PROJECTS: OCHIR'S SHEAR ZONE; NERGUI LOW-SULPHIDATION EPITHERMAL; TSAGAAN OVOO LOW-SULPHIDATION EPITHERMAL
DATE: 19TH MAY 2009 (SITE VISITS LATE MARCH – EARLY APRIL 2009)

EXECUTIVE SUMMARY

A total of three properties were visited and sampled late March and early April 2009.

The Ochir's Shear Zone project is located in the southern Mongolian Kazakh-Mongol belt south of Mandah sum in proximity to the Tsagaan Suvarga porphyry deposit. The area is open ground. Mineralisation is related to a large EW-striking shear zone. Gold occurs in bucky, euhedral quartz-(carbonate-sulphide) veins of 2-3 m thickness and a strike length of 20-50 m. Carbonate-sulphide bearing veins have gold tenors up to 25 ppm, whereas pure quartz veins are barren. The limited continuity of the veins strongly limits the project's potential.

The Nergui low-sulphidation epithermal project is located 60 km north of Erdenet in the Selenge Belt. The ground is held by local junior company. Alteration and veining extends over a strike length of at least 5 km. Colloform banded, quartz-adularia-carbonate veining is dense and continuous. Bladed carbonate indicates boiling conditions. Gold assay results were lower than expected, but 9 out of 37 samples assayed at over 0.1 ppm gold with a maximum value of 1.49 ppm. The extended size of alteration and good textures make this an interesting project.

The Tsagaan Ovoo low-sulphidation epithermal project is located in the North Eastern Epithermal Belt 200 km north east of Underkhaan. The project is owned by the foreign company and they willing to sell the project. Mineralisation is hosted by a silicic breccia of epithermal veins and colloform banded quartz-adularia-pyrite/goethite veins. Veining in outcrop covers an area of at least 350 m by 600 m. Gold grades are encouraging with an average of 0.66 ppm and a maximum of 2.9 ppm (maximum grade obtained by holders is 27.8 ppm). It is recommended to actively pursue the project.

Contents

I. Ochir's Shear Zone

1. Project Ownership

The whole project area is open ground. Any application for an exploration license would be by tender.

2. Project Name and Location

For now, the project is named after its finder Ochir.

The project is located approximately 60 km south of Mandah sum on the boundary between the provinces Omnogovi and Dornogovi (Fig. 1). The porphyry copper deposit Tsagaan Suvarga is located 40 km to the south west. Access to site is on sealed roads to Choir from Ulaan Baatar and then a further 300 km south on dirt road.

Figure 1: Map of Mongolia with project location. The inset map corresponds to the area outlined by the red rectangle.

At a large scale the project is part of the Kazakh-Mongol arc, an accretionay complex about 300 km wide extending from Kazakhstan into eastern Siberia. The belt separates the Siberian craton from the Tarim and North China craton in the south. It mainly formed from the progressive subduction of the Paleo-Asian Ocean and amalgamation of terranes of different types and derivation.

The project lies on the Gurvansayhan island-arc terrane (Fig 2). The terrane is composed of dismembered ophiolite, melanges, Ordovician-Silurian metamorphic sediments and volcaniclastic rocks, Upper Silurian-Lower Devonian radiolarian chert, tholeiitic pillow basalt, andesite tuff, Middle Devonian-Lower Carboniferous volcaniclastic rocks, chert, and limestone. The terrain is covered by Carboniferous to Cretaceous sediments.

The structure of the terrane is complex with imbricate thrust sheets, dismembered blocks, melanges, and high strain zones.

The porphyry copper deposits of Oyu Tolgoi and Tsagaan Suvarga are located on the Gurvansayhan terrane.

The system has been sampled over a strike extent of 7 km; quartz veins occur over a width of at least 0.5 km (Fig. 3). The shear zone is under cover further east of the sampling; further extent along strike to the west is probable.

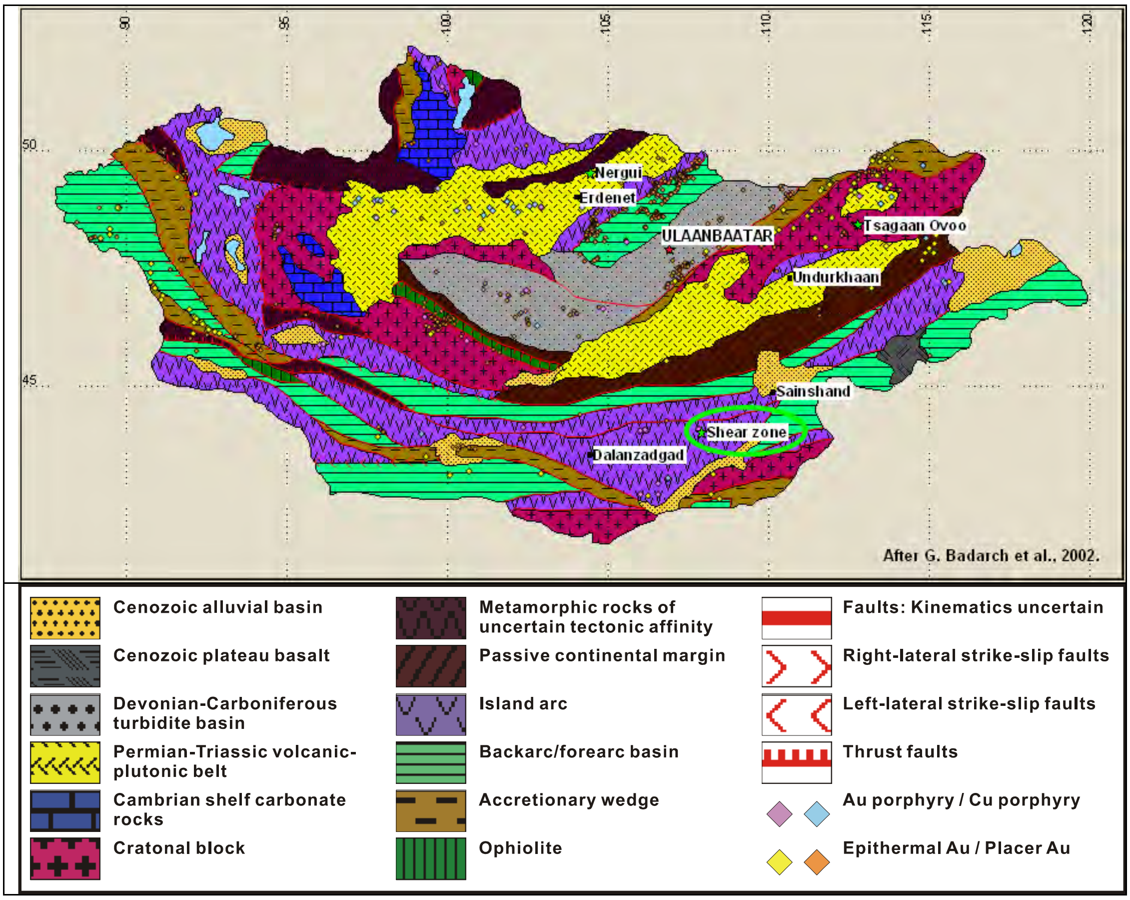

Figure 2: Mongolian terrain map with project locations after Badarch et al. 2002.

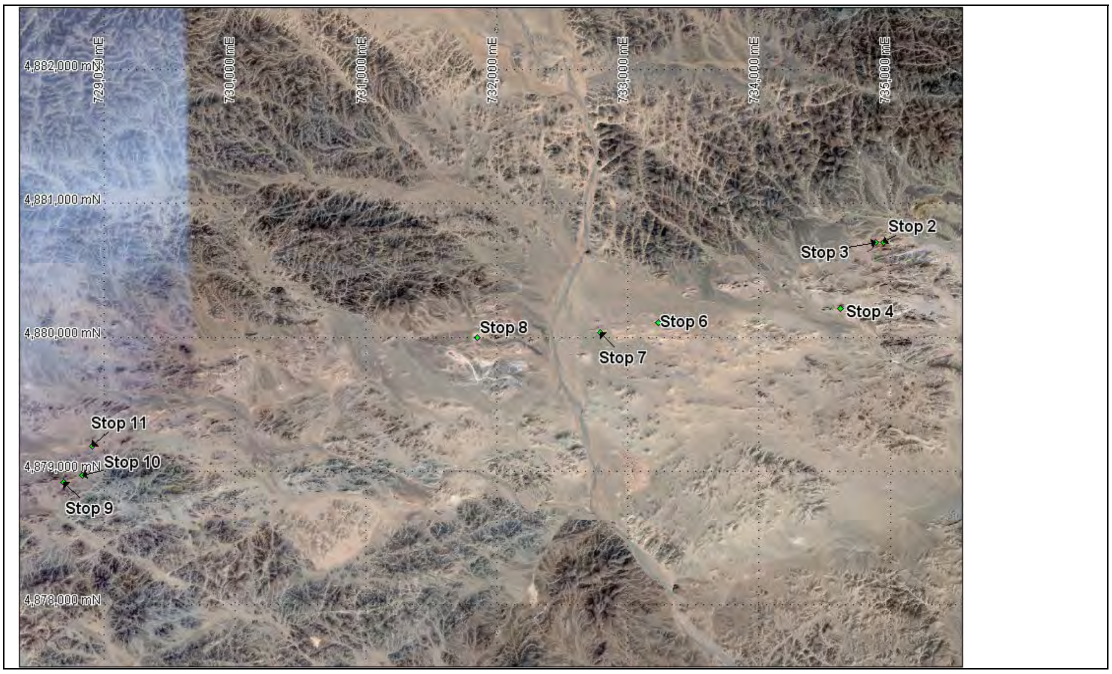

Figure 3: Satellite image showing the project area. Refer to table 1 for details about field stops. The stops lie along the strike of the shear zone. Note that larger quartz veins are visible on high-resolution satellite imagery. Coordinates in UTM zone 48.

3. Geological Setting and Style of Mineralisation

Geological setting No detailed geologic maps are available for the project area. According to our limited field work the quartz veins are mainly hosted by andesites, ultramafic rocks (spinifex textures seen), felsic intrusives caught in the shearing and mafic dykes. Lithologies are probably Carboniferous-Permian in age.

Structural characteristics The structures are dominated by a large scale shear zone. Width of shearing is at least 500 m wide. The shearing is striking 075-080 with a more complex inner structure. It may be steeply south dipping, but this needs to be confirmed.

Geophysics and remote sensing The area is highlighted by ASTER mainly by an aluminium hydroxide signature which is interpreted as showing sericite in the shear zone. The ASTER feature coincides well with the actual geology.

Wallrock alteration and veining Sheared rocks are locally pervasively sericite-carbonate altered. Pyrite occurs locally in patches. Quartz veins have selvedges of sericite-carbonate alteration of limited extent. Felsic intrusive bodies along the shear zones are intensely silicified.
Bucky, euhedral quartz-ankerite-sulphide (pyrite, hematite-goethite) are present along the shear zone (Fig. 4). Sulphide-carbonate content in veins is strongest on the eastern end of the zone and strongly decreases towards the west where veins are more massive and almost entirely quartz. The veins show slight banding or multiple stages of reopening and sealing, especially when carbonate-sulphide content is higher. There seem to be limited stringer veins or veinlets around the more important veins in the alteration 'halo'. Width of individual veins is 2 m to 3 m with a traceable length of maximum 20 m to 50 m. Most veins are isolated; there is no stacking or development of a vein network. Strong jointing of the veins is common. Most veins have broadly the same strike direction as the main shear zone. Gold bearing veins can be deformed and can be at a slight angle to foliation.

Nature of ore The structural setting and the nature of the quartz veins are clearly characteristic of an orogenic style of mineralisation. Gold is associated to ankerite and pyrite in bucky quartz veins. Pyrite is the only identified sulphide mineral. The presence of carbonates and pyrite seems to be a prerequisite for gold to be present. Veins without ankerite-pyrite but with otherwise quartz of similar texture are all barren. Reportedly gold is present as native gold, although this could not be verified. It is unknown if there is disseminated gold mineralisation in the shear fabric.
Grade varies widely between individual veins from less than 1 ppm gold per ton up to ounce grades.

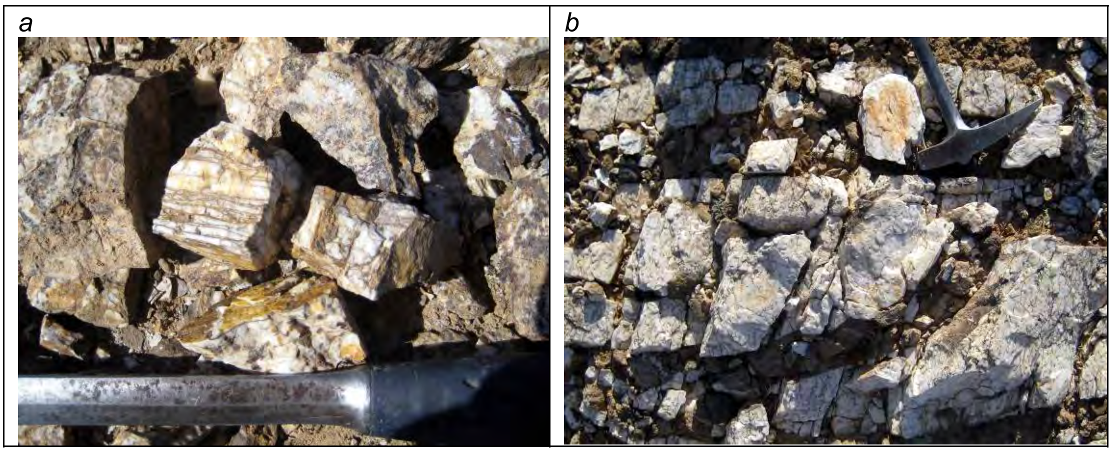

Figure 4: a) Quartz-ankerite-pyrite vein at stop 2. Samples taken from this vein assayed at 25.1 ppm in average. b) Barre n, hea vily join ted ve in as sam pled at stop 9. Note the absence of 'banding' and carbonate-sulphides.

3. Exploration History and Results

Previous exploration No previous exploration in the area is known about. Erratic sampling of a few quartz veins showed good results when the project was first stumbled across. There is very little illegal mining with no activity at the time of the site visit.

Work by us. Exploration is limited to early reconnaissance work. A day was spent sampling quartz veins along strike over a representative area. No mapping was carried out.

All samples were first crushed and pulverised to -200#, analysed for gold by fire assay with a limit of detection of 10 ppb and 30 g sample charge, and 33 elements (ICP-OES finish; total acid digest) by SGS Mongolia. A total of 16 samples were collected for analysis summarised below in Tab. 1.

Sample ID	Stop ID	Description	Au [ppm]
OS100; OS102-OS104	Stop 2	Bucky quartz-ankerite-pyrite vein; sulphides mostly oxidised to hm and jr; 0.5 m - 1 m thick, 10 m long; spatially limited sericite-carbonate vein-centred alteration of country rocks.	23.6; 56.7; 18.9; 1.13. Av. 25.1.
OS101	Stop 2	Hematite-silica altered mafic dyke and dyke selvedge	0.03
OS105-OS108	Stop 3	Bucky quartz-ankerite-pyrite vein; mostly fresh py, some hm and jr; 2 m thick vein in small outcrop, length unknown.	0.54; 1.52; 0.3; 0.9. Av. 0.82.
OS109	Stop 4	Bucky quartz-ankerite-pyrite vein; in main shear zone; hosted by ultramafics (spinifex texture seen); carbonate-sericite alteration in shear zone and around vein; vein 1 m - 2 m thick and traceable for 20 m.	0.01
OS110	Stop 6	Bucky quartz-ankerite-(pyrite) vein.	0.01
OS111	Stop 7	Bucky quartz-ankerite-(pyrite) vein; mostly quartz with minor ankerite and pyrite; 2 m by 20 m outcrop of vein.	<LOD
OS112	Stop 8	Bucky quartz-ankerite-(pyrite) vein; mostly quartz with minor ankerite and pyrite; 1.5 m by 5 m outcrop of vein.	0.02
OS113	Stop 9	Bucky quartz-ankerite-(pyrite) vein; minor ankerite and only rare sulphide; carbonate-sericite alteration around vein; >5 m wide, length unknown (small outcrop).	<LOD
OS114	Stop 10	Bucky quartz-ankerite-(pyrite) vein; minor ankerite and only rare sulphide; carbonate-sericite alteration around vein; width 1 m, length 4 m in outcrop.	0.01
OS115	Stop 11	Bucky quartz-ankerite-(pyrite) vein; minor ankerite and pyrite; max 2 m thick and 3 m long (in outcrop).	<LOD

Table 1: Summary of samples taken on the Ochir project with gold assay values. Refer to figure 3 for sampling locations.

It is immediately evident, that there are great discrepancies in gold tenure between individual veins. From the nine sampled veins only two veins located at the eastern end of the shear zone were gold bearing. The vein sampled in stop 2 also shows wide differences between individual samples of the same vein indicating the possibility of a 'nugget effect' due to gold probably occurring as free gold in the quartz. Gold bearing veins are characterised by higher ankerite content, the presence of sulphides, and possibly multiple phases of reopening and sealing. Barren veins are more blocky and commonly only have trace amounts of sulphides and carbonate.

The concentrations of silver, arsenic and the base metals are elevated in the gold bearing veins, but not anomalous where gold is absent (Tab. 2).

Sample ID	Au	Ag	As	Cu	Pb	Zn
OS100; OS102-OS104	25.1 ppm	20.4 ppm	2393 ppm	91.1 ppm	7080 ppm	853 ppm
OS101	0.03 ppm	<LOD	411 ppm	90 ppm	86 ppm	212 ppm
OS105-OS108	0.82 ppm	<LOD	257 ppm	31.2 ppm	42.5 ppm	57 ppm
OS109	0.01 ppm	<LOD	5 ppm	4.5 ppm	3 ppm	9.7 ppm
OS110	0.01 ppm	<LOD	8 ppm	11 ppm	23 ppm	10.6 ppm
OS111	<LOD	<LOD	58 ppm	6.4 ppm	<LOD	8.5 ppm
OS112	0.02 ppm	<LOD	18 ppm	4.2 ppm	<LOD	3.6 ppm
OS113	<LOD	<LOD	45 ppm	3.5 ppm	<LOD	1.7 ppm
OS114	0.01 ppm	<LOD	37 ppm	8.6 ppm	<LOD	2.2 ppm
OS115	<LOD	<LOD	10 ppm	4.2 ppm	<LOD	1.6 ppm

Table 2: Compilation of Au, Ag, As, and base metal tenors.

4. Project Potential

The project is at an early greenfields stage and has seen no prior exploration. Reconnaissance sampling has proven the presence of gold bearing, orogenic quartz veins with potentially grades up to one ounce gold per ton. The controlling structure is a major shear zone with good width and strike continuity. However, all quartz veins are very short and no systematic network or stacking of veins was recognised. Furthermore, most veins are barren with mineralisation restricted to ankerite-pyrite bearing veins of limited known extension. Early work so far has concentrated on quartz veins. It is unknown if there is potential for disseminated mineralisation in the shear zone forming a bulk target. However, at present it is difficult to see any economic and mineable target.

5. Recommendations and Strategy

It is recommended not to further pursue this project as there are currently no indications of any economic potential despite the local presence of higher grade gold mineralisation. More detailed sampling and reconnaissance mapping might still be envisaged if exploration rights could easily be obtained at low capital expenditure. However, securing any exploration licence would be by tender, as the ground is currently open. The implicit caveats of the tender system discourage any further activities.

II. Nergui Low-Sulphidation Epithermal Project

1. Project Ownership

The ground is held by local junior exploration company.

2. Project Name and Location

The project has been christened Nergui, meaning *Nameless* in Mongolian.

The project lies 60 km north of Erdenet in the province of Bulgan (Fig. 6). The nearest sum is Hyalganat. Access is good on sealed roads to Erdenet from Ulaan Baatar and then on excellent dirt roads to the site. Erdenet is the second largest city in Mongolia and has reasonably good infrastructure; there is only basic infrastructure on the project area.

The project lies in the *northern Mongolian magmatic belt* or *Selenge belt*. The belt records Permian to Triassic calc-alkaline volcanism related to the closing of the Mongol-Okhotsk Ocean (Fig. 2). Subduction of oceanic crust doubly to the north and south led to the formation of a magmatic arc (Andean type margin). The Erdenet copper porphyry is one example of porphyry mineralisation formed during this time. It has been postulated that the metamorphic Buteel Terrane occurring to the north of the Selenge River is a Cretaceous metamorphic core complex. This would be consistent with widespread Cretaceous rifting following collision in the Middle to Late Jurassic and regional mapping.

Alteration and veining can be traced over a strike length of at least 5 km. Due to time constraints only 1.5 km of the alteration system has been sampled. Width of alteration and veining is approximately 300 m to 350 m wide at the north eastern end.

Figure 6: Map of Mongolia with project location. The inset map corresponds to the area outlined by the red rectangle.

3. Geological Setting and Style of Mineralisation

Geological setting The project lies just south of the Selenge River at the boundary between dominantly Permian volcanic rocks and Upper Proterozoic metamorphic rocks. Refer to Figure 7 for a geologic map and stratigraphy of the area.
Could the mineralisation be Cretaceous, considering that there is some evidence for rifting in the Early Cretaceous, epithermal deposits in the North Eastern Epithermal Belt in eastern Mongolia are mostly Cretaceous in age?

The epithermal veining is hosted by a conglomerate-breccia, or possibly a tuff, of intrusive or volcanic clasts. Clasts are rounded to subrounded and mm- to 20 cm sized. Largest and most abundant clasts are granitic. The breccia is matrix supported with the matrix being very fine grained. Distribution of clast size and clast form is not homogeneous over the area.

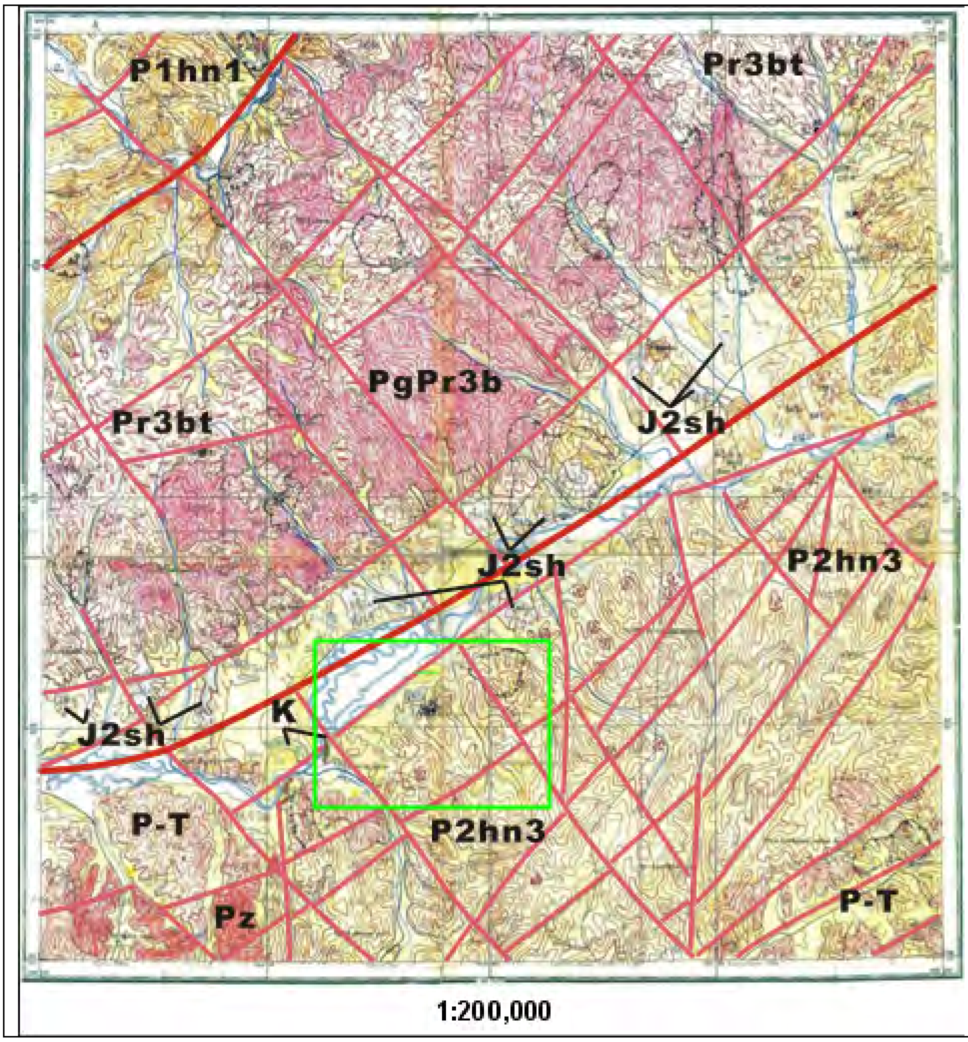

*Figure 7: Mongolian 1:200,000 scale geological map of the project area (outlined as green square). The editorial quality of the map is an indication of the still immature state of exploration in this part of Mongolia. Stratigraphy: **K1**: Lower Cretaceous. Polymict conglomerate, oligomict sandstone, layers of siltstone. **J2sh**: Middle Jurassic. Saihaan Ovoo Frm. Conglomerate, gravelstone, sandstone with layers of siltstone and coal. **P-T**: Upper Permian – lower Triassic. Selenge complex. Granite, granodiorite, leucogranite, dykes. **P2hn3**: Upper Permian. Hanui Frm. Basalt, andesite, tuff, tuff-breccia, tuff-conglomerate. **P2hn1**: Upper Permian. Hanui Frm. Andesite, basalt tuff, tuff-breccia, rare tuff-conglomerate. **Pz**: Lower Paleozoic. Djida complex. Granite, melanogranite, dykes. **Pr3bt**: Upper Proterozoic. Butulin Frm. Biotite gneiss, amphibolite-biotite gneiss, migmatite.*

Structural characteristics The system shows a clear NE-striking structural control with hydrothermal alteration forming resistant ridges. This orientation corresponds to the main regional structural strike. A second, later (or reactivated) set of NW-striking structures offsets the primary NE-structures. The north eastern end of the system, which has been sampled forms a very distinct and sharp ridge with intense quartz veining. At this end, the system is branching and composed of several parallel zones of veining (Fig. 8 a). The main structural orientation of the system seems to be steeply dipping towards the SE with flat lying veins ‘laddering out’ the side of the ridge (Fig. 8 b). The ‘ladder veins’ are connected by a swarm/stockwork of smaller veins forming a dense network of veining. Away from the main ridge the system is characterised by numerous, steeply dipping sheeted veins with smaller stockwork. Later, thinner veins of also epithermal texture obliquely cross-cut the early vein set.

Wallrock alteration and veining The system is characterised by dense, wide, and continuous epithermal veins. Veining can be traced over a strike length of 5 km. All veins are typical low-sulphidation, colloform-banded quartz-adularia-(bladed) carbonate veins or more massive veins of sugary/mossy quartz (Fig. 9 a-c). Veining locally shows zonation from colloform-banded veins to more massive sugary quartz veins/replacement to brecciation and replacement of breccia matrix by silica, adularia and bladed carbonates. Locally veins are brecciated. Abundant bladed carbonates clearly indicate boiling conditions. Individual veins are cm- to 2 m wide with good strike continuity. No sulphides were noted in outcrop. Negative crystals of fluorite (?) were noted on an outcrop on the main ridge of the system in a banded quartz-adularia vein (Fig. 9 d).

Alteration of host rock seems to be limited and centred on veins. Mostly the country rocks are only silicified with local chalcedony and adularia replacing the matrix of the breccia. No sericite and sulphides were noted. Locally brecciation and replacement of matrix by quartz-adularia-(bladed) carbonates can be observed around veins. A greenish unidentified mineral was observed in the breccia (Cr?).

Nature of ore The exposed system is part of a low-sulphidation epithermal vein system. The narrow-banded colloform veining, presence of chalcedony, and boiling textures as bladed carbonates are indicative of formation at shallow depth and rapidly cooling fluids. Despite promising vein and boiling textures, sampling so far has been a bit disappointing. Gold grades are mostly below 0.1 ppm but occasional samples assayed up to 1.5 ppm.

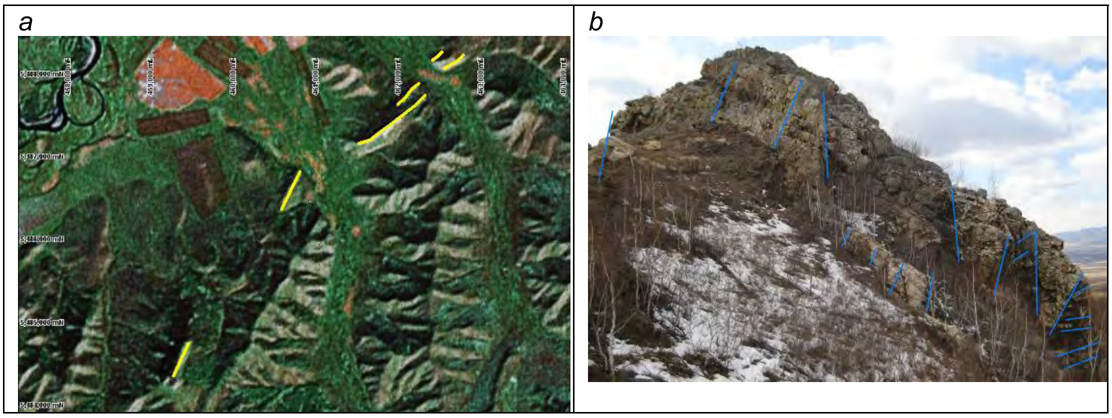

Figure 8: a) Satellite image with outcropping veining in yellow. Veining of varying intensity is likely to continuously extend over the whole strike extent. Only the north eastern end has been visited and sampled so far. b) View to the W-SW of the main ridge with intense

colloform banded quartz-adularia-carbonate veining. The ridge top is dominated by steeply south east dipping veins (about 140/70) with flat lying veins on the northern flank of the hill forming a 'ladder'-shaped vein network.

Figure 9: a) Steeply dipping colloform banded quartz-adularia-1carbonate vein on the south of the ridge at the north east end of the system. Swarm of 1 cm to 10 cm wide veins trending 300 oblique to major vein system. b) Good example of bladed carbonate in a boulder of float. c) Possible negative crystals of fluorite in a more massive quartz-adularia vein on the main ridge of the system.

4. Exploration History and Results

Previous exploration The area has not seen any previous exploration.

Work by us Work so far is restricted to limited reconnaissance sampling. Only the NE-most 1.5 km of the system have been rock chip sampled. Although the current sampling should be a fairly good representation of the surface mineralisation at the NE, most of the strike extent of the system remains untested.

All samples were first crushed and pulverised to -200#, analysed for gold by fire assay with a limit of detection of 10 ppb and 30 g sample charge, and 33 elements (ICP-OES finish; total acid digest) by SGS Mongolia. A total of 37 samples were collected for analysis.

Of the 37 samples collected, only 9 samples assayed at over 0.1 ppm gold with a maximum value of 1.49 ppm; 12 samples were below limit of detection (Fig. 10 a).
Silver is below LOD in all samples. Tenors of lead (<14 ppm), zinc (average 9.3 ppm), copper (average 8.5 ppm), and arsenic (average 14.1 ppm are insignificant and do not show any correlation with gold. Only antimony shows a slight correlation to gold (Fig. 10 b).

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5. Project Potential

Although gold assay results did not meet the expectations, the project remains interesting. The whole system has not yet been tested and rock textures, size of the system, and the geological setting are promising.
Despite being only 60 km away from the Erdenet Cu-Mo porphyry mine, which is the most important copper producer in Mongolia, the Selenge belt is still immature and prospective for porphyry-style mineralisation. Only considering the very primitive state of regional mapping done historically highlights the exploration potential. A detailed aeromagnetic survey could generate Cu-porphyry targets.

Tsagaan Ovoo Low-Sulphidation Epithermal Project

6. Project Ownership

The project is owned by the foreign company. The whole project consists of one exploration license
The project is for sale. Expected price for the property will mainly be the effective money spent on exploration on the ground (no drilling) plus an undefined percentage.

7. Project Name and Location

The project is referred to as Tsagaan Ovoo, meaning *White Mountain* in Mongolian. The license is located between the sums of Tsagaan Ovoo and Norovlin approximately 200 km north east of Underkhaan in Dornod Province (Fig. 12). Access is by sealed roads to Underkhaan from Ulaan Baatar, then on good dirt roads to Norovlin and the actual project site. The infrastructure in direct vicinity of the project is minimal.

Figure 12: Map of Mongol ia with proje ct location. Th e inset m ap corre sponds to the area outlined by the red rectangle.

The project lies in the *North East E pithermal Belt*, a belt of porphyry and epithermal mineralisation extending from Russia through Inner Mongolia and eastern Mongolia. The belt follows the Mongol-Okhotsk suture zone marking the closure of the ocean of the same name and accretion of Mongolia with the Siberian craton (Fig. 2).
Oceanic crust was doubly subducting to both the north and the south. Therefore magmatic arcs developed on both sides of the suture in the Permian to Triassic. Collision in the Middle to Late Jurassic led to shortening and crustal thickening. Crustal collapse in the Early Cretaceous resulted in a diffuse, very large extensional province (horst-and-graben geometries and metamorphic core complexes).
According to Russian research, most mineralisation is Jurassic in age and formed in a compressional regime ('intrusion-related', porphyry, and orogenic deposits). Epithermal deposits are rarer and Early Cretaceous in age.

Alteration and veining spreads over an area of at least 600 m by 350 m, but could be significantly larger if the system extends under cover.

8. Geological Setting and Style of Mineralisation

Geological setting Geological setting Regional stratigraphy according to mapping done by previous explorationist:

- Devonian-Carboniferous schistose-carbonaceous formations.
- Permian sandstones and siltstones.
- Lower-Cretaceous (K1) volcano-sedimentary series. Basal conglomerate, rhyolitic, pyroclastic breccias, conglomerates and slightly cemented sandstones (K1DZ). Cretaceous graben locally trend NS.
- Later granitic intrusion and numerous acidic-intermediate sub-volcanic dykes (NS- and NW-SE striking).

Structural characteristics All hydrothermal alteration in the district is oriented along NW to SE striking structures (Fig. 13). This is supported by satellite imagery where the zone is located on a NW to SE striking lineament. This NW striking orientation is consistent with a regional set of transfer faults segmenting the Cretaceous basins. However, we think the veining to be oriented NS to NNE based on outcropping/subcropping quartz-adularia veins north and south of the hill tops which are dominated by brecciated epithermal quartz veins (Fig. 14). This NS orientation is consistent with the orientation of graben in the area. Speculatively, the system could be located at the intersection of these two structural directions and specifically focus the breccia bodies at these points.

Satellite imagery shows the system to lie at the centre of a circular feature. It is possible, that the system lies on top of an intrusive system. This is supported by float of quartz-phyric felsic intrusive rocks.

The breccia shows multiple stages of brecciation and cementing. The quartz adularia veins are cut by at least one generation of later, narrower veins of similar colloform texture and composition.

Figure 14: Panorama photograph of the project area with view to the west. The two hills are capped by strongly silicic breccia. The hill tops are 300 m apart with brecciation and veining continuing in between. Float of breccia and subcropping epithermal veining extends down-slope towards the foreground of the picture.

Wallrock alteration and veining The two hill caps consists of strongly silicified breccia. Breccia clasts are mostly angular and up to 0.5 m large. Clasts are mostly colloform banded to vuggy and mossy quartz-adularia veins in a matrix of banded quartz and pink-coloured adularia (Fig. 15). Locally strongly silicified pieces with quartz phenocrysts were seen which could be fragments of a felsic intrusive.
Down-slope of the hills the system is more vein-dominated with brecciation becoming secondary. One has to rely on subcrop and boulder trains away from the hill tops, as there is only spotty outcrop. The vein textures and composition are identical to the clasts in the breccia. Trace fresh pyrite was seen in the veins and breccia, but most of the sulphides have been weathered to goethite. Goethite staining is strongest on fractures and as vugh fill or occurring as boxwork with up to 10 % goethite. Locally the veins contain powdery sericite. Veins on the north eastern flank of the hills are more massive with less adularia and more sugary quartz. Carbonates seem to be absent.
Width of individual veins is 1 m to 2 m based on subcrop. There seems to be a good density of parallel NNE-trending veins.

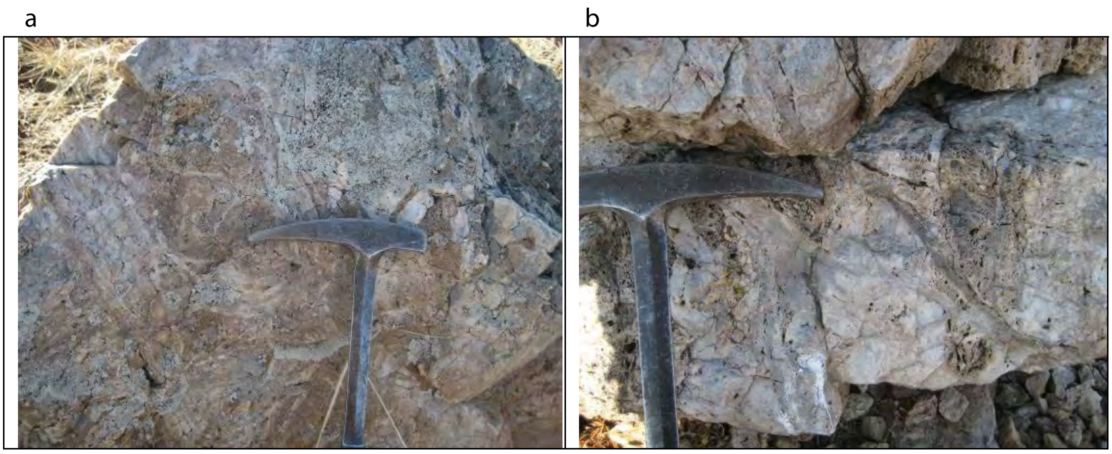

Figure 15: a-b) Exam ples of m ulti-phase bre cciated colloform quartz-adularia veins with a quartz-adularia matrix. Goethite staining in vughs and on fractures.

Nature of ore Vein textures, mineralogy and setting identify the mineralisation as low-sulphidation epithermal type. The veins as well as the breccia are equally mineralised. Average grade in colloform banded quartz-adularia veins and the breccia is between 0.7 ppm to 0.8 ppm with highest values reportedly at over 27 ppm. The nature and siting of gold is currently unknown, but there seems to be a good correlation between gold grade and sulphide-iron oxide contents. More massive, sugary quartz veins have only slightly elevated gold values (mostly below 0.1 ppm).

9. Exploration History and Results

Previous exploration Follow up of Au-Cu anomalous stream sediment samples and gold bearing rock chips taken on mapping traverses led to the discovery of the breccia body by previous geologists. They defined three further zones of hydrothermal alteration on the tenement. The field visit by us showed the latter zones to be negligible in size or not prospective.

Previous explorationist systematically sampled the core of the breccia around and between the two hills (52 samples on the breccia and veining; 11 samples along the northern boundary). Gold values in the 52 samples taken spread between 0.06 ppm to 27.80 ppm; 48 samples have values above 0.10 ppm; 28 samples are above 0.50 ppm; 10 samples are above 1.50 ppm. The average value is of 1.76 ppm. Not including the two highest assay values (23.70 ppm on the western hill, 27.80 ppm on the eastern hill) the average still lies at 0.80 ppm.

After the rock chip sampling, no further work was carried out.

Work by us Work carried out to date is limited to representative rock chip sampling over the whole outcropping system.

All samples were first crushed and pulverised to -200#, analysed for gold by fire assay with a limit of detection of 10 ppb and 30 g sample charge, and 33 elements (ICP-OES finish; total acid digest) by SGS Mongolia. A total of 30 samples were collected for analysis (Fig. 16).

Our results confirm previous sampling, although the very high gold numbers could not be reproduced, and the average tenure is somewhat lower (average value 0.66 ppm Au; 6 samples over 1 ppm Au; maximum value 2.9 ppm Au). While the most consistently high values seem to cluster around the south eastern hill with the most intense brecciation and silicification, gold grades in colloform banded quartz-adularia veins down-slope still have comparable values. Generally, samples with higher content of goethite or presumably oxidised sulphides have the best gold grades.

Silver, the base metals and to a lesser extent arsenic are related to gold. Assays for samples with gold grades above 0.5 ppm are given in Table 3.

Sample ID	Au	Ag	As	Pb	Zn	Cu
TO023	0.5 ppm	7 ppm	26 ppm	571 ppm	143 ppm	41.9 ppm
TO016	0.52 ppm	6 ppm	435 ppm	3510 ppm	167 ppm	97.4 ppm
TO015	0.63 ppm	10 ppm	146 ppm	5650 ppm	134 ppm	396 ppm
TO013	0.71 ppm	10 ppm	440 ppm	8000 ppm	134 ppm	479 ppm
TO007	0.75 ppm	5 ppm	250 ppm	1960 ppm	1060 ppm	206 ppm
TO014	0.93 ppm	6 ppm	483 ppm	4970 ppm	113 ppm	308 ppm
TO020	0.96 ppm	12 ppm	204 ppm	5820 ppm	260 ppm	170 ppm
TO030	0.98 ppm	3 ppm	257 ppm	2910 ppm	119 ppm	142 ppm
TO018	1.31 ppm	13 ppm	148 ppm	6420 ppm	107 ppm	122 ppm
TO029	1.32 ppm	<LOD	53 ppm	5690 ppm	74.3 ppm	351 ppm
TO017	1.41 ppm	7 ppm	134 ppm	5500 ppm	166 ppm	132 ppm
TO032	1.73 ppm	6 ppm	171 ppm	6900 ppm	95.1 ppm	105 ppm
TO003	1.83 ppm	4 ppm	231 ppm	3480 ppm	192 ppm	123 ppm
TO019	2.9 ppm	13 ppm	250 ppm	12000 ppm	306 ppm	262 ppm

Table 3: Compilation of gold assays over 0.5 ppm, silver, arsenic and base metals.

Gold values seem to drop along the north eastern boundary of the hills, but otherwise the system is still open and veining is likely to extend under cover towards the south west.

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10. Project Potential

The early results obtained to date clearly justify further exploration work. Extension of mineralisation in outcrop is already significant and likely to continue under cover. The system shows multiple stages of brecciation and veining with good alteration. High-grade zones or pipes are likely to be present.

The topography and vegetation would permit easy mapping, ground geophysical work, soil sampling, and trenching with subsequent diamond drill hole testing.

After acquisition of the property, the following work plan is recommended:

- Regional mapping with focus on the core area and structural controls
- Soil sampling program (1.5 km^2 to 2 km^2 surface initially); eventually trenching
- Ground-based geophysical survey
- 3000 m to 3500 m of diamond drilling

First pass drill testing could potentially be carried out before the winter 2009-2010 sets in.