BC Government to Ron Moran March 18, 1998 showed that the Khutze area had been selected for “protection” at this time.<sup>31</sup>

1999: The Mineral Potential of the West Coast of BC was the subject of a study by Robert Pinsent, Ph.D., geologist for the Ministry of Energy Mines and Petroleum Resources. This study encompassed a large area including Khutze Inlet. Jackaman completed a reconnaissance geochemical survey with Khutze River area as one of the main targets.

In July, 1999, the Geological Survey Branch conducted a stream sediment and water sampling survey in the Khutze River area. It sampled 111 sites over an area of approximately 800 square kilometres including the Khutze and adjacent Aaltanhash River drainages. The program was described by Jackaman et al. (1999). Helicopter-supported sample collection was carried out during the summer of 1999. A total of 117 drainage sediment and 116 stream water samples were systematically collected from 111 sites. Average sample site density was 1 site per 8.6 square kilometres over the 950 square kilometre survey area.

Robert Pinsent, P.Geo., was favourably impressed with the exploration potential of the area. The property was also visited by Government geologist Tom Schroeter P.Geo. and others. Results of the regional sampling program outlined a strong anomaly at Western Copper and other gold anomalies worthy of follow-up.

2000: Three areas along the central coast were studied, funded under the government’s Corporate Resource Inventory Initiative (CRII), as part of the Ministry’s contribution to the Central Coast Land and Coastal Resource Management (CCLCRMP) planning process. In each area (Khutze River, Cape Caution and Bella Coola), regional geochemical surveys were conducted and the mineral potential was examined. Limited CRII-funded work was also carried out on the Queen Charlotte Islands.<sup>32</sup> During this time the Khutze area was being promoted as part of the “Great Bear Wilderness by Environmental Groups.

In 2000, under the banner of the Coast Forest Conservation Initiative, the companies agreed to halt development in more than 100 intact watersheds in the Great Bear Rainforest.

2001. The planning table for the Central Coast LRMP was initiated with a Framework Agreement produced in 2001. Premier Ujjal Dosanjh announced the BC government’s endorsement of the Great Bear Rainforest Agreement on April 4, 2001. As part of the 2001 agreements, the Province of BC signed a government-to-government protocol agreement with the eight Coastal First Nations.

On April 4, 2001, the government of British Columbia announced support for the Great Bear Rainforest Agreement. With this endorsement, the government agreed to go ahead with and complete the second phase of the Central Coast land use planning process with definition of precise boundaries for candidate protection areas identified in the Great Bear Rainforest Agreement by December 2001.

2002 A Cabinet Decision Document prepared for Honourable Stan Hagen, Minister of Sustainable Resource Management, DATE: May 22, 2002 titled Establishing Central Coast Protection Areas Under the Environment and Land Use Act, recommended establishing 20 Protected areas, including Khutze Inlet (approx. 35,000 hectares).

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<sup>31</sup> Exhibit 90

<sup>32</sup> Exhibit 94.

**In the same Cabinet Decision document noted above, Minister Stan Hagen announced: In April 2002 BC Cabinet approved the strategy for workforce and contractor mitigation related to Central Coast land use agreements. On April 3, 2002, Minister Hagen announced a \$35 million Coast Sustainability Trust to "help workers, contractors, communities and companies whose interests have been negatively affected by land-use decisions". Whether these funds have actually been used to mitigate loss of mining claims seems unlikely, and it is unknown what the funds have been used for, if they have been made available at all.**

***Also in 2002, Moira Movanna was notified by a letter dated August 6, 2002 from Gerald German Director, Titles Branch MEM, that exploration and development of any claims but specifically Lots 380 and 385 was prohibited<sup>33</sup>. This was effectively an expropriation (constructive expropriation). Taxes have been paid on the 2 Meldrum claims to the present date.***

2003. A group was convened for the negotiation of land use and resources Management Plan CC LRMP. It is obvious from reading the minutes that any concerns of mining were not deemed important and Ecosystem Based Management ("EBM") was the buzzword. The Gitgat Land Use Plan draft for 2003 also encompassed and specifically mentions Khutze Inlet Protected area. The plan covered 4.8 million hectares along the west coast of BC.<sup>34</sup>

Existing Protected areas were tallied at 521,465 hectares (>5000 sq. km) and Proposed Protection areas 469,239 hectares (>4600 sq. km) with additional proposed EBM Biodiversity areas of 545,000 ha and EBM operating areas of the balance of 3,077,793 hectares. In addition, grizzly bear management zones covered each of the three described zones.

2004 The report of the Central Coast Land and Resource Management Plan was completed. In 2004 the protection of the Khutze Inlet area (34,504 hectares) was outlined with primary concern habitat protection and Ecosystem Representation and secondary role recreation. In the LRMP report the Western Copper area is noted only as a Cultural Historical gold mine and Railroad.

July 2004, the Premier announced that the government would set aside 21% of the Central coast area for Parks and Conservancies (previously 3%) and in the North Coast area from 3% to 24%.<sup>35</sup> A mineral Resource Assessment study by MEM designated the Khutze area as CPC-29 with 5 sub-tracts. Rank for the Western Copper area was set at 660 (second highest rank)<sup>36</sup>. (Map Place)

***2006 The deal for protection of the Great Bear Rainforest was announced (February 2006). In July 2006 the Bill protecting the area was passed into Law. Conservancies (de facto parks) totalling over 1 million hectares were created and the underlying claims were expropriated. The Conservancies were announced by the BC Government, conforming in area substantially as had been chosen by the Kitsoo Nation some 24 years previously (1982). The claims were formally expropriated, although no work had been allowed since 2002 and no work could be financed from 1994 following the large bonding requirement.***

#### **THE COAST ECONOMIC DEVELOPMENT FUND.**

in January 2007, that the Canadian and British Columbian governments each committed \$30 million to the Coast Economic Development Fund and the Coast Conservation Endowment Fund matching the \$60 million pledged by

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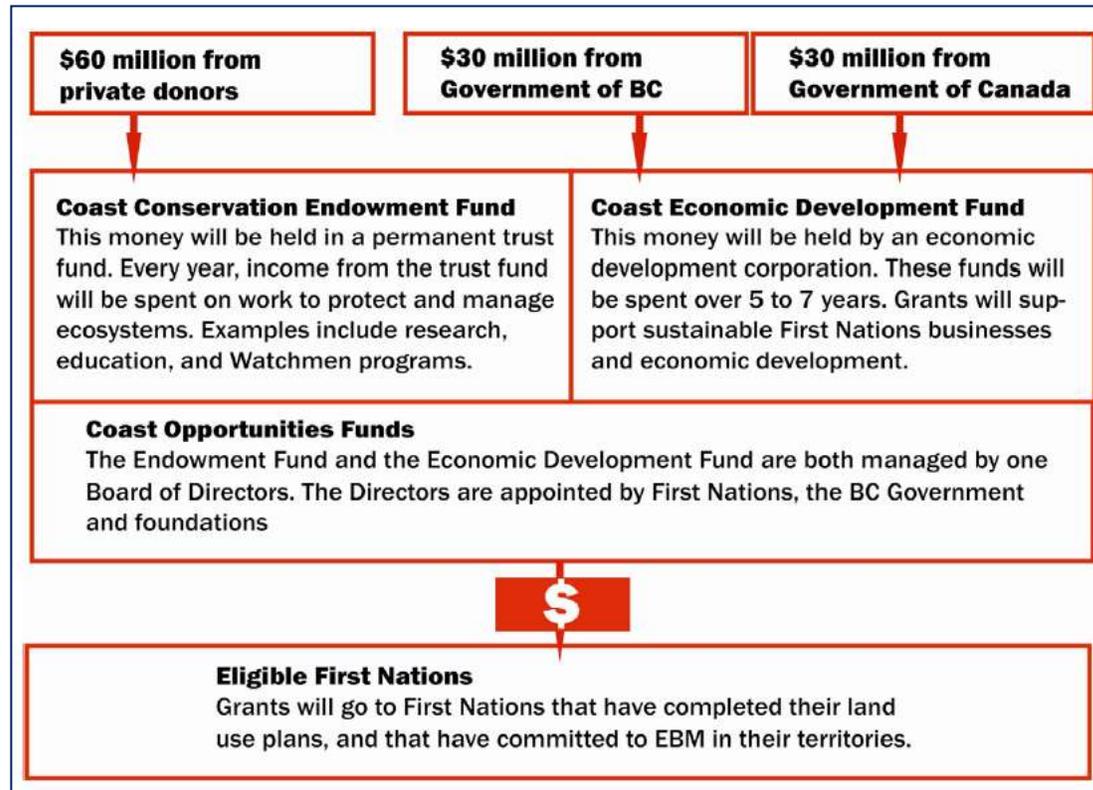
<sup>33</sup> Exhibit 103

<sup>34</sup> Exhibit 108

<sup>35</sup> Exhibit 111

<sup>36</sup> Exhibit 112

philanthropic donors (Tides Canada) and bringing the total available for conservation financing to \$120 million. These funds are to be used solely by First Nations. The diagrammatic structure of the funds are shown on the following page (World Wildlife Fund). The mining community were not invited to advise on the protocol, nor to share in the largesse.



2008. The Provincial Government again attempted to pass legislation under which expropriation could proceed without compensation. The Association for Mineral Exploration British Columbia (AME BC) expressed its strenuous opposition to the proposed amendment denying compensation rights to citizens and corporations for expropriated property interests under the Miscellaneous Statutes Amendment Act (No.2), 2008 (Bill 43).

## CARBON CREDITS

The Atmospheric Benefit Sharing Agreement (ABSA) between the Government of BC and the Project Proponents addresses the ownership of the carbon credits by the First Nations. The ABSA transfers the rights of the carbon credits generated from the Project to the participating First Nations. The BC Government will not recognize any additional claims to carbon credits outside of the First Nations that have traditional territory within the Project Area.

Carbon Credit Corp., Pacific Carbon Trust Inc. and Great bear Carbon Credit Limited Partnership appear to have an exclusive agreement for carbon credits to be purchased by “donors”. Principals of each of the above entities are not known, but The Great Bear Initiative Society is an alliance of First Nations on BC’s North and Central Coast and Haida

Gwaii and includes the Project Proponents. The project estimates 7.5 million tonnes of CO<sub>2</sub> will be removed. There are a large number of scientists/bureaucrats employed in the project and the efficacy of the plan is untested. The scientific validity of the project is dubious, and it is not known if any of the carbon credits have actually been purchased, by whom, or at what cost.

A report by provincial Auditor General John Doyle last March found that government agencies (ie the Ministry of health) were buying offsets from the trust at a cost more than double the amount on the open market. It also found that the trust was purchasing carbon credits from projects that were not eligible. This trust has now been absorbed by the Ministry of the Environment for BC.

## **TIMBER RIGHTS**

Timber leases in the area were held, prior to creation of the Khutze Conservancy, by Western Forest Products under Timber Licence 25 (Block A – 1998). At this time Block 5 encompassing Khutze Inlet had approximately 34,000 hectares. Under an amended plan, it appears that Western Forest Products gave up its Khutze tenures in return for a larger area now situated to the south of the Conservancy. Terms of this transfer are not known.

## **THE KHUTZE CONSERVANCY**

The conservancy designation came into existence in 2006 in accordance with amendments to the BC Park Act (RSBC 1996, c. 344) and the Protected Areas of British Columbia Act (SBC 2000, c. 17). As of January 2013, 154 conservancies had been designated in coastal regions along the western edge of the province. These conservancies cover a total of 2,685,699 ha, and will be managed in collaboration with over 30 First Nations. Conservancy management plans (CMPs) are currently being developed by First Nations and provincial agencies, but at present the Khutze Conservancy has no formal management plan.

The area is under claim by one or more First Nations Groups, including the The Heiltsuk, whose traditional territory spans the Central Coast of British Columbia, covering approximately 16,770 square kilometres of land and 19,000 square kilometers of near-shore and offshore areas extending into international waters.

The eight Coastal First Nation signatories to the 2001 General Protocol Agreement, which appears to have set aside the Khute Inlet area, were the Gitga'at First Nation, Haida Nation, Haisla Nation, Heiltsuk Nation, Kitasoo/Xaisxais First Nation, Metlakatla First Nation, Old Massett Village Council, and Skidegate Band Council (Government of British Columbia and Coastal First Nations 2001).

## **GEOLOGY**

The Khutze River area, on the east side of Graham Reach was mapped at 1:250 000-scale by the Geological Survey of Canada in the mid-1960s as part of its Coast Mountain Project (Roddick et al., 1965; Roddick, 1970). The Coast Range area is a complex of Intrusive and Metamorphic rocks. The property is underlain by Intrusive bodies and metamorphic rocks of the Coast Intrusive Complex.

In 1999, a regional stream sediment survey was conducted in the area by the Ministry of Energy and Mines. (Jackaman, W., Cook, S.J. and Lett, R.E. (1999): B.C Regional Geochemical Survey: 1999 Field Programs; in Geological Fieldwork 1999, B.C. Ministry of Energy and Mines, Paper 2000-1).

This survey outlined a number of regional geochemical anomalies, including gold anomalies in the Khutze River area.

In 2000 the BC Ministry of Mines sponsored a map compilation and Mineral Inventory for the area and a regional geochemical program. This culminated in an important paper describing the geology of the area (Pinsent 1999). A brief description follows: (Mineral Potential of the Northern Coast Belt, Khutze River Area, British Columbia by R.H. Pinsent. (Geological Fieldwork 1999, Paper 2000-1 319)

*“Ministry records indicate that there was a considerable amount of exploration and mine development along the British Columbia coast in the late 1800s and early 1900s. This is best illustrated by the work carried out before the Second World War at the Surf Inlet and Pugsley mines (MINFILE 103H 027) located west of the Khutze River area, on Princess Royal Island. The combined operation is reported to have produced 918,128 tonnes of quartz vein material containing 12,095,368 grams of gold, 6,258,235 grams of silver and 2,834,461 kilograms of copper between 1902 and 1943.*

*The area is underlain by plutonic rocks and by pendants of deformed and metamorphosed volcanic and sedimentary rocks. Although it has not been mapped in detail, the geology appears to be fairly typical of the core region of the Coast Mountains.*

*The stratabound rocks occur in two northwesterly- trending belts. One belt comprises a minor amount of thinly laminated micaceous quartzite, crystalline limestone, skarn, and greenstone and schist of possible Paleozoic age (OTrAs). The greenstone and schist is intimately associated with a gneissic and dioritic migmatite complex (MKdn) near the mouth of Khutze Inlet. The other belt is a broad zone of “granitoid gneiss” that includes gneissic quartz diorite, rusty fine-grained gneiss and schist. It is well exposed in the mountains at the head of the Khutze River (PTcg). Some of the more schistose components of the “granitoid gneiss” are clearly sedimentary as they include a recognizable band of thick-bedded recrystallized limestone (PTcs).*

*The plutonic rocks include the migmatite unit (MKdn) found in the complex referred to above and also broad, northwesterly trending zones of hornblende biotite- rich quartz diorite (MKqd and ETqd), biotite hornblende-rich granodiorite (MKgd) and both biotite quartz rich and leucoquartz monzonite (MKqm, LKqm).*

*Although many of the plutonic rock ages are uncertain, contact relationships suggest the early formation of a central belt of quartz diorite followed by later intrusion of granodiorite and a still later intrusion of quartz monzonite. Most of the plutonic rocks to the southwest of the granitoid gneiss unit are reported to be Middle Cretaceous in age. Those to the northeast may be Tertiary (Roddick, 1970).*

*The rock units display a broad northwesterly trend and the western contact of the “granitoid gneiss” unit appears to be defined by a major northwesterly-trending fault (Figure 1). North to northeasterly trending faults have not been mapped in the area; however, lineaments and contact relations suggest that there may be several within the map area.*

*There are three (Minfile) occurrences in the Khutze River drainage listed in the Ministry’s MINFILE database (Figure 1). Two are metallic mineral occurrences (Western Copper, 103H 033 and Hunter, 103H 034), and one is a limestone deposit (Marmor, 103H 063). Figure 1 also shows nine “areas of past exploration interest”.*

Pinsent describes the Western Copper deposit as follows:

## WESTERN COPPER (MINFILE 103H 033)

*“The Western Copper gold deposit (latitude 53° 05′ 49″ N, longitude 128° 20′ 06″ W) crops out on a precipitous mountain side on the east fork of the Khutze River, approximately eight kilometres from the head of Khutze Inlet and 160 kilometres south of Terrace. It is covered by a cluster of Crown Granted and reverted Crown Granted mineral claims.*

*The property was located in 1908 and saw considerable development over the next few years and again in the mid-1920s. The work included construction of a narrow-gauge railway from the head of the inlet to the property, construction of camps connected by tramways and ladder-assisted trails at three elevations. Also included was the driving of approximately 370 metres of drifts and crosscuts and 245 metres of shafts and raises. This early work was followed by more limited development in the early 1930s (Mandy, 1932). After a prolonged break, Noranda Exploration Company Limited examined the property and carried out a stream sediment survey in the area in 1987 (Maxwell, 1987).*

*The Western Copper deposit is a vein occurrence in a biotite, hornblende granodiorite intrusion (MKgd) that is cut by aplite and pegmatitic dikes. The principal vein occupies a joint in a shear zone that strikes 070 degrees and dips at 20 to 30 degrees to the south, into the north-facing wall of the Khutze River canyon. The vein has been traced for approximately 1200 metres along strike. It pinches and swells, and locally attains a maximum width of approximately 2.0 metres. The wall-rocks locally exhibit minor amounts of quartz and sericite alteration (Mandy, 1932).*

*The vein is described as being “of pegmatitic affinity” (Mandy, 1932). It contains quartz, feldspar and variable amount of sulphides. Discrete zones of massive sulphides, predominantly pyrite and chalcopyrite with lesser chalcocite and covellite, grade outward into zones of increasingly more sparsely disseminated mineralization.*

*These zones are separated by sections of quartz vein that contain intermittent narrow streaks of high-grade mineralization. Although these streaks produce values of many tens of grams of gold and silver per tonne and several percent copper, they are commonly only a few centimetres in width. According to Mandy, the mineralization may be zoned. Streaks of sulphide found at the west end of the vein contain more chalcopyrite than those at the east end. The latter are more pyritic but are equally enriched in gold and silver. The richest lens, so far identified, has a strike length of 10 metres and a width of approximately 1.5 metres. Its down dip extent has yet to be determined (Mandy, 1932).*

*According to MINFILE, a small, 215 - tonne bulk sample, collected in 1928 and 1929, yielded 5319 grams of gold, 45 193 grams of silver and 30 812 kilograms of copper.*

Pinsent's conclusions were as follows (emphasis by the present author)

## SUMMARY AND CONCLUSION

*The Hunter and Western Copper deposits are post-tectonic, shear-hosted vein deposits that formed in approximately northeasterly trending fractures that are markedly discordant to the regional trend of the plutonic and metamorphic rocks in the area. They are both associated with aplitic and pegmatitic dikes and both contain copper, gold and silver. In each case, the wall-rocks exhibit minor amounts of propylitic alteration. The deposit style and composition is consistent with intrusion-related vein-type mineralization.*

*Although major northeasterly trending faults have not yet been mapped in the Khutze River area, topographic and geological relations suggest that there may be a significant, post-orogenic, north-northeasterly to northeasterly trending fault and fracture system crossing the drainage. This may have influenced the location of mineralized*

veins, such as those found at the Hunter and Western Copper occurrences (Figure 1). The fault and fracture directions are found in the regional drainage pattern and in the contact relations displayed between the granitoid gneiss unit and the adjacent quartz diorite and quartz monzonite plutons. Figure 1 illustrates two postulated faults that may have influenced the distribution of rock types and mineralization in the Khutze and Aaltanhash River drainages.

Although the aplitic and pegmatitic dikes found at the two showings have yet to be age-dated, they are described as being undeformed. They are postulated to be relatively young, possibly reflecting intrusion of felsic rocks within broad north-northeasterly to northeasterly trending zones of weakness underlying the drainage. The small leucocratic quartz monzonite pluton that straddles Aaltanhash Inlet may be a late-stage, high-level intrusion emplaced along similar, easterly to northeasterly trending structures.

There is no way of knowing why the lapsed claim groups in the area were staked, but it is interesting to note that several fall on, or are close to, postulated structures (Figure 1). This may reflect a prospector interest in similar style mineralization.

**The style and composition of the mineralization at the Hunter and Western Copper occurrences suggest that they are probably related to high-level, Tertiary intrusions. If they are, the geology of the Khutze River area would appear to indicate considerable potential for additional quartz vein-hosted gold deposits and possibly also for porphyry copper-style deposits.**

Geology is shown on the accompanying maps from Map Place and from R Pinsent.

FIGURE 5. REGIONAL GEOLOGY (MAP PLACE AND MINFILE)

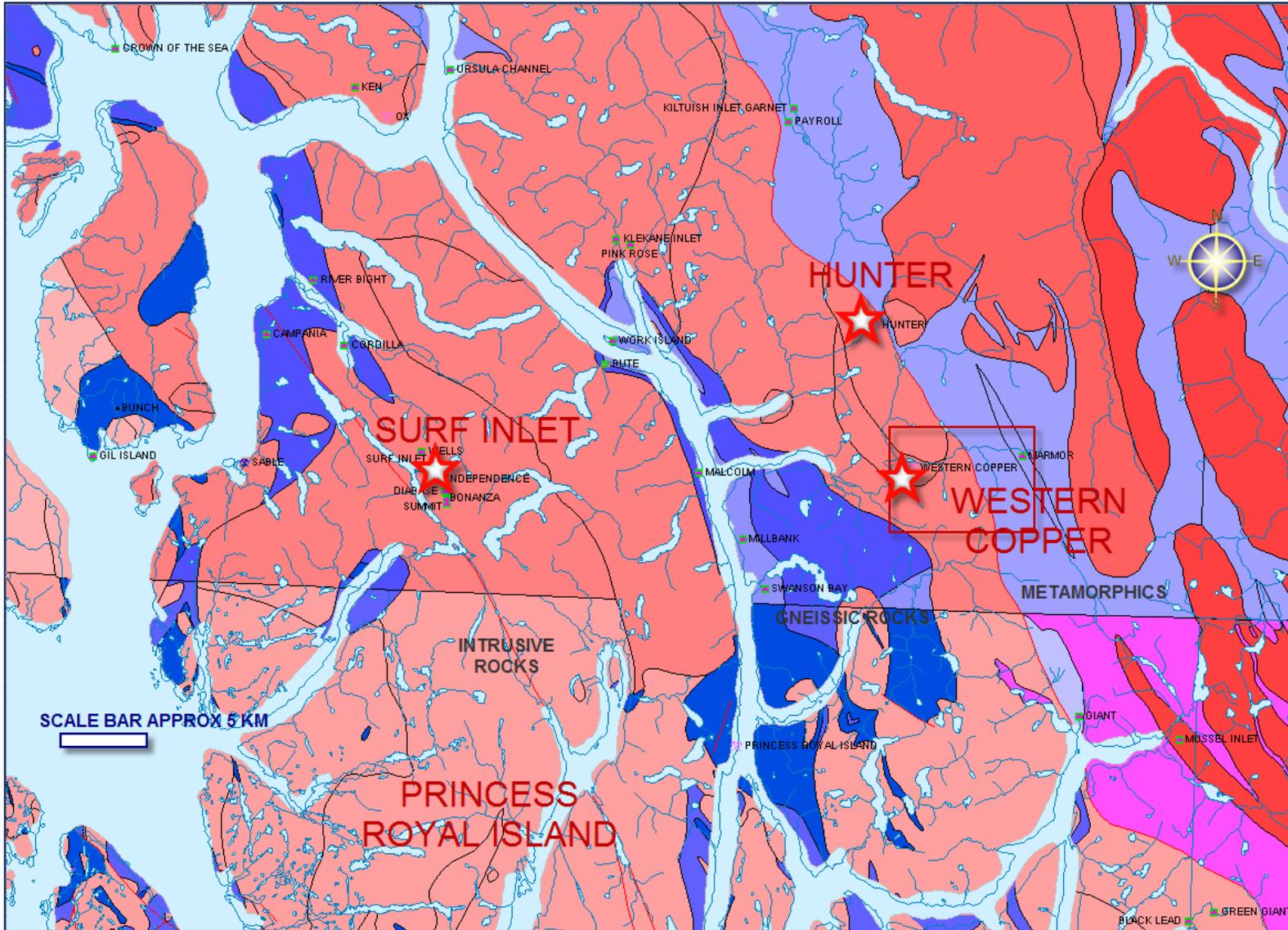
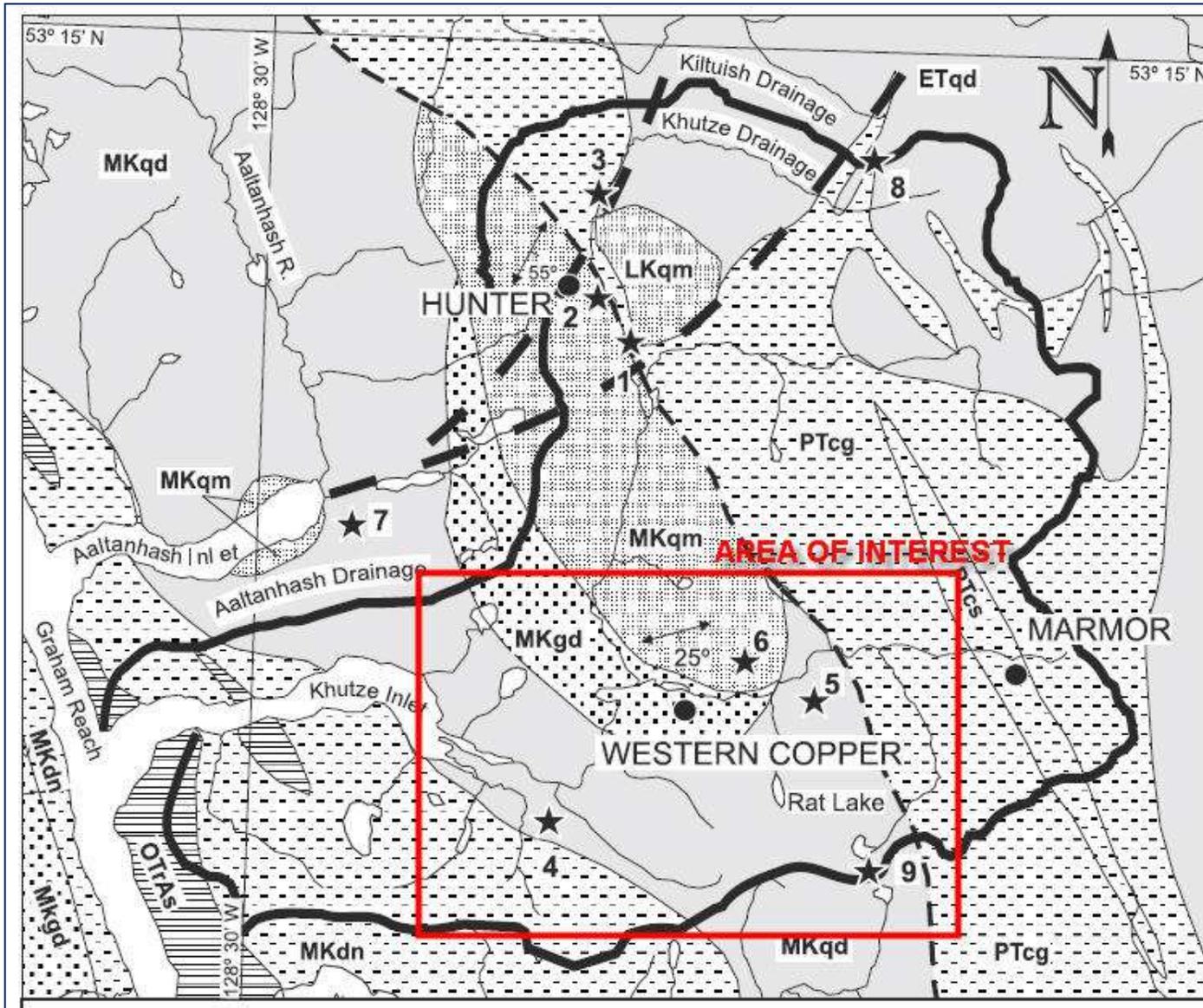
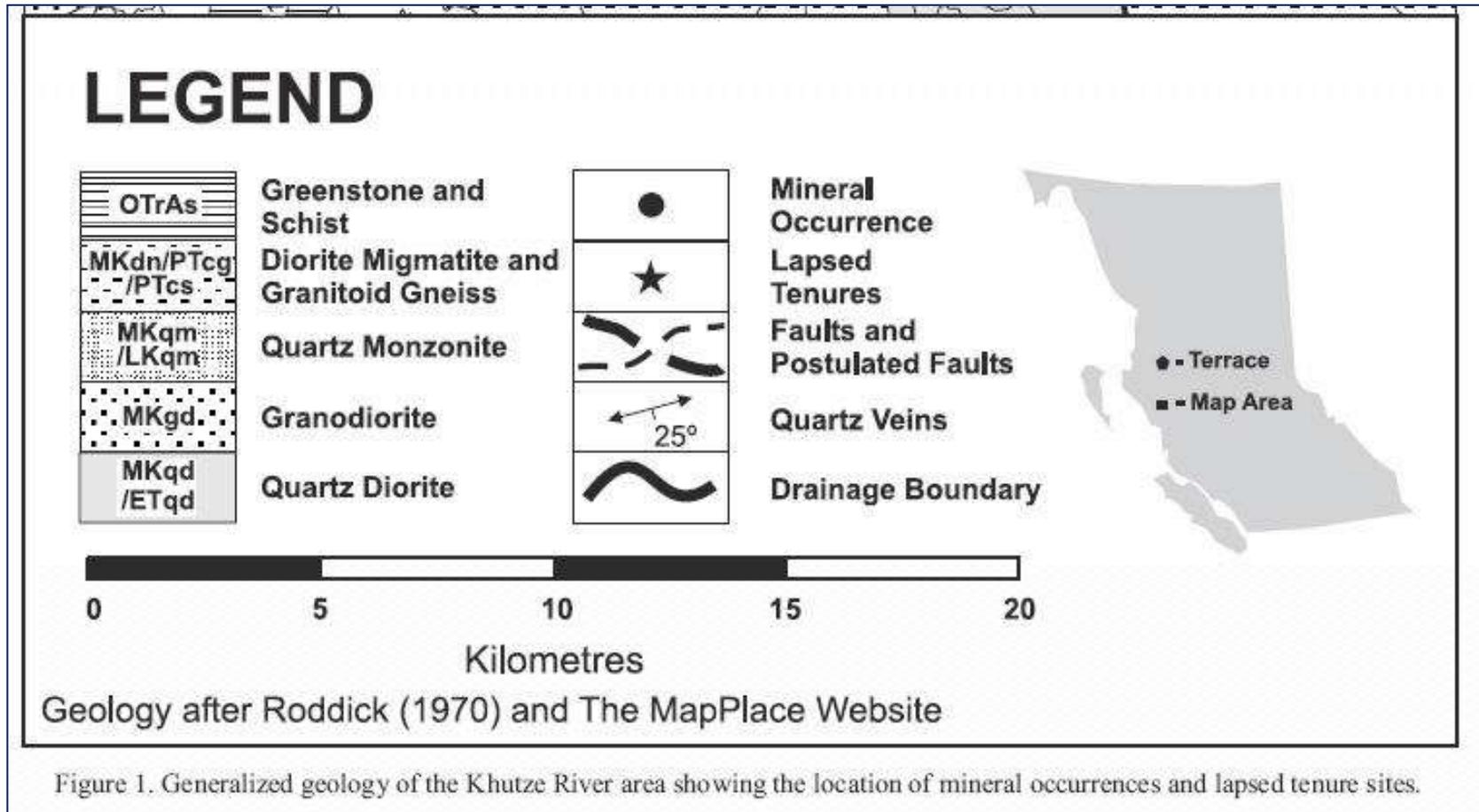


FIGURE 6. SKETCH OF LOCAL GEOLOGY (PINSENT, 2001)



LEGEND FOR

*LEGEND FOR PINSENT 2001 GEOLOGICAL MAP*



*MASSIVE MINERALIZATION IN VEIN AND COPPER STAIN BELOW THE VEIN*



12a. (1997) Vein at face of drift on top of raise.

*PHOTOGRAPHS OF THE VEIN MATERIAL*



12b. (1997) Vein at bottom of raise at 300 ft level.



13b. (199?) Close-up of #12b.



9b. (199?) View of lens seen in 9a from canyon end of drift at top of raise.

## HAND COBBED MINERALIZATION AWAITING SHIPMENT 1929



10b. (199?) Sacks of ore from 1929 on 300 ft level.

### 1987 PROPERTY INSPECTION

Mineralization is further described by Dr A. P. Fawley (1987) as follows: (as scanned and reproduced by the present author):

*"The property was found by Messrs. C.W. Meldrum and A. McLeod while searching for the source of a "chicamen" (rich or good) stone that they had obtained from an Indian in 1904. This "chicamen" stone on crushing, is reported by J. M. Meldrum (the son of C. W. Meldrum) to have yielded \$800.00 in gold (i.e. 40 oz. at \$20.00/oz). The Western Copper Gold Property that they found is also rich in gold but did not appear to be the same as the "chicamen" stone."*

*The principal ore occurrence is a long, flatly dipping quartz vein, striking N. 70 degrees E. and dipping from 20 to 30 degrees S., which outcrops along the precipitous side of the mountain and traverses several steep canyon-draws. The country-rock is biotite granodiorite, in which major jointing is pronounced, striking N. 50 to 70 degrees E. and dipping flatly south.*

*Ore occurs in pockets and lenses in an auriferous sulphide vein (or veins). The gold is associated with pyrite, visible free gold is rare, quartz is the main gangue mineral. Copper occurs in chalcopyrite, bornite, chalcocite, cuprite and covellite, and some parts of the vein are almost massive copper sulphides, which in the case of massive chalcocite (also called copper glance) will assay nearly 80% copper. Silver probably occurs in both the iron and copper sulphides".*

The average grade of ore (partly hand sorted) that was shipped to smelters prior to 1930 was: Gold 0.72 oz. per ton Silver 6.13 oz. per ton Copper 14.33 %. The main vein carrying values is an extensive fissure vein following a pronounced fault zone. According to R.C. Campbell-Johnston (1909), who probably climbed over more of the property than any other geologist or mining engineer, the vein has a strike of N. 56 degrees E. and a dip southward of 30 to 35 degrees, and a continuity proved by open cuts and tunnels of over 2 miles. J.P. Rowe (1927) Montana geologist states that "The vein continues at least 1700 feet in depth as is shown by the canyon which cuts the vein at right angles. It seems reasonable to suppose that it goes much deeper".

Indications of the main vein have been found along strike, according to old maps, for a length of four miles but sufficient prospecting has not yet been done to confirm whether the vein indications are for only one vein. It appears that the vein, or veins, are fairly continuous over a length of 2,000 feet and a depth of over 1,000 feet, however a great deal of trenching and/or diamond drilling will be necessary before overall ore reserves can be calculated.

A rough estimate of the high-grade ore that is exposed was made in 1966 by L.C. Malcolm, P. Eng., as follows: "The western copper property has 10 lenses of quartz with narrow widths of massive and disseminated pyrite and chalcopyrite with an estimated 2,680 tons averaging 1.46 oz. gold, 7.42 oz. silver, and 8.06% copper with a gross value of \$117.00 per ton" (at 1966 prices). This estimate is only for high grade lenses that have been discovered to date and are probably only a small fraction of the total amount of high grade and medium grade ore that exists along the full length and depth of the fissure vein.

Five samples were taken of vein showings during our examination of August 25, 1987. The samples were taken by Mr. Vincent Reimer and were all "grab" samples weighing about 6 pounds each and were representative of the vein at the location where taken. There was insufficient time to cut more accurate "channel" samples.

The assay results were as follows:

<u>Sample</u>	<u>Cu</u>	<u>Ag</u>	<u>Au</u>
<u>No.</u>	<u>%</u>	<u>oz./ton</u>	<u>oz./ton</u>
27757	3.45	0.73	0.004
27758	27.02	6.10	0.062
27759	19.35	4.49	0.012
27760	0.84	0.27	0.064
27761	10.56	5.58	0.552

On the basis of his inspection, Dr. Fawley, Ph.D. P.Eng. recommended an exploration program

### **Stage 1**

1. Build a heliport and tent camp near the mouth of the main tunnel leading to the incline shaft and erect a tent camp nearby.
2. Build a second heliport and set up a tent for overnight stops near the vein about 1/2 mile east of the North Star Canyon.
3. Cut out the trail from the canyon to the second helicopter site and place rope as a hand rail, in the dangerous places. In many places where the trail crosses the canyon and further east, a slip would mean almost certain death. A trail to the high-grade gold showings in the Anna claim should be reopened, if possible.
4. Rocks in the underground workings stand well but some work should be undertaken in the incline shaft to make it easier to climb up or down.
5. Have accurate surveys made of all the old workings and vein outcrops.

6. Numerous trenches and short tunnels were dug along the vein during the period from 1906-1927. These old workings should be relocated if possible, cleaned out, surveyed and geologically mapped, and any veins exposed should be channel sampled.
7. Have a geological survey made of all the old workings and vein exposures. Channel sample the vein wherever possible.
8. Diamond drill known ore lenses in the underground workings and below surface exposures of ore to determine their tonnage and grade. Also drill holes from the bottom of southerly extensions of canyons to test the vein at depth.
9. Collect a large sample of ore, at least 100 lbs., and send it to a metallurgical laboratory for testing. It would be best to send two samples: one of high grade copper ore with chalcopyrite, chalcocite and bornite, and one of presumed high grade gold ore largely of pyrite and siliceous pyrite. The object of the tests will be: (a) to determine the best milling method to produce a concentrate, and (b) to determine if the ore can be cheaply concentrated for shipping, by rolls, jigs and Wilfley tables.
10. Former lot no. 172 (see enclosed map) beside the Khutze River and at the base of North Star Canyon should be re-obtained for eventual use as a base camp and as a mill site. If a truck road to the property is contemplated then another lot should be obtained at the projected starting point of the truck road at Khutze Inlet.
11. When the present exploration program is completed, it may be desirable to obtain some more of the old crown grants.

The cost for this first phase, including helicopter, camp and assay costs, will depend on the time required, it will probably be about \$50,000 to \$100,000.

**Stage 2:** A large sample of at least 100 pounds of average grade ore should be obtained from several sections of the main vein and sent to a laboratory for testing to determine the best method for concentrating the ore. If the sample is sent to the Mines Department, Ottawa, or to a maker of milling equipment, it may be possible to have the work done at a nominal charge, but if in a hurry it must be sent to a private laboratory. Estimate of cost is \$5,000.00.

**Stage 3** 3,000 feet of underground and surface drilling with helicopter support will cost at least \$50.00 per foot. Estimate of costs are \$35.00 per foot for drilling, plus \$45,000.00 for the helicopter. Total \$150,000.00.

**NOTE: Many of the recommendations were carried out in the subsequent 1988 Exploration program by the JV partners.**

## EXPLORATION 1988

In 1988, a comprehensive surface and underground mapping and sampling program was carried out by S, Zastavnikovich and C. Soux, for Freemont Gold Corp at a cost of at least \$600,000. Work done was:

- All weather camp construction, 3 men
- Clearing of debris from underground
- Underground surveying by McIlhanney Engineering Services Ltd.
- Access to underground by Blasting, Rock bolting and ropes

- Systematic channel sampling on surface and underground, approximately 100 samples analyzed for Cu, Au, Ag.
- Refurbishing trail along the original vein outcrop by blasting and mucking
- Mapping
- Sampling
- Mineralography studies
- Diamond drilling

**A discussion of the program has been provided by J.M. Meldrum (undated):<sup>37</sup>**

*"In 1988 a helicopter camp was built above the cliffs on the west side of the North Star canyon at the elevation of the upper workings of 680 meters (2232 ft.). The Detroit Western Mining co. had established their mining camp at the same site in 1928 and sank the decline adit. They had to build two suspension bridges and neatly 1,000. ft. of ladders. Their camps held up well until 1932. A heavy snow fall with rain flattened them..*

*"Freemont Gold Co. built good modern plywood accommodation, electric power plant, showers, heated bunk house, cook house, dining room, with connecting staircases. They cleaned out the decline shaft of loose rock and decayed wood companion-way and installed 300 ft. of wooden stairs. At the bottom of the shaft the 160 ft. adit had not been mucked out into the canyon. This was cleared out and proper access made to the East side canyon floor and the trail. Mapping and sampling was done and a site established for a heliport and diamond drill site. This brought the working locations to 800 meters from the West side main camp".*

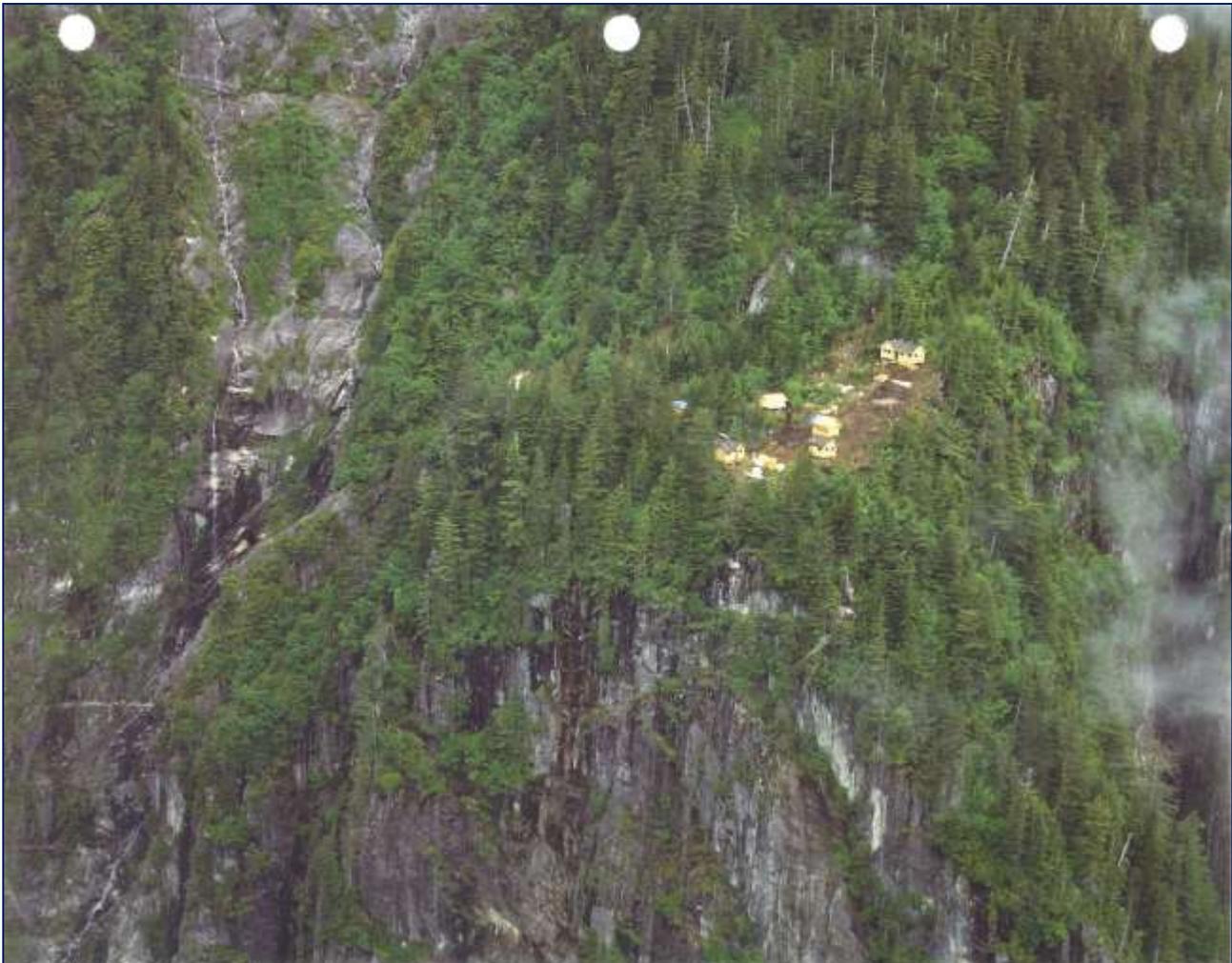
*"Diamond drilling was done at the sight with very encouraging results assays up to six ounces of gold. Finally it was decided to move the drilling equipment over to a sight on the West side of the North Star Canyon. A large copter was required to handle the unit in late October up to the 725 meter (2378 ft.) elevation. The results were not encouraging (On the West side) and did not hit the vein that is exposed on the sight. A valiant effort had accomplished a lot. Snow was in the air in November, it was decided to close the camp. The first winter snow was excessive and collapsed the buildings".*

The highest gold assays, (in hand samples) 9.625 oz/ton gold and 4.638 oz/ton gold were found at the eastern limits of the sampled area. Underground assays in excess of 1 oz/ton gold were reported, albeit over narrow widths. Most of the gold is present as electrum in chalcopyrite. Native gold is associated strongly with pyrite. Copper assays of >15% Cu were obtained on selected samples. (AR # 18343). There appears to be a correlation with cobalt and mercury.

Total cost of the field work May 30<sup>th</sup> – August 1, 1988 was \$209,000. Preliminary metallurgical studies indicate that gold was present in electrum and could be liberated by fine grinding. The preliminary report was filed quickly to provide assessment and made no recommendations, as drilling was planned and completed later.

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<sup>37</sup> Exhibit 128

*1988 CAMP CONSTRUCTION*

3. (1988) Aerial view of the west side shows Freemont camp at the 1928 camp site. The main portal (near white patch with orange cap, left of center) leads to a 700 ft decline going left to the bottom of the canyon. A drift from the 300 ft level is seen below the small waterfall left of center. The white vein seen above and to right of the portal appears to end where the drift from a raise up from the 300ft level intersects it.

The camp and helipad is situated on the bear Claim; Portal is to the left of camp and to the right of the gulch  
an enlarged photo of the camp appears on the following page.

*ENLARGEMENT OF 1988 CAMP*

Additional work was done by Freemont after this report including diamond drilling from two locations. (Total 786 meters). Good quality maps of underground and surface sampling were provided by Zastavnikovich and Soux. Both geologists are known to the writer as experienced and capable professionals.

Total documented costs of all Freemont's work in 1988 approached Can \$600,000. There may be additional undocumented costs. The drilling data for the 1988 drill program is in the table below (locations have not been surveyed, but are believed to be on the Meldrum claims :

### UNDERGROUND WORK



7a. (post-1988) inside main entrance, looking back to portal.



7b. (pre-1988) at top of two compartment 700 ft decline shaft (1928).



7c. (pre-1988) looking down decline.

*DIAMOND DRILLING IN 1988*

Ten drill holes were completed from two sites in late 1988. The drillhole data is listed below. Drill locations were limited by topography.

DRILL HOLE DATA WESTERN COPPER PROPERTY SEPT/OCT 1988				
NUMBER	SITE	ANGLE	AZIMUTH	DEPTH (M)
1	1	-90	0	144
2	1	-45	045	84
3	1	-50	080	90
4	1	-50	155	82.5
5	1	-50	065	69.9
6	1	-50	215	68.1
7	2	-80	190	76.2
8	2	-65	190	70.2
9	2	-80	350	51.6
10	2	-85	020	50.1
				786.6

Results for the drill program are as follows:

*WESTERN COPPER DRILL RESULTS*

Note Drill logs and assay intervals are missing

DRILLHOLE	SITE	SAMPLE	FROM	TO	WIDTH	AU	Au	AG	CU
			m	m	m	g/t		g/t	%
1	1	01			.60	2.77	*	5.6	.035
1	1	02			.80	.99		2.1	.004
1	1	03			.79	.60	*	1.8	.009
1	1	04			.87	.65	*	0.7	.001
1	1	05			.60	.19		1.4	.024
1	1	06			.74	.27		0.3	.021
1	1	07			.57	.16		0.5	.003
2	1	1			.22	.01		1.8	.001
2	1	2			.16	.02		1.3	.001
2	1	3			.53	.01		.7	.015
2	1	4			.44	.57		1.5	.186
2	1	5			.24	218		50.4	.883
2	1	6			.30	1.02		1.1	.009

2	1	7			1.37	.53	.7	.006
2	1	8			1.01	.10	.8	.005
2	1	9			.47	.02	.9	.043
2	1	10			1.68	.18	.8	.004
2	1	11			2.08	.01	.6	.003
3	1	1			.13	.20	.2	.001
3	1	2			.20	.06	.2	.001
3	1	3			.27	.22	.2	.001
3	1	4			.49	6.70	1.6	.089
4	1	1			1.4	.24	1.7	.019
4	1	2			.43	.18	1.2	.025
4	1	3			1.5	6.58	.8	.008
4	1	4			1.5	.03	.2	.002
4	1	5			1.7	.02	.7	.001
4	1	6			.35	.55	.4	.008
5	1	1			.19	.03	0.3	.002
5	1	2			.20	.02	0.2	.001
6	1	1			.40	.01	.6	.001
6	1	2			.21	.02	.4	.002
6	1	3			.71	.02	.3	.001
6	1	4			.42	.45	.5	.002
6	1	5			.10	.02	1.1	.002
6	1	6			.21	.01	.6	.002
6	1	7			.36	.02	1.7	.009

As reproduced from Min-En Laboratory analytical sheets Note Drill logs and assay intervals are missing

### DRILLING FROM SITE 2

DRILLHOLE	SITE	SAMPLE	FROM	TO	WIDTH	AU	Au	AG	CU
7	2	1			.42	.02		1.7	.002
7	2	2			.17	.20		1.9	.023
8	2	1			.73	.03		2.3	.086
8	2	2			.49	.01		1.4	.003
8	2	3			.98	.02		1.2	.003
8	2	4			1.01	.01		0.6	.002
8	2	5			.14	.20		31.7	2.68
8	2	6			.45	.01		1.9	.044
9	2	No data							
10	2	1			.89	.02		1.2	.011
10	2	2			.11	.01		.8	.023
10	2	3			.50	.01		1.1	.049
10	2	4			.41	.02		.9	.003
10	2	5			.72	.01		1.3	.016
10	2	6			.62	.25		4.2	.506
10	2	7			.68	.01		1.8	.059
10	2	8			.47	.01		1.3	.009

As reproduced from Min-En Laboratory analytical sheets

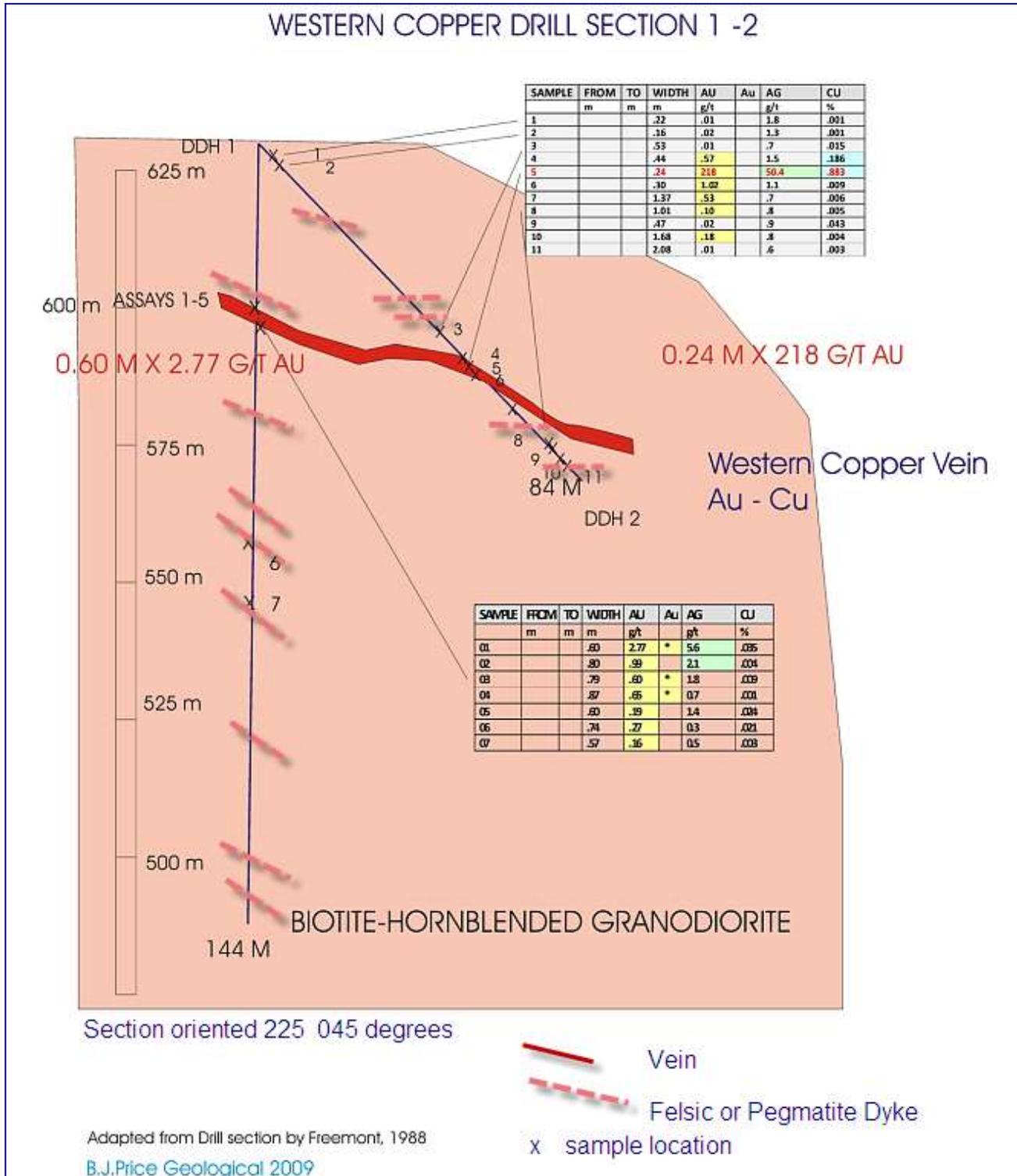
Although we do not have all the drill logs and assay interval information, it is seen that most of the holes intercepted the mineralized structure. Six holes were drilled from Site 1; the best sample was # 005 in DDH 2, which contained **218 g/t gold, 50.4 g/t Ag and 0.88% Cu** over a narrow width 0.24 m. The presence of gold in adjacent sections suggest a mineralized structure of 1-2 meters. Intercepts were not as strong at site 2 possibly because of faulting, but anomalous Au, Cu and Ag indicates that a mineralized vein structure was present, with gold values up to 0.25 g/t over 0.62 m, 31.7 g/t silver (nearly an ounce) and up to 2.68% copper.

The assays for gold, silver and copper are indicative of the presence of vein structures in most of the holes; while the gold results are nugget, this is to be expected in such vein systems. Rarely is grade obtained in drilling, but presence of the structures is important. Narrow drill holes are difficult to interpret with nuggety gold mineralization. The standard caution in the industry is: "Drill for structure and drift for values". The fact that gold, silver and copper values were intercepted in most of the holes indicates **the mineralized structure was intercepted and can be traced by drilling.**

A cross section has been prepared and is on the following page. The section indicates that the copper-gold mineralized zone can be traced by drilling.

Formal audited accounts submitted to the Stock Exchange show that at least \$587,000 was expended by Alcove and partners in 1988, and this may not include cost of property acquisition or any costs later than this report. The accounts are shown on a subsequent page.

FIGURE 7. DRILL SECTION 1-2



*WESTERN COPPER JOINT VENTURE EXPENDITURES*

<b>ALCOVE GOLD CORPORATION</b> <b>MARUM RESOURCES INC.</b> <b>FREEMONT GOLD CORPORATION</b>			
WESTERN JOINT VENTURE OPERATIONS STATEMENT OF EXPENDITURES For the months of February to November 30 1988			
	25% Alcove. 25% Marum	50% Freemont	100% Total
Assaying	\$1,810.95	\$3,621.89	\$7,243.79
Bond	625.00	1,250.00	2,500.00
Diamond drilling	19,263.58	38,527.16	77,054.32
Employee benefits	285.97	571.93	1,143.87
Engineering	1,250.00	2,500.00	5,000.00
Electrical	1,276.79	2,553.58	5,107.16
Explosives	664.68	1,329.36	2,658.72
Expediting	741.51	1,483.04	2,966.06
Field overhead	13,844.56	27,689.11	55,378.23
Food	3,787.76	7,675.51	15,251.03
Fuel	5,035.92	10,071.85	20,143.69
Geology	9,684.52	19,369.06	38,738.10
Insurance-aviation	2,152.75	4,305.50	8,611.00
Lodging	382.09	764.18	1,528.36
Metall. tests	2,613.14	5,226.28	10,452.56
Rentals equipment	1,849.85	3,699.70	7,399.40
Lumber etc.	6,849.50	13,698.99	27,397.99
Supervision	11,625.00	23,250.00	46,500.00
Survey	1,941.33	3,882.67	7,765.33
Telephone	603.27	1,206.53	2,413.07
Radio equipment	628.22	1,256.44	2,512.88
Transportation	26,288.15	52,576.31	105,152.61
Wages	17,566.75	35,133.49	70,266.99
Workers Comp.	685.74	1,371.47	2,742.95
Buildings cost	7,224.20	14,448.42	28,896.82
Camp equipment	8,196.08	16,392.18	32,784.34
	<b>\$146,877.31</b>	<b>\$293,854.65</b>	<b>\$587,609.27</b>
RESCANNED FROM ORIGINAL BY B.J.PRICE GEOLOGICAL, 2014			

## 1994 PROPERTY INSPECTION

In 1994, the Western Copper property was visited by Alex Burton, P.Geo, P.Eng., on behalf of Alcove Gold Corporation.<sup>38</sup>

Burton noted that *“Old records indicate that vein with good gold values was traced by outcrop and pits most, if not all the way down”* (to the valley floor at about 300 ft. elevation).

One of Burtons Appendices (p 23) noted high grade gold values present on the Bear Claim (up to 7.88 oz/ton gold).

Burton, a highly experienced and well respected consultant, recommended at Stage I program to follow the Western Copper vein down to the valley floor. His well-researched and detailed report provides an excellent summary of the history, numerous pictures and some good maps. Burton remains enthusiastic about the exploration potential of the property (personal communication 2009).

**Burton recommended additional work be done, with an initial program to trace the vein totalling \$156,000.00** <sup>39</sup>

## BEYOND 1994

In 1988, the reclamation Bond required prior to start of the program was \$2,500.00. In 1994, Freemont was notified by the regional Mines Inspector as follows'

*“Pursuant to Section 10 (5)(a) and 10 (5)(b) of the Mines Act, S.B.C. 1989, c.56, the Chief Inspector requires that the owner/operator, Freemont Gold Corporation, of the camp and exploration programs on the Western Copper property located on map sheet 103H/01W located by the East Khutze River, under permit MX-1-169, to submit additional securities of **Fifty Thousand Dollars (\$50,000.00)** made out to the Minister of Finance on or before April 30, 1994, to cover the estimated cost of reclaiming the property to the standards set out in the "Guidelines for Mineral Exploration: Environmental, Reclamation and Approval Requirements, January 1992 (copy enclosed).”*

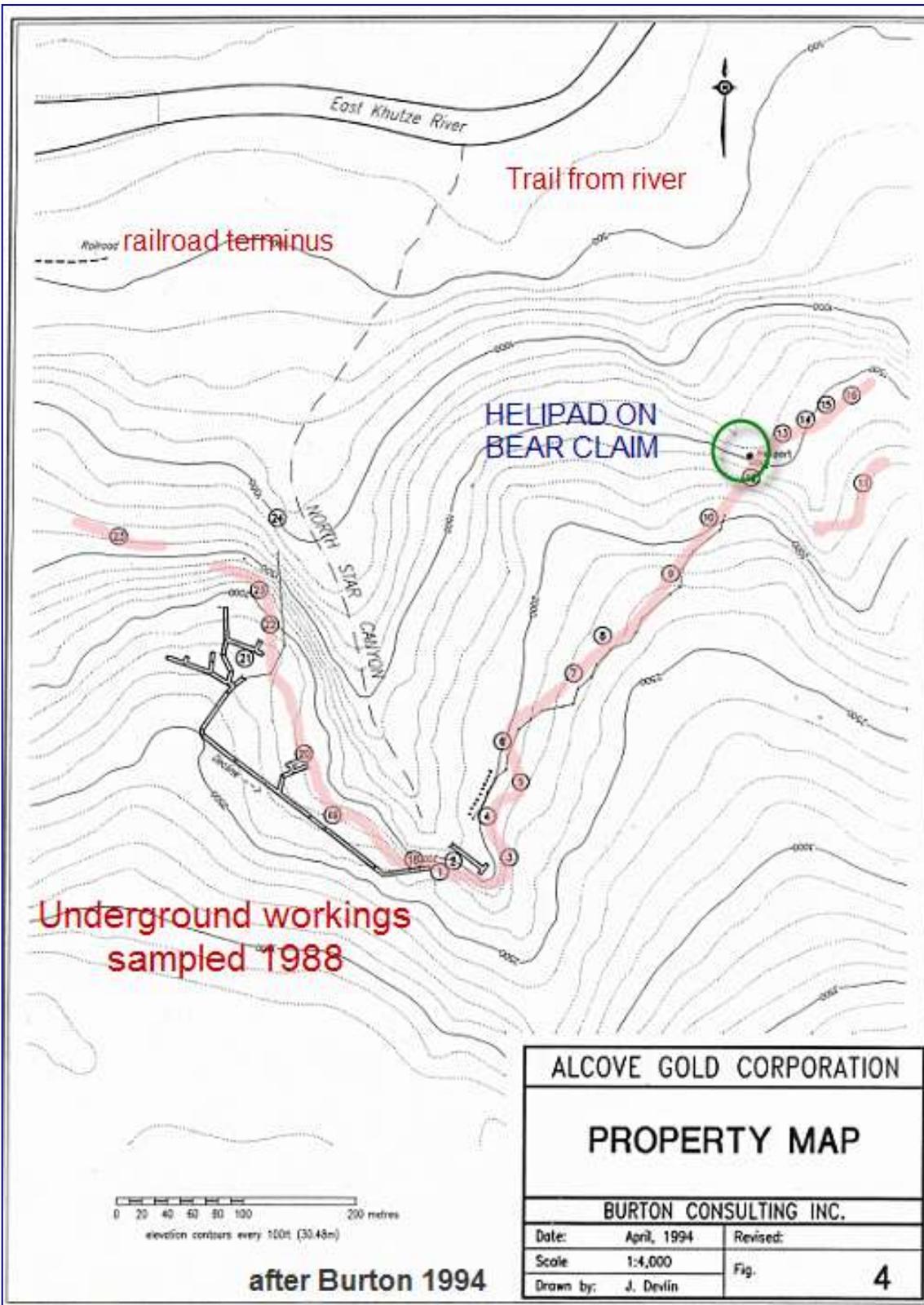
**This notification brought about the halt of exploration and could be considered a constructive taking or expropriation as no optionor would have been willing to pay this up front cost.**

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<sup>38</sup> Exhibit 88

<sup>39</sup> Exhibit 88

FIGURE 8. BURTON SKETCH MAP 1994.



## PAST MINING PRODUCTION

Production was achieved from the Western Copper property in 1909, when a small shipment was made to the Tye Copper smelter at Duncan BC., and 1928-29, when shipments were made via steamship to the Tacoma copper Smelter.

<b>WESTERN COPPER PROPERTY</b>							
Record of Smelter shipments compiled by Alex Burton 1994, after Fawley							
YEAR	TO	POUNDS	TONS	AU opt	AG opt	CU %	Oz Au
1909	Tye Copper BC	11,665	5.83	1.45	1.85	2.75	8.46
1928 -1	Asarco Tacoma	168,640	84.32	0.48	6.85	15.14	40.47
1928-2		104,550	52.28	0.45	6.73	14.6	23.52
1928-3		60,999	30.5	1.28	6.25	14.44	39.04
1929	Anyox BC	144,000	72	1.28	6.25	15.45	92.16
<b>Totals and Averages</b>		<b>489,854</b>	<b>244.93</b>	<b>0.83</b>	<b>6.45</b>	<b>14.73</b>	<b>203.65</b>

Value of this production (2006 prices) would be

<b>VALUE OF PRODUCTION IN 2006 \$\$</b>					
VALUES		Gold	Silver	Copper	
Metal Prices 2006		per oz.	per oz.	per pound	
Value per ounce/lb. 2006		\$ 625.00	\$ 13.00	\$ 3.00	
Value/ton 2006		\$ 519.66	\$ 83.91	\$ 884.03	
Total Value 2006		\$ 127,281.25	\$20,551.01	\$ 216,524.72	<b>\$ 364,356.98</b>

**INVENTORY**

An unknown amount of hand cobbled bagged mineralization remains in the mine workings as seen in the photograph below.



10b. (199?) Sacks of ore from 1929 on 300 ft level.

## MINERAL RESOURCES

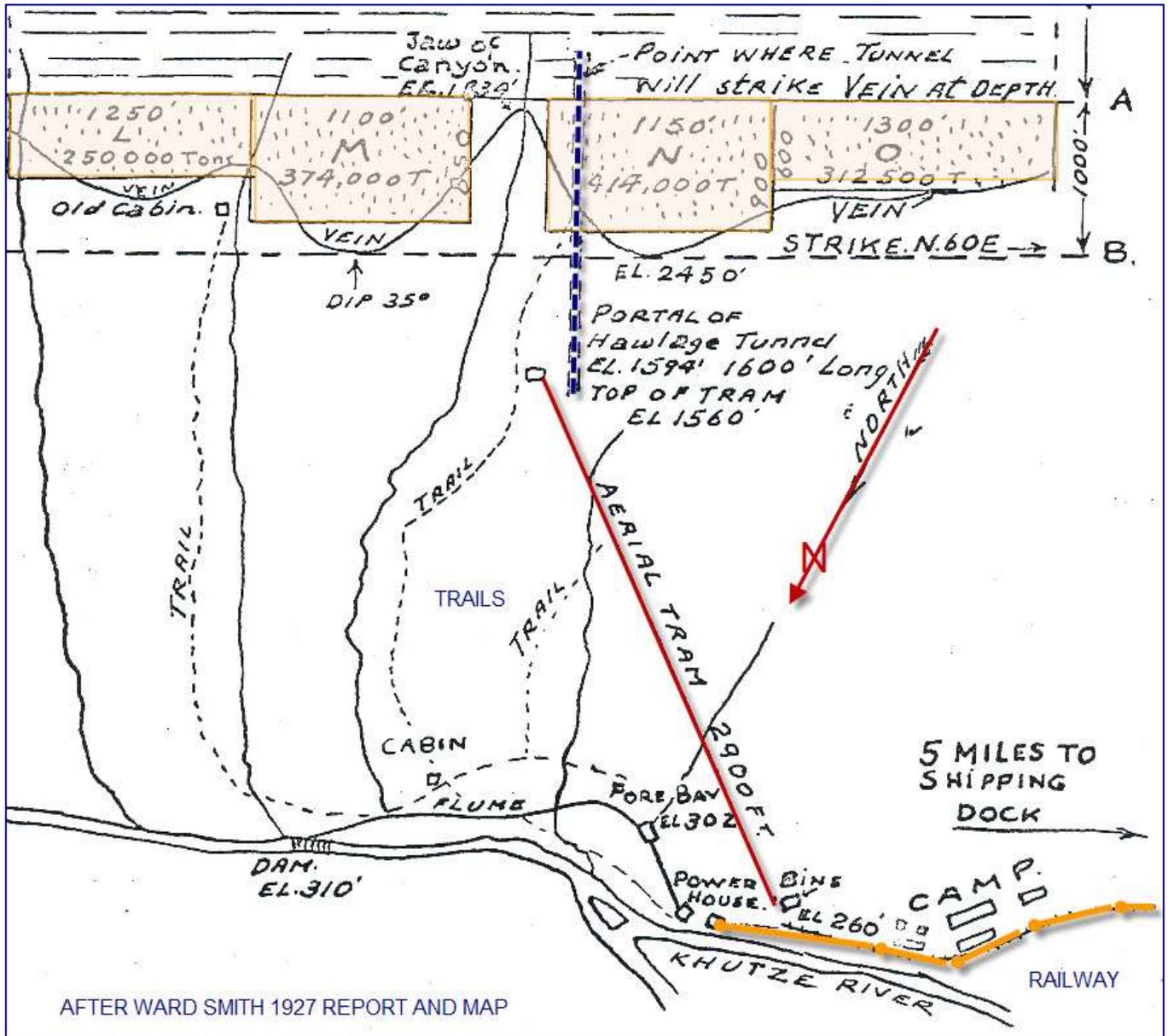
As noted previously, the historical resource estimates for the Western Copper Property by others are tabled below:

RESOURCE ESTIMATES – WESTERN COPPER PROPERTY							
YEAR	AUTHOR	COMPANY	RESOURCE	SOURCE	GRADE AU	GRADE AG	GRADE CU
			tons		oz/ton	oz/ton	%
1909	Campbell-Johnston	British Mining Co.	1,166,000	EXHIBIT 2 page 21	1.75	3.75	9
1927	Ward B. Smith	Detroit Western	1,350,000	Exhibit 12	0.50	6.0	4.0
1959	A.S. MacCulloch		10,000	Exhibit 36			
1966	D. Malcolm P.Eng.	Khutze Mines Ltd.	2,680	Exhibit 41,42	1.46	7.4	8
1966	R.Phendler* Based on Malcolm	Rebel Development Ltd	2,480	Exhibit 49	1.18	8.05	8.7

The larger estimates are speculative, but are based on the measured length of mineralized exposures, the average width, the depth along the shear/fault plane as exposed in the canyon, and an estimate of the specific gravity or “tonnage factor”. *These resource estimates are historical and are not compliant with present regulatory requirements, notwithstanding that this requirement is for NI 43-101 reports and disclosure in public company documents. They should not be relied upon.*

Nevertheless the smaller historical 1966 estimates were completed by experienced professionals Douglas Malcolm, P.Eng. and Roy Phendler, P.Eng. and are considered relevant to this Summary and Opinion of Value.

FIGURE 9. SKETCH OF HISTORICAL RESOURCE AS ESTIMATED BY WARD SMITH 1927



## EXPLORATION POTENTIAL

### **Critical to the determination of Fair Market Value is the demonstration of Exploration Potential.**

Exploration potential, which is the potential for any mining property to hold value which can be developed by exploration and development. The term is subjective and is dependent on the review of all data by experienced and practical explorationists.

Exploration potential of the Central Coast – Skeena area had been studied by the BC Ministry of Energy and Mines. Their results indicate that the Khutze River area is one of high mineral potential. The ranking of this area is shown on the accompanying Figure. From Map Place.

The exploration potential of the Western Copper property is discussed by many of the geologists, engineers and consultants who visited the property:

In 1999 the Ministry commissioned a regional geochemical study of regional stream sediment samples, among others, in the Khutze River area. The results from 111 sample sites showed a number of high gold values, particularly in the vicinity of the Western Copper property. (Jackman 1999). Adjacent to the property a stream sediment sample contained 180 ppb gold, the highest in the surveyed area, while along trend, two other samples were anomalous, possibly indicating the continuance of the Western Copper gold-copper vein or shear to the east. Another high value, 151 ppb Gold was found to the north of the property, in an area not yet explored. Oddly, no samples from the Hunter area were anomalous. The significant samples are shown in the following figure.

Along with the regional survey, Ministry geologist Dr. Robert Pinsent, Ph.D. was commissioned to study the geology and mineral deposits of the Khutze River area<sup>40</sup>. Pinsent's significant conclusions were:

***“The style and composition of the mineralization at the Hunter and Western Copper occurrences suggest that they are probably related to high-level, Tertiary intrusions. If they are, the geology of the Khutze River area would appear to indicate considerable potential for additional quartz vein-hosted gold deposits and possibly also for porphyry copper-style deposits”.***

Most or all of the other geological reports for the property have been favourable with recommendations for additional work. One report cautioned about the isolation of the property and steep terrain. However, in the past as described by CW. Meldrum ((Exhibit 128) the location in the past was not isolated as ship traffic to and from Prince Rupert and Alaska was on a daily basis. The accomplishments of railway and tram construction illustrate that the steep terrain can be overcome.

A table showing the various geological inspections and reports follows. Excerpts from the various (more recent) geological reports follow:

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<sup>40</sup> Exhibit 104

*EXPLORATION 1903-2000**PROPERTY INSPECTIONS AND GEOLOGICAL REPORTS*

(The more important studies are shaded)

DATE	COMPANY	AUTHOR	EXHIBIT NO.
1908-09	British Mining Co.	Ronald C. Campbell-Johnston Mining Engineer, BC	2
1910-14	British Mining Co.	William Shannon	3
1927	Detroit Western Mining	Harvey Hanna Mining Engineer, Detroit	11
1927	Detroit Western Mining	R.C.Prior, Mining Engineer, Houghton Michigan	13
1927	Detroit Western Mining	J.P Rowe, Geology Professor, Montana	9
1927	Detroit Western Mng.	Ward B. Smith	12
1931		Dr. V. Dolmage, Ph.D., P.Eng. Consulting Engineer BC	24
1932	BC Dept. Mines	Dr. Joseph T. Mandy, Ph.D.	27
1934	MacCulloch and Whitney	A.S. MacCulloch	28
1966	Khutze Mines Ltd.	Doug Malcolm P.Eng. BC	41,42
1981	Rebel developments Ltd.	Roy Phendler, P.Eng. BC	49
1982	Tri-Con Mining	J. Wayne Murton, P.Eng. BC	50
1987	Freemont Gold.	Dr. Allan P. Fawley, Ph.D., P.Eng.	56
1988	Freemont Gold.	Sam Zastavnikovich, P.Geo. Geochemist	74
1988	Freemont Gold Corp.	Christian Soux, P.Geo. Mineralogist	71
1994	Freemont/Alcove	Alex Burton P.Eng.	88
1997	Noranda	Gordon Maxwell (external claims)	54
1998	BC Dept. Mines	Dr. Robert Pinsent, Ph.D.	104

## HISTORICAL GEOLOGICAL REPORTS

Conclusions and recommendations of the investigating geologists and engineers have been positive:

- **Ronald C. Campbell Johnston, Mining Engineer 1909** wrote a positive report, noting the *“speculative estimate of probable ore in the mine, to be later written down as proven ore in sight, is legitimate, and not beyond a fair estimate...”*
- **Dr. V. Dolmage 1931** states *“It might easily be found profitable to ship some of the high grade ore now developed in the mine as well as ore that would be extracted in further development work, thus changing the whole aspect of the mine’s potentialities”.*
- **R. Phendler P.Eng. 1981:** *“Undoubtedly the present holdings included in the Western Copper claims could provide small tonnages of commercial grade gold-silver-copper ores. The principal structure is indeed persistent, and with systematic exploration it is felt that a number of rich lenses can be found. As a first step, underground surveying followed by geological mapping, sampling and diamond drilling should be carried out. Before this work is completed, ownership of the adjoining claims should be investigated and possibly acquired.*
- **Wayne Murton, P.Eng. 1982** recommended an initial program on surface and underground, supported by helicopter, with an estimated budget of \$100,000 to \$200,000. This could be followed, assuming continuing interest, with additional underground development and access by tram which could cost \$500,000 to \$1,000,000
- **Alex Burton, P.Geo. P.Eng. 1994** issued detailed recommendations for further work, stating that *“The persistence of the vein to the east, extending down to the valley floor, is known from old records”.* A first phase budget of \$156,000 was recommended.
- As previously noted, **Dr. Robert Pinsent BC Dept. of Energy and Mines** issued an optimistic geological summary that hypothesized a Tertiary intrusive pluton at depth which could **indicate “considerable potential for additional quartz vein-hosted gold deposits”**

## REGIONAL MINERAL INVENTORY

The BC Ministry of Energy and Mines commissioned a review of Mineral Resource Assessment for the Coastal area of BC (Exhibits 109, 112). The area of the Khutze deposits is labelled tract CPC-29, and has a mineral inventory value of \$25 million (rounded) (page 178 of Exhibit 109) For a contained area of 421,528 hectares this provides an initial estimate of \$60 per hectare.

Many of the tracts have inventory value of zero, if no known deposits exist. However, we know that the mineral deposits used for the study only cover a small fraction of that total area, so the estimate of mineral inventory value must consequently be much larger than the “base case “ of \$60/hectare.

Unusually, in some of the inventory and assessment pages, the Western Copper property itself seems to have been omitted, and as a result, the above per hectare estimate may be low.

In general, many factors can have an effect on the area of a property, for example:

- Many early claims were crown granted, allowing taxes only to be paid instead of yearly Assessment requirements
- In the early days, claims staked were usually minimal
- Later, the concept of “protection” claims became important
- Now with computer-based claim staking, claims are generally very much larger



FIGURE 11. MINERAL POTENTIAL (FROM BC GOVERNMENT WEBSITE –MAP PLACE)

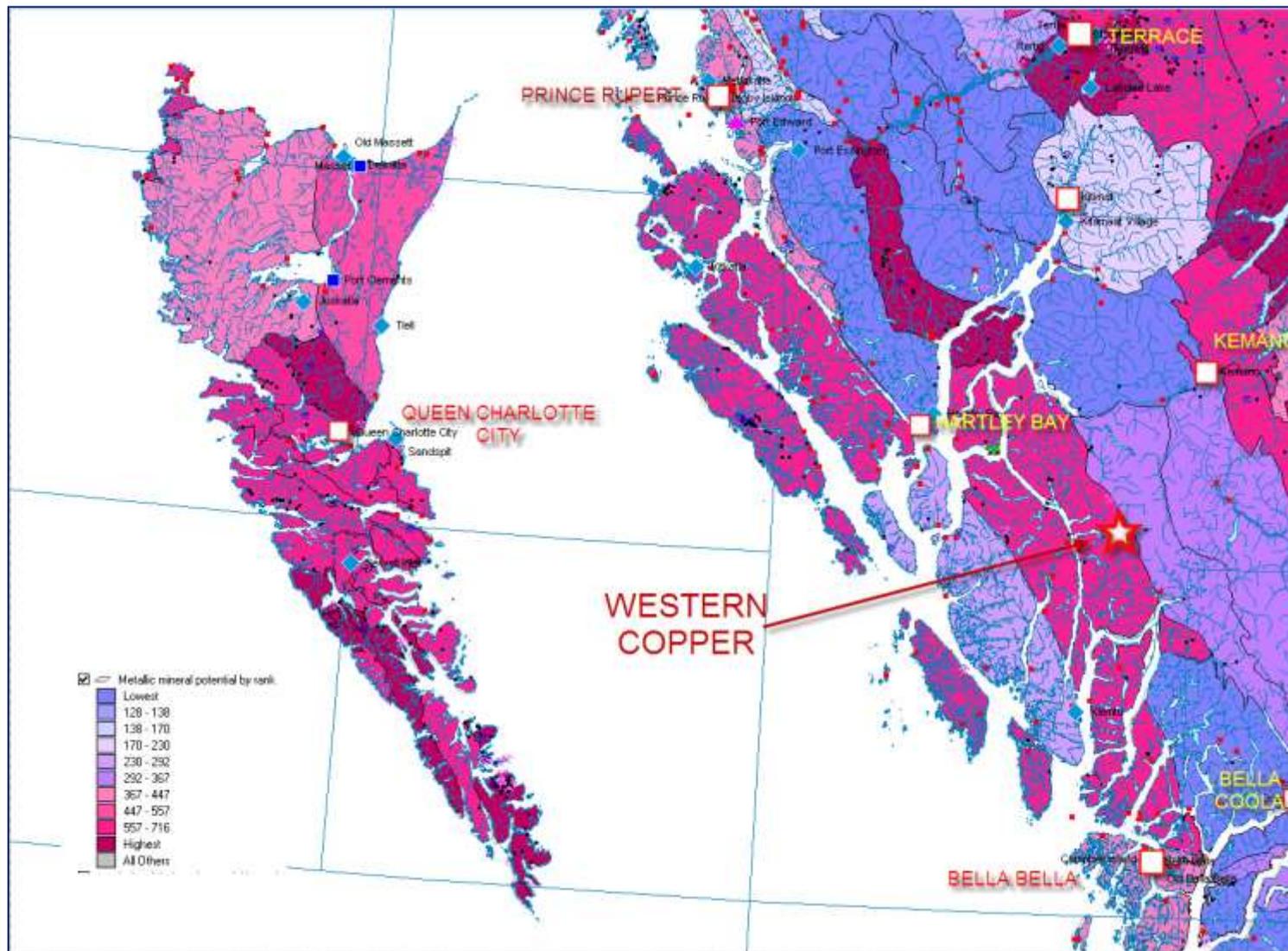
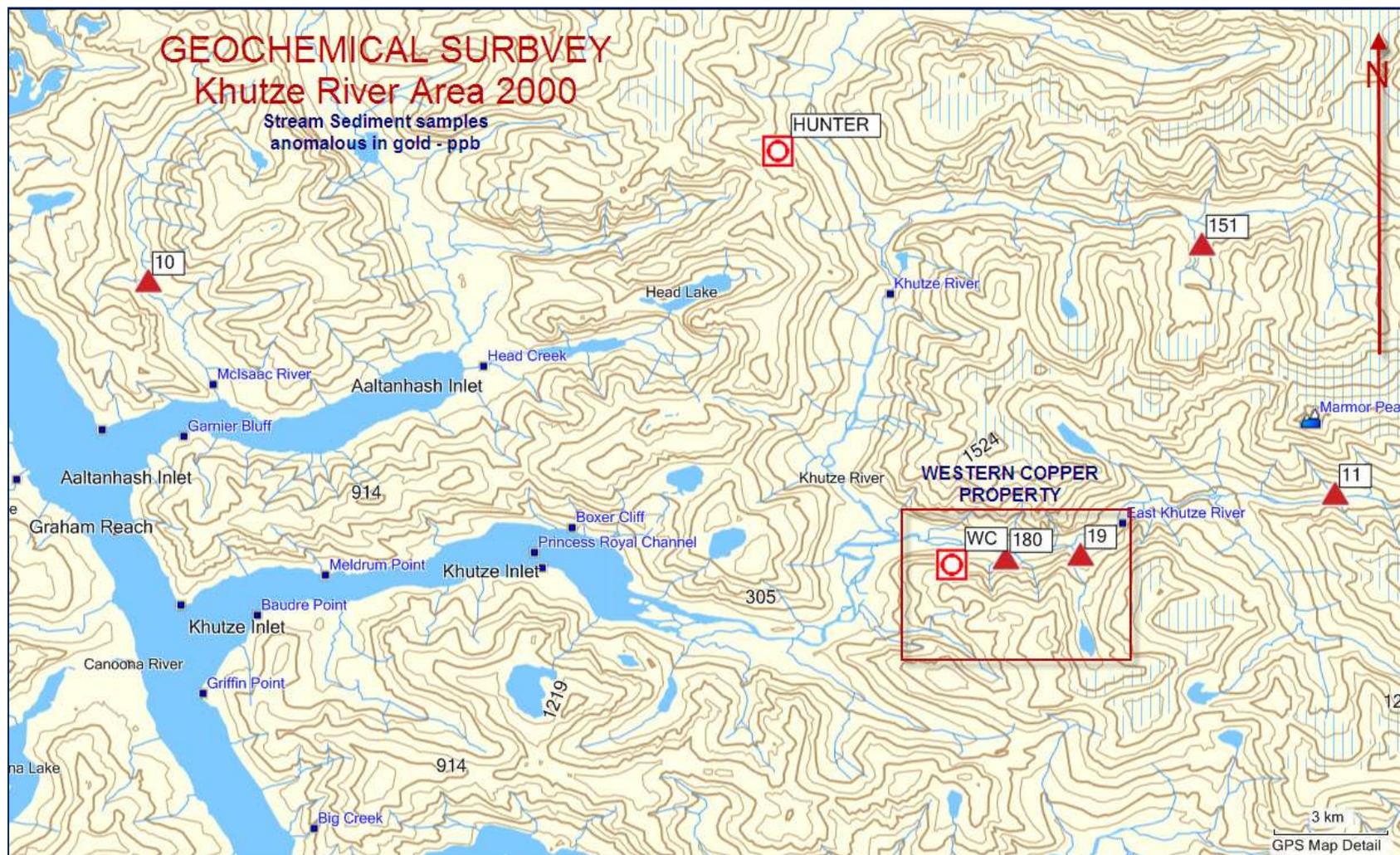


FIGURE 12. BCDM GEOCHEMICAL SURVEY (REPORTED 2000)

(Numbers refer to gold in stream sediments in ppb)



From the Central Coast Land Use Plan the following comments have been extracted (shading added for emphasis):

*“Past producing mines can be significant in that they can provide opportunities for further development, e.g., in 1986 a proposal was made to re-activate the Surf Inlet and Pugsley “Past Producers” (gold/silver) mines on Princess Royal Island, employing about 60 workers. Although this did not materialize, there are still plans to re-evaluate the Surf Inlet property. Other relatively significant metallic Past Producers include Doratha Morton (gold/silver) on Loughborough Inlet, Nugent and Alexandria (gold/silver) on Seymour Inlet, and Western Copper (gold/silver/copper) in the Khutze Study Area (i.e., a candidate protected Area.) Other areas deemed to have significant metallic potential by MEM are the Franklin lacier area and in the vicinity of the Noosegulch River near Hagensborg.”<sup>44</sup>*

*PPAs would preclude 6 (24% of) past producers, all of which contain documented reserves.*

*The most important of these past producers are the former Surf Inlet gold/silver camp on Princess Royal Island and the Western Copper and Hunter (gold/silver/copper) deposits in the Khutze River Valley, which historically account for millions of dollars in exploration and development investments, and are being actively explored. The Surf Inlet property could potentially employ about 60 workers for several years, if a recently proposed re-evaluation of the property were to prove it viable.*

*PPAs would preclude an additional 20% of very high mineral potential and 18% of showings in the Plan area. PPAs would also preclude about 12.6% of the number, and 5.8% of the area of mineral tenures metallic and non-metallic, and 74% of the number, and 70% of the area of Crown-granted mineral claims in the Plan Area (the bulk of which are located near the Surf Inlet and Western Copper and Hunter past producers).<sup>49</sup> A number of compensation claims would likely arise from the Framework Agreement (see Appendix E). Proposed PAs also include areas accounting for almost 18% of exploration expenditures in the Plan Area over the 1960-99 period (again primarily accounted for by past producers such as Surf Inlet and Khutze River Valley). Some of the specific impacts of PPAs not already discussed above, are summarized below:*

## BC GOVERNMENT GEOCHEMICAL REGIONAL SURVEY

In 1999 a regional geochemical (stream sediment) survey was commissioned by the Ministry of Mines for the north Coast. Open File 2000-12 presents new analytical data for 43 different elements from a regional drainage sediment and water geochemistry survey conducted by the British Columbia Geological Survey in the Khutze River area during 1999. The survey covers parts of three 1:50,000 NTS map sheets in the Douglas Channel (NTS 103H) area of BC's central coast: 103H/01 (Khutze River), 103H/02 (Butedale) and 103H/07 (Ursula Channel).

A split of each sample, which range from 7 to 31 grams (average 29 g), was analyzed for 29 elements (gold, antimony, arsenic, barium, bromine, calcium, cerium, cesium, chromium, cobalt, europium, hafnium, iron, lanthanum, lutetium, molybdenum, neodymium, nickel, rubidium, samarium, scandium,

sodium, tantalum, terbium, thorium, tungsten, uranium, ytterbium and zinc) by Activation Laboratories, Ancaster, Ontario, using thermal instrumental neutron activation analysis (INAA).

The highest gold numbers were:

Map	ID	UTME27	UTMN27	Au
103H01	992069	545667	5883282	180
103H01	992066	549366	5891528	151
103H01	992070	547113	5883389	19
103H01	992052	551996	5885037	11
103H02	992113	529126	5890404	10

Significantly, the highest number (180 ppb) was from a creek draining the Western Copper property, and the adjacent sample (19 ppb) was also anomalous. This was a broadly spaced reconnaissance survey, with anomalous gold values elsewhere in the map sheet, indicating potential for other gold deposits in this poorly explored area.

## CONCLUSIONS

- The Western Copper property contains a number of copper-silver-gold veins, the most important of which has been traced over a considerable length of the property, and as it dips southward, underlies many of the central claims. Other claims to the north have veins which have not been investigated in detail.
- The property has achieved past production, small but high grade, enabled by considerable expenditures in providing access by railroad and tram from the mine site to the coast.
- Historical mineral resources have been estimated for the property.
- A drilling program in 1988 was positive with most of the drill holes intersecting the plane of the vein structure, some with significant gold and copper values.
- The consensus of geologists and engineers who have visited the property has been positive,
- Most consultants on the property made recommendation for further work.
- The geochemical regional sampling program initiated by the Ministry to evaluate the area was positive, with anomalous gold from the Western Copper property area and other Areas unexplored.
- Other high grade copper-gold properties in the Central and North Coast area are being explored with considerable success (Brucejack Lake and Kerr Sulphurets Mitchell)
- The Ministry's geologist, Dr. Robert Pinsent P.Geol., issued a positive recommendation for the area, suggesting an underlying porphyry copper source could be present.
- Over the years, in terms of 2006 dollars, it is likely that in excess of \$6 million has been spent on the property

The major vein system at Western Copper has been traced by prospecting, mapping, sampling and exploration works including open cuts, short adits, and underground workings for a distance of over 2000 feet extending both east and west from North Star Canyon. The structure is a strong fracture or shear with high grade copper and gold values. The same structure has been intercepted by drilling, with up to 218 grams/tonne gold (6.18 oz/ton) 50 g/t silver and 0.88% copper. Other gold intercepts are indicative that other veins are present. The property has achieved past production (testing) of 245 tons which averaged

0.83 oz ton gold and almost 15% copper. A small inventory of bagged mineralization (unknown size) remains on the property.

The property has had several bouts of exploration, interrupted by the World War 1, the Depression and World War 2, and, beyond 1988, exploration was inhibited by land use negotiations STARTING IN 1986 leading toward the creation of the Khutze Conservancy within the "Spirit Bear Wilderness". Notwithstanding its relatively isolated location, access in the Past was good with almost daily trips by Union Steamships. The area lies within a belt deemed high exploration potential, and a brief regional geochemical survey established other precious metal anomalies nearby. For these reasons, numerous consulting geologists visited the property up to 1994, and all recommended additional work. In the writer's opinion, the property has exploration potential that, in the absence of expropriation, and considering the high grades of gold and copper, would have been further explored.

**In summation, the statement by Scott Wilson Roscoe Postle Associates that "no further work on the property is warranted" is discredited and is seen to be inconsistent with the recommendations of other qualified engineers and geologists and prejudicial to the rights of the claim holders to a fair settlement for expropriation.**

**The present valuator's opinion is that the Western Copper property does have, and did have, exploration potential in 2006, and that further exploration would have been warranted at that time, considering the high grade of the mineralization and elevated metal prices, which have continued to the present.**

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Maxwell, G. (1987): Geochemical Orientation Survey, Western Copper Group, Skeena Mining Division; B.C. Ministry of Energy and Mines, Assessment Report #15 886, 8 pages, plus maps.

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Scott, T.C. (1984a): Geological and Geochemical Assessment Report on the Hunter Property, Skeena Mining Division; B.C. Ministry of Energy and Mines, Assessment Report #11 937, 32 pages, plus maps.

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**A LIST OF THE Data used in the Fact Picture referred throughout this report is provided in an Appendix**

**PART 2. OPINION OF VALUE**

**WESTERN COPPER PROPERTY**

**NORTH STAR, EMPIRE, AND WESTERN COPPER AND BEAR  
CROWN GRANTED CLAIMS**

Owned by

Moira Movanna and William Bell

Robert Meldrum

Prepared by

**B.J. PRICE GEOLOGICAL CONSULTANTS INC.**

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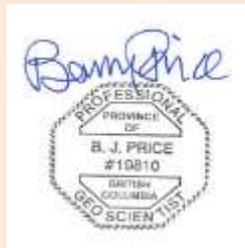
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**ORIGINAL DATE NOVEMBER 30, 2009**

AND AMENDED



**OCTOBER 22, 2014**

## OPINION OF VALUE WESTERN COPPER PROPERTY

### NORTH STAR, EMPIRE, AND WESTERN COPPER AND BEAR CROWN GRANTED CLAIMS

From about 1986 onward to expropriation off the subject Crown Granted claims in 2006 numerous group pressed for setting aside large areas of the Northern BC Coast. The history of this alienation has been provided in Part 1 of this report, but is augmented below: Khutze Mineral Values were summarized in preparations for the Central Coast Land Use Plan as follows:

### CENTRAL COAST LAND USE PLAN

- The Khutze PA includes 2 known past producing deposits.
- Both deposits are covered by Crown-granted mineral claims and mineral titles in good standing.
- The Western Copper deposit, 8 km inland was discovered in 1908. A rail spur and tram were constructed and some underground development occurred with limited mining of copper-gold-silver ore (215 tonnes in 1928 and 1929).
- In 1927, the Hunter gold deposit was discovered 22 km from tidewater in the Khutze River valley. The deposit has an identified resource of 94,338 tonnes of ore at 12 grams per tonne gold.
- Recent surveys have significantly upgraded the metallic mineral potential of the northern and eastern Khutze watershed. (Emphasis added)

### THE CABINET DECISION AS OF 2002 WAS:

“Khutze: Due to the extremely high conservation values, include the mineral titles, crown granted mineral claims and important mineral values in the PA and compensate owners”.

As of August 2002, Moira Movanna was notified that the Crown Grants in the Khutze area were under a “Protection Area Order” and that exploration or development was prohibited.<sup>41</sup> However, no relief from assessment requirements or Taxation from this action was offered at this time and the term expropriation was not mentioned.

**This is probably grounds for definition of “Constructive Expropriation” in 2002 or perhaps before.**

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<sup>41</sup> Exhibit 103

## EXPROPRIATION

The claims were expropriated by the Provincial Government under an Order in Council Order in Council No. 506, Approved and Ordered July 13, 2006 and Effective July 14, 2006 which created a large number of parks, park additions, protected areas, Ecological reserves and “Conservancies” totalling

Comments from a government source below are extracted from a Power Point Presentation (Existing Mineral Tenures in the Khutze, Chappelle-Cornwall, and Kitsoo Spirit Bear Protection Areas)<sup>42</sup>.

Crown granted mineral claims are an interest in land comparable to crown granted surface title, and cannot be expropriated without adequate compensation (Supreme Court of BC). Crown granted subsurface titles may include title to the surface. A located mineral title conveys to the holder the right to all minerals as defined in the Mineral Tenure Act. Expropriation of these rights requires compensation.

The Khutze, Chappelle-Cornwall and Kitsoo Spirit Bear Protection Areas (PAs) contain mineral titles, crown granted mineral claims and important mineral values.

*The K'OOTZ/KHUTZE CONSERVANCY is: All those parcels or tracts of Crown land, together with all that foreshore or land covered by water, situated in Range 4, Coast District and contained within the described boundaries as shown on the Official Plan deposited in the Crown Land Registry as Plan 14 Tube 1963; except that part below the natural boundary of the sea. **The whole conservancy containing approximately 34 168 hectares.***

Conservancies are set aside for: (a) the protection and maintenance of their biological diversity and natural environments; (b) the preservation and maintenance of social, ceremonial and cultural uses of First Nations; (c) the protection and maintenance of their recreational values; and (d) development or use of natural resources in a manner consistent with the purposes of (a), (b) and (c) above. Conservancies provide for a wider range of low impact, compatible economic opportunities than Class A parks, however, commercial logging, mining and hydroelectric power generation, other than local run-of-the-river projects, are prohibited.

**In 2006, British Columbia announced it was protecting about 1.8 million hectares (4.4 million acres) in the North and Central Pacific Coast planning regions, also known as the Great Bear Rainforest.**

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<sup>42</sup> Exhibit 102 (Price Documents)

*FROM A GOVERNMENT BACKGROUND PAPER IN 2002*  
(Fact Picture 102)

## Background information: Mineral Rights in BC

- 1 The Province of BC owns and may dispose of subsurface rights to most lands in the province.
- 2 There are two main ways a person can hold mineral rights: Crown granted mineral claims and located mineral titles.
- 3 Crown granted mineral claims are an interest in land comparable to crown granted surface title, and cannot be expropriated without adequate compensation (Supreme Court of BC). Crown granted subsurface titles may include title to the surface.
- 4 A located mineral title conveys to the holder the right to all minerals as defined in the Mineral Tenure Act. Expropriation of these rights requires compensation.

## The Issue

- 5 The Khutze, Chappelle-Cornwall and Kitsoo Spirit Bear Protection Areas (PAs) contain mineral titles, crown granted mineral claims and important mineral values.

## Khutze Mineral Values

- The Khutze PA includes 2 known past producing deposits.
- Both deposits are covered by Crown-granted mineral claims and mineral titles in good standing.
- The Western Copper deposit, 8 km inland was discovered in 1908. A rail spur and tram were constructed and some underground development occurred with limited mining of copper-gold-silver ore (215 tonnes in 1928 and 1929).
- In 1927, the Hunter gold deposit was discovered 22 km from tidewater in the Khutze River valley. The deposit has an identified resource of 94,338 tonnes of ore at 12 grams per tonne gold.
- Recent surveys have significantly upgraded the metallic mineral potential of the northern and eastern Khutze watershed.

## Summary - May 22/2002 Cabinet Decision

- Khutze: Due to the extremely high conservation values, include the mineral titles, crown granted mineral claims and important mineral values in the PA and compensate owners.

## DEFINITION OF FAIR MARKET VALUE

Fair Market Value: For the TSX and BCSC purposes, "Fair market Value" is defined as:

### "The highest price available

- in an open and unrestricted market
- between informed and prudent parties,
- acting at arm's length
- and under no compulsion to act,
- expressed in terms of cash".
- Fair Market Value is estimated as the highest outcome of a sale
- it requires the valuator to estimate the value based on what the most willing buyer would pay.

It should be noted that the word "highest" is perhaps the most important word in the definition, and the claim holders are indeed under a compulsion to act.

**In the case of expropriation of Mineral titles, Fair Market Value is really a misnomer, as the property holders are in no way agreeable to the forced sale of their titles, and the claim owner is obviously being compelled by law to settle. The value to the owner in expropriation is discussed by Lawrence H.C. Pang, The Canadian Appraiser/Spring 1996**

*"Appraisers have been accustomed to the Paradigm Of "Open Market Value" in their day-to-day appraisal assignments. But what if someone suggests that the "value to the owner" should prevail? This value to the owner concept has a strong historic base in the law of expropriation. Despite its origin from the English jurisprudence, Canadian courts and arbitration in expropriation matters have quite often used words like: "The owner was entitled to that which a prudent person in his position would be willing to give for the land sooner than fall to obtain it' or "that which a prudent man, at the date of expropriation, would pay for the property rather than be ejected from it."*

*Although the law of expropriation has mandated the adoption in most provinces of "open market value" as the proper basis of compensating the disposed owners' interest in land upon expropriation, the change should not affect the assessment of compensation for disturbance or any other matter not directly based on the value of land. For instance, in the leading English decision in Horn v. Sunderland Corporation (1941) 2 KR. 26, (1941) 1 All E.R. 48. (CA), Lord justice Scott said: "... on a compulsory sale, the principle of compensation will include in the price of the land, not only its market value, but also personal loss imposed on the owner by the forced sale, whether it be the cost preparing the land for the best market then available, or incidental loss in connection with the business he has been carrying on, or the cost of reinstatement, because otherwise he will not be fully compensated."*

*In British Columbia, even after the new Expropriation Act came into effect in 1987, the material subsections still read as follows: 33.(1) An owner whose land is expropriated is entitled to disturbance damages consisting of the following: (a) reasonable costs, expenses and financial losses that are directly attributable to the disturbance caused to him by the expropriation; 39.(1)(b) reasonable personal and business losses that*

***are directly attributable to the taking or that result from the construction of use of the works for which the land is acquired.***

*“Nothing suggests the market value of the loss. Yet, it appears that the courts or arbitrators are hesitant to give full effect to this value to the owner principle”.*

Keith N Spence (2005) in a comprehensive discussion of valuation methodology notes: “

*“Key elements of FMV are as follows:*

- *Both seller and buyer are willing and not under compulsion to act*
- *The transaction is at arm’s length*
- *Both seller and buyer are informed or have reasonable knowledge of the relevant facts*
- *Valuation should be based on a given point in time”*

In the case of Expropriation and extinguishment of title and exploration rights in British Columbia for the purpose of a Park, protected Area, or Conservancy, **both buyer AND seller are clearly under compulsion to act.**

### **The concept of Fair Market Value does not contemplate Expropriation.**

The definition of Fair Market Value implies a transaction between willing buyer and seller, and in an expropriation, the seller is often not willing, and the buyer is a government body with infinitely more resources. There are certain costs to the owners of claims expropriated under the existing BC Legislation:

- Costs of providing the essential database, copying, travel, shipping, postage etc.
- Legal costs for advice on legislation and procedures
- Cost of the owners Valuation
- Arbitration costs if valuation of the government is accepted.
- The lack of competitive offers from real buyers.

These costs which were previously recoverable under the Expropriation Act, are prejudicial to the claim holder. Under a land title expropriation, some of these costs are recoverable. In the case of Mineral claims, they are generally not recovered. Thus the Fair Market valuation should take into account these losses.

Generally in a Fair Market Transaction an outright sale of all rights is rare. Most purchase or option agreements have subsidiary rights which may remain with the vendor, such as:

- Share allocations, with the potential of appreciation of the shares
- Net Profits Interest or
- Net Smelter return (royalty)
- Other production royalties
- Bonus on Production
- Residual back in rights
- Rights of access
- Right to remove equipment or assets

**As Expropriation, particularly for a Conservancy or Park, extinguishes all these rights completely, any determination of fair market value must account for all these factors in an equitable manner. The expropriation contemplates a “Higher Use” for these claims.**

## QUALIFICATIONS OF THE VALUATOR

Under the guidelines of CIM Val, the following are required:

- Professional individual with at least 5 years mineral property valuation experience
- Experience relevant to the subject property
- Member of an approved self-regulatory professional organization, such as Professional Engineers or Geoscientists, or CICBV

The author Barry James Price, M.Sc., P.Geo., age 70 years, is a Consulting Geologist with over 40 years of experience, predominantly in British Columbia. The valuator/author graduated in 1965 from University of BC with an Honours Degree in Geology; this was followed by a Master's degree in geology also from UBC in 1972.

As noted in the attached certificate, the author has worked continuously in the minerals industry as a geologist and consulting geologist from 1972 to the present. He has completed several tens of Technical reports and in excess of 50 valuations and/or fairness opinions, as a sole author or with the assistance of other qualified persons.

He joined and registered with the Association of professional Engineers and Geoscientists in 1992 (No 19810) and has undergone a practice review by the Association with favourable review.

He is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of BC, Member No 19810, from 1992 to the present. He has undergone a Practice Review with favourable results (available on request) He has been involved with almost every aspect of mineral exploration, including:

- Claim staking
- Line Cutting
- Soil sampling
- Prospecting
- Mapping and sampling
- Camp construction and Supervision
- Geochemical and Geophysical surveys
- Property management
- Claim options, sales and purchases
- Technical Reports
- Fairness Opinions
- Opinions of Value for BC and International properties
- Assistance with Claim Expropriations (4)
- Property purchase for clients
- Personal mineral Property sales and options

He has at times and to the present staked his own claims and optioned or sold them to others. Thus he has a first-hand knowledge of property values. He is in 2014 a member in good standing of the BC Expropriation Association. He has worked in association with Ross Glanville, P.Eng., and Bruce McKnight, P.Eng. on numerous Fairness Opinions and Opinions of Value for a variety of international mineral properties and ventures. An example is the valuation of the assets of Ashton Mining Canada Ltd. In addition, the author has served as a Director for numerous publically-listed junior exploration companies and has been involved in staking, purchasing and selling mineral claims and properties since 1969 and has a strong knowledge of claim transactions, purchase and options.

A partial list of his clients, Technical Reports and Opinions of Value is appended to this report.

**He has been involved in resolving the following Expropriations:**

1. **Iron Cop property**, Vancouver Island for Jim McDonald, prospector
2. Mineral claims in the Upper Granby watershed for **Zalmac Mines** and Robert Yorke-Hardy
3. The **Duck and Shuttle claims in Cape Scott area**, Vancouver Island for Winfield and Westward.
4. Initial work for the **Big Interior Claims**, Vancouver Island, believed to have been otherwise resolved. Review of Crown Granted claims on Mt. Washington, owned by Clifford Rennie, P.Eng. for which surface rights were abstracted for a ski resort, leaving the claim holder with almost negligible exploration rights (Cliff Rennie has since died and to the authors knowledge, no compensation was ever paid to the Estate.
5. Expropriation of real property for Robert Yorke Hardy
6. This expropriation of mineral claims for the Khutze Conservancy (2006) under which the 8 crown grants of the **Western Copper property** were taken.

The author (Price and BJ Price Geological Consultants Inc.) confirm that they are free from current and/or potential conflicts of interest in preparing this Opinion of Value. They have no direct or indirect, past or current interests in the subject Western Copper property or in any nearby claims. There are no relevant securities involved. The author does not expect to acquire or receive such interests, securities or benefits in future, other than the professional services fees from Moira Movanna and William Bell in the amount of \$2,500.00 and the same amount from Mr. Meldrum for delivering this Formal Valuation.

The author is independent of the claims subject to this report and the claim holders.

A site visit was not undertaken as it is likely prohibited under the provisions of the conservancy. However the author has been involved with other claims in the north Coast area, Banks Island, and Porcher Island.

This valuation was initiated about 2007, and was completed in 2009 to Draft status and has been revised in 2013 and 2014. Effective date of this valuation is the date of the expropriation.

The Valuation Report complies with the CIM Val Standards in their entirety, and is consistent with the Guidelines.

## VALUATION METHODS

The following factors or methods of estimating a value for a mining property have been outlined by Ross Glanville, P.Eng. (1990) and are in general use by geologists and engineers and valuers.

1. Staking Costs (minimum value).
2. Premium or discount on expenditures to date.
3. Book Value from Financial Statements.
4. Statistic or probabilistic methods
5. Option Terms.
6. Market capitalization of a company.
7. Value of comparable properties.
8. Historical costs plus budgeted expenditures for the next exploration program.
9. Gross contained metal or carats less a discount factor.
10. Value per ton of or resource in the ground.
11. Discounted Cash Flow - Net present Value/Internal Rate of Return.
12. Adjusted Discounted Cash Flow method.
13. Price/Earnings Multiple.
14. Payback Period.
15. Replacement Value of Mine/Mill or other Infrastructure.
16. Dollars per ounce of Annual Gold Production or per carat of diamond production.
17. Dollars per ounce of gold reserves or per carat of diamond resources.
18. Options pricing models.
19. Goodwill
20. Government Valuation

Additional methods outlined by Lawrence (1988), mainly for “grass-roots exploration properties, involve:

1. Assigning a staking cost per claim (unit) and multiplying this value by factors for geology, location, grade and anomalies.
2. Dollars per unit area of favourable ground.

Additional factors discussed and used by recent valuers, which have been accepted by regulatory bodies are<sup>43</sup>:

1. Right to exclusive access
2. Value of Intellectual property (database)

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<sup>43</sup> Harrington 2001.

Additional valuation methods available for use in this situation and used by the valuator are:

1. Comparison with other BC expropriations
2. Comparison with other valuations completed

The present valuator will examine a number of these methods and concepts.

## VALUATION PHILOSOPHY

The more important aspects of valuation philosophy are outlined by Tingley, (1996), Parish and Mullen, (1998), Kilburn, (1990) and others. Tingley notes that "Transactions involving undeveloped mineral resources are commonplace, yet such resources are very difficult to value by objective means" and emphasized that the valuation is best done when the evaluator:

- Understands the property
- Understands its potential strategic value
- Verifies that potential buyers exist
- Selects the most reliable single approach to measuring value of that particular property.
- Justifies the selection
- Uses other valuation methods to check the results
- Presents a value that can be substantiated by business logic.

Parrish and Mullen discuss the prices paid for properties, related to a number of factors. They note that a wide price range is common, dependent on:

- Resource tenor
- Deposit size
- Present and perceived future metal prices
- Degree of optimism
- Property potential
- Database quality
- Stage of development
- Mineability and metallurgy
- Political and environmental risk.
- Tax and regulatory environments
- Inclusion of plants (treatment facilities)
- Stock market factors

**FACTORS TAKEN INTO CONSIDERATION:**

In his review of the properties and preparation of this Opinion of value the writer has:

- Reviewed Reports that other experts have previously prepared for the Western Copper property, including Assessment Reports, and Exploration reports and maps.
- Reviewed the original Crown Grant data (Appendix)
- Investigated past production and Net Smelter receipts
- Reviewed resource estimates prepared by others for the property
- Read the Expropriation legislation
- Reviewed other Opinions of Value prepared by the author and by other consultants to review again the general principles
- Reviewed engineering plans, assay maps and photographs from past exploration efforts.
- Estimated exploration expenditures for the property derived from past work etc.
- Reviewed the past option agreements for the mineral property.
- Reviewed the Fact Picture in detail, and has a copy in his office.
- Examined the other gold and copper properties in the BC Coastal area.
- Reviewed the 3 Draft Valuations and one Final valuation prepared in 2008-2014 by Roscoe and Chamois from Scott Wilson Roscoe Postle Associates and other later versions essentially identical
- Talked about the property with Robert Meldrum, Dr. Robert Pinsent, Ph.D., Tom Schroeter P.Ge. (Ex Dept. Mines Senior Geologist – Vancouver, the late Ben Ouellete (operator 1988) and Consultant Alex Burton who visited the property in 1994, and Cameron Scott P.Ge. and John Ostler P.Ge. who worked on the nearby Hunter property.
- Investigated and reviewed other valuations prepared for BC properties by RPA or SWRPA
- Obtained other valuations for mining properties, written by other independent valuers, such as Jim Turner P.Ge. and Edward Harrington P.Ge.
- Read the valuation Guidelines of the TSX and CIM. (Appendix)
- Compared this valuation against other valuations completed in the past 20 years by the present author.
- Ranked the valuation by a number of methods including past expropriations and past valuations.

**PROPERTIES WITH MULTIPLE OWNERSHIP**

Occasionally a property may have multiple owners. The question arises, how does one value such a property or component claims thereof ?

The answer is provided by W. Roscoe of Roscoe Postle Associates (RPA – previously SWRPA) in an important paper on Valuation entitled: **Valuation of Mineral Exploration Properties Using the Cost Approach** by William E. Roscoe, Ph.D., P.Eng., Roscoe Postle Associates Inc., Toronto, Canada: Presented at Mining Millennium 2000 Convention, Canadian Institute of Mining, Metallurgy and Petroleum, Prospectors and Developers Association of Canada, Toronto:

On this topic, William Roscoe, P.Eng.<sup>44</sup> states:

**“In the case of dual or multiple property ownership, the Appraised Value of the whole property is determined first. Then the value is apportioned to one or more of the property owners. During an option or earn-in period, the property interests of each party are assumed to be the final earned interests”.**

It is prudent and practical, therefore, to value the property as a whole, rather than to value individual crown grants in isolation, and this is what the present author has done in this valuation.

My approach has been to value the eight Crown Granted claims as a coherent property. This is how the property has been treated in the past while under option, although it is noted that the number of claims in the property has varied over the years.

Lately the distribution of the claims in the various estate conditions, the lack of understanding of the strategy, and inability of the family to agree under the constraints of the fairly complex Expropriation and Compensation plan has led to the separation of some of the claims under valuation. Nevertheless, the claims have in the past been regarded as a Geological package, and should be so treated for the purposes of this valuation.

In the past, the property as a whole was purchased by Maisie Hurley (6 crown granted claims) and The Meldrum family (2 claims). The Meldrum ownership has been consolidated from a broader ownership (Mathers/Donovan interests) as costs have been born by the Meldrums. Historically, most of the options have been for the property as a whole. Multiple ownership of the Hurley family crown grants was solely as a result of distribution from the estate of Maisie Hurley. In retrospect, such distribution was not a wise thing to do, considering the inevitable squabbles which may have resulted from family dynamics and interpretation of relative values.

**Maisie Hurley and Katherine Bell expressed a wish that all her family claim holders should be treated equally, and this was obviously their intent when the claims were signed over to the present owners.**

Each claim has certain characteristics, which, under exploration or production, would have been recognized and utilized. For example, although the Western Copper vein itself may underlie only a small portion of the Bear claim, one of the main access routes through the property to the mineralized areas is obviously through the Bear claim, and this claim held one of the important helicopter landing sites. Similarly, other claims would be of value for sources of water, hydro power etc. Access to the central North Star and Empire property while they were being explored would have been difficult without the most northern tier of claims, including the Bear CG, on which access trails were cut and ladders constructed, and on which a main helipad and camp was built.

Based on the advice inherent in Roscoe’s various papers on valuation, and the historical grouping of the claims, the present author’s treatment of the property as a whole is justified. Following the valuation of the total property, a realistic valuation of the component claims is then possible. Extraction of one or two titles

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<sup>44</sup> **Note that this approach was not used by Roscoe and Chamois in their Preliminary Valuation of the subject North Star, Empire, Western Copper and Bear claims, 2008–2014, in contravention of generally accepted valuation standards and Roscoe’s own advice.**

and comparison with other small mining properties (as was done by the BC Government Valuator) is not logical and is completely prejudicial to the claim holders and to defining a Fair Market Value..

## SWRPA VALUATION

Scott Wilson Roscoe Postle Associates (SWRPA) and Roscoe Postle Associates (RPA) have valued the property, (That is, the Moira Movanna/Bill Bell claims,( Bear and Western Copper claims) and the Meldrum Claims (North Star and Empire claims) in three or four separate versions using one limited method only as lying within the range of \$2,500 - \$3,000 for The Western Copper and Bear CG's or \$5,000 for the North Star Empire claims. (M. A third and fourth and Final report by RPA have now been seen by the present valuator; these differ but little from the original draft and the RPA valuation and final offer for the property comprises:

PORTION OF PROPERTY	FINAL VALUATION	GOVERNMENT OFFER
North Star/Empire	\$3,000	\$3,000.00
Western Copper Bear	\$5,000	\$8,500.00*
TOTAL		\$11,500

\* This was earlier indicated by a verbal offer of \$8,000 in a conversation between Robert Meldrum and Ken Davidson, representative for the BC Government (probably not reduced to writing) (R. Meldrum, personal communication)

Payment for the crown granted claims owned by the various other members of the Hurley group as settled previously are as follows: (Terrence Murphy, personal communication verified by M.Messmer)

Holder	Claim	Preliminary Evaluation	Offer Amount
Jack Hill	Joanna	\$3-4,000	\$6,500
Marg Nielson, Terrence Murphy	Ida	\$3-3,500	\$6,000
Maureen Woodcock	Argentile	\$3-3,500	\$6,000
Eileen Murphy heirs	Anna	No information	\$6,500
		total	\$25,000

It is my understanding that the offers for these fringe claims were accepted and the claims transferred and extinguished (From an e-mail dated 07/01/2011 7:45 AM:

*"We, meaning Jack, Marge and Maureen, have received another settlement offer from Ken Davidson, agent for the Ministry of Mines. (Enclosed below is a copy of the offer/settlement breakdown.)*

*Our group decision is to accept this offer. We are well aware of the precedence we set and that this offer is not fair nor near what we hoped it would be. However, it has been nearly 4 1/2 years since we started this process and we are not getting any younger and we have overdue commitments to our siblings to settle this issue. As the "older" generation, we may very well afford to fight this battle forever but some of our nieces and nephews cannot do so".*

It is thought that the Anna claim (Elaine Murphy heirs) was also purchase and extinguished. The above settlement terms were clearly settled under stress and do not necessarily represent Fair Market or Expropriation Value.

**The government's final offer, based on the SWRPA report was only \$3,000 for the Moira Movanna/Bill bell claims and \$8,500 for the Meldrum claims.**

**This does not cover the claim holders costs to date, and does not represent Fair Market Value. It is the present valuator's opinion that the SWRPA valuation may not comply with the provisions of CIMVAL.**

## A CRITIQUE OF THE SWRPA VALUATIONS

The author has provided a critique and discussion of the SWRPA preliminary valuation, which was initially marked "Draft". Now the second and third versions of the valuation have been reviewed; these varied but little from the preliminary draft.

An irregularity is that the Ministry has made no effort to review any of the geological and exploration data with us. We do not know the qualifications of the representative from the Ministry whom we have been dealing with and consequently it is unclear if anyone from the Ministry with technical qualifications (ie mining or exploration experience) has ever reviewed the file, in spite of the fact that the Ministry employs geologists and engineers.

A problem with the SWRPA valuation, is that the estimate of Fair Market Value is neither fair nor does it accurately reflect Market Value. It may not in fact pass the test of the CIM VAL standards. It uses only one method, "Comparable" properties, which are chosen from a database of BC property transactions. A more reliable method, that of Appraised value (generally espoused by the Valuator) is dismissed and exploration expenditures and exploration potential are totally ignored. The chosen properties are small properties, some without Minfile showings or Assessment reports, in various parts of the Province hundreds of kilometres distant and not in any way comparable. A map is shown on the following page. In their limited

analyses, RPA ignored a number of closer properties on the North Coast, for which they did not have readily available data. Some of the “comparables” are from 2004, outside the valuation guidelines.

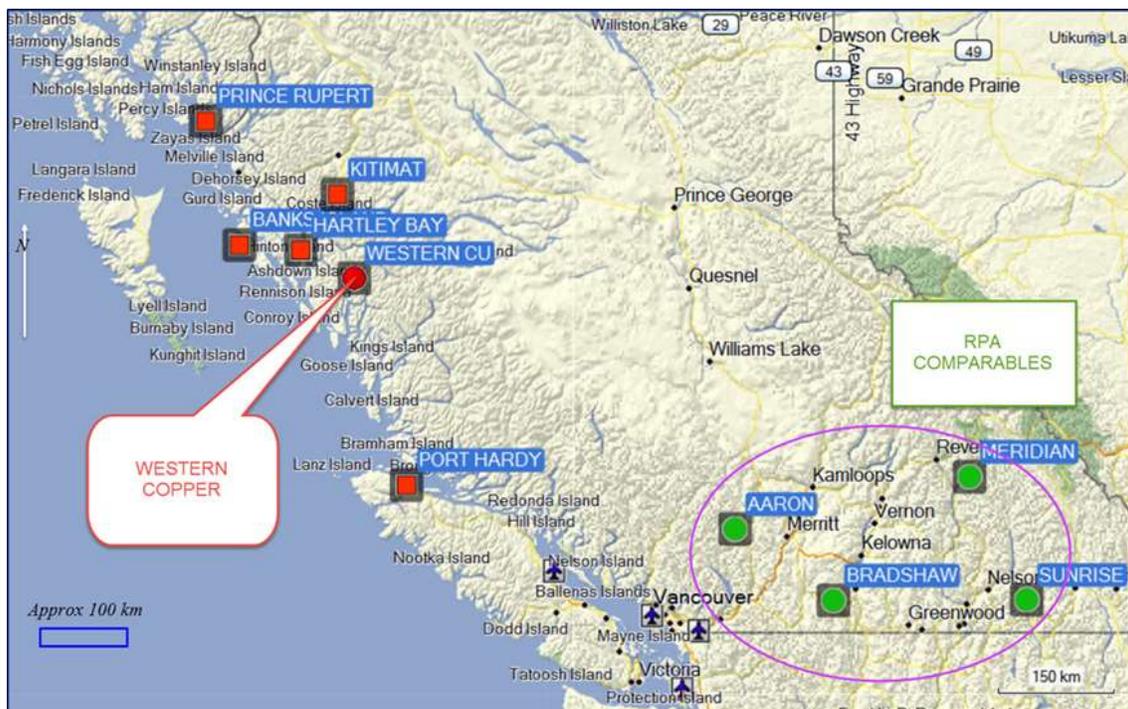
The concept of claim value to area (in \$ per hectare) is unproven, and very large claim blocks tend to have low values and small claim blocks higher values per hectare. The estimation method, although facile and expedient, is, in the absence of other estimation methods, risky and not universally accepted by mineral valuers.

The size of a property may have little relationship to its value. Prime examples are huge areas of “tie-on” claims in an area play; in this case a large property may have no showings and little value beyond the original staking cost, but may transact, in an active market, for large amounts. Alternatively, one small claim or fraction may hold an exceptionally rich ore body (example the Mascot Fraction at Hedley BC). *(From 1936 to 1949, a significant portion of the Nickel Plate deposit (7,248,000 grams; 233,056 ounces – present value about \$280 million \$) was mined from the Mascot Fraction (6 hectares) by Hedley Mascot Gold Mines Ltd.)*

**Watts Griffis and McQuat note that among Market approaches to valuation, “Value per unit area is a secondary method and is of use mainly for large reconnaissance exploration properties without a central focus”**

**One should be cautious about valuations based on a “per Hectare” comparison, as dollars per hectare is not well accepted as a sole valuation standard, particularly when applied to unrelated claims.**

MAP OF ROSCOE POSTLE ASSOCIATES COMPARABLES



**Note that the so-called “comparable” properties are up to 900 km away from the subject Western Copper property, in unrelated geological terranes and the data may not comply with the 2006 expropriation date.**

### **ABSOLUTE VALUES ESTIMATED BY SWRPA/RPA**

The Western copper and Bear claims were valued at \$3,000 by SWRPA/RPA and the Meldrum tenures initially at \$5,000. The BC Ministry later made a written offer to Robert Meldrum for his claims for a slightly larger amount of \$8,500.00

In my experience with BC exploration properties at all levels of exploration or development, I have never seen a property transaction that was valued at such a low amount, particularly when all accessory rights are extinguished permanently. Such low valuations are typically representative of “throw away” “grass-roots” or “starter properties”, where the purchaser is essentially renting the mineral rights and has no intentions of exploring the property seriously or for any length of time. The author has staked and sold such properties in amounts ranging from staking costs to \$5,000. However, for a crown granted property in existence since 1904, with past production and exploration potential, the amounts estimated by RPA are astonishingly low.

### **ADJACENT CLAIMS**

The 2014 amended valuations for the Western Copper property (North Star/Empire for Meldrum and Western Copper/Bear for Movanna) ignored the fact that fringe claims adjacent to the above four claims were purchased by the government for amounts of \$6000 to \$6500 each, in excess of the critical central 4 claims, thus invalidating their estimates. The purchase by the BC Government of the four accessory crown granted claims adjacent to the Western Copper property (and originally part of that property) for \$6000 to 6500 each is seen as a “Distress Sale”. Clearly there is a problem with the RPA valuation of the subject claims.

### **STAKING COSTS**

Staking costs in 1904-05 are unknown but the prospecting expedition which led to the discovery was initiated by CW. Meldrum using a home-made boat. The trip likely took several weeks or months. Even a total expenditure in 1905 of Can\$100, would now be valued at over \$2,200.00 (using CPI Tables) and \$500 would be valued at Over \$11,000 (discounting wages completely).

At that time two claim posts would be required for each claim, and the center line had to be cut and blazed. Because of the steep terrain, some witness posts could be placed (Exhibit 128) but the staking would have been an arduous job, likely taking at least 10 days for 2 men. In terms of present (2006) costs for such work, including transportation, an amount of \$10,000 would be minimal.

On conversion to Crown Granted claims, boundaries of the claim corners had to be marked and surveyed (Formal BC Land Survey).

This was done by Mr. Rice from Prince Rupert, hired by Martin Shannon. An index of value for a claim is often the cost of the acquisition (typically staking). In the author's opinion, the present day costs of staking, surveying, and crown granting of claims such as the subject claims might involve 4 men x 2 weeks plus support costs, surveying costs, helicopter, instruments etc. might be \$100,000.

Considering the cost of staking the ground with 2-posts and claim lines in 1904-1907, along with the surveying required for conversion to Crown Granted status, and all costs advanced to 2006 levels, the amounts offered by the Ministry are below this threshold value.

### **RESIDUAL RIGHTS**

As the valuation must take into account a monetization of any back-in rights, Net Profits Interests or Net Smelter Royalties that have been taken in the expropriation, a prudent valuator would normally set this amount at much greater than \$3,000 or \$5,000.

### **EXPLORATION POTENTIAL**

SWRPA states: "Scott Wilson RPA considers that **no further work is warranted on the Property**". This comment is gratuitous and outside the scope of the valuation. This statement appears to rationalize the omission of examination and review of past exploration expenditures for Many other geologists and engineers who have examined the property in the field are not in agreement.

Historically RP or SWRPA have been involved in major properties for major clients; their experience does not lie in exploration properties.

The BC Geological Survey personnel familiar with the area document the possibility of porphyry copper deposits in the area. Information concerning the exploration potential of the area compiled by BCMEMPR personnel also document the high exploration for the area. In the previous geological section of this report, the author has set out the perceived exploration potential of the subject claims.

### **MINERAL POTENTIAL**

Other authors of Geological Reports for the property have provided considerable discussion on the exploration for the property. McIntyre states (1995): "The Skeena-Nass area is one of the most richly endowed parts of the province for mineral resources with 1954 mineral occurrences recorded in the MINFILE database for this area. This represents approximately :20% of the total number of occurrences in the province".

In his comprehensive study of Mineral Potential of the Northern Coast Belt, Khutze River Area, British Columbia (103H) R.H. Pinsent (1999) stated:

***“The style and composition of the mineralization at the Hunter and Western Copper occurrences suggest that they are probably related to high-level, Tertiary intrusions. If they are, the geology of the Khutze River area would appear to indicate considerable potential for additional quartz vein-hosted gold deposits and possibly also for porphyry copper-style deposits”***

Mineral potential maps have been shown in the previous Part 1 of this report. The subject claims lie within one of the highest categories of Mineral Potential”

## METAL PRICES

At the date of the deemed expropriation, 2006, metal prices for gold, silver and copper were relatively high, compared to previous years, and have increased substantially beyond 2006. There was a demand for good quality gold-copper-silver properties: Metal price charts are provided on the following pages.

***Ironically, had the expropriation been completed earlier, during the time when the protection of the area was certain, the implied value of the property would have been considerably lower. However, between 2002 and 2006, the claim holders were prohibited from any exploration or development work.***

Gold silver, and copper prices were much higher in 2006 compared to previous years. This resulted in an upsurge in exploration for new sources of copper and gold. In the years from 2006 to the present 2014, metal prices have again increased.

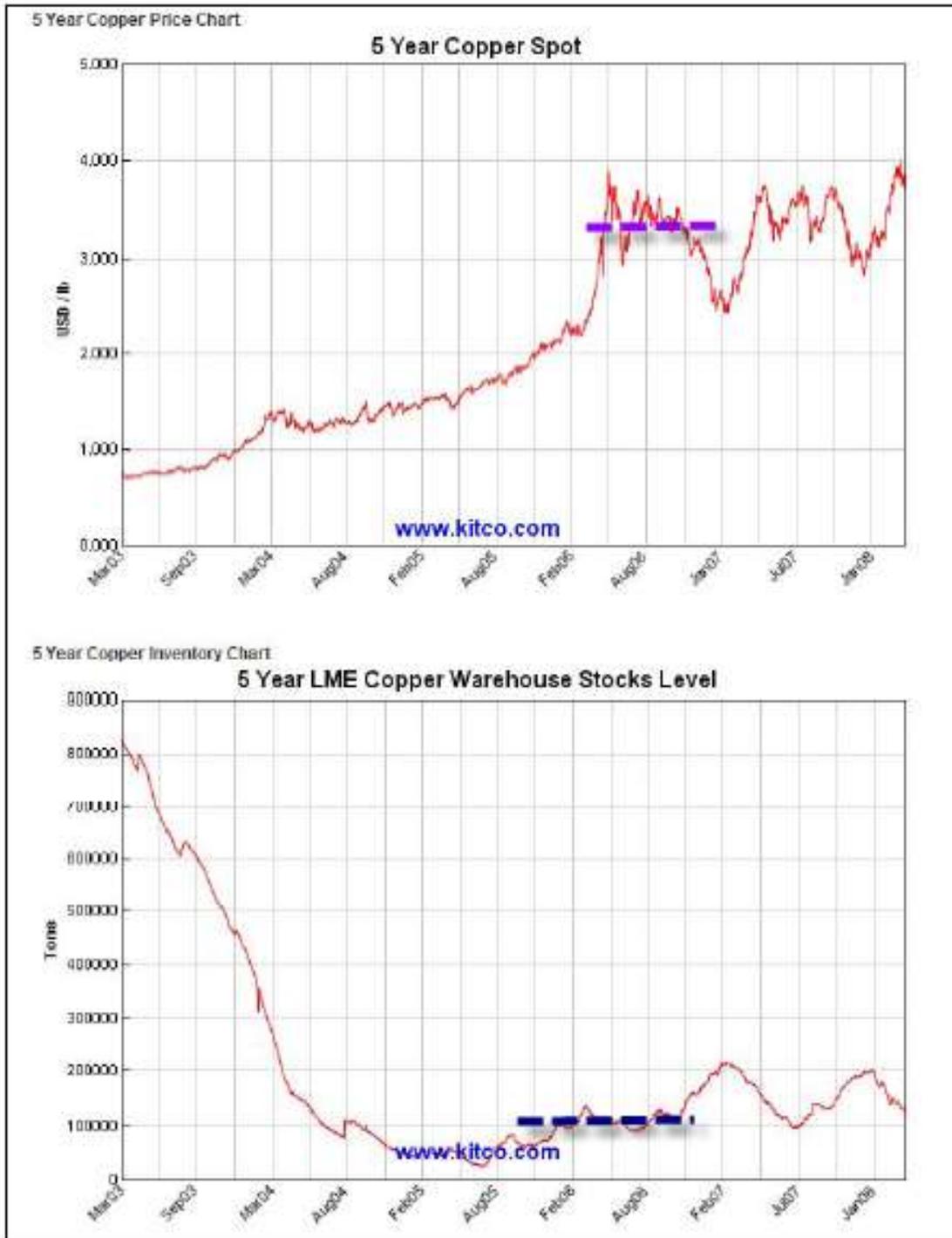
### GOLD PRICES



SILVER PRICES



COPPER PRICES



Factors considered in the estimation for fair Market Value under expropriation, for the subject claims, will include the following factors:

## 1. ORIGINAL PURCHASE OF INFORMATION

Exhibit 3, a report by William Shannon notes that the First Nations discoverer was paid \$150, in or about 1905 an amount that would now be valued at \$3,400.00. This was not for the physical property, which was unstaked at that time, but rather for the knowledge held by the discoverer.

## 2. ORIGINAL AGREEMENT

Exhibit 1 of the Fact Picture provides the terms of the original sale of the original claims from CW Meldrum to Alexander McLeod for \$15,000 for 30% of the total equity (Notes on the face of the document state "Received cheques Dec 1 1906". It must be assumed, since the property was subsequently optioned to Shannon and Martin about 1909, that the original purchase by MacLeod was in fact completed.

This agreement values the claims at \$15,000 x 100/30 or \$50,000.00. In terms of 2001 and 2006 dollars this would be (using the CPI indicator chart)  $\$50,000 / .051 = \$980,000$  (rounded) x 1.138 = \$1.11 million.

## 3. PAYMENT OF TAXES

The Western Copper claim was crown granted in 1908 and the Bear in 1911. From 1905 to the award of Crown Grant status, regular assessment work would have been done on the subject claims. From 1908 and 1911 respectively, taxes would have been paid by the owners every year. That the taxes were in fact paid is evidenced by the retained Crown Grant status to 2006, when expropriation took place.

Tables Showing yearly taxes and totals estimated to be paid to date for the whole property are tabulated in an Appendix. Taxes estimated from the date of granting to the 2006 year are estimated at about \$10,000, with the amount for the Western Copper and Bear at about \$1370

However the absolute amount of taxes paid is only in the dollar amounts per year. If we were to factor the amounts by standard CPI factors, advancing them to 2006\$ the following amounts result

### *TABLE OF TAXES PAID IN 2006\$ (CPI FACTOR)*

Western Copper/Bear CG's and Whole Property

YEARS	WESTERN COPPER	BEAR	TOTALS	WHOLE PROPERTY
1908-1945	\$ 411.47	\$ 4,592.16	\$ 5,003.63	\$ 39,277.44
1945-1966	\$ 121.46	\$ 1,538.45	\$ 1,659.91	\$ 12,403.00
<b>1966-2006</b>	<b>\$ 132.44</b>	<b>\$ 1,968.19</b>	<b>\$ 2,100.63</b>	<b>\$ 16,015.16</b>

1908-2006	\$ 665.37	\$ 8,098.80	\$ 8,764.17	\$ 67,695.61

The amount of taxes paid in 2006 \$ is estimated at \$68,000 (rounded).

Moreover, the family, who have reasonably expected some gain in value of the 60+ years of tenure, from 1945-2006, should not expect only to break even on their investment. At a compounded rate of 1% 5% or 10 %, whatever might be considered appropriate for the time period, the amounts represented by taxes paid over time would amount to a more substantial sum. This aspect of the valuation has been ignored by the SWRPA valuers.

We know that the investment made in the Western Copper property was made as a financial investment, and it is clear that Maisie Armytage-Moore Hurley invested in other mining projects in the Portland Canal area for \$40,000, as documented by the option in Exhibit 29, (also 1945).

**For the Western and Bear Crown Grants only , the total investment (taxes= principal) plus interest from 1908 to 2006 at 1% would be \$18,000 and at 5% would be \$55,000. For the period 1945-2006 only, the amounts would be \$12,000 and \$45,000 respectively**

**Had the taxes spent on Western Copper (the whole property been invested at 1% interest, the principal and interest from 1908 to 2006 would be approximately \$110,000. At 5% compounding interest, the sum would be approximately \$280,000.**

**Both property owners appear to have maintained taxes beyond the expropriation date of July 2006.**

#### 4. APPRAISED VALUE

##### Modified Appraisal or Appraised Value Method

The "Modified Appraisal Method" is another name for Glanville's "Past Expenditures and Budget" (Future expenditures are often allowed in the appraisal. Allowances for future expenditures have in the past been used by Roscoe Postle Associates. (Duck-Shuttle Opinion of Value 2002).

The nature of the method and relevant calculations have been discussed by Roscoe, Parrish, Kilburn and other valuers, to which the reader is referred (References are provided in the Bibliography)

The basic assumption of the Appraised Value Method (From Roscoe) is that an exploration property is worth the meaningful past exploration expenditures plus warranted future costs. Generally, only those past expenditures which are considered reasonable and productive are retained as value. Productive means that the results of the work give sufficient encouragement to warrant further work by identifying potential for the existence and discovery of an economic mineral deposit. Past expenditures are usually analyzed on an annual basis, using technical expertise to assess which expenditures to retain and which to reject in terms of identifying remaining exploration potential. In times of high inflation, past expenditures are escalated to the effective date of valuation or current unit costs are applied to the work retained.

Some valuator feel that expenditures more than five or so years prior to the effective valuation date are not relevant, but the writer does not agree with this concept, particularly where the work was done in a professional manner and where the expenditures produced significant results or encouraged others to proceed with exploration.

The following exploration and development expenditures have been estimated from the exploration reports listed in the "Fact Picture" for the Western Copper property.

The estimate of exploration costs tabled on the following page is probably conservative, as it may not include all work done, including geological mapping and supervision, consulting, travel, option payments, administration etc. Most of the reports do not have any detailed data concerning costs, and financial records of the private companies involved are not available for reference.

Fortunately, a great deal of historical data has been well preserved by the Meldrum family and other owners. The value of this database has not been included in the estimate of costs, but is estimated later in the report.

### *PROPERTY EXPENDITURES 1907-1988*

(Does not include taxes, property visits or geological reports)

COMPANY	DATE	WORK COMPLETED	TOTALS (Estimated) 2006 \$
	1906-07	Prospecting Original claim staking and surveys Estimate \$1000	>\$20,000
Martin and Shannon	1908 - 1910	Commenced first railroad with 1 <sup>st</sup> mile on piles, built wharf, trails, rail completed to 2 miles Camp sites and cabins. Open cuts, tunnels, trenches (cuttings) Surveys Cross-cut tunnel started. Rock sampling and assaying, Maps, Photographs.	>\$2,000,000
Martin and Shannon	1910-14	Trails constructed along ledge, numerous short tunnels completed, Vein exposed for 427 feet, Sampling and assaying.	>\$500,000 in 2006\$
Revenue Mining Co.	1926	New railroad commenced Aerial tram connected A.S. Mc Culloch estimated \$45,000 had been spent to 1926 (1926 \$\$) GSC Summ Rept 1921, p 40A reports "The sum of \$150,000 has been spent in developing the property	\$1,700,000
Detroit Western Mining Co.	1928	Railroad completed 4.5 miles with heavier gauge steel Jig back tram 2 lines to showings One capable of 500 tons/day 2 camps for 100 men, sawmill, railway engines plus ore cars. Mining equipment, 700 ft. inclined shaft 2 compartment from 2200 ft. level, 2 ore shipments made 165 tons, 2 blacksmith shops complete, 4 cross cut adits totalling 1800 ft. McCulloch estimated an additional \$400,000 spent	>5 Million in 2006 \$
Detroit Western	1929	Power Plant installed Larger ore shipment to Anyox	Not known and not estimated

Western Copper Venture	1931-37	Shaft de-watered 162 ft. drifting completed to surface	\$100,000 est.
	1937	Railroad and equipment removed for salvage 5 miles 65 lb railroad steel, diesel electric plant and air compressors, electric motors, assay office	>\$50,000 est.
	1966	Khutze Mines Ltd. completed 3-4 miles of truck road	\$100,000 est.
Freemont Gold Corp. JV	1987-88	Mobilization, Camp costs, Helicopter, Geology, Underground rehabilitation, Geology, Sampling, as documented in Assessment Report 18343 Exhibit 74	\$209,400
Freemont Gold Corp. JV	1988	<b>Including diamond drilling Documented in Financial Statement Exhibit Supersedes amount noted in row above.</b>	<b>\$587,609</b>
	1994	Property Inspection by Alex Burton P.Eng.	Not known
		<b>TOTAL ESTIMATED IN 2006 DOLLARS</b>	<b>estimated &gt;\$6 MILLION</b>

**In terms of dollars expended in past work, the amount in 2006\$ has to be in excess of \$6,000,000. (Consider the cost of railroads, trams, camp construction, geological work, sampling, mining, shipping, food and lodging, transportation and most importantly about 2000 feet of underground shafts and tunnels). Were only 10% of this work to be determined as of value, this would still place the appraised value at \$600,000.**

The 1988 program completed by the Freemont Joint Venture alone was valued at close to \$600,000, or, advanced to 2006 costs, \$1,000,000. This was good professional work including refurbishment of the tunnels, sampling surveying and diamond drilling and in the writer's estimation, the work is valid and relevant.

#### **FURTHER AMOUNTS EXPENDED**

It is clear from Exhibits 80-97 that additional efforts were made by Meldrum, Freemont (Ben Ouellette), Marum, Alcove and others to sustain the option scheme and advance the property. There is no record of expenses by any party beyond the 1988 exploration program. An additional property inspection was funded however for Alex Burton in 1994.

**To gain an appreciation of the amount of physical effort and money expended on the property, one must read the historical accounts in detail, particularly the history prepared by J.M. Meldrum (Exhibit 128).**

Because of inexact knowledge, it is not possible to place an exact total amount expended on the property as a whole, from 1910 to the present. However, using CPI information, the various expenditures could be estimated in 2006 dollars at in excess of \$5,000,000.00. (The expropriation was in 2006).

**COMMENTS ON APPRAISED VALUE**

SWRPA/RPA have staunchly refused to contemplate appraised value for the subject properties, in general discordance with their own valuation philosophy. Roscoe (1999) set out the following guidelines:

<b>Retained Portion of Past Expenditures</b>	<b>Guidelines</b>
75%	Property with resources but no work done for some years. Some future work is warranted. Usually a property with marginal resources and potential for more but not quite exciting enough to attract exploration expenditures easily. May be at the underground exploration stage.
50%	Property with subeconomic resources, but may have some potential in future, conditional on commodity prices, infrastructure, improved technology, economic conditions, etc. No work recommended at time of valuation. Could be a property with potential for a commodity with a low price or low demand at the time of valuation.
25%	Inactive property with subeconomic resources with very little hope for development, but cannot write them off completely. The resources represent in situ mineral inventory with only a long shot at eventual development. No work recommended.
0-10%	Inactive property with no resources and negligible or very little exploration potential. Could be a property with all of the geophysical targets tested that will be dropped when assessment credits run out.
Nominal value of \$5,000 to \$10,000	Inactive property with indeterminate but low or negligible exploration potential. Could be a property with little or no data available but in a geologically uninteresting area.

Under these guidelines, with an inactive property and sub-economic resources, but with perceived exploration potential noted by many experienced and qualified geologists and engineers (outlined elsewhere in this report) retained expenditures would be above the nominal value and at least 10 % and as high as 50%.

**SWRPA have apparently discounted completely any expenditures on the property, at least to the point of the draft preliminary valuation. A brief and incomplete table of work programs was included in the Nov 2008 report but the authors neglected to list any expenditures. Often, SWRPA or RPA have stated that in properties of minimal value, 10% to 25% of past expenditures can be retained but for the subject properties this has been neglected.**

**If the present author were to discount all past expenditures to 10% of estimated costs (in 2006 dollars) the appraised value is estimated at \$600,000 for the entire property. This is comparable to the last and best-documented expenditures in 1988 by Freemont Gold and partners. (\$587,000 in 1988 \$ would actually be almost exactly \$1,000.00 in 2006 \$).**

## 5. PAST OPTIONS

The following table lists the option proposals advanced for the property over the past 100 years

### *OPTION ARRANGEMENTS*

COMPANY	DATE	OPTION	TOTALS
Original Prospectors	1905	Paid \$150 to a First Nations Man.	\$150
British Mining Co.	1906-07	The company made an initial payment of \$10,000 in 1906 and completed the option in 1907 with a payment of \$50,000	\$60,000
E.W.Scully	1925	Option by E. W. Scully and Khutze Mines Ltd.	unknown
Revenue Mining Company	1926	Optioned by A.S. McCulloch for Revenue Mining	\$1,250,000
Detroit Western Mining	1927	Optioned or assigned to Detroit Western	\$1,500,000
Western Copper Ventures	1931	Property acquired by Revenue Consolidated Mines through a complicated option involving shares and Net Smelter Returns.	\$300,000
McCulloch and Whitney Ltd.	1934	Acquired by A. S. McCulloch by "bond purchase" (option). The option was then assigned to C.C. Bush, of Detroit Michigan for an amount payable over 5 years or from production.	\$1,250,000
Maisie Hurley	1945	Acquired 6 claims from either A.S. McCulloch or from a Tax sale. Possibly \$500 for the smaller crown grant.	
Alexander Stuart MacCulloch	1955	Unsigned Option agreement for 6 CG's dated 14 <sup>th</sup> December 1955.	
Alexander Stuart MacCulloch	1957	Agreement that all AS MacCulloch rights are forfeited.	
Edward Allen	1960	Option signed with Maisie Hurley for 6 CG's for a series of payments totalling \$88,000 between 1960-66 and balance payable July 1 1966 or 10% NSR, whichever is greater.	\$250,000
Don Reid	1961	Proposed option payments 1961-67 plus 10% NSR.	\$500,000
Khutze Mines Ltd.	1967	Option involved work to the extent of \$225,000 over 5 years. Some of this work was done.	
Commercial Oil and Gas	1967	Advanced \$30,000 to Khutze Mines and secured an option for 25% interest for \$120,000	
Khutze Mines Ltd. (NPL)	1973	Option Deed for transfers title back to 6 CG's to Kathleen Bell	
Haslam and Murray	1984	Correspondence with the claim holders from Meldrum re a possible option with John Haslam and Gordon Murray. Payments of \$7500 down and yearly payments of \$15,000 or 3% Net Smelter return.	\$450,000
Freemont Gold Corporation, (50%)	1988	Signed option for 13 Crown Grants. Paid \$25,000 down. \$50,000 per year thereafter or 10% NSR whichever is greater.	\$1,500,000

Alcove Gold Corporation, (25%) Maret Resources Ltd. (25%)		Payments distributed 50% to Meldrum Gp., 10% to Donovan heirs and 40% to estate of Miriam Hill, Shirley Murphy and Kathleen Bell. Maret Resources rights assigned to Marum Resources Inc.	
Freemont/Alcove/Maret	1993	Option renegotiated from 1988, with pmts of \$10,000 in 1994 and \$25,000 in 1995, and \$50,000 per year thereafter plus 10% NSR. Option signed by Meldrum and Kathleen Bell but not by others. Option included 13 crown grants. Followed by JV Agreement.	\$85,000 +

Notes on Purchases and Options re given below. Many of the options which were never completed are not discussed.

### ORIGINAL PROSPECTOR AGREEMENT

The amount paid to the unknown prospector is said to have been \$150.00 in 1905. Adjusted by the CPI, this amount would be \$1,855 (see CPI table in Appendix). **This amount does not represent the value of the property but only the information obtained which led to the discovery.**

### ORIGINAL MELDRUM/MACLEOD OPTION

The original Meldrum Option is reproduced in an Appendix. It was dated June 24, 1905 and provided for payment of \$15,000 by Alexander Stuart MacLeod for 30% interest in 13 claims including the core claims which are subject of this valuation. (Note that some of the claims appear to have been renamed)

The option implies a value (in 1905-06 dollars) of \$50,000 for the entire 13 claims.

It will be noted that the "Bear" claim is missing from this option as are the Anna, Joanna and Ida. As we do not have a map showing the distribution of the 1905 claims, we must be cautious about assigning value. The claims named Famous, Ben D'or, Excelsior, Sunrise and Purita are not on later maps, and it is probably a reasonable assumption that some claims either lapsed and were restaked or were renamed.

**Assuming a very conservative approach and taking only \$20,000 of the original option, the 2006 value of the option payment received in 1906 (for 100% of the property) factored by CPI would be \$20,000/.045 or \$444,000.**

## BRITISH MINING CO.

The British Mining Company apparently made the down payment of \$10,000 in 1907 and Martin and Shannon of Vancouver completed the purchase in 1908 with a payment of \$50,000. (Exhibit 128).

**In terms of 1908 \$, the amount of \$60,000, a large amount for that time. Advanced to 2006\$ would be the purchase amount would be; \$60,000/.046 CPI ,or \$1,300,000.00 dollars (rounded).**

## 1945 PURCHASE

We know that the 6 Crown Grants including Western Copper and Bear were acquired by Maisie Hurley in 1945 and that the Crown Grants were duly transferred to her at that time. The exact details of the purchase are not clear, but one document suggests that \$500 was paid, at least for one grant. This information is insufficient to estimate a present day value. However, it is known that the estate paid taxes on the crown grants from 1945 onward to the time of expropriation

## KHUTZE MINES OPTION 1966-67

The Khutze Mines option is complicated , as Khutze acquired claims from Orville Burkinshaw, who acquired them from the claim owners, Meldrum and associated family and presumably also from Maisie Hurley family. One of the options in exhibit 43 covers a number of claims outside of the core property for \$225,000. Another between Khutze and Martin Donovan Mathers interests and A Lloyd Jordan pertains only to the Empire and North Star for \$75,000. However the Hurly claims are attached as schedule A.

A 1965 signed agreement for eight crown grants (without the Empire or North star) offered \$37,500 cash plus 200,000 shares plus 10% NSR. A separate 1966 agreement refers to the new arrangement for the Hurley claims (for 6 CG's including the Western Copper and Bear) for \$25,000 and 75000 shares of Khutze Mines Ltd. over a period of 5 years.

An agreement in 1967 BETWEEN Khutze Mines Ltd and Kathleen Bell (mother of Moira Movanna) for 6 Crown Grants including Western Copper and Bear, as well as Mineral Lease M98 (Verdure and Harkley CG's) for 110,000 shares plus \$225,000 in work over 5 years.

While it cannot be determined if any of the options were completed, Exhibit 44 indicates that \$2,500 was paid to Mrs. Bell. This is equivalent to over \$15,000 in 2006 dollars.

The property (6 crown grants) was deeded to Khutze (Exhibit 47)

### COMMERCIAL OIL AND GAS OPTION

Under an agreement dated October 17, 1967, Commercial Oil and Gas advanced \$30,000 to Khutze Mines Ltd. for work on the Khutze (Western Copper ) property.

**A 25% interest could be purchased for \$120,000, indicating a value of \$480,000 for the entire property (at 1967 prices and assuming the same conditions applied for the balance of 75%). The value of the advance alone in 2006 dollars would be \$180,000.00**

### FREMONT OPTION 1988

After an inspection of the property in 1987, Freemont Gold Corporation optioned 50% interest in 9 crown grants (including Empire and North Star but excluding the Hurley claims). Total cost would be \$750,000 payable as to \$25,000 per year, and/or a 10% NSR. This implied at \$1.5 million value for the property, if completed and ignoring time. Freemont then farmed out 50% to two other companies for payments of \$12,500 each per year and 50% of exploration costs. Later agreements took in the Hurley claims.

The Freemont agreements are collected in Exhibits 61-67 (1988)

The 1988 agreement was essentially as above. Payments of \$25,000 per year were to be made to the Meldrum-Donovan Interests and the Hurley family: The Anna and Ida claims were initially excluded (Eileen Murphy and Marjorie Nielsen) Later it appeared that the Joanna (Hill family) and Ida were excluded. This appeared to be the start of the split in the family interests, which up to this point had been kept together.

**A distribution of funds was made June 1, 1988<sup>45</sup> which gave the participants \$25,000 less expenses to Meldrum of \$2000. Kathleen Bell received \$3066.67 (In 2006\$ slightly over \$39,000 and \$5200 respectively (rounded). It appears the Hill family (Joanna) and Marjorie Nielsen and Terrence Murphy (Ida) were**

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<sup>45</sup> Exhibit

excluded from payments as they did not participate. This should set the minimum value under this option for the Moira Movanna and William Bell claims.

The value of the initial \$25,000 option payment in 1988, in terms of 2006 dollars, would be \$43,000 (rounded)

In general, where option terms are well defined, some valuers will factor the option payments or exploration expenditures required to arrive at a value. Considering that there is a large number of option schemes advanced for the Western Copper property but few of them persisted for any length of time, beyond the first or second payment, the end price was never realized. Therefore, an exhaustive statistical analysis would not be worthwhile.

## 6. BOOK VALUE

The financial statements of Khutze Mines Ltd. December 31 1967 reflected that mineral claims were valued at \$35,500. (Exhibit 46). In 2006 \$ this would be \$214,000 rounded.

## 7. MARKET BASED VALUATIONS GENERAL PROJECT VALUATION

(from a 2008 valuation report by the author)

A comparative table of average costs for a number of properties (290) in Western Australia is of general interest. (Measuring Exploration Success: An alternate to the discovery-cost-per ounce method of quantifying exploration effectiveness, Deborah Lord, Mike Etheridge, Marcus Wilson, Greg Hall, and Phillip Uttley in Society of Economic Geologists Newsletter Number 45, April 2001). While the amounts used in the table below are Australian Dollars, the amounts are broadly comparable in Canada at present.

GENERAL PROPERTY VALUATIONS				
EXPLORATION STAGE	NO. OF PROSPECTS	EXPENDITURE AUS\$	AV. COST/PROSPECT	PROBABILITY OF ADVANCING
Generative	290	\$2.7M	\$10K	
Reconnaissance	156	\$11.4M	\$70K	0.54: 1 in 2
Systematic Drill Testing	26	\$6.0M	\$230K	0.17: 1 in 6
Resource Delineation	15	\$6.9M	\$460K	0.58: 1 in 2
Feasibility	13	\$27.6M	\$2.1M	0.87: 5 of 6
Mine	12			0.90: 9 of 10

In the above table, Western Copper in would be positioned between “Reconnaissance” and “Systematic Drill Testing”, and the range of values, if taken in Can\$ would be roughly the same. (At the time of the valuation, 1 Can\$ = 1.026 Aus.\$).

A simple valuation based on this scheme would place the value of Western Copper (whole) property between \$70,000 and \$230,000.

## 8. GOLD TRANSACTIONS ANALYSIS

Companies such as **Metals Economic Group** offers a database of gold property transactions throughout the world. Five comparative searches are available within the transaction profiles:

- Transactions by price paid as a percentage of in-situ value
- Transactions by price paid per oz of gold equivalent acquired
- Purchases by acquisition price
- Transactions by region
- Primary gold transactions by development stage

**These services are used by major mining companies to compare gold transactions for the purposes of evaluating acquisitions. US Dollar per Ounce**

A commonly used valuation methodology in the gold industry is the US Dollar per ounce (US\$/oz) method. Mining companies are valued on a 'per ounce' basis for geologically and geographically diverse mining assets and operations. The in situ gold content of a property is estimated from exploration results or interpolated information from adjacent properties and a US\$/oz value is attributed to that property. The US\$/oz figure is usually based on recently concluded transactions in that country or on country-specific valuation matrices.

In the past, the author has compiled similar tables of gold property acquisitions. For example, for the preparation of the Opinion of Value for the Cerro Quema property in Panama, a comparative table of gold transactions from 2004-2007 was prepared, as shown below.

### GOLD PROPERTY TRANSACTIONS

EXAMPLE	PROPERTY	PURCHASER	OUNCES	COST	COST/OZ	GIV \$	% GIV
						All in US\$	
1	El Sauzal Mex	Glamis	2,500,000	120,000,000	\$ 48.00	1,062,500,000	11.29%
2	Nukay/Los Filos	Wheaton River	4,200,000	87,000,000	\$ 20.71	1,785,000,000	4.87%
3	Paracatu	Kinross	4,000,000	260,000,000	\$ 65.00	1,700,000,000	15.29%
4	Porgera	DRD	3,840,000	73,800,000	\$ 19.22	1,632,000,000	4.52%
5	Teberebie Ghana	Ashanti	1,600,000	18,800,000	\$ 11.75	680,000,000	2.76%
6	Tonkin Springs	BacTech	1,400,000	13,750,000	\$ 9.82	595,000,000	2.31%
7	Perama, Greece	Frontier Pacific	1,360,000	12,000,000	\$ 8.82	578,000,000	2.08%
8	Peak Mine Aus.	Wheaton River	1,193,000	33,900,000	\$ 28.42	507,025,000	6.69%
9	Yatela Ghana	SADEX	922,410	7,500,000	\$ 8.13	392,024,096	1.91%
10	Mesquite	Western Goldfields	903,000	21,000,000	\$ 23.26	383,775,000	5.47%
11	Jerritt Canyon	Queenstake	629,076	19,500,000	\$ 31.00	267,357,430	7.29%
12	Magistral	Nevada Pacific	614,169	9,000,000	\$ 14.65	261,021,687	3.45%
13	La Pepa	Meridian	562,249	15,000,000	\$ 26.68	238,955,823	6.28%
14	Gidgee Gold Aus.	Legend Mng	515,000	5,200,000	\$ 10.10	218,875,000	2.38%
15	Ovacik, Turkey	Koza Davetiye	502,000	20,000,000	\$ 39.84	213,350,000	9.37%
16	Black Fox Mine	Apollo Gold	457,000	2,028,000	\$ 4.44	194,225,000	1.04%
17	Higginsville Aus./	Avoca	445,000	3,600,000	\$ 8.09	189,125,000	1.90%
18	Mineral Ridge Nev	Golden Phoenix	209,226	225,000	\$ 1.08	88,921,050	0.25%
19	Higginsville ext	Avoca	150,000	1,400,000	\$ 9.33	63,750,000	2.20%
20	Eureka	Sherlock Bay Ni	64,200	252,000	\$ 7.85	13,642,500	1.85%
B.J.Price Geological 2005				Avg.	\$ 19.81		4.66%
				Geo Mean	\$ 14.08		3.31%

All values US\$, not modified for Royalties, etc. But factored for equity

The table shows that for large, late stage development gold projects, purchasers will pay from US\$ 20-\$65 per ounce of gold in situ, or in terms of Percentage of the Gross In-Situ Value (GIV) , from about 5-15% of the GIV.

**For smaller, early stage properties, amounts paid may vary from \$1-10 per ounce in the ground or from 0.25% to 2.0 % of GIV. The geometric mean of all transactions tabled was \$14 per ounce or 3.3% of GIV.**

A more recent compilation is given on the following page:

**COMPARISON OF GOLD PROPERTY TRANSACTIONS**  
**GOLD AT US \$900 PER OUNCE**

EXAMPLE	PROPERTY	VENDOR	PURCHASER	OUNCES	equity	COST	COST/OZ	GIV \$	% GIV
1	Jerome Mine Ont	Coldrock Young-	Augen Gold	107,600	100%	2,750,000	\$ 25.56	96,840,000	2.84%
2	Chester gold	Shannon	Private Co.	194,588	100%	2,000,000	\$ 10.28	175,129,200	1.14%
3	Burton gold mine	2103370 Ont.	Avenue Financial Pencari Mining	21,693	100%	500,000	\$ 23.05	19,523,322	2.56%
4	Pani property Indonesia	Unknown	Corp	527,868	10%	1,000,000	\$ 18.94	475,081,200	2.10%
5	Ramp property PQ	Globex	Vedron	190,000	100%	4,500,000	\$ 23.68	171,000,000	2.63%
6	Rousseau PQ	Globex	Gold Bullion Dev	13,464	100%	200,000	\$ 14.85	12,117,600	1.65%
7	Cerro Quema	Glencairn Ashanti	Bellhaven	449,280	100%	10,400,000	\$ 23.15	404,352,000	2.57%
8	Youga Gold mine	Goldfields	Etruscan Res.	565,500	90%	6,500,000	\$ 12.77	508,950,000	1.42%
9	Eastmain mine	MSV Res	Eastmain Res.	256,000	100%	6,250,000	\$ 24.41	230,400,000	2.71%
10	Higginsville	Goldfields	Avoca	445,000	100%	6,250,000	\$ 14.04	400,500,000	1.56%
11	Gidgee Gold Mine	Harmony Gold	Legend Mining	515,000	100%	5,250,000	\$ 10.19	463,500,000	1.13%
B.J.Price Geological 2008						<b>Avg</b>	<b>\$ 17.41</b>		<b>2.03%</b>
All values US\$, not modified for Royalties, etc. But factored for equity						<b>Geo Mean</b>	<b>\$ 16.23</b>		<b>1.95%</b>

For the Western Copper property as a whole, the estimate of value based on this method (which is not favoured by the regulatory bodies but which is in widespread use in the industry, by small and large companies, and which is relevant to this valuation is shown below:

As noted previously, the resource estimates by others are tabled below:

YEAR	AUTHOR	COMPANY	RESOURCE	SOURCE	GRADE AU	GRADE AG	GRADE CU
			tons		oz/ton	oz/ton	%
1909	Campbell-Johnston	British Mng Co.	1,166,000	EXHIBIT 2 PAGE 21	1.75	3.75	9
1927	Ward B. Smith	Detroit Western	1,350,000	Exhibit 12	0.50	6.0	4.0
1959	A.S. MacCulloch		10,000	Exhibit 36			
1966	D. Malcolm P.Eng.	Khutze Mines Ltd.	2,680	Exhibit 41,42	1.46	7.4	8
1966	R.Phendler* Based on Malcolm	Rebel Development Ltd	2,480	Exhibit 49	1.18	8.05	8.7

The larger estimates are speculative, but are based on the measured length of mineralized exposures, the average width, the depth along the shear/fault plane as exposed in the canyon, and an estimate of the specific gravity or "tonnage factor", so they are not totally without reasonability or relevance.

An estimate of value based on the Gross Metal Value of the resource above, at 2006 metal prices of \$625/oz gold, ignoring the other metal commodities.

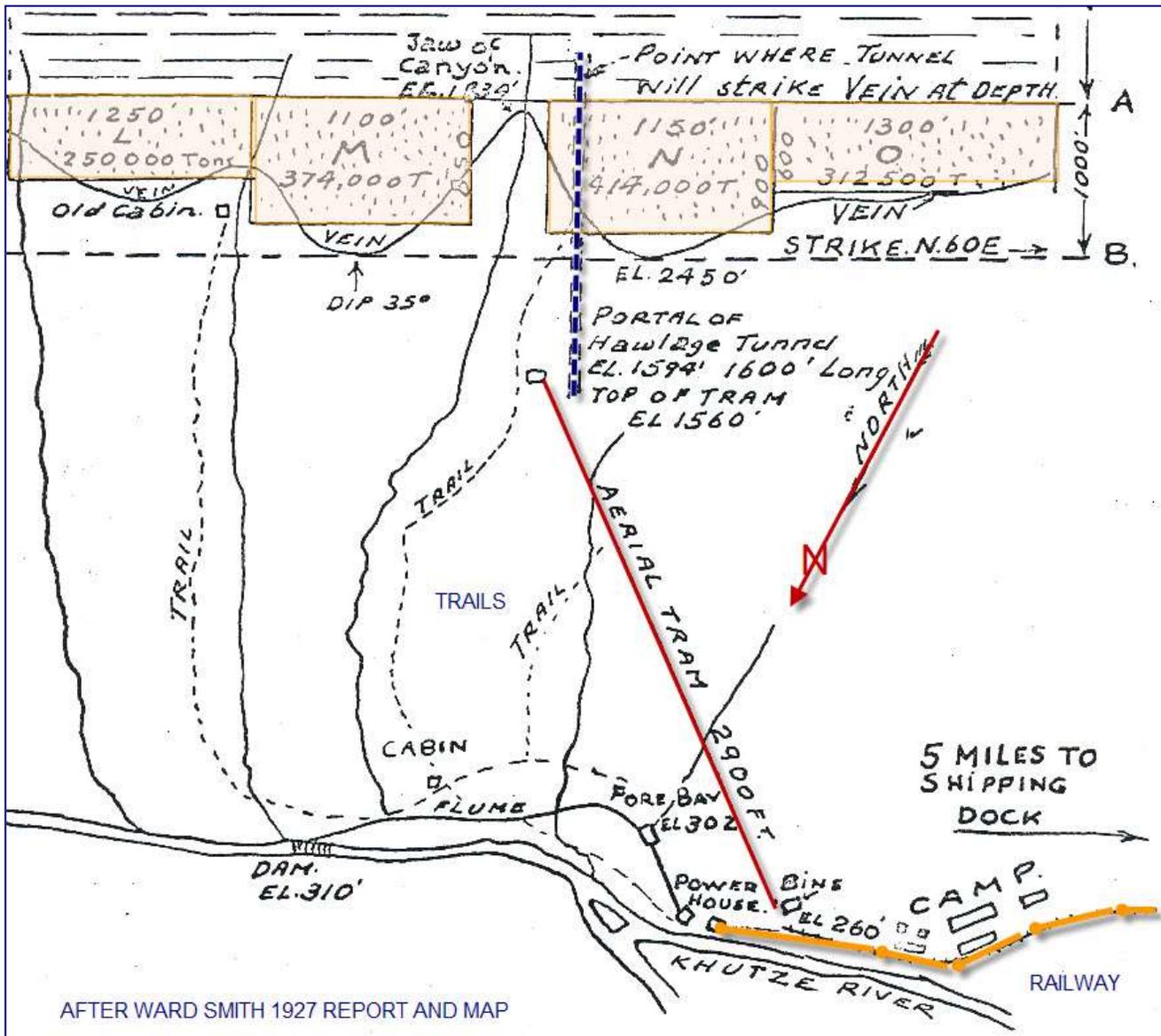
These values are generally factored by some percentage representing the likelihood of development.

**In this case, considering the lack of definition of the resource, a factor of 1% of gross in situ value for the smaller resource in 2006 dollars would be: 2,500 tons (rounded) x 1.3 oz/ton (averaged) = 3250 ounces x \$625/oz x 1% = \$200,000 (rounded). Adding a value for copper and silver might increase this value to \$300,000**

This method is used solely as a check on other methods which are given more credibility in this report.

### SKETCH OF RESOURCE AT WESTERN COPPER

(Ward Smith 1927)



## 9. COMPARABLE TRANSACTIONS:

### SWRPA themselves state:

*“ The comparable transaction method uses the transaction price of comparable properties to establish a value for the subject property. The difficulty of this approach in the mining industry is that there are no true comparables (unlike real estate or oil and gas), since each property is unique with respect to key factors such as geology, mineralization, costs, stage of exploration, and infrastructure. In addition, there are relatively few transactions for mineral properties compared to the frequency of real estate transaction in general. When transactions do occur they rarely involve strictly cash, leaving the valuator the task of converting blocks of shares, royalties or option terms into present day money equivalent.*

*The Appraised Value Method uses a cost approach to value mineral properties at the exploration stage, and in many cases, marginal development properties. Wherever possible, it should be used in conjunction with other valuation methods for confirmation.*

In the present valuator's opinion, the examples selected by SWRPA/RPA are not representative, and the method is not generally accepted by regulatory bodies.

None of the examples are on the BC coast, and the SWRPA comparison is thought by the present valuator to be worthless and biased against the claim owners.

*More comparable properties in the project area might be*

Surf Inlet Pugsley (Left out of a similar conservancy for fear of high compensation that might be exacted)

- Edye Pass
- Surf Point
- Porcher Island
- Hunter (also within the Khutze Conservancy)
- Drumlummon (copper gold)
- Banks Island gold property
- Jedway (South Moresby Protected area) Note (claims are still active and status of the park is uncertain

Many other worthwhile prospects in the general area) for example Lily (ikeda) which is also within a park but which has not as yet been expropriated

The author has examined a number of properties that are more comparative than those selected by SWRPA.

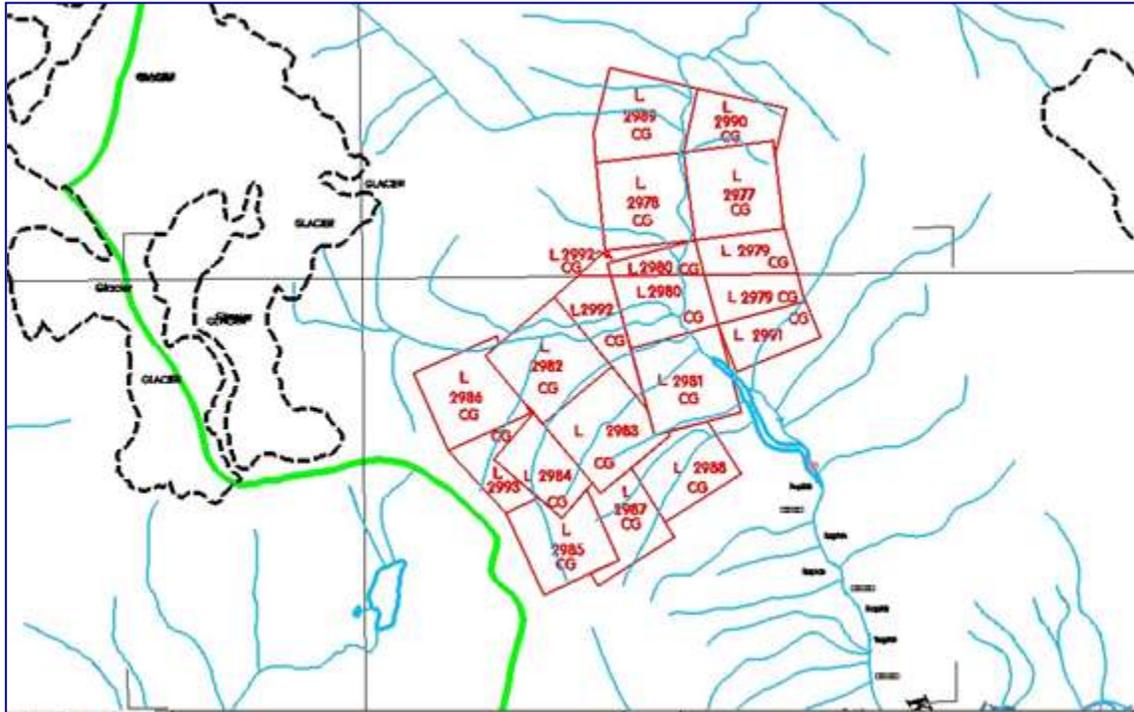
### 1. Hunter Property

The obvious property for comparative transactions would be the nearby Hunter property on the north branch of Khutze River. The property has been held by the Meldrum family for many years, and has been optioned a number of times.

Exploration expenditures (Map Place) are shown by ARIS at between \$100,000 and \$1 Million.

The Hunter claim group comprises seventeen crown grants and four, twenty-unit mineral claims totaling 97 mineral claim units. The seventeen crown grants are owned by Mr. R.D. Meldrum.

#### SKETCH OF HUNTER PROPERTY CROWN GRANTS



They were held 1983-84 under option by Arnhem Resources Inc.

In 1930, the Hunter Property was owned by C.W. Meldrum and Associates of Vancouver, B.C. During the 1930's, work by the Meldrum group included cutting trails to the Hunter claims from Khutze Inlet and trenching of the veins. In 1933, three tons of ore were shipped which yielded a recoverable grade of 9.29 oz/ton Au, 4.02 oz/ton Ag and 1.37% Cu.

During 1939, while the property was under option to P.W. Racey of Seattle, An inclined shaft (-55') was sunk on the River Vein to a depth of 46.9 m. Drifts were driven north and south along the vein from the bottom of the shaft for a total of 56.6 m.

The 1984 exploration program on Arnhem's Hunter Property was financed mostly by Du-well Resources Ltd. Du-well and Arnhem had an option agreement whereby Du-well could earn a 49% interest in the Hunter Property by contributing \$410,000.00 in a series of payments to Arnhem's 1984 exploration program. Du-Well did not complete the option and turned the property back to Meldrum in late 1984.

By 1941, work on the Main Vein was underway. An adit, at elevation of about 710 m A.S.L. , was driven 144 m along the vein before a shortage of explosives due to the war curtailed work. No additional underground development has been undertaken to date on either vein.

In 1980, the River Vein shaft was fitted with new ladders by Derry, Michener and Booth Inc. and both the Main Vein and the River Vein workings were sampled. Work on the Hunter Property was resumed in 1983 by Arnhem Resources Inc. It comprised a comprehensive and very professional program of geological mapping, vein sampling, line-cutting, and silt and soil surveys (T.C.Scott,1984A)

Assessment applied to the claims has been as follows:

YEAR	REPORT	DESCRIPTION	AMOUNT
1984	13398A	TC Scott Arnhem Res. Phase 1 Surface work only	\$22,057
		Phase 2 2400 ft. BQ Drilling	0
		Phase 3 3280 ft. BQ drilling	\$208,192
1983	11937	Surface surveying, Underground sampling	\$50,668
		<b>TOTALS</b>	<b>\$280,917.00</b>
		<b>In 2006 dollars</b>	<b>\$545,000.000</b>

Note that for many years, only crown grants existed, and the yearly assessment was not required, only taxes. Thus the assessment record is not indicative of the totality of work on the property.

**The Hunter has a small resource estimated by Arnhem Resources Inc. of 94,000 tons averaging 12 grams/tonne gold (Minfile and Exhibit 103). This is equivalent to 36,000 ounces in-situ with a Gross Metal Value in excess of \$22.5 million (2006 price of \$625/oz gold).**

## VALUATION OF THE HUNTER PROPERTY

On the basis of the Modified Appraisal method, most prudent valuator would recognize the quality and value of the 1983-84 work and, with past underground workings etc. assign a value in excess of \$300,000.

By the past option to Du\_Well, the value of 49% was \$410,000, giving a valuation of \$820,000 for the 100% interest. As the option was not completed, the value should be dropped back to the value of the work done, which conceivably was to the potential benefit of Du-Well, or at least \$280,000.

On the basis of the resource outlined (historical though it is), a value of some percentage of the Gross Metal Value is often used in gold transactions. A general valuation of 3-4% of Gross In-Situ Value would be 3% x \$22.5 million of \$660,000 to 4% x \$22.5 million or \$900,000.

This gives a range of values for the Hunter Crown Grants, (aside from any land value) of from \$280,000 to \$900,000

## 2. Surf Inlet-Pugsley Gold property (From Rupert Resources website)

Rupert Resources Ltd. owns a 100% interest in the *Surf Inlet Project*, one of northern British Columbia's largest past producing, lode-type gold mines. The total recorded production from two neighboring mines, the Surf and Pugsley Mines, is 1,091,131 tons at an average grade of 13.5 grams gold per ton (0.425 oz/ton).

### Surf & Pugsley Mines Combined Historical Metal Production

Commodity	Amount
Gold	463,731 ounces
Silver	201,207 ounces
Copper	6,248,853 pounds

The mines were in operation mainly from 1917 to 1926 and at reduced levels from 1935 to 1942. Metallurgy of the ores is simple and recovery involved standard floatation techniques and shipment of gold-sulphide concentrates to a smelter.

The former mines are situated on opposite sides of a U-shaped valley. Of the two mines, Surf produced the majority of gold ore, 921,245 tons or approximately 84%. Gold ore in the Surf mine is located structurally complex mineralized zones, which are localized along a regional six-kilometer long north trending fault system.

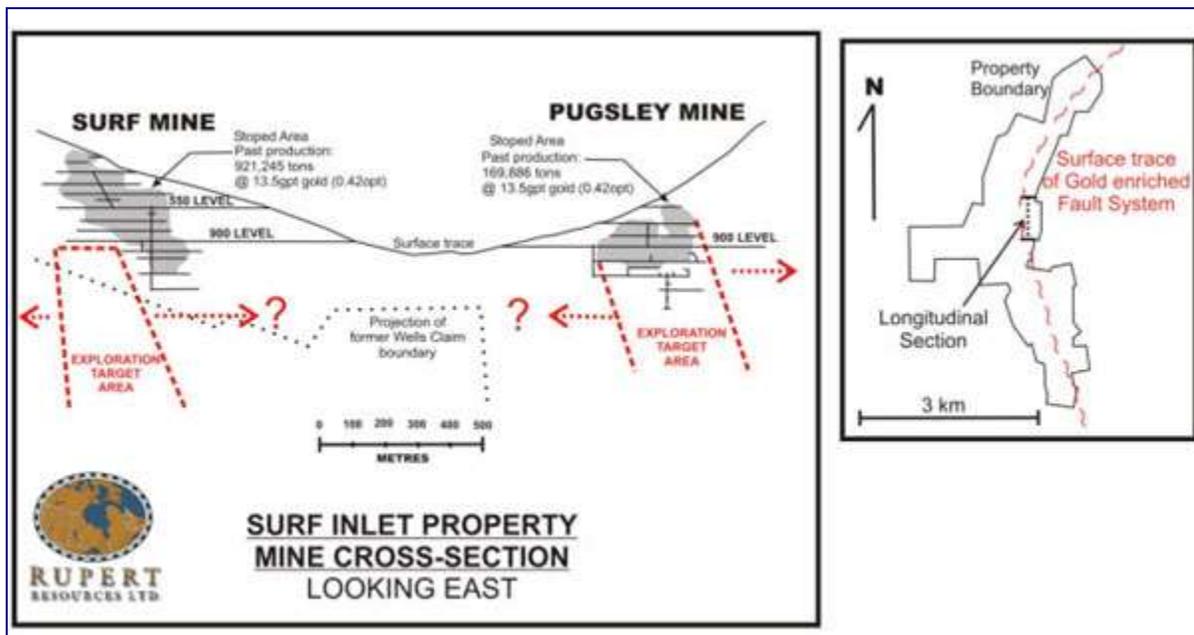
The Pugsley mine is situated within the same extensive fault structure approximately one kilometer to the south of the Surf mine, where the mineralized zones consist of parallel, west dipping, quartz and sulphide veins. In addition to these two former gold mines, there exists a number of under-explored surface occurrences of vein-hosted gold mineralization, that have been identified along the property's 6 km long north-south trending fault structure that controls the gold mineralization.

In 1993, Rupert Resources Ltd. acquired the Surf Inlet property and commissioned an independent re-evaluation of the property's historical and technical data.

Between 1995 and 1997 Rupert Resources Ltd., via joint venture partners, completed the rehabilitation of the 900 level of the Surf Mine, drove a 75 meter drill access crosscut tunnel onto the former Wells Claims and

completed approximately 500 meters of underground drilling designed to determine if mineralization extends onto the former Wells Claims. A total of three holes were drilled, all of which encountered gold mineralization.

### SKETCH OF SURF INLET – PUGSLEY PROPERTY



The Company held a 100% interest in the mineral claims, and a Technical Report was prepared and filed on SEDAR.

**On June 18, 2001, the Company sold four lots in its Surf Inlet Property and assigned its foreshore lease of the property to T.P. Log Salvage Ltd., for total consideration of \$350,000.**

About 2003, Rupert decided not to proceed with exploration on this property and, consequently, acquisition costs and deferred exploration costs totaling \$363,354 were written-off to operations during the year ended February 28, 2003. (All details from Rupert Resources Website)

**In 1981, reserves of the 550 level mine dump from the Surf Inlet mine were calculated to be 362,880 tonnes of 2.98 grams per tonne gold (Minfile and Assessment Report 16092).**

**The Pugsley mine, 1700 meters south of the Surf mine, occurs mainly in quartz diorite porphyry. The main veins, about 45 meters apart, are up to 500 meters long and 300 meters vertical depth. Proven and probable reserves, estimated in 1961, at the Pugsley mine are 47,250 tonnes grading 0.6 per cent copper, 11.34 grams per tonne gold, and 9.5 grams per tonne silver (Minfile and CIM Special Volume 37, page 184 and Northern Miner, Jan. 24, 1974).**

Reserves of the tailings site located at the confluence of Paradise Creek and Bear Lake were estimated in 1988 to be 169,500 tonnes grading 1.131 grams per tonne gold (Assessment Report 17275). Reserves of the waste dumps range from 270,000 to 360,000 tonnes grading 3.43 grams per tonne gold (Minfile and MDAP - Prospectus, Surf Inlet Mines Ltd. 1986).

**The valuation of the Surf Inlet property consisting of the remaining Crown Grants is somewhat problematic.**

- Historical Resources remain.
- The Crown Grants retain certain land value (some were sold for \$350,000)
- Acquisition cost to Rupert was about \$50,000
- Acquisition cost and expenditures by Rupert totaled \$360,000 (rounded)
- Book value to Rupert is nil (this does NOT imply that the value of the property is zero!!)
- Appraised value would have to be in the Millions of dollars, considering the past work by all parties.

**On the basis of the resources remaining and past work (APPRAISED VALUE) , I would estimate the value of the property at \$500,000 to \$3,000,000.**

### 3. Malcolm gold property

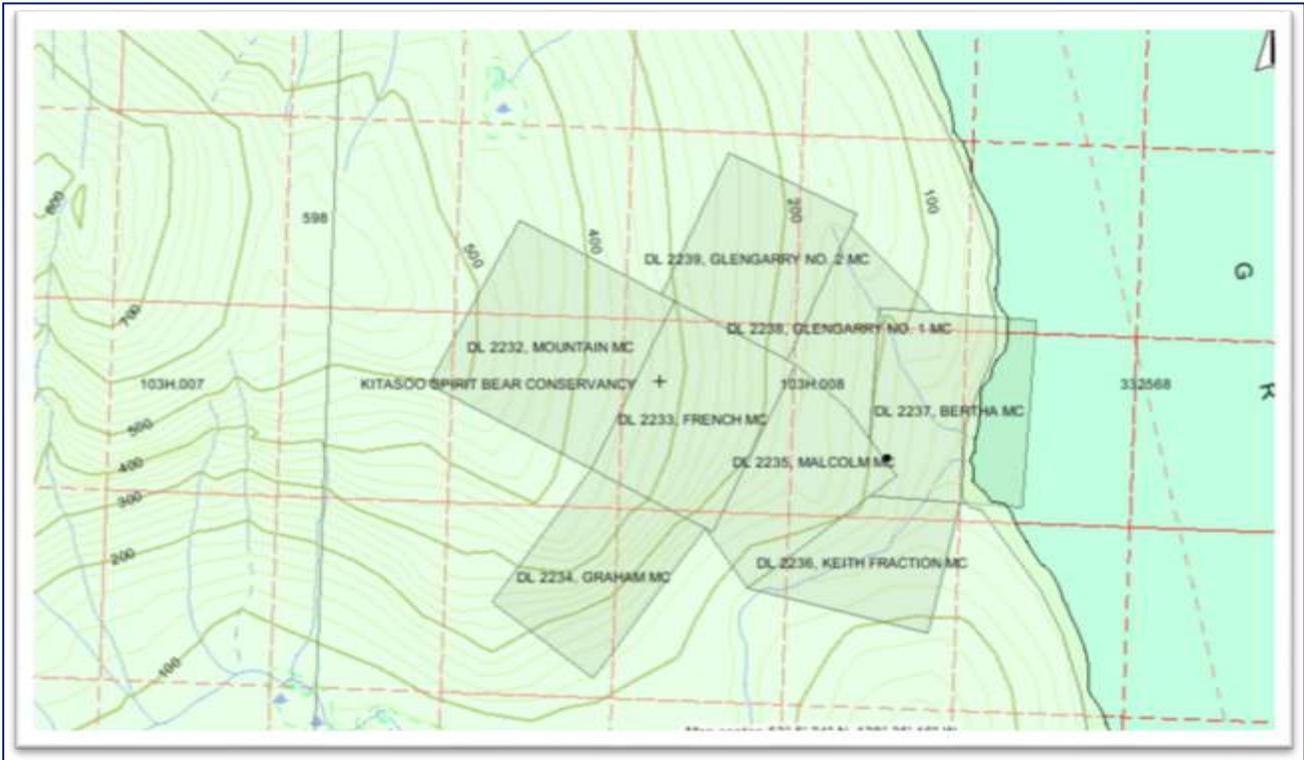
The Kitsoo Spirit Bear PA contains the Malcolm gold vein occurrence located 2 km north of the Canoona River. The vein is covered by 8 Crown-granted mineral claims staked by James Falkner in 1916 and held continuously since 1916 and presently covering 109.5 ha. This property is located on the northeastern corner of Princess Royal Island, about 9 kilometers north-northwest of the tip of Swanson Point. The vein itself is situated at an elevation of about 146 meters. The Malcolm claim was Crown-granted in 1916 to J. Falkner. Some tunneling was done on the property. A quartz vein, 1.2 to 3.6 meters wide, occurs in biotite- sericite schist within granodiorite of the Butedale Pluton. The vein strikes parallel to the schist 160 degrees, and dips 36 degrees northeast. It is mineralized with abundant pyrrhotite and minor pyrite. Anomalous gold occurs with sulphide mineralization.

There is very little information available on this occurrence, and as the area is Crown Granted, ownership is difficult to determine. In spite of the lack of information, the value of the titles as Crown Grants cannot be diminished. Following Falkner's ownership, it is possible that the Falkner heirs sold the property.

**More recently, the claims were purchased by the BC Government from 504897 BC Ltd. (Due West Charters of Richmond BC, Jan Bevelander President) ) by Quitclaim 2nd November 2009. Due West Charters provides services to: Canadian Wildlife Service. Address Pacific Wildlife Research Center Delta, British Columbia V4K3N2 Canada. Cost of the purchase is unknown, but would be material to the present valuation**

The Malcolm crown grants are shown below.

*MALCOLM CROWN GRANTS NEAR CANOONA*



#### 4. Marion Property

The Hidden or Marion property is on Pooley Island about 50 km south of Khutze Inlet.

The occurrence is associated with a skarn zone consisting of altered intercalated limestone and garnet schist in contact with quartz diorite. Mineralization consisting of chalcopyrite, pyrite, arsenopyrite, some bornite and an occasional speck of molybdenite occurs in quartz stringers and as disseminations in the skarn. The mineralized zone strikes 120 degrees and dips 60 degrees south. Quartz diorite occupies the footwall while on the hangingwall the zone grades into banded limestone and garnetiferous schist carrying sparser mineralization. (From Minfile).

In 1929 assays gave the following values of 1.37 grams per tonne gold, 13.71 grams per tonne silver and 1.6 per cent copper. In 1971 a sample of the mineralization assayed 99.43 grams per tonne silver and 2.9 per cent copper (National Mineral Inventory Card 103A9 Cu1).

Minor surface work was done on the Hidden Lake property by the Granby Consolidated Mining and Smelting Company in 1928. The owner, W.H. Mault carried out open cutting totaling 335 meters in 1929. Rainbow Mines conducted 60 meters of trenching and 185 meters of diamond drilling in 1963. In 1966 further trenching and 1200 meters of drilling were done. In 1971, Rainbow Mines changed its name to Greenfields Development Corporation Ltd.

In 1995, Verdstone Gold Corporation and Amcorp Industries conducted rock, silt and soil sampling, and trench and drill sampling (2 holes) on the property, which was renamed the Marion claims (including the MAR 7-14 claims). The results indicate the favourable skarn horizon extends to 300 meters in length. An induced polarization survey was recommended to evaluate the down-dip and strike extensions of the mineralized skarn zone.

**The amount expended by Verdstone was \$37,000 (rounded) supervised by Rudy Durfeld, P.Geo., an experienced and well-qualified geologist. This would be almost \$50,000 in 2006 \$.**

**In all, the amount of work is in excess of this amount. Minfile shows expenditures from Assessment files as between \$10,000 and \$100,000, but these files are often incomplete, particularly if Crown Grants are involved. Although the occurrence is of a different type than Western Copper, the commodities are the same.**

**The author would estimate the value at \$50,000. The Western Copper property, having considerably more work done, past production, and a resource (albeit speculative) is, in my opinion of considerably higher value.**

## 5. Smith-Nash Property

The Smith-Nash gold property is situated on Sandifer Ridge to the northeast of Khutze River, about 14 km southeast of Kemano. The property has a gold Quartz vein situated on a very steep slope, somewhat analogous to Western Copper.

The Smith-Nash occurrence (From Minfile) was discovered by George Smith and Fred Nash in 1952. The main vein was sampled at this time and no further recorded work was completed until the area was claimed as the Beaver mineral claims in 1980 and sampling was continued by Bristol Resources Corporation. In 1989, Kemano Gold Corporation held the property and adjacent Kayo occurrence (093 070) as part of the Kemano Gold Project.

The claim area is underlain by the Hazelton Group rocks of either Triassic or part of or wholly belonging to the Paleozoic Era. The rocks consist of greenstone, metasediments, amphibolites, gneiss, and marble. Diorites and granites are exposed along the eastern margin of the Coast Range batholith and are part of the Mesozoic Coast Plutonic Complex. The Smith-Nash vein is hosted by a sequence of greenstone, tuff, diorite sills, and/or intrusives, and metasediments, which are described as roof pendants. The metasediments include shallowly dipping, thinly bedded cherty sediments, hornfels, and quartzites which are capped by a metavolcanic sequence marked by sills and pegmatite lenses. The vein is contained within a fault zone that strikes 320 degrees and dips between 60 to 80 degrees west. It is exposed on a steep bluff where it outcrops between elevations of 1430 and 1500 meters, swelling up to 6.5 meters in width. The vein structure is enclosed in sericite schist and consists of lenses of quartz with blebs and disseminated pyrite, minor chalcopyrite, and malachite staining. Gold is intimately associated with the pyrite. In 1952, a 12.5 centimeter sample of massive pyrite from the Smith-Nash vein returned 99.76 grams per tonne gold and 51.6 grams per tonne silver (Property File Rimfire Hegman, B., 1983). In 1980, chip samples from the Smith-Nash vein, around elevation 1450 meters, assayed 0.14 to 19.89 grams per tonne gold, and 0.68 to 10.29 grams per tonne silver (Assessment Report 10747).

**Historical mineral resources at the Smith-Nash vein are 20,128 tonnes grading 10.3 grams per tonne gold (Consolidated Silver Standard Mines Ltd. Annual Report 1988).**

Two other gold bearing quartz veins, the Copper or Barker Zone and the Lower Zone were discovered in 1986, below the main vein at elevation 1300 meters. In 1986, a 38 centimeter channel sample from the Copper Zone which hosts blebs and patches of pyrite, chalcopyrite, and malachite in a quartz vein, diorite host, assayed 8.09 grams per tonne gold, and 1.01 per cent copper. A grab sample hosting pyrite and minor chalcopyrite disseminated in quartz from the Lower Zone assayed 129.53 grams per tonne gold (Assessment Report 15677).

*WORK APPLIED ON SMITH NASH PROPERTY*

YEAR	REPORT	COMPANY	AMOUNT
1980	8834 Geology, geophysics	GOLDEN RULE RES.	\$9,196
1982	10747	Bristol Res.	Not stated, property exam only
1984	13420	Sveinson	unrelated
1986	14752	Whitesail Ventures Corp	7,000
1986	18577	Whitesail Ventures Corp. Prospecting, Geophysics	8,460
1988	16175	John Kruzewski	7550
1989	18479	John Kruzewski	57,438
<b>TOTALS</b>			<b>\$80,448</b>
		<b>Advanced to 2006 \$\$</b>	<b>\$130,000</b>

While the resource is small and the vein is reported to be narrow and erratic, there has been, to my knowledge, no evaluation by drilling.

**Value of the resource might be 1% x Gross In-Situ Value (GIV) of 200,000 grams (6430 oz) x \$600/oz = \$38,500 to 2% (\$77,000), which corresponds roughly with the appraised value in the table above. The Western Copper property, while similarly isolated today, was relatively accessible during its early work history and had a much higher grade.**

There are a large number of comparable properties on the North BC coast and on the northern part of Vancouver Island, all within a terrain comparable to the Khutze property. None of these has been mentioned by SWRPA/RPA

**SUMMARY OF PROPERTY COMPARISONS.**

While there are some differences among the property examples noted above, and some comparisons with the Western Copper property, the comparison is at least more direct and useful than the unrelated group of properties selected in widely scattered parts of BC by SWRPA from their database. The table on the next page summarizes the properties and permits a rough ranking of values in which the Western Copper can be placed

PROPERTY	RESOURCE	EXPENDED	VALUATION	COMMENTS
Hunter	94,000 t x 12 g/t Au	> \$300,000	\$280,000 to \$900,000	Expropriated
Surf Inlet	362,880 tonnes of 2.98 grams per tonne gold Pugsley 47250 t x 11.3 g/t	>5 million?	\$500,000 to \$3 million	Surrounded by Conservancy Crown grants with surface rights
Malcolm	No data	unknown	\$10,000	Crown Grants, Expropriated, owner unknown
Marion	No resource	\$37,000	\$50,000	Small claim holding
Smith Nash	20,000 t x 10.3 g/t	\$80,000	\$40,000 to \$130,000	No recent work
Western Copper	2500 t x 1.3 oz/t or 1.2 M tons x 1 oz/t	>6 million	Comparable with Hunter in many ways	Crown Grants, possible surface rights, Expropriated

**In the valuator's opinion, the value of the Western Copper property in comparison with the other examples above would be comparable to or slightly higher than the Hunter property, somewhat less than the Surf Inlet property, but substantially above the Malcolm or Marion examples.**

## 10. LAND VALUE

Crown Grants imply an interest in land, in addition to subsurface mineral rights. Those grants issued before 1956 generally include the following language:

*".....and the right to the use and possession of the surface of each mineral claim, including the use of all the timber thereon for the purpose of winning and getting from and out of such claim the minerals contained therein, including all operations connected therewith or with the business of mining".*

Sale of Crown Granted claims in BC for land purposes is very common. The example at Surf Inlet has already been noted, whereby Rupert Resources sold On June 18, 2001, four lots in its Surf Inlet Property and assigned its foreshore lease of the property to T.P. Log Salvage Ltd., for total consideration of \$350,000.

Another example from the internet is the proposed sale of 12 crown grants or Lots in the East Kootenay area near Toby Creek:

**The Paradise mine consists of 12 Crown Granted mineral claims ("Crown Grants"). The asking price for the total package of 12 Crown Grants is US\$30,000.**

To better describe the property the Crown Grants have been grouped into parcels as shown in the table below.

Parcel No.	District Lot number and Name of Crown Grant	Size, Hectares	Size, Acres	Annual Taxes
1	3698 – Carbonate Fr. 4341 – Parridice 4342 – Comstock 4344 – Shamrock	59.28	146.7	\$63.
2	4343 – Royal Stag	20.55	50.8	\$26
3	4345 – Ptarmigan 11265 – Oversight Fr	30.13	74.4	\$38
4	11261 – Blue Grouse 11264 – Bohunk 11266 – Oversight	56.90	140.6	\$71
5	11262 – Last Chance 11263 – Silver Cache	38.97	96.3	\$49

One BC Government website (2004) announced: *"The Ministry is taking steps to make freehold mineral ownership information readily available to all. The intent is to have private mineral rights clearly registered on the Certificate of Title. This will mean that parties will no longer have to research historic land title records to determine who holds the rights to the minerals in privately owned lands"*.

So much for good intentions, the ownership of Crown Grants is still very difficult to determine and a Land Title search is still necessary.

**The present valuator's opinion is that the Crown Grants within the Western Copper property as a whole have some tangible value in land, and this is estimated at \$50,000 to \$300,000.**

## 11. ALTERATE USE VALUE

This could also be called "NUISANCE VALUE". Clearly there was a long standing and concerted effort from native groups to achieve control over their lands, and the two claim holdings and other known mineral showings could impede the alienation process. There are likely about four First Nation bands that could lay claim to the area.

However there was also an unrelenting effort from several environmental groups to set aside this area, based mainly on grizzly bear habitat, but also on fish, ancient murrelets etc. from the West Coast Wilderness, CPAWS, Suzuki Foundation and countless other groups some of which were inter-related. It cannot be disputed that the crown granted claims were almost the only resource issue to be decided, since the forestry companies had folded and made swaps or alternate harvest area agreements with the government.

Thus with the Hunter property and the Western Copper property the only major mineral properties with known potential in the area, these were the only serious roadblocks in the way of creation of the Khutze conservancy.

For every conservation measure taken by the government there is also a social cost; the two mining properties were for many years the only source of employment and the only conceivable potential tax base. With these gone, and the isolation of the area, any source of revenue from tourism is questionable. In fact the conservancy will require funding. The Coast Conservation fund set up (\$120 million) for mitigation of resource loss but apparently this was for First Nations only. Forest companies appear to have been compensated by allocation of comparable forest land elsewhere. This style of compensation has no meaning for mineral properties as the deposits exist only in unique locations.

The setting aside of the Khutze area has always been described as having exceptional wildlife and cultural values, implying a "Higher Use". Thus there is a value beyond the exploration potential.

## 12. VALUE AS A DONATION TO THE PROVINCE OF BC OR TO CANADA

If the Crown Grants had been offered to the Province of BC or to the Government of Canada as a gift for conservation, the owners would likely have been given a significant tax write-off. In hindsight, this may have been a simpler means of resolving this taking, but has never been contemplated by the Province.

Alternatively, The Coast Development funds, assuming protection of the Conservancy as a higher value, could have compensated the claim holders from existing funds.

### 13. RANKING OF PAST VALUATIONS

The author has ranked a number of past valuations which he has completed or participated in with others. This list is provided in an Appendix. Most of these valuations, completed between 1992 and the present, and numbering over 30, have been international in scope, and generally with established mineral resources.

They range in estimated value from \$285,000, for a relatively grass-roots Pb-Zn-Ag "Sullivan" type exploration property near Cranbrook to \$12,600,000 for a Mississippi Valley polymetallic deposit with about 1,200 drillholes in Missouri.

Of course, the most comparable valuations to the Western Copper property are the lower value properties. The most relevant and comparable are:

1. A high grade copper-gold skarn or alkalic porphyry in central British Columbia known as the Valley High property near Mt Polley producing mine. A relatively small resource was outlined by drilling, but then property had had long periods of dormancy, the drillhole database was almost non-existent, and an unfortunate claim survey during the valuation established that only half the resource was on the clients property. Nevertheless, the adjacent deposits (Boundary and Northeast) were within several hundred meters of the subject property and the any pit design for the Boundary zone would impinge on the Valley High claims. The client was encouraged to deal with the Mt Polley mine owners, and, as of the date of this amended report, a satisfactory purchase arrangement has been completed. **The valuation of \$1.1 million appears to be justified.**
2. Kenville mine, Nelson BC was a small but high grade gold vein with favourable logistics, although the mine had been dormant for a long time. The valuation of \$500,000 was primarily for the high grade values and the extensive underground workings. The mine property consists of 15 Crown-Granted mining claims and 10 staked claims totaling 430.88 hectares (1064.79 acres); and 38.73 hectares (95.7 acres) of surface property, all owned by Anglo Swiss Resources Inc. (TSX) of Vancouver. Recorded production from the Granite and Poorman veins up to the turn of the century was 23,622 tonnes of ore containing 12,818 ounces of gold. Granite Gold Mines Ltd. commissioned a 20-stamp mill on the bank of the Kootenay River near the mouth of Eagle Creek, and constructed an aerial tramway to transport the ore. Duncan United Mines Ltd., a large British mining company, ran the operation until 1904. For the rest of the decade, individual leasers mined the veins and supplied high-grade ore to the Granite mill. Continued exploration by Teck and later by Anglo Swiss was favourable. A permit has been issued for production of aggregate from old dumps. A mill of unknown value is present. **The valuation of \$500,000 in 1999 appears to be justified.**
3. The valuation of the Ball Creek property, a relatively isolated location in the Iskut area in 1992 was \$300,000. At that time the property, a low grade porphyry copper-gold target, had been drilled by Chevron and Placer Dome but had lain dormant for about 5-10 years. Since that time the property has been acquired by Paget Resources, who have completed 2 drill programs and expended over \$1 million. **The valuation of \$300,000 was appropriate, but in hindsight, probably low.**

**In this ranking of valuations, by comparison, the value of the Western Copper property, somewhat more isolated and not under current exploration, might lie at the lower end of the spectrum, between \$285,000 and \$500,000.**

#### 14. RANKING OF EXPROPRIATION VALUATIONS

The present valuator has been involved in excess of 50 valuations representing claim owners, and has successfully assisted the government and the clients fair settlement under expropriation of three of them. In all expropriation cases SWRPA or its predecessor and successor Roscoe Postle Associates (RPA) was the government valuator, and in all cases the initial value proposed was increased substantially after notification of defaults in the valuation. This has established a pattern of low valuations prejudicial to the negotiation process and extremely biased against the claim holders. These are listed below:

#### *RANKING OF THE AUTHORS EXPROPRIATIONS*

In comparison to the much lesser explored properties above, particularly the Duck Shuttle property, which had no past production, no resources and limited work, the Western Copper property could be estimated at much higher value, a chart on the following page shows the comparison.

YEAR	CLAIM HOLDER	PROPERTY	REASONS	SETTLEMENT
2009	Moira Movanna et al	Western Copper	Expropriation for Khutze conservancy	Incomplete, \$3,000 (Moira Gp) \$5,000 (Meldrum)
2005	Zalmac Mines/Yorke Zalmac and Yorke Hardy	Granby Park cl	Expropriation of several claims and showings	\$ 110,000.00
2002	Westward/Winfield Res	Duck Shuttle	Small copper occurrence, limited exploration	\$ 200,000.00
1999	Jim McDonald	Iron Cop	Expropriation of several claims and showings	\$ 56,000.00
??	Big I mines	Big Interior	Draft Report started, client proceeded solo	Not known

### CHARACTERISTICS OF PAST EXPROPRIATIONS

CHARACTERISTIC	IRON COP	DUCK SHUTTLE	ZALMAC	WESTERN COPPER
CLAIMS	Mod grid (MGS)	MGS	MGS.Crown Grants	Crown Grants
PARK	Brooks Pen.	Cape Scott	Upper Granby	Khutze Conservancy
DATE	1999	2002	2005	2006-14
MODERATOR	UNKNOWN	ABERDEEN	DAVIDSON	DAVIDSON/MELLORS/MESSMER
PAST PRODUCTION	No	No	No	YES
RESOURCE	No	No	No	YES
MINERALIZATION	Cu-Au low grade	Cu low grade	Au Ag +Mo subeconomic	Au-Cu high grade
REMOTE	Yes	Yes	No	yes
DRILLING	Minimal	No	No	Small program
RPA VAL	\$5000	\$50-60,000	Not available	\$3000-\$5000
SETTLEMENT	UNKNOWN Est \$56,000	\$200,000	\$110,000	Forced Arbitration

Reviewing the past expropriations, the offer by the government is seen as preposterously low; the property was more important in terms of exploration potential than the examples cited. On this basis a prudent valuation would be greater than \$200,000 and is estimated at \$400,000.

## 15. COST OF PROCESS

The process of resolution of the Khutze mineral claims has taken 8 years, not taking into account the roughly 20 years that the coast land and resource planning took. Costs of the process are **estimated** at:

- Central Coast Land Resource plan >\$10 million ??
- Mitigation Fund set up for Central Coast \$120 million (First Nations only)
- Government of BC Contracts, salaries, copying, time \$100,000
- SWRPA Contract fees exact amounts unknown \$75,000
- Barry Price, Fair value of time \$25,000
- Claim owners: Legal, copying, travel, valuator fees (at fair value) \$15,000

- Paid by claim owners in taxes >60 years >\$50,000 (2006\$)
- **Amount offered by government: (To Moira Movanna Bill Bell and Meldrum) \$3,000 and \$8,500**

**The principle to be examined here is that the claim holders should not receive less in compensation than their costs and not less than third parties involved in the process. There is a real discrepancy in the amounts offered and the real costs and Fair Market Value.**

## FAIR MARKET VALUE

Any estimation of Fair Market Value must take into account:

- “Constructive” expropriation appears to have taken place as early as 1994, when the Company was sent a demand by the Ministry for a reclamation bond of \$50,000, or in 2002, when the claim holders were notified that they could no longer carry out exploration work on the property.
- Valuations should incorporate a number of valuation methods, and must be fair unbiased and transparent in accord with CIMVAL standards.
- Fair market value must use the “Highest Price” available and not seek an abnormally low value for any specific purpose.
- It is very rare that a valuation for any mining property in BC is as low as \$3000
- Past production of high grade copper gold vein material
- known estimated resources exist on the main zone
- Presence of more than one vein. Other veins are known to exist on the property. Fawley describes three vein systems, the main or “Detroit” vein and one below and one above.
- The vein has been traced across the property and underlies part of the Bear Claim and all of the Western Copper claim
- Drilling at 2 locations did encounter the vein, with some very high copper and gold values.
- The property existed to 2006 as Crown Granted claims which have a higher value than ordinary claims
- We have no evidence that the surface rights were ever excised from the title. The grants themselves reflect the right to use timber and surface rights
- Taxes have been paid on the property since 1907-1911 (Approximately 100 years)
- Taxes have been paid by the family of the claim owners since at least 1945 (>60 years)
- Numerous geological reports exist for the property from 1909 onward by well-known and respected engineers

- These geological reports , the latest of which is dated 1994, have been positive
- Expenditures on the property in terms of today's prices probably exceed \$5-6 million
- Numerous options have been arranged for the property in the past.
- Exploration was interrupted by two world wars and the great Depression of the 1930's
- The last major exploration program in 1988 expended \$600,000 with underground rehabilitation, mapping , camp construction and 10 drillholes,
- Results for these drill holes are positive
- Land use plans were initiated for the property since 1982. Planning to "protect" the area of Khutze River was known by the government for many years.
- From 1985 onward, claim holders were inconvenienced and had to let many original claims lapse
- The Khutze river area has been selected for "preservation" from 1982 or 1995.
- The government did not notify claim owners that the claims would be expropriated until the last minute
- Thus the claims were encumbered for a period of 24 years prior to expropriation
- Metal prices were high in 2006 and copper gold properties were sought after
- Government geologists thought there was a good exploration target for "Porphyry" style copper gold deposits at depth
- Any valuation must take into account the present value of past expenditures
- Fair Market Value may not be an adequate measure of Expropriated Value. (i.e. the participants are actually under compulsion to act).
- The present land use as alienated land in a Conservancy is deemed to be a higher value than the commercial value as mineral titles open to exploration and mining development
- Crown Granted claims are generally considered to have a higher value as land than as simple mineral tenures.

## SWRPA VALUATION

Scott Wilson RPA or Roscoe Postle Associates has valued the property, (That is, the Moira Movanna claims, Bear and Western Copper only) using one limited method only as lying within the range of \$2,500 - \$3,000 and for the North Star and Empire as \$5,000. Based solely on market comparable transaction values, RPA stated that the Market Value of the North Star and Empire Claims as of July 14, 2006, was in the range of \$4,500 to \$5,500 with a preferred Market Value of \$5,000.

The government's final offer, based on the SWRPA reports was only \$3,000 and \$8,500 respectively. This does not cover the claim holder's costs to date. In the author's opinion, mining properties rarely transact for this small amount, particularly when all rights are extinguished in perpetuity.

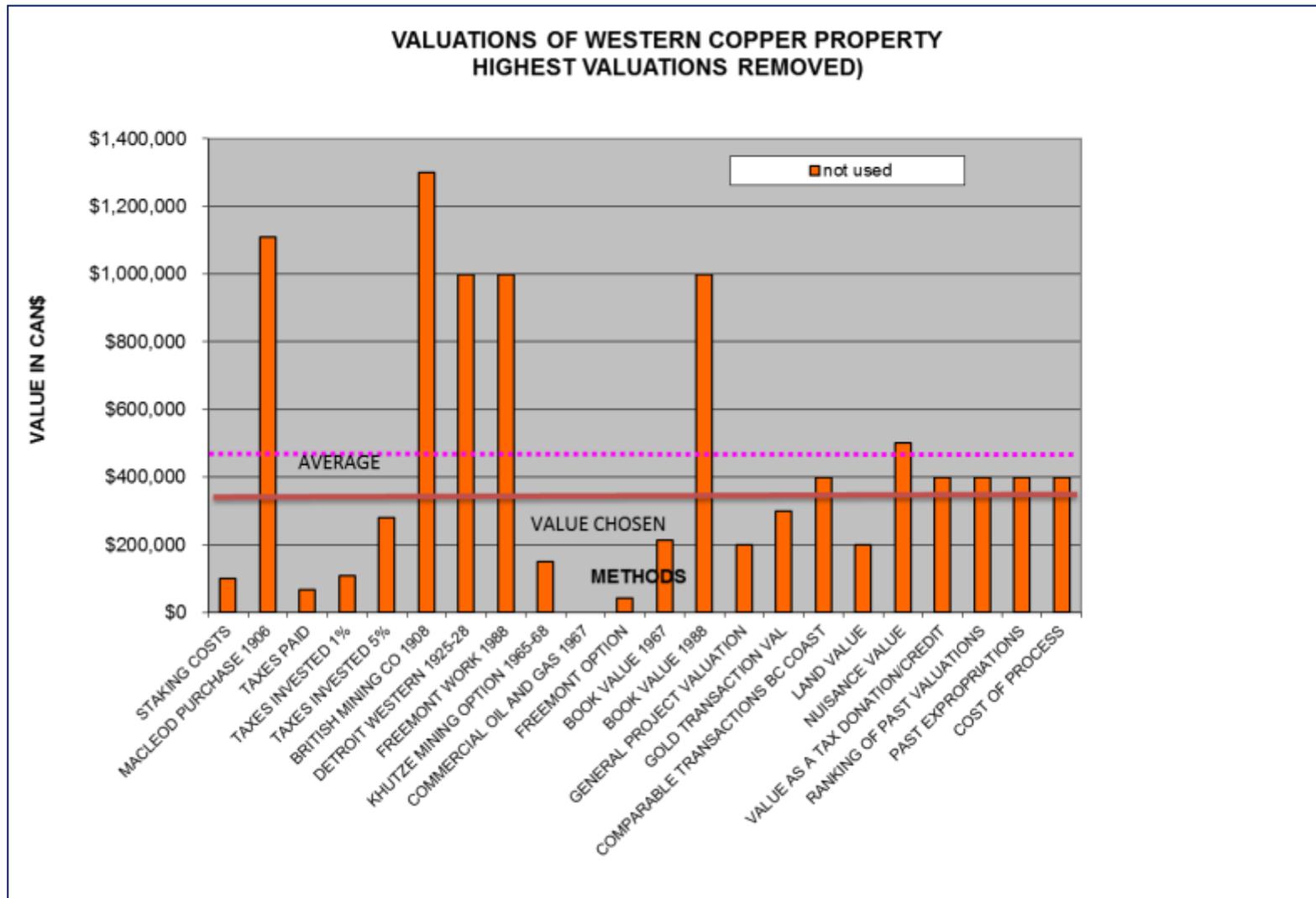
In the author's opinion, the SWRPA and later the RPA valuation (which in 2014 was still marked "Draft" ) does not address the Roscoe concept that a mining property should be valued as a whole, and does not under a number of tests, represent Fair Market Value.

**In my opinion this valuation fails to include other valuation methods more relevant to valuation of the property. The SWRPA valuation is not in compliance with CIMVAL concepts of transparency and due diligence.**

The present author's estimation of Fair Market Value in 2006 is illustrated in the form of a Table and Chart, on the following pages

FINAL TABLE OF VALUATIONS				
Western Copper Property as a whole				
REF	METHOD	AMOUNT OR RANGE	VALUE 2006 \$	COMMENTS
1	ORIGINAL LOCATION INFORMATION	\$150 in 1905	not used	Only for information, does not represent a property purchase
2	STAKING COSTS	\$10,000-20,000 plus surveying	\$100,000	cost of 2 post staking plus surveying in 2006\$ not representative of FMV
3	MACLEOD PURCHASE 1906	\$15,000 IN 1906 FOR 30%	\$1,110,000	\$15,000 WAS A LARGE AMOUNT IN 1906
4	TAXES PAID	estimated \$10,000	\$68,000	For full property
	TAXES INVESTED 1%		\$110,000	For full property
	TAXES INVESTED 5%		\$280,000	For full property
5	BRITISH MINING CO 1908	\$60,000	\$1,300,000	Good quality work including maps
	DETROIT WESTERN 1925-28	\$400,000	\$1,000,000	<b>reduced from \$6 million to 10%</b>
	FREEMONT WORK 1988	\$600,000	\$1,000,000	Good quality work including maps
6	KHUTZE MINING OPTION 1965-68	\$ 300,000.00	\$150,000	Complex options, but work was done
	COMMERCIAL OIL AND GAS 1967	\$120,000 FOR 25%		not completed
	FREEMONT OPTION	NOT COMPLETED	\$42,600	Option partly completed
7	BOOK VALUE 1967	\$35,000	\$214,000	Khutze Mining
	BOOK VALUE 1988	\$573,000	\$1,000,000	additional work undocumented
8	GENERAL PROJECT VALUATION	\$70,000-\$230,000	\$200,000	limited use
9	GOLD TRANSACTION VAL		\$300,000	limited use
9	COMPARABLE TRANSACTIONS BC COAST	\$40,000 - \$3,000,000	\$400,000	Valued between Hunter property and Surf Inlet
10	LAND VALUE	\$50,000 - \$300,000	\$200,000	Crown Grants can be sold
11	NUISANCE VALUE	\$5 MILLION TO \$30 MILLION	\$500,000	Speculative
12	VALUE AS A TAX DONATION/CREDIT		\$400,000	
13	RANKING OF PAST VALUATIONS	\$285,000 - \$500,000	\$400,000	Midpoint
14	PAST EXPROPRIATIONS		\$400,000	compared against Duck Shuttle, Zalmac
15	COST OF PROCESS		\$400,000	<b>Costs of all valuations, arbitrations</b>
	AVERAGE EXCLUDING INFO	Arithmetic mean (AVERAGE)	\$455,933	<b>Against \$6 million expended</b>
	Range of Values \$68,000 to >\$6 million rounded and reduced		\$450,000	
	Geometric mean		\$ 313,000	rounded, high values reduced or omitted
	<b>Value Chosen</b>		<b>\$375,000</b>	<b>allows for errors, duplications</b>

GRAPHIC REPRESENTATION OF ESTIMATIONS



## SUMMARY AND OPINION OF VALUE

The writer estimates that, based mainly on Appraised Value, which for exploration properties is often the best index of value, the Fair Market Value would be in the range of \$600,000 to \$1 million. My instincts in 2009 were to reduce this to \$600,000, which corresponds with the amount of last substantial exploration program.

While estimation of value is subjective, use of a number of different estimation methods enables arriving at an average which is reasonable, relevant and defensible

**Erring on the conservative side, the average value of all valuation methods available to the author, omitting some estimators which are not representative of Fair Market Value results in an estimate of \$450,000.00 for the entire property (eight expropriated crown granted claims) as of 2006.**

**Had the Murphy family been cohesive and acted together to defend their interests instead of selling out at amounts which would be considered a stress sale, the author would have retained the original estimate of \$600,000 as Fair Market Value and argued for that value.**

In the writer's opinion, the value of Western Copper property as a whole, including allowances for the absence of Net Smelter royalties, back in rights, potential share appreciation and many other factors which, on expropriation, can no longer be applied, would, in a Fair Market transaction, be in the range of \$43,00.00 to \$6,000,000.00, omitting the highest values, which could skew the estimation, the author chooses the rounded average of Can\$450,00.00 as his best estimate of Fair Market (under Expropriation). This compares favourably with the geometric mean of \$313,000.

**The Fair Market and Expropriation Value chosen by the author, based mainly on Appraised value, which is an industry standard for exploration properties, but taking into account the exploration potential of the property in 2006, is \$375,000**

This estimate for the whole property can be assigned to the various ownership as follows

<b>OWNERS</b>	<b>APPORTIONED VALUE</b>
Estate of J.M Meldrum and Donovan/Mathers	\$300,000
Moira Movanna/Bill Bell	\$50,000
All other Murphy family holdings (4 claims)	\$25,000 already paid
<b>TOTAL VALUE</b>	<b>\$375,000.00</b>

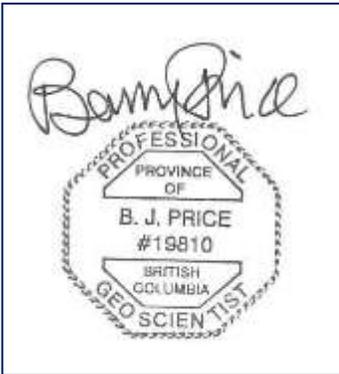
## FINAL OFFER

Notwithstanding the amounts noted above, the author, on behalf of Moira Movanna issued in 2009 a final offer concerning the rights of Moira Movanna and Bill Bell for the Western Copper and Bear Crown Granted claims of \$50,000.00 and for the central North Star and Empire claims of \$300,000

## SIGNATURE PAGE

Respectfully Submitted

**BJ Price Geological Consultants Inc.**



***Barry J. Price, M.Sc., P. Geo.***

For: Moira Movanna and Bill Bell,

And R. Meldrum interests

Claim holders.

Oct 22, 2014

## REFERENCES

See List of Documents or “Fact Picture”.

Recent Opinions of Value|:

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*A fairly complete listing of Valuations completed by the author is given in an Appendix*

### General Valuation References

Glanville, Ross, (1990); Evaluation of Mineral Properties. A paper presented at the Northwest Mining Convention, Spokane, Washington, dated December 6, 1990.

Kilburn, Lionel C., (1990); Valuation of Mineral Properties which do not contain exploitable reserves. CIM Bulletin, Vol. 83 No 940. August 1990. pp. 90-93

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## CERTIFICATE OF VALUATOR BARRY J. PRICE, M.SC., P.GEO.

I, Barry James Price, hereby certify that:

I am an independent Consulting Geologist and Professional Geoscientist residing at 820 East 14th Street, North Vancouver B.C., with my office at Ste. 815 - 470 Granville Street, Vancouver, B.C., V6C 1V5, (Telephone: 682-1501)

I graduated from University of British Columbia, Vancouver B.C., in 1965 with a Bachelor's Degree in Science (B.Sc.) Honours in the field of Geology, and received a further Degree of Master of Science (M.Sc.) in Economic Geology from the same University in 1972.

I have practiced my profession as a Geologist for the past 49 years since graduation, in the fields of Mining Exploration, Oil and Gas Exploration, and Geological Consulting. I have written a considerable number of Qualifying Reports, Technical Reports and Opinions of Value for junior companies. A partial list of my valuations is appended.

I have worked in Canada, the United States of America, in Mexico, The Republic of the Philippines, Indonesia, Cuba, Ecuador, Panama, Nicaragua, Tajikistan, Portugal, Guinea, Norway, The People's Republic of China, and the Republic of South Africa, Chile, and Argentina. I have prepared numerous Technical Reports for junior mining companies.

I have not visited the subject property but this is not a requirement of an Opinion of Value. I have examined many properties along the BC coast, including Banks Island, Vancouver Island.

I have completed in excess of 50 formal property valuations or Opinions of Value

I have previously prepared Opinions of Value for Government Expropriations of BC Mineral claims, specifically for the Iron Cop property, the Duck and Shuttle property, the claims held by Robert Yorke Hardy within the Granby Park and for the Big Interior claims, Vancouver Island (draft).

I am a registered as a Professional Geoscientist (P. Geo.) in the Province of British Columbia with the Association of Professional Engineers and Geoscientists of BC ("APEGBC") No 19810 - (1992) and I am entitled to use the Seal, which has been affixed to this report.

I have not visited the subject property but I did review the property in 1988 and discussed the property with J.M. Meldrum (co-vendor) and Bernard Ouellette (Freemont Gold) at that time. I have based this report partly on information contained in a number of Assessment Reports and geological reports written by others for various companies exploring the Western Copper property. Other materials were obtained from my own files, from the list of documents, from the literature and from the Internet.

For the purposes of this Valuation I am a Qualified Person. While this Opinion is not required to conform with every aspect of National Instrument 43-101, it has been prepared with care and diligence and is compliant with the provisions of CIM Val..

I am not aware of any material fact or material change with respect to the subject matter of the Report which is not reflected in the report, the omission of which would make the Report incomplete or misleading.

I consent to the filing of this Opinion of Value with the appropriate Ministries or BC Government Departments, subject to keeping all material in its proper context.

Dated at Vancouver B.C. this 15th day of November 2009

Amended October 22 2014

*"Barry James Price, M.Sc., P. Geo."*

Qualified Person



## APPENDIX I

**HISTORY OF KHUTZE INLET AND WESTERN COPPER PROPERTY**

Written by J.M. Meldrum and transcribed by Robert Meldrum

Scanned and retyped in places by Barry Price 2009

The Inlet is six and one half miles long off Finlayson Channel. Khutze Inlet is ninety miles south of Prince Rupert and on the coast of British Columbia. Captain Vancouver anchored in Khutze Inlet and found the fishing to be very good.

My Father Mr. Chas. W. Meldrum was born on a farm in Quebec three miles from the town of **St. Calixte de Kilkenny** in the County of Montcalm approximately forty miles north of Montreal. He was never in school in his life. Sir Wilfred Laurier lived in the next town of St. Lin and (my father) knew Sir Wilfred and his brother Charlemagne Laurier.

In April of 1898 my Father married a neighbor's daughter and decided to take the C.P.R. to Western Canada and go to the gold strike in the Yukon and forget farming in the stony ground of Kilkenny. They stopped in Ashcroft, lived in a tent and then Dad signed up with a troupe with horses to walk from Ashcroft to Dawson City. Horse trouble, pack trouble, and trail problems he returned to Ashcroft. Mother wrote to her younger brother to come to Ashcroft. The CPR had jobs open and anybody in their shirt sleeves were hired at once. Dad went to the Coast and on to Skagway and over the Dyea trail, shoveled gold at \$16.00 per hour for someone else. He stayed the winter and got a job with the White Pass and Yukon Railroad. Lined the track from Log Cabin on (sic) Bennett and prospected in Atlin in 1899 and returned to Ashcroft.

He worked on the installation of the water works in Ashcroft and sometime later was axe man with the geological survey under George Dawson. He listened to a lot of talk about rocks and gold. it got into his blood; In 1902 he worked on a tug boat as a fireman and steam engineer towing booms of logs from up the Coast into Vancouver On the occasion of a heavy storm they went into Bella Bella and tied up to out-wait the storm. Dr. Large was the medical doctor at the time and met my Father on the wharf and told him there was an Indian patient in the hospital who had a piece of "chicomani"<sup>46</sup> rock under his bed and most anxious to talk to a prospector. That started a long talk and some money changed hands, the story was that he had trapped furs up the East Fork of the Khutze River and had noticed a large chunk of rock the size of a room from which he had taken the sample.

It appeared to be copper mineral and was quite heavy. China Hat is now called Klemtu<sup>47</sup> and is about forty miles South of Khutze Inlet. Each year his band of Indians go to Khutze to get wild rice and pick crab apples and cranberries They also hunt deer and goat, ducks and geese. Geese stay the year round. This meeting was in the Fall

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<sup>46</sup> Or Chikamin stone = Indian word for mineralized rock

<sup>47</sup> An alternate older name for Klemtu is **Kitasoo**. It was also known as **China Hat** due to the shape of Cone Island, which protects it from the open water. The name Klemtu is from the Coast Tsimshian language "Klemdoo-oolk," meaning "impassable" Wikipedia

of the year; further money was to be paid if and when the mineral was found. The rock was identified and chalcopyrite, being a copper ore.

In Vancouver he met a man in a Real Estate office, a Mr. Alex McLeod who was excited with the story and samples and entered into a partnership to prospect the river. During the winter they built a sixteen foot boat with a sail and oars. A freighter took them to Klemtu the following spring.

They maneuvered up the channel between Princess Royal Island and the mainland the forty miles to Khutze inlet. It is six miles long, with a slight right hand turn at the end. They had six months supplies that they cashed and made their way up the river bank for five miles crossing many small streams including Grizzly Creek and Wolf Creek and finally to the North Star Canyon, where the large rock was in the slide that came out of the canyon. They had a very difficult time trying to scale the mountain to find where the mineral came from. Ladders were necessary to get above the bluffs. Finally they made it and located the vein of mineral, from a knife blade to 13 feet wide. In later years it was found that you can walk up on the snow into the jaw of the canyon, and onto the vein. It is a fissure vein that walked on the foot wall for half a mile and more. They took samples and staked claims putting witness posts to cover the ground they could not climb.

Upon returning to Vancouver they met a Mr. Nelson a mining engineer from Swansea England (Wales). He was very excited about their find and made a quick trip to see the showings. The ladders were still usable and by using nails they made them secure. There samples assayed very good and an option was made in twelve months - Ten thousand dollars cash and \$50,000 The arrangements were made through Martin and Shannon.

The following Spring the English company cabled that they had found a very exciting property in South Africa and they now decided not to go to British North America. Martin and Shannon were business men and wished to payout the option for the property. Mr. Wm. Martin was an accountant Wm. Shannon had experienced hard rock mining in the salt mines in England. Mr. J.B. Mathers<sup>48</sup> another executive had mining experience in Ontario. Shannon Falls up Howe Sound is named after Mr. Shannon. Mathers Ave. is named after Mr. Mathers. Martin & Shannon had had considerable success in staking and selling Spruce Claims on the Queen Charlotte Islands and said to Meldrum and McLeod they would pay the \$50,000 for the claims. My Father said no but finally agreed. In the few following years assessment work was done and many short tunnels driven, cabins built and horses brought in for packing.

During this time three Singer brothers trapped along the main Khutze River, they used horses from the mine operation to pack traps and supplies to their various camps. Years later I got to know Mr. Porter Singer<sup>49</sup> who shared stories with me. Wes<sup>50</sup>, his brother ~ cut his leg while chopping wood in the beach camp and Porter his brother smothered the flow of blood with a sack of flour. Wes always had a limp, but his life had been saved. Two of the brothers died on the Charlottes. At #3 cabin on the main trail, five miles from the beach I examined the names written on the door posts - Porter Singer~ Mable Singer<sup>51</sup>, Lillian Palmer were carved into the wood. Porter had his honey-moon there with the bridesmaid. must have been a back to nature event. They both treasured the outdoors experience with the animals and clouds of birds.

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<sup>48</sup> James Bolivar Mathers, who settled on a lot at Loughborough Inlet. Mathers Ave. in West Vancouver is named after him.

<sup>49</sup> Hezekiah Porter Singer, who died in Vancouver May 15, 1959 age 74

<sup>50</sup> Wesley St Clair Singer, married Jean Miller Haan, December 18, 1932 and died Nanaimo, December 26, 1977 at age 95.

<sup>51</sup> Porter Singer married Mabel Irene Powell April 5 1911 in Vancouver. Mabel died in Vancouver May 10 1960 age 73.

In 1910 M.S. hired a Mr. Rice from Prince Rupert to survey the 48 mineral claims and some land leases. They also hired a Mr. Campbell-Johnson<sup>52</sup> to make an engineer's report on the property which is very extensive, he must have spent several weeks there. Mr. Shannon was somewhat knowledgeable about mining and was the driving force along with Mr. J.B. Mathers who came into the company and together they decided to build a standard gauge railroad up to the base of the mountain five miles. A Baldwin steam locomotive was brought from England and is still in the bush at the end of the rails. A Pile driver was brought in to start at the beach on the South side of the Inlet. They got in a little over two miles and Mr. McLeod who worked on the construction told me that he first fired up the loci and when he got to the end of the steel he turned it off as the structure shook so much~ They then bought a Ford T car and adapted it to a flat car so it would act as a loci at 8 miles per hr. slow speed. It was used up until 1929 The Main starting camp was at the beach; was a two story building but with very high tides there was often 3 feet of water over the floor. Twice a year tides go over 26 ft. They procured a few freight cars that were converted into living accommodation Mr. Shannon claimed he had traced the vein for five miles.

There are many tunnels into showings as far as 7 miles from tidewater. All the tunnels were driven by hand there was no power tools of any kind. The First World War caused the shut-down of the operation in 1915. One fatality happened before the closure - the Chinese cook went for walk after Sunday evening dinner and never returned. However in 1926 when they were making the grade for the second railway, the bones of an oriental were found. He had apparently been caught by the incoming tide

A single man heard about Khutze and decided to go up there and get away from the world war of 1914. In 1916 he built a very small cabin about three and a half miles from tidewater in a very fine stand of Spruce and Hemlock timber thinking he could make a farm there. One winter was enough isolation so he left. It was not until the end of the war that my father interested some Seattle mining people into examining the property. It took two weeks to climb up the west and East side of the North Star canyon and cut samples and back pack to the beach and by canoe with a kicker on to Swanson Bay, fourteen miles from the head of Khutze inlet. Another group formed a private syndicate and did some trail development and cabin building. To one who knows the area very well it is amazing how promotions were made. The private group headed up by Mr. W.L. Gilbert<sup>53</sup> business man of Vancouver and a Mr. Scully, foreman and a Mr. Nick McNicol<sup>1</sup> assisted. A Paddy Keagan<sup>54</sup> received a letter (I have a copy) suggesting they should mine and sort 1000 tons of ore and go devil it down the canyon on the snow and horse pack it to the beach. An utter impossibility in those days. Several engineers did examine the property but with gold at \$19.00 per ounce and copper at 8 cents, silver 50 cents an ounce it was a tough situation. Climate wise it was tough. Swanson Bay registered 228 inches of rain in 1927.

In 1925 a Vancouver group with my Father formed the Revenue Mining Co. and commenced a new railroad effort to go to the base of the mountain. They commenced with a 200 ft. scow on the beach and installed a saw mill one mile up the valley. They built the railroad in about three miles when they interested a Detroit firm who had been very successful in the Michigan mining and real estate. Names that come to my mind of the officers of the company were Gen. Harragh, Mr. Leber, E.M., Ward B. Smith EM, mine manager, Chas. W. Bush, promoter Mgr., J.P. Rowe, EM and professor of Geology Missoula University, Harvey Hannah, EM, RC Pryor EM, F. Pardoe Wilson<sup>55</sup> construction engineer. They were known as the Detroit

Western Mining Co. and proceeded to complete the railroad in four and a half miles from the beach. Installed a diesel (English National 150 hp.) for electricity for the mine. Mr. Pardoe Wilson civil engineer and formally chief

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<sup>52</sup> Ronald Campbell Campbell-Johnston, father of Maisie Hurley and great grandfather of Moira Movanna

<sup>53</sup> Possibly William Lagrange Gilbert?

<sup>54</sup> Possibly Patrick Joseph Keagan?

<sup>55</sup> Frederick Pardoe Wilson

construction engineer for the Dominion Construction Co. engineered the railroad and camps for 100 men and an aerial tramway, 500 ton unit to a tunnel site from the end of the railroad. The tunnel site was planned to drive 2 1600 ft. adits to hit the vein at depth.

It was never started although camps were. In 1928 Mr. Bush examined the work and was unhappy with the 20 lb. steel on the railroad. He had it changed to 65 lb. steel per yard (regular CPR steel). At the same time they purchased the Surf Inlet mine equipment which is located in the west coast of Princess Royal Island. They sent scows over and brought ore cars, oil flotation cells, assay office, flat cars 100 electric motors winches etc. Orders came from Detroit to ship out some ore and get some money in the treasury A couple of shipments were made to the American Mining and Smelting in Tacoma and in 1929 some further shipments made to Anyox. In order to get men up on the mountain they had to put a very steep trail to the vein on the west side of the canyon, two suspension bridges and more than 800 ft. of ladders and a jig back cable to haul supplies and send down ore. The site of the camp was 2200 ft. above sea level. Tunnels were driven through a fault zone and a decision was made to start a decline winze to connect with the Martin & Shannon tunnel on the east side of the canyon. About 300 ft. down they encountered the vein ~ very good showing of high grade ore.

A cable was put across the canyon and some mineral was shipped over from the east side Two drifts were put out into the canyon for water drainage and air. In October 1929 a wire was sent to close the operation The stock market had crashed and the payroll was behind - nothing secured for the winter. Everything was left as Pack rats and other animals as well as human beings had a field day. Many stories were made for the year 1930.

A Wisconsin German was boatman and stayed on for a year without pay as a watchman at the float wharf. Corbett<sup>56</sup> operated a trap line on the river valley from 1925 until he took his life in 1957. He lived alone for years in great isolation. The Thos. Crosby Mission boat for the United Church of Canada called in to check on him as often as they went by Khutze Inlet. Corbett fished, hunted and trapped beaver, marten, mink, weasel, squirrel, and lived quite well always had supplies and he canned deer, grouse, geese, ducks, salmon, wild crab apples. I sometimes brought his furs out to sell for him. In the first years he rowed a boat to Swanson Bay about 14 miles and later he had to row to Butedale a Canadian Fish Cannery sixteen miles for mail and grocery supplies. In his later years he got a partner from Oregon to live with him and help run the trap lines. Ed Anderson by name who was very active and extended the lines several miles. One early spring day Ed ran into five Grizzly bears and shot all of them before getting back two room camp on the river bank, at the head of the Khutze River.

In 1931 Col. A.S. MacCulloch<sup>57</sup> who headed up the Revenue Mining Co. interested a Mr. Joseph F. Langer<sup>58</sup> to put up enough money to bring the Western into production of high grade ore. Mr. Langer had come over from England after having won the Calcutta Sweep stake of 85,000 pounds Sterling and building many blocks of houses in London. He built the Orpheum theatre in Vancouver, after he had operated a placer mine at Likely B.C. near Quesnel. They were successful but employees made off with gold nuggets which took the pleasure out of it.

The first job at Western was to dewater the decline adit of 400 ft. of water and at the bottom drive an adit out into the North Star Canyon which they estimated to be 125 ft.; They drove 140 ft. without breaking out and at 150 ft. no luck and copper took a nose dive to 8 cents. Langer said shut it down, gold was \$19.00 and silver 50 cents an ounce. The crew stayed on and finally without pay broke into the canyon at 165 ft. and his two feet of good ore. You now can walk across to the east side of the canyon.

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<sup>56</sup> Possibly Arthur William Corbett, d. April 13, 1957 at North Pine BC

<sup>57</sup> Alexander Stuart MacCulloch died at Vancouver November 13, 1968

<sup>58</sup> Joseph Langer, a Vancouver businessman who was able in 1927 to pony up \$1 million to build the Orpheum—and who was in deep financial trouble three years later. History of Metropolitan Vancouver website

There has been no further mining work done on the property to this date other than cleaning up and replacing the shaft ladders etc.

In 1932 Fred Shelley optioned the property and hired 8 men to go and open up the property, get the railroad working etc. With promises the pay was \$28.00 per month and everything found. They worked well and got things operable. B.W.W. MacDougal examined the property under very strained conditions. Cheques became promises and sandwiches were missing something between the slices of bread. Their 12 ft. row boat was leaking bad so they undertook to put a canvas over the bottom and seal it with tar heated with a flat iron. They rowed to Swanson Bay, hoping that money would be there, but no they had to go the opposite way to Butedale. They were very unhappy including Mr. Shelley in Vancouver.

They then got enough money to go to on.

No further work was done on the property except for the odd person looking for a chance to find something In 1937 the Canadian Credit Men's trust were desperate to sell the machinery to pay for the wages that had not been paid from 1929-32. Mr. Harry Stevens undertook to salvage everything. Mr. Pardoe Wilson the construction engineer of the railroad etc. and myself started with a small crew of men to open the railway etc. Stevens thought maybe a major mining Co. should look at things. An engineer from Allenby was sent us to show him the property, he was with us for ten days and finally said no, he had decided yes several times but with the world metal conditions it had copper down to 8 cents, it seemed risky. All the salvageable machinery was removed by 1938 and sold to Japan to help the war intent. In December of 1937, the camp had not kept groceries in reserve, and the Inlet froze over, the Union Steamship Cardena was unable to break the Ice to get into the float where the men were ten days later the weather warmed up one night and the ice was gone but they had gotten down to one porcupine per day

In 1947 a small group of men who had never been there before undertook to find ore and a way to get it out. They only got a couple of miles up the river, lost a canoe in the rapids and nearly lost their lives. They had been financed by Mrs. B.T. Rogers, Mrs. Purdy and by Mrs. Hurley<sup>59</sup> who was a daughter of the engineer Campbell Johnson who reported on the property in 1911. They took up some of the claims just before the bad experience.

In 1962 Col. MacCulloch took an engineer in by helicopter from Prince Rupert to look at the property. There is only one spot on the West side that a helicopter could

land on without clearing out trees. The propeller hit a branch of a tree and collapsed to the ground. The pilot broke his ankle jumping to the ground. Their radio worked broadcasting but not receiving. After a couple of days they were heard by the Aluminum Co's<sup>60</sup> Sikorski helicopter who located them. MacCulloch had by this time suffered a heart attack and would have to be basketed out. They had all climbed down to the main tunnel where they took advantage of the shelter.

A few years later I examined the spot having landed with Okanagan helicopters and cleared out a few trees. MacCulloch's pack sack had a few sandwiches left and his rifle, he lived to 1967, and apparently none the worse for the experience.

In 1967, Milton Meldrum took Mr. John Buckle in to examine the property, who was very much impressed with the showings on both sides of the canyon, he made recommendations and a Calgary Co. Khutze Mines Ltd. undertook to put a truck road into the base of the mountain. It was planned that a twelve hundred ft. cable from the truck road to the vein would make it reasonable to ship selected high grade ore out. Orville Burkinshaw, President, J.M. Meldrum

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<sup>59</sup> Amy C. (Maisie) Armytage Moore Hurley.

<sup>60</sup> Alcan - Aluminum Company of Canada at Kitimat BC

Vice-President McConnell Sec'y., Higgins assistant secretary. Meldrum directed the start of the work to build a truck road five miles into the spot selected. The equipment was a D9 cat. tractor, two portable living quarters on wheels International dump truck, 4x4 pick up, French diesel track tractor, one forty ft. diesel boat and one 18 ft. with two 106 hp. mercury outboards. The road got in three and one half miles, Burkinshaw's brother was foreman, he phoned Meldrum in October - no pay cheques for 8 men for over a month. They were boarding a 'plane for Great Bear Lake.

In 1966 a very interesting report had been made by Mr. Doug. Malcolm EM<sup>61</sup> In August of 1987 a company known as Freemont Gold Corp.<sup>62</sup> sent two mining engineers Dr. Allan Fawley and Mr. Ray Maret with J.M. Meldrum to examine the property and report which was done by Dr. Allan Fawley. The results of their assays and examination encouraged them to have Freemont Gold, together with Marum Resources and Alcove gold to explore the possibilities of the prospect. In May of 1988 a camp was established to undertake building living accommodations on the North west side of the North Star Canyon, to open the tunnel at the bottom of the decline adit connecting the passageway to the East side vein exposures and tunnels on the vein. The wooden stairs in the decline adit were rotten beyond use, and were replaced with excellent results. A lot of work was done on clearing and securing trails. The camps constructed on the West side were well made with bunk house kitchen dining room showers, refrigeration, lighting plant. However the structural foundations and roof supports were not able to withstand the snow fall of ten feet and rain and were flattened completely.

In October November six diamond drill holes were drilled on the East side of the North Star canyon for a total of 538.5 meters (1766.73 ft.). On the west side four holes for 248.1 meters (813.976ft).The total drill program amounted to 786.6 meters (2587.08 ft.)

No further work has been done on the property in 1989-90-91-92.

(Note: after this was written, the property was visited by Alex Burton, P.Eng.)

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<sup>61</sup> EM = Mining Engineer.

<sup>62</sup> President the late Bernard (Ben) Ouellette

Note: C.W. Meldrum, who found and developed the Western Copper property died September 5, 1932, in Vancouver, age 70. Meldrum point on the north side of Khutze Inlet is named after him. (see Below)

#### NOTES ON PARDOE POINT

Pardoe Point is nearby. (see discussion by Alan Wilson, below):

<b>Meldrum Point</b>	<b>Official Name</b>
<i>Feature Type:</i>	<b>Point</b>
<i>Latitude:</i>	53°06'00"
<i>Longitude:</i>	128°31'00"
<i>Gazetteer Map:</i>	103H/2
<i>Relative Location:</i>	N. side of Khutze Inlet, Range 4, Coast Land District

**Pardoe Point** (53°06'00" 128°27'00" S shore of Khutze Inlet, E of Princess Royal I). Named in 1929 after Edward "Ted" Pardoe Wilson, construction engineer at that time for the Western Copper Mine, located about 8 km up the Khutze valley and connected to the head of Khutze Inlet by a tramway. The property was active prior to 1910, and again, under several different owners, between 1925 and 1932. See also Green Spit.

The name you list, Edward "Ted" Pardoe Wilson is my father. The Pardoe of the point, the construction engineer referred to, was HIS father, Frederick Pardoe Wilson (known as "FP", born 1880 in England). The point was named after him. FP played a considerable role in BC engineering, being a construction engineer on the Kettle Valley Railway and on the CPR mainline, helping found the Vancouver engineering firm that became Dominion Construction, and being involved in countless construction projects around Vancouver and Victoria, as well as further abroad around BC, like at Khutze. (My family donated to the Penticton Museum several albums full of his original photos of the construction of the Kettle Valley trestles which he was involved in engineering and overseeing construction.)

I should mention that my wife and I happened upon Pardoe Point ourselves a couple of years ago, quite accidentally, during a boat trip to Prince Rupert. I had heard vague references to a spot on the coast named after him but thought there was probably a Wilson Point somewhere. So finding ourselves at Pardoe Point was quite a surprise. Moreover, the other point in Khutze Inlet is Meldrum Point, named after a family on my mother's side. Apparently my grandfather and Meldrum were neighbours and colleagues (long before my father and mother met, so that's just a coincidence). In any case, the story I've heard from family sources is that FP was the one to name Meldrum Point after his friend. (Little did he know they'd end up distant relations!)

In any case, Khutze Inlet has a very special meaning to me now... and by the way, it's awesomely beautiful!

FYI, Ted Wilson, my father, also went into engineering and was involved in designing electrical systems for many buildings in Vancouver, especially at UBC where his firm had a longtime role in the university's development, as well as projects at SFU, the CBC, etc.

Submitted by Alan Wilson <http://knowbc.blogspot.com/2010/10/pardoe-point-true-story.html>

## APPENDIX 2. EXPENDITURES BY FREEMONT JV, 1988.

**FREEMONT GOLD CORPORATION****WESTERN JOINT VENTURE****A.F.E. RECONCILIATION**

Reference 31-Oct-88 Scanned from the original

<b>A.F.E. Budget</b>	<b>Actual</b>				<b>(under)</b>
<b>#</b>	<b>#</b>	<b>Description</b>	<b>Budget</b>	<b>Actual</b>	<b>over</b>
18	1	Assaying	\$25,000.00	\$7,243.79	\$(17,756.21)
0	2	Bond	0	2,500.00	2,500.00
11	3	Diamond Drilling	150,000.00	76,298.42	(73,701.58)
0	4	Employee Benefits	0	1,143.87	1,143.87
20	5	Engineering	5,000.00	5,000.00	0
(4-8-14-15)	6	Equipment	58,500.00	23,726.25	(34,773.75)
0	7	Electrical Rental	0	2,230.19	2,230.19
0	8	Electrical Repair	0	2,876.97	2,876.97
0	9	Explosives	0	2,658.72	2,658.72
0	10	Expediting	0	2,966.06	2,966.06
23	11	Field Overhead	54,500.00	54,405.24	(94.76)
16	12	Food	19,200.00	14,145.68	(5,054.32)
9	13	Fuel	20,000.00	20,057.57	57.57
(10-17)	14	Geology	23,000.00	37,853.10	14,853.10
22	15	Insurance Aviation	7,000.00	6,827.00	(173.00)
0	16	Lodging	0	695.79	695.79
19	17	Metallurgical Tests	7,200.00	10,452.56	3,252.56
0	18	Medical	0	59.00	59.00
0	19	Nathan Investments	0	6,000.00	6,000.00
0	20	Option Payments	25,000.00	25,000.00	0
0	21	Plumbing	0	4,089.38	4,089.38
0	22	Rental Generator	0	5,434.28	5,434.28
0	23	Rental Truck	0	1,435.52	1,435.52
(3-5)	24	Supplies/Lumber, Timber	30,000.00	58,731.17	28,731.17

21	25	Supervision	20,000.00	32,000.00	12,000.00
7	26	Survey and Recording	15,000.00	7,765.33	(7,234.67)
0	27	Taxes, Surcharges	0	88.14	88.14
0	28	Telephone	0	2,413.07	2,413.07
2	29	Radio Equipment	5,600.00	2,512.88	(3,087.12)
1	30	Transportation	60,000.00	102,669.29	42,669.29
(6-12-13)	31	Wages	100,000.00	68,432.96	(31,567.04)
0	32	Workers' Compensation	0	2,742.95	2,742.95
0	33	Initial Costs	0	8,000.00	8,000.00
0	34	Courier	0	7.95	7.95
			<b>\$625,000.00</b>	<b>\$598,463.13</b>	<b>\$(26,536.87)</b>
		<b>Option Payment</b>	<b>(25,000.00)</b>	<b>(25,000.00)</b>	<b>0</b>
Audited for the TSXV		<b>A.F.E. Approved</b>	<b>\$600,000.00</b>	<b>\$573,463.13</b>	<b>\$(26,536.87)</b>

Note, the above figures were audited for Financial Statements files with the TSX. Additional expenditures may have been made by the companies but are undocumented.

## APPENDIX 3. PROPERTIES VALUATED AND RANKED 1992-2009

**BJ Price Geological Consultants Inc.**  
**APPENDIX 5. PROPERTIES EVALUATED AND RANKED 1992-2009**

YEAR	COMPANY	PROPERTY	DETAILS	VALUE
1999	US Cobalt Inc.	Madison Co dep.	Historic drilled polymetallic Co-Ni-Cu resource	\$ 12,600,000.00
2007	Bellhaven Resources	Cerro Quema	Gold resource, western Panama	\$ 12,500,000.00
1999	Prominex /Zappa Resources	La Plata VMS	Small rich resource of VMS min plus advanced Au	\$ 10,000,000.00
2005	Copper Canyon Res	Copper Canyon	Porphyry Copper gold resource near Galore Creek	\$ 9,000,000.00
2005	Eagle Plains Res	Property pkg.	Package of exploration properties BC Yukon	\$ 8,000,000.00
2006	Bellhaven Res.	Chorcha Cu	Drilled porphyry Cu property Panama	\$ 6,000,000.00
2001	Belmont Res.	Talc deposit	Purchase 49% interest in talc deposit Slovakia	\$ 5,600,000.00
2001	Mutiara	Property Package	Indonesian properties	\$ 5,200,000.00
1998	Global Gold	Harrison Au	Small moderate grade drill defined gold resource	\$ 3,000,000.00
2000	Ross River Minerals Ltd.	Tay-LP property	Gold property with drilled gold intercepts Yukon	\$ 2,600,000.00
2000	Thundelara Exploration Ltd.	Aries Kimberlite	Acquisition of 51% interest in diamondiferous pipe	\$ 2,550,000.00
2008	Pan Caribbean Minerals	Bellas Gate	Gold and porphyry copper resources, Jamaica	\$ 2,250,000.00
1999	Laurier/Zarcán	Parauna	Alluvial Diamond Property, Brazil	\$ 2,000,000.00
2008	Metal Mountain Res.	Dome Mountain	Past productive gold mine, resources remaining	\$ 2,000,000.00
2005	Macmillan Binch LLP	China	Copper Nickel and gold properties, China	\$ 2,000,000.00
1999	Golden Goliath Res	Gold properties	Pkg of gold properties, Chihuahua state	\$ 1,800,000.00
1999	Insular Exploration	Masupa Ria	Known Au Resource, Indonesia	\$ 1,500,000.00
2000	Claimstaker Resources	Black Dome	Past producer high grade epithermal gold veins	\$ 1,250,000.00
2005	Valley High Ventures	Lloyd Nordik	Small drilled Cu resource near Mt Polley Cu Au mine	\$ 1,100,000.00
2004	Goldrea Res Corp.	Rushan	Claims near small gold producer,	\$ 750,000.00
1999	Altman Kahn Zack	Kenville Mine BC	Small High grade Au mine past production	\$ 500,000.00
1992	Colossal Res	Ball Creek	Porphyry copper property Iskut drilled	\$ 300,000.00
1992	Goldpac Investment Ltd	Goatfell	Sullivan type target, explored by drilling	\$ 285,000.00

## APPENDIX 4 AUTHORIZATION TO ACT Authorization to Act

We hereby authorize BJ Price Geological Consultants Inc., of Ste 1028 - 470 Granville Street, Vancouver BC, V6C 1V5, Telephone 604-682-1501 to submit geological materials and other concerning expropriation of the former Bear and Western Copper Crown Granted claims situated on Kbutze River, for the purposes of negotiation for a fair compensation for the expropriation of these claims by the Government of British Columbia.

We also authorize BJ Price Geological Consultants Inc., or Barry J. Price P. Geo. or his agents to negotiate on our behalf, and to provide if necessary an Opinion of Value for the above noted claims:

Dated this SEPTENBER of 17<sup>th</sup> in 2007

signed:



**Moira Movanna**  
Co Owner



**William Bell**  
Co Owner

To Whom It May Concern:

I hereby authorize BJ Price Geological Consultants Inc., of Ste 1028 – 470 Granville Street, Vancouver B.C. V6C 1V5, Telephone 604-682-1501 to submit geological and other materials to the Minister responsible for the Mineral Tenure Act, concerning the expropriation of the former Empire and North Star Crown Granted mineral claims situated on the Khutze River, for the purpose of negotiating fair compensation for these claims with the Government of British Columbia.

I also authorize BJ Price Geological Consultants, Inc., or Barry J. Price, P.Geo., or his agents to negotiate on my behalf, and to provide, if necessary, an evaluation report for the above noted claims.

Dated this 7<sup>th</sup> day of September, 2012



\_\_\_\_\_

Robert D. Meldrum

Executor for the Estate of John Milton Meldrum, registered owner.

## APPENDIX 5. LIST OF VALUATIONS COMPLETED BY B.J. PRICE GEOLOGICAL

## LIST OF VALUATIONS COMPLETED BY B.J. PRICE GEOLOGICAL 1992-2014

(List may be incomplete and does not include Technical Reports)

REF	YEAR	COMPANY	PROPERTY	DETAILS
1	1992	Colossal Res	Ball Creek	Porphyry copper property Iskut drilled
2	1992	Colossal Res	Bouleau Creek	Gold vein, West Okanagan area
3	1992	Colossal Res	Fair Property, Manson Creek	Gold Vein Omineca area
4	1992	Goldpac Investment Ltd	Goatfell	Sullivan type target, explored by drilling Small moderate grade drill defined gold resource
5	1998	Global Gold	Harrison Au	
6	1999	US Cobalt Inc.	Madison Co dep.	Historic drilled polymetallic Co-Ni-Cu resource
7	1999	Prominex SA/Zappa Resources	La Plata VMS	Small rich resource of VMS min with high Au value
8	1999	Laurier/Zarcán	Parauna	Alluvial Diamond Property, Brazil
9	1999	Golden Goliath Res	Gold properties	Pkg of gold properties, Chihuahua state
10	1999	Insular Exploration	Masupa Ria	Known Au Resource, Indonesia
11	1999	Altman Kahn Zack	Kenville Mine BC	Small High grade Au mine past production
12	1999	Jim McDonald	Iron Cop	Expropriation of several claims and showings
13	2000	Ross River Minerals Ltd.	Tay-LP property	Gold property with drilled gold intercepts Yukon
14	2000	Thundelara Exploration Ltd. Claimstaker	Aries Kimberlite	Acquisition of 51% interest in diamondiferous pipe Past producer high grade epithermal gold veins
15	2000	Resources	Black Dome	
16	2001	Belmont Res. Ashton Mining	Talc deposit Canadian Diamond assets	Purchase 49% interest in talc deposit Slovakia
17	2001	Canada		Assisted with a valuation for Ashton A variety of copper and gold and diamond properties, Indonesia
18	2001	Mutiara	Property Package	
19	2001	Misty Mountain Gold	Harmony Gold property	Fairness Opinion re acquisition
20	2002	Westward/Winfield Res	Duck Shuttle	Expropriation Small copper occurrence, limited exploration
21	2004	Goldrea Res Corp.	Rushan	Claims near small gold producer, Shandong China Porphyry Copper gold resource near Galore Creek
22	2005	Copper Canyon Res	Copper Canyon	
23	2005	Eagle Plains Res	Property pkg.	Package of exploration properties BC Yukon
24	2005	Macmillan Binch, LLP	China	Copper Nickel and gold properties, China
25	2005	Valley High Ventures	Lloyd Nordik	Small drilled Cu resource near Mt Polley Cu Au mine Opinion of value of gold properties Co
26	2005	La Mancha Res.	Africa, Australia	Restructuring
27	2005	Arian Silver Corp.	Keno Hill property	Valuation for bid to Yukon Government
28	2005	Zalmac Mines/Yorke Hardy	Lightning Peak, Granby Park	Expropriation of several claims and showings
29	2006	Bellhaven Res.	Chorcha Cu	Drilled porphyry Cu property Panama Valuation with Ross Glanville of several gold properties, US Gold.
30	2006	Nevada Pacific	Nevada Au Properties	
31	2006	Roxgold/News	Tommy Jack Creek	Fairness Opinion for new listing with Ross

				Glanville
32	2006	Bayswater	Uranium properties	Assistance with R Glanville Fairness Opinion
33	2006	Great China Mining	Chinese Xietongmen	Assistance with R Glanville Fairness Opinion
34	2006	Coral Gold Nevada Pacific	Copper porphyry	Opinion of Value re Takeover offer with B McKnight, Ross Glanville
35	2007	Wega Mining	Nevada assets	Valuation of properties for Norwegian Bors listing
36	2008	Pan Caribbean Minerals	Portugal Africa, Norway, Ecuador	
37	2008	Bellas Gate	Dome Mountain	Gold and porphyry copper resources, Jamaica Past productive gold mine, resources remaining
38	2008	Metal Mountain Res.	Big Onion	Small, low grade porphyry Copper deposit
39	2008	Metal Mountain Res.	Houston area properties	Smithers
40	2008	Gary Thompson Bellhaven Copper and Gold Fairchild Investments	Cerro Quema Panama	Valuation for prospector.
41	2008	Al Hamurah, Yemen		High sulphidation epithermal gold
42	2009	<b>Moira Movanna et al</b>	<b>Western Copper</b>	<b>Opinion of Value Nickel property</b> <b>Expropriation for Khutze conservancy IN PROGRESS</b>
43	2009	Newco Bedford Resource Holdings	Tommy Jack property	Co-author fairness Opinion with Ross Glanville
44	2010	Copper Canyon Res	Citronen Zinc Lead project	Assisted Ross Glanville in valuation of Royalty
45	2010	Eureka Resources Inc.	Copper Canyon property	Valuation for takeover bid
46	2010	Premium Resources Inc.	Frasergold property	Valuation of sediment-hosted gold deposit in Cariboo area BC
47	2011	Yellowjacket gold property	Chrome Mtn PGM property	Valuation of Stillwater compiled PGM property Montana
48	2011	Eagle Plains Res	Yellowjacket gold property	Opinion of Value
49	2011	Guardsmen Resources Inc.	Lawyers Gold Property	Valuation of past productive gold mine, Toodoggone area BC
50	2012	Premium Resources Inc.	Revision Chrome Mtn PGM property	Valuation of Stillwater PGM property Montana
51	2012	Private Landholder Athabasca Nuclear Corp.	Maggie Porphyry copper BC	Assistance in valuation of crown granted claims
52	2013		Uranium properties Saskatchewan	Several early stage Uranium prospects

This list does not include Technical Reports or property inspections.

# APPENDIX 6 CROWN GRANTS

## ORIGINAL BEAR CROWN GRANT

Lieutenant-Governor.

Entered on District Register  
and on Map.

Compared. *96*



**"MINERAL ACT."**

Province of  
BRITISH COLUMBIA.)  
5225  
371  
No. **GEORGE V.  
EDWARD VII.**

*Anna Kaurich*  
Deputy Commissioner of Lands and Works

by the Grace of God, of the United Kingdom of Great Britain and  
Ireland, and of the British Dominions beyond the Seas, King,  
Defender of the Faith, &c., &c.

To all to whom these presents shall come, Greeting:

**KNOW YE**, that We do by these presents, for US, Our heirs and successors, in consideration of the  
fulfilment of the conditions of the laws providing for the acquisition of minerals other than coal and petroleum,  
give and grant unto *George Martin, William Shannon & James B. Mathers their heirs*

---

and assigns, all minerals, precious and base (save coal and petroleum) which may be found in veins, lodes or  
rock in place, and whether such minerals are found separately or in combination with each other, under  
that Parcel or Lot of Land situate in *Coast* District,  
and numbered *Lot Three hundred and eighty-five (385) Range Four (4)*  
on the Official Plan or Survey of the said  
*Coast* District,  
and known as the *"Bear"* Mineral Claim,  
and the right to the use and possession of the surface of such mineral claim, including the use of all the timber  
thereon for the purpose of winning and getting from and out of such claim the minerals contained therein,  
including all operations connected therewith or with the business of mining. To have and to hold the same  
unto the said *George Martin & William Shannon each as an undivided part interest in the*  
*same and James B. Mathers as an undivided part interest in the same their heirs and assigns for ever*

---

PROVIDED, that the grant hereby made shall be subject to the laws for the time being in force  
respecting mineral claims.

PROVIDED, also, that no right to the use or possession of any travelled streets, roads, trails and  
other highways existing over or through said lands at the date hereof shall pass by this grant.

PROVIDED, also, that it shall be lawful for Us, Our heirs and successors, or for any person by Our  
authority, to open up and use any portion of the said mineral claim (not exceeding one-fourteenth part) for  
making roads, canals, bridges, towing-paths, or other works of public utility or convenience; but no portion  
of said claim shall be so opened up and used upon which any permanent buildings have been erected.

In testimony whereof, We have caused these Our Letters to be made Patent, and the Great  
Seal of Our Province of British Columbia to be hereunto affixed: Witness, His Honour  
*Thomas D. Detersen* Lieutenant-Governor of Our said  
Province, at Our Government House, in Our City of Victoria, this *Eighth*  
day of *February* in the year of Our Lord one thousand nine hundred  
and *Eleven* and in the *First* year of Our Reign.

By Command.

*Denzil C. Young*  
Provincial Secretary

ORIGINAL WESTERN COPPER CROWN GRANT

Entered on District Register and on Map.

Compared. *H.C. J.P.*



"MINERAL ACT."

Province of BRITISH COLUMBIA.)

No. 4628

*B.M. Stewart*  
Deputy Commissioner of Lands and Works.

EDWARD VII., by the Grace of God, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Defender of the Faith, &c., &c.

To all to whom these presents shall come, Greeting:

Know ye, that We do by these presents, for Us, Our heirs and successors, in consideration of the fulfilment of the conditions of the laws providing for the acquisition of minerals other than coal and petroleum, give and grant unto *Alexander McLeod, Charles W. Meldrum and James Bolivar Mathers their heirs*

and assigns, all minerals, precious and base (save coal and petroleum) which may be found in veins, lodes or rock in place, and whether such minerals are found separately or in combination with each other, under that Parcel or Lot of Land situate in *Coast* District, and numbered *Lot Three hundred and eighty (380)* Range *Four (4)* on the Official Plan or Survey of the said *Coast* District,

and known as the *"Western Copper"* Mineral Claim, and the right to the use and possession of the surface of such mineral claim, including the use of all the timber thereon for the purpose of winning and getting from and out of such claim the minerals contained therein, including all operations connected therewith or with the business of mining. To have and to hold the same unto the said *Alexander McLeod as to an undivided 5/10 interest in the same Charles W. Meldrum as to an undivided 4/10 interest in the same and James Bolivar Mathers as to an undivided 4/10 interest in the same their heirs and assigns for Ever*

PROVIDED, that the grant hereby made shall be subject to the laws for the time being in force respecting mineral claims.

PROVIDED, also, that no right to the use or possession of any travelled streets, roads, trails and other highways existing over or through said lands at the date hereof shall pass by this grant.

PROVIDED, also, that it shall be lawful for Us, Our heirs and successors, or for any person by Our authority, to open up and use any portion of the said mineral claim (not exceeding one-twentieth part) for making roads, canals, bridges, towing-paths, or other works of public utility or convenience; but no portion of said claim shall be so opened up and used upon which any permanent buildings have been erected.

In testimony whereof, We have caused these Our Letters to be made Patent, and the Great

Seal of Our Province of British Columbia to be hereunto affixed: Witness, His Honour *Charles E. Smith* ~~Admiral~~ *Lieutenant Governor* of Our said Province, at Our Government House, in Our City of Victoria, this *Sixth* day of *July* in the year of Our Lord one thousand nine hundred and *Eight* and in the *Eighth* year of Our Reign.

By Command. *Henry Gordon Young*  
Provincial Secretary.

ORIGINAL NORTH STAR CROWN GRANT

Entered on District Register and on Map.

Compared. *AB*

*G. Hunter*  
Administrator Lieutenant Governor



"MINERAL ACT."

Province of BRITISH COLUMBIA

No. 4624

*W. McNeill*  
Deputy Commissioner of Lands and Works.

EDWARD VII., by the Grace of God, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Defender of the Faith, &c., &c.

To all to whom these presents shall come, Greeting:

Know ye, that We do by these presents, for US, Our heirs and successors, in consideration of the fulfilment of the conditions of the laws providing for the acquisition of minerals other than coal and petroleum, give and grant unto *Alexander McLeod, Charles W. Melburn and James Bolivar Mathies their heirs*

and assigns, all minerals, precious and base (save coal and petroleum) which may be found in veins, lodes or rock in place, and whether such minerals are found separately or in combination with each other, under that Parcel or Lot of Land situate in *Coast* District, and numbered *Lot Three hundred and twenty six (376)* Range *Four (4)* on the Official Plan or Survey of the said *Coast* District,

and known as the *"North Star"* Mineral Claim, and the right to the use and possession of the surface of such mineral claim, including the use of all the timber thereon for the purpose of winning and getting from and out of such claim the minerals contained therein, including all operations connected therewith or with the business of mining. To have and to hold the same unto the said *Alexander McLeod as to an undivided 2/3 interest in the same Charles W. Melburn as to an undivided 1/3 interest in the same and James Bolivar Mathies as to an undivided 1/3 interest in the same their heirs and assigns for ever*

PROVIDED, that the grant hereby made shall be subject to the laws for the time being in force respecting mineral claims.

PROVIDED, also, that no right to the use or possession of any travelled streets, roads, trails and other highways existing over or through said lands at the date hereof shall pass by this grant.

PROVIDED, also, that it shall be lawful for Us, Our heirs and successors, or for any person by Our authority, to open up and use any portion of the said mineral claim (not exceeding one-twentieth part) for making roads, canals, bridges, towing-paths, or other works of public utility or convenience; but no portion of said claim shall be so opened up and used upon which any permanent buildings have been erected.

In testimony whereof, We have caused these Our Letters to be made Patent, and the Great

Seal of Our Province of British Columbia to be hereunto affixed: Witness, His Honour *Richard Sproat* of the Government, Lieutenant Governor of Our said Province, at Our Government House, in Our City of Victoria, this *Sixth* day of *July* in the year of Our Lord one thousand nine hundred and *Eight* and in the *Eighth* year of Our Reign.

By Command *Henry Ross Green*  
Provincial Secretary.

ORIGINAL EMPIRE CROWN GRANT

Entered on District Register  
and on Map.

Compared. *H-6*

*G. H. ...*  
Administrator Lieutenant Governor



"MINERAL ACT."

Province of  
BRITISH COLUMBIA

No. *4626*

*M. ...*  
Deputy Commissioner of Lands and Works

EDWARD VII., by the Grace of God, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Defender of the Faith, &c., &c.

To all to whom these presents shall come, Greeting:

Know YE, that We do by these presents, for US, Our heirs and successors, in consideration of the fulfilment of the conditions of the laws providing for the acquisition of minerals other than coal and petroleum, give and grant unto *Alexander McLeod, Charles W. Meldrum, and James Bolivar Mathers their heirs*

and assigns, all minerals, precious and base (save coal and petroleum) which may be found in veins, lodes or rock in place, and whether such minerals are found separately or in combination with each other, under that Parcel or Lot of Land situate in *Coast* District, and numbered *Lot Three hundred and seventy-eight (378)* Range *Four (4)* on the Official Plan or Survey of the said *Coast* District, and known as the *Empire* Mineral Claim, and the right to the use and possession of the surface of such mineral claim, including the use of all the timber thereon for the purpose of winning and getting from and out of such claim the minerals contained therein, including all operations connected therewith or with the business of mining. To have and to hold the same unto the said *Alexander McLeod as to an undivided 1/30 interest in the same Charles W. Meldrum as to an undivided 1/30 interest in the same and James Bolivar Mathers as to an undivided 1/30 interest in the same their heirs and assigns for Ever*

PROVIDED, that the grant hereby made shall be subject to the laws for the time being in force respecting mineral claims.

PROVIDED, also, that no right to the use or possession of any travelled streets, roads, trails and other highways existing over or through said lands at the date hereof shall pass by this grant.

PROVIDED, also, that it shall be lawful for Us, Our heirs and successors, or for any person by Our authority, to open up and use any portion of the said mineral claim (not exceeding one-twentieth part) for making roads, canals, bridges, towing-paths, or other works of public utility or convenience; but no portion of said claim shall be so opened up and used upon which any permanent buildings have been erected.

In testimony whereof, We have caused these Our Letters to be made Patent, and the Great Seal of Our Province of British Columbia to be hereunto affixed: Witness, His Honour *W. ...* of the Government, Lieutenant Governor of Our said Province, at Our Government House, in Our City of Victoria, this *Sixth* day of *July* in the year of Our Lord one thousand nine hundred and *Eight* and in the *Eighth* year of Our Reign.

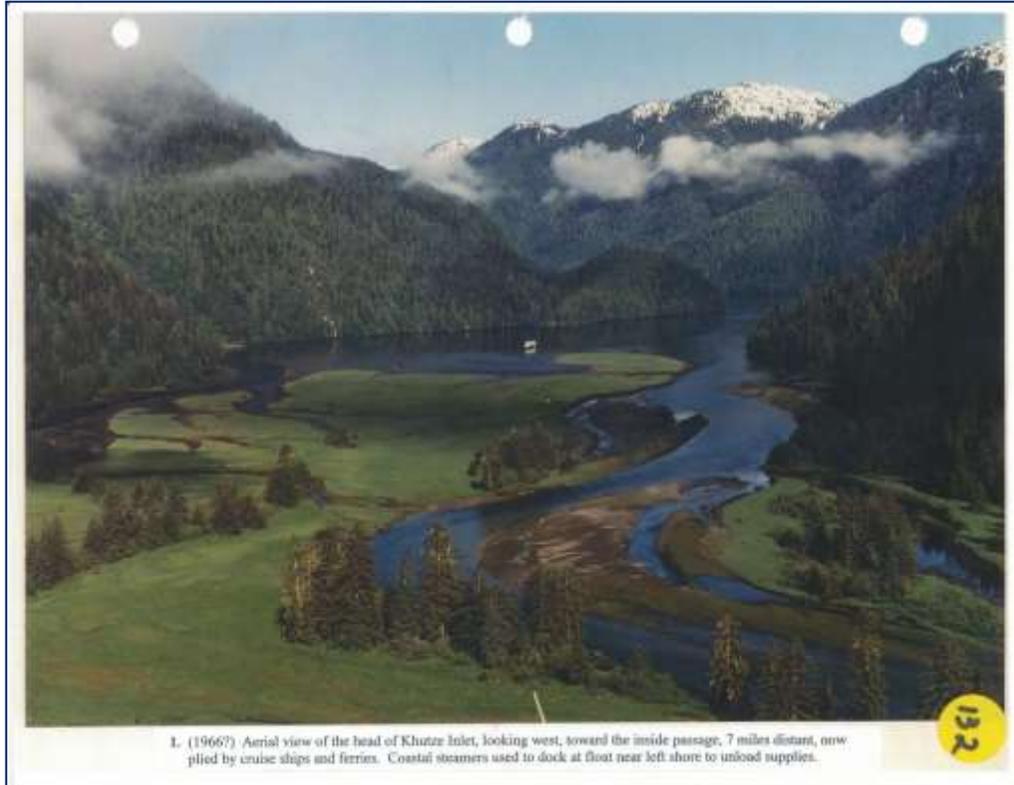
By Command. *Harry ...*  
Provincial Secretary.

## APPENDIX 7. PHOTOGRAPHS



The sole land use for the Khutze Conservancy area at present is for Tourism and Native purposes. It should be noted that there are no facilities for such, the Inlet is used as a protected anchoring site for recreational boating. There is very little opportunity for anyone to use anything but the foreshore area, as the vegetation is very thick and the weather generally (in contrast to this picture) generally deplorable, particularly in winter. There are no nearby Native settlements and no communication, safety or health facilities. The present land use provides little or negative tax revenue.

A number of relevant photographs of historical interest are given in the following pages.

*PHOTOGRAPHS OF WESTERN COPPER OPERATION**(FACT PICTURE EXHIBIT 132)*

2. (1998) Panoramic view looking up the east fork of the Khutze River from the west side of North Star Canyon, immediately below and to the right. The meadow-like area right of center on the east side of the Canyon was a tent camp in early years, and landing pad latterly. The west side camp was not far below the camera position.



23a. (1928?) Railroad construction.



21a. (1928?) sawmill?

## *SURVEYING*

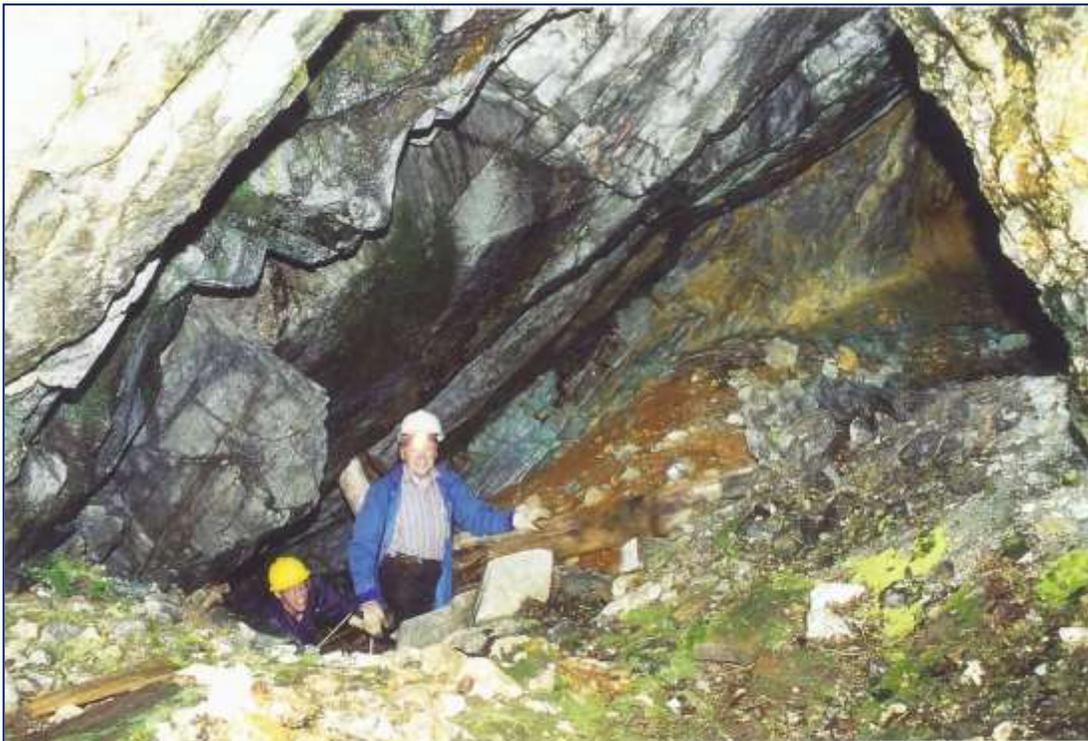
The difficult job of surveying was done after the Crown Granted claims were staked, during examination in 1909, in 1927-28 when construction was under way and finally, survey of the mine workings in 1988 by McIlhanney.



**18a.** (1928) Pardoe Wilson, Surveyor, seen carrying his equipment up a ladder on the east side. Prior to helicopters, access to the workings and showings on both east and west sides was by ladders and suspension bridges from the river valley.

*UNDERGROUND RAISE*

Note copper stained mineralization in Vein in the backs



11a. (199?) J.M.Meldrum and A.Meldrum at top of raise from 300 ft level.

*C.W. MELDRUM*

Most of the considerable work completed on the Western Copper property can be attributed to the Meldrum Family who have been associated with Khutze Inlet and Western Copper from 1904 to the present

**Charles William Meldrum 1862-1932**



23b. (1930?) C.W. Meldrum.

## APPENNDIX 8. NOTES ON VALUATION AND EXPLORATION POTENTIAL Khutze area claims

From Fact Picture

### EXPLORATION POTENTIAL AND EXPENDITURES ETC

DOCUMENT	DATE	DETAILS
2	1909	Report by RC Campbell Johnston. 48 crown granted claims all surveyed. Taxes were \$0.25/acre. Many samples exceed 1 oz/ton gold Value of the ore established by sampling at \$30/ton gross value. (Gold was at \$19/oz) "Other veins are known to exist" 37 samples by RCCJ averaged \$54.75 <b>Budget of \$175,000 recommended</b>
3	1910-14	William Shannon. Property optioned to Martin Shannon and Mathers. Initial discoverer was paid \$150 for the information and rock sample. Two tunnels on a lower vein about 600 ft. ASL, two small tunnels. Ledge about 6 ft. wide. Strong vein but low values at that time. No 2 vein was at 1800 ft. ASL, No 3 vein at 4000 ft. At that time timber rights went with the claim. 5 tons shipped to Tyee smelter
4	1910 AND 1921	GSC Summary Rept 1921A states "At that time Martin, Shannon and Mathers had expended \$150,000"
5	1912	In addition to the crown grants, Lots 394 55 acres, Smelter site on tidewater, 395 – 107 acres meadowland, Lot 647, 34.52 acres, partly under cultivation. Lot 204, power site 40 acres, Lot 172, 76.43 acres, for main camp. The property had floating dock at tidewater, buildings for 20 men, barns, etc. Trail laid out with easy grade. Main camp at inlet, halfway camp and work camp at the property elev. 375 ft. No 5 camp at tunnel elevation. "Vein on Ida Claim and several other veins. (Excerpts from Campbell Johnson, Hagen and Shannon reports)
6	1908-1913	List of Crown grants and acreages. (at least 37)
7	1926	Revenue Mining Company Ltd. (A. McCulloch Managing Director) Took a bond on the property for \$300,000 plus 10% NSR
8	1926	BCMM AR. Vein exposed over 2000 ft. east of the main gully. Standard Light gauge railway for 2 and ½ miles. BCMM personnel recommend more work.
9	1927	J.P Rowe, Missoula Montana, report. "I have no hesitation in strongly recommending the property". 14 samples up to 3.9 oz/t gold and 28% copper. From a number of different veins. Ore averages \$60/ton. Approves the work of RCCJ.
11	1927	Harvey Hanna report. Detroit Michigan. Railroad now under construction. 1.5 miles completed. Mining conditions favorable. Power and Timber available. Sawmill in operation. 26 men at work. Min Finance had agreed to build a government wharf. Water wheel and generator purchased.
12	1927	Ward B Smith report. Owners spent about \$200,000. Tonnage estimate +1 million tons. "This property is almost an ideal mine"
13	1927	Report by R.C. Fryer. Houghton Michigan. Aerial tramway under construction. Proposed a gravity concentrator for 100 tpd operation. "An unusual combination of very favorable conditions".
14	1925-27 BC MMAR	1925 bonded by E.W. Scully who turned his bond (option) over to Khutze River Mining Company. Reverted to Revenue Mining Company Ltd.
16	BC MMAR 1928 1929 1931	Unions steamships calling regularly at Khutze Inlet. Main camp for 100 men. Heavier gauge steel rail laid 1928 Substantial tram built 1927-28 and a lighter jig back tram to work site about 2000 ft. above camp. During summer about 100 tons of ore mined and substantial exploration done. 1929 a small shipment of ore made 72 tons, 33 men employed. Closure at end of 1929, probably due to Market Crash. 1931. Shaft dewatered and extended 16 feet., 24 inches of high grade in the face.

		Some work done on the Fanny claim. E.G Davidson and a crew of 12 men. (Another page says 19 men) 1932. A limited amount of work with a small crew
17	1928	Tacoma smelter sheet. 270,000 lbs (135 tons) Assays 0.45 opt gold, 6.8 opt silver and 14-15% Copper. Recovered 63 oz Au, 849 oz Ag, 37,500 lbs Cu. Gross about \$15,500 or \$115/ton. Another shipment of 30.5 tons. All copies of smelter reconciliations. 1909 shipment: 11,665 pounds averaged 2.75% Cu, 1.85 opt silver and 1.45 opt gold for value of \$32.62 per ton.
18-23	BC MM AR	Largely duplicates
24	1931	Report by Dr. Victor Dolmage. Suspects surface enrichment but states that some ore up to \$35/ton has not been enriched and such ore may persist to depth. It may be found profitable to ship some of the ore developed in the mine.
27	1932	Full BCDM Bulletin no 1 1932, J.D. Galloway.
28	12 May 1934	Report by Col A.S. Macculloch details costs spent to date: About 1910 ??, \$40,000, and in the next 2 years following Campbell Johnston's visit \$400,000 was spent. 1929 the property reverted back to Macculloch
29	Feb 1945	Amy C. Armytage Moore becomes involved with an option of 12 claims (Ida Group) from William Hagen and John Hagen of Copper River (Terrace?) to her,. For \$40,000 as 12 pmts of \$1,200 each plus 10% of gross proceeds.
30-34	1945	Mrs Armytage Moore registers Joanna CG 51.65 acres, Anna, 48.26 ac., Western Copper, L 380, 2.51 acres Argentile, L 379, and Ida L 385, 44.9 ac., Bear L. 385, total 6 CG's
35	1957	Option revocation from 1955 agreement Maisie Hurley and Alexander Stuart Maculloch.
36	1959	Letter from A.S. Macculloch. Of about 52 original claims/crown grants, all but 6 (Maisie) and 2 (Estates of Martin Shannon et al) reverted to the crown.
37	1960	Option Maisie Hurley to Edward Allen for the 6 CG's. 100% for \$250,000, with down payment of \$3,000. Plus 10% NSR
	1988	Escrow agreement (part only) 8 CG holders to Freemont Gold Corporation, Alcove Gold Corporation and Maret Resources Ltd. This doc incomplete and out of sequence.
38	undated	Letter by A.S. Macculloch re Gold Mining Assistance.
39	1961	Letter proposal to Don Reid re option of the 8 CG's for \$3,000 down and total \$500,000 over 7 years with 10% NSR. 30 of the reverted CG's were bought or claimed by Mrs Hurley and Isaac Shulman and Thomas Hurley?? And remitted sum of money to put them in good standing. Letter incomplete
40	1964	Letter to Kathleen Bell from Shulman Tupper Worrall Jonsson and Laxton. Re Option of the 32 reverted CG's. Tom Berger acting for Mrs Hurley. ** Mrs Hurley passed away before 1965.
41 and 42	Date 1966?	Summary of report by D.C.Malcolm. States "A 2,000 foot length of the shear east of the Big Canyon and in North Star Canyon contains five sulphide lenses 20 to 35 feet in length and 0.5 to 1.5 feet in width with an estimated 500 tons averaging 1.13 oz gold, 6.4 oz silver and 12.9 % copper. Other ore zones are estimated with a total of 2,680 tons averaging 1.46 oz gold, 7.4 oz silver and 8% copper with a gross value of \$117.71 per ton. Total extent of u/g workings is 1,200 feet of tunnels at the 1,750, 1,800, 2000 and 2250 levels.at Big Canyon and a 750 ft. inclined shaft between 1,800 and 2250 ft. Short tunnels and open cuts explore the surface quartz outcroppings to the east and west of the canyon. "This ore could be mined and sacked and transported by helicopter to Khutze Inlet."
43 -44-45	1965-66-67-74	Misc Correspondence and several agreements re Khutze Mines Ltd. 1967: a work crew completed in excess of \$50,000 gaining access to forks of East and North Khutze Rivers, Agreed to sell 25% interest to Commercial Oil and Gas for \$150,000, not less than \$30,000 per quarter. Orville Burkinshaw, C.M. Meldrum,

		Ben McConnell, Ann C Higgins, Katherine Bell directors. Orville Burkinshaw put in \$50,000. McConnell put in \$5,000 Cheques sent to Estate of Homer Mathers and Donovan. Letter from Lawyers Meredith Marshall, McConnell and Scott indicate the option payment was made in 1967. As of May 2 1967, payments of \$10,000 were made to the vendors. The 1967 agreement covered 22 reverted crown grants, optioned by Burkinshaw to Khutze Mines for 375000 shares at 5c/share or \$18750, plus work commitment of \$225,000 over 5 years on the 8 CG claims plus Mineral leases 73, 74, 75 and 98 (Lots 377 and 383). These agreements show that several of the claims were covered under Mineral Leases in this period. ** The Khutze agreement forfeited in 1974, as the company was struck off the register.
46	1967	Financials of Khutze Mines Ltd. Commercial Oil and Gas Ltd. Advanced \$30,000 to Khutze Mines Ltd. For work.
47	1973	Khutze Mines Ltd. Deeds all rights to the 6 CG's back to Kathleen Helen Bell.
48	1980-81	Taxes stated to be \$0.62/hectare or Minimum \$10.00 Transfers to K Bell and JM Meldrum do not mention surface or undersurface rights, whereas others are for under surface rights only. Bull Houser and Tupper note that the transfer to Meldrum is "Fee Simple" I take this to mean surface plus subsurface !! Wilfred Maurer Martin transfers all rights in his mother's claims 376, 378 (North Star and Empire) to JM Meldrum for \$3,000 plus legal costs. **This was for 2/3 interest, the balance was held by May Donovan, although it is noted that she never paid any taxes (All taxes were probably paid by JM Meldrum). Son Jim Donovan said he was not willing to sell the balance 1/3 as it was the last remaining vestige of the JB Mathers (his grandfathers) estate.
49	1981	The late Roy Phendler Geological Report. Roy Phendler was a P.Eng and well respected consultant. A generally positive report recommended \$300,000 in work in Phase 1 and \$200,000 in phase 2. This was for the North Star and Empire and 6 other claims (NOT the Hurley claims). These claims were under an option to Rebel Developments Ltd. Phendlers maps clearly show extensions of the main vein would cross the Bear claim and underground workings also cross the Western Copper claim, where the dip of the vein would also lie within the claim. One of the main helpads lies on the Bear claim, allowing access to the North Star and Empire. The main tent camp also appears to lie within the Bear claim. Another helpad appears to lie on the Goat claim.
50	1982	J. Wayne Murton P.Eng. completed a property inspection for Tri-Con Mining Ltd. Murton confirmed high gold assays in his samples and outcrop of the vein over 2000 ft. of strike and 500 ft. of dip (ie a strong structure).
51	1984	Letter from Robert Meldrum to Terry M Murphy. Data sent to Eileen Murphy and Mrs Shirley Murphy.
52	1987.	Aris one page re Noranda Report on adjacent claims (reverted CG's) Not relevant.
53	1987	Title page only of Exploration in BC 1987. Not relevant
54	March 1987	Report on "Western Copper Group" by Gordon Maxwell, Noranda Exploration Company Ltd. AR # 15886. Claims held by R Baerg (also Noranda) who held 14 claims and the WC 1 claim (300 ha) \$2741 expended but heavy snow and negligible new information. Note that most of the samples were not from the subject property. A more detailed sampling program was recommended but not followed.
55	1987/88	Letter to Mrs Kathleen Bell Sparrow and her relatives /owners. From J Milton Meldrum. Outline of an agreement for \$10,000 to the "Sparrow Group", \$2500 to Mathers/Donovan and \$12,500 to Meldrum Group.
56	1987	Report by Dr. Allan P Fawley, PhD, P.Eng., Consulting Mining and Geological Engineer. Recommended \$455,000 in two phases. ** Alan Fawleys map clearly shows the main vein/shear crossing both the Bear and Western Copper CG's.
57	1987	Freemont Gold Corporation Semi Annual Report. Planning for the 1988 exploration program was outlined along Fawleys recommendations. 1988 budget was \$250,000.

58	1988	Notes by J Milton Meldrum. "Diamond drilling was very encouraging". Plus mixed material from Fawley and Pinsent.
59	1988?	Assay data , WCS and WCU samples, source not stated, possibly Zastavnikovich report?
60	Feb 1988	Letter from JM Meldrum to Shirley Murphy. Eileen Murphy (Anna) and Terrence Murphy and Marjorie Nielsen (Ida claim) not participating
61-62	Feb 1988	Option agreement Freemont/Alcove/Maret with Meldrum, Donovan and Murphy groups. For a total of \$1.5 million. ** At this time (The Estate of) Rachel Winona Donovan (daughter of James Bolivar Mathers) had an interest in the North Star and Empire claims. ** Rachel Donovan died Sept 14 1982. Her son was James Mathers Donovan.
63	1988?	Joint Venture Agreement. Freemont/Alcove/Maret (signed)
64	1988	Legal agreement Identical to 61?
65	Feb 1988	Application under Land Title Act Transfer of all rights in North Star and Empire from James Mathers Donovan to John Milton Meldrum (** Schedule D Missing) but all of James M Mathers, J Milton Meldrum, Shirley Roberta Murphy, Kathleen Helen Bell, Bernard Ouellette, Vincent Reimer and Ray Maret signed with Brian Abraham, David Schwartz etc.
66	March 17 1988	Letter to Mrs. Terrence M Murphy, Kent Washington. From J.M Meldrum. "Mrs Hurley often made it clear it was for all of her family if something could be made of it, all would share alike, not just one claim owner that could be the only one with values". Meldrum had also shown the property reports to Teck Corp., Kerr Addison, Noranda, Conwest and Cominco.
67	April 1988	Additional copies of the agreement. Signed by JM and R Meldrum before David Schwartz.
68	April 22 1988	Bill of sale of 7 (peripheral) claims to Freemont Gold Corp. Bonanza, Emerald, Verdure, Harkley, Goat, Bird, Rita. Actual terms or amount unknown.
69	June 1, 1988	First payment \$25,000 (less \$2000 expenses to Meldrum) made on Western copper claims from Freemont Gold Corp. as follows: Kathleen Bell \$3066.66 Eileen Murphy \$3066.67 Shirley Murphy \$3066.67 Donovan Group \$2300 Meldrum Group \$11,500 This was 40% to Murphy group, 50% to Meldrum Group and 10% to Donovan group. Legal fees were actually \$2329.73 (David Schwartz)
70	October 1988	Highlights of Western Copper gold mine exploration. Reconciliation of Budget and Actual Expenditures Actual \$598,463.13 (includes \$25,000 option payment) "These are not the final Figures"
71	1988	Mineralogical study Cristian Soux. Part of Assessment Report 18343.
72	Sept/October 1988	Drillhole sections. 10 short drillholes established continuity of the veins between drillholes with possible presence of metallic gold. Values up to 218 g/t gold Assay results for drill holes. Also surface and underground sample assays.
73	October 31 1988	Letter to Fred (Hill) from Katherine Bell. Explains that Fred chose not to be part of the group option, as did Terrence Murphys widow and Michael Murphy's heirs, because they wanted royalties or they did not like the deal. Hence the 60% (Meldrum Group) and 40% (Murphy group), if all had participated it would have been reversed with 60% to the Murphy Group.
74	Aug 1989	\$209,400.77 assessment applied to the reverted crown grants (which were then normal claims). ** No assessment work was required for the Crown Granted claims. ** Only part of the work expended was applied. This kept the claims to 1998. Assessment Report 18343
75	Feb 24 1988	Duplicate of #65. And 1988 Option Agreement signed by all parties (except Hills

		and Murphys) JM Meldrum signed as representative of the estate of Rachel W. Donovan.
76	Feb 24 1988	Agreement with missing Schedule D
77	Dec 31 1988	Copy of part of #74
78	Date 1989 ??	Letter to original option signers. 1989?? From JM Meldrum. 1989 Refers to a new agreement Copper prices are low, but gold is up. Refers to a new agreement but this is not attached here
79	1988	Historical metal production in BC. Not particularly relevant.
80	2007	Registration in 1988 of Crown Grants. Title documents state "In Fee Simple"
81	June 15 1989	Letters to The Western Copper Group. Shirley Murphy, Eileen Murphy and Kathleen bell agree to an extension of 4 months of the agreement and reduction of the 1989 pmt to \$25,000
82	August 6 1989	Minfile Descriptions only
83	May 10 1990.	Option Agreement with STM Resources Ltd. Under the same ratio as 1988. Initial pmt. to be \$25,000. Not signed. Lawyer David A Schwartz. Amended Proposal from Marum Resources re Western Copper \$25,000 pmt per year 2 yrs then \$50,000/yr or 10% NSR for a total of \$1.5 million plus work commitment of \$300,000 in 1991 and \$150,000 1992.
84	1987-90 1994	Mixed up lot of letters. Agreement with Freemont/Marum/Alcove Marum dated 1988 Notice of Termination Oct 9 1990. 1988 Permit MX-1-169 for Western Copper Gold Property; \$2500 security deposit. Covers 8 CG's April 15 1994 Permit Extension for MX-1-169 requires additional security of \$50,000. Copy Made
85	1993	Amendment to property agreement of 1988 signed by all parties for \$10,000 in 1994 and \$25,000 in 1995. However not signed by the three companies.
86-87	1993	Comments on above agreement by North Shore Community services and Peter Jensen
88	1994	Geological report by Alex Burton P.Geo. P.Eng for Alcove Gold Corporation. Reports gold veins were traced downslope to the west of the main workings. Sample locations are shown on an excellent map. Burton recommends a program of \$156,464.15 and notes that a further \$50,000 will be required for a reclamation bond. "The vein system of the Western Copper claims has been traced for nearly two miles....." A separate Appendix describes a trail cut across the Bear Claim and samples 12 and 13 had 5.7 oz/ton gold and 7.88 oz/ton gold respectively.
89	1994-95	Mineral Potential Assessment of the Skeena Nass Area McIntyre et al, BCMM Geological Fieldwork 1994, Paper 1995-1 Khutze area is Tract CP-4 Gribbell Island, approx. \$15,000,000 inventory/exploration on 200,000 hectares or \$75/hectare.
90	1998	Letter from Graeme McLaren Director, Environmental Lands Branch to Ron Moran, River Gold Mines. Re possible "protection" of areas on the Central Coast. <b>Khutze area is marked for protection.</b>
91, 93	1999	Mineral Potential of the North Coast Belt, Khutze River Area, British Columbia (103H). Notes that in 1999 Stream geochemistry was done over 800 sq. km including Khutze area. The Hunter and Western Copper are described as post tectonic shear hosted vein deposits. The conclusions state: <b>"The style and composition of the mineralization at the Hunter and Western Copper occurrences suggest that they are probably related to high level, tertiary intrusions. If they are, the geology of the Khutze River area would appear to indicate considerable potential for additional quartz vein hosted gold deposits and possibly also for porphyry copper style deposits."</b>
92	1999	Chart of gold prices.
94	1999	Overview of Trends in Canadian Mineral Exploration.

95	1999	BC Mineral Exploration Review 1999, and BC Regional Geochemical Survey 1999.
96	1999	BC Mineral Exploration Review. Under the Government's Corporate Resource Inventory Initiative (CRII) regional geochemical surveys in Khutze Rive map area (103H) contributed to Central Coast Land and Coastal Resource Management Plan.
97	1999	BC regional geochemical Surveys 1999 field Program Khutze Rive area. Also copy of RH Pinsent article again
98	1999	Title transfer 1999 from Kathleen Helen Bell (1973) to Moira Movanna and Bill Bell.
99	1999/2000	Energy and Mines Annual Report
100	2000	Central Coast Land and Coastal Resource Management Plan. Socio Economic, Environmental /Marine base Case Final report, Incomplete and Pages missing
101	2001	Central Coast Land and Coastal Resource Management Plan. Socio Economic, Environmental Assessment, Final Report. Re Mining states that MEM considers the area to be underexplored. Up to 43% of very high mineral potential precluded by the Agreement. Unfinished nature of LCRMP will be significant deterrent to investment in the Plan area. "Several PPA's could indirectly affect development potential by cutting off access" Special Management zones could increase development costs. The agreement doubles the amount of land allocated to Proposed Protection Areas from 10.8% to 21% (an additional 76 PPA's or 585,000 hectares. (Actually more if sea based areas included)
102	undated	Powerpoint re Khutze and other Coastal protection areas. "Crown Granted Claims are an interest in land comparable to crown granted surface title, and cannot be expropriated without adequate compensation (Supreme Court of BC). Crown granted subsurface titles may include title to the surface. The Khutze, Chapelle Cornwall and Kitsoo Spirit Bear Protection areas(PA's) contain mineral titles, crown granted mineral claims and important mineral values." The adjacent Kitsoo Spirit bear PA contains the Malcolm gold vein occurrence located 2 km north of the Canoona River. The vein is covered by 8 crown granted mineral claims held continuously since 1916 and presently covering 109.5 Ha. May 22/2002 Cabinet Decision: include the mineral titles .....and compensate the owners.
103	August 6 2002	May 22 Press Release from Sustainable Resources Management, 20 protection areas established, under the Environmental and Land Use Act.... Preventing commercial forestry, mining, and hydro-electric developments. Letter from Gerald German, Titles Branch, Resource and Development Division, Ministry of Energy and Mines to Moira Movanna, stating that "Exploration and development of Minerals in the area is prohibited"
104	1999	Repeat of Pinsent paper of Mineral potential of the Khutze area. Misc (unreadable) Minfile debris.
105	??	More unreadable Minfile information
106	July 31 2003	Management agreement Hanson Island First Nation with Ministry of Sustainable Resource Development. Not relevant.
107	Nov 24 2003	Integrated Land and Resource Registry Project. Sierra Systems Group Inc. (Note that ken Davidson worked for Sierra at one time) Technobabble and not relevant, only indicative of the government love of acronyms and bureaucracy.
108	Dec 11, 2003	Press Release Ministry of Sustainable Resources Management Central Coast Planning table reaches Consensus. (However, what the consensus was is not revealed).
109	2004	BC Mineral Potential Project
110	2004	From CCLRMP misc. pages
111	July 17, 2004	News Release Office of the Premier, Ministry of Sustainable Resources, To create Spirit Bear Conservancy.
112	2004	Level 2 Mineral Resource Assessment
113	2004/05	Fraser Institute Annual Survey of Mining Companies.

114	2006	Mark Hume article
115	April 24 2006	Amendments to the Park Act. Creation of new conservancies 506,000 hectares of land.
116	October 6 2006	Letter from Maureen Woodcock. And List of documents, letters, agreements etc.
117	8 Nov 2006	Email Kirk Hancock – Moira Movanna
118	undated	Tantalis Gator list of CG lots. 49 total in Khutze area
119	undated	List of Mineral claims R Baerg and Moira Movanna CG's
120	2007	Brief History by R Meldrum, list of Geological Reports
121	2007	Email letter Moira Movanna – Richard Neufeld Minister of Energy Mines and Petroleum Resources. Letter from Kevin Krueger, Minister of Mines to Moira Movanna 2 copies each.
122	2007	Letter B.J. Price Geological to Ken Davidson, Invictus Consulting, Ministry Representative Resource Compensation.
123	2006??	Central Coast Land And Resource Management Plan. 34 pages includes description of high value for Khutze area.
124	??	Mineral Resource assessment, Map Place
125	1987	Gordon Maxwell report for Noranda. Same as previous document
126	2007?	Inventory list of documents
127	undated	List of geochemical regional samples , probably from Government survey 1999.
128		MISSING
129-131		RE HUNTER,AND NOT RELEVANT
132		PHOTOGRAPHS VERY IMPORTANT

## APPENDIX 9. 2009 FORMAL COMPLAIN TO SWRPA

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Sunday, July 05, 2009

**Mr. William Roscoe, Ph.D., P.Eng**  
**Paul Chamois, M.Sc. (A), P.Geo**

**Roscoe Postle Associates Inc. and/or**

**Scott Wilson Roscoe Postle Associates Inc.**

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Gentlemen

**This letter is a formal complaint and criticism regarding the preliminary valuation of the Bear and Western Copper Crown Granted claims completed by Scott Wilson Roscoe Postle Associates Inc. or RPA Inc. for the BC Government Ministry of Energy Mines and Petroleum Resources (BCMEMP).**

As you are probably aware, I am representing Ms. Moira Movanna and William (Bill) Bell in their compensation claim against the Government of BC in the expropriation of the Bear and Western Copper Crown Granted claims, situated in Khutze Inlet, in what is now the Khutze Conservancy.

The claims were expropriated by the Government of BC in July 2006. However, as early as 1985, the area had been targeted by various environmental groups and also First Nations groups in the area.

I have reviewed a Preliminary Valuation Report prepared for the BC Ministry of Energy and Mines dated November 25, 2008 co-authored by William E. Roscoe, Ph.D., P.Eng. and Paul Chamois, M.Sc.(A), P.Geo. I am familiar with the numerous technical papers of Mr. Roscoe dealing with the many methods of determining Fair Market Value for mining exploration and

development properties. I have worked in the past with a number of RPA principals and employees; my UBC classmates were **John Postle, P.Eng.** and also **George Cargill, Ph.D., P.Eng.**

I have myself completed numerous Technical Reports and Opinions of Value for a variety of small to mid-sized mining exploration companies, and have co-authored other valuations and Fairness opinions with Ross Glanville, P.Eng., CGA., MBA, B.A Sc., CAMV. I have over 40 years experience in all aspects of mining exploration.

I have been involved in four compensation negotiations over the years:

- The London, Iron Cop/Bozo claims owned by prospector Jim McDonald situated in Brooks Peninsula park addition.
- The Duck/Shuttle property owned by Winfield Resources and Westward Exploration situated in Cape Scott Park addition
- Claims owned by Robert Yorke-Hardy and Zalmac Mines Ltd. situated in additions to the Upper Granby River area (now Granby Provincial Park)
- And, now the Khutze area (Bear and Western Copper Crown Grants) expropriated for the Khutze Conservancy.

**In all four cases**, RPA and SWRPA have delivered a “Preliminary Valuation” which has been inordinately low, on review and protest by claim owners has led to a much higher final settlement. Although results of the compensation process are deemed “Confidential”, my experience with these four examples leads me to believe that these and perhaps many other Preliminary Valuation are flawed and substantially below Fair Market Value. This cannot be ascribed to lack of information, as the complete Fact Picture (List of Relevant Documents) is provided well in advance of the valuation. The perception is that the government expects a low valuation in the first pass and hopes that the claim owners will accept the valuation, and the offer which follows.

In three previous instances, RPA have raised their value in a final Valuation. This implies that the Preliminary valuations appear to be inappropriately low. The entire process is thus wasteful to taxpayers, as they must pay for both valuations, and is unfair to the claim holder, who must wait up to four years for any reimbursement, which, in my experience, are invariably inordinately small.

**In my review of the SWRPA Preliminary Valuation for the Khutze property, my impression is that the report is neither Fair, nor representative of Market Value.**

I will discuss a number of issues I have with the SWRPA report

1. RPA and/or SWRPA have been involved with most, if not all of the mining property valuations contracted out by BC MEMPR for the purposes of attempting to settle expropriation issues. I am unaware of any other consulting firm or individual who has

been involved (on the government side) in these compensation issues. This leads to the perception that, by reason of its exclusive arrangement with the BCMEMPR, SWRPA complies too readily with the apparent short sighted BC government hope for low valuations.

2. The property has been in good standing continuously from 1907 and 1910, when the claims were staked (approximately 100 years ago) The initial property examination was done by Ronald Campbell Campbell-Johnston, M.E., an experienced consultant fairly well known in mining circles in BC at that time (1909). Mr. Campbell-Johnston later became a P.Eng. in BC (#254, 1920).
3. My clients are direct descendants (great grandchildren) of Campbell-Johnston. The claims were purchased from the holders about 1945 by Maisie (Campbell-Johnston) Hurley, daughter of RCCJ, and were subsequently assigned to Katherine Bell granddaughter and eventually to the various siblings and cousins of the extended family, of which my clients are part.
4. Claim owners have paid taxes for approximately 100 years on these claims. The Campbell Johnston family, who purchased the claims, along with partner Milton Meldrum as an investment, have paid taxes for approximately 60 yrs.
5. Ironically, the Campbell-Johnston family has been an advocate for Native Groups since Mrs. Campbell Johnston encountered Simon Peter Gunanoot in the Groundhog Coalfield Area. Maisie Hurley became first white member of the Native Brotherhood of BC and championed the cause of Native rights throughout the province and published "The Native Voice". The irony is that the Khutze conservancy, created supposedly for "stewardship" by First Nations groups on the Central Coast, has led to the family loss of investment.
6. Valuation guidelines suggest that valuers should have experience relevant to the subject property. While both Mr. Chamois (P.Geo, Ontario) and Mr. Roscoe (P.Eng., BC) have appropriate credentials, with Mr. Chamois, ostensibly being "sponsored" by Mr. Roscoe, notwithstanding his lack of membership in the APEGBC, Oddly, Mr. Roscoe does not mention his current BC registration with APEG BC. And Mr. Chamois is not represented on the RPA website, although he refers to himself as Senior Consulting Geologist with RPA. I am not convinced that either author has the relevant experience in the subject area suggested by the CIM Valmin precepts. I can find no evidence from the Internet that Mr. Chamois has been involved previously with exploration properties in British Columbia or with Opinions of Value. CIMVAL also suggests that valuers should visit the property. To my knowledge, the last person on the Western Copper property was Alex Burton P.Eng. in 1994.
7. There is some ambiguity in the determination of the company involved in the valuation. The report reflects Scott Wilson and is under the name Scott Wilson Roscoe Postle Inc, whereas the Roscoe Postle website refers only to Roscoe Postle Associates inc.

8. Although the property was officially expropriated in July 2006, the property was substantially encumbered for up to 20 years previously by the known intentions of environmental groups agitating for its “protection”, the complicity of forest tenure holders, and the conclusions of the Central Coast Land use plan, which set aside these areas as early as 1996 (10 years before actual official expropriation). During this time, my clients were not advised of the planned expropriation, nor were they assisted in any way in mitigation.

Without getting into a paragraph by paragraph critique of the Preliminary Valuation, I would like to point out a few relevant observations:

### GENERAL OBSERVATIONS

- The valuers appear to have been requested by BCMEMPR to approach the valuation of the separate family claims (and Robert Meldrum's claims) as if they were separate and unrelated mining properties. This approach will inevitably lead to an unreliable low valuation. Mr. Roscoe himself, in an address to the BC Expropriation Association (of which I am a member) stated that: **In the case of dual or multiple property ownership, the Appraised Value of the whole property is determined first. Then the value is apportioned to one or more of the property owners.**
- Significantly, in the list of claims in the report, the full roster of claims is listed, but my clients only hold two titles.
- SWRPA do not ascribe any importance to the fact that the claims are Crown-Granted, which means they have land status and are surveyed. At most times this indicates a higher value than the two post claims or the presently accepted “cell” claims.
- The authors place no importance on the high grade nature of mineralization, the past production or the resource (albeit small and historical).
- The authors indicate that they do not believe the main vein crosses or underlies the Bear property. However, careful plotting of the vein indicates it does actually cross a corner of the Bear Property. More important to the Bear property itself, the claim likely controlled access to the property and the main camp and later helipad were placed on the claim.
- Although SWRPA indicate there is no property-wide geological map, there are in fact a number of sampling maps, particularly by Sam Zastavnikovitch, P.Geo. among others.
- The authors criticize then fact that no geophysical surveys are known for this property. In this terrain and for the known type of quartz vein target, geophysical surveys are less relevant than for other deposit types.

## EXPLORATION POTENTIAL

The concept of exploration potential is critical to the estimation of Fair Market Value.

- Considering Exploration potential, the authors state: **“The Property contains a number of quartz-feldspar veins situated inside the Park”**. In the expropriation compensation regulations, valuers are cautioned that they are not to consider the placement of the park; the effect is to bias the valuation in a negative way. The author should probably have said **“The Property as a whole contains a number of quartz-feldspar veins”**. The balance of this portion of the report is similarly biased and does not take into account:
  - Metal prices in the relevant year of expropriation
  - Market for high grade Cu-Au properties, which was good in the relevant year.
  - The high tenor of the veins.

The results (?) of Noranda’s exploration, which was on peripheral claims cannot be relied upon as Noranda’s author readily admitted that the exploration was difficult under conditions of snow.

- More importantly, the authors ignore the discussion by The Ministry’s own geologist Robert Pinsent, P.Geol. that there is potential for a porphyry copper system underlying the veins.
- **The statement that : “Drilling in 1988 by Freemont, albeit from a limited number of drill set-ups, produced disappointing results.”** This may not be factual. One reference refers to a gold intercept in at least one hole, but to my knowledge, the documents do not include any specific results.
- The summary statement: **“Scott Wilson RPA considers that no further work is warranted on the Property”** is gratuitous, irrelevant, and unwarranted unless the author details his reasons for discounting each of the previous authoritative recommendations for further work. Any valuation should consider past recommended programs and budgets.
- **The whole effect of the section describing Exploration Potential is to unfairly, downgrade the exploration possibilities of the property and provides an appearance of undue bias to the reader and, without specific arguments, a lack of any objectivity.**

## VALUATION METHODS:

- The authors spend a number of paragraphs describing the more universally accepted Appraised Value Method (which is practically the only method accepted by the regulatory bodies), and the method commonly used in Opinions of Value for the purposes of the TSX, but, in an exquisite rationalization indicate that: **“To determine a Market Value, Scott Wilson RPA applies its independent judgment to determine the potential and marketability of the property”**. In the most recent exploration

program on the property, approximately Can\$600,000 was expended. SWRPA do not discuss this program and evidently ascribe no value to any of the work completed, which over the years has included completion of underground workings, surface mapping and sampling, and completion of a large camp, railroad, power source and a jig-back tram to the workings.

- While valuers are, in valuation papers (many written by Mr. Roscoe himself) urged to use a number of different valuation techniques to arrive at an estimate of Fair Market Value, the SWRPA authors have in fact used only one technique.
- This technique of “market comparables” is convenient for SWRPA, but is flawed, and is not generally accepted by regulatory bodies, who caution that, rarely are mineral properties truly comparable.
- The market comparables, factored into a Value per hectare, do not take into account the variable size of properties. Many properties have substantial “protection” claims which in themselves may or may not have any tangible value.
- Although option terms are considered for the “Comparable” properties, the actual option terms for the subject property are not discussed.
- Of the four examples used by SWRPA, none are situated on the coast, and most are not relevant. Examples cited are hundreds of kilometers away from the subject property, but the coastal area has held a number of past producers. I have reviewed all the properties used for the valuation, my comments will appear in a separate document, but my comments will not be reviewed in this discussion.
- The implied value of the 60 years of tax payments has not been considered. This calculation would normally use a cost of living multiplier and/or a suitable interest multiplier to arrive at a present day value (to 2006 at least).
- Many other useful methods of valuation are ignored. Several of these other methods will be covered in my own valuation, which is pending.
- In the regulations, valuers are requested to determine a range of values. The summation states: In the opinion of Scott Wilson RPA, a reasonable range for the Market Value of the Western Copper and Bear Crown Grants is \$2,500 to \$3,000 as of the valuation date of July 14, 2006.. This actually is not a workable range but statistically the numbers represent the same value.

#### DATA SOURCES:

- While the authors must have in their possession all of the Material In The So-Called “Fact Picture, very little of it appears to have been read, understood, or referenced in detail, and thus it appears that much factual data has been ignored.

In conclusion, I am disappointed in the quality of this valuation, which appears to have been done in a hurry and without due regard for the realities of exploration in the province at the time of the expropriation. Many of my peers and some of my clients have commented on the perceived bias apparent in RPA and SWRPA valuations for the Ministry, and this is a discredit to the good name of the company. The net effects of such continued low valuations is that claim holders are being abused by the Province and the continued encroachment of parks and conservancies in the province will eventually "sanitize" the area of any mineral exploration activities. Examination of the Central Coast area will show that approximately 50% of the area is now closed to any resource extraction. One can imagine the hue and cry if this were to happen in Ontario !!

### THE PRELIMINARY VALUATION

The preliminary valuation placed by you on the Bear and Western Copper crown granted claims is stated to be between \$2,500 and \$3,000. As noted before this valuation range amount to no range at all as the numbers are essentially identical. The amount would leave my clients with no compensation and out of pocket after four years.

I have never heard of any property transacting for such a small sum, let alone a surveyed Crown-Granted claim with past production, high grade copper and gold values, drilling and exploration work, and a positive recommendation for future work.

I do not believe that the Preliminary Valuation approaches fair market Value. The amount you have arrived at is neither fair, nor representative of Fair Market Value.

My clients have expended far in excess of the \$2500-\$3000 estimate in their attempt to recover a fair amount for loss of their mining claims. The amount estimated (which has not officially been "offered" by the Province) amount to a slap in the face of two good people and is an insult to the others who have worked in good faith under difficult circumstances on the Western Copper property.

One should keep in mind the definition of Fair Market Value: *"The highest price available in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act, expressed in terms of cash"*

In my opinion, the SWRPA Preliminary Valuation is neither Fair, nor representative of Fair Market Value.

This letter does not represent a full list of complaints and criticisms of you Preliminary Valuation. I will be forwarding separately my list of comments as provided to the BC MEMPR. Eventually, an Opinion of Value (in preparation) will be completed.

Yours sincerely

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***Barry James Price, M.Sc., P.Geo.***

For Moira Movanna and Bill Bell

To be mailed by Priority Post Monday July 6, 2009

Copy:           Moira Movanna, Bill Bell  
                  Brian Abraham QC  
                  Association for Mineral Exploration BC  
                  Mining Association of BC  
                  Official Opposition of the Province of BC.  
                  Minister of Mines for the Province of BC

## APPENDIX 10. CPI INDICATOR 1774-2018

<b>Year</b>	<b>CF</b>												
<b>1774</b>	0.046	<b>1814</b>	0.099	<b>1854</b>	0.047	<b>1894</b>	0.048	<b>1934</b>	0.076	<b>1974</b>	0.278	<b>2014</b>	1.373
<b>1775</b>	0.043	<b>1815</b>	0.087	<b>1855</b>	0.049	<b>1895</b>	0.047	<b>1935</b>	0.077	<b>1975</b>	0.304	<b>2015</b>	1.404
<b>1776</b>	0.049	<b>1816</b>	0.079	<b>1856</b>	0.048	<b>1896</b>	0.047	<b>1936</b>	0.078	<b>1976</b>	0.321	<b>2016</b>	1.435
<b>1777</b>	0.060	<b>1817</b>	0.075	<b>1857</b>	0.049	<b>1897</b>	0.047	<b>1937</b>	0.081	<b>1977</b>	0.342	<b>2017</b>	1.466
<b>1778</b>	0.078	<b>1818</b>	0.072	<b>1858</b>	0.047	<b>1898</b>	0.047	<b>1938</b>	0.080	<b>1978</b>	0.368	<b>2018</b>	1.499
<b>1779</b>	0.069	<b>1819</b>	0.072	<b>1859</b>	0.047	<b>1899</b>	0.047	<b>1939</b>	0.078	<b>1979</b>	0.410		
<b>1780</b>	0.078	<b>1820</b>	0.066	<b>1860</b>	0.047	<b>1900</b>	0.047	<b>1940</b>	0.079	<b>1980</b>	0.465		
<b>1781</b>	0.062	<b>1821</b>	0.064	<b>1861</b>	0.050	<b>1901</b>	0.048	<b>1941</b>	0.083	<b>1981</b>	0.513		
<b>1782</b>	0.069	<b>1822</b>	0.066	<b>1862</b>	0.057	<b>1902</b>	0.048	<b>1942</b>	0.092	<b>1982</b>	0.545		
<b>1783</b>	0.060	<b>1823</b>	0.059	<b>1863</b>	0.071	<b>1903</b>	0.050	<b>1943</b>	0.098	<b>1983</b>	0.562		
<b>1784</b>	0.058	<b>1824</b>	0.054	<b>1864</b>	0.089	<b>1904</b>	0.050	<b>1944</b>	0.099	<b>1984</b>	0.587		
<b>1785</b>	0.055	<b>1825</b>	0.056	<b>1865</b>	0.092	<b>1905</b>	0.050	<b>1945</b>	0.102	<b>1985</b>	0.608		
<b>1786</b>	0.054	<b>1826</b>	0.056	<b>1866</b>	0.090	<b>1906</b>	0.051	<b>1946</b>	0.110	<b>1986</b>	0.619		
<b>1787</b>	0.053	<b>1827</b>	0.056	<b>1867</b>	0.084	<b>1907</b>	0.053	<b>1947</b>	0.126	<b>1987</b>	0.641		
<b>1788</b>	0.050	<b>1828</b>	0.054	<b>1868</b>	0.080	<b>1908</b>	0.052	<b>1948</b>	0.136	<b>1988</b>	0.668		
<b>1789</b>	0.050	<b>1829</b>	0.053	<b>1869</b>	0.077	<b>1909</b>	0.051	<b>1949</b>	0.134	<b>1989</b>	0.700		
<b>1790</b>	0.052	<b>1830</b>	0.052	<b>1870</b>	0.074	<b>1910</b>	0.054	<b>1950</b>	0.136	<b>1990</b>	0.738		
<b>1791</b>	0.053	<b>1831</b>	0.049	<b>1871</b>	0.069	<b>1911</b>	0.054	<b>1951</b>	0.147	<b>1991</b>	0.769		
<b>1792</b>	0.054	<b>1832</b>	0.048	<b>1872</b>	0.069	<b>1912</b>	0.055	<b>1952</b>	0.150	<b>1992</b>	0.792		
<b>1793</b>	0.056	<b>1833</b>	0.047	<b>1873</b>	0.068	<b>1913</b>	0.056	<b>1953</b>	0.151	<b>1993</b>	0.816		
<b>1794</b>	0.062	<b>1834</b>	0.048	<b>1874</b>	0.064	<b>1914</b>	0.056	<b>1954</b>	0.152	<b>1994</b>	0.837		
<b>1795</b>	0.071	<b>1835</b>	0.050	<b>1875</b>	0.062	<b>1915</b>	0.057	<b>1955</b>	0.151	<b>1995</b>	0.861		
<b>1796</b>	0.075	<b>1836</b>	0.053	<b>1876</b>	0.061	<b>1916</b>	0.062	<b>1956</b>	0.154	<b>1996</b>	0.886		
<b>1797</b>	0.072	<b>1837</b>	0.054	<b>1877</b>	0.059	<b>1917</b>	0.072	<b>1957</b>	0.159	<b>1997</b>	0.906		

<b>1798</b>	0.070	<b>1838</b>	0.053	<b>1878</b>	0.056	<b>1918</b>	0.085	<b>1958</b>	0.163	<b>1998</b>	0.920		
<b>1799</b>	0.070	<b>1839</b>	0.053	<b>1879</b>	0.056	<b>1919</b>	0.098	<b>1959</b>	0.164	<b>1999</b>	0.941		
<b>1800</b>	0.071	<b>1840</b>	0.049	<b>1880</b>	0.058	<b>1920</b>	0.113	<b>1960</b>	0.167	<b>2000</b>	0.972		
<b>1801</b>	0.072	<b>1841</b>	0.049	<b>1881</b>	0.058	<b>1921</b>	0.101	<b>1961</b>	0.169	<b>2001</b>	<b>1.000</b>		
<b>1802</b>	0.061	<b>1842</b>	0.046	<b>1882</b>	0.058	<b>1922</b>	0.095	<b>1962</b>	0.171	<b>2002</b>	1.016		
<b>1803</b>	0.064	<b>1843</b>	0.042	<b>1883</b>	0.057	<b>1923</b>	0.097	<b>1963</b>	0.173	<b>2003</b>	1.039		
<b>1804</b>	0.067	<b>1844</b>	0.042	<b>1884</b>	0.055	<b>1924</b>	0.097	<b>1964</b>	0.175	<b>2004</b>	1.067		
<b>1805</b>	0.066	<b>1845</b>	0.043	<b>1885</b>	0.054	<b>1925</b>	0.099	<b>1965</b>	0.178	<b>2005</b>	1.103		
<b>1806</b>	0.069	<b>1846</b>	0.043	<b>1886</b>	0.053	<b>1926</b>	0.100	<b>1966</b>	0.183	<b>2006</b>	<b>1.138</b>		
<b>1807</b>	0.065	<b>1847</b>	0.047	<b>1887</b>	0.054	<b>1927</b>	0.098	<b>1967</b>	0.189	<b>2007</b>	1.171		
<b>1808</b>	0.071	<b>1848</b>	0.045	<b>1888</b>	0.054	<b>1928</b>	0.097	<b>1968</b>	0.196	<b>2008</b>	1.203		
<b>1809</b>	0.070	<b>1849</b>	0.043	<b>1889</b>	0.052	<b>1929</b>	0.097	<b>1969</b>	0.207	<b>2009</b>	1.230		
<b>1810</b>	0.070	<b>1850</b>	0.044	<b>1890</b>	0.051	<b>1930</b>	0.094	<b>1970</b>	0.219	<b>2010</b>	1.257		
<b>1811</b>	0.074	<b>1851</b>	0.043	<b>1891</b>	0.051	<b>1931</b>	0.086	<b>1971</b>	0.229	<b>2011</b>	1.286		
<b>1812</b>	0.075	<b>1852</b>	0.044	<b>1892</b>	0.051	<b>1932</b>	0.077	<b>1972</b>	0.236	<b>2012</b>	1.315		
<b>1813</b>	0.090	<b>1853</b>	0.044	<b>1893</b>	0.051	<b>1933</b>	0.073	<b>1973</b>	0.251	<b>2013</b>	1.344		

